MEBUKI Financial Group

MEBUKI Financial Group

Annual Report 2019

Year Ended March 31, 2019

JOYO BANK

ASHIKAGA BANK

Group Philosophy of the Mebuki Financial Group

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.

MEBUKI Financial Group

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.

Corporate History (As of March 31, 2019)

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

Contents

Disclaimer regarding forward-looking statements

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

Developments of Mebuki Financial Group

Joyo Bank and Ashikaga Bank of Mebuki Financial Group (“the Group”), with their core markets in Ibaraki and Tochigi Prefectures have been meeting the needs of the times and growing together with their customers and the region. In October 2016, Joyo Bank and Ashikaga Holdings entered into a business integration, and with the subsequent consolidation of Mebuki Lease and Mebuki Securities, the Group has grown into a structure capable of meeting the diverse needs of its customers more than ever before. The Group will continue to forge ahead in order to solve regional problems and to realize the region’s sustainable growth as well as the improvement of the Company’s corporate value.

October 2016

MEBUKI Financial Group

Establishment of Mebuki Financial Group, Inc. through business integration

April 2017

MEBUKI Financial Group MEBUKI LEASE

- 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).

- 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.

June 2017

Reciprocated ATM installation

October 2017

JOYO BANK

Opened Funabashi Branch/ Funabashi Loan Plaza.

* March 2018: Relocated to new premises.

MEBUKI Financial Group MEBUKI SECURITIES

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

December 2017

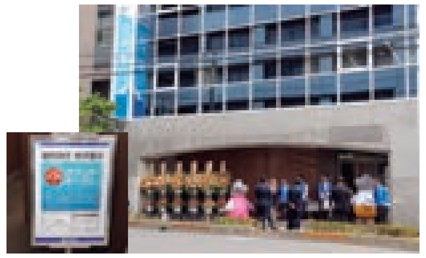
ASHIKAGA BANK

Opened Bangkok Representative Office.

January 2018

ASHIKAGA BANK

Opened Tokorozawa Branch.



* May 2018: Relocated to new premises.

March 2018

JOYO BANK

Opened Hanoi Representative Office.

September 2018

JOYO BANK

Opened Koto Branch.

October 2018

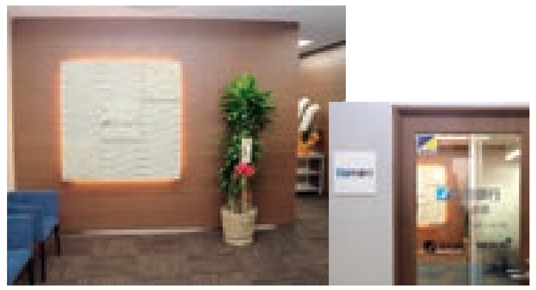
MEBUKI Financial Group MEBUKI LEASE

Opened Saitama Office.

November 2018

ASHIKAGA BANK

Opened Oji Branch.



Future Plan

January 2020

Complete system integration.

Provide universal value through continuous change

Become a comprehensive financial services group that builds the region's future

Ritsuo Sasajima, President
Mebuki Financial Group, Inc.

Masanao Matsushita, Executive Vice President
Mebuki Financial Group, Inc.

A Message from the Management

The business integration enters the 2nd stage:

The finance industry, regional financial institutions in particular, is currently entering a period of major change. We continue to suffer the effects of the prolonged negative interest rate policy of the Bank of Japan as well as the high levels of corporate surplus funds, and there appears to be nothing in the future that would suggest a rise in interest rates. Moreover, while a series of high-yield JGBs will reach redemption in the next couple of years, given recent interest-rate levels, it is highly unlikely that companies will choose to reinvest such funds in JGBs, which, in turn, will have a serious impact on the profits of regional financial institutions. Furthermore, in the long-term, there are concerns for the shrinking regional economy due to the aging population and population decline.

In such conditions, it is clear that we need to depart from the conventional banking business led by loan business which has been largely dependent on interest income and engage in businesses in new domains that are capable of promptly responding to the needs of local communities. In order to develop new businesses that meet the needs of local communities and our customers, a stronger management base and more diverse management resources will become indispensable.

Mebuki Financial Group (the "Company"), which in October 2016 was born in anticipation of such needs through a business integration between Joyo Bank and Ashikaga Bank (Ashikaga Holdings), will commemorate its third anniversary. Looking back on the business integration, I recall that the region at that time was facing numerous social issues including business and asset succession resulting from a declining and aging population, as well as the need for steady asset building in line with life plans, among others. As the two leading banks of the region, with similar visions of growing together with the region as regional financial institutions, and a desire to face these issues and ensure the sustained development of the region and both banks, we decided to enter into a business integration.

Since the launch of the Group, we have been engaged in major management reforms under the "First Medium-Term Group Business Plan (October 2016 to March 2019), including the review of the cost structure through the integration and concentration of the business structure and Group functions, while contributing to the problem-solving of our customers by providing a wide range of services that leverage our strengths as regional banks. We have been steadily realizing the effects of synergy from the business integration and as a result, we have been able to achieve increases in both revenue and profits for FY2018, despite the increasingly harsh management environment surrounding regional financial institutions.

Consistently pursue “the value required by our customers” and continue to be an indispensable presence for the region

There are multitudes of companies around the world of various business types and industries, and each one of these companies owes its existence and its ability to continue business to the existence of customers who require the company’s products and services. It goes without saying that unless we provide the value required by our customers, we will not be paid consideration and will not be viable as a business. While the times and the business environment may undergo changes, we will ensure the prosperous future of our customers and the region, and ultimately the improvement of the Company’s corporate value, supported by the deep trust placed in us by the region’s customers, and by leveraging the collective strengths of the Group to pursue and provide “the value required by our customers.” This commitment is embodied by the Group Philosophy, “together with local communities, we will continue to create a more prosperous future by providing high-quality, comprehensive financial services.” As a “comprehensive financial services group building the region’s future,” we will continue to provide products and services of value to customers and continue to be an indispensable presence for the region. This, I believe, is the significance of our existence.

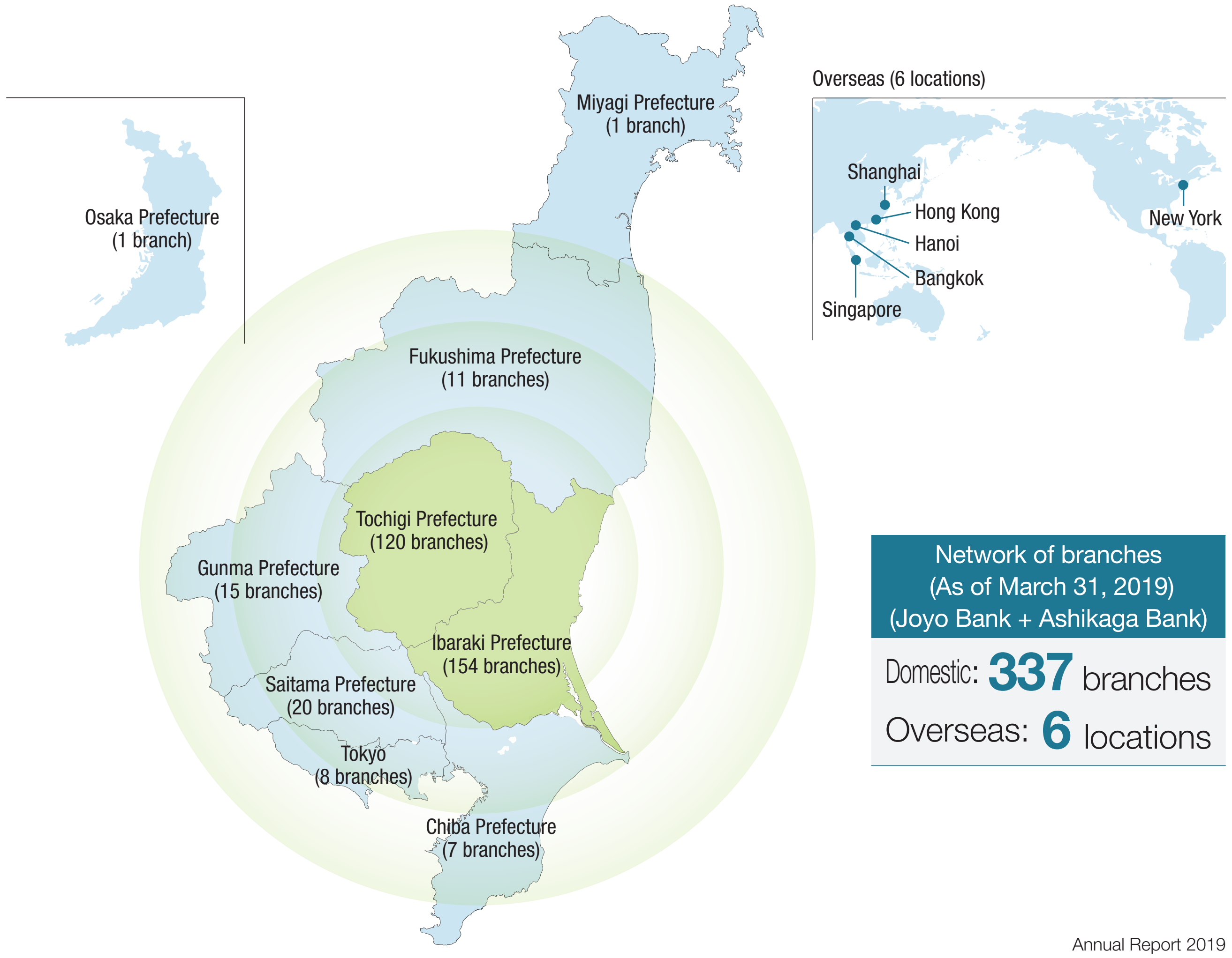
In the past, customers, in most cases, required funds from a bank. Today, however, customers mainly demand solutions to the problems surrounding their businesses. The region faces a wide range of issues, including climate change, the promotion of diversity and Sustainable Development Goals (SDGs)/ESG, responses to global digitalization, contributing to the improvement of corporate performance and productivity of customers, contributing to personal asset building, as well as the issues of population decline and aging. It would not be an exaggeration to say that initiatives toward ESG and SDGs, which are increasingly being used as benchmarks for the evaluation of corporate value, have been the epitome of the corporate activities of the Company, as an integral part of the region, since our founding. Going forward we will continue to keep the Group’s corporate value and the significance of our existence in mind and contribute to customers and to the region.

Strengths of Mebuki Financial Group: A wide-area network and high value-added, one-stop financial services

We have been accumulating vast amounts of information, including information on the problems facing customers in the various industries and business types of the region and customer attributes. We have also earned the deep trust of our customers from having long been rooted in the local communities and maintaining relationships. The deep understanding of the local communities and the relationships of both banks (30,000 corporate customers and 1,800,000 individual customers who consider us as their main banks) acquired from having been closely linked to the community over the years, and the wide-area network born from the integration are our strengths.

Furthermore, the Group is capable of providing the local communities and its customers with one-stop “comprehensive financial services” based on its banking, leasing and securities businesses, by effectively utilizing its management resources including its abundant and highly-skilled human resources and the expertise accumulated by both banks as the region’s leading banks.

We pride ourselves on being able to offer optimal solutions to our customers in the region, as we alone are a Group capable of providing advanced coordination and consultation beyond mere matching through our wealth of high-quality information and the deep trust of our customers.



The value creation process of Mebuki Financial Group: Creating a business model that grows with local communities, and contributing to the sustainable growth of society by providing value to stakeholders

While "the business that grows with local communities" is a new business model that goes beyond the framework of the conventional banking business, its essence is "to offer the value required by our customers" and remains unchanged. In addition to contributing to the local communities through providing the value required by our customers, we will engage in efficient and highly-profitable management and ensure shareholder returns and the improvement of corporate value in the medium- to long-term by building a highly-productive management platform backed by a sound financial capital.

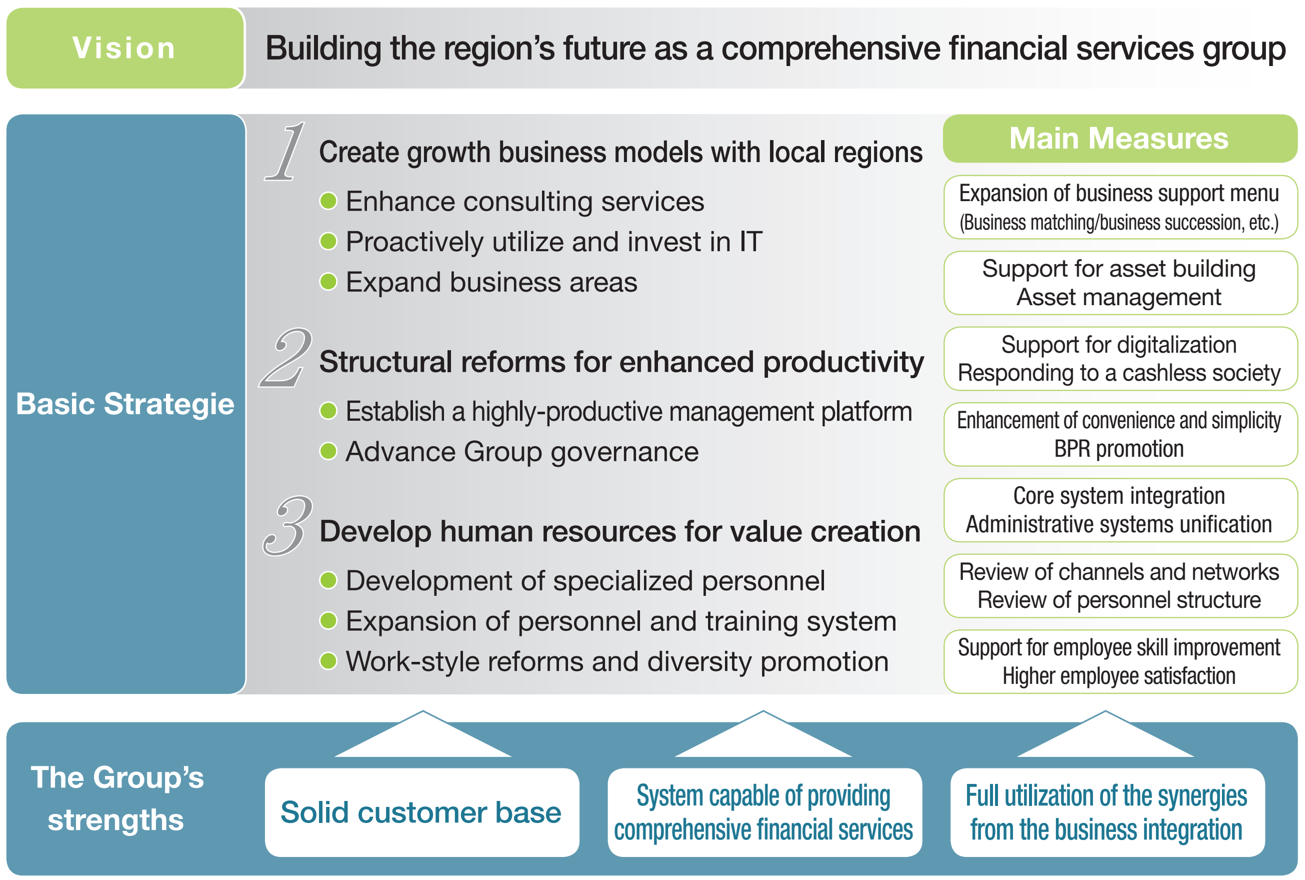
Providing these types of value to customers, the local communities and shareholders will revitalize the regional economy, enhance customer satisfaction, improve the company brand and offer job satisfaction and a happy organization to the employees. By continuing to provide various types of value to our stakeholders including "Communities," "Customers," "Shareholders" and "Employees," we will improve our own corporate value, while contributing to the sustainable growth of local communities.

Basic Strategies of the Second Medium-Term Group Business Plan:
Carrying out structural reforms for enhanced productivity as a transitional period for the next stage of growth

Following the First Medium-Term Group Business Plan, the Group in April 2019 launched the Second Medium-Term Group Business Plan (April 2019 to March 2022). By positioning the three-year period of the Second Medium-Term Group Business Plan as a period for achieving full-scale results and also as a transitional period for next growth, and by carrying out structural reforms at an even faster pace, we will aim to become "a comprehensive financial services group building the region's future."

In the Second Medium-Term Group Business Plan, the Group will promote structural reforms including the unification of business processes and the administrative systems structure through the integration of the core systems in January 2020, the optimization of channels/networks and the unification of the Group and subsidiary banks, and further promote the ongoing review of the cost structure.

The conventional banking business which assumed interest income was not the most cost-effective business model. Going forward the Group will retain only the necessary businesses and will subject the remaining businesses to a thorough review and improvement of processes. Through these efforts, the Group will cut costs, lower the break-even point and build a structure that can withstand negative factors such as the decrease in profits due to the redemption of JGBs.

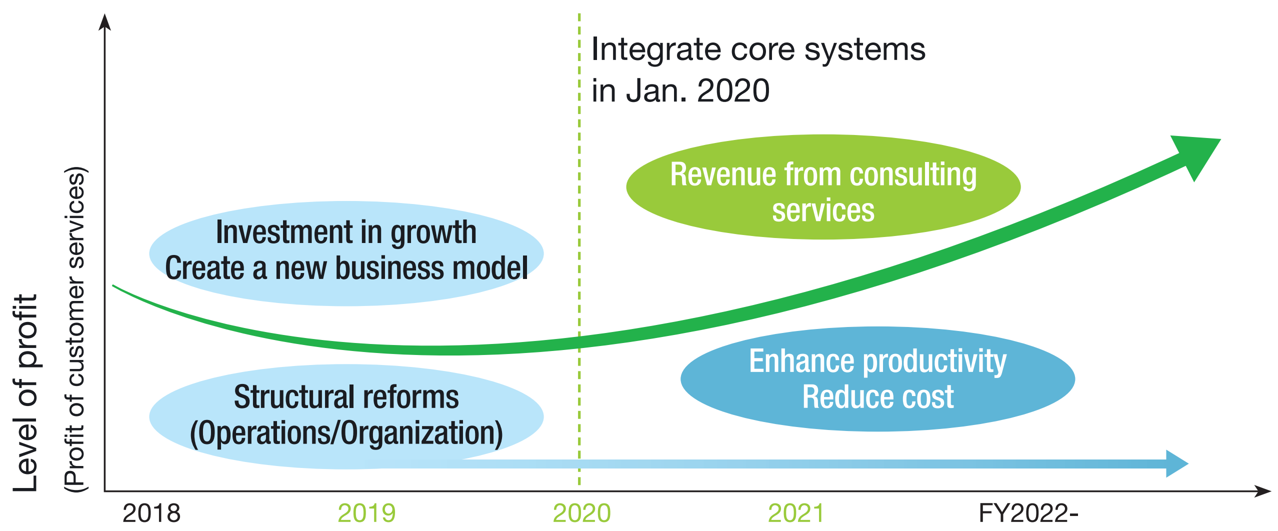


At the same time, by creating "a business model that grows with local communities" mainly through the enhancement of consulting services and the proactive utilization of IT services, the Group will make even greater contributions to the local communities.

As stated earlier, sticking to the conventional loan-oriented business model in an age of surplus of corporate funds could result in missed business opportunities with many customers who need something other than funds. While it goes without saying that raising funds is a crucial element in business management, it is also a fact that managers, in continuing to develop their businesses, are facing various issues beyond raising funds, including the problem of business succession, improving the productivity of business processes, and securing manpower. A business that provides broad and diverse solutions to such concerns for the customers of the community is at the core of the Second Medium-Term Group Business Plan and at the root of creating "a business model that grows with local communities."

For example, in order to offer the best solutions for enhancing productivity through IT at appropriate prices, it is necessary to establish individual specifications aligned with the specific business line and size of each customer. Moreover, in order to identify and meet these detailed needs, it is essential to conduct highly personal interviews with businesses. This would not be possible without the relationship of trust with our customers, and such relationships are not achieved overnight. By positioning the focus on business based on the utilization of consulting and IT services, and the development of human resources that will support these businesses and new value creation, as the basic strategies of the Second Medium-Term Group Business Plan, the Group intends to make "the transition from a financial intermediary business to an information intermediary (consulting) business," and lay the foundation for creating new value and further growth.

Currently, the Group is focusing all its efforts on the enhancement of efficiency through IT and improving productivity, including the ongoing integration of the core system. The Group's expertise for providing solutions will, no doubt, become indispensable to our customers. In this sense, the Group considers creating "a business model that grows with local communities" not merely as a slogan but a reality that will be realized in the not too distant future.



Our approach to the management objectives of the Second Medium-Term Group Business Plan

Contributing to the sustainable growth of the local communities by taking maximum advantage of the Company's strength of being a comprehensive financial group with a wide-area network covering the Kanto area and coordinating with various stakeholders to develop business is at the heart of the Group's sustained improvement of corporate value. In the Second Medium-Term Group Business Plan, we have set the indicators of consolidated ROE, net income attributable to owners of the parent and core OHR as the management objectives with the aim of improving corporate value.

