

To the Shareholders

Masanao Matsushita  
Director, President and Chief Executive Officer  
Ashikaga Holdings Co., Ltd.  
1-25 Sakura 4-chome, Utsunomiya City, Tochigi, Japan

NOTICE OF CONVOCAATION OF  
THE 8TH ORDINARY GENERAL MEETING OF SHAREHOLDERS

You are cordially invited to attend the 8th Ordinary General Meeting of Shareholders of Ashikaga Holdings Co., Ltd. (the "Company").

The meeting will be held for the purposes as described below.

If you are unable to attend the meeting, you can exercise your voting rights in writing by submitting the Voting Rights Exercise Form, or via the Internet, etc. Please review the Reference Documents for the General Meeting of Shareholders (described hereinafter) and exercise your voting rights.

- 1. Date and Time:** Tuesday, June 28th, 2016 at 10 a.m. Japan time  
**2. Place:** Main Hall, Tochigi Education Center  
1-6 Komanyu 1-chome, Utsunomiya City, Tochigi, Japan

**3. Meeting Agenda:**

Matters to be reported:

1. The Business Report and Consolidated Financial Statements for the Company's 8th Fiscal Year (from April 1, 2015 to March 31, 2016) and results of audits of the Consolidated Financial Statements by the Accounting Auditor and the Audit Committee
2. The Non-Consolidated Financial Statements for the Company's 8th Fiscal Year (from April 1, 2015 to March 31, 2016)

Proposals to be resolved:

- Proposal No. 1: Election of Six (6) Directors  
Proposal No. 2: Approval of the Share Exchange Agreement with The Joyo Bank, Ltd.  
Proposal No. 3: Partial Amendment of the Articles of Incorporation  
Proposal No. 4: Directors (excluding Directors who are Audit and Supervisory Committee Members)  
Nomination of 7 Directors  
Proposal No. 5: The nomination of the 5 Directors who are Audit and Supervisory Committee Members  
Proposal No. 6: Election of One (1) Director Who serves as an Alternate Audit and Supervisory

Committee Member

- Proposal No. 7: Setting of Amount of Compensation, etc. for Directors (excluding those who serve on the Audit and Supervisory Committee Members)
- Proposal No. 8: Setting of Amount of Compensation, etc. for Directors Who Serve on the Audit and Supervisory Committee
- Proposal No. 9: Decision on Amount and Details of Compensation, etc. by Stock Options for Directors (excluding those who serve on the Audit and Supervisory Committee)

- If you are unable to attend the meeting, you may designate another shareholder with voting rights to attend in your place. However, please understand that the proxy will be required to submit your Voting Rights Exercise Form and documentation proving authority to act as a proxy.
- Any amendments to the Business Report, Consolidated Financial Statements or the Non-Consolidated Financial Statements will be posted on our website

Company website <http://www.ashikagabank.co.jp/english/>

- We ask that you submit the Exercise of Voting Rights Form included with this notice to the reception desk when attending the meeting. Also, in the interest of resource conservation, we ask that you bring this Notice of Convocation with you. We will be dressed in Cool Biz attire on the day of the meeting. We invite our shareholders to attend in similar casual business attire.

## Exercise of Voting Rights by Attendance at the General Meeting of Shareholders



Date and  
Time of Event

Wednesday, June 28, 2016  
10:00 a.m.

We ask that you bring this Notice of Convocation with you and submit the Exercise of Voting Rights Form included with this notice to the reception desk when attending the meeting.

If you exercise your voting right by proxy, you may only designate a shareholder of the company with voting rights. Further, you may designate no more than one proxy.

## Exercise of Voting Rights in Writing



Voting Deadline

Receipt no later than Monday, June 27, 2016  
at 5:00 p.m. (Japan time)

Please indicate your vote for or against the proposal on the enclosed Voting Rights Exercise Form and return it to us so that it is received by 5:00 p.m. Japan time on Monday, June 27, 2016

## Exercise of Voting Rights via the Internet

For more detailed information, please refer  
to the next page



Voting Deadline

No later than Monday, June 27, 2016, 5:00 p.m.  
(Japan time)

It is only possible to exercise your voting rights via Internet through the following website designated by our company for exercising voting rights. After reading the “Guide to Exercise of Voting Rights via the Internet” on page 4, please exercise your voting rights no later than 5:00 p.m. Japan time on Monday, June 27, 2016.

Website for exercising voting rights <http://www.web54.net>

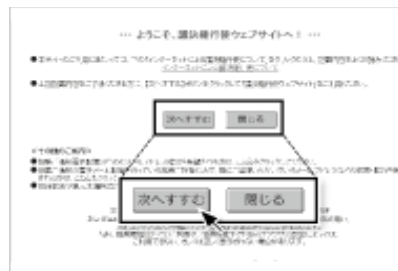
### Treatment of duplicate votes

If you vote both via written form, and via Internet, etc., only the vote via the Internet, etc., will be deemed valid. In addition, if you submit your vote multiple times via the Internet, etc., or submit in duplicate via a computer and mobile phone, the last vote cast will be deemed valid.

1 Go to the website for exercising voting rights.

<http://www.web54.net>

※ You may access the website for exercising voting rights by scanning the QR Code at right using a mobile phone with a bar code reader app (QR Code is a registered trademark of Denso Co., Ltd.)



2 Click the “Next” button.

3 Enter the “Code for Exercising Voting Rights” listed on the enclosed Voting Rights Exercise Form, and click the “Login” button.

4 Next, follow the instructions on the screen to enter approval or disapproval.



※ We ask that any fees arising from accessing the voting website (internet connection fees, phone charges, etc.) be borne by the shareholder. If using a mobile phone, packet transmission fees and other mobile usage charges may be required.

Platform for exercise of voting rights by institutional investors

For nominal shareholders of managing trust banks, etc., (including standing proxies), if you have applied to use the Voting Platform operated by ICJ Co., Ltd., you may use that voting platform as well as the above listed method via the Internet as an electromagnetic method to exercise voting rights.

Contact for system-related inquiries:

Sumitomo Mitsui Trust Bank  
Securities Web Support, Toll-Free Number (in Japan)  
☎ 0120-652-031 Hours: 9:00 – 21:00

For other questions:

① Shareholders with brokerage accounts ▶

Please contact your brokerage.

② Shareholders without brokerage accounts  
(Shareholders with special accounts) ▶

Sumitomo Mitsui Trust Bank Securities Agency Service Center

☎ 0120-782-031 Hours: 9:00 – 21:00  
(closed Saturdays, Sundays and holidays)

## Business Report for the 8th Fiscal Year

〔 From April 1, 2015  
to March 31, 2016 〕

### 1. Matters concerning Current Status of the Company

#### (1) Progress and Results of Business of Corporate Group

(Main business activities of corporate group)

The Ashikaga Holdings Group (hereafter "the Group") is composed of Ashikaga Holdings Co., Ltd. (hereafter "the Company") which is a bank holding company, and four consolidated subsidiaries, including The Ashikaga Bank, Ltd. (hereafter "Ashikaga Bank" or "the Bank"). Its main business is banking services, and it provides financial services such as credit guarantee services and credit card services.

(Financial and economic environment)

During the fiscal year under review (fiscal 2015), although the effects of a slowdown in the economies of emerging nations on the exports and production in Japan were apparent, the Japanese economy continued to recover moderately. In Tochigi Prefecture, as well, despite signs of weakness in production activities, the economy generally recorded a mild recovery supported by the underlying strength of capital investment and an improvement in consumer spending and employment.

In regard to financial conditions, the yield on 10-year JGBs, which was in the 0.3% range at the start of the fiscal year, declined to a negative level below 0% at the end of the fiscal year in response to "quantitative and qualitative monetary easing with a negative interest rate" by the Bank of Japan. Meanwhile, in the foreign exchange market, appreciation of yen strengthened toward the end of the fiscal year, and the yen ended up at the level of 112 yen versus the U.S. dollar. Moreover, in the stock market, the Nikkei Stock Average was also in an upward phase from the 19,000 yen level at the start of the fiscal year but fell to the 16,000 yen level at the end of the fiscal year.

(Progress and Results of Business of Corporate Group)

In this environment, the Group focused on fulfilling a smooth financial intermediary function in the local community and offering financial services that meet its customers' needs mainly through Ashikaga Bank, based on its medium-term management plan "Challenges 120 – Valiant challenges toward 120-year anniversary of foundation," which started in April 2013.

In corporate banking, we made greater contact with customers and actively worked to provide a smooth supply of funds by using multiple financing methods such as syndicated loans, private placement bonds and asset-based lending (ABL). Furthermore, in regard to supporting clients with their business startups and second stage of development, by launching "Founder Meetings" and the "Ashigin Business Grand Prix," we discovered excellent business plans and conducted public relations activities, while also endeavoring to support clients' business expansion. In the fields of medical care and nursing care, we worked to provide information to clients through seminars and the production of "medical reports." As regards support for the expansion of clients' sales channels,

we undertook initiatives to provide business matching opportunities. These included the "Agri-Food Fest 2015," an event combining an exhibition and business meetings, which we held jointly with The Joyo Bank, Ltd. (hereafter "Joyo Bank") and The Gunma Bank, Ltd.; the "Regional Banks' Food Selection 2015," which was jointly sponsored by 41 regional banks; the " Monozukuri Kigyo Tenji / Shodankai 2015 (manufacturers' exhibition / business confab)," which we held jointly with shinkin banks and credit associations in Tochigi Prefecture; and the "Tochigi Shoku no Tenji/Shodankai 2016 (Tochigi Prefecture food exhibition and business confab 2016)," which we held jointly with Tochigi Prefecture. In relation to support for overseas business expansion, the Group opened the Hong Kong Representative Office and supported business matching by holding overseas business seminars and participating in overseas business meetings.

As for regional revitalization, we reorganized our headquarters to ensure proactive support and promotion, participated in planning 27 local government group's Regional Comprehensive Strategy Formulation Deliberation Organizations, including those in Tochigi Prefecture, and were actively involved in supporting the formulation of the "Regional Population Vision" and the "Regional Comprehensive Strategy." In addition, we entered into a cooperative agreement regarding support for the local establishment of businesses with Ashikaga City and Nogi Town, and also concluded a comprehensive cooperation agreement with Utsunomiya City.

In retail banking, we worked to improve products and services corresponding to clients' life events. Specifically, we enhanced investment trust and insurance products, and also held inheritance seminars and parent and child seminars as part of the dissemination of investment education. In regard to individual loans, we focused on promoting housing loans and apartment loans as well as unsecured loans while also conducting preferential interest rate campaigns and other campaigns. Moreover, we launched the handling of "Vacant Home Countermeasure Loans."

In our branch channel, Higashi Branch and Gyoda Branch were relocated in new buildings in May and June respectively, and we also opened the Tsukuba Loan Center in October.

As a result of these initiatives, the Group recorded the following business performance over the fiscal year.

Despite a decrease in interest on loans and bills discounted stemming from lower interest rates, the Group's consolidated ordinary income increased ¥5.751 billion YoY to ¥102.474 billion, as the Group recorded a rise in interest and dividends on securities and gains on sales of stocks, etc. However, ordinary expenses declined ¥3.540 billion YoY to ¥72.118 billion, mainly due to a decrease in general and administrative expenses and credit related expenses.

As a result, ordinary profit increased ¥9.292 billion YoY to ¥30.356 billion and net income attributable to shareholders of parent rose ¥5.376 billion YoY to ¥22.452 billion.

In regard to the Group's financial position, total assets grew ¥241.7 billion from the end of fiscal 2014 to ¥6.106 trillion, and liabilities increased ¥225.8 billion from the end of fiscal 2014 to ¥5.8029 trillion. Furthermore, net assets grew ¥15.9 billion from the end of fiscal 2014 to ¥303.1 billion.

In regards to major accounting items, owing to the Group's proactive initiatives related to housing loans and business loans, especially those related to local small and medium-sized enterprises, loans increased ¥84.7 billion from the end of fiscal 2014 to ¥4.2351 trillion. As the Group strove to conduct appropriate asset management

based on market trends, securities rose ¥88.8 billion from the end of fiscal 2014 to ¥1.2967 trillion. As both individual deposits and corporate deposits increased, deposits grew ¥135.5 billion from the end of fiscal 2014 to ¥5.2067 trillion. Negotiable certificates of deposit declined ¥22.5 billion yen from the end of fiscal 2014 to ¥174.8 billion yen.

The business performance of Ashikaga Bank, the main subsidiary, was as follows.

Core net business income grew ¥4.3 billion YoY to ¥36.4 billion, as net interest income increased due to a rise in interest and dividends on securities, net fees and commissions also rose, and expenses decreased.

Credit related expenses generated income of ¥200 million mainly because the Bank posted a reversal of allowance for loan losses. Gains (losses) on stocks increased ¥2.9 billion YoY to ¥2.5 billion yen due to sales of some stocks held. As a result, ordinary profit rose ¥10.0 billion YoY to ¥39.8 billion. In addition, net income increased ¥11.0 billion YoY to ¥30.8 billion.

[Operating results and main account balances of Ashikaga Bank, Ltd. (non-consolidated basis)]

(Units: billion yen)

	Fiscal 2014	Fiscal 2015	Change
Core net business income	32.0	36.4	4.3
Credit related expenses	2.6	(0.2)	(2.9)
Gains (losses) on stocks	(0.4)	2.5	2.9
Ordinary profit	29.7	39.8	10.0
Net income	19.7	30.8	11.0

Deposits and negotiable certificates of deposit	5,337.7	5,449.4	111.6
Loans and bills discounted	4,189.4	4,274.4	85.0
Securities	1,236.8	1,325.7	88.8

(Note) Amounts of less than ¥100 million has been rounded down.

(Issues to be addressed by the Group)

The business environment surrounding the finance industry is becoming increasingly severe, and this includes the contraction of regional economies caused by factors such as population decline and the continuation of a low-interest rate environment. Even in this business environment, we believe that establishing a sustainable and stable earnings base, which is a basic strength, and continuing to contribute to the region are important challenges for the Group.

Based on this belief, the Group formulated a new medium-term management plan called "Ashigin WAY 2016 - Aiming to Be the Region's Main Bank -." However, in light of the fact that business integration with Joyo Bank is planned, we have adopted one year from April 2016 to March 2017 as the period for the plan.

In the new medium-term plan, the Group's long-term vision is to become "a bank that grows together with the region = being the region's main bank" and "a bank with the basic strength for that objective." The medium-term

management target we have established is to "contribute to regional revitalization by reinforcing our basic strength and displaying the effects of integration." To realize this, we will undertake the following: "contribute to the growth of the regional economy," "focus on business areas that have accurately captured changes in the external environment," "strengthen marketing based on a contact axis (consulting and business evaluation) and enhance convenience for clients based on a functional axis (pursue familiarity and convenience)," "increase the sophistication of the management function to refine the contact axis and the functional axis," and "introduce management resources effectively."

In regard to the business integration with Joyo Bank, which we discussed and investigated after reaching a basic agreement on November 2, 2015, we reached a definitive agreement to consummate the business integration through a share exchange and entered into a share exchange agreement on April 25, 2016. Moreover, at the same time, Ashikaga Holdings, Ashikaga Bank and Joyo Bank entered into a business integration agreement.

On the scheduled date of October 1, 2016, the Group will change its trade name to Mebuki Financial Group, Inc., but will continue to maintain and promote relationships with customers and deep understanding of local communities that Ashikaga Bank and Joyo Bank have built over the years, and realize the advancement of comprehensive financial services and operational efficiencies by leveraging a wide area network and other connections formed through the business integration. Furthermore, through the provision of more convenient, high-quality comprehensive financial services, we will contribute to the sustainable growth of the region as a driving force of regional development and revitalization.

As all executives and employees of the Group will continue to devote their utmost efforts to meeting the expectations of all stakeholders, we look forward to your continued support and encouragement.

## (2) Assets and profit (loss) of the Corporate Group and the Company

### a. Assets and profit (loss) of the corporate group

(Units: billion yen)

	Fiscal 2012	Fiscal 2013	Fiscal 2014	Fiscal 2015
Ordinary income	98.3	108.0	96.7	102.4
Ordinary profit	18.6	28.2	21.0	30.3
Net income attributable to shareholders of parent	15.4	24.3	17.0	22.4
Comprehensive income	28.2	22.6	43.9	19.3
Net assets	279.3	241.1	287.1	303.1
Total assets	5,434.1	5,612.3	5,864.2	6,106.0

(Note) Amount of less than ¥0.1 billion has been rounded down.



b. Assets and profit (loss) of the Company

(Units: billion yen)

	Fiscal 2012	Fiscal 2013	Fiscal 2014	Fiscal 2015
Operating revenue	15.4	15.4	15.4	12.9
Dividends received	14.7	14.7	14.7	12.0
Banking subsidiary	14.7	14.7	14.7	12.0
Other subsidiaries	—	—	—	—
Net income	11.4	12.1	16.9	10.5
Net income per share	21.45 yen	27.38 yen	51.00 yen	31.59 yen
Total assets	298.5	300.5	304.4	301.6
Banking subsidiary	280.0	280.0	280.0	280.0
Other subsidiaries, etc.	—	—	—	—

(Note) 1. On October 19, 2013, the Company split its common stock at a ratio of 100 shares to one common share. As a result, net income per share has been calculated assuming that the stock split was made at the beginning of fiscal 2012.

2. Amount of less than ¥0.1 billion has been rounded down.

(3) Employees of the Corporate Group

	End of fiscal 2015		End of fiscal 2014	
	Banking business	Other businesses	Banking business	Other businesses
Number of employees	2,851	47	2,893	51

(Note) Number of employees does not include temporary employees or fixed-term employees.

(4) Main branches, etc. of Corporate Group

a. Banking business

The Ashikaga Bank, Ltd. (banking business)

	End of fiscal 2015	End of fiscal 2014
Tochigi Prefecture	Branches (of which, sub-branches) 111 (41)	Branches (of which, sub-branches) 112 (42)
Gunma Prefecture	15 (5)	15 (5)
Ibaraki Prefecture	8 (2)	8 (2)
Saitama Prefecture	16 (1)	16 (1)
Tokyo	1 (-)	1 (-)
Fukushima Prefecture	1 (-)	1 (-)
Total	152 (49)	153 (50)

(Note) 1. Over this fiscal year, the Bank opened the following representative office.

Hong Kong representative office

Suite 1601, 16<sup>th</sup> Floor, Tower 2, The Gateway, Harbour City, Kowloon, Hong Kong

2. Over this fiscal year, the Bank installed 8 off-premises ATMs. Moreover, at the end of fiscal 2015, the Bank had installed 205 off-premises ATMs (201 at the end of fiscal 2014).

List of bank agents acting as principal bank for Ashikaga Bank, Ltd.

Not applicable.

Bank agency business, etc. operated by Ashikaga Bank, Ltd.

Not applicable.

Ashikaga Credit Guarantee Co., Ltd. (credit guarantee business) Head office (Utsunomiya)

b. Other businesses

Ashigin Research Institute, Ltd.

Head office (Utsunomiya)

Ashigin Card Co., Ltd.

Head office (Utsunomiya)

(5) Capital investments of the Corporate Group

a. Total amount of capital investment

(Units: million yen)

	Banking business	Other businesses	Total
Total amount of capital investment	2,849	4	2,853

(Note) Amount of less than ¥1 million has been rounded down.

b. New installation, etc. of major equipment

(Units: million yen)

	Company name	Details	Amount
Banking business	The Ashikaga Bank, Ltd.	New installation and renewal of office equipment	991
Banking business	The Ashikaga Bank, Ltd.	Software	718
Banking business	The Ashikaga Bank, Ltd.	New installation and renewal of ATMs	400
Banking business	The Ashikaga Bank, Ltd.	New construction of Gyoda Branch	384
Banking business	The Ashikaga Bank, Ltd.	New construction of Higashi Branch	336
Banking business	The Ashikaga Bank, Ltd.	Air-conditioning equipment renewal work at headquarters	193

(Note) Amount of less than ¥1 million has been rounded down.

(6) Major parent companies and subsidiaries, etc.

a. Parent company

Not applicable.

b. Subsidiaries, etc.

Company name	Address	Main business activities	Established	Capital stock	Percentage of voting rights of subsidiary, etc. held by the Company	Other
The Ashikaga Bank, Ltd.	1-25 Sakura 4-chome, Utsunomiya, Tochigi Prefecture	Banking business	September 25, 1895	(Millions of yen) 135,000	(%) 100.00	
Ashikaga Credit Guarantee Co., Ltd.	1-25 Sakura 4-chome, Utsunomiya, Tochigi Prefecture	Credit guarantee business	December 21, 1978	50	(100.00)	
Ashigin Research Institute, Ltd.	7-5Tsuruta 1-chome, Utsunomiya, Tochigi Prefecture	Research, consulting, and software development	April 7, 2009	70	(100.00)	
Ashigin Card Co., Ltd.	7-5 Tsuruta 1-chome, Utsunomiya, Tochigi Prefecture	Credit card services	March 25, 1982	30	(100.00)	

- (Note) 1. Capital stock amount of less than ¥1 million has been rounded down.  
2. Percentage of voting rights has been rounded down to two decimal places.  
3. Figures in parentheses in percentage of voting rights column show percentage of indirect voting rights.  
4. On April 1, 2016, Ashikaga Credit Guarantee Co., Ltd. commenced a leasing business.

Summary of Major Business Alliances

(Banking business)

- (i) Based on a tie-up with 64 regional banks, the Bank provides services such as automatic cash withdrawals through the mutual use of ATMs (abbreviation: ACS).
- (ii) Based on a tie-up with 64 regional banks, city banks, trust banks, The Second Association of Regional Banks, credit unions, credit cooperatives, associated agricultural cooperative / fishery credit co-operative associations (including Norinchukin Bank and credit federations of agricultural co-operations ), the Bank provides services such as automatic cash withdrawals through the mutual use of ATMs (abbreviation: MICS).
- (iii) At Chigin Network Service Co., Ltd. (a company based on joint investment by 64 regional banks; abbreviation: CNS), the Bank provides services such as the transfer of various kinds of data such as comprehensive transfers, account transfers, detailed data on deposits and withdrawals between client companies by means of data transmission methods.
- (iv) Based on a tie-up between Ashikaga Bank, Ltd., Tochigi Bank, Ltd., six credit unions in Tochigi Prefecture, two credit cooperatives in Tochigi Prefecture, Chuo Labour Bank, and ten agricultural cooperatives in Tochigi Prefecture, the Bank provides a bill collection service based on the mutual use of the Tochigi Net Cash Service (abbreviation: T-NET).
- (v) Based on a tie-up with Seven Bank Ltd. and E-net Co., Ltd., the Bank provides automatic cash withdrawal and automatic cash deposit services based on jointly installed ATMs installed in stores such as convenience stores.
- (vi) Based on a tie-up with AEON Bank, Ltd., the Bank provides automatic cash withdrawal and cash deposit services based on the mutual use of ATMs.

(vii) Based on a tie-up with Japan Post Bank Co., Ltd., the Bank provides automatic cash withdrawal and cash deposit services based on the mutual use of ATMs.

(7) Main Lenders

Lenders	Loan balance	Status of investment in the Bank	
		Number of shares held	Percentage of voting rights
The Ashikaga Bank, Ltd.	¥40,000 million	-	—%
The Dai-ichi Life Insurance Company, Limited	¥30,000 million	112 thousand	0.00%
Nippon Life Insurance Company	¥15,000 million	5,169 thousand	1.55%
Aozora Bank, Ltd.	¥15,000 million	-	—%
Sompo Japan Nipponkoa Insurance Inc.	¥10,000 million	19,000 thousand	5.70%

(Note) 1. Loan balances amount of less than ¥1 million has been rounded down.  
 2. For the number of shares held, amount has been rounded down to the nearest 1,000 shares.  
 3. Percentage of voting rights has been rounded down to two decimal places.

(8) Status of Business Transfers, etc.

Not applicable.

(9) Other Significant Matters concerning the current status of the Corporate Group

Matters concerning the business integration with The Joyo Bank, Ltd., are as stated under (1) Progress and Results of Business of Corporate Group (Issues to be addressed by the Group).

## 2. Matters concerning Corporate Officers (Directors and Executive Officers)

### (1) Status of Corporate Officers of the Bank

#### Directors

(as of fiscal year-end)

Name	Position and responsibilities	Significant concurrent positions	Other
Satoshi Fujisawa	Director, Chairman and Chief Executive Officer		
Masanao Matsushita	Director, President and Chief Executive Officer Executive Nominating Committee Member (Chairman) Compensation Committee Member (Chairman)	Director, President and Chief Executive Officer, The Ashikaga Bank, Ltd.	
Kunihiro Ono	Director Audit Committee Member	Director, The Ashikaga Bank, Ltd.	
Masataka Komata	Director	Director, The Ashikaga Bank, Ltd.	
Shinjiro Takagi	Director (Outside Director) Executive Nominating Committee Member, Compensation Committee Member	Representative and Attorney at law (Takagi Law Offices) Corporate Auditor (Outside Auditor), Toppan Printing Co., Ltd. Director (Outside Director), The Ashikaga Bank, Ltd.	
Yoshio Kohra	Director (Outside Director) Audit Committee Member (Chairman)	Representative, Yoshio Kohra CPA Office Director (Outside Director), The Ashikaga Bank, Ltd.	He is a qualified CPA and has considerable knowledge regarding finance and accounting.
Mitsuhiro Kitamura	Director (Outside Director) Compensation Committee Member, Audit Committee Member	Chairman and Representative Director, Yokokura Honten Corporation Director (Outside Director), The Ashikaga Bank, Ltd.	
Shoji Fukui	Director (Outside Director) Executive Nominating Committee Member, Compensation Committee Member	Director, Nomura Financial Partners Co., Ltd. Director (Outside Director), The Ashikaga Bank, Ltd.	

