ASHIKAGA HOLDINGS
ASHIKAGA BANK

2016

ASHIKAGA HOLDINGS
ASHIKAGA BANK

Annual Report

Year Ended March 31, 2016

Profile

The Ashikaga Holdings Group is comprised of the five companies of Ashikaga Holdings, Ashikaga Bank and three other consolidated subsidiaries and primarily provides banking services and other financial services including credit card services. The Ashikaga Bank is a regional bank that operates mainly in the four prefectures comprising the North Kanto area, primarily Tochigi Prefecture, where its head office is located, as well as Saitama, Gunma, Ibaraki prefectures and hereafter, “our region.”

As of March 31, 2016, the Bank had a total balance of deposits and negotiable certificates of deposit of ¥5,449.4 billion, a balance of loans and bills discounted of ¥4,274.4 billion, and a capital ratio of 8.67%. Its branch network consisted of 152 branches and sub-branch-level offices.

Corporate Philosophy

All of Ashikaga Holdings and Ashikaga Bank’s actions are rooted in the Group corporate philosophy, comprising the three concepts of our mission, our business approach, and our code of conduct.

Based on our corporate philosophy, we are determined as a bank to justify the trust and meet the expectations of our customers in the community, in our role as a comprehensive financial institution for our region.

Our mission

— To contribute to the creation of affluence —

As a comprehensive financial institution for our region,
the Ashikaga Bank continues to contribute to the generation of affluence for all in the regional community.

Business approach

— In harmony with our region —

With a customer-oriented focus,
the Ashikaga Bank is committed to operational soundness in harmony with our region.

Code of conduct

— With pride in our hearts and a smile on our faces —

In full awareness of our mission and role,
we will tirelessly meet our customers’ expectations and justify their trust,
with self-improvement as our watchword, with pride in our hearts and a smile on our faces.

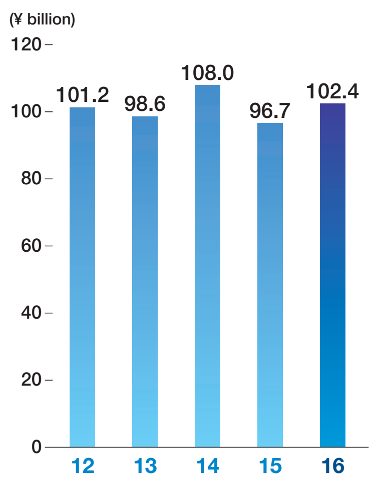
Contents

Financial Highlights (Consolidated)

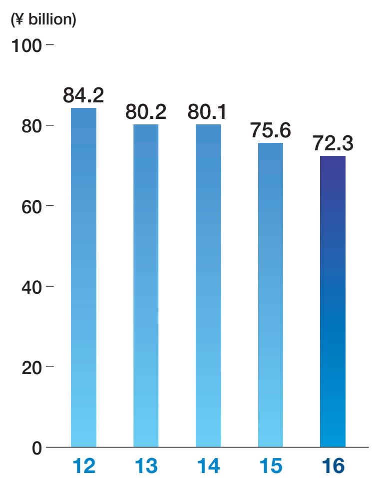
Years ended March 31	Millions of Yen* 2016	Millions of Yen* 2015	Thousands of U.S. Dollars** 2016
At year-end:			
Total assets	¥6,106,037	¥5,864,239	$54,189,190
Cash and due from banks	437,509	365,322	3,882,759
Loans and bills discounted	4,235,174	4,150,466	37,585,857
Securities	1,296,769	1,207,938	11,508,428
Deposits	5,206,700	5,071,110	46,207,852
Total equity	303,105	287,121	2,689,964
Common stock	117,495	117,495	1,042,737
For the year:			
Total income	¥ 102,474	¥ 96,739	$ 909,432
Total expenses	72,304	75,691	641,680
Net income	22,452	17,076	199,260

* Yen amounts have been rounded down to millions of yen.
** U.S. dollar amounts are translated, for reference only, at the rate of ¥112.68=$1 effective on March 31, 2016.

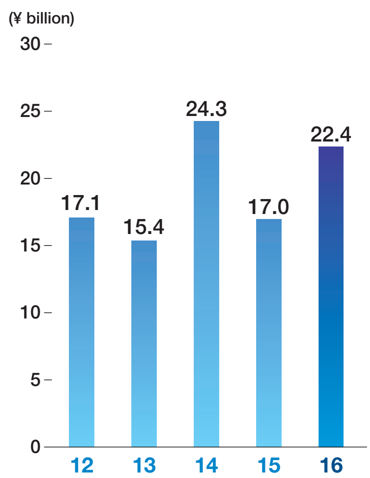
Total Income
Years ended March 31



Total Expenses
Years ended March 31



Net Income
Years ended March 31



A Message from the Management

Masanao Matsushita
President and Chief Executive Officer
Ashikaga Holdings Co., Ltd.
The Ashikaga Bank, Ltd.

We would like to express our greatest appreciation to our stakeholders for their continued support and patronage of Ashikaga Holdings and the Ashikaga Bank (hereinafter, "Ashikaga Bank" or "the Bank").

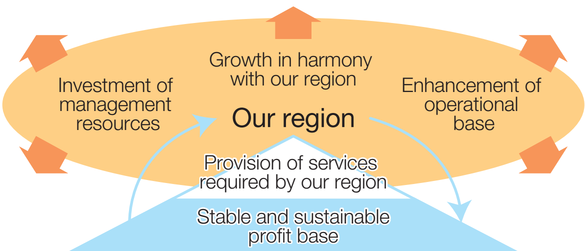
During the fiscal year under review, although being partially affected by sluggish exports and production activities in developing countries, the Japanese economy continued a mild recovery. The local economy of Tochigi Prefecture continued a mild recovery as well, driven by solid capital investment and improvement in consumer spending and employment.

Under these circumstances, the Ashikaga Holdings Group (hereinafter, "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 loan, private placement bond and asset-based lending (ABL). Furthermore, in order to assist business startups and second launches, apart from organizing "company founder conferences" and "Ashigin Business Plan Grand Prix," we also set up a staffed representative office in Hong Kong, and supported business matching by holding overseas business confabs so as to provide support for overseas business expansion.

In individual banking, we proactively developed and enriched our customer life event support products and services. These include enhancing products for investment trust and insurance, organizing seminars for succession consultation and seminars for parents and their children as a part of the plan to make education on investment activities available to all. In addition to working on housing and apartment loans, we also made an effort in enhancing

Long-term Vision/ Mid-term Management Targets



- **The bank that grows in harmony with our region**
- **Enhance our core strengths for that purpose**

Our mission is contribution to the growth of our region

Become the bank that grows in harmony with our region, in compliance with our corporate philosophies: "In harmony with our region" and "To contribute to the creation of affluence".

Enhance our core strength for the growth of our region

A stable and sustainable profit base is required in order to continue to provide services required by our region and to contribute to the growth of our region for many years

Mid term management target	Contribute to the regional revitalization through "Enhancement of our core strength" and "Realization of the integration synergy"

unsecured loan products by launching interest rate discounts and other campaigns.

In our branch channel, we renewed the Higashi Branch in May and the Gyoda Branch in June respectively, and opened the Tsukuba Loan Center in October.

As a consequence of these initiatives, the Group's consolidated net income for fiscal 2015 amounted to ¥22.452 billion, exceeding the initial business forecast.

During fiscal 2016, we have started a new medium-term management plan "ASHIGIN WAY 2016." In the new medium-term management plan, our long term vision is to be "the bank that grows in harmony with our region," and "enhance our core strengths for that purpose." Therefore, we have set "contribute to the regional revitalization through 'enhancement of our core strength' and 'realization of the integration synergy'" as our medium-term management targets. In order to achieve this goal, we are working on initiatives in line with "contribution to the regional economic growth," "business scopes identifying the business environment," "the relationship-based approach (through consulting and business potential assessments) and the function-based approach (pursuing familiarity and convenience)," "enhancement of management functions for both approaches," and "effective relocation of management resources."

On April 25, 2016, we have achieved a final agreement of business integration through a share exchange with The Joyo Bank, Ltd. (hereinafter, "Joyo Bank") with whom we have already completed the processes of basic agreement, on November 2, 2015, subsequent negotiation and examination.

On October 1, 2016, the Group will change its trade name to "Mebuki Financial Group Inc." Together, Ashikaga Bank and Joyo Bank will retain and strengthen their full grasp of the region and the customer relationship they have built up over the years, while taking advantage of the extensive network etc. created through the business integration, faciliating development and increasing business efficiency of comprehensive financial services. On the other hand, we will also contribute to the region's long-term growth by providing comprehensive financial services of greater convenience and higher quality.

To meet the expectations of our stakeholders, all of our executives and employees will make their best efforts. We would like to ask all of you for your continued support.

July 2016

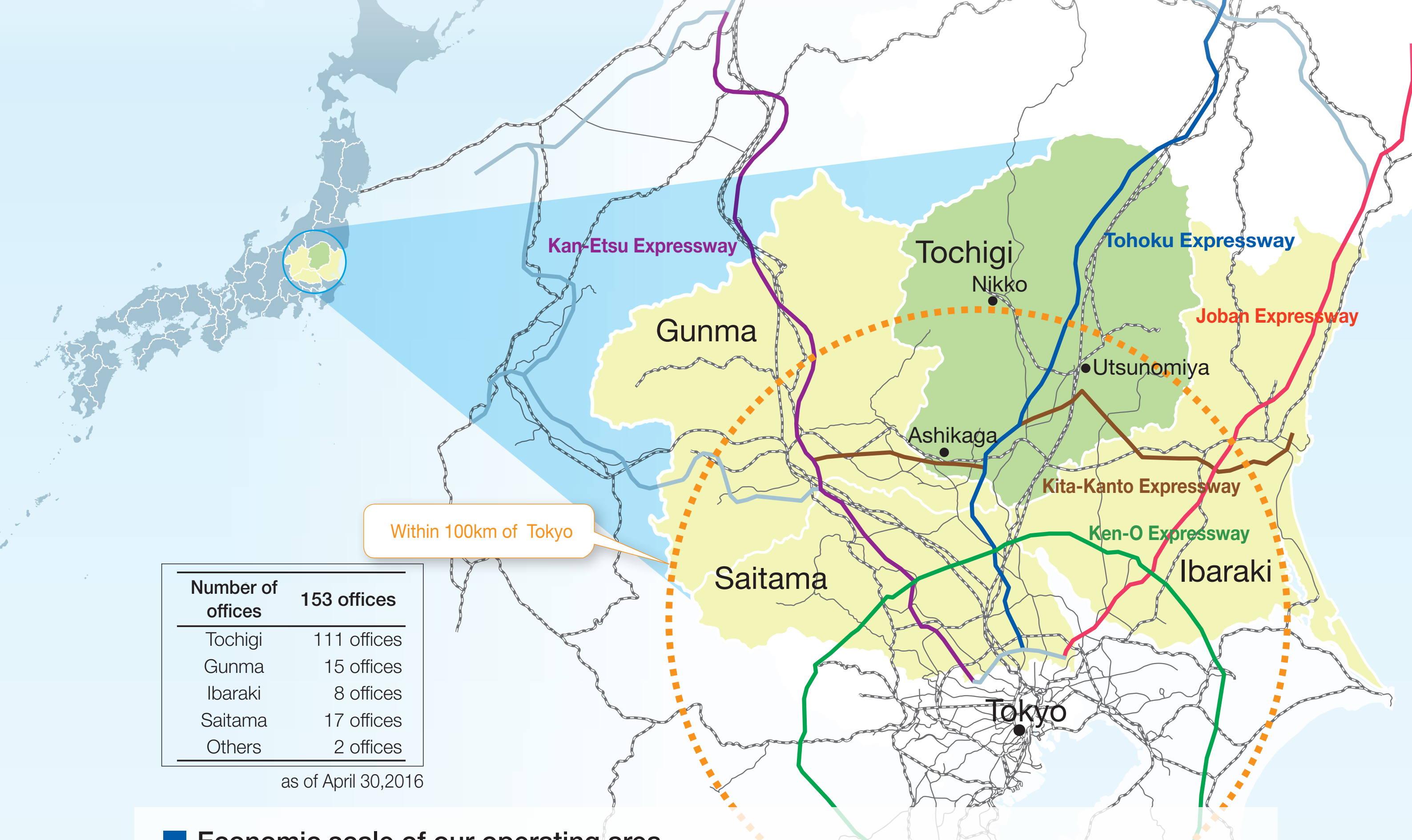
Key Performance Indicators (KPIs)

		FY2016
The Ashikaga Bank, Ltd. (Non-Consolidated basis)		
Profitability	Gross Business Profit	¥81bn
	Net business income (before general allowance for loan losses)	¥32.5bn
Growth	Deposits (Average Balance)	¥5.4tn
	Loans (Average Balance)	¥4.2tn
	Loans to corporate customers (exc. Tokyo branch and prefectural office branch) + Loans to individual customers	¥3.3tn
	Investment Trust under Custody	¥370bn
Efficiency	OHR	50-60%
Soundness	Capital Adequacy Ratio	8.5%
	Non-performing Loan Ratio	less than 2.2%

Area of Operation

Our home market “the North Kanto area”

The Ashikaga Bank mainly operates in the four prefectures comprising the North Kanto area, primarily Tochigi Prefecture, Where its head office is located, as well as Saitama, Gunma, and Ibaraki Prefectures.



Number of offices	153 offices
Tochigi	111 offices
Gunma	15 offices
Ibaraki	8 offices
Saitama	17 offices
Others	2 offices

as of April 30,2016

Economic scale of our operating area

	Tochigi Prefecture	National Rank	Gunma Prefecture	National Rank	Ibaraki Prefecture	National Rank	Saitama Prefecture	National Rank
Prefectural gross product (2013) (¥ trillion)	8.2	16	7.8	17	11.5	11	20.7	5
Population (2015) (thousand)	1,975	18	1,973	19	2,918	11	7,261	5
Prefectural income per capita (2013) (¥ thousand)	3,255	5	3,054	11	3,138	8	2,859	19
Number of businesses (2014)	91,234	20	96,077	18	122,835	12	254,161	5
Manufactured goods shipped (2014) (¥ trillion)	8.2	12	8.2	13	11.3	8	12.0	7
New Factory Locations (excluding power supply sector) (2015) (number / area(ha))	40 / 50ha	7 / 3	57 / 45ha	3 / 5	78 / 102ha	1 / 1	41 / 34ha	6 / 13

Note: The above ranks are the ranks among the 47 prefectures.
Source: Prefectural gross product and prefectural income per capita data is from the Cabinet Office. Population data and Number of businesses are from the Ministry of Internal Affairs and Communications. Manufactured goods shipped and new factory locations data come from the Ministry of Economy, Trade and Industry.

Feature 01 || Geographical advantage, transportation infrastructure

The four prefectures of Tochigi, Gunma, Ibaraki, and Saitama (the four prefectures of North Kanto) are within 100km of Tokyo and are directly connected by the high-speed transportation infrastructure including the Tohoku/ Joetsu bullet trains, the Tohoku, Joban, and Kan-Etsu Expressways, and the Kita-Kanto Expressway. In addition, with the opening of all sections of the Ken-O Expressway in the near future, this region has one of the highest concentrations of factories in the country.

The population of the four prefectures totals 14 million and exceeds the 13 million population of the Tokyo metropolitan area. In fiscal 2013, the total production of these four prefectures came to ¥48 trillion, rivaling the GDP of Norway or Belgium.

Feature 02 Enchanting "Tochigi Prefecture"

Tochigi Prefecture is a strategic point or the hub of the North Kanto area for transportation and the distribution of goods. The prefectural capital “Utsunomiya” is about one hour from Tokyo. In the distribution of goods, Tochigi Prefecture has a close relationship with Tokyo and three other North Kanto prefectures. The region has built up a good balance of various industries, among which are transportation equipment, such as automobiles and aircraft, and pharmaceutical and medical-related industries that have located factories here that serve as their nationwide core. There are also many SMEs with highly developed technological capabilities and Tochigi has the distinctive feature of being known as Monozukuri (manufacturing) Prefecture.

Furthermore, Tochigi is also an agricultural prefecture that plays a role as a base for the supply of food to the Tokyo metropolitan area and many of its agricultural products are ranked as the nation’s top.

Feature 03 Abundant tourism resources


Yomeimon Gate in “Nikko Toshogu Shrine”

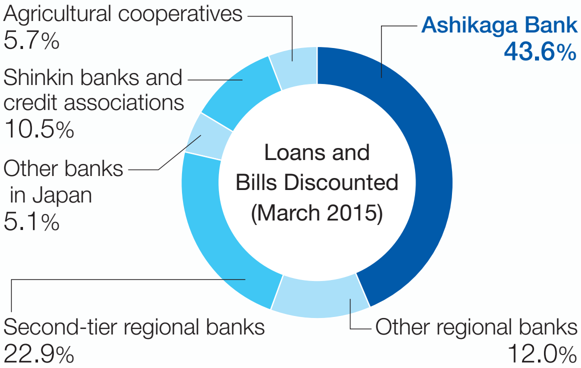
The area’s tourism resources are abundant and include UNESCO World Heritage sites of "two Shinto shrines and one Buddhist temple located in Nikko", "Tomioka Silk Mill and Related Sites"and the famous hot springs resorts of Kinugawa, Nasu and Kusatsu. The area is full of enchantment because of its ability to attract tourists not only from the Tokyo metropolitan area, but also from all over the world. It is rare to have several world heritage sites within one’s area of operation, and locations such as the “Ashikaga Gakko” and the “Kodokan” have been awarded Japan Heritage status, so there is hope that the tourism industry will bring about an economic ripple effect.

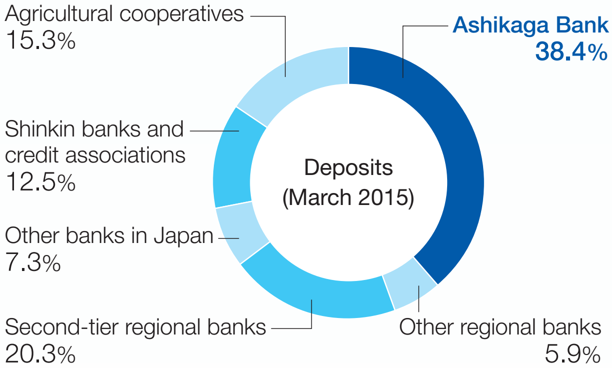

The oldest school in Japan “Ashikaga Gakko”

Feature 04 Seeking to demonstrate its financial intermediary function leveraging its growth potential as a widely operating regional bank

Meanwhile, Saitama and Gunma prefectures are near Ashikaga City, the birthplace of the Bank, where it has opened many branches from very early on. Saitama Prefecture is a large market that rivals the other three prefectures combined in economic scale, and with 17 branches already setup within Saitama Prefecture, the Bank has a befitting business base for the Prefecture’s large economic scale. As a widely operating regional bank, it conducts sales activities that leverage features and growth potential of local operating areas. As a local financial institution, it is working to contribute to the development of local communities.

The Bank’s Position in Tochigi Prefecture

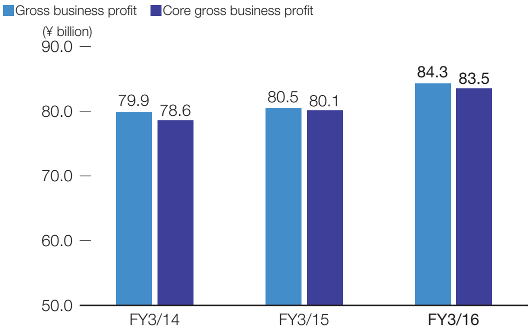




Earnings Highlights

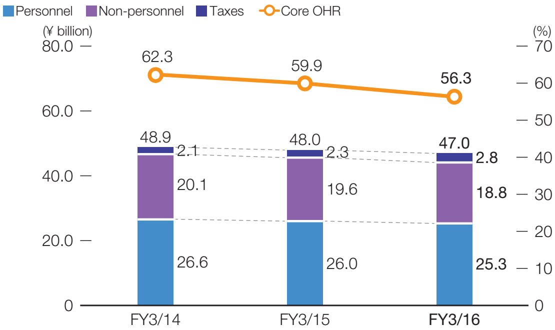
Major business indicators (Ashikaga Bank, non-consolidated)

Gross business profit



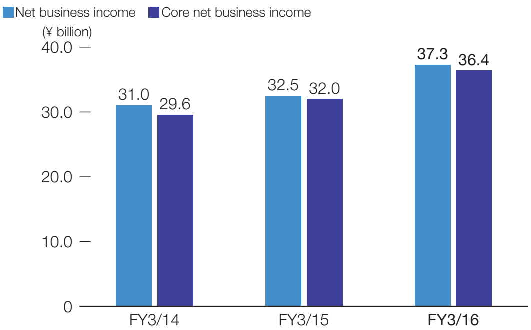
Gross business profit increased by ¥3.7 billion year on year due to an increase in interest income and fees and commission.
Core gross business profit after deducting the gains (losses) on bonds including government bonds increased by ¥3.3 billion year on year.

Expenses and Core OHR



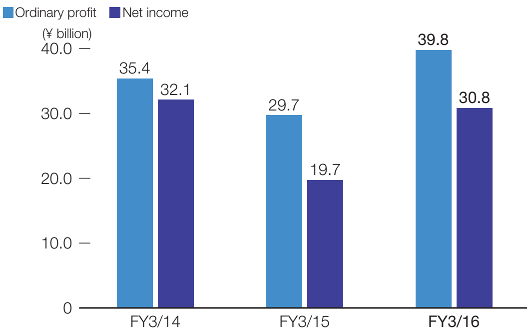
Overhead costs declined by ¥0.9 billion year on year.
Core overhead ratio (Core OHR) with also improved by 3.6 points year on year.