Discussions were repeated at the Board of Directors meetings and other meetings in the process of determining the "management objectives" of the Medium-Term Group Business Plan. The management objectives for the First Medium-Term Group Business Plan comprised these three indicators with the addition of a fourth indicator, the "capital adequacy ratio." However, in the current business plan, we intentionally left out the capital adequacy ratio and clarified our priorities in our management indicators. We do not undervalue safety (capital adequacy ratio), but for the next three years, we made the intentional choice of valuing efficiency (ROE). It is our mission to build the foundations for a more efficient business model by expanding non-interest income businesses through the improvement of consulting services based on the Group's strengths and unifying the Group, starting with the integration of the core systems, and further promoting the reforms of the cost structure.

Management objectives (FY2021)		
	Consolidated ROE	5.0% or more
	Net income attributable to owners of the parent	approx. ¥47 billion
	Core OHR (combined value for banks)	approx. 60% (excluding system integration expenses)

Further reinforcement of the corporate governance system to support the business model

The Company is making efforts to improve its corporate governance, in order to establish a responsible management structure, ensure sound and appropriate operations and to secure a high level of trust of its stakeholders including shareholders, customers, employees and local communities, as well as to enhance its corporate value. In terms of the corporate governance structure, the Company takes the form of a company with an audit and supervisory committee. The Company has 12 directors, including directors who are Audit and Supervisory Committee Members, of whom five are outside directors. As part of the Company's compliance with the Corporate Governance Code, two more outside directors were added to the management team at the General Meeting of Shareholders held this year, for their insight as corporate managers and to deal with issues regarding gender equality and corporate ethics. By welcoming multiple outside directors with different areas of expertise, the Company has strengthened its corporate governance system into a system capable of ensuring fair and transparent decision-making and a solid audit and supervisory function. Going forward the Company, based on the Group Philosophy, will continue to improve its internal control system to ensure that the Group's operations comply with laws and regulations, and the Articles of Incorporation under an appropriate audit and supervisory system, and to establish a system to ensure its appropriateness.

"Change for the Future!" Continuous change for a bright future

Going forward, we, at the Mebuki Financial Group, will look to the future and continue our initiatives for creating the future of the region. The future does not exist independently from the "present." In a drastically-changing environment, we will continue innovations in order to provide "the value required by our customers" now and in the future. Fulfilling present objectives will inevitably foster new needs. We are confident that our continuing and timeless efforts to provide "the value required by our customers" will ensure the continued growth and development of our customers, the region and the Group.

In order to continue growing and developing, the Group will also be required to continue changing. "Change for the Future!" Whether a bright future awaits us will depend on the extent that we can keep on changing. All the officers and employees of the Group will make a concerted effort to continue this change in order to ensure a bright future for the customers of the region and our shareholders. We, therefore, ask for your continued patronage in the future as well.

July 2019

Ritsuo Sasajima, President

Masanao Matsushita, Executive Vice President

Mebuki Financial Group, Inc.

SDGs/ESG Initiatives

The Mebuki Financial Group will work with all of our stakeholders, including customers, shareholders, employees and business partners, to build more prosperous local communities and aim together for sustainable growth.

Society

We will work in harmony with local communities to create a more prosperous regional society. ▶ p.20 and 22

- Support children to become independent (financial education support)
- Local employment support collaborating with local governments (cooperation with Ibaraki and Tochigi prefectures/ education loans)
- Business succession support for next-generation leaders and successors (Future Creation Workshop/New Leader Training *Dojo*)
- Diversity initiatives (promotion of work-style reform/ promotion of active participation of women)

Economy

We will take initiatives to provide comprehensive financial services and promote the revitalization of the regional economy utilizing a wide-area network. ▶ p.16 - 19

- Discover regional industries and support the creation of new businesses (hold business plan contests/ support with Mebuki Regional Revitalization Fund)
- Develop new businesses and expand economic exchange (support for manufacturing companies/ support for agricultural businesses)
- Business succession, M&A support, and make efforts to resolve the shortage of human resources (staffing/human resources development support/ support for productivity improvement through the utilization of IT)
- Make initiatives to support local sustainable growth (support for refurbishing traditional homes/promoting regional revitalization in cooperation with local governments)

Environment

With the aim of maintaining the natural environment, we will engage in initiatives to preserve a bountiful and beautiful environment for the future. ▶ p.21

- Dissemination and development of renewable energy through environment-related financing for power generation projects using clean energy
- Handle environment-related loans for the introduction of environment-friendly private placement bonds, solar power generation facilities, etc.
- Create environment-friendly branches (installation of solar power generation systems, reduction of energy consumption through switching to LED lights)
- Environmental conservation activities (Joyo Furusato no Mori/ Ashigin Forest)

Governance

We will work to strengthen and enhance corporate governance in order to secure the trust of our stake-holders.

In order to achieve a peaceful and fair society, we will work to cut off relations with antisocial forces and prevent money laundering and terrorism funding. ▶ p. 25 - 34

The Initiatives of Mebuki Financial Group for Sustainable Growth with the Local Communities

Create growth business models with local regions

Since the business integration in October 2016, a wide range of support policies utilizing the wide-area network mainly in Ibaraki and Tochigi prefectures are being implemented backed by the Group's strong customer base, which is a strength of both Joyo Bank and Ashikaga Bank. Under the Second Medium-Term Group Business Plan, which was launched in April 2019, we support the growth and problem resolution of customers by leveraging the Group's strengths through the enhancement of consulting services and IT services/data utilization, while at the same time we utilize the resources held by the Group to cultivate and expand our business areas, thereby creating a business model that grows with customers and local communities.

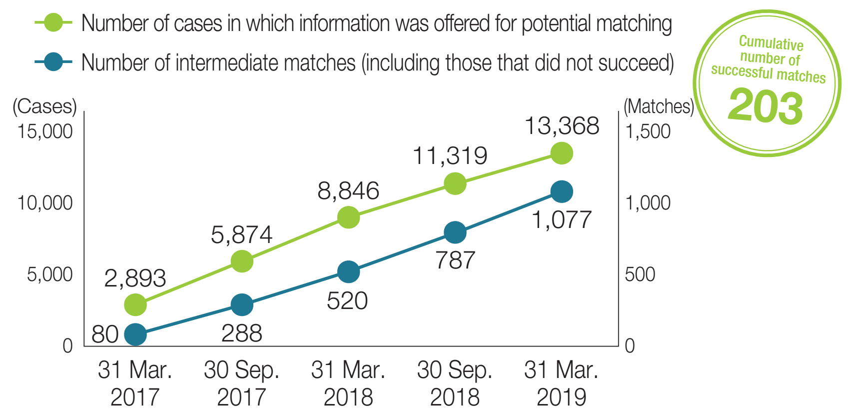
Support for new product and service development

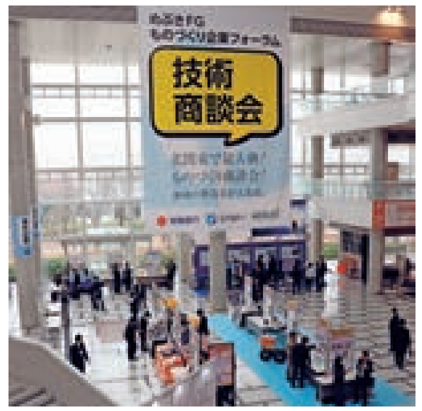
We are promoting initiatives to solve the management problems of our customers and to revitalize the region through business matching that utilizes the information provided by our wide-area network. We have supported the development of new products and services of customers encountered through business matching, and a number of new products have been launched that take advantage of local products.

Examples of new products born through business matching

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 among clients.





Discovering regional industries and supporting the creation of new businesses

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.

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)	¥1.77 billion/ 9 projects Fund size: ¥4 billion

(As of March 31, 2019: Joyo Bank + Ashikaga Bank)

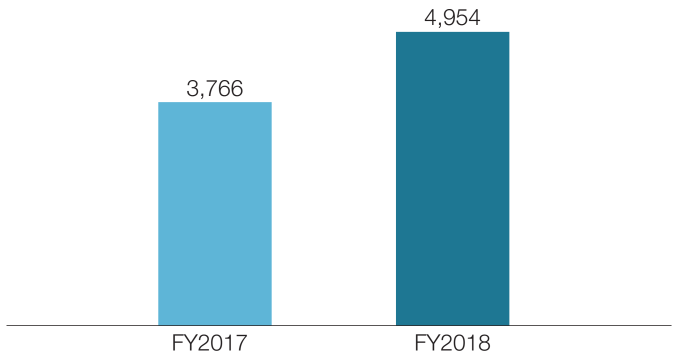
Business succession support

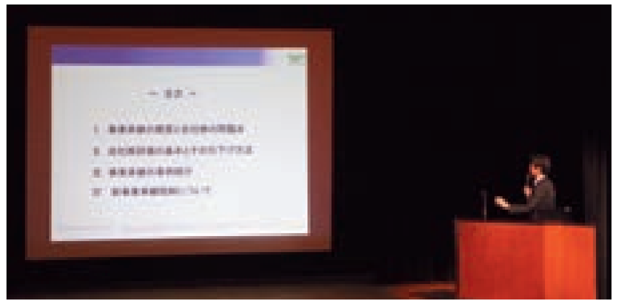
Along with the aging of management executives, an increasing number of companies are having business succession issues. At Mebuki Financial Group, the respective head offices and branches of Joyo Bank and Ashikaga Bank, as well as external specialized institutions, collaborate with each other to think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

Support details

- Support for share transfer or stock exchange listing
- Support for organizational restructuring
- Delivery of information through seminars
- Classes held on an ongoing basis to train next-generation management executives and so on…

Number of business succession and M&A proposal clients (Joyo Bank + Ashikaga Bank)





Scenes from the "Business Succession and M&A Seminar"

Support for securing personnel

To support companies in securing necessary personnel, which has become a major management issue for many companies, Joyo Industrial Research Institute Ltd. (a subsidiary of Joyo Bank) in October 2018, and Ashikaga Bank in April 2019, commenced personnel placement services.

We are strengthening our consulting services by deepening our dialogues with our customers, sharing their management issues and providing appropriate personnel placement and matching services to solve their personnel problems, and supporting the review of their personnel systems.

Results of personnel placement by Joyo Industrial Research Institute

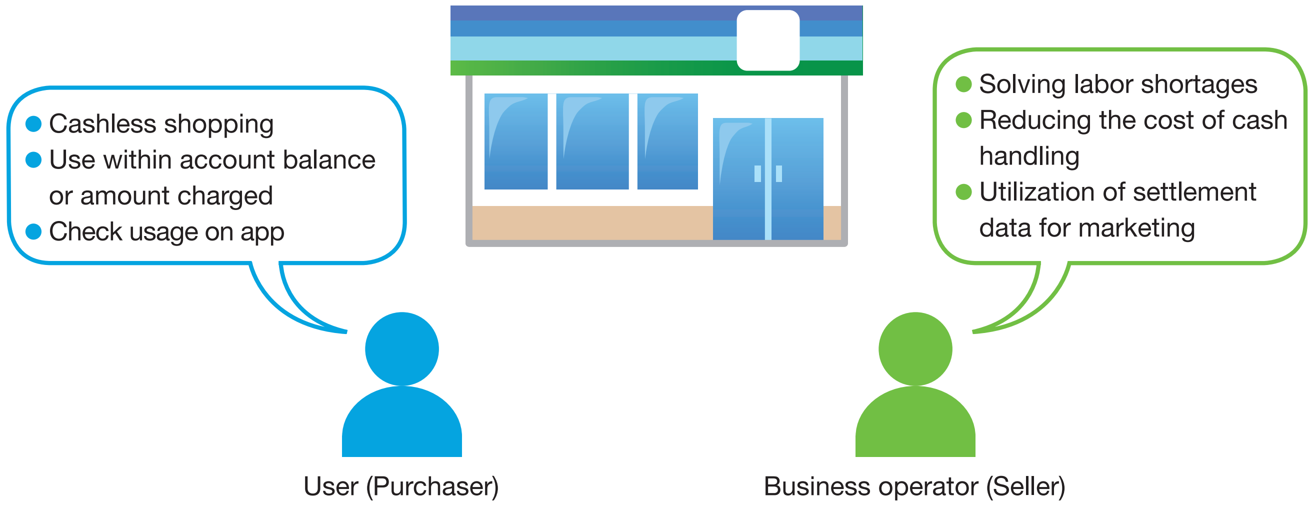
Information gathering on personnel-related needs (from Joyo Bank offices)	Cases of successful personnel placements
180 companies	6 companies, 7 cases

(As of March 31, 2019)

Expanding services that utilize digital technology

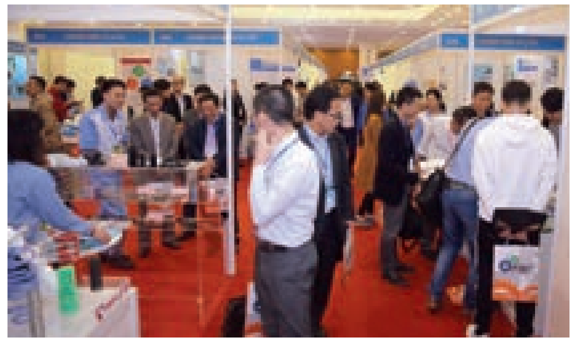
We are collaborating with convenient settlement services that use smartphone apps and promoting cashless services in the region while at the same time making efforts to enhance the convenience and services of both users and business operators.

Smartphone settlement services



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.



Structural Reform for Enhanced Productivity

In light of customer needs, customer contact diversification, and advances in IT digital technology, we will review the functions and roles of digital channels and manned branches, improve customer convenience and simplicity, and strengthen consulting functions.

Expanding digital channels of loan products

We have improved customer convenience, and customers can now make applications and complete loan contracts for automobile loans and educational loans on the Internet.

Utilization of robot advisors

We have commenced asset management proposals using robot advisors. Easy-to-operate robot advisors assist customers in selecting funds.

Use of tablets by tellers

We are promoting the digitalization of various procedures including opening bank accounts and making applications for investment trusts and life insurance on tablet devices.

- Reduce the burden of filling out forms for the customer
- Shorten the time required for procedures and administrative paperwork

New branches that utilize digital technology

We are diversifying our branches by utilizing digital technology, for example, by using videophones to connect branches of limited personnel with neighboring branches and installing counters with ATMs that can be used for tax payment.

Utilization of RPA*

RPA is replacing personnel in carrying out routine tasks such as entering data and gathering information, and business processes are being automated.

Targeted reduction of operational hours (Joyo Bank + Ashikaga Bank):
A maximum of approx. **54,000** hours per year

*RPA (Robotic Process Automation)
Replacing personnel with software (robots) to carry out routine administrative tasks such as entering data and gathering information in order to automate business processes and improve efficiency.

Unification of business processes and the administrative system structure through systems integration

In January 2020, we will integrate the core systems of Joyo Bank and Ashikaga Bank and aim to reduce operational costs including development and maintenance costs.

Shift in management resources resulting from structural reforms

People (Staff)	“Invested” area **200** people (Consulting services/ IT planning, etc.) “Saved” area **1,000** people (Administrative systems/ head office functions, etc.)
Things (Investment amount)	IT investment Total of ¥**15** billion in 3 years (Increase of ¥**4.0** billion from the previous 3 years) Branch investment Improved efficiency of approx. 20% of existing branches (review of functions, etc.)
Money (Expenses)	Cost reduction by structural reform ¥**5.0** billion or more per year* *Expenses in or after FY2022 – Expenses in FY2018 (excluding system integration costs)

Improvement of customer convenience and simplicity
More time to respond to customers’ inquiries
Enhancement of consulting function

(Increase in consulting time
100 people input x 4.5 hours (per day) x 240 business days = 100,000 hours per year)

Developing Human Resources for Value Creation

We are conducting training to raise the skills of each employee in order to meet the diverse needs of customers and the region through the utilization of IT and digital technology. We are also establishing systems and working environments in which diverse human resource can feel job satisfaction and work in the long-term according to their lifestyles, in order for the Group to grow along with the local communities.

Training human resources capable of utilizing IT technology

We are reinforcing our support for employees to raise their skill levels and training specialized human resources through seminars by external lecturers on the utilization of IT-related knowledge and information.

We are aiming to increase human resources with advanced IT-related skills and encourage the utilization of the Group’s IT services and data, while at the same time providing our customers with tools and expertise developed internally by the Group.

Promoting diversity

We are proactively promoting capable and motivated women employees to assistant manager positions or higher (P.24). In order to foster women leaders who will lead the active participation of women and become role models for younger women employees, we are conducting “Mebuki Women’s Class.”

Furthermore, we are proactively encouraging employees to change their employment status from part-time to regular employees, and providing support for enhancing their skills and careers.

Change in employment status: From part-time to regular employee
11 people

(FY2018: Joyo Bank + Ashikaga Bank)

Providing a pleasant working environment

We are also establishing systems and working environments that allow employees to work in line with their life stages, such as raising children or nursing care of family, as well as according to their lifestyles.

- Introduction of the flexible work system
- Short working hours system (childcare and nursing care)
- Holding seminars for employees returning to the workplace from childcare leave

External evaluation

プラチナくるみん
子育てサポートしています
(Joyo Bank)
The certification as a company supporting for childcare

2019
健康経営優良法人
Health and productivity
ホワイト500
(Ashikaga Bank)
The company promoting labor’s healthcare

Environmental 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

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.

FY2018 Loans for solar power generation

Number of contracts	Contract amount
288	¥42.9 billion

(Joyo Bank + Ashikaga Bank)

Initiatives for environmental conservation through the promotion of WEB bank accounts

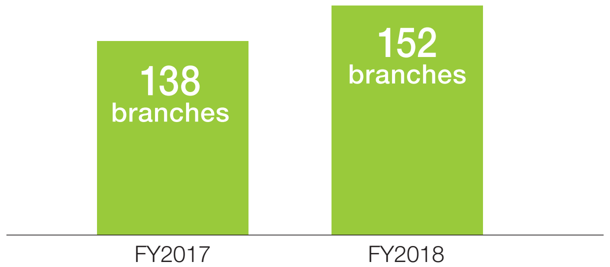
By promoting bank statements viewed using smartphone apps and the utilization of WEB bank accounts, we are contributing to environmental conservation by reducing the volume of paper used.

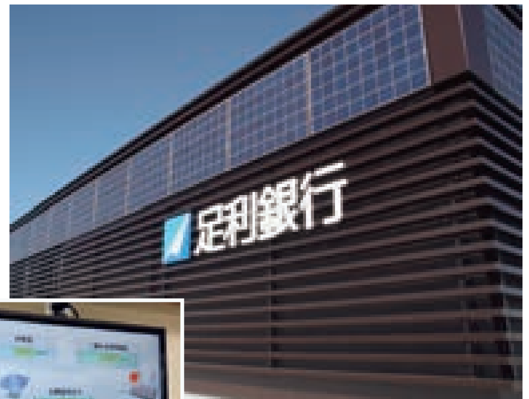
We make monetary contributions to environmental conservation organizations corresponding to the number of registered bank accounts using passbook apps. (Joyo Bank)

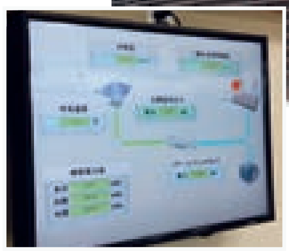
Making branches environmentally-friendly

We are continuing to make branches more environmentally-friendly by installing solar power generation systems and switching the interior lighting of the branches to LED.

Status of environmentally-friendly branches (Total number of branches)







Initiatives to Create "Local Communities"

Society

Commenced handling of private placement bonds for SDGs

A portion of the commission received when issuing private placement bonds for customers is used for donating books and other materials to the school of the customer's choice. Starting from March 2019, organizations engaged in initiatives for SDGs were also added as recipients of these donations. Through this product, we are supporting initiatives toward the achievement of SDGs together with local communities. To date, we have made donations of more than ¥70 million to schools and organizations engaged in initiatives for SDGs.

Contributing to the region through activities to spread financial education

We conduct *lessons on finance* to teach the importance of money and the role of banks to the next generation. We also provide financial education seminars intended for high-school and college students for understanding the mechanism of the monetary economy and specific financial operations.

Financial education lessons conducted

Number of lessons conducted	Number of participants
140	Approx. 2,500

(FY2018: 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 and support the activities of teams together with local community members.

Regional contribution initiatives by employees

Our employees are helping out in regional activities through volunteer work, for example, by participating in regional events such as festivals, conducting clean-up activities, collecting recyclable resources and engaging in environmental conservation activities.

Financial/Non-Financial Highlights

Financial Highlights

Mebuki FG (Consolidated basis)

(Billion yen)

		FY2018	Year-on-year change	Progress against forecast
Total income		288.2	+24.9	—
Net income attributable to owners of the parent	(1)	46.3	+3.2	102.9%
Capital adequacy ratio		9.94%	—	—

The Group's consolidated total income and total expenses were 288.2 billion yen and 221.7 billion yen, respectively.
Net income attributable to owners of the parent reached 46.3 billion yen.
Consolidated capital adequacy ratio reached 9.94%.