- (Note) 1. Mr. Kunihiro Ono was selected as a full-time Audit Committee member to enable the collection of information from executive officers, etc. and his attendance at important meetings as well as cooperation with the Internal Audit Division, in order to enhance the effectiveness of audits by the Audit Committee.
2. The Company has designated Messrs. Shinjiro Takagi, Yoshio Kohra, and Mitsuhiro Kitamura, who are outside directors, as Independent Officers based on the rules of the Tokyo Stock Exchange and submitted their details to the Exchange.

#### Executive Officers

(as of fiscal year-end)

Name	Position and responsibilities	Significant concurrent positions	Other
Satoshi Fujisawa	Director, Chairman and Chief Executive Officer		
Masanao Matsushita	Director, President and Chief Executive Officer	Director, President and Chief Executive Officer, The Ashikaga Bank, Ltd.	

Name	Position and responsibilities	Significant concurrent positions	Other
Yutaka Horie	Executive Officer (General Manager of Business Administration Department)	Senior Executive Officer, The Ashikaga Bank, Ltd.	
Kazuyuki Shimizu	Executive Officer (General Manager of Corporate Planning Department)	Managing Executive Officer, The Ashikaga Bank, Ltd.	
Hideo Saito	Executive Officer (General Manager of Auditing Department)	Executive Officer, The Ashikaga Bank, Ltd.	

(Note) Hideo Saito resigned as Executive Officer on March 31, 2016. Note that the applicable position and responsibilities are those at the time of resignation.

(Reference) The status of executive officers as of April 1, 2016 is as follows.

Name	Position and responsibilities	Significant concurrent positions
Satoshi Fujisawa	Director, Chairman and Chief Executive Officer	
Masanao Matsushita	Director, President and Chief Executive Officer	Director, President and Chief Executive Officer, The Ashikaga Bank, Ltd.
Yutaka Horie	Executive Officer (General Manager of Corporate Planning Department)	Senior Executive Officer, The Ashikaga Bank, Ltd.
Hiroshi Mori	Executive Officer (General Manager of Auditing Department)	Managing Executive Officer, The Ashikaga Bank, Ltd.
Kazuyuki Shimizu	Executive Officer (General Manager of Corporate Planning Department)	Managing Executive Officer, The Ashikaga Bank, Ltd.

## (2) Compensation, etc. for Officers

(Units: million yen)

Category	No. of persons compensated	Compensation, etc.
Director	6	68 (of which, amount other than cash compensation: 16)
Executive officer	7	182 (of which, amount other than cash compensation: 57)
Total	13	250 (of which, amount other than cash compensation: 73)

- (Note) 1. Amount of less than ¥1 million has been rounded down.  
2. Amounts in parentheses show amounts other than cash compensation.  
3. The number of directors compensated includes one director who resigned on June 25, 2015, and the number of executive officers compensated includes two officers who resigned on March 31, 2015.  
4. Compensation, etc. for directors includes provision for directors' bonuses of ¥7 million and provision for directors' retirement benefits of ¥9 million for fiscal 2015, and compensation, etc. for executive officers includes provision for directors' bonuses of ¥25 million, provision for directors' retirement benefits of ¥31 million and company housing rent of ¥500,000 for fiscal 2015.  
5. Retirement benefits for corporate officers and directors' bonuses are as follows.  
Retirement benefits     Directors: ¥7 million, Executive officers: ¥4 million  
Directors' bonuses         Directors: ¥11 million, Executive officers: ¥40 million

### Policy concerning determination of contents of compensation for individual directors and executive officers

As the Company is a company with nominating and other committees, the Compensation Committee has prescribed the "Policy concerning determination of contents of compensation for individual directors and executive officers" based on the provisions of the Companies Act, and determines the amount of compensation

in accordance with this policy.

< Compensation system >

(i) In regard to the compensation that directors and executive officers receive from the Company, the Company may pay a fixed amount of compensation according to duties, as well as, when necessary, compensation linked to business performance, a non-fixed amount of compensation such as stock acquisition rights, and non-monetary compensation aimed at increasing the corporate value of the Company.

In addition, at respective times of retirement, the Company shall be permitted to pay retirement benefits, with the exception of outside directors, based on the "Regulations for provision for directors' retirement benefits" and such benefits shall correspond to the economic environment and other circumstances.

(ii) Compensation that outside directors receive shall be paid based on a fixed amount of compensation, in view of the fact that their main duty is an oversight function.

(iii) In the case of a concurrent position of director and executive officer, compensation shall be paid for the position of executive director.

(iv) With respect to the payment of compensation for directors and executive officers that have concurrent positions at the Company and The Ashikaga Bank, Ltd., which is a subsidiary, the compensation that each person receives based on the applicable concurrent positions shall be paid by the Company.

< Compensation for directors >

(i) The level of fixed compensation paid shall be what is considered appropriate according to the type of duty and the current status of the Company, from the viewpoint of exercising a supervisory function, which is the duty of directors.

(ii) Performance-linked compensation shall be paid once a year, after the end of the fiscal year, according to the business performance of the Company and the status of duties executed.

(iii) The payment level and payment content of other non-fixed compensation and non-monetary compensation shall be paid within a certain range according to the degree of contribution, and shall be what is considered appropriate according to the current status of the Company and the types of duties.

(iv) Company housing shall be provided and paid for within an appropriate range, when it is required in terms of operations, for example.

< Compensation for executive officers >

(i) The level of fixed compensation paid shall be what is considered appropriate according to the job position, the types of duties and the current status of the Company.

(ii) Performance-linked compensation shall be paid once a year, after the end of the fiscal year, according to the business performance of the Company and the business performance of the individual division for which the officer is responsible.

(iii) The payment level and payment content of other non-fixed compensation and non-monetary compensation

shall be paid within a certain range according to the degree of contribution, and shall be what is considered appropriate according to the current status of the Company and the types of duties.

(iv) Company housing shall be provided and paid for within an appropriate range, when it is required in terms of operations, for example.

(3) Contracts for Limited Liability

Name	Summary of provisions of contracts for limited liability
Shinjiro Takagi	In regard to liability under Article 423, Paragraph 1 of the Companies Act, if the officer has performed his/her duties in good faith and without gross negligence, the limit of liability for damages that shall be borne shall be whichever is the higher amount of the amount prescribed in advance of at least ¥10 million yen and the minimum amount of liability prescribed in Article 425, Paragraph 1 of the Companies Act.
Yoshio Kohra	
Mitsuhiro Kitamura	
Shoji Fukui	

3. Matters concerning Outside Officers

(1) Concurrent Positions and Other Status of Outside Officers

Name	Concurrent position and other status
Shinjiro Takagi	Representative, Attorney at Law (Takagi Law Offices) Corporate Auditor (Outside Auditor), Toppan Printing Co., Ltd. Director (Outside Director), The Ashikaga Bank, Ltd.
Yoshio Kohra	Representative, CPA, Yoshio Kohra CPA Office Director (Outside Director), The Ashikaga Bank, Ltd.
Mitsuhiro Kitamura	Chairman and Representative Director, Yokokura Honten Corporation Director (Outside Director), The Ashikaga Bank, Ltd.
Shoji Fukui	Director, Nomura Financial Partners Co., Ltd. Director (Outside Director), The Ashikaga Bank, Ltd. Nomura Financial Partners Co., Ltd. is a major shareholder of the Company.

- (Note) 1. The Ashikaga Bank, Ltd. is a subsidiary of the Company.  
2. Besides the above, there are no business relationships that should be mentioned between significant companies where outside officers hold concurrent positions and the Company.  
3. The four persons mentioned above have no family relationship with the Company or executive directors of entities that have a special business relationship with the Company.

(2) Status of main activities of outside officers

Name	Period of service	Attendance at Board of Directors' meetings, etc.	Status of comments and other activities at Board of Directors' meetings, etc.
Shinjiro Takagi	7 years 9 months	He attended all 15 meetings of the Board of Directors, all four meetings of the Nominating Committee, and all four meetings of the Compensation Committee held in the fiscal year.	He appropriately made necessary comments concerning deliberation of agenda items, etc., mainly from a specialist standpoint as an attorney at law.
Yoshio Kohra	7 years 9 months	He attended 14 of the 15 meetings of the Board of Directors and all 15 meetings of the Audit Committee held in the fiscal year.	He appropriately made necessary comments concerning deliberation of agenda items, etc., mainly from a specialist standpoint as a CPA.



Name	Period of service	Attendance at Board of Directors' meetings, etc.	Status of comments and other activities at Board of Directors' meetings, etc.
Mitsuhiro Kitamura	0 years 9 months	He attended 11 of the 12 meetings of the Board of Directors, 10 of the 11 meetings of the Audit Committee, and both meetings of the Compensation Committee held after his appointment as outside director.	He appropriately made necessary comments concerning deliberation of agenda items, etc., based on his abundant business experience and knowledge.
Shoji Fukui	2 years 6 months	He attended all 15 meetings of the Board of Directors, all four meetings of the Nominating Committee, and all four meetings of the Compensation Committee held in the fiscal year.	He appropriately made necessary comments concerning deliberation of agenda items, etc., based on his abundant business experience and knowledge.

(3) Compensation, etc. for outside officers

(Units: million yen)

	No. of persons compensated	Compensation, etc. from the Company	Compensation, etc. from the parent company, etc. of the Company
Total compensation, etc.	4	19 (of which, amount other than cash compensation: 1)	— (of which, amount other than cash compensation: —)

(Note) 1. Compensation, etc. amount of less than ¥1 million has been rounded down.

2. Amounts in parentheses show amounts other than cash compensation.

3. The number of persons compensated includes one officer who resigned on June 25, 2015.

4. Total compensation, etc. includes provision for directors' retirement benefits of ¥1 million for fiscal 2015 in relation to compensation, etc. from the Company. In addition, retirement benefits for outside officers were abolished from June 25, 2015. However, for outside officers that resigned on or before June 24, 2015, the estimated amount of retirement benefits corresponding to the period from the time of resignation to June 25, 2015 is paid at the time when the applicable outside officers resign.

5. Retirement benefits for outside officers are as follows.

Directors: ¥7 million

(4) Opinions of outside officers

Not applicable.

4. Matters concerning Shares of the Company

(1) Number of shares

Number of authorized shares      Common stock    990,000,000 shares

Number of issued shares            Common stock    333,250,000 shares

(Note) The number of shares has been rounded down to the nearest 1,000 shares.

(2) Number of shareholders at end of fiscal 2015                      Common stock                      8,675

## (3) Major Shareholders

Names of shareholders	Status of investment in the Company	
	Number of shares held	Shareholding ratio
Nomura Financial Partners Co., Ltd.	122,900 thousand	36.87%
ORIX Corporation	40,000 thousand	12.00%
Sompo Japan Nipponkoa Insurance Inc.	19,000 thousand	5.70%
Mitsui Sumitomo Insurance Co., Ltd	15,000 thousand	4.50%
BNY GCM CLIENT ACCOUNT JPRD AC ISG (FE-AC)	7,253 thousand	2.17%
JP Morgan Chase Bank 385632	6,662 thousand	1.99%
Nippon Life Insurance Company	5,169 thousand	1.55%
Japan Trustee Services Bank, Ltd. (Trust Account 9)	4,867 thousand	1.46%
JAFCO Super V-3 Investment Limited Partnership	4,534 thousand	1.36%
The Master Trust Bank of Japan, Ltd. (Trust Account)	4,338 thousand	1.30%

(Note) 1. The number of shares held has been rounded down to the nearest 1,000 shares.  
2. Percentage of voting rights has been rounded down to two decimal places.

## 5. Matters concerning Stock Acquisition Rights, etc. of the Company

## (1) Stock acquisition rights, etc. of the Company held by officers of the Company at fiscal year-end

	Summary of details of stock acquisition rights, etc.	Number of persons granted stock acquisition rights, etc.
Directors and executive officers (excluding outside officers)	<p>Issuance resolution date: Extraordinary General Meeting of Shareholders on January 27, 2009 Board of Directors Meeting on February 25, 2009</p> <p>Allocation date of stock acquisition rights: March 2, 2009</p> <p>Number of stock acquisition rights: 478 units</p> <p>Type of underlying shares: Common shares</p> <p>Number of underlying shares: 47,800</p> <p>Exercise price: ¥550 per share</p> <p>Exercise period: From March 1, 2011 to December 31, 2018</p> <p>Exercise conditions: Holders of stock acquisition rights must be directors or executive officers of the Company at the time of exercise. However, when directors or executive officers resign for a reason that the Company accepts such as the expiration of their term of office before the start of the exercise period, they will be permitted to exercise their rights within one year from either the commencement date of the exercise period or from the date that is six months after the listing of the common shares on a securities exchange. In addition, when directors or executive officers resign for a reason that the Company accepts such as the expiration of their term of office after the commencement date of the exercise period, they will be permitted to exercise their rights within one year after resignation.</p>	7

	Summary of details of stock acquisition rights, etc.	Number of persons granted stock acquisition rights, etc.
Directors and executive officers (excluding outside officers)	Issuance resolution date: Extraordinary General Meeting of Shareholders on January 27, 2009 Board of Directors Meeting on November 13, 2009 Board of Directors Meeting on December 25, 2009 Allocation date of stock acquisition rights: January 4, 2010 Number of stock acquisition rights: 520 units Type of underlying shares: Common shares Number of underlying shares: 52,000 Exercise price: ¥550 per share Exercise period: From January 1, 2012 to December 31, 2018 Exercise conditions: Holders of stock acquisition rights must be directors or executive officers of the Company at the time of exercise. However, when directors or executive officers resign for a reason that the Company accepts such as the expiration of their term of office before the start of the exercise period, they will be permitted to exercise their rights within one year from either the commencement date of the exercise period or from the date that is six months after the listing of the common shares on a securities exchange. In addition, when directors or executive officers resign for a reason that the Company accepts such as the expiration of their term of office after the commencement date of the exercise period, they will be permitted to exercise their rights within one year after resignation.	7
Outside directors	—	—

(2) Stock acquisition rights, etc. of the Company granted to employees, etc. during fiscal year

Not applicable.

## 6. Matters concerning Accounting Auditor

(1) Status of Accounting Auditor

(Units: million yen)

Name	Compensation, etc. relating to fiscal 2015	Other
Deloitte Touche Tohmatsu LLC Designated Unlimited Liability Partner, Engagement Partner, Masanori Matsuzaki Designated Unlimited Liability Partner, Engagement Partner, Ryujin Matsuura	54	(Notes 3, 4)

(Note) 1. Amount of less than ¥1 million has been rounded down.

2. As the audit contract between the Company and the Accounting Auditor does not separate the compensation for the audit prescribed by the Companies Act from the compensation for the audit prescribed by the Financial Instruments and Exchange Act, these two forms of compensation cannot be effectively separated. Therefore, the above amount shows the total of these two forms of compensation.

3. Reason for the Audit Committee's agreement regarding compensation, etc. for Accounting Auditor

The Audit Committee provided its agreement under Article 399, Paragraph 1 of the Companies Act, as it

has concluded that the compensation, etc. for the Accounting Auditor is appropriate and reasonable. This decision resulted from the consideration of matters such as the status of execution of duties in the previous fiscal year, the contents of the audit plan for fiscal 2015, and the grounds for calculation of the compensation estimate, through regular exchanges of opinion with the Accounting Auditor as well as the acquisition of necessary materials and reports from relevant departments in the Company and the Accounting Auditor.

4. Non-audit services (services other than services in Article 2, Paragraph 1 of the Certified Public Accountants Act) that the Accounting Auditor is providing are financial and taxation due diligence, etc. relating to business integration.
5. The total amount of monetary and other economic benefit that the Company and subsidiaries should pay to the Accounting Auditor is ¥134 million.
6. The above amount does not include consumption tax or local consumption tax.

## (2) Contracts for Limited Liability

Not applicable.

## (3) Other matters concerning Accounting Auditors

Policy for determining the dismissal or non-reappointment of an Accounting Auditor

If the Accounting Auditor violates or infringes laws and regulations such as the Companies Act and the Certified Public Accountants Act or is acknowledged to have committed an act that offends public order and morals, or if it has been concluded that the Accounting Auditor is otherwise not suitable as an accounting auditor, the Audit Committee will consider the dismissal or non-reappointment of the Accounting Auditor. Moreover, if the Audit Committee decides that dismissal or non-reappointment is appropriate, it will put forward a proposal for "dismissal of the Accounting Auditor" or "non-reappointment of the Accounting Auditor" at a General Meeting of Shareholders.

In addition, if it is acknowledged that the Accounting Auditor falls under any of the items in Article 340, Paragraph 1 of the Companies Act, the Audit Committee will consider the dismissal of the Accounting Auditor.

## 7. Basic Policy on the Status of Persons Who Control Decisions on Financial and Business Policies

Not applicable.

## 8. Systems to Ensure Appropriate Operations

### a. Summary of details of resolution

The Company adopted a resolution as follows regarding the basic policy relating to the development of systems to ensure appropriate operations at the Company and its subsidiaries (hereafter "the Group") at a meeting of the Board of Directors.

#### **(1) Conformity of performance of duties by Executive Officers and employees with laws, ordinances and articles of incorporation**

- (i) The Group sees compliance with laws and regulations, etc. as the most important management issue. It has formulated the Group's basic policy on compliance to which all directors and employees are subject.
- (ii) It has established a legal compliance management section to prepare and establish the legal compliance system.

(iii) The Board of Directors monitors whether or not the compliance system is functioning effectively, through supervision of Executive Officers' performance and assessment and evaluation at the Audit Committee.

(iv) The Group handles illegal or wrongful conduct strictly, and may employ disciplinary penalties.

When directors and employees find evidence of actual or suspected illegality or misconduct, they should report the details to the Audit Committee or the section responsible for compliance management.

**(2) Systems for storage and management of information concerning the performance of duties by Executive Officers**

(i) The Group requires Executive Officers to document their performance of duties and create an appropriate document management system.

(ii) The Audit Committee or personnel designated by the Committee have access at all times to documents concerning the performance of duties by Executive Officers.

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

(i) The Group has formulated a basic Group risk management policy to develop and establish risk management systems. It also carries out appropriate risk management through the establishment of a section responsible for risk management.

(ii) The Board of Directors and the Audit Committee require the section responsible for risk management to periodically file reports on the status of risk controls, and work to develop and upgrade Group risk management systems.

**(4) System for ensuring the efficiency of performance of duties by Executive Officers**

(i) The Board of Directors decides on basic matters regarding organizational structure, division of authority, organization of staff positions and other business matters, to ensure smooth and appropriate operations.

(ii) Executive Officers carry out their duties in line with the basic policy on management and the division of authority decided by the Board of Directors.

(iii) Executive Officers perform their duties assigned by the Board of Directors appropriately and effectively to the extent that they are authorized, and periodically report on the status of their performance of duties at meetings of the Board of Directors.

**(5) Systems for ensuring appropriate conduct of operations by the Group**

(i) The Company aims to achieve its business goals by conducting Group management control through the receipt of necessary reports from its subsidiaries to ensure the legality and appropriateness of the Group's business operations as a whole, while ensuring efficiency in business and adhering to sound corporate management of the Group as a whole.

(ii) The Group drafts management policies, and works to ensure full legal compliance, customer protection and appropriate risk management.

(iii) The Internal Audit Department verifies the legality and appropriateness of overall operations at the Group, and reports its findings to the President and Chief Executive Officer, Executive Officers in charge of departments and the Audit Committee.

**(6) Support staff for the Audit Committee**

We have established an Office of Audit Committee and have deployed support staff for the Audit Committee.

**(7) Independence of support staff in the previous paragraph from Executive Officers and ensuring the effectiveness of instructions by the Audit Committee to staff**

Executive Officers shall ensure that undue restrictions are not imposed by Executive Officers on the staff that supports the duties of the Audit Committee in the execution of their duties. In addition, the Group ensures the independence of the staff and effectiveness of the instructions by the Audit Committee to the staff by requiring the approval of the Audit Committee for matters regarding personnel transfer and personnel evaluations of the staff.

**(8) Mechanisms for reporting to the Audit Committee, and other reporting to the Audit Committee by the Company's Directors (excluding members of the Audit Committee), Executive Officers and employees, as well as its subsidiaries' Directors, Corporate Auditors, Executive Officers, employees or those who receive reports from any of the foregoing personnel**

(i) To enable the Audit Committee to appropriately handle important matters affecting the Group, we have specified certain matters the Company's Directors (excluding members of the Audit Committee), Executive Officers and employees, as well as its subsidiaries' Directors, Corporate Auditors, Executive Officers, employees or those who receive reports from any of the foregoing personnel must report to the Audit Committee.

(ii) Members of the Audit Committee may, at any time it is deemed necessary for the execution of their duties, ask the Company's Directors (excluding members of the Audit Committee), Executive Officers and employees, as well as its subsidiaries Directors, Corporate Auditors, Executive Officers, employees or those who receive reports from any of the foregoing personnel to file reports.

**(9) Mechanisms for ensuring that persons who have made reports pursuant to the previous article are not treated unfavorably because of such reports**

The Group shall not take disciplinary measures against, discriminate or take other reprisals against, make disadvantageous personnel evaluation on, or treat unfavorably in any other forms persons who have made reports to the Audit Committee because of such reports.

**(10) Matters concerning procedures for advance payment or reimbursement of costs incurred by a member of the Audit Committee in the process of executing duties and any other policy for processing costs and obligations**

Costs incurred in appointing or consigning investigation and other administrative work to lawyers, certified public accountants and other external experts as necessary in order for the Audit Committee or members of the Audit Committee to conduct audit work shall be covered by the Company, unless such cost is deemed unnecessary for the execution of duties by the Audit Committee or members of the Audit Committee.

**(11) Other mechanisms for ensuring effective auditing by the Audit Committee**

To ensure the effectiveness of its auditing, the Audit Committee works together with the Internal Audit Department, which devises its audit plan and reports it, as well as audit results, to the Audit Committee.

b. Overview of operational status of systems

The main operational status of systems for ensuring the appropriateness of the above operations during fiscal 2015 is as follows.

**(1) Ensuring that the duties of Executive Officers are executed efficiently and in compliance with laws, ordinances and the articles of incorporation**

- (i) The Board of Directors held 15 meetings and decided important managerial matters such as management policies and budget formulation. The Board received reports on the status of business execution from each Executive Officer and conducted investigation from the viewpoint of ensuring appropriate operations at least once every three months.
- (ii) The Company conducts efficient decision-making by delegating decisions on important operations within the scope prescribed by laws and ordinances to Executive Officers, based on resolutions adopted by the Board of Directors. As bodies to discuss and decide important matters in terms of business execution, the Company has established that the Group Management Meeting, the Group ALM Meeting and the Group Compliance Meeting, and chief executive officers make decisions on these business operations after conferring with other Executive Officers.
- (iii) The Audit Committee (whose chairman is an Outside Director) held 15 meetings, verified the legality and appropriateness of business execution by Executive Officers, and reported on the status of the execution of its duties every month to the Board of Directors.

**(2) Compliance system**

- (i) As a basic policy of the Group, we have drawn up the Basic Policy for Group Compliance. Moreover, we have established a Compliance Management Group within the Business Administration Department to ensure oversight of compliance, and through discussion and investigation at the Group Compliance Meeting, we are working to develop a framework for legal and other compliance.
- (ii) At the Company and Ashikaga Bank, we have established a whistleblower system with consulting points in the division responsible for oversight of compliance, the Office of Audit Committee and the legal counselor's office. In relation to whistleblowing, we protect whistleblowers, while the division responsible for oversight of compliance investigates facts, and adopts correction measures and measures to prevent recurrence, as required.
- (iii) At Ashikaga Bank, we draw up a compliance action plan every fiscal year at meetings of the Board of Directors, and report on its progress status at the Compliance Meeting every six months. In addition, we have assigned Compliance Managers and Compliance Officers in every division, office and branch, hold Compliance Officer Liaison Meetings every six months, and thoroughly instill the awareness that all officers and employees should put the greatest priority on compliance.

**(3) Risk management framework**

- (i) Based on the Comprehensive Group Risk Management Policy, we conduct comprehensive risk management based on the operation of a risk investment system that covers all risks that may have an impact on management such as credit risk, market risk, liquidity risk and operational risk.

- (ii) We have established a Group ALM Meeting as an organization to discuss and make decisions on risk management, and it meets on a monthly basis together with Ashikaga Bank's ALM Meeting. It also reports the results of meetings to the Board of Directors on a monthly basis.

**(4) Group management system**

- (i) By receiving necessary reports from subsidiaries, the Company analyzes and evaluates the Company's consolidated earnings, including the earnings of subsidiaries, on a monthly basis at meetings of the Board of Directors.
- (ii) At Ashikaga Bank, the core of the Ashikaga Group, we have formulated rules on the management of affiliated companies, and in addition to receiving necessary consultation and reports from subsidiaries, they administer and guide these companies by holding the Affiliated Company Business Briefing (monthly) and conducting internal audits at subsidiaries.

**(5) Ensuring that audits by the Audit Committee are conducted effectively**

- (i) The Audit Committee is composed of three directors, of which two are outside directors. The Audit Committee Members that the Audit Committee selects audit the performance of duties by directors by attending important meetings of the Group Management Meeting and other bodies and exchanging opinions with the chief executives.
- (ii) We have deployed staff who support the duties of the Audit Committee at the Office of Audit Committee, and in addition to ensuring the independence of the staff and effectiveness of the instructions from Audit Committee Members, the Office supports the duties of the Audit Committee.
- (iii) The Audit Committee cooperates routinely and flexibly with the Internal Audit Department, mainly by receiving internal audit plans and the results of internal audits from the Internal Audit Department.

