MEBUKI Financial Group

Annual Report 2017

Year Ended March 31, 2017

A Message from the Management

Kazuyoshi Terakado,
President

Masanao Matsushita,
Executive Vice President

Thank you for your continued patronage.

On October 1, 2016, Joyo Bank, Ltd. and Ashikaga Holdings Co., Ltd. completed a business integration through share exchange, and launched Mebuki Financial Group, Inc. (hereinafter referred to as the "Company", and together with its subsidiaries collectively the "Group"), a financial holding company over the subsidiaries The Joyo Bank, Ltd. and The Ashikaga Bank, Ltd. We would like to express our gratitude for your understanding and support with the startup of this new financial group.

Mebuki is Japanese for "green shoots." The name reflects a Group company commitment to call upon a great amount of expertise and creativity to produce fresh ideas and new values after another. This company name expresses our desire to bring new value and vitality to our communities and grow sustainably with them.

The management philosophy of the new financial group is to "Provide high-quality comprehensive financial services to continue creating a prosperous future with local communities." On that foundation, we will maintain and deepen our relationships with the customers and local communities that both banks have developed up to this point, and utilize wide-area networks in an effort to "discover regional industries, revitalize the local economy, and create new markets."

As the driving force in regional development and local creation, it is our intention to push forward as a financial group that contributes to the sustainable growth of the region by consolidating the ingenuity of the Group and providing high-quality comprehensive financial services. We hope for your continued kindness and support in the future as well.

September 2017

Corporate History (As of April 3, 2017)

November 2015	Notice Regarding the Basic Agreement Concerning a Business Integration through a Share Exchange of The Joyo Bank, Ltd. and Ashikaga Holdings Co., Ltd.
April 2016	Notice Regarding Definitive Agreement Concerning the Business Integration of The Joyo Bank, Ltd. and Ashikaga Holdings Co., Ltd. through a Share Exchange
June 2016	Approval of stock exchange agreement at the ordinary general meeting of shareholders of The Joyo Bank, Ltd. and Ashikaga Holdings Co., Ltd.
October 2016	Establishment of the Mebuki Financial Group, Inc.
April 2017	Acquired all shares of Mebuki Lease Co., Ltd. (formerly known as The Joyo Lease Co., Ltd.) from The Joyo Bank, Ltd.

Contents

Disclaimer regarding forward-looking statements

This Annual Report contains certain forward-looking statements, including estimates, forecasts, targets and plans. Such forward-looking statements are based on the information available and the assumptions deemed reasonable by management at the time of publication of the Annual Report, and do not represent any guarantee by management of future performance. We are under no obligation, and disclaim any obligation, to update or alter our forward-looking statements, whether as a result of new information, future events or otherwise.

About Mebuki Financial Group, Inc.

Ideals reflected in the Company's name and logo

Name

Mebuki Financial Group, Inc.

Ideals reflected in the name

The Japanese word mebuki, or "green shoots," conveys an image of new leaves budding on tree branches. This word is used in the Group's name to express its approach of drawing on the knowledge and creativity of each of its companies to create fresh ideas and new value. The name Mebuki expresses our wish to create new energy and value in local communities and pursue sustainable growth along with these communities.

Logo

MEBUKI
Financial Group

[Brand logo design concept]

The brand's distinctive logo design shows three fresh young leaves sprouting, expressing an image of vibrant life and growth. Mebuki Financial Group is symbolically portrayed as firmly rooted in the community, constantly creating new value and developing a promising future.

[Colors in the logo]

The main color is "assuring blue," a distinctive shade which represents wisdom and trust. This is combined with "growing green," a youthful color which represents growth and the future.

Group Philosophy

Together with local communities, we will continue to build a more prosperous future by providing high-quality, comprehensive financial services.

The ingenuity of the entire Group will be combined to contribute to sustainable growth in communities. We will build a better future together with local communities, seeking solutions to challenges that affect these communities by providing high-quality, comprehensive financial services.

Vision of the new Group (strategic goals)

Building the region’s future as a comprehensive financial services group

The Group will maintain and promote the relationships with customers and local communities, as well as the deep understanding of local communities that both banks have developed over the years. At the same time, the Group will use its wide-area network to expand its zone of economic interactions, expand the scale and scope of comprehensive financial services that it offers, and grow along with communities by promoting “the development of local industries, the revitalization of local economies, and the creation of new markets.”

The Group’s philosophical structure and basic approach of the new Group’s activities

Mission	Contributing to local communities by developing and growing together			
Vision	Expanding into more areas of business, more regions, and a greater scale as an open financial group			
Growth drivers	**Using our network to promote local economic growth:** We will draw on our wide-area network, which includes major corporations in the Metropolitan area, to increase the flow of commerce, information, and B2B exchanges.	**Developing and offering advanced services:** We will develop and promote advanced financial services based on IT and inter-industry collaboration.	**Building the revenue base through integration:** Our revenue base will be strengthened by streamlining operations and strategically reallocating business resources.	**Training professionals:** Our training will enable employees to respond professionally to complex and diverse financial needs with an understanding of the local communities.
Values	One-stop comprehensive financial services including leasing, securities, research functions, and IT services			
Underpinnings	Solid relationships of trust with local communities Regional financial institutions with the top market shares			

Targets for realization of the vision

First Medium-term Group Business Plan
(2nd half of FY2016 to FY2018)

Getting the new Group on the right track to success

FY2018

Consolidated net income: About **47** billion yen
Consolidated ROE: **5**% or more
Consolidated capital adequacy ratio: Mid **10**% level

Second Medium-term Group Business Plan
(FY2019 to FY2021)

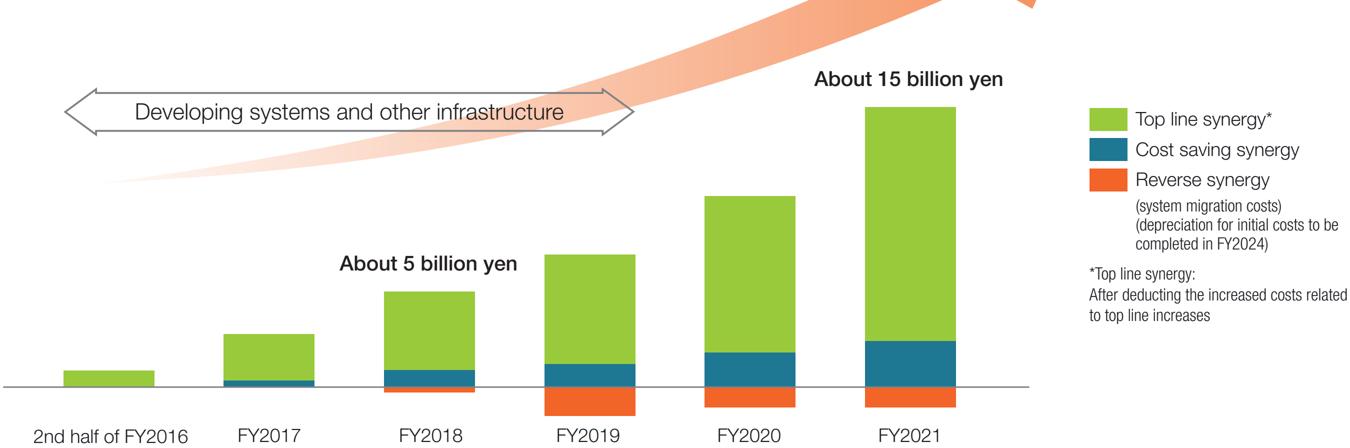
Producing solid results and upshifting for the next stage of growth

FY2021 (For reference)

Consolidated net income: About **64** billion yen
Consolidated ROE: Over **6**%
Consolidated capital adequacy ratio: Over **10.5**%

[The vision]

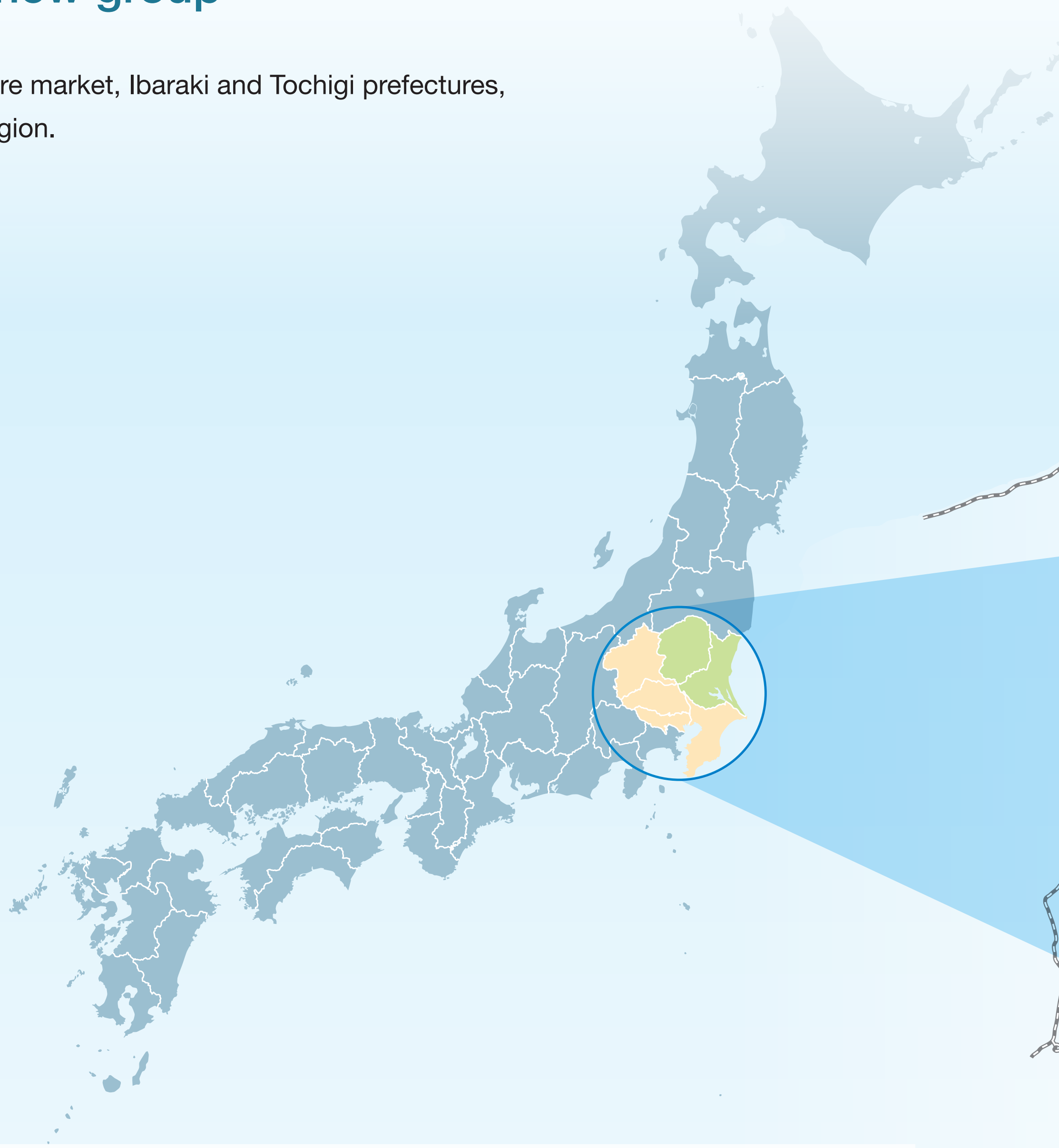
Building the region’s future as a comprehensive financial services group



*Top line synergy:
After deducting the increased costs related to top line increases

Market of the new group

Impressive share of its core market, Ibaraki and Tochigi prefectures,
Near the greater Tokyo region.



Economic scale of our operating area

	Ibaraki Prefecture	National Rank	Tochigi Prefecture	National Rank	Gunma Prefecture	National Rank	Saitama Prefecture	National Rank	Tokyo Metropolitan	National Rank	Chiba Prefecture	National Rank
Prefectural gross product (2014) (¥ trillion)	11.6	11	8.2	16	8.0	17	20.9	5	94.9	1	20.0	6
Population (2016) (thousand)	2,905	11	1,966	19	1,967	18	7,289	5	13,624	1	6,236	6
Prefectural income per capita (2014) (¥ thousand)	3,088	11	3,204	4	3,092	10	2,903	20	4,512	1	2,970	16
Number of businesses (2016)	115,212	12	86,143	20	90,433	18	241,050	5	623,656	1	189,534	9
Manufactured goods shipped (2014) (¥ trillion)	11.3	8	8.2	12	8.2	13	12.0	7	7.7	15	13.7	6
New Factory Locations (excluding power supply sector) (2016) (number / area(ha))	40 / 93ha	7 / 1	29 / 47ha	13 / 10	56 / 54ha	3 / 7	32 / 28ha	10 / 13	2 / 1ha	46 / 47	21 / 27ha	16 / 15

Note: The above ranks are the ranks among the 47 prefectures.

Source: Prefectural gross product and prefectural income per capita data is from the Cabinet Office. Population data and Number of businesses are from the Ministry of Internal Affairs and Communications. Manufactured goods shipped and new factory locations data come from the Ministry of Economy, Trade and Industry.

Number of offices	334 offices
Ibaraki	154 offices
Tochigi	120 offices
Gunma	15 offices
Saitama	20 offices
Tokyo	6 offices
Chiba	6 offices
Others	13 offices

as of March 31,2017

Mebuki Financial Group's Overseas Business Support Activities

The Group offers various overseas business support services including foreign currency exchange, overseas remittances, loans and standby credit in local currencies, and the provision of information obtained from local partner banks and government agencies.

In addition to four overseas representative offices of the Group (three offices of Joyo Bank and one office of Ashikaga Bank, as of March 2017), we offer a wide variety of support services through business alliances with local financial institutions and government agencies in Asia and North America.

Shanghai Representative Office, Joyo Bank

Address: Room 1901, Shanghai International Trade Centre, 2201 Yan An Road (West), Shanghai 200336 P. R. China

Phone: +86-21-6209-0258

Periodicals: Shanghai Forefront

Hong Kong Represen ta

Address: Suite 1601, 16th Floor, Tower2, The Gateway, Harbour City, Kowloon, Hong Kong

Phone: +852-2251-9475

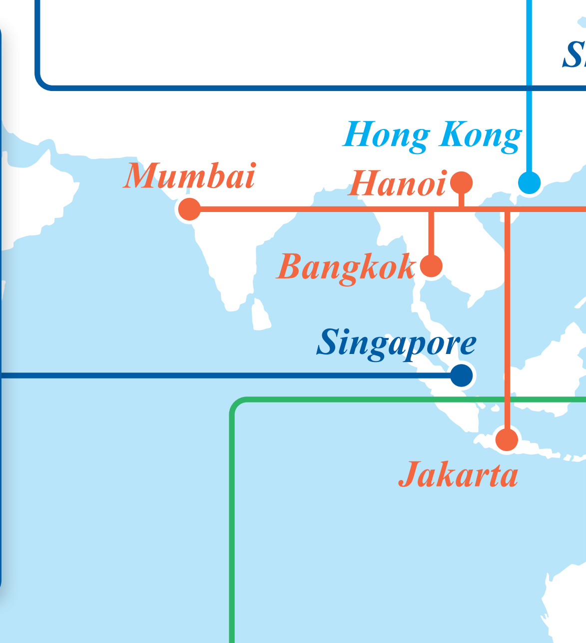
Periodicals: Ashikaga Bank Hong Kong Report

Singapore Representative Office, Joyo Bank

Address: 63 Market Street, #11-03 Bank of Singapore Centre, Singapore 048942

Phone: +65-6225-6543

Periodicals: Joyo ASEAN News



Major alliance partners	Joyo Bank	Ashikaga Bank	Business overview of alliance partners
Japan External Trade Organization (JETRO)	●	●	Provision of various types of information concerning overseas business development; provision of information concerning foreign country regulations, etc.
Japan International Cooperation Agency (JICA)	●		Provision of various types of information concerning overseas business development in developing nations; provision of information concerning foreign country regulations
Japan Bank for International Cooperation (JBIC)	●		Provision of loans to support overseas business development
Nippon Export and Investment Insurance (NEXI)	●	●	Provision of various types of trade insurance to cover foreign transaction risks in export transactions
Organization for Small & Medium Enterprises and Regional Innovation, JAPAN		●	Provision of various types of information concerning overseas business development; provision of information concerning foreign country regulations, etc.
Tokio Marine & Nichido Fire Insurance	●	●	Provision of risk information overseas; provision of risk management consulting services; provision of various types of P&C insurance
Sompo Japan Nipponkoa Insurance	●	●	
Mitsui Sumitomo Insurance	●	●	
SECOM	●		Provision of security system and crime prevention equipment overseas; provision of security services overseas
Sohgo Security Services	●		

In September 2016, Joyo Bank and Ashikaga Bank entered into a business partnership agreement with Guanajuato and Nuevo León, local state governments of Mexico, and Banamex, a major Mexican financial institution, with respect to overseas business development. In November 2016, Joyo Bank entered into a general agreement with Japan Bank for International Cooperation (JBIC), to financially support M&As and stabilization of small and medium-sized overseas business.

Furthermore, the Group also promotes various initiatives to demonstrate its collaborative creation capabilities, including hosting of the Hong Kong Business Meeting and the Hanoi Business Meeting and co-hosting of the Hanoi Factory Network Business Expo.

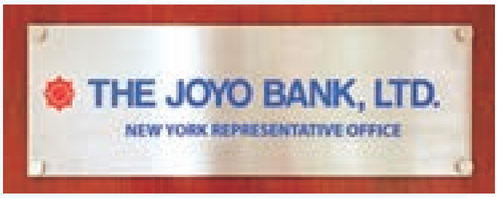
n tative Office, Ashikaga Bank

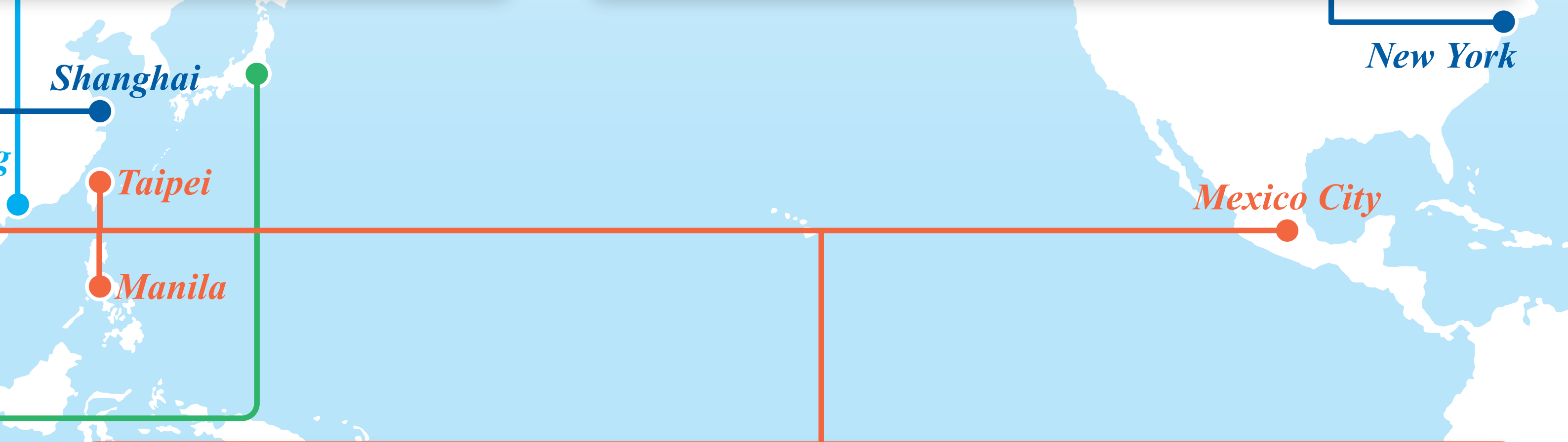
New York Representative Office, Joyo Bank

Address 712 Fifth Avenue, 8th Floor
New York, NY 10019
U. S. A.

Phone +1-347-686-8420

Periodicals Joyo New York Report





	Country/region	Major alliance partners	Joyo Bank	Ashikaga Bank	Business overview of alliance partners
East Asia	China	Bank of China (China)	●	●	Provision of information regarding China; provision of various financial services including establishment of accounts
		Bank of Communications (China)	●		
	Taiwan	CTBC Bank (Taiwan)	●		Provision of information regarding Taiwan; provision of various financial services including establishment of accounts
South East Asia/South Asia	Thailand	Kasikorn Bank	●	●	Provision of information regarding Thailand; provision of various financial services including establishment of accounts
		Bangkok Bank	●		
	Indonesia	Bank Negara Indonesia	●		Provision of information regarding Indonesia; provision of various financial services including establishment of accounts
		Bank CIMB Niaga		●	
	Vietnam	Vietin Bank	●		Provision of information regarding Vietnam; provision of various financial services including establishment of accounts
		Vietcombank	●	●	
		Foreign Investment Agency of Vietnam	●		Cooperation in hosting seminars relevant to Vietnam; various support for business expansion to Vietnam; provision of investment-related information
	Philippines	BDO Unibank	●		Provision of information regarding Philippines; provision of various financial services including establishment of accounts
		Metrobank		●	
	India	State Bank of India	●	●	Provision of information regarding India; provision of various financial services including establishment of accounts
Central America	Mexico	Banamex	●	●	Provision of information regarding Mexico; provision of various financial services including establishment of accounts
		Government of Aguascalientes, Government of Jalisco, etc.	●	●	Provision of local market information; provision of investment-related information regarding Mexico

Financial Highlights

MEBUKI Financial Group

Mebuki FG (Consolidated Basis)

(Billion yen)

FY2016	Result	Progress	Forecast
Net income attributable to owners of the parent	158.4	102.2%	155.0
Capital adequacy ratio	10.62%	—	—

The Group's total income and total expenses were 332.5 billion yen and 163.1 billion yen, respectively.

Net income attributable to owners of the parent reached 158.4 billion yen partly because a gain on negative goodwill associated with the business integration amounting to 119.2 billion yen was included.

Consolidated capital adequacy ratio reached 10.62%.

Total of Joyo Bank and Ashikaga Bank (Non-Consolidated Basis)

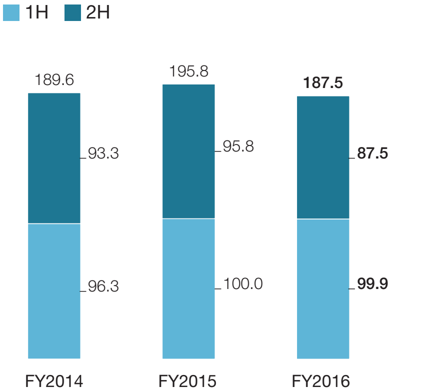
(Billion yen)

	FY2016					
	Joyo + Ashikaga		Joyo Bank		Ashikaga Bank	
	Result	Year-on-year change	Result	Year-on-year change	Result	Year-on-year change
Gross business profit	187.5	(8.3)	105.2	(6.2)	82.3	(2.0)
Net interest income	153.4	(4.4)	85.1	(4.6)	68.2	+0.1
Net fees and commissions	27.6	(2.7)	14.3	(1.1)	13.2	(1.6)
Net other business income and net trading income	6.3	(1.0)	5.6	(0.4)	0.7	(0.5)
(o/w gains/losses on bond transactions)	5.6	(2.8)	5.8	(1.7)	(0.2)	(1.0)
Expenses	115.0	(0.2)	68.5	+0.2	46.4	(0.5)
Personnel expenses	60.4	+0.0	34.7	(0.2)	25.7	+0.3
Non-personnel expenses	47.0	(1.3)	29.5	(0.0)	17.5	(1.3)
Net business income	72.5	(8.0)	36.7	(6.5)	35.8	(1.5)
Core net business income (before general allowance for loan losses)	66.9	(5.1)	30.8	(4.7)	36.0	(0.4)
Net transfer to general allowance for loan losses (a)	(0.4)	+0.2	(0.6)	+0.0	0.1	+0.1
Net business income	73.0	(8.2)	37.3	(6.5)	35.6	(1.7)
Net non-recurrent gains/losses	(4.0)	(5.3)	(1.7)	(0.4)	(2.3)	(4.8)
o/w Disposal of non-performing loans (b)	10.0	+4.8	5.4	(0.0)	4.5	+4.8
o/w Gains/losses related to stocks, etc.	9.7	+2.5	7.5	+2.8	2.1	(0.3)
Ordinary profit	68.9	(13.6)	35.6	(7.0)	33.2	(6.5)
Other income/losses	(2.1)	(1.0)	(0.8)	(0.1)	(1.3)	(0.9)
Net Income	50.8	(7.7)	24.4	(3.3)	26.4	(4.4)
Credit related costs (a) + (b)	9.5	+5.0	4.7	(0.0)	4.7	+5.0

Total (Joyo + Ashikaga)

Gross business profit

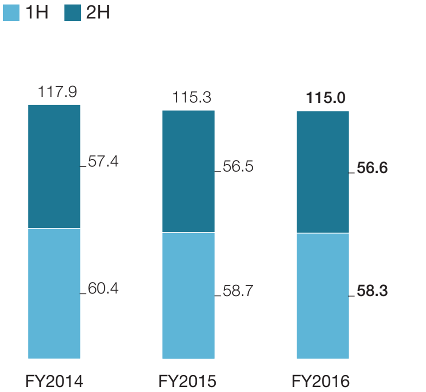
(Billion yen)



Point	Gross business profit decreased by 8.3 billion yen YoY to 187.5 billion yen due to decreased domestic net interest income caused by a decline in market interest rates and in net fees and commissions.

Expenses

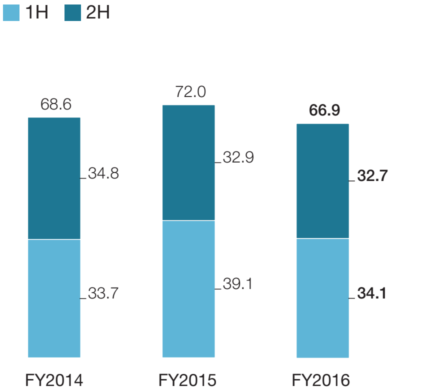
(Billion yen)



Point	Expenses decreased by 0.2 billion yen YoY to 115.0 billion yen as a result of cost reduction mainly in non-personnel expenses despite increased income taxes.

Core net business income

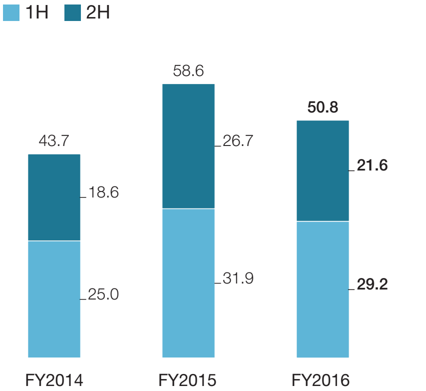
(Billion yen)



Point	Core net business income decreased by 5.1 billion yen YoY to 66.9 billion yen mainly because the decrease of gross business profit exceeded that of expenses.

Net income

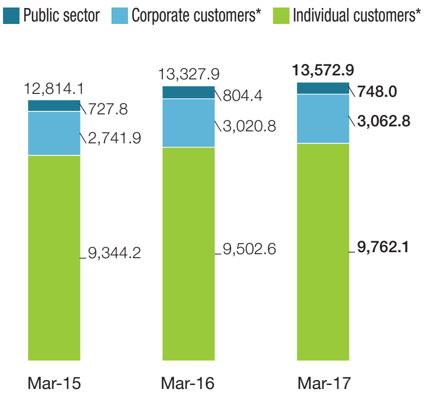
(Billion yen)



Point	Net income decreased by 7.7 billion yen YoY to 50.8 billion yen mainly due to decreased gross business profit and increased credit related costs.

Balance of deposits

(Billion yen)

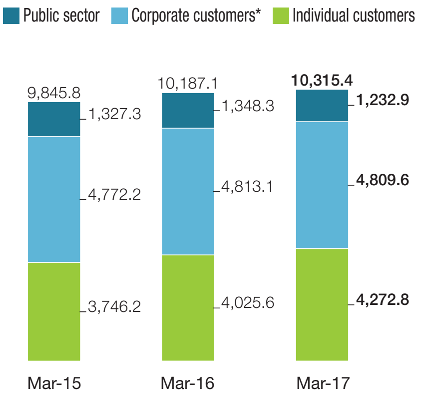


*Including foreign currency deposits

Point	The balance of deposits increased by 245.0 billion yen YoY to 13,572.9 billion yen overall due to increased deposits by both individual and corporate customers driven by improved customer convenience.

Balance of loans

(Billion yen)



*Including foreign currency loans

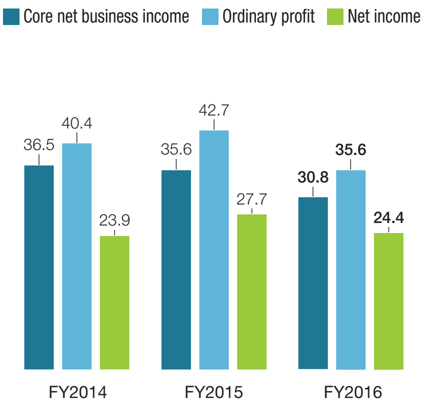
Point	The balance of loans increased by 128.3 billion yen YoY to 10,315.4 billion yen overall mainly due to an increase in loans to individual customers including housing loans.

Financial Highlights (non-consolidated)

JOYO BANK

Status of income

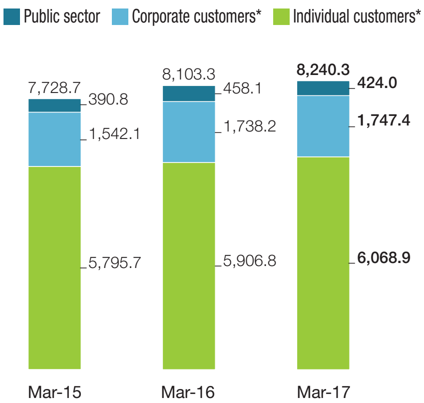
(Billion yen)



Point	Net income decreased by 3.3 billion yen YoY to 24.4 billion yen mainly due to decreased net interest income and net fees and commissions.

Balance of deposits

(Billion yen)

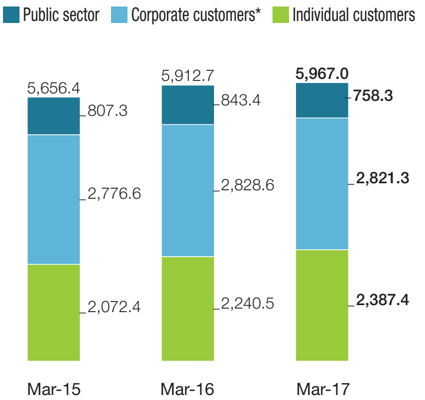


Point	The balance of deposits increased by 137.0 billion yen YoY to 8,240.3 billion yen mainly due to increased deposits of both individual and corporate customers.

*Including foreign currency deposits

Balance of loans

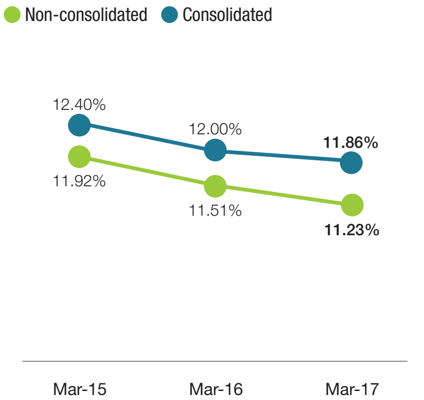
(Billion yen)



Point	The balance of loans increased by 54.3 billion yen YoY to 5,967.0 billion yen mainly due to an increase in loans to individual customers including housing loans.

