

# **Financial Statement**

**2013**

**Ashikaga Holdings Co., Ltd.**

## **The current business status of the Ashikaga Holdings Group**

The Ashikaga Holdings Group comprises the Ashikaga Holdings Co., Ltd. and four consolidated subsidiaries. It mainly engages in financial services centered on banking operations. The Bank manages these subsidiaries and engages in related ancillary businesses.

The Ashikaga Holdings Group delivers regional financial intermediary functions (facilitation of funding) and provides financial services that are tailored to the needs of its customers, with the goal of contributing to regional economic development and growing corporate value.

Together with the Ashikaga Bank, Ashikaga Holdings has compiled a new medium-term management plan, “Challenges 120 - Valiant challenges toward 120-year anniversary of foundation,” for the period fiscal 2013 to fiscal 2015. With the twin goals of improving profitability through a commitment to our region and winning a listing on the Tokyo Stock Exchange, the Company is working hard to improve its ability to provide value-added services, function still more effectively as a bank and raise the skills standards of its employees.

## **Business performance of the fiscal year under review**

During the year under review, interest income declined due mainly to lower yields on loans and bills discounted and securities, despite an increase in fees and commissions and in gains on sales of bonds including Japanese government bonds. As a result, operating income decreased ¥2.8 billion (\$30,607 thousand) year-on-year to ¥98.3 billion (\$1,046,144 thousand).

Operating expenses decreased ¥4.3 billion (\$46,519 thousand) year-on-year to ¥79.6 billion (\$847,338 thousand), due mainly to a decrease in interest expenses on lower yield on deposits, etc. and a decrease in general and administrative expenses. As a result, operating profit increased ¥1.4 billion (\$15,911 thousand) year-on-year to ¥18.6 billion (\$198,805 thousand). Net profit decreased ¥1.7 billion (\$18,765 thousand) to ¥15.4 billion (\$163,799 thousand) due to payment of income taxes and a decrease in deferred tax assets.

Turning to the Bank's financial position, total assets amounted to ¥5,434.1 billion (\$57,779,311 thousand), an increase of ¥80.3 billion (\$854,568 thousand) from the previous fiscal year-end, and total liabilities increased ¥57.7 billion (\$614,561 thousand) to ¥5,154.8 billion (\$54,809,152 thousand). In terms of major accounting items, loans and bills discounted increased ¥133.4 billion (\$1,418,657 thousand) from the previous fiscal year-end to ¥3,775.9 billion (\$40,148,584 thousand), due chiefly to an increase in housing loans and loans to government funds. Securities decreased ¥15.5 billion (\$165,544 thousand) to ¥1,186.9 billion (\$12,619,996 thousand) reflecting redemption of bonds at maturity and sales of bonds in light of interest rate trends. Deposits increased ¥88.4 billion (\$940,937 thousand) from the previous year-end to ¥4,745.8 billion (\$50,460,519 thousand) on an increase in both individual and

corporate deposits. Negotiable certificates of deposit increased ¥11.0 billion (\$117,097 thousand) to ¥150.9 billion (\$1,604,761 thousand). Net assets increased ¥22.5 billion (\$240,007 thousand) from the previous fiscal year-end to ¥279.3 billion (\$2,970,159 thousand), due to an increase in net unrealized gains on other securities and the posting of a net profit in the reporting year.