**9. Matters concerning Specified Wholly-owned Subsidiaries**

a. Names and addresses of specified wholly-owned subsidiaries

The Ashikaga Bank, Ltd.

1-25 Sakura4-chome , Utsunomiya, Tochigi Prefecture

b. Total carrying value at end of fiscal 2015 of shares of specified wholly-owned subsidiaries in the Company and wholly-owned subsidiaries, etc.

¥280,000 million

c. Total amount recorded in the asset section of the balance sheet of the Company relating to fiscal 2015

¥301,677 million

**10. Matters concerning Transactions with Parent Company, etc.**

Not applicable.

**11. Matters concerning Accounting Advisors**



Not applicable.

## 12. Other Matters

- a. Policy regarding exercise of rights granted to Board of Directors based on provisions of Articles of Incorporation pursuant to provisions of Article 459, Paragraph 1 of the Companies Act

In regard to the matters prescribed in each item of Article 459, Paragraph 1 in the Companies Act such as division of surplus funds, unless otherwise provided in laws and ordinances, it is stipulated in the Articles of Association that these should be decided by a resolution of the Board of Directors and not depend on a resolution of a General Meeting of Shareholders.

To ensure sound management, in view of the public nature of a group corporation that includes a bank, the Company has adopted the basic policy of paying stable dividends while ensuring sufficient internal reserves.

Furthermore, the Company will address share buybacks while striving to secure sufficient capital in order to realize appropriate capital policy management.

- b. Significant matters regarding the status of joint-stock corporations

Not applicable.

Consolidated Balance Sheet for Period 8  
(As of March 31, 2016)

Item	Amount	Item	Amount
(Assets)		(Liabilities)	
Cash and due from banks	437,509	Deposits	5,206,700
Call loans and bills bought	414	Negotiable certificates of deposit	174,878
Other debt purchased	7,627	Call money and bills sold	78,000
Trading account securities	3,596	Payables under securities lending transactions	25,263
Securities	1,296,769	Borrowed money	251,726
Loans and bills discounted	4,235,174	Foreign exchange	282
Foreign exchange	4,377	Other liabilities	46,266
Other assets	34,277	Provision for directors' bonuses	57
Tangible fixed assets	24,424	Provision for directors' retirement benefits	311
Buildings	7,527	Provision for reimbursement of deposits	858
Land	12,798	Provision for contingent loss	464
Lease assets	16	Provision for point card certificates	134
Construction in progress	435	Deferred tax liabilities	5,074
Other tangible fixed assets	3,647	Acceptances and guarantees	12,913
Intangible fixed assets	78,601	Total liabilities	5,802,932
Software	2,087	(Net Assets)	
Goodwill	75,979	Capital stock	117,495
Other intangible fixed assets	534	Capital surplus	29,025
Asset for retirement benefit	10,446	Retained earnings	113,594
Deferred tax assets	584	Total shareholders' equity	260,115
Customers' liabilities for acceptances and guarantees	12,913	Net unrealized gain (loss) on available-for-sale securities	48,527
Allowance for doubtful accounts	(40,679)	Deferred gains (losses) on hedges	(3,951)
		Remeasurements of defined benefit plans	(1,585)
		Total accumulated other comprehensive income	42,990
		Total Net Assets	303,105
Total Assets	6,106,037	Total liabilities and Net Assets	6,106,037

Consolidated Statement of Income  
〔From April 1,2015 to March 31,2016〕

(Millions of yen)

	Amount
Ordinary income	102,474
Interest income	73,805
Interest on loans and bills discounted	55,936
Interest and dividends on securities	16,958
Interest on call loans and bills bought	393
Interest on deposits with banks	404
Other interest income	114
Fees and commissions	22,138
Other operating income	1,692
Other ordinary income	4,838
Recoveries of written-off claims	524
Gains on sales of stocks and other securities	3,290
Other	1,023
Ordinary Expenses	72,118
Interest expenses	4,832
Interest on deposits	2,079
Interest on negotiable certificates of deposit	212
Interest on call money and bills sold	8
Interest on payables under securities lending transactions	211
Interest on borrowed money	1,537
Other interest expenses	783
Fees and commissions	6,198
Other operating expenses	192
General and administrative expenses	55,471
Other expenses	5,423
Provision of allowance for doubtful accounts	2,013
Write-off amount of loans	1,656
Losses on sales of stocks	980
Losses on devaluation of stocks and other securities	8
Losses on sales of loans	110
Other expenses or losses	653
Ordinary profit	30,356
Extraordinary losses	186
Loss on disposal of non-current assets	108
Impairment loss	50
Loss on reduction of non-current assets	26
Income before income taxes	30,170
Income taxes-current	5,805
Income taxes-deferred	1,912
Total income taxes	7,717
Net income	22,452
Net income attributable to shareholders of parent	22,452

Period 8 Consolidated Statement of Changes in Net Assets  
 [From April 1,2015 to March 31,2016]

(Millions of yen)

	Shareholders' Equity			
	Capital stock	Capital surplus	Retained earnings	Total shareholders' equity
Balance at the beginning of the current period	117,495	29,025	94,474	240,994
Change during the period				
Cash dividends			(3,332)	(3,332)
Net income attributable to shareholders of parent			22,452	22,452
Net changes in items except for shareholders' equity				
Total changes of items during the period	—	—	19,120	19,120
Balance at the end of current period	117,495	29,025	113,594	260,115

	Accumulated other comprehensive income				Total Net Assets
	Net unrealized gain (loss) on available-for-sale securities	Deferred gains (losses) on hedges	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at the beginning of the current period	44,704	(650)	2,072	46,126	287,121
Changes of items during the period					
Cash dividends					(3,332)
Net income attributable to owners of parent					22,452
Net changes in items except for shareholders' equity	3,822	(3,301)	(3,658)	(3,136)	(3,136)
Total changes of items during the period	3,822	(3,301)	(3,658)	(3,136)	15,983
Balance at the end of current period	48,527	(3,951)	(1,585)	42,990	303,105

## Notes to Consolidated Financial Statements

Amounts are rounded down to the nearest one million.

Subsidiary Company, Subsidiary, etc., and Relevant Juridical Person, etc. are as defined in Article 2, Paragraph 8 of the Banking Act and Article 4-2 of the Order for Enforcement of the Banking Act.

### Basis of Preparation

#### 1. Scope of Consolidation

(1) Consolidated Subsidiary Companies and Subsidiaries, etc.: 4 companies

The Ashikaga Bank, Ltd.

Ashikaga Credit Guarantee Co., Ltd.

Ashigin Research Institute, Ltd.

Ashigin Card Co., Ltd.

(2) Non-consolidated Subsidiary Companies and Subsidiaries, etc.: 1 company

Ashikaga Company Development Fund No. 2 Business Investment Limited Liability Partnership

Non-consolidated Subsidiary Companies and Subsidiaries, etc. are excluded from the scope of consolidation because the total assets, total income, net profit (loss) (comparable to equity portion) and total accumulated other comprehensive income (comparable to equity portion) are immaterial in that they do not hinder a rational judgement of the corporate group's financial position and results of operations even when excluded from the scope of consolidation.

#### 2. Application of the Equity Accounting Method

(1) Non-consolidated Subsidiary Companies or Subsidiaries, etc. that are accounted for by the equity method

Not applicable.

(2) Relevant Juridical Persons, etc. that are accounted for by the equity method

Not applicable.

(3) Non-consolidated Subsidiary Companies and Subsidiaries, etc. not subject to the equity method:

1 company

Ashikaga Company Development Fund No. 2 Business Investment Limited Liability Partnership

(4) Relevant Juridical Persons, etc. not subject to the equity method:

2 companies

Tochigi Network Partners, K.K.

Tochigi Network Fund Limited Partnership for Investment

Non-consolidated Subsidiary Companies and Subsidiaries, etc., and Relevant Juridical Persons, etc. not subject to the equity method are excluded from being subject to the equity method because the amounts of net profit (loss) (comparable to equity portion), retained earnings, and total accumulated other comprehensive income (comparable to equity portion) are immaterial, and as such, they do not have a major impact on the consolidated financial statements when excluded from the scope of equity method.

### 3. Amortization of Goodwill

Goodwill is amortized using the straight-line method over 20 years.

### Accounting Policies

#### 1. Evaluation standard and evaluation method regarding trading account securities

Trading account securities are stated at market value (cost of sales is determined by the moving average method).

#### 2. Evaluation standard and evaluation method regarding securities

Held-to-maturity debt securities are stated at amortized cost using the moving average method (straight-line method), shares of non-equity method non-consolidated Subsidiary Companies and Subsidiaries, etc. and shares of non-equity method Relevant Juridical Persons, etc. are stated using the moving average cost method, and available-for-sale securities are carried as a general rule at market value (cost of sales is determined by the moving average method) on the date of consolidated financial statements (In the case of shares, the average market price during the one month before the date of consolidated financial statements). Securities whose market value are considered extremely difficult to assess are stated at cost or amortized cost using the moving average method.

Furthermore, net unrealized gains or losses on available-for-sale securities are recognized directly into net assets in full.

#### 3. Evaluation Standard and Evaluation Method for Derivatives

Derivatives are carried at market value.

#### 4. Depreciation of Fixed Assets

##### (1) Tangible fixed assets (except for lease assets)

Depreciation of tangible fixed assets owned by the consolidated banking subsidiary is computed by the declining-balance method.

The main estimated useful lives are as follows.

Buildings: 3 to 50 years

Other: 3 to 20 years

Tangible fixed assets owned by Subsidiary Companies and Subsidiaries, etc. other than the consolidated banking subsidiary are amortized using the declining-balance method according to their estimated useful lives.

##### (2) Intangible fixed assets (except for lease assets)

Intangible fixed assets are amortized using the straight-line method. Furthermore, costs of computer software obtained for internal use is amortized over the estimated useful lives (5-years) for the consolidated banking subsidiary and Subsidiary Companies and Subsidiaries, etc. other than the consolidated banking subsidiary.

##### (3) Lease assets

Depreciation of lease assets from finance lease transactions in “Tangible fixed assets” (and “Intangible fixed assets”) not involving the transfer of ownership of the leased property to the lessee is computed using the straight-line method over the respective lease periods. Regarding residual value, the amount where there is a residual value guarantee in the lease agreement will be deemed as in the residential guarantee amount, and the rest shall be set at zero.

#### 5. Allowance for doubtful accounts

Allowance for doubtful accounts of the consolidated banking subsidiary is made in accordance with the internal rules for providing allowances for depreciation under the following provisions.

For claims on borrowers who are legally bankrupt as a result of bankruptcy, special liquidation, etc. (hereinafter referred to as “bankrupt borrowers”) or who are substantially bankrupt (hereinafter referred to as “substantially bankrupt borrowers”), a reserve is provided based on the amount of the claims after direct write-off as noted below, net of the amounts expected to be collected through the disposition of collateral or through the execution of guarantees. For claims on borrowers who are not currently bankrupt, but are likely to become bankrupt (hereinafter referred to as “borrowers with bankruptcy concerns”), a reserve is provided based on the amount considered necessary based on an overall solvency assessment of the amount of claims net of the amounts expected to be collected through the disposition of collateral or through the execution of guarantees.

For claims on borrowers with a restructured loan and the exposure to such debtor exceeds a certain threshold, for which cash flows from the collection of principal and interest can be reasonably estimated, the difference between the book value of the loan and the present value of its future cash flows discounted using the contractual interest rate before the loan was classified as a restructured loan shall be used as the method to determine the allowance for loan losses (estimated cash flow method).

For other claims, a reserve is provided based on the loan-loss ratio calculated from actual defaults during a certain period in the past.

All claims are assessed by the branches and the examination departments, and the result of the assessment is audited independently by the Audit Division in accordance with the policy and guidelines for the self-assessment of asset quality.

For collateralized or guaranteed claims to bankrupt borrowers and substantially bankrupt borrowers, the amounts of the claims deemed uncollectible in excess of the estimated value of the collateral or guarantees have been written off in aggregate amounts of 11,342 million yen.

Subsidiary Companies and Subsidiaries, etc. other than the consolidated banking subsidiary assess assets primarily in accordance with the same policy and guidelines for the self-assessment of asset quality as the consolidated banking subsidiary, and record the necessary amounts based on such results.

#### 6. Provision for Directors’ Bonuses

Provision for directors’ bonuses is provided for payment of bonuses to directors in the estimated amount of future payments that is attributable to the current fiscal year.

#### 7. Provision for Directors' Retirement Benefits

Provision for directors' retirement benefits is provided for payment of retirement benefits for directors in the estimated amount deemed accrued at the end of the current fiscal year in accordance with the estimated amount of retirement benefits for directors.

#### 8. Provision for Reimbursement of Deposits

Provision for reimbursement of deposits that were derecognized as liabilities under certain conditions, which is provided to prepare for claims from depositors, is recorded as the amount of future estimated reimbursement losses on future claims.

#### 9. Provision for Contingent Loss

Provision for contingent loss, which is provided for payment of burden charges to credit guarantee corporations in accordance with the Responsibility-Sharing System, is recorded as the estimated amount of future burden charge payments.

#### 10. Provision for Point Card Certificates

Provision for point card certificates, which is provided for the future use of points granted to customers for the use of credit cards issued by the consolidated banking subsidiary and Subsidiaries, etc., is recorded as the amount deemed necessary by converting the outstanding points into a monetary amount, and rationally estimating and recognizing that they will be redeemed in future.

#### 11. Accounting Method for Retirement Benefits

In calculating the retirement benefit obligations, the method for attributing the projected retirement benefit obligation for the period to the end of the current fiscal year is in accordance with the benefit formula standards. In addition, the methods of expensing prior service cost and actuarial differences as profit and loss are as follows.

Prior service cost:	Amortized using the straight-line method within the employee's average remaining service period when they arise.
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Actuarial differences:	Amortized using the straight-line method within the employee's average remaining service period in each consolidated fiscal year they arise, commencing from the consolidated fiscal year following the year in which they arise.
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#### 12. Method for Translation of Foreign Currency Assets and Liabilities into Japanese Yen

Assets and liabilities of the consolidated banking subsidiary denominated in foreign currencies are translated into Japanese yen at the exchange rate prevailing at the date of consolidated financial statements.



### 13. Important Hedge Accounting Methods

#### (1) Interest Rate Risk Hedges

The method of hedge accounting applied to transactions to hedge against the interest rate risks associated with monetary claims and debt of the consolidated banking subsidiary is the deferred hedge accounting method as stipulated in “Treatment of Accounting and Auditing of Application Standard for Financial Instruments in the Banking Industry” (The Japanese Institute of Certified Public Accountants (JICPA) Industry Audit Committee Report No. 24 of February 13, 2002. Hereinafter referred to as “Industry Audit Committee Report No. 24”). In terms of methods for assessing the hedge effectiveness, the effectiveness of hedges in offsetting market movements is verified by grouping hedged items such as deposits and loans and the hedging instruments such as interest rate swaps by their respective (term to) maturity. As to cash flow hedges, the effectiveness of such hedges in fixing cash flows is assessed by verifying the correlation between the hedged items and the hedging instruments.

#### (2) Foreign Exchange Risk Hedges

The method of hedge accounting applied to transactions to hedge against the foreign exchange fluctuations associated with monetary claims and debt of the consolidated banking subsidiary denominated in foreign currencies is the deferred hedge accounting method based on the rules set out in the “Treatment of Accounting and Auditing of Application Standard for Financial Instruments in the Banking Industry” (JICPA Industry Audit Committee Report No. 25 of July 29, 2002. Hereinafter referred to as “Industry Audit Committee Report No. 25”). In terms of methods for assessing the hedge effectiveness, the effectiveness of hedges such as currency swaps and foreign exchange swaps aimed at reducing the risk of foreign exchange fluctuations associated with monetary claims and debt denominated in foreign currencies is assessed through comparison of the foreign currency position of the hedged monetary assets and liabilities, with that of the hedging instruments.

Furthermore, deferred hedge accounting is used for some assets and liabilities as the method of hedge accounting for items other than (1) and (2) above.

### 14. Consumption Tax

Transactions subject to consumption tax and local consumption tax are recorded exclusive of consumption tax.

### 15. Application of Consolidated Taxation System

The Company has applied the consolidated taxation system as a Consolidated Tax Parent Company from the current fiscal year.

### **Change in Accounting Policies**

(Application of “Accounting Standards for Business Combinations”)

“Accounting Standards for Business Combinations” (Accounting Standards Board of Japan (ASBJ) Guidance No. 21, September 13, 2013), and “Accounting Standards for Consolidated Financial Statements” (ASBJ Guidance

No. 22, September 13, 2013) and “Accounting Standards for Business Divestitures” (ASBJ Guidance No. 7, September 13, 2013) are applied from the current fiscal year, and there is a change in the presentation of net income, and a change in the presentation from minority interests to non-controlling interests.

### **Unapplied accounting standards**

“Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26, March 28, 2016)

(1) Outline

This implementation guidance is a partial revision of the guidance concerning the recoverability of deferred tax assets as prescribed mainly in the “The Auditing Treatment on Determining the Recoverability of Deferred Tax Assets” (JICPA Audit Committee Report No. 66) and basically carries over those details.

(2) Date of adoption

The Company plans to adopt these accounting standards from the beginning of the consolidated fiscal year commencing on April 1, 2016.

(3) Effects of application of the accounting standards

The effects of application of the accounting standards are currently being evaluated.

### **Notes**

(Consolidated Balance Sheet)

1. Of loans and bills discounted, loans to bankrupt borrowers are 1,704 million yen, and delinquent loans are 69,914 million yen.

Furthermore, loans to bankrupt borrowers are non-accrual loans (excluding the portion written off as uncollectible; hereinafter referred to as “Loan Without Recording Of Accrued Interest”) for which circumstances apply as stipulated in Article 96, Paragraph (1), item (iii) a through e of the Order for Enforcement of the Juridical Person Tax Act (Cabinet Ordinance No. 97 of 1965) or reasons as prescribed in item (iv) of the same Paragraph having no prospects for recovery or repayment of principal or interest, for which payment of principal or interest has not been received for a substantial period or for other reasons.

In addition, delinquent loans are loans with interest not accrued that are other than loans to bankrupt borrowers or loans for which interest payments have been rescheduled with the objective of assisting these debtors in management restructuring.

2. There are no loans and bills discounted that are claims in arrears for three months or more.

Claims in arrears for three months or more are loans and bills discounted for which payment of principal or interest have not been received for three months or more after the following day of the agreed payment date, excluding loans to bankrupt borrowers and delinquent loans.

3. Of loans and bills discounted, restructured loans are 20,340 million yen.

Restructured loans are claims with negotiated terms preferable to the debtors such as the reduction of interest,

grace periods for payment of interest and principal, and forgiveness of debt, etc. with the objective of assisting these debtors in management restructuring, excluding loans to bankrupt borrowers, delinquent loans and claims in arrears for three months or more.

4. The total amount of loans to bankrupt borrowers, delinquent loans, claims in arrears for three months or more and restructured loans is 91,959 million yen.

The amount of claims from 1 to 4 above are the amounts before deducting the allowance for loan losses.

5. Bills discounted have been accounted for as financial transactions in accordance with JICPA Industry Audit Committee Report No.24. The Company has the right to sell or (re-) pledge bank acceptance bills purchased, commercial bills discounted, documentary bills of exchange and foreign currency bills purchased without restrictions. The total face value is 25,527 million yen.

6. Assets pledged as collateral are as follows:

Pledged assets

Cash and due from banks	4 million yen
Securities	280,162 million yen
Loans and bills discounted	11,050 million yen

Liabilities covered by pledged assets

Deposits	113,379 million yen
Payables under securities lending transactions	25,263 million yen
Borrowed money	181,710 million yen

In addition to the above, 67,707 million yen in securities is pledged as collateral for transactions such as foreign currency settlement and derivatives transactions and in lieu of margin deposits on futures transactions.

In addition, other assets include initial margins on futures transactions of 5,090 million yen and guarantee deposits of 745 million yen.

7. Overdraft facilities and commitment line contracts on loans are agreements to lend to customers upon application, up to a prescribed amount, as long as there is no violation of any condition in the contracts. The amount of unused commitments is 1,249,546 million yen and the amount of those whose remaining terms to maturity are one year or less (or those that can be terminated without notice or conditions) is 1,213,114 million yen.

Since many of these commitments are expected to expire without being drawn upon, the total amount of unused commitments does not necessarily represent actual future cash flow requirements of the consolidated banking subsidiary as well as Subsidiary Companies and Subsidiaries, etc. other than the consolidated banking subsidiary. Many of these commitments include clauses under which the consolidated banking subsidiary as well as Subsidiary Companies and Subsidiaries, etc. other than the consolidated banking subsidiary can reject an

application from customers or reduce the contract amounts in the event that economic conditions change, a claim needs to be secured, or other events occur. In addition, the consolidated banking subsidiary as well as Subsidiary Companies and Subsidiaries, etc. other than the consolidated banking subsidiary may request the customers to pledge collateral such as premises and securities at the time of the contracts, and take necessary measures such as monitoring customers' financial positions, revising contracts when need arises and securing claims after contracts are made on a periodic basis.

8. Accumulated depreciation on tangible fixed assets 39,480 million yen

9. Reduction in the book-entry value 2,774 million yen  
(reduction in book-entry value in the current fiscal year: 26 million yen)

10. Borrowed money includes subordinated borrowings of 70,000 million yen with a covenant that performance of the obligation is subordinated to that of other obligations.

11. Guarantee obligations for corporate bonds issued by private placement included in "Securities" (a provided for in Article 2, Paragraph (3) of the Financial Instruments and Exchange Act) total 63,410 million yen.

(Consolidated Statement of Changes in Net Assets, etc.)

1. Class and number of shares issued and treasury stock

(Thousand shares)

	Number of shares at the beginning of the current consolidated fiscal year	Increase in the current consolidated fiscal year	Decrease in the current consolidated fiscal year	Number of shares at the end of the current consolidated fiscal year	Outline
Shares issued					
Common stock	333,250	-	-	333,250	
Class shares	-	-	-	-	
Total	333,250	-	-	333,250	
Treasury stock					
Common stock	-	-	-	-	
Class shares	-	-	-	-	
Total	-	-	-	-	

## 2. Stock Acquisition Rights and Treasury Stock Acquisition Rights

Category	Details of Stock Acquisition Rights	Class of Shares for the purpose of Stock Acquisition Rights	Number of shares for the purpose of Stock Acquisition Rights				Balance at the end of the current consolidated fiscal year (million yen)
			At the beginning of the current consolidated fiscal year	Increase	Decrease	At the end of the current consolidated fiscal year	
The Company	Stock Acquisition Rights as stock options			—			—
Total				—			—

(Note) The Company was an unlisted company at the time when the stock options were granted so the intrinsic value per unit when granted was zero and there was no balance at the end of the current consolidated fiscal year.

## 3. Dividends

### (1) Amount of dividends paid during the current consolidated fiscal year

(Resolution)	Class of Shares	Aggregate amount of dividends	Cash dividends per share	Record date	Effective date
Meeting of Board of Directors held on May 13, 2015	Common stock	1,499 million yen	4.5 yen	March 31, 2015	June 4, 2015
Meeting of Board of Directors held on November 10, 2015	Common stock	1,832 million yen	5.5 yen	September 30, 2015	December 3, 2015

(Note) The cash dividends per share resolved at the Board of Directors meeting held on November 10, 2015 includes a commemorative dividend of 1 yen per share for the 120-year anniversary of a wholly-owned subsidiary, The Ashikaga Bank, Ltd.

### (2) Of the dividends whose record date belongs to the current fiscal year, the following are those dividends of which the effective date falls after the last day of the current fiscal year

The following proposal shall be submitted at the Board of Directors meeting scheduled on May 13, 2016.

(Resolution)	Class of Shares	Aggregate amount of dividends	Source of dividends	Cash dividends per share	Record date	Effective date
Meeting of Board of Directors held on May 13, 2016	Common stock	1,499 million yen	Retained earnings	4.50 yen	March 31, 2016	June 8, 2016

(Financial Instruments)

1. Status of Financial Instruments

(1) Policy on Financial Instruments

The Ashikaga Holdings Group (hereinafter referred to as the “Group”) provides financial services centering on banking business. Ashikaga Holdings Co., Ltd. (hereinafter referred to as “Ashikaga HD”) is a banking holding company, and has raised funds through subordinated borrowings to acquire the shares of The Ashikaga Bank, Ltd, which is a consolidated banking subsidiary. The consolidated banking subsidiary, which is the Group’s core business, raised funds through its core banking business of deposits, as well as through call money in the short-term financial markets to secure liquidity, and invests in loans and bills discounted mainly for business loans and housing loans, in securities such as bonds, and in short-term financial markets.

Since the Group mainly holds financial assets and financial liabilities that are subject to interest rate fluctuations, the Group utilizes asset and liability management (ALM) to avoid unfavorable impacts from interest rate fluctuations.

Derivative transactions are also used as part of these measures.

(2) Financial Instruments and Risks

The financial assets held by the Group consist primarily of loans and bills discounted to Japanese businesses and individuals from the consolidated banking subsidiary. Apart from the risk of interest rate movements, loans and bills discounted are exposed to credit risk that could arise from non-performance of obligations by customers. In addition, securities are principally bonds, stocks and investment trusts, which are held to maturity to secure steady interest income or for policy investment purposes. These are subject to credit risk of issuers, interest rate risk and market price volatility risk.