Total of banks (Joyo Bank + Ashikaga Bank) + Group companies other than banking subsidiaries

		FY2018	Year-on-year change	Progress against forecast
Net income	(2)	63.9*	+12.5	103.0%

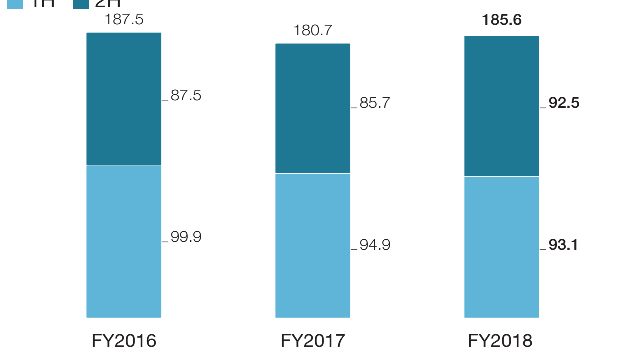
* Net income of total of banks 60.0 billion yen + Net Income of group companies other than banking subsidiarie 3.8 billion yen

[Consolidation adjustments, etc.] (17.5) billion yen = (2) – (1)

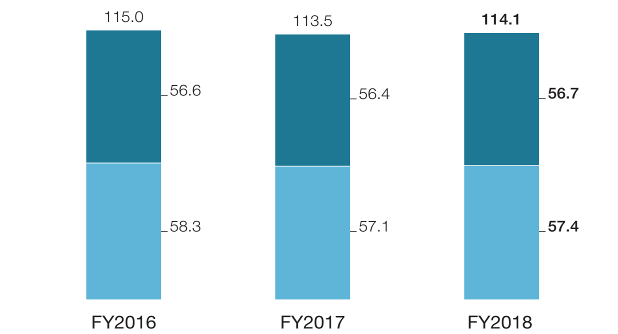
Dividend income from a subsidiary of Ashikaga Bank (Recorded under extraordinary income/losses)	(12.0) billion yen
Adjustments related to securities	(4.9) billion yen
Interest expenses of subordinated loans, expenses, etc.	(0.6) billion yen

Total (Joyo Bank + Ashikaga Bank)

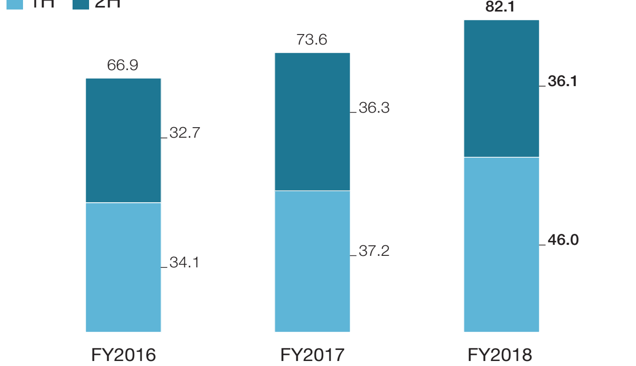
Gross business profit (Billion yen) **185.6 billion yen**



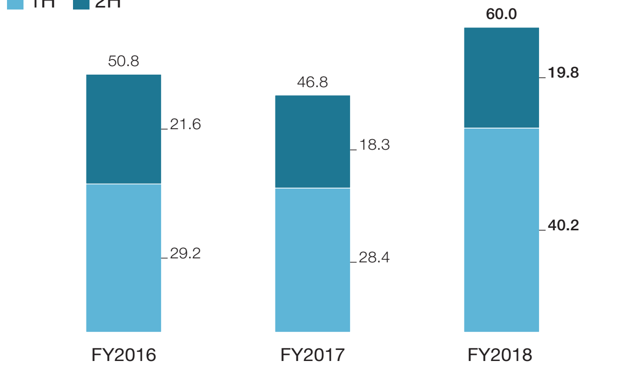
Ordinary expenses (Billion yen) **114.1 billion yen**



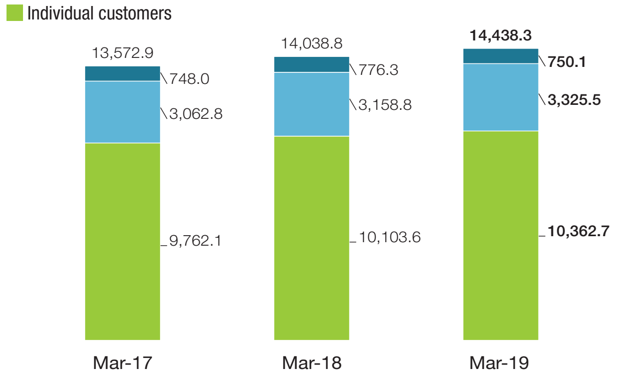
Core net business income (Billion yen) **82.1 billion yen**



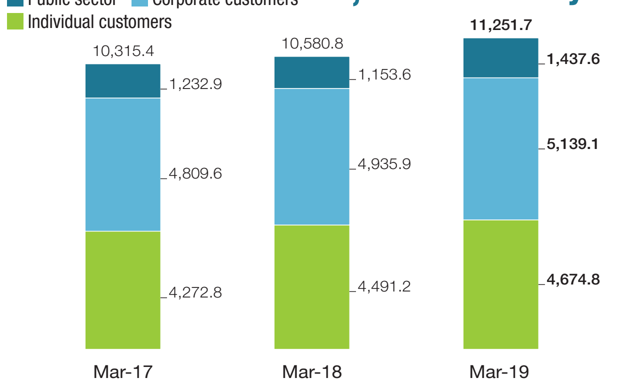
Net income (Billion yen) **60.0 billion yen**



Balance of deposits (Billion yen) **14,438.3 billion yen**

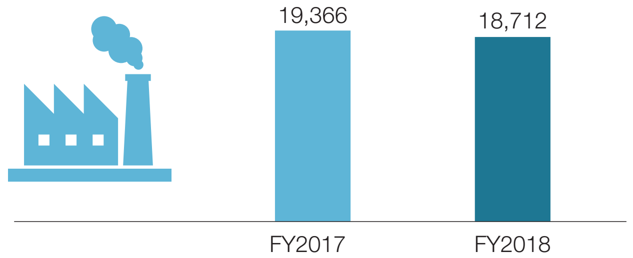


Balance of loans (Billion yen) **11,251.7 billion yen**

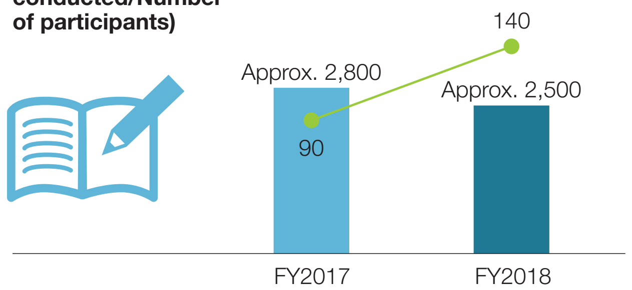


Non-financial Highlights (Joyo Bank + Ashikaga Bank)

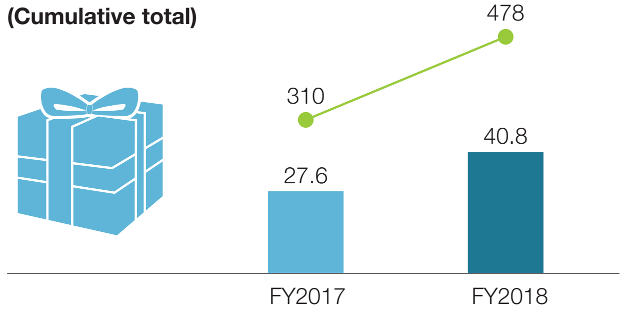
CO_2 Emission **18,712t-CO_2**



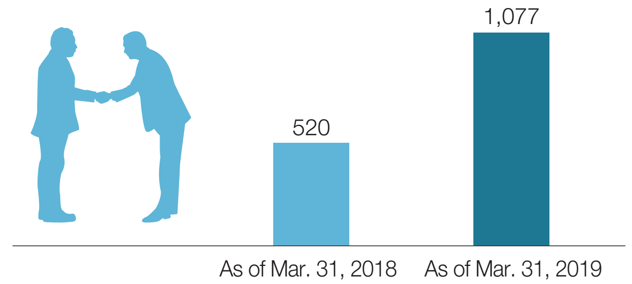
Financial education lessons (Number of lessons conducted/Number of participants) **140 lessons Approx. 2,500 participants**



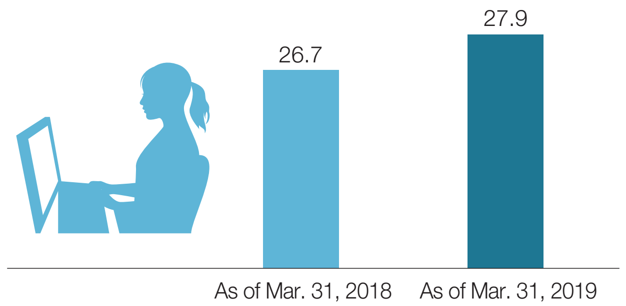
Private placement bonds with donation scheme and issue amount (Cumulative total) **478 issues 40.8 billion yen**



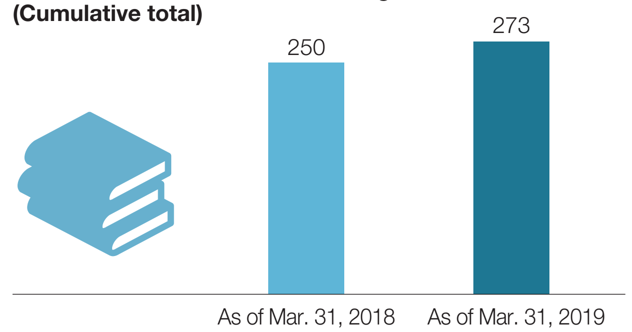
Number of business matches (Cumulative total) **1,077 matches**



Percentage of women in assistant manager positions or higher **27.9%**



Number of 1st-grade Certified Skilled Professionals of Financial Planning (Cumulative total) **273**



Dividend and Shareholder Return Policy

We will target a total return ratio* of 30% or more while taking into account maintaining solid capital levels for future growth and the appropriate distribution of profits to our shareholders. We will continue to consider the dividend level.

*Total return ratio = (Total amount of dividends + Total acquisition of treasury stock) /Net income attributable to owners of the parent

Status of Shareholder Returns (Dividends, Acquisition of Own Shares)

	FY2017	FY2018
Dividend per share	¥11	¥11
Total amount of dividends (1)	¥12.9 billion	¥12.9 billion
Total amount of acquisition of own shares (2)	—	¥2.0 billion
Net income attributable to owners of the parent (3)	¥43.0 billion	¥46.3 billion
Total return ratio ((1) + (2)) / (3)	30.0%	32.3%

Governance of Mebuki Financial Group

Corporate Governance

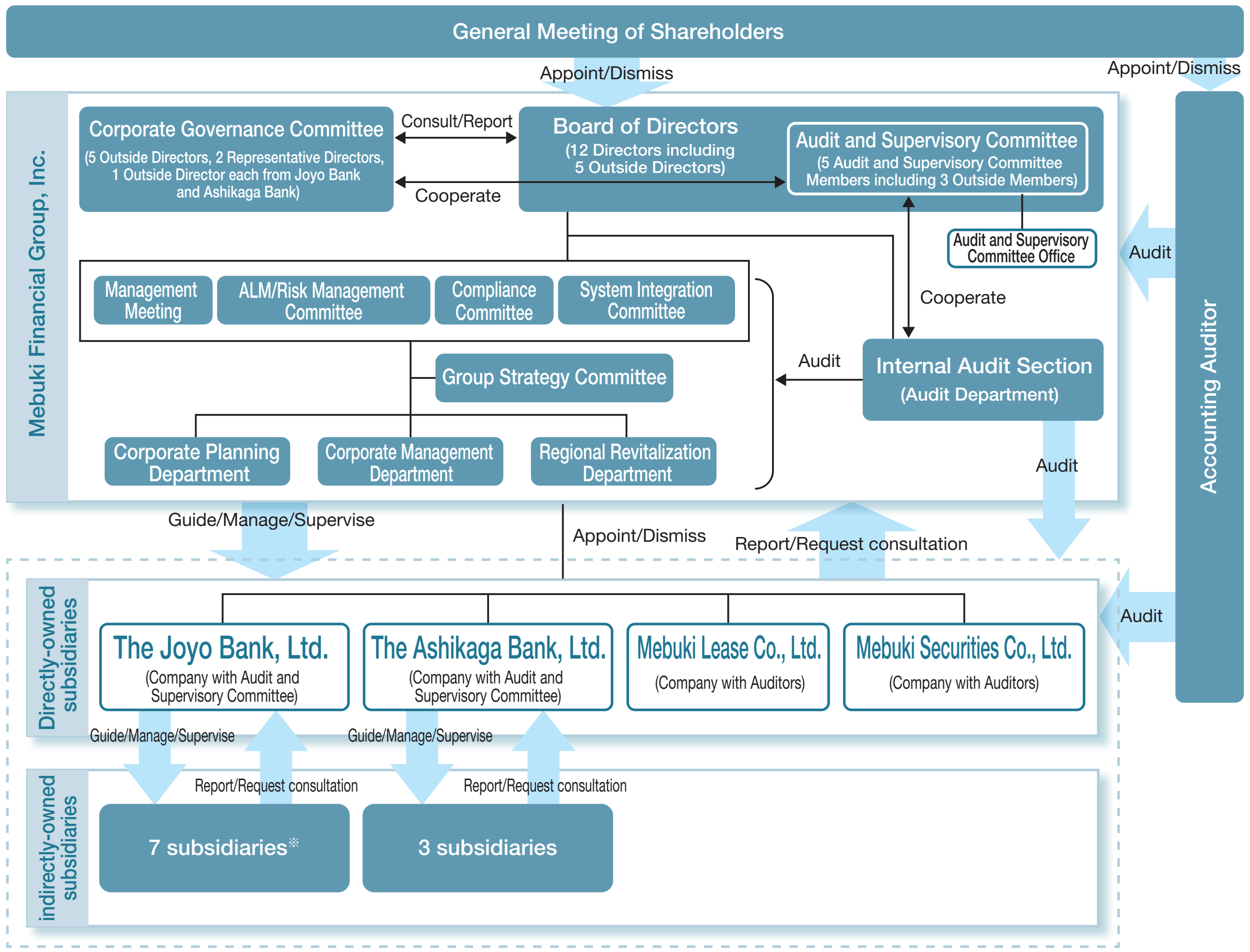
Basic approach to corporate governance

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

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

Corporate governance structure

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



*Including one company which was dissolved effective March 31, 2019, and is currently undergoing liquidation procedures.

Organization		Summary	Composition
Board of Directors		The Board of Directors 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 a transparent and fair decision-making function and a solid supervisory function through the appointment of multiple outside directors that have experience as corporate managers, lawyers, and academic experts.	12 Directors (including 5 Outside Directors)
Audit and Supervisory Committee		The Audit and Supervisory Committee audits the execution of duties by directors and determines the details of proposals related to the appointment, dismissal, and non-reappointment of accounting auditors to be submitted to the General Meeting of Shareholders.	5 Directors who are Audit and Supervisory Committee Members (including 3 Outside Directors)
Corporate Governance Committee		We have established the Corporate Governance Committee as an advisory board to the Board of Directors to ensure the objectivity and transparency of the compensation and the appointment of directors. Matters regarding nomination of director candidates and the compensation of directors are decided by the Board of Directors upon deliberation by the Corporate Governance Committee.	2 Representative Directors All 5 Outside Directors 1 Outside Director of Joyo Bank 1 Outside Director of Ashikaga Bank, a total of 9 members
Decision-making boards		We have established the following committees as bodies to discuss and decide important matters regarding business execution. Each decision-making committee reports the status of deliberation and decisions regarding business execution to the Board of Directors, while under the supervision of the Board of Directors.	
	Management Meeting	The Management Meeting 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.	All 5 Executive Directors Both Executive Officers, a total of 7 members
	ALM/Risk Management Committee	The ALM/Risk Management Committee 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.	All 5 Executive Directors Both Executive Officers General Manager, Corporate Planning Department General Manager, Corporate Management Department General Manager, Basel Unit, Corporate Management Department, a total of 10 members
	Compliance Committee	The Compliance Committee 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 the practice of compliance.	All 5 Executive Directors Both Executive Officers General Manager, Corporate Planning Department General Manager, Corporate Management Department General Manager, Audit Department, a total of 10 members
	System Integration Committee	The System Integration Committee 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.	All 5 Executive Directors Both Executive Officers, a total of 7 members

Evaluation of the Board of Directors

The Board of Directors of the Company conducts analysis and evaluation of its effectiveness as a whole each year, in order to utilize the results of such evaluation to improve the operations of the Board of Directors, by confirming the opinions of each director on such matters as the composition and operation of the Board of Directors.

Regarding the FY2018 evaluation, opinions were exchanged on the evaluation method and the contents of the questionnaire at the executive session comprising all outside directors of the Company and its subsidiary banks, as was the case in the previous fiscal year. Based on this discussion, questionnaires on the composition and operations of the Board of Directors and other matters were distributed to all directors, and replies and comments were obtained. With regard to the results of the evaluations based on these replies and comments, the Board of Directors of the Company, upon deliberation by the Corporate Governance Committee, finalized and determined the results of analysis and evaluation of the effectiveness of the Board of Directors as a whole.

(Evaluation results)

The Board of Directors of the Company has confirmed that directors with adequate knowledge and experience to demonstrate their required functions have been appropriately elected; all directors, upon sharing the roles and responsibilities of the Board of Directors, are engaged in constructive and proactive discussions from the perspective of total optimization; and the effectiveness of the Board of Directors as a whole has been mostly assured.

With regard to issues recognized during the previous fiscal year's evaluation, "improvement of the discussions by the Board of Directors" and "enhancement of the effectiveness of the supervisory function of the Board of Directors," were remediated in the operations of the Board of Directors throughout the year.

The following matters were recognized as issues in aiming for the sustainable growth of the Group and the further improvement of corporate value in the medium- to long-term. By implementing the necessary responses to these issues, the Company will strive to enhance the effectiveness of its corporate governance structure.

1. "Review of the composition of the Board of Directors in order to improve effectiveness"
   - Review of the ratio of inside and outside directors, and ensuring diversity regarding gender and other factors
   - Promoting communication among outside directors
2. "Further improvement of the operations of the Board of Directors"
   - Providing the information required for management decision-making in the appropriate quality and quantity
   - Securing the necessary time to deliberate basic management policies and management strategies by narrowing down the agenda to necessary items

Compensation for Directors
(Directors' compensation system)

Under the Company's directors' compensation system, compensation amounts are to be determined, as follows, upon dividing the directors into "directors (excluding directors who are Audit and Supervisory Committee Members)" and "directors (who are Audit and Supervisory Committee Members)," within the maximum amount resolved by the General Meeting of Shareholders. At the General Meeting of Shareholders held on June 28, 2016, a resolution was adopted setting the maximum amount of directors' compensation at ¥200 million per year for "directors (excluding directors who are Audit and Supervisory Committee Members) and ¥80 million per year for "directors (who are Audit and Supervisory Committee Members).

The compensation of executive directors among the "directors (excluding directors who are Audit and Supervisory Committee Members) comprises a monthly compensation, which is a fixed compensation, stock options, and a bonus which is a performance-linked compensation.

The basic amount of the monthly compensation for each executive director is determined by position. Stock options comprise stock acquisition rights, with an exercise price of ¥1 per share, granted as stock compensation-type stock options, and the amount of stock options for each executive director is determined based on the director's position.

With regard to bonuses which are performance-linked compensation, the basic amount is determined by position and the total amount of bonus payment is determined within a maximum amount which fluctuates each year according to consolidated profit levels (ROE), and the amount paid to each executive director is determined based on the basic amounts by position, which is adjusted according to the level of contribution of each executive director to business performance. The consolidated ROE has been adopted as a performance indicator in order to provide incentive to the directors to improve the Group's corporate value. Under the First Medium-Term Group Business Plan (October 1, 2016 to March 31, 2019), an ROE of 5.0% or more was targeted, and in the current fiscal year an ROE of 5.1% was achieved. During the fiscal year under review, performance-linked compensation accounted for approximately 7% of the total compensation for executive directors.

The compensation for outside directors who are not Audit and Supervisory Committee Members is comprised only of a monthly fixed compensation, and this monthly compensation amount is determined in accordance with the regulations on compensation set forth by the Board of Directors.

The compensation for "directors (who are Audit and Supervisory Committee Members) is comprised only of a monthly fixed compensation. This monthly compensation amount is determined separately for full time and part time Directors (who are Audit and Supervisory Committee Members), in accordance with the regulations on compensation set forth by the Audit and Supervisory Committee, and the compensation amount for each director (who is an Audit and Supervisory Committee Member) is determined in accordance with the said regulations.

(Board determining directors' compensation)

The Company has established the Corporate Governance Committee as an advisory board to the Board of Directors. In order ensure the objectivity and transparency of directors' compensation, the compensation for "directors (excluding directors who are Audit and Supervisory Committee Members)" is determined by the Board of Directors, and the compensation for "directors (who are Audit and Supervisory Committee Members)" is determined by the Audit and Supervisory Committee upon deliberation by the Corporate Governance Committee. The Corporate Governance Committee is chaired by an outside director, and the majority of the members are outside directors (including outside directors of subsidiary banks).

Group Structure and Corporate Data (As of March 31, 2019)

MEBUKI Financial Group

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	117
Credit ratings	A (R&I)

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 (153 branches, 30 sub-branches) Overseas: 4 Representative Offices (Shanghai, Singapore, New York, Hanoi)
Number of employees*	3,320
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 billion yen
Network	Domestic: 154 offices (107 branches, 47 sub-branches) Overseas: 2 Representative Offices (Hong Kong, Bangkok)
Number of employees*	2,857
Credit ratings	A+ (R&I)

Mebuki Lease Co., Ltd.

