



# Annual Report 2018

Year Ended March 31, 2018

# 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



### [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.

## Corporate History (As of March 31, 2018)

<b>November 2015</b>	Notice Regarding the Basic Agreement Concerning a Business Integration through a Share Exchange of The Joyo Bank, Ltd. and Ashikaga Holdings Co., Ltd.
<b>April 2016</b>	Notice Regarding Definitive Agreement Concerning the Business Integration of The Joyo Bank, Ltd. and Ashikaga Holdings Co., Ltd. through a Share Exchange
<b>June 2016</b>	Approval of stock exchange agreement at the ordinary general meeting of shareholders of The Joyo Bank, Ltd. and Ashikaga Holdings Co., Ltd.
<b>October 2016</b>	Establishment of the Mebuki Financial Group, Inc.
<b>April 2017</b>	Acquired all shares of Mebuki Lease Co., Ltd. (formerly known as The Joyo Lease Co., Ltd.) from The Joyo Bank, Ltd.
<b>October 2017</b>	Acquired all shares of Mebuki Securities Co., Ltd. (formerly known as The Joyo Securities Co., Ltd.) from The Joyo Bank, Ltd.
<b>December 2017</b>	Opened The Ashikaga Bank, Ltd. Bangkok Representative Office
<b>March 2018</b>	Opened The Joyo Bank, Ltd. Hanoi Representative Office

## Contents

P.1	About Mebuki Financial Group, Inc.
P.2	Corporate History
P.3-4	A Message from the Management
P.5-6	Financial Highlights
P.7-8	Group Philosophy and Vision
P.9-10	Market of the Group
P.11-12	Mebuki Financial Group's Overseas Business Support Activities
P.13-14	Developments since Establishment of Mebuki Financial Group
P.15-20	ESG Initiatives
P.21-22	Risk Management System
P.23-24	Initiatives for Compliance
P.25-26	List of Directors
P.27	Organization
P.27	Stock Information
P.28-62	Financial Data
P.63	Corporate Data

### 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.

## A Message from the Management



Ritsuo Sasajima, President

# Continue prosperous with local

Thank you for your continued patronage.

As of June 2018, Ritsuo Sasajima has assumed office as President and operation has started under a new management structure.

We at the Mebuki Financial Group, Inc. (hereinafter referred to as the “Company”, and together with its subsidiaries collectively the “Group”) would appreciate your continued support as we devote efforts to live up to the expectations of our customers, home regions, shareholders and all other stakeholders.

The environment surrounding local communities is now facing numerous issues including the progress of decreasing population and aging society combined with low birthrates, labor shortage, an increasing number of unoccupied houses and concern over the shrinking local economies amid

changes in social structure caused by the progression of economic globalization.

On the other hand, with the rapid advancement in ICT (information and communication technology), creation of new services and values is boosting drastic innovations in industrial structure. Additionally, the northern Kanto area, our principal base of operations, has high potential, given its geographical advantage of being located adjacent to the Tokyo area, and interactions between customers as well as regions have been further encouraged, supported by the development of high-speed infrastructure networks.

Amid such an environment, under its group philosophy of providing high-quality comprehensive financial services to continue building a more prosperous future together with local

# creating a future communities



Masanao Matsushita,  
Executive Vice President

communities, the Group is determined to take the initiative in resolving challenges of local communities.

The Group was established in October 2016 through the business integration of The Joyo Bank, Ltd. and Ashikaga Holdings Co., Ltd. Making the most of the wide-area networks centered around the northern Kanto area held by The Joyo Bank, Ltd. and The Ashikaga Bank, Ltd., the leading regional banks based in Ibaraki Prefecture and Tochigi Prefecture, the Group is making efforts to expand economic exchange in the region. In addition, to tackle challenges facing the local communities, the Group will work to support customers in efficient asset building, sophisticating and revitalizing consumption activities, and improving productivity through active use of evolving digital technologies.

As befits the name of “Mebuki,” Japanese for “green shoots,” as a financial group capable of creating fresh ideas and new values one after another, we are committed to making every effort to contribute to the development of sustainable local communities and to continuously design a prosperous future in partnership with local communities by consolidating the ingenuity of all officers and employees of the Group.

We ask for your continued kindness and support in the future as well.

June 2018  
Ritsuo Sasajima, President  
Masanao Matsushita, Executive Vice President  
Mebuki Financial Group, Inc.

# Financial Highlights (Year ended March 31, 2018)



## Mebuki FG (Consolidated basis)

(Billion yen)

FY2017	Result	Progress	Forecast
Net income attributable to owners of the parent	43.0	101.3%	42.5
Capital adequacy ratio	10.38%	—	—

The Group's consolidated total income and total expenses were 263.3 billion yen and 200.9 billion yen, respectively.

Net income attributable to owners of the parent reached 43.0 billion yen.

Consolidated capital adequacy ratio reached 10.38%.

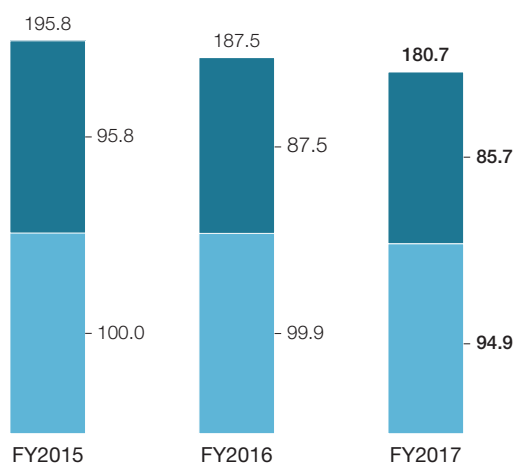
## Total (Joyo Bank + Ashikaga Bank)

### Gross business profit

(Billion yen)

■ 1H ■ 2H

**180.7 billion yen**

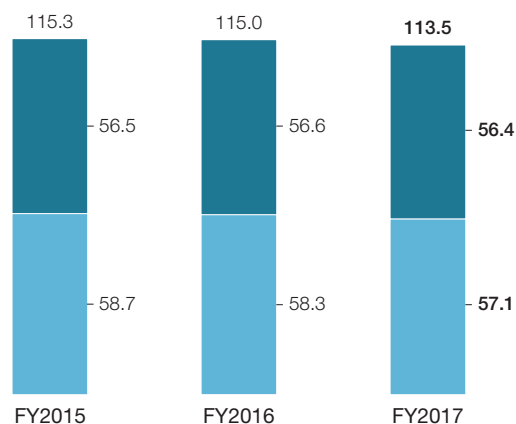


### Expenses

(Billion yen)

■ 1H ■ 2H

**113.5 billion yen**



#### Point

Gross business profit decreased by 6.7 billion yen YoY to 180.7 billion yen as the increase in net fees and commissions due to the enhancement of consulting services was offset by the decrease in gains/losses on bond transactions.

#### Point

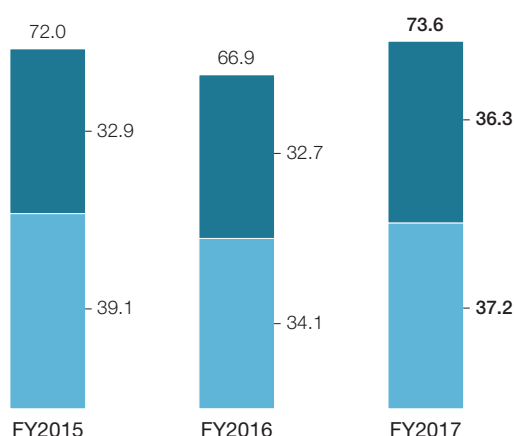
Expenses decreased by 1.4 billion yen YoY to 113.5 billion yen, mainly due to the implementation of various measures to reduce expenses, the decrease in deposit insurance premiums, etc.

## Core net business income

(Billion yen)

■ 1H ■ 2H

# 73.6 billion yen



### Point

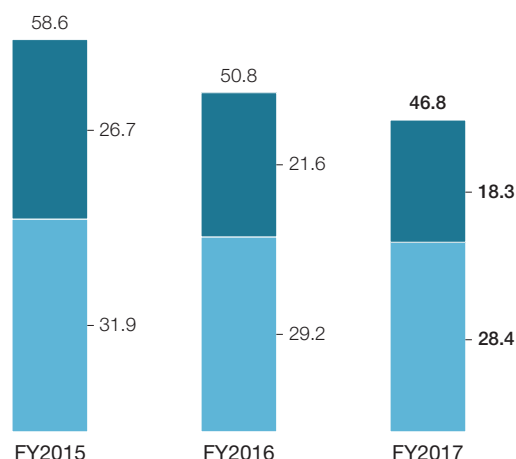
Core net business income increased by 6.7 billion yen YoY to 73.6 billion yen, due to such factors as the increase in net fees and commissions as a result of the enhancement of consulting services, as well as the reduction in expenses.

## Net income

(Billion yen)

■ 1H ■ 2H

# 46.8 billion yen



### Point

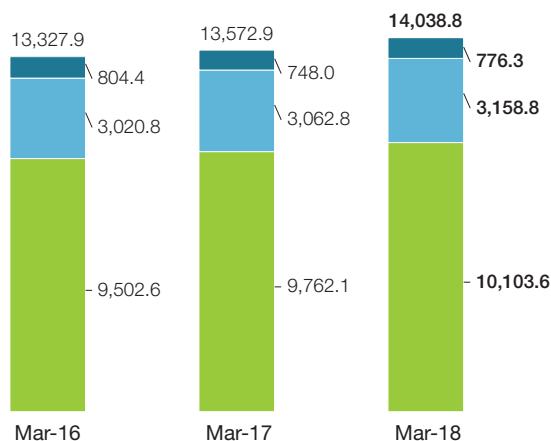
Net income decreased by 3.9 billion yen YoY to 46.8 billion yen, mainly due to the decrease in gains/losses on bond transactions, despite the increase in core net business income.

## Balance of deposits

(Billion yen)

■ Public sector ■ Corporate customers  
■ Individual customers

# 14,038.8 billion yen



### Point

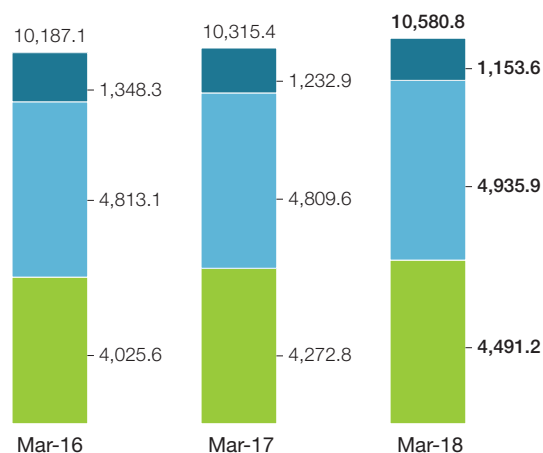
The balance of deposits increased by 465.8 billion yen YoY to 14,038.8 billion yen overall due to increased deposits by both individual and corporate customers.

## Balance of loans

(Billion yen)

■ Public sector ■ Corporate customers  
■ Individual customers

# 10,580.8 billion yen



### Point

The balance of loans increased by 265.3 billion yen YoY to 10,580.8 billion yen overall mainly due to an increase in loans to individual customers including housing loans.

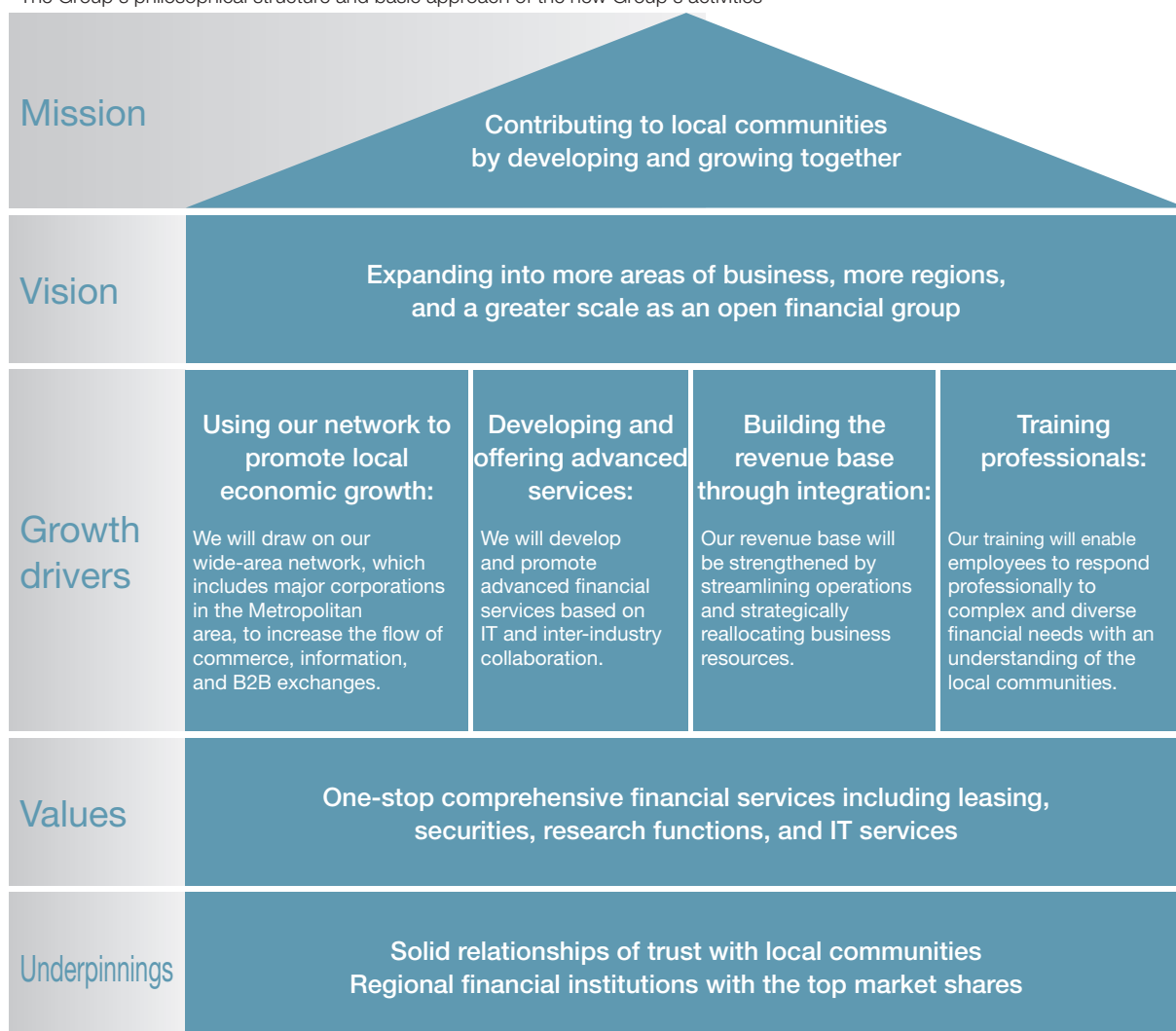
# Group Philosophy and Vision

## 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.

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





## 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.”

## Targets for realization of the vision

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

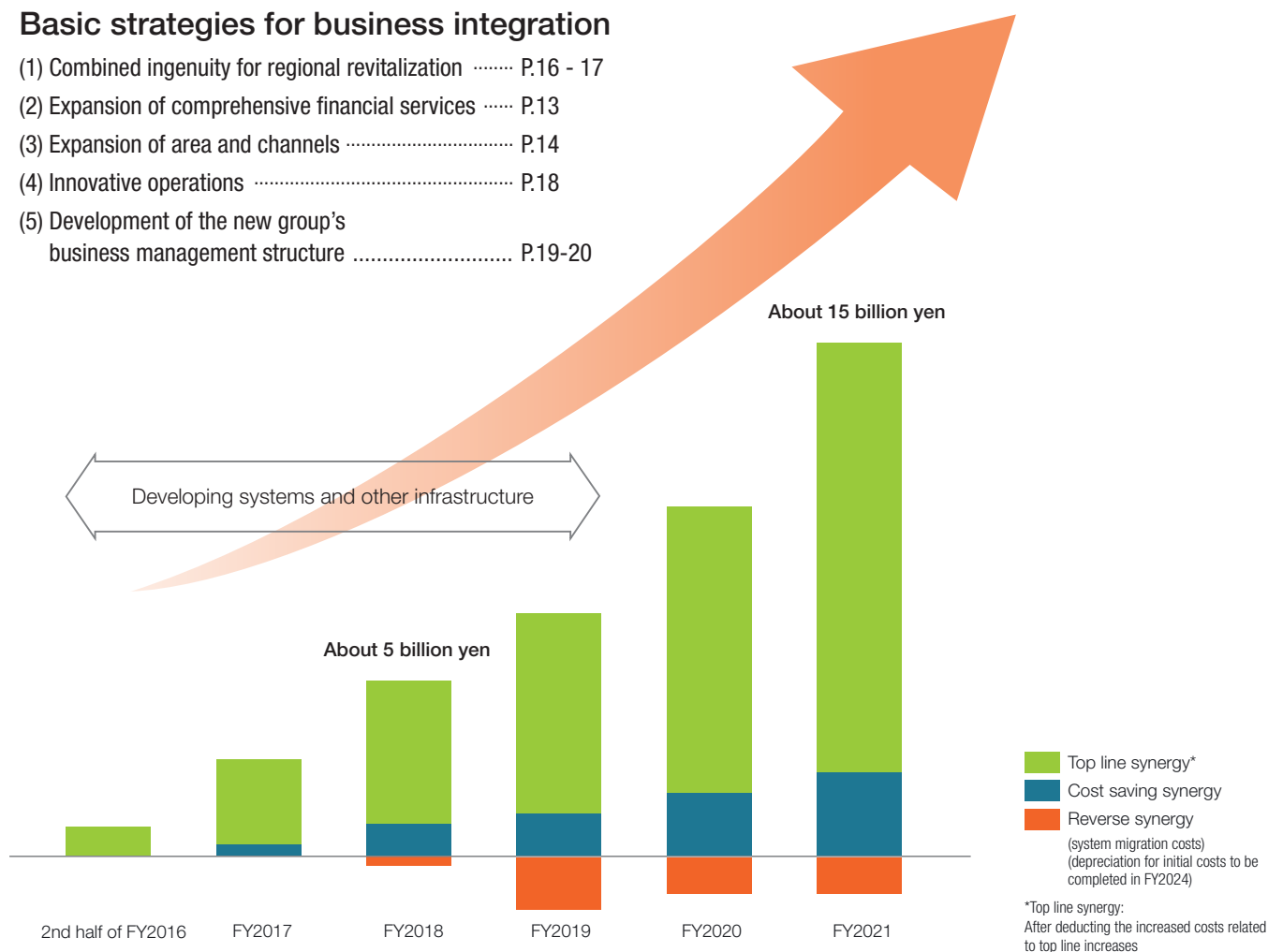
First Medium-term Group Business Plan  
(2nd half of FY2016 to FY2018)