The Group’s financial liabilities mainly consist of deposits received by the consolidated banking subsidiary, which are mainly exposed to interest rate risk and liquidity risk. In addition, Ashikaga HD’s subordinated borrowings and borrowed money raised by the consolidated banking subsidiary are exposed to the risk that the Group is unable to execute payments on the due date under certain conditions such as the Group’s loss of access to the financial markets.

Derivatives transactions are undertaken in order to meet the demands of customers of the consolidated banking subsidiary to hedge interest-rate and foreign exchange-rate risks, and apart from being a way to control interest rate fluctuation risk for ALM purposes, are also an alternative method for on-balance investment based on appropriate risk management. Derivatives are used as a method to hedge interest-rate fluctuation risks, foreign exchange fluctuation risks, and price fluctuation risks of assets and liabilities. Derivatives mainly include interest-rate swaps, currency swaps, and bond futures, and are exposed to interest-rate fluctuations risks, foreign exchange fluctuation risks, market price fluctuation risks, and credit risk.

Hedge accounting is applied to some derivative transactions.

The hedge accounting method applied by the consolidated banking subsidiary to the foreign exchange fluctuation risks associated with foreign currency denominated assets and liabilities is the deferred hedge

accounting method based on the rules of the “Treatment of Accounting and Auditing of Application Standard for Financial Instruments in the Banking Industry” (JICPA Industry Audit Committee Report No. 25).

In terms of the method to assess hedge effectiveness, currency swap transactions and foreign exchange swap transactions, etc. are used as hedging methods to reduce the foreign exchange fluctuation risks of foreign currency denominated assets and liabilities, and the hedge effectiveness is assessed by confirming the total foreign currency position of the hedging instruments corresponds to the hedged items such as foreign currency denominated assets and liabilities.

In addition, interest-rate swaps are conducted for the purpose of offsetting the market fluctuations of bonds held as available-for-sale securities, and uses deferred hedges. Regarding swaps that meet the requirements for the special treatment of interest-rate swaps, verification continues to be made whether or not they meet special requirements with “post testing”.

Derivative transactions that do not qualify for hedge accounting are exposed to interest-rate fluctuation risks, foreign exchange fluctuation risks, price fluctuation risks and credit risks.

### (3) Risk management for financial instruments

#### ① Credit risk management

The Group has prepared and manages a structure for managing credit based on the credit risk management rules of the consolidated banking subsidiary in relation to loans and bills discounted such as a credit assessment for each transaction, credit limits, managing credit status, internal credit rating, setting guarantees and collateral, dealing with problem loans, etc. Apart from each sales office, such credit management is conducted by Credit Supervising Division 1 and Credit Supervising Division 2, while there is regular monitoring and reporting by management to the Credit Portfolio Meeting and the Board of Directors. Furthermore, the Auditing Department performs an audit of the status of credit risk.

The International and Treasury Administration Division of the consolidated banking subsidiary regularly obtains and reviews credit information and fair market value information to monitor the credit risk of issuers of securities and counterparty risk for derivative transactions

#### ② Market risk management

##### (i) Interest rate risk management

The Group manages risks of interest rate fluctuations by ALM. Risk management methods and procedures are stipulated in the ALM regulations and manuals and understanding and confirming the status of implementation and discussion about future action, etc. is discussed in accordance with the ALM policies by the ALM Committee. On a daily basis, the Risk Management Group of Ashikaga HD’s Business Administration Department maintains comprehensive information of interest rates and durations of financial assets and liabilities, and reports to the ALM Committee on a monthly basis.

##### (ii) Currency risk management

The International and Treasury Administration Division of the consolidated banking subsidiary manages the foreign exchange positions and hedges the foreign exchange fluctuation risks by using derivative

transactions such as funding swaps, etc.

(iii) Price fluctuation risk management

Investment instruments including securities are managed in accordance with the security investment and market risk management rules based on policies of the ALM Committee. The International and Treasury Administration Division of the consolidated banking subsidiary aims to reduce the price fluctuation risk through advance screening, establishing investment limits and constant monitoring. Most of the Group's holdings in securities are held for the purpose of promoting businesses, and the financial conditions of corporate customers are monitored.

Such information is reported regularly to the Board of Directors and the ALM Committee through the International and Treasury Administration Division and the Risk Control Department of the consolidated banking subsidiary.

The Risk Control Department and the International and Treasury Administration Division of the consolidated banking subsidiary monitor the market risk quantity of derivative transactions relating to securities, currencies and interest rates using value-at-risk (VaR) and manages compliance with regulations, etc.

(iv) Market risk quantitative information

The Group's financial instruments with exposure to major risk factors such as interest rate risk and price fluctuation risk are mainly "loans and bills discounted", "securities", "deposits", "negotiable certificates of deposit", subordinate debts of "borrowed money", and "derivative transactions". The Group performs quantitative analysis on these financial instruments held by the consolidated banking subsidiary and utilizes its results to allocate risk capital and for internal control of market risks. Note that quantitative analysis is not used for financial instruments of Ashikaga HD and Subsidiary Companies other than the consolidated banking subsidiary.

(I) Financial instruments held by the consolidated banking subsidiary

- a. "Loans and bills discounted", yen-denominated bonds of "Securities", "Deposits", and "Negotiable certificates of deposits"

The consolidated banking subsidiary classifies its financial assets and financial liabilities are classified into a fixed interest rate group and a floating interest rate group in its quantitative analysis, with each group disaggregated by each interest due date and the amount of effect analyzed for interest fluctuations by period. If all risk factors, other than interest rate risk, are constant, the net fair market value of financial assets after offsetting with financial liabilities decreases by 72 million yen when the benchmark interest rate increases 10 basis points (0.10%) as of March 31, 2016 (the balance date for the current period). Such impact assumes all risk factors other than interest rate are constant, and there is no correlation between the interest rate and other risk factors. In addition, if the interest rate fluctuates more than 10 basis points (0.10%), the impact may be greater than the computed amount.



Those liquid deposits of “Deposit” that have no activities for certain periods are defined as core deposits and the interest rate risk is managed by categorizing the maturity periods (of up to 10 years).

b. Financial instruments excepting a.

VaR from the variance-covariance method (holding period of 1 to 6 months, which is an appropriate period depending on the nature of the instrument, confidence interval: 99.9% (stocks for policy investment only are 99.0%), observation period of 1 year) is used for quantitative analysis.

The simple aggregated VaR of each instrument calculated for the Group is 55,631 million yen as of March 31, 2016

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

(II) Financial Instruments held by the Company and Subsidiary Companies other than the consolidated banking subsidiary

The Company and Subsidiary Companies other than the consolidated banking subsidiary, which are affected by interest rate risk, are subordinated borrowings of “Borrowed money”. If all risk factors, other than interest rate risk, are constant, the fair market value of the financial liabilities decreases 235 million yen when the benchmark interest rate increases 10 basis points (0.10%) as of March 31, 2016. Such impact assumes all risk factors other than interest rate are constant, and there is no correlation between the interest rate and other risk factors. In addition, if the interest rate fluctuates more than 10 basis points (0.10%), the impact may be greater than the computed amount.

③ Liquidity risk management arising from financing operations for funding

Apart from adequate timely cash management for the entire group through the ALM Committee, the Group manages liquidity risk by diversifying financing methods, and balancing long-term and short-term funding with consideration to the market environment, etc.

(4) Supplementary explanation of matters relating to fair market value of financial instruments

Fair market values of financial instruments include those determined based on market prices, and values deemed to be market prices reasonably determined when financial instruments do not have market prices. Such values have been calculated using certain assumptions and may differ if calculated based on different assumptions.

## 2. Matters relating to fair market values of financial instruments

The following are consolidated book values, fair market values, and differences as of March 31, 2016. Unlisted stocks and similar instruments whose fair market values are extremely difficult to determine are excluded from the table below (Please see (Note 2)).

(Millions of yen)

	Consolidated Book Value	Market Value	Difference
(1) Cash and due from banks	437,509	437,509	—
(2) Call loans and bills bought	414	414	—
(3) Other debt purchased (*1)	7,604	7,604	—
(4) Trading account securities			
Trading-purpose securities	3,596	3,596	—
(5) Securities			
bonds to be held to maturity	88,788	102,628	13,840
available-for-sale securities	1,205,419	1,205,419	—
(6) Loans and bills discounted	4,235,174		
Allowance for loan losses (*1)	(40,564)		
	4,194,609	4,242,480	47,870
<b>Total Assets</b>	<b>5,937,942</b>	<b>5,999,653</b>	<b>61,710</b>
(1) Deposits	5,206,700	5,209,198	2,497
(2) Negotiable certificates of deposit	174,878	174,921	42
(3) Call money and bills sold	78,000	78,000	—
(4) Payables under securities lending transactions	25,263	25,263	—
(5) Borrowed money	251,726	252,869	1,142
<b>Total Liabilities</b>	<b>5,736,569</b>	<b>5,740,252</b>	<b>3,682</b>
Derivative transactions (*2)			
Derivative transactions not qualifying for hedge accounting	608	608	—
Derivative transactions qualifying for hedge accounting	(3,126)	(3,126)	—
<b>Total derivative transactions</b>	<b>(2,517)</b>	<b>(2,517)</b>	<b>—</b>

(\*1) The general allowance for doubtful accounts and allowances for individual loan losses corresponding to loans and bills discounted are deducted. Allowance for doubtful accounts corresponding to other debt purchased are directly deducted from consolidated book value due to being immaterial.

(\*2) Derivative transactions included in Other assets and Other liabilities are presented collectively. Derivative transactions are presented as net of assets and liabilities, and net liabilities are shown as ( ).

### (Note 1) Method for calculating the fair market value of financial instruments

#### Assets

##### (1) Cash and due from banks

For due from banks that have no maturity date, the carrying book value approximates fair market value. For due from banks that have a maturity date, the carrying book value approximates fair market values because of the short remaining period (one year or less) to maturity of these assets.

##### (2) Call loans and bills bought, and (3) Other debt purchased

The carrying book value approximates fair market values for these because of the short remaining period

(one year or less) to maturity of these assets.

(4) Trading account securities

Fair market value of securities held for dealing operations such as bonds is based on the price quoted on securities exchanges or prices offered by correspondent financial institutions.

(5) Securities

Fair market value of stocks is based on prices quoted on securities exchanges, and fair market value of bonds is based on the price quoted on securities exchanges or prices offered by correspondent financial institutions. Fair market value of investment trusts is based on published net asset values.

The fair market value of guaranteed privately-placed bonds are the present values determined by discounting future cash flows at the rate that incorporates the credit risks.

(6) Loans and bills discounted

The carrying amounts of loans and bills discounted with floating interest rates approximate fair market 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 market values of loans and bills discounted with fixed interest rates are determined by discounting the principal and interest amount with the interest rate used for new loans for each category of loan, internal credit rating, and loan period.

For loans to bankrupt borrowers, substantially bankrupt borrowers, and borrowers with bankrupt concerns, as the estimated loan losses are calculated based on the amounts such as the estimated amount recoverable from collateral and guarantees, the amount obtained by deducting the amount recorded as allowances for loan losses from the amount recorded as receivables, etc. in the consolidated balance sheet as of the balance date approximates fair market value.

For loans and bills discounted without fixed maturity due to loan characteristics such as limiting loan amounts to within the value of assets pledged as collateral, carrying value approximates fair market value due to their expected repayment periods and interest rate conditions.

## Liabilities

(1) Deposits, and (2) Negotiable certificates of deposit

For demand deposits, the required payment amounts requested at the date of consolidated financial statements (book value) is deemed to be the fair market value. In addition, fair market value of fixed term deposits and negotiable certificates of deposit is calculated by classifying them on the basis of their terms of duration and computing the present value by discounting future cash flows. The discount rates are determined based on interest rates offered for new deposits.

(3) Call money and bills sold, and (4) Payables under securities lending transactions

These have short-term contract terms (1 year or less) and the fair market values approximate the book values, so such book values are used as the fair market values.

(5) Borrowed money

The fair market value of borrowed money with fixed interest rates is calculated by classifying such borrowed money on the basis of their terms of duration and computing the present value by discounting future cash flows of total principal and interest using a discount rate based on interest rates applicable to similar borrowings. Furthermore, the fair market values for those with short-term contract terms (1 year or less) approximate the book values, so such book values are used as the fair market values

#### Derivative transactions

Derivative transactions consist of interest rate-related transactions (interest-rate futures, interest-rate options, interest-rate swaps, etc.), currency-related transactions (currency futures, currency options, currency swaps, etc.), and bond-related transactions (bond futures, bond options, etc.). Fair market values of these transactions are calculated from the prices of the securities exchange, discounted present values and option pricing models.

(Note 2) The carrying amount of financial instruments whose fair market values are deemed to be extremely difficult to determine are indicated below, and are not included in “Assets (5) Securities” in fair value information of financial instruments.

(Millions of yen)

Category	Consolidated Book Value
① Unlisted stocks (*1) (*2)	1,423
② Investments in partnerships (*3)	1,138
Total	2,561

(\*1) Unlisted stocks are not subject to fair market value disclosure requirements because the market values for these securities are deemed to be extremely difficult to determine.

(\*2) During the year ended March 31, 2016, impairment losses on unlisted stocks of 8 million yen were recognized.

(\*3) Investments in investment partnerships consisting of assets such as unlisted stocks for which it is deemed to be extremely difficult to determine market value are not subject to fair market value disclosure requirements.

(Note 3) Projected redemption amounts for money claims and securities that have maturity dates after the date of consolidated financial statements

(Millions of yen)

	1 year or less	More than 1 year but not more than 3 years	More than 3 years but not more than 5 years	More than 5 years but not more than 7 years	More than 7 years but not more than 10 years	More than 10 years
Due from banks	377,621	—	—	—	—	—
Call loans and bills bought	414	—	—	—	—	—
Other debt purchased	7,627	—	—	—	—	—
Securities						
Bonds to be held to maturity	14,000	2,000	23,000	—	—	50,000
Available-for-sale securities that have maturity dates	93,987	174,411	118,470	70,440	242,151	149,380
Loans and bills discounted (*)	983,209	719,915	557,710	362,221	402,033	1,042,697
Total	1,476,861	896,326	699,180	432,661	644,185	1,242,077

(\*) Not included above are loans and bills discounted amounting to 63,828 million yen for which redemption amounts cannot be reliably measured such as loans and bills discounted to bankrupt borrowers, substantially bankrupt borrowers, and borrowers with bankruptcy concerns and 114,900 million yen which have no maturity dates.

(Note 4) Scheduled redemption amounts for borrowed money and other interest-bearing debts after the date of consolidated financial statements

(Millions of yen)

	1 year or less	More than 1 year but not more than 3 years	More than 3 years but not more than 5 years	More than 5 years but not more than 7 years	More than 7 years but not more than 10 years	More than 10 years
Deposits (*)	4,752,916	382,418	69,441	733	1,192	—
Negotiable certificates of deposit	174,878	—	—	—	—	—
Borrowed money	62,014	118,110	71,602	—	—	—
Total	4,989,810	500,528	141,043	733	1,192	—

(\*) Demand deposits are included in deposits with maturity date of “1 year or less”.

(Tax-effect Accounting)

“The Act for Partial Revision of the Income Tax Act, etc.” (Act No. 15 of 2016) and “The Act for Partial Revision of the Local Taxation Act, etc.” (Act No. 13 of 2016) promulgated on March 29, 2016, the corporate income tax rate was lowered from the fiscal year commencing on or after April 1, 2016. In conjunction with the change, the statutory effective tax rate used for calculating deferred tax assets and deferred tax liabilities imposed on temporary differences expected to be reversed during the fiscal year commencing on April 1, 2016 has been reduced from the previous 32.06% to 30.69%, and to 30.45% in relation to the temporary difference expected to be reversed during the fiscal year commencing April 1, 2018. As a result of this change of tax rate, deferred tax assets has been reduced by 70 million yen, deferred tax liabilities fell by 461 million yen, deferred gains (losses) on hedges fell 91 million yen, unrealized gains on available-for-sale securities rose 1,067 million yen, and income taxes-deferred rose 547 million yen.

In addition, tax loss carry-forward rules are amended with the deductible amount limited to 60% of the income before carry-forward deductions from the fiscal year commencing on or after April 1, 2016, and to 55% of the

income before carry-forward deductions from the fiscal year commencing on or after April 1, 2017, thereby reducing the impact.

(Per share information)

Net assets per share	909.54 yen
Net income attributable to owners of parent per share	67.37 yen

(Important Subsequent Event)

1. Definitive Agreement Concerning the Business Integration of the Joyo Bank, Ltd. and Ashikaga HD through a Share Exchange

Ashikaga HD and the Joyo Bank, Ltd. (President: Kazuyoshi Terakado; hereinafter referred to as “Joyo”) (together, the “Companies”), in accordance with the basic agreement in relation to business integration (hereinafter referred to as the “Business Integration”) through a share exchange (hereinafter referred to as “Share Exchange”) agreed upon between Joyo and Ashikaga HD on November 2, 2015, resolved at their respective meetings of the Board of Directors held on April 25, 2016 to consummate the business integration through a share exchange subject to obtaining the approval of shareholders of the Companies and regulatory approvals, and entered into a share exchange agreement (hereinafter referred to as the “Share Exchange Agreement”). At the same time, Ashikaga HD, Joyo, and The Ashikaga Bank, Ltd. (hereinafter referred to as “Ashikaga Bank”) entered into a business integration agreement and the details are as follows:

(1) Purpose of the Business Integration

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

Through this, the Companies will be able to provide more convenient, high-quality comprehensive financial services that can only be achieved through the integration of leading regional banks. In addition, the Companies will aim to become a group that is highly valued by each stakeholder by achieving sustained growth as a driving force of regional development and revitalization and improvement of corporate value in response to the expectations of shareholders and markets, as well as expansion of the opportunities for officers and employees and enhance their pride in and enjoyment of their duties. Furthermore, the Companies will aim to become a financial group that is open to other regional financial institutions who share their corporate ideal.

(2) Method of Share Exchange and Details of Allocation in Relation to the Share Exchange (Share Exchange Ratio)

① Method of Share Exchange

The business integration will be carried out by the holding company method. In order to complete the business integration quickly, the plan is to use Ashikaga HD, which already has a holding company structure, as the holding company of the new financial group.

Specifically, subject to obtaining the approval of shareholders of the Companies for matters necessary for the Business Integration and obtaining regulatory approvals required for the Business Integration, Joyo plans to carry out the Share Exchange with Ashikaga HD and Ashikaga HD plans to change its company name to Mebuki Financial Group, Inc. (hereinafter referred to as “Mebuki FG”).

The schedule of the Business Integration is as follows.

November 2, 2015	Execution of the Basic Agreement
March 31, 2016	Record date for the general shareholders' meetings of the Companies
April 25, 2016	Resolution of the board of directors of the Companies directors Execution of the Share Exchange Agreement and the business integration agreement
June 28, 2016 (planned)	General shareholders' meetings of the Companies
September 27, 2016 (planned)	Last trading day of the shares of Joyo
September 28, 2016 (planned)	Date of delisting of Joyo shares
October 1, 2016 (planned)	Effective date of the Share Exchange

Furthermore, the above schedule may be changed upon consultation between the Companies where necessary in the course of moving towards the Share Exchange or for other reasons.

② Details of allotment in the Share Exchange (Share Exchange Ratio)

Company Name	Joyo	The Company
Share Exchange Ratio	1.170	1

(Note 1) Details of allotment in the Share Exchange

Joyo shareholders will receive 1.170 shares of Mebuki FG's common stock for each share of Joyo common stock.

If the number of Mebuki FG's shares that Joyo shareholders will receive through the Share Exchange includes a fraction of less than one share, the relevant shareholder will be paid a cash amount corresponding to such fractional share pursuant to Article 234 of the Companies Act of Japan (“Companies Act”) and other relevant laws and regulations.

Furthermore, the above share exchange ratio may be adjusted between the Companies in the event that matters that cause material effect on the share exchange ratio are found to exist.

(Note 2) Number of newly issued shares to be delivered by Mebuki FG through the Business Integration (planned)

Common stock : 845,758,343 shares

The above number has been calculated based on the total number of issued and outstanding shares of Joyo (766,231,875 shares) as of March 31, 2016. However, Joyo plans to cancel all of its treasury stock immediately before the Share Exchange takes effect (hereinafter referred to as the “Record Date”). Accordingly, treasury stock held by Joyo (43,361,496 shares) as of March 31, 2016 have not been included in calculating the above number.

The number of newly issued shares to be delivered by Mebuki FG through the Share Exchange may change if the number of Joyo's treasury stock as of March 31, 2016 changes before the Record Date due to reasons such as exercise of the right to request purchase of shares by Joyo shareholders.

(Note 3) Handling of shares constituting less than one unit

When the Business Integration is consummated, Joyo's shareholders who receive shares constituting less than one unit (100 shares) of Mebuki FG's common stock (hereinafter referred to as "Shares Constituting Less than One Unit") may not sell Shares Constituting Less than One Unit on the Tokyo Stock Exchange or any other financial instruments exchange market. Shareholders who receive Shares Constituting Less than One Unit may request Mebuki FG to purchase their Shares Constituting Less than One Unit pursuant to Article 192, Paragraph (1) of the Companies Act or will be able to request Mebuki FG to sell the number of shares needed, together with the number of Shares Constituting Less than One Unit held by such shareholder, to constitute one unit pursuant to Article 194, Paragraph (1) of the Companies Act and the Articles of Incorporation, except in the case where Mebuki FG does not possess enough shares requested to be sold.

③ Handling of stock acquisition rights and bonds with stock acquisition rights under the Share Exchange

In connection with the Share Exchange, Mebuki FG will deliver to the holders of stock acquisition rights (including stock acquisition rights attached to bonds) issued by Joyo outstanding as of the Record Date stock acquisition rights of Mebuki FG based on the terms of stock acquisition rights and the share exchange ratio.

In addition, Mebuki FG will succeed to the liabilities of bonds with stock acquisition rights issued by Joyo and Joyo will guarantee such liabilities.



(3) Outline of the Holding Company (Mebuki FG) following the business integration

Name	Mebuki Financial Group, Inc.		
Location of headquarters	<p>7-2, Yaesu 2-chome, Chuo-ku, Tokyo (Note) The head office functions of the Mebuki Financial Group, Inc. will comprise its full-time officers and employees as well as concurrent officers and employees of Joyo or Ashikaga Bank, and will be located in Mito, Ibaraki and Utsunomiya, Tochigi. In addition, there is no change to the location of the head office of Joyo (Mito City, Ibaraki Prefecture) and the head office of Ashikaga Bank (Utsunomiya City, Tochigi Prefecture).</p>		
Representatives and directors expected to assume office	Representative Director and President	Kazuyoshi Terakado	(Currently, President of Joyo)
	Representative Director and Executive Vice President	Masanao Matsushita	(Currently, Director, President and CEO of Ashikaga HD and Director, President and CEO of Ashikaga Bank)
	Director	Eiji Murashima	(Currently, Managing Director of Joyo)
	Director	Kiyoshi Kato	(Currently, Executive Officer of Ashikaga Bank)
	Director	Ritsuo Sasajima	(Currently, Managing Director of Joyo)
	Director	Kazuyuki Shimizu	(Currently, Executive Officer and General Manager of Corporate Planning Department of Ashikaga HD and Managing Executive Officer of Ashikaga Bank)
	Director	Hidebumi Nishino	(Currently, Managing Executive Officer of Joyo)
	Director (Audit and Supervisory Committee Member)	Yoshiaki Terakado	(Currently, Corporate Auditor of Joyo)
	Director (Audit and Supervisory Committee Member)	Kunihiro Ono	(Currently, Director of Ashikaga HD and Director of Ashikaga Bank)
	Director (Audit and Supervisory Committee Member)	Ryuzaburo Kikuchi	(Currently, Outside Director of Joyo)
	Director (Audit and Supervisory Committee Member)	Toru Nagasawa	(Currently, a representative lawyer of Nagasawa Law Offices)
	Director (Audit and Supervisory Committee Member)	Takashi Shimizu	(Currently a professor of the Graduate School of Accountancy, Waseda University)
	(Note) Ryuzaburo Kikuchi, Toru Nagasawa and Takashi Shimizu, each as a Director (Audit and Supervisory Committee Member), are Directors who are Outside Directors as defined in Article 2, item (xv) of the Companies Act.		
Capital	117,495 million yen		

Net assets	Details have not been determined at present.
Total assets	Details have not been determined at present.
Fiscal year end	March 31
Nature of business	Bank holding company (Management and operation of banks and other companies that Mebuki FG may have as subsidiaries under the Banking Act and any and all businesses incidental or related thereto.)

(4) Outline of the parties to the Share Exchange (as of December 31, 2015)

Name	The Joyo Bank, Ltd.	
Location	5-5, Minami-machi 2-chome, Mito, Ibaraki	
Representative	Kazuyoshi Terakado, President	
Business	Banking business	
Capital	85,113 million yen	
Date established	July 30, 1935	
Number of shares issued and outstanding	766,231 thousand shares	
Fiscal year end	March 31	
Total assets (consolidated)	9,182,730 million yen	
Net assets (consolidated)	608,065 million yen	
Deposits (non-consolidated)	7,920.1 billion yen	
Loans and bills discounted (non-consolidated)	5,870.7 billion yen	
Number of employees (consolidated)	3,773	
Number of branches (including sub-branches)	179 branches	
Major shareholders and shareholding ratio (as of September 30, 2015)	The Bank of Tokyo-Mitsubishi UFJ,Ltd.	3.78%
	Nippon Life Insurance Company	3.28%
	Japan Trustee Services Bank, Ltd. (Trust Account)	3.02%
	Sompo Japan Nipponkoa Insurance Inc.	3.02%
	STATE STREET BANK AND TRUST COMPANY 505223	2.70%

(5) Outline of Accounting Process in relation to the Share Exchange

The Share Exchange is a reverse acquisition under the Accounting Standard for Business Combinations and it is expected that the purchase method will apply to the transaction, under which Joyo is an acquiring company and Ashikaga HD is an acquired company. The amount of goodwill (or negative goodwill) which is expected to be incurred as a result of the Share Exchange has yet to be determined.