Founded	September 25, 1974
Head Office	4-12, Minami-machi 3-chome, Mito, Ibaraki Prefecture
Paid in capital	100 million yen
Network	13 offices (Head Office, 12 branches)
Number of employees	63

Mebuki Securities Co., Ltd.

Founded	November 30, 2007
Head Office	4-12, Minami-machi 3-chome, Mito, Ibaraki Prefecture
Paid in capital	3 billion yen
Network	7 offices (Head Office, 3 branches, 3 resident offices)
Number of employees	57

*Excluding those transferred to organizations

List of Directors

7 Directors

President and Director
Ritsuo Sasajima

June 2011	Executive Officer and General Manager, Corporate Planning Division, The Joyo Bank, Ltd.
June 2013	Managing Director, The Joyo Bank, Ltd.
October 2016	Director, in charge of Corporate Planning, the Company
June 2017	Senior Managing Director, The Joyo Bank, Ltd.
June 2018	President, the Company (current position) President, The Joyo Bank, Ltd. (current position)

Executive Vice President and Director
Masanao Matsushita

January 2009	Executive Officer, The Ashikaga Bank, Ltd.
June 2012	Executive Officer, General Manager, Corporate Planning Department, Ashikaga Holdings Co., Ltd. Managing Executive Officer, Corporate Planning Division, The Ashikaga Bank, Ltd.
April 2014	Executive Officer, Ashikaga Holdings Co., Ltd. Managing Executive Officer, The Ashikaga Bank, Ltd.
June 2014	Director, President and Chief Executive Officer, Ashikaga Holdings Co., Ltd. Director, President and Chief Executive Officer, The Ashikaga Bank, Ltd.
June 2016	President, The Ashikaga Bank, Ltd. (current position)
October 2016	Executive Vice President, the Company (current position)

Director
Eiji Murashima

June 2010	Executive Officer and General Manager, Business Administration Division, The Joyo Bank, Ltd.
June 2011	Executive Officer and General Manager, Business Promotion Division, The Joyo Bank, Ltd.
June 2012	Managing Executive Officer and Vice Director-General of Business Headquarters, The Joyo Bank, Ltd.
June 2013	Managing Director, The Joyo Bank, Ltd.
October 2016	Director, in charge of Corporate Management (Basel), the Company (current position)
June 2018	Senior Managing Director, The Joyo Bank, Ltd. (current position)

Director
Yutaka Horie

June 2009	Executive Officer, The Ashikaga Bank, Ltd.
April 2014	Managing Executive Officer, The Ashikaga Bank, Ltd.
April 2015	Executive Officer, General Manager, Corporate Management Department, Ashikaga Holdings Co., Ltd. Senior Managing Executive Officer, The Ashikaga Bank, Ltd.
June 2016	Senior Managing Director, The Ashikaga Bank, Ltd. (current position)
June 2017	Director, in charge of Corporate Management, Risk Management, and Information Security, the Company (current position)

Director
Tetsuya Akino

June 2016	Executive Officer and General Manager, Personnel Division, The Joyo Bank, Ltd.
October 2016	General Manager, Corporate Management Department, the Company
June 2017	General Manager, Corporate Planning Department, the Company Executive Officer and General Manager, Corporate Planning Division, The Joyo Bank, Ltd.
June 2018	Director, in charge of Corporate Planning, the Company (current position) Managing Director, The Joyo Bank, Ltd. (current position)

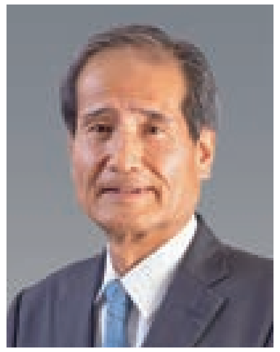
Director (Audit and Supervisory Committee Member)
Yoshiaki Terakado

June 2004	Executive Officer and General Manager, Retail Banking Division, The Joyo Bank, Ltd.
June 2006	Executive Officer and General Manager, Business Administration Division, The Joyo Bank, Ltd.
June 2008	Standing Corporate Auditor, The Joyo Bank, Ltd.
June 2016	Retired from the position as Standing Corporate Auditor, The Joyo Bank, Ltd.
October 2016	Director (Audit and Supervisory Committee Member), the Company (current position)

Director (Audit and Supervisory Committee Member)
Kunihiro Ono

June 2010	Executive Officer, General Manager, New Accounting System Transition Promotion Division, The Ashikaga Bank, Ltd.
October 2011	Executive Officer, The Ashikaga Bank, Ltd.
June 2012	Director, The Ashikaga Bank, Ltd.
June 2013	Director, Ashikaga Holdings Co., Ltd.
June 2016	Retired from the position as Director, The Ashikaga Bank, Ltd.
October 2016	Director (Audit and Supervisory Committee Member), the Company (current position)
June 2017	Corporate Auditor, Mebuki Lease Co., Ltd. (current position)

5 Outside Directors



Outside Director
Hiromichi Ono

April 1979	Joined Ajinomoto Co., Inc.
March 2004	General Manager, Finance Department, Ajinomoto Co., Inc.
June 2007	Corporate Executive Officer, Ajinomoto Co., Inc.
June 2011	Member of the Board & Corporate Vice President, in charge of finance and procurement, Ajinomoto Co., Inc.
June 2017	Retired from the position as Member of the Board & Corporate Vice President, Ajinomoto Co., Inc.
June 2019	Outside Director, the Company (current position)

Outside Director
Yoshimi Shu

August 2000	Joined JP Morgan Securities Japan Co., Ltd.
June 2006	Head of Tokyo Control Room, Compliance Department, JP Morgan Securities Japan Co., Ltd.
May 2012	Managing Director, JP Morgan Securities Japan Co., Ltd.
October 2012	Head of Japan Controls & Oversight Department, JP Morgan Securities Japan Co., Ltd.
January 2014	Retired from JP Morgan Securities Japan Co., Ltd.
February 2014	Deputy President & Representative Director, Core Value Management, Co., Ltd. (current position)
June 2019	Outside Director, the Company (current position)

Outside Director (Audit and Supervisory Committee Member)
Ryuzaburo Kikuchi

April 1969	Lecturer, Mito Junior College
April 1971	Assistant Professor, Mito Junior College
April 1972	Institutional Assistant, Ibaraki University
April 1974	Lecturer, Ibaraki University
April 1976	Assistant Professor, Ibaraki University
April 1986	Professor, Ibaraki University
September 1996	Dean, College of Education and Education Research Council Member, Ibaraki University
September 2004	President, National University Corporation Ibaraki University
August 2008	Retired from the position as President, National University Corporation Ibaraki University
June 2009	Outside Director, The Joyo Bank, Ltd.
September 2013	Special Assignment Professor, College of Human Science, Department of Education, Tokiwa University (current position)
June 2016	Retired from the position as Outside Director, The Joyo Bank, Ltd.
October 2016	Outside Director (Audit and Supervisory Committee Member), the Company (current position)

Outside Director (Audit and Supervisory Committee Member)
Toru Nagasawa

April 1984	Admitted as an attorney
April 1995	Nagasawa Law Office (Currently, Nagasawa General Law Office) opened, Representative Attorney (current position)
September 2007	Outside Corporate Auditor, GREE, Inc. (current position)
June 2015	Outside Director, Toho Holdings Co., Ltd. (current position)
June 2016	Outside Director, Ashikaga Holdings Co., Ltd.
October 2016	Outside Director (Audit and Supervisory Committee Member), the Company (current position)

Outside Director (Audit and Supervisory Committee Member)
Takashi Shimizu

April 1995	Lecturer, School of Commerce, Waseda University
April 1997	Assistant Professor, School of Commerce, Waseda University
September 2000	Ph.D., Commerce (Waseda University)
April 2002	Professor, School of Commerce, Waseda University
August 2002	Visiting Researcher, Berkeley, University of California (until August 2003)
April 2005	Professor, Graduate School of Accounting, Waseda University (current position)
October 2016	Outside Director (Audit and Supervisory Committee Member), the Company (current position)

Risk Management System

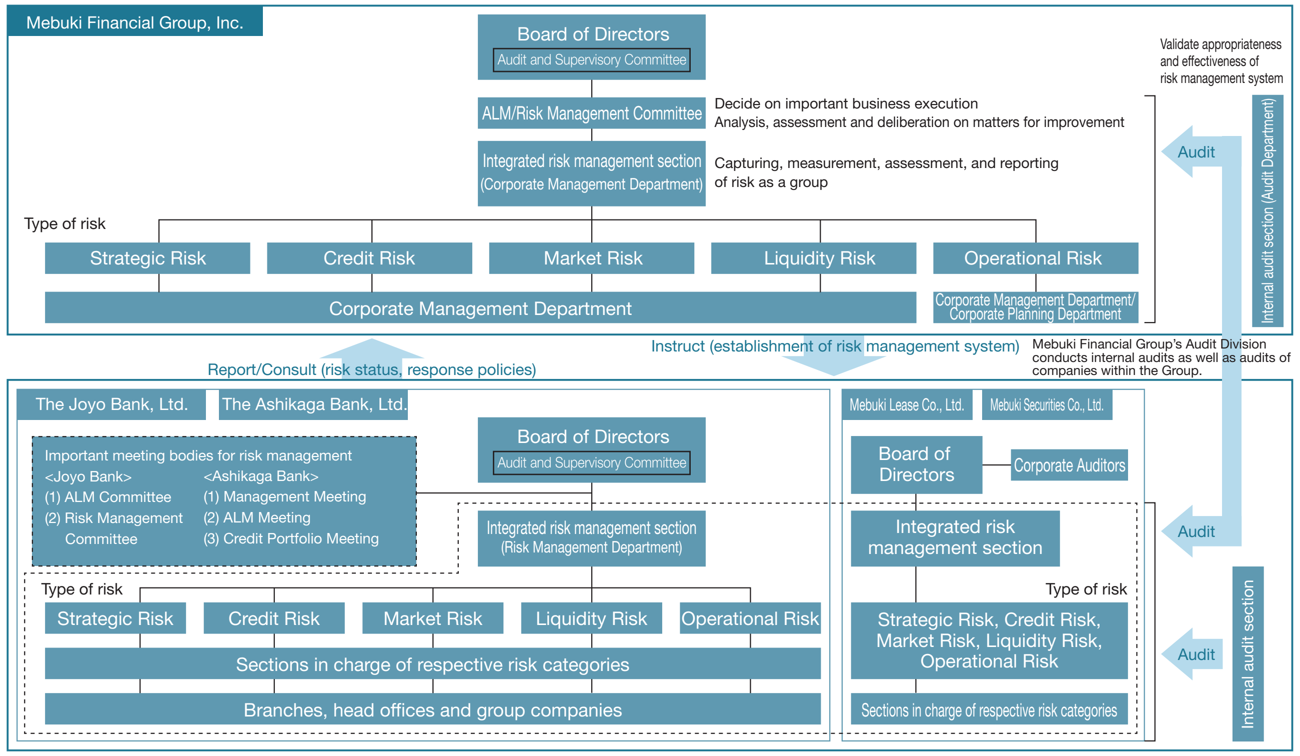
The Group aims to enhance the risk management system by positioning it as an important management task from the perspective of the maintenance and improvement of sound corporate management.

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

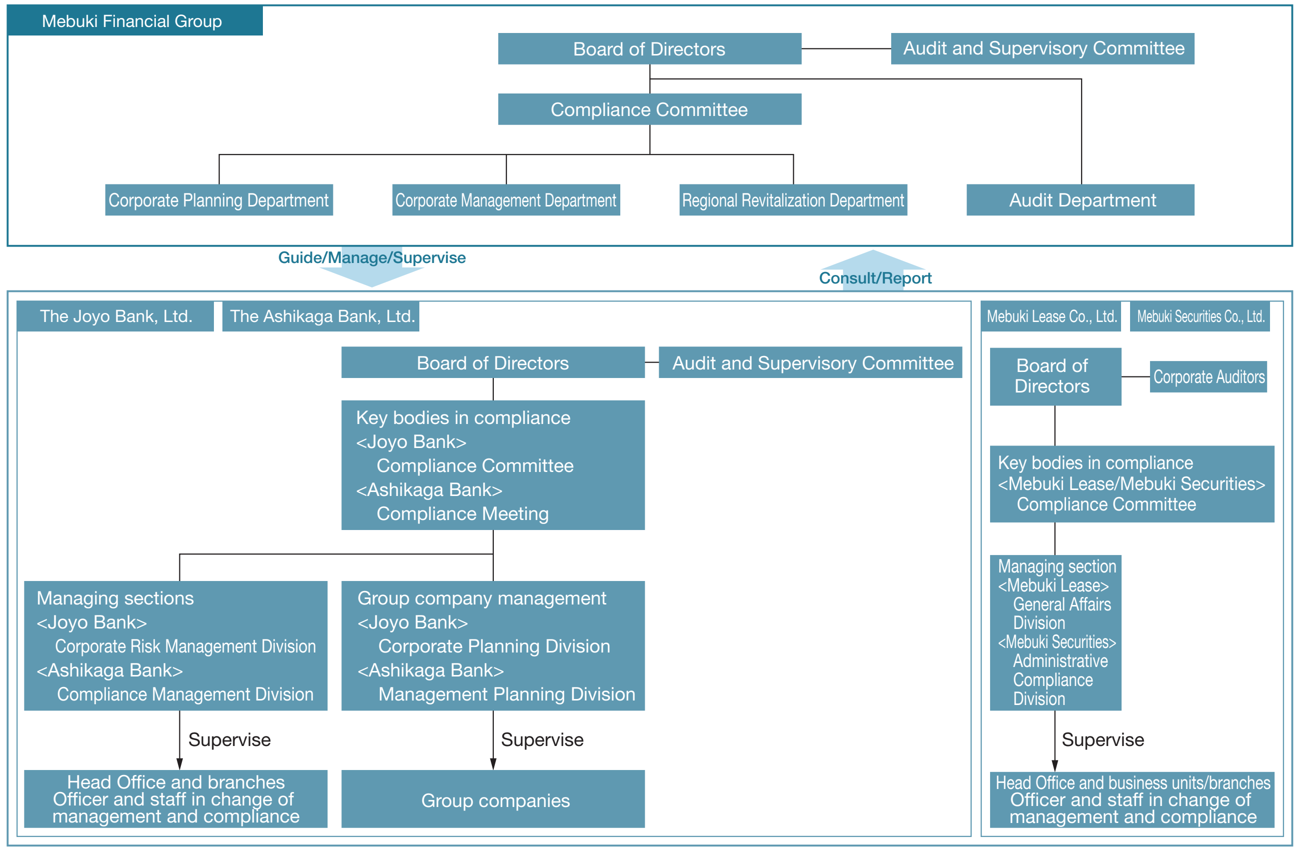
We also identify and assess risk through methods in line with risk characteristics and take appropriate actions for: compliance (legal) risk, the risk of incurring losses mainly due to an illegal act committed by directors and employees; personnel management risk, the risk of incurring losses mainly 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 FY2019 Group's Basic Policy for Anti-Money Laundering, and has decided to build and maintain a risk management system against money laundering and financing of terrorism through 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.

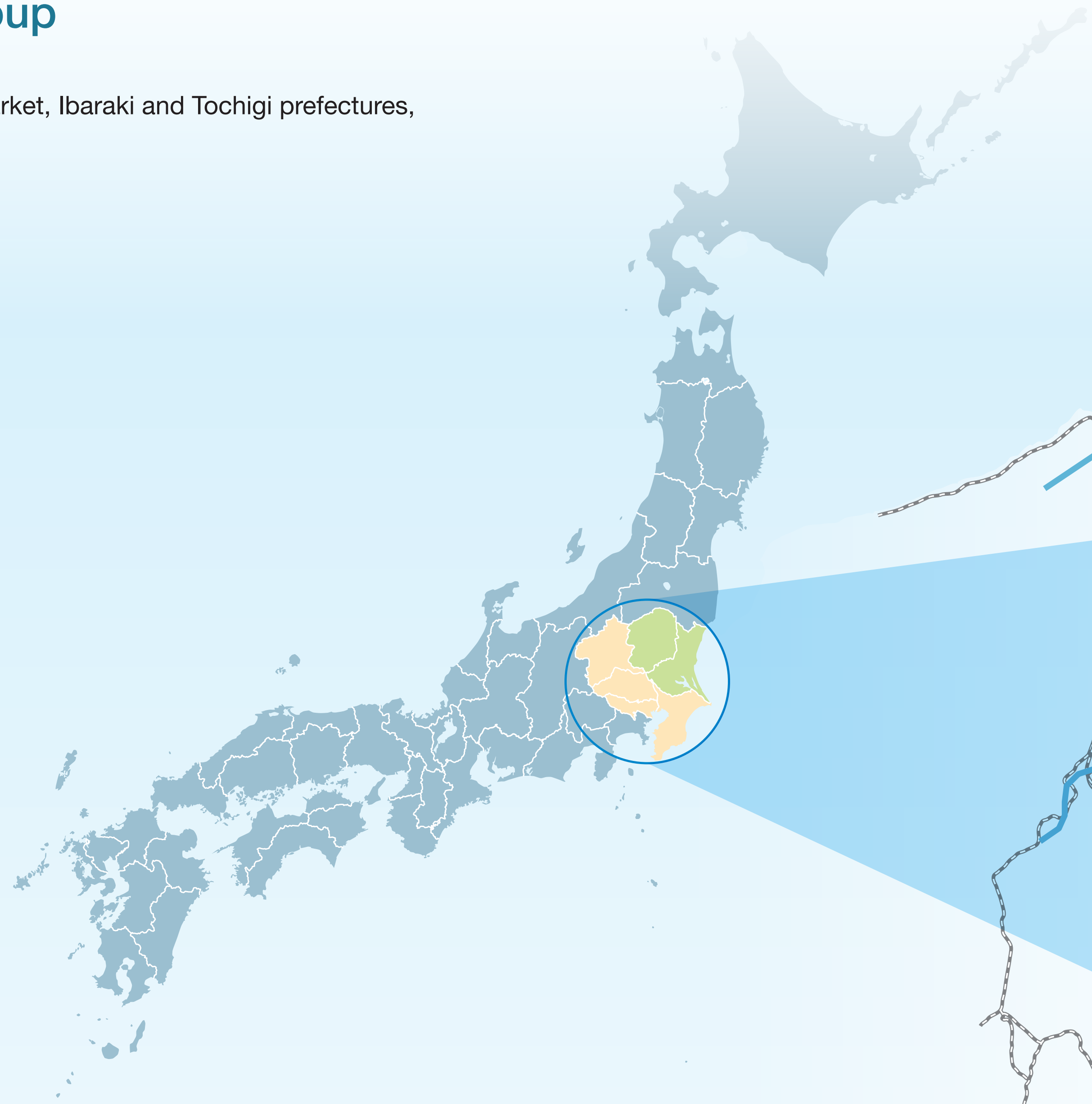
Joyo Bank and Ashikaga Bank have established a supervising section in charge of consultation, complaints and other communication from customers, and have also entered into a basic contract for the implementation of dispute resolution procedures with the Japanese Bankers Association, the designated dispute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

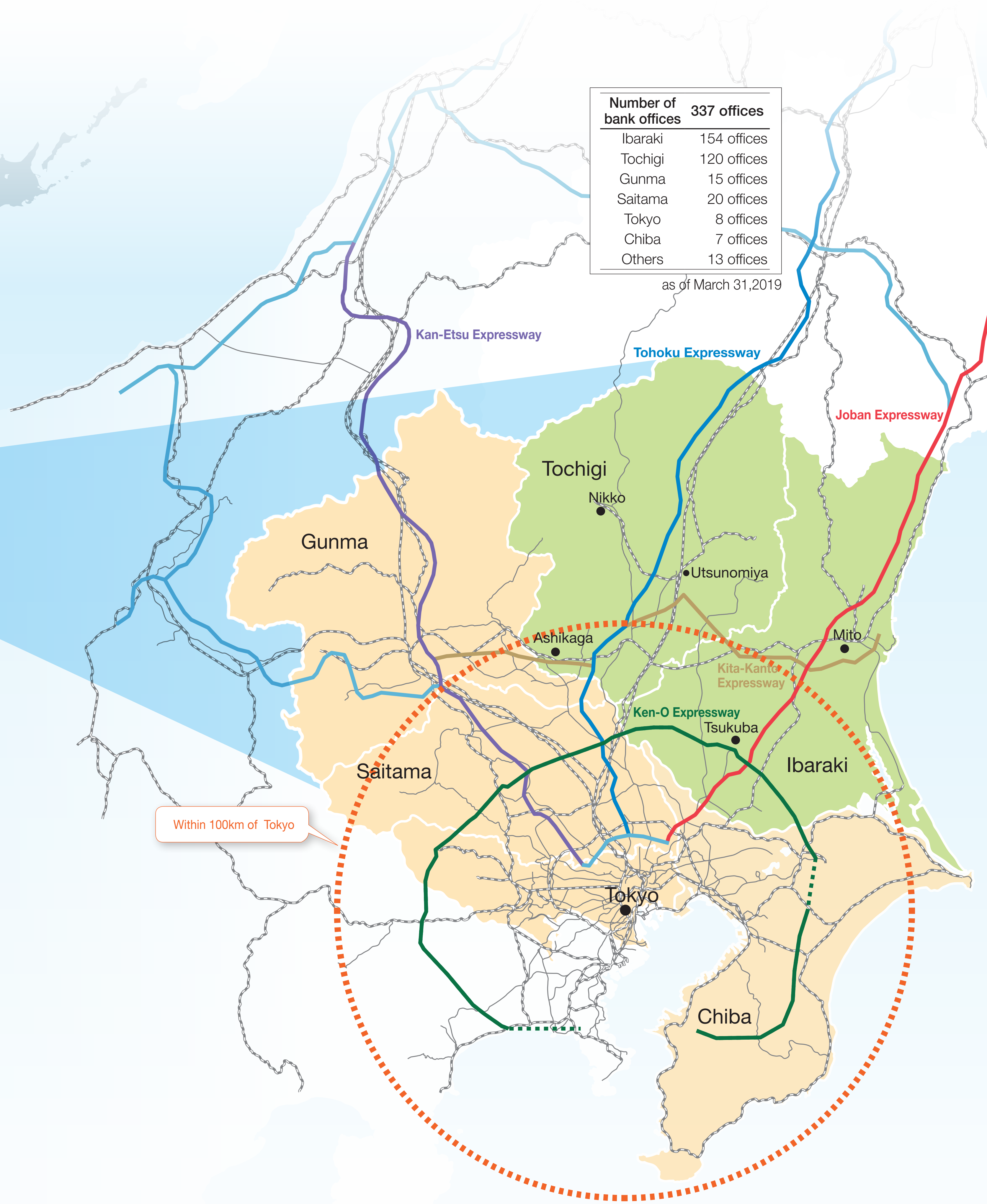
Joyo Bank, which concurrently operates a trust business, has also entered into a basic contract for the implementation of dispute resolution procedures with the Trust Companies Association of Japan, the designated dispute resolution organization under the Trust Business Act and the Act on Engagement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

(Note) Ashikaga Bank has commenced the handling of the trust business, effective July 1, 2019, and has entered into a basic agreement to implement procedures with the Trust Companies Association of Japan.

