

# Financial Results for FY2016

May 12, 2017

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# Contents

<u>Highlights</u>	3
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## Financial Results for FY2016

※Unless otherwise provided herein, the figures shown are those of each bank on a non-consolidated basis.

◆ Main Points of FY2016 Financial Results	4
◆ Core Gross Business Profit	5
◆ Key Change Factors in Core Gross Business Profit	6
◆ Loans and Deposits (Average Balance / Average Yield)	7
◆ Loans (1)(2)(3)	8-10
◆ Deposits	11
◆ Financial Assets under Custody(1)(2)	12-13
◆ Securities	14
◆ Expenses / OHR	15
◆ Credit Related Costs / Non-performing Loans	16
◆ [Reference] Gain on Negative Goodwill	17

## Forecast for FY2017

◆ Forecast for FY2017	18
◆ Capital Adequacy Ratio / Rating	19
◆ Shareholder Return	20

## Progress of the Initiatives and Measures of the Integration

◆ Day 180 Plan (Results etc.)	21-26
◆ Step-up 180 Plan	27-28

## Financial Results for FY2016 (Results for 1H of Joyo Bank + 2H of Mebuki)

- ◎ Consolidated net income\* of Mebuki surpassed the forecast mainly because gain on negative goodwill of ¥119.2 bn associated with the business integration exceeded the initial estimate.  
<Mebuki> Consolidated net income ¥158.4 bn / Forecast ¥155.0 bn \* attributable to owners of the parent
- ◎ The business integration synergy for the second half of FY2016 was ¥0.9 bn.

## Earnings Forecast for FY2017 (Changes : year-on-year basis)

- ◎ Consolidated ordinary profit and consolidated net income\* are forecasted to increase by ¥ 6.2 bn to ¥58.5 bn and decrease by ¥118.4 bn to ¥40.0 bn respectively. \* attributable to owners of the parent  
Non-consolidated net income <Joyo> ¥23.0bn (-¥1.4 bn) <Ashikaga> ¥21.0 bn (-¥5.4 bn)
- ◎ Synergy effect of the business integration of ¥2.7 bn is expected for FY2017.

## Dividend

- ◎ Year-end dividend for FY2016 is ¥6.50 per share, including commemorative dividend (¥1.00) for the business integration of the Joyo Bank and Ashikaga Holdings.
- ◎ For FY2016, in line with an earnings distribution policy\*, annual dividend projection is ¥11.00, interim dividend and year-end dividend of which are ¥5.50 each.

\* Aim to continue the stable dividend returns while taking into account both the maintenance of solid capital levels for the future growth and the appropriate distribution of profits to our shareholders.

# Main Points of FY2016 Financial Results

- ◇ Consolidated net income\* of Mebuki surpassed the forecast mainly because gain on negative goodwill associated with the business integration, which is ¥119.2 bn, exceeded the initial estimate.

\* attributable to owners of the parent

## ● Mebuki FG (JPY Bn)

FY2016	Consolidated		Forecast
		Progress	
Ordinary profit	52.2	98.5%	53.0
Net income attributable to owners of the parent	158.4	102.2%	155.0
(exc. gain on negative goodwill)	39.2	98.0%	40.0

- Mebuki FG's consolidated financial results for FY2016 include those of Joyo Bank for the first half and those of Mebuki for the second half.
- Gain on negative goodwill due to the business integration amounting to ¥119.2bn was recorded as extraordinary income (refer to p.17).
- The business integration synergy for FY2016 is ¥0.9 bn lift. Synergy effect of the business integration of ¥2.7 bn is expected for FY2017.

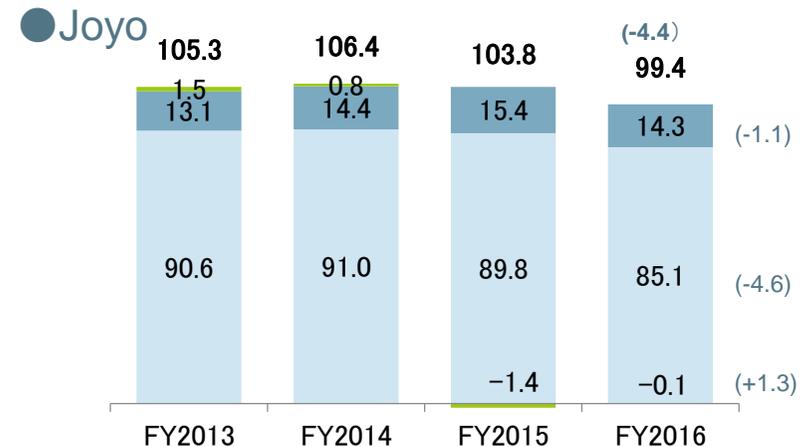
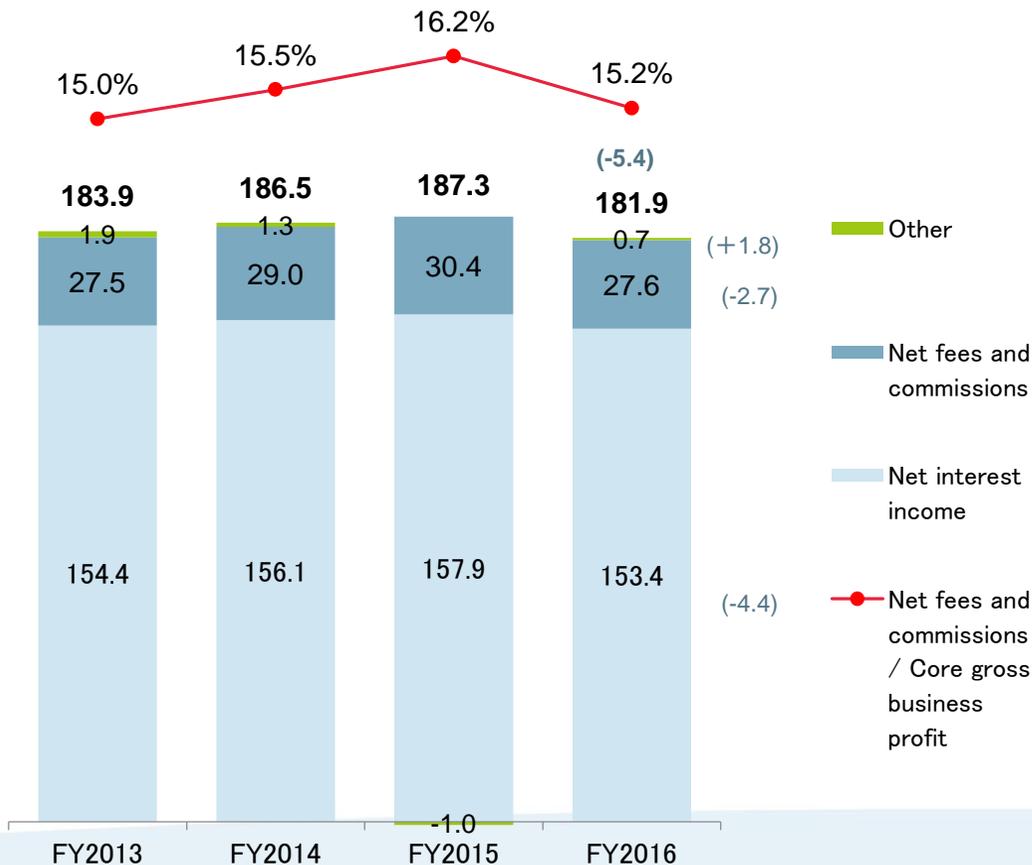
## <Reference> Results of Joyo and Ashikaga (JPY Bn)

	FY2016						[Progress against forecast]		
	J + A		Joyo		Ashikaga		J + A	Joyo	Ashikaga
	Result	YoY Change	Result	YoY Change	Result	YoY Change			
Gross business profit	187.5	-8.3	105.2	-6.2	82.3	-2.0	96.1%	92.3%	101.6%
Net interest income	153.4	-4.4	85.1	-4.6	68.2	+0.1	102.3%	101.4%	103.4%
Net fees and commissions	27.6	-2.7	14.3	-1.1	13.2	-1.6	84.3%	79.7%	89.8%
Net other business income and Net trading income	6.3	-1.0	5.6	-0.4	0.7	-0.5	51.6%	47.4%	177.5%
(o/w gains/losses on bond transactions)	5.6	-2.8	5.8	-1.7	-0.2	-1.0	62.2%	64.8%	-
Expenses	115.0	-0.2	68.5	+0.2	46.4	-0.5	98.7%	100.7%	95.8%
Personnel expenses	60.4	+0.0	34.7	-0.2	25.7	+0.3	-	-	-
Non-personnel expenses	47.0	-1.3	29.5	-0.0	17.5	-1.3	-	-	-
Net business income (before general allowance for loan)	72.5	-8.0	36.7	-6.5	35.8	-1.5	92.4%	79.8%	110.1%
Core net business income	66.9	-5.1	30.8	-4.7	36.0	-0.4	96.3%	83.4%	110.8%
Net transfer to general allowance for loan losses (a)	-0.4	+0.2	-0.6	+0.0	0.1	+0.1	-	-	-
<b>Net business income</b>	<b>73.0</b>	<b>-8.2</b>	<b>37.3</b>	<b>-6.5</b>	<b>35.6</b>	<b>-1.7</b>	<b>92.9%</b>	<b>81.2%</b>	<b>109.5%</b>
Net non-recurrent gains/losses	-4.0	-5.3	-1.7	-0.4	-2.3	-4.8	-	-	-
o/w Disposal of non-performing loans (b)	10.0	+4.8	5.4	-0.0	4.5	+4.8	133.5%	108.6%	183.4%
o/w Gains/losses related to stocks, etc	9.7	+2.5	7.5	+2.8	2.1	-0.3	244.2%	189.7%	-
<b>Ordinary profit</b>	<b>68.9</b>	<b>-13.6</b>	<b>35.6</b>	<b>-7.0</b>	<b>33.2</b>	<b>-6.5</b>	<b>97.0%</b>	<b>88.0%</b>	<b>109.0%</b>
Extraordinary income/losses	-2.1	-1.0	-0.8	-0.1	-1.3	-0.9	-	-	-
<b>Net Income</b>	<b>50.8</b>	<b>-7.7</b>	<b>24.4</b>	<b>-3.3</b>	<b>26.4</b>	<b>-4.4</b>	<b>103.8%</b>	<b>87.3%</b>	<b>125.7%</b>
Credit related costs (a)+(b)	9.5	+5.0	4.7	-0.0	4.7	+5.0	127.3%	95.3%	191.4%

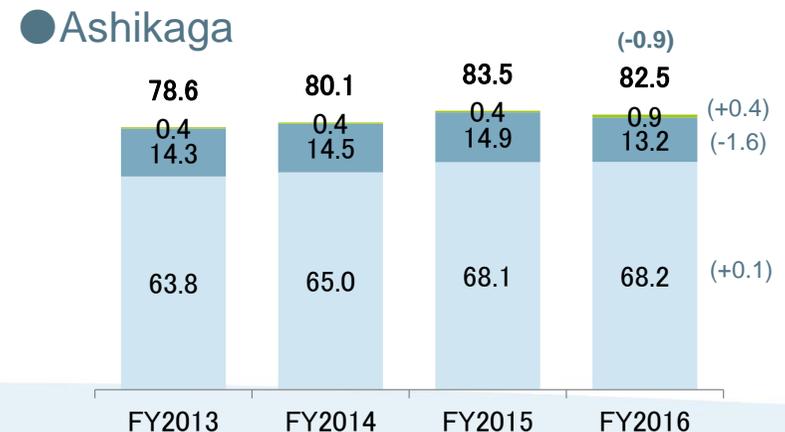
# Core Gross Business Profit (Gross Business Profit excluding Gains/Losses on Bond Transaction)

- ◇ Core gross business profit decreased by ¥5.4 bn, net interest income and net fees and commissions of which decreased by ¥4.4 bn and ¥2.7 bn from the previous year respectively.
- ◇ The drop in the profit is mainly attributable to a decline in loan yields and a decrease in fees related to financial assets under custody.