Net business income and Core net business income



Net business income increased by ¥4.7 billion year on year due to factors such as an increase in core gross business profit and a decrease in overhead costs.
Core net business income after deducting the gains (losses) on bonds including government bonds also increased by ¥4.3 billion year on year to ¥36.4 billion.

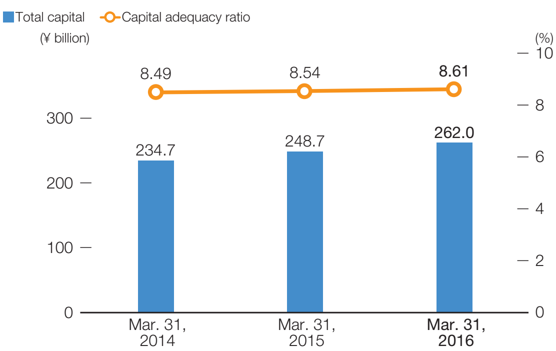
Ordinary profit and Net income



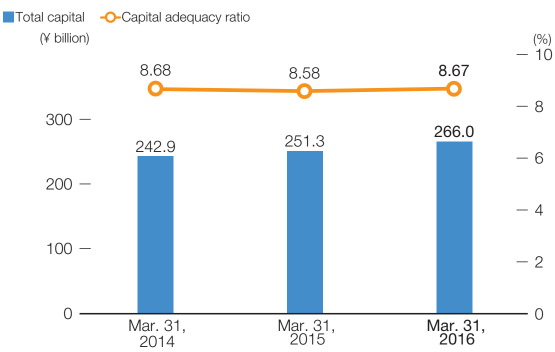
Ordinary profit increased by ¥10.0 billion year on year due to an increase in core net business income and decrease in credit related costs. Net income also increased by ¥11.0 billion year on year.

Capital adequacy ratio

Ashikaga Holdings (consolidated)

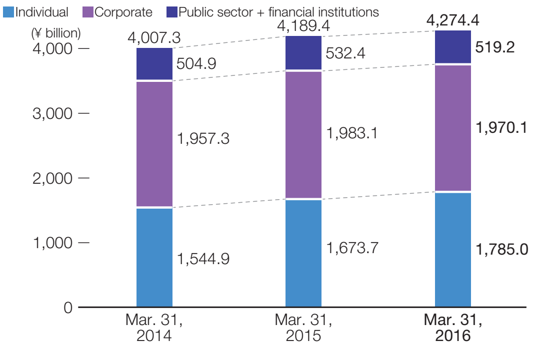


Ashikaga Bank (non-consolidated)



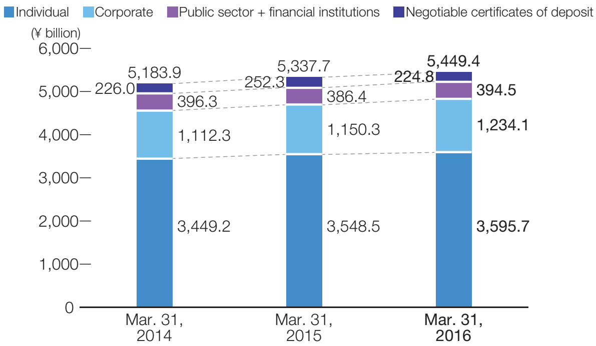
Ashikaga Holdings on a consolidated basis increased by 0.07 points year on year to 8.61%.
Ashikaga Bank on a non-consolidated basis increased by 0.09 points year on year to 8.67%.

Balance of loans and bills discounted



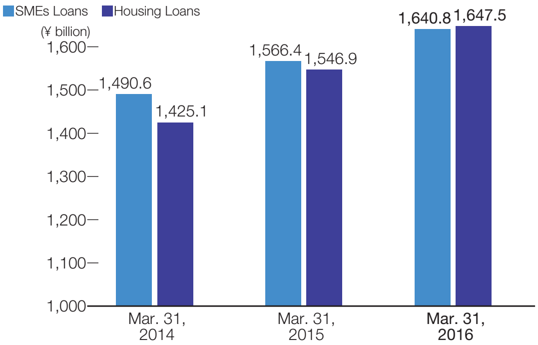
The balance of loans and bills discounted, primarily with loans to individual customers and small and medium-sized firms, increased by ¥85.0 billion year on year.

Balance of deposits and negotiable certificates of deposit



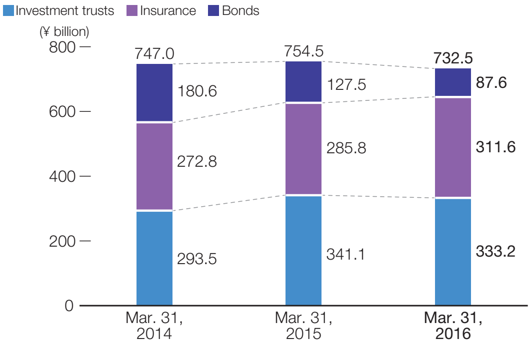
The balance of deposits and negotiable certificates of deposit (deposits + negotiable certificates of deposit), primarily with individual deposits and corporate deposits, increased by ¥111.6 billion year on year.

Balance of SMEs loans and housing loans



Loans to small and medium-sized firms increased by ¥74.3 billion year on year to ¥1,640.8 billion, up 4.7%.
Housing loans increased by ¥100.5 billion year on year to ¥1,647.5 billion; annual rate greatly increased by 6.4%.

Assets under custody



Assets under custody decreased by ¥22.0 billion year on year to ¥732.5 billion. Bonds decreased by ¥39.9 billion due to redemption of bonds at maturity. Investment trust decreased by ¥7.9 billion year on year due to the decrease of standard price as caused by the decrease in stock market prices and the effects of exchange rate. On the other hand, insurance steadily increased by ¥25.8 billion year on year.

Risk-monitored loans

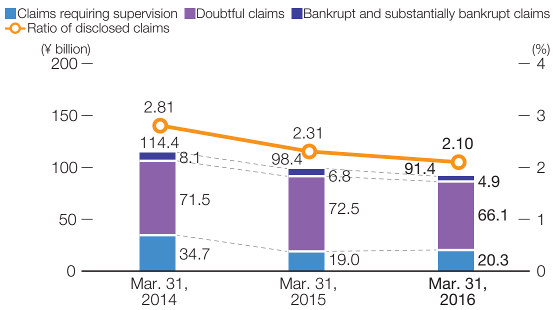
Risk-monitored loans in fiscal 2016 based on the Banking Act came to ¥91.1 billion, a decrease of ¥6.8 billion year on year. Among risk-monitored loans, loans of self-assessed bankrupt debtors are recorded as "loans to bankrupt borrowers," loans of effectively bankrupt debtors and potentially bankrupt debtors are recorded as "non-accrual delinquent loans," and among debtors requiring caution, those loans that are three or more months delinquent are recorded as "loans past due 3 months or more" and those that are being restructured are recorded as "restructured loans."

(¥ billion)		Mar. 31, 2014	Mar. 31, 2015	Mar. 31, 2016	Compared with Mar. 31, 2015
Risk-monitored loans	Loans to bankrupt borrowers	3.0	1.6	1.6	(0.0)
	Non-accrual delinquent loans	76.5	77.3	69.2	(8.1)
	Loans past due 3 months or more	0.0	—	—	—
	Restructured loans	34.7	19.0	20.3	1.3
	Total risk-monitored loans	114.3	98.0	91.1	(6.8)
Amount of partial write-off executed		9.5	8.2	9.5	1.2
Balance of loans and bills discounted (term-end)		4,007.3	4,189.4	4,274.4	85.0
Ratio of risk-monitored loans (%)		2.85	2.33	2.13	(0.20)

Disclosed claims under the Financial Revitalization Law

As of March 31, 2016, disclosed claims under the Act on Emergency Measures for the Revitalization of the Financial Functions (hereinafter, "Financial Revitalization Law") came to ¥91.4 billion, down ¥6.9 billion year on year.

Disclosed claims under the Financial Revitalization Law are "bankrupt and substantially bankrupt claims" of self-assessed bankrupt debtors and effectively bankrupt debtors, "doubtful claims" of potentially bankrupt debtors, and among debtors requiring supervision, those that fall under the category of loans past due 3 months or more or restructured loans are disclosed as "claims requiring supervision."



Efforts to Promote Relationship Banking

Ashigin (the name by which the Bank is commonly known in Japan) seeks to raise corporate value by fulfilling its function as a regional financial institution and growing together with its customers.

Fulfilling consulting functions for corporate customers

Management challenges and financing needs vary widely among corporate customers, and the external environment changes day by day. Amid such an environment, we strive to understand the actual circumstances of corporate customers, share management challenges, and provide optimal solutions.

Support during growth phase

Use of financing methods based on the evaluation of business value

- Creation of syndicated loans where we serve as the arranger: 33 cases (¥72.9 billion)
- Underwriting of private placement bonds through “the Ashigin Growth Platform Support Fund” and “the Ashigin Support Fund for Environment Initiatives,” etc.: 265 cases (¥27.3 billion)
- Deal with ABLs that do not depend on real estate collateral or personal guarantees: 271 cases (¥29.1 billion) (Balance as of March 2016)

Business confabs held

- June 2015 The Bank, The Joyo Bank, Ltd. and The Gunma Bank, Ltd. jointly organized the “Agri-Food Fest 2015” (a total of 320 exhibitors joined, 115 of which are the Bank’s corporate clients)
- November 2015 The Bank, together with 6 shinkin banks and 2 credit associations in Tochigi prefecture, held the “Monozukuri Kigyo Tenji/Shodankai 2015” in order to support local manufacturers in expanding their sales channels (a total of 155 exhibitors joined, 213 cases of individual business negotiation)

“Monozukuri Kigyo Tenji/Shodankai 2015,” a supporting event for local manufactures in November 2015

- November 2015 The Bank, along with 41 other local banks, organized the “food” exhibition-cum-business confab “Regional Banks’ Food Selection 2015” (a total of 22 corporate clients of the Bank)
- January 2016 The Bank, together with the Tochigi prefecture, organized the “Tochigi Shoku no Tenji/Shodankai 2016”, a business matching for food and agriculture (a total of 149 exhibitors joined, 324 cases of individual business negotiation)

“Tochigi Shoku no Tenji/Shodankai 2016,” a business matching for local food and agriculture in January 2016

- August 2015 February 2016 Together with highway service area (SA) and parking area (PA) management company Nex-area Company Ltd. and 8 other SA and PA restaurants and shops, the Bank held a mini business confab (targeted at food related corporations) (August 2015: a total of 6 exhibitors joined, 48 cases of individual business negotiation. February 2016: a total of 5 exhibitors joined, 40 cases of individual business negotiation)

Cooperation with The Regional Economy Vitalization Corporation of Japan (REVIC)

- In order to contribute to the development of the medical, nursing and healthcare field, the Bank invested in the “Regional Healthcare Industry Support Fund” run by REVIC
- In order to contribute to profitability improvement of Japanese mid-tier enterprises with useful resources (competitiveness), the Bank invested in “Core Regional Enterprises Revitalization Support Fund” which was also run by REVIC
- May 2015 In order to enhance customer support abilities, the Bank has signed “dispatch of experts” related contracts with REVIC.

“Ashigin Business Plan Grand Prix” Launched

The “Ashigin Business Plan Grand Prix” was launched to award outstanding business plans that contribute to local industrial innovation and job creation, and to endeavor support for clients’ business expansion. Since its commencement in November 2015, we have received 214 business plans, and after three rounds of screening, we have chosen the awardees for 1 Grand Prix award, 3 awards of excellence, 4 encouragement awards and 5 special prizes. (Awards presentation plan was decided in March 2016)

An awards ceremony for the First Ashigin Business Plan Grand Prix in March 2016

Overseas business support

[Overseas business matching]

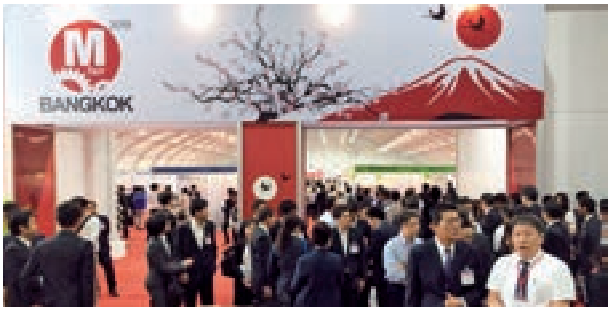
- June 2015 The Bank joined "Mfair Bangkok 2015" sponsored by Factory Network Asia (Thailand) as co-host
- September 2015 The Bank joined "FBC Shanghai 2015" sponsored by Factory Network China as co-host

[Organizing overseas business seminars]

- November 2015 The Bank organized a "Seminar and individual consultation session regarding regulations on external foreign currency borrowings in Indonesia" to explain the rules of new regulations regarding foreign currency denominated offshore debts within Indonesia

[Other overseas business support]

- The Bank joined the Japan Bank for International Cooperation's signing of the "Memorandum of Understanding for Supporting Overseas Business Deployment of Japanese Mid-Tier Enterprises and SMEs in Partnership" with the State of Jalisco and State of Aguascalientes, Mexico, in October 2015 and November 2015 respectively, thus having formed a partnership with the said states.
- February 2016 Signed the "Business Cooperation Agreement" with Pronexus Inc.



The First Mfair Bangkok 2015 in June 2015

Proactive initiatives for customer's convenience and regional revitalization

Branch network enhancement

- In October 2015, "Tsukuba Loan Center" was opened inside the Tsukuba branch
- In April 2016, the Kawaguchi branch was opened inside the Urawa branch. The grand opening of the new branch will be held in December 2016.

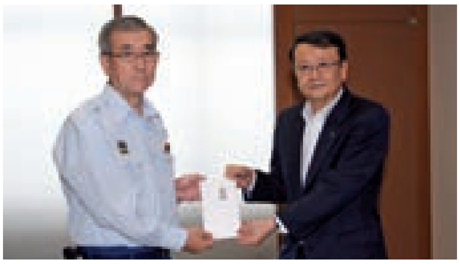

Kawaguchi branch opened (inside the Urawa branch)

Enhancement of non face-to-face services through smartphones and the Internet

- In March 2016, smartphone application "Ashigin account opening app" was launched. By taking a photo of personal identification documents (driving license) with the smartphone camera and filling in and submitting required information, the user can access services through the application, such as opening a savings account.
- In March 2016, regarding making deposits to savings accounts of the current branch via personal internet banking, the commencement of "same-day transactions" service allows urgent payments and deposits to be completed anytime, all year long.

Disaster recovery support

- In September 2015, in order to provide support to disaster victims of Tropical Storm Etau and to assist in disaster recovery, the Bank has donated ¥20 million to Tochigi prefecture, and made additional sympathy donations to 8 cities in the Tochigi prefecture that are under the Disaster Relief Act.


Donation to Tochigi prefecture for the damage caused by the season's 18th typhoon in September 2015

Measures for the Social Security and Tax Number System

- Through Ashigin Research Institute Ltd., the Bank developed in-house a package software for integrated management of individual social security and tax numbers. We started the sales of "m-Bank," a USB management system for the social security and tax number in April 2016.

Corporate Social Responsibility Activities

Efforts for solving environmental issues

Developing Ashigin's Forest

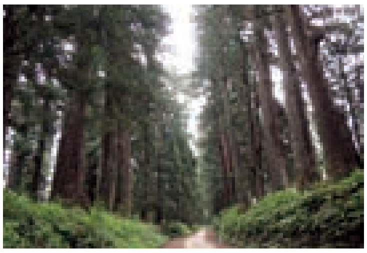
Since 2012, the Bank has developed Ashigin's Forest in the Tochigi Prefecture Prefectural Citizen's forest in Yaita City. We are carrying out various development activities in order to promote the natural beauty of the forest throughout the four seasons. In fiscal 2015, around 70 staff members took part in walkway maintenance and undergrowth clearance, as well as the planting of mountain hydrangea.

Working at the project sites

Development activities in Ashigin's Forest

Protection of Nikko Cedar Avenue

The Bank supports the Nikko Cedar Avenue Ownership System operated by Tochigi Prefecture to protect this world-famous arboreal asset at the Nikko cluster of temples and halls. Since then we have continuously stepped up purchases, and now own 80 cedar trees, the most cedar trees owned by one group, at a cost of ¥10 million per tree. In addition, the Bank is working on beautification activities, including participation in the cleanup at the Avenue.



Nikko Cedar Avenue

Tree Planting in the Ashio Mountain

The Bank addressed environmental problems, mainly that of the water circulation system, through its tree planting activities in the Ashio Mountains, which had been devastated by smoke pollution. Considering the problems in the headwaters area of the Watarasegawa River, we support the activities of the NPO Grow Green in Ashio and engage in tree-planting activities there every year.

Tree Planting in the Ashio Mountain

Promoting financial education

Organizing financial education events

Every year, we hold the "Ashigin Kids School: Hands-on Lessons on Money" for local elementary school students. Moreover, we held the 10th All Japan High School Quiz of Finance and Economics Championship "Economics Koshien" Tochigi Tournament.

"Economics Koshien" Tochigi Tournament

Efforts toward local communities

Promoting financial education

In January 2016, the Bank held an “Ashigin Parent-Child Seminar” for fourth to sixth grade elementary school students and their parents, in which they learned the proper use and importance of money through an amusing experience.

“Presentation of Donation”

Donation to the Tochigi Future Talents Supporting Fund

In March 2016, as part of the 120th anniversary commemoration project, we donated ¥20 million to the Tochigi Future Talents Supporting Fund for facilitating the redemption of bursaries for college graduates who have found jobs in local companies in Tochigi.

Installation of conversation-friendly system COMUOON

In February 2016, in order to provide an environment where the elderly can easily use our services, a desktop type conversation-friendly system COMUOON that facilitates voice reception was introduced.

“Counters with COMUOON”

“Nice Heart Bazaar in Ashigin”

Assistance for welfare-related businesses

In December 2015, we donated 3000 pin badges to Tochigi Prefecture for supporting the activities of the Tochigi Community Welfare Fund. Also, we offered help in the Nice Heart Bazaar at the prefectural office which sells products from Office of Employment Support for the Disabled, and organized the Nice Heart Bazaar in Ashigin.

Support to local sports teams

In December 2015, as part of the120th anniversary commemoration project, we held an ice hockey match between H.C. Tochigi Nikko ICE BUCKS and OJI EAGLES.

Corporate Governance

To strengthen and enhance corporate governance, the Group seeks to establish a responsible management system and ensure management transparency.

Ashikaga Holdings is working to reinforce and improve management supervisory functions and business operations under the committee-based management system.

Basic Approach to Corporate Governance

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

(1) We respect shareholders' rights and ensure equality.
(2) We consider the benefits of stakeholders including shareholders and cooperate appropriately with stakeholders.
(3) We disclose company information appropriately and ensure transparency.
(4) We ensure the effectiveness of supervision of the Board of Directors on business execution by utilizing independent outside directors.
(5) We work to communicate with shareholders constructively about the continuous growth and improvement of medium-to-long term corporate values.

Ashikaga Holdings have adopted the company with committees system under which it had been working to reinforce and improve management supervisory and business functions. Since then, we have been working for greater management transparency and objectivity. Moreover, as a subsidiary, the Ashikaga Bank, Ltd. transitioned from a company with committees to a company with audit and supervisory committee under the approval of the regular shareholder's meeting on June 28, 2016.

In order to take over the operations of the Ashikaga Bank, Ashikaga Holdings adopted a stock transfer and holding company scheme to take over the entire business while maintaining the corporate status of the Ashikaga Bank. For these background, the Ashikaga Bank is Ashikaga Holdings' only direct subsidiary and many of the officers of Ashikaga Holdings also serve as board members of the Ashikaga Bank. With respect to overlapping management functions between Ashikaga Holdings and the Ashikaga Bank, we will ensure effective and efficient business operations and governance of the Group as a whole through close mutual collaboration between each division.

Management Structure

Board of Directors

The Board of Directors is composed of six directors (of which three are outside directors). It has decision-making powers over basic management policies and important operational matters, and supervises the execution of duties by directors and executive officers. The outside directors comprise an experienced lawyer with successful track records in corporate legal affairs, a certified public accountant and a member of the regional business community. This system enables us to implement management decisions and carry out supervisory tasks from a wide range of perspectives, resulting in improved management and stronger corporate governance. The board of directors' meeting is held, in principle, once a month.

Nominating Committee

The Nominating Committee is composed of four directors (of which three are outside directors) and decides on proposals to be submitted to the annual meeting of shareholders concerning the election and dismissal of directors.

Compensation Committee

The Compensation Committee is composed of four directors (of which three are outside directors) and decides on policy for decision-making on compensation for individual directors and executive officers, as well as individual compensation levels.

Audit Committee

The Audit Committee is composed of four directors (of which three are outside directors and the Committee Chairman is an outside director) and audits the performance of duties by directors and executive officers. It also decides on proposals to be submitted to the annual meeting of shareholders concerning the election and dismissal of accounting auditors, or refusal to reelect them. The Audit Committee is held, in principle, once a month.

Executive Officers and Group Management Meeting, etc.

Ashikaga Holdings has five executive officers — the Chairman and the President (both are Chief Executive Officers), and three Executive Officers authorized by the Board of Directors to supervise respectively the

Corporate Planning Department, Business Administration Department and Auditing Department. While maintaining close contacts with divisions of the Ashikaga Bank, they supervise operations on a Group-wide basis, carrying out their management duties promptly and in a manner befitting the management of the holding company.