*Including foreign currency loans

Status of capital adequacy ratio

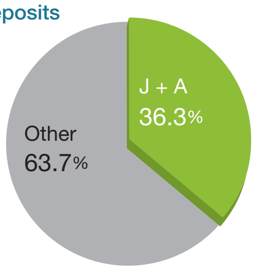


Point	Consolidated (Joyo Bank and its subsidiaries) capital adequacy ratio resulted in 11.86%.

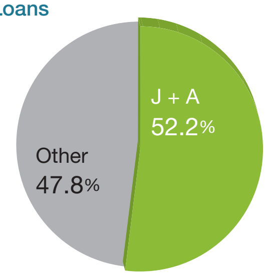
(Aggregated market share of Joyo Bank and Ashikaga Bank in Ibaraki Prefecture)

We maintain a high degree of market share in both deposits and loans in Ibaraki Prefecture.

Deposits



Loans

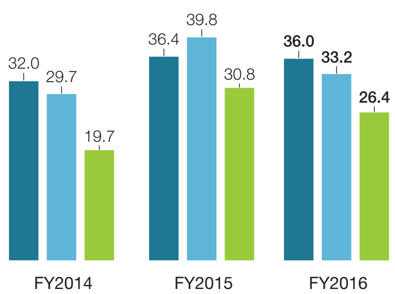


Source: *Kinyu Journal, Special Issue of December 2016*

ASHIKAGA BANK

Status of income
(Billion yen)

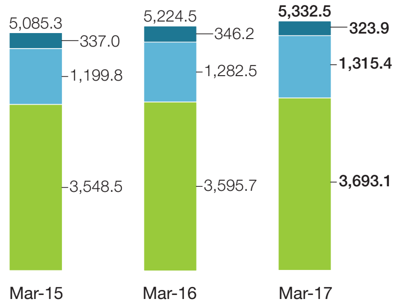
Core net business income / Ordinary profit / Net income



Point	Net income decreased by 4.4 billion yen YoY to 26.4 billion yen mainly due to decreased net fees and commissions and increased credit related costs.

Balance of deposits
(Billion yen)

Public sector / Corporate customers* / Individual customers*

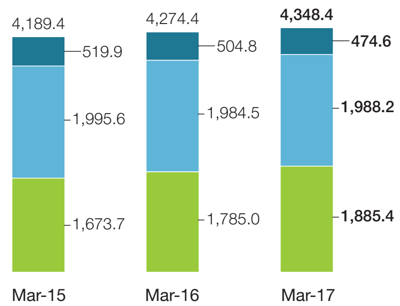


Point	The balance of deposits increased by 108.0 billion yen YoY to 5,332.5 billion yen mainly due to increased deposits of both individual and corporate customers.

*Including foreign currency deposits

Balance of loans
(Billion yen)

Public sector / Corporate customers* / Individual customers

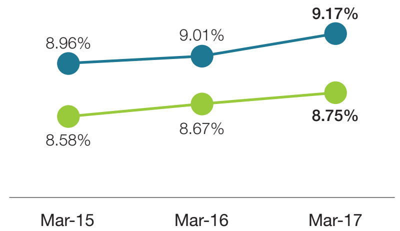


Point	The balance of loans increased by 74.0 billion yen YoY to 4,348.4 billion yen mainly due to an increase in loans to individual customers including housing loans.

*Including foreign currency loans

Status of capital adequacy ratio

Non-consolidated / Consolidated

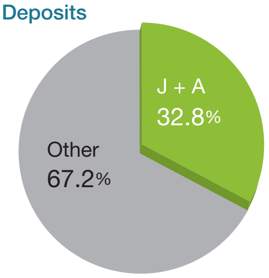


Point	Consolidated (Ashikaga Bank and its subsidiaries) capital adequacy ratio resulted in 9.17%.

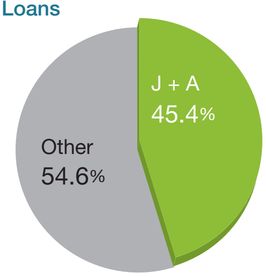
(Aggregated market share of Joyo Bank and Ashikaga Bank in Tochigi Prefecture)

We maintain a high degree of market share in both deposits and loans in Tochigi Prefecture.

Deposits



Loans



Source: *Kinyu Journal, Special Issue of December 2016*

Initiatives and Measures of the Integration

Hosting the 1st Mebuki Business Award

We hosted the 1st Mebuki Business Award to recognize innovative and creative business plans in the region.

We integrated the business contests previously hosted separately by Joyo Bank and Ashikaga Bank to invite business plans in the extended business areas of the both banks.

Out of 646 plans submitted in response to our invitation in the 8 business areas including initiatives for the growth area, regional revitalization in manufacturing, and the startup area, which will lead to business creation in the region, 28 plans were awarded.

Promoting projects to support local products

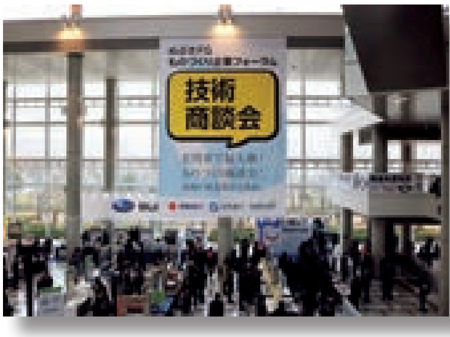
As the first joint event of Joyo Bank and Ashikaga Bank after the establishment of Mebuki Financial Group, we held Food Exhibition in Mito and Food Business Meeting in Utsunomiya to provide support for food related business operators from product development to sales channel development.

At Food Exhibition in Mito, about 100 food related business operators exhibited their products to receive product assessments in an interview format by international exchange students, Japanese students, business people, and housewives, based on their tasting. The results of the assessments were provided to exhibitors to be utilized in their product development and test marketing.

At Food Business Meeting in Utsunomiya, we supported local food related business operators for sales channel expansion by facilitating an exhibition of about 330 food related business operators where active business negotiations were held with many buyers.

Hosting Mebuki FG Manufacturing Business Forum 2017

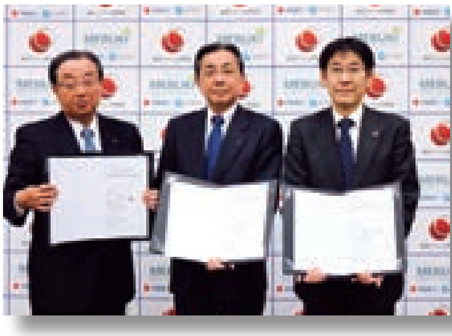
In February 2017, we hosted a forum for manufacturing firms for the first time with the aim of supporting their business expansion. A total of 850 firms and about 2,000 people participated in the forum. We saw active business discussions at the panel exhibition booths of 314 firms. In addition to 390 cases of business negotiations based on technical proposals from 255 companies, we supported the sales channel development and business expansion of local manufacturing firms by inviting exhibition of German and Taiwanese companies and research institutes.



Hosting Mfair Bangkok 2017 and Bangkok Business Meeting

In June 2017, we co-sponsored Mfair Bangkok 2017 and held the Bangkok Business Meeting in Thailand to support our clients' sales channel expansion outside Japan. With exhibition of about 190 firms including clients of Joyo Bank and Ashikaga Bank, and an attendance of about 10,000 people including those from Japanese companies in Thailand, we saw active business negotiations between exhibitors who sought local procurement or sales channel expansion for their products, and local companies. On the other hand, we offered opportunities for the companies that exhibited or attended to exchange information and develop corporate relationships with both banks' clients with operations in Thailand.

Financing by utilizing Mebuki Regional Revitalization Fund



In November 2016, as a part of our regional revitalization initiatives, Joyo Bank and Ashikaga Bank established the Mebuki Regional Revitalization Fund as a joint investment project with Sompo Japan Nipponkoa Insurance Inc. We provided financial support in the amount of 1.3 billion yen through this fund to five business operators that contribute to the promotion of the food, agriculture and tourism sectors of the region. Furthermore, we increased the total amount of the fund from the original 2.0 billion yen to 4.0 billion yen in June 2017 to strengthen support for creating new business. We are committed to providing support to increase the volume of intra-regional human exchange and expanding demand associated to inbound tourism from a financial perspective going forward.

Establishment of Mebuki Lease and Mebuki Securities

Establishment of Mebuki Lease Co., Ltd.

On April 3, 2017, we reorganized The Joyo Lease Co., Ltd., a subsidiary of Joyo Bank, to be a directly-owned subsidiary and renamed it to Mebuki Lease Co., Ltd. The leasing operations, which had formerly been conducted by the Joyo Lease and Ashikaga Credit Guarantee, a subsidiary of Ashikaga Bank, have been integrated to be solely conducted by Mebuki Lease.

Furthermore, we newly established business units in Utsunomiya and Ashikaga in Tochigi Prefecture to form an organizational structure of 12 business units in total in Ibaraki, Tochigi, Fukushima, Miyagi and Saitama Prefectures, with the aim of meeting the increasingly diversified financing needs of customers in a tailored manner.

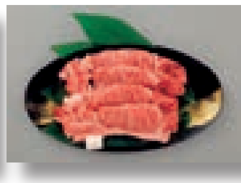
Establishment of Mebuki Securities Co., Ltd.

On April 3, 2017, the trade name of The Joyo Securities Co., Ltd. was changed to Mebuki Securities Co., Ltd. The number of branches of Ashikaga Bank which provide financial product intermediary services was increased from the previous 13 to 128 to meet increasingly diversifying investment needs. We held investment seminars seven times in total to commemorate the establishment of Mebuki Securities in Tochigi and Ibaraki Prefectures, which received a good attendance.

Shareholder benefit plan

We introduced the shareholder benefit plan to return to the shareholders the achievements of the revitalization of the regional economy that the Group targets. We selected local specialty products and tourism services as the complimentary gifts to shareholders in order to contribute to the growth of customers and the region. Shareholders can select specialty products from the dedicated catalogue mainly containing specialty products from Ibaraki and Tochigi Prefectures, in proportion to the number of shares held.





Personnel exchange

We promote personnel exchange between Joyo Bank and Ashikaga Bank for the purpose of realizing early synergy effects, integrating corporate cultures, promoting further mutual understanding, enhancing skills of employees, and developing human resources knowledgeable in local conditions.

In addition to the Joint-Training held based on each managerial position in which a total of about 500 employees from both banks participated in FY2016, we have also launched a mutual personnel exchange program between both banks from FY2017.

Furthermore, with the aim of facilitating cooperation between branches, we established the Mebuki Regional Collaboration Meeting in 10 areas where both banks have overlapping business areas to actively promote co-financing projects and introduce customers between both banks.

Corporate Governance

Basic approach

A commitment to management characterized by responsibility, and sound, appropriate business operations will earn greater trust for the Group from all stakeholders — customers, shareholders, local communities and employees — and boost corporate value. By following the approaches listed below, we are working to strengthen and improve corporate governance.

- We respect shareholders' rights and ensure equality.
- We consider the benefits of stakeholders including shareholders and cooperate appropriately with stakeholders.
- We disclose company information appropriately and ensure transparency.
- We ensure the effectiveness of transparent, fair, prompt and decisive decision-making function and supervisory function of the Board of Directors on business operation by utilizing independent outside directors.
- We work to communicate with shareholders constructively about the continuous growth and improvement of medium-to-long term corporate values.

The Company has adopted a company with an Audit and Supervisory Committee as a corporate governance system, which allows us to realize prompt and decisive decision-making and business execution by entrusting many of the decision-making authorities relevant to business execution to directors as constituent members of the Board of Directors in which the Group's knowledge and expertise are concentrated, while ensuring the transparent and fair decision-making function and the solid audit and supervisory function through the appointment of multiple outside directors.

Details of the Company's organizations

<Board of Directors>

The Board of Directors consists of 12 directors (of which three are outside directors). It decides basic corporate policies and important business matters and supervises the execution of duties by directors. We aim to realize prompt and decisive decision-making and business execution by entrusting most of decision-making authorities relevant to business execution to directors as constituent members of the Board of Directors in which our Group's knowledge and expertise are concentrated, while ensuring the transparent and fair decision-making function and the solid audit and supervisory function through an appointment of multiple outside directors such as lawyers and academic experts. The Board of Directors meets once a month in principle.

<Audit and Supervisory Committee>

The Audit and Supervisory Committee, which consists of five directors (of which three are outside directors) who are Audit and Supervisory Committee Members, audits the execution of duties by directors and determines the details of proposals related to the appointment, dismissal, and non-reappointment of the accounting auditors to be submitted to the General Meeting of Shareholders. The Audit and Supervisory Committee meets once a month in principle.

<Corporate Governance Committee>

We have established the Corporate Governance Committee as an advisory body to the Board of Directors to enhance the effectiveness of corporate governance for sustainable growth and the medium to long term enhancement of corporate value of the Group. The Corporate Governance Committee, composed by a majority of outside directors (including outside directors of wholly-owned banks), deliberates matters regarding nomination of director candidates and compensation for directors, and reports back to the Board of Directors.

<Decision-making bodies>

We have established the Management Meeting, the ALM/Risk Management Committee, and the Compliance Committee as the bodies to discuss and decide important matters regarding business execution based on the decisions made by the Board of Directors. Each decision-making body reports on the status of deliberation and decisions on business execution to the Board of Directors under the supervision thereof.

○Management Meeting

The Management Meeting, which consists of all executive directors, is responsible for making decisions on business execution to the extent of the authorities delegated by the Board of Directors, as well as discussion on important matters regarding business execution. The Management Meeting is held once a month regularly and additionally as necessary.

○ALM/Risk Management Committee

The ALM/Risk Management Committee, which consists of all executive directors, the general manager of the Corporate Planning Division, the general manager of the Corporate Management Division and the general manager of the Basel Unit of the Corporate Management Division, is responsible for making decisions on business execution relevant to group risk management and ALM to the extent of the authorities delegated by the Board of Directors and for considering and discussing important matters on business execution. The ALM/Risk Management Committee meets once a month regularly and additionally as necessary.

○**Compliance Committee**

The Compliance Committee, consisting of all executive directors, the general manager of the Corporate Planning Division, the general manager of the Corporate Management Division and the general manager of Audit Division, is responsible for making decisions on business execution regarding compliance to the extent of the authorities delegated by the Board of Directors, and considering and discussing important matters relevant to practice of compliance. The Compliance Committee holds a meeting quarterly and additionally as necessary.

Status of establishment of internal control system

With the aim of continuously contributing to the sustainable growth of customers and the region through the provision of high-quality, comprehensive financial services based on the Group Philosophy, the Company has adopted the Basic Policy on Establishment of Internal Control Systems resolved by the Board of Directors as the basic policy to establish a system to ensure that the Group performs their business operations in compliance with applicable laws and regulations and the Articles of Incorporation under the appropriate audit and supervisory structure and to ensure the appropriateness of such system.

(1) System for ensuring the execution of duties by directors and employees in compliance with laws and regulations and the Articles of Incorporation

(a) The Company shall position compliance as one of the top priority issues of our Group's management and ensure that all directors and employees thoroughly follow the Basic Rules on Group Compliance which is established to set forth corporate ethics, the code of conduct and policy to sever any connection with antisocial forces as the basic policies for corporate activities.

(b) The Board of Directors shall be managed properly pursuant to Rules of the Board of Directors, decide basic management policies, and supervise the execution of duties by directors appropriately.

(c) The Board of Directors shall establish the section in charge of management and control of the Group's compliance to organize and establish the management system for compliance. At the same time, the Board of Directors shall establish the "Compliance Committee" and have such committee make decisions on, and perform analysis, assessment and improvement of, important business execution regarding the compliance of the overall Group. Furthermore, the Board of Directors shall receive periodical reporting from, and supervise the execution of duties performed by, such committee.

(d) The Board of Directors shall establish the reporting system which ensures the directors and employees of the Group make reports to the Audit and Supervisory Committee or to the section in charge of the management and control of compliance when they discover any director or employee has committed any act against laws and regulations, any fraudulent act or any act which may fall under the foregoing. At the same time, the Board of Directors shall establish the whistle-blowing system and the rules on disciplinary action in order to address any act against laws and regulations or fraudulent act in a strict manner.

(e) The Board of Directors shall establish the internal audit section independent from business execution sections and have it audit the appropriateness and effectiveness of internal management including the management system for compliance.

(2) System for storage and management of information concerning the execution of duties by directors

(a) The information concerning the execution of duties by directors shall be stored and managed as minutes and other relevant documents of various meetings pursuant to the rules established for the appropriate storage and management thereof.

(b) The Audit and Supervisory Committee or Audit and Supervisory Committee Member elected by the Audit and Supervisory Committee may inspect documents concerning the execution of duties by directors, at any time.

(3) Rules and other systems for management of risk of losses

(a) The Board of Directors shall establish the rules concerning risks systematically with a primary focus on the Basic Rules on Group Risk Management which set forth the basic policy and the management system, relevant to risk management, and organize the control section responsible for risk management to appropriately manage the risk of losses of the Group. Furthermore, the Board of Directors shall establish the business continuity plan in preparation for the occurrence of a crisis in which the business activities, of the Group are seriously damaged by natural disasters.

(b) Respective risks shall be comprehensively understood, managed and handled to the extent possible, and the policy and procedures for the respective risks shall be reviewed in a timely and appropriate manner with details of business and changes in the market environment taken into account.

(c) The Board of Directors shall appoint the risk management officer as a person responsible for the comprehensive management of risks affecting the Group. At the same time, the Board of Directors shall establish the ALM/Risk Management Committee, which is responsible for decision-making on important business execution regarding risk management, as well as for the analysis, assessment and improvement of matters relevant to risk management. The Board of Directors shall have such committee understand, analyze and assess the risk status periodically or as deemed necessary, establish the management system to enable such committee to make necessary instructions in a timely and appropriate manner, and receive periodical reporting from, and supervise the execution of duties performed by, such committee.

(4) System for ensuring the effective execution of duties by directors

(a) The Board of Directors shall establish a business plan to clarify the vision and performance targets of the Group.

(b) The Board of Directors shall set forth basic matters regarding business operations including the organizational structure, division of duties and office organization of the Company to facilitate organizational, efficient and sound business operations.

(c) The Board of Directors shall establish the Rules on Authorities which clarify responsibilities by respective executive directors and decision authorities assigned to respective duties to facilitate efficient business operations.

(d) Executive directors shall realize the appropriate and efficient execution of duties delegated by, and to the extent of authorities assigned by the Board of Directors, and report on the status of the execution of duties to the Board of Directors periodically.

(5) System for ensuring appropriate business operations by the corporate group made up of the Company and its subsidiaries

(System for ensuring reporting to the Company of matters relevant to the execution of duties by directors of subsidiaries)

(a) The Board of Directors shall set forth basic matters regarding the Group's corporate management including the matters companies within the Group should discuss with or report to the Company to ensure the sound and appropriate business operations of the Group.

(Rules and other frameworks to control the risk of loss of subsidiaries)

(b) The Company shall, directly by itself or indirectly through directly-owned subsidiaries, have companies within the Group organize necessary management systems including the establishment of rules responding to various existing risks taking the size, characteristics and details of the business of companies within the Group into account, and manage risks appropriately by precisely recognizing and understanding the characteristics of the respective risks of the Group.

(System for ensuring the effective execution of duties by directors of subsidiaries)

(c) The Company shall have respective companies within the Group, based on the details of business and size of companies within the Group, as well as respective roles within the Group, develop a business plan which reflects, among other factors, the Group Philosophy and the management policy of the Group, and manage the status of the execution thereof appropriately for the Group's organizational and efficient business activities.

(System for ensuring the execution of duties by directors and employees of subsidiaries in compliance with laws and regulations and the Articles of Incorporation)

(d) The Company shall, directly by itself or indirectly through directly-owned subsidiaries, have companies within the Group establish, and manage appropriately, the management system to ensure, among other factors, compliance, customer protection and appropriateness of intra-group transactions.

(e) The internal audit section of the Company shall, directly by itself or in cooperation with internal audit sections of directly-owned subsidiaries, work to understand the internal audit system of the overall Group, and assess the effectiveness of auditing, periodically and as necessary, to report such assessment results to the Board of Directors and the Audit and Supervisory Committee.

(6) System for ensuring reliability of financial reporting

The Group shall ensure the reliability of financial reporting by enacting necessary rules , relevant to the design and operations of internal control in order to establish an appropriate management framework for internal control for financial reporting.

(7) Matters concerning employees who are assigned to assist with the duties of the Audit and Supervisory Committee

The Company shall establish the Audit and Supervisory Committee Office and thereto assign one or more employees with abilities and experience sufficient to assist with the duties of the Audit and Supervisory Committee.

(8) Matters to ensure the independence of the employees referred to in the preceding item from directors (excluding directors who are Audit and Supervisory Committee Members) and the effectiveness of instructions given by the Audit and Supervisory Committee to such employees

(a) The Company shall ensure the independence of the employees who are assigned to assist with the duties of the Audit and Supervisory Committee by, among other factors, requiring the consent of the Audit and Supervisory Committee upon the transfer of said employees, and also allowing the Audit and Supervisory Committee to submit opinions regarding the performance evaluation of said employees.

(b) The employees who are assigned to assist with the duties of the Audit and Supervisory Committee shall assist with the duties of the Audit and Supervisory Committee solely based on the instructions given by the Audit and Supervisory Committee Members. At the same time, directors (excluding directors who are Audit and Supervisory Committee Members) shall give due consideration to ensure that said employees will not be exposed to unfair restrictions in performing such duties.

(9) System concerning reporting to the Audit and Supervisory Committee including the system which ensures that directors (excluding directors who are Audit and Supervisory Committee Members) and employees of the Company, as well as directors, corporate auditors and employees of subsidiaries or those who received a report from the foregoing persons make reports to the Audit and Supervisory Committee

(a) The Board of Directors shall set forth the matters which directors (excluding directors who are Audit and Supervisory Committee Members) and employees of the Company, as well as directors, corporate auditors and employees of subsidiaries or those who received a report from the foregoing persons should report to the Audit and

Supervisory Committee in order to enable the Audit and Supervisory Committee to understand material matters regarding the Group in an efficient, timely and appropriate manner.

(b) Audit and Supervisory Committee Members may, whenever deemed necessary in performing their duties, request a report from directors (excluding directors who are Audit and Supervisory Committee Members) and employees of the Company, as well as directors, corporate auditors and employees of subsidiaries or those who received a report from the foregoing persons. Those who are requested to make such reports shall promptly do so as requested.

(10) System for ensuring that those who made a report set forth in the preceding item not be treated disadvantageously for the reason of making such a report

The Group shall not apply any disadvantageous treatment, including disciplinary action, any act of retaliation such as discrimination or adverse effect on a performance evaluation, to those who made a report to the Audit and Supervisory Committee for the reason of making such a report.

(11) Matters concerning the policy of handling expenses or liabilities arising in relation to the execution of duties by Audit and Supervisory Committee Members including procedures for advance payment or reimbursement of such expenses

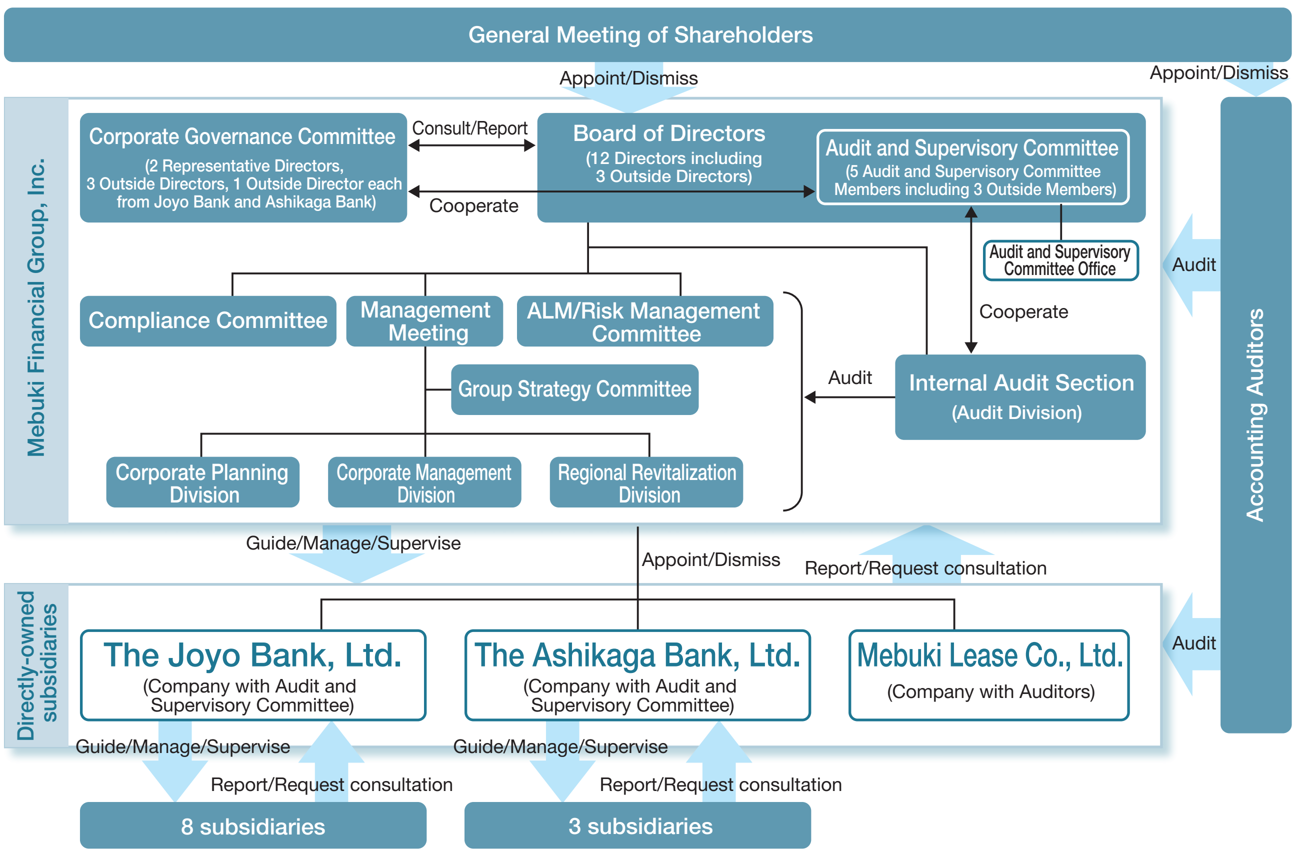
The Company shall bear, upon request, all expenses arising in relation to the execution of duties by the Audit and Supervisory Committee or Audit and Supervisory Committee Members, unless deemed unnecessary for the execution of duties thereby, including expenses arising upon appointing as necessary, or entrusting research or other administrative tasks to, lawyers, certified public accountants, or other external experts.

(12) Other systems for ensuring the effectiveness of audits performed by the Audit and Supervisory Committee

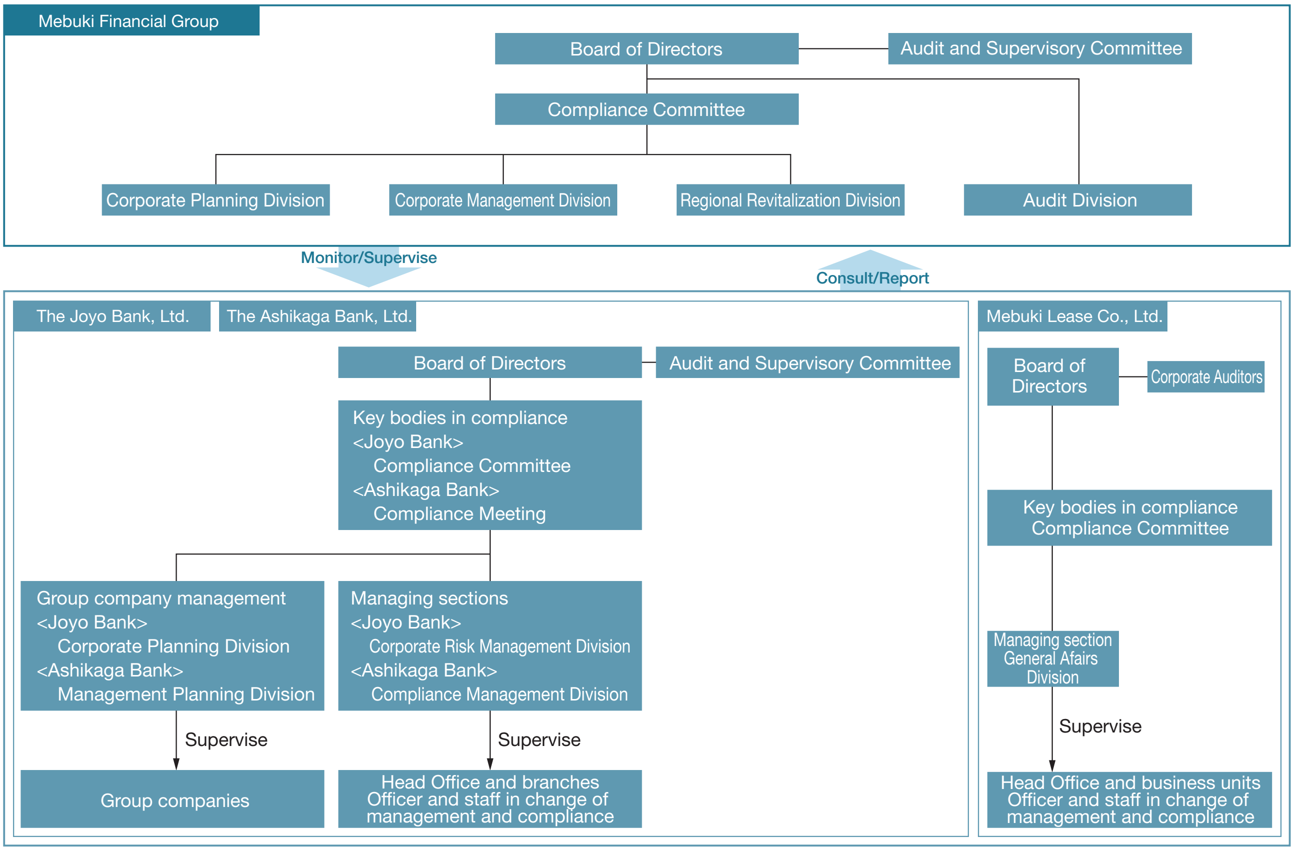
(a) For ensuring the effectiveness of audits performed by the Audit and Supervisory Committee, the internal audit section shall, in cooperation with the Audit and Supervisory Committee, ensure the effectiveness of internal auditing performed thereby. At the same time, the internal audit section shall develop the internal audit plan based on opinions given by the Audit and Supervisory Committee and thereto report on the results of internal auditing.

(b) The representative directors and the accounting auditors shall periodically hold opinion exchange sessions with the Audit and Supervisory Committee, respectively.

[Corporate Governance Structure of the Group] (as of April 3, 2017)



Initiatives for Compliance



The Company has established the management system aiming at group-wide comprehensive management which enables the Group to perform business operations under the appropriate compliance framework. We aim to enhance the compliance framework by positioning compliance as one of the most material management tasks.

● Organization and structure

We have established the Basic Rules on Group Compliance as the Group's highest standards for compliance, and thereunder, other relevant rules and regulations systematically.

The Compliance Committee established within the Company is responsible for decisions on compliance-related important business execution of the Company and the Group, and for analysis, assessment and deliberation on matters for improvement relevant to group-wide compliance.