## ● Joyo + Ashikaga (JPY Bn)



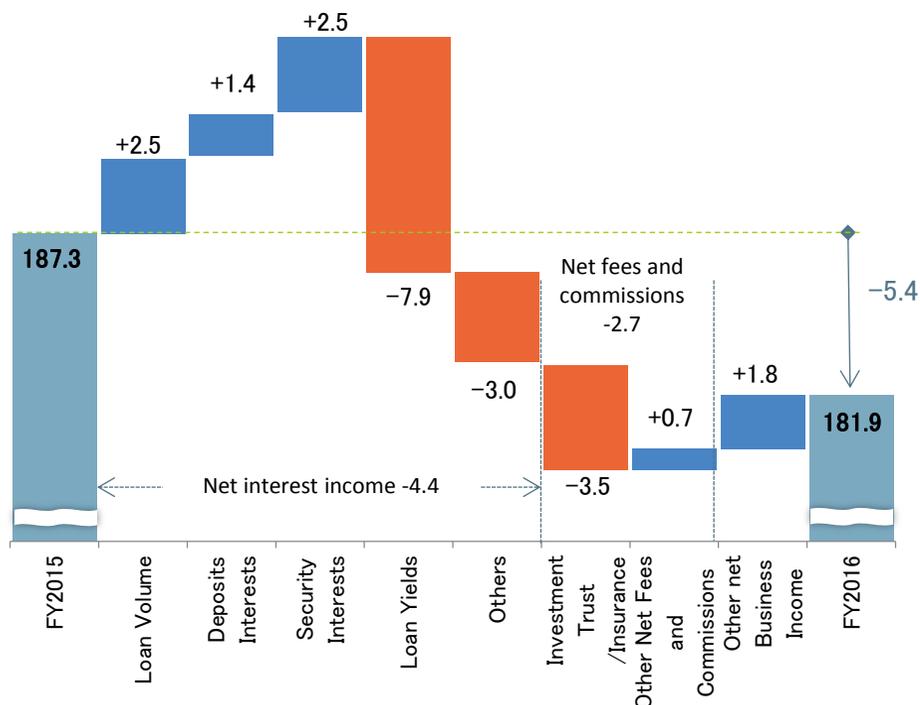
(\* ) "Other" includes costs of interest rate swaps



# Key Change Factors in Core Gross Business Profit

## Key Change Factors (Joyo + Ashikaga)

### ● Joyo + Ashikaga (JPY Bn)



### ● Gains on Cancellation of Private Offering Investment Trusts among Interests and Dividends on Securities (JPY Bn)

		FY2014	FY2015	FY2016
Joyo	Annual	0.3	0.8	1.7
	(o/w 2H)	(-0.0)	(0.4)	(1.6)
Ashikaga	Annual	1.1	3.7	3.6
	(o/w 2H)	-	-	(0.4)

## Net Interest Income, and Net Fees and Commissions (by Banking Subsidiary)

### ● Joyo (JPY Bn)

	FY2014	FY2015	FY2016	YoY
Net interest income	91.0	89.8	85.1	-4.6
Interest on loans and bills discounted	67.9	66.4	63.7	-2.7
Interest and dividends on securities	27.4	29.1	28.6	-0.5
Interest on deposits (-)	2.3	2.6	2.1	-0.5
Other funding cost (-)	1.9	3.1	5.0	+1.8
Net fees and commissions	14.4	15.4	14.3	-1.1
Fees related to investment trusts and insurance	6.9	6.4	4.6	-1.7
Fees related to loans	1.6	1.7	2.6	+0.8
Fees on settlement-related business	11.7	11.9	12.0	+0.0
Insurance premiums	-5.0	-4.0	-4.2	-0.2
Others	-0.8	-0.6	-0.7	-0.0

### ● Ashikaga (JPY Bn)

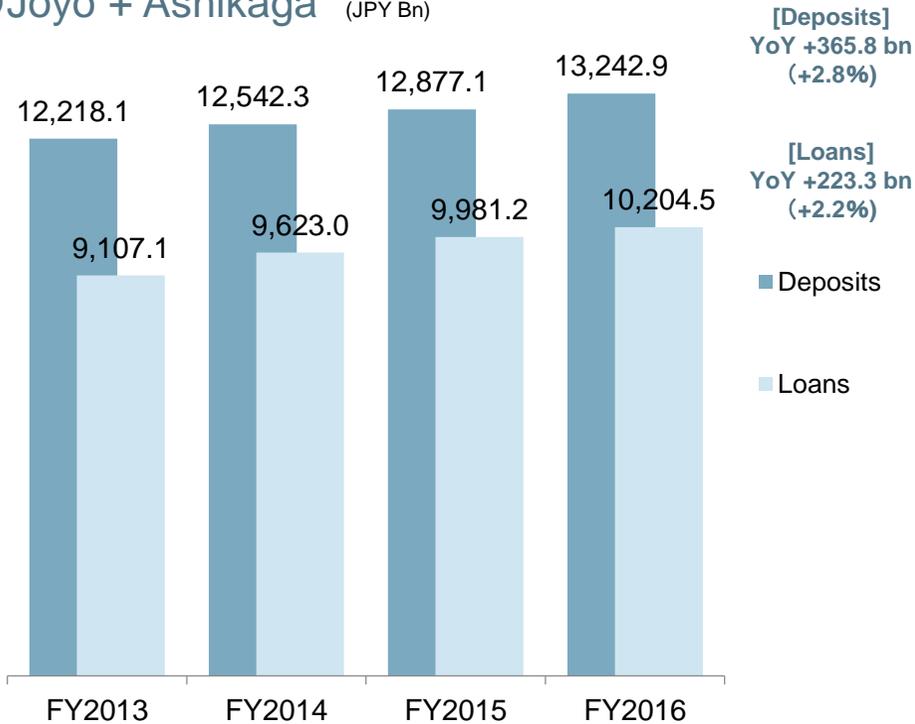
	FY2014	FY2015	FY2016	YoY
Net interest income	65.0	68.1	68.2	+0.1
Interest on loans and bills discounted	55.0	53.7	51.0	-2.7
Interest and dividends on securities	12.4	16.9	20.0	+3.1
Interest on deposits (-)	2.5	2.3	1.1	-1.1
Other funding cost (-)	-0.2	0.1	1.6	+1.0
Net fees and commissions	14.5	14.9	13.2	-1.6
Fees related to investment trusts and insurance	7.4	7.5	5.7	-1.7
Fees related to loans	3.9	4.4	4.7	+0.3
Fees on settlement-related business	7.6	7.6	7.5	-0.1
Insurance premiums	-3.4	-3.5	-3.9	-0.4
Others	-1.0	-1.1	-0.8	+0.2

\* Unless otherwise provided herein, the figures shown are the sums of domestic and international loans and deposits

# Loans and Deposits (Average Balance / Average Yield) (Domestic and International)

## Loans and Deposits (Average Balance)

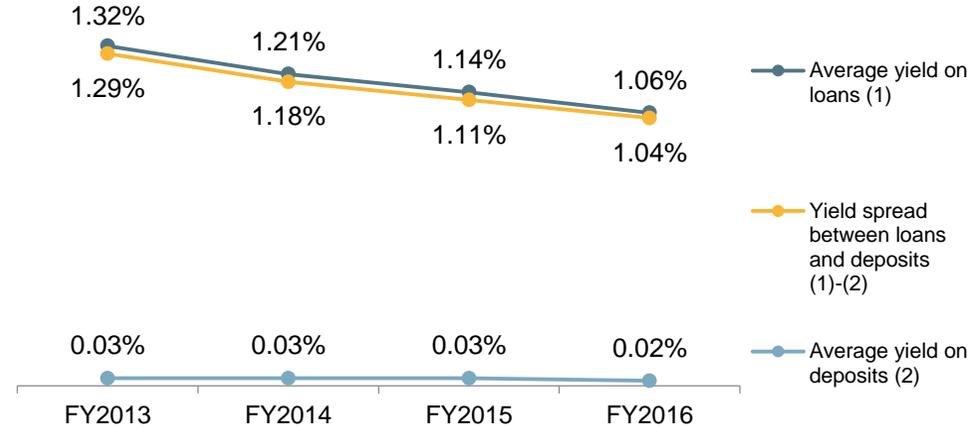
### ● Joyo + Ashikaga (JPY Bn)



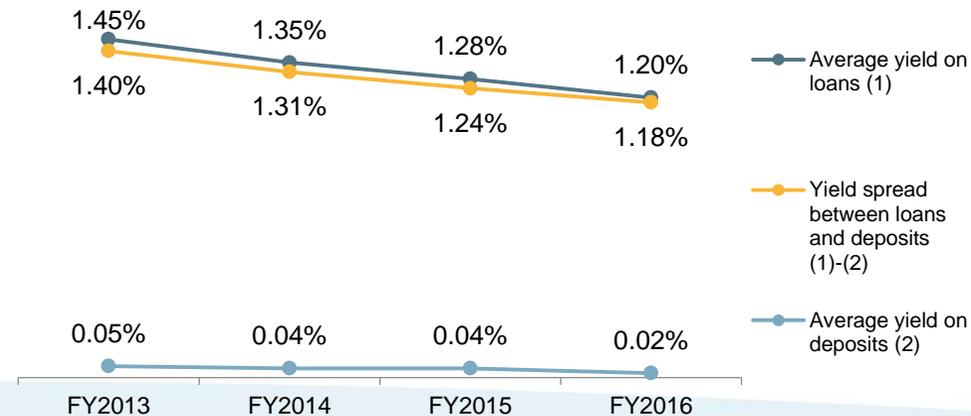
[Deposits]	FY2013	FY2014	FY2015	FY2016
Joyo	7,450.1	7,599.3	7,834.1	8,063.8
Ashikaga	4,768.0	4,943.0	5,043.0	5,179.1
[Loans]	FY2013	FY2014	FY2015	FY2016
Joyo	5,274.9	5,577.5	5,808.2	5,958.9
Ashikaga	3,832.2	4,045.5	4,173.0	4,245.6