We hold various Group meetings, such as the Group Management Meeting, Group ALM Meeting and Group Compliance Meeting, through which Executive Officers, to the extent approved by the Board of Directors, discuss and decide on important issues concerning business operations.

Internal Control System

As a regional financial institution, in order to contribute to the stability and development of the region and its people by ensuring the soundness and appropriateness of its business and providing a smooth and appropriate supply of funds and financial services, we observe strict compliance with laws and regulations, rigorously protect its customers, and appropriately manages risks in all of the business of Ashikaga Holdings and its subsidiaries (hereafter "the Group") based on appropriate corporate governance. At the same time, it recognizes the need to ensure business efficiency. Based on this recognition, the Company's Board of Directors has adopted a "Basic Policy for Internal Controls (Whole Group)" for effective development and implementation of internal controls as below.

1. Conformity of performance of duties by Executive Officers and employees with laws, ordinances and articles of incorporation
   (1) The Group positions compliance as a management priority. It has compiled a basic Group compliance policy to which all directors and employees are subject.
   (2) It has established a legal compliance management section to prepare and establish the legal compliance system.
   (3) 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.
   (4) The Group takes a strict line with illegal or wrongful conduct, including 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
   (1) The Group requires Executive Officers to document their performance of duties and create an appropriate document management system.
   (2) 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
   (1) 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 establishing a section responsible for risk management.
   (2) 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
   (1) 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.
   (2) Executive Officers carry out their duties in line with the basic policy of management and division of authority decided by the Board of Directors.
   (3) 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
   (1) The Company aims to achieve its business goals through conducting the Group management control by receiving necessary reports from its subsidiary to secure legality and appropriateness of the Group business as a whole, while securing efficiency in business and adhering to sound corporate management of the Group as a whole.
   (2) The Group drafts management policies, and works to ensure full legal compliance, customer protection and appropriate risk management.
   (3) The Auditing 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 article from Executive Officers and ensuring effectiveness of the instructions by the Audit Committee to the 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 subsidiary's Directors, Corporate Auditors, Executive Officers, employees or those who received report from any of the foregoing personnel

(1) 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 subsidiary's Directors, Corporate Auditors, employees or those who received report from any of the foregoing personnel must report on to the Audit Committee.

(2) Members of the Audit Committee may, at any time when 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 subsidiary's Directors, Corporate Auditors, employees or those who received report from any of the foregoing personnel to file reports.

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

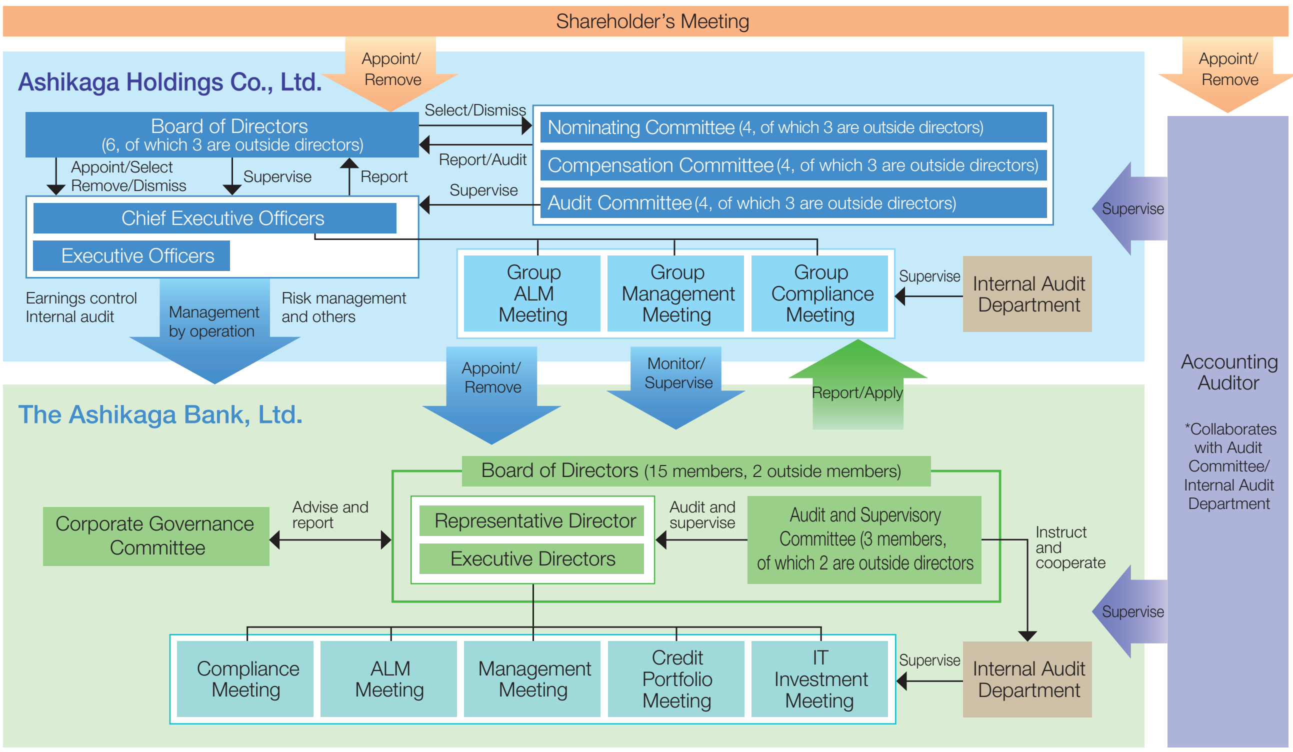
The Group shall not take disciplinary measures against, discriminate or take other reprisals against, make disadvantageous personnel evaluation on, or treat unfavorably in any other forms the persons who have made reports to the Audit Committee because of such reports.

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.



Business Integration with Joyo Bank

Joyo Bank and Ashikaga Holdings' subsidiary,Ashikaga Bank offer smooth financial functions as local leading banks with solid business grounds in North Kanto area, primarily Ibaraki and Tochigi.

As the surrounding business environment undergoes changes, the two banks will maintain each other's deep-rooted brand name and work together at the same time. As we move toward the expansion of our business foundation and the enrichment of our management foundation due to the integration, we aim at growing together with the community by sharing and making the best use of our management resources and know-how. In concrete terms, Joyo Bank and Ashikaga Holdings will conduct share exchange, and under the integrated holding company, Ashikaga Bank and Joyo Bank will develop business as fellow subsidiaries. Accordingly, we will meet the expectations of our customers, the community and our shareholders with high quality and speed which cannot be achieved alone.

Company Name

Mebuki Financial Group, Inc.

* Note: Ashikaga Holdings Co., Ltd. will change its name to the above.

Our wish implied in the company name

Mebuki, or green shoots, means "new leaves sprouting from the trees." This word is used in the Group name to express how fresh ideas and new values will be continually brought about by bringing the Group companies' knowledge and ingenuity together.

The company name implies its wish to sprout new value and vital energy in local communities and realize sustainable growth of the company together with local communities.

Location of Headquarters (Registered Address)

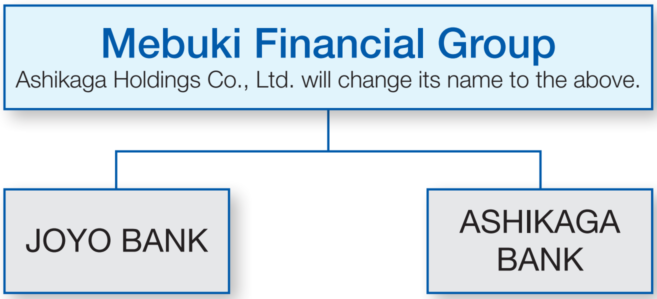
7-2, Yaesu 2-chome, Chuo-ku, Tokyo

(Note) The headquarters of Ashikaga Holdings Co., Ltd. will be relocated to the above address. The locations of Joyo Bank and Ashikaga Bank will not change.

Location of Head Offices

- Mito Head Office
  5-5, Minami-machi 2-chome, Mito, Ibaraki
- Utsunomiya Head Office
  1-25, Sakura 4-chome, Utsunomiya, Tochigi

(Note) The head office functions of Mebuki Financial Group, Inc. will comprise its full-time officers and employees as well as concurrent officers and employees of Joyo Bank or Ashikaga Bank, and will be located in Mito, Ibaraki and Utsunomiya, Tochigi.



Schedule

October 1, 2016 (Saturday) (planned)
Effective date of stock exchange

Under Mebuki Financial Group, Inc., Ashikaga Bank and Joyo Bank will form a new financial group and function as fellow subsidiaries, and develop business together.

(note) This integration is valid only with the necessary approval of the authorities concerned.

Group Management Philosophy

The new financial group will provide high-quality comprehensive financial services to continue creating a prosperous future with local communities.

We will bring the Group's ingenuity together to contribute to sustainable growth of local communities. We will endeavor to resolve challenges of local communities by providing high-quality comprehensive financial services to create a prosperous future with local communities.

Group Ideal (Strategic Target)

The new Group will maintain and promote the relationships with customers and local communities as well as deep understanding of local communities that the Banks have developed over the years. At the same time, the new Group will seek to expand the economic interaction zone by utilizing its wide-area network, endeavor to increase the size and range of comprehensive financial services and work toward the "development of local industries, revitalization of local economy and creation of new markets" for the growth of the company together with local communities.

Comprehensive financial service group that will create the future of local communities

The New Group's Fundamental Strategies for the Business Integration

- **Consolidation of ingenuity for regional revitalization**
- **Expansion of comprehensive financial services**
- **Expansion of area and channels**
- **Operational reform**
- **Building of the new financial group's management structure**

Synergy Target (FY 2021)

Synergy emerges as the two banks promote efforts based on integrated basic strategies, at the same time share mutual strengths and know-how, and combine their creative capacities.

For specific synergy targets, we will increase balance of loans and bills discounted, increase gross business profit, reduce costs, shift personnel generated from higher business efficiency to customer-responsive departments.

- Increase due to synergy of balance of loans and bills discounted **+¥700.0** billion
- Synergy of top line and cost **+¥15.0** billion roughly
- Personnel shift toward business area and strategic area **150** employees

New branches: about 15 (lease and securities inclusive)

Results for the year ended March 31, 2016

	JOYO BANK	ASHIKAGA BANK	Sum
Balance of deposits	¥8,103.3 billion	¥5,224.5 billion	¥13,327.9 billion
Balance of loans and bills discounted	¥5,912.7 billion	¥4,274.4 billion	¥10,187.1 billion
Ordinary profit (consolidated)	¥47.6 billion	¥30.3 billion (*)	¥78.0 billion

(*) Ashikaga Holdings consolidated

Risk Management at the Ashikaga Holdings Group

In addition to managing each of the various risks that we face individually, the Group has in place and is committed to improving an overall risk management framework to control risk within acceptable limits. It does this by forming a clear idea of overall possible risk limits, and then comparing and contrasting them with the financial resources of the Group.

ALM and risk management frameworks

We manage risk based on the Comprehensive Group Risk Management Policy compiled by the Board of Directors of Ashikaga Holdings. We have established a Group ALM Meeting as a management-level committee charged with implementing specific measures laid down in the Comprehensive Group Risk Management Policy. The necessary decision-making authority has been vested in this Council.

The Group ALM Meeting ensures that management always focuses on the risk-return balance and takes measures to accelerate and streamline decision-making, by ensuring that reviews and consultation are carried out with risk and revenue management closely linked, while maintaining due controls on risk. In addition, we have set up a Risk Management Group in the Business Administration Department, to ensure oversight and integration of various kinds of risk management.

Based on Group policy, risk management at the Ashikaga Bank includes the compilation of the Comprehensive Risk Management Policy and the establishment of an ALM Meeting as a management-level committee, as with Ashikaga Holdings. In addition, we are creating a Risk Management Division to supervise risk management, and divisions in charge of management of individual risk categories.

The Group ALM Meeting and the ALM Meeting held on a monthly basis are attended by full-time (Head Office) executives at Ashikaga Holdings and the Ashikaga Bank and reports about progress in comprehensive risk management and management of individual risk categories are received. In addition, they discuss possible steps to be taken to deal with changes in the internal or external business environment.

To ensure effective communication regarding risk, we have various information-relaying systems in place. We plan to strengthen our mechanisms for gathering information.

Comprehensive Risk Management

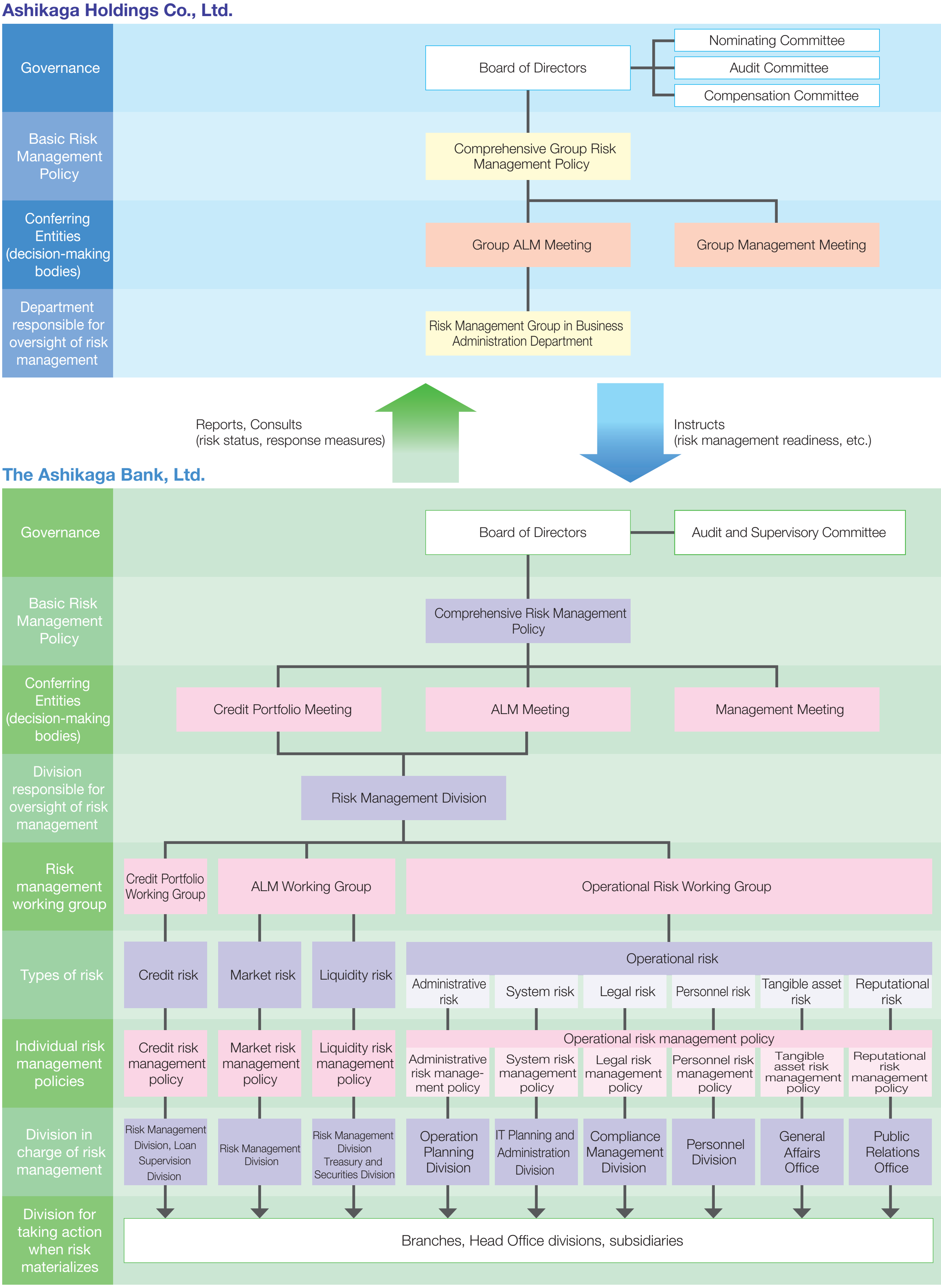
We use the Value-at-Risk (VaR) method to quantify the various types of risk that arise in our various businesses including lending and market trading, and apply the results of such analysis in our business management (comprehensive risk management). At the Ashikaga Bank, we use the Risk Capital System as a specific tool for comprehensively managing risk.

In concrete terms, we allocate capital (risk capital) for internal management purposes within the scope of credit risk, market risk, strategic stock investment risk, banking account interest rate risk and operational risk, ensuring that the total amount does not exceed core capital. Based on risk capital, we establish risk limit amounts every six months.

During the term, we ensure sound management by respecting risk limits in risk-taking and risk control. In addition, we confirm risk quantification results and the appropriateness and effectiveness of risk management methods using back-testing and stress-testing.

We have established a clear-cut Comprehensive Risk Management Policy and set of rules, governing basic approaches to the Risk Capital System, and methods of evaluation and monitoring of risk.

Risk Management Framework



Credit risk management

Credit risk is the risk of losses from reduction or loss of the value of loans and bills discounted and other assets held by the Bank due to deterioration of the financial standing of borrowers.

Based on the credit risk management policy approved at a meeting of the Board of Directors, the Ashikaga Bank clarifies the risk, etc. that needs to be appraised and managed, and, in the conviction that credit risk management is an essential prerequisite for ensuring sound financial health and profitability, adopts the following policies to further control risk.

Credit policy	• The Bank's credit policy clearly lays down basic policy for community contributions, borrower profiles, appropriate lending practices, soundness of assets, and ensuring adequate levels of profitability. • As a regional financial institution with its core business based in the North Kanto area centering on Tochigi Prefecture, our lending activities chiefly target regional small-and-medium-sized enterprises, individual business owners and individuals who have close relations with this area.
Credit risk management	• Division in charge of credit risk management, which is organizationally and functionally independent from the business promotion, credit-screening and management divisions, is responsible for planning and operational management of borrower rating systems, asset self-assessment and write-offs and provisions to the reserve for loan losses. In addition, it monitors loan assets and is the specialized organization responsible for comprehensive oversight of the credit portfolio. • In addition, the Credit Portfolio Meeting regularly deliberates and reviews the Bank's credit risk status and issues on an organization-wide basis.
Borrower rating system	• Under our borrower rating system, borrowers are divided into 14 categories based on quantitative analysis of their assets and qualitative analysis of the business environment and other issues they face. The borrower rating system is the basis of credit risk management. It enables instant appraisal of changes in credit circumstances at borrowers, helps make the credit screening decision-making process more efficient, and helps us set interest rates on loans and acts as a standard for credit portfolio management.
Credit portfolio management	• We analyze portfolio characteristics in terms of borrower credit rating, industrial sector, geographical area and other criteria, and carry out regular reviews of increases or decreases in credit in specific corporate groups or industries, and strengthen monitoring to ensure credit risk is not overly concentrated in certain sectors. In addition, in tandem with strengthening measures for loans for SMEs and individuals, we aim to create a portfolio that is capable of credit asset small-lot diversification and generation of steady earnings.
Quantification of credit risk	• We calculate credit risk amounts on a monthly basis using credit risk measurement systems. The amount of measured credit risk and changes in such amount are mainly analyzed to identify contributing factors, and a report is made to the ALM Meeting regarding future measures.

Market risk management

Market risk is the risk of losses from changes in the value of financial assets and liabilities held by the Ashikaga Bank, due to changes in market interest rates, foreign exchange rates and stock market prices.

When we engage in market transactions, we carry out prior investigations and analyses, and make investments based on appraisal of identified risk. In addition to ensuring market liquidity and a suitable balance between returns and risk, we apply risk control parameters, in as much as they are feasible, to use and manage financial derivative products. Market risk management is carried out in an appropriate way based on a comparison of our own financial resources and amount at risk, while paying due consideration to secondary risk from the above-mentioned market transactions.

We set clear risk management parameters, measurement (monitoring) standards, control standards and reporting measures for market transactions, strategic stock investments and interest rate risk affecting banking account transactions. Every six months, we set risk management benchmarks (risk limits, loss limits, etc.) under a strict management regime.

Liquidity risk management

Liquidity risk is the risk of incurring a loss due to difficulties in raising funds needed for settlements and other purposes, or being forced to procure funds at a higher interest rate than normal.

The Ashikaga Bank has positioned itself to respond swiftly to all liquidity risk situations from normal banking operations to emergencies, and has compiled countermeasures for each possible situation. Specifically, in conventional cash flow management operations, we avoid increasing liquidity risk by managing trends in deposits and loan balances and managing indicators such as upper limits for fund procurement, in addition to using major benchmarks such as funding gaps and the balance of liquidity assets.

In a response to liquidity emergencies (establishment of a crisis headquarters, liaison and reporting mechanisms, response measures, delegation of decision-making, and chain of command), we have established a liquidity risk contingency plan. Based on it, we carry out regular drills to ensure its effectiveness during an actual emergency.

Operational risk management

Because operational risk is very diverse, comprising administrative risk, system risk, legal risk, personnel risk, tangible asset risk and reputational risk, it is jointly managed by a range of different divisions.

At the same time, operational risk is supervised on an integrated basis by the Risk Management Division, because all of our operations and divisions are subject to risk that could prevent continuation of business.