Furthermore, we put compliance into practice through, among other factors, the establishment of the Legal and Compliance of the Corporate Management Division as the managing and supervising section in charge of group-wide compliance, the designation of the officer responsible for the Corporate Management Division, and the assignment of compliance staff at each management organization within the Group. Important matters regarding compliance at directly-owned subsidiaries are consulted on and reported to the Corporate Management Division, which is responsible for the monitoring and supervision thereof, pursuant to the Rules for Management of Companies within the Group.

● Compliance program

The Group establishes the compliance program as the action plan to realize compliance. The companies within the Group establish a program based on the Basic Policy on Group Compliance Program developed annually by the Company.

The status of the compliance program performed by companies within the Group is reported to and validated by the Compliance Committee quarterly, and is also subject to the annual overall assessment which is reflected in the next year's program.

● Severing connections with antisocial forces

The Group has established the basic policy against antisocial forces to stand firmly against and sever any connections with antisocial forces which threaten the order and safety of civil society and hinder sound economic and social development.

Regarding severing connections with antisocial forces

Mebuki Financial Group, Inc., and its group companies will take the following initiatives to sever all connections with antisocial forces.

1. We will respond to antisocial forces as an organization with a strong recognition of our social responsibility.
2. We will maintain close relationships with the police, the Center for Removal of Criminal Organizations and external expert organizations including lawyers.
3. We will sever all connections with antisocial forces, including any transactions therewith.
4. We will decisively reject any and all unreasonable demands from antisocial forces and take legal action from both civil and criminal perspectives.
5. We will never provide any funding or benefits to antisocial forces.

Management system for customer protection (initiatives for customer protection)

The Group has established the Group Management Policy for Customer Protection to organize and ensure the appropriate management system for customer protection from the perspective of the protection and improvement of convenience for all existing and future customers of the Group, as well as for facilitating finance.

Joyo Bank and Ashikaga Bank have established a supervising section in charge of consultation, complaints and other communication from customers, and have also entered into the basic contract for the implementation of dispute resolution procedures with the Japanese Bankers Association, the designated dispute resolution organization under the Banking Act, to utilize the financial ADR system for dispute resolution with customers through the involvement of a third party.

Joyo Bank, which concurrently operates a trust business, has also entered into a basic contract for the implementation of dispute resolution procedures with the Trust Companies Association of Japan, the designated dispute resolution organization under the Trust Business Act and the Act on Engagement in Trust Business Activities by Financial Institutions.

Risk Management System

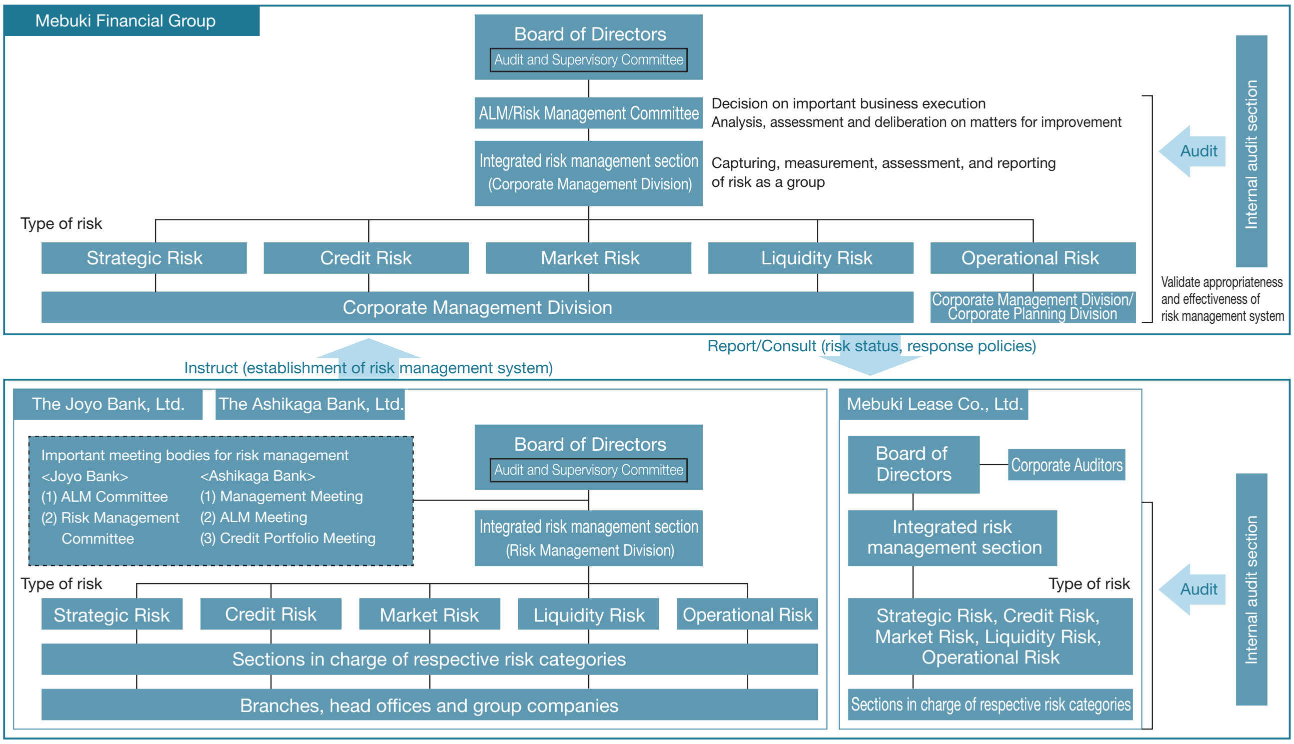
The Group aims to enhance the risk management system by positioning it as an important management task from the perspective of the maintenance and improvement of sound corporate management.

Risk management system

The Group undertakes its risk management based on the Basic Rules on Group Risk Management determined by the Board of Directors of the Company.

In order to perform the matters set forth in the Basic Rules on Group Risk Management, the Company has established the ALM/Risk Management Committee, which makes decisions on important business execution regarding the Group's risk management and performs analysis, assessment and improvement of the matters relevant to the risk management of the overall Group. The said committee ensures corporate management emphasizing the risk and return relationship through consideration and discussion focused on closer coordination between risk management and profit management while controlling risks appropriately, and facilitates prompt and efficient decision-making by management.

Furthermore, we have organized the integrated risk management section responsible for the supervision and integrated management of various risks, and at the same time, established the framework under which the audit section independent from business execution sections performs internal auditing and validates the appropriateness and effectiveness of the respective risk management status.



Integrated risk management

The Group undertakes "integrated risk management" which quantitatively measures various types of risk including credit risk and market risk, using statistical methods, such as VaR (value at risk), in order to individually manage increasingly diversified and complicated types of risk relevant to financial services, and at the same time, to comprehensively capture said risks. We aim at maintaining an appropriate level of our capital reserves by comparing and contrasting the total amount of risk with our financial soundness (our capital reserves).

Specifically, we allocate capital to each type of risk (credit risk, interest rate risk, price fluctuation risk and operational risk) in advance to the extent of our capital reserves and monitor whether the amount of each risk quantified (risk capital used) stays within the extent of allocated capital. Upon the allocation of capital, we secure a risk buffer to cover losses larger than those expected in the statistical methods or risks unable to be captured by the statistical methods. We confirm the sufficiency of our capital reserves, including the capital to cover the aforementioned risks, by performing stress tests by which we capture the impact on our capital reserves under assumed scenarios such as a sudden economic downturn. Furthermore, we confirm the reasonableness and effectiveness of the statistical methods through back tests in which the risk amount calculated by VaR (value at risk) is compared with actual profit or loss.

Credit risk management

Credit risk refers to the risk of incurring losses as a result of customers becoming unable to pay the principal and interest of loans as promised primarily due to the deterioration of their financial conditions.

Recognizing credit risk as a material risk in our business operations, the Group aims to enhance the management system to prevent the emergence of new non-performing loans and to improve asset soundness.

● Credit risk management system

The Group has established the Group Guidelines for Credit Risk Management, which set forth, as our basic policy of credit risk management, the appropriate management of credit risk on individual loans and the management of the credit portfolio focusing on risk diversification.

The section in charge of credit risk management, which is organizationally and functionally independent from the business promotion sections, is responsible for the planning and operational management of the internal credit rating system, self-assessment systems, write-offs and provisions to the reserve for loan losses, as well as for the monitoring of loan assets as the specialized organization for the comprehensive supervision and management of the credit portfolio.

● Management of credit risk on individual loans

We separate the credit-screening sections of companies within the Group from the business promotion sections to ensure strict screening while also focusing on credit management during repayment to prevent the status of a claim from deteriorating.

● Internal credit ratings

We categorize our customers into 12-grade rating levels by adding qualitative assessment to the data on their financial condition and cash flow status. In addition to serving as the basis for self-assessment systems, internal credit ratings are used across the full range of credit risk management, including the capturing of credit risk exposure, the setting of lending rates and the allocation of lending authority.

● Self-assessment systems

Companies within the Group strictly implement self-assessment systems based on common standards and provide appropriate reserves or write down problem loans based on such assessment. In addition, the reasonableness of such assessment is validated and audited by the sections in charge of validation and auditing, respectively, and is also subject to external audits by accounting auditors.

● Quantification of credit risk

The quantification of credit risk refers to the statistical forecasting of future losses (amount of credit risk) that can be expected due to bankruptcies or the deterioration of financial conditions of customers. The Group calculates the amount of credit risk for each customer based on "internal credit ratings" with collateral and other factors taken into account.

● Credit portfolio management

We capture loan assets in their entirety as a single portfolio and conduct credit risk management from a macro perspective. Based on the quantification of credit risk, we carry out periodic monitoring such as whether the credit risk is concentrated in specific sectors or corporate groups, and analysis and evaluation of credit situations by rating and region, or based on composition by industry.

Market risk management

Market risk refers to the risk of incurring losses due to changes in the value of financial assets and liabilities of the Group caused by fluctuation in interest rates, foreign exchange rates, and stock prices.

Our subsidiaries are engaged in investment activities based on their understanding of risk supported by sufficient advance research and analysis of market transactions.

For the appropriate control of market risk, we also perform and report to the ALM/Risk Management Committee of the Company held periodically the quantitative management and measurement under the ALM (asset and liability management) framework to take action according to the situation.

Liquidity risk management

Liquidity risk refers to the risk of incurring losses primarily due to difficulty in securing necessary funds caused by an unexpected outflow of funds or similar events, or a sharp rise in funding costs.

The Group has established the Group Liquidity Risk Management Rules to set up the framework under which action plans according to respective situations ranging from a normal state to urgent cases are defined to promptly respond thereto.

Specifically, under cash flow management in a normal situation, we manage indicators such as the trend of deposit/loan balances and funding limits in addition to primary indicators (funding gap and liquid asset balance) to avoid an increase of liquidity risk. Furthermore, we define and perform periodical drills for action plans upon a liquidity crisis to enhance the effectiveness in a crisis.

Operational risk management

Operational risk refers to the risk of incurring losses caused by inappropriateness in the Group's business processes, activities of directors and employees or system operations, or by external events. The Group classifies and manages such risk according to the following six categories: administrative risk, system risk, compliance (legal) risk, personnel management risk, tangible asset risk, and reputational risk.

Furthermore, the Group designates the sections responsible for each of the aforementioned six categories, and also has the comprehensive risk management section manage overall operational risk.

● Administrative risk

Administrative risk refers to the risk of incurring losses due to directors, employees or external contractors neglecting precise administration, causing incidents, or committing acts of fraud.

In the Group, the sections responsible for administrative risk and the comprehensive risk management section responsible for operational risk gather information on and analyze the causes of administrative incidents occurring inside or outside the Group to establish or revise administrative rules or enhance the efficiency of administrative processes through the information system based on the results of such analysis. In addition, the Group has the internal audit section validate the effectiveness of the risk management system to establish the framework to detect or prevent administrative incidents.

● System risk

System risk is the risk of incurring losses primarily due to the failure of computer systems, erroneous computer operation, or inappropriate computer use.

The Group has taken necessary measures to ensure the safety and reliability of computer systems including failure response exercises aiming to establish the framework for early recovery from system failure, in addition to sufficient advance testing upon the development or operation of systems, the continuous monitoring of operational status and duplexing facilities.

● Compliance (legal) risk, personnel management risk, tangible asset risk and reputational risk

We also identify and assess risk through methods in line with risk characteristics and take appropriate actions for: compliance (legal) risk, the risk of incurring losses mainly due to an illegal act committed by directors and employees; personnel management risk, the risk of incurring losses mainly due to an act in violation of laws, regulations or agreements relevant to employment, health or safety; tangible asset risk, the risk of incurring losses due to damage to tangible assets caused by disasters or defective management of buildings; and reputational risk, the risk of incurring losses due to the deterioration of credit worthiness mainly attributable to reputational damage caused by inappropriate actions taken by the Group or the circulation of unfounded rumors.

Crisis management and business continuity management

We have established the framework for the continuity or early recovery of important business operations including the repayment of deposits, fund transfer and remittance upon facing a crisis such as a natural disaster, system failure or pandemic, as well as limiting human and physical damage to the minimum extent possible.

Upon the occurrence of a crisis, we will establish emergency response headquarters at the Company and directly-owned subsidiaries to respond to such emergencies in cooperation with each other. Furthermore, we continuously perform crisis management exercises and review the business continuity plan to enhance the effectiveness thereof upon facing a crisis.

List of Directors (as of June 28, 2017)

MEBUKI Financial Group

Directors

[Directors (excluding Directors who are Audit and Supervisory Committee Members)]


President and Director
Kazuyoshi Terakado


Executive Vice President and Director
Masanao Matsushita


Director
Hideo Sakamoto


Director
Yutaka Horie


Director
Ritsuo Sasajima


Director
Kazuyuki Shimizu


Director
Eiji Murashima

[Directors who are Audit and Supervisory Committee Members]


Director
Yoshiaki Terakado


Director
Kunihiro Ono


Outside Director
Ryuzaburo Kikuchi


Outside Director
Toru Nagasawa


Outside Director
Takashi Shimizu

JOYO BANK

[Directors (excluding Directors who are Audit and Supervisory Committee Members)]

Chairman and Director	Kunio Onizawa
President and Director	Kazuyoshi Terakado
Deputy President and Director	Hideo Sakamoto
Senior Managing Director	Ritsuo Sasajima
Managing Director	Eiji Murashima
Managing Director	Masaru Seki
Managing Director	Hiroaki Yokochi
Managing Director	Jun Kawauchi
Managing Director	Hidebumi Nishino
Managing Director	Hitoshi Takenouchi

[Directors who are Audit and Supervisory Committee Members]

Director	Hideo Torihata
Director	Takao Shimizu
Outside Director	Toshihiko Kawamura
Outside Director	Toshio Mizushima
Outside Director	Kinichi Suzuki

ASHIKAGA BANK

[Directors (excluding Directors who are Audit and Supervisory Committee Members)]

Chairman and Director	Satoshi Fujisawa
President and Director	Masanao Matsushita
Senior Managing Director	Kiyoshi Kato
Senior Managing Director	Yutaka Horie
Managing Director	Kazuyuki Shimizu
Managing Director	Keizo Shinozaki
Director	Takashi Satake
Director	Yoshiaki Kosugi
Director	Eisuke Suzuki
Director	Hiroo Shimada
Director	Mitsugu Hoshino
Director	Hiroshi Arai

[Directors who are Audit and Supervisory Committee Members]

Director	Akihiko Kuwako
Outside Director	Yoshio Kohra
Outside Director	Junichi Sato
Outside Director	Shoji Fukui

Consolidated Balance Sheet

March 31, 2017 Mebuki Financial Group, Inc. and Consolidated Subsidiaries

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2017	2016	2017
ASSETS			
Cash and due from banks (Notes 3, 10, and 22)	**¥ 1,393,762**	¥ 437,509	**$ 12,423,232**
Call loans and bills bought (Note 22)	**5,160**	414	**46,000**
Monetary claims bought (Note 22)	**15,952**	7,627	**142,196**
Trading assets (Notes 4 and 22)	**7,226**	—	**64,413**
Trading account securities (Notes 4 and 22)	**—**	3,569	**—**
Securities (Notes 4, 10, and 22)	**4,190,681**	1,296,769	**37,353,432**
Loans and bills discounted (Notes 6, 10, 22, and 26)	**10,244,730**	4,235,174	**91,315,896**
Foreign exchanges (Note 6)	**7,222**	4,377	**64,381**
Lease receivables and investments in lease (Note 21)	**48,366**	—	**431,113**
Other assets (Notes 10 and 23)	**120,249**	34,277	**1,071,839**
Tangible fixed assets (Note 7)	**117,732**	24,424	**1,049,402**
Intangible fixed assets (Note 8)	**12,414**	78,601	**110,654**
Asset for retirement benefits (Note 13)	**12,275**	10,466	**109,421**
Deferred tax assets (Note 20)	**1,609**	584	**14,348**
Customers' liabilities for acceptances and guarantees (Note 9)	**25,916**	12,913	**231,001**
Allowance for loan losses	**(78,840)**	(40,679)	**(702,740)**
Allowance for investment losses	**(9)**	—	**(80)**
TOTAL	**¥16,124,452**	¥6,106,037	**$143,724,509**
LIABILITIES AND EQUITY			
LIABILITIES:			
Deposits (Notes 10 and 22)	**¥13,507,047**	¥5,206,700	**$120,394,402**
Negotiable certificates of deposit (Note 22)	**284,705**	174,878	**2,537,706**
Call money and bills sold (Note 22)	**303,312**	78,000	**2,703,564**
Payables under securities lending transactions (Notes 10 and 22)	**167,640**	25,263	**1,494,252**
Trading liabilities	**511**	—	**4,560**
Borrowed money (Notes 10, 11, and 22)	**735,593**	251,726	**6,556,676**
Foreign exchanges	**757**	282	**6,753**
Bonds (Note 12)	**5,000**	—	**44,567**
Bonds with warrants (Note 12)	**33,657**	—	**300,000**
Due to trust account	**13**	—	**118**
Other liabilities	**140,446**	46,266	**1,251,860**
Provision for directors' bonuses	**111**	57	**992**
Liability for retirement benefits (Note 13)	**8,896**	—	**79,298**
Provision for directors' retirement benefits	**51**	311	**462**
Provision for reimbursement of deposits	**3,480**	858	**31,026**
Provision for contingent losses	**1,548**	464	**13,803**
Provision for point card certificates	**294**	134	**2,629**
Provision for losses on interest repayments	**12**	—	**110**
Reserves under special laws	**2**	—	**18**
Deferred tax liabilities (Note 20)	**31,410**	5,074	**279,977**
Deferred tax liabilities for land revaluation	**9,454**	—	**84,274**
Negative goodwill	**1,501**	—	**13,382**
Acceptances and guarantees (Note 9)	**25,916**	12,913	**231,001**
Total liabilities	**15,261,366**	5,802,932	**136,031,431**
EQUITY (Notes 14 and 15):			
Common stock	**117,495**	117,495	**1,047,291**
Capital surplus	**148,490**	29,025	**1,323,564**
Stock acquisition rights	**193**	—	**1,724**
Retained earnings	**461,631**	113,594	**4,114,729**
Treasury stock	**(6)**	—	**(62)**
Accumulated other comprehensive income:			
Unrealized gains on available-for-sale securities (Note 5)	**128,545**	48,527	**1,145,784**
Deferred losses on derivatives under hedge accounting (Note 23)	**(674)**	(3,951)	**(6,008)**
Land revaluation surplus (Note 7)	**12,844**	—	**114,488**
Defined retirement benefit plans (Note 13)	**(5,433)**	(1,585)	**(48,431)**
Total accumulated other comprehensive income	**135,282**	42,990	**1,205,833**
Total equity	**863,086**	303,105	**7,693,078**
TOTAL	**¥16,124,452**	¥6,106,037	**$143,724,509**

See notes to consolidated financial statements.

Consolidated Statement of Income

Year Ended March 31, 2017 Mebuki Financial Group, Inc. and Consolidated Subsidiaries

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2017	2016	2017
INCOME:			
Interest income:			
Interest on loans and discounts	¥ 89,325	¥55,936	$ 796,199
Interest and dividends on securities	35,186	16,958	313,633
Interest on call loans and bills bought	66	393	591
Interest on deposits with banks	502	404	4,481
Other interest income	419	114	3,743
Trust fees	22	—	204
Fees and commissions	36,245	22,138	323,072
Trading income	2,241	—	19,980
Other operating income	12,964	1,692	115,555
Gain on negative goodwill	119,219	—	1,062,657
Other income (Note 17)	36,316	4,838	323,702
Total income	332,510	102,474	2,963,818
EXPENSES:			
Interest expenses:			
Interest on deposits	2,572	2,079	22,932
Interest on negotiable certificates of deposit	48	212	430
Interest on call money and bills sold	595	8	5,305
Interest on payables under securities lending transactions	1,198	211	10,686
Interest on borrowing and rediscounts	1,101	1,537	9,819
Interest on bonds	233	—	2,082
Other interest expenses	4,537	783	40,443
Fees and commissions	10,036	6,198	89,456
Other operating expenses	7,017	192	62,548
General and administrative expenses (Note 18)	98,088	55,471	874,308
Provision of allowance for loan losses	6,277	2,013	55,957
Other expenses (Note 19)	31,407	3,595	279,952
Total expenses	163,115	72,304	1,453,919
INCOME BEFORE INCOME TAXES	169,395	30,170	1,509,899
INCOME TAXES (Note 20)			
Current	16,880	5,805	150,460
Deferred	(5,968)	1,912	(53,199)
Total income taxes	10,911	7,717	97,261
NET INCOME	¥158,483	¥22,452	$1,412,638
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	28	—	252
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	¥158,455	¥22,452	$1,412,386

	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK (Note 16):			
Basic net income	¥ 156.78	¥67.37	$1.40
Diluted net income	156.72	—	1.40
Cash dividends applicable to the year (Note 14)	12.00	10.00	0.11

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Year Ended March 31, 2017 Mebuki Financial Group, Inc. and Consolidated Subsidiaries

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2017	2016	2017
NET INCOME	¥158,483	¥22,452	$1,412,638
OTHER COMPREHENSIVE INCOME (Note 24):			
Unrealized gains (losses) on available-for-sale securities	(6,507)	3,822	(58,006)
Deferred gains (losses) on derivatives under hedge accounting	2,399	(3,301)	21,384
Defined retirement benefit plans	5,233	(3,658)	46,653
Total other comprehensive income (loss)	1,125	(3,136)	10,031
COMPREHENSIVE INCOME	¥159,609	¥19,315	$1,442,669
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	¥159,581	¥19,315	$1,442,423
Noncontrolling interests	27	—	247

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

Year Ended March 31, 2017 Mebuki Financial Group, Inc. and Consolidated Subsidiaries

	Millions of Yen						
				Accumulated other comprehensive income			
	Common Stock (Note 14)	Capital Surplus	Retained Earnings	Unrealized Gains on Available-for-Sale Securities	Deferred Losses on Derivatives under Hedge Accounting	Defined Retirement Benefit Plans	Total Equity
BALANCE, APRIL 1, 2015	¥117,495	¥29,025	¥ 94,474	¥44,704	¥ (650)	¥ 2,072	¥287,121
Cash dividends			(3,332)				(3,332)
Net income attributable to owners of parent			22,452				22,452
Net changes except for stockholders equity during the fiscal year				3,822	(3,301)	(3,658)	(3,136)
Total changes during the fiscal year	—	—	19,120	3,822	(3,301)	(3,658)	15,983
BALANCE, MARCH 31, 2016	¥117,495	¥29,025	¥113,594	¥48,527	¥(3,951)	¥(1,585)	¥303,105

	Millions of Yen											
						Accumulated Other Comprehensive Income						
	Common Stock (Note 14)	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Unrealized Gains (Losses) on Available-for-Sale Securities	Deferred Gains (Losses) on Derivatives under Hedge Accounting	Land Revaluation Surplus	Defined Retirement Benefit Plans	Total	Noncontrolling Interests	Total Equity
BALANCE, APRIL 1, 2016	¥ 85,113	¥ 58,574	¥132	¥333,964	¥(21,569)	¥135,031	¥(3,073)	¥13,002	¥(10,667)	¥134,293	¥1,562	¥592,070
Increase due to share exchange	32,382	90,616										122,998
Cash dividends		(1,832)		(9,397)								(11,230)
Net income attributable to owners of parent				158,455								158,455
Purchase of treasury stock					(11)							(11)
Disposal of treasury stock		1		(0)	25							25
Retirement of treasury stock				(21,548)	21,548							—
Changes due to acquiring equity of consolidated subsidiaries		1,131										1,131
Reversal of land revaluation surplus				158								158
Net changes during the fiscal year			61			(6,485)	2,399	(158)	5,233	988	(1,562)	(512)
Total changes during the fiscal year	32,382	89,916	61	127,666	21,562	(6,485)	2,399	(158)	5,233	988	(1,562)	271,016
BALANCE, MARCH 31, 2017	**¥117,495**	**¥148,490**	**¥193**	**¥461,631**	**¥ (6)**	**¥128,545**	**¥ (674)**	**¥12,844**	**¥ (5,433)**	**¥135,282**	**—**	**¥863,086**

	Thousands of U.S. Dollars											
						Accumulated Other Comprehensive Income						
	Common Stock (Note 14)	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Unrealized Gains (Losses) on Available-for-Sale Securities	Deferred Gains (Losses) on Derivatives under Hedge Accounting	Land Revaluation Surplus	Defined Retirement Benefit Plans	Total	Noncontrolling Interests	Total Equity
BALANCE, APRIL 1, 2016	$ 758,651	$ 522,097	$1,180	$2,976,776	$(192,259)	$1,203,596	$(27,392)	$115,901	$(95,084)	$1,197,020	$13,924	$5,277,389
Increase due to share exchange	288,640	807,704										1,096,344
Cash dividends		(16,337)		(83,765)								(100,102)
Net income attributable to owners of parent				1,412,386								1,412,386
Purchase of treasury stock					(102)							(102)
Disposal of treasury stock		12		(8)	226							230
Retirement of treasury stock				(192,073)	192,073							—
Changes due to acquiring equity of consolidated subsidiaries		10,088										10,088
Reversal of land revaluation surplus				1,413								1,413
Net changes during the fiscal year			544			(57,812)	21,384	(1,413)	46,653	8,812	(13,924)	(4,567)
Total changes during the fiscal year	288,640	801,467	544	1,137,952	192,197	(57,812)	21,384	(1,413)	46,653	8,812	(13,924)	2,415,690
BALANCE, MARCH 31, 2017	**$1,047,291**	**$1,323,564**	**$1,724**	**$4,114,729**	**$ (62)**	**$1,145,784**	**$ (6,008)**	**$114,488**	**$(48,431)**	**$1,205,833**	**—**	**$7,693,078**

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Year Ended March 31, 2017 Mebuki Financial Group, Inc. and Consolidated Subsidiaries

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2017	2016	2017
OPERATING ACTIVITIES:			
Income before income taxes	¥ 169,395	¥ 30,170	$ 1,509,899
Adjustments for:			
Income taxes paid	(16,614)	(12,405)	(148,089)
Depreciation and amortization	7,327	3,495	65,311
Impairment loss	1,463	50	13,046
Amortization of goodwill	—	6,202	—
Gain on negative goodwill	(119,219)	—	(1,062,657)
Loss on step acquisition	184	—	1,642
Amortization of negative goodwill	(158)	—	(1,409)
Decrease in allowance for loan losses	(400)	(3,222)	(3,574)
Increase in provision for directors' bonuses	44	3	393
Increase in asset for retirement benefits	(1,323)	(1,893)	(11,794)
Increase in liabilities for retirement benefits	8,764	—	78,121
Increase in provision for directors' retirement benefits	13	48	119
Increase in provision for reimbursement of deposits	317	55	2,826
Decrease in provision for contingent losses	(18)	(31)	(166)
Increase in provision for point card certificates	38	19	347
Decrease in provision for interest repayments	(2)	—	(22)
Gain on fund management	(131,337)	(73,805)	(1,170,667)
Financing expenses	10,305	4,832	91,855
Gains related to securities	(4,941)	(1,212)	(44,043)
Foreign exchange losses (gains)	(12,902)	7,905	(115,009)
Loss on disposal of fixed assets	431	108	3,848
Loss on reduction of fixed assets	—	26	—
Net decrease in trading assets	1,225	—	10,924
Net decrease in trading liabilities	(383)	—	(3,422)
Net increase in loans and bills discounted	(153,758)	(84,707)	(1,370,518)
Net increase in deposits	270,177	135,589	2,408,210
Net increase (decrease) in negotiable certificates of deposit	37,290	(22,500)	332,384
Net increase in borrowed money (excluding subordinated borrowings)	272,353	29,180	2,427,611
Net decrease in deposit (excluding deposit paid to Bank of Japan)	—	251	—
Net decrease in deposit (excluding cash equivalents)	57,258	—	510,368
Net decrease (increase) in call loans	(1,499)	1,569	(13,362)
Net decrease in trading account securities	—	607	—
Net increase in call money	35,956	78,000	320,495
Net increase in payables under securities lending transactions	15,881	22,789	141,557
Net decrease in foreign exchanges - assets	1,256	1,460	11,198
Net decrease in foreign exchanges - liabilities	(409)	(83)	(3,647)
Net increase in lease receivables and investments in lease	(5,135)	—	(45,776)
Net decrease in due to trust account	(0)	—	(0)
Proceeds from fund management	129,285	73,908	1,152,381
Payments for finance	(8,791)	(7,692)	(78,364)
Other–net	(62,863)	(9,273)	(560,328)
Total adjustments	329,815	149,277	2,939,790
Net cash provided by operating activities	¥ 499,210	¥ 179,447	$ 4,449,689

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2017	2016	2017
INVESTING ACTIVITIES:			
Purchases of securities	**¥(1,405,130)**	¥(330,762)	**$(12,524,558)**
Proceeds from sales of securities	**1,017,603**	85,566	**9,070,359**
Proceeds from redemption of securities	**271,065**	154,466	**2,416,128**
Purchases of tangible fixed assets	**(4,973)**	(2,093)	**(44,331)**
Proceeds from sales of tangible fixed assets	**167**	0	**1,491**
Purchases of intangible fixed assets	**(3,348)**	(760)	**(29,848)**
Other–net	**(94)**	(71)	**(841)**
Net cash provided by investing activities	**(124,710)**	(93,654)	**(1,111,600)**
FINANCING ACTIVITIES:			
Repayments of subordinated borrowings	**—**	(10,000)	**—**
Redemption of subordinated bonds	**(10,000)**	—	**(89,135)**
Purchase of treasury stocks	**(11)**	—	**(102)**
Proceeds from sales of treasury stocks	**3**	—	**27**
Cash dividends paid	**(11,230)**	(3,332)	**(100,102)**
Dividends paid to noncontrolling interests	**(1)**	—	**(9)**
Payments from changes in ownership interests that do not result in change in scope of consolidation	**(453)**	—	**(4,045)**
Net cash provided by financing activities	**(21,693)**	(13,332)	**(193,365)**
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**29**	(21)	**266**
NET INCREASE IN CASH AND CASH EQUIVALENTS	**352,836**	72,438	**3,144,990**
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**396,713**	363,712	**3,536,090**
INCREASE IN CASH AND CASH EQUIVALENTS DUE TO SHARE EXCHANGE	**620,343**	—	**5,529,399**
CASH AND CASH EQUIVALENTS, END OF YEAR (Note 3)	**¥1,369,893**	¥436,150	**$12,210,479**
NONCASH INVESTING AND FINANCING ACTIVITY:			
Increase in assets and liabilities due to share exchange when it was decided that The Joyo Bank, Ltd. would be the acquiring company and Mebuki Financial Group, Inc. would be the acquired company (Note 27)			
Total assets:	**¥6,207,461**	¥—	**$55,329,902**
Of which, loans and bills discounted	**4,221,375**	—	**37,627,018**
Of which, securities	**1,314,586**	—	**11,717,500**
Of which, allowance for loan losses	**(38,581)**	—	**(343,897)**
Total liabilities:	**5,964,697**	—	**53,166,033**
Of which, deposits	**5,148,407**	—	**45,890,077**

See notes to consolidated financial statements.