## Average Yields of Loans and Deposits

### ● Joyo

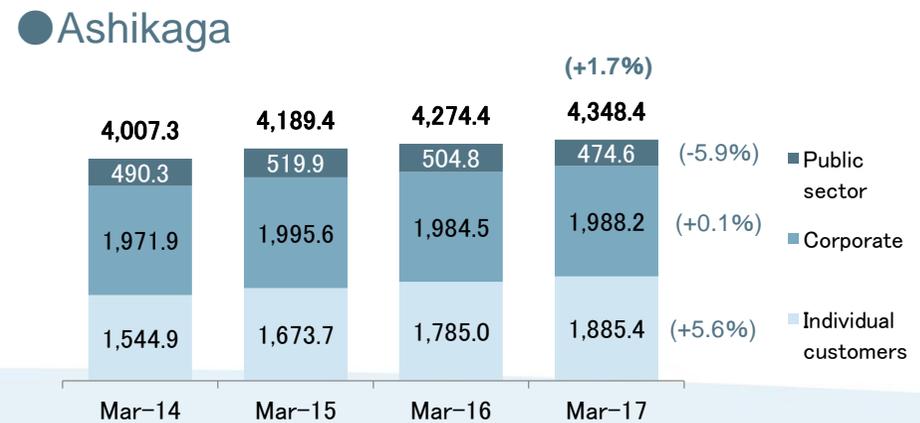
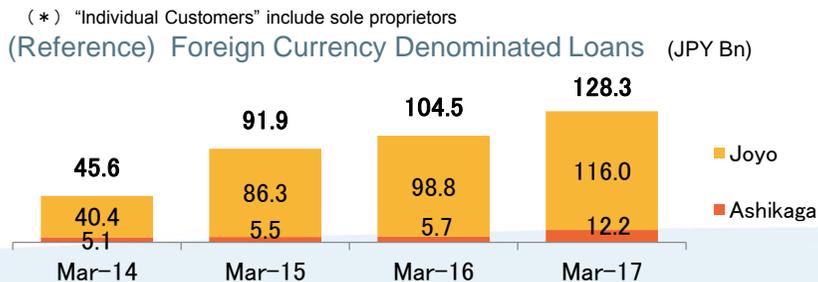
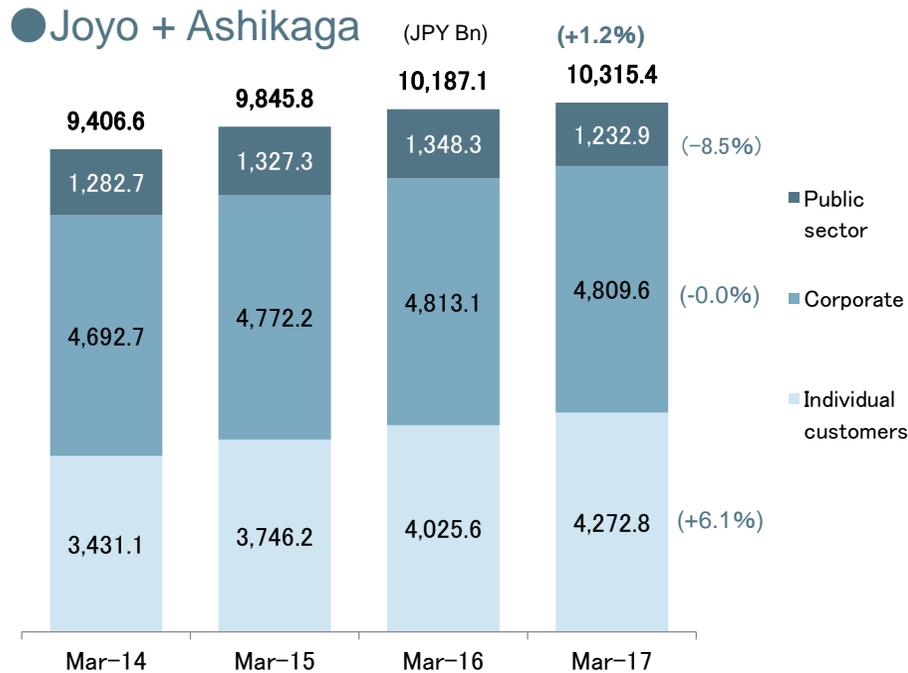


### ● Ashikaga



# Loans (1)

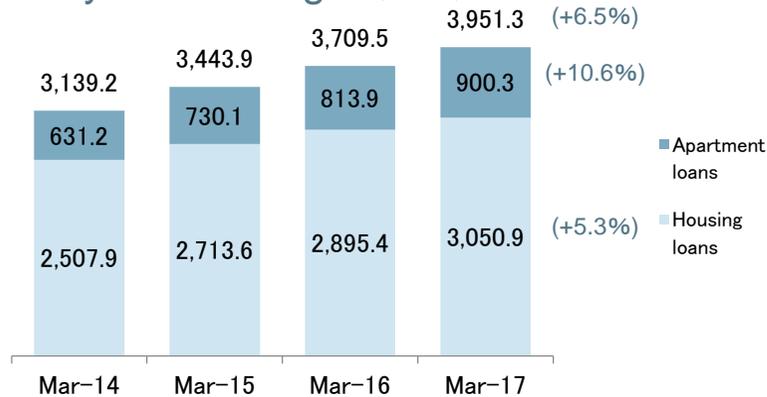
- ◇ Loans to individual customers increased by ¥247.2 bn (+6.1%) and housing related increased by ¥241.8 bn from the previous year (refer to p.9).
- ◇ Loans to corporate customers decreased by ¥3.5 bn and those to local SMEs increased ¥61.7 bn year-on-year (refer to p.10).



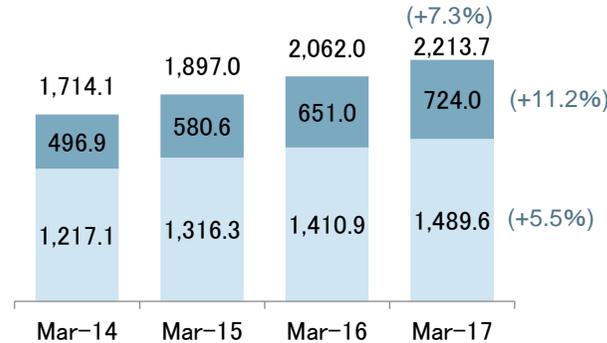
# Loans (2) Housing related loans / Unsecured Loans

## Housing Related Loans (Term-end Balance)

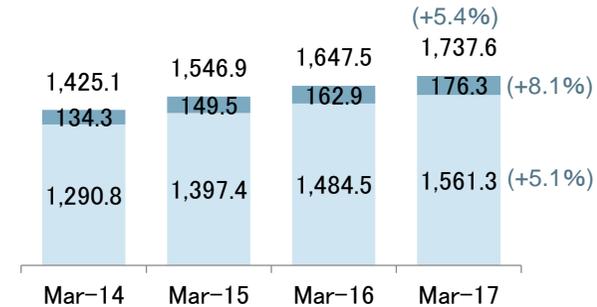
### ● Joyo + Ashikaga (JPY Bn)



### ● Joyo



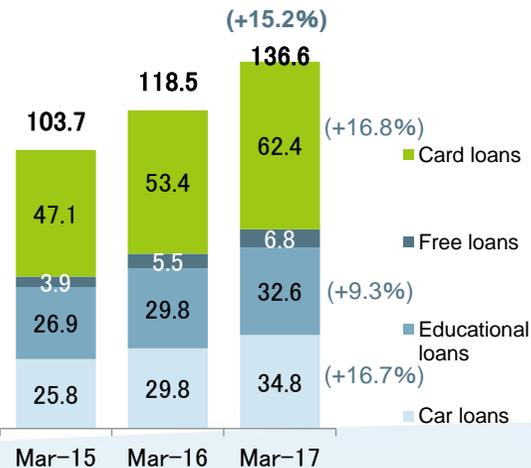
### ● Ashikaga



\* "Apartment loans" include those to corporate customers

## Unsecured Loans (Term-end balance)

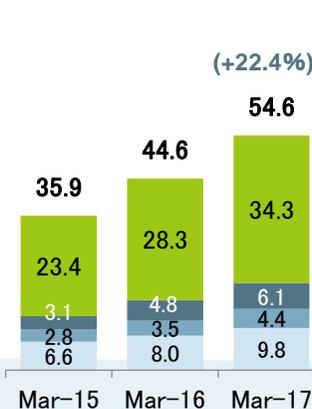
### ● Joyo + Ashikaga (JPY Bn)



### ● Joyo

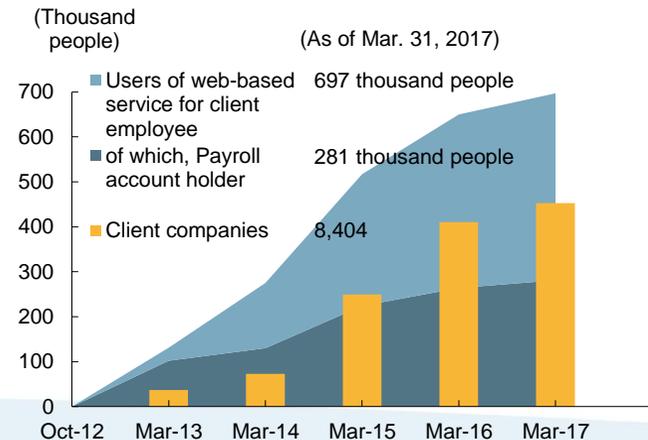


### ● Ashikaga



## Employee-specific Website (Joyo)

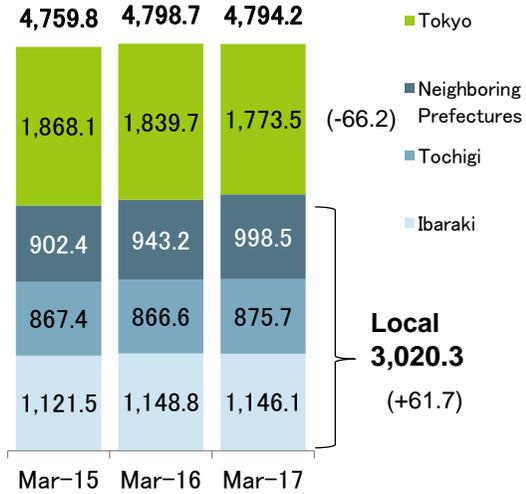
◆ Ashikaga starts to make use of the employee-specific website from Oct. 2017



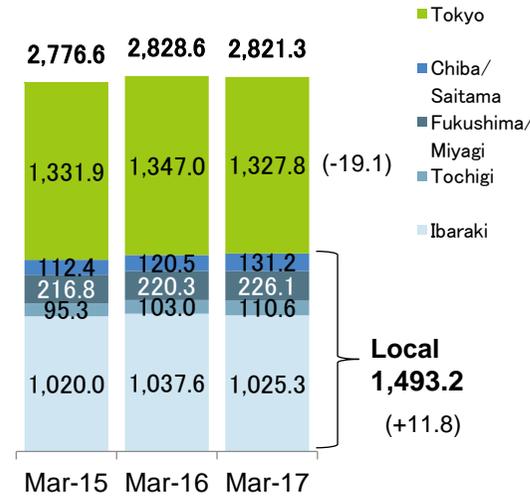
# Loans (3) Loans to corporate customers (by Area / Company Size)

Balance by Area

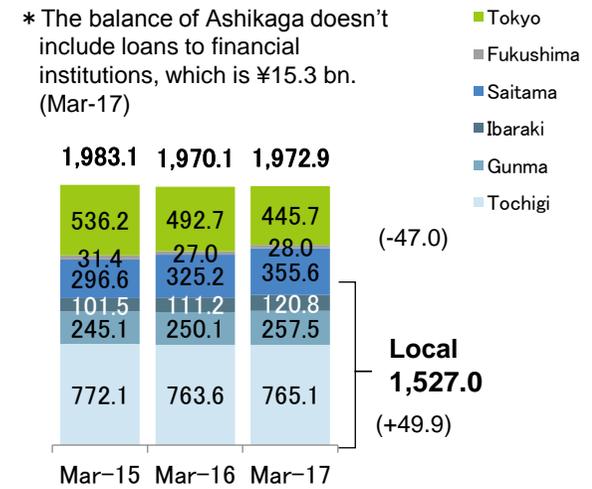
● Joyo + Ashikaga (JPY Bn)