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 (2016) (¥ trillion)	13.1	11	9.0	14	8.5	16	22.7	5	20.4	7	104.5	1
Population (2018) (thousand)	2,877	11	1,946	19	1,952	18	7,330	5	6,255	6	13,822	1
Prefectural income per capita (2015) (¥ thousand)	3,079	10	3,481	4	3,145	8	2,977	15	2,920	22	5,378	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 (2017) (¥ trillion)	11.2	8	8.9	12	8.7	13	12.7	6	11.4	7	7.8	14
New Factory Locations (excluding power supply sector) (2017) (number/area(ha))	46 / 87ha	5 / 4	37 / 97ha	8 / 3	62 / 55ha	2 / 9	37 / 32ha	9 / 13	21 / 19ha	17 / 21	- / -ha	47 / 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.

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 2019), we offer a wide variety of support services through business alliances with local financial institutions and government agencies in Asia and North America.

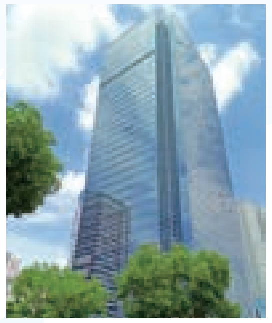
Ashikaga Bank's Bangkok Representative Office and Joyo Bank's Hanoi Representative Office were established in November 2017 and February 2018, respectively.

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.

Shanghai Representative Office, Joyo Bank

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

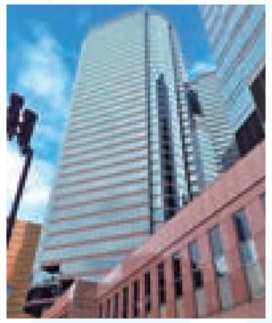
Phone: +86-21-6209-0258



Hong Kong Representative Office, Ashikaga Bank

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

Phone: +852-2251-9475



New York Representative Office, Joyo Bank

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

Phone: +1-347-686-8420

Hanoi Representative Office, Joyo Bank

Address: 5th Floor, Sun Red River, 23 Phan Chu Trinh Street, Hoan Kiem District,Hanoi, Vietnam

Phone: +84-24-3218-1668

Representative Office Registered in Singapore, Joyo Bank

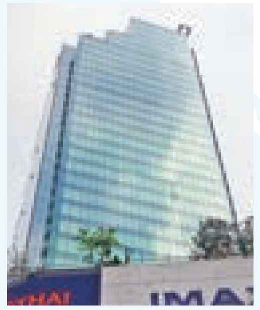
Address: 63 Market Street, #11-03, Bank of Singapore Centre, Singapore 048942

Phone: +65-6225-6543

Bangkok Representative Office, Ashikaga Bank

Address: 689, Bhiraj Tower at EmQuartier, 27th Floor, Room No.2714, Sukhumvit Road, Klongton-nua, Wattana, Bangkok 10110, Thailand

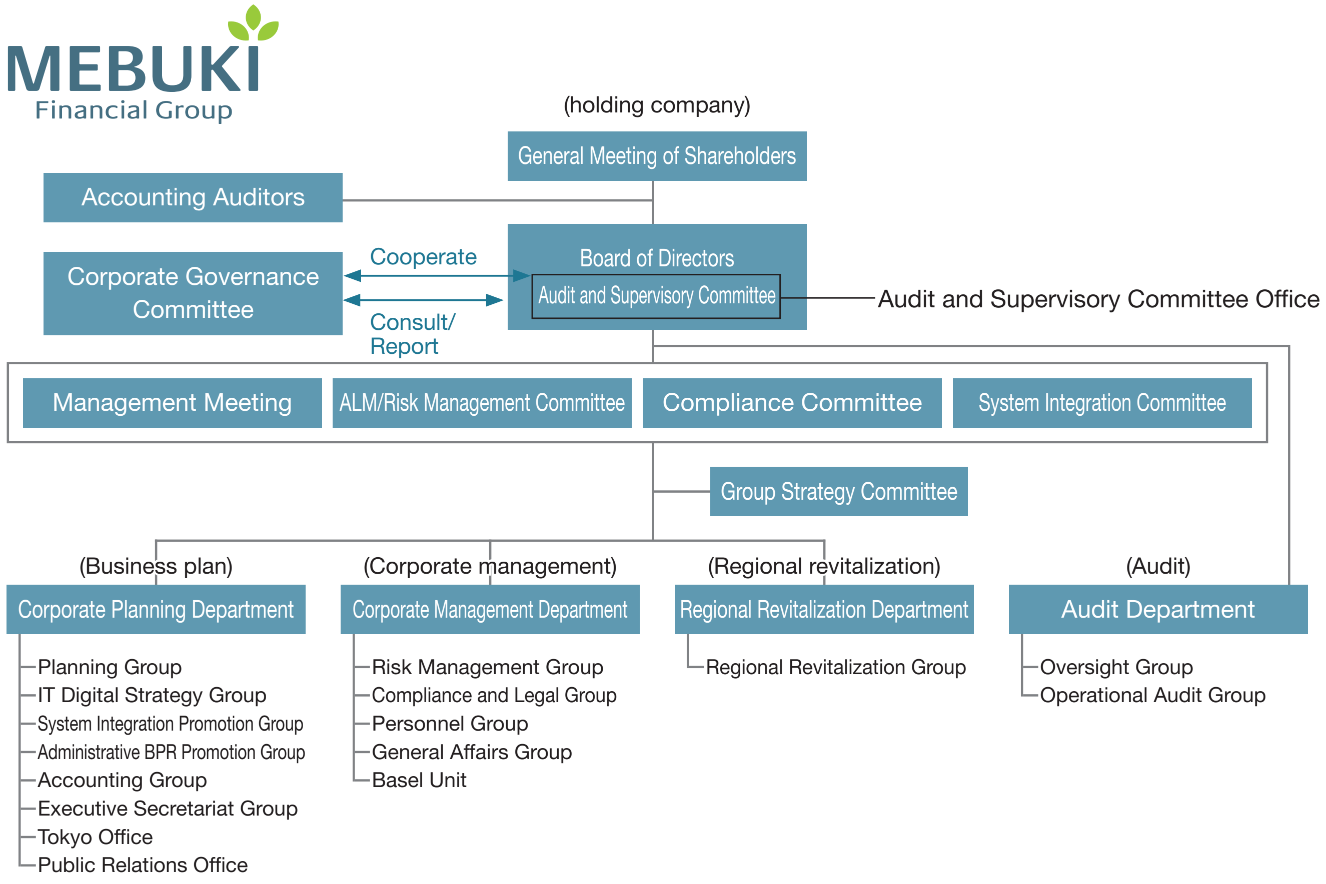
Phone: +66-2-261-2852



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	●		

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

Organization (as of June 25, 2019)



directly-owned subsidiary

JOYO BANK
Company with Audit and Supervisory Committee

ASHIKAGA BANK
Company with Audit and Supervisory Committee

MEBUKI LEASE
Company with Auditors

MEBUKI SECURITIES
Company with Auditors

Stock Information (As of March 31, 2019)

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	10.47
The Master Trust Bank of Japan, Ltd. (trust account)	51,345	4.37
Japan Trustee Services Bank, Ltd. (trust account)	50,637	4.31
Nippon Life Insurance Company	34,487	2.93
Sompo Japan Nipponkoa Insurance, Inc.	32,974	2.81
Japan Trustee Services Bank, Ltd. (trust account 9)	32,581	2.77
STATE STREET BANK AND TRUST COM-PANY 505223	23,770	2.02
Sumitomo Life Insurance Company	21,659	1.84
Japan Trustee Services Bank, Ltd. (trust account 5)	20,083	1.71
The Dai-ichi Life Insurance Company, Limited	19,948	1.70
Total	410,387	34.98

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, 2019 Mebuki Financial Group, Inc. and Consolidated Subsidiaries

	Millions of Yen 2019	Millions of Yen 2018	Thousands of U.S. Dollars (Note 1) 2019
ASSETS			
Cash and due from banks (Notes 3 and 23)	¥ 1,468,877	¥ 1,708,734	$ 13,234,322
Call loans and bills bought (Note 23)	10,389	14,636	93,610
Monetary claims bought (Note 23)	15,152	15,388	136,526
Trading assets (Notes 4 and 23)	13,799	12,539	124,328
Money held in trust (Note 5)	23,175	—	208,803
Securities (Notes 4, 10, 11, and 23)	4,346,628	4,176,768	39,162,341
Loans and bills discounted (Notes 7, 11, 23, and 27)	11,122,484	10,497,976	100,211,587
Foreign exchanges (Note 7)	6,508	6,416	58,644
Lease receivables and investments in lease (Note 22)	62,653	56,620	564,495
Other assets (Notes 11 and 24)	205,611	187,737	1,852,527
Tangible fixed assets (Note 8)	112,518	115,146	1,013,769
Intangible fixed assets (Note 9)	18,388	14,801	165,678
Asset for retirement benefits (Note 14)	16,550	15,428	149,115
Deferred tax assets (Note 21)	1,583	2,119	14,268
Customers' liabilities for acceptances and guarantees (Note 10)	21,442	24,902	193,195
Allowance for loan losses	(73,179)	(79,324)	(659,335)
Allowance for investment losses	(9)	(9)	(81)
TOTAL	¥17,372,575	¥16,769,883	$156,523,791
LIABILITIES AND EQUITY			
LIABILITIES:			
Deposits (Notes 11 and 23)	¥14,373,888	¥13,977,912	$129,506,160
Negotiable certificates of deposit (Note 23)	282,158	272,640	2,542,196
Call money and bills sold (Note 23)	191,740	340,540	1,727,549
Payables under repurchase agreements (Note 11)	120,832	26,314	1,088,676
Payables under securities lending transactions (Notes 11 and 23)	202,152	158,149	1,821,360
Trading liabilities	1,065	504	9,602
Borrowed money (Notes 11, 12, and 23)	1,053,077	877,856	9,488,040
Foreign exchanges	637	708	5,741
Bonds (Note 13)	5,000	5,000	45,049
Bonds with warrants (Note 13)	33,297	31,881	300,000
Due to trust account	566	11	5,103
Other liabilities	116,512	114,060	1,049,755
Provision for bonuses for directors	284	129	2,562
Liability for retirement benefits (Note 14)	7,429	6,014	66,938
Provision for retirement benefits for directors	57	63	522
Provision for reimbursement of deposits	3,253	3,781	29,314
Provision for contingent losses	1,955	1,603	17,616
Provision for point card certificates	406	294	3,667
Provision for losses on interest repayments	16	13	150
Reserves under special laws	2	2	18
Deferred tax liabilities (Note 21)	27,241	28,789	245,442
Deferred tax liabilities for land revaluation (Note 8)	8,823	9,226	79,501
Negative goodwill	1,185	1,343	10,679
Acceptances and guarantees (Note 10)	21,442	24,902	193,195
Total liabilities	16,453,028	15,881,743	148,238,835
EQUITY (Notes 15 and 16):			
Common stock	117,495	117,495	1,058,614
Capital surplus	148,545	148,541	1,338,366
Stock acquisition rights	233	216	2,099
Retained earnings	523,792	489,697	4,719,279
Treasury stock	(2,026)	(8)	(18,257)
Accumulated other comprehensive income:			
Unrealized gains on available-for-sale securities (Note 6)	123,042	120,727	1,108,590
Deferred losses on derivatives under hedge accounting (Note 24)	(267)	(56)	(2,408)
Land revaluation surplus (Note 8)	13,497	14,182	121,610
Defined retirement benefit plans (Note 14)	(4,765)	(2,656)	(42,937)
Total accumulated other comprehensive income	131,507	132,197	1,184,855
Total equity	919,547	888,139	8,284,956
TOTAL	¥17,372,575	¥16,769,883	$156,523,791

See notes to consolidated financial statements.

Consolidated Statement of Income

Year Ended March 31, 2019 Mebuki Financial Group, Inc. and Consolidated Subsidiaries

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2019	2018	2019
INCOME:			
Interest income:			
Interest on loans and discounts	**¥113,944**	¥113,739	**$1,026,618**
Interest and dividends on securities	**57,377**	45,584	**516,965**
Interest on call loans and bills bought	**179**	108	**1,620**
Interest on deposits with banks	**764**	652	**6,885**
Other interest income	**482**	423	**4,344**
Trust fees	**31**	42	**288**
Fees and commissions	**52,905**	50,717	**476,665**
Trading income	**2,418**	3,669	**21,787**
Other operating income	**3,751**	4,768	**33,802**
Other income (Note 18)	**56,362**	43,608	**507,818**
Total income	**288,217**	263,315	**2,596,790**
EXPENSES:			
Interest expenses:			
Interest on deposits	**6,030**	3,668	**54,329**
Interest on negotiable certificates of deposit	**86**	91	**782**
Interest on call money and bills sold	**1,364**	589	**12,292**
Interest on payables under repurchase agreements	**298**	246	**2,686**
Interest on payables under securities lending transactions	**2,422**	2,395	**21,830**
Interest on borrowing and rediscounts	**2,284**	2,103	**20,583**
Interest on bonds	**132**	132	**1,189**
Other interest expenses	**3,886**	4,926	**35,015**
Fees and commissions	**14,078**	13,740	**126,843**
Other operating expenses	**11,766**	8,411	**106,012**
General and administrative expenses (Note 19)	**119,636**	120,427	**1,077,905**
Provision of allowance for loan losses	**2,771**	6,903	**24,968**
Other expenses (Note 20)	**57,042**	37,339	**513,942**
Total expenses	**221,799**	200,977	**1,998,375**
INCOME BEFORE INCOME TAXES	**66,418**	62,338	**598,415**
INCOME TAXES (Note 21)			
Current	**21,683**	20,182	**195,362**
Deferred	**(1,603)**	(913)	**(14,447)**
Total income taxes	**20,079**	19,269	**180,915**
NET INCOME	**46,338**	43,069	**417,499**
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	**¥ 46,338**	¥ 43,069	**$ 417,499**

	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK (Note 17):			
Basic net income	**¥39.47**	¥36.56	**$0.36**
Diluted net income	**39.45**	36.54	**0.36**
Cash dividends applicable to the year (Note 15)	**11.00**	11.00	**0.10**

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Year Ended March 31, 2019 Mebuki Financial Group, Inc. and Consolidated Subsidiaries

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2019	2018	2019
NET INCOME	**¥46,338**	¥43,069	**$417,499**
OTHER COMPREHENSIVE INCOME (LOSS) (Note 25):			
Unrealized gains (losses) on available-for-sale securities	**2,314**	(7,817)	**20,853**
Deferred gains (losses) on derivatives under hedge accounting	**(211)**	617	**(1,901)**
Land revaluation surplus	**2**	468	**22**
Defined retirement benefit plans	**(2,109)**	2,777	**(19,002)**
Total other comprehensive loss	**(3)**	(3,954)	**(29)**
COMPREHENSIVE INCOME	**¥46,335**	¥39,114	**$417,471**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	**¥46,335**	¥39,114	**$417,471**

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

Year Ended March 31, 2019 Mebuki Financial Group, Inc. and Consolidated Subsidiaries

Millions of Yen

						Accumulated Other Comprehensive Income					
	Common Stock (Note 15)	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Unrealized Gains (Losses) on Available-for-Sale Securities	Deferred Gains (Losses) on Derivatives under Hedge Accounting	Land Revaluation Surplus	Defined Retirement Benefit Plans	Total	Total Equity
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	**¥117,495**	**¥148,541**	**¥216**	**¥489,697**	**¥(8)**	**¥120,727**	**¥ (56)**	**¥14,182**	**¥(2,656)**	**¥132,197**	**¥888,139**

Millions of Yen

						Accumulated Other Comprehensive Income					
	Common Stock (Note 15)	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Unrealized Gains on Available-for-Sale Securities	Deferred Losses on Derivatives under Hedge Accounting	Land Revaluation Surplus	Defined Retirement Benefit Plans	Total	Total Equity
BALANCE, APRIL 1, 2018	¥117,495	¥148,541	¥216	¥489,697	¥ (8)	¥120,727	¥ (56)	¥14,182	¥(2,656)	¥132,197	¥888,139
Cash dividends				(12,930)							(12,930)
Net income attributable to owners of the parent				46,338							46,338
Purchase of treasury stock					(2,090)						(2,090)
Disposal of treasury stock		3			72						76
Reversal of land revaluation surplus				687							687
Net changes during the fiscal year			16			2,314	(211)	(685)	(2,109)	(690)	(674)
Total changes during the fiscal year		3	16	34,095	(2,017)	2,314	(211)	(685)	(2,109)	(690)	31,407
BALANCE, MARCH 31, 2019	**¥117,495**	**¥148,545**	**¥233**	**¥523,792**	**¥(2,026)**	**¥123,042**	**¥(267)**	**¥13,497**	**¥(4,765)**	**¥131,507**	**¥919,547**

Thousands of U.S. Dollars

						Accumulated Other Comprehensive Income					
	Common Stock (Note 15)	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Unrealized Gains on Available-for-Sale Securities	Deferred Losses on Derivatives under Hedge Accounting	Land Revaluation Surplus	Defined Retirement Benefit Plans	Total	Total Equity
BALANCE, APRIL 1, 2018	$1,058,614	$1,338,331	$1,951	$4,412,084	$ (79)	$1,087,736	$ (507)	$127,782	$(23,934)	$1,191,077	$8,001,979
Cash dividends				(116,499)							(116,499)
Net income attributable to owners of the parent				417,499							417,499
Purchase of treasury stock					(18,833)						(18,833)
Disposal of treasury stock		35			654						690
Reversal of land revaluation surplus				6,194							6,194
Net changes during the fiscal year			148			20,853	(1,901)	(6,172)	(19,002)	(6,223)	(6,074)
Total changes during the fiscal year		35	148	307,194	(18,178)	20,853	(1,901)	(6,172)	(19,002)	(6,223)	282,977
BALANCE, MARCH 31, 2019	**$1,058,614**	**$1,338,366**	**$2,099**	**$4,719,279**	**$(18,257)**	**$1,108,590**	**$(2,408)**	**$121,610**	**$(42,937)**	**$1,184,855**	**$8,284,956**

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Year Ended March 31, 2019 Mebuki Financial Group, Inc. and Consolidated Subsidiaries

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2019	2018	2019
OPERATING ACTIVITIES:			
Income before income taxes	¥ 66,418	¥ 62,338	$ 598,415
Adjustments for:			
Income taxes paid	(22,828)	(22,393)	(205,684)
Depreciation and amortization	8,762	8,654	78,952
Impairment loss	2,747	1,813	24,750
Amortization of negative goodwill	(158)	(158)	(1,424)
Increase (decrease) in allowance for loan losses	(6,144)	484	(55,365)
Increase in provision for bonuses for directors	154	18	1,396
Increase in asset for retirement benefits	(3,849)	(3,561)	(34,683)
Decrease in liability for retirement benefits	(234)	(1,359)	(2,116)
Increase (decrease) in provision for retirement benefits for directors	(5)	11	(47)
Increase (decrease) in provision for reimbursement of deposits	(528)	301	(4,761)
Increase in provision for contingent losses	352	54	3,172
Increase (decrease) in provision for point card certificates	112	(0)	1,015
Increase in provision for interest repayments	3	0	30
Gain on fund management	(172,748)	(160,508)	(1,556,431)
Financing expenses	16,504	14,155	148,706
Losses related to securities	10,471	11,236	94,350
Foreign exchange losses (gains)	(8,097)	11,488	(72,953)
Losses (gains) on disposal of fixed assets	368	(630)	3,322
Net increase in trading assets	(1,259)	(5,313)	(11,349)
Net increase (decrease) in trading liabilities	560	(6)	5,054
Net increase in loans and bills discounted	(624,507)	(253,246)	(5,626,699)
Net increase in deposits	395,975	470,864	3,567,671
Net increase (decrease) in negotiable certificates of deposit	9,518	(12,064)	85,756
Net increase in borrowed money (excluding subordinated borrowings)	215,221	142,262	1,939,105
Net decrease (increase) in due from banks (excluding cash equivalents)	(19,082)	8,693	(171,931)
Net decrease (increase) in call loans	4,482	(8,911)	40,382
Net increase (decrease) in call money	(148,800)	37,228	(1,340,662)
Net increase (decrease) in payables under securities lending transactions	44,003	(9,490)	396,463
Net decrease (increase) in foreign exchanges - assets	(92)	806	(835)
Net decrease in foreign exchanges - liabilities	(71)	(48)	(645)
Net increase in lease receivables and investments in lease	(6,032)	(8,254)	(54,352)
Net increase (decrease) in due to trust account	554	(1)	4,996
Proceeds from fund management	171,997	160,454	1,549,671
Payments for finance	(16,381)	(13,823)	(147,593)
Other–net	88,699	(18,880)	799,170
Total adjustments	(60,330)	349,877	(543,567)
Net cash provided by operating activities	¥ 6,087	¥412,215	$ 54,847

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2019	2018	2019
INVESTING ACTIVITIES:			
Purchases of securities	¥(1,371,972)	¥(1,352,901)	$(12,361,229)
Proceeds from sales of securities	822,176	897,937	7,407,664
Proceeds from redemption of securities	374,002	391,620	3,369,698
Payments for increase in money held in trust	(23,175)	—	(208,803)
Purchases of tangible fixed assets	(5,730)	(5,337)	(51,631)
Proceeds from sales of tangible fixed assets	259	2,117	2,336
Purchases of intangible fixed assets	(7,086)	(6,101)	(63,851)
Other–net	11	6	105
Net cash used in investing activities	(211,514)	(72,659)	(1,905,711)
FINANCING ACTIVITIES:			
Repayments of subordinated borrowings	(40,000)	—	(360,393)
Purchase of treasury stocks	(2,090)	(2)	(18,833)
Proceeds from sales of treasury stocks	75	50	684
Cash dividends paid	(12,930)	(14,133)	(116,499)
Net cash used in financing activities	(54,944)	(14,085)	(495,041)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	1,432	(1,796)	12,904
NET INCREASE (DECREACE) IN CASH AND CASH EQUIVALENTS	(258,939)	323,673	(2,333,000)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,693,567	1,369,893	15,258,740
CASH AND CASH EQUIVALENTS, END OF YEAR (Note 3)	¥1,434,627	¥1,693,567	$12,925,740

NONCASH INVESTING AND FINANCING ACTIVITY:

Not applicable.