1. BASIS OF PRESENTATION

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

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥112.19 to $1, the approximate rate of exchange at March 31, 2017. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

The Company conducted a share exchange on October 1, 2016, under which the Company (formerly Ashikaga Holdings, Co., Ltd. ("AHD")) became the wholly-owing parent company and The Joyo Bank, Ltd. ("Joyo") became the wholly-owned subsidiary. Based on the Accounting Standard for Business Combinations, this share exchange is a reverse acquisition wherein AHD is considered to be the acquired company and Joyo to be the acquiring company. As a result, the consolidated assets and liabilities of AHD were transferred to the consolidated balance sheet of Joyo at their fair value. Additionally, the consolidated statement of income for the year ended March 31, 2017, includes those of Joyo for the period from April 1, 2016, to September 30, 2016, and those of the Company for the period from October 1, 2016, to March 31, 2017. Therefore, there is no continuity from the consolidated financial statements of the Company for the prior fiscal year to the consolidated financial statements of the Company for the current fiscal year.

As comparative information, the Company presented consolidated financial statements and accompanying notes of the former AHD as comparative information in the consolidated financial statements for this fiscal year.

Furthermore, there is no continuity of cash and cash equivalents in the consolidated statement of cash flows from the end of the prior fiscal year to the beginning of the current fiscal year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation — The consolidated financial statements as of March 31, 2017, include the accounts of the Company and its 14 (four in 2016) significant subsidiaries.

Under the control and influence concepts, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated.

All consolidated subsidiaries have a fiscal year ending on March 31, which is the same as the fiscal year of the Company.

The consolidated financial statements as of March 31, 2017 do not include the accounts of two subsidiaries (one in 2016) because the total assets, total income, net income, and retained earnings of the entity would not have had a material effect on the consolidated financial statements.

Investments in unconsolidated subsidiaries and associated companies were stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

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

Negative goodwill represents the difference between the cost of an acquisition and the fair value of the net assets of the acquired subsidiary at the date of acquisition. Negative goodwill incurred before March 31, 2010, is amortized using the straight-line method over 20 years.

b. Business Combinations — Business combinations are accounted for using the purchase method. Acquisition-related costs, such as advisory fees or professional fees, are accounted for as expenses in the periods in which the costs are incurred. If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, an acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, which shall not exceed one year from the acquisition, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and that would have affected the measurement of the amounts recognized as of that date. Such adjustments shall be recognized as if the accounting for the business combination had been completed at the acquisition date. The acquirer recognizes any bargain purchase gain in profit or loss immediately on the acquisition date after reassessing and confirming that all of the assets acquired and all of the liabilities assumed have been identified after a review of the procedures used in the purchase price allocation. A parent's ownership interest in a subsidiary might change if the parent purchases or sells ownership interests in its subsidiary. The carrying amount of noncontrolling interest is adjusted to reflect the change in the parent's ownership interest in its subsidiary while the parent retains its controlling interest in its subsidiary. Any difference between the fair value of the consideration received or paid and the amount by which the noncontrolling interest is adjusted is accounted for as capital surplus as long as the parent retains control over its subsidiary.

The Company conducted a share exchange on October 1, 2016, under which the Company (formerly AHD) became the wholly-owing parent company and Joyo became the wholly-owned subsidiary and accounted for this share exchange by the purchase method of accounting (see Note 27).

c. Trading Assets and Trading Liabilities — Transactions for "trading purposes" (seeking to capture gains arising from short-term changes in interest rates, currency exchange rates or market prices of securities and other market-related indices or from arbitrage between markets) are valued at market or fair value, and have been included in trading assets and trading liabilities on a trade date basis. Gain or loss on such trading transactions are reflected as trading income or trading expenses in the consolidated statement of income.

Among the trading assets and liabilities, securities and monetary claims are carried at market value as of the balance sheet date. Derivatives including swaps, futures, and options are valued assuming settlement on the balance sheet date.

Trading income or trading expenses include interest received or paid during the fiscal year. The year-on-year valuation differences of securities and monetary claims are also recorded in the above-mentioned accounts. As for the derivatives, assuming that the settlement will be made in cash, the year-on-year valuation differences are also recorded in the above-mentioned accounts.

d. Securities — Securities are classified and accounted for, depending on management's intent, as follows:

(1) held-to-maturity debt securities, which are expected to be held -to- maturity with the positive intent and ability to hold to maturity, are stated at amortized cost using the straight-line method.

(2) investments in unconsolidated subsidiaries that are not accounted for by the equity method are stated at cost determined by the moving-average method.

(3) available-for-sale securities are stated at fair value with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity. Securities whose fair values cannot be reliably determined are stated at cost determined by the moving-average cost method.

For other-than-temporary declines in fair value, securities are reduced to net realizable value by a charge to income.

e. Tangible Fixed Assets — Tangible fixed assets (except for leased assets) are stated at cost, less accumulated depreciation. Depreciation of tangible fixed assets owned by the consolidated banking subsidiaries is computed by the straight-line method.

The range of useful lives is from 3 to 50 years for buildings and from 3 to 20 years for other tangible fixed assets.

Depreciation of tangible fixed assets owned by the other subsidiaries is mainly computed by the declining-balance method in estimated useful lives.

Depreciation of leased assets from finance lease transactions that do not deem to transfer ownership of the leased property to the lessee is computed using the straight-line method over the respective lease periods. The residual value of leased assets is determined using the guaranteed residual value indicated on the lease contracts where provided; otherwise, they have a nil residual value.

f. Intangible Fixed Assets — Amortization of intangible fixed assets is computed by the straight-line method. The cost of computer software obtained for internal use is amortized principally using the straight-line method over the estimated useful lives of mainly five years.

g. Long-Lived Assets — The Group reviews its long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

h. Allowance for Loan Losses — The consolidated banking subsidiaries have provided an allowance for loan losses, which is determined based on management's judgment and assessment of future losses based on their self-assessment systems. These systems reflect past experience of credit losses; possible credit losses; business and economic conditions; the character, quality, and performance of the portfolio; value of collateral or guarantees; and other pertinent indicators.

The consolidated banking subsidiaries have implemented self-assessment systems to determine their asset quality. The quality of all loans is assessed by the branches and the related head office divisions with a subsequent audit by the Internal Audit division, which is independent from these divisions in accordance with the consolidated banking subsidiaries' policy and guidelines for the self-assessment of asset quality.

The consolidated banking subsidiaries have established credit rating systems under which their customers are classified into five categories. The credit rating systems are used in the self-assessment of asset quality. All loans are classified into five categories for self-assessment purposes: "normal," "in need of caution," "possible bankruptcy," "virtual bankruptcy," and "legal bankruptcy."

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

For claims on borrowers that are not currently bankrupt but are likely to become bankrupt in the future ("possible bankruptcy"), 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 claims on borrowers whose loans are classified as "restructured loans" over a certain amount, for which future cash flows from the collection of principal and interest are reasonably estimated, an allowance is provided for the difference between the present value of expected future cash flows discounted at the contracted interest rate and the carrying value of the claims based on the discounted cash flow method.

For other claims, an allowance is provided based on the actual historical loss ratio.

For collateralized or guaranteed claims of borrowers who are in "virtual bankruptcy" or "legal bankruptcy," the amount exceeding the estimated value of collateral or guarantees has been deducted as deemed uncollectible directly from those claims. As of March 31, 2017 and 2016, the deducted amounts were ¥23,642 million ($210,738 thousand) and ¥11,342 million, respectively.

Other consolidated subsidiaries determine allowances for loan losses that are provided for general claims at an amount based on the actual historical rate of loan losses and for specific claims (from potentially bankrupt customers, etc.) at an estimate of the amounts deemed uncollectible based on the respective assessments.

i. Allowance for Investment Losses — Allowance for investment losses is provided at the amount deemed necessary to cover estimated possible losses on investments which one consolidated banking subsidiary may incur in the future.

j. Provision for Directors' Bonuses — Provision for directors' bonuses (including executive officers) is provided in the amount of the estimated bonuses that are attributable to each fiscal year.

k. Employees' Retirement Benefits — The Company accounts for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date. The projected benefit obligations are attributed to periods on a benefit formula basis. Actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income), after adjusting for tax effects and are recognized in profit or loss from the next year of incurrence and the year of incurrence, respectively, by the straight-line method over a period (mainly ten years) no longer than the expected average remaining service period of the employees.

l. Provision for Directors' Retirement Benefits — Provision for directors' retirement benefits, which is provided for payments of retirement benefits to directors, is recorded in the amount deemed accrued at the fiscal year end date based on the estimated amount of benefits.

m. Provision for Reimbursement of Deposits — Provision for reimbursement of deposits, which were derecognized as liabilities under certain conditions, is provided for possible losses on future claims and is calculated based on the historical reimbursement experience.

n. Provision for Contingent Losses — Provision for contingent losses is provided for possible loan losses guaranteed by the credit guarantee corporations in an amount deemed necessary based on estimated losses in the future, calculated using historical default rates after exclusion of contingent losses covered by other reserves.

o. Provision for Point Card Certificates — Provision for point card certificates, which is provided for the future use of points granted to customers under credit card points program, is calculated by converting the outstanding points into a monetary amount and rationally estimating and recognizing the amount that will be redeemed in the future.

p. Provision for Losses on Interest Repayments — Some consolidated subsidiaries provide a provision for losses on interest repayments in an amount deemed necessary based on estimated amounts to be repaid, taking into account historical records of interest repayments on the portion of loans whose interest rates exceeded the maximum interest rate stipulated by the Interest Limitation Law.

q. Reserves under Special Laws — Reserves under special laws is a reserve for contingent liabilities and provided for compensation for losses from securities-related transactions or derivative transactions in the amount of ¥2 million ($18 thousand) as of March 31, 2017, pursuant to Article 46-5-1 of the Financial Instruments and Exchange Act and Article 175 of the related cabinet order.

r. Stock Options — Compensation expense for employee stock options which were granted on and after May 1, 2006 are recognized based on the fair value at the date of grant and over the vesting period as consideration for receiving goods or services in accordance with the Accounting Standards Board of Japan ("ASBJ") Statement No. 8, "Accounting Standard for Stock Options". Stock options granted to nonemployees are accounted for based on the fair value of either the stock option or the goods or services received. In the balance sheet, the stock option is presented as a stock acquisition right as a separate component of equity until exercised. The accounting standard allows unlisted companies to measure options at their intrinsic value if they cannot reliably estimate fair value.

s. Stock Issue Costs — Stock issue costs are charged to income as incurred.

t. Leases — Finance leases that are not deemed to transfer ownership of the leased property to the lessee are recognized as investments in lease.

As a lessor, income and expenses are recognized when lease receivables are collected as for finance lease transactions that do not transfer ownership of the property.

In March 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," which revised the previous accounting standard for lease transactions issued in June 1993. Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were treated as sales. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if sold" information was disclosed in the note to the lessor's financial statements.

As for finance lease transactions that do not transfer ownership of the leased property and which commenced prior to April 1, 2008, their treatment was as follows.

As a lessor, in line with the stipulations of Article 81 of the Guidance on Accounting Standard for Lease Transactions the ASBJ Guidance No. 16, March 25, 2011), book value (after deduction of accumulated depreciation) of lease assets included in tangible fixed assets and intangible assets as of the previous balance sheet date (March 31, 2008) was recorded as the initial balance of "Lease receivables and investments in lease."

u. Income Taxes — The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted income tax rates to the temporary differences.

The Group applied ASBJ Guidance No. 26, "Guidance on Recoverability of Deferred Tax Assets," effective April 1, 2016. There was no impact from this for the year ended March 31, 2017.

The Group files a tax return under the consolidated corporate-tax system, which allows companies to base tax payments on the combined profits or losses of the parent company and its wholly-owned subsidiaries.

v. Translation of Foreign Currencies — Assets and liabilities denominated in foreign currencies are translated at exchange rates prevailing as of the consolidated balance sheet date.

w. Derivatives and Hedging Activities — Derivative financial instruments are classified and accounted for as follows: (a) all derivatives, except those entered into for hedging purposes, are recognized as either assets or liabilities and measured at fair value with gains or losses on derivative transactions recognized in the consolidated statement of income or (b) for derivatives used for hedging purposes, if the derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on the derivatives are deferred until maturity of the hedged transactions (deferral hedge accounting).

The consolidated banking subsidiaries apply deferral hedge accounting based on the rules of the Japanese Institute of Certified Public Accountants (the "JICPA") Industry Audit Committee Report No. 24, "Accounting and Auditing Treatments on the Application of Accounting Standards for Financial Instruments in the Banking Industry," for interest rate derivatives to manage interest rate risk from various financial assets and liabilities as a whole. Under these rules, the effectiveness of a fair value hedge is assessed by an identified group of hedge deposits, loans, and similar instruments and by a corresponding group of hedging instruments, such as interest rate swaps in the same maturity category. Also, under these rules, the effectiveness of cash flow hedges is assessed based on the correlation between a base interest rate index of the hedged cash flow and that of the hedging instrument.

The consolidated banking subsidiaries apply deferral hedge accounting based on the rules of the JICPA Industry Audit Committee Report No. 25, "Accounting and Auditing Treatments for Foreign Currency Transactions in the Banking Industry," to currency swaps and funding swaps used for the purpose of currency exchange. Under the deferral hedge accounting, hedged items are identified by grouping the foreign currency-denominated financial assets and liabilities by currencies and designating derivative transactions, such as currency swap transactions and foreign exchange swaps as hedging instruments. Effectiveness of derivative transactions, such as currency swap transactions and foreign exchange swap transactions, is reviewed by comparing the total foreign currency position of the hedged items and the hedging instrument by currency.

One consolidated banking subsidiary applies individual deferral hedge accounting to offsetting the price fluctuation of the strategic shares that are classified under available-for-sale securities, using stock forward contracts as hedged items. The hedge effectiveness of derivative transactions is reviewed by comparing the changes in value of hedged item and hedging instruments.

The consolidated banking subsidiaries apply individual deferral hedge accounting and exceptional accrual method for interest rate swap to some assets and liabilities. Some consolidated subsidiaries apply the exceptional accrual method for interest rate swap to some liabilities.

x. Cash and Cash Equivalents — Cash and cash equivalents in the statements of cash flows represent cash and due from banks in the consolidated balance sheets, excluding deposits with banks other than the Bank of Japan of the banking subsidiaries and excluding the time deposits of the Company and the other consolidated subsidiaries.

y. Consumption Taxes — Consumption tax is excluded from transactions reported by the Group. However, non-deductible consumption tax on tangible fixed assets is charged to income as incurred.

z. Per Share Information — Basic net income per share of common stocks is computed by dividing net income attributable to common shareholders by the weighted-average number of shares of common stock outstanding for the period, retroactively adjusted for stock splits.

Diluted net income per share reflects the potential dilution that could occur if securities were exercised or converted into common stock. Diluted net income per share of common stock assumes full conversion of the outstanding convertible notes and bonds at the beginning of the year (or at the time of issuance) with an applicable adjustment for related interest expense, net of tax, and full exercise of outstanding warrants.

Cash dividends per share presented in the accompanying consolidated statement of income are dividends applicable to the respective years, including dividends to be paid after the end of the year.

3. CASH AND CASH EQUIVALENTS

The reconciliation of "Cash and cash equivalents" in the consolidated statement of cash flows and "Cash and due from banks" in the consolidated balance sheet as of March 31, 2017 and 2016, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Cash and due from banks	**¥1,393,762**	¥437,509	**$12,423,232**
Interest-bearing deposits included in due from banks (other than due from the Bank of Japan)	**—**	(1,358)	**—**
Deposits with banks of the banking subsidiaries other than the Bank of Japan	**(23,868)**	—	**(212,753)**
Cash and cash equivalents	**¥1,369,893**	¥436,150	**$12,210,479**

4. TRADING SECURITIES AND SECURITIES

The amounts shown in the following tables include "Securities", trading securities in "Trading assets" and trust beneficiary right in "Monetary claims bought" described in the consolidated balance sheets.

Net unrealized gains (losses) recognized as income as of March 31, 2017 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Trading securities	**¥(32)**	¥39	**$(285)**

Securities as of March 31, 2017 and 2016 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Japanese national government bonds	**¥1,145,390**	¥351,547	**$10,209,386**
Japanese local government bonds	**628,036**	251,967	**5,597,973**
Japanese corporate bonds	**672,639**	205,872	**5,995,539**
Japanese corporate stocks	**311,020**	48,649	**2,772,270**
Other securities	**1,433,593**	438,732	**12,778,265**
Total	**¥4,190,681**	¥1,296,769	**$37,353,432**

The cost and aggregate fair value of available-for-sale securities and held-to-maturity securities as of March 31, 2017 and 2016, were as follows:

	Millions of Yen			
March 31, 2017	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:	**¥3,857,001**	**¥216,101**	**¥33,284**	**¥4,039,818**
Equity securities	**159,550**	**147,566**	**418**	**306,697**
Debt securities:	**2,283,438**	**27,636**	**4,393**	**2,306,681**
Japanese national government bonds	**1,044,508**	**14,948**	**2,071**	**1,057,384**
Japanese local government bonds	**626,225**	**2,939**	**1,378**	**627,786**
Japanese corporate bonds	**612,704**	**9,749**	**943**	**621,509**
Others:	**1,414,013**	**40,898**	**28,472**	**1,426,439**
Foreign bonds	**686,614**	**2,465**	**9,434**	**679,645**
Others	**727,399**	**38,433**	**19,038**	**746,793**
Held-to-maturity:	**139,385**	**488**	**1,169**	**138,705**
Japanese national government bonds	**88,006**	**25**	**1,142**	**86,888**
Japanese local government bonds	**249**	**1**	**—**	**251**
Japanese corporate bonds	**51,129**	**461**	**26**	**51,565**

	Millions of Yen			
March 31, 2016	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:	¥1,137,194	¥72,825	¥4,600	¥1,205,419
Equity securities	21,195	26,717	686	47,225
Debt securities:	703,624	31,283	308	734,599
Japanese national government bonds	260,457	18,300	—	278,758
Japanese local government bonds	243,646	8,332	11	251,967
Japanese corporate bonds	199,520	4,650	297	203,873
Others:	412,374	14,825	3,605	423,594
Of which foreign bonds	156,610	3,075	590	159,095
Held-to-maturity:	88,788	13,840	—	102,628
Japanese national government bonds	72,789	13,734	—	86,524
Japanese corporate bonds	1,999	46	—	2,045
Others:	14,000	58	—	14,058
Of which foreign bonds	14,000	58	—	14,058

	Thousands of U.S. Dollars			
March 31, 2017	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:	**$34,379,191**	**$1,926,211**	**$296,684**	**$36,008,718**
Equity securities	**1,422,142**	**1,315,326**	**3,732**	**2,733,735**
Debt securities:	**20,353,312**	**246,340**	**39,164**	**20,560,489**
Japanese national government bonds	**9,310,171**	**133,242**	**18,466**	**9,424,948**
Japanese local government bonds	**5,581,831**	**26,198**	**12,285**	**5,595,744**
Japanese corporate bonds	**5,461,310**	**86,900**	**8,414**	**5,539,796**
Others:	**12,603,737**	**364,545**	**253,788**	**12,714,494**
Foreign bonds	**6,120,102**	**21,973**	**84,091**	**6,057,984**
Others	**6,483,635**	**342,572**	**169,698**	**6,656,510**
Held-to-maturity:	**1,242,409**	**4,355**	**10,424**	**1,236,341**
Japanese national government bonds	**784,438**	**230**	**10,188**	**774,480**
Japanese local government bonds	**2,228**	**9**	**—**	**2,238**
Japanese corporate bonds	**455,743**	**4,116**	**236**	**459,623**

Information on available-for-sale securities that were sold during the years ended March 31, 2017 and 2016, is as follows:

	Millions of Yen		
March 31, 2017	Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Equity securities	¥ 9,768	¥ 3,446	¥ 47
Debt securities:	520,395	6,984	1,209
Japanese national government bonds	416,573	6,466	876
Japanese local government bonds	55,234	110	261
Japanese corporate bonds	48,587	406	71
Others:	450,759	10,531	6,477
Foreign bonds	284,282	3,009	3,419
Others	166,477	7,522	3,058
Total	¥980,923	¥20,962	¥7,734

	Millions of Yen		
March 31, 2016	Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Equity securities	¥ 4,135	¥3,290	¥ 2
Debt securities:	51,980	684	0
Japanese national government bonds	51,104	678	—
Japanese corporate bonds	875	5	0
Others	12,480	210	978
Total	¥68,596	¥4,185	¥980

	Thousands of U.S. Dollars		
March 31, 2017	Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Equity securities	$ 87,073	$ 30,719	$ 421
Debt securities:	4,638,519	62,256	10,780
Japanese national government bonds	3,713,108	57,642	7,815
Japanese local government bonds	492,327	989	2,330
Japanese corporate bonds	433,085	3,625	634
Others:	4,017,825	93,874	57,741
Foreign bonds	2,533,935	26,826	30,481
Others	1,483,889	67,048	27,260
Total	$8,743,417	$186,849	$68,942

Marketable available-for-sale securities, whose fair value significantly declined in comparison with the acquisition cost and whose fair value is not considered likely to recover to their acquisition cost, are written down and recognized as impairment losses.

The impairment losses on marketable available-for-sale securities for the years ended March 31, 2017 and 2016, were nil and ¥36 million including bonds of ¥36 million, respectively.

Pursuant to “Practical Guidelines for Accounting for Financial Instruments” (JICPA Accounting Committee Report No. 14, April 14, 2015), the criteria for determining whether the fair value is “significantly declined” are defined that securities whose fair value has declined by 30% or more of the acquisition cost are deemed to be impaired.

As of March 31, 2017 and 2016, securities included equity investments in unconsolidated subsidiaries and associated companies of ¥9 million ($82 thousand) and ¥9 million and capital subscriptions of ¥2,145 million ($19,120 thousand) and ¥452 million, respectively.

5. UNREALIZED GAINS ON AVAILABLE-FOR-SALE SECURITIES

Unrealized gains on available-for-sale securities as of March 31, 2017 and 2016, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Unrealized gains:	¥182,976	¥68,225	$1,630,952
Available-for-sale securities	182,976	68,225	1,630,952
Money held in trust, except for trading and held-to-maturity purpose	—	—	—
Deferred tax liabilities:	54,431	19,697	485,168
Unrealized gains on available-for-sale securities before adjustments by ownership share	128,545	48,527	1,145,784
Noncontrolling interests	—	—	—
Company's ownership share in unrealized gains on available-for-sale securities held by affiliates accounted for using the equity method	—	—	—
Unrealized gains on available-for-sale securities	¥128,545	¥48,527	$1,145,784

As of March 31, 2017 and 2016, the total unrealized gains include an unrealized gain of ¥159 million ($1,426 thousands) and nil respectively on available-for-sale-securities, contained in certain fund.

6. LOANS AND BILLS DISCOUNTED

The following loans were included in loans and bills discounted as of March 31, 2017 and 2016:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Loans to borrowers in legal bankruptcy	¥ 2,757	¥ 1,704	$ 24,582
Past due loans	151,089	69,914	1,346,729
Loans past due for three months or more	805	—	7,179
Restructured loans	36,280	20,340	323,380
Total	¥190,932	¥91,959	$1,701,870

The amounts above are stated before the deduction of the allowance for loan losses.

“Loans to borrowers in legal bankruptcy” are nonaccrual loans, which are highly probable to become unrecoverable. Specific conditions for inclusion in this category are as follows:

(i) Borrowers have made application for procedures under the Corporate Reorganization Act, Civil Rehabilitation Act, Bankruptcy Act, liquidation under the Companies Act of Japan (the “Companies Act”), or liquidation under other legal provisions.

(ii) Clearance of promissory notes or bills issued by the borrower is suspended.

“Past due loans” are loans on which accrued interest income is not recognized, excluding “loans to borrowers in legal bankruptcy” and loans on which interest payments are deferred in order to support the borrowers’ recovery from financial difficulties.

“Loans past due for three months or more” include accruing loans for which principal or interest is past due three months or more.

“Restructured loans” are loans to borrowers in financial difficulty to whom the Group has provided financial support through modification of the lending terms to be more favorable to the borrower, including reduction of interest rates, suspension of repayment of principal and interest, and debt forgiveness.

Contracts of overdraft facilities and loan commitment limits are contracts under which the consolidated banking subsidiaries and certain consolidated subsidiaries lend to customers up to the prescribed limits in response to customer applications for loans as long as there is no violation of any condition in the contracts. As of March 31, 2017 and 2016, the amounts of unused commitments were ¥2,938,456 million ($26,191,785 thousand) and ¥1,249,546 million, respectively. As of March 31, 2017 and 2016, the amounts of unused commitments whose remaining contract terms were within one year were ¥2,064,015 million ($18,397,497 thousand) and ¥1,213,114 million, respectively.

As many of these commitments expire without being drawn down, the unused amount does not necessarily represent a future cash requirement. Most of these contracts have conditions whereby the consolidated banking subsidiaries and certain consolidated subsidiaries can refuse customer applications for loans or decrease the contract limits for certain reason (e.g., changes in financial situation and deterioration in customers' creditworthiness). At the inception of the contracts, the consolidated banking subsidiaries and certain consolidated subsidiaries obtain real estate, securities, or other assets as collateral if considered to be necessary. Subsequently, the consolidated banking subsidiaries and certain consolidated subsidiaries perform periodic reviews of the customers' business results based on the internal rules and take necessary measures to reconsider conditions in the contracts and/or require additional collateral and guarantees.

Discounting bills are treated as secured lending transactions. As of March 31, 2017 and 2016, consolidated banking subsidiaries have the right to sell or repledge bills discounted and foreign exchange bills bought and their total face value was ¥44,662 million ($398,097 thousand) and ¥25,527 million, respectively.

7. TANGIBLE FIXED ASSETS

Tangible fixed assets as of March 31, 2017 and 2016, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Buildings	**¥ 41,423**	¥ 7,527	**$ 369,224**
Land	**63,107**	12,798	**562,509**
Leased assets	**26**	16	**232**
Construction in progress	**652**	435	**5,817**
Other	**12,522**	3,647	**111,621**
Total	**¥117,732**	¥24,424	**$1,049,402**

The accumulated depreciation of tangible fixed assets as of March 31, 2017 and 2016, amounted to ¥126,558 million ($1,128,077 thousand) and ¥39,480 million, respectively.

Under certain conditions, such as exchanges of fixed assets of similar kinds and sales and purchases resulting from expropriation, Japanese tax laws permit companies to defer the profit arising from such transactions by reducing the cost of the assets acquired or by providing a special reserve in the equity section. As of March 31, 2017 and 2016, such deferred profit amounted to ¥9,864 million ($87,926 thousand) and ¥2,774 million, respectively. Newly-recognized amounts for the years ended March 31, 2017 and 2016, were ¥7 million ($63 thousand) and ¥26 million, respectively.

Under the "Law of Land Revaluation," one banking subsidiary elected a one-time revaluation of its own-use land to a value based on real estate appraisal information as of March 31, 1998. The resulting revaluation reserve for land represents unrealized appreciation of land and is stated, net of income taxes, as a component of equity. There was no effect on the consolidated statement of income. Continuous readjustment is not permitted, unless the land value subsequently declines significantly such that the amount of the decline in value should be removed from the revaluation reserve for land account and related deferred tax liabilities. As of March 31, 2017 and 2016, the carrying amount of the land after the above one-time revaluation exceeded the market value by ¥28,106 million ($250,524 thousand) and nil, respectively.

8. INTANGIBLE FIXED ASSETS

Intangible fixed assets as of March 31, 2017 and 2016, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Software	**¥ 8,254**	¥ 2,087	**$ 73,572**
Goodwill	**—**	75,979	**—**
Other	**4,160**	534	**37,082**
Total	**¥12,414**	¥78,601	**$110,654**

Goodwill on acquisition of subsidiaries is amortized using the straight line method over 20 years.

The amortization expense for goodwill included in general and administrative expenses for the year ended March 31, 2017 and 2016, amounted to nil and ¥6,202 million, respectively.

9. CUSTOMERS' LIABILITIES FOR ACCEPTANCES AND GUARANTEES

All contingent liabilities arising from acceptances and guarantees are reflected in acceptances and guarantees in the Consolidated Balance Sheet. As a contra account, customers' liabilities for acceptances and guarantees are presented as assets, representing the consolidated banking subsidiaries' and certain consolidated subsidiaries' rights of indemnity from the applicants.

Guarantee obligations for private placement bonds included in "Securities" (provided in accordance with the Article 2-3 of the "Financial Instruments and Exchange Act") as of March 31, 2017 and 2016, were ¥115,880 million ($1,032,892 thousand) and ¥63,410 million, respectively.

10. ASSETS PLEDGED AS COLLATERAL

Assets pledged as collateral and the related liabilities as of March 31, 2017 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Assets pledged as collateral:			
Cash and due from banks	**—**	¥ 4	**—**
Securities	**¥1,081,752**	280,162	**$9,642,149**
Loans and bills discounted	**—**	11,050	**—**
Total	**¥1,081,752**	¥291,217	**$9,642,149**
Related liabilities to above assets:			
Deposits	**¥ 149,269**	¥113,379	**$1,330,506**
Call money and bills sold	**5,609**	—	**50,000**
Payables under securities lending transactions	**167,640**	25,263	**1,494,252**
Borrowed money	**646,948**	181,710	**5,766,543**

Additionally, securities amounting to ¥103,860 million ($925,756 thousand) and ¥67,707 million as of March 31, 2017 and 2016, respectively, were pledged as collateral for settlements of exchange or as substitute securities for margins on futures transactions.

One consolidated subsidiary's lease receivables amounting to ¥117 million ($1,048 thousand) and nil as of March 31, 2017 and 2016, respectively, were pledged as collateral for borrowed money.

Moreover, other assets included deposits for central counterparty amounting to ¥26,371 million ($235,058 thousand) and nil, cash collateral paid for financial instruments amounting to ¥3,327 million ($29,660 thousand) and ¥5,090 million, and guarantee deposits amounting to 2,062 million ($18,384 thousand) and ¥745 million as of March 31, 2017 and 2016, respectively.

11. BORROWED MONEY

Borrowed money as of March 31, 2017 and 2016, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Borrowed money of which the weighted-average annual interest rates were 0.28%, due from April, 2017 to March, 2026	**¥735,593**	¥251,726	**$ 6,556,676**

Annual maturities of borrowed money as of March 31, 2017, for the next five years were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2018	**¥502,373**	**$4,477,881**
2019	**73,391**	**654,176**
2020	**42,968**	**383,002**
2021	**46,611**	**415,474**
2022	**221**	**1,979**

Borrowed money included borrowings from the Bank of Japan and other financial institutions. In addition, borrowed money included subordinated borrowings totaling ¥70,000 million ($623,942 thousand) and ¥70,000 million as of March 31, 2017 and 2016, respectively.

12. BONDS

Bonds as of March 31, 2017 and 2016, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Unsecured Euro-US dollar-denominated convertible bonds with stock acquisition rights issued by the Company, date of issue October 1, 2016, due April 24, 2019*1	**¥33,657**	¥—	**$300,000**
Unsecured straight bonds issued by Joyo, date of issue May 24, 2000, due May 22, 2020, 2.64% interest	**5,000**	—	**44,567**
Total	**¥38,657**	¥—	**$344,567**

*1 On October 1, 2016, the Company succeeded Euro-US dollar-denominated convertible bonds which were originally issued by Joyo.