● Joyo

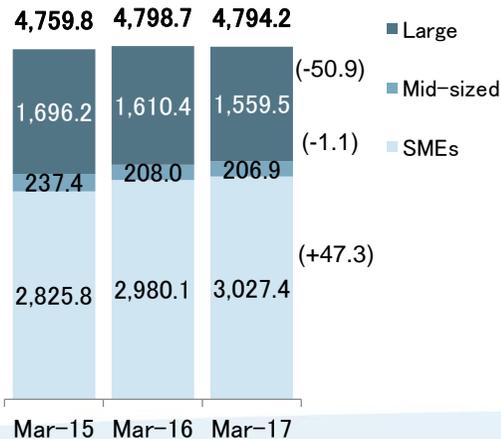


● Ashikaga

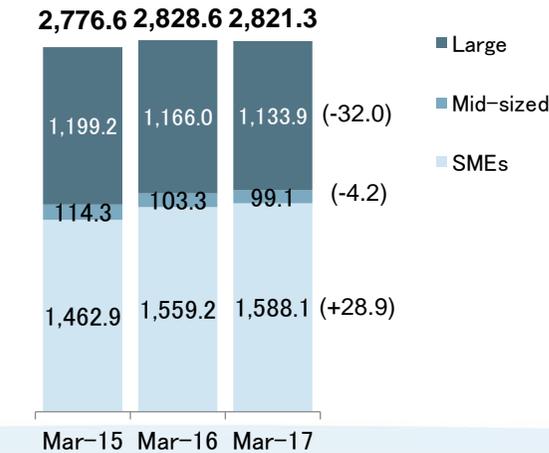


Balance by Company Size

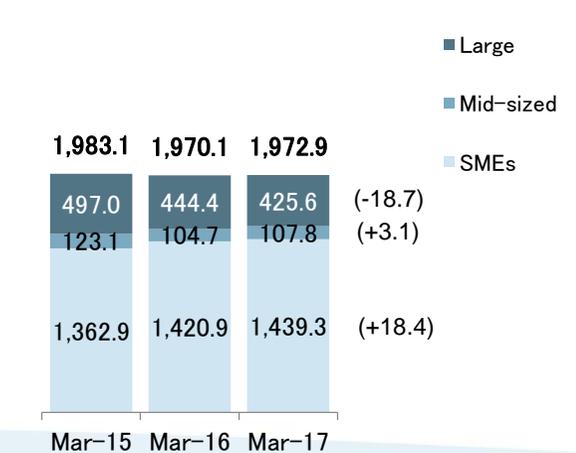
● Joyo + Ashikaga (JPY Bn)



● Joyo



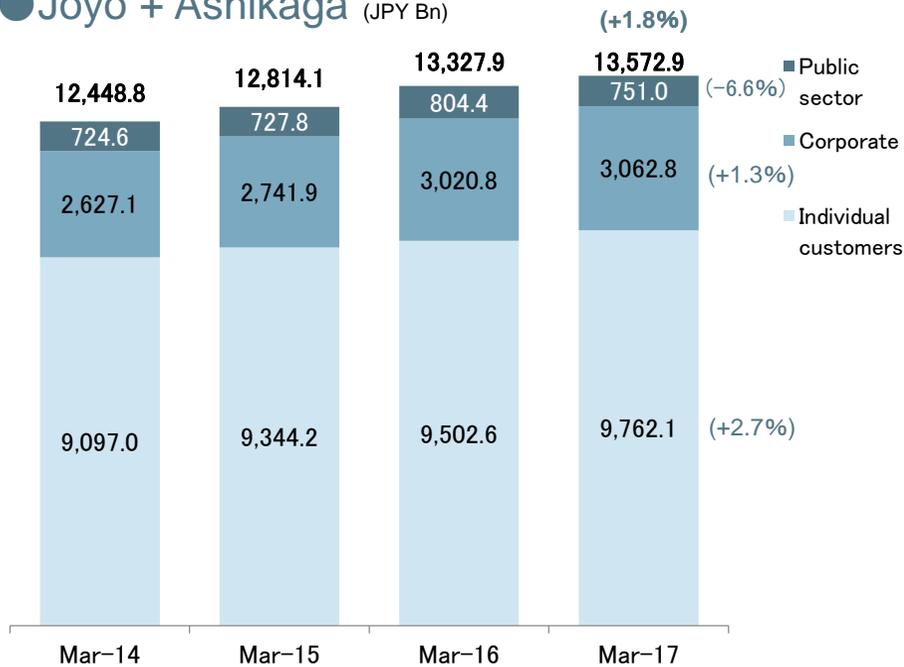
● Ashikaga



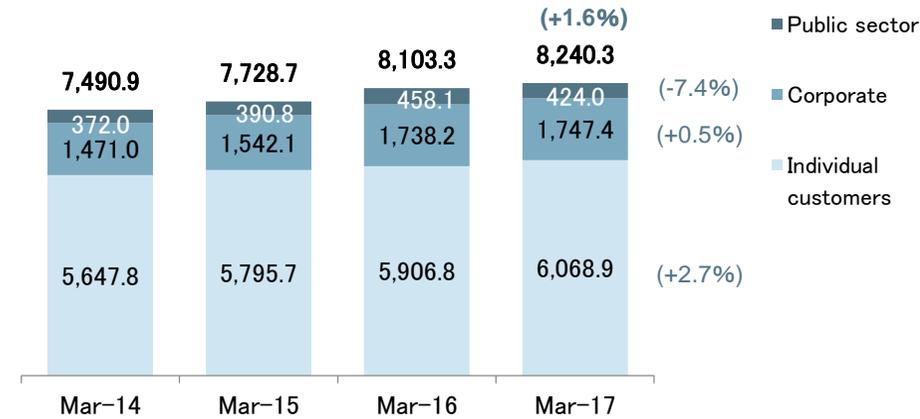
# Deposits

◇ Deposits of individual and corporate customers have been on the increase. (Individual customers : YoY +2.7%, Corporate customers : YoY +1.3%)

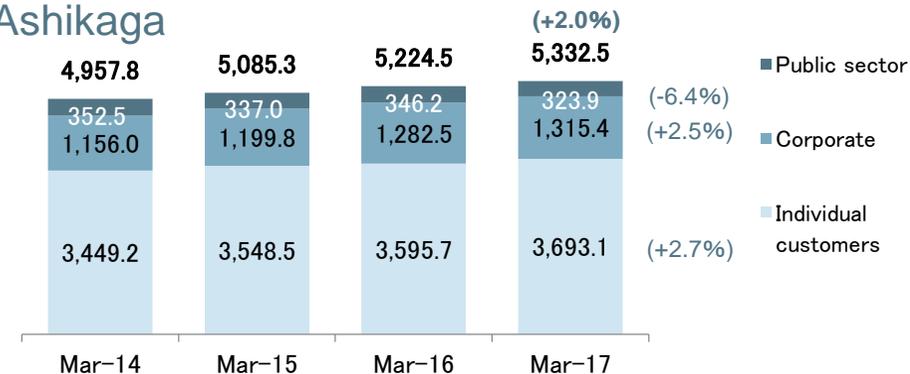
## ● Joyo + Ashikaga (JPY Bn)



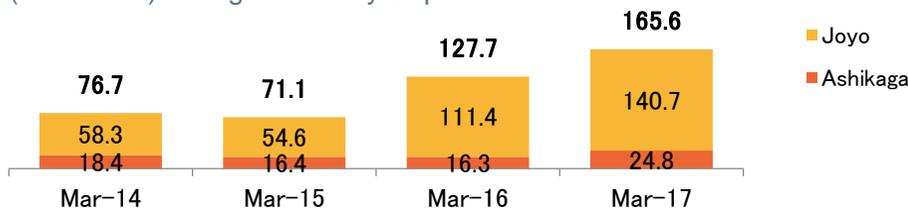
## ● Joyo



## ● Ashikaga



## (Reference) Foreign Currency Deposits



※1 "Corporate" includes financial institutions.

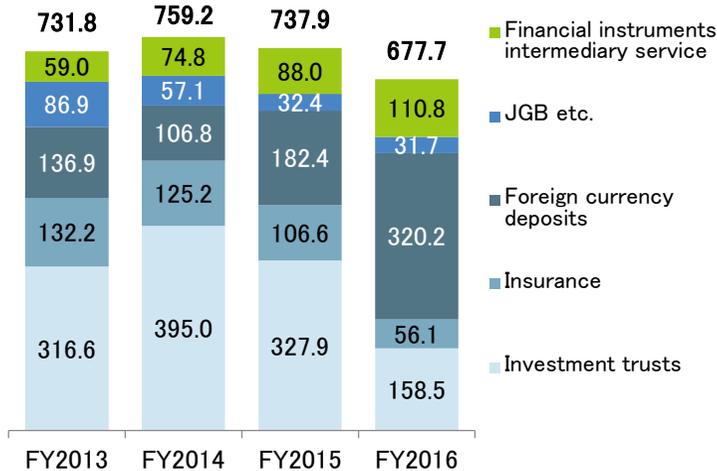
※2 Foreign currency deposits include foreign currency deposits hedged by forward exchange contracts, offshore deposits, and so on.

# Financial Assets under Custody (1) Sales Amount / Sales Commission

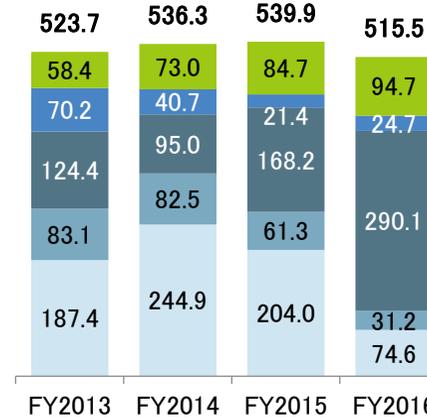
- ◇ The sales amount of investment trusts and insurance products of each bank decreased due to the concern over the unstable financial market.
- ◇ Both banks have been focusing on broadening its customer base (refer to p.13).