See notes to consolidated financial statements.

1. BASIS OF PRESENTATION

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

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2018 consolidated financial statements to conform to the classifications used in 2019.

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 ¥110.99 to $1, the approximate rate of exchange at March 31, 2019. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation — The consolidated financial statements as of March 31, 2019, 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, 2019, 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, 2019, do not apply to the equity method of accounting of three unconsolidated subsidiaries and five 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.

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, 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. Gains or losses 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 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, 2019 and 2018, the deducted amounts were ¥25,870 million ($233,086 thousand) and ¥20,194 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 Bonuses for Directors — Provision for bonuses for directors (including executive officers) is provided in the amount of the estimated bonuses that are attributable to each fiscal year.

k. Retirement Benefits for Employees — The Company accounts for the liability for retirement benefits based on the projected benefit obligations and plan assets at the consolidated 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 Retirement Benefits for Directors — Provision for retirement benefits for directors, 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 — Certain consolidated subsidiaries provide a provision for losses on interest repayments in an amount deemed necessary based on estimated amounts to be repaid, taking into account historical records of interest repayments on the portion of loans whose interest rates exceeded the maximum interest rate stipulated by the Interest Limitation Law.

q. Reserves under Special Laws — Reserves under special laws is a reserve for contingent liabilities and provided for compensation for losses from securities-related transactions or derivative transactions in the amount of ¥2 million ($18 thousand) and ¥2 million as of March 31, 2019 and 2018, 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, is 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 consolidated 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 Issuance Costs — Stock issuance 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 consolidated 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 consolidated 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 sheets as of March 31, 2019 and 2018, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Cash and due from banks	¥1,468,877	¥1,708,734	$13,234,322
Deposits with banks of the consolidated banking subsidiaries other than the Bank of Japan	(34,249)	(15,166)	(308,582)
Cash and cash equivalents	¥1,434,627	¥1,693,567	$12,925,740

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 differences recognized as income as of March 31, 2019 and 2018, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Trading securities	¥15	¥(11)	$142

Securities as of March 31, 2019 and 2018, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Japanese national government bonds	¥ 708,237	¥ 851,574	$ 6,381,090
Japanese local government bonds	939,276	795,583	8,462,716
Japanese corporate bonds	789,381	727,179	7,112,187
Japanese corporate stocks	284,579	312,224	2,564,012
Other securities	1,625,152	1,490,205	14,642,336
Total	¥4,346,628	¥4,176,768	$39,162,341

The cost and aggregate fair value of available-for-sale securities and held-to-maturity securities as of March 31, 2019 and 2018, were as follows:

	Millions of Yen			
March 31, 2019	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:	¥3,979,199	¥213,014	¥38,037	¥4,154,177
Equity securities	143,988	141,744	5,514	280,218
Debt securities:	2,246,502	21,321	217	2,267,607
Japanese national government bonds	614,856	7,552	85	622,322
Japanese local government bonds	933,329	5,478	31	938,776
Japanese corporate bonds	698,316	8,291	100	706,507
Others:	1,588,708	49,948	32,305	1,606,351
Foreign bonds	819,268	16,280	5,890	829,657
Others	769,440	33,667	26,415	776,693
Held-to-maturity:	169,288	1,658	44	170,902
Japanese national government bonds	85,914	610	—	86,524
Japanese local government bonds	500	0	—	500
Japanese corporate bonds	82,874	1,047	44	83,877

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

	Thousands of U.S. Dollars			
March 31, 2019	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:	$35,851,878	$1,919,221	$342,707	$37,428,393
Equity securities	1,297,314	1,277,091	49,682	2,524,723
Debt securities:	20,240,584	192,106	1,956	20,430,734
Japanese national government bonds	5,539,748	68,042	773	5,607,018
Japanese local government bonds	8,409,128	49,362	279	8,458,211
Japanese corporate bonds	6,291,707	74,701	903	6,365,505
Others:	14,313,981	450,025	291,069	14,472,936
Foreign bonds	7,381,460	146,682	53,074	7,475,069
Others	6,932,520	303,342	237,995	6,997,867
Held-to-maturity:	1,525,258	14,940	398	1,539,800
Japanese national government bonds	774,072	5,499	—	779,571
Japanese local government bonds	4,505	4	—	4,509
Japanese corporate bonds	746,682	9,437	398	755,721

Information for available-for-sale securities which were sold during the years ended March 31, 2019 and 2018, is as follows:

March 31, 2019	Millions of Yen Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Equity securities	**¥ 12,215**	**¥ 5,852**	**¥ 3**
Debt securities:	**243,200**	**435**	**711**
Japanese national government bonds	**177,798**	**345**	**644**
Japanese local government bonds	**50,338**	**66**	**60**
Japanese corporate bonds	**15,063**	**22**	**6**
Others:	**495,026**	**19,029**	**25,908**
Foreign bonds	**221,295**	**205**	**6,168**
Others	**273,730**	**18,823**	**19,739**
Total	**¥750,442**	**¥25,317**	**¥26,623**

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, 2019	Thousands of U.S. Dollars Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Equity securities	**$ 110,061**	**$ 52,731**	**$ 29**
Debt securities:	**2,191,196**	**3,921**	**6,408**
Japanese national government bonds	**1,601,935**	**3,111**	**5,807**
Japanese local government bonds	**453,540**	**603**	**545**
Japanese corporate bonds	**135,721**	**207**	**56**
Others:	**4,460,099**	**171,455**	**233,432**
Foreign bonds	**1,993,837**	**1,855**	**55,578**
Others	**2,466,262**	**169,600**	**177,854**
Total	**$6,761,356**	**$228,107**	**$239,869**

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, 2019 and 2018, were ¥273 million ($2,463 thousand) and nil, respectively.

Pursuant to "Practical Guidelines for Accounting for Financial Instruments" (JICPA Accounting Committee Report No. 14, April 14, 2015), the criteria for determining whether the fair value is "significantly declined" 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, 2019 and 2018, securities included equity investments in unconsolidated subsidiaries and associated companies of ¥9 million ($83 thousand) and ¥9 million and capital subscriptions of ¥3,018 million ($27,194 thousand) and ¥2,784 million, respectively.

5. MONEY HELD IN TRUST

Money held in trust for trading purposes as of March 31, 2019 and 2018, consisted of the following:

	Millions of Yen 2019	2018	Thousands of U.S. Dollars 2019
Amounts recorded in the consolidated balance sheets	**¥23,175**	¥—	**$208,803**
Valuation gain (loss) included in the consolidated statements of income	**—**	—	**—**

6. UNREALIZED GAINS ON AVAILABLE-FOR-SALE SECURITIES

Unrealized gains on available-for-sale securities as of March 31, 2019 and 2018, consisted of the following:

	Millions of Yen 2019	2018	Thousands of U.S. Dollars 2019
Unrealized gains:	**¥175,255**	¥171,886	**$1,579,018**
Available-for-sale securities	**175,255**	171,886	**1,579,018**
Money held in trust, except for trading and held-to-maturity purpose	**—**	—	**—**
Deferred tax liabilities:	**52,212**	51,158	**470,429**
Unrealized gains on available-for-sale securities before adjustments by ownership share	**123,042**	120,727	**1,108,590**
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	**¥123,042**	¥120,727	**$1,108,590**

As of March 31, 2019 and 2018, the total unrealized gains include an unrealized gain of ¥277 million ($2,504 thousand) and ¥273 million, respectively, on available-for-sale-securities contained in certain fund.

7. LOANS AND BILLS DISCOUNTED

The following loans were included in loans and bills discounted as of March 31, 2019 and 2018:

	Millions of Yen 2019	2018	Thousands of U.S. Dollars 2019
Loans to borrowers in legal bankruptcy	**¥ 3,505**	¥ 4,437	**$ 31,581**
Past due loans	**136,152**	142,266	**1,226,709**
Loans past due for three months or more	**178**	426	**1,608**
Restructured loans	**32,117**	37,348	**289,373**
Total	**¥171,953**	¥184,479	**$1,549,272**

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

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

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

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

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

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

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

Contracts of overdraft facilities and loan commitment limits are contracts under which the consolidated banking subsidiaries and certain consolidated subsidiaries lend to customers up to the prescribed limits in response to customer applications for loans as long as there is no violation of any condition in the contracts. As of March 31, 2019 and 2018, the amounts of unused commitments were ¥3,052,722 million ($27,504,484 thousand) and ¥2,922,672 million, respectively. As of March 31, 2019 and 2018, the amounts of unused commitments whose remaining contract terms were within one year were ¥2,139,690 million ($19,278,231 thousand) and ¥2,011,724 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, 2019 and 2018, consolidated banking subsidiaries have the right to sell or repledge bills discounted and foreign exchange bills bought and their total face value was ¥45,440 million ($409,407 thousand) and ¥48,375 million, respectively.

8. TANGIBLE FIXED ASSETS

Tangible fixed assets as of March 31, 2019 and 2018, consisted of the following:

	Millions of Yen 2019	2018	Thousands of U.S. Dollars 2019
Buildings	**¥ 40,181**	¥ 40,556	**$ 362,032**
Land	**59,047**	60,949	**532,006**
Leased assets	**16**	20	**149**
Construction in progress	**587**	1,202	**5,289**
Other	**12,685**	12,416	**114,293**
Total	**¥112,518**	¥115,146	**$1,013,769**

The accumulated depreciation of tangible fixed assets as of March 31, 2019 and 2018, amounted to ¥123,859 million ($1,115,951 thousand) and ¥126,724 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, 2019 and 2018, such deferred profit amounted to ¥10,091 million ($90,922 thousand) and ¥10,204 million, respectively. Newly recognized amounts for the years ended March 31, 2019 and 2018, were ¥28 million ($258 thousand) and ¥344 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, 2019 and 2018, the carrying amount of the land after the above onetime revaluation exceeded the market value by ¥25,244 million ($227,450 thousand) and ¥26,942 million, respectively.

9. INTANGIBLE FIXED ASSETS

Intangible fixed assets as of March 31, 2019 and 2018, consisted of the following:

	Millions of Yen 2019	2018	Thousands of U.S. Dollars 2019
Software	**¥14,237**	¥10,498	**$128,280**
Other	**4,150**	4,303	**37,399**
Total	**¥18,388**	¥14,801	**$165,678**

10. 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, 2019 and 2018, were ¥167,258 million ($1,506,965 thousand) and ¥143,712 million, respectively.

11. ASSETS PLEDGED AS COLLATERAL

Assets pledged as collateral and the related liabilities as of March 31, 2019 and 2018, were as follows:

	Millions of Yen 2019	2018	Thousands of U.S. Dollars 2019
Assets pledged as collateral:			
Securities	**¥1,512,757**	¥1,244,340	**$13,629,674**
Loans and bills discounted	**34,000**	6,500	**306,334**
Total	**¥1,546,757**	¥1,250,840	**$13,936,008**
Related liabilities to above assets:			
Deposits	**¥ 97,107**	¥ 113,111	**$ 874,921**
Payables under repurchase agreements	**120,832**	26,314	**1,088,676**
Payables under securities lending transactions	**202,152**	158,149	**1,821,360**
Borrowed money	**1,012,938**	798,937	**9,126,397**

Additionally, securities amounting to ¥5,661 million ($51,006 thousand) and ¥31,615 million as of March 31, 2019 and 2018, respectively, were pledged as collateral for settlements of exchange or as substitute securities for margins on futures transactions.

Moreover, other assets included the following:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Deposits for central counterparty	**¥94,672**	¥92,768	**$852,980**
Cash collateral paid for transactions involving public funds	**2,070**	94	**18,657**
Guarantee deposits	**2,014**	2,051	**18,147**
Cash collateral paid for financial instruments	**1,059**	1,731	**9,548**

12. BORROWED MONEY

Borrowed money as of March 31, 2019 and 2018, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Borrowed money of which the weighted-average annual interest rates were 0.23 %, due from April, 2019 to March, 2026	**¥1,053,077**	¥877,856	**$9,488,040**

Annual maturities of borrowed money as of March 31, 2019, for the next five years were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2020	**¥835,162**	**$7,524,665**
2021	**43,422**	**391,232**
2022	**62,952**	**567,194**
2023	**81,437**	**733,735**
2024	**61**	**550**

Borrowed money included borrowings from the Bank of Japan and other financial institutions. In addition, borrowed money included subordinated borrowings totaling ¥30,000 million ($270,295 thousand) and ¥70,000 million as of March 31, 2019 and 2018, respectively.

13. BONDS

Bonds as of March 31, 2019 and 2018, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Unsecured Euro-US dollar-denominated convertible bonds with stock acquisition rights issued by the Company, date of issue October 1, 2016, due April 24, 2019*1	**¥33,297**	¥31,881	**$300,000**
Unsecured straight bonds issued by Joyo, date of issue May 24, 2000, due May 22, 2020, 2.64% interest	**5,000**	5,000	**45,049**
Total	**¥38,297**	¥36,881	**$345,049**

*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:	$5.03
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, 2019, for the next five years were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2020	¥33,297	$300,000
2021	5,000	45,049
2022	—	—
2023	—	—
2024	—	—

14. 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, 2019 and 2018, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Balance at beginning of year	**¥118,902**	¥117,530	**$1,071,287**
Current service cost	**3,757**	3,531	**33,858**
Interest cost	**505**	615	**4,551**
Actuarial losses	**4,668**	3,262	**42,059**
Benefits paid	**(5,718)**	(6,077)	**(51,521)**
Past service cost	**—**	—	**—**
Others	**62**	39	**566**
Balance at end of year	**¥122,177**	¥118,902	**$1,100,801**

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

(b) The changes in plan assets for the years ended March 31, 2019 and 2018, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Balance at beginning of year	**¥129,651**	¥122,190	**$1,168,134**
Expected return on plan assets	**2,925**	2,794	**26,357**
Actuarial gains	**173**	4,301	**1,561**
Contributions from the employer	**3,482**	3,916	**31,373**
Benefits paid	**(3,685)**	(3,591)	**(33,205)**
Others	**38**	39	**351**
Balance at end of year	**¥132,585**	¥129,651	**$1,194,571**

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

(c) The changes in liabilities for retirement benefits adopting the simplified method for the years ended March 31, 2019 and 2018, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Balance at beginning of year	**¥1,334**	¥1,280	**$12,027**
Retirement benefit expense	**413**	455	**3,722**
Benefits paid	**(156)**	(111)	**(1,407)**
Contribution to the defined benefit pension plan	**(281)**	(289)	**(2,534)**
Other	**(23)**	—	**(216)**
Balance at end of year	**¥1,286**	¥1,334	**$11,593**

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

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Funded defined benefit obligation	**¥128,639**	¥126,787	**$1,159,021**
Plan assets	**(137,760)**	(136,201)	**(1,241,199)**
Total	**(9,120)**	(9,414)	**(82,178)**
Unfunded defined benefit obligation	**—**	—	**—**
Net asset arising from defined benefit obligation	**¥ (9,120)**	¥ (9,414)	**$ (82,178)**

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Liability for retirement benefits	**¥ 7,429**	¥ 6,014	**$ 66,938**
Asset for retirement benefits	**(16,550)**	(15,428)	**(149,115)**
Net asset arising from defined benefit obligation	**¥ (9,120)**	¥ (9,414)	**$ (82,178)**

*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, 2019 and 2018, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Service cost	**¥3,757**	¥3,531	**$33,858**
Interest cost	**505**	615	**4,551**
Expected return on plan assets	**(2,925)**	(2,794)	**(26,357)**
Recognized actuarial losses	**1,464**	2,960	**13,194**
Amortization of prior service cost	**—**	—	**—**
Retirement benefit expense calculated by the simplified method	**413**	455	**3,722**
Others	**(13)**	(16)	**(120)**
Net periodic benefit costs	**¥3,201**	¥4,751	**$28,848**

(f) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2019 and 2018, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Prior service cost	**¥ —**	¥ —	**$ —**
Actuarial losses	**3,030**	(4,021)	**27,304**
Total	**¥3,030**	¥(4,021)	**$27,304**

(g) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2019 and 2018, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Unrecognized prior service cost	**¥ —**	¥ —	**$ —**
Unrecognized actuarial losses	**2,888**	1,285	**26,023**
Total	**¥2,888**	¥1,285	**$26,023**

(h) Plan assets

a. Components of plan assets

Plan assets as of March 31, 2019 and 2018, consisted of the following:

	2019	2018
Debt investments	**50.4%**	48.8%
Equity investments	**31.6%**	31.8%
General accounts	**12.1%**	12.2%
Others	**5.8%**	7.2%
Total	**100.0%**	100.0%

* As of March 31, 2019 and 2018, total plan assets that were set up on corporate pension plans include a retirement benefit trust of 20.3% and 21.3%.

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, 2019 and 2018, were set forth as follows:

	2019	2018
Discount rate	**0.10% — 0.40%**	0.20% — 0.57%
Expected rate of return on plan assets	**2.50% — 3.30%**	2.50% — 3.30%
Expected rate of increase in salary	**4.52% — 9.00%**	4.57% — 9.00%

(3)Defined contribution plans

The amounts of the required contribution to the defined contribution plans of certain consolidated subsidiaries were ¥740 million ($6,667 thousand) and ¥750 million as of March 31, 2019 and 2018, respectively.

15. 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, 2019, were as follows:

	Shares in Thousands			
		Changes During the Year		
	As of April 1, 2018	Increase	Decrease	As of March 31, 2019
Issued stock:				
Common stock	1,179,055	—	—	1,179,055
Total	1,179,055	—	—	1,179,055
Treasury stock:				
Common stock	1,183	5,002*1	214*2	5,971
Total	1,183	5,002	214	5,971

*1 The number of shares of treasury stock increased by 5,000 thousand shares due to purchases of own shares and by 2 thousand shares due to purchases of shares less than the trading unit.
*2 The number of shares of treasury stock decreased by 2 thousand shares due to sales to shareholders in response to their demand to buy additional shares up to the trading unit and by 211 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, 2018, were as follows:

	Shares in Thousands			
		Changes During the Year		
	As of April 1, 2017	Increase	Decrease	As of March 31, 2018
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.