Management of administrative risk	• Administrative risk refers to the risk of losses due to errors, accidents, fraud or other irregularity on the part of executives or other employees. • Depending on the nature of business and risk profile, the Bank has in place administrative regulations that are comprehensive and compliant with laws and regulations, enabling us to ensure that all employees from executives down perform their administrative duties correctly, without accidents or fraud or other irregularity. • We comprehensively collect information on losses due to administrative risk that occur during the course of business. By analyzing the accumulated data concerning such risk, we have strengthened our administrative risk management structure by establishing appropriate procedures for identification, evaluation, monitoring, control and reduction of administrative risk.
Management of system risk	• System risk is the risk of losses arising from computer system failure or system malfunction, as well as abuse of computer systems. • The Bank has compiled a system risk management policy, to serve as a basic policy for taking measures to assure the security and reliability of computer systems. In the event that computers stop functioning normally, due to causes such as disaster impact, we have duplicated backbone systems and established a contingency plan for dealing with emergencies. We are taking measures to ensure we can respond swiftly to such failure scenarios.
Management of information security	• The adoption of appropriate security policies for information assets is a key requirement not only for continuation and stable conduct of our business, but also for upholding our public reputation. • We have compiled a Data Security Policy as a management policy for due protection of information assets in our possession. We take care to rigorously manage all information relating to our customers, having created information asset manager positions at Head Office and in branches, as well as an information security management system.
Business continuity system	• Natural disasters, computer-system failures and epidemics of infectious diseases are among the events that can trigger an unavoidable suspension of operations. In the event of an emergency situation, we have in place business continuation measures that enable us to quickly resume or maintain as many core services as possible, as a matter of public duty. • Under our basic policy on creating a business continuity system, the roles of individual employees are clarified. We are committed to ensuring as rapid a response to a crisis as possible.

System of Legal Compliance at the Ashikaga Holdings Group

The Group has positioned compliance as one of the most important priorities facing management, and has drawn up a basic compliance policy for the Group.

All employees from executives down are constantly aware of the public roles and responsibilities that we have as a banking group. We are committed to compliance with laws, regulations and social norms, establishment of trust through sound business management, and to pursuing our corporate activities in a spirit of sincerity and fairness.

Management awareness and response

Management is fully aware that ensuring rigorous legal compliance is one of the most important priorities it faces, and directors of the board and executive officers themselves take care to avoid violation of laws and regulations during the performance of duties.

On April 25, 2016, Ashikaga Holdings and the Ashikaga Bank concluded a business integration agreement with the Joyo Bank. It was then approved in the shareholder's meeting of the two parties dated on June 28, 2016, and this integration is scheduled on October 1, 2016 with the approval of the concerned authorities as the premise. Although we are adopting the committee-based management system at the moment, it will shift to the one with audit and supervisory committee shortly after the integration. The placement of multiple outside directors ensures transparent and fair decision-making as well as high standard of audit and supervision while delegating more authorities on business execution to directors facilitates decisive decision-making and business execution.

Also, the corporate governance committee led by outside directors will be set as our advisory body after the integration. In the same committee, nominating of candidates for directors and compensation for directors will be discussed, and the Group's governance will be evaluated. As a result, the effectiveness of governance will be enhanced.

Moreover, establishing an executive session comprised of only outside directors allows them to exchange information and share views with each other. Accordingly, we will actively incorporate diverse opinions from the outside directors.

Instilling rigorous compliance throughout the Ashikaga Bank

To ensure a culture of compliance, it is necessary to ensure that compliance awareness and commitment permeates from management downward and throughout the Bank organization, using various platforms and mechanisms.

To achieve this, we set strict compliance as one of the management policies and the management instills the concepts of legal compliance through meetings of all division, office and branch managers of the Bank. At the same time, specific compliance action plans are drawn up based on a compliance manual and action guidelines, to ensure the effectiveness of compliance awareness-raising.

The Group's basic compliance policy comprises the following concepts

Ensuring trust	In awareness of its social responsibilities and public mission, the Group provides comprehensive financial services rooted in the community, engages in sound business operations and ensures public trust.
Compliance with laws and regulations	The Group regards compliance with laws and regulations as a cardinal priority for management. In addition to legal compliance, the Group will engage in its corporate activities in a spirit of sincerity and fairness, without overstepping social norms or conventions.
Measures against antisocial forces	The Group will take decisive action against forces that threaten orderly public activity and security, or that undermine the development of a sound economy and society.
Management transparency	The Group shall, in a fair, timely, and appropriate way, disclose management information to customers, employees, shareholders, and local communities and industries, as a trust-building measure.
Creating and upholding compliance frameworks	The Group will thoroughly familiarize all employees with the importance of compliance, and establish and maintain a compliance framework based on implementation and planning of internal controls including sets of regulations, creation of dedicated organizations and employee training programs.

Improving compliance effectiveness

We have compiled the following seven Compliance Principles as a behavioral guideline for Group employees, who will do their best to abide by the principles.

Seven Compliance Principles

- Comply with laws and regulations affecting our business and social norms
- Always keep promises
- Do not mix private and public business
- Keep your surroundings clean and tidy
- Be scrupulously careful about information management
- Uphold and improve workplace order
- Thoroughly internalize the importance of reporting, liaising and consulting

In addition, the Bank has set up a Compliance Working Group, which checks compliance progress and status and discusses important matters every month, thereby improving the effectiveness of our compliance measures.

We have incorporated compliance programs into all of our training courses for different seniority grades at the Bank, to thoroughly instill a sense of the importance of legal compliance in all employees from executives downwards.

In fiscal 2016 as well, we compiled a compliance program to ensure systematic compliance with laws and regulations, and it is now in operation.

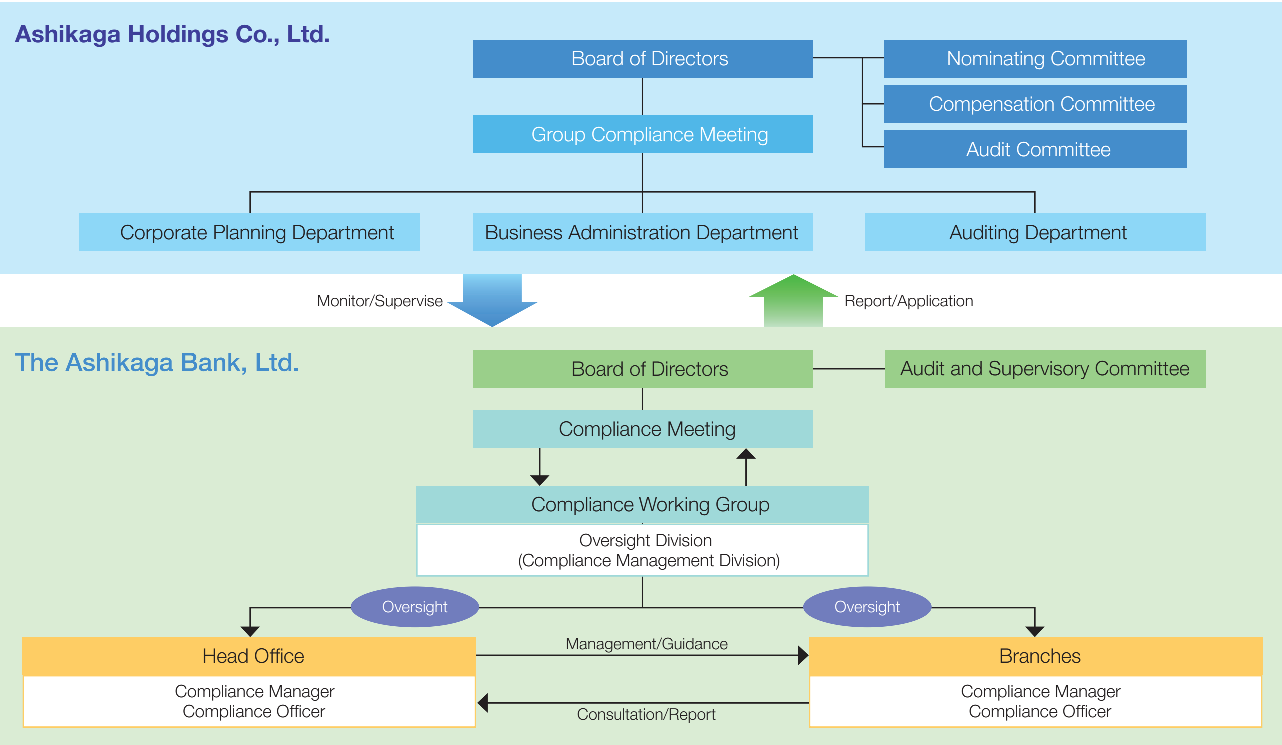
Compliance organizations and measures for the future

The Group has established a Compliance Management Group within the Business Administration Department to further strengthen our compliance framework.

In addition, in order to ensure compliance with laws and regulations at the Ashikaga Bank at the Head Office and branch level, we have also established the posts of Compliance Manager and Compliance Officer in every division, office and branch.

In the future, we will strive to further develop our compliance frameworks so as to further deepen public trust.

Compliance System (As of June 28, 2016)



Measures to protect customer interests

The Group recognizes that establishment of a management framework for protection of the customer's interests is vital not only for the customer and the enhancement of customer convenience, but also for the soundness and propriety of Group business operations. Accordingly, it has established the following management policies for protection of customer interests.

Executives and employees recognize that continuous assessment and improvement of their own performance of duties from the customer's perspective are important to safeguarding customer interests, and are committed to improvement.

1. Ensuring customer understanding of explanations

   We have mechanisms to ensure full and due customer understanding of our explanations of their transactions with the Group, as well as with subsidiaries (credit transactions (loan contracts and related collateral and guarantee agreements), acceptance of deposits, etc., domestic and foreign exchange transactions, marketing, intermediary services and solicitation relating to financial products).

2. Customer support

   We have established within the Group a general office for responding appropriately when a customer has an inquiry, seeks consultation, or expresses a wish or complaint. We are committed to improvement in all our operations, not just to resolution of single issues. At the same time, we always treat the customer with friendly and appropriate courtesy, without letting personal feelings get in the way, and take care to ensure provision of financial products and services that complies with regulations.

3. Using the Alternative Dispute Resolution system

   We will use the Alternative Dispute Resolution (ADR) model of dispute settlement without resort to courts, which prioritizes the customer more and better suits the needs of an aging population and the diversification and increasing complexity of financial products.

   The Bank has concluded a basic agreement on procedures with the Japanese Bankers Association, a designated ADR organization (institution designated under the Banking Act as a dispute resolution organization).

4. Management of customer information

   Except where otherwise laid down under laws and regulations, information concerning customers is managed within the parameters deemed necessary for achievement of purposes relating to such information. In addition, we take measures to prevent external leakage of, loss of or damage to information about customers.

5. Sharing customer information within the Group

   To ensure greater protection and convenience for the customer, and better risk management within the Group, customer information is shared by Ashikaga Holdings with its subsidiaries (including consolidated subsidiaries).

   To protect customer information subject to shared use within the Group, we set clear limits on the category of information used, whom it is shared among, and what it is used for. We also have in place management mechanisms to ensure appropriate handling in conformity with laws protecting personal information, and with guidelines and laws and regulations relating to protection of personal information specific to the financial sector.

6. Management of conflict of interest

   In transactions between the Group and its customers, the Group protects customers we are advising from adverse effects, such as firewalls between different business sections, to avoid events that constitute conflict-of-interest or other impropriety.

   In particular, in cases where Ashikaga Holdings and its subsidiaries provide multiple services to the same customer, we have in place appropriate safeguards such as firewalls to prevent abuse of customer information and conflict-of-interest situations (including firewalls with affiliated companies), and measures to prevent unfair trading such as selling tie-in products.

7. Management of outsourcing

   When Ashikaga Holdings outsources operations to external providers, it ensures the outsourced task is performed exactly as required and that both customer information and customer interests are handled appropriately.

8. Management of other operations

   We ensure appropriate management of operations that we judge to be essential for the protection and convenience for the customer.

Consolidated Financial Statements
Consolidated Balance Sheet
March 31, 2016 Ashikaga Holdings Co., Ltd. and Consolidated Subsidiaries

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	2016
ASSETS			
Cash and due from banks (Notes 3, 10, and 21)	¥ 437,509	¥ 365,322	$ 3,882,759
Call loans and bills bought (Note 21)	414	1,644	3,679
Monetary claims bought (Note 21)	7,627	7,727	67,691
Trading account securities (Notes 4 and 21)	3,596	4,164	31,917
Securities (Notes 4, 10, and 21)	1,296,769	1,207,938	11,508,428
Loans and bills discounted (Notes 6, 10, 21, and 25)	4,235,174	4,150,466	37,585,857
Foreign exchanges (Note 6)	4,377	5,837	38,846
Tangible fixed assets (Note 7)	24,424	24,291	216,762
Intangible fixed assets (Note 8)	78,601	85,754	697,567
Asset for retirement benefits (Note 13)	10,446	13,884	92,713
Deferred tax assets (Note 20)	584	604	5,183
Customers' liabilities for acceptances and guarantees (Note 9)	12,913	16,566	114,603
Other assets (Note 10 and 22)	34,277	23,938	304,200
Allowance for loan losses	(40,679)	(43,901)	(361,014)
Total	¥6,106,037	¥5,864,239	$54,189,190
LIABILITIES AND EQUITY			
LIABILITIES:			
Deposits (Notes 10 and 21)	¥5,206,700	¥5,071,110	$46,207,852
Negotiable certificates of deposit (Note 21)	174,878	197,379	1,551,994
Call money and bills sold (Note 21)	78,000	—	692,226
Payables under securities lending transactions (Notes 10 and 21)	25,263	2,473	224,202
Borrowed money (Notes 10, 11, and 21)	251,726	232,546	2,233,999
Foreign exchanges	282	365	2,508
Other liabilities (Note 12 and 22)	46,266	49,169	410,601
Provision for directors' bonuses	57	54	514
Provision for directors' retirement benefits	311	262	2,762
Provision for reimbursement of deposits	858	803	7,614
Provision for contingent losses	464	495	4,120
Provision for point card certificates	134	115	1,198
Deferred tax liabilities (Note 20)	5,074	5,774	45,034
Acceptances and guarantees (Note 9)	12,913	16,566	114,603
Total liabilities	¥5,802,932	¥5,577,117	$51,499,227
EQUITY (Notes 14 and 15):			
Common stock:			
Authorized, 990,000 thousand shares;Issued, 333,250 thousands shares in 2016 and 2015	¥ 117,495	¥ 117,495	$ 1,042,737
Capital surplus	29,025	29,025	257,590
Retained earnings	113,594	94,474	1,008,113
Total shareholders' equity	260,115	240,994	2,308,440
Accumulated other comprehensive income:			
Unrealized gains on available-for-sale securities (Note 5)	48,527	44,704	430,663
Deferred losses on hedges (Note 22)	(3,951)	(650)	(35,067)
Defined retirement benefit plans (Note 13)	(1,585)	2,072	(14,073)
Total accumulated other comprehensive income	42,990	46,126	381,523
Total equity	303,105	287,121	2,689,964
TOTAL	¥6,106,037	¥5,864,239	$54,189,190

See notes to consolidated financial statements.

Consolidated Statement of Income

Year Ended March 31, 2016 Ashikaga Holdings Co., Ltd. and Consolidated Subsidiaries

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	2016
INCOME:			
Interest income:			
Interest on loans and bills discounted	**¥ 55,936**	¥57,010	**$496,415**
Interest and dividends on securities	**16,958**	13,118	**150,498**
Interest on call loans and bills bought	**393**	331	**3,491**
Interest on deposits with banks	**404**	275	**3,586**
Other interest income	**114**	125	**1,014**
Fees and commissions	**22,138**	21,839	**196,469**
Other operating income	**1,692**	1,272	**15,020**
Other income (Note 17)	**4,838**	2,766	**42,938**
Total income	**102,474**	96,739	**909,432**
EXPENSES:			
Interest expenses:			
Interest on deposits	**2,079**	2,308	**18,457**
Interest on negotiable certificates of deposit	**212**	206	**1,882**
Interest on call money and bills sold	**8**	77	**73**
Interest on payables under securities lending transactions	**211**	69	**1,873**
Interest on borrowed money	**1,537**	1,924	**13,644**
Other interest expenses	**783**	296	**6,957**
Fees and commissions payments	**6,198**	6,056	**55,006**
Other operating expenses	**192**	144	**1,713**
General and administrative expenses (Note 18)	**55,471**	56,636	**492,296**
Provision of allowance for loan losses	**2,013**	4,097	**17,867**
Other expenses (Note 19)	**3,595**	3,874	**31,913**
Total expenses	**72,304**	75,691	**641,680**
INCOME BEFORE INCOME TAXES	**30,170**	21,048	**267,752**
INCOME TAXES (Note 20):			
Current	**5,805**	10,592	**51,521**
Deferred	**1,912**	(6,620)	**16,970**
Total income taxes	**7,717**	3,972	**68,492**
NET INCOME	**¥ 22,452**	¥17,076	**$199,260**
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	**¥ 22,452**	¥17,076	**$199,260**

	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK (Note 16):			
Basic net income	**¥67.37**	¥51.24	**$0.60**
Cash dividends applicable to the year (Note 14)	**10.00**	9.00	**0.09**

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Year Ended March 31, 2016 Ashikaga Holdings Co., Ltd. and Consolidated Subsidiaries

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	2016
NET INCOME	**¥22,452**	¥17,076	**$199,260**
OTHER COMPREHENSIVE INCOME (LOSS) (Note 23):			
Unrealized gains on available-for-sale securities	**3,822**	24,473	**33,927**
Deferred losses on hedges	**(3,301)**	(619)	**(29,298)**
Defined retirement benefit plans	**(3,658)**	3,032	**(32,467)**
Total other comprehensive income (loss)	**(3,136)**	26,887	**(27,838)**
COMPREHENSIVE INCOME	**¥19,315**	¥43,963	**$171,423**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	**¥19,315**	¥43,963	**$171,423**
Noncontrolling interests	**—**	—	**—**

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

Year Ended March 31, 2016 Ashikaga Holdings Co., Ltd. and Consolidated Subsidiaries

	Millions of Yen						
				Accumulated other comprehensive income			
	Common stock (Note 14)	Capital surplus	Retained earnings	Unrealized gains on available-for-sale securities	Deferred losses on hedges	Defined retirement benefit plans	Total equity
BALANCE, APRIL 1, 2014 (as previously reported)	¥117,495	¥29,025	¥ 75,375	¥20,230	¥ (30)	¥ (960)	¥241,135
Cumulative effect of accounting change (Note 2.k)	—	—	4,855	—	—	—	4,855
BALANCE, APRIL 1, 2014 (as restated)	117,495	29,025	80,230	20,230	(30)	(960)	245,990
Net income attributable to owners of the parent	—	—	17,076	—	—	—	17,076
Cash dividends	—	—	(2,832)	—	—	—	(2,832)
Net changes except for shareholders' equity during the year	—	—	—	24,473	(619)	3,032	26,887
Net change in the year	—	—	14,243	24,473	(619)	3,032	41,131
BALANCE, APRIL 1, 2015	117,495	29,025	94,474	44,704	(650)	2,072	287,121
Net income attributable to owners of the parent	**—**	**—**	**22,452**	**—**	**—**	**—**	**22,452**
Cash dividends	**—**	**—**	**(3,332)**	**—**	**—**	**—**	**(3,332)**
Net changes except for shareholders' equity during the year	**—**	**—**	**—**	**3,822**	**(3,301)**	**(3,658)**	**(3,136)**
Net change in the year	**—**	**—**	**19,120**	**3,822**	**(3,301)**	**(3,658)**	**15,983**
BALANCE, MARCH 31, 2016	**¥117,495**	**¥29,025**	**¥113,594**	**¥48,527**	**¥(3,951)**	**¥(1,585)**	**¥303,105**

	Thousands of U.S. Dollars (Note 1)						
				Accumulated other comprehensive income			
	Common stock (Note 14)	Capital surplus	Retained earnings	Unrealized gains on available-for-sale securities	Deferred losses on hedges	Defined retirement benefit plans	Total equity
BALANCE, APRIL 1, 2015	$1,042,737	$257,590	$ 838,428	$396,736	$ (5,769)	$ 18,394	$2,548,116
Net income attributable to owners of the parent	**—**	**—**	**199,260**	**—**	**—**	**—**	**199,260**
Cash dividends	**—**	**—**	**(29,575)**	**—**	**—**	**—**	**(29,575)**
Net changes except for shareholders' equity during the year	**—**	**—**	**—**	**33,927**	**(29,298)**	**(32,467)**	**(27,838)**
Net change in the year	**—**	**—**	**169,685**	**33,927**	**(29,298)**	**(32,467)**	**141,848**
BALANCE, MARCH 31, 2016	**$1,042,737**	**$257,590**	**$1,008,113**	**$430,663**	**$(35,067)**	**$(14,073)**	**$2,689,964**

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Year Ended March 31, 2016 Ashikaga Holdings Co., Ltd. and Consolidated Subsidiaries

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	2016
OPERATING ACTIVITIES:			
Income before income taxes	¥ 30,170	¥ 21,048	$ 267,752
Adjustments for :			
Income taxes paid	(12,405)	(3,645)	(110,095)
Depreciation and amortization	3,495	3,446	31,022
Impairment loss	50	—	446
Amortization of goodwill	6,202	6,202	55,045
Decrease in allowance for loan losses	(3,222)	(149)	(28,601)
Increase in provision for directors' bonuses	3	6	32
Increase in asset for retirement benefits	(1,893)	(1,248)	(16,803)
Increase in provision for directors' retirement benefits	48	73	432
Increase (decrease) in provision for reimbursement of deposits	55	(803)	488
(Decrease) increase in provision for contingent losses	(31)	71	(280)
Increase in provision for point card certificates	19	26	172
Interest income (accrual basis)	(73,805)	(70,861)	(655,004)
Interest expenses (accrual basis)	4,832	4,882	42,885
(Gain) loss related to securities	(1,212)	2,337	(10,759)
Foreign exchange (losses) gains	7,905	(11,116)	70,157
Loss on disposal of fixed assets	108	15	965
Loss on reduction of fixed assets	26	—	239
Net increase in loans and bills discounted	(84,707)	(192,383)	(751,755)
Net increase in deposit	135,589	127,973	1,203,318
Net (decrease) increase in negotiable certificates of deposit	(22,500)	26,338	(199,687)
Net increase in borrowed money (excluding subordinated borrowings)	29,180	51,901	258,970
Net decrease in due from banks (excluding deposit paid to Bank of Japan)	251	391	2,235
Net decrease in call loans	1,569	301	13,932
Net decrease in trading account securities	607	125	5,394
Net increase (decrease) in call money	78,000	(6,175)	692,226
Net increase (decrease) in payables under securities lending transactions	22,789	(3,491)	202,247
Net decrease in foreign exchanges - assets	1,460	131	12,959
Net decrease in foreign exchanges - liabilities	(83)	(397)	(737)
Interest and dividends received (cash basis)	73,908	68,191	655,915
Interest paid (cash basis)	(7,692)	(2,020)	(68,268)
Other, net	(9,273)	(2,564)	(82,299)
Total adjustments	149,277	(2,439)	1,324,791
Net cash provided by operating activities	179,447	18,608	1,592,543
INVESTING ACTIVITIES:			
Purchases of securities	(330,762)	(257,319)	(2,935,416)
Proceeds from sales of securities	85,566	72,826	759,375
Proceeds from redemption of securities	154,466	193,323	1,370,846
Purchases of tangible fixed assets	(2,093)	(2,618)	(18,582)
Proceeds from sales of tangible fixed assets	0	34	5
Purchases of intangible fixed assets	(760)	(664)	(6,753)
Other, net	(71)	(56)	(632)
Net cash (used in) provided by investing activities	(93,654)	5,525	(831,157)
FINANCING ACTIVITIES:			
Repayments of subordinated borrowings	(10,000)	—	(88,747)
Cash dividends paid	(3,332)	(2,832)	(29,575)
Net cash used in financing activities	(13,332)	(2,832)	(118,322)
Effect of exchange rate changes on cash and cash equivalents	(21)	42	(194)
Net increase in cash and cash equivalents	72,438	21,344	642,869
Cash and cash equivalents, beginning of year	363,712	342,368	3,227,834
Cash and cash equivalents, end of year (Note 3)	¥436,150	¥363,712	$3,870,703

NONCASH FINANCING ACTIVITY:
Not applicable.