Sales Amount

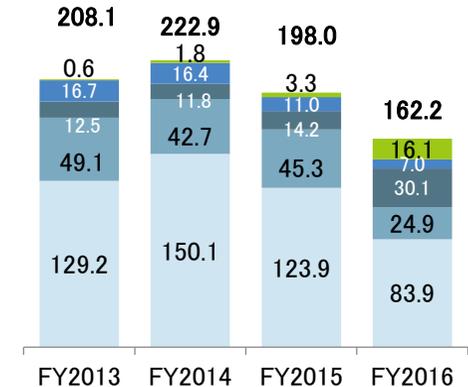
● Joyo + Ashikaga (JPY Bn)



● Joyo

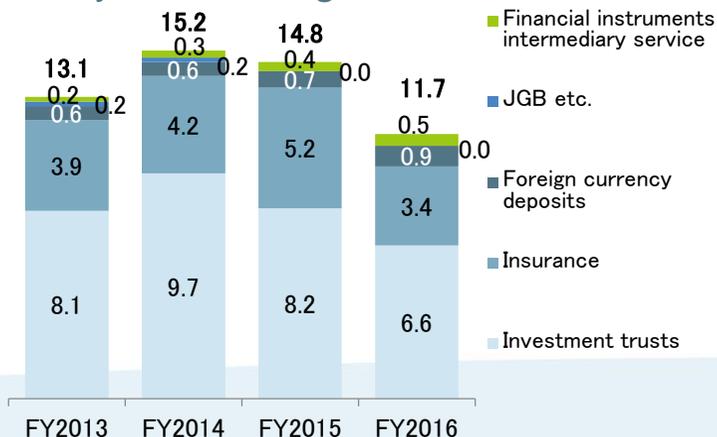


● Ashikaga

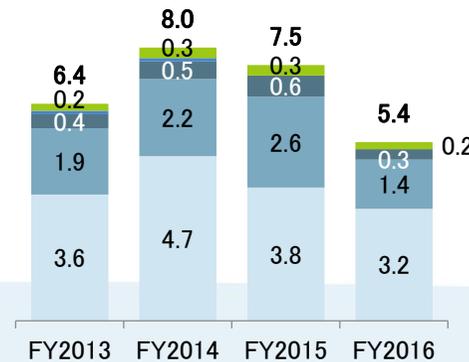


Sales Commission

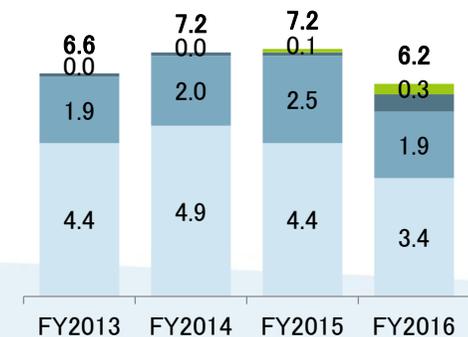
● Joyo + Ashikaga (JPY Bn)



● Joyo

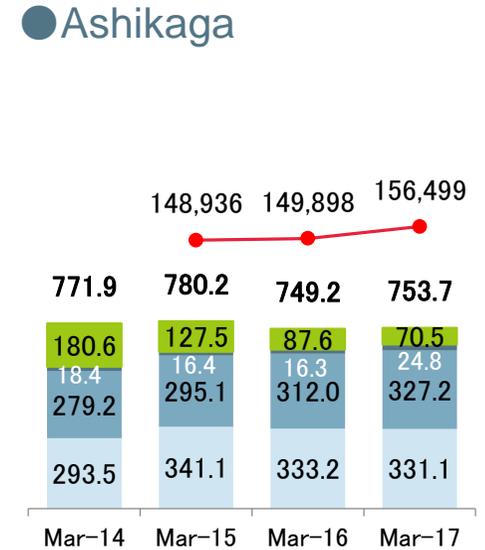
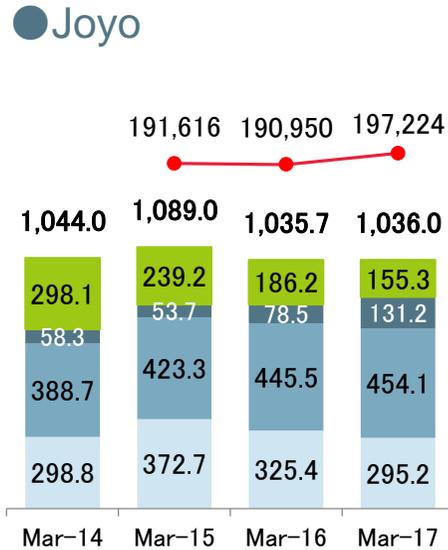
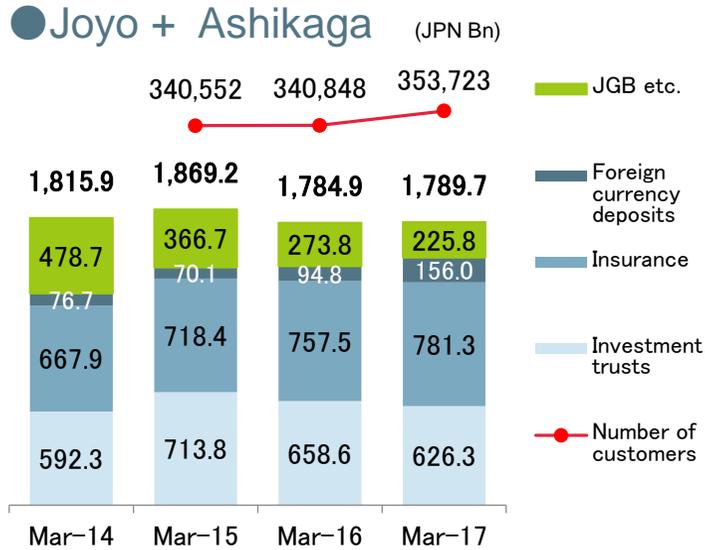


● Ashikaga

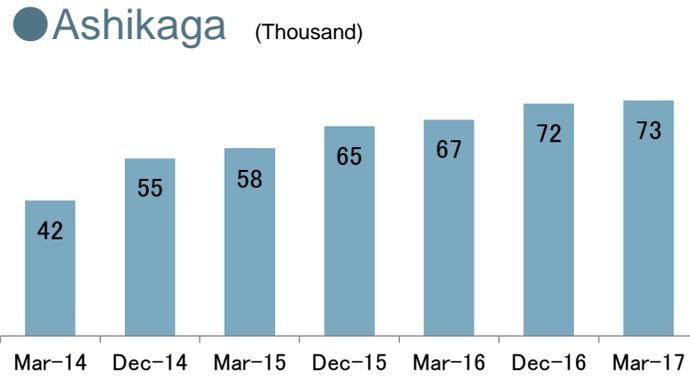
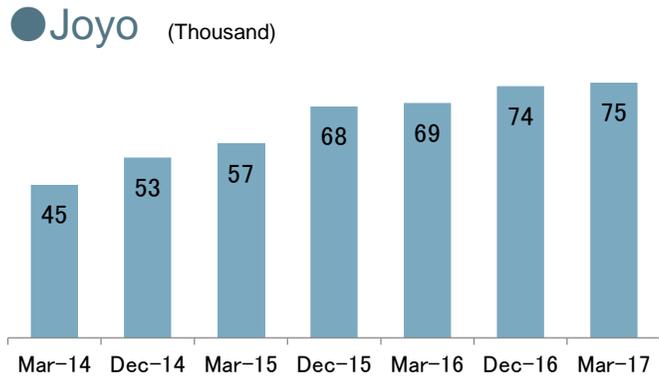


# Financial Assets under Custody (2) Balance / NISA (Nippon Individual Savings Account Program)

Financial Assets under Custody (Balance)



Number of NISA Account Openings

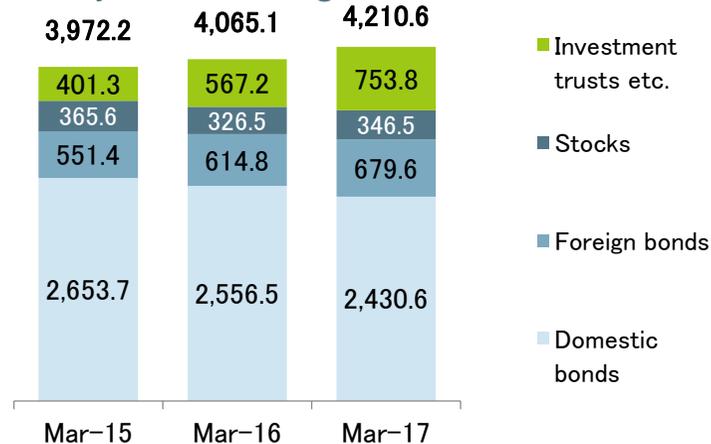


# Securities

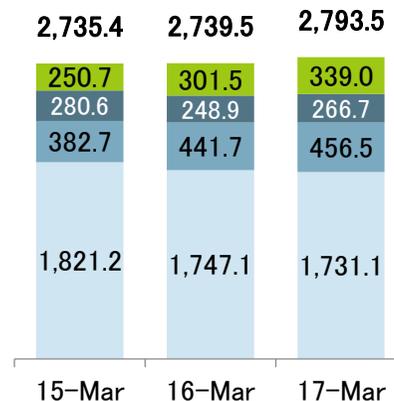
- ◇ Considering the interest rate of Japanese yen, suspended reinvestment of redemption payments of JGBs, which results in a decrease of the amount of domestic bonds held.
- ◇ Continue to rebalance our portfolio through purchasing investment trusts and foreign bonds, while paying attention to risk management.

Term-end Balance  
(Balance Sheet Amount)

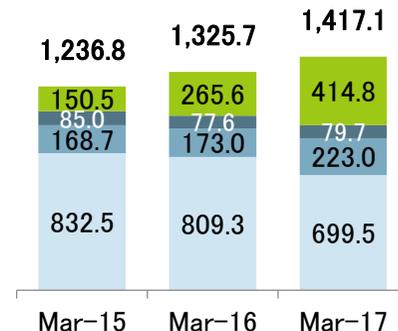
● Joyo + Ashikaga (JPY Bn)



● Joyo

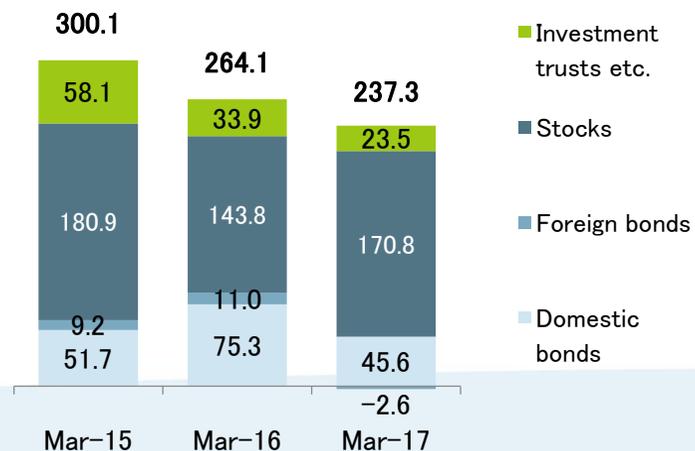


● Ashikaga

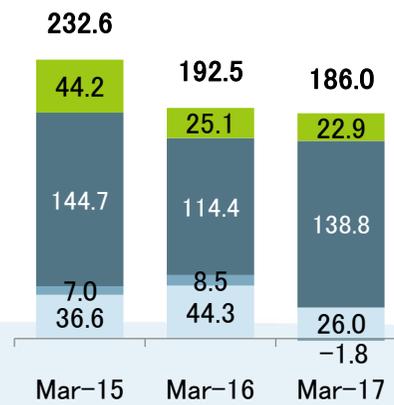


Unrealized Valuation Gains (Losses)  
on Available for Sale Securities

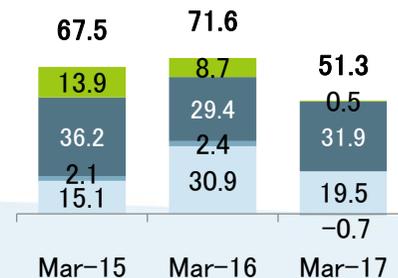
● Joyo + Ashikaga (JPY Bn)