(TRANSLATION)

## INDEPENDENT AUDITOR'S REPORT

May 12, 2016

To the Board of Directors of  
Ashikaga Holdings Co., Ltd.:

Deloitte Touche Tohmatsu LLC

Designated Unlimited Liability Partner,  
Engagement Partner,  
Certified Public Accountant  
Masanori Matsuzaki

Designated Unlimited Liability Partner,  
Engagement Partner,  
Certified Public Accountant:  
Ryujin Matsuura

Pursuant to the fourth paragraph of Article 444 of the Companies Act, we have audited the consolidated financial statements, namely, the consolidated balance sheet as of March 31, 2016 of Ashikaga Holdings Co., Ltd. (the "Company") and its consolidated subsidiaries, and the related consolidated statements of income and changes in net assets for the fiscal year from April 1, 2015 to March 31, 2016, and the related notes.

### **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.

**Audit Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Ashikaga Holdings Co., Ltd. and its consolidated subsidiaries as of March 31, 2016, and the results of their operations for the year then ended in accordance with accounting principles generally accepted in Japan.

**Emphasis of Matter**

As discussed in “Important Subsequent Event” in the notes to consolidated financial statements, the Company and the Joyo Bank, Ltd., in accordance with the basic agreement in relation to the business integration through a share exchange agreed upon between the Company and the Joyo Bank, Ltd. on November 2, 2015, resolved at their respective meetings of the Board of Directors held on April 25, 2016, to consummate the business integration through a share exchange subject to obtaining the approval of shareholders of the Company and the Joyo Bank, Ltd. and regulatory approvals, and entered into a share exchange agreement. At the same time, the Company, the Joyo Bank, Ltd., and The Ashikaga Bank, Ltd. entered into a business integration agreement.

Our opinion is not qualified in respect of this matter.

**Interest**

Our firm and the engagement partners do not have any interest in the Company for which disclosure is required under the provisions of the Certified Public Accountants Act.

The above represents a translation, for convenience only, of the original report issued in the Japanese language.

## AUDIT REPORT

We, the Audit Committee of the Company, audited the performance by Directors and Executive Officers of their duties during Period 8 (from April 1, 2015 to March 31, 2016). We hereby report as follows on the method and results thereof.

### 1, Method of Audit

We performed the audit using the methods listed below, as well as by receiving periodical reports, obtaining explanations as necessary, and expressing opinions regarding the state of implementation and operation of the contents of the resolutions of the Board of Directors concerning the matters as listed in Article 416, Paragraph 1, Item 1 (b) and (e) of the Companies Act, and the status of the systems (internal control systems) established thereunder.

- (i) In accordance with the auditing policy and assignment of auditing duties, etc., as determined by the Audit Committee, and, in collaboration with the relevant departments, we attended important meetings, received reports from the Directors, Executive Officers, etc. on matters concerning the execution of their duties, requested explanations as necessary, inspected documentation of important decisions, etc., and investigated the state of activities and property of the Company.

Further, in regard to internal control over financial reporting, we received reports from the Board of Directors, etc. and from Deloitte Touche Tohmatsu LLC of the evaluation and audit of the internal control situation, and sought explanations as necessary. In addition, in regard to the subsidiaries, we communicated and exchanged information with the Directors and Executive Officers, etc. of the subsidiaries, and received business reports from the subsidiaries as necessary.

- (ii) We monitored and examined whether the Accounting Auditors maintained their independence and performed their auditing duties adequately, and also received reports from the Accounting Auditors on the status of performance of their duties and requested explanations as necessary. We also received a notice from the Accounting Auditors to the effect that “structures for ensuring that duties are appropriately performed” (matters stipulated in each item under Article 131 of the Accounting Regulation Ordinance) were being developed pursuant to the “Quality Management Standards for Auditing” (Business Accounting Council, October 28, 2005) and requested explanations as necessary.

We examined the business reports, the unconsolidated financial statements (the Unconsolidated Balance Sheet, the Unconsolidated Statement of Income, the Unconsolidated Statement of Changes in Net Assets, and the Notes to the Unconsolidated Financial Statements), and their supplementary schedules, as well as the consolidated financial statements (the Consolidated Balance Sheet, the Consolidated Statement of Income, the Consolidated Statement of Changes in Net Assets, and the Notes to the Consolidated Financial Statements), and their supplementary schedules for this period in accordance with the foregoing method.

### 2. Results of Audit

#### (1) Audit results of business report

- (i) We believe that the business report and supplementary schedules present fairly the condition of the Company in conformity with related laws and regulations and the Articles of Incorporation of the Company.
- (ii) We find no unfair act or material fact in violation of laws and ordinances or the Articles of Incorporation with respect to the performance of duties by the Directors and Executive Officers
- (iii) We are of the opinion that the resolution of the Board of Directors concerning the internal control system was reasonable. Furthermore, we find no matters that require noting with regard to the details contained in the Business Report or the Directors’ and Executive Officers’ performance of their duties in connection with the internal control systems, including internal control in relation to the financial reports.

#### (2) Audit results of financial statements and their supplementary schedule

In our opinion, the auditing methods used and the conclusions reached by the Independent Auditor, Deloitte

Touche Tohmatsu LLC, are appropriate.

(3) Audit results of consolidated financial statements

In our opinion, the auditing methods used and the conclusions reached by the Independent Auditor, Deloitte Touche Tohmatsu LLC, are appropriate.

May 13, 2016

Audit Committee, Ashikaga Holdings Co., Ltd.

Yoshio Kohra (Seal)

Mitsuhiro Kitamura (Seal)

Kunihiro Ono (Seal)

Note: Directors Yoshio Kohra and Mitsuhiro Kitamura are Outside Directors pursuant to Article 2, Item 15 and Article 400, Paragraph 3 of the Companies Act

## Reference Documents for the General Meeting of Shareholders

### Proposals and References

#### Proposal No. 1: Election of Six (6) Directors

The terms of all eight (8) Directors will expire at the conclusion of this Ordinary General Meeting of Shareholders. In order to optimize the management structure, two Director positions will be eliminated, and accordingly, the election of six (6) Directors is proposed.

The candidates for Directors are as follows:

Further, should Proposal No. 3: Partial Amendments to the Articles of Incorporation be approved, terms of the newly appointed directors based on this proposal will conclude when the changes to the Articles of Incorporation take effect in accordance with Article 332, Paragraph 7, item 1 of the Companies Act.

Candidates for Director

No.	Name (Date of birth)	Brief personal profile, positions, responsibilities, and significant concurrent positions	Number of common shares of the Company held
1	Satoshi Fujisawa (May 1, 1947)	<p>Apr. 1970    Joined The Shoko Chukin Bank (currently the Shoko Chukin Bank, Ltd.) Held positions such as General Manager of Urawa Branch, Omori Branch, and Capital Markets Trading Division, The Shoko Chukin Bank</p> <p>Aug. 2000    Special Advisor, General Manger, General Planning Division, The Shoko Chukin Bank</p> <p>Mar. 2002    Director (in charge of Tohoku and North Kanto region), The Shoko Chukin Bank</p> <p>Aug. 2003    Deputy General Manager, Treasury and Capital Markets Group, The Shoko Chukin Bank</p> <p>May. 2005    President and Representative Director, SHOKO SERVICE, LTD.</p> <p>May. 2006    President and Representative Director, SHOCHU COMPUTER SERVICES, LTD (currently SHOKOCHUKIN COMPUTER SYSTEMS CO., LTD.)</p> <p>Apr. 2008    Representative Director, Ashikaga HD</p> <p>Jul. 2008    Director, President and Chief Executive Officer Director, President and Chief Executive Officer, The Ashikaga Bank, Ltd.</p> <p>Jun .2014    Director, Chairman and Chief Executive Officer, Ashikaga HD (current position)</p> <p>Responsibilities: Chairman and Chief Executive Officer</p>	4,500 shares

No.	Name (Date of birth)	Brief personal profile, positions, responsibilities, and significant concurrent positions	Number of common shares of the Company held
2	Masanao Matsushita (Feb. 9, 1957)	<p>Apr. 1979    Joined The Ashikaga Bank, Ltd.</p> <p>Jun. 2002    General Manager, Public and Financial Institutions Division, The Ashikaga Bank, Ltd.</p> <p>Aug. 2004    Deputy Chief Officer, Loan Headquarters, The Ashikaga Bank, Ltd.</p> <p>Oct. 2005    General Manager, Isesaki Branch,</p> <p>Apr. 2007    General Manager, Mooka Branch,</p> <p>Jan. 2009    Executive Officer,</p> <p>Jun. 2012    The Company, Executive Officer, General Manager, Corporate Planning Department</p> <p>Apr. 2014    The Company, Executive Officer The Ashikaga Bank, Ltd, Managing Executive Officer</p> <p>Jun. 2014    The Company, Director, President and Chief Executive Officer (current) The Ashikaga Bank, Ltd., Director, President and Chief Executive Officer</p> <p>Responsibilities: President and Chief Executive Officer, Executive Nominating Committee Member (Chairman), Compensation Committee Member (Chairman)</p> <p>Significant concurrent positions: The Ashikaga Bank, Ltd., Director, President and Chief Executive Officer</p>	9,000 shares
3	Kunihiro Ono (Jan. 11, 1957)	<p>Apr. 1980    Joined The Ashikaga Bank, Ltd.</p> <p>Jun. 2002    Deputy General Manager, Management Planning Division,</p> <p>Jun. 2003    General Manager, Ohira Branch,</p> <p>Oct. 2004    General Manager, Shinshuku Branch,</p> <p>Oct. 2007    General Manager, Operation Planning Division,</p> <p>Jun.2010    Executive Officer, General Manager, New Accounting System Transition Promotion Division,</p> <p>Oct. 2011    Executive Officer,</p> <p>Jun. 2012    Director, (current)</p> <p>Jun. 2013    Director, Ashikaga HD (current)</p> <p>Responsibilities: Audit Committee Member</p>	4,500 shares



No.	Name (Date of birth)	Brief personal profile, positions, responsibilities, and significant concurrent positions	Number of common shares of the Company held
4.	Yoshio Kohra (Jul. 26, 1941)	<p>Oct. 1964    Joined Tetsuzo Ohta CPA Office</p> <p>Feb.1978    Partner, Tetsuzo Ohta &amp; Co.</p> <p>May1986    Partner, Showa Ohta &amp; Co. (currently Ernst &amp; Young ShinNihon LLC)</p> <p>Aug.2006    Representative, Yoshio Kohra CPA Office (current)</p> <p>Jun.2007    Corporate Auditor, Sumitomo Heavy Industries, Ltd.</p> <p>Jul.2008    Director, the Company (current) Director, The Ashikaga Bank, Ltd. (current)</p> <p>Responsibilities: Audit Committee Member</p> <p>Significant concurrent positions: Representative, Yoshio Kohra CPA Office</p>	2,800 shares
5.	Mitsuhiro Kitamura (Mar. 12, 1942)	<p>Apr.1965    Joined Hino Motors, Ltd.</p> <p>Jun. 1970    Senior Managing Director, Yokokura Honten Corporation</p> <p>Oct. 1985    President and Director, Yokokura Honten Corporation</p> <p>Nov.2000    Chairman and Representative Director, Yokokura Honten Corporation (current )</p> <p>Nov.2010    Chairman, The Utsunomiya Chamber of Commerce and Industry (current position) Chairman, Federation of TOCHIGI Prefecture Chamber of Commerce &amp; Industry (current)</p> <p>Jun.2015    Director, Ashikaga HD (current) Director, The Ashikaga Bank, Ltd. (current)</p> <p>Responsibilities: Compensation Committee Member, Audit Committee Member</p> <p>Significant concurrent positions: Chairman and Representative Director, Yokokura Honten Corporation</p>	- shares
* 6.	Toru Nagasawa (Jan. 15, 1959)	<p>Apr. 1984    Admitted as an attorney</p> <p>Apr. 1995    Nagasawa Law Office (Currently, Nagasawa General Law Office) opened, Representative Attorney (current)</p> <p>Sep. 2007    Gree, Inc., Outside Director Corporate Auditor (current)</p> <p>Jun. 2015    Toho Holdings, Co., Ltd., Outside Director (current)</p> <p>Significant concurrent positions: Nagasawa General Law Office, Representative Attorney Gree, Inc., Corporate Auditor Toho Holdings, Co., Ltd., Outside Director.</p>	- shares

(Notes)1. \* denotes a new candidate for Director.

2. Messrs. Yoshio Kohra, Mitsuhiro Kitamura and Toru Nagasawa are candidates for Outside Director.

3. Reasons for selection of candidates for Director are as follows:

(1) Mr. Satoshi Fujisawa has served as Director, President and Chief Executive Officer of the Company and Director, President and Chief Executive Officer of Ashikaga Bank Ltd. (hereinafter, "Ashikaga Bank") since July 2008, and

has served as Director, Chairman and Chief Executive Officer of the Company since June 2014. Through his service to these organizations, he has acquired knowledge and experience required to execute business management with accuracy, fairness and efficiency and with the expectation of his continued contribution to the management of the Company, the Company proposes his election as Director.

- (2) Mr. Masanao Matsushita has served as Executive Officer in charge of Administrative Systems, Investment and Corporate Planning at Ashikaga Bank, within the Group. Since June 2014, he has served as Director, President and Chief Executive Officer of Ashikaga Bank. He has also served in the Company as Executive Officer and General Manager of Corporate Planning and since June 2014, has served as Director, President and Chief Executive Officer. Through his service to these organizations, he has acquired knowledge and experience required to execute business management with accuracy, fairness and efficiency and with the expectation of his continued contribution to the management of the Company, the Company proposes his election as Director.
  - (3) Mr. Kunihiko Ono has served as Executive Officer in charge of Administrative Systems, at Ashikaga Bank since June 2012. He has also served in the Company as Director and Audit and Supervisory Committee Member since June 2013. Through his service to these organizations, he has acquired knowledge and experience required to execute business management with accuracy, fairness and efficiency and with the expectation of his continued contribution to the management of the Company, the Company proposes his election as Director.
  - (4) Mr. Yoshio Kohra does not have experience related to business management other than as Outside Director, but has specialized knowledge and experience as a certified public accountant, and in order to receive guidance and advice regarding the Company's overall management, the Company proposes his election as Outside Director. Additionally, his term of office will be eight years at the conclusion of this Ordinary General Meeting of Shareholders.
  - (5) Mr. Mitsuhiro Kitamura is well-versed in the economy of Tochigi Prefecture through his service as Chairman of the Federation of TOCHIGI Prefecture Chamber of Commerce & Industry and has knowhow and experience as a manager. In order to receive guidance and advice regarding the Company's overall management, the Company proposes his election as Outside Director. Additionally, his term of office will be one year at the conclusion of this Ordinary General Meeting of Shareholders.
  - (6) Mr. Toru Nagasawa does not have experience related to business management other than as Outside Director, but has specialized knowledge and experience as an attorney, and in order to receive guidance and advice regarding the Company's overall management, the Company proposes his election as Outside Director.
4. Pursuant to Article 427, Paragraph 1 of the Companies Act, the Company has entered into liability limitation agreements with Messrs. Yoshio Kohra and Mitsuhiro Kitamura to limit liabilities as set forth in Article 423, Paragraph 1 of the Companies Act. The limit of liability under such agreements shall be limited to the minimum amount stipulated by the Article 425, Paragraph 1 of the Companies Act, or 10 million yen, whichever is greater, assuming that they performed their duties as Outside Director in good faith and without gross negligence. If each of the candidates is reelected at this Ordinary General Meeting of Shareholders, the Company plans to continue the agreements with them. Additionally, if Mr. Toru Nagasawa is elected as Outside Director, the Company plans to conclude the same agreement with him.
  5. Messrs. Yoshio Kohra and Mitsuhiro Kitamura have been registered as Independent Directors with the Tokyo Stock Exchange that do not have conflicts of interest with general shareholders. If they are reelected, they plan to continue as Independent Directors. Additionally, if Mr. Toru Nagasawa is elected as Outside Director, he plans to newly become an Independent Director.
  6. There are no special conflicts of interest between the Company and each of the above candidates. Toru Nagasawa had a legal advisor agreement in place with Ashikaga Bank, a subsidiary of the Company, but the legal advisor agreement has been canceled due to his candidacy as Director of the Company in this proposal and Proposal No. 5.

## **Proposal No. 2: Approval of the Share Exchange Agreement with The Joyo Bank, Ltd.**

The Company has reached a final agreement with The Joyo Bank, Ltd. (hereinafter, "Joyo Bank"; the Company and Joyo Bank together shall be called, "Both Companies") as of April 25th, 2016 regarding the business integration of Both Companies (hereinafter, the "Business Integration") and will enter into a share exchange agreement (hereinafter, the "Share Exchange") with an effective date of October 1st, 2016, making the Company the wholly owning parent company in the share exchange and Joyo Bank the wholly-owned subsidiary in the share exchange. Concurrently, the Company and Ashikaga Bank has executed a business integration agreement with Joyo Bank (hereinafter, the "Business Integration Agreement").

Thus, the company proposes approval of the Share Exchange Agreement.

The reasons for entering into the Share Exchange and the contents of the Share Exchange Agreement are as follows:

### 1. Reasons for entering into the Share Exchange

Joyo Bank and our subsidiary, Ashikaga Bank (President: Masanao Matsushita. Joyo Bank and Ashikaga Bank shall be referred to collectively as the "Banks") are leading banks in the region with a secure business platform in the Northern Kanto Region centered around Ibaraki and Tochigi prefectures, providing smooth financial functions.

Both Banks have their primary business platform in the Northern Kanto region. The region is noteworthy not only for its proximity to the capital region, but also has high potential as one of the leading region for establishing companies in the nation due to the Kita Kanto Highway and other established traffic infrastructure. Meanwhile, the business environment of regional financial institutions is characterized by concerns such as contracting local economies due to structural changes in society highlighted by an overall population decline, lower birth rate and an aging population, where excess capital is fueling the fire of fierce competition between financial institutions. Additionally, globalization of the economy as well as technological innovations in information technology are dramatically changing the structures of industry and society. Against these developments, players from different industries are entering into the financial industry, generating a new competitive environment while creating growth opportunities through the expansion of financial services.

From the standpoint of these structural changes in the business environment, both Banks recognize that actively exerting their co-creative capacities to realize wealth creation under a common philosophy is the effective and beneficial path in order to continue to enhance our contributions to regional creation and grow together with our customers and the region as a whole as a local financial institution.

The new financial group created by the Business Integration will maintain and deepen the relationship with its customers and the deep understanding of the region built over the years by both Joyo and Ashikaga Banks while utilizing the wide networks formed by the Business Integration to evolve comprehensive financial services and facilitate operational efficiency. Thus, we will provide a more convenient and high quality comprehensive financial services only achievable by integration of leading regional banks.

The Business Integration will be conducted based on a holding company method, and in the interest of

conducting early integration of management, utilize the Company, which is already set up as a holding company, to act as the holding company for the new financial group. The Company will change its trading name to Mebuki Financial Group, Inc. (hereinafter, "Mebuki Financial Group") as of the effective date of the Share Exchange Agreement.

Thus, the collaboration of the two banks under their respective branding that is deeply rooted in their communities will aim to expand its operational platform and enhance its business platform through the Business Integration. At the same time, both institutions will exert synergies via mutual utilization of management resources and expertise to meet the expectations of our customers, regions and shareholders with expediency and quality unachievable on our own, and deem this to be the best way forward for both Joyo Bank and Ashikaga Bank.

## 2. Overview of the Share Exchange Agreement

Matters contained in the Share Exchange Agreement are as follows:

Note that Annex 1 to 24 (Matters Contained in the Stock Acquisition Rights) and Annex 25 to 26 (Matters Contained in the Euro-US dollar-denominated Convertible Bonds with Stock Acquisition Rights) in the Share Exchange Agreement (copy) are described in pages 5 through 144 of the Reference Documents for the 8th Ordinary General Meeting of Shareholders.

Also, Annex 27 (Proposal to Amend the Articles of Incorporation of Ashikaga Holdings) of the Share Exchange Agreement is covered under Proposal No. 3: Partial Amendment of the Articles of Incorporation and Annex 28 (Election of Directors) is covered under Proposal No. 4: Directors (excluding Directors who are Audit and Supervisory Committee Members) Nomination of 7 Directors and Proposal No. 5: The nomination of the 5 Directors who are Audit and Supervisory Committee Members.

### **Share Exchange Agreement (Copy)**

The Joyo Bank, Ltd. ("Joyo") and Ashikaga Holdings Co., Ltd. ("Ashikaga") have entered into this Share Exchange Agreement (the "Agreement") on April 25, 2016 (the "Execution Date") as follows:

#### Article 1. Share Exchange

Joyo and Ashikaga shall conduct a share exchange through which Ashikaga will become the wholly owning parent company of Joyo and Joyo will become a wholly owned subsidiary of Ashikaga (the "Share Exchange"), and through which Ashikaga shall acquire all of the issued shares of Joyo.

#### Article 2. Trade Names and Addresses

The trade names and addresses of Joyo and Ashikaga are as follows:

- (1) Joyo: Wholly owned subsidiary

Trade Name: The Joyo Bank, Ltd.  
Address: 5-5, Minami-machi 2-chome, Mito City, Ibaraki Prefecture

(2) Ashikaga: Wholly owning parent company  
Trade Name: Ashikaga Holdings Co., Ltd.  
Address: 1-25, Sakura 4-chome, Utsunomiya City, Tochigi Prefecture

#### Article 3. Shares to be Delivered Upon the Share Exchange and Allotment Thereof

1. Upon the Share Exchange, Ashikaga shall deliver to shareholders of Joyo common stock listed or recorded in Joyo's register of shareholders as of the time immediately before acquiring all issued shares of Joyo ("Record Time") (shareholders excluding Ashikaga after the cancellation of Joyo treasury shares pursuant to Article 9; the same shall apply in this Article 3), the number of Ashikaga common stock calculated by multiplying the total number of Joyo common stock held by such shareholders by 1.170.
2. Upon the Share Exchange, Ashikaga shall allot to shareholders of Joyo common stock listed or recorded in Joyo's register of shareholders as of the Record Time 1.170 shares of Ashikaga common stock for each of Joyo's common stock held by such shareholders.
3. With respect to any fractional shares comprising less than one share of Ashikaga common stock to be allotted and delivered to Joyo shareholders under the preceding two paragraphs, Ashikaga shall handle these in accordance with Article 234 of the Companies Act or other applicable laws and regulations.

#### Article 4. Stock Acquisition Rights to be Issued Upon the Share Exchange and Allotment Thereof, and the Transfer of Bonds

1. Upon the Share Exchange, Ashikaga shall deliver to the stock acquisition right holders of the stock acquisition rights issued by Joyo set forth in items (1) through (12) in Column 1 of Table 1 below, in exchange for such stock acquisition rights, the stock acquisition rights of Ashikaga set forth in items (1) through (12) in Column 2 of the said table, in a number equal to the total number, respectively, of the stock acquisition rights listed or recorded in Joyo's register of stock acquisition rights as of the Record Time.
2. Upon the Share Exchange, Ashikaga shall allot to the stock acquisition right holders of the stock acquisition rights issued by Joyo set forth in items (1) through (12) in Column 1 of Table 1 below, listed or recorded in Joyo's register of stock acquisition rights as of the Record Time, one stock acquisition right set forth in items (1) through (12) in Column 2 of the said table per stock acquisition right held by stock acquisition right holders set forth in items (1) through (12) in Column 1 of Table 1 below.
3. Upon the Share Exchange, Ashikaga shall issue to the stock acquisition right holders of the stock acquisition rights attached to the bond with stock acquisition rights issued by Joyo set forth in Column 1 of Table 2 below, in exchange for such stock acquisition rights, the stock acquisition rights of Ashikaga set forth in Column 2 of the said table, in a number equal to the total number, respectively, of the stock acquisition rights listed or recorded in Joyo's register of stock acquisition rights as of the Record Time.

4. Upon the Share Exchange, Ashikaga shall allot to the stock acquisition right holders of the stock acquisition rights attached to the bond with stock acquisition rights issued by Joyo set forth in Column 1 of Table 2 below, listed or recorded in Joyo's register of stock acquisition rights as of the Record Time, one stock acquisition right set forth in Column 2 of the said table per stock acquisition right held by stock acquisition right holders set forth in Column 1 of the said table.
5. Upon the Share Exchange, Ashikaga shall, with regard to the bond with stock acquisition rights issued by Joyo set forth in Column 1 of Table 2 below, assume the bond obligations of Joyo toward the bondholders listed or recorded in Joyo's register of bondholders as of the Record Time, as the Mebuki Financial Group, Inc. Euro-US Dollar-Denominated Convertible Bond with Stock Acquisition Rights with Call Provision due 2019, set forth in Column 2 of the said table, and the monetary amount of the assumed bond obligations shall be the amount set forth in Column 3 of the said table.
6. In the period until the Effective Date (defined in Article 6) subsequent to the Execution Date, in the event of the exercise of the stock acquisition rights and the stock acquisition rights attached to the bond with stock acquisition rights issued by Joyo as set forth in Column 1 of Table 1 and Table 2 below respectively, with regard to the stock acquisition rights and assumed bond obligations pertaining to the issue and allotment stipulated in paragraphs 1 through 5, the number of the stock acquisition rights pertaining to the exercise and the monetary amount of the bond paid upon the exercise shall, respectively, be deducted from the stock acquisition rights and assumed bond obligations pertaining to the delivery and allotment.

