

Mebuki Financial Group, Inc.

# Financial Results for the First Half of FY2016 (IR Presentation Material)



# Ideals reflected in the holding company's name and logo

Name:

Mebuki Financial Group, Inc.

(Japanese name: 株式会社 めぶきフィナンシャルグループ)

Note: Ashikaga Holdings Co., Ltd. has changed its name to the above.

Ideals reflected in the name

The Japanese word *mebuki*, or "green shoots," conveys an image of new leaves budding on tree branches.

This word is used in the group's name to express its approach of drawing on the knowledge and creativity of each of its companies to create fresh ideas and new value. The name Mebuki expresses our wish to create new energy and value in local communities and pursue sustainable growth along with these communities.

Logo



[Brand logo design concept]

The brand's distinctive logo design shows three fresh young leaves sprouting, expressing an image of vibrant life and growth. The Mebuki Financial Group is symbolically portrayed as firmly rooted in the community, constantly creating new value and developing a promising future.

[Colors in the logo]

The main color is "assuring blue," a distinctive shade which represents wisdom and trust. This is combined with "growing green," a youthful color which represents growth and the future.

# Contents

## 1. Financial Results for the 1H of FY2016

(Joyo/ Ashikaga)

◇ Financial Results for the 1H of FY2016	
◇ Summary of the Financial Results	
◇ Core Gross Business Profit / Net Income (Factor Analysis)	
◇ Top-line(Net Interest Income / Net Fees and Commissions)	
◇ Loans (Term-end Balance by sector)	
◇ Deposits (Term-end Balance by sector)	
◇ Loan and Deposit Yields	
◇ Loans to Corporate Customers	
◇ Housing Loans	
◇ Unsecured Loans	
◇ Financial Assets under Custody (1)(2)	16-17
◇ Securities (Term-end Balance / Unrealized Valuation Gains (Losses) )	
◇ Expenses / OHR	
◇ Credit Related Costs / Non-performing Loans	
◇ State of Group Companies	

## 2. Forecast for FY2016 (Mebuki FG / Consolidated)

Forecast for FY2016 Banking Subsidiary (non-consolidated)	23
◆ Forecast for FY2016 Mebuki FG (consolidated)	24-25
◆ Capital Adequacy Ratio / Rating	26
◆ Shareholder Return	27

## 3. The New Group's Basic Integration Strategies

(Mebuki FG)

6	◆ Size and market (Reference)	30
7	◆ Group philosophy and vision	31
8	◆ Basic Integration Strategies	32
9	(1) Combined ingenuity for regional revitalization	33
10	(2) Expansion of comprehensive financial services	34-35
11	(3) Expansion of area and channels	36-37
12	(4) Innovative operations	38
13	(5) Development of the corporate management structure	39
14	◆ Initiatives and measures related to integration synergies	40
15	◆ Progress of the Synergy Effect (1)(2)	41-42

## 4. Group Performance Targets (Mebuki FG)

18	◆ Targets for realization of the vision	45
19	◆ Mebuki FG business objective indicators	46
20	◆ Mebuki FG performance targets plan	47
21	◆ Medium-term business plan / Performance targets (Joyo)(Reference)	48-49
	◆ Medium-term business plan / Performance targets (Ashikaga)(Reference)	50-51

## <Appendix> Data Book



# 1. Financial Results for the 1H of FY2016

<Joyo/Ashikaga>

\* Figures are non-consolidated basis of each Bank unless mentioned otherwise.



# Financial Results for the 1H of FY2016

- ◇ Joyo: Although net interest income decreased, net income increased compared with the same period of last year mainly due to an increase in gains on bond transactions.
- ◇ Ashikaga: Net income decreased from the same period last year mainly due to a decrease in net interest income, but exceeded the initial forecast.

## ● Joyo

Item	Non-consolidated	(JPY Bn)			Item	Consolidated	(JPY Bn)		
		YoY	Change ratio	Compared with forecast			YoY	Change ratio	Compared with forecast
Net business income	23.4	+2.9	+14.4%	-1.5	Net business income	-	-	-	-
Ordinary profit	22.3	+0.6	+3.1%	+0.3	Ordinary profit	24.1	-0.0	-0.1%	-0.3
Net income	15.4	+0.5	+3.9%	+0.4	Net Income	16.6	+0.0	+0.4%	+0.1

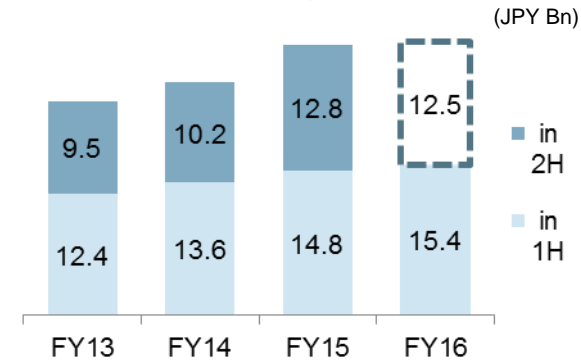
## ● Ashikaga

Item	Non-consolidated	(JPY Bn)			Item	Consolidated	(JPY Bn)		
		YoY	Change ratio	Compared with forecast			YoY	Change ratio	Compared with forecast
Net business income	20.4	-0.3	-1.7%	+2.9	Ordinary income	52.9	-1.9	-3.5%	+4.4
Ordinary profit	20.0	-4.3	-17.6%	+3.5	Ordinary profit	18.6	+1.2	+6.9%	+5.6
Net income	13.7	-3.2	-19.0%	+2.2	Net Income	12.0	+0.9	+8.8%	+4.0

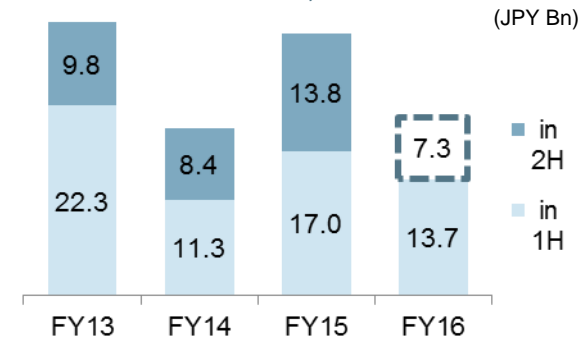
## ● Joyo + Ashikaga (Reference) (JPY Bn)

Item	Non-consolidated	YoY	Change ratio	Compared with forecast
Net business income	43.8	+2.5	+6.2%	+1.3
Ordinary profit	42.4	-3.6	-7.8%	+3.9
Net income	29.2	-2.6	-8.2%	+2.7

## ● Joyo Net Income (non-consolidated)



## ● Ashikaga Net Income (non-consolidated)



# Summary of the Financial Results

(JPY Bn)

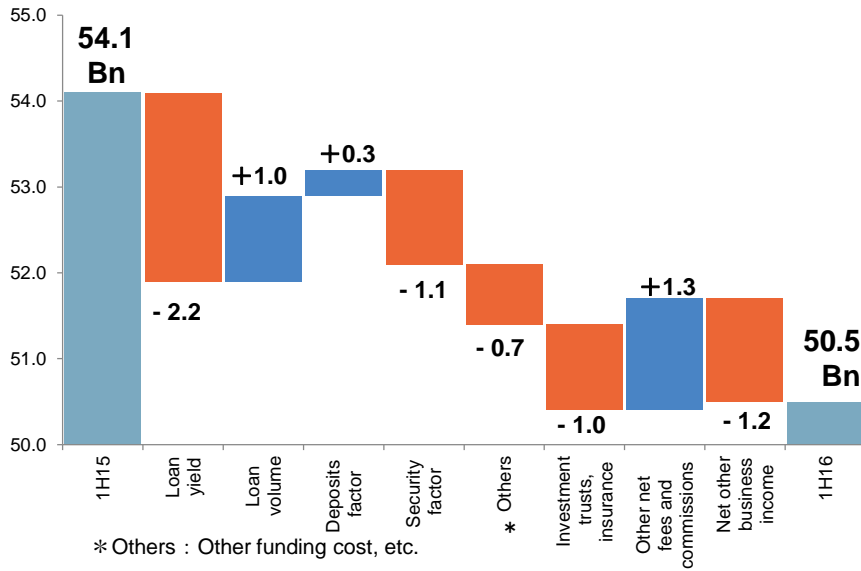
	1H FY2014			1H FY2015			1H FY2016								
	J+A	Joyo	Ashikaga	J+A	Joyo	Ashikaga	J+A		Joyo			Ashikaga			
							Results	Change	Results	Change	ratio	Results	Change	ratio	
Gross business profit	96.3	55.3	40.9	100.0	55.5	44.4	99.9	-0.0	57.5	+1.9	+3.4%	42.4	-1.9	-4.4%	
Net interest income	79.2	46.2	33.0	81.7	45.6	36.1	77.7	-4.0	42.9	-2.6	-5.8%	34.7	-1.3	-3.7%	
Net fees and commissions	14.1	6.8	7.2	14.8	7.4	7.4	14.4	-0.3	7.7	+0.3	+4.0%	6.7	-0.6	-9.3%	
Net trading income and Net other business income	2.9	2.2	0.7	3.4	2.5	0.8	7.7	+4.3	6.8	+4.2	+168.7%	0.9	+0.0	+9.4%	
(Of which, gains/losses on bond transactions)	2.0	1.6	0.4	2.0	1.3	0.7	7.4	+5.3	6.9	+5.5	+401.3%	0.4	-0.2	-30.4%	
Expenses (excluding non-recurrent expense)	60.4	36.0	24.4	58.7	35.0	23.6	58.3	-0.4	35.0	-0.0	+0.0%	23.3	-0.3	-1.6%	
Personnel expenses	30.2	17.2	13.0	30.3	17.5	12.7	30.4	+0.0	17.7	+0.1	+0.8%	12.7	-0.0	-0.5%	
Non-personnel expenses	26.2	16.4	9.8	24.3	15.0	9.3	23.3	-0.9	14.5	-0.4	-2.8%	8.7	-0.5	-5.5%	
Net business income (before general allowance for loan losses)	35.8	19.2	16.5	41.2	20.4	20.7	41.6	+0.3	22.4	+1.9	+9.5%	19.1	-1.6	-7.7%	
Core net business income	33.7	17.6	16.0	39.1	19.1	20.0	34.1	-4.9	15.4	-3.6	-18.9%	18.6	-1.3	-6.9%	
Net transfer to general allowance for loan losses (a)	-3.5	-1.4	-2.1	0.0	0.0	-	-2.2	-2.2	-0.9	-1.0	-	-1.2	-1.2	-	
Net business income	39.3	20.7	18.6	41.2	20.4	20.7	43.8	+2.5	23.4	+2.9	+14.4%	20.4	-0.3	-1.7%	
Net non-recurrent gains/losses	-2.8	0.2	-3.0	4.8	1.1	3.6	-1.4	-6.2	-1.0	-2.2	-191.6%	-0.3	-3.9	-109.0%	
Disposal of non-performing loans (b)	5.8	2.3	3.5	1.2	2.6	-1.4	5.2	+4.0	2.4	-0.2	-8.1%	2.7	+4.2	-	
Gains/losses related to stocks, etc	2.1	2.1	-0.0	5.4	2.9	2.4	6.5	+1.1	4.1	+1.1	+39.9%	2.4	-0.0	-2.2%	
Ordinary profit	36.5	20.9	15.6	46.0	21.6	24.3	42.4	-3.6	22.3	+0.6	+3.1%	20.0	-4.3	-17.6%	
Extraordinary income/losses	-0.5	-0.5	-0.0	-0.3	-0.2	-0.0	-0.3	-0.0	-0.2	-0.0	-	-0.0	+0.0	-	
Net Income	25.0	13.6	11.3	31.9	14.8	17.0	29.2	-2.6	15.4	+0.5	+3.9%	13.7	-3.2	-19.0%	
Credit related costs (a)+(b)	2.3	0.9	1.4	1.2	2.6	-1.4	3.0	+1.7	1.4	-1.2	-45.6%	1.5	+3.0	-	

## 【Consolidated basis of each bank】

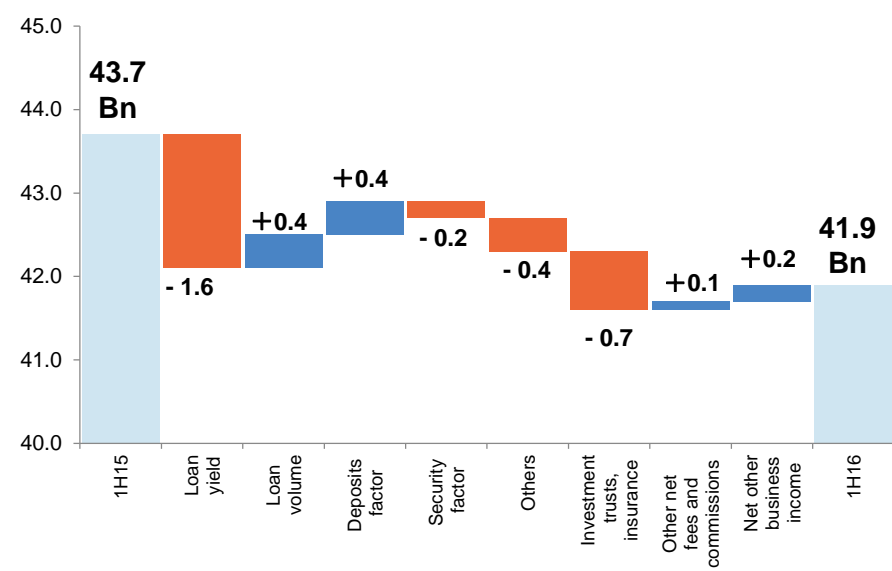
Ordinary profit	39.7	23.4	16.3	46.1	24.1	22.0	47.1	+0.9	24.1	-0.0	-0.1%	23.0	+1.0	+4.6%
Net income attributable to owners of the parent	27.0	15.1	11.8	31.6	16.5	15.1	32.7	+1.0	16.6	+0.0	+0.4%	16.1	+1.0	+6.6%

# Core Gross Business Profit / Net Income (Factor Analysis)

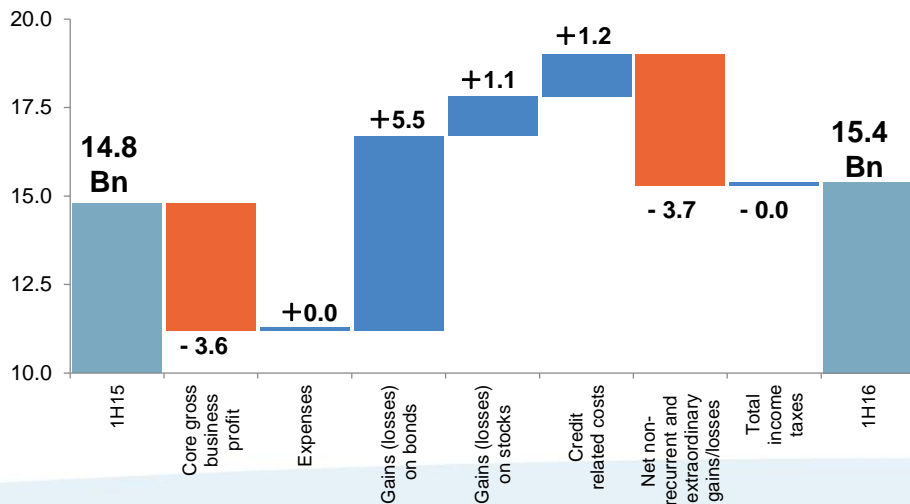
● Joyo (Core Gross Business Profit) (JPY Bn)