● Joyo



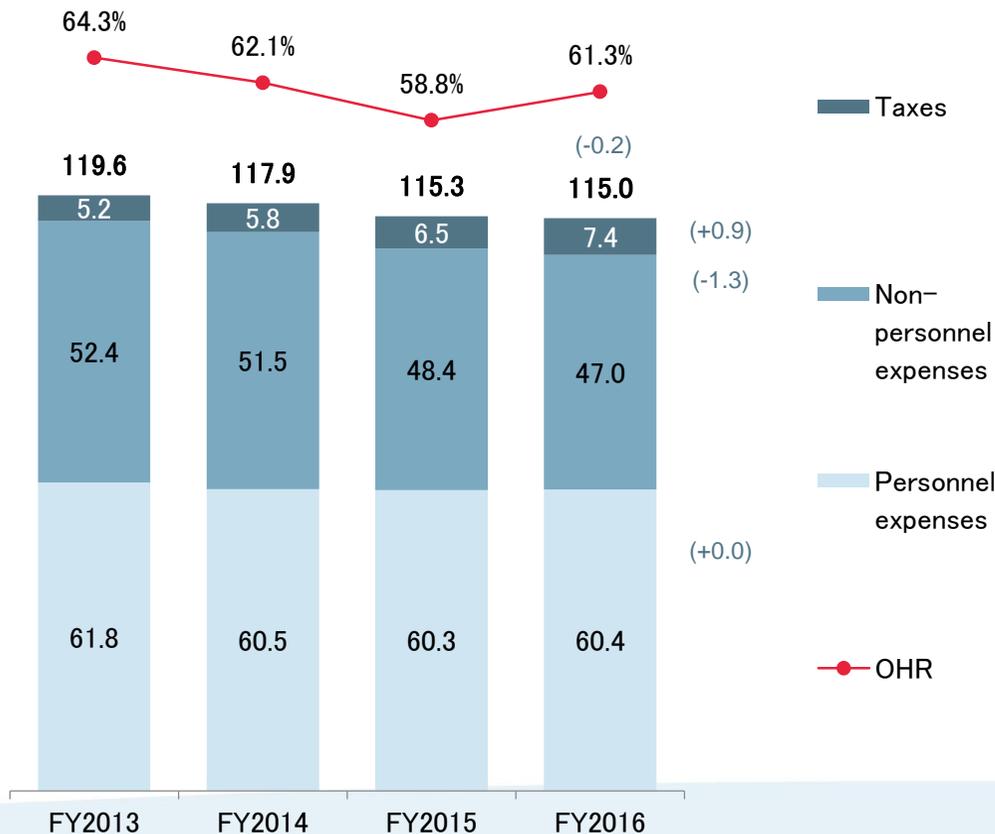
● Ashikaga



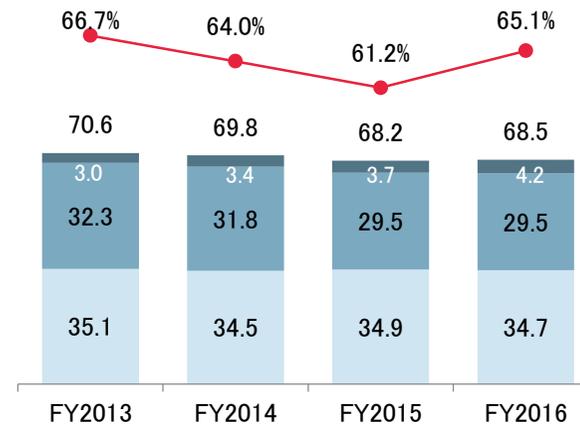
# Expenses / OHR

◇ Despite the fact that taxes such as size-based business tax increased, expenses decreased (by ¥0.2 billion on Joyo-Ashikaga simple-sum basis) compared with the previous fiscal year, mainly due to decreases in non-personnel expenses centering on depreciation expenses.

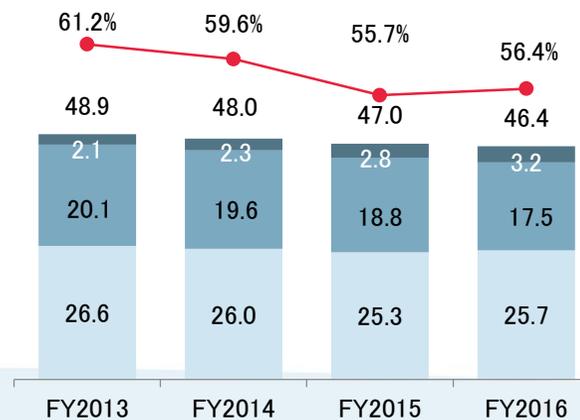
## ● Joyo + Ashikaga (JPY Bn)



## ● Joyo



## ● Ashikaga



\* The depreciation method has been changed from the declining-balance method to the straight-line method, which decreased depreciation expenses by ¥0.7 bn.

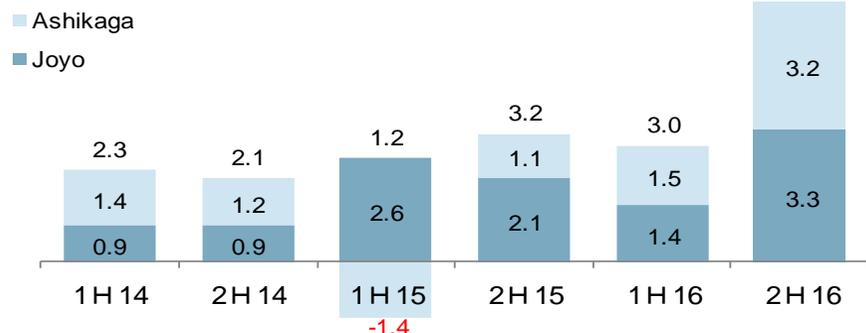
\* OHR = Expenses / Core gross business profit

# Credit Related Costs / Non-performing Loans

◇ In the second half of FY2016, despite of the fact that credit related costs increased mainly due to an extraordinary factor, number of bankruptcies of local businesses remains low level.

## Credit Related Costs

(JPY Bn)



## <Reference (1)> Credit Related Cost Ratio

	FY2013	FY2014	FY2015	FY2016
Joyo	0.120%	0.032%	0.082%	0.079%
Ashikaga	0.193%	0.066%	-0.006%	0.112%

## <Reference (2)> Business Failures

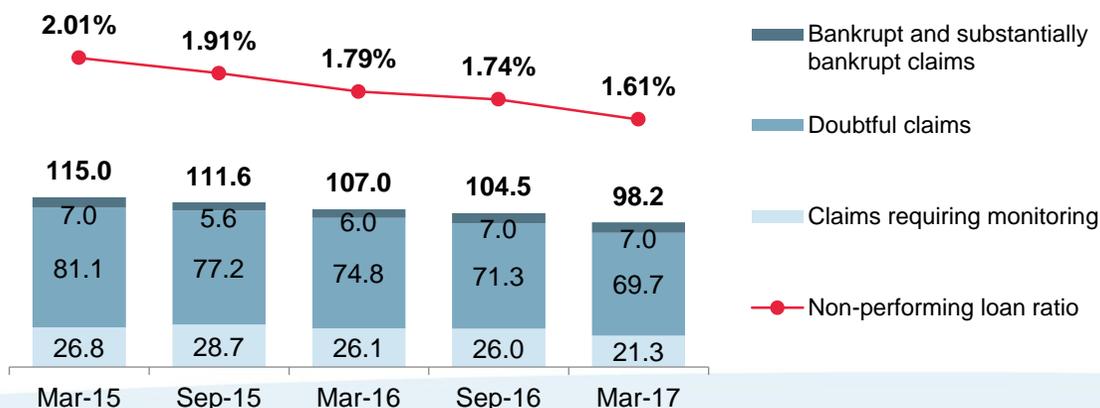
(Cases/JPY Bn)

		1H14	2H14	1H15	2H15	1H16	2H16
Ibaraki Prefecture	number	71	83	53	65	62	64
	amount	17.1	32.0	18.3	12.6	10.4	9.0
Tochigi Prefecture	number	62	86	71	59	66	78
	amount	11.0	19.7	6.2	10.3	12.3	13.3

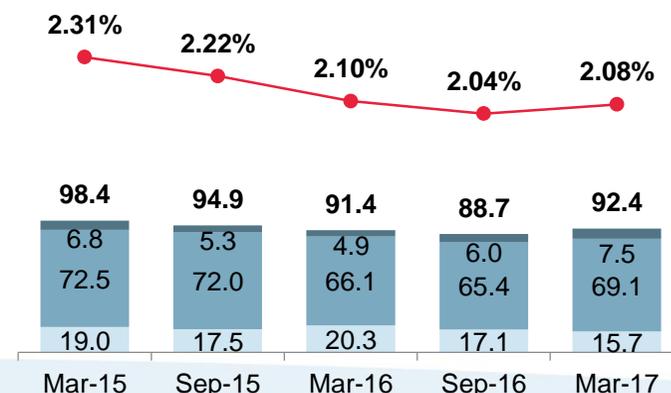
(\* ) Numbers of bankruptcies of enterprises with 100 million yen or more in net debt

## Non-performing Loans

### ● Joyo (JPY Bn)



### ● Ashikaga (JPY Bn)



# Gain on Negative Goodwill (Reference)

## 【Legal Form of the Business Combination】

Share Exchange on October 1, 2016

Ashikaga HD : Parent company  
Joyo Bank : Wholly owned subsidiary

## 【Accounting for Business Combinations (Reverse Acquisition / Purchase Method)】

Gain on negative goodwill of ¥119.2bn is recorded in extraordinary income

Joyo Bank : Acquiring company  
Ashikaga HD : Acquired company

【Image ( As of October 1, 2016)】

### Joyo Bank

Total Net Assets  
(Consolidated Basis)  
¥582.0bn

+

### Ashikaga HD

Fair Value of Net Assets  
(Consolidated Basis) (※1)  
¥242.7bn

=

Joyo Bank's  
Total Net Assets  
(Consolidated Basis)  
¥582.0bn

Capital Surplus  
¥123.5bn

Retained Earnings  
¥119.2bn

(※2) Acquisition Cost of Ashikaga HD

(※3) Gain on negative Goodwill

Total Net Assets (consolidated) : ¥824.7bn

### Mebuki FG

The difference between the acquisition cost and the fair value of net assets of Ashikaga HD is gain on negative goodwill.

#### Fair Value of Net Assets(※1)

This figure is equivalent to the fair value of assets and liabilities of Ashikaga HD (after deduction of Ashikaga HD's positive goodwill on the balance sheet).

#### Acquisition Cost of Ashikaga HD (※2)

The acquisition cost in the purchase method, which is equivalent to the market capitalization of Ashikaga HD, is recorded in capital surplus.

◇Ashikaga HD's number of shares after adjustment / Exchange Ratio (1.17) × Closing price of Joyo's stock at the final trading date.

#### Gain on Negative Goodwill (※3)

Gain on the negative goodwill is recorded in extraordinary income on the consolidated income statement and in retained earnings on the consolidated balance sheet.

# Forecast for FY2017

- ◇ For FY2017, the projection of consolidated ordinary profit and that of consolidated net income\* are ¥58.5 bn (YoY +6.2 bn) and ¥40.0 bn (YoY -¥118.4 bn) respectively.
- ◇ Synergy effect of the business integration of ¥2.7 bn is expected for FY2017 (The business integration synergy for the second half of FY2016 was ¥0.9 bn).