See notes to consolidated financial statements.

1. BASIS OF PRESENTATION

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

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2015 consolidated financial statements to conform to the classifications used in 2016.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. As permitted by the Japanese Financial Instruments and Exchange Act, amounts less than one million yen have been omitted. As a result, the totals do not necessarily agree with the sum of the individual amounts. Yen amounts, other than per share amounts, have been rounded down to millions of yen. Yen per share amounts have been rounded down to two decimal places.

The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥112.68 to $1, the rate of exchange at March 31, 2016. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation—The consolidated financial statements include the accounts of the Company and its significant subsidiaries. There were four consolidated subsidiaries as of March 31, 2016 and 2015.

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

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

The consolidated financial statements do not include the accounts of one subsidiary in 2016 and 2015 because the total assets, total income, net income, and retained earnings of the entity would not have had a material effect on the consolidated financial statements.

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

All significant intercompany balances, transactions, and unrealized profits included in assets have been eliminated in consolidation.

Goodwill, which was included in intangible fixed assets, represents the difference between the cost of an acquisition and the fair value of the net assets of the acquired subsidiary at the date of acquisition.

Goodwill on acquisition of subsidiaries is amortized using the straight-line method over 20 years (see Note 8).

b. Business Combinations— In October 2003, the Business Accounting Council (the "BAC") issued a Statement of Opinion, "Accounting for Business Combinations," and in December 2005, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Statement No. 7, "Accounting Standard for Business Divestitures" and ASBJ Guidance No. 10, "Guidance for Accounting Standard for Business Combinations and Business Divestitures."

In December 2008, the ASBJ issued a revised accounting standard for business combinations, ASBJ Statement No. 21, "Accounting Standard for Business Combinations." Major accounting changes under the revised accounting standard are as follows: (1) The revised standard requires accounting for business combinations only by the purchase method. As a result, the pooling-of-interests method of accounting is no longer allowed. (2) The previous accounting standard required research and development costs to be charged to income as incurred. Under the revised standard, in-process research and development costs (IPR&D) acquired in the business combination are capitalized as an intangible asset. (3) The previous accounting standard provided for a bargain purchase gain (negative goodwill) to be systematically amortized over a period not exceeding 20 years. Under the revised standard, the acquirer recognizes the bargain purchase gain in profit or loss immediately on the acquisition date after reassessing and confirming that all of the assets acquired and all of the liabilities assumed have been identified after a review of the procedures used in the purchase price allocation. The revised standard was applicable to business combinations undertaken on or after April 1, 2010.

In September, 2013, the ASBJ issued revised ASBJ Statement No. 21, "Accounting Standard for Business Combinations," revised ASBJ Guidance No. 10, "Guidance on Accounting Standards for Business Combinations and Business Divestitures," and revised ASBJ Statement No. 22, "Accounting Standard for Consolidated Financial Statements." Major accounting changes are as follows:

(a) Transactions with noncontrolling interest - A parent's ownership interest in a subsidiary might change if the parent purchases or sells ownership interests in its subsidiary. The carrying amount of noncontrolling interest is adjusted to reflect the change in the parent's ownership interest in its subsidiary while the parent retains its controlling interest in its subsidiary. Under the previous accounting standard, any difference between the fair value of the consideration received or paid and the amount by which the noncontrolling interest is adjusted is accounted for as an adjustment of goodwill or as profit or loss in the consolidated statement of income. Under the revised accounting standard, such difference is accounted for as capital surplus as long as the parent retains control over its subsidiary.

(b) Presentation of the consolidated balance sheet - In the consolidated balance sheet, "minority interest" under the previous accounting standard is changed to "noncontrolling interest" under the revised accounting standard.

(c) Presentation of the consolidated statement of income - In the consolidated statement of income, "income before minority interest" under the previous accounting standard is changed to "net income" under the revised accounting standard, and "net income" under the previous accounting standard is changed to "net income attributable to owners of the parent" under the revised accounting standard.

(d) Provisional accounting treatments for a business combination - If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, an acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. Under the previous accounting standard guidance, the impact of adjustments to provisional amounts recorded in a business combination on profit or loss is recognized as profit or loss in the year in which the measurement is completed. Under the revised accounting standard guidance, during the measurement period, which shall not exceed one year from the acquisition, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and that would have affected the measurement of the amounts recognized as of that date. Such adjustments shall be recognized as if the accounting for the business combination had been completed at the acquisition date.

(e) Acquisition-related costs - Acquisition-related costs are costs, such as advisory fees or professional fees, which an acquirer incurs to effect a business

combination. Under the previous accounting standard, the acquirer accounts for acquisition-related costs by including them in the acquisition costs of the investment. Under the revised accounting standard, acquisition-related costs shall be accounted for as expenses in the periods in which the costs are incurred.

The above accounting standards and guidance for (a) transactions with noncontrolling interest, (b) presentation of the consolidated balance sheet, (c) presentation of the consolidated statement of income, and (e) acquisition-related costs are effective for the beginning of annual periods beginning on or after April 1, 2015. Earlier application is permitted from the beginning of annual periods beginning on or after April 1, 2014, except for (b) presentation of the consolidated balance sheet and (c) presentation of the consolidated statement of income. In case of earlier application, all accounting standards and guidance above, except for (b) presentation of the consolidated balance sheet and (c) presentation of the consolidated statement of income, should be applied simultaneously.

Either retrospective or prospective application of the revised accounting standards and guidance for (a) transactions with noncontrolling interest and (e) acquisition-related costs is permitted. In retrospective application of the revised standards and guidance, the accumulated effects of retrospective adjustments for all (a) transactions with noncontrolling interest and (e) acquisition-related costs which occurred in the past shall be reflected as adjustments to the beginning balance of capital surplus and retained earnings for the year of the first-time application. In prospective application, the new standards and guidance shall be applied prospectively from the beginning of the year of the first-time application.

The revised accounting standards and guidance for (b) presentation of the consolidated balance sheet and (c) presentation of the consolidated statement of income shall be applied to all periods presented in financial statements containing the first-time application of the revised standards and guidance.

The revised standards and guidance for (d) provisional accounting treatments for a business combination are effective for a business combination which occurs on or after the beginning of annual periods beginning on or after April 1, 2015. Earlier application is permitted for a business combination which occurs on or after the beginning of annual periods beginning on or after April 1, 2014.

The Company applied the revised accounting standards and guidance for (b) presentation of the consolidated balance sheet and (c) presentation of the consolidated statement of income, effective April 1, 2015.

With respect to (b) presentation of the consolidated balance sheet and (c) presentation of the consolidated statement of income, the applicable line items in the 2015 consolidated financial statements have been accordingly reclassified and presented in line with those in 2016.

There was no impact from these accounting changes.

c. Trading Account Securities—Trading account securities, which are held for the purpose of earning capital gains in the short term, are reported at fair value and the related unrealized gains and losses are included in “Other operating income (expenses)” in the consolidated statement of income.

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

(1) held-to-maturity debt securities, which are expected to be held-to-maturity with the positive intent and ability to hold to maturity, are stated at amortized cost using the straight-line method.
(2) investments in unconsolidated subsidiary that are not accounted for by the equity method are stated at cost determined by the moving-average method.
(3) available-for-sale securities are stated at fair value with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity. Securities whose fair values cannot be reliably determined are stated at cost determined by the moving-average cost method.

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

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

The range of useful lives is from 3 to 50 years for buildings and from 3 to 20 years for the others.

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

f. Intangible Fixed Assets (Except for Leased Assets)—Amortization of intangible fixed assets (except for leased assets) is mainly computed by the straight-line method. The cost of computer software obtained for internal use is amortized principally using the straight-line method over the estimated useful lives of mainly 5 years.

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

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

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

The consolidated banking subsidiary has implemented a self-assessment system to determine its asset quality. The quality of all loans is assessed by the branches and the credit supervisory division with a subsequent audit by the Internal Audit division, which is independent from these divisions in accordance with the consolidated banking subsidiary’s policy and guidelines for the self-assessment of asset quality.

The consolidated banking subsidiary has established a credit rating system under which its customers are classified into five categories. The credit rating system is used in the self-assessment of asset quality. All loans are classified into five categories for self-assessment purposes: “normal,” “in need of caution,” “possible bankruptcy,” “virtual bankruptcy,” and “legal bankruptcy.”

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

For claims on borrowers that are not currently bankrupt but are likely to become bankrupt in the future (“possible bankruptcy”), an allowance is provided in the amount deemed necessary based on an overall solvency assessment of the claims, net of the expected amount of recoveries from collateral and guarantees.

The allowance for loan losses is calculated based on the actual historical loss ratio for "normal" and "in need of caution" categories. For claims on borrowers whose loans are classified as "restructured loans" over a certain amount, for which future cash flows from the collection of principal and interest are reasonably estimated, an allowances is provided for the difference between the present value of expected future cash flows discounted at the contracted interest rate and the carrying value of the claims based on the discounted cash flow method.

For collateralized or guaranteed claims of borrowers who are in "virtual bankruptcy" or "legal bankruptcy," the amount exceeding the estimated value of collateral or guarantees has been deducted as deemed uncollectible directly from those claims. As of March 31, 2016 and 2015, the deducted amounts were ¥11,342 million ($100,659 thousand) and ¥10,333 million, respectively.

Other consolidated subsidiaries determine allowances for loan losses that are provided as deemed necessary to cover expected losses based on their own experience.

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

k. Employees' Retirement Benefits—The Company accounts for the liability for retirement benefits based on the projected benefit obligations and plan assets at the consolidated balance sheet date. The projected benefit obligations are attributed to periods using the benefit formula basis. Actuarial gains and losses are amortized on a straight-line basis over the average remaining service period. Past service costs are amortized on a straight-line basis over the average remaining service period.

In May 2012, the ASBJ issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits" and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits," which replaced the accounting standard for retirement benefits that had been issued by the Business Accounting Council in 1998 with an effective date of April 1, 2000, and the other related practical guidance, and were followed by partial amendments from time to time through 2009.

(a) Under the revised accounting standard, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income), after adjusting for tax effects, and any resulting deficit or surplus is recognized as a liability (liability for retirement benefits) or asset (asset for retirement benefits).
(b) The revised accounting standard does not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts are recognized in profit or loss over a certain period no longer than the expected average remaining service period of the employees. However, actuarial gains and losses and past service costs that arose in the current period and have not yet been recognized in profit or loss are included in other comprehensive income and actuarial gains and losses and past service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period are treated as reclassification adjustments (see Note 13).
(c) The revised accounting standard also made certain amendments relating to the method of attributing expected benefit to periods and relating to the discount rate and expected future salary increases.

This accounting standard and the guidance for (a) and (b) above are effective for the end of annual periods beginning on or after April 1, 2013, and for (c) above are effective for the beginning of annual periods beginning on or after April 1, 2014, or for the beginning of annual periods beginning on or after April 1, 2015, subject to certain disclosure in March 2015, both with earlier application being permitted from the beginning of annual periods beginning on or after April 1, 2013. However, no retrospective application of this accounting standard to consolidated financial statements in prior periods is required.

The Company applied the revised accounting standard and guidance for retirement benefits for (a) and (b) above, effective March 31, 2014, and for (c) above, effective April 1, 2014.

With respect to (c) above, the Company changed the method of attributing the expected benefit to periods from a straight-line basis to a benefit formula basis and the method of determining the discount rate from using the period which approximates the expected average remaining service period to using a single weighted average discount rate reflecting the estimated timing and amount of benefit payment, and recorded the effect of (c) above as of April 1, 2014, in retained earnings. As a result, retained earnings as of April 1, 2014, increased by ¥4,855 million.

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

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

n. Provision for Contingent Losses— Provision for contingent losses is provided for contingent liabilities not covered by other reserves in an amount deemed necessary based on estimated losses in the future.

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

p. Asset Retirement Obligation— In March 2008, the ASBJ issued ASBJ Statement No. 18, "Accounting Standard for Asset Retirement Obligations" and ASBJ Guidance No. 21, "Guidance on Accounting Standard for Asset Retirement Obligations." Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of the asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an adjustment to the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

q. Stock Options— In December 2005, the ASBJ issued ASBJ Statement No. 8, "Accounting Standard for Stock Options" and related guidance. The new standard and guidance are applicable to stock options newly granted on and after May 1, 2006. This standard requires companies to measure the cost of employee stock options based on the fair value at the date of grant and recognized compensation expense over the vesting period as consideration for receiving goods or services. The standard also requires companies to account for stock options granted to non-employees based on the fair value of either the stock options or the goods or services received. In the balance sheet, stock options are presented as stock acquisition rights as a separate component of equity until exercised. The standard covers equity-settled, share-based payment transactions, but does not cover cash-settled, share-based payment transactions. In addition, the standard allows unlisted companies to measure options at their intrinsic value if they cannot reliably estimate fair value.

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

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

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

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

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

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

u. Cash and Cash Equivalents— For the purpose of the consolidated statement of cash flows, cash and cash equivalents represent cash and due from the Bank of Japan.

v. Consumption Taxes—The Company and its consolidated subsidiaries account for consumption tax and local consumption tax by the tax-exclusion method, whereby receipts and payments of consumption taxes are not included in the transaction amounts, and accordingly, consumption tax amounts do not affect the measurement of profit or loss transactions.

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

Diluted net income per share is not presented as the effect of including potential common shares is anti-dilutive.

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

x. Accounting Changes and Error Corrections— In December 2009, the ASBJ issued ASBJ Statement No. 24, "Accounting Standard for Accounting Changes and Error Corrections" and ASBJ Guidance No. 24, "Guidance on Accounting Standard for Accounting Changes and Error Corrections." Accounting treatments under this standard and guidance are as follows: (1) Changes in Accounting Policies—When a new accounting policy is applied following revision of an accounting standard, the new policy is applied retrospectively unless the revised accounting standard includes specific transitional provisions, in which case the entity shall comply with the specific transitional provisions. (2) Changes in Presentation—When the presentation of financial statements is changed, prior-period financial statements are reclassified in accordance with the new presentation. (3) Changes in Accounting Estimates—A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods. (4) Corrections of Prior-Period Errors—When an error in prior-period financial statements is discovered, those statements are restated.

y. New Accounting Pronouncements

Tax Effect Accounting— On December 28, 2015, the ASBJ issued ASBJ Guidance No. 26, "Guidance on Recoverability of Deferred Tax Assets," which included certain revisions of the previous accounting and auditing guidance issued by the Japanese Institute of Certified Public Accountants. While the new guidance continues to follow the basic framework of the previous guidance, it provides new guidance for the application of judgment in assessing the recoverability of deferred tax assets.

The previous guidance provided a basic framework which included certain specific restrictions on recognizing deferred tax assets depending on the company's classification in respect of its profitability, taxable profit and temporary differences, etc.

The new guidance does not change such basic framework but, in limited cases, allows companies to recognize deferred tax assets even for a deductible temporary difference for which it was specifically prohibited to recognize a deferred tax asset under the previous guidance, if the company can justify, with reasonable grounds, that it is probable that the deductible temporary difference will be utilized against future taxable profit in some future period.

The new guidance is effective for the beginning of annual periods beginning on or after April 1, 2016. Earlier application is permitted for annual periods ending on or after March 31, 2016. The new guidance shall not be applied retrospectively and any adjustments from the application of the new guidance at the beginning of the reporting period shall be reflected within retained earnings or accumulated other comprehensive income at the beginning of the reporting period.

The Company expects to apply the new guidance on recoverability of deferred tax assets effective April 1, 2016, and is in the process of measuring the effects of applying the new guidance in future applicable periods.

3. CASH AND CASH EQUIVALENTS

The reconciliation of "Cash and cash equivalents" in the consolidated statement of cash flows and "Cash and due from banks" in the consolidated balance sheet as of March 31, 2016 and 2015, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Cash and due from banks	**¥437,509**	¥365,322	**$3,882,759**
Interest-bearing deposits included in due from banks (other than due from the Bank of Japan)	**(1,358)**	(1,610)	**(12,056)**
Cash and cash equivalents	**¥436,150**	¥363,712	**$3,870,703**

4. TRADING ACCOUNT SECURITIES AND SECURITIES

Securities as of March 31, 2016 and 2015, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Japanese national government bonds	**¥ 351,547**	¥ 351,981	**$ 3,119,877**
Japanese local government bonds	**251,967**	241,943	**2,236,133**
Japanese corporate bonds	**205,872**	238,602	**1,827,057**
Japanese corporate stocks	**48,649**	56,099	**431,749**
Other securities	**438,732**	319,311	**3,893,613**
Total	**¥1,296,769**	¥1,207,938	**$11,508,428**

Net unrealized gains on trading account securities were ¥39 million ($354 thousand) and ¥29 million for the years ended March 2016 and 2015, respectively.

The cost and aggregate fair value of available-for-sale securities and held-to-maturity securities as of March 31, 2016 and 2015, is as follows:

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

	Millions of Yen			
March 31, 2015	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Available-for-sale:	¥1,045,974	¥65,536	¥1,638	¥1,109,872
Equity securities	21,947	33,101	466	54,582
Debt securities:	735,651	15,478	347	750,782
Japanese national government bonds	271,703	7,528	—	279,232
Japanese local government bonds	236,552	5,395	4	241,943
Japanese corporate bonds	227,395	2,554	342	229,606
Others:	288,376	16,956	824	304,508
Foreign bonds	152,539	2,280	93	154,727
Held-to-maturity:	95,745	10,045	—	105,791
Japanese national government bonds	72,749	9,704	—	82,453
Japanese corporate bonds	8,996	180	—	9,177
Others:	14,000	160	—	14,160
Foreign bonds	14,000	160	—	14,160

	Thousands of U.S. Dollars			
March 31, 2016	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Available-for-sale:	**$10,092,248**	**$646,308**	**$40,832**	**$10,697,725**
Equity securities	**188,101**	**237,109**	**6,093**	**419,116**
Debt securities:	**6,244,450**	**277,632**	**2,741**	**6,519,342**
Japanese national government bonds	**2,311,482**	**162,413**	**—**	**2,473,895**
Japanese local government bonds	**2,162,287**	**73,946**	**100**	**2,236,133**
Japanese corporate bonds	**1,770,682**	**41,273**	**2,641**	**1,809,314**
Others:	**3,659,697**	**131,568**	**31,998**	**3,759,267**
Foreign bonds	**1,389,866**	**27,296**	**5,238**	**1,411,924**
Held-to-maturity:	**787,970**	**122,827**	**—**	**910,797**
Japanese national government bonds	**645,982**	**121,892**	**—**	**767,874**
Japanese corporate bonds	**17,743**	**413**	**—**	**18,156**
Others:	**124,246**	**522**	**—**	**124,768**
Foreign bonds	**124,246**	**522**	**—**	**124,768**

The information for available-for-sale securities which were sold during the years ended March 31, 2016 and 2015, was as follows:

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

	Millions of Yen		
March 31, 2015	Proceeds	Realized gains	Realized losses
Available-for-sale:			
Equity securities	¥ 505	¥505	¥ —
Debt securities:	55,457	486	0
Japanese national government bonds	50,777	481	—
Japanese corporate bonds	4,679	4	0
Other securities	6,361	—	871
Total	¥62,324	¥992	¥871

	Thousands of U.S. Dollars		
March 31, 2016	Proceeds	Realized gains	Realized losses
Available-for-sale:			
Equity securities	**$ 36,702**	**$29,198**	**$ 20**
Debt securities:	**461,308**	**6,072**	**0**
Japanese national government bonds	**453,538**	**6,022**	**—**
Japanese corporate bonds	**7,770**	**50**	**0**
Other securities	**110,761**	**1,872**	**8,681**
Total	**$608,772**	**$37,142**	**$8,702**

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

The criteria for determining whether the fair value was "significantly declined" are defined as follows:

(a) Securities whose fair value has declined by 50% or more of the acquisition cost are deemed to be impaired.