Table 1

	Column 1		Column 2	
	Name	Details	Name	Details
(1)	The Joyo Bank, Ltd. 1st Series of Stock Acquisition Rights	See Annex 1	Mebuki Financial Group, Inc. 1st Series of Stock Acquisition Rights	See Annex 2
(2)	The Joyo Bank, Ltd. 3rd Series of Stock Acquisition Rights	See Annex 3	Mebuki Financial Group, Inc. 2nd Series of Stock Acquisition Rights	See Annex 4
(3)	The Joyo Bank, Ltd. 5th Series of Stock Acquisition Rights	See Annex 5	Mebuki Financial Group, Inc. 3rd Series of Stock Acquisition Rights	See Annex 6
(4)	The Joyo Bank, Ltd. 6th Series of Stock Acquisition Rights	See Annex 7	Mebuki Financial Group, Inc. 4th Series of Stock Acquisition Rights	See Annex 8
(5)	The Joyo Bank, Ltd. 7th Series of Stock Acquisition Rights	See Annex 9	Mebuki Financial Group, Inc. 5th Series of Stock Acquisition Rights	See Annex 10
(6)	The Joyo Bank, Ltd. 8th Series of Stock Acquisition Rights	See Annex 11	Mebuki Financial Group, Inc. 6th Series of Stock Acquisition Rights	See Annex 12
(7)	The Joyo Bank, Ltd. 9th Series of Stock Acquisition Rights	See Annex 13	Mebuki Financial Group, Inc. 7th Series of Stock Acquisition Rights	See Annex 14

	Column 1		Column 2	
	Name	Details	Name	Details
(8)	The Joyo Bank, Ltd. 10th Series of Stock Acquisition Rights	See Annex 15	Mebuki Financial Group, Inc. 8th Series of Stock Acquisition Rights	See Annex 16
(9)	The Joyo Bank, Ltd. 11th Series of Stock Acquisition Rights	See Annex 17	Mebuki Financial Group, Inc. 9th Series of Stock Acquisition Rights	See Annex 18
(10)	The Joyo Bank, Ltd. 12th Series of Stock Acquisition Rights	See Annex 19	Mebuki Financial Group, Inc. 10th Series of Stock Acquisition Rights	See Annex 20
(11)	The Joyo Bank, Ltd. 13th Series of Stock Acquisition Rights	See Annex 21	Mebuki Financial Group, Inc. 11th Series of Stock Acquisition Rights	See Annex 22
(12)	The Joyo Bank, Ltd. 14th Series of Stock Acquisition Rights	See Annex 23	Mebuki Financial Group, Inc. 12th Series of Stock Acquisition Rights	See Annex 24

Table 2

Column 1		Column 2		Column 3
Name	Details	Name	Details	Amount of bond obligations
The Joyo Bank, Ltd. Euro-US Dollar-Denominated Convertible Bond with Stock Acquisition Rights with Call Provision due 2019	See Annex 25	Mebuki Financial Group, Inc. Euro-US Dollar-Denominated Convertible Bond with Stock Acquisition Rights with Call Provision due 2019	See Annex 26	US\$300 million

#### Article 5. Amounts of Stated Capital and Reserves

The increases in the amounts of the stated capital and capital reserves of Ashikaga due to the Share Exchange are as follows:

- (1) Stated Capital: Zero yen
- (2) Capital Reserves: An amount specified separately by Ashikaga in accordance with the provisions of Article 39 of the Ordinance on Company Accounting
- (3) Retained Earnings Reserves: Zero yen

#### Article 6. Effective Date

The date on which the Share Exchange takes effect (the “Effective Date”) shall be October 1, 2016; provided, however, that Joyo and Ashikaga may change such date as necessary in accordance with the progress of the Share Exchange or other reasons, upon mutual consultation and agreement.

#### Article 7. Shareholders Meeting to Approve the Share Exchange Agreement

Joyo and Ashikaga shall each hold a General Meeting of Shareholders on June 28, 2016 or a date agreed

separately by Joyo and Ashikaga, and seek a resolution concerning approval of the Agreement.

#### Article 8. Administration of Corporate Assets, etc.

During the period commencing from the Execution Date until the Effective Date, each of Joyo and Ashikaga shall conduct its business and manage its assets with the due care of a prudent manager, in accordance with past practice within the scope of ordinary business, and shall ensure that their subsidiaries carry out the same. Moreover, Joyo and Ashikaga shall not take any action that would materially affect such assets, rights or obligations without the prior written approval of the other party, and shall ensure that their subsidiaries do not take any such action.

#### Article 9. Cancellation of Treasury Stock

By resolution of the Board of Directors of Joyo at a meeting of the Board of Directors to be held no later than the day immediately preceding the Effective Date, Joyo shall cancel and all of the treasury stock held by Joyo immediately before the Record Time (including treasury stock to be acquired through the purchases through any dissenting shareholders' exercise of their appraisal rights pursuant to Article 785, Paragraph 1 of the Companies Act upon with the Share Exchange) after the purchase through such exercise of appraisal rights takes effect immediately before the Record Time.

#### Article 10. Amendment of Articles of Incorporation and Election of Directors

1. Ashikaga shall put a proposal to its General Meeting of Shareholders provided in Article 7 to amend the Articles of Incorporation on the Effective Date in accordance with Annex 27, subject to the condition precedent that the Share Exchange comes into effect, and shall seek a resolution for approval thereof. However, Ashikaga may amend the proposal to amend the Articles of Incorporation listed in Annex 27 upon prior consultation and agreement with Joyo.
2. Ashikaga shall put a proposal to its General Meeting of Shareholders provided in Article 7 to elect the persons listed in Section 1. of Annex 28 as directors as of the Effective Date (excluding directors who are audit and supervisory committee members), and a proposal to elect the persons listed in Section 2. of Annex 28 as directors who are audit and supervisory committee members of Ashikaga on the Effective Date, subject to the condition precedent that the Share Exchange comes into effect and shall seek a resolution for approval thereof. However, Ashikaga may amend the proposal for election of directors listed in Annex 28 upon prior consultation and agreement with Joyo.

#### Article 11. Modification of the Share Exchange and Termination of the Agreement

Joyo and Ashikaga may, upon mutual consultation and agreement, modify the Agreement, including the terms and conditions of the Share Exchange, or terminate the Agreement, if, during the period commencing from the Execution Date until the Effective Date, (i) a situation arises or is identified that could have a serious adverse impact on the business, financial condition, operating results or Share Exchange ratio of Joyo or Ashikaga, (ii) a situation arises or is identified that makes it extremely difficult or could make it extremely difficult to achieve the purpose of



the Share Exchange, or (iii) a situation arises or is identified that could have a serious adverse impact on implementation of the Share Exchange.

Article 12. Effectiveness of the Agreement

This Agreement shall cease to have any effect if the Agreement is not approved by resolution of a General Meeting of Shareholders of Joyo or Ashikaga as set forth in Article 7, or if amendment of the Articles of Incorporation or the proposal for election of directors is not approved at a General Meeting of Shareholders of Ashikaga as set forth in Article 10 no later than the day immediately preceding the Effective Date.

Article 13. Matters for Consultation

In addition to the matters set forth in the Agreement, matters necessary with respect to the Share Exchange shall be determined by consultation and agreement between Joyo and Ashikaga in accordance with the purpose of the Agreement.

(Intentionally left blank below)

IN WITNESS WHEREOF, the parties hereto have executed this Agreement in duplicate originals by placing their signatures or seals thereon, one to be retained by each party.

April 25, 2016

Joyo: 5-5, Minami-machi 2-chome,  
Mito City, Ibaraki Prefecture  
The Joyo Bank, Ltd.  
President: Kazuyoshi Terakado

Ashikaga: 1-25, Sakura 4-chome,  
Utsunomiya City, Tochigi Prefecture  
Ashikaga Holdings Co., Ltd.  
President and Chief Executive Officer: Masanao Matsushita

3. Matters related to the appropriateness to stipulations under Article 768, Items 1 through 3 of the Companies Act

(1) Matters related to appropriateness of consideration paid to shareholders of Joyo Bank by the Company in the event of the Share Exchange

a. Details of allotment in the Share Exchange (Share Exchange Ratio)

	the Company (Wholly owning parent company)	Joyo Bank (Wholly-owned subsidiary)
Share exchange ratio	1	1.170

(Note 1) Details of allotment in the Share Exchange  
Joyo shareholders will receive 1.170 shares of the Company's common stock for each share of Joyo common stock.

Where the amount of shares of the Company issued to shareholders of Joyo Bank in the Share Exchange results in fractions, in accordance with the provisions of the Companies Act 234 and other related laws and regulations, we will pay the equivalent amount for the fraction in cash to the relevant shareholder.

Further, where material changes to the basis of the above calculation arises or comes to light, the above Share Exchange ratio may be changed upon consultation by both parties.

(Note 2) Number of newly issued shares to be delivered by the Company through the Business Integration (planned)  
Common stock : 845,758,343 shares

The above number has been calculated based on the total number of issued and outstanding shares of Joyo (766,231,875 shares) as of March 31, 2016. However, Joyo plans to cancel all of its treasury stock immediately before the Share Exchange takes effect (Hereinafter, the "Record Date"). Accordingly, treasury stock held by Joyo (43,361,496 shares) as of March 31, 2016 have not been included in calculating the above number.

The number of newly issued shares to be delivered by Mebuki FG through the Share Exchange may change if the number of Joyo's treasury stock as of March 31, 2016 changes before the Record Date due to reasons such as exercise of the right to request purchase of shares by Joyo shareholders.

(Note 3) Handling of shares constituting less than one unit

When the Business Integration is consummated, Joyo's shareholders who receive shares constituting less than one unit (100 shares) of the Company's common stock (Hereinafter, "Shares Constituting Less than One Unit") may not sell Shares Constituting Less than One Unit on the Tokyo Stock Exchange or any other financial instruments exchange market. Shareholders who receive Shares Constituting Less than One Unit may request the Company to purchase their Shares Constituting Less than One Unit pursuant to Article 192, Paragraph 1 of the Companies Act or will be able to request the Company to sell the number of shares needed, together with the number of Shares Constituting Less than One Unit held by such shareholder, to constitute one unit pursuant to Article 194, Paragraph 1 of the Companies Act and the Articles of Incorporation, except in the case where the Company does not possess enough shares requested to be sold.

b. Basis and reasons for allotment concerning the Share Exchange

To ensure fairness of calculation of the share exchange ratio, both companies will appoint a third party valuation institution independent of both parties. Joyo Bank has appointed Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. for its third party valuation (hereafter, "Mitsubishi UFJ Morgan Stanley Securities") and the Company has appointed PricewaterhouseCoopers (hereafter, "PwC") for its third party valuation.

Analysis results of share exchange ratios and related matters by Mitsubishi UFJ Morgan Stanley Securities and PwC are as described in pages 1to 4 of the Reference Documents to the 8th Ordinary General Meeting of Shareholders (Supplement), Overview of Analysis by Third Party Valuation of Share Exchange Ratio.

Further, Joyo Bank has obtained a fairness opinion from Mitsubishi UFJ Morgan Stanley Securities regarding fairness to shareholders of common stock of Joyo Bank from a financial perspective (hereafter, "Fairness Opinion) on the agreed share exchange ratio predicated by various preconditions and reservations including preconditions listed described in pages 1to 4of the Reference Documents to the 8th Ordinary General Meeting

of Shareholders (Supplement), Overview of Analysis by Third Party Valuation of Share Exchange Ratio.

Further, the Company has obtained the share exchange ratio valuation document that forms the basis for agreement to the share exchange ratio to be used in the Share Exchange predicated by various preconditions including preconditions listed described in pages 1 to 4 of the Reference Documents to the 8th Ordinary General Meeting of Shareholders (Supplement), Overview of Analysis by Third Party Valuation of Share Exchange Ratio.

On November 2nd, 2015, Joyo Bank, based on the analysis results of Mitsubishi UFJ Morgan Stanley Securities, and the Company, based on analysis results by PwC, has carefully consulted and considered matters and have concluded that the Business Integration based on the share exchange ratio described in "a. Allocation concerning the Share Exchange (share exchange ratio)" above and have signed a basic agreement (hereafter, "the Basic Agreement").

Further, based on comprehensive consideration of factors including the finances, assets and projections for future business and performance, as well as share price fluctuations of both companies since November 2nd, 2015, as of the signing of the Business Integration Agreement and the Share Exchange Agreement, there has been mutual agreement that there is no need to change the agreed share exchange ratio.

c. Relationship to the Calculator

Neither Mitsubishi UFJ Morgan Stanley Securities nor PwC are interested parties of Joyo Bank or the Company, and do not have any material interests to list in terms of the Share Exchange Agreement.

d. Measures to Secure Fairness

In order to ensure fairness and appropriateness of the Business Integration, Joyo Bank has obtained, in addition to the results of financial analysis related to the share exchange ratio, a fairness opinion from Mitsubishi UFJ Morgan Stanley Securities regarding fairness to shareholders of common stock of Joyo Bank from a financial perspective (hereafter, "Fairness Opinion) on the agreed share exchange ratio predicated by various preconditions and reservations including preconditions listed described in pages 1 to 4 of the Reference Documents to the 8th Ordinary General Meeting of Shareholders (Supplement), Overview of Analysis by Third Party Valuation of Share Exchange Ratio.

Also, Azusa Auditing Corporation and KPMG Tax Accountants have been used as independent financial advisors in order to receive advice in considering the Business Integration and other support toward realizing the Business Integration.

In addition, Joyo Bank has appointed a law firm independent to both parties, Nagashima, Ohno and Tokomatsu as a legal advisor to the Business Integration to receive legal advice on the method and process of decision making by the board of directors toward the Business Integration Agreement and the Share Exchange Agreement.

On the other hand, the Company has obtained a share exchange valuation document from PwC, which forms the basis for the agreement on the share exchange ratio to be used for this Share Exchange Agreement to ensure fairness and appropriateness of the Business Integration.

Also, Nomura Securities Co., Ltd. (hereafter, "Nomura Securities") and Deloitte Touche Tohmatsu, LLC have been used as independent financial advisors in order to receive advice in considering the Business Integration and other support toward realizing the Business Integration. Note that Nomura Securities is a subsidiary of Nomura Holdings Co., Ltd., who is a major shareholder and parent company of the Company, but based on the track record of Nomura Securities as a financial advisor, and after ensuring that independence as a financial advisor based on trading conditions between the Company and Nomura Securities that are similar to general trading partners, we have requested Nomura Securities to act as financial advisor.

In addition, Joyo Bank has appointed a law firm independent to both parties, Mori, Hamada and Matsumoto as a legal advisor to the Business Integration to receive legal advice on the method and process of decision making by the board of directors toward the Business Integration Agreement and the Share Exchange Agreement.

#### (2) Equivalence of Increase in Capital and Surplus of the Company in the Event of the Business Integration

The amount of increase in capital and surplus of the Company in the event of the Business Integration are as follows:

Stated Capital:	Zero yen
Capital Reserves:	An amount specified separately by Ashikaga in accordance with the provisions of Article 39 of the Ordinance on Company Accounting
Legal retained earnings:	Zero yen

The above capital and surplus amounts have been judged as equivalent and determined within the scope provided in Article 39 of the Corporate Accounting rules based on comprehensive consideration of capital policies and other circumstances of the Company after the Share Exchange, and upon consultation between the Company and Joyo Bank.

#### 4. Matters related to the appropriateness to stipulations under items 4 and 5 of the Companies Act, Article 768

##### (1) Matters related to stock acquisition rights and their allocation in the event of the Business Integration

For holders of stock acquisition rights issued by Joyo Bank listed under ① through ⑫ of column 1 of the table below, the Company will issue stock acquisition rights to the Company in allocations listed under ① through ⑫ of column 2 of the table below in place of the stock acquisition rights issued by Joyo Bank. The quantity of stock acquisition rights will be the same amount as that recorded in the stock acquisition rights ledger at Joyo Bank or in the relevant stock acquisition right.

Further, in order for the Company and Joyo Bank to provide rights equivalent to those rights held before by the holder of stock acquisition rights listed under column 1 as much as possible, based on the contents of the relevant stock acquisition rights and the share exchange ratio, the stock acquisition rights in column 2 have been

determined with equivalent contents to the stock acquisition rights in column 1 and have issued one unit of stock acquisition rights in column 2 for each unit of stock acquisition right listed in column 1.

	Column 1		Column 2	
	Stock acquisition rights issued by Joyo Bank		Stock acquisition rights issued by the Company	
	Name	Details	Name	Details
①	The Joyo Bank, Ltd. 1st Series of Stock Acquisition Rights	See Annex 1 of the Share Exchange Agreement	Mebuki Financial Group ,Inc 1st Series of Stock Acquisition Rights	See Annex 2 of the Share Exchange Agreement
②	The Joyo Bank, Ltd. 3rd Series of Stock Acquisition Rights	See Annex 3	Mebuki Financial Group ,Inc. 2nd Series of Stock Acquisition Rights	See Annex 4
④	The Joyo Bank, Ltd. 5th Series of Stock Acquisition Rights	See Annex 5	Mebuki Financial Group ,Inc. 3rd Series of Stock Acquisition Rights	See Annex 6
④	The Joyo Bank, Ltd. 6th Series of Stock Acquisition Rights	See Annex 7	Mebuki Financial Group ,Inc 4th Series of Stock Acquisition Rights	See Annex 8
⑤	The Joyo Bank, Ltd. 7th Series of Stock Acquisition Rights	See Annex 9	Mebuki Financial Group ,Inc 5th Series of Stock Acquisition Rights	See Annex 10
⑥	The Joyo Bank, Ltd. 8th Series of Stock Acquisition Rights	See Annex 11	Mebuki Financial Group ,Inc. 6th Series of Stock Acquisition Rights	See Annex 12
⑦	The Joyo Bank, Ltd. 9th Series of Stock Acquisition Rights	See Annex 13	Mebuki Financial Group ,Inc. 7th Series of Stock Acquisition Rights	See Annex 14
⑧	The Joyo Bank, Ltd. 10th Series of Stock Acquisition Rights	See Annex 15	Mebuki Financial Group ,Inc. 8th Series of Stock Acquisition Rights	See Annex 16
⑨	The Joyo Bank, Ltd. 11th Series of Stock Acquisition Rights	See Annex 17	Mebuki Financial Group ,Inc. 9th Series of Stock Acquisition Rights	See Annex 18
⑩	The Joyo Bank, Ltd. 12th Series of Stock Acquisition Rights	See Annex 19	Mebuki Financial Group ,Inc 10th Series of Stock Acquisition Rights	See Annex 20
⑪	The Joyo Bank, Ltd. 13th Series of Stock Acquisition Rights	See Annex 21	Mebuki Financial Group ,Inc 11th Series of Stock Acquisition Rights	See Annex 22
⑫	The Joyo Bank, Ltd. 14th Series of Stock Acquisition Rights	See Annex 23	Mebuki Financial Group ,Inc 12th Series of Stock Acquisition Rights	See Annex 24

(Note) The annexes listed above refer to the attachments to the Share Exchange Agreement (copy) and can be found in pages 5 to 124 of the Reference Documents to the 8th Ordinary General Meeting of Shareholders (Supplement)

(2) Matters related to the succession of corporate bonds with stock acquisition rights in the event of the Business Integration

For holders of stock acquisition rights issued by Joyo Bank listed under column 1 of the table below, the Company will issue stock acquisition rights to the Company in allocations listed under ① through ⑫ of column 2 of the table below in place of the stock acquisition rights attached to corporate bonds with stock acquisition rights issued by Joyo Bank. The quantity of stock acquisition rights will be the same amount as that recorded in the stock acquisition rights ledger at Joyo Bank or in the relevant stock acquisition right.

For corporate bonds with stock acquisition rights issued by Joyo Bank listed under table 1 below, in the event of the Business Integration, the liability for corporate bonds borne by Joyo Bank to the holder of the corporate bond recorded or listed in the corporate bond ledger at Joyo Bank at the record date shall be succeeded as Mebuki Financial Group Euro USD convertible bonds with stock acquisition rights with call provision due 2019, listed under column 2 in the table below, and the amount of corporate bond liabilities concerning succession shall be as listed under column 3 in the table below.

Further, in order for the Company and Joyo Bank to provide rights equivalent to those rights held before by the holder of corporate bonds with stock acquisition rights listed under column 1 as much as possible, based on the contents of the relevant stock acquisition rights and the share exchange ratio, the stock acquisition rights attached to corporate bonds with stock acquisition rights in column 2 have been determined with equivalent contents to the stock acquisition rights attached to corporate bonds with stock acquisition rights in column 1 and have issued one unit of stock acquisition rights in column 2 for each unit of stock acquisition right listed in column 1 and that the same amount of liabilities as the balance of liabilities for corporate bonds for corporate bonds with stock acquisition rights listed under column 1 has been succeeded. Note that Joyo Bank plans to guarantee said liabilities.

Column 1		Column 2		Column 3
Name	Details	Name	Details	Amount of Corporate Bond Liability
he Joyo Bank, Ltd. Euro-US Dollar-Denominated Convertible Bond with Stock Acquisition Rights with Call Provision due 2019	See Annex 25 of the Share Exchange Agreement	Mebuki Financial Group, Inc. Euro-US Dollar-Denominated Convertible Bond with Stock Acquisition Rights with Call Provision due 2019	See Annex 26 of the Share Exchange Agreement	USD 300 million

(Note) The annexes listed above refer to the attachments to the Share Exchange Agreement (copy) and can be found in pages 125 to 144 of the Reference Documents to the 8th Ordinary General Meeting of Shareholders (Supplement)

## 5. Wholly-owned subsidiary

### (1) Contents of the final year financial statements, etc. for Joyo Bank

The final year financial statements, etc. pertaining to Joyo Bank are as stated in Contents of the Final Year Financial Statements, etc. for Joyo Bank in the Reference Documents to the 8th Ordinary General Meeting of Shareholders (Supplement), pages 145 to 194.

### (2) Material asset dispositions, material liability burdens and other events that materially impact company assets arising after the last day of the final business year

Not applicable.

### 6. Material asset dispositions, material liability burdens and other events that materially impact company assets arising after the last day of the final business year for the Company

Not applicable.

### Proposal No. 3 Partial Amendment of the Articles of Incorporation

#### 1. Reasons for the Proposal

Assuming that Proposal No. 2, “Approval of the Share Exchange Agreement between the Company and The Joyo Bank, Ltd.” is approved in accordance with the original proposal, and that said Share Exchange Agreement is approved at the 125<sup>th</sup> Ordinary General Meeting of Shareholders of The Joyo Bank, Ltd., which is scheduled on June 28, 2016, a new financial group will come into existence upon the exchange of shares of the Company and Joyo Bank on the effective date of the share exchange. In conjunction with the business integration, the Company will maintain the transparency of business and strengthen oversight functions, to ensure the speed of decision-making and improvement of the business implementation process, while maintaining a good balance between the enhancement of the corporate governance of the Group as a whole and a flexible management structure. We will transition to a company with Audit and Supervisory Committee in order to further enhance our corporate value as a new financial group. In line with these goals, amendments will be made to the Company’s current Articles of Incorporation in connection with the following matters.

Furthermore, subject to the condition that the share exchange takes effect, the resolution relating to the Proposal shall take effect simultaneously with the effectiveness of the share exchange.

#### (1) Amendments relating to the start of the new financial group

- A. The following changes shall be adopted: the trade name shall be “Mebuki Financial Group Inc.” and the head office shall be located in “Chuo-ku, Tokyo” (Amendment Proposal: Article 1 and Article 3)
- B. As an auxiliary method of advertising if electronic public notification is not possible, *Ibaraki Shinbun* will be added. (Amendment Proposal: Article 5)
- C. In consideration of the increase in the total number of issued shares resulting from the efficacy of the share exchange, the total number of authorized shares shall be increased. (Amendment Proposal: Article 6)
- D. In order to increase the options for the venue of the General Meeting of Shareholders, the provision limiting the venue for the convocation of the Shareholders Meeting will be deleted. (Current Articles of Incorporation, Article 14)

#### (2) Amendment concerning the transition to a Company with Audit and Supervisory Committee

- A. New provisions for the transition to a Company with Audit and Supervisory Committee will be adopted. (Amendment Proposal: Article 4)
- B. In order not to assign executive officers, in addition to amending the provisions with references to executive officers (Amendment Proposal: Article 11, Article 12, and Article 21), the provisions concerning executive officers will be deleted. (Current Articles of Incorporation Articles 34 -39)
- C. With respect to Directors, as it is necessary to distinguish Directors who are Audit and Supervisory Committee Members with directors other than those who are Audit and Supervisory Committee Members and for other reasons, provisions concerning Directors shall be amended or newly adopted. (Amendment Proposal Articles 17 – 20, Article 25)
- D. It shall be clearly indicated that the members of the Audit and Supervisory Committee selected by the Audit and Supervisory Committee Members may convene a meeting of the Board of Directors. (Amendment Proposal: Article 21)
- E. A new provision shall be adopted under which a resolution of the Board of Directors may delegate all or part of an important business implementation to a Director (excluding matters covered under Companies Act Article 399 (13) (5)). (Amendment Proposal: Article 24)
- F. In addition to amending the title of Chapter 5 to Audit & Supervisory Committee and deleting the

provisions concerning the Committees of the Company with a Nominating Committee (Current Articles 27-33) new provisions relating to Audit and Supervisory Committee will be adopted. (Amendment Proposal Articles 29 – 32)

G. Concurrent with the transition to a company with an Audit & Supervisory Committee, amendments shall be made to other existing provisions where necessary. Amendment Proposal: Article 26 and Article 35)

H. Concurrent with the deletion of current Article 38 of the Articles of Incorporation, a new supplementary provision will be introduced. (Proposed Supplementary Provision)

(3) Amendments other than the aforementioned (1) and (2)

A. When the Register of Shareholders is finalized, a public notice shall be issued. (Amendment Proposal: Article 10)

B. With respect to the number of votes required to approve the selection of the auditors, the required number shall be amended to be the same number as required for the selection of Directors. (Amendment Proposal: Article 33)

C. The limitation on the distribution of surplus funds shall be changed from 3 years to 5 years. (Amendment Proposal: Article 39)

D. In addition, other matters requiring changes including standardization of terms and phrases, spelling / correction of Japanese characters and adjustment of the numbering of articles shall be amended.