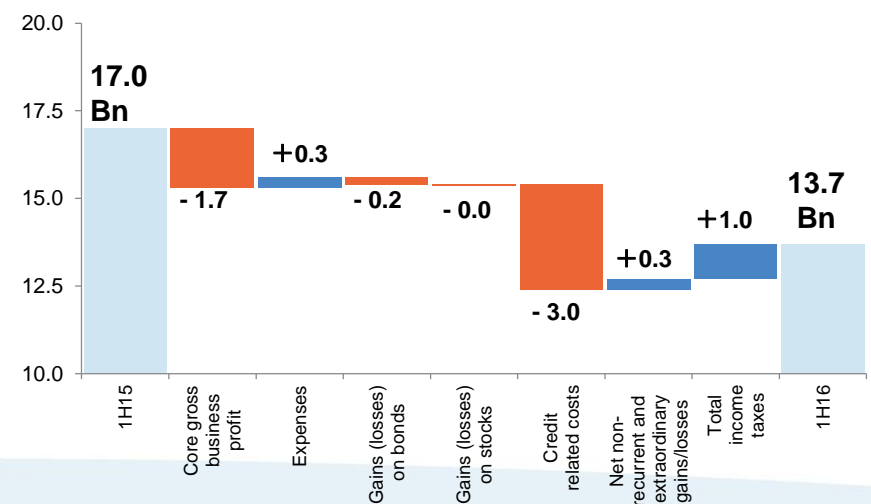
● Ashikaga (Core Gross Business Profit) (JPY Bn)



● Joyo (Net Income) (JPY Bn)



● Ashikaga (Net Income) (JPY Bn)





# Top-line (Net Interest Income / Net Fees and Commissions)

## ● Jojo

	(JPY Bn)			
	1H14	1H15	1H16	YoY
Net interest income	46.2	45.6	42.9	-2.6
Interest on loans and bills discounted	34.0	33.1	32.0	-1.1
Interest and dividends on securities	14.3	15.2	14.1	-1.1
Interest on deposits (-)	1.2	1.4	1.0	-0.3
Other funding cost (-)	0.8	1.3	2.1	+0.7
Net fees and commissions	6.8	7.4	7.7	+0.3
Fees related to investment trusts and insurance	3.1	3.3	2.3	-1.0
Fees related to loans	0.7	0.8	1.0	+0.2
Fees on settlement-related business	5.9	6.0	6.1	+0.0
Insurance premiums ※	-2.4	-2.6	-1.3	+1.2
Others	-0.5	-0.3	-0.4	-0.1

※Dividends from group credit insurance for housing loan borrowers, which had been recorded in extraordinary gains as of the 2<sup>nd</sup> half of FY2015, has been reversed to fees and commissions payments from the 3<sup>rd</sup> quarter of FY 2015(¥1.3bn for the 1<sup>st</sup> half of FY2016).

## ● Ashikaga

	(JPY Bn)			
	1H14	1H15	1H16	YoY
Net interest income	33.0	36.1	34.7	-1.3
Interest on loans and bills discounted	27.5	26.9	25.7	-1.1
Interest and dividends on securities	6.5	10.4	10.2	-0.2
Interest on deposits (-)	1.2	1.1	0.6	-0.4
Other funding cost (-)	-0.0	0.0	0.5	+0.4
Net fees and commissions	7.2	7.4	6.7	-0.6
Fees related to investment trusts and insurance	3.4	3.6	2.9	-0.7
Fees related to loans	1.8	1.8	2.0	+0.1
Fees on settlement-related business	3.5	3.5	3.4	-0.0
Insurance premiums	-1.7	-1.7	-1.9	-0.1
Others	0.1	0.1	0.2	+0.1

	1H16		(Domestic)		(Foreign)	
	Results	YoY	Results	YoY	Results	YoY
Loan-Deposit Interest Margins	30.9	-0.7	30.8	-0.7	0.0	-0.0
Interest income on loans	32.0	-1.1	31.3	-1.4	0.6	+0.3
【Breakdown by factors】	Average balance	- +1.0	- +1.0 (+186.7Bn)	- +0.0 (+8.3Bn)	- +0.2 (+51bp)	
	Yield	- -2.2	- -2.4 (Δ8bp)	- -0.2 (+17bp)		
Interest expenses on deposits	1.0	-0.3	0.4	-0.7	0.6	+0.3
Interest income on securities	14.1	-1.1	10.2	-1.2	3.9	+0.1
【Breakdown by factors】	Average balance	- -0.1	- +0.0 (+18.2Bn)	- -0.2 (Δ27.0Bn)	- +0.3 (+17bp)	
	Yield	- -0.9	- -1.3 (Δ13bp)			

## ● Gain on Cancellation of Private Offering Investment Trusts among Interest and Dividends on Securities

		(JPY Bn)		
		FY2014	FY2015	FY2016
Jojo	1H	0.4	0.4	0.0
	2H	-0.0	0.4	-
Ashikaga	1H	1.1	3.7	3.1
	2H	-	-	-

	1H16		(Domestic)		(Foreign)	
	Results	YoY	Results	YoY	Results	YoY
Loan-Deposit Interest Margins	25.0	-0.7	25.0	-0.6	Δ0.0	-0.0
Interest income on loans	25.7	-1.1	25.6	-1.2	0.0	+0.0
【Breakdown by factors】	Average balance	- +0.4	- +0.4 (+74.5Bn)	- -0.0 (-0.5Bn)	- +0.0 (+16bp)	
	Yield	- -1.6	- -1.6 (Δ8bp)	- +0.0 (+16bp)		
Interest expenses on deposits	0.6	-0.4	0.5	-0.5	0.0	+0.0
Interest income on securities	10.2	-0.2	8.6	-0.7	1.6	+0.4
【Breakdown by factors】	Average balance	- +1.5	- +1.4 (+146.4Bn)	- +0.1 (+19.9Bn)	- +0.3 (+38bp)	
	Yield	- -1.8	- -2.1 (-41bp)			

# Loans (Term-end Balance by sector)

- ◇ Loans to individual customers of each bank increased mainly due to increases in housing loans and apartment loans.
- ◇ The term end balance of total loans of Jojo Bank increased by ¥151bn (+2.6%) and that of Ashikaga Bank increased by ¥56bn (+1.3%) year-on-year.

## ● Jojo

(JPY Bn)

	13/9	14/9	15/9	16/9	YoY
Individual customers	1,785.2	1,975.9	2,157.1	2,310.2	+7.0%
Corporate	2,643.7	2,690.8	2,711.6	2,706.8	-0.1%
Public sector	777.6	802.3	816.9	820.2	+0.4%
Foreign Currency	33.9	57.0	90.4	90.6	+0.1%
<b>Total</b>	<b>5,240.5</b>	<b>5,526.2</b>	<b>5,776.2</b>	<b>5,927.9</b>	<b>+2.6%</b>
YoY	-	+5.4%	+4.5%	+2.6%	-
<b>Loan-deposit ratio</b>	<b>70.2%</b>	<b>72.8%</b>	<b>73.8%</b>	<b>74.6%</b>	<b>+0.8%</b>

## ● Ashikaga

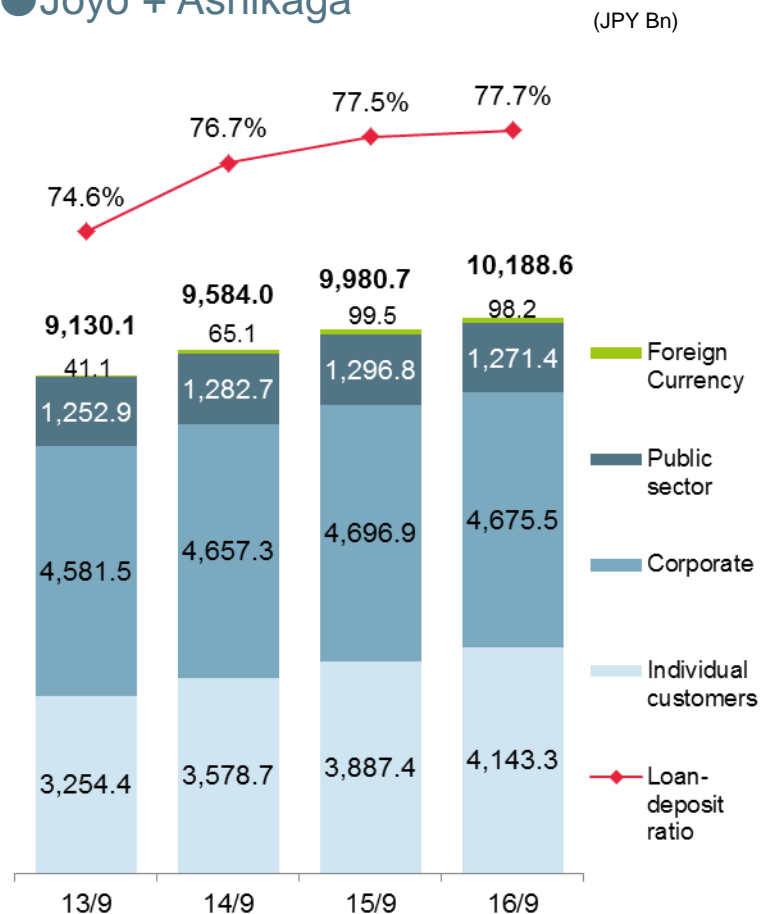
(JPY Bn)

	13/9	14/9	15/9	16/9	YoY
Individual customers	1,469.2	1,602.7	1,730.3	1,833.0	+5.9%
Corporate	1,937.7	1,966.4	1,985.2	1,968.7	-0.8%
Public sector	475.3	480.4	479.8	451.1	-5.9%
Foreign Currency	7.2	8.0	9.0	7.6	-15.3%
<b>Total</b>	<b>3,889.5</b>	<b>4,057.7</b>	<b>4,204.5</b>	<b>4,260.6</b>	<b>+1.3%</b>
YoY	-	+4.3%	+3.6%	+1.3%	-
<b>Loan-deposit ratio</b>	<b>81.4%</b>	<b>82.6%</b>	<b>83.1%</b>	<b>82.5%</b>	<b>-0.6%</b>

※"Individual Customers" include sole proprietors.

※"Corporate" includes financial institutions.

## ● Jojo + Ashikaga



# Deposits (Term-end Balance by sector)

- ◇ Deposits from corporate customers and individual customers (yen-denominated), and foreign currency deposits of each bank increased.
- ◇ The term-end balance of total deposits of Joyo Bank increased by ¥189bn (+2.4%) and that of Ashikaga Bank increased by ¥112bn (+2.2%) year-on-year.

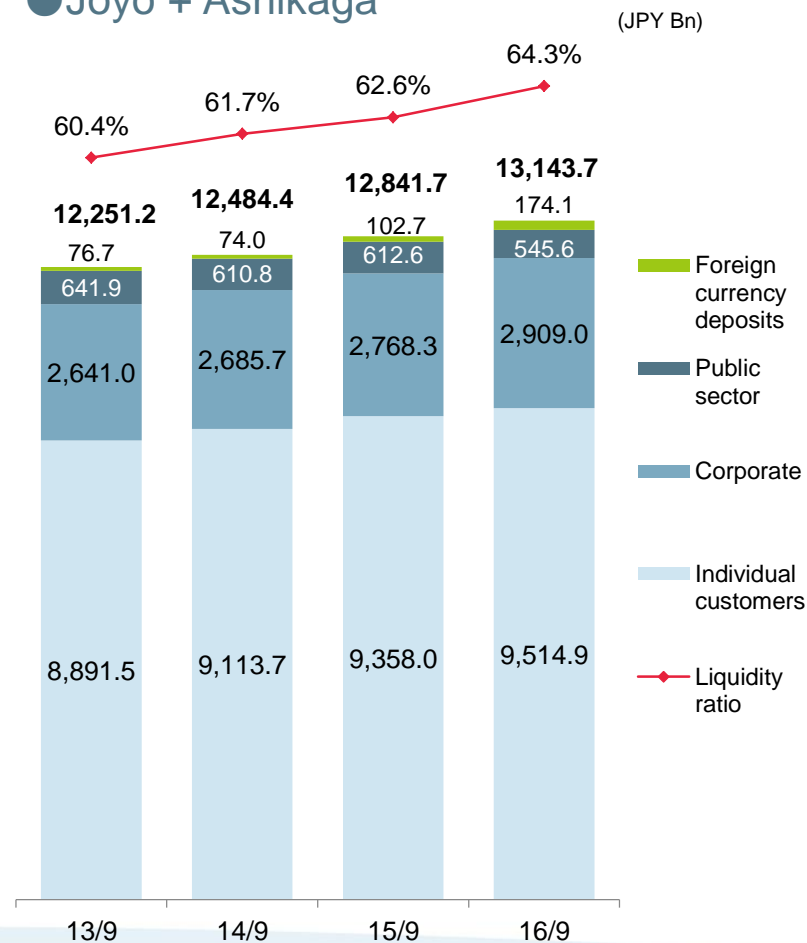
## ● Joyo

	(JPY Bn)				
	13/9	14/9	15/9	16/9	YoY
Individual customers	5,525.0	5,650.5	5,812.0	5,914.4	+1.7%
Corporate	1,477.0	1,477.0	1,510.1	1,586.8	+5.0%
Public sector	405.8	382.0	373.4	319.2	-14.5%
Foreign Currency(※1)	55.3	57.9	88.0	152.5	+73.3%
<b>Total</b>	<b>7,463.3</b>	<b>7,567.5</b>	<b>7,783.6</b>	<b>7,973.1</b>	<b>+2.4%</b>
YoY	-	+1.3%	+2.8%	+2.4%	
Liquidity ratio(※2)	60.7%	61.8%	62.7%	64.4%	+1.7%

## ● Ashikaga

	(JPY Bn)				
	13/9	14/9	15/9	16/9	YoY
Individual customers	3,366.4	3,463.2	3,545.9	3,600.4	+1.5%
Corporate	1,164.0	1,208.7	1,258.1	1,322.2	+5.0%
Public sector	236.0	228.8	239.2	226.4	-5.3%
Foreign Currency(※1)	21.3	16.0	14.7	21.5	+46.5%
<b>Total</b>	<b>4,787.9</b>	<b>4,916.8</b>	<b>5,058.1</b>	<b>5,170.6</b>	<b>+2.2%</b>
YoY	-	+2.6%	+2.8%	+2.2%	
Liquidity ratio(※2)	60.0%	61.5%	62.6%	64.1%	+1.5%

## ● Joyo + Ashikaga



※1 Foreign currency deposits include foreign currency deposits hedged by forward exchange contracts.