Producing solid results and upshifting  
for the next stage of growth

Getting the new Group  
on the right track to success

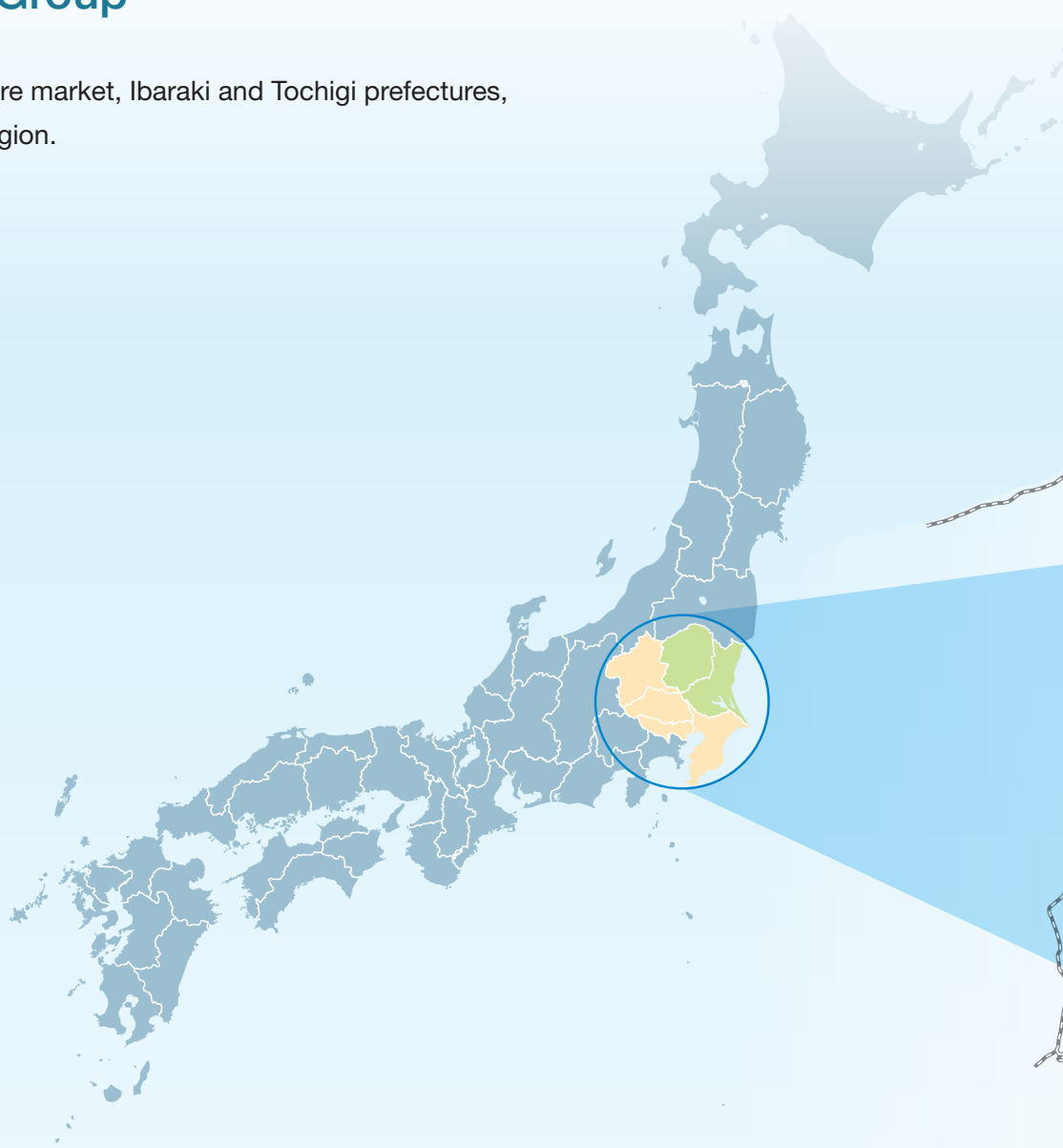
### Basic strategies for business integration

- (1) Combined ingenuity for regional revitalization ..... P.16 - 17
- (2) Expansion of comprehensive financial services ..... P.13
- (3) Expansion of area and channels ..... P.14
- (4) Innovative operations ..... P.18
- (5) Development of the new group's  
business management structure ..... P.19-20



## Market of the 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	Chiba Prefecture	National Rank	Tokyo Metropolitan	National Rank
Prefectural gross product (2015) (¥ trillion)	13.0	11	9.0	15	8.7	17	22.3	5	20.2	7	104.3	1
Population (2017) (thousand)	2,892	11	1,957	19	1,960	18	7,310	5	6,246	6	13,724	1
Prefectural income per capita (2014) (¥ thousand)	3,088	11	3,204	4	3,092	10	2,903	20	2,970	16	4,512	1
Number of businesses (2016)	118,031	13	88,332	19	92,006	18	250,834	5	196,579	9	685,615	1
Manufactured goods shipped (2015) (¥ trillion)	12.0	8	8.8	13	9.1	12	12.8	6	12.7	7	8.4	14
New Factory Locations (excluding power supply sector) (2016) (number/area(ha))	40 / 93ha	7 / 1	29 / 55ha	13 / 7	56 / 54ha	3 / 8	32 / 28ha	10 / 15	21 / 27ha	17 / 16	2 / 1ha	46 / 47

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 bank offices	336 offices
Ibaraki	155 offices
Tochigi	120 offices
Gunma	15 offices
Saitama	20 offices
Tokyo	6 offices
Chiba	7 offices
Others	13 offices

as of March 31, 2018



# 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 six overseas representative offices of the Group (four offices of Joyo Bank and two offices of Ashikaga Bank, as of March 2018), 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



## Hong Kong Representative Office, Joyo Bank

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

**Phone** +852-2251-9475



## Hanoi Representative Office, Joyo Bank

**Address** 5<sup>th</sup> Floor, Sun Red River, 23 Phan Chu Trinh Street, Hoan Kiem District, Hanoi Vietnam

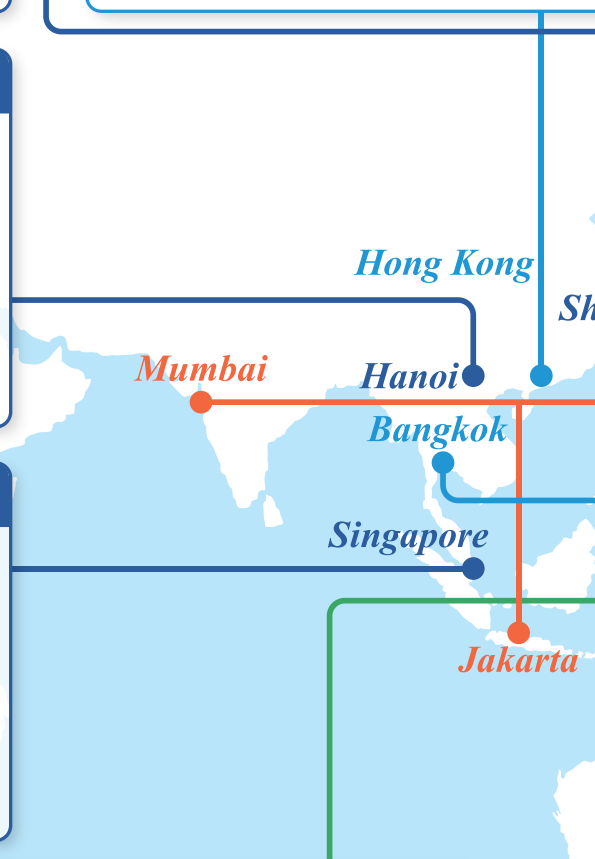
**Phone** +84-24-3218-1668



## Singapore Representative Office, Joyo Bank

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

**Phone** +65-6225-6543

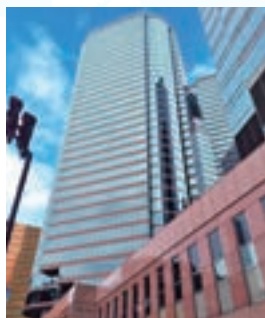


Major alliance partners		Joyo Bank	Ashikaga Bank	Business overview of alliance partners
	Japan External Trade Organization (JETRO)			Provision of various types of information concerning overseas business development; provision of information concerning foreign country regulations, etc.
	Japan International 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			

Ashikaga Bank's Bangkok Representative Office and Joyo Bank's Hanoi Representative Office were established in November 2017 and February 2018, respectively.

The Group has demonstrated its collaborative creation capabilities through holding events such as the Japan-China Business Meeting in Liaoning Province, Joint Seminar and Business Meeting of Regional Banks in Shenzhen City, Guangdong Province, Bangkok Business Meeting, as well as co-hosting Manufacturers' Business Meetings in Hanoi and Bangkok.

## Representative 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



## Bangkok Representative Office, Ashikaga Bank

**Address** 689, Bhira Tower at EmQuartier,  
27<sup>th</sup> Floor, Room No.2714, Sukhumvit Road,  
Klongton-nua, Wattana, Bangkok 10110  
Thailand

**Phone** +66-2-261-2852



New York

Mexico City

	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		●	
Central America	India	State Bank of India	●	●	Provision of information regarding India; provision of various financial services including establishment of accounts
	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



# Developments since Establishment of Mebuki Financial Group

We continue to forge ahead in order to realize sustainable growth and higher corporate value of the Mebuki Financial Group.



Establishment of Mebuki Financial Group



Opened Funabashi Branch/  
Funabashi Loan Plaza.



\* March 2018: Relocated to new premises.

## Strategy (2)

Expansion of comprehensive financial services



- Joyo Lease had its trade name changed to "Mebuki Lease" and was turned into a directly and wholly-owned subsidiary of the Company.
- Integrated the leasing operations within the Group.
- Expanded business units in Tochigi Prefecture to three (i.e., Utsunomiya, Oyama and Ashikaga).



## Reciprocated ATM installation



October  
2017

June  
2017

April  
2017

October  
2016

- Joyo Securities had its trade name changed to "Mebuki Securities."
- Increased the number of Ashikaga Bank's branches which provide financial product intermediary services from 13 to 128.

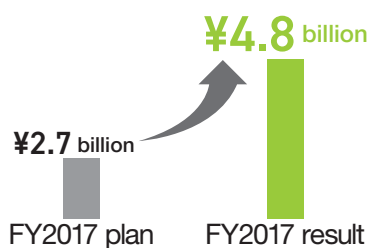


- Mebuki Securities was turned into a directly and wholly-owned subsidiary of the Company. Opened Utsunomiya Branch.



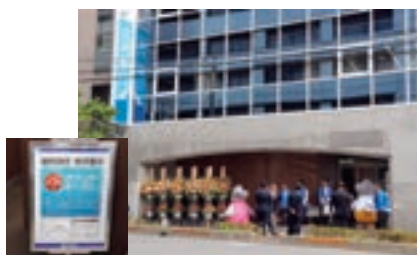
Strategy (3)  
Expansion of area and channels

Achieved integration synergy in the amount of 4.8 billion yen.



**ASHIKAGA BANK**

Opened Tokorozawa Branch.



\* May 2018: Relocated to new premises.

Future Plan

FY2021

January 2020

March 2018

January 2018

December 2017

**ASHIKAGA BANK**

Opened Bangkok Representative Office.



Complete system integration.

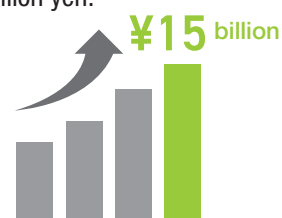


**JOYO BANK**

Opened Hanoi Representative Office.



Aiming to achieve integration synergy in the amount of 15 billion yen.



# ESG Initiatives

Based on Mebuki Financial Group's philosophy of "Together with local communities, we will continue to create a more prosperous future by providing high-quality, comprehensive financial services," officers and employees of the Group are working as one and making various efforts to *realize sustainable local communities*.

## Environment

Mebuki Financial Group is engaged in initiatives to pass on the bountiful and beautiful *environment* to the future, with the aim of maintaining the natural environment in a healthy state, through the provision of comprehensive financial services.

### 1. Environment-related loans

Mebuki Financial Group is working to spread and develop renewable energy in the region through environment-related loans for power generation businesses that utilize solar power, wind power, biomass and other forms of clean energy.

The Group also assists business operators who are working to resolve environment-related issues by such means as offering preferential lending rates for funds for equipment related to environmental conservation. (Joyo Bank and Ashikaga Bank)

Ashikaga Bank supports companies engaged in environmentally-friendly initiatives by setting the fee for issuing private placement bonds of customers at a lower level than general private placement bonds when corporate customers that have obtained certification, accreditation, etc. from institutions specified by the Bank issue private placement bonds.

**FY2017  
Loans for solar power  
generation**  
(Joyo Bank + Ashikaga Bank)

Number of contracts	Contract amount
<b>377</b> cases	<b>¥34.9</b> billion

**FY2017  
Environmentally-  
friendly private  
placement bonds**  
(Ashikaga Bank)

Number of issues	Issue amount
<b>51</b> cases	<b>¥6.0</b> billion



### 2. Relationship with Local Communities

**Environmental conservation activities through trust schemes, etc.**

In 1992, we established an environmental conservation fund in the form of a charitable trust called "Eco-Ibaraki," and have granted subsidies on an ongoing basis to organizations, etc. engaged in environmental conservation initiatives in Ibaraki Prefecture.

Subsidies are put to use for the development of flowerbeds, biological environment, etc. at schools and other locations.

(Joyo Bank)



FY2017 subsidies	
<b>¥9.62</b> million to	<b>121</b> recipients
Cumulative total amount of subsidies granted since establishment	
<b>¥130</b> million to	<b>1,178</b> recipients

2017

**Sustainable Finance Awards  
Mebuki Financial Group wins  
"Regional Finance Award"!**

We received acclaim for having supported environmental conservation activities in the region over many years and won the Award from the Research Institute for Environmental Finance (RIEF).



Mebuki Financial Group is seeking to achieve growth together with local communities through “social” initiatives that translate into prosperous regional development by enhancing comprehensive financial services and utilizing wide-area networks.

## Strategy (1)

Combined ingenuity for regional revitalization

## 1. Discovering regional industries and supporting the creation of new businesses

### Discovering regional industries through business plan contest

Joyo Bank and Ashikaga Bank jointly host the “Mebuki Business Award,” in which entries for innovative and creative business plans in the region are invited and an award is presented to selected plans.

Support is provided in various ways to help make the award-winning plans take off as businesses, such as providing financial assistance by utilizing funds, in addition to making technical proposals and assisting in expanding sales channels. (Joyo Bank and Ashikaga Bank)

#### Mebuki Regional Revitalization Fund

In addition to *food, agricultural and tourism* sectors, businesses that contribute to regional development and winners of the Mebuki Business Award are among those that are provided with support for creating new businesses and expanding businesses through the Fund.

Amount of investment  
(cumulative total)  
March 31, 2018

**¥1.65 billion/ 8 projects**

Fund size: ¥4 billion

Number of plan entries

**637**

Number of plans awarded

**30 plans**

(Results of second award ceremony held)



## Strategy (1)

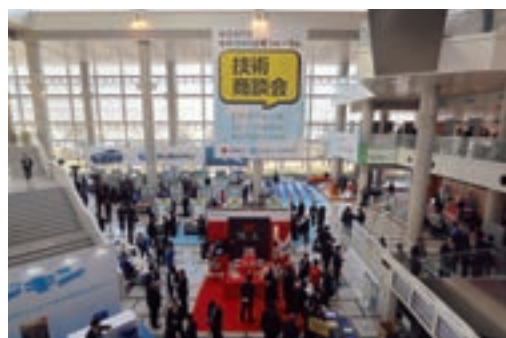
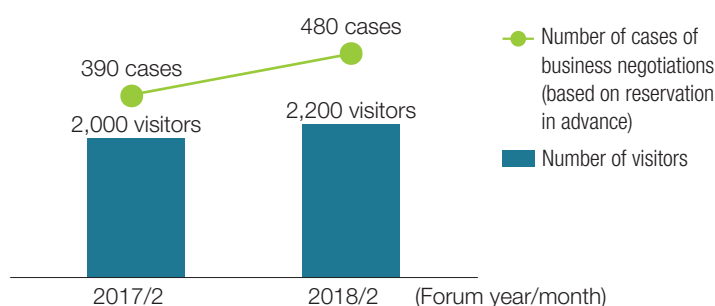
Combined ingenuity for regional revitalization

## 2. Development of New Businesses and Expansion of Economic Exchange

### Business Matching by Taking Advantage of the Group's Network

By making the most of Mebuki Financial Group's wide-area network, Joyo Bank and Ashikaga Bank jointly hold various business conferences related to agriculture, food and manufacturing to assist in business matching, etc. among clients. (Joyo Bank and Ashikaga Bank)

#### Outline of “Mebuki FG Manufacturing Business Forum”

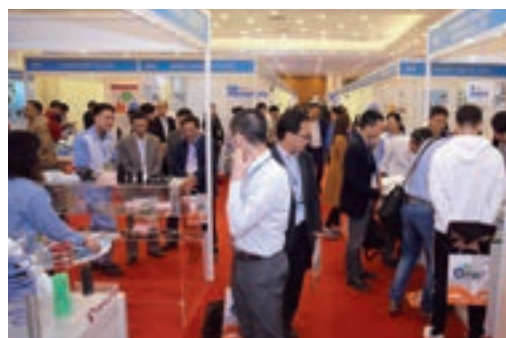


### Overseas Business Matching

To assist in customers' overseas business expansion, we hold seminars, business conferences and networking events overseas, which are utilized as an opportunity not only for local firms and exhibiting companies to engage in business negotiations with each other, but also for providing the latest business information and for Japanese companies with a local presence across different industries to exchange information with each other. (Joyo Bank and Ashikaga Bank)

Overseas business  
matching cases  
(FY2017)

**155 cases**  
(Joyo Bank + Ashikaga Bank)



### 3. Initiatives to Support Sustainable Growth of Regional Economy

#### (1) Innovation and Passing Down Technical Know-how

##### Business Succession Support

Along with the aging of management executives, an increasing number of companies are having business succession issues. At Mebuki Financial Group, the respective head offices and branches of Joyo Bank and Ashikaga Bank as well as external specialized institutions, etc. collaborate with each other to think through problems together with customers in order to facilitate business and asset succession, etc. and provide them with assistance in various ways to resolve their issues. (Joyo Bank and Ashikaga Bank)

- Establishment of a team dedicated to business succession, inheritance-related operations, etc. in the head offices
- Development of a framework of collaboration among branches, head offices and specialized institutions
- Delivery of information through seminars, etc.
- Classes held on an ongoing basis to train next-generation management executives, etc.