(b) Securities whose fair value has declined by 30% or more but less than 50% of the acquisition cost and their fair value are deemed not recoverable by individual assessment.

The impairment losses on marketable available-for-sale securities for the years ended March 31, 2016 and 2015, were ¥36 million ($319 thousand) including bonds of ¥36 million ($319 thousand) and nil, respectively.

As of March 31, 2016 and 2015, securities included equity investments in unconsolidated subsidiaries and associated companies of ¥9 million ($82 thousand) and ¥9 million, and capital subscriptions of ¥452 million ($4,019 thousand) and ¥440 million, respectively.

5. UNREALIZED GAINS ON AVAILABLE-FOR-SALE SECURITIES

Unrealized gains on available-for-sale securities as of March 31, 2016 and 2015, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Unrealized gains:	**¥68,225**	¥63,898	**$605,477**
Available-for-sale securities	**68,225**	63,898	**605,477**
Money held in trust, except for trading and held-to-maturity purpose	**—**	—	**—**
Deferred tax liabilities:	**19,697**	19,193	**174,813**
Unrealized gains on available-for-sale securities before adjustments by ownership share	**48,527**	44,704	**430,663**
Noncontrolling interests	**—**	—	**—**
Company's ownership share in unrealized gains (losses) on available-for-sale securities held by affiliates accounted for using the equity method	**—**	—	**—**
Unrealized gains on available-for-sale securities	**¥48,527**	¥44,704	**$430,663**

6. LOANS AND BILLS DISCOUNTED

The following loans were included in loans and bills discounted as of March 31, 2016 and 2015:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Loans to borrowers in legal bankruptcy	**¥ 1,704**	¥ 1,774	**$ 15,125**
Past due loans	**69,914**	78,203	**620,472**
Loans past due for three months or more	**—**	—	**—**
Restructured loans	**20,340**	19,037	**180,520**
Total	**¥91,959**	¥99,016	**$816,116**

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

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

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

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

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

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

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

Contracts of overdraft facilities and loan commitment limits are contracts under which the consolidated banking subsidiary and certain consolidated subsidiaries lend to customers up to the prescribed limits in response to customer applications for loans as long as there is no violation of any conditions in the contracts. As of March 31, 2016 and 2015, the amounts of unused commitments were ¥1,249,546 million ($11,089,341 thousand) and ¥1,226,867 million, respectively. As of March 31, 2016 and 2015, the amounts of unused commitments whose remaining contract terms were within one year were ¥1,213,114 million ($10,766,016 thousand) and ¥1,194,633 million, respectively.

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

Discounting bills are treated as secured lending transactions. As of March 31, 2016 and 2015, the consolidated banking subsidiary has the right to sell or repledge bills discounted and foreign exchange bills bought and their total face value was ¥25,527 million ($226,544 thousand) and ¥27,674 million, respectively.

7. TANGIBLE FIXED ASSETS

Tangible fixed assets as of March 31, 2016 and 2015, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Buildings	**¥ 7,527**	¥ 7,074	**$ 66,801**
Land	**12,798**	12,831	**113,579**
Leased assets	**16**	18	**146**
Construction in progress	**435**	1,025	**3,862**
Other	**3,647**	3,341	**32,374**
Total	**¥24,424**	¥24,291	**$216,762**

The accumulated depreciation of tangible fixed assets as of March 31, 2016 and 2015, amounted to ¥39,480 million ($350,380 thousand) and ¥39,055 million, respectively.

Under certain conditions, such as exchanges of fixed assets of similar kinds and sales and purchases resulting from expropriation, Japanese tax laws permit companies to defer the profit arising from such transactions by reducing the cost of the assets acquired or by providing a special reserve in the equity section. As of March 31, 2016 and 2015, such deferred profit amounted to ¥2,774 million ($24,619 thousand) and ¥2,747 million, respectively, and for the years ended March 31, 2016 and 2015, were ¥26 million ($239 thousand) and nil, respectively.

8. INTANGIBLE FIXED ASSETS

Intangible fixed assets as of March 31, 2016 and 2015, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Software	**¥ 2,087**	¥ 3,037	**$ 18,527**
Goodwill	**75,979**	82,182	**674,297**
Leased assets	**—**	—	**—**
Other	**534**	534	**4,743**
Total	**¥78,601**	¥85,754	**$697,567**

The amortization expense for goodwill included in general and administrative expenses for the years ended March 31, 2016 and 2015, amounted to ¥6,202 million ($55,045 thousand) and ¥6,202 million, respectively.

9. CUSTOMERS' LIABILITIES FOR ACCEPTANCES AND GUARANTEES

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

Guarantee obligations for private placement bonds included in "Securities" (provided in accordance with the Article 2-3 of the "Financial Instruments and Exchange Act") as of March 31, 2016 and 2015, were ¥63,410 million ($562,748 thousand) and ¥47,512 million, respectively.

10. ASSETS PLEDGED AS COLLATERAL

Assets pledged as collateral and the related liabilities as of March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Assets pledged as collateral:			
Cash and due from banks	**¥ 4**	¥ 4	**$ 40**
Securities	**280,162**	266,660	**2,486,357**
Loans and bills discounted	**11,050**	26,100	**98,065**
Total	**¥291,217**	¥292,765	**$2,584,462**
Relevant liabilities to above assets:			
Deposits	**¥113,379**	¥115,438	**$1,006,208**
Payables under securities lending transactions	**25,263**	2,473	**224,202**
Borrowed money	**181,710**	152,500	**1,612,620**

Additionally, securities amounting to ¥67,707 million ($600,886 thousand) and ¥73,080 million as of March 31, 2016 and 2015, respectively, were pledged as collateral for settlements of exchange or as substitute securities for margins on futures transactions.

Moreover, other assets included cash collateral paid for financial instruments amounting to ¥5,090 million ($45,172 thousand) and nil and guarantee deposits amounting to 745 million ($6,614 thousand) and ¥741 million as of March 31, 2016 and 2015, respectively.

11. BORROWED MONEY

As of March 31, 2016 and 2015, the weighted-average annual interest rates applicable to borrowed money were 0.52% and 0.84%, respectively.

Borrowed money includes borrowings from the Bank of Japan and other financial institutions. In addition, borrowed money included subordinated borrowings totaling ¥70,000 million ($621,228 thousand) and ¥80,000 million as of March 31, 2016 and 2015, respectively.

12. OTHER LIABILITIES

Other liabilities included asset retirement obligations of ¥544 million ($4,828 thousand) and ¥539 million as of March 31, 2016 and 2015, respectively.

(a) Overview of asset retirement obligations

Asset retirement obligations, which were recognized for restoring leased buildings, such as branch premises, to their original state, are based on the real estate lease contracts.

(b) Calculation of asset retirement obligations

Asset retirement obligations are calculated based on an estimated available period of 19 to 39 years using the discount rates from 1.6% to 2.3%.

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Balance at beginning of year	¥539	¥534	$4,789
Reconciliation associated with passage of time	4	4	39
Balance at end of year	¥544	¥539	$4,828

13. RETIREMENT AND PENSION PLANS

1. Outline of the adopted retirement benefit plans

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

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

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

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

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

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

2. Defined benefit plans

(a) The changes in defined benefit obligation for the years ended March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Balance at beginning of year (as previously reported)	¥38,872	¥47,382	$ 344,982
Cumulative effect of accounting change	—	(7,511)	—
Balance at beginning of year (as restated)	—	39,870	—
Current service cost	1,520	1,627	13,497
Interest cost	443	454	3,939
Actuarial (gains) losses	4,198	(671)	37,256
Benefits paid	(2,331)	(2,458)	(20,693)
Others	48	50	431
Balance at end of year	¥42,752	¥38,872	$(379,413)

(b) The changes in plan assets for the years ended March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Balance at beginning of year	¥52,757	¥47,960	$468,207
Expected return on plan assets	1,740	1,294	15,451
Actuarial gains (losses)	(1,755)	3,001	(15,584)
Contributions from the employer	2,045	2,044	18,152
Benefits paid	(1,624)	(1,579)	(14,421)
Others	36	35	321
Balance at end of year	¥53,199	¥52,757	$472,126

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

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Defined benefit obligation	¥ 42,752	¥ 38,872	$379,413
Plan assets	(53,199)	(52,757)	(472,126)
Total	(10,446)	(13,884)	(92,713)
Unfunded defined benefit obligation	—	—	—
Net asset arising from defined benefit obligation	¥(10,446)	¥(13,884)	$ (92,713)

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Liability for retirement benefits	¥ —	¥ —	$ —
Asset for retirement benefits	(10,446)	(13,884)	(92,713)
Net asset arising from defined benefit obligation	¥(10,446)	¥(13,884)	$(92,713)

(d) The components of net periodic benefit costs for the years ended March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Service cost	**¥1,520**	¥1,627	**$13,497**
Interest cost	**443**	454	**3,939**
Expected return on plan assets	**(1,740)**	(1,294)	**(15,451)**
Recognized actuarial losses	**767**	1,018	**6,811**
Amortization of prior service cost	**(144)**	(144)	**(1,285)**
Others (non-actuarial-basis cost)	**12**	14	**111**
Net periodic benefit costs	**¥ 858**	¥1,675	**$ 7,621**

(e) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Prior service cost	**¥ (144)**	¥ (144)	**$ (1,285)**
Actuarial losses	**(5,186)**	4,690	**(46,030)**
Total	**¥(5,331)**	¥4,546	**$(47,315)**

(f) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Unrecognized prior service cost	**¥1,013**	¥1,158	**$ 8,997**
Unrecognized actuarial (gains) losses	**(3,292)**	1,894	**(29,220)**
Total	**¥(2,278)**	¥3,052	**$(20,223)**

(g) Plan assets

a. Components of plan assets

Plan assets as of March 31, 2016 and 2015, consisted of the following:

	2016	2015
Debt investments	**63%**	66%
Equity investments	**21%**	22%
General accounts of life insurance company	**8%**	5%
Short-term assets	**4%**	3%
Others	**4%**	4%
Total	**100%**	100%

* Total plan assets include retirement benefit trust of 25% which was set up on corporate pension plans.

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

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

(h) Assumptions used for the years ended March 31, 2016 and 2015, were set forth as follows:

	2016	2015
Discount rate	**0.3% — 1.0%**	1.0% — 1.2%
Long-run expected rate of return on plan assets	**3.3%**	2.7%
Expected rate of increase in salary	**9.0%**	9.0%

3. Defined contribution plans

The amounts of the required contribution to the defined contribution plans of the Company and certain consolidated subsidiaries were ¥298 million ($2,647 thousand) and ¥294 million as of March 31, 2016 and 2015, respectively.

14.EQUITY

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

a. Dividends

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

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

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

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

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

c. Treasury Stock and Treasury Stock Acquisition Rights

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

Capital Stock Changes during the Year

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

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

The changes in the number and class of issued stock and treasury stock for the year ended March 31, 2015, were as follows:

	Shares in Thousands			
		Changes during the year		
	As of March 31, 2014	Increase	Decrease	As of March 31, 2015
Issued stock:				
Common stock	333,250	—	—	333,250
Total	333,250	—	—	333,250

Cash Dividends per Share

Cash dividends per share for the years ended March 31, 2016 and 2015, were as follows:

Year ended March 31, 2016:

Dividends paid in the fiscal year ended March 31, 2016

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

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

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

Cash dividends approved at the Board of Directors' meeting held on May 13, 2015:	Total amount (Thousands of U.S. Dollars)	Per share amount (U.S. Dollars)	Dividend record date	Effective date
Common stock	$13,309	$0.04	Mar. 31, 2015	Jun. 4, 2015

Cash dividends approved at the Board of Directors' meeting held on Nov. 10, 2015:	Total amount (Thousands of U.S. Dollars)	Per share amount (U.S. Dollars)	Dividend record date	Effective date
Common stock	$16,266	$0.05	Sep. 30, 2015	Dec. 3, 2015

Dividends to be paid after March 31, 2016

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

Cash dividends approved at the Board of Directors' meeting held on May 13, 2016:	Total amount (Thousands of U.S. Dollars)	Per share amount (U.S. Dollars)	Dividend record date	Effective date
Common stock	$13,309	$0.04	Mar. 31, 2016	Jun. 8, 2016

Year ended March 31, 2015:

Dividends paid in the fiscal year ended March 31, 2015

The following cash dividend payments were approved at the Board of Directors' meeting held on May 12, 2014, and November 7, 2014:

Cash dividends approved at the Board of Directors' meeting held on May 12, 2014:	Total amount (Millions of Yen)	Per share amount (Yen)	Dividend record date	Effective date
Common stock	¥1,333	¥4.00	Mar. 31, 2014	Jun. 5, 2014

Cash dividends approved at the Board of Directors' meeting held on Nov. 7, 2014:	Total amount (Millions of Yen)	Per share amount (Yen)	Dividend record date	Effective date
Common stock	¥1,499	¥4.50	Sep. 30, 2014	Dec. 10, 2014

Dividends to be paid after March 31, 2015

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

15. STOCK OPTIONS

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

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

Stock option	Persons granted	Number of options granted (Shares)*1	Date of grant	Exercise price (Yen)	Exercise period
2009 Stock Option	6 directors and executive officers of the Company 10 directors and executive officers of the consolidated banking subsidiary 1,848 employees of the consolidated banking subsidiary	2,684,900	March 2, 2009	¥550	From March 1, 2011, to December 31, 2018
2010 Stock Option	6 directors and executive officers of the Company 10 directors and executive officers of the consolidated banking subsidiary 1,878 employees of the consolidated banking subsidiary	2,698,700	January 4, 2010	550	From January 1, 2012, to December 31, 2018

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

The stock option activity is as follows:

	2009 Stock option	2010 Stock option
For the year ended March 31, 2016		
Nonvested (shares):		
March 31, 2015 — outstanding	2,642,600	2,655,900
Granted	—	—
Canceled	699,400	638,700
Vested	—	—
March 31, 2016 — outstanding	1,943,200	2,017,200
Vested (shares):		
March 31, 2015 — outstanding	—	—
Vested	—	—
Exercised	—	—
Canceled	—	—
March 31, 2016 — outstanding	—	—

The Assumptions Used to Measure Fair Value of Stock Option

As the Company was an unlisted company when stock option rights were granted, they were measured at their intrinsic value because the fair value of stock option cannot be reliably estimated. The Company does not recognize relevant expenses since their fair value on the date of grant was zero. The amounts of their intrinsic value as of March 31, 2016 and 2015, were nil.

16. PER SHARE OF COMMON STOCK

a. Net income per share

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2016 and 2015, was as follows:

	Millions of Yen	Thousands of shares	Yen	U.S. Dollars
	Net income attributable to owners of the parent	Weighted-average shares	EPS	
Year Ended March 31, 2016				
Basic EPS —				
Net income available to common shareholders	**¥22,452**	**333,250**	**¥67.37**	**$0.60**
Effect of dilutive securities	**—**	**—**	**—**	**—**
Diluted EPS —				
Net income for computation*1	**—**	**—**	**—**	**—**
Year Ended March 31, 2015				
Basic EPS —				
Net income available to common shareholders	¥17,076	333,250	¥51.24	
Effect of dilutive securities	—	—	—	
Diluted EPS —				
Net income for computation*1	—	—	—	

EPS for the years ended March 31, 2016 and 2015, is calculated based on the following:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Net income	**¥22,452**	¥17,076	**$199,260**
Amount not available to common shareholders	**—**	—	**—**
Net income available to common shareholders	**¥22,452**	¥17,076	**$199,260**

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

b. Total equity per share

Total equity per share as of March 31, 2016 and 2015, was as follows:

	Yen		U.S. Dollars
	2016	2015	2016
Total equity per share	**¥909.54**	¥861.58	**$8.07**

Total equity per share as of March 31, 2016 and 2015, is calculated based on the following:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Total equity	**¥303,105**	¥287,121	**$2,689,964**
Deductions from total equity:	—	—	—
Total equity available to common shareholders	**¥303,105**	¥287,121	**$2,689,964**

	Number of shares in thousands	
	2016	2015
Number of shares of common stock used in computing total equity per share at the year-end	**333,250**	333,250

17. OTHER INCOME

Other income for the years ended March 31, 2016 and 2015, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Gain on sales of stock and other securities	**¥3,290**	¥ 505	**$29,198**
Gain on disposal of fixed assets	**—**	16	**—**
Recoveries of write-off claims	**524**	707	**4,655**
Other	**1,023**	1,536	**9,085**
Total	**¥4,838**	¥2,766	**$42,938**

18. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the years ended March 31, 2016 and 2015, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Salaries and allowances	**¥20,165**	¥19,861	**$178,966**
Amortization of goodwill	**6,202**	6,202	**55,045**
Other	**29,103**	30,572	**258,285**
Total	**¥55,471**	¥56,636	**$492,296**

19. OTHER EXPENSES

Other expenses for the years ended March 31, 2016 and 2015, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Write-off amount of loans	**¥1,656**	¥2,304	**$14,700**
Loss on sales of stocks and other securities	**980**	871	**8,702**
Loss on devaluation of stocks and other securities	**8**	43	**79**
Loss on sales of loans	**110**	184	**985**
Loss on disposal of fixed assets	**108**	32	**966**
Impairment losses	**50**	—	**446**
Other	**680**	438	**6,036**
Total	**¥3,595**	¥3,874	**$31,913**

20. INCOME TAXES

The Group is subject to Japanese national and local income taxes, which, in the aggregate, resulted in a normal effective statutory tax rate of 32.8% and 35.4% for the years ended March 31, 2016 and 2015, respectively.

The tax effects of significant temporary differences and loss carry forwards, which result in deferred tax assets and liabilities as of March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Deferred tax assets:			
Tax loss carryforwards	**¥ 1,593**	¥ 6,956	**$ 14,143**
Liability for retirement benefits	**3,493**	2,499	**31,004**
Allowance for loan losses	**14,440**	15,644	**128,151**
Write-offs of securities	**11,592**	12,285	**102,877**
Other	**5,968**	5,056	**52,966**
Subtotal deferred tax assets	**37,087**	42,441	**329,141**
Less valuation allowance	**(21,049)**	(27,623)	**(186,805)**
Total deferred tax assets	**16,038**	14,818	**142,336**
Deferred tax liabilities:			
Unrealized gains on available-for-sale securities	**19,697**	19,193	**174,813**
Property revaluations in preparing consolidated financial statements	**737**	777	**6,545**
Other	**93**	16	**829**
Total deferred tax liabilities	**20,528**	19,988	**182,187**
Net deferred tax liabilities	**¥(4,490)**	¥(5,170)	**$(39,851)**

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statement of income for the year ended March 31, 2016, with the corresponding figures for 2015, was as follows:

	2016	2015
Normal effective statutory tax rate	**32.8%**	35.4%
Change in valuation allowance	**(19.0)**	(25.5)
Dividends exempted from taxation	**(13.4)**	(26.3)
Effect of change in income tax rate	**5.7**	20.7
Consolidation adjustments, such as amortization of goodwill	**19.6**	38.0
Adjustments, such as residential tax on a per capita basis	**0.3**	0.4
Expenses that are not deductible for income tax purposes	**0.3**	0.4
Effect of consolidated tax payment	**(0.4)**	(23.8)
Other — net	**(0.3)**	(0.4)
Actual effective tax rate	**25.6%**	18.9%

On March 31, 2016, a tax reform law was enacted in Japan that changed the normal effective statutory tax rate from 32.06% for the fiscal year beginning on or after April 1, 2016, to 30.69% and the fiscal year beginning on or after April 1, 2017, to 30.45%. As a result of this rate change, deferred tax assets, deferred tax liabilities, and deferred losses on hedges in the consolidated balance sheet as of March 31, 2016, decreased by ¥70 million ($622 thousand), ¥461 million ($4,098 thousand), and ¥91 million ($812 thousand), respectively. In addition, unrealized gains on available-for-sale securities increased by ¥1,067 million ($9,472 thousand). Income taxes-deferred in the consolidated statement of income for the year ended March 31, 2016, increased by ¥547 million ($4,858 thousand).

The use of tax loss carryforwards has been limited to the equivalent of 60% of taxable income before deducting tax loss carryforwards since the fiscal year beginning on or after April 1, 2016, to the equivalent of 55% of taxable income before deducting tax loss carryforwards since the fiscal year beginning on or after April 1, 2017, and to the equivalent of 50% of taxable income before deducting tax loss carryforwards since the fiscal year beginning on or after April 1, 2018. The effect of these changes was immaterial.

21. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) Group Policies for Financial Instruments

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

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

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

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

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

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

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

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

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

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

(3) Risk Management for Financial Instruments

(a) Credit risk management

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

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

(b) Market risk management

(i) Interest risk management

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

(ii) Currency risk management

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

(iii) Price fluctuation risk management

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

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

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

(iv) Derivative transactions

The consolidated banking subsidiary has established separate divisions to manage derivative transactions in order to achieve proper internal controls. Each division is separately responsible for executing the transactions, assessing effectiveness of the hedge transactions, or managing business administration. It also engages in derivative transactions in accordance with the aforementioned market risk management policies and procedures.