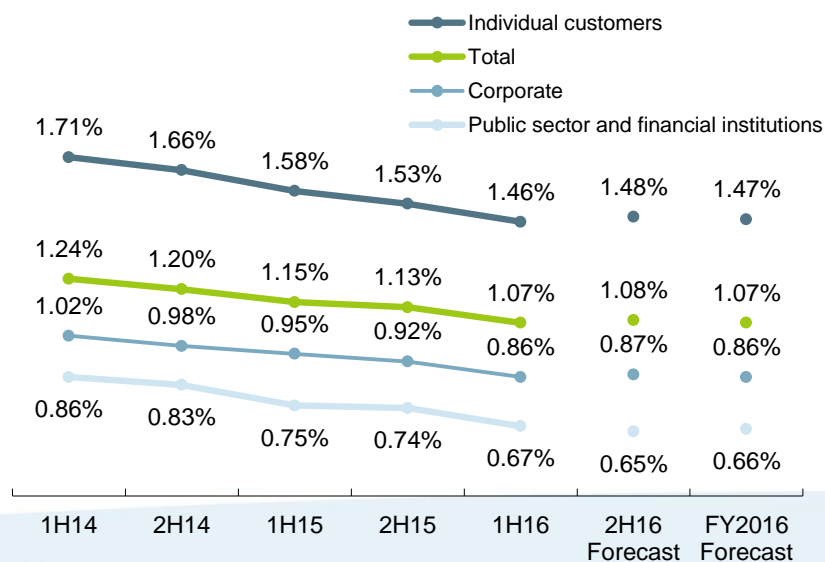
※2 Liquidity ratio = Yen-denominated liquid deposits (term-end balance) / Total yen-denominated deposits (term-end balance)

# Loan and Deposit Yields

## ● Joyo (Loan and Deposit Yields) (Yen- and foreign currency-denominated)

		1 H14	1 H15 ①	1 H16 ②	YoY ②-①	2H16 projection	YoY
Average yield on interest earning assets	①	1.16%	1.12%	1.06%	- 6bp	-	-
Average yield on loans and bills discounted	②	1.23%	1.15%	1.07%	- 8bp	1.09%	- 4bp
Average yield on securities		1.07%	1.19%	1.10%	- 9bp	1.01%	- 7bp
Average yield on interest bearing liabilities	③	0.94%	0.90%	0.87%	- 3bp	-	-
Average yield on deposits and negotiable certificates of deposit	④	0.03%	0.03%	0.02%	- 1bp	0.02%	- 1bp
Average yield on external liabilities		0.94%	0.88%	0.85%	- 3bp	-	-
Loan-deposit interest margins	②-④	1.20%	1.12%	1.05%	- 7bp	1.07%	- 3bp
Average interest rate spread	①-③	0.22%	0.22%	0.19%	- 3bp	-	-

## ● Joyo (Loan Yields) (Yen-denominated)

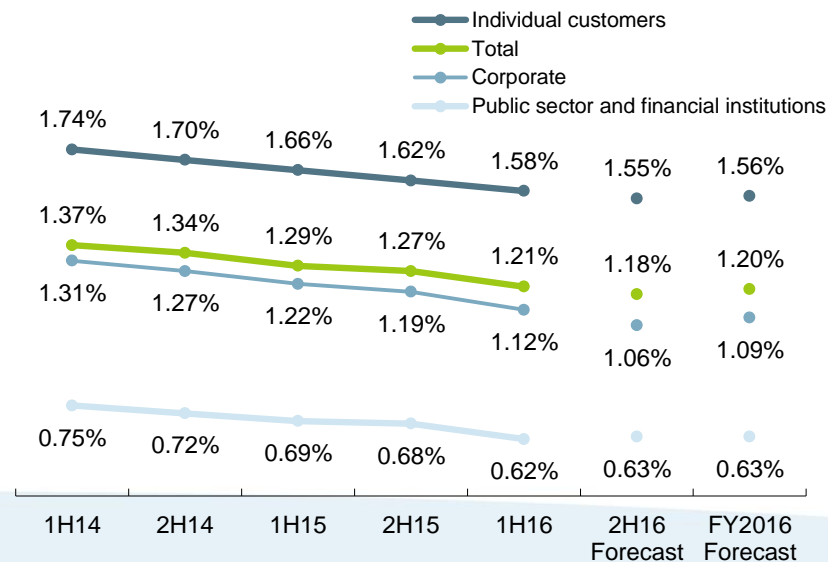


※"Individual Customers" include sole proprietors.

## ● Ashikaga (Loan and Deposit Yields) (Yen- and foreign currency-denominated)

		1 H14	1 H15 ①	1 H16 ②	YoY ②-①	2H16 projection	YoY
Average yield on interest earning assets	①	1.22%	1.30%	1.22%	- 8bp	-	-
Average yield on loans and bills discounted	②	1.37%	1.29%	1.21%	- 8bp	1.18%	- 9bp
Average yield on securities		1.07%	1.91%	1.62%	- 29bp	1.18%	12bp
Average yield on interest bearing liabilities	③	0.94%	0.89%	0.83%	- 6bp	-	-
Average yield on deposits and negotiable certificates of deposit	④	0.05%	0.04%	0.02%	- 2bp	0.02%	- 1bp
Average yield on external liabilities		0.92%	0.87%	0.84%	- 3bp	-	-
Loan-deposit interest margins	②-④	1.32%	1.25%	1.19%	- 6bp	1.16%	- 8bp
Average interest rate spread	①-③	0.28%	0.41%	0.39%	- 2bp	-	-

## ● Ashikaga (Loan Yields) (Yen-denominated)



※"Individual Customers" include sole proprietors.

# Loans to Corporate Customers

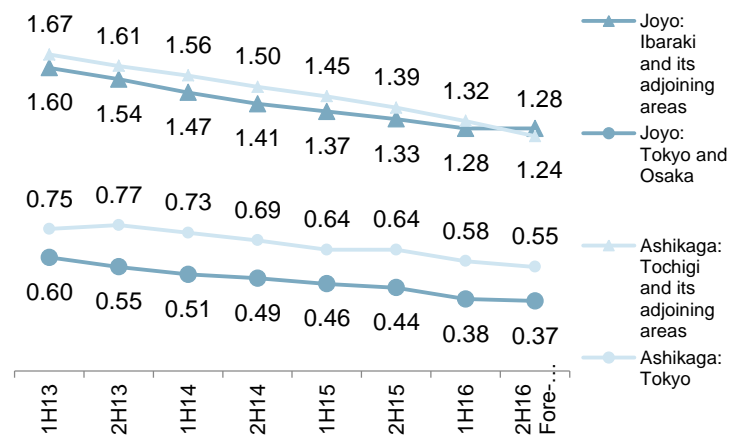
- ◇ Actively met the capital requirement of growth sectors, especially corporate customers of medical and nursing care, agriculture, logistics industries, and individual customers.
- ◇ The loan balance of each bank decreased mainly due to a decrease in loans to large enterprises in Tokyo, but the balance of loans to SMEs increased.

## ● Jojo

	【Term-end balance】				【Average balance】	
	15/9	16/9	YoY	Change ratio	FY2015	FY2016 Forecast
Corporate loans	2,711.6	2,706.8	- 4.8	- 0.1%	2,758.4	2,760.0
Ibaraki and its adjoining areas	1,449.9	1,447.3	- 2.6	- 0.1%	1,475.6	1,500.0
Ibaraki	1,016.6	1,004.4	- 12.2	- 1.2%	-	-
Miyagi and Fukushima	216.4	215.0	- 1.3	- 0.6%	-	-
Tochigi	100.9	106.5	5.5	+ 5.4%	-	-
Chiba and Saitama	115.9	121.3	5.3	+ 4.6%	-	-
Tokyo and Osaka	1,261.6	1,259.5	- 2.1	- 0.1%	1,282.8	1,260.0
Major companies	1,102.7	1,073.1	- 29.6	- 2.6%		
Medium sized companies	111.7	97.5	- 14.2	- 12.7%		
Small companies	1,497.0	1,536.1	39.0	+ 2.6%		

(JPY Bn)

## ● Yields historical data

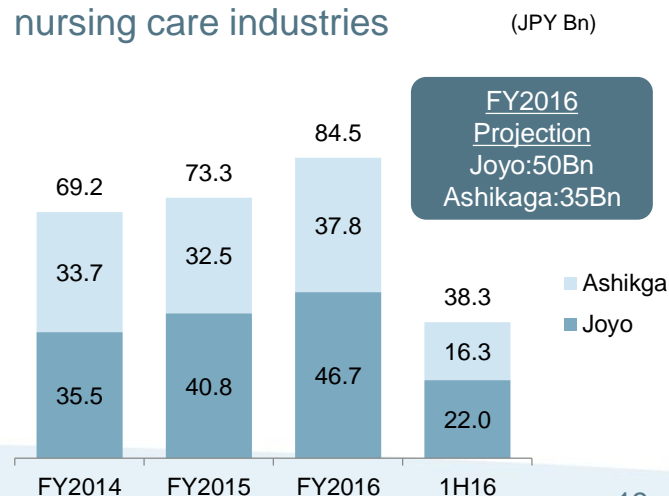


## ● Ashikaga

	【Term-end balance】				【Average balance】	
	15/9	16/9	YoY	Change ratio	FY2015	FY2016 Forecast
Corporate loans	1,979.8	1,959.9	- 19.8	- 1.0%	1,945.6	1,922.8
Tochigi and its adjoining areas	1,466.2	1,480.4	14.2	+ 0.9%	1,435.6	1,440.4
Tochigi	772.7	749.2	- 23.4	- 3.0%	-	-
Gunma	246.1	254.5	8.3	+ 3.4%	-	-
Ibaraki	107.6	114.3	6.6	+ 6.2%	-	-
Saitama	309.9	335.2	25.2	+ 8.1%	-	-
Fukushima	29.7	27.1	- 2.6	- 8.9%	-	-
Tokyo	513.6	479.4	- 34.1	- 6.6%	506.9	479.8
Major companies	479.8	432.7	- 47.1	- 9.8%		
Medium sized companies	108.7	104.3	- 4.4	- 4.0%		
Small companies	1,391.1	1,422.8	31.6	+ 2.2%		

(JPY Bn)

## ● Loan made to medical and nursing care industries



※Includes the balance of foreign currency denominated loans and excludes that of loans to financial institutions (Foreign currency denominated loans: ¥7.6 bn; Loans to financial institutions : ¥16.5 bn at the end of 1H FY2016)

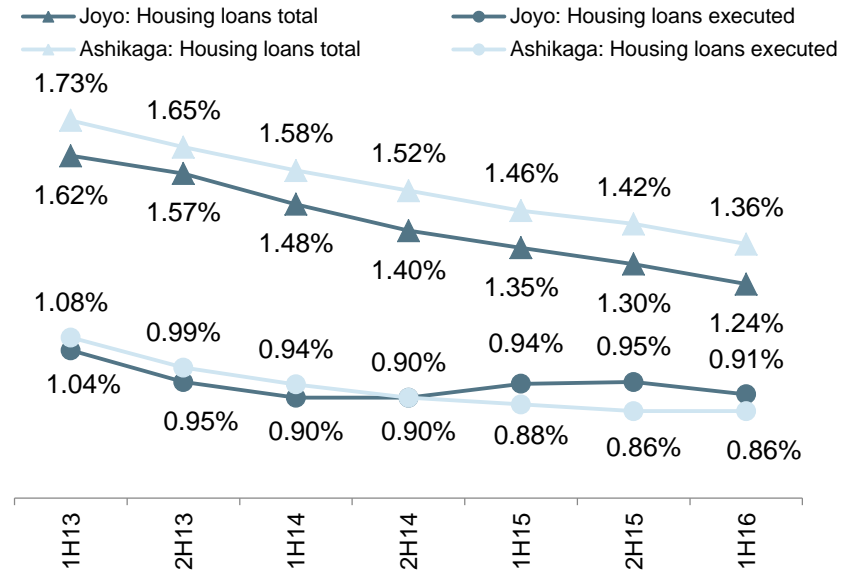
# Housing Loans

◇ Housing loans and apartment loans made are on the same level as last year, which is in line with the initial plan.

## Loans made

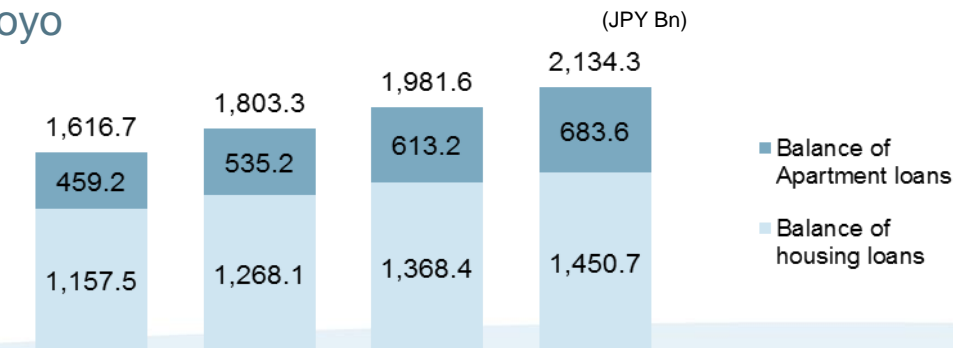
	(JPY Bn)							
	1H14	2H14	1H15	2H15	1H16	YoY	Change ratio	2H16 Forecast
<b>Joyo</b>	152.3	162.8	149.9	151.0	144.6	-5.2	-3.5%	150.0
Housing loans	99.1	101.8	99.0	96.1	92.0	-6.9	-7.0%	100.0
Apartment loans	53.1	60.9	50.8	54.9	52.6	+1.7	+3.4%	50.0
<b>Ashikaga</b>	109.8	125.8	108.4	107.0	104.6	-3.7	-3.4%	105.5
Housing loans	96.5	110.8	94.1	95.2	93.8	-0.3	-0.3%	92.5
Apartment loans	13.3	14.9	14.2	11.7	10.8	-3.4	-24.0%	13.0
<b>Joyo + Ashikaga</b>	262.1	288.6	258.3	258.1	249.3	-8.9	-3.4%	255.5
Housing loans	195.6	212.7	193.2	191.4	185.9	-7.2	-3.7%	192.5
Apartment loans	66.4	75.9	65.1	66.6	63.4	-1.6	-2.5%	63.0

## Yield

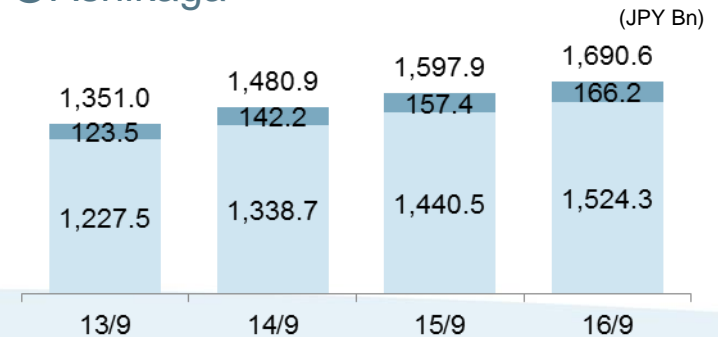


## Housing Loans (Term-end Balance)

### Joyo



### Ashikaga



# Unsecured Loans

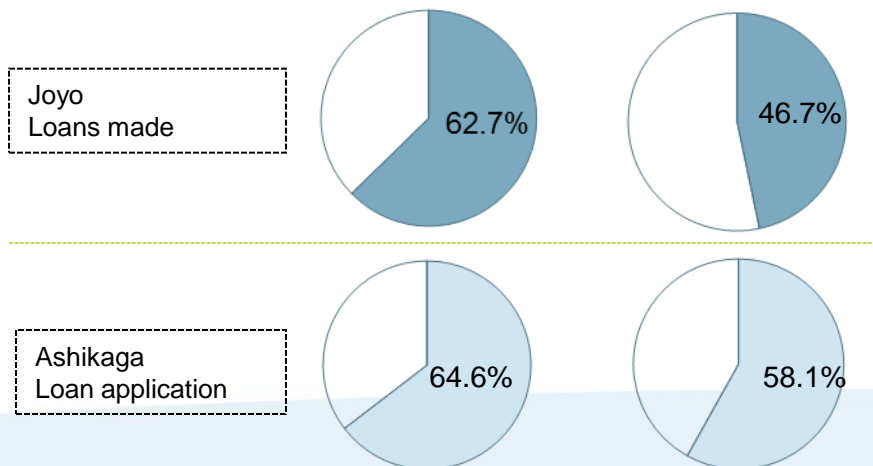
- ◇ Focus on increasing the amount of loans by utilization of non-face-to-face channels (internet, etc.) and enhancement of advertising.