Number of business succession and M&A proposal clients (FY2017)

**3,766** (Joyo Bank + Ashikaga Bank)



#### (2) Support for Development of Human Resources of the Region's Future

##### Lessons on Finance

We conduct *lessons on finance* to teach the importance of money and the role of banks to the next generation. (Joyo Bank and Ashikaga Bank)

Number of lessons conducted	Number of participants
<b>90</b>	Approx. <b>2,800</b> participants

(FY2017: Joyo Bank + Ashikaga Bank)



#### (3) Support for Prosperous and Dynamic Regional Development and Safe & Secure Urban Development

##### Contribution to Local Communities through Financial Services

We help community-loving customers who *want to do something for the future of children and local communities* fulfill their wish. By making good use of a part of the commissions on private placement bonds issued by customers, we have contributed books, sporting goods, welfare equipment and other items to schools, etc. of customers' choice Joyo Bank and Ashikaga Bank have donated a combined total of more than 40 million yen to date. (Joyo Bank and Ashikaga Bank)



By utilizing a similar scheme, we have also donated items to be used at the *Iki Iki Ibaraki Yume Kokutai/Taikai* ("Active Ibaraki Dream National Sports Festival") scheduled to be held in September 2019. (Joyo Bank)

Private placement bonds with donation scheme (Cumulative total)

Number of issues	Amount issued
<b>310</b>	<b>¥27.6</b> billion

(March 31, 2018: Joyo Bank + Ashikaga Bank)

##### Support for Regional Revitalization through Sports

We support regional revitalization through the promotion of sports. Both Joyo Bank and Ashikaga Bank sponsor local sports clubs, etc. and support the activities of teams together with local community members. (Joyo Bank and Ashikaga Bank)



## Regional Contribution Initiatives by Employees

Our employees are engaged in the “Eco-cap Campaign,” in which the proceeds from the collection/sale of PET bottle caps are donated to purchase vaccines for children in developing countries. This has not only helped reduce the volume of waste but also contributed to the reduction of CO<sub>2</sub> emission. (Joyo Bank)

Cumulative total number of caps collected

**737,910**

Reduction in CO<sub>2</sub> emission

Approx. **5,490** kg

(CO<sub>2</sub> emission generated if collected caps had been incinerated as waste)

## (4) Provision of Services Utilizing Digital Technology

We are striving to develop innovative services that leverage IT functions in an effort to improve convenience for customers. We are also promoting digitization to alleviate the administrative burden and reduce the costs of the Group, and utilize the staff and time freed up thereby to enhance the sales force. (Joyo Bank and Ashikaga Bank)

Strategy (4)

Innovative operations

### Provision of smartphone app



Total number of downloads  
(March 31, 2018)

Approx. **65,000**  
(Joyo Bank + Ashikaga Bank)

### Utilization of video phone



#### Improved customer convenience and service

##### Smartphone app

- Customers can check balance and deposits/withdrawals wherever they are at any time

##### Video phone

- Customers can get expert advice

##### Over-the-counter reception navigation system

- Reduces troublesome tasks for customers
- Shortens waiting time

#### Higher productivity in Mebuki Financial Group

- More time to respond to customers' inquiries
- Reduces cost through operation of branches with fewer staff
- Reassignment of freed-up staff to growth areas

#### Introduction of an over-the-counter reception navigation system

- (1) No need to fill in forms, etc.
- (2) No need to affix seal
- (3) Shortens customers' waiting time



#### Processing time

(in the case of procedures for changing address)

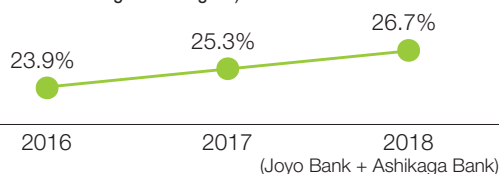
**18** minutes → **6** minutes  
(12 minute reduction)

## (5) Enhancement of Capabilities of Human Resources

### Promotion of Active Participation of Women

We are proactively promoting motivated and competent women employees to managerial positions. We also hold workshops for Joyo Bank and Ashikaga Bank jointly to train women leaders.

Percentage of women in managerial positions  
(assistant manager and higher)



Mebuki women's class



The Company takes the initiative in formulating the Group's management policies and strategies and realizing collaboration within the Group with the aim of maximizing the effects of integration. It is also the role of the Company to increase corporate value of the Group as a whole through corporate management of Group companies.

In terms of institutional design, the Company takes the form of a company with an audit and supervisory committee, and thereby seeks 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 knowledge and expertise of Joyo Bank and Ashikaga Bank are concentrated, while ensuring a transparent and fair decision-making function and a solid audit and supervisory function through the appointment of multiple outside directors.

In addition to appointing multiple outside directors at subsidiary banks that are in charge of executing key strategies, we have established the Corporate Governance Committee consisting primarily of outside directors of the Company and its subsidiary banks, as an advisory body to the Board of Directors. The Corporate Governance Committee nominates candidates for directors, deliberates compensation for officers, evaluates governance of the Group and makes other such efforts to improve the effectiveness of governance. We have also organized an executive session comprised exclusively of outside directors of the Company and its subsidiary banks, providing the framework for outside directors to exchange information and share views with each other and proactively absorb diverse opinions.

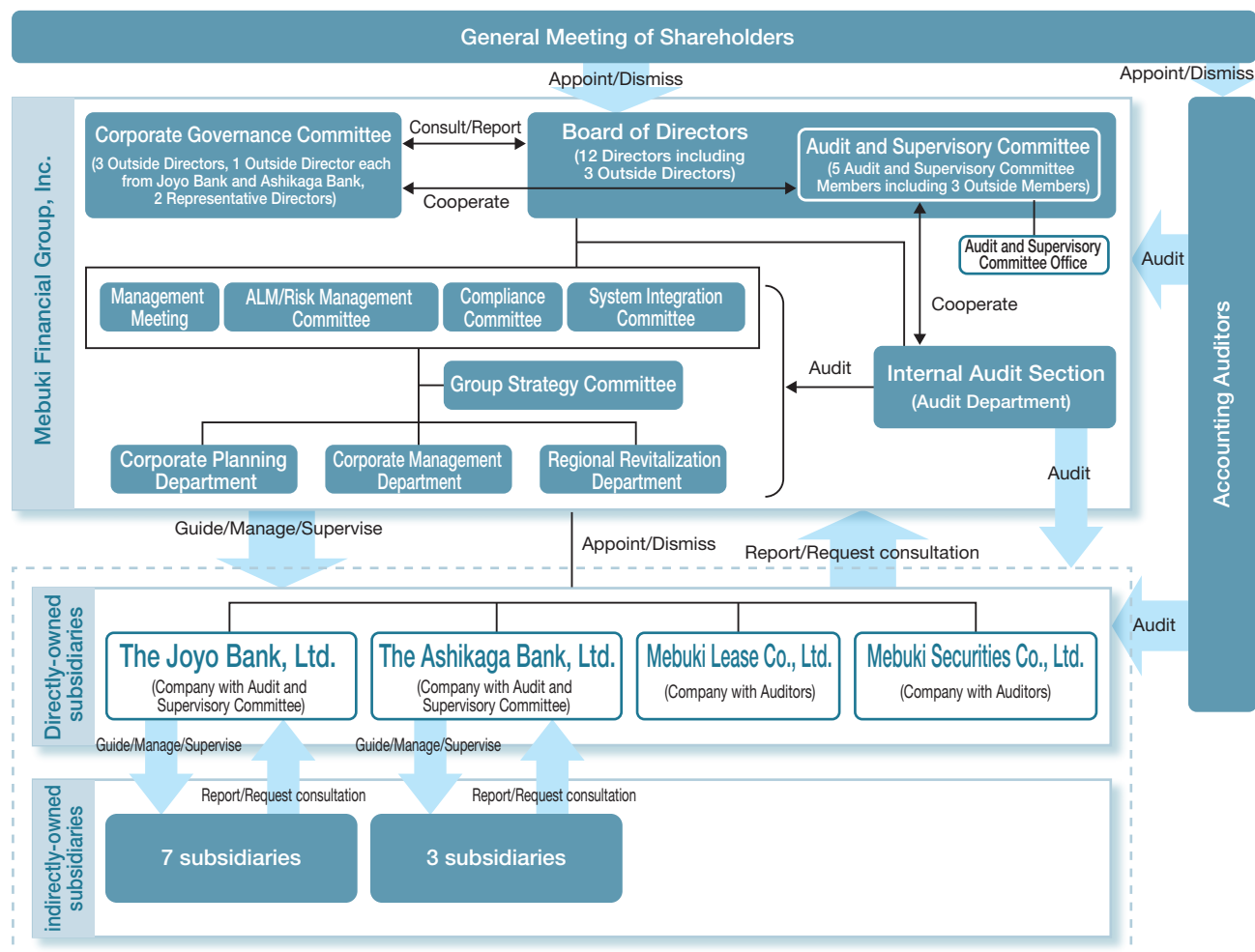
The Company engages in management guidance, management and supervision of directly and wholly-owned subsidiaries, and through such directly and wholly-owned subsidiaries, executes corporate management of other subsidiaries. Appropriate corporate management and governance is thereby ensured on a Group-wide scale.

Joyo Bank and Ashikaga Bank serve as the frontier for expanding business based on the Group's management policies and strategies and translating the integration effects into revitalization and promotion of the regional economy, while not only maintaining and demonstrating their unique properties for deepening the relationship with local communities they have built but also collaborating closely as a group.

In terms of institutional design, subsidiary banks are similar to the Company in that they take the form of a company with an audit and supervisory committee. Multiple outside directors with expertise and extensive knowledge of regional circumstances are appointed in the subsidiary banks as well (three outside directors at each subsidiary bank).

Corporate management of subsidiaries that are not directly owned by the Company is executed by the subsidiary bank that directly owns such subsidiaries; the Company properly manages their status to ensure appropriate and efficient corporate management and highly effective governance within the Group as a whole.

[Corporate Governance Structure of the Group] (As of June 27, 2018)



### <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 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 the 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, the Compliance Committee and the System Integration Committee as the bodies to discuss and decide important matters regarding business execution based on the decisions made by the Board of Directors.

#### ○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 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 Department, the general manager of the Corporate Management Department and the general manager of the Basel Unit of the Corporate Management Department, 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 and additionally as necessary.

#### ○Compliance Committee

The Compliance Committee, consisting of all executive directors, the general manager of the Corporate Planning Department, the general manager of the Corporate Management Department and the general manager of Audit Department, 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.

#### ○System Integration Committee

The System Integration Committee, which consists of all executive directors, manages and supervises projects as a whole and makes business execution decisions within the scope of authority delegated by the Board of Directors based on the system integration project plan decided by the Board of Directors, in addition to examining and discussing important matters regarding business execution. Meetings of the System Integration Committee are convened once a month, and whenever necessary.

# 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.

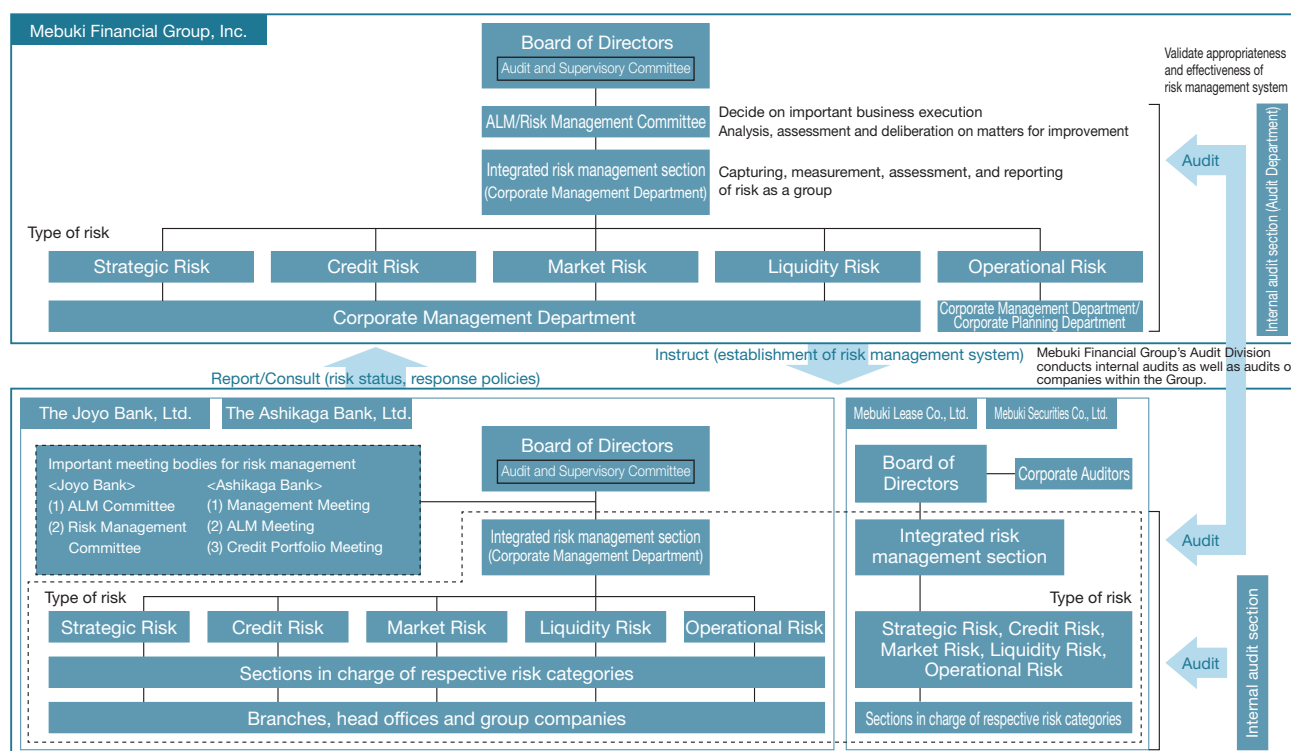
## Risk management system

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

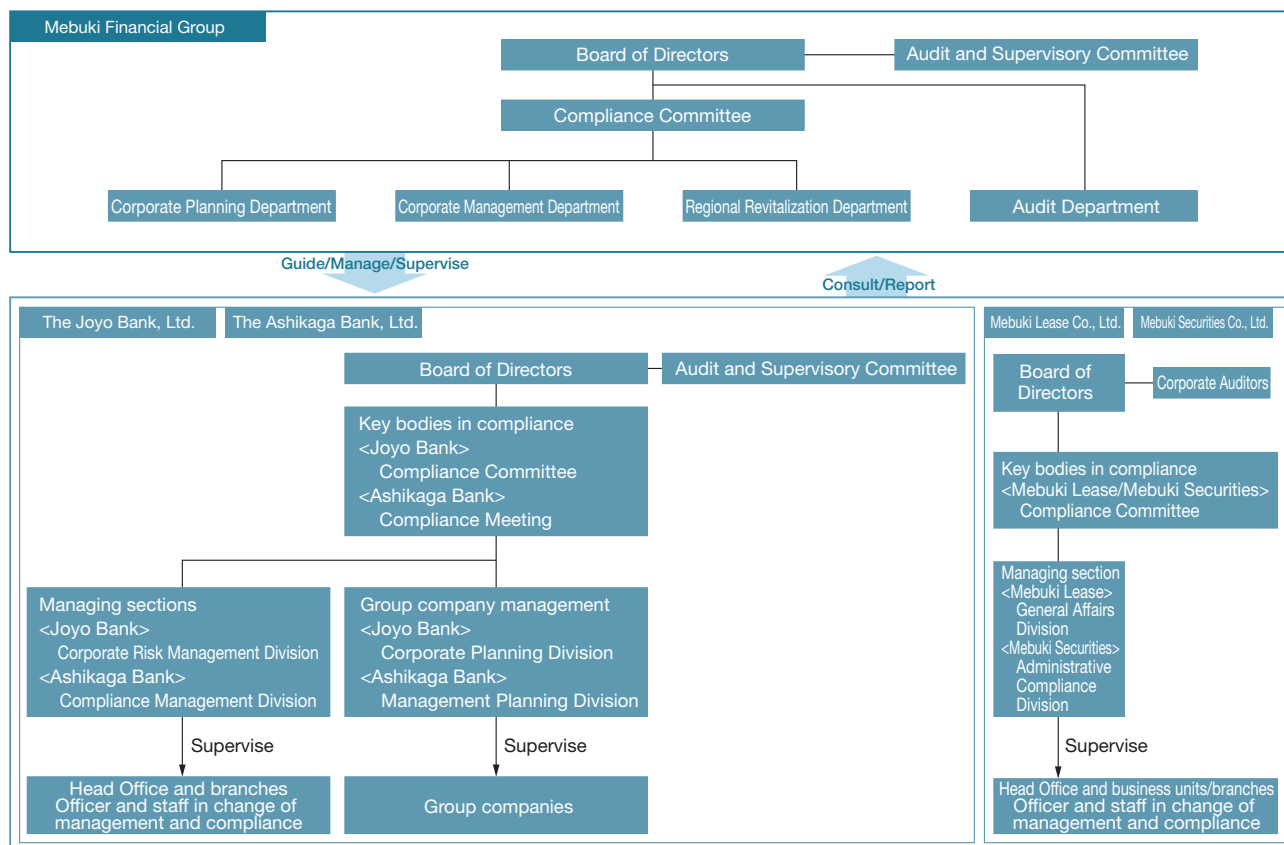
We also identify and assess risk through methods in line with risk characteristics and take appropriate actions for: compliance (legal) risk, the risk of incurring losses mainly due to an illegal act committed by directors and employees; personnel management risk, the risk of incurring losses mainly 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.

# Initiatives for Compliance



The Company has established a management system aimed 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 Group of the Corporate Management Department as the managing and supervising section in charge of group-wide compliance, the designation of the officer responsible for the Corporate Management Department, 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 Department, which is responsible for the guidance, management and supervision thereof, pursuant to the Rules for Management of Companies within the Group.

## ● Compliance program

The Group establishes a 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.



In addition, the Company established the FY2018 Group's Basic Policy for Anti-Money Laundering, etc. in accordance with the "Guidelines for Anti-Money Laundering and Combating the Financing of Terrorism" published by the Financial Services Agency in February 2018, and has decided to build and maintain a risk management system against money laundering and financing of terrorism by taking a risk-based approach.