(v) Market risk quantitative information

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

① Financial instruments held by the consolidated banking subsidiary

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

The consolidated banking subsidiary classifies its financial assets and financial liabilities into a fixed interest rate group and a floating interest rate group in its quantitative analysis. In each group, the financial assets and liabilities are disaggregated by each interest due date and analyze the effects of interest fluctuation by period. If all risk factors, other than interest rate, are constant and the interest rate is assumed to have increased by 10 basis points (0.10%), the net fair value of financial assets after offsetting with financial liabilities decreases by ¥72 million ($647 thousand). As previously mentioned, this net fair value amount is obtained assuming that all risk factors are constant, except for the interest rate, and no correlation between the interest rate and other risk factors was considered. If the interest rate fluctuates by more than 10 basis points (0.10%), the impact may be greater than the net fair value amount above.

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

b. Financial instruments excepting a.

The Group performs quantitative analysis using VaR. For the calculation of VaR, the consolidated banking subsidiary uses the variance-covariance method (holding period: appropriate period depends on the nature of the instruments from one month to six months, confidence interval: 99.9% (stocks held to promote business relationships with issuers only are 99%), and observation period: one year). The simple aggregated VaR of each instrument is ¥55,631 million ($493,708 thousand) 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.

② Financial instruments held by the Company and subsidiaries other than the consolidated banking subsidiary

Financial instruments held by the Company and subsidiaries other than the consolidated banking subsidiary, which are affected by interest risk, are subordinate debts of "Borrowed money." If all risk factors, other than an interest rate, are constant, the fair value of the financial liabilities decreases by ¥235 million ($2,094 thousand) when the interest rate increases by 10 basis points (0.10%). As previously mentioned, this fair value amount is obtained assuming that all risk factors are constant except for the interest rate, and no correlation between the interest rate and other risk factors was considered. If the interest rate fluctuates by more than 10 basis points (0.10%), the impact may be greater than the fair value amount above.

(c) Liquidity risk management

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

(4) Supplementary Explanation on Fair Values of Financial Instruments

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

(5) Fair Values of Financial Instruments

(a) Fair value of financial instruments

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

	Millions of Yen		
March 31, 2015	Carrying amount	Fair value	Unrealized gains
(1) Cash and due from banks	¥ 365,322	¥ 365,322	¥ —
(2) Call loans and bills bought	1,644	1,644	—
(3) Monetary claims bought*[1]	7,704	7,704	—
(4) Trading account securities — Securities held for trading purposes	4,164	4,164	—
(5) Securities:			
Held-to-maturity securities	95,745	105,791	10,045
Available-for-sale securities	1,109,872	1,109,872	—
(6) Loans and bills discounted	4,150,466		
Allowance for loan losses*[1]	(43,755)		
Net	4,106,711	4,145,348	38,637
Total assets	¥5,691,165	¥5,739,849	¥48,683
(1) Deposits	¥5,071,110	¥5,073,869	¥ 2,758
(2) Negotiable certificates of deposit	197,379	197,442	63
(3) Payables under securities lending transactions	2,473	2,473	—
(4) Borrowed money	232,546	233,728	1,182
Total liabilities	¥5,503,510	¥5,507,514	¥ 4,004
Derivative instruments*[2] —			
Hedge accounting is not applied	¥ 318	¥ 318	¥ —
Hedge accounting is applied	(2,103)	(2,103)	—
Total derivative instruments	¥ (1,785)	¥ (1,785)	¥ —

	Thousands of U.S. Dollars		
March 31, 2016	Carrying amount	Fair value	Unrealized gains
(1) Cash and due from banks	**$ 3,882,759**	**$ 3,882,759**	**$ —**
(2) Call loans and bills bought	**3,679**	**3,679**	**—**
(3) Monetary claims bought*[1]	**67,486**	**67,486**	**—**
(4) Trading account securities — Securities held for trading purposes	**31,917**	**31,917**	**—**
(5) Securities:			
Held-to-maturity securities	**787,970**	**910,797**	**122,827**
Available-for-sale securities	**10,697,725**	**10,697,725**	**—**
(6) Loans and bills discounted	**37,585,857**		
Allowance for loan losses*[1]	**(359,998)**		
Net	**37,225,859**	**37,650,696**	**424,837**
Total assets	**$52,697,396**	**$53,245,061**	**$547,665**
(1) Deposits	**$46,207,852**	**$46,230,015**	**$ 22,163**
(2) Negotiable certificates of deposit	**1,551,994**	**1,552,373**	**379**
(3) Call money and bills sold	**692,226**	**692,226**	**—**
(4) Payables under securities lending transactions	**224,202**	**224,202**	**—**
(5) Borrowed money	**2,233,999**	**2,244,138**	**10,139**
Total liabilities	**$50,910,273**	**$50,942,954**	**$ 32,681**
Derivative instruments*[2] —			
Hedge accounting is not applied	**$ 5,403**	**$ 5,403**	**$ —**
Hedge accounting is applied	**(27,749)**	**(27,749)**	**—**
Total derivative instruments	**$ (22,346)**	**$ (22,346)**	**$ —**

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

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

Assets

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

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

(3) Monetary claims bought
Refer to (2) Call loans and bills bought.

(4) Trading account securities
The fair values of securities held for trading purposes are measured at the market price or the quoted price obtained from financial institutions.

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

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

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

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

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

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

Liabilities

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

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

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

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

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

Derivatives

Derivative transactions consist of interest rate derivatives (swaps), currency derivatives (currency futures, options, and swaps), and bond derivatives (bond futures). The fair values of derivative instruments are measured at the market price or determined using the discounted cash flow method or option-pricing model.

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

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Equity securities without readily available market price*1*3	**¥1,423**	¥1,517	**$12,633**
Investments in partnerships*2	**1,138**	803	**10,100**
Total	**¥2,561**	¥2,320	**$22,733**

*1 Equity securities without readily available market price are out of the scope of the fair value disclosure because their fair values cannot be reliably determined.
*2 Investments in partnerships, the assets which comprise equity securities without readily available market price, are out of the scope of the fair value disclosure.
*3 During the years ended March 31, 2016 and 2015, impairment losses on equity securities without readily available market price of ¥8 million ($79 thousand) and ¥43 million, respectively, were recognized.

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

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

March 31, 2015	Millions of Yen					
	Due in 1 Year or Less	Due after 1 Year through 3 Years	Due after 3 Years through 5 Years	Due after 5 Years through 7 Years	Due after 7 Years through 10 Years	Due after 10 Years
Due from banks	¥ 308,555	¥ —	¥ —	¥ —	¥ —	¥ —
Call loans and bills bought	1,644	—	—	—	—	—
Monetary claims bought	7,727	—	—	—	—	—
Securities:	150,160	222,223	126,767	58,293	255,040	158,756
Held-to-maturity securities	7,000	16,000	7,000	16,000	—	50,000
Japanese national government bonds	—	—	7,000	16,000	—	50,000
Japanese corporate bonds	7,000	2,000	—	—	—	—
Other	—	14,000	—	—	—	—
Available-for-sale securities with contractual maturities	143,160	206,223	119,767	42,293	255,040	108,756
Japanese national government bonds	10,000	60,000	20,000	25,000	85,000	60,000
Japanese local government bonds	33,923	50,679	23,208	15,213	112,376	—
Japanese corporate bonds	63,531	61,728	23,585	398	28,824	48,756
Other	35,705	33,815	52,973	1,682	28,840	—
Loans and bills discounted*2	960,852	754,851	523,991	367,394	414,779	969,703
Total	¥1,428,941	¥977,075	¥650,758	¥425,687	¥669,819	¥1,128,459

March 31, 2016	Thousands of U.S. Dollars					
	Due in 1 Year or Less	Due after 1 Year through 3 Years	Due after 3 Years through 5 Years	Due after 5 Years through 7 Years	Due after 7 Years through 10 Years	Due after 10 Years
Due from banks	**$ 3,351,277**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**
Call loans and bills bought	**3,679**	**—**	**—**	**—**	**—**	**—**
Monetary claims bought	**67,691**	**—**	**—**	**—**	**—**	**—**
Securities:	**958,358**	**1,565,594**	**1,255,503**	**625,135**	**2,149,020**	**1,769,443**
Held-to-maturity securities	**124,246**	**17,749**	**204,118**	**—**	**—**	**443,734**
Japanese national government bonds	**—**	**—**	**204,118**	**—**	**—**	**443,734**
Japanese corporate bonds	**—**	**17,749**	**—**	**—**	**—**	**—**
Other	**124,246**	**—**	**—**	**—**	**—**	**—**
Available-for-sale securities with contractual maturities	**834,112**	**1,547,844**	**1,051,385**	**625,135**	**2,149,020**	**1,325,709**
Japanese national government bonds	**266,241**	**266,241**	**221,867**	**399,361**	**177,494**	**887,469**
Japanese local government bonds	**168,459**	**381,431**	**307,682**	**77,476**	**1,221,300**	**—**
Japanese corporate bonds	**342,788**	**475,058**	**168,214**	**12,398**	**332,126**	**438,240**
Other	**56,624**	**425,115**	**353,622**	**135,900**	**418,100**	**—**
Loans and bills discounted*1	**8,725,677**	**6,389,025**	**4,949,507**	**3,214,605**	**3,567,924**	**9,253,612**
Total	**$13,106,681**	**$7,954,618**	**$6,205,010**	**$3,839,740**	**$5,716,944**	**$11,023,055**

*1 As of March 31, 2016, loans and bills discounted with no contractual maturities amounting to ¥114,900 million ($1,019,706 thousand) and loans and bills discounted whose cash flow cannot be estimated, such as “legal bankruptcy,” “virtual bankruptcy,” and “possible bankruptcy” loans, amounting to ¥63,828 million ($566,456 thousand) are not included.

*2 As of March 31, 2015, loans and bills discounted with no contractual maturities amounting to ¥99,512 million and loans and bills discounted whose cash flow cannot be estimated, such as “legal bankruptcy,” “virtual bankruptcy,” and “possible bankruptcy” loans, amounting to ¥69,716 million are not included.

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

March 31, 2015	Millions of Yen Due in 1 Year or Less	Due after 1 Year through 3 Years	Due after 3 Years through 5 Years	Due after 5 Years through 7 Years	Due after 7 Years through 10 Years	Due after 10 Years
Deposits *1	¥4,622,520	¥365,492	¥ 80,783	¥ 1,123	¥1,192	¥—
Negotiable certificates of deposit	197,379	—	—	—	—	—
Borrowed money*2	11,346	60,900	120,300	30,000	—	—
Total	¥4,831,246	¥426,392	¥201,083	¥31,123	¥1,192	¥—

March 31, 2016	Thousands of U.S. Dollars Due in 1 Year or Less	Due after 1 Year through 3 Years	Due after 3 Years through 5 Years	Due after 5 Years through 7 Years	Due after 7 Years through 10 Years	Due after 10 Years
Deposits *1	**$42,180,660**	**$3,393,841**	**$ 616,267**	**$6,505**	**$10,579**	**$—**
Negotiable certificates of deposit	**1,551,994**	**—**	**—**	**—**	**—**	**—**
Borrowed money	**550,364**	**1,048,190**	**635,446**	**—**	**—**	**—**
Total	**$44,283,018**	**$4,442,031**	**$1,251,713**	**$6,505**	**$10,579**	**$—**

*1 The cash flow of demanded deposits is included in "Due in one year or less."
*2 As of March 31, 2015, perpetual subordinated borrowings with no contractual maturities amounting to ¥10,000 million are not included.

22. DERIVATIVES

Derivative Transactions to Which Hedge Accounting Is Not Applied at March 31, 2016 and 2015

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

The consolidated banking subsidiary had the following derivative contracts, which were quoted on listed exchanges, outstanding as of March 31, 2016 and 2015, as follows:

March 31, 2016	Millions of Yen Contract amount	Contract amount due after one year	Fair value	Unrealized gains/losses	Thousands of U.S. Dollars Contract amount	Contract amount due after one year	Fair value	Unrealized gains/losses
Bond contracts —								
Futures written	**¥3,465**	**¥—**	**¥(14)**	**¥(14)**	**$30,758**	**$—**	**$(125)**	**$(125)**
Futures purchased	**453**	**—**	**—**	**—**	**4,028**	**—**	**—**	**—**
Total	**—**	**—**	**¥(14)**	**¥(14)**	**—**	**—**	**$(125)**	**$(125)**

March 31, 2015	Millions of Yen Contract amount	Contract amount due after one year	Fair value	Unrealized gains/losses
Bond contracts —				
Futures written	¥3,388	¥—	¥1	¥1
Total	—	—	¥1	¥1

Note: 1 The transactions above are stated at fair value and the related valuation gains (losses) are reported in the consolidated statement of income.
2 Fair values of transactions listed on exchange are calculated using the last quoted market price at the Osaka Financial Exchange (Tokyo Exchange in 2015).

The consolidated banking subsidiary had the following derivative contracts, which were not quoted on listed exchanges, outstanding as of March 31, 2016 and 2015, as follows:

March 31, 2016	Millions of Yen				Thousands of U.S. Dollars			
	Contract amount	Contract amount due after one year	Fair value	Unrealized gains/losses	Contract amount	Contract amount due after one year	Fair value	Unrealized gains/losses
Interest rate contracts:								
Interest rate swaps:								
Receive fixed and pay floating	**¥6,000**	**¥6,000**	**¥30**	**¥30**	**$53,248**	**$53,248**	**$267**	**$267**
Receive floating and pay fixed	**6,000**	**6,000**	**58**	**58**	**53,248**	**53,248**	**517**	**517**
Total	**—**	**—**	**¥88**	**¥88**	**—**	**—**	**$785**	**$785**
Foreign exchange:								
Currency swaps	**¥194,402**	**¥160,906**	**¥311**	**¥311**	**$1,725,258**	**$1,427,999**	**$2,768**	**$2,768**
Forward exchange contracts-written	**5,650**	**135**	**188**	**188**	**50,146**	**1,200**	**1,675**	**1,675**
Forward exchange contracts-purchased	**14,651**	**—**	**33**	**33**	**130,030**	**—**	**301**	**301**
Total	**—**	**—**	**¥534**	**¥534**	**—**	**—**	**$4,743**	**$4,743**

March 31, 2015	Millions of Yen			
	Contract amount	Contract amount due after one year	Fair value	Unrealized gains/losses
Interest rate contracts:				
Interest rate swaps:				
Receive fixed and pay floating	¥—	¥—	¥—	¥—
Receive floating and pay fixed	—	—	—	—
Total	—	—	¥—	¥—
Foreign exchange:				
Currency swaps	¥220,058	¥186,012	¥390	¥390
Forward exchange contracts-written	2,574	—	(46)	(46)
Forward exchange contracts-purchased	11,425	—	(28)	(28)
Total	—	—	¥316	¥316

Note: 1 The transactions above are stated at fair value and the related valuation gains (losses) are reported in the consolidated statement of income.
2 Fair values of transactions above are calculated using the discounted present value method.

Derivative Transactions to Which Hedge Accounting Is Applied at March 31, 2016 and 2015

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

The consolidated banking subsidiary had the following derivative contracts, which were not quoted on listed exchanges, outstanding as of March 31, 2016 and 2015, as follows:

March 31, 2016	Hedged Item	Millions of Yen			Thousands of U.S. Dollars		
		Contract amount	Contract amount due after one year	Fair value	Contract amount	Contract amount due after one year	Fair value
Interest rate contracts:							
Interest rate swaps:							
Receive floating and pay fixed	Bonds (available-for-sale securities)	**¥50,000**	**¥50,000**	**¥(5,691)**	**$443,734**	**$443,734**	**$(50,508)**
Total		**—**	**—**	**¥(5,691)**	**—**	**—**	**$(50,508)**
Foreign exchange:							
Currency swaps	Loans, deposits, due from banks, etc., which are denominated in foreign currencies	**¥45,072**	**¥45,072**	**¥803**	**$400,000**	**$400,000**	**$7,127**
Forward exchange contracts		**43,156**	**—**	**1,761**	**383,000**	**—**	**15,633**
Total		**—**	**—**	**¥ 2,564**	**—**	**—**	**$ 22,759**

March 31, 2015	Hedged Item	Millions of Yen		
		Contract amount	Contract amount due after one year	Fair value
Interest rate contracts:				
Interest rate swaps:				
Receive floating and pay fixed	Bonds (available-for-sale securities)	¥50,000	¥50,000	¥ (977)
Total		—	—	¥ (977)
Foreign exchange:				
Currency swaps	Loans, deposits, due from banks, etc., which are denominated in foreign currencies	¥ 2,403	¥ —	¥ (23)
Forward exchange contracts		81,670	—	(1,103)
Total		—	—	¥(1,126)

Note: 1 These derivatives are accounted for using deferred hedge accounting.
2 Fair values of the transactions above are calculated using the discounted present value method.

23. OTHER COMPREHENSIVE INCOME (LOSS)

The components of other comprehensive income (loss) for the years ended March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Unrealized gains (losses) on available-for- sale securities			
Gains arising during the year	**¥ 7,455**	¥34,056	**$ 66,166**
Reclassification adjustments to profit or loss	**(3,128)**	355	**(27,765)**
Amount before income tax effect	**4,326**	34,411	**38,401**
Income tax effect	**(504)**	(9,938)	**(4,474)**
Total	**¥ 3,822**	¥24,473	**$ 33,927**
Deferred gains (losses) on hedges			
Gains arising during the year	**¥(6,786)**	¥ (1,446)	**$(60,225)**
Reclassification adjustments to profit or loss	**2,061**	537	**18,297**
Amount before income tax effect	**(4,724)**	(908)	**(41,928)**
Income tax effect	**1,423**	289	**12,630**
Total	**¥(3,301)**	¥ (619)	**$(29,298)**
Defined retirement benefit plans			
Gains arising during the year	**¥(5,954)**	¥ 3,672	**$(52,840)**
Reclassification adjustments to profit or loss	**622**	873	**5,525**
Amount before income tax effect	**(5,331)**	4,546	**(47,315)**
Income tax effect	**1,673**	(1,513)	**14,848**
Total	**¥(3,658)**	¥ 3,032	**$(32,467)**
Total other comprehensive income (loss)	**¥(3,136)**	¥26,887	**$(27,838)**

24. SEGMENT INFORMATION

For the years ended March 31, 2016 and 2015

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

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

Other segment related information:

1) Information by service

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

	Millions of Yen			
March 31, 2015	Lending operations	Investment operations	Other	Total
Ordinary income from external customers	¥57,010	¥14,152	¥25,560	¥96,723

	Thousands of U.S. Dollars			
March 31, 2016	Lending operations	Investment operations	Other	Total
Ordinary income from external customers	**$496,415**	**$188,160**	**$224,858**	**$909,432**

2) Information by geographic region

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

3) Information by major customer

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

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

Information on loss on impairment of fixed assets is not disclosed due to immateriality.

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

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

6) Information on gain on negative goodwill by reportable segment

Not applicable.

25. RELATED PARTY TRANSACTIONS

Related party transactions for the years ended March 31, 2016 and 2015, were as follows:

(1) Transactions between the Company and its related parties

a. The parent and major shareholders

There was no applicable transaction to be reported for the years ended March 31, 2016 and 2015.

b. Unconsolidated subsidiaries and affiliates

There was no applicable transaction to be reported for the years ended March 31, 2016 and 2015.

c. Companies that are owned by the same parent company as the Company and other affiliates' subsidiaries

There was no applicable transaction to be reported for the years ended March 31, 2016 and 2015.

d. Directors or major individual shareholders

There was no applicable transaction to be reported for the years ended March 31, 2016 and 2015.

(2) Transactions between subsidiaries of the Company and its related parties

a. The parent and major shareholders

There was no applicable transaction to be reported for the years ended March 31, 2016 and 2015.

b. Unconsolidated subsidiaries and affiliates

There was no applicable transaction to be reported for the years ended March 31, 2016 and 2015.

c. Companies that are owned by the same parent company as the Company and other affiliates' subsidiaries

There was no applicable transaction to be reported for the years ended March 31, 2016 and 2015.

d. Directors or major individual shareholders

Year ended March 31, 2016

Type	Name	Location	Capital (Millions of Yen)	Business	Ownerships	Relationship	Transactions	Transaction amount (Millions of Yen)*1	Account	Outstanding balance (Millions of Yen)
Companies in which a majority of voting rights is owned by a director or its close relatives	Yokokura Honten CO., LTD. (*2, 3)	Tochigi	**¥20**	Wholesale	None	Loans	Loan	**¥145**	Loans and bills discounted	**¥100**
							Underwriting private placement bond	**100**	Securities	**100**
	ITATSU CO., LTD. (*2, 4, 6)	Tochigi	**30**	Wholesale	None	Loans	Loan	**458**	Loans and bills discounted	**438**
	Ryomo Seikeihin Toso Co., Ltd (*2, 5, 6)	Gunma	**20**	Manufacturing	None	Loans	Loan	**13**	Loans and bills discounted	**12**

Terms and conditions on transactions and transaction policy:

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

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

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

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

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

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

Note 7: Transaction amounts do not include consumption taxes.

Year ended March 31, 2015

Type	Name	Location	Capital (Millions of Yen)	Business	Ownerships	Relationship	Transactions	Transaction amount (Millions of Yen)*1	Account	Outstanding balance (Millions of Yen)
Companies in which a majority of voting rights is owned by a director or its close relatives	ITATSU CO., LTD. (*2, 3)	Tochigi	¥30	Wholesale	None	Loans	Loan	¥548	Loans and bills discounted	¥502
	Ryomo Seikeihin Toso Co., Ltd (*2, 4)	Gunma	20	Manufacturing	None	Loans	Loan	16	Loans and bills discounted	14

Terms and conditions on transactions and transaction policy:

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

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

Note 3: A majority of the voting rights are owned by a close relative of Mr. Toshio Itabashi, an outside director of the Company.