\* Attributable to owners of the parent

## ●Mebuki FG

Items	[Consolidated]	
	Interim	Annual
Ordinary Profit	32.0	58.5
Net income attributable to owners of the parent	22.0	40.0

## ●Joyo + Ashikaga + Non-banking Subsidiaries

(JPY Bn)

Items	Interim	Annual
Net income	27.5	48.0

## ●Joyo + Ashikaga

Items	[non-consolidated]		
	Interim	Annual	YoY change
Core net business income	33.5	63.0	-3.9
Ordinary profit	37.0	64.0	-4.9
Net income	25.5	44.0	-6.8

## ●Joyo (non-consolidated)

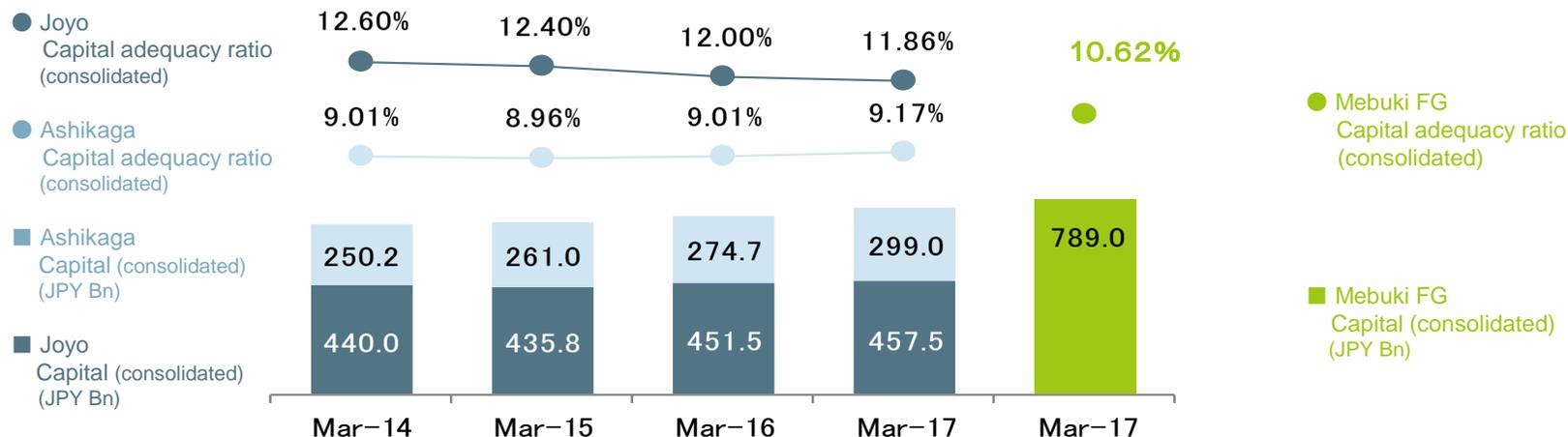
Items	[non-consolidated]		
	Interim	Annual	YoY Change
Core net business income	17.0	32.5	+1.6
Ordinary profit	19.5	33.5	-2.1
Net income	13.5	23.0	-1.4

## ●Ashikaga (non-consolidated)

Items	[non-consolidated]		
	Interim	Annual	YoY Change
Core net business income	16.5	30.5	-5.5
Ordinary profit	17.5	30.5	-2.7
Net income	12.0	21.0	-5.4

# Capital Adequacy Ratio / Rating

## Capital Adequacy Ratio



※Calculation method of risk weighted assets

Mebuki FG : The fundamental internal rating based approach

Joyo : The fundamental internal rating based approach

Ashikaga : The standardized approach

<Reference> Capital Adequacy Ratio without Temporary Measure (consolidated)

	Mar-14	Mar-15	Mar-16	Mar-17
Mebuki FG	-	-	-	9.49%
Joyo	11.35%	11.51%	11.17%	11.52%
Ashikaga	8.67%	8.64%	8.77%	9.00%

## Rating

○ R&I (Rating and Investment Information, Inc.)

Mebuki FG	Joyo	Ashikaga
A	A+	A+

○ Moody's

Joyo
A2

# Shareholder Return –Mebuki Conducts a Shareholder Benefit Plan–

## Dividend Policy

### [ Earnings Dividend Policy ]

Aim to continue stable dividend returns while taking into account of both the maintenance of solid capital levels for the future growth and the appropriate distribution of profits to our shareholders

- For FY2016, year-end dividend is ¥6.50 per share, including a commemorative dividend of ¥1.00 for the business integration

(Reference) Dividend payout ratio (FY2016) : 7.6%

Dividend payout ratio excluding an extraordinary factor \* : 26.9%

\* The later ratio is calculated as shown below:

$$\frac{\text{Dividend (Interim dividend of Joyo and Ashikaga HD + Year-end dividend of Mebuki)}}{\text{Consolidated net income (1st half of Joyo and Ashikaga HD + 2nd half of Mebuki FG [ exc. Gain on negative goodwill ] )}}$$

- For FY2017, annual dividend projection is ¥11.00 per share in line with the earnings dividend policy (Dividend payout ratio estimate : 32.3%).

## Shareholder Benefit Plan

### [ Shareholders Eligible ]

Shareholders recorded in the register of shareholders as of March 31 of every year and holding 1,000 shares or more at the record date.

### [ Contents of the Plan ]

Depending on the number of shares held, shareholders can choose items from a dedicated catalog that lists local specialties and so forth.

### [ Dividends per Share ]

FY2016	FY2017		
Year-end Dividend	Annual Dividend	Interim Dividend	Year-end Dividend
¥6.50 (Incl. commemorative dividend of ¥1.00)	¥11.00	¥5.50	¥5.50

### [ Contents of the Shareholder Benefit Plan ]

Number of shares held	Items that can be selected	
1,000 shares or more but less than 5,000 shares	Equivalent to 2,500 yen	Approx. 490 items centered on specialty products from Ibaraki Prefecture and Tochigi Prefecture*
5,000 shares or more but less than 10,000 shares	Equivalent to 4,000 yen	
10,000 shares or more	Equivalent to 6,000 yen	

\* The number of items listed on the FY2016 Joyo Bank's shareholder benefit catalog is 316.



# Progress of the Initiatives and Measures of the Integration

—Results of the Day 180 Plan—

		Items	Details
Action Plan	Channel	Lowering transfer fee between both banks to the inter-branch rate	Lower the fee for transfer between the two banks to the inter-branch rate for teller transactions, ATM transactions, and internet banking transactions.
		Shared use of ATMs for deposits	Make it possible to deposit money using a cash card issued by either bank at the other bank's ATMs.
	Group Companies	Securities	Start to intermediate financial products carried by Joyo Securities at 13 branches of Ashikaga Bank to which full time financial consultants belong.
		Leasing	Ashikaga Bank begins to offer Joyo Lease's auto lease products.
Assets under Custody	Joint fund	Commemorating the business combination, establish and sell an investment trust named "Two Dreams" which invests in companies related to Ibaraki and Tochigi Prefectures.	
Campaign	Individual Customers	Investment product campaign	All customers have a chance to win local specialty items by lottery if they obtain investment products worth at least 200,000 yen or start to accumulate investment trusts.
		Car loans and educational loans campaign	Preferential Interest Rates
	Corporate Customers	Internet banking campaign for corporate customers	Exemption of activation fee and three months of monthly fees for new subscribers.
		Business seminar	Members of either bank's research institute can take seminars of the other research institute at preferential rates.
Others	Framework	Liaison officer Regional collaboration meeting	Deploy "liaison officers" at both banks' headquarters and establish "Regional Collaboration Meeting" at 10 areas in order to enhance the collaboration between Joyo Bank and Ashikaga Bank on introducing customers and co-financing

Results (Oct. 2016 - Mar. 2017) (Figures in parentheses are YoY changes)	
	-
	-
Sales amount of the whole group	
Sales amount	¥78.2bn (+41.6bn)
o/w Foreign bonds	¥62.3bn (+36.5bn)
Number of referrals to Joyo Lease	3,258(+1,401)
<u>Results of the whole group</u>	
Sales amount	¥20.2bn (Attained 101.3% of our target of ¥20bn)
Number of sales	9,117
<u>Sales amount (Campaign performance)</u>	
Investment trust	¥28.2bn(+3.6bn)
Foreign currency deposits	¥2.3bn(+1.4bn)
Accumulation service	4,206(-394)
<u>Preliminary application</u>	
Car loans	¥20.3bn / 10,958 loans
Educational loans	¥11.4bn / 4,309 loans
<u>Amount of loans made</u>	
Car loans	¥7.7bn / 4,515loans
Educational loans	¥5.5bn / 1,990loans
<u>New contracts of the whole group</u>	
New subscribers	3,642(+781)
Optional services	1,417
Mutual participants	52 from 33 companies
【As of the end of Jan. 2017】	
Co-financing	¥2,349mil /13borrowers
Syndicate loans	¥4,405mil /25borrowers
<u>Number of referrals</u> ¥1,760mil /24borrowers	
Total	¥8,514mil /62borrowers

# Day180 Plan / Other Initiatives and Measures

## 【Regional Revitalization】

### Food Exhibition

In Mito City

- Product development
- Test marketing

<refer to p.23>

Conducted on Oct. 12, 2016

### Food Business Meeting

in Utsunomiya City

- Sales channel cultivation
- Sales channel development

<refer to p.23>

Conducted on Nov. 22, 2016

### Mebuki Business Award

<refer to p.24>

### Regional Revitalization Fund

<refer to p.25>

### Mebuki Financial Group Manufacturing Business Forum 2017

- Support business meetings through technical proposal booklet and panel exhibition

<refer to p.26>

Conducted on Feb. 22, 2017

## 【Regional Interaction】

### Economic Lecture (held 8 times in the 2H FY2016)

Introduced Mebuki FG in the main cities for both banks at the time of the lectures (Presidents of both banks took part in the lectures in the underlined cities below).

【Venue】 Tochigi Pref.: Utsunomiya, Ashikaga  
Ibaraki Pref.: Mito, Tsukuba, Hitachi, Kashima, Shimodate  
Fukushima Pref.: Koriyama

## 【Organizational Integration (Personnel Exchange)】

### Joint-Training

- Held rank-based trainings in which 1,000 employees participated.
- Shared each other's training program.

### Regional Collaboration Meeting

Established "Regional Collaboration Meeting" at 10 areas to enhance collaboration between Joyo Bank and Ashikaga Bank on introducing customers and co-financing.

## 【Other Initiatives and Measures】

○Integration of overlapping branches: Integrate four of Joyo's branches into two in Utsunomiya city and Moka city

(on Apr. 3, 2017)

○Operational efficiency improvement: Shared card issuing process, which reduces cost by approx. ¥18 mil per year

○Business alliance with crowd funding service "Makuake"

(Ashikaga) First deal completed (Joyo) Developed affiliated loan

# Initiatives of Day 180 Plan –Local Products Support Project–

- Held “Food Exhibition in Mito City” and “Food Business Meeting in Utsunomiya City” for food related business operators.
- Dividing the value chain of local products from development to sales into four stages below, provided seamless support through appropriate measures depending on the stage.