(2) Cash Dividends Per Share

Cash dividends per share for the years ended March 31, 2019 and 2018, were as follows:

Year ended March 31, 2019

Dividends paid in the fiscal year ended March 31, 2019

Cash dividends approved at the Board of Directors' meeting held on May 11, 2018:	Total Amount (Millions of Yen /Thousands of U.S. Dollars)	Per Share Amount (Yen /U.S. Dollars)	Dividend Record Date	Effective Date
Common stock	¥6,478 ($58,368)	¥5.50 ($0.05)	Mar. 31, 2018	Jun. 4, 2018

Cash dividends approved at the Board of Directors' meeting held on Nov. 12, 2018:	Total Amount (Millions of Yen /Thousands of U.S. Dollars)	Per Share Amount (Yen /U.S. Dollars)	Dividend Record Date	Effective Date
Common stock	¥6,451 ($58,131)	¥5.50 ($0.05)	Sep. 30, 2018	Dec. 4, 2018

Dividends to be paid after March 31, 2019

Cash dividends approved at the Board of Directors' meeting held on May 13, 2019:	Total Amount (Millions of Yen /Thousands of U.S. Dollars)	Per Share Amount (Yen /U.S. Dollars)	Dividend Record Date	Effective Date
Common stock	¥6,451 ($58,131)	¥5.50 ($0.05)	Mar. 31, 2019	Jun. 4, 2019

Year ended March 31, 2018:

Dividends paid in the fiscal year ended March 31, 2018

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

Cash dividends approved at the Board of Directors' meeting held on Nov. 13, 2017:	Total Amount (Millions of Yen)	Per Share Amount (Yen)	Dividend Record Date	Effective Date
Common stock	¥6,478	¥5.50	Sep. 30, 2017	Dec. 4, 2017

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

Dividends to be paid after March 31, 2018

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

16. 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 ¥91 million ($828 thousand) and ¥74 million for the fiscal years ended March 31, 2019 and 2018, respectively.

Details of stock options 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*1	10 directors of Joyo*2	6,733	August 24, 2009*3	¥1	From October 1, 2016, to August 24, 2039
Mebuki Financial Group, Inc. 2nd Series of Stock Acquisition Rights*1	10 directors of Joyo*2	9,453	July 21, 2010*3	¥1	From October 1, 2016, to July 21, 2040
Mebuki Financial Group, Inc. 3rd Series of Stock Acquisition Rights*1	10 directors of Joyo*2	14,040	July 20, 2011*3	¥1	From October 1, 2016, to July 20, 2041
Mebuki Financial Group, Inc. 5th Series of Stock Acquisition Rights*1	10 directors of Joyo*2	13,586	July 19, 2012*3	¥1	From October 1, 2016, to July 19, 2042
Mebuki Financial Group, Inc. 7th Series of Stock Acquisition Rights*1	10 directors of Joyo*2	16,802	July 18, 2013*3	¥1	From October 1, 2016, to July 18, 2043
Mebuki Financial Group, Inc. 8th Series of Stock Acquisition Rights*1	15 executive officers of Joyo*2	3,107	July 18, 2013*3	¥1	From October 1, 2016, to July 18, 2043
Mebuki Financial Group, Inc. 9th Series of Stock Acquisition Rights*1	10 directors of Joyo*2	17,408	July 18, 2014*3	¥1	From October 1, 2016, to July 18, 2044
Mebuki Financial Group, Inc. 10th Series of Stock Acquisition Rights*1	14 executive officers of Joyo*2	6,416	July 18, 2014*3	¥1	From October 1, 2016, to July 18, 2044
Mebuki Financial Group, Inc. 11th Series of Stock Acquisition Rights*1	10 directors of Joyo*2	16,099	July 17, 2015*3	¥1	From October 1, 2016, to July 17, 2045
Mebuki Financial Group, Inc. 12th Series of Stock Acquisition Rights*1	13 executive officers of Joyo*2	12,366	July 17, 2015*3	¥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	72,513	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	40,040	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	92,160	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	50,948	August 9, 2017	¥1	From August 10, 2017, to August 9, 2047
Mebuki Financial Group, Inc. 17th Series of Stock Acquisition Rights	24 directors of the Company, Joyo and Ashikaga	127,508	August 14, 2018	¥1	From August 15, 2018, to August 14, 2048
Mebuki Financial Group, Inc. 18th Series of Stock Acquisition Rights	34 executive officers of Joyo and Ashikaga	147,282	August 14, 2018	¥1	From August 15, 2018, to August 14, 2048
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 1, 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
Year ended March 31, 2019				
Non-vested (shares):				
April 1, 2018 — Outstanding	16,833	23,634	35,942	34,779
Granted	—	—	—	—
Canceled	—	—	—	—
Vested	10,100	14,181	21,902	21,193
March 31, 2019 — Outstanding	6,733	9,453	14,040	13,586
Vested (shares):				
April 1, 2018 — Outstanding	—	—	—	—
Vested	10,100	14,181	21,902	21,193
Exercised	10,100	14,181	21,902	21,193
Canceled	—	—	—	—
March 31, 2019 — Outstanding	—	—	—	—
Excise price	¥1	¥1	¥1	¥1
(Yen / US Dollars)	$0.01	$0.01	$0.01	$0.01
Average stock price at exercise	¥368	¥368	¥368	¥368
(Yen / US Dollars)	$3.32	$3.32	$3.32	$3.32
Fair value price at grant date	¥417	¥297	¥300	¥310
(Yen / US Dollars)	$3.76	$2.68	$2.70	$2.79

	Mebuki FG 7th	Mebuki FG 8th	Mebuki FG 9th	Mebuki FG 10th
Year ended March 31, 2019				
Non-vested (shares):				
April 1, 2018 — Outstanding	30,569	3,107	31,672	6,416
Granted	—	—	—	—
Canceled	—	—	—	—
Vested	13,767	—	14,264	—
March 31, 2019 — Outstanding	16,802	3,107	17,408	6,416
Vested (shares):				
April 1, 2018 — Outstanding	—	—	—	—
Vested	13,767	—	14,264	—
Exercised	13,767	—	14,264	—
Canceled	—	—	—	—
March 31, 2019 — Outstanding	—	—	—	—
Excise price	¥1	¥1	¥1	¥1
(Yen / US Dollars)	$0.01	$0.01	$0.01	$0.01
Average stock price at exercise	¥368	—	¥368	—
(Yen / US Dollars)	$3.32	—	$3.32	—
Fair value price at grant date	¥518	¥542	¥500	¥525
(Yen / US Dollars)	$4.67	$4.88	$4.50	$4.73

	Mebuki FG 11th	Mebuki FG 12th	Mebuki FG 13th	Mebuki FG 14th
Year ended March 31, 2019				
Non-vested (shares):				
April 1, 2018 — Outstanding	30,135	12,366	112,231	47,740
Granted	—	—	—	—
Canceled	—	—	—	—
Vested	14,036	—	39,718	7,700
March 31, 2019 — Outstanding	16,099	12,366	72,513	40,040
Vested (shares):				
April 1, 2018 — Outstanding	—	—	—	—
Vested	14,036	—	39,718	7,700
Exercised	14,036	—	39,718	7,700
Canceled	—	—	—	—
March 31, 2019 — Outstanding	—	—	—	—
Excise price	¥1	¥1	¥1	¥1
(Yen / US Dollars)	$0.01	$0.01	$0.01	$0.01
Average stock price at exercise	¥368	—	¥368	¥368
(Yen / US Dollars)	$3.32	—	$3.32	$3.32
Fair value price at grant date	¥680	¥708	¥345	¥374
(Yen / US Dollars)	$6.13	$6.38	$3.11	$3.37

	Mebuki FG 15th	Mebuki FG 16th	Mebuki FG 17th	Mebuki FG 18th
Year ended March 31, 2019				
Non-vested (shares):				
April 1, 2018 — Outstanding	135,990	62,024	—	—
Granted	—	—	127,508	147,282
Canceled	—	—	—	—
Vested	43,830	11,076	—	—
March 31, 2019 — Outstanding	92,160	50,948	127,508	147,282
Vested (shares):				
April 1, 2018 — Outstanding	—	—	—	—
Vested	43,830	11,076	—	—
Exercised	43,830	11,076	—	—
Canceled	—	—	—	—
March 31, 2019 — Outstanding	—	—	—	—
Excise price	¥1	¥1	¥1	¥1
(Yen / US Dollars)	$0.01	$0.01	$0.01	$0.01
Average stock price at exercise	¥368	¥368	—	—
(Yen / US Dollars)	$3.32	$3.32	—	—
Fair value price at grant date	¥360	¥390	¥319	¥348
(Yen / US Dollars)	$3.24	$3.51	$2.87	$3.14

	2009 Stock Option	2010 Stock Option
Year ended March 31, 2019		
Non-vested (shares):		
April 1, 2018 — Outstanding	1,793,800	1,868,600
Granted	—	—
Canceled	1,793,800	1,868,600
Vested	—	—
March 31, 2019 — Outstanding	—	—
Vested (shares):		
April 1, 2018 — Outstanding	—	—
Vested	—	—
Exercised	—	—
Canceled	—	—
March 31, 2019 — Outstanding	—	—
Excise price	¥550	¥550
(Yen / US Dollars)	$4.96	$4.96
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 issued by the Company in the fiscal year ended March 31, 2019, were valued using the Black-Scholes option-pricing model and the following principal parameters:

	Mebuki FG 17th	Mebuki FG 18th
Volatility of stock price*1:	28.60%	29.74%
Estimated remaining outstanding period*2:	6 years	3 years
Estimated dividend*3:	¥11 per share	¥11 per share
Risk free interest rate*4:	(0.03)%	(0.09)%

*1. 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 17th : From August 14, 2012, to August 13, 2018
Mebuki FG 18th : From August 14, 2015, to August 13, 2018
*2. Estimated remaining outstanding period is calculated based on average tenure of retired directors of the Company, Joyo, and Ashikaga and executive officers of Joyo.
*3. Estimated dividend paid in the fiscal year ended March 31, 2017 (excluding a commemorative dividend)
*4. 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.

17. 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, 2019 and 2018, 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, 2019				
Basic EPS —				
Net income available to common shareholders	**¥46,338**	**1,173,785**	**¥39.47**	**$0.36**
Effect of dilutive securities:				
Warrants	**—**	**594**	**—**	**—**
Diluted EPS —				
Net income for computation	**¥46,338**	**1,174,379**	**¥39.45**	**$0.36**
Year Ended March 31, 2018				
Basic EPS —				
Net income available to common shareholders	¥43,069	1,177,843	¥36.56	
Effect of dilutive securities	—	541	—	
Diluted EPS —				
Net income for computation	¥43,069	1,178,385	¥36.54	

(2) Total equity per share

Total equity per share as of March 31, 2019 and 2018, was as follows:

	Yen		U.S. Dollars
	2019	2018	2019
Total equity per share	**¥783.67**	¥753.83	**$7.06**

Total equity per share as of March 31, 2019 and 2018, is calculated based on the following:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Total equity	**¥919,547**	¥888,139	**$8,284,956**
Deductions from total equity	233	216	2,099
Total equity attributable to common shareholders	**¥919,314**	¥887,923	**$8,282,857**

	Number of Shares in Thousands	
	2019	2018
Number of shares of common stock used in computing total equity per share at year-end	**1,173,083**	1,177,872

18. OTHER INCOME

Other income for the years ended March 31, 2019 and 2018, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Gain on sales of stock and other securities	**¥24,506**	¥13,078	**$220,799**
Recoveries of write-off of claims	**2,237**	2,088	**20,156**
Gain on disposal of fixed assets	**77**	942	**702**
Other	**29,541**	27,498	**266,162**
Total	**¥56,362**	¥43,608	**$507,818**

19. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the years ended March 31, 2019 and 2018, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Salaries and allowances	**¥ 53,685**	¥ 52,841	**$ 483,695**
Periodic benefit costs	**3,826**	5,402	**34,477**
Other	**62,124**	62,183	**559,733**
Total	**¥119,636**	¥120,427	**$1,077,905**

20. OTHER EXPENSES

Other expenses for the years ended March 31, 2019 and 2018, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Loss on sales of stocks and other securities	**¥15,081**	¥ 5,366	**$135,878**
Write-off of loans	**9,877**	4,517	**88,990**
Impairment losses*	**2,747**	1,813	**24,750**
Loss on disposal of fixed assets	**446**	312	**4,024**
Other	**28,890**	25,329	**260,299**
Total	**¥57,042**	¥37,339	**$513,942**

* Impairment losses on long-lived assets were recognized mainly on the properties of the Bank's branches in the Tochigi and Ibaraki prefectures, whose operations were discontinued because the Company believed the investment would not be recoverable. The components of impairment losses by fixed assets for the years ended March 31, 2019 and 2018, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Land	**¥1,643**	¥811	**$14,812**
Buildings	**854**	485	**7,699**
Software	**92**	383	**834**
Equipment	**72**	84	**657**
Leasehold improvements	**58**	48	**529**
Telephone subscription rights	**24**	—	**219**

21. 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 30.62% and 30.86% for the years ended March 31, 2019 and 2018, respectively.

The tax effects of significant temporary differences and tax loss carryforwards, which result in deferred tax assets and liabilities as of March 31, 2019 and 2018, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Deferred tax assets:			
Allowance for loan losses	**¥27,467**	¥27,445	**$247,478**
Write-offs of securities	**12,705**	12,920	**114,470**
Liability for retirement benefits	**11,196**	11,092	**100,877**
Provision for employee bonuses	**1,886**	1,822	**16,993**
Tax loss carryforwards	**1,738**	1,647	**15,666**
Depreciation	**1,263**	1,251	**11,380**
Provision for reimbursement of deposits	**989**	1,149	**8,914**
Other	**9,758**	9,332	**87,919**
Subtotal deferred tax assets	**67,004**	66,663	**603,696**
Less valuation allowance	**(18,247)**	(18,212)	**(164,406)**
Total deferred tax assets	**48,756**	48,450	**439,290**
Deferred tax liabilities:	**—**	—	**—**
Unrealized gains on available-for-sale securities	**(63,483)**	(63,777)	**(571,978)**
Retirement benefit trust	**(4,467)**	(4,467)	**(40,252)**
Other	**(6,463)**	(6,875)	**(58,234)**
Total deferred tax liabilities	**(74,414)**	(75,120)	**(670,464)**
Net deferred tax liabilities	**¥(25,657)**	¥(26,669)	**$(231,174)**

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, a reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statements of income for the years ended March 31, 2019 and 2018, is omitted.

22. LEASES

Future minimum payments under noncancelable operating leases as of March 31, 2019 and 2018, were as follows:

Lessee

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Due within one year	**¥159**	¥183	**$1,442**
Due after one year	**124**	187	**1,120**
Total	**¥284**	¥371	**$2,562**

Lessor

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Due within one year	**¥2**	¥2	**$24**
Due after one year	**4**	3	**39**
Total	**¥7**	¥5	**$64**

23. 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 to not 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, 2019 and 2018, the Group's VaR related to interest rate risks, which is a simple sum of its consolidated banking subsidiaries' VaR, were ¥52,967 million ($477,229 thousand) and ¥42,371 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, 2019 and 2018, the Group's VaR related to price fluctuation risk, which is a simple sum of its consolidated banking subsidiaries' VaR, were ¥100,252 million ($903,261 thousand) and ¥144,794 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, 2019 and 2018, the Group's VaR related to trading account, which is simple sum of its consolidated banking subsidiaries' VaR, were ¥7 million ($64 thousand) and ¥5 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

March 31, 2019	Millions of Yen Carrying Amount	Fair Value	Unrealized Gains/Losses
(1) Cash and due from banks	¥ 1,468,877	¥ 1,468,877	¥ —
(2) Securities:			
Held-to-maturity securities	169,288	170,902	1,613
Available-for-sale securities	4,152,863	4,152,863	—
(3) Loans and bills discounted	11,122,484		
Allowance for loan losses*1	(66,422)		
Net	11,056,061	11,168,148	112,087
Total assets	¥16,847,090	¥16,960,791	¥113,701
(1) Deposits	¥14,373,888	¥14,374,359	¥ (470)
(2) Negotiable certificates of deposit	282,158	282,170	(12)
(3) Call money and bills sold	191,740	191,740	—
(4) Payables under securities lending transactions	202,152	202,152	—
(5) Borrowed money	1,053,077	1,053,406	(328)
Total liabilities	¥16,103,018	¥16,103,829	¥ (811)
Derivative instruments*2 :			
Hedge accounting is not applied	¥ 2,020	¥ 2,020	¥ —
Hedge accounting is applied	724	724	—
Total derivative instruments	¥ 2,744	¥ 2,744	¥ —

March 31, 2018	Millions of Yen 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	¥ —

March 31, 2019	Thousands of U.S. Dollars Carrying Amount	Fair Value	Unrealized Gains/Losses
(1) Cash and due from banks	$ 13,234,322	$13,234,322	$ —
(2) Securities:			
Held-to-maturity securities	1,525,258	1,539,800	14,542
Available-for-sale securities	37,416,553	37,416,553	—
(3) Loans and bills discounted	100,211,587		
Allowance for loan losses*1	(598,456)		
Net	99,613,131	100,623,018	1,009,887
Total assets	$151,789,265	$152,813,693	$1,024,428
(1) Deposits	$129,506,160	$129,510,397	$ (4,237)
(2) Negotiable certificates of deposit	2,542,196	2,542,307	(110)
(3) Call money and bills sold	1,727,549	1,727,549	—
(4) Payables under securities lending transactions	1,821,360	1,821,360	—
(5) Borrowed money	9,488,040	9,491,001	(2,960)
Total liabilities	$145,085,306	$145,092,614	$ (7,308)
Derivative instruments*2 :			
Hedge accounting is not applied	$ 18,200	$18,200	$ —
Hedge accounting is applied	6,530	6,530	—
Total derivative instruments	$ 24,730	$24,730	$ —

*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 24. DERIVATIVES."

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

	Millions of Yen 2019	Millions of Yen 2018	Thousands of U.S. Dollars 2019
Equity securities without readily available market price*1*2	¥ 4,360	¥ 4,335	$ 39,291
Investments in partnerships*3	19,167	14,703	172,693
Beneficial interests in trust	948	—	8,545
Total	¥24,476	¥19,038	$220,529

*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, 2019 and 2018, impairment losses on equity securities without readily available market price of ¥6 million ($55 thousand) and ¥2 million, respectively, were recognized.

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

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

March 31, 2019	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	¥1,328,182	¥ —	¥ —	¥ —	¥ —	¥ —
Securities:						
Held-to-maturity securities	25,166	52,884	26,422	2,721	1,188	50,000
Japanese national government bonds	7,000	18,000	—	—	—	50,000
Japanese local government bonds	150	50	300	—	—	—
Japanese corporate bonds	18,016	34,834	26,122	2,721	1,188	—
Available-for-sale securities with contractual maturities	414,911	600,774	560,357	388,127	850,133	483,840
Japanese national government bonds	208,300	214,500	25,000	35,000	41,150	78,000
Japanese local government bonds	85,802	148,641	257,794	174,703	253,549	6,240
Japanese corporate bonds	77,250	164,124	123,966	71,272	11,787	241,727
Foreign currency bonds	22,227	35,713	105,853	80,551	428,279	138,057
Other	21,331	37,794	47,742	26,600	115,368	19,813
Loans and bills discounted*1	2,685,194	1,856,590	1,386,877	925,491	1,013,460	2,933,551
Total	¥4,453,455	¥2,510,249	¥1,973,657	¥1,316,339	¥1,864,782	¥3,467,392

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:						
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*2	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

March 31, 2019	Thousands of U.S. Dollars: Due in 1 Year or Less	Due after 1 Year through 3 Years	Due after 3 Years through 5 Years	Due after 5 Years through 7 Years	Due after 7 Years through 10 Years	Due after 10 Years
Due from banks	$11,966,686	$ —	$ —	$ —	$ —	$ —
Securities:						
Held-to-maturity securities	226,748	476,480	238,063	24,517	10,708	450,491
Japanese national government bonds	63,069	162,177	—	—	—	450,491
Japanese local government bonds	1,351	450	2,703	—	—	—
Japanese corporate bonds	162,328	313,853	235,360	24,517	10,708	—
Available-for-sale securities with contractual maturities	3,738,282	5,412,875	5,048,718	3,496,960	7,659,551	4,359,315
Japanese national government bonds	1,876,746	1,932,607	225,246	315,344	370,754	702,766
Japanese local government bonds	773,066	1,339,236	2,322,686	1,574,045	2,284,432	56,228
Japanese corporate bonds	696,012	1,478,736	1,116,913	642,152	106,199	2,177,924
Foreign currency bonds	200,261	321,776	953,720	725,755	3,858,719	1,243,878
Other	192,196	340,521	430,154	239,665	1,039,448	178,520
Loans and bills discounted*1	24,193,122	16,727,545	12,495,522	8,338,510	9,131,098	26,430,776
Total	$40,124,838	$22,616,899	$17,782,303	$11,859,987	$16,801,357	$31,240,582

*1 As of March 31, 2019, loans and bills discounted with no contractual maturities amounting to ¥181,659 million ($1,636,724 thousand) and loans and bills discounted whose cash flow cannot be estimated, such as "legal bankruptcy," "virtual bankruptcy," and "possible bankruptcy" loans, amounting to ¥139,657 million ($1,258,290 thousand) are not included.

*2 As of March 31, 2018, loans and bills discounted with no contractual maturities amounting to ¥191,531 million 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 are not included.