## Consolidated Balance Sheets

Ashikaga Holdings Co., Ltd. and consolidated subsidiaries

As of March 31, 2013

	Millions of Yen	Thousands of U.S. Dollar
<b>Assets:</b>		
Cash and Due from Banks	197,870	2,103,882
Call Loans and Bills Purchased	129,460	1,376,506
Commercial Paper and Other Debts Purchased	8,664	92,129
Trading Securities	4,288	45,594
Securities	1,186,910	12,619,996
Loans and Bills Discounted	3,775,974	40,148,584
Foreign Exchange	7,451	79,225
Other Assets	22,622	240,538
Tangible Fixed Assets	23,780	252,846
Intangible Fixed Assets	100,594	1,069,581
Deferred Tax Assets	2,292	24,372
Customer Liabilities for Acceptances and Guarantees	17,274	183,677
Reserves for Possible Loan Losses	(43,039)	(457,622)
<b>Total Assets</b>	<b>5,434,144</b>	<b>57,779,311</b>
<b>Liabilities:</b>		
Deposits	4,745,811	50,460,519
Negotiable Certificates of Deposit	150,927	1,604,761
Payables under securities lending transactions	71,951	765,033
Borrowed Money	121,704	1,294,037
Foreign Exchange	550	5,849
Other Liabilities	43,009	457,309
Reserves for Directors' Bonuses	56	604
Reserves for Employee Retirement Benefits	1,269	13,499
Reserves for Directors' Retirement Benefits	254	2,702
Reserves for Reimbursement of Deposits	1,518	16,140
Reserves for Contingent Losses	326	3,475
Reserve for Credit Card Rewards Points	74	792
Reserve for loss on disaster	70	748
Acceptances and Guarantees	17,274	183,677
<b>Total Liabilities</b>	<b>5,154,800</b>	<b>54,809,152</b>
<b>Net Assets:</b>		
Capital Stock	105,010	1,116,533
Capital Surplus	95,780	1,018,400
Retained Earnings	56,730	603,196
Total Shareholders' Equity	257,521	2,738,130
Net Unrealized Gains on Other Securities	21,954	233,438
Deffered gains or losses on hedges	(132)	(1,410)
Total Accumulated Other Comprehensive Income	21,822	232,028
<b>Total Net Assets</b>	<b>279,343</b>	<b>2,970,159</b>
<b>Total Liabilities and Net Assets</b>	<b>5,434,144</b>	<b>57,779,311</b>

## Consolidated Statement of Income

Ashikaga Holdings Co., Ltd. and consolidated subsidiaries

From April 1, 2012 to March 31, 2013

	Millions of Yen	Thousands of U.S. Dollar
<b>Operating Income</b>		
Interest Income	69,049	734,183
Interest on Loans and Discounts	59,634	634,067
Interest and Dividends on Securities	8,846	94,063
Fees and Commissions	19,049	202,545
Other Business Income	6,496	69,077
Other Operating Income	3,793	40,338
<b>Total Operating Income</b>	<b>98,389</b>	<b>1,046,144</b>
<b>Operating Expenses</b>		
Interest Expenses	6,508	69,199
Interest on Deposits	2,895	30,786
Fees and Commissions	5,762	61,273
Other Business Expenses	102	1,092
General and Administrative Expenses	58,156	618,355
Other Operating Expenses	9,162	97,417
<b>Total Operating Expenses</b>	<b>79,692</b>	<b>847,338</b>
<b>Operating Profit</b>	<b>18,697</b>	<b>198,805</b>
Extraordinary Gains	222	2,365
Extraordinary Losses	530	5,636
Net Profit before Income Taxes	18,389	195,534
<b>Corporate, Inhabitant, Business Taxes</b>	<b>1,770</b>	<b>18,820</b>
<b>Corporate Tax Adjustments, etc.</b>	<b>1,214</b>	<b>12,913</b>
<b>Total Corporate Taxes, etc.</b>	<b>2,984</b>	<b>31,734</b>
<b>Income before Minority Interests</b>	<b>15,405</b>	<b>163,799</b>
<b>Net Profit</b>	<b>15,405</b>	<b>163,799</b>

Notes 1. Items concerning the scope of consolidation

- (1) Consolidated subsidiaries including those stipulated by the detailed enforcement regulations of the Commercial Code: 4

The Ashikaga Bank, Ltd., Ashikaga Credit Guarantee Co., Ltd., Ashigin Research Institute, Ltd., and Ashigin Card., Ltd.