Note 4: A majority of the voting rights are owned by ITATSU Co., LTD.

Note 5: Transaction amounts do not include consumption taxes.

Year ended March 31, 2016

Type	Name	Location	Capital (Thousands of U.S. Dollars)	Business	Ownerships	Relationship	Transactions	Transaction amount (Thousands of U.S. Dollars)*1	Account	Outstanding balance (Thousands of U.S. Dollars)
Companies in which a majority of voting rights is owned by a director or its close relatives	Yokokura Honten CO., LTD. (*2, 3)	Tochigi	**$177**	Wholesale	None	Loans	Loan	**$1,293**	Loans and bills discounted	**$ 887**
							Underwriting private placement bond	**887**	Securities	**887**
	ITATSU CO., LTD. (*2, 4, 6)	Tochigi	**266**	Wholesale	None	Loans	Loan	**4,071**	Loans and bills discounted	**3,888**
	Ryomo Seikeihin Toso Co., Ltd (*2, 5, 6)	Gunma	**177**	Manufacturing	None	Loans	Loan	**116**	Loans and bills discounted	**111**

Terms and conditions on transactions and transaction policy:

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

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

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

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

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

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

Note 7: Transaction amounts do not include consumption taxes.

26. SUBSEQUENT EVENTS

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

The Company and Joyo Bank, Ltd. (President: Kazuyoshi Terakado; hereinafter referred to as "Joyo") (together, the "Companies"), in accordance with the basic agreement on the business integration (hereinafter referred to as the "Business Integration") through a share exchange (hereinafter referred to as the "Share Exchange") made on November 2, 2015, have resolved to integrate the management through a share exchange at their respective meetings of the Board of Directors held on April 25, 2016 and have concluded a share exchange agreement (hereinafter referred to as the "Share Exchange Agreement"), on the premise of the approval of their shareholders at each general meeting and of the authorities concerned. At the same time, the Company, Joyo, and Ashikaga Bank, Ltd. (hereinafter referred to as "Ashikaga Bank") have concluded the Business Integration agreement. The details are as follows.

On June 28, 2016, the share exchange agreement mentioned above was approved at the general shareholders' meetings of the Companies.

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

(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 at an early stage, the plan is to use the Company, which already has a holding company structure, as the holding company of the new financial group.

Specifically, on the premise of the approval of the Companies' shareholders at each general meeting and of the authorities concerned on the matters necessary for the Business Integration, Joyo plans to carry out the Share Exchange with the Company, and the Company 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	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 or for other reasons in the course of moving towards the Share Exchange.

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 every 1 share of Joyo common stock.

If the fractional shares less than one are included in the Mebuki FG's shares that Joyo shareholders will receive through the Share Exchange, the shareholders will be paid cash in the amount corresponding to the value of the fractional shares pursuant to Article 234 of the Companies Act and other related laws and regulations.

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

(Note 2) The number of new shares issued by Mebuki FG for the Business Integration (planned)

Common stock845,758,343 shares

The above number has been calculated based on the total number of Joyo's outstanding common stocks (766,231,875 shares) as of March 31, 2016. However, Joyo plans to cancel all of its treasury stock by the effective time of the Share Exchange (hereinafter referred to as the "Reference Time"). Accordingly, treasury stock held by Joyo (43,361,496 shares) as of March 31, 2016, was not been included in calculating the above number.

The number of new shares issued by Mebuki FG for the Share Exchange may change if the number of Joyo's treasury stocks as of March 31, 2016, changes before the Record Date due to reasons such as Joyo shareholders exercising the right to require Joyo to purchase their shares.

(Note 3) The treatment of fractional shares than one unit

After the Business Integration is consummated, Joyo's shareholders who receive fractional shares less than one unit (100 shares) of Mebuki FG's common stock (hereinafter referred to as "Shares Less than One Unit") cannot sell the Shares Less than One Unit on the Tokyo Stock Exchange or any other financial instruments exchange market. The holders of the Shares Less than One Unit may require Mebuki FG to purchase its Shares Less than One Unit pursuant to Article 192, Paragraph (1) of the Companies Act or to sell so many shares that the total shares add up to one unit, together with the number of their Shares Less than 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 Treatment 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 Reference Time 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	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 the head offices will be located in Mito, Ibaraki and Utsunomiya, Tochigi. In addition, there is no change in the location of the head office of Joyo (Mito City, Ibaraki Prefecture) and the head office of Ashikaga Bank (Utsunomiya City, Tochigi Prefecture).		
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 the Company 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 the Company 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 the Company 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) Directors (Audit and Supervisory Committee Members): Ryuzaburo Kikuchi, Toru Nagasawa, and Takashi Shimizu, are the 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 yet.		
Total assets	Details have not been determined yet.		
Fiscal year end	March 31		
Nature of business	Bank holding company (management and operation of banks and other companies that Mebuki FG may own as its subsidiaries under the Banking Act and other businesses incidental or related to the banking business.)		

(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
The number of issued shares		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
The number of employees (consolidated)		3,773
The number of branches (including subbranches)		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 Treatment in relation to the Share Exchange

The Share Exchange is a reverse acquisition under the Accounting Standard for Business Combinations and it is considered that the purchase method will be applied to the transaction, under which Joyo is the acquiring company and the Company is the acquired company. The amount of goodwill (or negative goodwill) which is accounted for as a result of the Share Exchange is yet to be determined.

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated balance sheet of Ashikaga Holdings Co., Ltd. and its consolidated subsidiaries (the "Company") as of March 31, 2016, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

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

Emphasis of Matter

As discussed in Note 26 to the consolidated financial statements, the Company and Joyo Bank, Ltd., in accordance with the basic agreement on business integration through a share exchange made on November 2, 2015, have resolved to integrate the management of the Company and Joyo Bank, Ltd. through a share exchange at their respective meetings of the Board of Directors held on April 25, 2016, and entered into a share exchange agreement on the premise of the approval of their shareholders at each general meeting and of the authorities concerned. At the same time, the Company, Joyo Bank, Ltd., and Ashikaga Bank, Ltd. concluded the Business Integration agreement.

Member of
Deloitte Touche Tohmatsu Limited

On June 28, 2016, the share exchange agreement mentioned above was approved at the general shareholders' meetings of the Company and Joyo Bank, Ltd.

Our opinion is not modified in respect of this matter.

Convenience Translation

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

Deloitte Touche Tohmatsu LLC

June 28, 2016

Non-Consolidated Financial Statements
Non-Consolidated Balance Sheet
March 31, 2016 (unaudited) The Ashikaga Bank, Ltd.

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
ASSETS			
Cash and due from banks	**¥ 437,507**	¥ 365,317	**$ 3,882,746**
Call loans and bills bought	**414**	1,644	**3,679**
Monetary claims bought	**7,627**	7,727	**67,691**
Trading account securities	**3,596**	4,164	**31,917**
Securities	**1,325,749**	1,236,859	**11,765,619**
Loans and bills discounted	**4,274,437**	4,189,420	**37,934,304**
Foreign exchanges	**4,377**	5,837	**38,846**
Tangible fixed assets	**25,275**	25,397	**224,314**
Intangible fixed assets	**2,569**	3,555	**22,804**
Prepaid pension cost	**12,786**	10,899	**113,476**
Customers' liabilities for acceptances and guarantees	**12,913**	16,566	**114,603**
Other assets	**24,916**	18,946	**221,130**
Allowance for loan losses	**(33,328)**	(39,009)	**(295,778)**
Total	**¥6,098,844**	¥5,847,327	**$54,125,351**
LIABILITIES AND EQUITY			
LIABILITIES:			
Deposits	**¥5,224,561**	¥5,085,385	**$46,366,358**
Negotiable certificates of deposit	**224,878**	252,379	**1,995,729**
Call money and bills sold	**78,000**	—	**692,226**
Payables under securities lending transactions	**25,263**	2,473	**224,202**
Borrowed money	**181,726**	152,546	**1,612,771**
Foreign exchanges	**282**	365	**2,508**
Other liabilities	**30,426**	33,212	**270,024**
Provision for directors' bonuses	**25**	24	**228**
Provision for directors' retirement benefits	**132**	116	**1,177**
Provision for reimbursement of deposits	**858**	803	**7,614**
Provision for contingent losses	**464**	495	**4,120**
Provision for point card certificates	**90**	74	**800**
Deffered tax liabilities	**7,296**	10,129	**64,759**
Acceptances and guarantees	**12,913**	16,566	**114,603**
Total liabilities	**¥5,786,919**	¥5,554,571	**$51,357,116**
EQUITY:			
Common stock	**¥ 135,000**	¥ 135,000	**$ 1,198,083**
Retained earnings:			
Legal retained earnings	**17,694**	15,281	**157,036**
Other retained earnings	**111,733**	95,352	**991,604**
Total shareholders' equity	**264,428**	245,634	**2,346,724**
Valuation adjustments:			
Unrealized gains on available-for-sale securities	**51,447**	47,771	**456,578**
Deferred losses on hedges	**(3,951)**	(650)	**(35,067)**
Total valuation adjustments	**47,495**	47,121	**421,511**
Total equity	**311,924**	292,755	**2,768,235**
TOTAL	**¥6,098,844**	¥5,847,327	**$54,125,351**

Non-Consolidated Statement of Income

Year Ended March 31, 2016 (unaudited) The Ashikaga Bank, Ltd.

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
INCOME:			
Interest income:			
Interest on loans and bills discounted	**¥ 53,724**	¥55,008	**$476,785**
Interest and dividends on securities	**16,958**	12,430	**150,498**
Interest on call loans and bills bought	**393**	331	**3,491**
Interest on deposits with banks	**404**	275	**3,586**
Other interest income	**102**	115	**908**
Fees and commissions	**21,253**	20,716	**188,618**
Other operating income	**1,343**	952	**11,925**
Other income	**6,366**	2,084	**56,499**
Total income	**100,545**	92,633	**892,310**
EXPENSES:			
Interest expenses:			
Interest on deposits	**2,082**	2,312	**18,482**
Interest on negotiable certificates of deposit	**226**	220	**2,008**
Interest on call money and bills sold	**8**	77	**73**
Interest on payables under securities lending transactions	**211**	69	**1,873**
Interest on borrowed money	**150**	104	**1,337**
Other interest expenses	**779**	291	**6,916**
Fees and commissions payments	**6,314**	6,155	**56,038**
Other operating expenses	**36**	0	**320**
General and administrative expenses	**47,711**	48,962	**423,426**
Provision of allowance for loan losses	**—**	1,742	**—**
Other expenses	**3,559**	2,939	**31,585**
Total expenses	**61,079**	62,875	**542,058**
INCOME BEFORE INCOME TAXES	**39,466**	29,757	**350,252**
INCOME TAXES:			
Current	**10,468**	10,192	**92,907**
Deferred	**(1,861)**	(224)	**(16,520)**
Total income taxes	**8,607**	9,968	**76,387**
NET INCOME	**¥ 30,859**	¥19,789	**$273,865**

Non-Consolidated Statement of Changes in Equity

Year Ended March 31, 2016 (unaudited) The Ashikaga Bank, Ltd.

	Millions of Yen					
		Retained earnings				
	Common stock	Legal retained earnings	Other retained earnings	Unrealized gains on available-for-sale securities	Deferred losses on hedges	Total equity
BALANCE, APRIL 1, 2014(as previously reported)	¥135,000	¥12,332	¥ 88,404	¥22,907	¥ (30)	¥258,614
Cumulative effect of accounting change	—	—	4,853	—	—	4,853
BALANCE, APRIL 1,2014(as restated)	135,000	12,332	93,257	22,907	(30)	263,467
Net income	—	—	19,789	—	—	19,789
Cash dividends	—	2,949	(17,694)	—	—	(14,745)
Net changes except for shareholders' equity during the year	—	—	—	24,863	(619)	24,244
Net change in the year	—	2,949	2,094	24,863	(619)	29,288
BALANCE, APRIL 1, 2015	**135,000**	**15,281**	**95,352**	**47,771**	**(650)**	**292,755**
Net income	**—**	**—**	**30,859**	**—**	**—**	**30,859**
Cash dividends	**—**	**2,412**	**(14,477)**	**—**	**—**	**(12,064)**
Net changes except for shareholders' equity during the year	**—**	**—**	**—**	**3,675**	**(3,301)**	**374**
Net change in the year	**—**	**2,412**	**16,381**	**3,675**	**(3,301)**	**19,169**
BALANCE, MARCH 31, 2016	**¥135,000**	**¥17,694**	**¥111,733**	**¥51,447**	**¥(3,951)**	**¥311,924**

	Thousands of U.S. Dollars					
		Retained earnings				
	Common stock	Legal retained earnings	Other retained earnings	Unrealized gains on available-for-sale securities	Deferred losses on hedges	Total equity
BALANCE, APRIL 1, 2015	**$1,198,083**	**$135,622**	**$846,223**	**$423,956**	**$ (5,769)**	**$2,598,116**
Net income	**—**	**—**	**273,865**	**—**	**—**	**273,865**
Cash dividends	**—**	**21,414**	**(128,484)**	**—**	**—**	**(107,070)**
Net changes except for shareholders' equity during the year	**—**	**—**	**—**	**32,622**	**(29,298)**	**3,324**
Net change in the year	**—**	**21,414**	**145,381**	**32,622**	**(29,298)**	**170,119**
BALANCE, MARCH 31, 2016	**$1,198,083**	**$157,036**	**$991,604**	**$456,578**	**$(35,067)**	**$2,768,235**

Corporate Data (as of June 28, 2016)

Ashikaga Holdings Co., Ltd.

Trade name: Ashikaga Holdings Co., Ltd.

Representative: Masanao Matsushita, President and Chief Executive Officer

Established: April 1, 2008

Paid in capital: ¥117,495 million

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

Internet Address: http: // www. ashikaga-hd. co. jp /

Note: The Trade name will be changed to "Mebuki Financial Group, Inc." on October 1, 2016 along with the Business Integration with The Joyo Bank, Ltd.

The Ashikaga Bank, Ltd.

Trade name: The Ashikaga Bank, Ltd.

Representative: Masanao Matsushita, President, Representative Director

Founded: October 1, 1895

Paid in capital: ¥135,000 million
(The Ashikaga Bank, Ltd. is a wholly owned subsidiary of Ashikaga Holdings Co., Ltd.)

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

Overseas Office: Hong Kong Representative Office
Suite 1601, 16th Floor, Tower2, The Gateway, Harbour City, Kowloon, Hong Kong
TEL 852-2251-9475

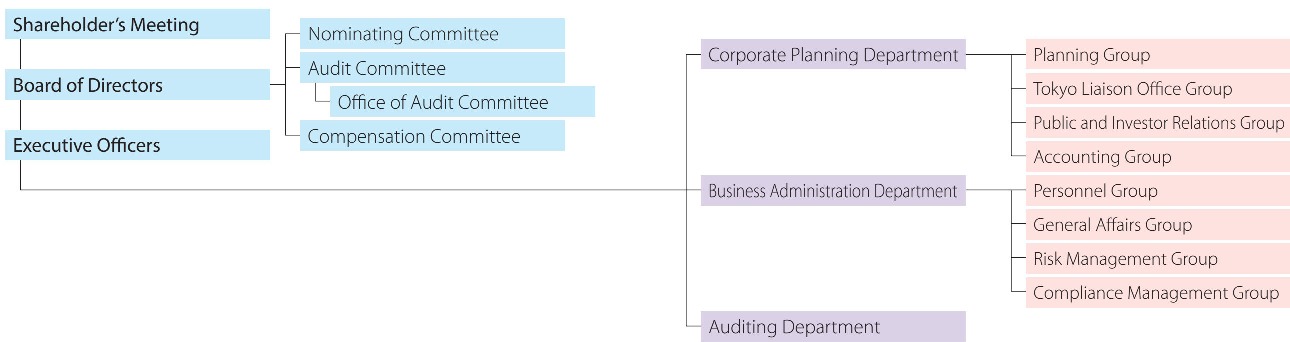
Number of employees: 2,889 (as of March 31, 2016)

Consolidated Subsidiaries: Ashikaga Credit Guarantee Co., Ltd.
Ashigin Research Institute, Ltd.
Ashigin Card Co., Ltd.

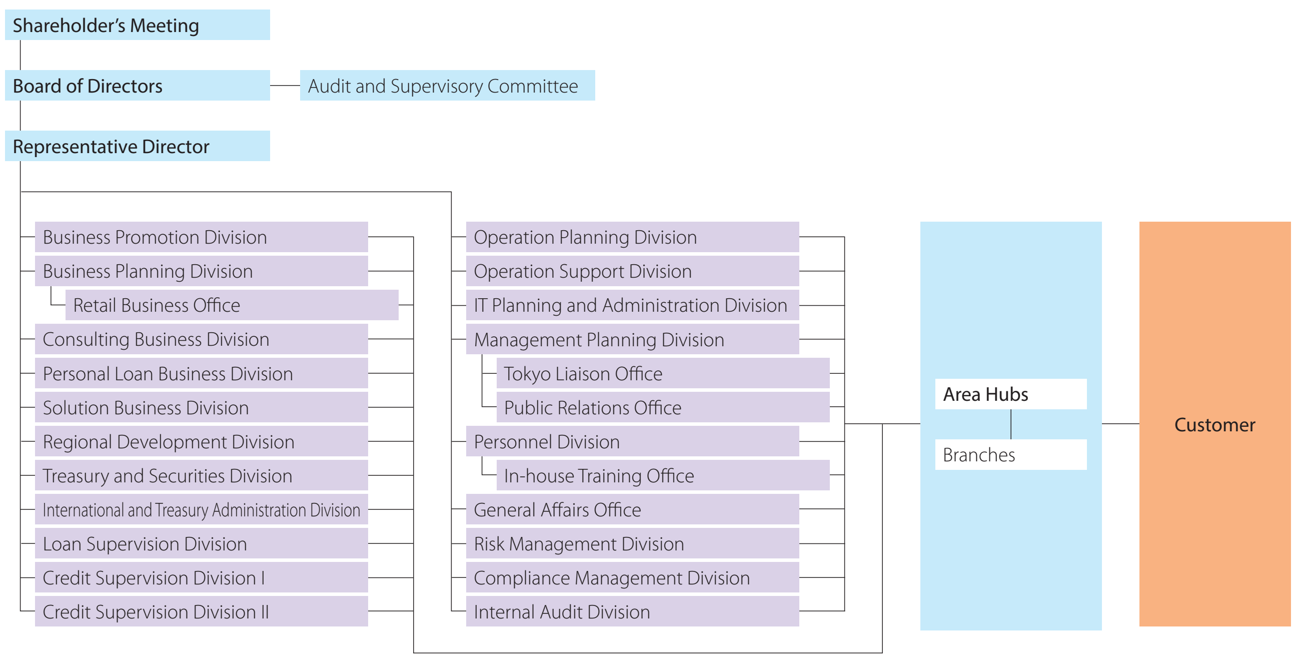
Internet Address: http: // www. ashikagabank. co. jp /

Organization (as of April 1, 2016)

Ashikaga Holdings Co., Ltd.



The Ashikaga Bank, Ltd.



19 Divisions and 5 Offices (As of June 28, 2016)

List of Directors and Executive Officers (as of June 28, 2016)

Ashikaga Holdings Co., Ltd. (Company with Nominating Committee, etc.)

Directors

Director	Satoshi Fujisawa
Director	Masanao Matsushita *1, *2
Director	Kunihiro Ono *3
Outside Director	Yoshio Kohra *1,*2,*3
Outside Director	Mitsuhiro Kitamura *1,*2,*3
Outside Director	Toru Nagasawa *1,*2,*3

Directors shown above belong to *1: Nominating Committee, *2: Compensation Committee, *3: Audit Committee

Executive Officers

Chairman and Chief Executive Officer	Satoshi Fujisawa
President and Chief Executive Officer	Masanao Matsushita
Executive Officer (General Manager of Business Administration Department)	Yutaka Horie
Executive Officer (General Manager of Auditing Department)	Hiroshi Mori
Executive Officer (General Manager of Corporate Planning Department)	Kazuyuki Shimizu

The Ashikaga Bank, Ltd. (Company with Audit and Supervisory Committee)

Directors (except Directors who are the Audit and Supervisory Committee members)

Chairman and Director	Satoshi Fujisawa
President and Representative Director	Masanao Matsushita
Senior Managing Director	Kiyoshi Kato
Senior Managing Director	Yutaka Horie
Managing Director	Hiroshi Mori
Managing Director	Kazuyuki Shimizu
Director	Mitsuo Sugiyama
Director	Takashi Satake
Director	Keizo Shinozaki
Director (Chief Officer of Ken'ou and Nikko Area Hub)	Yoshiaki Kosugi
Director (General Manager of Treasury and Securities Division)	Eisuke Suzuki
Director	Hiroo Shimada

Directors who are the Audit and Supervisory Committee members

Director	Akihiko Kuwako
Outside Director	Junichi Sato
Outside Director	Shoji Fukui

Stock Information (as of March 31, 2016)

Number of shares:	333,250 thousands (issued)
Number of shareholders:	8,675
Term-end:	End of March
Stock exchange listing:	Tokyo Stock Exchange (First section code: 7167)
Unit of Trading:	100 shares

Principal shareholders (top ten)

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

Note: % shareholdings are expressed to second decimal places

ASHIKAGA HOLDINGS
ASHIKAGA BANK

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