Information on convertible bonds with stock acquisition rights is as follows:

Name	Euro-US dollar-denominated convertible bonds with stock acquisition rights issued by the Company due 2019
Type of stock:	Common stock
Issue price of stock acquisition rights:	Free of charge
Issue price of stock:	$5.11
Total sum of issue price:	$300,000 thousand
Grant ratio of stock acquisition rights:	100.0%
Exercise period of stock acquisition rights:	From October 1, 2016 to April 10, 2019
Substitute payment:	On execution of the stock acquisition rights, the corresponding bonds are to be invested, and the bond's price is same as face amount.

Annual maturities of bonds as of March 31, 2017, for the next five years were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2018	¥ —	$ —
2019	—	—
2020	33,657	300,000
2021	5,000	44,567
2022	—	—

13. RETIREMENT AND PENSION PLANS

(1) Outline of the adopted retirement benefit plans

(Year Ended March 31, 2017)

The Company's banking subsidiary, Joyo, and its consolidated subsidiaries have adopted defined employees' retirement benefit plans, i.e., the employees' welfare pension fund supplemented by the employees' public pension system and lump-sum retirement benefits.

In addition, extra benefits which are excluded from the projected benefit obligation in employees' retirement benefits accounting may be paid on a case-by-case basis. Joyo has established an employees' retirement benefit trust.

The Company's banking subsidiary, Ashikaga Bank, Ltd. ("Ashikaga"), and its consolidated subsidiaries have adopted funded and unfunded defined benefit plans as well as defined contribution plans to provide for the employees' retirement benefits. All of the retirement benefit plans are managed in an integrated manner through retirement benefit points which are determined based on years of service and capabilities of employees, as well as employee performance evaluation. The determined points are then allocated to each plan.

The defined benefit pension plans (funded plans) have introduced pension plans similar to cash balance plan-type pension plans. Under the plan, each participant will set up a virtual individual account where pension or lump-sum payments will be made based on the accumulated retirement benefit points allocated. A retirement benefit trust is established for this defined benefit pension plan.

Under the lump-sum retirement benefit plans (unfunded plans that have become funded plans due to the establishment of a retirement benefit trust), lump-sum payments are made based on the accumulated retirement benefit points allocated. In some cases, premium severance payments may be made to employees in conjunction with the employees' retirement, etc.

Under the defined contribution plans, contribution amount is decided based on the accumulated retirement benefit points allocated.

The Company's consolidated subsidiaries are members of the defined benefit pension funds under the multiemployer plans, and as the amount of plan assets corresponding to the contribution of each subsidiary may be reasonably calculated, such information is included in the notes to defined benefit plans.

Regarding the lump-sum retirement benefit plans adopted by certain consolidated subsidiaries, liability for retirement benefits and retirement benefit expenses are calculated by the simplified method.

(Year Ended March 31, 2016)

AHD's consolidated subsidiaries have adopted funded and unfunded defined benefit plans as well as defined contribution plans to provide for the employees' retirement benefits. All of the retirement benefit plans are managed in an integrated manner through retirement benefit points which are determined based on years of service and capabilities of employees, as well as employee performance evaluation. The determined points are then allocated to each plan.

The defined benefit pension plans (funded plans) have introduced pension plans similar to cash balance plan-type pension plans. Under the plan, each participant will set up a virtual individual account where pension or lump-sum payments will be made based on the accumulated retirement benefit points allocated. A retirement benefit trust is established for this defined benefit pension plan.

Under the lump-sum retirement benefit plans (unfunded plans that have become funded plans due to the establishment of a retirement benefit trust), lump-sum payments are made based on the accumulated retirement benefit points allocated. In some cases, premium severance payments may be made to employees in conjunction with the employees' retirement, etc.

Under the defined contribution plans, contribution amount is decided based on the accumulated retirement benefit points allocated.

Regarding the lump-sum retirement benefit plans adopted by certain consolidated subsidiaries, liability for retirement benefits and retirement benefit expenses are calculated by the simplified method.

AHD's consolidated subsidiaries are members of the defined benefit pension funds under the multiemployer plans, and as the amount of plan assets corresponding to the contribution of each subsidiary may be reasonably calculated, such information is included in the notes to defined benefit plans.

(2) Defined benefit plans

(a) The changes in defined benefit obligation for the years ended March 31, 2017 and 2016, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Year ended March 31, 2017	2017	2017
Balance at beginning of year	**¥ 76,181**	**$ 679,040**
Increase due to share exchange	**42,016**	**374,513**
Current service cost	**2,767**	**24,667**
Interest cost	**387**	**3,457**
Actuarial losses	**651**	**5,807**
Benefits paid	**(4,493)**	**(40,049)**
Past service cost	**—**	**—**
Other	**18**	**168**
Balance at end of year	**¥117,530**	**$1,047,603**

*Figures above exclude retirement and benefit plans calculated by the simplified method.

	Millions of Yen
Year ended March 31, 2016	2016
Balance at beginning of year (as previously reported)	¥38,872
Cumulative effect of accounting change	—
Balance at beginning of year (as restated)	—
Current service cost	1,520
Interest cost	443
Actuarial losses	4,198
Benefits paid	(2,331)
Others	48
Balance at end of year	¥42,752

*Figures above include retirement and benefit plans calculated by the simplified method.

(b) The changes in plan assets for the years ended March 31, 2017 and 2016, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Year ended March 31, 2017	2017	2017
Balance at beginning of year	**¥ 61,303**	**$ 546,429**
Increase due to share exchange	**54,330**	**484,271**
Expected return on plan assets	**1,813**	**16,163**
Actuarial gains	**4,495**	**40,068**
Contributions from the employer	**3,038**	**27,087**
Benefits paid	**(2,810)**	**(25,049)**
Others	**18**	**168**
Balance at end of year	**¥122,190**	**$1,089,137**

*Figures above exclude retirement and benefit plans calculated by the simplified method.

	Millions of Yen
Year ended March 31, 2016	2016
Balance at beginning of year	¥52,757
Expected return on plan assets	1,740
Actuarial losses	(1,755)
Contributions from the employer	2,045
Benefits paid	(1,624)
Others	36
Balance at end of year	¥53,199

(c) The changes in liability for retirement benefits adopting the simplified method for the year ended March 31, 2017, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2017	2017
Balance at beginning of year	**¥ 598**	**$ 5,332**
Increase due to the share exchange	**620**	**5,532**
Retirement benefit expense	**454**	**4,050**
Benefits paid	**(67)**	**(598)**
Contribution to the defined benefit pension plan	**(325)**	**(2,904)**
Net balance at end of year	**¥1,280**	**$11,411**

(d) Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets was as follows:

	Millions of Yen	Thousands of U.S. Dollars
Year ended March 31, 2017	2017	2017
Funded defined benefit obligation	**¥125,279**	**$1,116,669**
Plan assets	**(128,658)**	**(1,146,792)**
Total	**(3,379)**	**(30,123)**
Unfunded defined benefit obligation	**—**	**—**
Net asset arising from defined benefit obligation	**¥ (3,379)**	**$ (30,123)**

	Millions of Yen	Thousands of U.S. Dollars
	2017	2017
Liability for retirement benefits	**¥ 8,896**	**$ 79,298**
Asset for retirement benefits	**(12,275)**	**(109,421)**
Net asset arising from defined benefit obligation	**¥ (3,379)**	**$ (30,123)**

*Figures above include retirement and benefit plans calculated by the simplified method.

	Millions of Yen
Year ended March 31, 2016	2016
Funded defined benefit obligation	¥ 42,752
Plan assets	(53,199)
Total	(10,446)
Unfunded defined benefit obligation	—
Net asset arising from defined benefit obligation	¥(10,446)

	Millions of Yen
	2016
Liability for retirement benefits	¥ —
Asset for retirement benefits	(10,446)
Net asset arising from defined benefit obligation	¥(10,446)

*Figures above include retirement and benefit plans calculated by the simplified method.

(e) The components of net periodic benefit costs for the years ended March 31, 2017 and 2016, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Year ended March 31, 2017	2017	2017
Service cost	**¥2,767**	**$24,667**
Interest cost	**387**	**3,457**
Expected return on plan assets	**(1,813)**	**(16,163)**
Recognized actuarial losses	**3,688**	**32,877**
Amortization of prior service cost	**—**	**—**
Retirement benefit expense calculated by the simplified method	**454**	**4,050**
Others	**(9)**	**(82)**
Net periodic benefit costs	**¥5,475**	**$48,806**

Year ended March 31, 2016	Millions of Yen 2016
Service cost	¥1,520
Interest cost	443
Expected return on plan assets	(1,740)
Recognized actuarial losses	767
Amortization of prior service cost	(144)
Others (non-actuarial-basis cost)	12
Net periodic benefit costs	¥ 858

*Service cost above includes retirement benefit expense calculated by the simplified method.

(f) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2017 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Prior service cost	¥ —	¥ (144)	$ —
Actuarial losses	(7,532)	(5,186)	(67,138)
Total	¥(7,532)	¥(5,331)	$(67,138)

(g) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2017 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Unrecognized prior service cost	¥ —	¥ 1,013	$ —
Unrecognized actuarial (gains) losses	7,815	(3,292)	69,664
Total	¥7,815	¥ (2,278)	$69,664

(h) Plan assets

a. Components of plan assets

Plan assets as of March 31, 2017 and 2016, consisted of the following:

	2017	2016
Debt investments	47.9%	63%
Equity investments	31.7%	21%
General accounts	12.6%	8%
Short-term assets	—	4%
Others	7.8%	4%
Total	100.0%	100%

* As of March 31, 2017 and 2016, total plan assets that were set up on corporate pension plans include retirement benefit trust of 20.9% and 25%, respectively.

b. Method of determining the expected rate of return on plan assets

The expected rate of return on plan assets is determined considering the long-term rates of return which are expected currently and in the future from the various components of the plan assets.

(i) Assumptions used for the years ended March 31, 2017 and 2016, were set forth as follows:

	2017	2016
Discount rate	0.20% — 0.57%	0.3% — 1.0%
Expected rate of return on plan assets	2.50% — 3.30%	3.3%
Expected rate of increase in salary	4.63% — 9.00%	9.0%

(3) Defined contribution plans

The amounts of the required contribution to the defined contribution plans of certain consolidated subsidiaries were ¥598 million ($5,333 thousand) and ¥298 million as of March 31, 2017 and 2016, respectively.

14. EQUITY

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

a. Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. Additionally, for companies that meet certain criteria including (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory Board, and (4) the term of service of the directors being prescribed as one year rather than the normal two-year term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. With respect to the third condition above, the Board of Directors of companies with (a) board committees (namely, appointment committee, compensation committee and audit committee) or (b) an audit and supervisory committee (as implemented under the Companies Act effective May 1, 2015) may also declare dividends at any time because such companies, by nature, meet the criteria under the Companies Act. The Company is organized as a company with an audit and supervisory committee. The Company meets all the above criteria, and accordingly, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year.

The Companies Act permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to certain limitations and additional requirements.

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

b. Increases/Decreases and Transfer of Common Stock, Reserve, and Surplus

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

c. Treasury Stock and Treasury Stock Acquisition Rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by a specific formula. Under the Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

(1) Capital Stock Changes during the Year

The changes in the number and class of issued stock and treasury stock for the year ended March 31, 2017, were as follows:

	Shares in Thousands			
		Changes During the Year		
	As of March 31, 2016	Increase	Decrease	As of March 31, 2017
Issued stock:				
Common stock	333,250	845,805*1	—	1,179,055
Total	333,250	845,805	—	1,179,055
Treasury stock				
Common stock	—	1,306*2	3*3	1,303
Total	—	1,306	3	1,303

*1 845,845 shares are issued due to the share exchange with Joyo on October 1, 2016.

*2 The number of shares of treasury stocks increased by 1,290 thousand shares due to a dividend-in-kind from a subsidiary and by 16 thousand shares due to purchases of shares less than the trading unit.

*3 The number of shares of treasury stock decreased by 3 thousand shares due to sales to shareholders in response to their demand to buy additional shares up to the trading unit.

The changes in the number and class of issued stock and treasury stock for the year ended March 31, 2016, were as follows:

	Shares in Thousands			
		Changes During the Year		
	As of March 31, 2015	Increase	Decrease	As of March 31, 2016
Issued stock:				
Common stock	333,250	—	—	333,250
Total	333,250	—	—	333,250

(2) Cash Dividends Per Share

Cash dividends per share for the years ended March 31, 2017 and 2016, were as follows:

Year ended March 31, 2017

Dividends paid in the fiscal year ended March 31, 2017

The following cash dividend payments were approved at the Board of Directors' meeting held on May 13, 2016, and November 14, 2016:

The amounts of dividends below were paid to shareholders recorded in the resister of shareholders of AHD at market closing time on March 31, 2016, or September 30, 2016.

Cash dividends approved at the Board of Directors' meeting held on May 13, 2016:	Total Amount (Millions of Yen)	Per Share Amount (Yen)	Dividend Record Date	Effective Date
Common stock	¥1,499	¥4.50	Mar. 31, 2016	Jun. 8, 2016

Cash dividends approved at the Board of Directors' meeting held on Nov. 14, 2016:	Total Amount (Millions of Yen)	Per Share Amount (Yen)	Dividend Record Date	Effective Date
Common stock	¥1,832	¥5.50	Sep. 30, 2016	Dec. 2, 2016

Cash dividends approved at the Board of Directors' meeting held on May 13, 2016:	Total Amount (Thousands of U.S. Dollars)	Per Share Amount (U.S. Dollars)	Dividend Record Date	Effective Date
Common stock	$13,367	$0.04	Mar. 31, 2016	Jun. 8, 2016

Cash dividends approved at the Board of Directors' meeting held on Nov. 14, 2016:	Total Amount (Thousands of U.S. Dollars)	Per Share Amount (U.S. Dollars)	Dividend Record Date	Effective Date
Common stock	$16,337	$0.05	Sep. 30, 2016	Dec. 2, 2016

Being paid by the Company before the business integration, the dividend whose record date is March 31, 2016, which is before the share exchange, is not included in the changes in shareholder equity.

The Company conducted a share exchange whereby the Company became the wholly-owing parent company and Joyo became the wholly-owned subsidiary of the Company on October 1, 2016. In regard to the following dividend amount, the dividend payment resolved at Joyo's ordinary general meeting of shareholders were paid by Joyo to the shareholders recorded in the register of shareholders of Joyo at market closing time on March 31, 2016 and so the amount approved at Joyo's board meeting was paid to those who were on the record as shareholders of Joyo at market closing time on September 30, 2016.

Cash dividends approved at the Ordinary General Meeting of Shareholders held on Jun. 28, 2016:	Total Amount (Millions of Yen)	Per Share Amount (Yen)	Dividend Record Date	Effective Date
Common stock	¥5,060	¥7.00	Mar. 31, 2016	Jun. 29, 2016

Cash dividends approved at the Board of Directors' meeting held on Nov. 7, 2016:	Total Amount (Millions of Yen)	Per Share Amount (Yen)	Dividend Record Date	Effective Date
Common stock	¥4,337	¥6.00	Sep. 30, 2016	Dec. 2, 2016

Cash dividends approved at the Ordinary General Meeting of Shareholders held on Jun. 28, 2016:	Total Amount (Thousands of U.S. Dollars)	Per Share Amount (U.S. Dollars)	Dividend Record Date	Effective Date
Common stock	$45,103	$0.06	Mar. 31, 2016	Jun. 29, 2016

Cash dividends approved at the Board of Directors' meeting held on Nov. 7, 2016:	Total Amount (Thousands of U.S. Dollars)	Per Share Amount (U.S. Dollars)	Dividend Record Date	Effective Date
Common stock	$38,662	$0.05	Sep. 30, 2016	Dec. 2, 2016

Dividends to be paid after March 31, 2017

Cash dividends approved at the Board of Directors' meeting held on May 12, 2017:	Total Amount (Millions of Yen)	Per Share Amount (Yen)	Dividend Record Date	Effective Date
Common stock	¥7,655	¥6.50	Mar. 31, 2017	Jun. 5, 2017

Cash dividends approved at the Board of Directors' meeting held on May 12, 2017:	Total Amount (Thousands of U.S. Dollars)	Per Share Amount (U.S. Dollars)	Dividend Record Date	Effective Date
Common stock	$68,236	$0.06	Mar. 31, 2017	Jun. 5, 2017

Of the per share amount above, ¥1.00 ($0.01) is the amount of a commemorative dividend for the business integration.

Year ended March 31, 2016:

Dividends paid in the fiscal year ended March 31, 2016

The following cash dividend payments were approved at the Board of Directors' meeting held on May 13, 2015, and November 10, 2015:

Cash dividends approved at the Board of Directors' meeting held on May 13, 2015:	Total Amount (Millions of Yen)	Per Share Amount (Yen)	Dividend Record Date	Effective Date
Common stock	¥1,499	¥4.50	Mar. 31, 2015	Jun. 4, 2015

Cash dividends approved at the Board of Directors' meeting held on Nov. 10, 2015:	Total Amount (Millions of Yen)	Per Share Amount (Yen)	Dividend Record Date	Effective Date
Common stock	¥1,832	¥5.50	Sep. 30, 2015	Dec. 3, 2015

Dividends to be paid after March 31, 2016

Cash dividends approved at the Board of Directors' meeting held on May 13, 2016:	Total Amount (Millions of Yen)	Per Share Amount (Yen)	Dividend Record Date	Effective Date
Common stock	¥1,499	¥4.50	Mar. 31, 2016	Jun. 8, 2016

15. STOCK OPTIONS

The Company's stock option plans grant options to directors and others to purchase certain shares of the Company's common stock in the respective exercise periods.

Year ended March 31, 2017:

The Company recorded stock option expenses in "General and administrative expenses" of ¥83 million ($747 thousand) for the fiscal years ended March 31, 2017.

The stock options outstanding as of March 31, 2017, were as follows:

Stock Options	Persons Granted	Number of Options Granted (Shares)	Date of Grant	Exercise Price	Exercise Period
Mebuki Financial Group, Inc. 1st Series of Stock Acquisition Rights	10 directors of Joyo	16,833	24-Aug-09	¥1	From October 1, 2016, to August 24, 2039
Mebuki Financial Group, Inc. 2nd Series of Stock Acquisition Rights	10 directors of Joyo	23,634	21-Jul-10	¥1	From October 1, 2016, to July 21, 2040
Mebuki Financial Group, Inc. 3rd Series of Stock Acquisition Rights	10 directors of Joyo	43,430	20-Jul-11	¥1	From October 1, 2016, to July 20, 2041
Mebuki Financial Group, Inc. 5th Series of Stock Acquisition Rights	10 directors of Joyo	42,024	19-Jul-12	¥1	From October 1, 2016, to July 19, 2042
Mebuki Financial Group, Inc. 6th Series of Stock Acquisition Rights	16 executive officers of Joyo	5,089	19-Jul-12	¥1	From October 1, 2016, to July 19, 2042
Mebuki Financial Group, Inc. 7th Series of Stock Acquisition Rights	10 directors of Joyo	39,241	18-Jul-13	¥1	From October 1, 2016, to July 18, 2043
Mebuki Financial Group, Inc. 8th Series of Stock Acquisition Rights	15 executive officers of Joyo	12,428	18-Jul-13	¥1	From October 1, 2016, to July 18, 2043
Mebuki Financial Group, Inc. 9th Series of Stock Acquisition Rights	10 directors of Joyo	40,656	18-Jul-14	¥1	From October 1, 2016, to July 18, 2044
Mebuki Financial Group, Inc. 10th Series of Stock Acquisition Rights	14 executive officers of Joyo	16,040	18-Jul-14	¥1	From October 1, 2016, to July 18, 2044
Mebuki Financial Group, Inc. 11th Series of Stock Acquisition Rights	10 directors of Joyo	40,041	17-Jul-15	¥1	From October 1, 2016, to July 17, 2045
Mebuki Financial Group, Inc. 12th Series of Stock Acquisition Rights	13 executive officers of Joyo	22,830	17-Jul-15	¥1	From October 1, 2016, to July 17, 2045
Mebuki Financial Group, Inc. 13th Series of Stock Acquisition Rights	29 directors of the Company, Joyo and Ashikaga	142,176	6-Dec-16	¥1	From December 7, 2016, to December 6, 2046

Stock Options	Persons Granted	Number of Options Granted (Shares)	Date of Grant	Exercise Price	Exercise Period
Mebuki Financial Group, Inc. 14th Series of Stock Acquisition Rights	16 executive officers of Joyo	63,910	6-Dec-16	¥1	From December 7, 2016, to December 6, 2046
2009 Stock Option	6 directors and executive officers of the company 10 directors and executive officers of Ashikaga 1,848 employees of Ashikaga	2,684,900	2-Mar-09	¥550	From March 2, 2011, to December 31, 2018
2010 Stock Option	6 directors and executive officers of the company 10 directors and executive officers of Ashikaga 1,878 employees of Ashikaga	2,698,700	4-Jan-10	¥550	From January 4, 2012, to December 31, 2018

* As a result of the share exchange conducted between the Company and Joyo on October 1, 2016, stock acquisition rights of the Company were allotted to the holders of stock acquisition rights of Joyo based on the share exchange ratio.

The stock option activity was as follows:

	Mebuki FG 1st	Mebuki FG 2nd	Mebuki FG 3rd	Mebuki FG 5th
Year ended March 31, 2017				
Non-vested (shares):				
April 1, 2016 — Outstanding	—	—	—	—
Granted	16,833	23,634	43,430	42,024
Canceled	—	—	—	—
Vested	—	—	—	—
March 31, 2017 — Outstanding	16,833	23,634	43,430	42,024
Vested (shares):				
April 1, 2016 — Outstanding	—	—	—	—
Vested	—	—	—	—
Exercised	—	—	—	—
Canceled	—	—	—	—
March 31, 2017 — Outstanding	—	—	—	—
Excise price	¥1	¥1	¥1	¥1
(Yen / US Dollars)	$0.01	$0.01	$0.01	$0.01
Average stock price at exercise	—	—	—	—
(Yen / US Dollars)	—	—	—	—
Fair value price at grant date	¥417	¥297	¥300	¥310
(Yen / US Dollars)	$3.72	$2.65	$2.67	$2.76

	Mebuki FG 6th	Mebuki FG 7th	Mebuki FG 8th	Mebuki FG 9th
Year ended March 31, 2017				
Non-vested (shares):				
April 1, 2016 — Outstanding	—	—	—	—
Granted	5,089	39,241	12,428	40,656
Canceled	—	—	—	—
Vested	—	—	—	—
March 31, 2017 — Outstanding	5,089	39,241	12,428	40,656
Vested (shares):				
April 1, 2016 — Outstanding	—	—	—	—
Vested	—	—	—	—
Exercised	—	—	—	—
Canceled	—	—	—	—
March 31, 2017 — Outstanding	—	—	—	—
Excise price	¥1	¥1	¥1	¥1
(Yen / US Dollars)	$0.01	$0.01	$0.01	$0.01
Average stock price at exercise	—	—	—	—
(Yen / US Dollars)	—	—	—	—
Fair value price at grant date	¥331	¥518	¥542	¥500
(Yen / US Dollars)	$2.95	$4.62	$4.83	$4.46

	Mebuki FG 10th	Mebuki FG 11th	Mebuki FG 12th	Mebuki FG 13th
For the year ended March 31, 2017				
Non-vested (shares):				
April 1, 2016 — Outstanding	—	—	—	—
Granted	16,040	40,041	22,830	142,176
Canceled	—	—	—	—
Vested	—	—	—	—
March 31, 2017 — Outstanding	16,040	40,041	22,830	142,176
Vested (shares):				
April 1, 2016 — Outstanding	—	—	—	—
Vested	—	—	—	—
Exercised	—	—	—	—
Canceled	—	—	—	—
March 31, 2017 — Outstanding	—	—	—	—
Excise price	¥1	¥1	¥1	¥1
(Yen / US Dollars)	$0.01	$0.01	$0.01	$0.01
Average stock price at exercise	—	—	—	—
(Yen / US Dollars)	—	—	—	—
Fair value price at grant date	¥525	¥680	¥708	¥345
(Yen / US Dollars)	$4.68	$6.06	$6.31	$3.08

	Mebuki FG 14th	2009 Stock Option	2010 Stock Option
Year ended March 31, 2017			
Non-vested (shares):			
April 1, 2016 — Outstanding	—	—	—
Granted	63,910	1,943,200	2,017,200
Canceled	—	86,600	87,500
Vested	—	—	—
March 31, 2017 — Outstanding	63,910	1,856,600	1,929,700
Vested (shares):			
April 1, 2016 — Outstanding	—	—	—
Vested	—	—	—
Exercised	—	—	—
Canceled	—	—	—
March 31, 2017 — Outstanding	—	—	—
Excise price	¥1	¥550	¥550
(Yen / US Dollars)	$0.01	$4.90	$4.90
Average stock price at exercise	—	—	—
(Yen / US Dollars)	—	—	—
Fair value price at grant date	¥374	—	—
(Yen / US Dollars)	$3.33	—	—

The Assumptions Used to Measure Fair Value of Stock Option

Stock options received from Joyo and issued by the Company were valued using the Black-Scholes option-pricing model and the following principal parameters:

	Mebuki FG 1st	Mebuki FG 2nd	Mebuki FG 3rd	Mebuki FG 5th
Volatility of stock price*1:	33.93%	33.00%	34.16%	32.54%
Estimated remaining outstanding period*2:	6 years	6 years	6 years	6 years
Estimated dividend*3:	¥8 per share	¥8 per share	¥8 per share	¥8 per share
Interest rate with risk free*4:	0.76%	0.45%	0.48%	0.26%

	Mebuki FG 6th	Mebuki FG 7th	Mebuki FG 8th	Mebuki FG 9th
Volatility of stock price*1:	24.41%	33.56%	27.19%	30.90%
Estimated remaining outstanding period*2:	3 years	6 years	3 years	6 years
Estimated dividend*3:	¥8 per share	¥8.5 per share	¥8.5 per share	¥9 per share
Interest rate with risk free*4:	0.10%	0.38%	0.14%	0.19%

	Mebuki FG 10th	Mebuki FG 11th	Mebuki FG 12th	Mebuki FG 13th
Volatility of stock price*1:	25.77%	25.64%	26.72%	29.13%
Estimated remaining outstanding period*2:	3 years	6 years	3 years	6 years
Estimated dividend*3:	¥9 per share	¥10 per share	¥10 per share	¥11 per share
Interest rate with risk free*4:	0.08%	0.14%	0.03%	(0.08)%

	Mebuki FG 14th
Volatility of stock price*1:	30.89%
Estimated remaining outstanding period*2:	3 years
Estimated dividend*3:	¥11 per share
Interest rate with risk free*4:	(0.15)%

*1. Volatility of stock price is calculated based on the actual stock price of Joyo during the period bellow.
Mebuki FG 1st : From August 22, 2003 to August 21, 2009
Mebuki FG 2nd : From July 21, 2004 to July 20, 2010
Mebuki FG 3rd : From July 20, 2005 to July 19, 2011
Mebuki FG 5th : From July 19, 2006 to July 18, 2012
Mebuki FG 6th : From July 21, 2009 to July 18, 2012
Mebuki FG 7th : From July 18, 2007 to July 17, 2013
Mebuki FG 8th : From July 20, 2010 to July 17, 2013
Mebuki FG 9th : From July 18, 2008 to July 17, 2014
Mebuki FG 10th : From July 19, 2011 to July 17, 2014
Mebuki FG 11th : From July 17, 2009 to July 16, 2015
Mebuki FG 12th : From July 17, 2012 to July 16, 2015
*2. Average tenure of retired directors and executive officers of Joyo
*3. Actual dividend payments conducted by Joyo just before each stock option was issued
*4. Yield of Japanese government bonds approximating the estimated remaining outstanding period at the time when Joyo issued each stock option
*5. Volatility of stock price is calculated based on the actual stock price of the Company during the period. Only a short time has passed since the business combination was conducted through a share exchange between the Company and Joyo, during the period before the business combination was completed, volatility of stock price is calculated based on the actual stock price of a similar publicly-traded company.
Mebuki FG 13th : From December 6, 2010 to December 5, 2016
Mebuki FG 14th : From December 6, 2013 to December 5, 2016
*6. Average tenure of retired directors and executive officers of Joyo and Ashikaga
*7. Estimated dividend of FY2017 (excluding a commemorative dividend)
*8. Yield of Japanese government bonds approximating the estimated remaining outstanding period

The Method Used to Estimate the Number of Stock Options Expected to Vest

Since it is difficult to rationally estimate the number of unexercised options in the future, a method of only reflecting actual unexercised options is adopted.

(2009 Stock Option and 2010 Stock Option)

As the Company was an unlisted company when stock option rights were granted, they were measured at their intrinsic value because the fair value of stock options cannot be reliably estimated. The Company does not recognize relevant expenses, since their fair value on the date of grant was zero. The amounts of their intrinsic value as of March 31, 2017, were nil.

Year ended March 31, 2016:

The Company recorded stock option expenses in "General and administrative expenses" of nil for the fiscal years ended March 31, 2016.

The stock options outstanding as of March 31, 2016, were as follows:

Stock Options	Persons Granted	Number of Options Granted (Shares)*1	Date of Grant	Exercise Price	Exercise Period
2009 Stock Option	6 directors and executive officers of the Company 10 directors and executive officers of the consolidated banking subsidiary 1,848 employees of the consolidated banking subsidiary	2,684,900	2 - Mar - 09	¥550	From March 1, 2011, to December 31, 2018
2010 Stock Option	6 directors and executive officers of the Company 10 directors and executive officers of the consolidated banking subsidiary 1,878 employees of the consolidated banking subsidiary	2,698,700	4 - Jan - 10	550	From January 1, 2012, to December 31, 2018

*1 On October 19, 2013, the Company made a stock split by way of a free share distribution at the rate of 0.01 shares for each outstanding common stock. All share amounts of options granted in above table have been adjusted to reflect the stock split.

The stock option activity was as follows:

	2009 Stock Option	2010 Stock Option
For the year ended March 31, 2016		
Non-vested (shares):		
April 1, 2015 — Outstanding	2,642,600	2,655,900
Granted	—	—
Canceled	699,400	638,700
Vested	—	—
March 31, 2016 — Outstanding	1,943,200	2,017,200
Vested (shares):		
April 1, 2015 — Outstanding	—	—
Vested	—	—
Exercised	—	—
Canceled	—	—
March 31, 2016 — Outstanding	—	—

The Assumptions Used to Measure Fair Value of Stock Option

As the Company was an unlisted company when stock option rights were granted, they were measured at their intrinsic value because the fair value of the stock option could not be reliably estimated. The Company does not recognize relevant expenses as their fair value on the date of grant was zero. The amounts of their intrinsic value as of March 31, 2016, were nil.

The Method Used to Estimate the Number of Stock Options Expected to Vest

Since it is difficult to rationally estimate the number of unexercised options in the future, a method of only reflecting actual unexercised options is adopted.

16. PER SHARE OF COMMON STOCK

(1) Net income per share

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2017 and 2016, was as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
	Net Income Attributable to Owners of the Parent	Weighted-Average Shares	EPS	
Year Ended March 31, 2017				
Basic EPS — Net income available to common shareholders	**¥158,455**	**¥1,010,667**	**¥156.78**	**$1.40**
Effect of dilutive securities:				
Warrants		**380**		
Diluted EPS — Net income for computation	**¥158,455**	**¥1,011,047**	**¥156.72**	**$1.40**
Year Ended March 31, 2016				
Basic EPS — Net income available to common shareholders	¥ 22,452	¥ 333,250	¥ 67.37	
Effect of dilutive securities	—	—		
Diluted EPS — Net income for computation *1	¥ —	¥ —	¥ —	

*1. Since the average share price during the fiscal year did not exceed the exercise price and the shares were not dilutive, diluted EPS is not shown because a decrease in net income available to common shareholders as a result of dilution did not incur.