## 2. Content of Amendments

The contents of the amendments are as follows:

(Amendments are underlined)

Existing Articles of Incorporation	Proposed Amendment
<b>Chapter 1 General Provisions</b>	<b>Chapter 1 General Provisions</b>
(Trade Name) Article 1 The Company shall be called <u>株式会社足利ホールディングス</u> in Japanese, and <u>Ashikaga Holdings Co., Ltd.</u> in English.	(Trade Name) Article 1 The Company shall be called <u>株式会社めぶきフィナンシャルグループ</u> in Japanese, and <u>Mebuki Financial Group, Inc.</u> in English.
Article 2 (text omitted)	Article 2 (as per existing)
(Head Office location) Article 3 The Company shall locate its Head Office in <u>Utsunomiya City, Tochigi Prefecture.</u>	(Head Office location) Article 3 The Company shall locate its Head Office in <u>Chuo-ku, Tokyo.</u>
(Bodies) Article 4 In addition to the General Meeting of Shareholders and Board of Directors, the Company shall have the following bodies. (1) Board of Directors (2) <u>Nominating Committee, Audit Committee and Compensation Committee (hereinafter, “Committees”)</u> (3) <u>Executive Officers</u> (4) Accounting Auditor	(Bodies) Article 4 In addition to the General Meeting of Shareholders and Board of Directors, the Company shall have the following bodies. (1) Board of Directors (2) <u>Audit and Supervisory Committee</u>  (3) Accounting Auditor
(Public announcement method) Article 5 The Company will make public announcements by electronic means. However, if it is not possible to make a public announcement electronically due to an accident or other	(Public announcement method) Article 5 The Company will make public announcements by electronic means. However, if it is not possible to make a public announcement electronically due to an



Existing Articles of Incorporation	Proposed Amendment
<p>unavoidable circumstance, the announcement shall be published in the Shimotsuke Shinbun and Nihon Keizai Shimbun.</p> <p style="text-align: center;"><b>Chapter 2 Shares</b></p> <p>(Total number of issuable shares) Article 6 The total number of the Company's issuable shares is <u>990,000,000</u>.</p> <p>Article 7 – Article 8 (text omitted)</p> <p>(Additional purchase of fractional shares) Article 9 A shareholder who holds fractional shares of the Company may make a request to be sold a number of shares which, together with the fractional shares, makes up a share unit, as provided for in the <u>Rules</u> on the Treatment of Shares.</p> <p>(Shareholder Registrar) Article 10 The Company shall appoint a Shareholder Registrar. 2. The Registrar and Registrar's office shall be determined by resolution of the Board of Directors. 3. The creation <u>and</u> provision of the Company's register of shareholders and register of stock acquisition rights, and other business relating thereto, shall be entrusted to the Registrar and not handled by the Company.</p> <p>(Rules on the Treatment of Shares) Article 11 Treatment of the Company's shares and stock acquisition rights, <u>and</u> commissions relating thereto, shall be determined by laws and regulations or by the Articles of Incorporation, and according to the Rules on the Treatment of Shares stipulated by the Board of Directors <u>or an executive officer to whom this is delegated through a resolution of the Board of Directors</u>.</p>	<p>accident or other unavoidable circumstance, the announcement shall be published in the <u>Ibaraki Shinbun and Shimotsuke Shinbun, as well as the</u> Nihon Keizai Shimbun.</p> <p style="text-align: center;"><b>Chapter 2 Shares</b></p> <p>(Total number of issuable shares) Article 6 The total number of the Company's issuable shares is <u>3,000,000,000</u>.</p> <p>Article 7 – Article 8 (as per existing)</p> <p>(Additional purchase of fractional shares) Article 9 A shareholder who holds fractional shares of the Company may make a request to be sold a number of shares which, together with the fractional shares, makes up a share unit, as provided for in the <u>Rules</u> on the Treatment of Shares.</p> <p>(Shareholder Registrar) Article 10 The Company shall appoint a Shareholder Registrar. 2. The Registrar and Registrar's office shall be determined by resolution of the Board of Directors, <u>and this shall be announced publicly</u>. 3. The creation <u>and</u> provision of the Company's register of shareholders and register of stock acquisition rights, and other business relating thereto, shall be entrusted to the Registrar and not handled by the Company.</p> <p>(Rules on the Treatment of Shares) Article 11 Treatment of the Company's shares and stock acquisition rights, <u>and</u> commissions relating thereto, shall be determined by laws and regulations or by the Articles of Incorporation, and according to the Rules on the Treatment of Shares stipulated <u>by the Board of Directors</u>.</p>

Existing Articles of Incorporation	Proposed Amendment
<p align="center"><b>Chapter 3 General Meeting of Shareholders</b></p> <p>(Convocation)</p> <p>Article 12 The Ordinary General Meeting of Shareholders shall be convened in June each year, and an Extraordinary General Meeting of Shareholders shall be convened when necessary.</p> <p>2. Unless otherwise specified in laws and regulations, a General Meeting of Shareholders shall be convened <u>by resolution of the Board of Directors, by a board director who concurrently holds the position of Executive Officer &amp; President, who shall act as chairperson thereof.</u> Should anything happen to this director, another director shall perform the duties on his or her behalf, in the order of precedence determined beforehand.</p> <p>Article 13 (text omitted)</p> <p>(Place of convocation)</p> <p>Article 14 <u>The General Meeting of Shareholders of the Company shall be held in the Head Office location of Utsunomiya City, Tochigi Prefecture.</u></p> <p>Article 15 – Article 17 (text omitted)</p> <p align="center"><b>Chapter 4 Directors and Board of Directors</b></p> <p>(Number of directors)</p> <p>Article 18 There shall be up to <u>9</u> directors of the Company, <u>who shall be elected at the General Meeting of Shareholders.</u></p> <p>2. <u>Resolutions for election under the preceding paragraph shall require attendance of shareholders with voting rights holding at least one-third of the voting rights.</u></p> <p>3. <u>Resolutions for election of the Board of Directors shall not employ cumulative voting.</u></p> <p align="center">(New)</p> <p>(Term of office for directors)</p> <p>Article 19 The term of office for directors shall be until the close of the Ordinary General Meeting of</p>	<p align="center"><b>Chapter 3 General Meeting of Shareholders</b></p> <p>(Convocation)</p> <p>Article 12 The Ordinary General Meeting of Shareholders shall be convened in June each year, and an Extraordinary General Meeting of Shareholders shall be convened when necessary.</p> <p>2. Unless otherwise specified in laws and regulations, a General Meeting of Shareholders shall be convened <u>by the President, who shall act as chairperson thereof.</u> Should anything happen to this director, another director shall perform the duties on his or her behalf, in the order of precedence determined beforehand.</p> <p>Article 13 (as per existing)</p> <p align="center">(Deleted)</p> <p>Article 14 – Article 16 (as per existing)</p> <p align="center"><b>Chapter 4 Directors and Board of Directors</b></p> <p>(Number of directors)</p> <p>Article 17 There shall be up to <u>7</u> directors of the Company (excluding directors who are Audit and Supervisory Committee members).</p> <p>2. <u>There shall be up to 5 directors of the Company who are Audit and Supervisory Committee members.</u></p> <p>(Election method)</p> <p>Article 18 <u>Directors who are Audit and Supervisory Committee members and other directors shall be distinctively elected at the General Meeting of Shareholders.</u></p> <p>2. <u>Resolutions for election under the preceding paragraph shall be adopted by a majority of the votes represented in person at a meeting in which shareholders with voting rights holding at least one-third of the voting rights are in attendance.</u></p> <p>3. <u>Resolutions for election of the Board of Directors shall not employ cumulative voting.</u></p> <p>(Term of office for directors)</p> <p>Article 19 The term of office for directors (excluding directors who are Audit and Supervisory</p>
<p>(Term of office for directors)</p> <p>Article 19 The term of office for directors shall be until the close of the Ordinary General Meeting of</p>	<p>(Term of office for directors)</p> <p>Article 19 The term of office for directors (excluding directors who are Audit and Supervisory</p>

Existing Articles of Incorporation	Proposed Amendment
<p>Shareholders pertaining to the last fiscal year ending within one year of their election. <u>However, the term of office for directors elected in order to fill a vacancy or to increase the number of directors shall be equal to the remaining term of the other directors.</u></p> <p>(New)</p> <p><u>(Authority of Board of Directors)</u>  <u>Article 20 The Board of Directors shall perform the matters specified in Article 416 of the Companies Act, and shall also decide the business of the Company and supervise execution of the concurrent duties of directors and executive officers.</u></p> <p><u>2. The Board of Directors may, by resolution thereof, delegate decisions on the business of the Company to executive officers, provided that this does not contravene laws and regulations.</u></p>	<p><u>Committee members)</u> shall be until the close of the Ordinary General Meeting of Shareholders pertaining to the last fiscal year ending within one year of their election.</p> <p><u>2. The term of office for directors (excluding directors who are Audit and Supervisory Committee members) elected in order to fill a vacancy or to increase the number of directors shall be until the expiry of the term of the other directors (excluding directors who are Audit and Supervisory Committee members).</u></p> <p><u>3. The term of office for directors who are Audit and Supervisory Committee members shall be until the close of the Ordinary General Meeting of Shareholders pertaining to the last fiscal year ending within two years of their election.</u></p> <p><u>4. The term of office for a director who is an Audit and Supervisory Committee member, who was elected to replace a director who was an Audit and Supervisory Committee member who resigned before the expiry of his/her term of office, shall be until the expiry of the term of the office of the resigned director who was an Audit and Supervisory Committee member.</u></p> <p><u>(Representative and executive directors)</u>  <u>Article 20 Up to two representative directors shall be elected by resolution of the Board of Directors from among the directors (excluding directors who are Audit and Supervisory Committee members).</u></p> <p><u>2. A President and a Vice President shall be elected by resolution of the Board of Directors as well as several executive directors from among the directors (excluding directors who are Audit and Supervisory Committee members).</u></p> <p>(Deleted)</p>

Existing Articles of Incorporation	Proposed Amendment
<p>(Individual with convocation rights for the Board of Directors and Chairperson)</p> <p>Article 21 Unless otherwise specified in laws and regulations, a Board of Directors meeting shall be convened <u>by Executive Officer &amp; President, who is a director</u>, who shall act as chairperson thereof.</p> <p>2. Should anything happen to the director in the preceding paragraph, another director shall perform the duties on his or her behalf, in the order of precedence determined beforehand by the Board of Directors.</p> <p>3. Notwithstanding the provisions of the preceding two paragraphs, the <u>individuals</u> elected by each committee, <u>who are the members of each committee specified in Article 27 and are directors</u>, may convene a Board of Directors meeting.</p>	<p>(Individual with convocation rights for the Board of Directors and Chairperson)</p> <p>Article 21 Unless otherwise specified in laws and regulations, a Board of Directors meeting shall be convened <u>by the President</u>, who shall act as chairperson thereof.</p> <p>2. Should anything happen to the director in the preceding paragraph, another director shall perform the duties on his or her behalf, in the order of precedence determined beforehand by the Board of Directors.</p> <p>3. Notwithstanding the provisions of the preceding two paragraphs, an <u>Audit and Supervisory Committee member</u> elected by the <u>Audit and Supervisory Committee</u>, may convene a Board of Directors meeting.</p>
<p>(Notice of convocation of a Board of Directors meeting)</p> <p>Article 22 Notice of a Board of Directors meeting shall be given to each director at least three days prior thereto. Provided, however, that this period may be shortened in the event of an emergency, <u>and if agreed by all directors, the meeting may be held without performing this procedure.</u></p>	<p>(Notice of convocation of a Board of Directors meeting)</p> <p>Article 22 Notice of a Board of Directors meeting shall be given to each director at least three days prior thereto. Provided, however, that this period may be shortened in the event of an emergency.</p> <p>2. <u>A Board of Directors meeting may be held without performing the convocation procedures if agreed by all of the directors.</u></p>
<p>Article 23 (text omitted)</p>	<p>Article 23 (as per existing)</p>
<p>(New)</p>	<p><u>(Delegation of decisions on important business)</u></p> <p><u>Article 24 The Company may, pursuant to the provisions of Article 399-13, Paragraph 6 of the Companies Act, delegate decisions on the execution of important business (excluding the matters set forth in the respective items under paragraph 5 of the said article) to directors, in whole or in part, by resolution of the Board of Directors.</u></p>
<p>(New)</p>	<p><u>(Regulations of the Board of Directors)</u></p> <p><u>Article 25 Matters relating to the Board of Directors shall be determined by laws and regulations or by the Articles of Incorporation, and according to the Regulations of the Board of Directors stipulated by the Board of Directors.</u></p>
<p>(Compensation)</p> <p>Article 24 Property benefits received by directors from the Company in the form of compensation, bonuses and other financial consideration for the execution of their duties (hereinafter,</p>	<p>(Compensation)</p> <p>Article 26 Property benefits received by directors from the Company in the form of compensation, bonuses and other financial consideration for the execution of their duties</p>

Existing Articles of Incorporation	Proposed Amendment
<p>“compensation”) shall be determined by resolution of the <u>Compensation Committee</u>.</p>	<p>(hereinafter, “compensation”) shall be determined by resolution of the <u>General Meeting of Shareholders, differentiating directors who are Audit and Supervisory Committee members and other directors</u>.</p>
<p>Article <u>25</u> – Article <u>26</u> (text omitted)</p>	<p>Article <u>27</u> – Article <u>28</u> (as per existing)</p>
<p style="text-align: center;"><b><u>Chapter 5 Committees</u></b></p>	<p style="text-align: center;"><b><u>Chapter 5 Audit Committee</u></b></p>
<p>(Number of members and election)</p>	
<p>Article 27 <u>There shall be 3 or more members of each committee, to be elected from among the directors by resolution of the Board of Directors.</u></p> <p>2. <u>The majority of the members of each committee must be outside directors.</u></p> <p>3. <u>The members of the Audit Committee cannot hold a concurrent position as an executive officer or executive director of the Company or a subsidiary of the Company, or as an accounting advisor, manager or other employee of a subsidiary of the Company.</u></p>	<p>(Deleted)</p>
<p>(Authority of committees)</p>	
<p>Article 28 <u>The Nominating Committee shall decide the content of proposals relating to the election and dismissal of directors submitted to the General Meeting of Shareholders.</u></p> <p>2. <u>The Audit Committee shall prepare audits and audit reports on execution of the concurrent duties of directors and executive officers, and shall decide the content of proposals relating to the election and dismissal of accounting auditors, as well as the non-reappointment of accounting auditors, submitted to the General Meeting of Shareholders.</u></p> <p>3. <u>The Compensation Committee shall decide the policy relating to determining the personal compensation received by directors and executive officers, and the details of personal compensation</u></p>	<p>(Deleted)</p>
<p>(Individual with convocation rights for committees and Chairperson)</p>	
<p>Article 29 <u>Each committee shall be convened by the member selected in advance, who shall be the Chairperson.</u></p> <p>2. <u>Notwithstanding the provision of the preceding paragraph, each member may convene the committee as necessary.</u></p>	<p>(Deleted)</p>
<p>(Notice of convocation of a committee meeting)</p>	
<p>Article 30 <u>Notice of convocation of each committee shall be given to each committee member at least three days prior thereto. Provided, however, that this period may be shortened in the event of an emergency, and if agreed by all committee</u></p>	<p>(Deleted)</p>

Existing Articles of Incorporation	Proposed Amendment
<u>members, the meeting may be held without performing this procedure.</u>	
<u>(Request for explanation from directors and executive officers)</u>	(Deleted)
<u>Article 31 Each committee may request a director and executive officer to attend the committee meeting to explain a certain matter.</u>	
<u>(Resolution method of committees)</u>	
<u>Article 32 Except where otherwise provided for by laws and regulations, a resolution of each committee shall be adopted by a majority of the votes represented in person at a meeting in which a majority of committee members with voting rights are in attendance.</u>	(Deleted)
<u>(Operation of the committees)</u>	
<u>Article 33 Matters relating to the operation of each committee shall be determined by laws and regulations, by the Articles of Incorporation or by the Board of Directors, and according to the committee rules stipulated by each committee.</u>	(Deleted)
(New)	<u>(Full-time Audit and Supervisory Committee members)</u> <u>Article 29 The Audit and Supervisory Committee may, by resolution, elect full-time Audit and Supervisory Committee members from among the Audit and Supervisory Committee members.</u>
(New)	<u>(Notice of convocation of the Audit and Supervisory Committee)</u> <u>Article 30 Notice of convocation of the Audit and Supervisory Committee shall be given to each Audit and Supervisory Committee member at least three days prior thereto. Provided, however, that this period may be shortened in the event of an emergency.</u> <u>2. A meeting of the Audit and Supervisory Committee may be held without performing the convocation procedures if agreed by all of the Audit and Supervisory Committee members.</u>
(New)	<u>(Resolution method of the Audit and Supervisory Committee)</u> <u>Article 31 Except where otherwise provided for by laws and regulations, a resolution of the Audit and Supervisory Committee shall be adopted by a majority of the votes of the Audit and Supervisory Committee members at a meeting in which a majority of the Audit and Supervisory Committee members with voting</u>

Existing Articles of Incorporation	Proposed Amendment
<p style="text-align: center;">(New)</p> <p style="text-align: center;"><b><u>Chapter 6 Executive Officers</u></b></p> <p><u>(Number of members and election)</u>  <u>Article 34 There shall be up to 5 executive officers of the Company, who shall be elected by resolution of the Board of Directors.</u>  <u>2. The Board of Directors may dismiss executive officers at any time, by resolution of the Board of Directors.</u></p> <p><u>(Term of office)</u>  <u>Article 35 The term of office for executive officers shall be until the close of the first Board of Directors meeting convened after the close of the Ordinary General Meeting of Shareholders pertaining to the last fiscal year ending within one year of their election.</u>  <u>2. The term of office for newly elected executive officers shall be until the time at which the term of office of the other incumbent executive officers is due to expire.</u></p> <p><u>(Representative executive officers and executive officers)</u>  <u>Article 36 Several representative executive officers shall be specified by resolution of the Board of Directors.</u>  <u>2. The Board of Directors may specify one President and several executive officers, by resolution thereof.</u>  <u>3. The Board of Directors shall determine the matters relating to the allocation of duties among executive officers and orders/instructions as well as other mutual relations between executive officers, and shall promptly notify the details thereof to each executive officer.</u></p> <p><u>(Compensation)</u>  <u>Article 37 The compensation of executive officers shall be determined by resolution of the Compensation Committee.</u></p>	<p><u>rights are in attendance.</u></p> <p><u>(Regulations of the Audit and Supervisory Committee)</u>  <u>Article 32 Matters relating to the Audit and Supervisory Committee shall be determined by laws and regulations or by the Articles of Incorporation, and according to the Regulations of the Audit Committee stipulated by the Audit and Supervisory Committee.</u></p> <p style="text-align: center;">(Deleted)</p> <p style="text-align: center;">(Deleted)</p> <p style="text-align: center;">(Deleted)</p> <p style="text-align: center;">(Deleted)</p>

Existing Articles of Incorporation	Proposed Amendment
<p><u>(Exemption from liability of executive officers)</u>  <u>Article 38 Concerning the liability of executive officers under Article 423, Paragraph 1 of the Companies Act (including persons who were executive officers), the Company may exempt them from liability, by resolution of the Board of Directors, within the limit of laws and regulations, up to the amount which can be exempted under Article 425, Paragraph 1 of the Companies Act, if the executive officer has performed his or her duties in good faith and there is no gross negligence.</u></p>	<p>(Deleted)</p>
<p><u>(Regulations on Executive Officers)</u>  <u>Article 39 Matters relating to executive officers shall be determined by laws and regulations or by the Articles of Incorporation, and according to the Regulations on Executive Officers specified by the Board of Directors.</u></p>	<p>(Deleted)</p>
<p style="text-align: center;"><b>Chapter 7 Accounting Auditors</b></p> <p>(Election method)  Article 40 Accounting auditors shall be elected by resolution of the General Meeting of Shareholders.</p>	<p style="text-align: center;"><b>Chapter 6 Accounting Auditors</b></p> <p>(Election method of <u>accounting auditors</u>)  Article 33 Accounting auditors shall be elected by resolution of the General Meeting of Shareholders.  2. <u>Resolutions for election under the preceding paragraph shall be adopted by a majority of the votes represented in shareholders at a meeting in which shareholders with voting rights holding at least one-third of the voting rights are in attendance.</u></p>
<p>(Term of office)  Article 41 The term of office for accounting auditors shall be until the close of the Ordinary General Meeting of Shareholders pertaining to the last fiscal year ending within one year of their election.  2. Unless otherwise determined by the aforementioned Ordinary General Meeting of Shareholders, accounting auditors will be deemed re-elected at such Ordinary General Meeting of Shareholders.</p>	<p>(Term of office for <u>accounting auditors</u>)  Article 34 The term of office for accounting auditors shall be until the close of the Ordinary General Meeting of Shareholders pertaining to the last fiscal year ending within one year of their election.  2. Unless otherwise determined by the aforementioned Ordinary General Meeting of Shareholders, accounting auditors will be deemed re-elected at such Ordinary General Meeting of Shareholders.</p>
<p>(Compensation)  Article 42 The compensation of accounting auditors shall be determined by a director, after obtaining the agreement of the Audit Committee.</p>	<p>(Compensation for <u>accounting auditors</u>)  Article 35 The compensation of accounting auditors shall be determined by a <u>representative</u> director, after obtaining the agreement of the Audit and Supervisory Committee.</p>
<p style="text-align: center;">Chapter 8 Accounting</p> <p>Article 43 – Article 45 (text omitted)</p>	<p style="text-align: center;">Chapter 7 Accounting</p> <p>Article 36 – Article 38 (as per existing)</p>
<p>(Statute of limitation for distribution of surplus)  Article 46 The Company may be relieved of its payment obligation if <u>three</u> years have elapsed since the</p>	<p>(Statute of limitation for distribution of surplus)  Article 39 The Company may be relieved of its payment obligation if <u>five</u> years have elapsed</p>



Existing Articles of Incorporation	Proposed Amendment
<p data-bbox="252 255 783 315">payment start date and no property for distribution has been received.</p> <p data-bbox="440 383 512 412">(New)</p>	<p data-bbox="890 255 1394 315">since the payment start date and no property for distribution has been received.</p> <p data-bbox="810 349 1394 763"> <u>Supplementary Provisions</u>  <u>(Transitional Measures)</u>  <u>Article 1 Concerning the partial exemption, by resolution of the Board of Directors, of liability arising from the actions of executive officers (including persons who were executive officers) prior to the amendment of the Articles of Incorporation of the Company by resolution of the 8th Ordinary General Meeting of Shareholders held in June 2016, the provisions of Article 38 of the Company's Articles of Incorporation before the amendment shall remain in force.</u> </p>

End

**Proposal No. 4 Directors (excluding Directors who are Audit and Supervisory Committee Members)**  
**Nomination of 7 Directors**

Assuming Proposal No. 2, “Share Exchange Agreement between the Company and The Joyo Bank, Ltd.,” is approved as per the original proposal and the Share Exchange Agreement is approved at the 125th Ordinary General Meeting of Shareholders of Joyo Bank scheduled to be convened on June 28, 2016, on the date that said exchange of shares between the Company and Joyo Bank becomes valid and effective, Joyo Bank will become a wholly owned subsidiary of the Company and a new Financial Group will come into being. Furthermore, concurrent with the relevant amendment to the Articles of Incorporation becoming valid and effective, the Company will transition to a Company with Audit and Supervisory Committee, and at that point in time, the tenure of all Directors will expire on maturity.

Consequently, business management will be conducted as appropriate for the subsidiary of the holding company of a new financial group and for this purpose we would like to nominate the 7 directors appointed (excluding the directors who are Audit and Supervisory Committee Members; Hereinafter, the same as for said Proposal) who shall assume their duties on said exchange of shares.

The resolution relating to this Proposal is subject to the amendment of the Articles of Incorporation in connection with Proposal No. 3 “Partial Amendment of the Articles of Incorporation” taking effect.