## Term-end balance

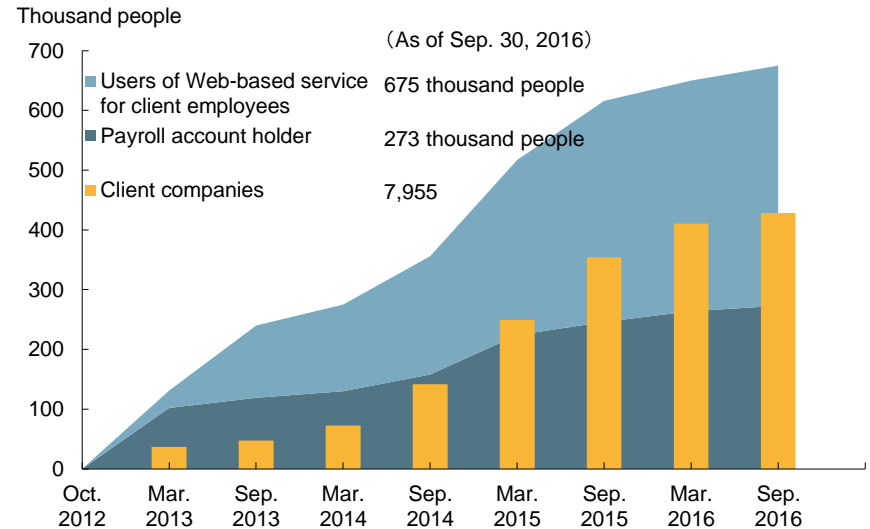
	(JPY Bn)					
	14/9	15/9	16/9	YoY	Change ratio	Average yield
<b>Joyo</b>	64.9	70.3	77.2	+ 6.9	+ 9.8%	-
Auto loans	18.0	19.8	22.9	+ 3.1	+ 15.6%	2.82%
Educational loans	22.5	25.1	27.2	+ 2.1	+ 8.3%	2.75%
Free loans	0.9	0.8	0.7	- 0.1	- 12.5%	8.62%
Card loans	23.4	24.5	26.4	+ 1.9	+ 7.7%	10.30%
<b>Ashikaga</b>	30.6	40.3	49.6	+ 9.3	+ 23.0%	-
Auto loans	6.1	7.0	8.5	+ 1.5	+ 21.4%	3.02%
Educational loans	2.5	3.1	3.9	+ 0.8	+ 25.8%	2.83%
Free loans	2.0	4.0	5.7	+ 1.7	+ 42.5%	6.58%
Card loans	20.0	26.2	31.5	+ 5.3	+ 20.2%	11.50%

## Application-from-website ratio

- Car loans
- Educational loans



## Employer-Specific Website (Joyo)



### 【Sales Promotion】

- Enhance advertisement strategy (display advertising, internet advertising)
- Ashikaga: Introduce workplace-specific website developed by Jojo for sales promotion to corporate customers' employees
- Car loans: Provide co-finance with Dealer loans (Joyo)
- Educational loans: Increase number of business partners, Enhance partner schools' recognition (Joyo)
- Card loans: Introduce ATM card loan, raise borrowing limits automatically and give notice of the raise via DM

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

- ◇ Sales amount of investment trust and insurance products of each bank decreased due to the uncertainty over the unstable financial market, etc.
- ◇ Both banks focused on broadening customer base.

## ● Joyo

	Sales Amount					
	1H13	1H14	1H15	2H15	1H16	2H15 compared
Investment trusts	92.8	112.0	131.1	72.9	31.1	-57.2%
stock Investment trusts	54.8	73.4	67.6	44.8	31.1	-30.5%
Insurance	42.9	44.4	30.6	30.7	16.5	-46.2%
Foreign currency deposits	53.4	36.6	90.7	77.5	154.9	+99.9%
Public sector bonds	37.6	28.9	14.5	6.9	9.1	+32.0%
Financial instruments intermediary services	31.2	28.0	52.0	32.6	33.2	+1.7%
<b>Total</b>	<b>258.0</b>	<b>250.2</b>	<b>319.1</b>	<b>220.8</b>	<b>245.1</b>	<b>+11.0%</b>

## ● Ashikaga

	Sales Amount					
	1H13	1H14	1H15	2H15	1H16	2H15 compared
Investment trusts	67.1	68.2	76.7	47.2	37.6	-20.3%
stock Investment trusts	66.7	67.7	73.6	46.9	37.6	-19.8%
Insurance	22.8	23.1	22.3	23.0	16.9	-26.2%
Foreign currency deposits	6.2	4.6	5.8	8.4	13.1	+56.5%
Public sector bonds	9.0	7.4	2.7	1.5	2.1	+43.0%
Financial instruments intermediary services	0.3	0.8	1.0	2.2	7.8	+243.1%
<b>Total</b>	<b>105.6</b>	<b>104.2</b>	<b>108.8</b>	<b>82.4</b>	<b>77.7</b>	<b>-5.7%</b>

(JPY Bn)

	Sales Commission					
	1H13	1H14	1H15	2H15	1H16	2H15 compared
	1.9	2.2	2.0	1.7	1.5	-14.2%
	-	-	-	-	-	-
	1.0	0.9	1.3	1.3	0.8	-38.5%
	0.2	0.1	0.3	0.2	0.1	-39.4%
	0.0	0.1	0.0	0.0	0.0	+24.1%
	0.1	0.1	0.2	0.1	0.0	-25.2%
<b>Total</b>	<b>3.4</b>	<b>3.6</b>	<b>4.0</b>	<b>3.5</b>	<b>2.6</b>	<b>-25.4%</b>

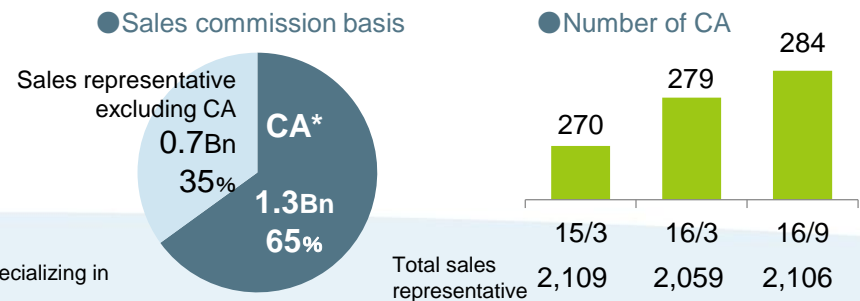
	Sales Commission					
	1H13	1H14	1H15	2H15	1H16	2H15 compared
	2.3	2.3	2.4	1.9	1.6	-16.7%
	-	-	-	-	-	-
	0.9	1.1	1.1	1.4	1.2	-9.5%
	0.1	0.0	0.0	0.0	0.1	+64.0%
	0.0	0.0	0.0	0.0	0.0	+42.3%
	0.0	0.0	0.0	0.0	0.1	+94.3%
<b>Total</b>	<b>3.3</b>	<b>3.5</b>	<b>3.7</b>	<b>3.5</b>	<b>3.2</b>	<b>-9.3%</b>

## Number of customers

(Thousand people)

	14/9	15/9	16/9	YoY	Change ratio
Joyo	191	191	199	+7	+3.8%
Ashikaga	152	150	156	+5	+3.5%
<b>Joyo + Ashikaga</b>	<b>344</b>	<b>342</b>	<b>355</b>	<b>+12</b>	<b>+3.7%</b>

## CAs' \* Activities (Ashikaga /1H FY2016)



\* CAs or Customer Advisors are sales promotion staff who are specializing in sales of investment trust and insurance products.

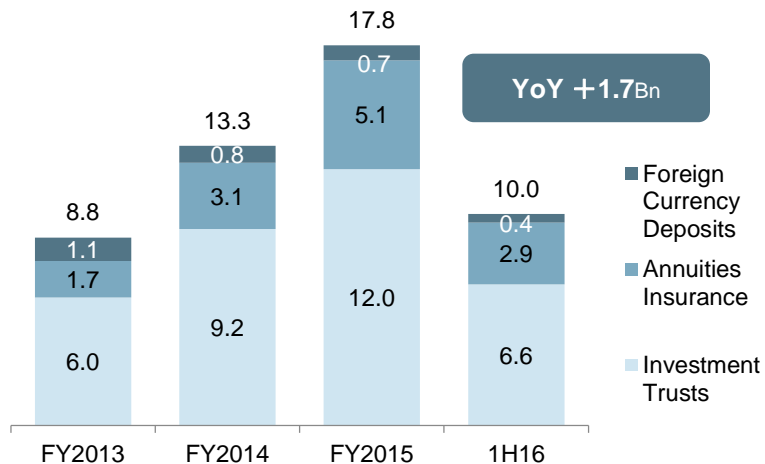


# Financial Assets under Custody (2) Accumulation Service / NISA

## Accumulation service (Accumulated Amount)

● Joyo

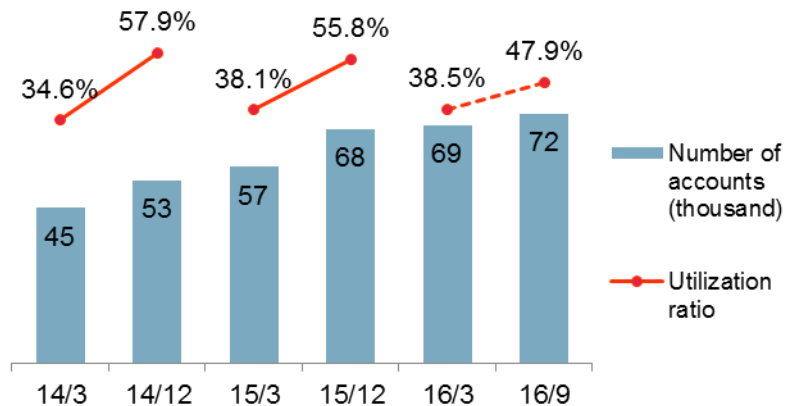
(JPY Bn)



## NISA (Number of Accounts / Utilization Ratio)

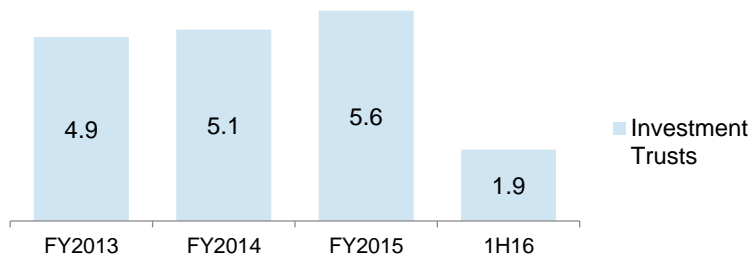
● Joyo

\* At the beginning of every year, the utilization rate falls to zero, since NISA's maximum yearly investment amount is allotted every new year and an investment in the allotment accumulates throughout the year.



● Ashikaga

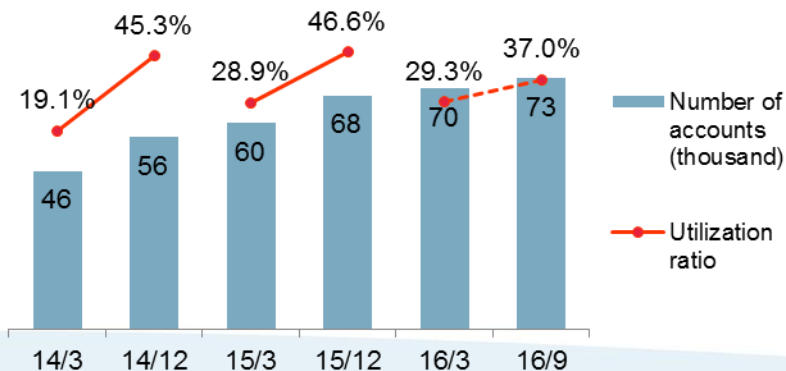
(JPY Bn)



\* Ashikaga: The figure of annuities insurance is not counted and is not included in the above figures.

\* Ashikaga: Cumulative foreign currency deposit is commenced from February 2016 (1H FY2016: ¥24million).

● Ashikaga



# Securities (Term-end Balance / Unrealized Valuation Gains (Losses))

- ◇ Joyo: Securities decreased due to suspension of reinvestment of redemption payments of JGB. Ashikaga: Investments in foreign bonds and investment trusts increased.
- ◇ Both banks' ratios of foreign bonds and investment trusts to total securities are over 30%, resulting from portfolio rebalancing progressed.