(2) Total equity per share

Total equity per share as of March 31, 2017 and 2016, was as follows:

	Yen		U.S. Dollars
	2017	2016	2017
Total equity per share	**¥732.66**	¥909.54	**$6.53**

Total equity per share as of March 31, 2017 and 2016, is calculated based on the following:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Total equity	**¥863,086**	¥303,105	**$ 7,693,078**
Deductions from total equity	193	—	1,724
Total equity available to common shareholders	**¥862,892**	¥303,105	**$ 7,691,354**

	Number of Shares in Thousands	
	2017	2016
Number of shares of common stock used in computing total equity per share at the year-end	**1,177,751**	333,250

17. OTHER INCOME

Other income for the years ended March 31, 2017 and 2016, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Gain on sales of stock and other securities	**¥ 9,902**	¥3,290	**$ 88,268**
Gain on disposal of fixed assets	**6**	—	**57**
Recoveries of write-off claims	**2,688**	524	**23,962**
Other	**23,718**	1,023	**211,415**
Total	**¥36,316**	¥4,838	**$323,702**

18. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the years ended March 31, 2017 and 2016, consisted of the following:

	Millions of Yen	Thousands of U.S. Dollars
	2017	2017
Salaries and allowances	**¥42,922**	**$382,585**
Periodic benefit costs	**5,956**	**53,093**
Other	**49,209**	**438,630**
Total	**¥98,088**	**$874,308**

	Millions of Yen
	2016
Salaries and allowances	¥20,165
Amortization of goodwill	6,202
Other	29,103
Total	¥55,471

19. OTHER EXPENSES

Other expenses for the years ended March 31, 2017 and 2016, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Write-off amount of loans	**¥ 3,940**	¥1,656	**$ 35,122**
Loss on sales of stocks and other securities	**2,211**	980	**19,714**
Loss on devaluation of stocks and other securities	**46**	8	**411**
Loss on sales of loans	**232**	110	**2,075**
Loss on disposal of fixed assets	**438**	108	**3,905**
Impairment losses*1	**1,463**	50	**13,046**
Other	**23,075**	680	**205,679**
Total	**¥31,407**	¥3,595	**$279,952**

*1 For the fiscal year ended March 31, 2017, impairment losses on long-lived assets were recognized mainly on the properties of Bank's branches in Tochigi and Ibaraki prefecture, which were decided to be closed, as returns on investment cannot be realized. The components of impairment losses by fixed assets for the years ended March 31, 2017 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2017	2017
Land	**¥470**	**$4,197**
Software	**324**	**2,893**
Equipment	**266**	**2,379**
Leasehold	**202**	**1,809**
Buildings	**198**	**1,769**

20. INCOME TAXES

The Group is subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of 30.86% and 32.8% for the years ended March 31, 2017 and 2016, respectively.

The tax effects of significant temporary differences and loss carry forwards which result in deferred tax assets and liabilities as of March 31, 2017 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Deferred tax assets:			
Allowance for loan losses	**¥ 29,004**	¥ 14,440	**$ 258,533**
Write-offs of securities	**13,217**	11,592	**117,813**
Liability for retirement benefits	**12,832**	3,493	**114,382**
Tax loss carryforwards	**1,779**	1,593	**15,864**
Provision for employee bonuses	**1,758**	—	**15,672**
Depreciation	**1,104**	—	**9,841**
Provision for reimbursement of deposits	**1,058**	—	**9,434**
Other	**9,783**	5,968	**87,207**
Subtotal deferred tax assets	**70,538**	37,087	**628,745**
Less valuation allowance	**(18,485)**	(21,049)	**(164,771)**
Total deferred tax assets	**52,053**	16,038	**463,974**
Deferred tax liabilities:			
Unrealized gains on available-for-sale securities	**(69,694)**	(19,697)	**(621,216)**
Retirement benefit trust	**(4,467)**	—	**(39,822)**
Reversal of allowance for loan losses after elimination of intercompany balances	**(22)**	—	**(203)**
Property revaluations in preparing consolidated financial statements	**—**	(737)	**—**
Other	**(7,669)**	(93)	**(68,362)**
Total deferred tax liabilities	**(81,854)**	(20,528)	**(729,603)**
Net deferred tax liabilities	**¥(29,800)**	¥ (4,490)	**$(265,629)**

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statement of income for the year ended March 31, 2017, with the corresponding figures for 2016, was as follows:

	2017	2016
Normal effective statutory tax rate	**30.86%**	32.8 %
Gain on negative goodwill	**(21.71)**	—
Change in valuation allowance	**(2.67)**	(19.0)
Dividends exempted from taxation	**(0.27)**	(13.4)
Expenses that are not deductible for income tax purposes	**0.05**	0.3
Effect of change in income tax rate	**—**	5.7
Consolidation adjustments, such as amortization of goodwill	**—**	19.6
Adjustments, such as residential tax on a per capita basis	**—**	0.3
Effect of consolidated tax payment		(0.4)
Other — net	**0.18**	(0.3)
Actual effective tax rate	**6.44%**	25.6%

21. LEASES

The minimum rental commitments under noncancelable operating leases as of March 31, 2017, were as follows:

Lessee

	Millions of Yen	Thousands of U.S. Dollars
	2017	2017
Due within one year	**¥ 69**	**$ 622**
Due after one year	**156**	**1,398**
Total	**¥226**	**$2,020**

Lessor

	Millions of Yen	Thousands of U.S. Dollars
	2017	2017
Due within one year	**¥1**	**$16**
Due after one year	**3**	**34**
Total	**¥5**	**$50**

22. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) Group Policies for Financial Instruments

(For the year ended March 31, 2017)

The Group provides financial services, centering on banking. As the central business operation of the Group, the consolidated banking subsidiaries raise funds by deposits as its basic function as a bank; the banking subsidiaries also procure funds by call money transactions from short-term markets to maintain an adequate degree of liquidity. The banking subsidiaries manage those funds through lending to corporate customers and individuals, such as housing loans, investing in securities, mainly bonds, and investing in money markets.

The Group utilizes Asset Liability Management (ALM) to avoid unfavorable floating interest rate fluctuation of the financial assets and liabilities it holds. As a part of ALM, the Group has entered into derivative transactions.

(For the year ended March 31, 2016)

The Group provides various financial services, centering on banking. The Company is a bank-holding company and financed by subordinate debts to acquire shares of the consolidated banking subsidiary, Ashikaga. As the central business operation of the Group, the consolidated banking subsidiary raises funds by deposits as its basic function as a bank; the consolidated banking subsidiary also procures funds by call money transactions from short-term markets to maintain an adequate degree of liquidity. The consolidated banking subsidiary manages those funds lending to corporate customers and individuals, such as mortgages and investing securities, mainly bonds, and lending to counterparties in short-term markets.

The Group utilizes ALM to avoid unfavorable floating interest rate fluctuations of financial assets and liabilities it holds. As a part of ALM, the Group has entered into derivative transactions.

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

(For the year ended March 31, 2017)

The Group's financial assets are mainly loans made by the consolidated banking subsidiaries to domestic corporations and individuals in Japan, which are exposed not only to interest rate fluctuation risks, but also to customers' credit risks. Securities and investment securities, such as bonds, stocks, and investment trusts, are possessed to trade, to hold to maturity dates to generate stable interest income and to promote business relationships with the issuers. These securities are exposed to the issuers' credit risks, interest rate fluctuation risks, and market price fluctuation risks.

The Group's main financial liabilities are deposits received by the consolidated baking subsidiaries, which are exposed to interest rate fluctuation risks and liquidity risks. Borrowed money and bonds are exposed to the risks that the

Group may not be able to repay them on their maturity dates if, under certain circumstances, the Group is not able to access to a capital market.

The consolidated banking subsidiaries utilize derivative transactions to hedge the customers' interest and currency risks and to control the interest rate fluctuation risks in ALM. Derivatives transactions are utilized to hedge interest rate fluctuation risks, foreign currency exchange rate fluctuation risks, and market price fluctuation risks on the Group's financial assets and liabilities. Derivatives mainly include interest rate swaps, currency swaps, and bond futures, and are exposed to the interest rate fluctuation risks, market price fluctuation risks, foreign currency exchange rate fluctuation risks, and credit risks.

Hedge accounting is applied to certain derivatives.

In hedge transactions against foreign currency fluctuation rate risks, mainly currency swaps and foreign exchange swaps, the effectiveness of hedging is determined by confirming that amount of the hedging instruments is generally consistent with that of the hedged items. Regarding an exceptional accounting treatment in interest rate swaps, posttesting is conducted to confirm that requirements for the treatment are satisfied.

Derivatives transactions to which hedge accounting is not applied are exposed to interest rate fluctuation risks, foreign currency exchange rate fluctuation risks, price fluctuation risks, and credit risks.

(For the year ended March 31, 2016)

The Group's financial assets are mainly loans made by the consolidated banking subsidiary to domestic corporations and individuals in Japan. These loans are exposed to not only interest rate fluctuation risks, but also customers' credit risks. Securities and investment securities, such as bonds, stocks, and investment trusts, are held to their maturity dates to generate stable interest income to promote business relationships with issuers. These securities are exposed to the issuers' credit risks, interest rate fluctuation risks, and market price fluctuation risks.

The Group's main financial liabilities are deposits received by the consolidated banking subsidiary. These deposits are exposed to interest rate fluctuation risks and liquidity risks. Subordinated debts raised by the Company and other borrowed money raised by the consolidated banking subsidiary are exposed to the risks that the Group may not be able to repay them on their maturity dates if, under certain circumstances, the Group is not able to access to a capital market.

The consolidated banking subsidiary utilizes derivative transactions to hedge the customers' interest and currency risks, to control the interest rate fluctuation risks in ALM, and to treat as the alternative way of on-balance-asset management under the appropriate risk control. Derivatives mainly include interest rate swaps, currency swaps, and bond futures, and are exposed to the interest rate fluctuation risks, market price fluctuation risks, foreign currency exchange rate fluctuation risks, and credit risks.

Hedge accounting is applied to certain derivatives that address currency exchange rate fluctuation risks.

The consolidated banking subsidiary applies deferral hedge accounting based on the rules of the JICPA Industry Audit Committee Report No. 25 for currency swaps and funding swaps used for the purpose of currency exchange. Under deferral hedge accounting, hedged items are identified by grouping the foreign currency-denominated financial assets and liabilities by currencies and designating derivative transactions, such as currency swap transactions and foreign exchange swaps, as hedging instruments. Hedge effectiveness is reviewed by comparing the total foreign currency position of the hedged items and hedging instrument by currency.

In addition, the Company conducts interest rate swaps, whose purpose is to offset the market fluctuations of securities held in "Available-for sale securities" and uses deferred hedges. Regarding swaps that meet the requirements for the special treatment of interest rate swaps, the Company continues to verify whether they meet special requirements with "posttesting."

Derivative transactions to which hedge accounting is not applied are exposed to interest rate fluctuation risks, foreign currency exchange rate fluctuation risks, price fluctuation risks, and credit risks.

(3) Risk Management for Financial Instruments

(For the year ended March 31, 2017)

(a) Integrated Risk Management

The Group conducts integrated risk management to holistically control risks from various financial assets and liabilities and risks related to the banking business. More specifically, the periodically quantified risks of the Group are controlled so as not to exceed Tier 1 capital allocated by each risk category. The bank assesses unquantifiable risks using stress tests and other measures.

(b) Credit Risk Management

The group has enacted "Group Guidelines for Credit Risk Management," which provides for basic policies comprising appropriate credit exposure management on individual and portfolio bases. The portfolio-based credit exposure management involves diversification of risks.

Credit risk management divisions have been segregated from the divisions under business headquarters to achieve rigorous credit review, and conduct monitoring of borrowers' financial condition to prevent deterioration of loans.

In the self-assessments that evaluate the quality of assets, the business offices categorize the borrowers based on credit ratings, which are then reviewed by credit-related divisions in the headquarters. Furthermore, audit divisions examine results and process of the self-assessments for accuracy and adequacy.

As for credit risks of the issuers of securities and the counterparties of derivatives transactions, global markets and market operation divisions monitor credit information and market prices and gives the issuers and counterparties credit ratings as well as carry out assessments of the issuers and counterparties like general borrowers.

(c) Market Risk Management

① Market Risk Management Measures

The Group manages market risks by ALM. Risk management policies and procedures are prescribed in relevant ALM rules and manuals, and these policies, decided in ALM/Risk Management Committee and so forth, are closely monitored and regularly discussed.

② Market Risk Quantitative information

(i) Banking Account

a. Interest Rate Risk

The Group adopts the variance-covariance method as the measurement method (a holding period of six months, a confidence interval of 99%, and an observation period of one year) for calculating VaR related to interest rate risk of loans and bills discounted, domestic bonds, deposits, borrowed money, corporate bonds, and derivatives such as interest rate swaps. The Group uses the historical simulation method (a holding period of six months, a confidence interval of 99%, and an observation period of five years) for the calculation of VaR related to interest rate risk of foreign bonds, trust beneficiary right, market fund transaction, and derivatives like interest rate swaps and currency swaps.

As of March 31, 2017, the Group's VaR related to interest rate risks, which is simple sum of its banking subsidiaries' VaR, was ¥69,256 million ($617,312 thousand).

b. Price Fluctuation Risk

The Group adopts the historical simulation method (a holding period of six months, a confidence interval of 99%, and an observation period of five years) for calculating VaR related to price fluctuation risk of listed equities and investment trust.

As of March 31, 2017, the Group's VaR related to price fluctuation risk, which is simple sum of its banking subsidiaries' VaR, was ¥130,317 million ($1,161,577 thousand). Correlation between interest rate risk and price fluctuation risk has not been considered.

(ii) Trading Account

The Group adopts the historical simulation method (a holding period of ten days, a confidence interval of 99%, and an observation period of 5 years) for calculating VaR related to trading securities; trading purpose foreign exchange transactions; and trading purpose derivatives, such as forward transactions and option transactions. As of March 31, 2017, the Group's VaR related to trading account, which is simple sum of its banking subsidiaries' VaR, was ¥11 million ($102 thousand).

(iii) Validity of VaR
The Group performs back testing to compare VaR calculated by its internal measurement model with the actual profit and loss to confirm whether the model captures market risks with sufficient accuracy. However, there could be cases in which VaR cannot capture risks under sudden and dramatic changes in market conditions beyond normal circumstances since VaR is statistically calculated based on historical market fluctuation.

(d) Management of Liquidity Risk in Funding
Under "Group Liquidity Risk Management Rules," the Group conducts financing activities after fully analyzing its cash flows and strives to maintain the diversity and stability of funding sources, while paying continuous attention to the balance sheet structure, lines of credit provided to the Group, collateral management, and costs to maintain the liquidity.

(For the year ended March 31, 2016)

(a) Credit risk management
The Group has implemented and operated a credit control system that includes credit review of each individual loan application, establishing credit limits, managing credit information, internal credit rating, securing adequate guarantees and collaterals, and handling troubled loans. These credit control managements are performed by the Credit Supervising Division I and the Credit Supervising Division II, as well as at each banking office of the consolidated banking subsidiary. In addition, these credit information and matters are regularly reported to and discussed by, the Credit Portfolio Meeting and the Board of Directors. The Internal Audit Division monitors the status of credit management.

To monitor the credit risks of security issuers and counterparty risks of derivatives, the International and Treasury Administration Division of the consolidated banking subsidiary regularly obtains and reviews relevant credit and fair value information.

(b) Market risk management
① Interest rate risk management
The Group manages risks of interest rate fluctuations by ALM. Risk management policies and procedures are prescribed in relevant ALM rules and manuals, and any policies decided to be implemented are closely monitored and regularly discussed in the ALM Meeting. The Company's Risk Management Group in the Business Administration Department maintains comprehensive information on interest rates and durations of financials assets and liabilities, performs gap analyses and the interest rate sensitive analyses, and reports monthly results at the ALM Meeting. The Group utilizes derivative transactions, such as interest rate swaps, to hedge the interest rate fluctuation risks.

② Currency risk management
The International and Treasury Administration Division of the consolidated banking subsidiary manages the subsidiary's foreign exchange positions and hedges the risks of exchange rate fluctuations by using derivative transactions, such as funding swaps.

③ Price fluctuation risk management
The Group manages investment instruments, including securities, in accordance with security investment and market risk management policies and procedures after certain policies are determined in the ALM Meeting. The International and Treasury Administration Division of the consolidated banking subsidiary reduces the price fluctuation risks through advance screening, establishing investment limits, and constant monitoring. The Group holds most stocks for the purpose of business promotion and regularly monitors financial conditions of issuers.

Such financial conditions of the issuers are regularly reported to the Board of Directors and the ALM Meeting by the Risk Management Division and the International and Treasury Administration Division.

The Risk Management Division and the International and Treasury Administration Division monitor market risk quantity of derivative transactions relating to securities, currencies, and interest rates using value at risk (VaR), and monitor the Group's compliance with the aforementioned policies and procedures.

④ Market risk quantitative information
Financial instruments exposed to major risk factors, such as interest rate risk and price fluctuation risk, are mainly "Loans and bills discounted," "Securities," "Deposits," "Negotiable certificates of deposit," "Subordinate debts of borrowed money," and "Derivatives." The Group performs quantitative analysis on these financial instruments held by the consolidated banking subsidiary and utilizes its results to allocate risk capital and control market risks. The Company and subsidiaries other than the consolidated banking subsidiary do not perform quantitative analysis.

(i) Financial instruments held by the consolidated banking subsidiary
a. "Loans and bills discounted," yen-denominated bonds of "Securities," "Deposits," and "Negotiable certificates of deposit"
The consolidated banking subsidiary classifies its financial assets and financial liabilities into a fixed-interest rate group and a floating interest rate group in its quantitative analysis. In each group, the financial assets and liabilities are disaggregated by each interest due date and analyzed effects of interest fluctuations by period. If all risk factors, other than the interest rate, are constant and the interest rate is assumed to increase by 10 basis points (0.10%), the net fair value of financial assets after offsetting with financial liabilities decreases by ¥72 million. As previously mentioned, this net fair value amount is obtained assuming that all risk factors are constant, except for the interest rate, and no correlation between the interest rate and other risk factors was considered. If the interest rate fluctuates more than 10 basis points (0.10%), the impact may be greater than the net fair value amount above.

The consolidated banking subsidiary considers those liquid deposits of "Deposit" that have no activities for certain periods as "core" deposits and manages the interest rate risk by categorizing them into maturity periods of up to 10 years.

b. Other financial instruments
The Group performs quantitative analysis using VaR. For the calculation of VaR, the consolidated banking subsidiary uses the variance-covariance method (holding period: appropriate period depends on the nature of the instruments from one month to six months, confidence interval: 99.9% (stocks held to promote business relationships with issuers only are 99.0%), and observation period: one year). The simple aggregated VaR of each instrument is ¥55,631 million as of March 31, 2016.

The Group carries out backtesting to compare the VaR calculated based on the above model, with hypothetical profits and losses calculated assuming that all positions were fixed at the point of the risk amount measurement. It should be noted that VaR measures the amount of market risk at certain probability levels statistically calculated based on historical market fluctuations; therefore, there may be cases where market risks cannot be captured in such situations when market conditions are changing dramatically beyond what was historically experienced.

(ii) Financial instruments held by the Company and subsidiaries other than the consolidated banking subsidiary
Financial instruments held by the Company and subsidiaries other than the consolidated banking subsidiary, which are affected by interest rate risk, are subordinate debts of "Borrowed money." If all risk factors, other than the interest rate, are constant, the fair value of the financial liabilities decreases by ¥235 million

when the interest rate increases by 10 basis points (0.10%). As previously mentioned, this fair value amount is obtained assuming that all risk factors are constant, except for the interest rate, and no correlation between the interest rate and other risk factors was considered. If the interest rate fluctuates more than 10 basis points (0.10%), the impact may be greater than the fair value amount above.

(c) Liquidity risk management

The Group carries out adequate timely cash management through the ALM Meeting, and also manages liquidity risks by diversifying financing methods and balancing long-term and short-term funding with the consideration of market environment.

(4) Supplementary Explanation on Fair Values of Financial Instrument

The fair values of financial instruments are based on their market prices and, in cases, where market prices are not readily available, reasonably calculated prices. Such prices have been calculated using certain assumptions and may differ if calculated based on different assumptions.

(5) Fair Values of Financial Instruments

(For the year ended March 31, 2017)

(a) Fair value of financial instruments

	Millions of Yen		
March 31, 2017	Carrying Amount	Fair Value	Unrealized Gains (Losses)
(1) Cash and due from banks	¥ 1,393,762	¥ 1,393,762	¥ —
(2) Securities:			
Held-to-maturity securities	139,385	138,705	(680)
Available-for-sale securities	4,036,244	4,036,244	—
(3) Loans and bills discounted	10,244,730		
Allowance for loan losses*1	(72,767)		
Net	10,171,962	10,283,426	111,464
Total assets	¥15,741,355	¥15,852,138	¥110,783
(1) Deposits	¥13,507,047	¥13,508,898	¥ (1,850)
(2) Negotiable certificates of deposit	284,705	284,757	(52)
(3) Call money and bills sold	303,312	303,312	—
(4) Payables under securities lending transactions	167,640	167,640	—
(5) Borrowed money	735,593	736,548	(955)
Total liabilities	¥14,998,299	¥15,001,158	¥ (2,858)
Derivative instruments*2 :			
Hedge accounting is not applied	¥ 1,754	¥ 1,754	¥ —
Hedge accounting is applied	(475)	(475)	—
Total derivative instruments	¥ 1,279	¥ 1,279	¥ —

	Thousands of U.S. Dollars		
March 31, 2017	Carrying Amount	Fair Value	Unrealized Gains
(1) Cash and due from banks	$ 12,423,232	$ 12,423,232	$ —
(2) Securities:			
Held-to-maturity securities	1,242,409	1,236,341	(6,068)
Available-for-sale securities	35,976,866	35,976,866	—
(3) Loans and bills discounted	91,315,896		
Allowance for loan losses*1	(648,613)		
Net	90,667,283	91,660,812	993,529
Total assets	$140,309,790	$141,297,251	$987,461
(1) Deposits	$120,394,402	$120,410,895	$ 16,493
(2) Negotiable certificates of deposit	2,537,706	2,538,175	469
(3) Call money and bills sold	2,703,564	2,703,564	—
(4) Payables under securities lending transactions	1,494,252	1,494,252	—
(5) Borrowed money	6,556,676	6,565,193	8,516
Total liabilities	$133,686,600	$133,712,078	$ 25,478
Derivative instruments*2 :			
Hedge accounting is not applied	$ 15,641	$ 15,641	$ —
Hedge accounting is applied	(4,234)	(4,234)	—
Total derivative instruments	$ 11,407	$ 11,407	$ —

*1 Allowances for loan losses relevant to loans and bills discounted have been deducted.

*2 Derivative instruments recorded as trading assets, trading liabilities, other assets and other liabilities include derivative transactions. Derivative instruments are presented as net of assets and liabilities associated with derivative transactions.

Assets

(1) Cash and due from banks

The fair values of these items approximate the carrying amount, which are deemed to be the fair value.

(2) Securities

The fair values of marketable equity securities are measured at the quoted market price of the stock exchange for equity instruments. Fair values of bonds are measured at the market price or the quoted price obtained from financial institutions. Fair values of investment trusts are measured at the quoted price.

The fair values of private placement bonds are determined by discounting future cash flows. The discount rates used in the calculation were calculated based on the bankruptcy probability by credit rating and the coverage ratio of each claim.

We treat market prices as fair values for floating-rate Japanese Government Bonds and securitized products.

(3) Loans and bills discounted

The carrying amounts of loans and bills discounted with floating-interest rates approximate fair value as long as customers' credit risks have not changed significantly after lending because the market rates are promptly reflected in the floating interest rates.

The fair values of loans and bills discounted with fixed-interest rates are determined by discounting the principal and interest amount with the interest rate used for new loans for each category of loan calculated based on the bankruptcy probability by credit rating and the coverage ratio of each claim, internal credit rating, and loan period. The carrying amounts of loans and bills discounted with maturity less than one year approximate fair value because of their short maturities.

For loans to obligors classified as "legal bankruptcy," "virtual bankruptcy," and "possible bankruptcy," an allowance is provided based on the discounted cash flow method or based on amounts expected to be collected through the disposal of collateral or execution of guarantees. The carrying value, net of the allowance, as of the consolidated balance sheet date is a reasonable estimate of the fair values of those loans.

The carrying amounts of loans and bills discounted that do not have fixed maturities due to loan characteristics, such as limited loan amounts within the value of pledged assets, approximate fair value due to their expected repayment periods and interest rate conditions.

Liabilities

(1) Deposits

The fair values of demand deposits are recognized as the payment at the date of the consolidated balance sheet. The fair values of time deposits are determined by discounting the contractual cash flows grouped by the remaining duration at the rates that would be applied for similar new contracts.

(2) Negotiable certificates of deposit

Refer to (1) Deposits.

(3) Call money and bills sold

The carrying amounts of call money and bills sold approximate fair value because they have maturities of one year or less.

(4) Payables under securities lending transactions

Refer to (3) Call money and bills sold.

(5) Borrowed Money

The fair value of borrowed money is discounted at the rate that would be applied for similar new contracts. The carrying amount of borrowed money with maturity of less than one year approximates fair value because of its short maturity period.

Derivatives

See "Note 23. DERIVATIVES."

(b) Carrying amount of financial instruments whose fair value cannot be reliably determined

	Millions of Yen	Thousands of U.S. Dollars
	2017	2017
Equity securities without readily available market price*1*2	**¥ 4,323**	**$ 38,536**
Investments in partnerships*3	**10,727**	**95,621**
Total	**¥15,051**	**$134,157**

*1 Equity securities without readily available market prices are out of the scope of the fair value disclosure because their fair values cannot be reliably determined.

*2 During the year ended March 31, 2017, impairment losses on equity securities without readily available market price of ¥46 million ($411 thousand) was recognized.

*3 Investments in partnerships, the assets of which comprise equity securities without readily available market price, are out of the scope of the fair value disclosure.

(For the year ended March 31, 2016)

(a) Fair value of financial instruments

	Millions of Yen		
March 31, 2016	Carrying Amount	Fair Value	Unrealized Gains
(1) Cash and due from banks	¥ 437,509	¥ 437,509	¥ —
(2) Call loans and bills bought	414	414	—
(3) Monetary claims bought*1	7,604	7,604	—
(4) Trading account securities : Securities held for trading purposes	3,596	3,596	—
(5) Securities:			
Held-to-maturity securities	88,788	102,628	13,840
Available-for-sale securities	1,205,419	1,205,419	—
(6) Loans and bills discounted	4,235,174		
Allowance for loan losses*1	(40,564)		
Net	4,194,609	4,242,480	47,870
Total assets	¥5,937,942	¥5,999,653	¥61,710
(1) Deposits	¥5,206,700	¥5,209,198	¥ 2,497
(2) Negotiable certificates of deposit	174,878	174,921	42
(3) Call money and bills sold	78,000	78,000	—
(4) Payables under securities lending transactions	25,263	25,263	—
(5) Borrowed money	251,726	252,869	1,142
Total liabilities	¥5,736,569	¥5,740,252	¥ 3,682
Derivative instruments*2 :			
Hedge accounting is not applied	¥ 608	¥ 608	¥ —
Hedge accounting is applied	(3,126)	(3,126)	—
Total derivative instruments	¥ (2,517)	¥ (2,517)	¥ —

*1 Allowances for loan losses relevant to loans and bills discounted have been deducted. Allowances for loan losses relevant to monetary claims bought are excluded from the consolidated balance sheet amounts directly due to its immateriality.

*2 Derivative instruments include derivative transactions both in other assets and liabilities. Derivative instruments are presented as net of assets and liabilities associated with derivative transactions.

Assets

(1) Cash and due from banks

The carrying amounts of due from banks with no maturities approximate fair values. For due from banks with maturities, the carrying amounts approximate fair values because they have short maturities of one year or less.

(2) Call loans and bills bought

The carrying amounts of call loans and bills bought and monetary claims bought approximate fair values because they have short contract terms of one year or less.

(3) Monetary claims bought

Refer to (2) Call loans and bills bought.

(4) Trading account securities

The fair values of securities held-for-trading purposes are measured at the market price or the quoted price obtained from financial institutions.

(5) Securities

The fair values of marketable equity securities are measured at the quoted market price of the stock exchange for equity instruments. Fair values of bonds are measured at the market price or the quoted price obtained from financial institutions. Fair values of investment trusts are measured at the quoted price.

The fair values of private placement bonds are determined by discounting future cash flows at the rate that consists of the risk-free rate and the credit risk premium that corresponds to the internal credit rating.

(6) Loans and bills discounted
The carrying amounts of loans and bills discounted with floating interest rates approximate fair value as long as customers' credit risks have not changed significantly after lending because the market rates are promptly reflected in the floating interest rates.

The fair values of loans and bills discounted with fixed-interest rates are determined by discounting the principal and interest amount with the interest rate used for new loans for each category of loan, internal credit rating, and loan period. The carrying amounts of loans and bills discounted with maturity less than one year approximate fair value because of their short maturities.

For loans to obligors classified as "legal bankruptcy," "virtual bankruptcy," and "possible bankruptcy," a reserve is provided based on the discounted cash flow method or based on amounts expected to be collected through the disposal of collateral or execution of guarantees. The carrying value, net of the reserve, as of the consolidated balance sheet date is a reasonable estimate of the fair values of those loans.

The carrying amounts of loans and bills discounted that do not have fixed maturities due to loan characteristics, such as limited loan amounts within the value of pledged assets, approximate fair value due to their expected repayment periods and interest rate conditions.

Liabilities

(1) Deposits
The fair values of demand deposits are recognized as the payment at the date of the consolidated balance sheet. The fair values of time deposits and negotiable certificates of deposits are determined by discounting the contractual cash flows grouped by the remaining duration at the rates that would be applied for similar new contracts.

(2) Negotiable certificates of deposit
Refer to (1) Deposits.

(3) Call money and bills sold
The carrying amounts of call money and bills sold approximate fair values because they have short maturities of one year or less.

(4) Payables under securities lending transactions
Refer to (3) Call money and bills sold.

(5) Borrowed Money
The fair value of borrowed money with fixed interest rates is determined by discounting the principal and interest amount grouped by the remaining duration at the rate that would be applied for similar new contracts. The carrying amount of borrowed money with maturity of less than one year approximates fair value because of its short maturity period.

Derivatives

See "Note 23. DERIVATIVES."

(b) Carrying amount of financial instruments whose fair value cannot be reliably determined

	Millions of Yen
	2016
Equity securities without readily available market price*1*3	¥1,423
Investments in partnerships*2	1,138
Total	¥2,561

*1 Equity securities without readily available market price are out of the scope of the fair value disclosure because their fair values cannot be reliably determined.

*2 Investments in partnerships, the assets of which comprise equity securities without readily available market price, are out of the scope of the fair value disclosure.

*3 During the years ended March 31, 2016, impairment losses on equity securities without readily available market price of ¥8 million was recognized.