1.Product Development

2.Test Marketing  
(Improvement of Products)

3.Sales Channel Cultivation

4.Sales Channel Development

## Food Exhibition in Mito City

Date	October 12, 2016
Place	Mito Plaza Hotel (Mito, Ibaraki Pref.)
Exhibitors	100 companies
Evaluators	505

### <Contents>

- Food related business operators exhibited their products and international students and housewives experienced the products and evaluated them.
- Evaluation based on taste, price, package and so forth.
- Support food related operators’ future product development and test marketing.



Venue



Evaluators



Awards  
Ceremony

## Food Business Meeting in Utsunomiya City

Date	November 22, 2016
Place	Marronnier Plaza (Utsunomiya, Tochigi Pref.)
Exhibitors	327 companies (Tochigi: 142, Ibaraki: 94)
Visitors	Approx. 3,000
Meetings Held	451

### <Contents>

- Exhibition where selling enterprises promote their products
- Business meetings which require reservation
- Support food related business operators’ sales channel expansion
- Number of buyer enterprises that participated: 148



Exhibition of Prize-winning Products  
of the Food Exhibition



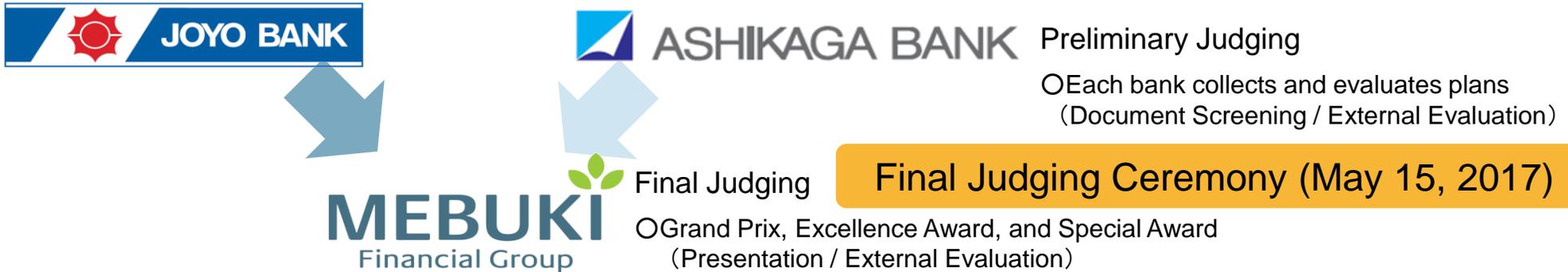
Venue



Business  
Meeting

# Initiatives of Day 180 Plan –Mebuki Business Award–

- In commemoration of the establishment of Mebuki Financial Group, each bank's business award was integrated together and the first "Mebuki Business Award" is being held.
- Ingenious business ideas latent in both banks' vast business territory are gathered and the best entries will be presented with awards.
- After the award, consistent support is provided, including financial support such as formulating business plans and launching new businesses through financing and so forth.

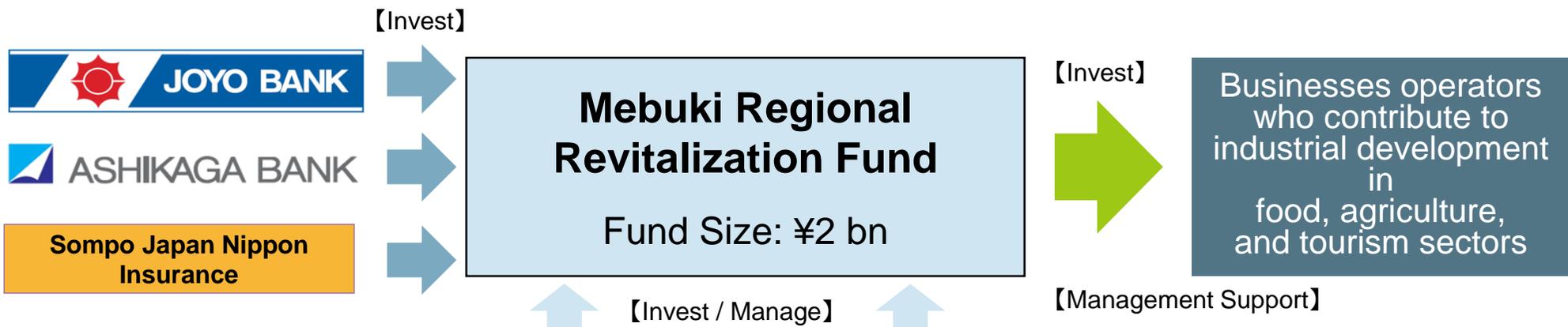


Target Business Categories	1.Manufacturing 2.Agriculture / 6th Industrialization 3.Environment / Energy 4.Medical / Nursing Care 5. Advanced Technologies 6.Overseas Expansion 7.Regional Revitalization, etc. 8.New Business, etc.
Application Period	From December 1, 2016 to January 31, 2017
Judging Process	Preliminary Judging: Document Screening Final Judging: Presentation
Awards	Grand Prix: 1 plan (¥3mil), Excellence Award: Several (¥1mil), Special Award: Mebuki Award, Hitachi Award, Encouragement Award: Several
Sponsors	Sponsors: Mebuki Financial Group, Joyo Bank, Ashikaga Bank Co-sponsors: Joyo Industrial Research, Ashigin Research Institute

Number of Applicants  
**646\***  
Joyo 344  
Ashikaga 302  
\* Record high



# Initiatives of Day 180 Plan –Mebuki Regional Revitalization Fund–



**Its investment limit is planned to be increased based on the possibilities of investment in new businesses**

**Outline of the Fund**  
 Establishment: November 14, 2016  
 Investment Period: 10 years  
 Methods: Capital Contribution, etc.  
 Structure: Investment Business Limited Partnerships

**Amount / Number of deals**  
 ¥1.2 bn / 4 deals (as of May12, 2017)

- (Completed Deals)
1. World Farm (Tsukuba city)  
Date: Jan. 31, 2017 / Amount: ¥100 million
  2. HATAKE Company (Tsukuba city)  
Date: May. 31, 2017 / Amount: ¥200 million
  3. SS Food International (Ichikawa city)  
Date: Apr. 25, 2017 / Amount: ¥200 million
  4. Hayakawa Holdings (Ashikaga city)  
Date: Apr. 28, 2017 / Amount: ¥700 million



**<Investment Target>**

- Operators who contribute to industrial development in food, agriculture, and tourism sectors (including agricultural corporations)
- Prize winners of Mebuki Business Award etc.

# Initiatives of Day 180 Plan – Manufacturing Business Forum –

- A record number of 314 companies, including Ashikaga Bank’s 72 customers, exhibited at this year’s forum (including 11 overseas companies)
- Distributed English version of the technical proposal booklet for the first time and coordinated business meetings with overseas companies.
- With the full cooperation of SUBARU CORPORATION (Gunma Manufacturing Division), set up exhibition booth of seven Tier 1 manufacturers.
- Conducted demonstrations which can offer clues to manufacturing
  - Sango Co., Ltd. and Sango Kanto Co., Ltd. exhibited labor saving machines which are used in the companies’ factories.
  - A venture company spun off from The Industrial Technology Research Institute of Taiwan demonstrated a walking support robot.
- Three prize-winners of Joyo Business Award conducted presentations.

- Exhibitors: 314 companies
- Visitors: 850 companies / Approx. 2,000 people
- Business meetings based on technical proposal booklet: 390 meetings
- Business meetings between Joyo Bank’s customers and Ashikaga Bank’s customers: 90 meetings



< Technical proposal booklet (English Ver.) >



< SUBARU CORPORATION's booth >



< Labor Saving Machines >

# Step-up 180 Plan – For Individual Customers –

## Support Customers' Asset Building

### <For the First Investment>

#### ■ First Investment Campaign (Jun.-Dec. / under planning)

Reward customers who open a new account, and purchase financial products (¥100,000 or more) or start an accumulation service for investment trusts (¥10,000 per month or more) with prizes.

### <For Additional Investment>

#### ■ Mebuki Securities (Apr.-)

Ashikaga Bank started to intermediate financial products carried by Joyo Securities at its all branches.

#### ■ Foreign Bond Campaign (Apr.-Jun.)

Reward customers who purchase foreign bonds directly from Mebuki Securities or from the securities company through any of Mebuki's banking subsidiaries with gift certificate or local specialties.

### <Others>

#### ■ Mebuki FG Founding Commemoration Seminar (Apr.-Jun.)

#### ■ Foreign Currency Deposit Campaign (Jun.- Sept. / under planning)

## Support Customers' Housing Acquisition

### <Housing Loans>

#### ■ Housing Loan for Women (Apr.-)

- A maximum two-year grace period of principal payment during maternity and child care leave period
- Exemption of prepayment fee
- Exemption of group credit life insurance premium

#### ■ Online Application Housing Loan (May-)

- Preferential interest rates
- Exemption of prepayment fee
- Exemption of group credit life insurance premium

## Unsecured Loans

#### ■ Motivates students to go to universities located in Ibaraki and Tochigi Prefecture

Prevent student drain and increase student migration from other prefectures as measures against population decline

#### ■ One-year Anniversary of Mebuki FG

(Sept. 2017-Apr. 2018 / under planning)

Preferential interest rates for housing/educational loans

# Step-up 180 Plan – For Corporate Customers –

## <Support for Manufacturers>

- **Manufacturer Training Workshop** (Aug.-Sept.)
  - Inform KAIZEN activities conducted by large companies to our customers for productivity improvement.
  - Achieve SMEs' improvement of production management and development of human resources through the workshop.

- **R&D Meet-up in Utsunomiya and Mito** (May-Jun.)
  - Provide opportunities for applicants to have discussions with researchers of universities and research institute, concerning certain themes.
  - Promote information exchange among the participants.

- **Rebuild support structures for start-ups and second start-ups**
  - Construct a support structure for university-originated venture businesses.
  - Support Mebuki Business Award applicants to launch new businesses. Investment limit of Mebuki Regional Revitalization Fund is planed to be increased based on the possibilities of investment in their businesses.  
(Present Investment limit : ¥2.0 bn / Investment amount : ¥1.2 bn)

## <Support for Agricultural Producers>

- **Collaboration on Agri-Food Matching** (Sept.)
  - Joyo conducted a business matching event in Tsukuba city to match agricultural producers and food processing operators on a trial basis (Feb.)
  - Another matching event is being planned, broadening its area, which newly includes Tochigi Prefecture, and extending its scope to producer associations and municipalities.

## <Support for Overseas Expansion>

- **Cooperation on export support services** (Mar.-)
- **Cooperation with Japan Halal Business Association** (Apr.-)
- **Overseas business convention, business networking, seminar** (Jun.-)
- **South East Asia Investment Seminar** (Jun./ under planning )

## <Matching Event for Experienced Retirees and Local Businesses>

- Under the cooperation of Kanto Bureau of Economy, Trade and Industry and regional financial institutions, conduct matching events to match companies experiencing various management issues, and retirees and those who are just before their retirement.
- Through matching companies experiencing management issues, such as development of new products, sales channel expansion, and experienced retirees, help the companies resolve management challenges.

## Inquiries :

### **Mebuki Financial Group, Inc.** Corporate Planning Department

**TEL** +81-29-300-2869 or +81-29-300-2603

**E-mail** [ir@mebuki-fg.co.jp](mailto:ir@mebuki-fg.co.jp)

**URL** <http://www.mebuki-fg.co.jp/>

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