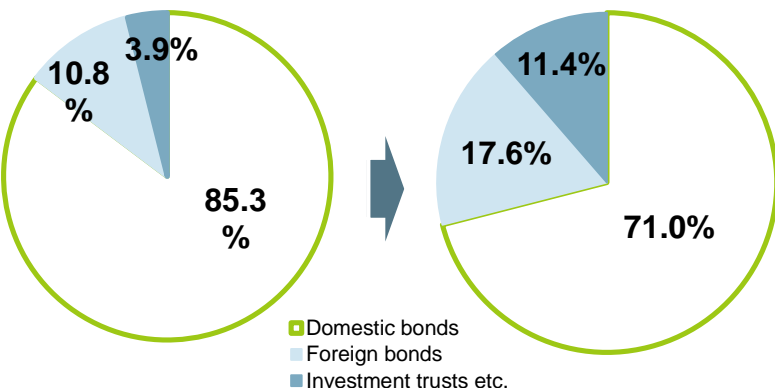
## Change from 3 years ago

### ● Joyo

\* Excluding stocks (strategic shareholdings)

(As of Sep. 30, 2013)

(As of Sep. 30, 2016)

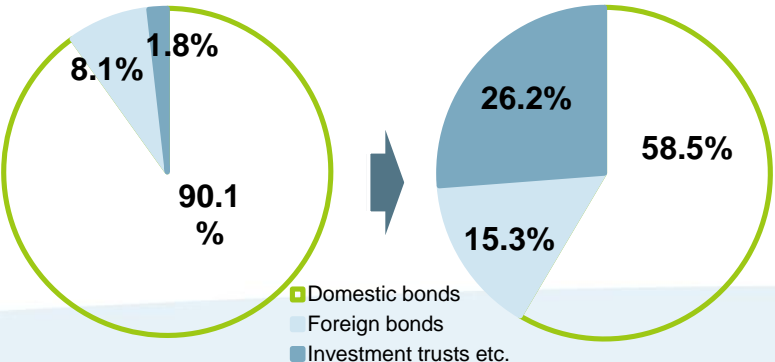


■ Domestic bonds  
■ Foreign bonds  
■ Investment trusts etc.

### ● Ashikaga

(As of Sep. 30, 2013)

(As of Sep. 30, 2016)



■ Domestic bonds  
■ Foreign bonds  
■ Investment trusts etc.

## Term-end Balances / Unrealized Valuation Gains (Losses)

	Term-end balances			Unrealized Valuation Gains (Losses)		
	16/9	15/3 compared	Change ratio	16/9	15/3 compared	
Joyo	Total	2,528.7	- 210.6	- 7.6%	+ 159.5	- 32.9
	Domestic bonds	1,632.4	- 114.6	- 6.5%	+ 39.2	- 5.1
	Foreign bonds	405.3	- 36.3	- 8.2%	+ 7.6	- 0.8
	Stocks	229.4	- 19.4	- 7.8%	+ 97.9	- 16.4
Ashikaga	Total	1,330.7	+ 5.0	+0.3%	+ 56.9	- 14.6
	Domestic bonds	736.0	- 73.3	- 9.0%	+ 24.4	- 6.5
	Foreign bonds	192.3	+ 19.2	+11.1%	+ 4.2	+ 1.7
	Investment trusts etc.	329.8	+ 64.2	+24.1%	+ 3.5	- 5.1

## Gains and Losses on Securities

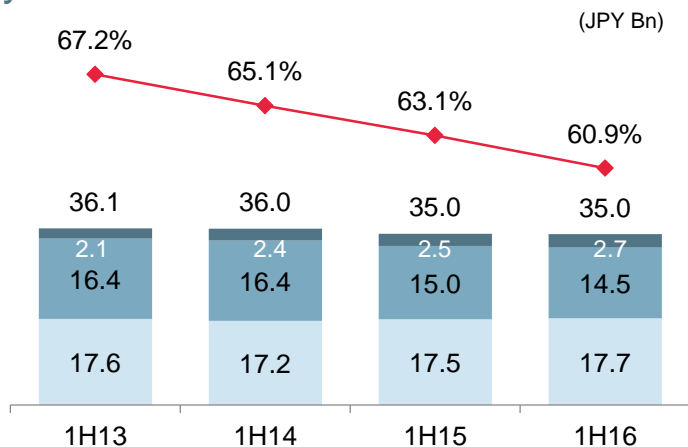
	1H16	Breakdown
	Gains and Losses on Securities	11.1
Joyo	Domestic bonds	3.4 JGBs +3.0, Others +0.4
	Foreign bonds	2.4 Foreign government bonds +0.9, Yen-denominated foreign bond (CMS floater) +1.4
	Stocks	1.9 Stocks for policy purpose +1.9
	Investment trusts & others	3.2 ETF +2.2, J-REIT +1.0
Ashikaga	Gains and Losses on securities	6.0
	Domestic bonds	0.7 JGBs +0.7
	Foreign bonds	-
	Stocks	2.8 Stocks for policy purpose +2.8
Investment trusts & others	2.4 Index funds +0.4, Yen bond funds +2.2, Bond investment trusts -0.2	

# Expenses / OHR

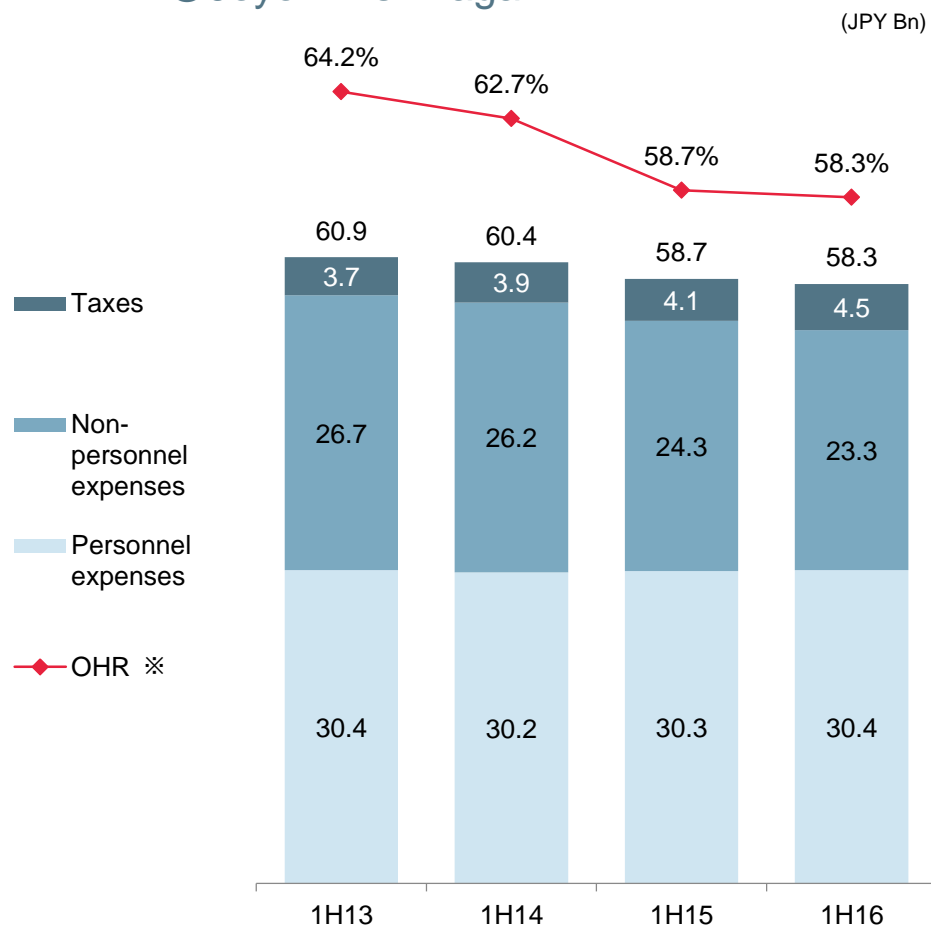
◇ The OHR of each bank is on the decline due to efforts to reduce expenses.

◇ Ashikaga: The OHR for the first half of FY2016 slightly rose but remained at the low level of the mid-50% range.

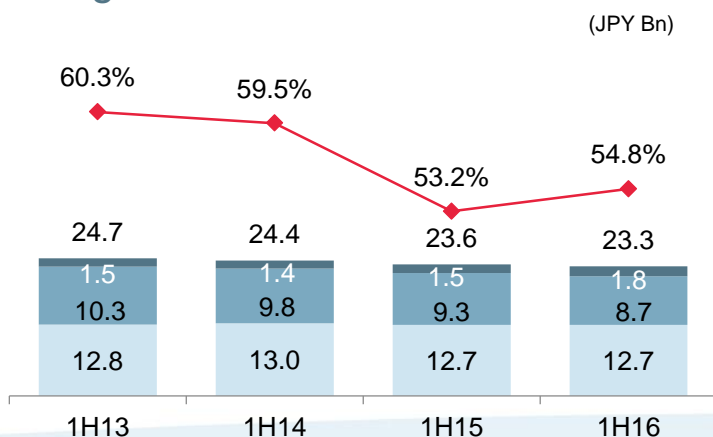
## ● Joyo



## ● Joyo + Ashikaga



## ● Ashikaga



(※) OHR = Expenses (excluding non-recurrent expense) / Core gross business profit

# Credit Related Costs / Non-performing Loans

◇ Credit costs of each bank remain stable at a low level.

## Credit Related Costs



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

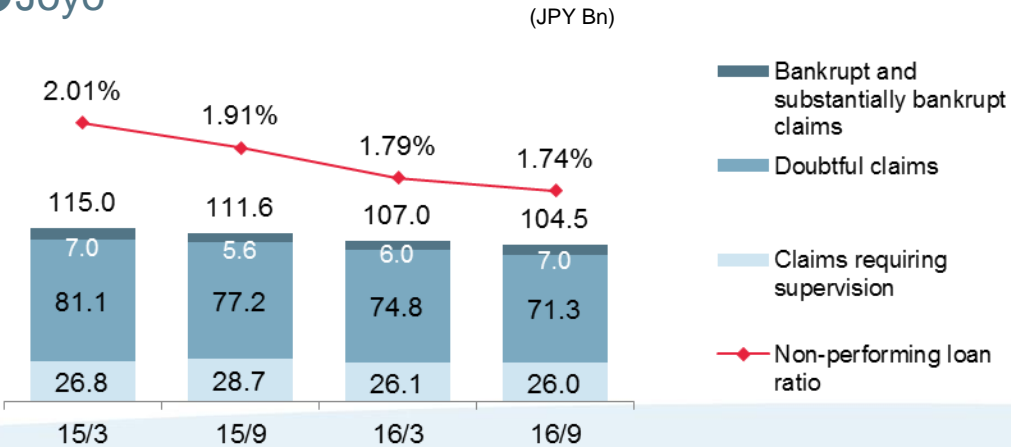
	FY2013	FY2014	FY2015	FY2016 Projection
Joyo	0.120%	0.032%	0.082%	0.082%
Ashikaga	0.193%	0.066%	Δ0.006%	0.064%

## <Reference(2)> Business Failures

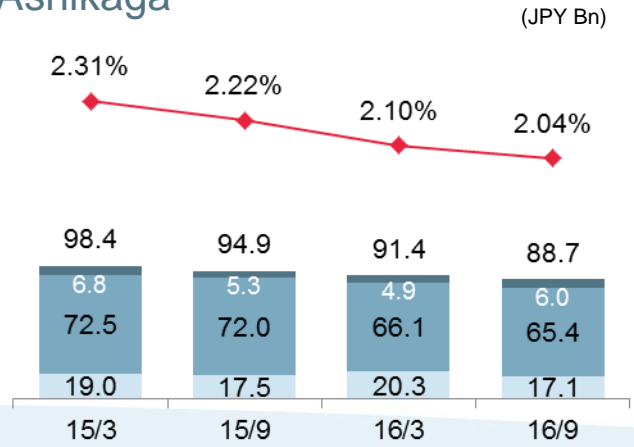
		(Cases/JPY Bn)				
		1H14	2H14	1H15	2H15	1H16
Ibaraki Prefecture	number	71	83	53	65	62
	amount	17.1	32.0	18.3	12.6	10.4
Tochigi Prefecture	number	62	86	71	59	66
	amount	11.0	19.7	6.2	10.3	12.3

## Non-performing Loans

### ● Joyo



### ● Ashikaga



# State of Group Companies

- ◇ Through organic integration of the group's leasing, securities, IT, and researching functions, we will provide one-stop financial services in response to diversifying customer needs.
- ◇ Difference between consolidated and non-consolidated net income: Joyo ¥1.1bn; Ashikaga ¥2.3bn

		(JPY Bn)								
Company name		Main business activities	Ordinary Income	YoY	Ordinary Profit	YoY	Net Income	YoY		
JOYO	Sales	The Joyo Lease Co., Ltd.	Leasing of machinery and equipment, claim acquisition	1,080.8	+105.5	51.0	+14.1	30.0	+4.8	
		The Joyo Securities Co., Ltd.	Dealing of securities, mediation, commission and substitution of trading of securities	70.1	-62.9	11.3	-49.3	7.7	-35.9	
		The Joyo Computer Service Co., Ltd.	Sale of software and contracting of calculating business	73.2	+5.4	4.5	+2.0	2.9	+1.4	
			The Joyo Industrial Research Institute,	Consulting, investigation and research	32.0	+1.8	2.1	-0.9	1.3	-0.7
	Business operation		The Joyo Credit Guarantee Co., Ltd.	Credit guarantee of housing loans	189.8	+17.3	51.7	-43.5	33.6	-28.4
			The Joyo Credit Co., Ltd.	Credit card services	58.3	+0.6	9.2	-0.1	11.2	+5.0
			The Joyo Business Service Co., Ltd.	Agent in charge of administrative work for the Bank	39.5	+0.7	0.0	-0.0	0.1	+0.0
			The Joyo Cash Service Co., Ltd.	Maintenance and management of the Bank's ATMs and CDs	56.2	+0.8	0.0	-0.0	0.0	-0.0
			The Joyo Equipment Management Co., Ltd.	Maintenance and management of operational properties and equipment of the Bank	48.8	-0.4	12.8	+3.2	8.6	+8.1
Ashikaga		Ashikaga Credit Guarantee Co., Ltd.	Credit guarantee of housing loans	165.5	+8.0	67.7	-13.8	43.1	-10.1	
		Ashigin Research Institute, Ltd.	Consulting, investigation and research	26.4	+1.8	1.8	+1.5	1.7	+1.6	
		Ashigin Card Co., Ltd.	Credit card services	58.9	-27.8	166.2	+149.9	125.4	+114.5	

## 2. Forecast for FY2016 (Mebuki FG / Consolidated)

(Reference) Forecast for FY2016 (Banking Subsidiaries / Non-consolidated)

- ◆ Forecast for FY 2016
- ◆ Capital Adequacy Ratio / Rating
- ◆ Shareholder Return

# Forecast for FY2016 Banking Subsidiary (non-consolidated)

- ◇ Regarding full-year forecasts for FY2016 of the each bank, there has been no change in the figures announced in May 2016.
- ◇ The simple sum of figures of both banks' net income on non-consolidated basis is ¥49bn.