#### ● 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 a 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.

# List of Directors (as of June 27, 2018)



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



President and Director  
Ritsuo Sasajima



Executive Vice President and Director  
Masanao Matsushita



Director  
Kazuyoshi Terakado



Director  
Yutaka Horie  
In charge of Corporate Management, Risk  
Management and Information Security



Director  
Eiji Murashima  
In charge of Corporate Management



Director  
Kazuyuki Shimizu  
In charge of Regional Revitalization



Director  
Tetsuya Akino  
In charge of Corporate Planning



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

Chairman and Director

Kazuyoshi Terakado

President and Director

Ritsuo Sasajima

Senior Managing Director

In charge of Risk Management and  
Corporate Management

Eiji Murashima

Senior Managing Director

Director-General of Business Headquarters

Masaru Seki

Managing Director

In charge of Markets Administration and  
International

Jun Kawauchi

Managing Director

Vice Director-General of Business  
Headquarters

Hidebumi Nishino

Managing Director

In charge of Examination and Screening

Hitoshi Takenouchi

Managing Director

In charge of Corporate Management and  
Group Companies

Tetsuya Akino

Managing Director

In charge of Administrative Systems and  
Information Security

Yuji Gorai

Director (part time)

Eisuke Suzuki

[Directors who are Audit and Supervisory Committee Members]

Director (Audit and Supervisory Committee Member/full time)

Takao Shimizu

Director (Audit and Supervisory Committee Member/full time)

Yoshihiko Yoshihara

Outside Director (Audit and Supervisory Committee Member)

Toshio Mizushima

Outside Director (Audit and Supervisory Committee Member)

Kinichi Suzuki

Outside Director (Audit and Supervisory Committee Member)

Satoru Kawamata



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

Chairman and Director

Satoshi Fujisawa

President and Director

Masanao Matsushita

Senior Managing Director

In charge of Corporate Planning Section and  
Administrative Systems Section

Yutaka Horie

Senior Managing Director

Director-General of Business Headquarters

Kazuyuki Shimizu

Managing Director

Corporate Management Section

Keizo Shinozaki

Managing Director

Markets Section

Eisuke Suzuki

Managing Director

Vice Director-General of Business  
Headquarters

Hiroo Shimada

Managing Director

Credit Supervision Section

Mitsugu Hoshino

Director (part time)

Kiyoshi Nozaki

[Directors who are Audit and Supervisory Committee Members]

Director (Audit and Supervisory Committee Member/full time)

Akihiko Kuwako

Outside Director (Audit and Supervisory Committee Member/full time)

Shoji Fukui

Outside Director (Audit and Supervisory Committee Member)

Yoshio Kohra

Outside Director (Audit and Supervisory Committee Member)

Junichi Sato

[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

**MEBUKI** Financial Group **MEBUKI LEASE**

[Directors]

Chairman and Director

Mikio Kawamata

President and Director

Hiroshige Sonobe

Senior Managing Director

Sadaaki Kuno

Senior Managing Director

Masataka Komata

Managing Director

Kazuhiko Hiyama

Managing Director

Yoshiaki Kosugi

**MEBUKI** Financial Group **MEBUKI SECURITIES**

[Directors]

Chairman and Director

Toru Hakata

President and Director

Atsuyuki Kurosawa

Senior Managing Director

Hiroshi Mori

Senior Managing Director

Hirobumi Fujita

Director

Fumio Shimane

Director

Hiroo Sugaya

[Corporate Auditors]

Corporate Auditor

Hiroshi Matsumoto

Corporate Auditor (part time)

Kunihiro Ono

[Corporate Auditors]

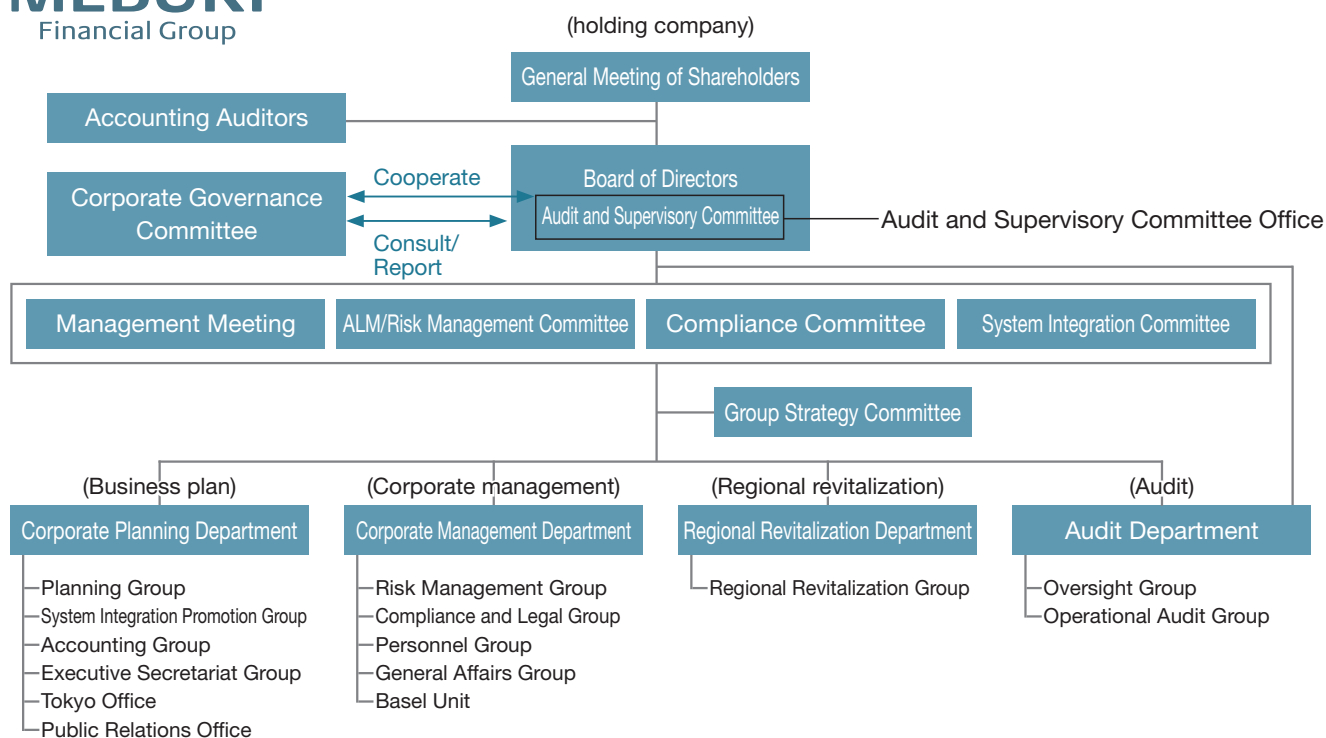
Corporate Auditor

Shuichi Ishii

Corporate Auditor (part time)

Yoshiaki Terakado

# Organization (as of June 27, 2018)



directly-owned subsidiary



Company with Audit and Supervisory Committee



Company with Audit and Supervisory Committee



Company with Auditors



Company with Auditors

## Stock Information (As of March 31, 2018)

### 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	10.43
Japan Trustee Services Bank, Ltd. (trust account)	47,818	4.05
Sompo Japan Nipponkoa Insurance Inc.	40,118	3.40
The Master Trust Bank of Japan, Ltd. (trust account)	37,982	3.22
Nippon Life Insurance Company	34,487	2.92
Japan Trustee Services Bank, Ltd. (trust account 9)	27,336	2.32
State Street Bank And Trust Company 505223	26,585	2.25
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	22,225	1.88
Sumitomo Life Insurance Company	21,659	1.83
The Dai-ichi Life Insurance Company, Limited	19,948	1.69
Total	401,063	34.04

#### 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

## Consolidated Balance Sheet

March 31, 2018 Mebuki Financial Group, Inc. and Consolidated Subsidiaries

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2018	2017	2018
<b>ASSETS</b>			
Cash and due from banks (Notes 3 and 22).....	¥ 1,708,734	¥ 1,393,762	\$ 16,079,180
Call loans and bills bought (Note 22).....	14,636	5,160	137,728
Monetary claims bought (Note 22).....	15,388	15,952	144,805
Trading assets (Notes 4 and 22).....	12,539	7,226	117,997
Securities (Notes 4, 9, 10, 22, and 26).....	4,176,768	4,190,681	39,303,363
Loans and bills discounted (Notes 6, 10, 22, and 26).....	10,497,976	10,244,730	98,785,892
Foreign exchanges (Note 6).....	6,416	7,222	60,376
Lease receivables and investments in lease (Notes 10 and 21).....	56,620	48,366	532,801
Other assets (Notes 10 and 23).....	187,737	120,249	1,766,610
Tangible fixed assets (Note 7).....	115,146	117,732	1,083,523
Intangible fixed assets (Note 8).....	14,801	12,414	139,283
Asset for retirement benefits (Note 13).....	15,428	12,275	145,181
Deferred tax assets (Note 20).....	2,119	1,609	19,949
Customers' liabilities for acceptances and guarantees (Note 9).....	24,902	25,916	234,330
Allowance for loan losses.....	(79,324)	(78,840)	(746,444)
Allowance for investment losses.....	(9)	(9)	(85)
<b>TOTAL</b> .....	<b>¥16,769,883</b>	<b>¥16,124,452</b>	<b>\$157,804,490</b>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES:</b>			
Deposits (Notes 10 and 22).....	¥13,977,912	¥13,507,047	\$131,532,068
Negotiable certificates of deposit (Note 22).....	272,640	284,705	2,565,543
Call money and bills sold (Notes 10 and 22).....	340,540	303,312	3,204,487
Payables under repurchase agreements (Notes 10).....	26,314	—	247,619
Payables under securities lending transactions (Notes 10 and 22).....	158,149	167,640	1,488,184
Trading liabilities.....	504	511	4,750
Borrowed money (Notes 10, 11, and 22).....	877,856	735,593	8,260,623
Foreign exchanges.....	708	757	6,670
Bonds (Note 12).....	5,000	5,000	47,050
Bonds with warrants (Note 12).....	31,881	33,657	300,000
Due to trust account.....	11	13	112
Other liabilities.....	114,060	140,446	1,073,304
Provision for directors' bonuses.....	129	111	1,218
Liability for retirement benefits (Note 13).....	6,014	8,896	56,594
Provision for directors' retirement benefits.....	63	51	594
Provision for reimbursement of deposits.....	3,781	3,480	35,588
Provision for contingent losses.....	1,603	1,548	15,085
Provision for point card certificates.....	294	294	2,769
Provision for losses on interest repayments.....	13	12	125
Reserves under special laws.....	2	2	19
Deferred tax liabilities (Note 20).....	28,789	31,410	270,912
Deferred tax liabilities for land revaluation (Note 7).....	9,226	9,454	86,817
Negative goodwill.....	1,343	1,501	12,640
Acceptances and guarantees (Note 9).....	24,902	25,916	234,330
<b>Total liabilities</b> .....	<b>15,881,743</b>	<b>15,261,366</b>	<b>149,447,101</b>
<b>EQUITY (Notes 14 and 15):</b>			
Common stock.....	117,495	117,495	1,105,632
Capital surplus.....	148,541	148,490	1,397,774
Stock acquisition rights.....	216	193	2,038
Retained earnings.....	489,697	461,631	4,608,048
Treasury stock.....	(8)	(6)	(82)
<b>Accumulated other comprehensive income:</b>			
Unrealized gains on available-for-sale securities (Note 5).....	120,727	128,545	1,136,048
Deferred losses on derivatives under hedge accounting (Note 23).....	(56)	(674)	(529)
Land revaluation surplus (Note 7).....	14,182	12,844	133,458
Defined retirement benefit plans (Note 13).....	(2,656)	(5,433)	(24,997)
<b>Total accumulated other comprehensive income</b> .....	<b>132,197</b>	<b>135,282</b>	<b>1,243,979</b>
<b>Total equity</b> .....	<b>888,139</b>	<b>863,086</b>	<b>8,357,389</b>
<b>TOTAL</b> .....	<b>¥16,769,883</b>	<b>¥16,124,452</b>	<b>\$157,804,490</b>

See notes to consolidated financial statements.

# Consolidated Statement of Income

Year Ended March 31, 2018 Mebuki Financial Group, Inc. and Consolidated Subsidiaries

Thousands of  
U.S. Dollars  
(Note 1)

	Millions of Yen		
	2018	2017	2018
<b>INCOME:</b>			
Interest income:			
Interest on loans and discounts .....	<b>¥113,739</b>	¥ 89,325	<b>\$1,070,292</b>
Interest and dividends on securities .....	<b>45,584</b>	35,186	<b>428,947</b>
Interest on call loans and bills bought .....	<b>108</b>	66	<b>1,018</b>
Interest on deposits with banks .....	<b>652</b>	502	<b>6,139</b>
Other interest income .....	<b>423</b>	419	<b>3,986</b>
Trust fees .....	<b>42</b>	22	<b>404</b>
Fees and commissions .....	<b>50,717</b>	36,245	<b>477,253</b>
Trading income .....	<b>3,669</b>	2,241	<b>34,526</b>
Other operating income .....	<b>4,768</b>	12,964	<b>44,876</b>
Gain on negative goodwill .....	<b>—</b>	119,219	<b>—</b>
Other income (Note 17) .....	<b>43,608</b>	36,316	<b>410,358</b>
Total income .....	<b>263,315</b>	332,510	<b>2,477,799</b>
<b>EXPENSES:</b>			
Interest expenses:			
Interest on deposits .....	<b>3,668</b>	2,572	<b>34,524</b>
Interest on negotiable certificates of deposit .....	<b>91</b>	48	<b>865</b>
Interest on call money and bills sold .....	<b>589</b>	595	<b>5,545</b>
Interest on payables under repurchase agreements .....	<b>246</b>	—	<b>2,324</b>
Interest on payables under securities lending transactions .....	<b>2,395</b>	1,198	<b>22,545</b>
Interest on borrowing and rediscounts .....	<b>2,103</b>	1,101	<b>19,797</b>
Interest on bonds .....	<b>132</b>	233	<b>1,242</b>
Other interest expenses .....	<b>4,926</b>	4,537	<b>46,360</b>
Fees and commissions .....	<b>13,740</b>	10,036	<b>129,298</b>
Other operating expenses .....	<b>8,411</b>	7,017	<b>79,152</b>
General and administrative expenses (Note 18) .....	<b>120,427</b>	98,088	<b>1,133,218</b>
Provision of allowance for loan losses .....	<b>6,903</b>	6,277	<b>64,959</b>
Other expenses (Note 19) .....	<b>37,339</b>	31,407	<b>351,365</b>
Total expenses .....	<b>200,977</b>	163,115	<b>1,891,192</b>
INCOME BEFORE INCOME TAXES .....	<b>62,338</b>	169,395	<b>586,606</b>
<b>INCOME TAXES (Note 20)</b>			
Current .....	<b>20,182</b>	16,880	<b>189,919</b>
Deferred .....	<b>(913)</b>	(5,968)	<b>(8,593)</b>
Total income taxes .....	<b>19,269</b>	10,911	<b>181,326</b>
NET INCOME .....	<b>43,069</b>	158,483	<b>405,280</b>
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS .....	<b>—</b>	28	<b>—</b>
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT .....	<b>¥ 43,069</b>	¥158,455	<b>\$ 405,280</b>

	Yen		U.S. Dollars
<b>PER SHARE OF COMMON STOCK (Note 16):</b>			
Basic net income .....	<b>¥36.56</b>	¥156.78	<b>\$0.34</b>
Diluted net income .....	<b>36.54</b>	156.72	<b>0.34</b>
Cash dividends applicable to the year (Note 14) .....	<b>11.00</b>	12.00	<b>0.10</b>

See notes to consolidated financial statements.

# Consolidated Statement of Comprehensive Income

Year Ended March 31, 2018 Mebuki Financial Group, Inc. and Consolidated Subsidiaries

Thousands of  
U.S. Dollars  
(Note 1)

	Millions of Yen		
	2018	2017	2018
<b>NET INCOME</b>	<b>¥43,069</b>	¥158,483	<b>\$405,280</b>
<b>OTHER COMPREHENSIVE INCOME (Note 24):</b>			
Unrealized losses on available-for-sale securities .....	<b>(7,817)</b>	(6,507)	<b>(73,564)</b>
Deferred gains on derivatives under hedge accounting .....	<b>617</b>	2,399	<b>5,813</b>
Land revaluation surplus .....	<b>468</b>	—	<b>4,409</b>
Defined retirement benefit plans .....	<b>2,777</b>	5,233	<b>26,132</b>
Total other comprehensive income (loss) .....	<b>(3,954)</b>	1,125	<b>(37,210)</b>
COMPREHENSIVE INCOME .....	<b>¥39,114</b>	¥159,609	<b>\$368,070</b>
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:</b>			
Owners of the parent .....	<b>¥39,114</b>	¥159,581	<b>\$368,070</b>
Noncontrolling interests .....	<b>—</b>	27	<b>—</b>

See notes to consolidated financial statements.



# Consolidated Statement of Changes in Equity

Year Ended March 31, 2018 Mebuki Financial Group, Inc. and Consolidated Subsidiaries

	Millions of Yen											
	Common Stock (Note 14)	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income					Noncontrolling Interests	Total Equity
						Unrealized Gains (Losses) on Available- for-Sale Securities	Deferred Gains (Losses) on Derivatives under Hedge Accounting	Land Revaluation Surplus	Defined Retirement Benefit Plans	Total		
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 the 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

	Millions of Yen										
	Common Stock (Note 14)	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income					Total Equity
						Unrealized Gains (Losses) on Available- for-Sale Securities	Deferred Gains (Losses) on Derivatives under Hedge Accounting	Land Revaluation Surplus	Defined Retirement Benefit Plans	Total	
BALANCE, APRIL 1, 2017 .....	¥117,495	¥148,490	¥193	¥461,631	¥(6)	¥128,545	¥(674)	¥12,844	¥(5,433)	¥135,282	¥863,086
Cash dividends .....				(14,133)							(14,133)
Net income attributable to owners of the parent .....				43,069							43,069
Purchase of treasury stock .....					(2)						(2)
Disposal of treasury stock .....		50			0						51
Reversal of land revaluation surplus .....				(869)							(869)
Net changes during the fiscal year .....			23			(7,817)	617	1,338	2,777	(3,084)	(3,061)
Total changes during the fiscal year .....		50	23	28,065	(1)	(7,817)	617	1,338	2,777	(3,084)	25,053
BALANCE, MARCH 31, 2018 .....	<b>¥117,495</b>	<b>¥148,541</b>	<b>¥216</b>	<b>¥489,697</b>	<b>¥(8)</b>	<b>¥120,727</b>	<b>¥(56)</b>	<b>¥14,182</b>	<b>¥(2,656)</b>	<b>¥132,197</b>	<b>¥888,139</b>

	Thousands of U.S. Dollars										
	Common Stock (Note 14)	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income					Total Equity
						Unrealized Gains (Losses) on Available- for-Sale Securities	Deferred Gains (Losses) on Derivatives under Hedge Accounting	Land Revaluation Surplus	Defined Retirement Benefit Plans	Total	
BALANCE, APRIL 1, 2017 .....	\$1,105,632	\$1,397,296	\$1,821	\$4,343,948	\$(65)	\$1,209,612	\$(6,343)	\$120,866	\$(51,129)	\$1,273,006	\$8,121,638
Cash dividends .....				(132,998)							(132,998)
Net income attributable to owners of the parent .....				405,280							405,280
Purchase of treasury stock .....					(24)						(24)
Disposal of treasury stock .....		478			7						485
Reversal of land revaluation surplus .....				(8,182)							(8,182)
Net changes during the fiscal year .....			217			(73,564)	5,813	12,592	26,132	(29,027)	(28,810)
Total changes during the fiscal year .....		478	217	264,100	(17)	(73,564)	5,813	12,592	26,132	(29,027)	235,751
BALANCE, MARCH 31, 2018 .....	<b>\$1,105,632</b>	<b>\$1,397,774</b>	<b>\$2,038</b>	<b>\$4,608,048</b>	<b>\$(82)</b>	<b>\$1,136,048</b>	<b>\$ (529)</b>	<b>\$133,458</b>	<b>\$(24,997)</b>	<b>\$1,243,979</b>	<b>\$8,357,389</b>

See notes to consolidated financial statements.