- (2) Unconsolidated subsidiaries including those stipulated by the detailed enforcement regulations of the Commercial Code: 2

Ashikaga Company Development Fund No.1 Business Investment Limited Liability Partnership

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

The above unconsolidated subsidiaries including those stipulated by the detailed enforcement regulations of the Commercial Code are excluded from the scope of consolidation because their total amounts in terms of assets, operating income, net profit (loss) (comparable to equity portion), retained earnings (comparable to equity portion), and gains (losses) on deferred hedges (comparable to equity portion) are immaterial in that they do not hinder a rational judgment of the Group's financial position and results of operations when excluded from the scope of consolidation.

2. Items concerning application of the equity method

- (1) Unconsolidated subsidiaries including those stipulated by the detailed enforcement regulations of the Commercial Code that are accounted for by the equity method: None

- (2) Affiliates that are accounted for by the equity method: None
- (3) Unconsolidated subsidiaries including those stipulated by the detailed enforcement regulations of the Commercial Code that are not accounted for by the equity method: 2  
 Ashikaga Company Development Fund No.1 Business Investment Limited Liability Partnership  
 Ashikaga Company Development Fund No.2 Business Investment Limited Liability Partnership
- (4) Affiliates that are not accounted for by the equity method: None  
 The above unconsolidated subsidiaries including those stipulated by the detailed enforcement regulations of the Commercial Code that are not accounted for by the equity method are excluded from the scope of equity method because their total amounts in terms of net profit (loss) (comparable to equity portion), retained earnings (comparable to equity portion), and gains (losses) on deferred hedges (comparable to equity portion) are immaterial that they do not have material impact on the consolidated financial statements when excluded from the scope of equity method.
3. Items concerning account settlement dates of consolidated subsidiaries including those stipulated by the detailed enforcement regulations of the Commercial Code  
 The account settlement date of all four consolidated subsidiaries including those stipulated by the detailed enforcement regulations of the Commercial Code is March 31.
4. Items concerning amortization of goodwill  
 Amortization using the straight-line method over 20 years
5. Of total loans and bills discounted, loans to bankrupt companies amounted to ¥3,386 million (\$36,002 thousand), non-accrual delinquent loans amounted to ¥88,194 million (\$937,735 thousand), and restructured loans stood at ¥31,745 million (\$337,533 thousand). The total amount of such loans was ¥123,331 million (\$1,311,334 thousand). There were ¥5 million (\$53 thousand) loans past due for 3 months or more.
6. Consolidated equity ratio prescribed in Article 34-10, paragraph 1, item 4: 9.70%
7. Accumulated depreciation on tangible fixed assets: ¥38,569 million (\$410,098 thousand).
8. Advanced depreciation on tangible fixed assets: ¥2,771 million (\$29,465 thousand).  
 (Advanced depreciation for the fiscal year under review: ¥ 76 million (\$808 thousand))
9. Assets pledged as collateral:
- |  |   |
|--|---|
| Cash   | ¥2 million (\$27 thousand)              |
| Securities                                       | ¥390,104 million (\$4,147,844 thousand) |
| Loans and bills discounted                       | ¥56,200 million (\$597,554 thousand)    |
| Liabilities related to the above pledged assets: |   |
| Deposits   | ¥110,570 million (\$1,175,654 thousand) |
| Payables under securities lending transactions   | ¥71,951 million (\$765,033 thousand)    |
| Borrowed Money                                   | ¥41,600 million (\$442,317 thousand)    |
- In addition, securities totaling ¥81,634 million (\$867,985 thousand) are deposited as collateral for exchange transactions and derivative transactions, or as margin money for futures trading.
10. Net assets per share: ¥73,582.76 (\$782.37)
11. Net profit for this term per share: ¥3,605.69 (\$38.33)
12. Comprehensive income in Consolidated Statement of Comprehensive Income: ¥28,242 million (\$300,294 thousand)
- (Remarks) The conversion rate used was US\$1 = ¥94.05 and all amount started were rounded down to the nearest unit.