The candidates for Directors are as follows:

Candidates for Directors

Candidate No.	Name (Date of Birth)	Status of summarized CV, positions, responsibilities and important concurrent roles	No. the Company's shares held (the number in parentheses indicates the number of shares held in Joyo Bank) ※in all cases, ordinary shares
※ 1	Kazuyoshi Terakado (January 28, 1952)	1974 April    Joined The Joyo Bank, Ltd. 1994 July    Deputy Director-General, Strategic Planning Division 1996 June    General Manager, Taga Branch 1998 July    Senior Deputy General Manager, Business Administration Division 1999 June    Senior Deputy General Manager, Retail Banking Planning Division 2000 July    Senior Deputy General Manager, Retail Banking Division 2001 June    General Manager Retail Banking Division and General Manager, Living and Business Consulting Center 2002 June    General Manager, Corporate Planning Division 2003 June    Executive Officer and General Manager, Corporate Planning Division 2005 June    Managing Director 2009 June    Senior Managing Director 2011 June    President (current) (Significant concurrent positions) President The Joyo Bank, Ltd.,	- share (80,000 shares)

Candidate No.	Name (Date of Birth)	Status of summarized CV, positions, responsibilities and important concurrent roles	No. the Company's shares held (the number in parentheses indicates the number of shares held in Joyo Bank) ※in all cases, ordinary shares
2	Masanao Matsushita (February 8, 1957)	1979 April    Joined The Ashikaga Bank, Ltd. 2002 June    General Manager, Public and Financial Institutions Division 2004 August    Deputy Chief Officer, Loan Headquarters 2005 October    General Manager, Isesaki Branch 2007 April    General Manager, Mooka Branch 2009 January    Executive Officer 2012 June    The Company, Executive Officer, General Manager, Corporate Planning Department 2014 April    The Company, Executive Officer The Ashikaga Bank, Ltd, Managing Executive Officer 2014 June    The Company, Director, President and Chief Executive Officer (current) The Ashikaga Bank, Ltd., Director, President and Chief Executive Officer  Responsibilities President and Chief Executive Officer, Executive Nominating Committee Member (Chairman), Compensation Committee (Chairman) (Significant concurrent positions) Director, President and Chief Executive Officer, The Ashikaga Bank , Ltd.,	9,000 shares (- shares)
※ 3	Eiji Murashima (July 1, 1955)	1979 April    Joined The Joyo Bank, Ltd 1999 July    General Manager, Misato Branch 2001 June    General Manager, Legal Office, Corporate Audit Division 2005 June    General Manager, Corporate Risk Management Division 2007 June    General Manager, Corporate Audit Division 2008 June    General Manager, Retail Banking Division 2010 June    Executive Officer, and General Manager, Business Administration Division 2011 June    Executive Officer, and General Manager, Business Promotion Division 2012 June    Managing Executive Officer, and Vice Director- General of Business Headquarters 2014 June    Managing Director (current) (Significant concurrent positions) Managing Director, The Joyo Bank, Ltd.	- share (39,233 shares)

Candidate No.	Name (Date of Birth)	Status of summarized CV, positions, responsibilities and important concurrent roles	No. the Company's shares held (the number in parentheses indicates the number of shares held in Joyo Bank) ※in all cases, ordinary shares
※ 4	Kiyoshi Kato (May 27, 1957)	1980 April    Joined The Ashikaga Bank, Ltd. 2004 June    Deputy General Manager, Financial Planning Headquarters 2004 October    General Manager, Urawa Branch 2006 October    General Manager, Koga Branch 2008 June    General Manager, Auditing Department 2008 July    The Company, General Manager, Auditing Department (concurrent) 2009 January    The Company, Director 2010 June    The Company, Executive Officer, General Manager, Corporate Management Department 2014 April    The Company, Executive Officer, General Manager Corporate Planning Department, The Ashikaga Bank, Ltd., Managing Executive Officer, General Manager, Management Planning Division 2015 April    The Ashikaga Bank, Ltd., Senior Executive Office (current) (Significant concurrent positions) Senior Executive Officer, The Ashikaga Bank, Ltd	4,500 shares (- share)
※ 5	Ritsuo Sasajima (March 3, 1958)	1980 April    Joined The Joyo Bank, Ltd. 2000 July    Deputy General Manager, Corporate Planning Division 2005 June    Senior Deputy General Manager, Corporate Planning Division 2006 June    General Manager, Koriyama Branch 2008 April    General Manager, Treasury and Securities Division 2009 June    General Manager, Corporate Planning Department 2011 June    Executive Officer and General Manager, Corporate Planning Division 2013 June    Managing Director (current) (Significant concurrent positions) Managing Director, The Joyo Bank, Ltd.	- share (25,835 shares)

Candidate No.	Name (Date of Birth)	Status of summarized CV, positions, responsibilities and important concurrent roles	No. the Company's shares held (the number in parentheses indicates the number of shares held in Joyo Bank) ※in all cases, ordinary shares
※ 6	Kazuyuki Shimizu (September 11, 1961)	1984 April    Joined The Ashikaga Bank, Ltd 2004 October    Chief Manager, Financial Planning Headquarters 2006 June    General Manager, Planning Division 2008 June    General Manager, Management Planning Division 2008 July    The Company, General Manager, Management Planning Division (concurrent) 2009 January    The Ashikaga Bank, Ltd., General Manager, Tochigi Branch 2010 June    General Manager, Utsunomiya Chuo Branch 2012 April    Executive Officer, General Manager, Business Promotion Division 2012 June    Executive Officer, General Manager, Business Planning Division 2014 April    The Company, Executive Officer, General Manager, Corporate Management Department The Ashikaga Bank, Ltd., Executive Officer 2015 April    The Company, Executive Officer, General Manager, Corporate Planning Division (current) The Ashikaga Bank, Ltd., Managing Executive Officer (current)  (Significant concurrent positions) Managing Executive Officer, The Ashikaga Bank, Ltd.,	2,200 shares (- share)
※ 7	Hidebumi Nishino (July 8, 1960)	1983 April    Joined The Joyo Bank, Ltd. 2003 July    Secretariat Corporate Administration Division 2005 June    Deputy General Manager, Business Administration Division 2007 June    General Manager, Shinjuku Branch 2010 June    General Manager, Taira Branch 2012 June    General Manager in charge of Business Promotion Division 2013 June    Executive Officer, and General Manager, Business Promotion Division 2015 June    Managing Executive Officer and Vice Director- General of Business Headquarters (current)  (Significant concurrent positions) Managing Executive Officer, The Joyo Bank, Ltd.	- share (14,000shares)

(Note) 1. ※The candidates for the new directorships

2. The reason for the nomination of the candidates for Directors are as follows:

- ①Mr. Kazuyoshi Terakado assumed the position of Managing Director of Joyo Bank in June 2005, and has acted as the President of Joyo Bank since June 2011. He has the knowledge and experience to accurately, fairly and effectively implement the business management of the Company after the consolidation of business. It is believed that he will contribute to the Company's business and we support his nomination to the position.
- ②Mr. Masanao Matsushita assumed the position of Executive Officer of Ashikaga Bank in January 2009 and has acted as a Director, President and Chief Executive Officer of the Company and Director, President and Chief Executive Officer of Ashikaga Bank since June 2014. He has the knowledge and experience to accurately, fairly and effectively implement the business management of the Company after the consolidation of business. It is believed that he will contribute to the Company's business and we support his nomination to the position.
- ③Mr. Eiji Murashima assumed the position of Managing Director for Joyo Bank since June 2013. He has the

knowledge and experience to accurately, fairly and effectively implement the business management of the Company after the consolidation of business. It is believed that he will contribute to the Company's business and we support his nomination to the position.

④Mr. Kiyoshi Kato assumed the position of Director of the Company in June 2009 and has served as Senior Executive Officer of Ashikaga Bank since April 2015. He has the knowledge and experience to accurately, fairly and effectively implement the business management of the Company after the Business Integration. It is believed that he will contribute to the Company's business and we support his nomination to the position.

⑤Mr. Ritsuo Sasajima has served as a Managing Director of Joyo Bank since June 2013. He has the knowledge and experience to accurately, fairly and effectively implement the business management of the Company after the consolidation of business. It is believed that he will contribute to the Company's business and we support his nomination to the position.

⑥Mr. Kazuyuki Shimizu assumed the position of Executive Officer of the Company and Executive Officer of Ashikaga Bank in April 2014. He has served as an Executive Officer and General Manager of the Business Planning Division of the Company as well as a Managing Executive Officer of Ashikaga Bank since April 2015. He has the knowledge and experience to accurately, fairly and effectively implement the business management of the Company after the consolidation of business. . It is believed that he will contribute to the Company's business and we support his nomination to the position.

⑦Mr. Hidebumi Nishino has been a branch manager of Joyo Bank and has worked with sales and other divisions. Since June 2015 he has served as a Managing Executive Officer and Vice Director-General of Business Headquarters of Joyo Bank. He has the knowledge and experience to accurately, fairly and effectively implement the business management of the Company after the consolidation of business. .It is believed that he will contribute to the Company's business and we support his nomination to the position.

3. There is no special conflict of interest between the Company and any one of the Candidates.

**Proposal No. 5 The nomination of the 5 Directors who are Audit and Supervisory Committee Members**

Assuming that Proposal No. 2, “Share Exchange Agreement between the Company and The Joyo Bank, Ltd.,” is approved in accordance with the original proposal and the Share Exchange Agreement is approved at the 125th Ordinary General Meeting of Shareholders of Joyo Bank, which is scheduled to be convened on June 28, 2016, on the day the share exchange between our Company and Joyo Bank comes into effect, Joyo Bank will become a wholly owned subsidiary of this Company and a new Financial Group will come into existence. Furthermore, assuming Proposal No. 3 “Partial Amendment of the Articles of Incorporation” is passed in accordance with the original proposal, concurrent with the coming into effect of the amendment of said Articles of Incorporation, the Company will transition to a company with Audit and Supervisory Committee and at that point in time, the tenure of all directors will expire on maturity. Accordingly, in order to strengthen the audit, supervisory and governance structure of the new Financial Group, we recommend that the 5 Directors who will be Audit and Supervisory Committee Members on the date of effectiveness of the share exchange be nominated to these positions.

The resolution relating to this Proposal will take effect subject to the taking effect of the amendment of the Articles of Incorporation relating to Proposal No. 3 “Partial Amendment of the Articles of Incorporation” .

The Candidates for Audit and Supervisory Committee Members are as follows:

The Candidates for the Directors who are to be Members of the Audit and Supervisory Committee

Candidate No.	Name (Date of Birth)	Status of summarized CV, positions, responsibilities and important concurrent roles	No. the Company’s shares held (the number in parentheses indicates the number of shares held in Joyo Bank) ※in all cases, ordinary shares
※ 1	Yoshiaki Terakado (June 4, 1950)	1974 April Joined The Joyo Bank, Ltd. 1995 April Deputy General Manager, Personnel Division 2000 April Senior Deputy General Manager, Personnel Division 2002 June General Manager, Kencho Branch 2004 June Executive Officer and General Manager, Retail Banking Division 2006 June Executive Officer and General Manager, Business Administration Division 2008 June Standing Corporate Auditor (current)	- share (33,000 shares)
2	Kunihiro Ono (January 11, 1957)	1980 April Joined The Ashikaga Bank, Ltd. 2002 June Deputy General Manager, Management Planning Division 2003 June General Manager, Ohira Branch 2004 October General Manager, Shinshuku Branch 2007 October General Manager, Operation Planning Division 2010 June Executive Officer, General Manager, New Accounting System Transition Promotion Division 2011 October Executive Officer 2012 June Director (current) 2013 June Director, Ashikaga Holdings (current) (Responsibilities) Audit Committee member	4,500 shares (- share)

Candidate No.	Name (Date of Birth)	Status of summarized CV, positions, responsibilities and important concurrent roles	No. the Company's shares held (the number in parentheses indicates the number of shares held in Joyo Bank) ※in all cases, ordinary shares
※ 3	Ryuzaburo Kikuchi (August 27, 1940)	1969 April Lecturer, Mito Junior College 1971 April Assistant Professor, Mito Junior College 1972 April Institutional Assistant, Ibaraki University 1974 April Lecturer, Ibaraki University 1976 April Assistant Professor, Ibaraki University 1986 April Professor, Ibaraki University 1996 September Dean, College of Education and Education Research Council Member, Ibaraki University 2004 September President, National University Corporation Ibaraki University 2008 August Retired from position as President, National University Corporation Ibaraki University 2009 June Outside Director, The Joyo Bank, Ltd. (current) 2013 September Special Assignment Professor, College of Human Science, Department of Education, Tokiwa University (current)	- share (12,000 shares)
※ 4	Toru Nagasawa (January 15, 1959)	1984 April Admitted as an attorney 1995 April Nagasawa Law Office (Currently, Nagasawa General Law Office) opened, Representative Attorney (current) 2007 September Gree, Inc., Outside Corporate Auditor (current) 2015 June Toho Holdings, Co., Ltd., Outside Director (current)  (Significant concurrent position) Nagasawa General Law Office, Representative Attorney Gree, Inc., Outside Corporate Auditor Toho Holdings, Co., Ltd., Outside Director	- share (- share)
※ 5	Takashi Shimizu (August 14, 1959)	1995 April Lecturer, School of Commerce, Waseda University 1997 April Assistant Professor, School of Commerce, Waseda University 2000 September PhD, Commerce, (Waseda University) 2002 April Professor, Department of Commercial, Waseda University 2002 August Visiting Researcher, Berkeley, University of California (until August, 2003) 2005 April Professor, Graduate School of Accounting, Waseda University (current)  (Significant concurrent position) Professor, Graduate School of Accounting, Waseda University	- share (- share)

- (Notes) 1. ※ indicates candidates for the newly appointed Audit and Supervisory Committee memberships  
2. The three director candidates for the Audit and Supervisory Committee Member, Mr. Ryuzaburo Kikuchi, Toru Nagasawa and Takashi Shimizu, are also candidates for Outside Directors..  
3. The reasons for the selection of the Directors who are Candidates for the Audit and Supervisory Committee are as follows:  
①Mr. Yoshiaki Terakado has been a Standing Corporate Auditor of Joyo Bank since June 2008. He has the knowledge and experience to accurately, fairly and effectively implement the business management of the Company after the



consolidation of business. It is believed that he will contribute to the management of the Company and we support his nomination to the position.

- ②Mr. Kunihiro Ono assumed the position of Executive Officer of Ashikaga Bank in June 2010, the position of Director of Ashikaga Bank in June 2012 and the position of Outside Director (member of the Audit Committee) on June 2013. He has the knowledge and experience to accurately, fairly and effectively implement the business management of the Company after the consolidation of business. It is believed that he will contribute to the management of the Company and we support his nomination to the position.
  - ③Mr. Ryuzaburo Kikuchi does not have previous experience relating to the management of a company other than as an Outside Director. Nonetheless, due to his academic background, and specialists' knowledge and broad-based expertise, he has appropriately executed his responsibilities as an Outside Director of Joyo Bank since June 2009. In order to receive appropriate guidance and advice from a specialist perspective in relation to the overall business management of the Company after the consolidation of business, we support his nomination to the position of Outside Director.
  - ④Mr. Toru Nagasawa does not have previous experience relating to the management of a company other than as an Outside Director. Nonetheless, he has specialist knowledge and experience of corporate law as an attorney, and in order to receive appropriate guidance and advice from a specialist perspective in relation to the overall business management of the Company after the consolidation of business, we support his nomination for the position of Outside Director. Furthermore, the period of tenure of Mr. Toru Nagasawa's position as an Outside Director of the Company shall be roughly three months assuming Proposal No. 1 is approved without change and he is appointed an Outside Director at the time that this Proposal takes effect as scheduled on October 1, 2016 (the scheduled date that said share exchange and Proposal No. 3 "Partial Amendment of the Articles of Incorporation" are to take effect).
  - ⑤Mr. Takashi Shimizu does not have previous experience relating to the management of a company other than as an Outside Director. Nonetheless, due to his academic background, and specialist knowledge and broad-based expertise in accounting matters, in order to receive appropriate guidance and advice from him from a specialist perspective in relation to the overall business management of the Company after the consolidation of business, we support his nomination to the position of Outside Director.
4. Assuming Mr. Toru Nagasawa is nominated as an Outside Director under Proposal No. 1, the Company and Mr. Toru Nagasawa are scheduled to execute an agreement to the effect that in accordance with Article 427(1) of the Companies Act and the Company's Articles of Incorporation, where an Outside Director performs his/her obligations in good faith and without gross negligence, the liability imposed by Article 423(1) of the Companies Act will be covered for an amount, equivalent to the higher of 10 million yen and the minimum amount of liability under Article 425(1) of the Companies Act. If Mr. Toru Nagasawa is elected as an Audit, Supervisory and Governance Committee member as an Outside Director and assumes the position of an Audit, Supervisory and Governance Committee member who is an Outside Director under this Proposal, the agreement between the Company and Mr., Toru Nagasawa is scheduled to be extended. In addition, after both Messrs. Ryutaro Kikuchi and Takashi Shimizu are nominated as Audit, Supervisory and Governance Committee members who are Outside Directors and assume the positions of Audit, Supervisory and Governance Committee members as an Outside Directors equivalent indemnity agreements are scheduled to be executed between each of them and the Company.
  5. If the nomination of all three of Messrs. Ryutaro Kikuchi, Toru Nagasawa and Takashi Shimizu is approved, they are scheduled to be registered with the Tokyo Stock Exchange as independent directors in respect of whom there is no concern about the emergence of a conflict of interest with general shareholders.
  6. There is no special conflict of interest between the Company and any of the candidates. Furthermore, although there is a legal advisory agreement between Ashikaga Bank, a subsidiary of the Company, and Mr. Toru Nagasawa, it is being terminated concurrent with his nomination as a candidate for one of the Company's directorships under Proposal 1 and this Proposal.

**Proposal No. 6: Election of One (1) Director Who serves as an Alternate Audit and Supervisory Committee Member**

Once Proposal No. 3: Partial Amendment of the Articles of Incorporation is approved and takes effect, the Company shall transition into a company with audit and supervisory committee. Therefore, in preparation for cases where the number of directors serving on the Audit and Supervisory committee falls below the legally stipulated number, we request appointment of one (1) alternative director serving on the auditing committee.

Decisions pertaining to this proposal shall take effect as of the effective period of the changes to the articles of incorporation in Proposal No. 3: Partial Amendment of the Articles of Incorporation.

The candidates for Alternative Directors are as follows:

Name (Date of birth)	Brief personal profile, positions, responsibilities, and significant concurrent positions	No. of ordinary shares held in the Company (no. in parenthesis shows shares held in Joyo Bank)
Naoki Gotoh (Jul. 28, 1960)	April 1993 Registered attorney April 2014 Chairman, Ibaraki Bar Association Executive Governor, Japan Federation of Bar Associations April 2015 Retired from Chairmanship at the Ibaraki Bar Association Retired from Executive Governorship at the Japan Federation of Bar Associations	- shares (- shares)

(Note) 1. Naoki Gotoh is a candidate for outside director who serves as alternative committee member to the audit and supervisory committee.

2. The candidates for Alternative Directors are as follows:

Mr. Naoki Gotoh does not have experience related to business management other than as Outside Officer, but has specialized knowledge and experience as a an attorney, and in order to receive guidance and advice regarding the Company's overall management, the Company proposes his election as Outside Director.

3. Pursuant to Article 427, Paragraph 1 of the Companies Act, the Company plans to enter into liability limitation agreements with Mr. Naoki Gotoh to limit liabilities as set forth in Article 423, Paragraph 1 of the Companies Act. The limit of liability under such agreements shall be limited to the minimum amount stipulated by the Article 425, Paragraph 1 of the Companies Act, or 10 million yen, whichever is greater, assuming that they performed their duties as Outside Director in good faith and without gross negligence.

4. If this Proposal is approved, and Mr. Naoki Gotoh takes office as an Outside Director, the Company plans to register him with the Tokyo Stock Exchange as an Independent Director that does not have conflicts of interest with general shareholders.

5. The candidate has no specific interests in the Company, and neither does the Company have specific interests in the candidate.

**Proposal No. 7: Setting of Amount of Compensation, etc. for Directors (excluding those who serve on the Audit and Supervisory Committee)**

Once Proposal No. 3: Partial Amendment of the Articles of Incorporation is approved and takes effect, the Company shall transition into a company with audit and supervisory committee. Therefore, in accordance with provisions in Paragraphs 1 and 2, Article 361 of the Companies Act, we would like to set the compensation for directors (excluding directors who serve on the audit and supervisory committee; the same applies in all instances within the proposal) after transitioning to a company with audit and supervisory committee, with consideration to economic and other circumstances, as 200 million yen per annum or less. Specific amounts and payment periods, etc. for each director shall be determined by the board of directors. Note that the amount of compensation, etc. for directors does not include employee salaries for directors who are employees.

Decisions pertaining to this proposal shall take effect as of the effective period of the changes to the articles of incorporation in Proposal No. 3: Partial Amendment of the Articles of Incorporation.

Once the changes to the Articles of Incorporation in Proposal No. 3: Partial Amendment of the Articles of Incorporation and the appointments in Proposal No. 4: Election of Seven (7) Directors (excluding those who serve on the audit and supervisory committee) takes effect, the number of directors will become seven members.

**Proposal No. 8: Setting of Amount of Compensation, etc. for Directors Who Serve on the Audit and Supervisory Committee**

Once Proposal No. 3: Partial Amendment of the Articles of Incorporation is approved and takes effect, the Company shall transition into a company with audit and supervisory committee. Therefore, in accordance with provisions in Article 361, Paragraphs 1 and 2 of the Companies Act, we would like to set the compensation for directors who serve on the audit and supervisory committee after transitioning to a company with an Audit and Supervisory Committee, with consideration to economic and other circumstances, as 80 million yen per annum or less. Specific amounts and payment periods, etc. for each director who serve on the audit and supervisory committee shall be determined by the board of directors.

Decisions pertaining to this proposal shall take effect as of the effective period of the changes to the articles of incorporation in Proposal No. 3: Partial Amendment of the Articles of Incorporation.

Once the changes to the Articles of Incorporation in Proposal No. 3: Partial Amendment of the Articles of Incorporation and the appointments in Proposal No. 5: Election of Five (5) Directors Who Serve on the Audit and Supervisory Committee takes effect, the number of directors who serve on the Audit and Supervisory committee will become five members.

**Proposal No. 9: Decision on Amount and Details of Compensation, etc. by Stock Acquisition Rights for Directors (excluding those who serve on the Audit and Supervisory Committee)**

Once Proposal No. 3: Partial Amendment of the Articles of Incorporation is approved and takes effect, the Company shall transition into a company with an audit and supervisory committee. Therefore, in accordance with provisions in Article 361, Paragraphs 1 and 2 of the Companies Act, we would like to issue stock acquisition rights for stock options as compensation, etc. for directors (excluding those who serve on the Audit and Supervisory Committee) after transitioning to a company with an Audit and Supervisory Committee to be approved in Proposal No. 7: Setting of Amount of Compensation, etc. for Directors (excluding those who serve on the Audit and Supervisory Committee).

The stock acquisition rights will be issued by a resolution of the Board of Directors of the Company under the condition that compensation of the same amount as the payment amount of stock acquisition rights is given to the director being allocated stock acquisition rights and that the stock acquisition rights and the claim to compensation cancel each other out. Also, the issuance period and allocation of stock acquisition rights shall be determined by a resolution of the Board of Directors of the Company.

Note that once Proposal No. 3: Partial Amendment of the Articles of Incorporation and Proposal No. 4: Election of Seven (7) Directors (excluding directors who serve on the audit and supervisory committee) are approved as per the original proposal and the changes to the Articles of Incorporation and appointments takes effect, the number of directors receiving stock options as compensation will become seven members.

Decisions pertaining to this proposal shall take effect as of the effective period of the changes to the articles of incorporation in Proposal No. 3: Partial Amendment of the Articles of Incorporation.

Reasons for allotment of stock acquisition rights as compensation, etc. to directors and the contents of stock acquisition rights are as follows:

**1. Reason for Allotment of Stock Acquisition Rights**

To raise the desire and morale of directors toward the enhancement of share prices and performance of the Company and to further promote management that emphasizes shareholder value and enterprise value.

**2. Contents of Stock Acquisition Rights**

**(1) Type of Stock and Total Number of Shares Underlying Stock Acquisition Rights**

**a. Total Number of Stock Acquisition Rights**

The upper limit of stock acquisition rights issued within one (1) year of the date of the Ordinary General Meeting of Shareholders pertaining to each business year shall be 100,000 units.

**b. Type of Stock and Number of Underlying Shares**

The upper limit of underlying shares for stock acquisition rights issued within one (1) year of the date of the Ordinary General Meeting of Shareholders pertaining to each business year shall be 100,000 shares of common stock of the Company. The number of underlying shares for each unit of stock acquisition rights (hereafter,

"Share Allotment") shall be one (1) share.

Further, where it is appropriate to change the Share Allotment due to merger, spin-off, free allocation of stock, stock split or reverse stock split, etc., the Company shall make adjustments deemed necessary.

(2) Payment Amount for Stock Acquisition Rights

The payment amount shall be set as the fair price calculated based on the Black-Scholes Model on the date of the stock acquisition right allotment.

Note that the person receiving allotment of stock acquisition right shall cancel its claims compensation by the Company equivalent to the payment amount.

(3) Value of Property to be Contributed upon the Exercise of Stock Acquisition Rights

The value of property to be contributed upon the exercise of each stock acquisition right shall be the amount that is equal to one (1) yen, which is the issued or transferred amount for each share allotted upon the exercise of the stock acquisition rights, multiplied by the number of shares to be issued.

(4) Period during which the stock acquisition rights can be exercised

The period shall be set as within 30 years of the day following the date of allotment of stock acquisition rights.

(5) Main Conditions Regarding Exercise of Stock Acquisition Rights

The person holding stock acquisition rights may exercise stock acquisition rights as a lump sum, within 10 days after the day following the date when he or she loses his position as director of the Company.

(6) Restriction on acquiring stock acquisition rights by transfer

Approval of the Board of Directors of the Company shall be required to acquire stock acquisition rights by way of transfer.

(7) Contents of other Stock Acquisition Rights

Details of (1) through (6) above and other matters concerning stock acquisition rights shall be determined by the Board of Directors.

End