# Consolidated Statement of Cash Flows

Year Ended March 31, 2018 Mebuki Financial Group, Inc. and Consolidated Subsidiaries

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2018	2017	2018
OPERATING ACTIVITIES:			
Income before income taxes .....	¥ 62,338	¥169,395	\$ 586,606
Adjustments for:			
Income taxes paid .....	(22,393)	(16,614)	(210,718)
Depreciation and amortization .....	8,654	7,327	81,437
Impairment loss .....	1,813	1,463	17,061
Gain on negative goodwill .....	—	(119,219)	—
Loss on step acquisition .....	—	184	—
Amortization of negative goodwill .....	(158)	(158)	(1,487)
Increase (decrease) in allowance for loan losses .....	484	(400)	4,556
Increase in provision for directors' bonuses .....	18	44	170
Increase in asset for retirement benefits .....	(3,561)	(1,323)	(33,511)
Increase (decrease) in liabilities for retirement benefits .....	(1,359)	8,764	(12,790)
Increase in provision for directors' retirement benefits .....	11	13	107
Increase in provision for reimbursement of deposits .....	301	317	2,834
Increase (decrease) in provision for contingent losses .....	54	(18)	514
Increase (decrease) in provision for point card certificates .....	(0)	38	(6)
Increase (decrease) in provision for interest repayments .....	0	(2)	9
Gain on fund management .....	(160,508)	(131,337)	(1,510,383)
Financing expenses .....	14,155	10,305	133,200
Losses (gains) related to securities .....	11,236	(4,941)	105,737
Foreign exchange losses (gains) .....	11,488	(12,902)	108,109
Losses (gains) on disposal of fixed assets .....	(630)	431	(5,929)
Net decrease (increase) in trading assets .....	(5,313)	1,225	(49,995)
Net decrease in trading liabilities .....	(6)	(383)	(65)
Net increase in loans and bills discounted .....	(253,246)	(153,758)	(2,383,046)
Net increase in deposits .....	470,864	270,177	4,430,836
Net increase (decrease) in negotiable certificates of deposit .....	(12,064)	37,290	(113,531)
Net increase in borrowed money (excluding subordinated borrowings) .....	142,262	272,353	1,338,693
Net decrease in deposit (excluding cash equivalents) .....	8,693	57,258	81,805
Net decrease in call loans .....	(8,911)	(1,499)	(83,853)
Net increase in call money .....	37,228	35,956	350,315
Net increase (decrease) in payables under securities lending transactions .....	(9,490)	15,881	(89,309)
Net decrease in foreign exchanges - assets .....	806	1,256	7,592
Net decrease in foreign exchanges - liabilities .....	(48)	(409)	(459)
Net increase in lease receivables and investments in lease .....	(8,254)	(5,135)	(77,672)
Net decrease in due to trust account .....	(1)	(0)	(12)
Proceeds from fund management .....	160,454	129,285	1,509,877
Payments for finance .....	(13,823)	(8,791)	(130,076)
Other—net .....	(18,880)	(62,863)	(177,667)
Total adjustments .....	349,877	329,815	3,292,342
Net cash provided by operating activities .....	¥412,215	¥499,210	\$3,878,949



Thousands of  
U.S. Dollars  
(Note 1)

	Millions of Yen		
	2018	2017	2018
<b>INVESTING ACTIVITIES:</b>			
Purchases of securities .....	<b>¥(1,352,901)</b>	¥(1,405,130)	<b>\$(12,730,792)</b>
Proceeds from sales of securities .....	<b>897,937</b>	1,017,603	<b>8,449,581</b>
Proceeds from redemption of securities .....	<b>391,620</b>	271,065	<b>3,685,143</b>
Purchases of tangible fixed assets .....	<b>(5,337)</b>	(4,973)	<b>(50,226)</b>
Proceeds from sales of tangible fixed assets .....	<b>2,117</b>	167	<b>19,924</b>
Purchases of intangible fixed assets.....	<b>(6,101)</b>	(3,348)	<b>(57,415)</b>
Other-net .....	<b>6</b>	(94)	<b>62</b>
Net cash used in investing activities.....	<b>(72,659)</b>	(124,710)	<b>(683,722)</b>
<b>FINANCING ACTIVITIES:</b>			
Redemption of subordinated bonds.....	—	(10,000)	—
Purchase of treasury stocks .....	<b>(2)</b>	(11)	<b>(24)</b>
Proceeds from sales of treasury stocks .....	<b>50</b>	3	<b>474</b>
Cash dividends paid.....	<b>(14,133)</b>	(11,230)	<b>(132,998)</b>
Dividends paid to noncontrolling interests.....	—	(1)	—
Payments from changes in ownership interests that do not result in change in scope of consolidation.....	—	(453)	—
Net cash used in financing activities .....	<b>(14,085)</b>	(21,693)	<b>(132,548)</b>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS .....	<b>(1,796)</b>	29	<b>(16,909)</b>
NET INCREASE IN CASH AND CASH EQUIVALENTS .....	<b>323,673</b>	352,836	<b>3,045,770</b>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR.....	<b>1,369,893</b>	396,713	<b>12,890,690</b>
INCREASE IN CASH AND CASH EQUIVALENTS DUE TO SHARE EXCHANGE .....	—	620,343	—
CASH AND CASH EQUIVALENTS, END OF YEAR (Note 3).....	<b>¥1,693,567</b>	¥1,369,893	<b>\$15,936,460</b>
<b>NONCASH INVESTING AND FINANCING ACTIVITY:</b>			
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			
Total assets:.....	<b>¥—</b>	¥6,207,461	<b>\$—</b>
Of which, loans and bills discounted .....	—	4,221,375	—
Of which, securities .....	—	1,314,586	—
Of which, allowance for loan losses .....	—	(38,581)	—
Total liabilities: .....	—	5,964,697	—
Of which, deposits.....	—	5,148,407	—

See notes to consolidated financial statements.

# Notes to Consolidated Financial Statements

Year Ended March 31, 2018    Mebuki Financial Group, Inc. and Consolidated Subsidiaries

## 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 addition, certain reclassifications have been made in the 2017 consolidated financial statements to conform to the classifications used in 2018.

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 ¥106.27 to \$1, the approximate rate of exchange at March 31, 2018. 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 became the wholly-owning 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 the Company is considered to be the acquired company and Joyo to be the acquiring company. As a result, 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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**a. Consolidation** — The consolidated financial statements as of March 31, 2018, include the accounts of the Company and its 14 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, 2018, do not include the accounts of three subsidiaries because the total assets, total income, net income, retained earnings, and accumulated other comprehensive income 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.

The consolidated financial statements as of March 31, 2018, do not apply to the equity method of accounting of three unconsolidated subsidiaries and six associated companies because the net income, retained earnings, and accumulated other comprehensive income of the entity would not have had a material effect on the consolidated financial statements.

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 became the wholly-owning parent company and Joyo became the wholly-owned subsidiary and accounted for this share exchange by the purchase method of accounting.

**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, 2018 and 2017, the deducted amounts were ¥20,194 million (\$190,032 thousand) and ¥23,642 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 10 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 (\$19 thousand) and ¥2 million as of March 31, 2018 and 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** — As a lessor, finance leases that are not deemed to transfer ownership of the leased property to the lessee are recognized as investments in lease.

Income and expenses are recognized when lease receivables are collected as for finance lease transactions that do not transfer ownership of the property.

As for finance lease transactions that do not transfer ownership of the leased property and which commenced prior to April 1, 2008, 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 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 ("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 the 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.

**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 consolidated 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, nondeductible 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, 2018 and 2017, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Cash and due from banks	<b>¥1,708,734</b>	¥1,393,762	<b>\$16,079,180</b>
Deposits with banks of the consolidated banking subsidiaries other than the Bank of Japan .....	<b>(15,166)</b>	(23,868)	<b>(142,721)</b>
Cash and cash equivalents .....	<b>¥1,693,567</b>	¥1,369,893	<b>\$15,936,460</b>

### 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.

Valuation difference recognized as income as of March 31, 2018 and 2017, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Trading securities.....	<b>¥(11)</b>	¥(32)	<b>\$(111)</b>

Securities as of March 31, 2018 and 2017 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Japanese national government bonds .....	<b>¥ 851,574</b>	¥1,145,390	<b>\$ 8,013,310</b>
Japanese local government bonds .....	<b>795,583</b>	628,036	<b>7,486,435</b>
Japanese corporate bonds.....	<b>727,179</b>	672,639	<b>6,842,758</b>
Japanese corporate stocks .....	<b>312,224</b>	311,020	<b>2,938,035</b>
Other securities .....	<b>1,490,205</b>	1,433,593	<b>14,022,825</b>
Total .....	<b>¥4,176,768</b>	¥4,190,681	<b>\$39,303,363</b>

The cost and aggregate fair value of available-for-sale securities and held-to-maturity securities as of March 31, 2018 and 2017, were as follows:

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
<b>March 31, 2018</b>				
Securities classified as:				
Available-for-sale: .....	<b>¥3,833,680</b>	<b>¥226,533</b>	<b>¥54,921</b>	<b>¥4,005,292</b>
Equity securities.....	<b>150,542</b>	<b>158,520</b>	<b>1,173</b>	<b>307,890</b>
Debt securities:.....	<b>2,203,100</b>	<b>18,839</b>	<b>2,389</b>	<b>2,219,550</b>
Japanese national government bonds .....	<b>757,168</b>	<b>8,391</b>	<b>945</b>	<b>764,614</b>
Japanese local government bonds .....	<b>793,365</b>	<b>2,703</b>	<b>885</b>	<b>795,183</b>
Japanese corporate bonds.....	<b>652,566</b>	<b>7,744</b>	<b>559</b>	<b>659,752</b>
Others: .....	<b>1,480,037</b>	<b>49,172</b>	<b>51,357</b>	<b>1,477,852</b>
Foreign bonds .....	<b>628,613</b>	<b>1,738</b>	<b>13,801</b>	<b>616,551</b>
Others.....	<b>851,423</b>	<b>47,434</b>	<b>37,556</b>	<b>861,301</b>
Held-to-maturity: .....	<b>154,787</b>	<b>651</b>	<b>518</b>	<b>154,920</b>
Japanese national government bonds.....	<b>86,960</b>	<b>37</b>	<b>486</b>	<b>86,510</b>
Japanese local government bonds.....	<b>399</b>	<b>0</b>	<b>0</b>	<b>400</b>
Japanese corporate bonds .....	<b>67,427</b>	<b>613</b>	<b>31</b>	<b>68,009</b>

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

	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
<b>March 31, 2018</b>				
Securities classified as:				
Available-for-sale: .....	<b>\$36,074,910</b>	<b>\$2,131,676</b>	<b>\$516,808</b>	<b>\$37,689,779</b>
Equity securities.....	<b>1,416,607</b>	<b>1,491,678</b>	<b>11,041</b>	<b>2,897,243</b>
Debt securities:.....	<b>20,731,161</b>	<b>177,281</b>	<b>22,489</b>	<b>20,885,953</b>
Japanese national government bonds .....	<b>7,124,948</b>	<b>78,963</b>	<b>8,896</b>	<b>7,195,016</b>
Japanese local government bonds .....	<b>7,465,563</b>	<b>25,440</b>	<b>8,332</b>	<b>7,482,671</b>
Japanese corporate bonds.....	<b>6,140,650</b>	<b>72,878</b>	<b>5,262</b>	<b>6,208,266</b>
Others: .....	<b>13,927,142</b>	<b>462,718</b>	<b>483,277</b>	<b>13,906,582</b>
Foreign bonds .....	<b>5,915,249</b>	<b>16,360</b>	<b>129,868</b>	<b>5,801,741</b>
Others.....	<b>8,011,894</b>	<b>446,357</b>	<b>353,409</b>	<b>8,104,841</b>
Held-to-maturity: .....	<b>1,456,550</b>	<b>6,134</b>	<b>4,882</b>	<b>1,457,802</b>
Japanese national government bonds.....	<b>818,294</b>	<b>352</b>	<b>4,581</b>	<b>814,066</b>
Japanese local government bonds.....	<b>3,764</b>	<b>5</b>	<b>2</b>	<b>3,767</b>
Japanese corporate bonds .....	<b>634,492</b>	<b>5,777</b>	<b>299</b>	<b>639,969</b>

Information for available-for-sale securities which were sold during the years ended March 31, 2018 and 2017, is as follows:

March 31, 2018	Millions of Yen		
	Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Equity securities .....	¥ 16,660	¥ 7,286	¥ 12
Debt securities: .....	237,165	828	235
Japanese national government bonds....	153,078	706	194
Japanese local government bonds .....	83,623	119	40
Japanese corporate bonds.....	462	2	0
Others: .....	586,250	7,460	13,528
Foreign bonds.....	372,610	1,288	6,134
Others.....	213,640	6,171	7,393
Total .....	¥840,076	¥15,575	¥13,776

March 31, 2017	Millions of Yen		
	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

March 31, 2018	Thousands of U.S. Dollars		
	Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Equity securities .....	\$ 156,775	\$ 68,563	\$ 122
Debt securities: .....	2,231,724	7,798	2,216
Japanese national government bonds....	1,440,469	6,651	1,834
Japanese local government bonds .....	786,899	1,126	382
Japanese corporate bonds.....	4,355	21	0
Others: .....	5,516,617	70,200	127,300
Foreign bonds.....	3,506,265	12,126	57,730
Others.....	2,010,352	58,074	69,570
Total .....	\$7,905,116	\$146,561	\$129,638

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, 2018 and 2017, were nil.

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, 2018 and 2017, securities included equity investments in unconsolidated subsidiaries and associated companies of ¥9 million (\$87 thousand) and ¥9 million and capital subscriptions of ¥2,784 million (\$26,205 thousand) and ¥2,145 million, respectively.

## 5. UNREALIZED GAINS ON AVAILABLE-FOR-SALE SECURITIES

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

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Unrealized gains: .....	¥171,886	¥182,976	\$1,617,447
Available-for-sale securities .....	171,886	182,976	1,617,447
Money held in trust, except for trading and held-to-maturity purpose.....	—	—	—
Deferred tax liabilities:.....	51,158	54,431	481,399
Unrealized gains on available-for-sale securities before adjustments by ownership share.....	120,727	128,545	1,136,048
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 .....	¥120,727	¥128,545	\$1,136,048

As of March 31, 2018 and 2017, the total unrealized gains include an unrealized gain of ¥273 million (\$2,578 thousand) and ¥159 million, 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, 2018 and 2017:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Loans to borrowers in legal bankruptcy .....	¥ 4,437	¥ 2,757	\$ 41,761
Past due loans.....	142,266	151,089	1,338,726
Loans past due for three months or more .....	426	805	4,009
Restructured loans.....	37,348	36,280	351,450
Total .....	¥184,479	¥190,932	\$1,735,946

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:

- 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.
- 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, 2018 and 2017, the amounts of unused commitments were ¥2,922,672 million (\$27,502,331 thousand) and ¥2,938,456 million, respectively. As of March 31, 2018 and 2017, the amounts of unused commitments whose remaining contract terms were within one year were ¥2,011,724 million (\$18,930,314 thousand) and ¥2,064,015 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, 2018 and 2017, consolidated banking subsidiaries have the right to sell or repledge bills discounted and foreign exchange bills bought and their total face value was ¥48,375 million (\$455,217 thousand) and ¥44,662 million, respectively.

## 7. TANGIBLE FIXED ASSETS

Tangible fixed assets as of March 31, 2018 and 2017, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Buildings .....	¥ 40,556	¥ 41,423	\$ 381,633
Land .....	60,949	63,107	573,534
Leased assets.....	20	26	196
Construction in progress.....	1,202	652	11,318
Other .....	12,416	12,522	116,842
Total .....	¥115,146	¥117,732	\$1,083,523

The accumulated depreciation of tangible fixed assets as of March 31, 2018 and 2017, amounted to ¥126,724 million (\$1,192,478 thousand) and ¥126,558 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, 2018 and 2017, such deferred profit amounted to ¥10,204 million (\$96,028 thousand) and ¥9,864 million, respectively. Newly recognized amounts for the years ended March 31, 2018 and 2017, were ¥344 million (\$3,238 thousand) and ¥7 million, respectively.

Under the "Law of Land Revaluation," one banking subsidiary elected a onetime 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, 2018 and 2017, the carrying amount of the land after the above onetime revaluation exceeded the market value by ¥26,942 million (\$253,524 thousand) and ¥28,106 million, respectively.

## 8. INTANGIBLE FIXED ASSETS

Intangible fixed assets as of March 31, 2018 and 2017, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Software.....	¥10,498	¥ 8,254	\$ 98,788
Other .....	4,303	4,160	40,495
Total .....	¥14,801	¥12,414	\$139,283

## 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, 2018 and 2017, were ¥143,712 million (\$1,352,334 thousand) and ¥115,880 million, respectively.

## 10. ASSETS PLEDGED AS COLLATERAL

Assets pledged as collateral and the related liabilities as of March 31, 2018 and 2017, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Assets pledged as collateral:			
Securities.....	¥1,244,340	¥1,081,752	\$11,709,234
Loans and bills discounted .....	6,500	—	61,165
Total .....	¥1,250,840	¥1,081,752	\$11,770,399
Related liabilities to above assets:			
Deposits .....	¥ 113,111	¥ 149,269	\$ 1,064,374
Call money and bills sold .....	—	5,609	—
Payables under securities lending transactions.....	158,149	167,640	1,488,184
Payables under securities repurchase agreements.....	26,314	—	247,619
Borrowed money .....	798,937	646,948	7,517,999

Additionally, securities amounting to ¥31,615 million (\$297,505 thousand) and ¥103,860 million as of March 31, 2018 and 2017, 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 nil and ¥117 million as of March 31, 2018 and 2017, respectively, were pledged as collateral for borrowed money.

Moreover, other assets included deposits for central counterparty amounting to ¥92,768 million (\$872,954 thousand) and ¥26,371 million, cash collateral paid for financial instruments amounting to ¥1,731 million (\$16,291 thousand) and ¥3,327 million, and guarantee deposits amounting to ¥2,051 million (\$19,303 thousand) and ¥2,062 million as of March 31, 2018 and 2017, respectively.

## 11. BORROWED MONEY

Borrowed money as of March 31, 2018 and 2017, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Borrowed money of which the weighted-average annual interest rates were 0.26%, due from April, 2018 to March, 2026 .....	<b>¥877,856</b>	¥735,593	<b>\$8,260,623</b>

Annual maturities of borrowed money as of March 31, 2018, for the next five years were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2019 .....	<b>¥657,268</b>	<b>\$6,184,893</b>
2020 .....	<b>41,662</b>	<b>392,042</b>
2021 .....	<b>45,180</b>	<b>425,151</b>
2022 .....	<b>63,720</b>	<b>599,613</b>
2023 .....	<b>5</b>	<b>56</b>

Borrowed money included borrowings from the Bank of Japan and other financial institutions. In addition, borrowed money included subordinated borrowings totaling ¥70,000 million (\$658,700 thousand) and ¥70,000 million as of March 31, 2018 and 2017, respectively.

## 12. BONDS

Bonds as of March 31, 2018 and 2017, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
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 .....	<b>¥31,881</b>	¥33,657	<b>\$300,000</b>
Unsecured straight bonds issued by Joyo, date of issue May 24, 2000, due May 22, 2020, 2.64% interest .....	<b>5,000</b>	5,000	<b>47,050</b>
Total .....	<b>¥36,881</b>	¥38,657	<b>\$347,050</b>

\*1 On October 1, 2016, the Company succeeded Euro-US dollar-denominated convertible bonds that 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:	\$5.07
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
Description and price of the property to be contributed upon the exercise of the stock acquisition rights:	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, 2018, for the next five years were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2019 .....	¥ —	\$ —
2020 .....	31,881	300,000
2021 .....	5,000	47,050
2022 .....	—	—
2023 .....	—	—

## 13. RETIREMENT AND PENSION PLANS

### (1) Outline of the adopted retirement benefit plans

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 that 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 that 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, the 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.