March 31, 2019	Millions of Yen: Due in 1 Year or Less	Due after 1 Year through 3 Years	Due after 3 Years through 5 Years	Due after 5 Years through 7 Years	Due after 7 Years through 10 Years	Due after 10 Years
Deposits *1	¥13,314,783	¥ 913,897	¥134,067	¥3,905	¥7,235	¥—
Negotiable certificates of deposit	281,658	500	—	—	—	—
Call money and bills sold	191,740	—	—	—	—	—
Payables under securities lending transactions	202,152	—	—	—	—	—
Borrowed money	815,162	135,975	101,673	241	25	—
Total	¥14,805,498	¥1,050,372	¥235,740	¥4,146	¥7,260	¥—

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
Deposits *1	¥12,960,866	¥874,853	¥129,996	¥9,175	¥3,021	¥—
Negotiable certificates of deposit	272,640	—	—	—	—	—
Call money and bills sold	340,540	—	—	—	—	—
Borrowed money	697,268	116,443	63,926	211	5	—
Total	¥14,271,316	¥991,296	¥193,922	¥9,387	¥3,027	¥—

March 31, 2019	Thousands of U.S. Dollars: Due in 1 Year or Less	Due after 1 Year through 3 Years	Due after 3 Years through 5 Years	Due after 5 Years through 7 Years	Due after 7 Years through 10 Years	Due after 10 Years
Deposits *1	$119,963,816	$8,234,049	$1,207,920	$35,185	$65,189	$—
Negotiable certificates of deposit	2,537,692	4,505	—	—	—	—
Call money and bills sold	1,727,549	—	—	—	—	—
Payables under securities lending transactions	1,821,360	—	—	—	—	—
Borrowed money	7,344,469	1,225,116	916,059	2,172	225	—
Total	$133,394,886	$9,463,670	$2,123,979	$37,357	$65,415	$—

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

24. DERIVATIVES

(1) Derivative Transactions to Which Hedge Accounting Is Not Applied as of March 31, 2019 and 2018

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 described below. 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, 2019 and 2018, as follows:

	Millions of Yen				Thousands of U.S. Dollars			
March 31, 2019	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gains/Losses	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gains/Losses
Bond-related transactions								
Bond futures:								
Sold	¥2,290	¥—	¥(8)	¥(8)	$20,640	$—	$(75)	$(75)
Bought	—	—	—	—	—	—	—	—
Total	—	—	¥(8)	¥(8)	—	—	$(75)	$(75)

	Millions of Yen			
March 31, 2018	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gains/Losses
Bond-related transactions				
Bond futures:				
Sold	¥5,579	¥—	¥1	¥1
Bought	754	—	(0)	(0)
Total	—	—	¥0	¥0

Note: 1 The above transactions are stated at fair value, and the related valuation gains (losses) are reported in the consolidated statement of income.
2 Fair values of above transactions 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, 2019 and 2018, as follows:

	Millions of Yen				Thousands of U.S. Dollars			
March 31, 2019	Contract Amount	Contract Amount Due after One Year	Fair Value*1*2	Unrealized Gains/Losses	Contract Amount	Contract Amount Due after One Year	Fair Value*1*2	Unrealized Gains/Losses
Interest rate-related transactions								
Interest rate swaps:								
Receive fixed and pay floating	¥116,901	¥99,854	¥3,018	¥3,018	$1,053,263	$899,667	$27,194	$27,194
Receive floating and pay fixed	116,901	99,854	(1,483)	(1,483)	1,053,263	899,667	(13,364)	(13,364)
Cap transactions:								
Sold	1,173	1,073	(0)	8	10,570	9,669	(8)	74
Bought	1,173	1,073	0	(4)	10,570	9,669	8	(44)
Swaption:								
Sold	4,690	4,690	(56)	(23)	42,256	42,256	(513)	(213)
Bought	4,690	4,690	56	56	42,256	42,256	513	513
Total	—	—	¥1,535	¥1,571	—	—	$13,831	$14,160

	Millions of Yen				Thousands of U.S. Dollars			
March 31, 2019	Contract Amount	Contract Amount Due after One Year	Fair Value*1*2	Unrealized Gains/Losses	Contract Amount	Contract Amount Due after One Year	Fair Value*1*2	Unrealized Gains/Losses
Currency-related transactions								
Currency swaps	¥228,866	¥205,485	¥ 318	¥ 318	$2,062,051	$1,851,392	$ 2,871	$ 2,871
Forward exchange contracts:								
Sold	63,689	5,963	(321)	(321)	573,830	53,734	(2,892)	(2,892)
Bought	63,806	5,380	487	487	574,886	48,476	4,388	4,388
Currency option contracts:								
Sold	130,934	83,923	(3,569)	(188)	1,179,696	756,136	(32,165)	(1,699)
Bought	130,931	83,919	3,578	2,142	1,179,668	756,098	32,243	19,301
Total	—	—	¥ 493	¥2,438	—	—	$ 4,445	$21,969

	Millions of Yen				Thousands of U.S. Dollars			
March 31, 2019	Contract Amount	Contract Amount Due after One Year	Fair Value*3	Unrealized Gains/Losses	Contract Amount	Contract Amount Due after One Year	Fair Value*3	Unrealized Gains/Losses
Other transactions								
Earthquake derivatives:								
Sold	¥4,800	—	¥(84)	—	$43,247	—	$(759)	—
Bought	4,800	—	84	—	43,247	—	759	—
	—	—	—	—	—	—	—	—

	Millions of Yen			
March 31, 2018	Contract Amount	Contract Amount Due after One Year	Fair Value*1*2	Unrealized Gains/Losses
Interest rate-related transactions				
Interest rate swaps:				
Receive fixed and pay floating	¥113,752	¥ 97,411	¥1,762	¥1,762
Receive floating and pay fixed	113,752	97,411	(275)	(275)
Cap transaction				
Sold	775	710	(0)	3
Bought	775	710	0	(2)
Total	—	—	¥1,487	¥1,489
Currency-related transactions				
Currency swaps	¥208,362	¥186,339	¥ 349	¥ 349
Forward exchange contracts:				
Sold	64,148	5,320	1,111	1,111
Bought	85,701	2,599	(1,098)	(1,098)
Currency option contracts:				
Sold	101,897	63,374	(3,392)	(898)
Bought	101,897	63,374	3,348	2,227
Total	—	—	¥ 316	¥1,690

Note: *1 The above transactions are stated at fair value and the related valuation gains (losses) are reported in the consolidated statement of income.
*2 Fair values of above transactions are determined based on a discounted cash flow model, an option pricing model or other models as appropriate.
*3 Acquisition costs are regarded as fair value as it is extremely difficult to determine the fair appraised value.

(2) Derivative Transactions to Which Hedge Accounting Is Applied as of March 31, 2019 and 2018

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, 2019 and 2018, as follows:

		Millions of Yen			Thousands of U.S. Dollars		
March 31, 2019	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value	Contract Amount	Contract Amount Due after One Year	Fair Value
Currency-related transactions*2*5	Loans, securities, deposits, foreign exchanges, etc., which are denominated in foreign currencies						
Currency swaps		¥147,355	¥34,000	¥637	$1,327,644	$306,336	$5,743
Forward exchange contracts		2,042	—	22	18,406	—	206
Foreign exchange swap		34,041	—	97	306,710	—	878
Total		—	—	¥757	—	—	$6,828
Equity-related transactions*3*6							
Stock forward contracts	Available-for-sale securities						
Sold		¥ 3,899	¥ —	¥ (33)	$ 35,137	$ —	$ (298)
Total		—	—	¥ (33)	—	—	$ (298)

March 31, 2018	Hedged Item	Millions of Yen Contract Amount	Contract Amount Due after One Year	Fair Value
Interest rate-related transactions[*1*4]				
Interest rate swaps:				
Receive floating and pay fixed......	Interest-bearing financial assets and liabilities, including loans, available-for-sale securities, deposits and negotiable certificates of deposit, etc.	¥ 20,000	¥ —	¥ (182)
Total..		—	—	¥ (182)
Currency-related transactions[*2*5]				
Currency swaps..............................	Loans, securities, deposits, foreign exchanges, etc., which are denominated in foreign currencies	¥131,077	¥4,301	¥3,017
Forward exchange contracts		20,508	—	1,193
Foreign exchange swap		25,062	—	501
Total..		—	—	¥4,711
Equity-related transactions[*3*6]				
Stock forward contracts	Available-for-sale securities			
Sold		¥ 4,147	¥ —	¥ 105
Total..		—	—	¥ 105

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 flow model, an option-pricing model or other models, as appropriate.
5. Fair value is determined based on a discounted cash flow 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, 2019:

March 31, 2019	Hedged Item	Millions of Yen Contract Amount	Contract Amount Due after One Year	Fair Value	Thousands of U.S. Dollars 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......		**16,910**	**11,588**	**(320)**	**152,362**	**104,409**	**(2,884)**
Total..		**—**	**—**	**¥(320)**	**—**	**—**	**$(2,884)**

March 31, 2018	Hedged Item	Millions of Yen 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)
Total..		—	—	¥(471)

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 23. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES (5) Fair Values of Financial Instruments").

25. OTHER COMPREHENSIVE INCOME (LOSS)

The components of other comprehensive income (loss) for the years ended March 31, 2019 and 2018, were as follows:

	Millions of Yen 2019	2018	Thousands of U.S. Dollars 2019
Unrealized gains (losses) on available-for-sale securities:			
Gains (losses) arising during the year	**¥13,017**	¥ (6,255)	**$117,285**
Reclassification adjustments to profit or loss............................	**(9,648)**	(4,834)	**(86,929)**
Amount before income tax effect....................	**3,369**	(11,090)	**30,355**
Income tax effect	**(1,054)**	3,272	**(9,502)**
Total	**¥ 2,314**	¥ (7,817)	**$ 20,853**
Deferred gains (losses) on derivatives under hedge:			
Gains arising during the year..........	**¥ 1,683**	¥ 2,985	**$ 15,168**
Reclassification adjustments to profit or loss............................	**(1,985)**	(2,097)	**(17,892)**
Amount before income tax effect....................	**(302)**	888	**(2,724)**
Income tax effect	**91**	(270)	**822**
Total	**¥ (211)**	¥ 617	**$ (1,901)**
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	**2**	468	**22**
Total	**¥ 2**	¥ 468	**$ 22**
Defined retirement benefit plans:			
Gains arising during the year..........	**¥ (4,494)**	¥ 1,038	**$ (40,498)**
Reclassification adjustments to profit or loss............................	**1,464**	2,960	**13,194**
Amount before income tax effect....................	**(3,030)**	3,998	**(27,304)**
Income tax effect	**921**	(1,221)	**8,302**
Total	**¥ (2,109)**	¥ 2,777	**$ (19,002)**
Total other comprehensive loss...........	**¥ (3)**	¥ (3,954)	**$ (29)**

26. 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, 2019	Millions of Yen (Thousands of U.S. Dollars) Lending Operations	Investment Operations	Other	Total
Ordinary income from external customers..............	**¥113,944 ($1,026,618)**	**¥82,695 ($745,072)**	**¥91,499 ($824,398)**	**¥288,139 ($2,596,088)**

March 31, 2018	Millions of Yen Lending Operations	Investment Operations	Other	Total
Ordinary income from external customers..............	¥113,739	¥61,159	¥87,473	¥262,373

(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.

27. 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, 2019 and 2018, were as follows:

Year ended March 31, 2019

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	Kinichi Suzuki	—	—	—	—	—	Loan	**¥106 ($964)**	Loans and bills discounted	**¥104 ($944)**
	Yoshie Suto	—	—	—	—	—	Loan	**¥138 ($1,244)**	Loans and bills discounted	**¥135 ($1,219)**
	Yoshihiro Ono	—	—	—	—	—	Loan	**¥13 ($122)**	Loans and bills discounted	**¥12 ($115)**
Companies in which a majority of voting rights are owned by a director or director's close relatives	Hoshino Seisakusyo Co., Ltd.	Gunma	**¥7 ($63)**	Steel manufacturing	—	—	Loan	**¥11 ($101)**	Loans and bills discounted	**¥11 ($101)**

Terms and conditions on transactions and transaction policy:
The interest rate on loans is reasonably determined considering the market rate.

Year ended March 31, 2018

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	Kinichi Suzuki	—	—	—	—	—	Loan	¥110	Loans and bills discounted	¥109
	Yoshie Suto	—	—	—	—	—	Loan	¥143	Loans and bills discounted	¥141
	Yoshihiro Ono	—	—	—	—	—	Loan	¥15	Loans and bills discounted	¥14
Companies in which a majority of voting rights are owned by a director or director's close relatives	Hoshino Seisakusyo Co., Ltd.	Gunma	¥7	Steel manufacturing	—	—	Loan	¥11	Loans and bills discounted	¥11

Terms and conditions on transactions and transaction policy:
The interest rate on loans is reasonably determined considering the market rate.

28. SUBSEQUENT EVENTS

Not applicable.

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated balance sheet of Mebuki Financial Group, Inc. and its consolidated subsidiaries as of March 31, 2019, 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, 2019, 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 25, 2019

Member of
Deloitte Touche Tohmatsu Limited

Non-Consolidated Balance Sheet (Unaudited)

March 31, 2019 The Joyo Bank, Ltd.

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
ASSETS			
Cash and due from banks	¥ 726,456	¥ 968,263	$ 6,545,239
Call loans and bills bought	9,546	13,786	86,010
Monetary claims bought	7,271	7,447	65,511
Trading assets	10,817	8,526	97,459
Securities	3,025,904	2,802,591	27,262,858
Loans and bills discounted	6,594,731	6,063,500	59,417,352
Foreign exchanges	3,420	3,341	30,817
Other assets	80,821	77,320	728,184
Tangible fixed assets	77,171	81,764	695,301
Intangible fixed assets	8,531	9,153	76,868
Prepaid pension cost	6,365	6,495	57,349
Customers' liabilities for acceptances and guarantees	44,283	46,564	398,982
Allowance for loan losses	(32,610)	(35,002)	(293,817)
Allowance for investment losses	(9)	(9)	(81)
TOTAL	¥10,562,699	¥10,053,746	$95,168,033
LIABILITIES AND EQUITY			
LIABILITIES:			
Deposits	¥ 8,729,187	¥ 8,509,025	$78,648,418
Negotiable certificates of deposit	85,123	67,249	766,952
Call money and bills sold	59,542	65,340	536,469
Payables under repurchase agreement	62,482	26,314	562,955
Payables under securities lending transactions	84,286	61,535	759,402
Trading liabilities	1,065	504	9,602
Borrowed money	786,125	579,167	7,082,847
Foreign exchanges	351	451	3,162
Bonds	5,000	5,000	45,049
Due to trust account	566	11	5,103
Other liabilities	40,275	38,513	362,874
Provision for bonuses for directors	154	65	1,395
Provision for retirement benefits	8,301	8,638	74,797
Provision for reimbursement of deposits	2,261	2,838	20,377
Provision for point card certificates	114	85	1,033
Provision for contingent losses	949	946	8,559
Deferred tax liabilities	32,131	33,260	289,503
Deferred tax liabilities for land revaluation	8,143	8,546	73,375
Acceptances and guarantees	44,283	46,564	398,982
Total liabilities	9,950,348	9,454,062	89,650,855
EQUITY:			
Common stock	85,113	85,113	766,854
Capital surplus	58,574	58,574	527,741
Retained earnings	337,172	319,555	3,037,865
Valuation adjustments:	131,491	136,441	1,184,717
Unrealized gains on available-for-sale securities	119,723	123,847	1,078,688
Deferred losses on derivatives under hedge accounting	(171)	(31)	(1,549)
Land revaluation surplus	11,940	12,625	107,579
Total equity	612,351	599,683	5,517,178
TOTAL	¥10,562,699	¥10,053,746	$95,168,033

Non-Consolidated Statement of Income (Unaudited)

Year Ended March 31, 2019 The Joyo Bank, Ltd.

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
INCOME:			
Interest income:			
Interest on loans and bills discounted	¥64,082	¥63,245	$577,375
Interest and dividends on securities	33,074	30,213	297,991
Interest on call loans and bills bought	139	70	1,256
Interest on deposits with banks	419	291	3,783
Other interest income	361	349	3,257
Trust Fees	31	42	288
Fees and commissions	25,709	24,801	231,634
Trading income	362	373	3,266
Other operating income	1,954	3,503	17,610
Other income	25,283	16,252	227,799
Total income	151,418	139,143	1,364,258
EXPENSES:			
Interest expenses:			
Interest on deposits	3,893	2,497	35,083
Interest on negotiable certificates of deposit	24	16	225
Interest on call money and bills sold	283	561	2,555
Interest on payables under repurchase agreements	16	246	150
Interest on payables under securities lending transactions	114	1,146	1,033
Interest on borrowed money	1,449	801	13,062
Interest on bonds	132	132	1,189
Interest on interest swap	1,944	2,088	17,524
Other interest expenses	274	859	2,473
Fees and commissions	8,535	7,917	76,902
Other operating expenses	8,186	6,138	73,762
General and administrative expenses	66,892	69,347	602,691
Provision of allowance for loan losses	386	3,340	3,483
Other expenses	18,633	7,646	167,887
Total expenses	110,770	102,740	998,018
INCOME BEFORE INCOME TAXES	40,648	36,403	366,239
INCOME TAXES:			
Current	11,709	10,360	105,496
Deferred	210	529	1,893
Total income taxes	11,919	10,890	107,389
NET INCOME	¥28,729	¥25,513	$258,850

Non-Consolidated Balance Sheet (Unaudited)

March 31, 2019 The Ashikaga Bank, Ltd.

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
ASSETS			
Cash and due from banks	¥ 741,475	¥ 740,378	$ 6,680,561
Call loans and bills bought	843	849	7,600
Monetary claims bought	7,881	7,941	71,014
Trading account securities	2,982	4,012	26,869
Money held in trust	23,175	—	208,803
Securities	1,338,495	1,391,021	12,059,605
Loans and bills discounted	4,657,025	4,517,299	41,958,962
Foreign exchanges	3,088	3,074	27,826
Other assets	82,670	69,504	744,846
Tangible fixed assets	28,608	27,001	257,757
Intangible fixed assets	9,480	5,207	85,418
Prepaid pension cost	20,764	18,310	187,082
Deferred tax assets	2,475	4,005	22,303
Customers' liabilities for acceptances and guarantees	10,456	10,219	94,213
Allowance for loan losses	(30,142)	(34,283)	(271,580)
TOTAL	¥6,899,280	¥6,764,543	$62,161,278
LIABILITIES AND EQUITY			
LIABILITIES:			
Deposits	¥5,709,204	¥5,529,812	$51,438,910
Negotiable certificates of deposit	263,084	279,440	2,370,343
Call money and bills sold	132,198	275,200	1,191,080
Payables under repurchase agreement	58,349	—	525,720
Payables under securities lending transactions	117,866	96,613	1,061,958
Borrowed money	229,574	222,366	2,068,429
Foreign exchanges	286	256	2,578
Other liabilities	27,229	26,562	245,337
Provision for bonuses for directors	121	54	1,097
Provision for reimbursement of deposits	992	943	8,938
Provision for contingent losses	1,005	656	9,057
Provision for point card certificates	210	130	1,896
Acceptances and guarantees	10,456	10,219	94,213
Total liabilities	6,550,580	6,442,255	59,019,558
EQUITY:			
Common stock	135,000	135,000	1,216,326
Retained earnings:	181,429	157,188	1,634,646
Valuation adjustments:	32,270	30,098	290,748
Unrealized gains on available-for-sale securities	32,365	30,123	291,607
Deferred losses on hedges	(95)	(24)	(859)
Total equity	348,699	322,287	3,141,720
TOTAL	¥6,899,280	¥6,764,543	$62,161,278

Non-Consolidated Statement of Income (Unaudited)

Year Ended March 31, 2019 The Ashikaga Bank, Ltd.

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
INCOME:			
Interest income:			
Interest on loans and bills discounted	¥48,772	¥49,379	$439,433
Interest and dividends on securities	29,474	22,655	265,557
Interest on call loans and bills bought	41	37	370
Interest on deposits with banks	344	361	3,104
Other interest income	132	88	1,197
Fees and commissions	22,100	21,169	199,126
Other operating income	3,320	1,267	29,916
Other income	16,543	4,139	149,057
Total income	120,730	99,097	1,087,759
EXPENSES:			
Interest expenses:			
Interest on deposits	2,203	1,236	19,850
Interest on negotiable certificates of deposit	68	82	617
Interest on call money and bills sold	1,081	28	9,744
Interest on payables under repurchase agreements	281	—	2,536
Interest on payables under securities lending transactions	2,308	1,249	20,797
Interest on borrowed money	135	61	1,218
Other interest expenses	1,633	1,934	14,716
Fees and commissions payments	7,162	7,275	64,530
Other operating expenses	5,013	2,808	45,168
General and administrative expenses	49,088	47,307	442,277
Provision of allowance for loan losses	1,268	2,591	11,428
Other expenses	10,649	3,847	95,947
Total expenses	80,892	68,422	728,828
INCOME BEFORE INCOME TAXES	39,837	30,675	358,932
INCOME TAXES:			
Current	8,351	7,900	75,243
Deferred	195	1,420	1,761
Total income taxes	8,546	9,320	77,004
NET INCOME	¥31,291	¥21,354	$281,928