(6) Maturity Analysis for Financial Assets and Liabilities with Contractual Maturities

March 31, 2017	Millions of Yen					
	Due in 1 Year or Less	Due after 1 Year through 3 Years	Due after 3 Years through 5 Years	Due after 5 Years through 7 Years	Due after 7 Years through 10 Years	Due after 10 Years
Due from banks	**¥1,268,298**	**¥ —**	**¥ —**	**¥ —**	**¥ —**	**¥ —**
Securities:	**361,435**	**833,882**	**643,062**	**367,724**	**606,278**	**347,886**
Held-to-maturity securities	**14,407**	**27,093**	**32,771**	**1,085**	**1,022**	**50,000**
Japanese national government bonds	**—**	**7,000**	**18,000**	**—**	**—**	**50,000**
Japanese local government bonds	**—**	**200**	**50**	**—**	**—**	**—**
Japanese corporate bonds	**14,407**	**19,893**	**14,721**	**1,085**	**1,022**	**—**
Available-for-sale securities with contractual maturities	**347,028**	**806,788**	**610,290**	**366,639**	**605,256**	**297,886**
Japanese national government bonds	**205,000**	**395,300**	**214,500**	**25,000**	**108,600**	**60,000**
Japanese local government bonds	**49,497**	**104,546**	**121,618**	**139,543**	**193,048**	**8,655**
Japanese corporate bonds	**43,749**	**123,563**	**133,213**	**84,183**	**69,635**	**149,368**
Foreign currency bonds	**44,886**	**146,694**	**112,716**	**98,020**	**207,062**	**71,982**
Other	**3,894**	**36,683**	**28,241**	**19,891**	**26,909**	**7,880**
Loans and bills discounted*1	**2,235,506**	**1,788,224**	**1,390,264**	**872,298**	**980,891**	**2,622,773**
Total	**¥3,865,240**	**¥2,622,106**	**¥2,033,326**	**¥1,240,023**	**¥1,587,169**	**¥2,970,659**

March 31, 2016	Millions of Yen					
	Due in 1 Year or Less	Due after 1 Year through 3 Years	Due after 3 Years through 5 Years	Due after 5 Years through 7 Years	Due after 7 Years through 10 Years	Due after 10 Years
Due from banks	¥ 377,621	¥ —	¥ —	¥ —	¥ —	¥ —
Call loans and bills bought	414	—	—	—	—	—
Monetary claims bought	7,627	—	—	—	—	—
Securities:	107,987	176,411	141,470	70,440	242,151	199,380
Held-to-maturity securities	14,000	2,000	23,000	—	—	50,000
Japanese national government bonds	—	—	23,000	—	—	50,000
Japanese corporate bonds	—	2,000	—	—	—	—
Other	14,000	—	—	—	—	—
Available-for-sale securities with contractual maturities	93,987	174,411	118,470	70,440	242,151	149,380
Japanese national government bonds	30,000	30,000	25,000	45,000	20,000	100,000
Japanese local government bonds	18,981	42,979	34,669	8,730	137,616	—
Japanese corporate bonds	38,625	53,529	18,954	1,397	37,424	49,380
Other	6,380	47,902	39,846	15,313	47,111	—
Loans and bills discounted*2	983,209	719,915	557,710	362,221	402,033	1,042,697
Total	¥1,476,861	¥896,326	¥699,180	¥432,661	¥644,185	¥1,242,077

March 31, 2017	Thousands of U.S. Dollars					
	Due in 1 Year or Less	Due after 1 Year through 3 Years	Due after 3 Years through 5 Years	Due after 5 Years through 7 Years	Due after 7 Years through 10 Years	Due after 10 Years
Due from banks	**$11,304,912**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**
Securities:	**3,221,640**	**7,432,769**	**5,731,906**	**3,277,695**	**5,404,036**	**3,100,871**
Held-to-maturity securities	**128,421**	**241,498**	**292,110**	**9,671**	**9,114**	**445,673**
Japanese national government bonds	**—**	**62,394**	**160,442**	**—**	**—**	**445,673**
Japanese local government bonds	**—**	**1,783**	**446**	**—**	**—**	**—**
Japanese corporate bonds	**128,421**	**177,322**	**131,222**	**9,671**	**9,114**	**—**
Available-for-sale securities with contractual maturities	**3,093,218**	**7,191,270**	**5,439,796**	**3,268,024**	**5,394,922**	**2,655,198**
Japanese national government bonds	**1,827,257**	**3,523,487**	**1,911,935**	**222,836**	**968,001**	**534,807**
Japanese local government bonds	**441,195**	**931,868**	**1,084,042**	**1,243,816**	**1,720,732**	**77,147**
Japanese corporate bonds	**389,961**	**1,101,381**	**1,187,395**	**750,366**	**620,688**	**1,331,390**
Foreign currency bonds	**400,095**	**1,307,558**	**1,004,697**	**873,704**	**1,845,641**	**641,610**
Other	**34,710**	**326,977**	**251,727**	**177,300**	**239,860**	**70,244**
Loans and bills discounted*1	**19,926,076**	**15,939,252**	**12,392,050**	**7,775,193**	**8,743,125**	**23,377,958**
Total	**$34,452,628**	**$23,372,021**	**$18,123,956**	**$11,052,888**	**$14,147,161**	**$26,478,828**

*1 As of March 31, 2017, loans and bills discounted with no contractual maturities amounting to ¥200,924 million ($1,790,932 thousand) and loans and bills discounted whose cash flow cannot be estimated, such as "legal bankruptcy," "virtual bankruptcy," and "possible bankruptcy" loans, amounting to ¥153,847 million ($1,371,310 thousand) are not included.

*2 As of March 31, 2016, loans and bills discounted with no contractual maturities amounting to ¥114,900 million and loans and bills discounted whose cash flow cannot be estimated, such as "legal bankruptcy," "virtual bankruptcy," and "possible bankruptcy" loans, amounting to ¥63,828 million are not included.

March 31, 2017	Millions of Yen Due in 1 Year or Less	Due after 1 Year through 3 Years	Due after 3 Years through 5 Years	Due after 5 Years through 7 Years	Due after 7 Years through 10 Years	Due after 10 Years
Deposits *1	**¥12,402,723**	**¥964,401**	**¥126,609**	**¥9,161**	**¥4,152**	**¥—**
Negotiable certificates of deposit	**284,605**	**100**	**—**	**—**	**—**	**—**
Call money and bills sold	**303,312**	**—**	**—**	**—**	**—**	**—**
Payables under securities lending transactions	**167,640**	**—**	**—**	**—**	**—**	**—**
Borrowed money	**502,373**	**156,360**	**76,833**	**12**	**12**	**—**
Total	**¥13,660,655**	**¥1,120,862**	**¥203,443**	**¥9,173**	**¥4,164**	**¥—**

March 31, 2016	Millions of Yen Due in 1 Year or Less	Due after 1 Year through 3 Years	Due after 3 Years through 5 Years	Due after 5 Years through 7 Years	Due after 7 Years through 10 Years	Due after 10 Years
Deposits *1	¥4,752,916	¥382,418	¥ 69,441	¥733	¥1,192	¥—
Negotiable certificates of deposit	174,878	—	—	—	—	—
Borrowed money	62,014	118,110	71,602	—	—	—
Total	¥4,989,810	¥500,528	¥141,043	¥733	¥1,192	¥—

March 31, 2017	Thousands of U.S. Dollars Due in 1 Year or Less	Due after 1 Year through 3 Years	Due after 3 Years through 5 Years	Due after 5 Years through 7 Years	Due after 7 Years through 10 Years	Due after 10 Years
Deposits *1	**$110,551,062**	**$8,596,149**	**$1,128,525**	**$81,657**	**$37,009**	**¥—**
Negotiable certificates of deposit	**2,536,814**	**891**	**—**	**—**	**—**	**—**
Call money and bills sold	**2,703,564**	**—**	**—**	**—**	**—**	**—**
Payables under securities lending transactions	**1,494,252**	**—**	**—**	**—**	**—**	**—**
Borrowed money	**4,477,881**	**1,393,716**	**684,856**	**112**	**112**	**—**
Total	**$121,763,572**	**$9,990,756**	**$1,813,381**	**$81,769**	**$37,121**	**¥—**

*1 The cash flow of demand deposits is included in "Due in one year or less."

23. DERIVATIVES

(1) Derivative Transactions to Which Hedge Accounting Is Not Applied at March 31, 2017 and 2016

With respect to derivatives to which hedge accounting is not applied, contract amount or notional principal, fair value and the related valuation gains (losses) at the fiscal year end date by transaction type and valuation method of fair value are as follows. Note that contract amounts do not represent the market risk exposure associated with derivatives.

Consolidated banking subsidiaries had the following derivative contracts, which were quoted on listed exchanges, outstanding as of March 31, 2017 and 2016, as follows:

	Millions of Yen				Thousands of U.S. Dollars			
March 31, 2017	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gains/Losses	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gains/Losses
Bond-related transactions								
Bond futures:								
Sold	**¥2,553**	**—**	**¥ (1)**	**¥ (1)**	**$22,762**	**—**	**$(10)**	**$(10)**
Bought	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Total	**—**	**—**	**¥ (1)**	**¥ (1)**	**—**	**—**	**$(10)**	**$(10)**

	Millions of Yen			
March 31, 2016	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gains/Losses
Bond-related transactions				
Bond futures:				
Sold	¥3,465	—	¥(14)	¥(14)
Bought	453	—	—	—
Total	—	—	¥(14)	¥(14)

Note: 1 The transactions above are stated at fair value and the related valuation gains (losses) are reported in the consolidated statement of income.
2 Fair values of transactions above are determined based on closing prices at the Osaka Exchange or other relevant exchanges.

Consolidated banking subsidiaries had the following derivative contracts, which were not quoted on listed exchanges, outstanding as of March 31, 2017 and 2016, as follows:

	Millions of Yen				Thousands of U.S. Dollars			
March 31, 2017	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gains/Losses	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gains/Losses
Interest rate-related transactions								
Interest rate swaps:								
Receive fixed and pay floating	**¥106,628**	**¥87,406**	**¥1,629**	**¥1,629**	**$ 950,426**	**$ 779,092**	**$14,524**	**$14,524**
Receive floating and pay fixed	**106,628**	**87,406**	**(296)**	**(296)**	**950,426**	**779,092**	**(2,643)**	**(2,643)**
Swaptions:								
Sold	**2,030**	**—**	**(1)**	**9**	**18,094**	**—**	**(10)**	**88**
Bought	**2,030**	**—**	**1**	**1**	**18,094**	**—**	**10**	**10**
Total	**—**	**—**	**¥1,332**	**¥1,343**	**—**	**—**	**$11,881**	**$11,979**
Currency-related transactions								
Currency swaps	**¥276,519**	**¥181,614**	**¥ 393**	**¥ 393**	**$2,464,740**	**$1,618,811**	**$ 3,510**	**$ 3,510**
Forward exchange contracts:								
Sold	**45,875**	**4,937**	**(1,048)**	**(1,048)**	**408,911**	**44,012**	**(9,345)**	**(9,345)**
Bought	**46,771**	**4,191**	**1,064**	**1,064**	**416,895**	**37,357**	**9,486**	**9,486**
Currency option contracts:								
Sold	**70,344**	**37,363**	**(1,941)**	**(484)**	**627,015**	**333,037**	**(17,305)**	**(4,322)**
Bought	**70,344**	**37,363**	**1,954**	**1,223**	**627,015**	**333,037**	**17,424**	**10,904**
Total	**—**	**—**	**¥ 422**	**¥1,148**	**—**	**—**	**$ 3,770**	**$10,233**

	Millions of Yen			
March 31, 2016	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gains/Losses
Interest rate-related transactions				
Interest rate swaps:				
Receive fixed and pay floating	¥ 6,000	¥ 6,000	¥ 30	¥ 30
Receive floating and pay fixed	6,000	6,000	58	58
Total	—	—	¥ 88	¥ 88
Currency-related transactions				
Currency swaps	¥194,402	¥160,906	¥311	¥311
Forward exchange contracts:				
Sold	5,650	135	188	188
Bought	14,651	—	33	33
Total	—	—	¥534	¥534

Note: 1 The transactions above are stated at fair value and the related valuation gains (losses) are reported in the consolidated statement of income.
2 Fair values of transactions above are determined based on a discounted cash flows model, an option pricing model or other models as appropriate.

(2) Derivative Transactions to Which Hedge Accounting is Applied at March 31, 2017 and 2016

With respect to derivatives to which hedge accounting is applied, contract amount or notional principal and fair value at the fiscal year end date by transaction type and hedge accounting method and valuation method of fair value are as follows. Note that contract amounts do not represent the market risk exposure associated with derivatives.

Consolidated banking subsidiaries had the following derivative contracts, which were accounted for based on principle method, outstanding as of March 31, 2017 and 2016, as follows:

March 31, 2017	Hedged Item	Millions of Yen Contract Amount	Millions of Yen Contract Amount Due after One Year	Millions of Yen Fair Value	Thousands of U.S. Dollars Contract Amount	Thousands of U.S. Dollars Contract Amount Due after One Year	Thousands of U.S. Dollars Fair Value
Interest rate-related transactions*1*4							
Interest rate swaps:							
Receive floating and pay fixed	Interest-bearing financial assets and liabilities, including loans, available-for-sale securities, deposits and negotiable certificates of deposit, etc.	**¥ 40,000**	**¥30,000**	**¥(543)**	**$ 356,538**	**$267,404**	**$(4,844)**
Total		**—**	**—**	**¥(543)**	**—**	**—**	**$(4,844)**
Currency-related transactions*2*5	Loans, securities, deposits, foreign exchanges, etc., which are denominated in foreign currencies						
Currency swaps		**¥161,342**	**¥84,642**	**¥ (58)**	**$1,438,122**	**$754,454**	**$ (524)**
Forward exchange contracts		**103,102**	**—**	**825**	**919,000**	**—**	**7,357**
Others		**79,207**	**—**	**(722)**	**706,009**	**—**	**(6,440)**
Total		**—**	**—**	**¥ 44**	**—**	**—**	**$ 393**
Equity-related transactions*3*6							
Stock forward contracts	Available-for-sale securities	**¥ 4,473**	**¥ —**	**¥ 24**	**$ 39,874**	**$ —**	**$ 216**
Total		**—**	**—**	**¥ 24**	**—**	**—**	**$ 216**

Note: 1. Interest rate-related transactions are primarily accounted for using the deferral method in accordance with "Accounting and Auditing Treatment relating to the Adoption of 'Accounting for Financial Instruments' for Banks" (JICPA Industry Audit Committee Report No. 24, February 13, 2002).
2. Currency-related transactions are primarily accounted for using the deferral method in accordance with "Accounting and Auditing Treatment relating to Accounting for Foreign Currency Transactions in the Banking Industry" (JICPA Industry Audit Committee Report No. 25, July 29, 2002).
3. Equity-related transactions are accounted for using the deferral method.
4. Fair values of exchange-traded transactions are determined based on closing prices at the Tokyo Financial Exchange or other relevant exchanges. Fair values of over-the-counter traded transactions are determined based on a discounted cash flows model, an option pricing model or other models as appropriate.
5. Fair value is determined based on a discounted cash flows model.
6. Fair value is determined based on prices provided by correspondent financial institutions.

March 31, 2016	Hedged Item	Millions of Yen Contract Amount	Millions of Yen Contract Amount Due after One Year	Millions of Yen Fair Value
Interest rate-related transactions				
Interest rate swaps:				
Receive floating and pay fixed	Bonds (available-for-sale securities)	¥50,000	¥50,000	¥(5,691)
Total		—	—	¥(5,691)
Currency-related transactions				
Currency swaps	Loans, deposits, due from banks, etc., which are denominated in foreign currencies	¥45,072	¥45,072	¥ 803
Forward exchange contracts		43,156	—	1,761
Total		—	—	¥ 2,564

Note: 1 These derivatives are accounted for using deferred hedge accounting.
2 Fair values of transactions above are determined based on a discounted cash flow model.

One consolidated banking subsidiary had the following derivative contracts, which were accounted for by the exceptional accrual method, outstanding as of March 31, 2017.

March 31, 2017	Hedged Item	Millions of Yen Contract Amount	Millions of Yen Contract Amount Due after One Year	Millions of Yen Fair Value	Thousands of U.S. Dollars Contract Amount	Thousands of U.S. Dollars Contract Amount Due after One Year	Thousands of U.S. Dollars Fair Value
Interest rate-related transactions							
Interest rate swaps:							
Receive fixed and pay floating	Loans and borrowed money	**¥ 2,000**	**¥ —**	**¥ 21**	**$ 17,827**	**$ —**	**$ 187**
Receive floating and pay fixed		**24,016**	**18,594**	**(852)**	**214,071**	**165,740**	**(7,598)**
Total		**—**	**—**	**¥(831)**	**—**	**—**	**$(7,411)**

Note: The exceptional accrual method of hedge accounting, as specifically permitted for certain interest rate swaps, is valued with the hedged items as a whole, so that the fair value is included in the fair value of borrowed money and loans and bills discounted ("Note 22. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES (5) Fair Values of Financial Instruments").

24. OTHER COMPREHENSIVE INCOME (LOSS)

The components of other comprehensive income (loss) for the years ended March 31, 2017 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Unrealized gains (losses) on available-for-sale securities:			
Gains arising during the year	**¥ 4,630**	¥7,455	**$ 41,276**
Reclassification adjustments to profit or loss	**(14,419)**	(3,128)	**(128,530)**
Amount before income tax effect	**(9,789)**	4,326	**(87,255)**
Income tax effect	**3,281**	(504)	**29,249**
Total	**¥ (6,507)**	¥3,822	**$ (58,006)**
Deferred gains (losses) on derivatives under hedge:			
Gains arising during the year	**¥ 6,412**	¥(6,786)	**$ 57,154**
Reclassification adjustments to profit or loss	**(2,963)**	2,061	**(26,418)**
Amount before income tax effect	**3,448**	(4,724)	**30,736**
Income tax effect	**(1,049)**	1,423	**(9,352)**
Total	**¥ 2,399**	¥(3,301)	**$ 21,384**
Defined retirement benefit plans:			
Gains arising during the year	**¥ 3,843**	¥(5,954)	**$ 34,261**
Reclassification adjustments to profit or loss	**3,688**	622	**32,877**
Amount before income tax effect	**7,532**	(5,331)	**67,138**
Income tax effect	**(2,298)**	1,673	**(20,486)**
Total	**¥ 5,233**	¥(3,658)	**$ 46,653**
Total other comprehensive income (loss)	**¥ 1,125**	¥(3,136)	**$ 10,031**

25. SEGMENT INFORMATION

Under ASBJ revised ASBJ Statement No. 17, “Accounting Standard for Segment Information Disclosures,” and ASBJ Guidance No. 20, “Guidance on Accounting Standard for Segment Information Disclosures,” an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available, and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

The Group engages in banking and other related activities, such as leasing, securities, and credit card service. Segment information is not disclosed due to the immateriality of operations other than banking.

Other segment-related information:

(1) Information by services

	Millions of Yen			
March 31, 2017	Lending Operations	Investment Operations	Other	Total
Ordinary income from external customers	**¥89,325**	**¥56,209**	**¥67,750**	**¥213,284**

	Millions of Yen			
March 31, 2016	Lending Operations	Investment Operations	Other	Total
Ordinary income from external customers	¥55,936	¥21,201	¥25,336	¥102,474

	Thousands of U.S. Dollars			
March 31, 2017	Lending Operations	Investment Operations	Other	Total
Ordinary income from external customers	**$796,199**	**$501,018**	**$603,888**	**$1,901,104**

(2) Information by geographic region

Since the ordinary income and total tangible fixed assets attributable to the “Japan” segment account for more than 90% of the total of all geographic segments, geographical segment information has not been presented.

(3) Information by major customers

Since there has been no specific customer to whom the Group sells more than 10% of total ordinary income on the consolidated statement of income, information on major customers has not been presented.

(4) Information on loss on impairment of fixed assets by reportable segment

Information on loss on impairment of fixed assets is not disclosed due to immateriality, except for the banking business.

(5) Information on amortization and unamortized balance of goodwill by reportable segment

Information on amortization and unamortized balance of goodwill is not disclosed due to immateriality, except for the banking business.

(6) Information on gain on negative goodwill by reportable segment

Information on gain on negative goodwill is not disclosed due to immateriality, except for the banking business.

26. RELATED PARTY TRANSACTIONS

Related party transactions of consolidated subsidiaries of the Company with its directors or major individual shareholders for the years ended March 31, 2017 and 2016, were as follows:

Year ended March 31, 2017

Type	Name	Location	Capital (Millions of Yen /Thousands of U.S. Dollars)	Business	Ownerships	Relationship	Transactions (Millions of Yen/ Thousands of U.S. Dollars)		Outstanding Balance (Millions of Yen/ Thousands of U.S. Dollars)	
A director or director's close relative	Yoshie Suto	—	**—**	—	—	—	Loan	**¥28 ($257)**	Loans and bills discounted	**¥48 ($431)**
Companies in which a majority of voting rights is owned by a director or director's close relatives	Ito dentist	Ibaraki	**¥22 ($202)**	Dental Clinic	—	—	Loan	**¥12 ($114)**	Loans and bills discounted	**¥28 ($251)**
	Yokokura Honten CO., LTD.	Tochigi	**¥20 ($178)**	Wholesale	—	—	Loan	**¥114 ($1,022)**	Loans and bills discounted	**¥100 ($891)**
							Underwriting private placement bond	**¥100 ($891)**	Securities	**¥100 ($891)**

Terms and conditions on transactions and transaction policy:

The interest rate on loans is reasonably determined considering the market rate.

Year ended March 31, 2016

Type	Name	Location	Capital (Millions of Yen)	Business	Ownerships	Relationship	Transactions (Millions of Yen)		Outstanding Balance (Millions of Yen)	
Companies in which a majority of voting rights is owned by a director or director's close relatives	Yokokura Honten CO., LTD. (*2,3)	Tochigi	¥20	Wholesale	—	Loans of Ashikaga	Loan	¥145	Loans and bills discounted	¥100
							Underwriting private placement bond	¥100	Securities	¥100
	ITATSU CO., LTD. (*2,4,6)	Tochigi	¥30	Wholesale	—	Loans of Ashikaga	Loan	¥458	Loans and bills discounted	¥438
	Ryomo Seikeihin Toso Co., Ltd (*2,5,6)	Gunma	¥20	Manufacturing	—	Loans of Ashikaga	Loan	¥13	Loans and bills discounted	¥12

Terms and conditions on transactions and transaction policy:

Note 1: Transaction amounts were reported at the average balance for the period.

Note 2: The interest rate on loans is reasonably determined considering the market rate.

Note 3: A majority of the voting rights is owned by a close relative of Mr. Mitsuhiro Kitamura, an outside director of the Company.

Note 4: A majority of the voting rights is owned by a close relative of Mr. Toshio Itabashi, retired as an outside director of the Company on June 25, 2015.

Note 5: A majority of the voting rights is owned by ITATSU Co., LTD.

Note 6: This is not a related party as Mr. Toshio Itabashi retired as an outside director of the Company on June 25, 2015. Transaction amounts were reported at the average balanced during the period of an outside director of the Company. Outstanding balances were reported at the end of the period in which it ceased to be a related party.

Note 7: Transaction amounts do not include consumption taxes.

27. BUSINESS COMBINATION

The Business Integration of AHD and Joyo (together, the "Companies") resolved to consummate a business integration through a share exchange. At the same time, AHD, Joyo, and Ashikaga entered into a business integration agreement.

AHD conducted a share exchange which made AHD a wholly-owing parent company and Joyo a wholly-owned subsidiary, and changed its trade name to "Mebuki Financial Group, Inc." on October 1, 2016, as the effective date, after the approval for the share exchange by the ordinary general meeting of shareholders of each of the Companies held on June 28, 2016, and the approval for the business integration has been issued by the Financial Services Agency of Japan on September 29, 2016.

(1) Outline of the Business Combination

(a) Name of the acquired company and its business outline

Name of the Acquired Company : AHD

Business content : Bank holding company

(b) Major reasons for the business combination

The new financial group established through the integration of the Companies will aim to maintain and promote the relationships with customers and the deep understanding of the local communities that Joyo and Ashikaga have developed over the years, and to realize the advancement of comprehensive financial services and operational efficiencies by taking advantage of the wide area network and other connections formed through the Business Integration of the Companies.

Through the above-mentioned efforts, the Companies will provide more convenient and high-quality comprehensive financial services that can be achieved only through the integration of leading regional banks. In addition, the Companies will aim to become a group that is highly evaluated by each stakeholder through the achievement of persistent growth as a driving force of regional development and revitalization, the improvement of corporate value in response to the expectations of shareholders and markets, and the expansion of the opportunities for officers and employees to play an active part and enhance their pride and enjoyment in their duties. Furthermore, the Companies will aim to become a financial group that is open to other regional financial institutions who share the corporate ideals with each other.

(c) Date of the business combination
October 1, 2016

(d) Legal form of the business combination
Share exchange, under which AHD became the wholly owing parent company, and Joyo became the wholly owned subsidiary.

(e) Name of the company after the business combination
Mebuki Financial Group, Inc.

(f) Rating of voting rights acquired

Voting right ratio before the share exchange	0.39%
Acquired voting right ratio on the date of the business combination	99.61%
Voting right ratio after the share exchange	100.00%

(g) Basis for determining the acquirer
By applying "Accounting Standard for Business Combinations" (ASBJ Statement No. 21), and the "Guidance on Accounting Standard for Business Combinations," and "Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10), it has been decided that Joyo would be the acquiring company and AHD would be the acquired company, mainly because shareholders of Joyo, a wholly-owned subsidiary, will have the largest percentage of voting rights of the integrated company.

(2) The period for which the operations of the acquired company are included in the consolidated financial statements
From October 1, 2016, to March 31, 2017

(3) Acquisition cost of the acquired company and related details of each class of consideration

	Millions of Yen	Thousands of U.S. Dollars
Market value of AHD common shares held by Joyo immediately before the date of the business combination	¥ 464	$ 4,139
Market value of Joyo common shares as if to be issued by Joyo on the date of the business combination	122,998	1,096,344
Acquisition cost	¥123,463	$1,100,483

(4) Exchange ratio by type of shares and methods of calculating the share exchange ratio and number of shares allotted
(a) Exchange ratio by type of shares
Joyo shareholders received 1.17 shares of the Company's common stock for each share of Joyo common stock.

(b) Methods of calculating the share exchange ratio
To ensure fairness of calculation of the share exchange ratio, the Companies appointed third-party valuation institutions independent of both parties. Joyo has appointed Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. for its third-party valuation and AHD has appointed Pricewaterhouse Coopers for its third-party valuation. Based on the analysis results, the Companies have carefully consulted and considered matters, and have reached the conclusion that the above common share exchange ratio is appropriate for the business integration.

(c) Number of shares delivered
Common shares: 845,805,218 shares

(5) Major acquisition-related costs
Advisory fee, etc.: ¥649 million ($5,786 thousand)

(6) Amount of the difference between the total cost of each transaction and the acquisition cost of the acquired company
Loss on step acquisitions: ¥184 million ($1,642 thousand)

(7) The assets acquired and the liabilities assumed at the acquisition date are as follows:

	Millions of Yen	Thousands of U.S. Dollars
Total assets:	¥6,207,461	$55,329,902
Of which, loans and bills discounted	4,221,375	37,627,018
Of which, securities	1,314,586	11,717,500
Of which, allowance for loan losses	(38,581)	(343,897)
Total liabilities:	¥5,964,697	$53,166,033
Of which, deposits	5,148,407	45,890,077

(8) Amount and reason for gain on negative goodwill incurred
(a) Amount of gain on negative goodwill incurred
¥119,219 million ($1,062,657 thousand)

(b) Reason for gain on negative goodwill incurred
Gain on negative goodwill was recognized because the fair value of AHD's net assets at the time of the business combination exceeded the acquisition cost.

(9) Approximate amounts of impact of the business combination on the Company's consolidated statement of income for the fiscal year under review assuming the business combination was completed at the beginning of the fiscal year
If this business combination had been completed as of April 1, 2016, the beginning of the current fiscal year, the unaudited condensed pro forma consolidated statement of income for the year ended March 31, 2017, would be as follows:

	Millions of Yen	Thousands of U.S. Dollars
Ordinary income	¥52,972	$472,170
Ordinary profit	18,690	166,595
Net income attributable to owners of the parent	12,027	107,208

Since this business integration is a reverse acquisition, figures above do not include gain on negative goodwill without recalculation. Therefore, the pro forma consolidated statement of income does not show the figures if business integration was carried out at the beginning of the current fiscal year.