### (2) Defined benefit plans

(a) The changes in defined benefit obligation for the years ended March 31, 2018 and 2017, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Balance at beginning of year .....	<b>¥117,530</b>	¥76,181	<b>\$1,105,962</b>
Increase due to share exchange .....	—	42,016	—
Current service cost .....	<b>3,531</b>	2,767	<b>33,236</b>
Interest cost .....	<b>615</b>	387	<b>5,788</b>
Actuarial losses .....	<b>3,262</b>	651	<b>30,701</b>
Benefits paid .....	<b>(6,077)</b>	(4,493)	<b>(57,190)</b>
Past service cost .....	—	—	—
Others .....	<b>39</b>	18	<b>371</b>
Balance at end of year .....	<b>¥118,902</b>	¥117,530	<b>\$1,118,869</b>

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



(b) The changes in plan assets for the years ended March 31, 2018 and 2017, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Balance at beginning of year.....	<b>¥122,190</b>	¥61,303	<b>\$1,149,809</b>
Increase due to share exchange.....	—	54,330	—
Expected return on plan assets.....	<b>2,794</b>	1,813	<b>26,300</b>
Actuarial gains.....	<b>4,301</b>	4,495	<b>40,473</b>
Contributions from the employer.....	<b>3,916</b>	3,038	<b>36,858</b>
Benefits paid.....	<b>(3,591)</b>	(2,810)	<b>(33,793)</b>
Others.....	<b>39</b>	18	<b>371</b>
Balance at end of year.....	<b>¥129,651</b>	¥122,190	<b>\$1,220,017</b>

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

(c) The changes in liability for retirement benefits adopting the simplified method for the years ended March 31, 2018 and 2017, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Balance at beginning of year.....	<b>¥1,280</b>	¥ 598	<b>\$12,046</b>
Increase due to the share exchange.....	—	620	—
Retirement benefit expense.....	<b>455</b>	454	<b>4,283</b>
Benefits paid.....	<b>(111)</b>	(67)	<b>(1,048)</b>
Contribution to the defined benefit pension plan.....	<b>(289)</b>	(325)	<b>(2,721)</b>
Balance at end of year.....	<b>¥1,334</b>	¥1,280	<b>\$12,561</b>

(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
	2018	2017	2018
Funded defined benefit obligation.....	<b>¥126,787</b>	¥125,279	<b>\$1,193,068</b>
Plan assets.....	<b>(136,201)</b>	(128,658)	<b>(1,281,655)</b>
Total.....	<b>(9,414)</b>	(3,379)	<b>(88,588)</b>
Unfunded defined benefit obligation.....	—	—	—
Net asset arising from defined benefit obligation.....	<b>¥ (9,414)</b>	¥(3,379)	<b>\$ (88,588)</b>

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Liability for retirement benefits.....	<b>¥ 6,014</b>	¥ 8,896	<b>\$ 56,594</b>
Asset for retirement benefits.....	<b>(15,428)</b>	(12,275)	<b>(145,181)</b>
Net asset arising from defined benefit obligation.....	<b>¥ (9,414)</b>	¥ (3,379)	<b>\$ (88,588)</b>

\*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, 2018 and 2017, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Service cost.....	<b>¥3,531</b>	¥2,767	<b>\$33,236</b>
Interest cost.....	<b>615</b>	387	<b>5,788</b>
Expected return on plan assets.....	<b>(2,794)</b>	(1,813)	<b>(26,300)</b>
Recognized actuarial losses.....	<b>2,960</b>	3,688	<b>27,856</b>
Amortization of prior service cost.....	—	—	—
Retirement benefit expense calculated by the simplified method.....	<b>455</b>	454	<b>4,283</b>
Others.....	<b>(16)</b>	(9)	<b>(154)</b>
Net periodic benefit costs.....	<b>¥4,751</b>	¥5,475	<b>\$44,710</b>

(f) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2018 and 2017, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Prior service cost.....	<b>¥ —</b>	¥ —	<b>\$ —</b>
Actuarial losses.....	<b>(4,021)</b>	(7,532)	<b>(37,844)</b>
Total.....	<b>¥(4,021)</b>	¥(7,532)	<b>\$ (37,844)</b>

(g) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2018 and 2017, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Unrecognized prior service cost.....	<b>¥ —</b>	¥ —	<b>\$ —</b>
Unrecognized actuarial losses.....	<b>1,285</b>	7,815	<b>12,094</b>
Total.....	<b>¥1,285</b>	¥7,815	<b>\$12,094</b>

(h) Plan assets

a. Components of plan assets

Plan assets as of March 31, 2018 and 2017, consisted of the following:

	2018	2017
Debt investments.....	<b>48.8%</b>	47.9%
Equity investments.....	<b>31.8%</b>	31.7%
General accounts.....	<b>12.2%</b>	12.6%
Others.....	<b>7.2%</b>	7.8%
Total.....	<b>100.0%</b>	100.0%

\* As of March 31, 2018 and 2017, total plan assets that were set up on corporate pension plans include a retirement benefit trust of 21.3% and 20.9%.

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, 2018 and 2017, were set forth as follows:

	2018	2017
Discount rate.....	<b>0.20% — 0.57%</b>	0.20% — 0.57%
Expected rate of return on plan assets.....	<b>2.50% — 3.30%</b>	2.50% — 3.30%
Expected rate of increase in salary.....	<b>4.57% — 9.00%</b>	4.63% — 9.00%

### (3) Defined contribution plans

The amounts of the required contribution to the defined contribution plans of certain consolidated subsidiaries were ¥750 million (\$7,065 thousand) and ¥598 million as of March 31, 2018 and 2017, 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, 2018, were as follows:

	Shares in Thousands			
	As of April 1, 2017	Changes During the Year		As of March 31, 2018
		Increase	Decrease	
Issued stock:				
Common stock	1,179,055	—	—	1,179,055
Total	1,179,055	—	—	1,179,055
Treasury stock				
Common stock	1,303	5*1	125*2	1,183
Total	1,303	5	125	1,183

\*1 The number of shares of treasury stock increased by 5 thousand shares due to purchases of shares less than the trading unit.

\*2 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 and by 122 thousand shares due to exercise of the stock acquisition rights.

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			
	As of April 1, 2016	Changes During the Year		As of March 31, 2017
		Increase	Decrease	
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

\*1 845,805 thousand 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.

## (2) Cash Dividends Per Share

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

### Year ended March 31, 2018

#### Dividends paid in the fiscal year ended March 31, 2018

	Total Amount (Millions of Yen /Thousands of U.S. Dollars)	Per Share Amount (Yen /U.S. Dollars)	Dividend Record Date	Effective Date
Cash dividends approved at the Board of Directors' meeting held on May 12, 2017:				
Common stock	¥7,655 (\$72,037)	¥6.50* (\$0.06)	Mar. 31, 2017	Jun. 5, 2017
Cash dividends approved at the Board of Directors' meeting held on Nov. 13, 2017:				
Common stock	¥6,478 (\$60,961)	¥5.50 (\$0.05)	Sep. 30, 2017	Dec. 4, 2017

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

#### Dividends to be paid after March 31, 2018

	Total Amount (Millions of Yen /Thousands of U.S. Dollars)	Per Share Amount (Yen /U.S. Dollars)	Dividend Record Date	Effective Date
Cash dividends approved at the Board of Directors' meeting held on May 11, 2018:				
Common stock	¥6,478 (\$60,961)	¥5.50 (\$0.05)	Mar. 31, 2018	Jun. 4, 2018

### Year ended March 31, 2017:

#### Dividends paid in the fiscal year ended March 31, 2017

The amounts of dividends below were paid to shareholders recorded in the register of shareholders of the Company (formerly Ashikaga Holdings, Co., Ltd.) at market closing time on March 31, 2016, or September 30, 2016.

	Total Amount (Millions of Yen)	Per Share Amount (Yen)	Dividend Record Date	Effective Date
Cash dividends approved at the Board of Directors' meeting held on May 13, 2016:				
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:				
Common stock	¥1,832	¥5.50	Sep. 30, 2016	Dec. 2, 2016

\* Being paid by the Company before the business integration, the dividend whose record date is March 31, 2017, which is before the share exchange, is not included in the changes in shareholders' equity.

The Company conducted a share exchange whereby the Company became the wholly-owning 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.

	Total Amount (Millions of Yen)	Per Share Amount (Yen)	Dividend Record Date	Effective Date
Cash dividends approved at the Ordinary General Meeting of Shareholders held on June 28, 2016:				
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:				
Common stock	¥4,337	¥6.00	Sep. 30, 2016	Dec. 2, 2016

#### Dividends to be paid after March 31, 2017

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

\* Of the per share amount above, ¥1.00 is the amount of a commemorative dividend for the business integration.

## 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.

The Company recorded stock option expenses in "General and administrative expenses" of ¥74 million (\$698 thousand) and ¥83 million for the fiscal years ended March 31, 2018 and 2017, respectively.

The stock options outstanding as of March 31, 2018, 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* <sup>1</sup>	10 directors of Joyo* <sup>2</sup>	16,833	August 24, 2009* <sup>3</sup>	¥1	From October 1, 2016, to August 24, 2039
Mebuki Financial Group, Inc. 2nd Series of Stock Acquisition Rights* <sup>1</sup>	10 directors of Joyo* <sup>2</sup>	23,634	July 21, 2010* <sup>3</sup>	¥1	From October 1, 2016, to July 21, 2040
Mebuki Financial Group, Inc. 3rd Series of Stock Acquisition Rights* <sup>1</sup>	10 directors of Joyo* <sup>2</sup>	43,430	July 20, 2011* <sup>3</sup>	¥1	From October 1, 2016, to July 20, 2041
Mebuki Financial Group, Inc. 5th Series of Stock Acquisition Rights* <sup>1</sup>	10 directors of Joyo* <sup>2</sup>	42,024	July 19, 2012* <sup>3</sup>	¥1	From October 1, 2016, to July 19, 2042
Mebuki Financial Group, Inc. 6th Series of Stock Acquisition Rights* <sup>1</sup>	16 executive officers of Joyo* <sup>2</sup>	5,089	July 19, 2012* <sup>3</sup>	¥1	From October 1, 2016, to July 19, 2042
Mebuki Financial Group, Inc. 7th Series of Stock Acquisition Rights* <sup>1</sup>	10 directors of Joyo* <sup>2</sup>	39,241	July 18, 2013* <sup>3</sup>	¥1	From October 1, 2016, to July 18, 2043
Mebuki Financial Group, Inc. 8th Series of Stock Acquisition Rights* <sup>1</sup>	15 executive officers of Joyo* <sup>2</sup>	12,428	July 18, 2013* <sup>3</sup>	¥1	From October 1, 2016, to July 18, 2043
Mebuki Financial Group, Inc. 9th Series of Stock Acquisition Rights* <sup>1</sup>	10 directors of Joyo* <sup>2</sup>	40,656	July 18, 2014* <sup>3</sup>	¥1	From October 1, 2016, to July 18, 2044
Mebuki Financial Group, Inc. 10th Series of Stock Acquisition Rights* <sup>1</sup>	14 executive officers of Joyo* <sup>2</sup>	16,040	July 18, 2014* <sup>3</sup>	¥1	From October 1, 2016, to July 18, 2044
Mebuki Financial Group, Inc. 11th Series of Stock Acquisition Rights* <sup>1</sup>	10 directors of Joyo* <sup>2</sup>	40,041	July 17, 2015* <sup>3</sup>	¥1	From October 1, 2016, to July 17, 2045
Mebuki Financial Group, Inc. 12th Series of Stock Acquisition Rights* <sup>1</sup>	13 executive officers of Joyo* <sup>2</sup>	22,830	July 17, 2015* <sup>3</sup>	¥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	December 6, 2016	¥1	From December 7, 2016, to December 6, 2046
Mebuki Financial Group, Inc. 14th Series of Stock Acquisition Rights	16 executive officers of Joyo	63,910	December 6, 2016	¥1	From December 7, 2016, to December 6, 2046
Mebuki Financial Group, Inc. 15th Series of Stock Acquisition Rights	29 directors of the Company, Joyo and Ashikaga	135,990	August 9, 2017	¥1	From August 10, 2017, to August 9, 2047
Mebuki Financial Group, Inc. 16th Series of Stock Acquisition Rights	16 executive officers of Joyo	62,024	August 9, 2017	¥1	From August 10, 2017, to August 9, 2047
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	March 2, 2009	¥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	January 4, 2010	¥550	From January 4, 2012, to December 31, 2018

\*1 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.

\*2 The number is initially granted by Joyo.

\*3 The date is initially granted by Joyo.

The stock option activity was as follows:

	Mebuki FG 1st	Mebuki FG 2nd	Mebuki FG 3rd	Mebuki FG 5th
<b>Year ended March 31, 2018</b>				
Non-vested (shares):				
April 1, 2017 — Outstanding	16,833	23,634	43,430	42,024
Granted	—	—	—	—
Canceled	—	—	—	—
Vested	—	—	7,488	7,245
March 31, 2018 — Outstanding	16,833	23,634	35,942	34,779
Vested (shares):				
April 1, 2017 — Outstanding	—	—	—	—
Vested	—	—	7,488	7,245
Exercised	—	—	7,488	7,245
Canceled	—	—	—	—
March 31, 2018 — Outstanding	—	—	—	—
Excise price	¥1	¥1	¥1	¥1
(Yen / US Dollars)	\$0.01	\$0.01	\$0.01	\$0.01
Average stock price at exercise	—	—	¥421	¥421
(Yen / US Dollars)	—	—	\$3.96	\$3.96
Fair value price at grant date	¥417	¥297	¥300	¥310
(Yen / US Dollars)	\$3.92	\$2.79	\$2.82	\$2.92
	Mebuki FG 6th	Mebuki FG 7th	Mebuki FG 8th	Mebuki FG 9th
<b>Year ended March 31, 2018</b>				
Non-vested (shares):				
April 1, 2017 — Outstanding	5,089	39,241	12,428	40,656
Granted	—	—	—	—
Canceled	—	—	—	—
Vested	5,089	8,672	9,321	8,984
March 31, 2018 — Outstanding	—	30,569	3,107	31,672
Vested (shares):				
April 1, 2017 — Outstanding	—	—	—	—
Vested	5,089	8,672	9,321	8,984
Exercised	5,089	8,672	9,321	8,984
Canceled	—	—	—	—
March 31, 2018 — Outstanding	—	—	—	—
Excise price	¥1	¥1	¥1	¥1
(Yen / US Dollars)	\$0.01	\$0.01	\$0.01	\$0.01
Average stock price at exercise	¥421	¥421	¥421	¥421
(Yen / US Dollars)	\$3.96	\$3.96	\$3.96	\$3.96
Fair value price at grant date	¥331	¥518	¥542	¥500
(Yen / US Dollars)	\$3.11	\$4.87	\$5.10	\$4.70

	Mebuki FG 10th	Mebuki FG 11th	Mebuki FG 12th	Mebuki FG 13th
<b>Year ended March 31, 2018</b>				
Non-vested (shares):				
April 1, 2017 — Outstanding	16,040	40,041	22,830	142,176
Granted	—	—	—	—
Canceled	—	—	—	—
Vested	9,624	9,906	10,464	29,945
March 31, 2018 — Outstanding	6,416	30,135	12,366	112,231
Vested (shares):				
April 1, 2017 — Outstanding	—	—	—	—
Vested	9,624	9,906	10,464	29,945
Exercised	9,624	9,906	10,464	29,945
Canceled	—	—	—	—
March 31, 2018 — Outstanding	—	—	—	—
Excise price	¥1	¥1	¥1	¥1
(Yen / US Dollars)	\$0.01	\$0.01	\$0.01	\$0.01
Average stock price at exercise	¥421	¥421	¥421	¥421
(Yen / US Dollars)	\$3.96	\$3.96	\$3.96	\$3.96
Fair value price at grant date	¥525	¥680	¥708	¥345
(Yen / US Dollars)	\$4.94	\$6.40	\$6.66	\$3.25

	Mebuki FG 14th	Mebuki FG 15th	Mebuki FG 16th
<b>Year ended March 31, 2018</b>			
Non-vested (shares):			
April 1, 2017 — Outstanding	63,910	—	—
Granted	—	135,990	62,024
Canceled	—	—	—
Vested	16,170	—	—
March 31, 2018 — Outstanding	47,740	135,990	62,024
Vested (shares):			
April 1, 2017 — Outstanding	—	—	—
Vested	16,170	—	—
Exercised	16,170	—	—
Canceled	—	—	—
March 31, 2018 — Outstanding	—	—	—
Excise price	¥1	¥1	¥1
(Yen / US Dollars)	\$0.01	\$0.01	\$0.01
Average stock price at exercise	¥421	—	—
(Yen / US Dollars)	\$3.96	—	—
Fair value price at grant date	¥374	¥360	¥390
(Yen / US Dollars)	\$3.52	\$3.39	\$3.67



	2009 Stock Option	2010 Stock Option
<b>Year ended March 31, 2018</b>		
Non-vested (shares):		
April 1, 2017 — Outstanding	1,856,600	1,929,700
Granted	—	—
Canceled	62,800	61,100
Vested	—	—
March 31, 2018 — Outstanding	1,793,800	1,868,600
Vested (shares):		
April 1, 2017 — Outstanding	—	—
Vested	—	—
Exercised	—	—
Canceled	—	—
March 31, 2018 — Outstanding	—	—
Excise price	¥550	¥550
(Yen / US Dollars)	\$5.18	\$5.18
Average stock price at exercise	—	—
(Yen / US Dollars)	—	—
Fair value price at grant date	—	—
(Yen / US Dollars)	—	—

#### 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
Risk free interest rate*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
Risk free interest rate*4:	0.10%	0.38%	0.14%	0.19%
	Mebuki FG 10th	Mebuki FG 11th	Mebuki FG 12th	
Volatility of stock price*1:	25.77%	25.64%	26.72%	
Estimated remaining outstanding period*2:	3 years	6 years	3 years	
Estimated dividend*3:	¥9 per share	¥10 per share	¥10 per share	
Risk free interest rate*4:	0.08%	0.14%	0.03%	
	Mebuki FG 13th	Mebuki FG 14th		
Volatility of stock price*5:	29.13%	30.89%		
Estimated remaining outstanding period*6:	6 years	3 years		
Estimated dividend*7:	¥11 per share	¥11 per share		
Risk free interest rate*9:	(0.08)%	(0.15)%		

	Mebuki FG 15th	Mebuki FG 16th
Volatility of stock price*5:	28.36%	29.44%
Estimated remaining outstanding period*6:	6 years	3 years
Estimated dividend*8:	¥11 per share	¥11 per share
Risk free interest rate*9:	(0.03)%	(0.07)%

\*1. Volatility of stock price is calculated based on the actual stock price of Joyo during the period below.

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. Estimated remaining outstanding period is calculated based on 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 was 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

Mebuki FG 15th : From August 9, 2011 to August 8, 2017

Mebuki FG 16th : From August 9, 2014 to August 8, 2017

\*6. Estimated remaining outstanding period is calculated based on average tenure of retired directors of the Company, Joyo, and Ashikaga, and executive officers of Joyo.