(JPY Bn)

	FY2015 Results			FY2016 Forecast			Y o Y					
	J + A	Joyo	Ashikaga	J + A	Joyo	Ashikaga	J + A		Joyo		Ashikaga	
							Change	ratio	Change	ratio	Change	ratio
Gross business profit	195.8	111.5	84.3	195.0	114.0	81.0	-0.8	-0.4%	+2.4	+2.2%	-3.3	-3.9%
Net interest income	157.9	89.8	68.1	150.0	84.0	66.0	-7.9	-5.0%	-5.8	-6.5%	-2.1	-3.1%
Net fees and commissions	30.4	15.4	14.9	32.8	18.0	14.8	+2.3	+7.7%	+2.5	+16.2%	-	-0.9%
Net trading income and Net other business income	7.4	6.1	1.3	12.4	12.0	0.4	+4.9	+65.7%	+5.8	+94.3%	-0.9	-69.4%
(Of which, gains/losses on bond transactions)	8.4	7.6	0.8	9.0	9.0	-	+0.5	+5.9%	+1.3	+17.8%	-0.8	-
Expenses (excluding non-recurrent expense)	115.3	68.2	47.0	116.5	68.0	48.5	+1.1	+1.0%	-0.2	-0.3%	+1.4	+3.0%
Net business income (before general allowance for loan losses)	80.5	43.2	37.3	78.5	46.0	32.5	-2.0	-2.5%	+2.7	+6.3%	-4.8	-12.9%
Core net business income	72.0	35.6	36.4	69.5	37.0	32.5	-2.5	-3.5%	+1.3	+3.8%	-3.9	-10.8%
Net transfer to general allowance for loan losses (a)	-0.6	-0.6	-	-	-	-	+0.6	-	+0.6	-	-	-
<b>Net business income</b>	<b>81.2</b>	<b>43.9</b>	<b>37.3</b>	<b>78.5</b>	<b>46.0</b>	<b>32.5</b>	<b>-2.7</b>	<b>-3.3%</b>	<b>+2.0</b>	<b>+4.6%</b>	<b>-4.8</b>	<b>-12.9%</b>
Net non-recurrent gains/losses	1.3	-1.2	2.5	-3.5	-5.5	2.0	-4.8	-368.2%	-4.2	+346.9%	-0.5	-21.1%
Disposal of non-performing loans (b)	5.2	5.4	-0.2	7.5	5.0	2.5	+2.2	+44.0%	-0.4	-8.6%	+2.7	-
Gains/losses related to stocks, etc	7.2	4.7	2.5	4.0	4.0	-	-3.2	-44.9%	-0.7	-15.6%	-2.5	-
<b>Ordinary profit</b>	<b>82.5</b>	<b>42.7</b>	<b>39.8</b>	<b>71.0</b>	<b>40.5</b>	<b>30.5</b>	<b>-11.5</b>	<b>-14.0%</b>	<b>-2.2</b>	<b>-5.1%</b>	<b>-9.3</b>	<b>-23.4%</b>
Extraordinary income/losses	-1.0	-0.6	-0.3	0.1	0.2	-0.1	+1.1	-	+0.6	-	+0.2	-73.9%
<b>Net Income</b>	<b>58.6</b>	<b>27.7</b>	<b>30.8</b>	<b>49.0</b>	<b>28.0</b>	<b>21.0</b>	<b>-9.6</b>	<b>-16.4%</b>	<b>+0.2</b>	<b>+0.8%</b>	<b>-9.8</b>	<b>-31.9%</b>
Credit related costs (a)+(b)	4.5	4.7	-0.2	7.5	5.0	2.5	+2.9	+65.8%	+0.2	+4.4%	+2.7	-

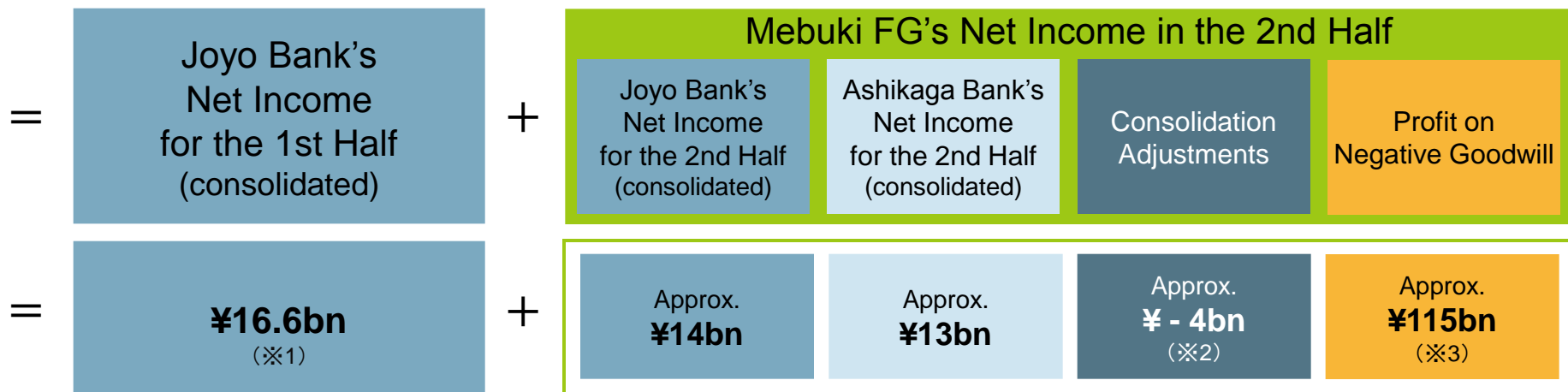
# Forecast for FY2016

## Mebuki FG (consolidated)

◇ Full-year net income forecast for FY2016 is ¥155bn, including the profit on negative goodwill of around ¥115bn.

### ● Mebuki FG's Full-year Forecast for FY2016

#### Mebuki FG's Net Income ¥155bn



※1 In the business integration, since Joyo bank is the acquiring company in terms of accounting, Ashikaga HD's interim net income of ¥12bn (consolidated) is not included in the above forecast. Ashikaga HD's interim net income gets recorded in Mebuki FG's equity section after the business integration.

※2 Includes Mebuki FG's consolidation adjustments like interest expense, etc.  
 ※3 The negative difference between the acquisition cost and the fair value of the net assets of Ashikaga HD is the negative goodwill. The profit on the negative goodwill will be recorded in extraordinary income.

### ● Mebuki FG's Business Plan

	FY2015	FY2016	FY2018		FY2021
Joyo (Consolidated basis)	31.0	31.0	27.8		37.1
Ashikaga (Consolidated basis)	30.1	Approx. 13.0	22.3		29.7
Joyo + Ashikaga	61.1	Approx. 44.0	50.1		66.8
Consolidated adjustment account etc.	—	Approx. 110.0	- 3.6		- 2.7
<b>Mebuki-FG (Consolidated basis)</b>	—	<b>155.0</b>	<b>46.6</b>		<b>64.1</b>

※ First Mid-Term Group Business Plan (to March 31, 2019)

※ Second Mid-Term Group Business Plan (to March 31, 2022)



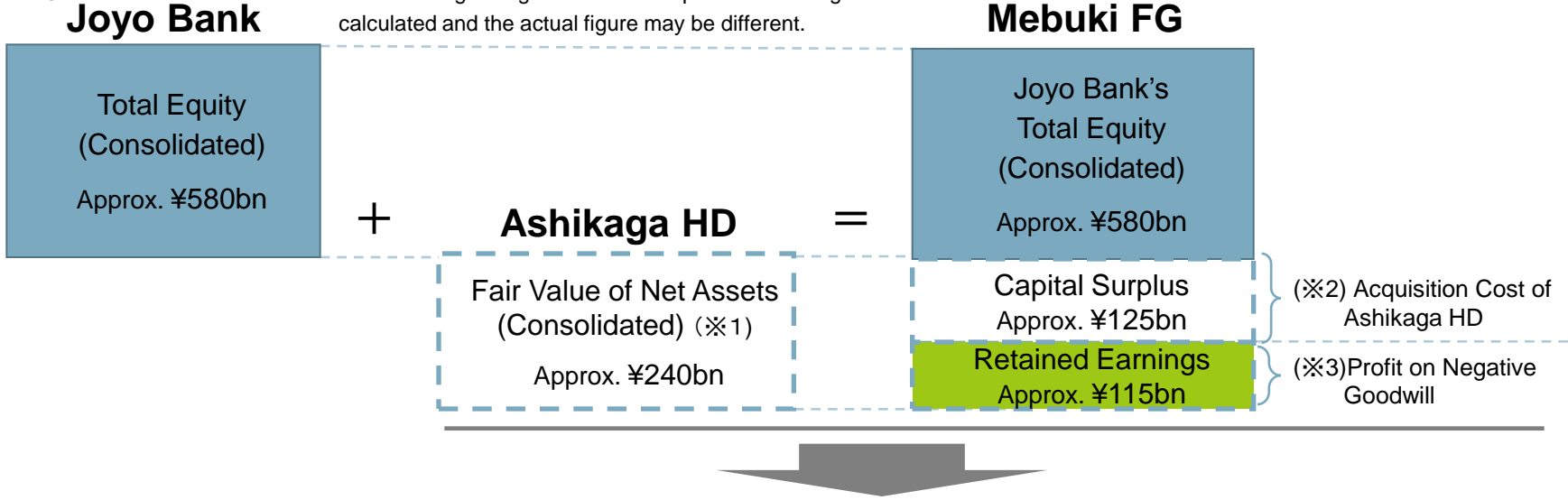
# Negative Goodwill (Reference)

**【Legal Form of 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)】**  
 Profit on negative goodwill of around ¥115bn will be recorded in extraordinary income  
 Joyo Bank : Acquiring company  
 Ashikaga HD : Acquired company

【Image】

※Profit on negative goodwill is in the process of being calculated and the actual figure may be different.

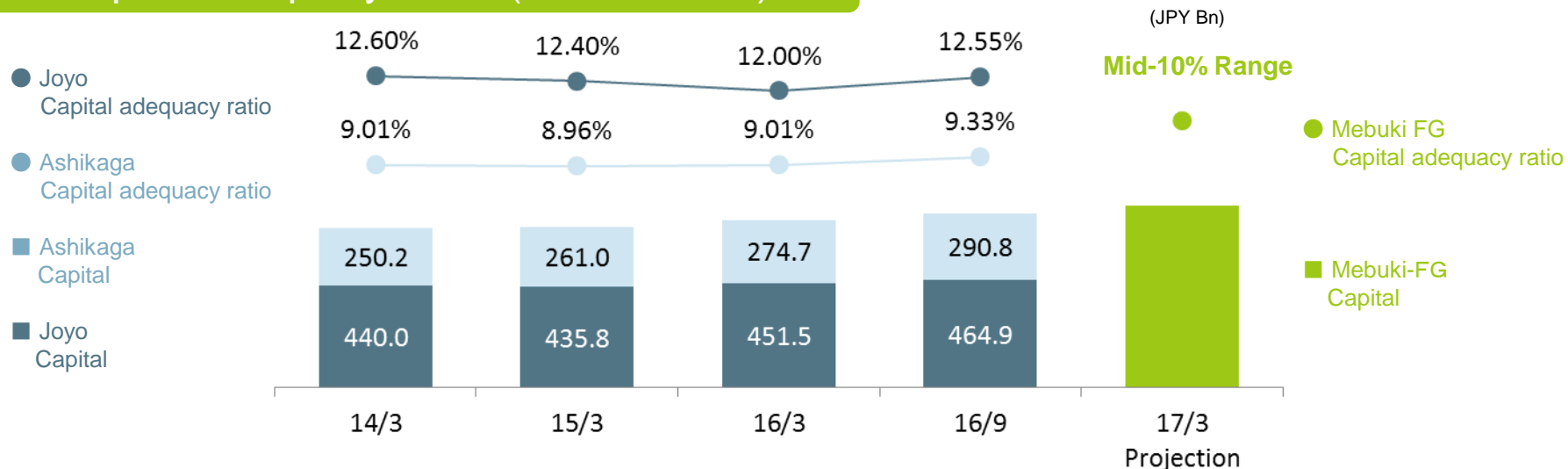


Negative difference between the acquisition cost and the fair value of net assets of Ashikaga HD is the profit on negative goodwill.

<p><b>Fair Value of Net Assets(※1)</b>                  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).</p>	<p><b>Acquisition Cost of Ashikaga HD (※2)</b>                  The acquisition cost in the purchase method, which is equivalent to 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.</p>	<p><b>Profit on Negative Goodwill (※3)</b>                  Profit on the negative goodwill is recorded in extraordinary income on the income statement and in retained earnings in the equity section on the consolidated balance sheet.</p>
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# Capital Adequacy Ratio / Rating

## Capital Adequacy Ratio (consolidated)



※The Joyo bank, Ltd. calculated each risk-weighted assets according to the fundamental internal rating based approach

※The Ashikaga Bank, Ltd. calculated each risk-weighted assets according to the standardized approach.

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

	14/3	15/3	16/3	16/9
Joyo	11.35%	11.51%	11.16%	11.75%
Ashikaga	8.67%	8.64%	8.77%	9.09%

## Rating

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

Mebuki FG	Joyo	Ashikaga
<b>A</b>	<b>A+</b>	<b>A+</b>

○ Moody's

Joyo
<b>A2</b>

# Shareholder Return

## Dividend Policy

- 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 its shareholders.
- The year-end dividend forecast for FY2016 is ¥6.50 per share, including commemorative dividends (¥1.00) for the business integration of The Joyo Bank, Ltd. and Ashikaga Holdings Co., Ltd.

## Shareholder Benefit Plan

### 【Shareholders to be Subjected】

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.  
(Starting at the end of March, 2017)

### 【Contents of the Plan】

Shareholders can choose items from a dedicated catalog that lists local specialties depending on the number of shares held.

### 【Dividend per Share】

(JPY ¥)	FY2015	FY2016	
	Annual dividends	Interim dividend	Year-end dividends
Joyo ※1	¥13.00 ※2 (including commemorative dividends of ¥1.00)	¥6.00	Mebuki FG ¥6.50 (including commemorative dividends of ¥1.00)
Ashikaga HD	¥10.00 ※3 (including commemorative dividends of ¥1.00)	¥5.50	

※1 Former Joyo bank's shareholders receive ¥13.60 per share as annual dividend for FY 2016.

Joyo bank's interim dividend (¥6.00) + Mebuki FG's year-end dividend (¥6.50) × Share exchange ratio (1.17)

※2 Commemorative cash dividends ¥1.00 per share for 80-year anniversary.

※3 Commemorative cash dividends ¥1.00 per share for 120-year anniversary of a wholly owned subsidiary, The Ashikaga Bank, Ltd.

### 【Contents of the Shareholder Benefit Plan】

Number of shares held	Items that can be selected	
Less than 5,000 shares and 1,000 shares or more	Equivalent to 2,500 yen	More than 400 items centered on specialty products from Ibaraki Prefecture and Tochigi Prefecture(※).
Less than 10,000 shares and 5,000 shares or more	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.