28. SUBSEQUENT EVENTS

The Company resolved at the meeting of the board of directors held on March 21, 2017, that it shall acquire all shares of The Joyo Lease Co., Ltd. ("Joyo Lease"), a wholly-owned subsidiary of Joyo, through dividends-in-kind and conducted the acquisition on April 3, 2017, which made Joyo Lease a directly and wholly-owned subsidiary of the Company. The trade name of Joyo Lease was changed to "Mebuki Lease Co., Ltd." on April 3, 2017.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Mebuki Financial Group, Inc.:

We have audited the accompanying consolidated balance sheet of Mebuki Financial Group, Inc. (formerly, Ashikaga Holdings Co., Ltd.) and its consolidated subsidiaries as of March 31, 2017, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but 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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Mebuki Financial Group, Inc. and its consolidated subsidiaries as of March 31, 2017, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC

June 28, 2017

Member of
Deloitte Touche Tohmatsu Limited

Consolidated Balance Sheet (Unaudited)

March 31, 2017 The Joyo Bank, Ltd. and Consolidated Subsidiaries

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
ASSETS			
Cash and due from banks	¥ 754,138	¥ 442,713	$ 6,721,975
Call loans and bills bought	3,365	2,000	30,000
Monetary claims bought	8,161	9,977	72,745
Trading assets	4,060	5,918	36,190
Securities	2,789,315	2,736,884	24,862,422
Loans and bills discounted	5,915,412	5,869,596	52,726,737
Foreign exchanges	2,826	4,241	25,192
Lease receivables and investments in lease	46,250	42,502	412,254
Other assets	85,369	64,583	760,939
Tangible fixed assets	93,930	94,300	837,243
Intangible fixed assets	9,936	9,936	88,567
Deferred tax assets	1,022	1,986	9,115
Customers' liabilities for acceptances and guarantees	47,619	14,727	424,451
Allowance for loan losses	(39,621)	(40,659)	(353,162)
Allowance for investment losses	(9)	(9)	(80)
TOTAL	¥9,721,778	¥9,258,701	$86,654,588
LIABILITIES AND EQUITY			
LIABILITIES:			
Deposits	¥8,225,513	¥8,088,463	$73,317,705
Negotiable certificates of deposit	35,402	22,689	315,555
Call money and bills sold	61,337	45,560	546,730
Payables under securities lending transactions	135,417	130,247	1,207,034
Trading liabilities	511	895	4,560
Borrowed money	445,546	174,118	3,971,352
Foreign exchanges	501	886	4,468
Bonds	5,000	15,000	44,567
Bonds with warrants	—	33,804	—
Due to trust account	13	13	118
Other liabilities	97,481	78,627	868,893
Provision for directors' bonuses	51	48	458
Liability for retirement benefits	8,896	15,475	79,298
Provision for directors' retirement benefits	33	38	301
Provision for reimbursement of deposits	2,585	2,354	23,049
Provision for point card certificates	139	145	1,246
Provision for losses on interest repayments	4	6	40
Provision for contingent losses	1,038	1,045	9,258
Reserves under special laws	2	2	18
Deferred tax liabilities	30,976	31,295	276,104
Deferred tax liabilities for land revaluation	9,454	9,526	84,274
Negative goodwill	1,501	1,659	13,382
Acceptances and guarantees	47,619	14,727	424,451
Total liabilities	¥9,109,027	¥8,666,631	$81,192,863
EQUITY:			
Common stock	¥ 85,113	¥ 85,113	$ 758,651
Capital surplus	59,705	58,574	532,185
Stock acquisition rights	—	132	—
Retained earnings	329,982	333,964	2,941,284
Treasury stock	—	(21,569)	—
Accumulated other comprehensive income:			
Unrealized gains on available-for-sale securities	130,597	135,031	1,164,076
Deferred losses on derivatives under hedge accounting	(574)	(3,073)	(5,121)
Land revaluation surplus	12,844	13,002	114,488
Defined retirement benefit plans	(4,918)	(10,667)	(43,840)
Total accumulated other comprehensive income	137,949	134,293	1,229,604
Noncontrolling interests	—	1,562	—
Total equity	612,750	592,070	5,461,724
TOTAL	¥9,721,778	¥9,258,701	$86,654,588

Consolidated Statement of Income (Unaudited)

Year Ended March 31, 2017 The Joyo Bank, Ltd. and Consolidated Subsidiaries

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
INCOME:			
Interest income:			
Interest on loans and discounts	¥ 63,653	¥ 66,321	$ 567,369
Interest and dividends on securities	28,634	29,208	255,232
Interest on call loans and bills bought	33	38	299
Interest on deposits with banks	315	323	2,809
Other interest income	378	353	3,369
Trust fees	22	25	204
Fees and commissions	25,479	26,514	227,106
Trading income	2,253	2,211	20,087
Other operating income	11,939	9,556	106,423
Other income	34,988	28,847	311,871
Total income	167,698	163,400	1,494,771
EXPENSES:			
Interest expenses:			
Interest on deposits	2,124	2,629	18,939
Interest on negotiable certificates of deposit	11	21	98
Interest on call money and bills sold	471	255	4,199
Interest on payables under securities lending transactions	957	605	8,532
Interest on borrowing and rediscounts	616	358	5,498
Interest on bonds	233	254	2,082
Other interest expenses	3,539	2,452	31,547
Fees and commissions	6,746	6,477	60,130
Other operating expenses	6,757	4,163	60,232
General and administrative expenses	74,046	70,784	660,011
Provision of allowance for loan losses	4,160	2,754	37,089
Other expenses	28,672	25,611	255,567
Total expenses	128,336	116,368	1,143,923
INCOME BEFORE INCOME TAXES	39,361	47,032	350,848
INCOME TAXES			
Current	12,794	13,937	114,044
Deferred	(916)	1,925	(8,172)
Total income taxes	11,877	15,862	105,872
NET INCOME	¥ 27,483	¥ 31,169	$ 244,976
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	28	135	252
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	¥ 27,455	¥ 31,034	$ 244,724

	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK			
Basic net income	¥37.97	¥42.93	$0.33
Diluted net income	—	42.91	—

Consolidated Statement of Comprehensive Income (Unaudited)

Year Ended March 31, 2017 The Joyo Bank, Ltd. and Consolidated Subsidiaries

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
NET INCOME	¥27,483	¥31,169	$244,976
OTHER COMPREHENSIVE INCOME			
Unrealized gains (losses) on available-for-sale securities	(4,455)	(24,888)	(39,714)
Deferred gains (losses) on derivatives under hedge accounting	2,498	(1,348)	22,272
Land revaluation surplus	—	498	—
Defined retirement benefit plans	5,749	(6,911)	51,244
Total other comprehensive income (loss)	3,792	(32,649)	33,802
COMPREHENSIVE INCOME	¥31,276	¥(1,479)	$278,778
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	¥31,248	¥(1,605)	$278,531
Noncontrolling interests	27	125	247

Consolidated Statement of Changes in Equity (Unaudited)

Year Ended March 31, 2017 The Joyo Bank, Ltd. and Consolidated Subsidiaries

Millions of Yen

						Accumulated Other Comprehensive Income						
	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Unrealized Gains (Losses) on Available-for-Sale Securities	Deferred Gains (Losses) on Derivatives under Hedge Accounting	Land Revaluation Surplus	Defined Retirement Benefit Plans	Total	Noncontrolling Interests	Total Equity
BALANCE, APRIL 1, 2015	¥85,113	¥58,574	¥147	¥311,093	¥(21,619)	¥159,909	¥(1,725)	¥12,666	¥ (3,756)	¥167,094	¥1,437	¥601,840
Cash dividends				(8,312)								(8,312)
Net income attributable to owners of parent				31,034								31,034
Purchase of treasury stock					(28)							(28)
Disposal of treasury stock				(12)	78							65
Reversal of land revaluation surplus				161								161
Net changes during the fiscal year			(14)			(24,878)	(1,348)	336	(6,911)	(32,801)	124	(32,691)
Total changes during the fiscal year	—	—	(14)	22,871	49	(24,878)	(1,348)	336	(6,911)	(32,801)	124	(9,769)
BALANCE, APRIL 1, 2016	¥85,113	¥58,574	¥132	¥333,964	¥(21,569)	¥135,031	¥(3,073)	¥13,002	¥(10,667)	¥134,293	¥1,562	¥592,070
Cash dividends				(10,046)								(10,046)
Net income attributable to owners of parent				27,455								27,455
Purchase of treasury stock					(4)							(4)
Disposal of treasury stock				(0)	25							24
Retirement of treasury stock				(21,548)	21,548							—
Changes due to acquiring equity of consolidated subsidiaries		1,131										1,131
Reversal of land revaluation surplus				158								158
Net changes during the fiscal year			(132)			(4,433)	2,498	(158)	5,749	3,655	(1,562)	1,961
Total changes during the fiscal year	—	1,131	(132)	(3,981)	21,569	(4,433)	2,498	(158)	5,749	3,655	(1,562)	20,680
BALANCE, MARCH 31, 2017	**¥85,113**	**¥59,705**	**¥ —**	**¥329,982**	**¥ —**	**¥130,597**	**¥ (574)**	**¥12,844**	**¥ (4,918)**	**¥137,949**	**¥ —**	**¥612,750**

Thousands of U.S. Dollars

						Accumulated Other Comprehensive Income						
	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Unrealized Gains (Losses) on Available-for-Sale Securities	Deferred Gains (Losses) on Derivatives under Hedge Accounting	Land Revaluation Surplus	Defined Retirement Benefit Plans	Total	Noncontrolling Interests	Total Equity
BALANCE, APRIL 1, 2016	$758,651	$522,097	$ 1,180	$2,976,776	$ (192,259)	$1,203,596	$(27,392)	$115,901	$(95,084)	$1,197,020	$ 13,924	$5,277,389
Cash dividends				(89,547)								(89,547)
Net income attributable to owners of parent				244,724								244,724
Purchase of treasury stock					(40)							(40)
Disposal of treasury stock				(8)	226							218
Retirement of treasury stock				(192,073)	192,073							—
Changes due to acquiring equity of consolidated subsidiaries		10,088										10,088
Reversal of land revaluation surplus				1,413								1,413
Net changes during the fiscal year			(1,180)			(39,520)	22,272	(1,413)	51,244	32,583	(13,924)	17,480
Total changes during the fiscal year	—	10,088	(1,180)	(35,492)	192,259	(39,520)	22,272	(1,413)	51,244	32,583	(13,924)	184,336
BALANCE, MARCH 31, 2017	**$758,651**	**$532,185**	**$ —**	**$2,941,284**	**$ —**	**$1,164,076**	**$ (5,121)**	**$114,488**	**$(43,840)**	**$1,229,604**	**$ —**	**$5,461,724**

Consolidated Statement of Cash Flows (Unaudited)

Year Ended March 31, 2017 The Joyo Bank, Ltd. and Consolidated Subsidiaries

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
OPERATING ACTIVITIES:			
Income before income taxes	¥ 39,361	¥ 47,032	$ 350,848
Adjustments for:			
Income taxes paid	(17,123)	(11,713)	(152,632)
Depreciation and amortization	6,345	6,173	56,557
Impairment loss	559	208	4,984
Amortization of negative goodwill	(158)	(158)	(1,409)
Decrease in allowance for loan losses	(1,038)	(1,106)	(9,254)
Increase (decrease) in provision for directors' bonuses	2	(13)	24
Decrease in asset for retirement benefits	—	1,438	—
Increase in liabilities for retirement benefits	8,764	7,478	78,121
Decrease in provision for directors' retirement benefits	(4)	(1)	(42)
Increase in provision for reimbursement of deposits	231	189	2,065
Increase (decrease) in provision for point card certificates	(5)	6	(50)
Decrease in provision for contingent losses	(7)	(123)	(63)
Decrease in provision for interest repayments	(1)	(1)	(16)
Gain on fund management	(99,635)	(103,468)	(888,094)
Financing expenses	7,953	6,577	70,895
Gains related to securities	(8,757)	(5,953)	(78,061)
Foreign exchange losses	3,483	20,018	31,054
Loss on disposal of fixed assets	265	444	2,362
Net decrease (increase) in trading assets	1,858	(918)	16,563
Net increase (decrease) in trading liabilities	(383)	734	(3,422)
Net increase in loans and bills discounted	(45,815)	(251,576)	(408,377)
Net increase in deposits	137,050	372,864	1,221,590
Net increase in negotiable certificates of deposit	12,712	12,644	113,310
Net increase (decrease) in borrowed money (excluding subordinated borrowings)	271,427	(171,269)	2,419,354
Net decrease (increase) in deposit (excluding cash equivalents)	23,825	(43,084)	212,367
Net decrease in call loans	450	14,889	4,012
Net increase in call money	15,777	1,235	140,631
Net increase (decrease) in payables under securities lending transactions	5,169	(13,147)	46,077
Net decrease (increase) in foreign exchanges - assets	1,415	(944)	12,614
Net increase (decrease) in foreign exchanges - liabilities	(384)	334	(3,430)
Net increase in lease receivables and investments in lease	(3,747)	(3,931)	(33,407)
Net decrease in due to trust account	(0)	(0)	(0)
Proceeds from fund management	99,461	103,618	886,542
Payments for finance	(7,860)	(6,756)	(70,063)
Other–net	(20,586)	(23,741)	(183,494)
Total adjustments	391,240	(89,053)	3,487,307
Net cash provided by operating activities	430,602	(42,020)	3,838,155
INVESTING ACTIVITIES:			
Purchases of securities	(1,197,236)	(881,587)	(10,671,509)
Proceeds from sales of securities	967,791	606,454	8,626,359
Proceeds from redemption of securities	190,545	233,760	1,698,419
Purchases of tangible fixed assets	(3,598)	(3,482)	(32,071)
Proceeds from sales of tangible fixed assets	167	494	1,491
Purchases of intangible fixed assets	(2,839)	(1,990)	(25,309)
Net cash provided by investing activities	(45,169)	(46,350)	(402,620)
FINANCING ACTIVITIES:			
Redemption of subordinated bonds and bonds with warrants	(40,324)	—	(359,426)
Purchase of treasury stocks	(4)	(28)	(40)
Proceeds from sales of treasury stocks	1	7	15
Cash dividends paid	(9,397)	(8,312)	(83,765)
Dividends paid to noncontrolling interests	(1)	(1)	(9)
Payments from changes in ownership interests that do not result in change in scope of consolidation	(453)	—	(4,045)
Net cash provided by financing activities	(50,179)	(8,334)	(447,269)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(3)	(13)	(29)
NET INCREASE IN CASH AND CASH EQUIVALENTS	335,250	(96,719)	2,988,236
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	396,713	493,433	3,536,090
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 731,964	¥ 396,713	$ 6,524,326

NONCASH INVESTING AND FINANCING ACTIVITY:

Not applicable.

Non-Consolidated Balance Sheet (Unaudited)

March 31, 2017 The Joyo Bank, Ltd.

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
ASSETS			
Cash and due from banks	**¥ 754,116**	¥ 442,654	**$ 6,721,777**
Call loans and bills bought	**3,365**	2,000	**30,000**
Monetary claims bought	**8,161**	9,977	**72,745**
Trading assets	**4,060**	5,918	**36,190**
Securities	**2,793,575**	2,739,570	**24,900,399**
Loans and bills discounted	**5,967,030**	5,912,707	**53,186,829**
Foreign exchanges	**2,826**	4,241	**25,192**
Other assets	**48,076**	36,515	**428,528**
Tangible fixed assets	**85,854**	86,520	**765,261**
Intangible fixed assets	**9,531**	9,456	**84,959**
Prepaid pension cost	**7,231**	7,825	**64,454**
Customers' liabilities for acceptances and guarantees	**47,620**	14,728	**424,461**
Allowance for loan losses	**(34,416)**	(35,715)	**(306,769)**
Allowance for investment losses	**(9)**	(9)	**(80)**
TOTAL	**¥9,697,024**	¥9,236,391	**$86,433,945**
LIABILITIES AND EQUITY			
LIABILITIES:			
Deposits	**¥8,240,398**	¥8,103,353	**$73,450,381**
Negotiable certificates of deposit	**56,252**	39,539	**501,401**
Call money and bills sold	**61,337**	45,560	**546,730**
Payables under securities lending transactions	**135,417**	130,247	**1,207,034**
Trading liabilities	**511**	895	**4,560**
Borrowed money	**436,978**	164,751	**3,894,986**
Foreign exchanges	**501**	886	**4,468**
Bonds	**5,000**	15,000	**44,567**
Bonds with warrants	**—**	33,804	**—**
Due to trust account	**13**	13	**118**
Other liabilities	**63,079**	50,212	**562,253**
Provision for directors' bonuses	**48**	46	**432**
Provision for directors' retirement benefits	**8,415**	7,355	**75,009**
Provision for reimbursement of deposits	**2,585**	2,354	**23,049**
Provision for contingent losses	**1,038**	1,045	**9,258**
Provision for point card certificates	**106**	112	**945**
Deffered tax liabilities	**35,662**	36,706	**317,874**
Deferred tax liabilities for land revaluation	**8,774**	8,846	**78,214**
Acceptances and guarantees	**47,620**	14,728	**424,461**
Total liabilities	**9,103,740**	8,655,459	**81,145,742**
EQUITY:			
Common stock	**85,113**	85,113	**758,651**
Capital surplus	**58,574**	58,574	**522,097**
Stock acquisition rights	**—**	132	**—**
Retained earnings	**308,341**	315,717	**2,748,388**
Treasury stock	**—**	(21,963)	**—**
Valuation adjustments:	**141,254**	143,357	**1,259,067**
Unrealized gains on available-for-sale securities	**130,542**	134,985	**1,163,581**
Deferred losses on derivatives under hedge accounting	**(574)**	(3,073)	**(5,121)**
Land revaluation surplus	**11,287**	11,445	**100,607**
Total equity	**593,283**	¥ 580,932	**5,288,203**
TOTAL	**¥9,697,024**	¥9,236,391	**$86,433,945**

Non-Consolidated Statement of Income (Unaudited)

Year Ended March 31, 2017 The Joyo Bank, Ltd.

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
INCOME:			
Interest income:			
Interest on loans and bills discounted	**¥63,726**	¥66,434	**$568,024**
Interest and dividends on securities	**28,625**	29,187	**255,149**
Interest on call loans and bills bought	**33**	38	**299**
Interest on deposits with banks	**315**	323	**2,809**
Other interest income	**401**	376	**3,578**
Trust Fees	**22**	25	**204**
Fees and commissions	**22,154**	22,967	**197,473**
Trading income	**449**	767	**4,008**
Other operating income	**11,997**	9,570	**106,943**
Other income	**13,332**	9,103	**118,839**
Total income	**141,059**	138,796	**1,257,327**
EXPENSES:			
Interest expenses:			
Interest on deposits	**2,125**	2,631	**18,950**
Interest on negotiable certificates of deposit	**13**	25	**123**
Interest on call money and bills sold	**471**	255	**4,199**
Interest on payables under securities lending transactions	**957**	605	**8,532**
Interest on borrowed money	**616**	358	**5,498**
Interest on bonds	**233**	254	**2,082**
Interest on interest swap	**2,478**	1,776	**22,089**
Other interest expenses	**1,007**	606	**8,977**
Fees and commissions	**7,815**	7,504	**69,661**
Other operating expenses	**6,757**	4,163	**60,232**
General and administrative expenses	**72,544**	69,690	**646,622**
Provision of allowance for loan losses	**3,811**	2,796	**33,974**
Other expenses	**7,379**	6,063	**65,774**
Total expenses	**106,211**	96,733	**946,713**
INCOME BEFORE INCOME TAXES	**34,847**	42,062	**310,613**
INCOME TAXES:			
Current	**10,477**	12,532	**93,387**
Deferred	**(84)**	1,755	**(750)**
Total income taxes	**10,392**	14,288	**92,637**
NET INCOME	**¥24,454**	¥27,774	**$217,976**

Non-Consolidated Financial Statements (Unaudited)

March 31, 2017 The Ashikaga Bank, Ltd.

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
ASSETS			
Cash and due from banks	¥ 639,631	¥ 437,507	$ 5,701,320
Call loans and bills bought	1,795	414	16,000
Monetary claims bought	7,791	7,627	69,451
Trading account securities	3,166	3,596	28,223
Securities	1,417,158	1,325,749	12,631,771
Loans and bills discounted	4,348,447	4,274,437	38,759,675
Foreign exchanges	4,396	4,377	39,190
Other assets	32,106	24,916	286,176
Tangible fixed assets	25,872	25,275	230,613
Intangible fixed assets	2,370	2,569	21,133
Prepaid pension cost	15,323	12,786	136,581
Deferred tax assets	2,461	—	21,943
Customers' liabilities for acceptances and guarantees	11,953	12,913	106,550
Allowance for loan losses	(34,746)	(33,328)	(309,708)
TOTAL	¥6,477,729	¥6,098,844	$57,738,919
LIABILITIES AND EQUITY			
LIABILITIES:			
Deposits	¥5,332,582	¥5,224,561	$47,531,707
Negotiable certificates of deposit	289,303	224,878	2,578,689
Call money and bills sold	241,975	78,000	2,156,834
Payables under securities lending transactions	32,222	25,263	287,218
Borrowed money	220,047	181,726	1,961,382
Foreign exchanges	256	282	2,285
Other liabilities	30,324	30,426	270,292
Provision for directors' bonuses	53	25	481
Provision for directors' retirement benefits	—	132	—
Provision for reimbursement of deposits	895	858	7,978
Provision for contingent losses	509	464	4,545
Provision for point card certificates	111	90	993
Deffered tax liabilities	—	7,296	—
Acceptances and guarantees	11,953	12,913	106,550
Total liabilities	6,160,235	5,786,919	54,908,951
EQUITY:			
Common stock	135,000	135,000	1,203,316
Retained earnings:	145,333	129,428	1,295,424
Valuation adjustments:	37,160	47,495	331,227
Unrealized gains on available-for-sale securities	37,259	51,447	332,115
Deferred losses on hedges	(99)	(3,951)	(887)
Total equity	317,494	311,924	2,829,967
TOTAL	¥6,477,729	¥6,098,844	$57,738,919

Non-Consolidated Statement of Income (Unaudited)

Year Ended March 31, 2017 The Ashikaga Bank, Ltd.

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
INCOME:			
Interest income:			
Interest on loans and bills discounted	**¥51,017**	¥53,724	**$454,744**
Interest and dividends on securities	**20,073**	16,958	**178,920**
Interest on call loans and bills bought	**60**	393	**537**
Interest on deposits with banks	**373**	404	**3,329**
Other interest income	**82**	102	**732**
Fees and commissions	**20,040**	21,253	**178,632**
Other operating income	**1,772**	1,343	**15,800**
Other income	**4,348**	6,366	**38,760**
Total income	**97,768**	100,545	**871,453**
EXPENSES:			
Interest expenses:			
Interest on deposits	**1,110**	2,082	**9,894**
Interest on negotiable certificates of deposit	**85**	226	**762**
Interest on call money and bills sold	**152**	8	**1,359**
Interest on payables under securities lending transactions	**411**	211	**3,668**
Interest on borrowed money	**40**	150	**365**
Other interest expenses	**1,508**	779	**13,447**
Fees and commissions payments	**6,747**	6,314	**60,146**
Other operating expenses	**1,062**	36	**9,474**
General and administrative expenses	**46,526**	47,711	**414,711**
Provision of allowance for loan losses	**4,444**	—	**39,612**
Other expenses	**3,717**	3,559	**33,139**
Total expenses	**65,807**	61,079	**586,576**
INCOME BEFORE INCOME TAXES	**31,960**	39,466	**284,877**
INCOME TAXES:			
Current	**9,350**	10,468	**83,345**
Deferred	**(3,802)**	(1,861)	**(33,894)**
Total income taxes	**5,547**	8,607	**49,451**
NET INCOME	**¥26,412**	¥30,859	**$235,427**

Corporate Data (as of March 31, 2017)

Mebuki Financial Group, Inc.

Address	7-2, Yaesu 2-chome, Chuo-ku, Tokyo
Head Office address	(Mito Head Office) 5-5, Minami-machi 2-chome, Mito, Ibaraki Prefecture (Utsunomiya Head Office) 1-25, Sakura 4-chome, Utsunomiya, Tochigi Prefecture
Paid in capital	117.4 billion yen
Establishment	April 1, 2008 (Change of tradename: October 1, 2016)
Stock exchange listing	Tokyo Stock Exchange
Number of employees	123
Credit ratings	A (R&I)

*Excluding those transferred to external organizations

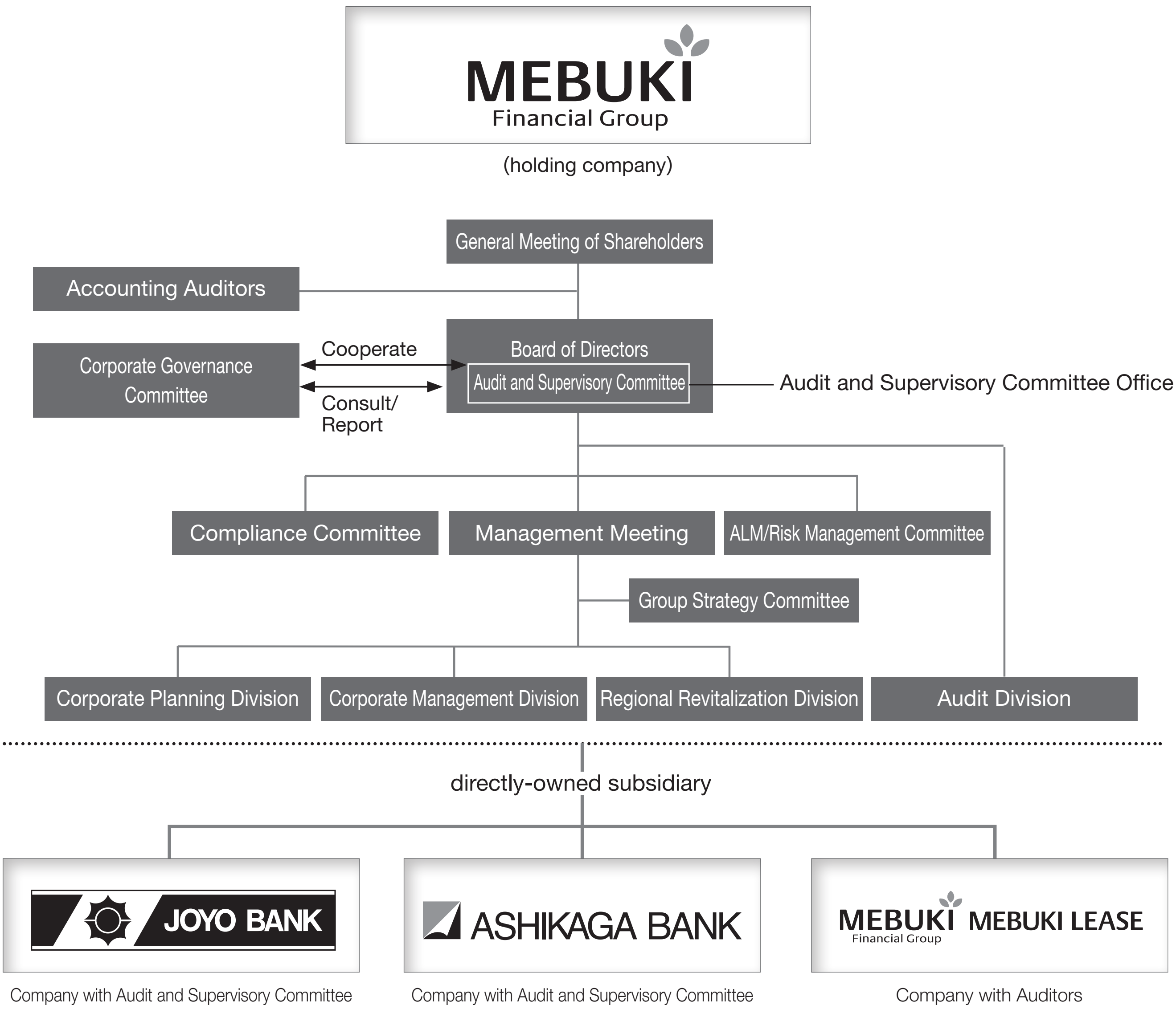
The Joyo Bank, Ltd.

Founded	July 30, 1935
Head Office	5-5, Minami-machi 2-chome, Mito, Ibaraki Prefecture
Paid in capital	85.1 billion yen
Network	Domestic: 180 offices (Head Office, 151 branches, 29 sub-branches) Overseas: 3 Representative Offices (Shanghai, Singapore, New York)
Number of employees*	3,281
Credit ratings	A+ (R&I) A2 (Moody's)

The Ashikaga Bank, Ltd.

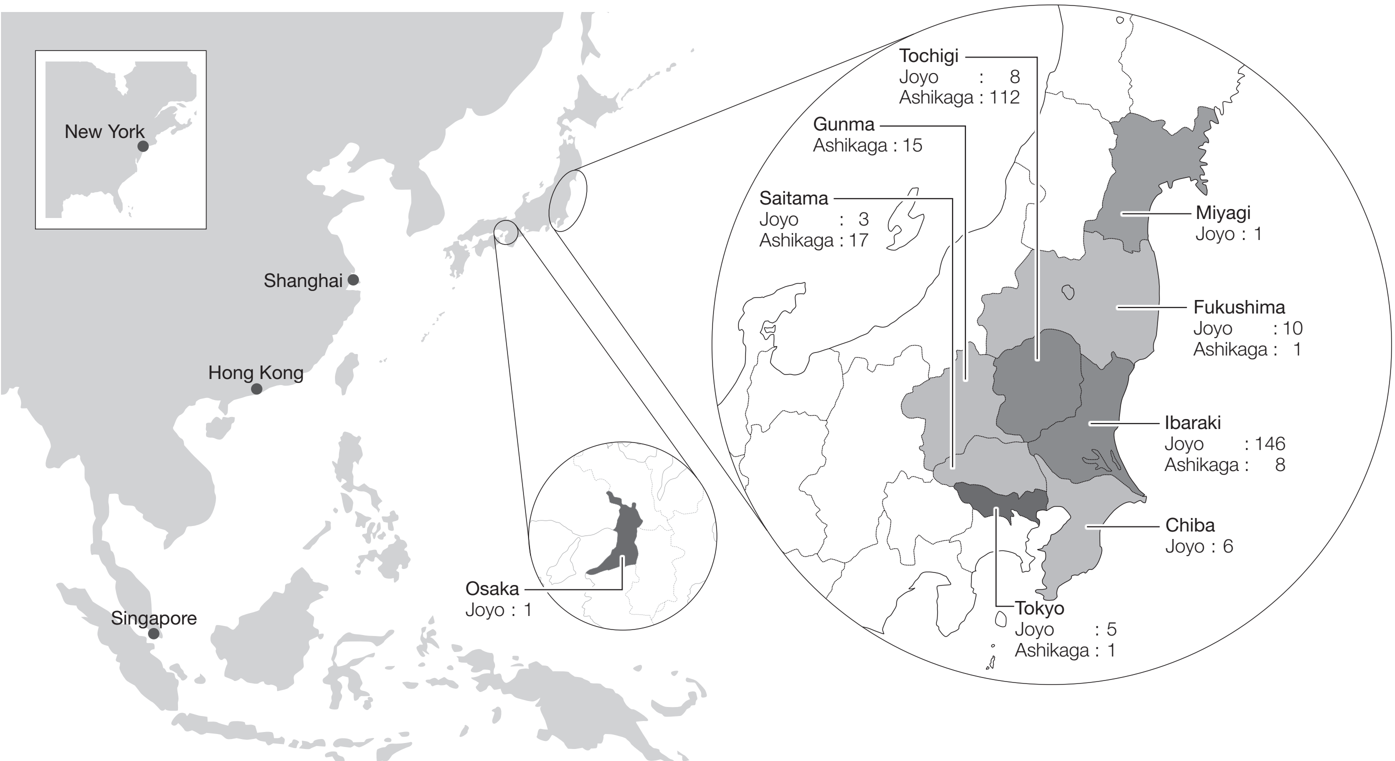
Founded	October 1, 1895
Head Office	1-25, Sakura 4-chome, Utsunomiya, Tochigi Prefecture
Paid in capital	135.0 billion yen
Network	Domestic: 154 offices (Head Office, 105 branches, 49 sub-branches) Overseas: 1 Representative Office (Hong Kong)
Number of employees*	2,801
Credit ratings	A+ (R&I)

Organization (as of April 3, 2017)



Network (as of March 31, 2017)

Domestic: 334 offices, Overseas: 4 locations



Joyo Bank

New York Representative Office	Address	712 Fifth Avenue, 8th Floor, New York, NY 10019 U.S.A.
Shanghai Representative Office	Address	Room 1901, Shanghai International Trade Centre, 2201 Yan An Road (West), Shanghai 200336 P. R. China
Singapore Representative Office	Address	63 Market Street, #11-03 Bank of Singapore Centre, Singapore 048942

Ashikaga Bank

Hong Kong Representative Office	Address	Suite 1601, 16th Floor, Tower2, The Gateway, Harbour City,Kowloon, Hong Kong

Mebuki Financial Group, Inc.

Address 7-2, Yaesu 2-chome, Chuo-ku, Tokyo

Joyo Bank

Head Office 5-5, Minami-machi 2-chome, Mito, Ibaraki Prefecture

Ashikaga Bank

Head Office 1-25, Sakura 4-chome, Utsunomiya, Tochigi Prefecture

Stock Information (As of March 31, 2017)

Capital and number of issued shares

Paid in capital	117,495,550,000 yen
Number of issued shares	1,179,055,218 shares
of which, common stock	1,179,055,218 shares

Major shareholders

Mebuki Financial Group, Inc.

Name	Number of shares held (thousand shares)	Shareholding ratio to the total number of issued shares (%)
Nomura Financial Partners Co., Ltd.	122,900	10.42
Sompo Japan Nipponkoa Insurance Inc.	46,118	3.91
Japan Trustee Services Bank, Ltd. (trust account)	38,662	3.27
Nippon Life Insurance Company	34,487	2.92
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	33,920	2.87
The Master Trust Bank of Japan, Ltd. (trust account)	28,320	2.40
Japan Trustee Services Bank, Ltd. (trust account 9)	26,331	2.23
State Street Bank And Trust Company 505223	24,815	2.10
Sumitomo Life Insurance Company	21,659	1.83
The Dai-ichi Life Insurance Company, Limited	19,948	1.69
Total	397,165	33.68

Joyo Bank

Name	Number of shares held (thousand shares)	Shareholding ratio to the total number of issued shares (%)
Mebuki Financial Group, Inc.	722,910	100.00

Ashikaga Bank

Name	Number of shares held (thousand shares)	Shareholding ratio to the total number of issued shares (%)
Mebuki Financial Group, Inc.	1,340,520	100.00

MEBUKI
Financial Group

JOYO BANK

ASHIKAGA BANK