\*7. Estimated dividend paid in the fiscal year ended March 31, 2017 (excluding a commemorative dividend)

\*8. Actual dividend payments (excluding a commemorative dividend) conducted by the company just before each stock option was issued.

\*9. Yield of Japanese government bonds approximating the estimated remaining outstanding period at the time when the Company issued each stock option

## 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, 2018, were nil.

## 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, 2018 and 2017, 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, 2018				
Basic EPS —				
Net income available to common shareholders .....	¥ 43,069	1,177,843	¥ 36.56	\$0.34
Effect of dilutive securities:				
Warrants .....	—	541	—	—
Diluted EPS —				
Net income for computation .....	¥ 43,069	1,178,385	¥ 36.54	\$0.34

Year Ended March 31, 2017

Basic EPS —			
Net income available to common shareholders .....	¥158,455	1,010,667	¥156.78
Effect of dilutive securities .....	—	380	—
Diluted EPS —			
Net income for computation .....	¥158,455	1,011,047	¥156.72

### (2) Total equity per share

Total equity per share as of March 31, 2018 and 2017, was as follows:

	Yen		U.S. Dollars
	2018	2017	2018
Total equity per share .....	¥753.83	¥732.66	\$7.09

Total equity per share as of March 31, 2018 and 2017, is calculated based on the following:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Total equity .....	¥888,139	¥863,086	\$8,357,389
Deductions from total equity .....	216	193	2,038
Total equity attributable to common shareholders .....	¥887,923	¥862,892	\$8,355,351

	Number of Shares in Thousands	
	2018	2017
Number of shares of common stock used in computing total equity per share at year-end .....	1,177,872	1,177,751

## 17. OTHER INCOME

Other income for the years ended March 31, 2018 and 2017, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Gain on sales of stock and other securities .....	<b>¥13,078</b>	¥9,902	<b>\$123,073</b>
Recoveries of write-off claims .....	<b>2,088</b>	2,688	<b>19,649</b>
Gain on disposal of fixed assets .....	<b>942</b>	6	<b>8,871</b>
Other .....	<b>27,498</b>	23,718	<b>258,765</b>
Total .....	<b>¥43,608</b>	¥36,316	<b>\$410,358</b>

## 18. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the years ended March 31, 2018 and 2017, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Salaries and allowances .....	<b>¥ 52,841</b>	¥42,922	<b>\$ 497,236</b>
Periodic benefit costs .....	<b>5,402</b>	5,956	<b>50,839</b>
Other .....	<b>62,183</b>	49,209	<b>585,143</b>
Total .....	<b>¥120,427</b>	¥98,088	<b>\$1,133,218</b>

## 19. OTHER EXPENSES

Other expenses for the years ended March 31, 2018 and 2017, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Loss on sales of stocks and other securities .....	<b>¥ 5,366</b>	¥ 2,211	<b>\$ 50,502</b>
Write-off amount of loans .....	<b>4,517</b>	3,940	<b>42,509</b>
Impairment losses* .....	<b>1,813</b>	1,463	<b>17,061</b>
Loss on disposal of fixed assets .....	<b>312</b>	438	<b>2,942</b>
Other .....	<b>25,329</b>	23,354	<b>238,351</b>
Total .....	<b>¥37,339</b>	¥31,407	<b>\$351,365</b>

\* Impairment losses on long-lived assets were recognized mainly on the properties of the Bank's branches in Tochigi and Ibaraki prefecture, which were decided to be closed, as investments could not be recovered. The components of impairment losses by fixed assets for the years ended March 31, 2018 and 2017, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Land .....	<b>¥811</b>	¥470	<b>\$7,635</b>
Buildings .....	<b>485</b>	198	<b>4,564</b>
Software .....	<b>383</b>	324	<b>3,607</b>
Equipment .....	<b>84</b>	266	<b>797</b>
Leasehold .....	<b>48</b>	202	<b>457</b>

## 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% for the years ended March 31, 2018 and 2017.

The tax effects of significant temporary differences and loss carry forwards which result in deferred tax assets and liabilities as of March 31, 2018 and 2017, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Deferred tax assets:			
Allowance for loan losses .....	<b>¥ 27,445</b>	¥ 29,004	<b>\$ 258,262</b>
Write-offs of securities .....	<b>12,920</b>	13,217	<b>121,586</b>
Liability for retirement benefits .....	<b>11,092</b>	12,832	<b>104,383</b>
Provision for employee bonuses .....	<b>1,822</b>	1,758	<b>17,153</b>
Tax loss carryforwards .....	<b>1,647</b>	1,779	<b>15,508</b>
Depreciation .....	<b>1,251</b>	1,104	<b>11,777</b>
Provision for reimbursement of deposits .....	<b>1,149</b>	1,058	<b>10,821</b>
Other .....	<b>9,332</b>	9,783	<b>87,814</b>
Subtotal deferred tax assets .....	<b>66,663</b>	70,538	<b>627,304</b>
Less valuation allowance .....	<b>(18,212)</b>	(18,485)	<b>(171,380)</b>
Total deferred tax assets .....	<b>48,450</b>	52,053	<b>455,923</b>
Deferred tax liabilities:			
Unrealized gains on available-for-sale securities .....	<b>(63,777)</b>	(69,694)	<b>(600,146)</b>
Retirement benefit trust .....	<b>(4,467)</b>	(4,467)	<b>(42,040)</b>
Other .....	<b>(6,875)</b>	(7,692)	<b>(64,700)</b>
Total deferred tax liabilities .....	<b>(75,120)</b>	(81,854)	<b>(706,886)</b>
Net deferred tax liabilities .....	<b>¥(26,669)</b>	¥(29,800)	<b>\$ (250,963)</b>

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, 2018, with the corresponding figures for 2017, was as follows:

	2018	2017
Normal effective statutory tax rate .....	—	30.86%
Gain on negative goodwill .....	—	(21.71)
Change in valuation allowance .....	—	(2.67)
Dividends exempted from taxation .....	—	(0.27)
Expenses that are not deductible for income tax purposes .....	—	0.05
Other — net .....	—	0.18
Actual effective tax rate .....	—	6.44%

Since the difference between the legally effective tax rate and the actual effective tax rate after applying tax effect accounting is equal to or less than 5% of the legally effective tax rate, notes for the year ended March 31, 2018, are omitted.

## 21. LEASES

Future minimum payments under noncancelable operating leases as of March 31, 2018 and 2017, were as follows:

### Lessee

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Due within one year .....	<b>¥183</b>	¥ 69	<b>\$1,731</b>
Due after one year .....	<b>187</b>	156	<b>1,762</b>
Total .....	<b>¥371</b>	¥226	<b>\$3,493</b>

### Lessor

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Due within one year .....	<b>¥2</b>	¥1	<b>\$21</b>
Due after one year .....	<b>3</b>	3	<b>33</b>
Total .....	<b>¥5</b>	¥5	<b>\$54</b>

## 22. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

### (1) Group Policies for Financial Instruments

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 consolidated banking subsidiaries also procure funds by call money transactions from short-term markets to maintain an adequate degree of liquidity. The consolidated 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.

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

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 banking 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 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 risks, mainly currency swaps and foreign exchange swaps, the effectiveness of hedging is determined by confirming the amount of the hedging instruments is generally consistent with that of the hedged items. Regarding an exceptional accounting treatment in interest rate swaps, post testing 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.

### (3) Risk Management for Financial Instruments

#### (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, 2018 and 2017, the Group's VaR related to interest rate risks, which is a simple sum of its consolidated banking subsidiaries' VaR, were ¥42,371 million (\$398,720 thousand) and ¥69,256 million, respectively.

###### 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, 2018 and 2017, the Group's VaR related to price fluctuation risk, which is a simple sum of its consolidated banking subsidiaries' VaR, were ¥144,794 million (\$1,362,512 thousand) and ¥130,317 million, respectively. 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 10 days, a confidence interval of 99%, and an observation period of five 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, 2018 and 2017, the Group's VaR related to trading account, which is simple sum of its consolidated banking subsidiaries' VaR, were ¥5 million (\$55 thousand) and ¥11 million, respectively.

(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) Liquidity Risk Management

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.

**(4) Supplementary Explanation on Fair Values of Financial Instruments**

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**

(a) Fair value of financial instruments

Millions of Yen			
March 31, 2018	Carrying Amount	Fair Value	Unrealized Gains/Losses
(1) Cash and due from banks.....	¥ 1,708,734	¥ 1,708,734	¥ —
(2) Securities:			
Held-to-maturity securities.....	154,787	154,920	133
Available-for-sale securities.....	4,002,942	4,002,942	—
(3) Loans and bills discounted.....	10,497,976		
Allowance for loan losses*1.....	(73,370)		
Net.....	10,424,606	10,523,344	98,738
Total assets.....	¥16,291,070	¥16,389,942	¥98,871
(1) Deposits.....	¥13,977,912	¥13,979,361	¥ (1,449)
(2) Negotiable certificates of deposit.....	272,640	272,695	(55)
(3) Call money and bills sold.....	340,540	340,540	—
(4) Borrowed money.....	877,856	878,500	(644)
Total liabilities.....	¥15,468,950	¥15,471,099	¥ (2,148)
Derivative instruments*2 :			
Hedge accounting is not applied.....	¥ 1,804	¥ 1,804	¥ —
Hedge accounting is applied.....	4,634	4,634	—
Total derivative instruments.....	¥ 6,439	¥ 6,439	¥ —

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, 2018	Carrying Amount	Fair Value	Unrealized Gains/Losses
(1) Cash and due from banks.....	\$ 16,079,180	\$ 16,079,180	\$ —
(2) Securities:			
Held-to-maturity securities.....	1,456,550	1,457,802	1,252
Available-for-sale securities.....	37,667,661	37,667,661	—
(3) Loans and bills discounted.....	98,785,892		
Allowance for loan losses*1.....	(690,413)		
Net.....	98,095,478	99,024,606	929,128
Total assets.....	\$153,298,870	\$154,229,250	\$930,380
(1) Deposits.....	\$131,532,068	\$131,545,704	\$ (13,636)
(2) Negotiable certificates of deposit.....	2,565,543	2,566,064	(520)
(3) Call money and bills sold.....	3,204,487	3,204,487	—
(4) Borrowed money.....	8,260,623	8,266,688	(6,065)
Total liabilities.....	\$145,562,721	\$145,582,942	\$ (20,221)
Derivative instruments*2 :			
Hedge accounting is not applied.....	\$ 16,984	\$ 16,984	\$ —
Hedge accounting is applied.....	43,612	43,612	—
Total derivative instruments.....	\$ 60,596	\$ 60,596	\$ —

\*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 one year or less 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
	2018	2017	2018
Equity securities without readily available market price*1*2	¥ 4,335	¥ 4,323	\$ 40,793
Investments in partnerships*3	14,703	10,727	138,358
Total	¥19,038	¥15,051	\$179,151

\*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 years ended March 31, 2018 and 2017, impairment losses on equity securities without readily available market price of ¥2 million (\$27 thousand) and ¥46 million was recognized respectively.

\*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.

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

March 31, 2018	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	¥1,585,188	¥ —	¥ —	¥ —	¥ —	¥ —
Securities:	340,607	822,898	509,615	414,507	655,895	388,124
Held-to-maturity securities	14,583	53,207	21,792	2,043	1,209	50,000
Japanese national government bonds	—	25,000	—	—	—	50,000
Japanese local government bonds	50	200	150	—	—	—
Japanese corporate bonds	14,533	28,007	21,642	2,043	1,209	—
Available-for-sale securities with contractual maturities	326,023	769,690	487,822	412,464	654,686	338,124
Japanese national government bonds	187,000	367,800	80,000	35,000	10,000	57,500
Japanese local government bonds	35,658	153,220	167,188	188,273	233,796	7,447
Japanese corporate bonds	60,350	174,006	146,887	59,871	33,127	171,154
Foreign currency bonds	30,859	45,226	60,018	80,265	315,607	90,346
Other	12,155	29,438	33,728	49,053	62,155	11,675
Loans and bills discounted*1	2,281,662	1,860,348	1,345,704	901,598	976,467	2,793,958
Total	¥4,207,458	¥2,683,247	¥1,855,320	¥1,316,106	¥1,632,362	¥3,182,082



Millions of Yen						
March 31, 2017	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*2 .....	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

Thousands of U.S. Dollars						
March 31, 2018	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 .....	<b>\$14,916,613</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>
Securities: .....	<b>3,205,115</b>	<b>7,743,469</b>	<b>4,795,481</b>	<b>3,900,515</b>	<b>6,171,971</b>	<b>3,652,246</b>
Held-to-maturity securities .....	<b>137,234</b>	<b>500,683</b>	<b>205,071</b>	<b>19,229</b>	<b>11,377</b>	<b>470,500</b>
Japanese national government bonds .....	—	<b>235,250</b>	—	—	—	<b>470,500</b>
Japanese local government bonds .....	<b>470</b>	<b>1,882</b>	<b>1,411</b>	—	—	—
Japanese corporate bonds .....	<b>136,764</b>	<b>263,551</b>	<b>203,660</b>	<b>19,229</b>	<b>11,377</b>	—
Available-for-sale securities with contractual maturities .....	<b>3,067,881</b>	<b>7,242,786</b>	<b>4,590,410</b>	<b>3,881,286</b>	<b>6,160,594</b>	<b>3,181,746</b>
Japanese national government bonds .....	<b>1,759,669</b>	<b>3,460,996</b>	<b>752,799</b>	<b>329,350</b>	<b>94,100</b>	<b>541,075</b>
Japanese local government bonds .....	<b>335,542</b>	<b>1,441,802</b>	<b>1,573,239</b>	<b>1,771,651</b>	<b>2,200,024</b>	<b>70,085</b>
Japanese corporate bonds .....	<b>567,900</b>	<b>1,637,395</b>	<b>1,382,210</b>	<b>563,389</b>	<b>311,725</b>	<b>1,610,558</b>
Foreign currency bonds .....	<b>290,387</b>	<b>425,580</b>	<b>564,776</b>	<b>755,298</b>	<b>2,969,864</b>	<b>850,160</b>
Other .....	<b>114,383</b>	<b>277,014</b>	<b>317,385</b>	<b>461,598</b>	<b>584,881</b>	<b>109,868</b>
Loans and bills discounted*1 .....	<b>21,470,432</b>	<b>17,505,871</b>	<b>12,663,074</b>	<b>8,484,040</b>	<b>9,188,548</b>	<b>26,291,129</b>
Total .....	<b>\$39,592,160</b>	<b>\$25,249,341</b>	<b>\$17,458,555</b>	<b>\$12,384,555</b>	<b>\$15,360,520</b>	<b>\$29,943,375</b>

\*1 As of March 31, 2018, loans and bills discounted with no contractual maturities amounting to ¥191,531 million (\$1,802,310 thousand) and loans and bills discounted whose cash flow cannot be estimated, such as "legal bankruptcy," "virtual bankruptcy," and "possible bankruptcy" loans, amounting to ¥146,704 million (\$1,380,487 thousand) are not included.

\*2 As of March 31, 2017, loans and bills discounted with no contractual maturities amounting to ¥200,924 million 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 are not included.

Millions of Yen						
March 31, 2018	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 .....	<b>¥12,960,866</b>	<b>¥874,853</b>	<b>¥129,996</b>	<b>¥9,175</b>	<b>¥3,021</b>	<b>¥—</b>
Negotiable certificates of deposit .....	<b>272,640</b>	—	—	—	—	—
Call money and bills sold .....	<b>340,540</b>	—	—	—	—	—
Borrowed money .....	<b>697,268</b>	<b>116,443</b>	<b>63,926</b>	<b>211</b>	<b>5</b>	—
Total .....	<b>¥14,271,316</b>	<b>¥991,296</b>	<b>¥193,922</b>	<b>¥9,387</b>	<b>¥3,027</b>	<b>¥—</b>

Millions of Yen						
March 31, 2017	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	¥—

	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
March 31, 2018						
Deposits * <sup>1</sup>	\$121,961,670	\$8,232,363	\$1,223,263	\$86,344	\$28,429	\$—
Negotiable certificates of deposit	2,565,543	—	—	—	—	—
Call money and bills sold	3,204,487	—	—	—	—	—
Borrowed money	6,561,293	1,095,729	601,551	1,994	56	—
Total	\$134,292,992	\$9,328,092	\$1,824,814	\$88,338	\$28,485	\$—

\*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 as of March 31, 2018 and 2017

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, 2018 and 2017, as follows:

	Millions of Yen				Thousands of U.S. Dollars			
	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
March 31, 2018								
Bond-related transactions								
Bond futures:								
Sold	¥5,579	¥—	¥1	¥1	\$52,503	\$—	\$10	\$10
Bought	754	—	(0)	(0)	7,099	—	(6)	(6)
Total	—	—	¥0	¥0	—	—	\$ 4	\$ 4

	Millions of Yen			
	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gains/Losses
March 31, 2017				
Bond-related transactions				
Bond futures:				
Sold	¥2,553	¥—	¥(1)	¥(1)
Bought	—	—	—	—
Total	—	—	¥(1)	¥(1)

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, 2018 and 2017, as follows:

	Millions of Yen				Thousands of U.S. Dollars			
	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
March 31, 2018								
Interest rate-related transactions								
Interest rate swaps:								
Receive fixed and pay floating	¥113,752	¥ 97,411	¥1,762	¥1,762	\$1,070,406	\$ 916,638	\$16,588	\$16,588
Receive floating and pay fixed	113,752	97,411	(275)	(275)	1,070,406	916,638	(2,589)	(2,589)
Cap transaction								
Sold	775	710	(0)	3	7,300	6,688	(4)	36
Bought	775	710	0	(2)	7,300	6,688	3	(23)
Total	—	—	¥1,487	¥1,489	—	—	\$13,998	\$14,012
Currency-related transactions								
Currency swaps	¥208,362	¥186,339	¥349	¥349	\$1,960,688	\$1,753,456	\$ 3,287	\$ 3,287
Forward exchange contracts:								
Sold	64,148	5,320	1,111	1,111	603,638	50,069	10,455	10,455
Bought	85,701	2,599	(1,098)	(1,098)	806,454	24,460	(10,339)	(10,339)
Currency option contracts:								
Sold	101,897	63,374	(3,392)	(898)	958,858	596,353	(31,927)	(8,455)
Bought	101,897	63,374	3,348	2,227	958,858	596,353	31,506	20,961
Total	—	—	¥ 316	¥1,690	—	—	\$ 2,982	\$15,910

March 31, 2017	Millions of Yen			
	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gains/Losses
<b>Interest rate-related transactions</b>				
Interest rate swaps:				
Receive fixed and pay floating .....	¥106,628	¥87,406	¥1,629	¥1,629
Receive floating and pay fixed .....	106,628	87,406	(296)	(296)
Swaption				
Sold .....	2,030	—	(1)	9
Bought .....	2,030	—	1	1
Total .....	—	—	¥1,332	¥1,343
<b>Currency-related transactions</b>				
Currency swaps .....	¥276,519	¥181,614	¥ 393	¥ 393
Forward exchange contracts:				
Sold .....	45,875	4,937	(1,048)	(1,048)
Bought .....	46,771	4,191	1,064	1,064
Currency option				
Sold .....	70,344	37,363	(1,941)	(484)
Bought .....	70,344	37,363	1,954	1,223
Total .....	—	—	¥ 422	¥1,148

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 as of March 31, 2018 and 2017

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 the principle method, outstanding as of March 31, 2018 and 2017, as follows:

		Millions of Yen			Thousands of U.S. Dollars		
March 31, 2018	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value	Contract Amount	Contract Amount Due after One Year	Fair Value
Interest rate-related transactions*1*4							
Interest rate swaps:							
	Interest-bearing financial assets and liabilities, including loans, available-for-sale securities, deposits and negotiable certificates of deposit, etc.						
	Receive floating and pay fixed .....	¥ 20,000	¥ —	¥ (182)	\$ 188,200	\$ —	\$ (1,715)
	Total .....	—	—	¥ (182)	—	—	\$ (1,715)
Currency-related transactions*2*5							
	Loans, securities, deposits, foreign exchanges, etc., which are denominated in foreign currencies						
	Currency swaps .....	¥131,077	¥59,546	¥3,017	\$1,233,443	\$560,333	\$28,391
	Forward exchange contracts .....	20,508	—	1,193	192,986	—	11,227
	Foreign exchange swap .....	25,062	—	501	235,835	—	4,716
	Total .....	—	—	¥4,711	—	—	\$44,334
Equity-related transactions*3*6							
	Available-for-sale securities						
	Stock forward contracts						
	Sold .....	¥ 4,147	¥ —	¥ 105	\$ 39,028	\$ —	\$ 992
	Total .....	—	—	¥ 105	—	—	\$ 992

		Millions of Yen		
March 31, 2017	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Interest rate-related transactions*1*4				
Interest rate swaps:				
	Interest-bearing financial assets and liabilities, including loans, available-for-sale securities, deposits and negotiable certificates of deposit, etc.			
Receive floating and pay fixed .....		¥ 40,000	¥30,000	¥(543)
Total .....		—	—	¥(543)
Currency-related transactions*2*5				
	Loans, securities, deposits, foreign exchanges, etc., which are denominated in foreign currencies			
Currency swaps .....		¥161,342	¥84,642	¥ (58)
Forward exchange contracts .....		103,102	—	825
Foreign exchange swap .....		79,207	—	(722)
Total .....		—	—	¥ 44
Equity-related transactions*3*6				
	Available-for-sale securities			
Stock forward contracts				
Sold .....		¥ 4,473	¥ —	¥ 24
Total .....		—	—	¥ 24

- 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.