### 3. The New Group's Basic Integration Strategies

- ◆ Size and Market (Reference)
- ◆ Group Philosophy and Vision
- ◆ Basic Integration Strategies
- ◆ Initiatives and Measures Related to Integration Synergies

/ Day 180 Plan

# Size and market (Reference)

## Size of Mebuki Financial Group

**Total assets:** 15,324.2 billion yen      **Securities:** 4,033.6 billion yen

**Net assets:** 909.1 billion yen      **Employees:** 6,607 people

**Balance of deposits:** 13,298.4 billion yen      **Branches:** (as of June 30, 2016; including sub-branches) 332 locations

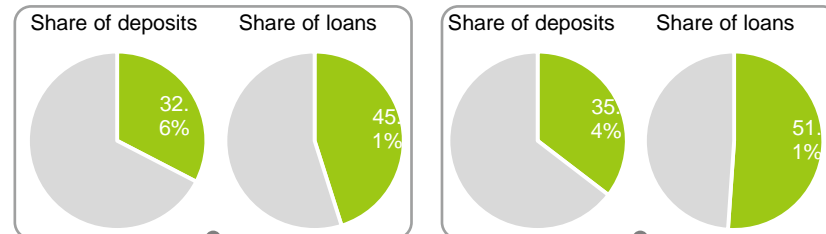
**Outstanding loans:** 10,144.7 billion yen

(Information as of March 31, 2016; consolidated totals for both banks)

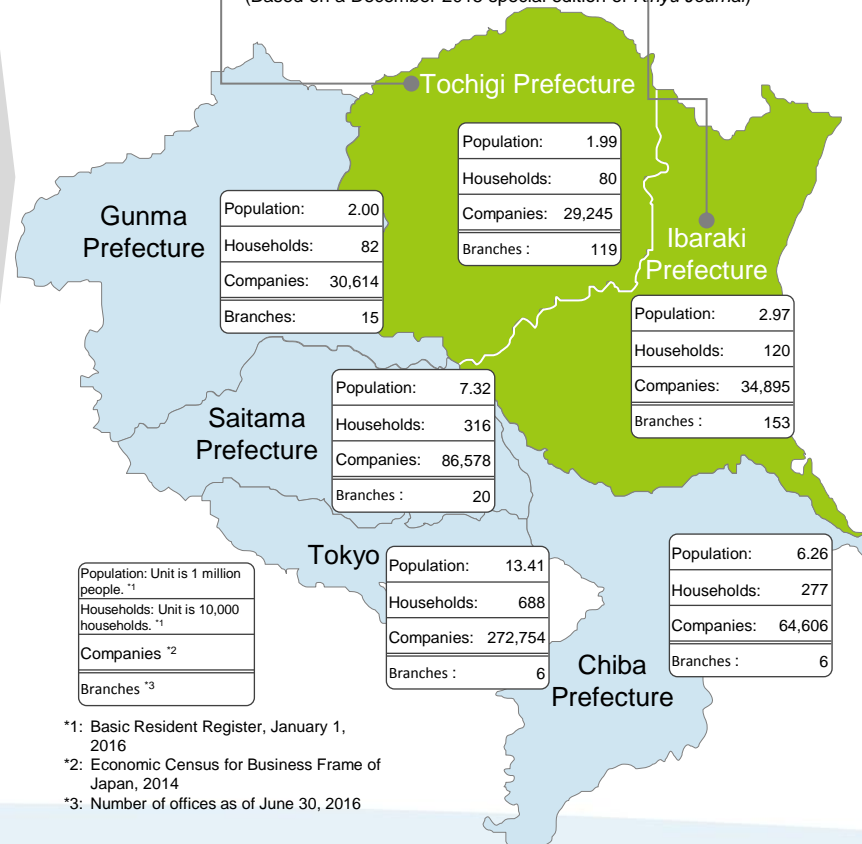
Rank	Name of bank	Total assets (trillion yen)
1	The Bank of Yokohama, Ltd. and HIGASHI NIPPON BANK, Ltd. (two banks)	17.5
2	Fukuoka Financial Group, Inc. (three banks)	16.4
3	Mebuki Financial Group, Inc. (two banks)	15.3
4	The Chiba Bank, Ltd.	13.3
5	Hokuhoku Financial Group, Inc.	11.6
6	THE SHIZUOKA BANK, LTD.	11.1
7	Yamaguchi Financial Group, Inc.	10.4
8	The Jojo Bank, Ltd.	9.3
9	THE NISHINIPPON CITY BANK, LTD.	9.1
10	Kyushu Financial Group, Inc.	8.9
...		
21	Ashikaga Holdings Co., Ltd	6.1

(As of March 31, 2016)

## Impressive share of its core market, Ibaraki and Tochigi Prefectures, near the greater Tokyo region



(Based on a December 2015 special edition of *Kinyu Journal*)



\*1: Basic Resident Register, January 1, 2016

\*2: Economic Census for Business Frame of Japan, 2014

\*3: Number of offices as of June 30, 2016

# Group philosophy and vision

Group philosophy and vision

Together with local communities, we will continue to build a more prosperous future by providing high-quality comprehensive financial services.

The ingenuity of the entire group will be combined to contribute to sustainable growth in communities. We will build a better future together with local communities, seeking solutions to challenges that affect these communities by providing high-quality comprehensive financial services.

## Vision of the new group (strategic goals)

Building the region's future as a comprehensive financial service group

The new financial group will maintain and promote the relationships with customers and local communities as well as the deep understanding of local communities that both banks have developed over the years. At the same time, the group will use its wide-area network to expand its zone of economic interactions, expand the scale and scope of comprehensive financial services that it offers, and grow along with communities by promoting the development of local industries, the revitalization of local economies, and the creation of new markets.

### The group's philosophical structure and basic approach of the new group's activities



# Basic Integration Strategies

As a key player in regional revitalization, the new financial group will take action to develop local industries and to create and stimulate markets by expanding its comprehensive financial services and making use of its wide-area network. In addition, the new group will implement operational innovations to ensure appropriate allocation and training of personnel and build structures for highly efficient operations and appropriate management, pursuing sustainable growth together with local communities.

## [1] Combined ingenuity for regional revitalization

- Making use of its expanded base and network due to integration, the new group will cooperatively deploy a wide range of support measures based on the industry characteristics of its primary sales bases, and will contribute to regional revitalization and stimulation by bringing together all the ingenuity of the new group.

## [2] Expansion of comprehensive financial services

- By organically integrating its functions, the new group will seek to improve quality and expand scale and scope, providing one-stop services with greater added value in response to diversifying customer needs.
- To pursue a wide range of synergies, the new group will consider ways to share expertise and integrate its operations in securities investment while considering developments in deregulation and other changes.

## [3] Expansion of area and channels

- The entire group will optimize its business resources and seek to further expand its wide-area network in order to provide greater convenience to customers while promoting regional revitalization and stimulation.
- With an enhanced database due to business integration, marketing will be improved in order to strengthen direct channels, including online and ATM marketing, thereby providing timely information and financial services to more customers.

## [4] Innovative operations

- By unifying and integrating its administrative systems, the new group will reduce costs and improve services to customers, strengthening its business resources and contributing to regional revitalization.
- The new group will improve services to customers by investing in systems such as FinTech for new areas and growth fields.

## [5] Development of the new group's corporate management structure

- The new group will implement effective governance to reap the benefits of integration, building management structures that are appropriate for the size and characteristics of both banks.
- The new group will enhance risk management, improve financial intermediary functions, and develop frameworks including an internal audit system for sound operations and efficient achievement of management targets.



# (1) Combined ingenuity for regional revitalization

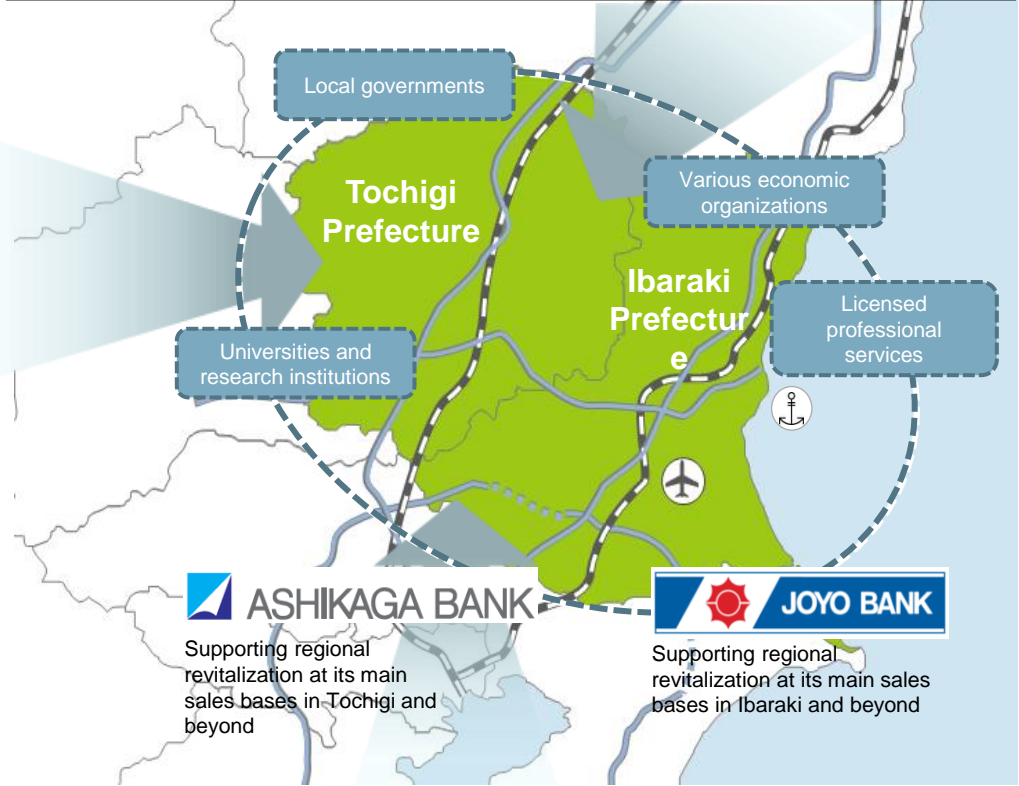
## ~ Support for wide-area collaboration ~

We will use our networks in Ibaraki, Tochigi, and the Tokyo area to provide the kind of support for wide-area regional collaboration that is not available from one bank alone.

Human resources will be allocated in the following four areas as a priority: [1] promoting utilization of the wide-area network; [2] industry development and business creation; [3] support for regional branding; and [4] collaboration with local governments.

The banks will also draw on the new group's expertise and networks, including the 30,000 main customers of the two banks, to support higher added value through consulting services aimed at increasing sales and profitability for our customers.

### Support for wide-area collaboration



### Focused activities

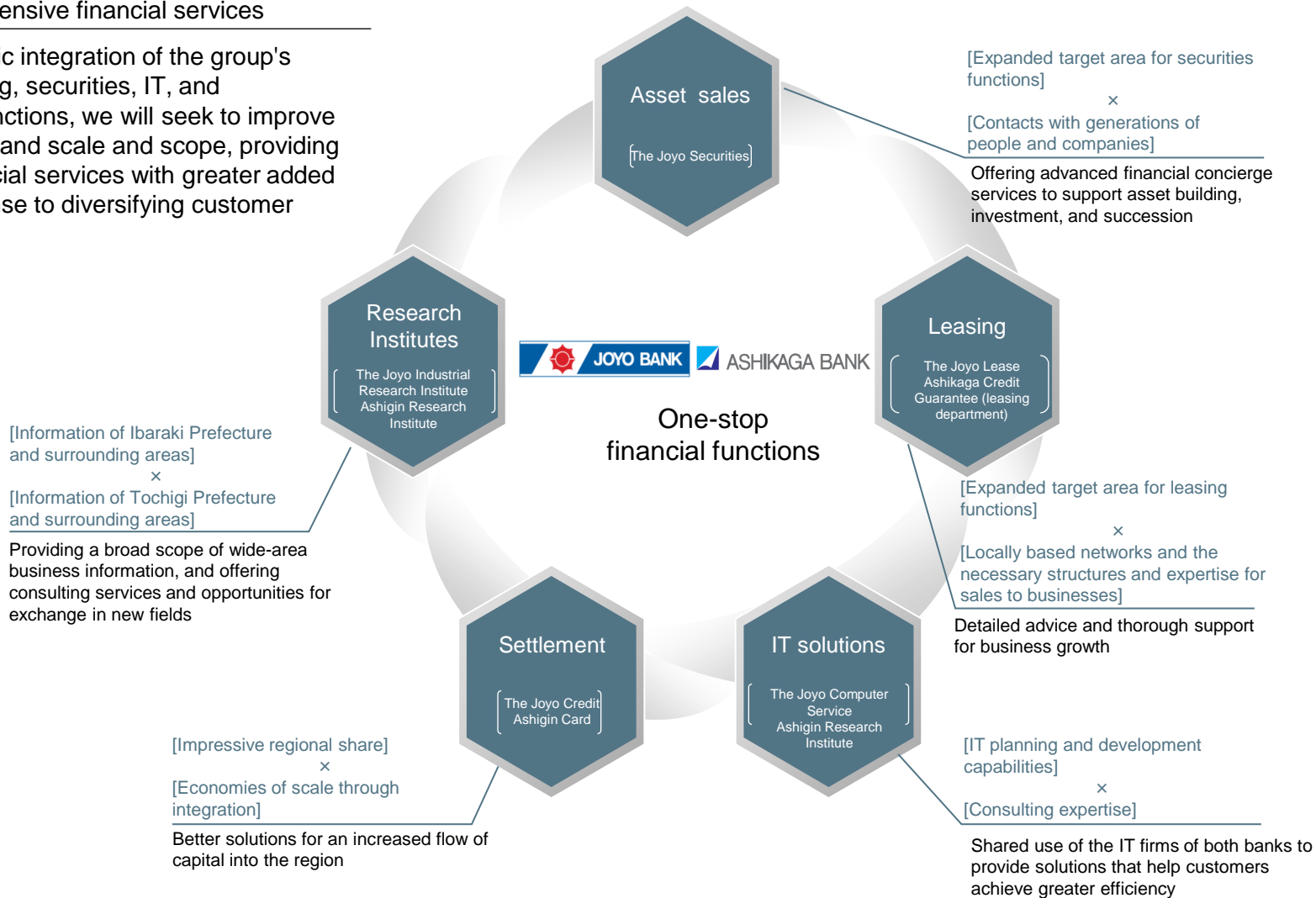


- Promoting utilization of the wide-area network**
  - Improved coordination capabilities
  - Wider-area of business matching
  - Collaboration with external experts
- Industry development and business creation**
  - Joint planning to support industry development and business creation
  - Use of technology coordinators
  - Supporting expansion into the Tokyo market or overseas
  - Attracting and retaining businesses
  - Business contests
- Support for regional branding**
  - Investing and creating collaborative businesses in the food, agricultural, and tourism industries
  - Supporting new product development using local resources
- Collaboration with local governments**
  - Revitalization of local shopping streets
  - Proposing ways to promote relocation and residence

## (2) Expansion of comprehensive financial services ~ Providing one-stop financial services ~

Drawing together the new group's capabilities to expand comprehensive financial services

Through organic integration of the group's banking, leasing, securities, IT, and researching functions, we will seek to improve quality and expand scale and scope, providing one-stop financial services with greater added value in response to diversifying customer needs.