Consolidated banking subsidiaries had the following derivative contracts, which were accounted for by the exceptional accrual method, outstanding as of March 31, 2018.

		Millions of Yen			Thousands of U.S. Dollars		
March 31, 2018	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value	Contract Amount	Contract Amount Due after One Year	Fair Value
Interest rate-related transactions							
Interest rate swaps:							
	Receive fixed and pay floating.....Loans and borrowed money	¥ —	¥ —	¥ —	\$ —	\$ —	\$ —
	Receive floating and pay fixed.....	18,475	13,153	(471)	173,859	123,776	(4,433)
	Total .....	—	—	¥(471)	—	—	\$(4,433)

		Millions of Yen		
March 31, 2017	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Interest rate-related transactions				
Interest rate swaps:				
	Receive fixed and pay floating.....Loans and borrowed money	¥ 2,000	¥ —	¥ 21
	Receive floating and pay fixed.....	24,016	18,594	(852)
	Total .....	—	—	¥(831)

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, 2018 and 2017, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Unrealized gains (losses) on available-for-sale securities:			
Gains (losses) arising during the year .....	¥ (8,655)	¥ 4,630	\$ (81,450)
Reclassification adjustments to profit or loss .....	(2,434)	(14,419)	(22,911)
Amount before income tax effect .....	(11,090)	(9,789)	(104,361)
Income tax effect .....	3,272	3,281	30,797
Total .....	¥ (7,817)	¥ (6,507)	\$ (73,564)
Deferred gains (losses) on derivatives under hedge:			
Gains arising during the year .....	¥ 2,985	¥ 6,412	\$ 28,098
Reclassification adjustments to profit or loss .....	(2,097)	(2,963)	(19,740)
Amount before income tax effect .....	888	3,448	8,358
Income tax effect .....	(270)	(1,049)	(2,545)
Total .....	¥ 617	¥ 2,399	\$ 5,813
Land revaluation excess, net of taxes:			
Gains arising during the year .....	¥ —	¥ —	\$ —
Reclassification adjustments to profit or loss .....	—	—	—
Amount before income tax effect .....	—	—	—
Income tax effect .....	468	—	4,409
Total .....	¥ 468	¥ —	\$ 4,409
Defined retirement benefit plans:			
Gains arising during the year .....	¥ 1,038	¥ 3,843	\$ 9,771
Reclassification adjustments to profit or loss .....	2,960	3,688	27,856
Amount before income tax effect .....	3,998	7,532	37,627
Income tax effect .....	(1,221)	(2,298)	(11,495)
Total .....	¥ 2,777	¥ 5,233	\$ 26,132
Total other comprehensive income (loss) .....	¥ (3,954)	¥ 1,125	\$ (37,210)

## 25. SEGMENT INFORMATION

Under 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 services. Segment information is not disclosed due to the immateriality of operations other than banking.

Other segment-related information:

(1) Information by services

March 31, 2018	Millions of Yen (Thousands of U.S. Dollars)			
	Lending Operations	Investment Operations	Other	Total
Ordinary income from external customers .....	¥113,739 (\$1,070,292)	¥61,159 (\$575,511)	¥87,473 (\$823,125)	¥262,373 (\$2,468,928)

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

(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, 2018 and 2017, were as follows:

### Year ended March 31, 2018

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 <b>¥47</b> <b>(\$444)</b>	Loans and bills discounted <b>¥46</b> <b>(\$434)</b>
Companies in which a majority of voting rights is owned by a director or director's close relatives	Hoshino Seisakusyo Co., Ltd.	Gunma	<b>¥7</b> <b>(\$66)</b>	Steel manufacturing	—	—	Loan <b>¥11</b> <b>(\$108)</b>	Loans and bills discounted <b>¥11</b> <b>(\$107)</b>

Terms and conditions on transactions and transaction policy:

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

### Year ended March 31, 2017

Year ended March 31, 2017										
Type	Name	Location	Capital (Millions of Yen)	Business	Ownerships	Relationship	Transactions (Millions of Yen)		Outstanding Balance (Millions of Yen)	
A director or director's close relative	Yoshie Suto	—	—	—	—	—	Loan	¥28	Loans and bills discounted	¥48
Companies in which a majority of voting rights is owned by a director or director's close relatives	Ito dentist	Ibaraki	¥22	Dental Clinic	—	—	Loan	¥12	Loans and bills discounted	¥28
	Yokokura Honten CO., LTD.	Tochigi	¥20	Wholesale	—	—	Loan	¥114	Loans and bills discounted	¥100
							Underwriting private placement bond	¥100	Securities	¥100

Terms and conditions on transactions and transaction policy:

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

## 27. SUBSEQUENT EVENTS

### Acquisition of treasury stock

At the Board of Directors' meeting held on May 11, 2018, the Company resolved to acquire treasury stock for the purpose of enhancement of shareholder returns and improving capital efficiency, pursuant to the provisions of the Articles of Incorporation in accordance with the provision of Article 459, Paragraph 1, of the Companies Act. The repurchase of treasury stock pursuant to the resolution of that meeting has completed.

#### 1. Contents of the resolution adopted by the Board of Directors' meeting held on May 11, 2018

- (1) Class of shares to be acquired : Common stock
- (2) Total number of shares to be acquired : 5,000,000 shares (upper limit)
- (3) Total acquisition cost : ¥2,500 million (upper limit)  
(\$23,525 thousand)
- (4) Period of acquisition : From May 14, 2018, to June 22, 2018
- (5) Method of acquisition : Purchase through the market on the Tokyo Stock Exchange

#### 2. Status of acquisition of treasury stock

- (1) Class of shares acquired : Common stock
- (2) Total number of shares acquired : 5,000,000 shares
- (3) Total acquisition cost : ¥2,089 million  
(\$19,660 thousand)
- (4) Period of acquisition : From May 14, 2018, to May 25, 2018



## 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. and its consolidated subsidiaries as of March 31, 2018, 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, 2018, 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 27, 2018

# Non-Consolidated Balance Sheet (Unaudited)

March 31, 2018 The Joyo Bank, Ltd.

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
<b>ASSETS</b>			
Cash and due from banks .....	¥ 968,263	¥ 754,116	\$ 9,111,350
Call loans and bills bought.....	13,786	3,365	129,730
Monetary claims bought .....	7,447	8,161	70,080
Trading assets.....	8,526	4,060	80,239
Securities.....	2,802,591	2,793,575	26,372,367
Loans and bills discounted .....	6,063,500	5,967,030	57,057,501
Foreign exchanges.....	3,341	2,826	31,448
Other assets.....	77,320	48,076	727,589
Tangible fixed assets .....	81,764	85,854	769,403
Intangible fixed assets.....	9,153	9,531	86,134
Prepaid pension cost.....	6,495	7,231	61,124
Customers' liabilities for acceptances and guarantees .....	46,564	47,620	438,175
Allowance for loan losses .....	(35,002)	(34,416)	(329,369)
Allowance for investment losses .....	(9)	(9)	(85)
TOTAL .....	¥10,053,746	¥9,697,024	\$94,605,686
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES:</b>			
Deposits.....	¥ 8,509,025	¥8,240,398	\$80,069,873
Negotiable certificates of deposit .....	67,249	56,252	632,820
Call money and bills sold.....	65,340	61,337	614,857
Payables under repurchase agreement .....	26,314	—	247,619
Payables under securities lending transactions .....	61,535	135,417	579,053
Trading liabilities.....	504	511	4,750
Borrowed money .....	579,167	436,978	5,449,959
Foreign exchanges.....	451	501	4,253
Bonds .....	5,000	5,000	47,050
Due to trust account .....	11	13	112
Other liabilities.....	38,513	63,079	362,414
Provision for directors' bonuses .....	65	48	612
Provision for retirement benefits .....	8,638	8,415	81,290
Provision for reimbursement of deposits.....	2,838	2,585	26,715
Provision for point card certificates .....	85	106	809
Provision for contingent losses.....	946	1,038	8,907
Deferred tax liabilities.....	33,260	35,662	312,983
Deferred tax liabilities for land revaluation .....	8,546	8,774	80,419
Acceptances and guarantees.....	46,564	47,620	438,175
Total liabilities .....	9,454,062	9,103,740	88,962,667
<b>EQUITY:</b>			
Common stock .....	85,113	85,113	800,914
Capital surplus .....	58,574	58,574	551,181
Retained earnings.....	319,555	308,341	3,007,015
Valuation adjustments:.....	136,441	141,254	1,283,909
Unrealized gains on available-for-sale securities.....	123,847	130,542	1,165,406
Deferred losses on derivatives under hedge accounting .....	(31)	(574)	(300)
Land revaluation surplus .....	12,625	11,287	118,803
Total equity.....	599,683	593,283	5,643,019
TOTAL.....	¥10,053,746	¥9,697,024	\$94,605,686

# Non-Consolidated Statement of Income (Unaudited)

Year Ended March 31, 2018 The Joyo Bank, Ltd.

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
<b>INCOME:</b>			
Interest income:			
Interest on loans and bills discounted .....	<b>¥63,245</b>	¥63,726	<b>\$595,143</b>
Interest and dividends on securities .....	<b>30,213</b>	28,625	<b>284,306</b>
Interest on call loans and bills bought .....	<b>70</b>	33	<b>664</b>
Interest on deposits with banks .....	<b>291</b>	315	<b>2,741</b>
Other interest income .....	<b>349</b>	401	<b>3,285</b>
Trust Fees .....	<b>42</b>	22	<b>404</b>
Fees and commissions .....	<b>24,801</b>	22,154	<b>233,378</b>
Trading income .....	<b>373</b>	449	<b>3,518</b>
Other operating income .....	<b>3,503</b>	11,997	<b>32,969</b>
Other income .....	<b>16,252</b>	13,332	<b>152,937</b>
Total income .....	<b>139,143</b>	141,059	<b>1,309,344</b>
<b>EXPENSES:</b>			
Interest expenses:			
Interest on deposits .....	<b>2,497</b>	2,125	<b>23,499</b>
Interest on negotiable certificates of deposit .....	<b>16</b>	13	<b>153</b>
Interest on call money and bills sold .....	<b>561</b>	471	<b>5,280</b>
Interest on payables under repurchase agreements .....	<b>246</b>	—	<b>2,324</b>
Interest on payables under securities lending transactions .....	<b>1,146</b>	957	<b>10,788</b>
Interest on borrowed money .....	<b>801</b>	616	<b>7,543</b>
Interest on bonds .....	<b>132</b>	233	<b>1,242</b>
Interest on interest swap .....	<b>2,088</b>	2,478	<b>19,656</b>
Other interest expenses .....	<b>859</b>	1,007	<b>8,090</b>
Fees and commissions .....	<b>7,917</b>	7,815	<b>74,501</b>
Other operating expenses .....	<b>6,138</b>	6,757	<b>57,764</b>
General and administrative expenses .....	<b>69,347</b>	72,544	<b>652,561</b>
Provision of allowance for loan losses .....	<b>3,340</b>	3,811	<b>31,437</b>
Other expenses .....	<b>7,646</b>	7,379	<b>71,950</b>
Total expenses .....	<b>102,740</b>	106,211	<b>966,787</b>
INCOME BEFORE INCOME TAXES .....	<b>36,403</b>	34,847	<b>342,557</b>
<b>INCOME TAXES:</b>			
Current .....	<b>10,360</b>	10,477	<b>97,493</b>
Deferred .....	<b>529</b>	(84)	<b>4,986</b>
Total income taxes .....	<b>10,890</b>	10,392	<b>102,479</b>
<b>NET INCOME</b> .....	<b>¥25,513</b>	¥24,454	<b>\$240,078</b>

# Non-Consolidated Balance Sheet (Unaudited)

March 31, 2018 The Ashikaga Bank, Ltd.

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
<b>ASSETS</b>			
Cash and due from banks .....	¥ 740,378	¥ 639,631	\$ 6,966,958
Call loans and bills bought.....	849	1,795	7,998
Monetary claims bought.....	7,941	7,791	74,725
Trading account securities.....	4,012	3,166	37,758
Securities.....	1,391,021	1,417,158	13,089,505
Loans and bills discounted .....	4,517,299	4,348,447	42,507,762
Foreign exchanges.....	3,074	4,396	28,928
Other assets.....	69,504	32,106	654,040
Tangible fixed assets .....	27,001	25,872	254,081
Intangible fixed assets.....	5,207	2,370	49,005
Prepaid pension cost.....	18,310	15,323	172,299
Deferred tax assets.....	4,005	2,461	37,689
Customers' liabilities for acceptances and guarantees .....	10,219	11,953	96,165
Allowance for loan losses .....	(34,283)	(34,746)	(322,608)
TOTAL .....	¥6,764,543	¥6,477,729	\$63,654,305
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES:</b>			
Deposits.....	¥5,529,812	¥5,332,582	\$52,035,499
Negotiable certificates of deposit .....	279,440	289,303	2,629,533
Call money and bills sold.....	275,200	241,975	2,589,630
Payables under securities lending transactions .....	96,613	32,222	909,131
Borrowed money .....	222,366	220,047	2,092,470
Foreign exchanges.....	256	256	2,417
Other liabilities.....	26,562	30,324	249,955
Provision for directors' bonuses .....	54	53	509
Provision for reimbursement of deposits.....	943	895	8,874
Provision for contingent losses.....	656	509	6,179
Provision for point card certificates .....	130	111	1,225
Acceptances and guarantees.....	10,219	11,953	96,165
Total liabilities .....	6,442,255	6,160,235	60,621,586
<b>EQUITY:</b>			
Common stock .....	135,000	135,000	1,270,349
Retained earnings: .....	157,188	145,333	1,479,140
Valuation adjustments:.....	30,098	37,160	283,230
Unrealized gains on available-for-sale securities .....	30,123	37,259	283,459
Deferred losses on hedges.....	(24)	(99)	(229)
Total equity .....	322,287	317,494	3,032,719
TOTAL.....	¥6,764,543	¥6,477,729	\$63,654,305

# Non-Consolidated Statement of Income (Unaudited)

Year Ended March 31, 2018 The Ashikaga Bank, Ltd.

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
INCOME:			
Interest income:			
Interest on loans and bills discounted .....	<b>¥49,379</b>	¥51,017	<b>\$464,657</b>
Interest and dividends on securities .....	<b>22,655</b>	20,073	<b>213,186</b>
Interest on call loans and bills bought .....	<b>37</b>	60	<b>354</b>
Interest on deposits with banks .....	<b>361</b>	373	<b>3,399</b>
Other interest income .....	<b>88</b>	82	<b>831</b>
Fees and commissions.....	<b>21,169</b>	20,040	<b>199,203</b>
Other operating income.....	<b>1,267</b>	1,772	<b>11,925</b>
Other income .....	<b>4,139</b>	4,348	<b>38,952</b>
Total income .....	<b>99,097</b>	97,768	<b>932,507</b>
EXPENSES:			
Interest expenses:			
Interest on deposits .....	<b>1,236</b>	1,110	<b>11,631</b>
Interest on negotiable certificates of deposit.....	<b>82</b>	85	<b>775</b>
Interest on call money and bills sold .....	<b>28</b>	152	<b>264</b>
Interest on payables under securities lending transactions .....	<b>1,249</b>	411	<b>11,757</b>
Interest on borrowed money.....	<b>61</b>	40	<b>580</b>
Other interest expenses .....	<b>1,934</b>	1,508	<b>18,202</b>
Fees and commissions payments .....	<b>7,275</b>	6,747	<b>68,461</b>
Other operating expenses.....	<b>2,808</b>	1,062	<b>26,429</b>
General and administrative expenses .....	<b>47,307</b>	46,526	<b>445,163</b>
Provision of allowance for loan losses .....	<b>2,591</b>	4,444	<b>24,386</b>
Other expenses .....	<b>3,847</b>	3,717	<b>36,202</b>
Total expenses.....	<b>68,422</b>	65,807	<b>643,851</b>
INCOME BEFORE INCOME TAXES .....	<b>30,675</b>	31,960	<b>288,656</b>
INCOME TAXES:			
Current .....	<b>7,900</b>	9,350	<b>74,343</b>
Deferred.....	<b>1,420</b>	(3,802)	<b>13,366</b>
Total income taxes .....	<b>9,320</b>	5,547	<b>87,709</b>
NET INCOME .....	<b>¥21,354</b>	¥26,412	<b>\$200,946</b>

# Corporate Data (as of March 31, 2018)

## 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	120
Credit ratings	A (R&I)

\*Excluding those transferred to 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: 183 offices (152 branches, 31 sub-branches) Overseas: 4 Representative Offices (Shanghai, Singapore, New York, Hanoi)
Number of employees*	3,332
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: 153 offices (106 branches, 47 sub-branches) Overseas: 2 Representative Office (Hong Kong, Bangkok)
Number of employees*	2,826
Credit ratings	A+ (R&I)