## (2) Expansion of comprehensive financial services ~ Specific measures for one-stop financial services ~

Leasing and securities operations will be expanded to ensure that we can provide outstanding, enhanced comprehensive financial services through combined group capabilities. During the first medium-term period, we will consider transitioning the related leasing and securities companies into directly owned subsidiaries of the holding company.

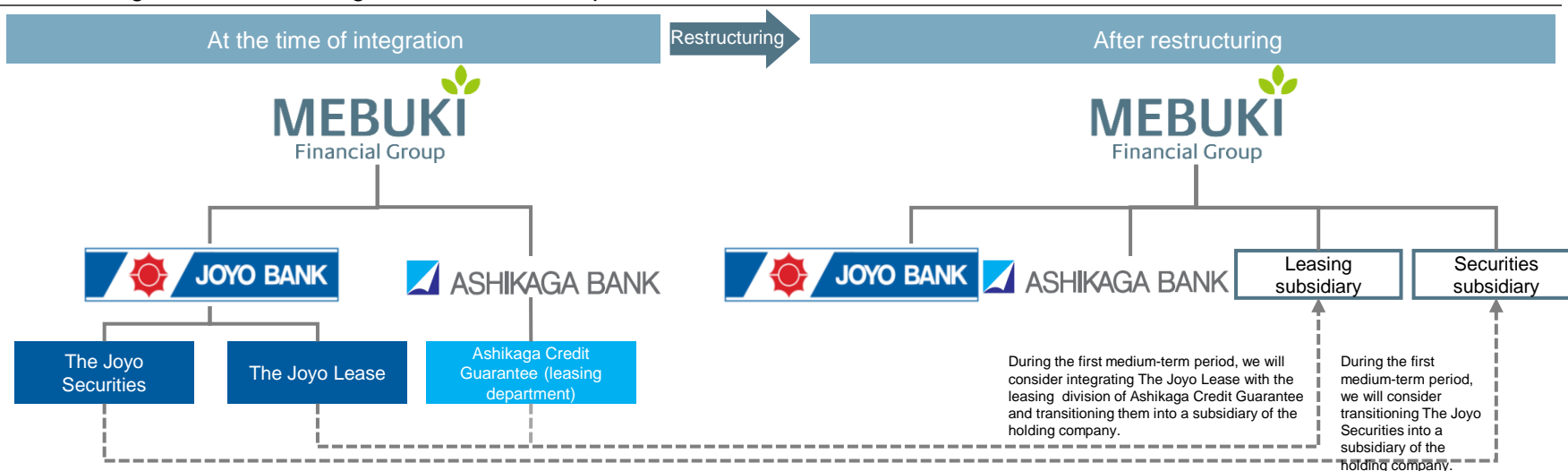
### Expansion of leasing

- [1] New leasing offices  
Three offices may be added.
- [2] Schedule  
 October 2016: Conclusion of leasing intermediation agreements with Ashikaga Bank and The Joyo Lease (October 2016) and commencement of auto lease intermediary services  
 2017: Integration of The Joyo Lease and the leasing division of Ashikaga Credit Guarantee, and establishment of new sales offices

### Expansion of securities

- [1] New securities offices  
Two offices may be added.
- [2] Schedule  
 October 2016: About 13 branches with full-time financial consultants (FC) of Ashikaga Bank will begin intermediary services with The Joyo Securities.  
 April 2017: Expansion to all branches

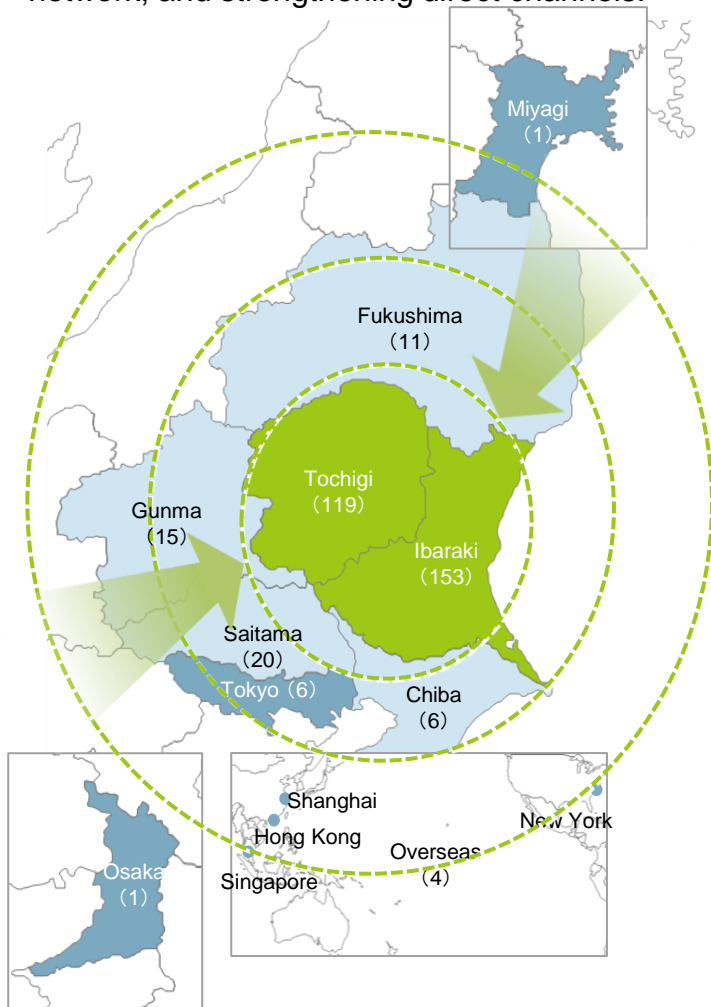
### Transitioning the related leasing and securities companies into subsidiaries



# (3) Expansion of area and channels

## ~Summary of measures related to expansion of area and channels~

We will endeavor to expand the customer base and broaden and stimulate the economic interaction zone (corporate interactions in flows of commerce, information, and funds) by optimizing business resources, developing a wide-area network, and strengthening direct channels.



### Optimizing business resources

- Streamlining the head office and sales offices
- Reallocating employees to enhance consulting functions and improve service quality

Reallocating about 150 employees

### Developing a wide-area network

- Utilizing personnel and other resources freed up by reallocation
- Opening new branches in growth areas to expand economic interaction opportunities
- Opening branches to expand group functions
- Using the agency bank system
- Shared use of overseas networks

Opening about 15 new branches (including leasing and securities branches)

### Strengthening direct channels

- Cooperatively enhancing marketing with EBM and other techniques, and providing timely information and financial services
- Sharing informational expertise in the use of online and telemarketing channels to improve the supply of information and meet customers' needs
- Cooperatively using online, ATM, and other non-face-to-face channels to improve products and services

Increasing customer contacts

Expanding the customer base; broadening and stimulating the economic interaction zone

(Total of 336 bases including overseas locations; as of June 30, 2016)

# (3) Expansion of area and channels

~ Approach to new branches and key areas ~

[Approach to new branches and key areas]

We will endeavor to optimize group-wide business resources and further develop wide-area networks for customer convenience and regional revitalization and stimulation.

We will use the human resources freed up by business integration to strengthen market exploration and development and to promote and stimulate economic interactions with the core market.

## Potential areas for new branches

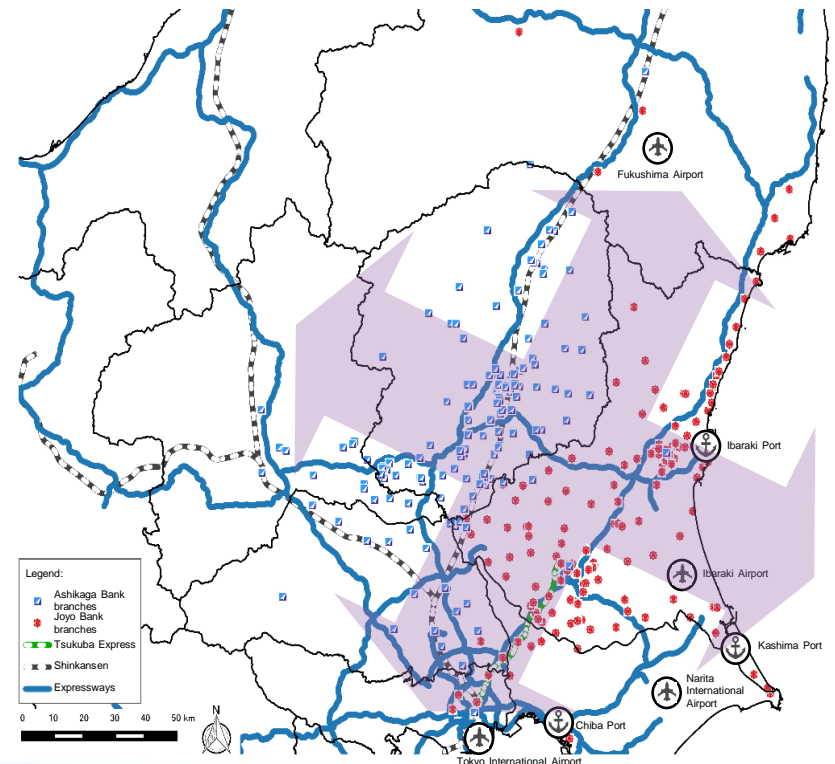
Perspectives for consideration	Criteria for new branch candidate areas
Capturing growth potential → <u>Increasing profit</u>	Increasing population (low degree of population decline) Increasing number of business establishments
Branch network expansion → <u>Strengthening the business base</u>	Adjacent to existing branches (nearby) Convenience to transportation networks

### (Anticipated areas)

Northwestern Chiba, southern Saitama, northern and southern Tokyo, and areas along the Tsukuba Express line

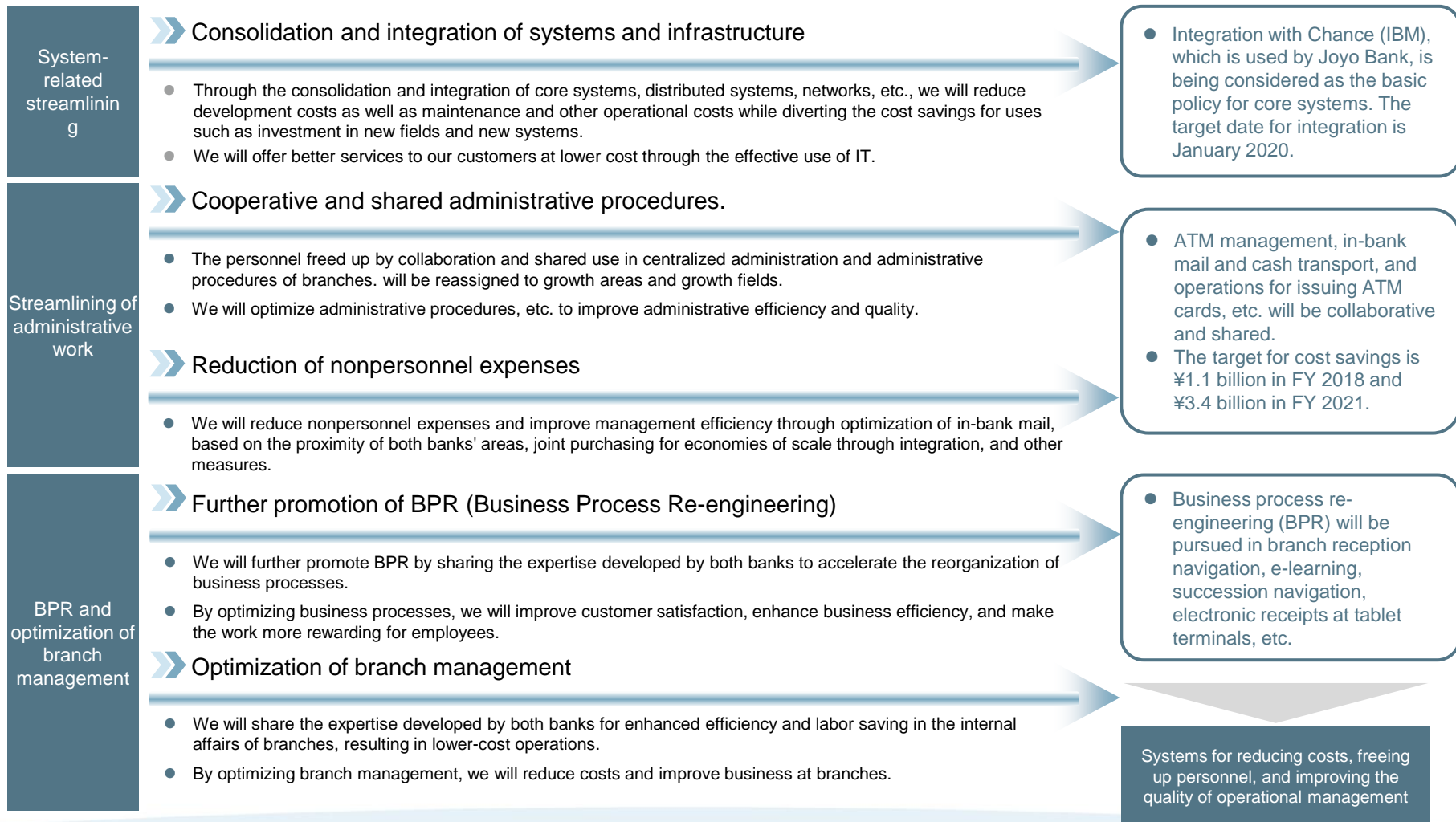
- \* Northwestern Chiba and southern Saitama:  
Candidate areas will be examined in terms of future population, outlook of deposits and lending, and network formation.
- \* Northern and southern Tokyo:  
Candidate areas will be examined in terms of market size and relationships with the core market.

## Priority areas for new branches: Network to promote economic interaction from north to south and east to west



# (4) Innovative operations

We will promote integration, joint use, and collaboration in administrative work and systems to reduce costs and free up personnel. By shifting the resulting business resources to growth areas and sharing expertise, we will construct a high quality business operation system.



## (5) Development of the corporate management structure

Along with regional revitalization and stimulation, we will exploit the economies of scale due to integration to develop an effective governance system and establish an appropriate corporate management system suited to one of Japan's leading groups of regional financial institutions.

Ensuring an effective governance system to attain integration objectives

Ensuring advanced audit and supervisory functions, quick and decisive decision-making functions and business execution functions

- The holding company is organized as a company with an Audit and Supervisory Committee to ensure transparency and fairness in decision-making by the Board of Directors as well as advanced audit and supervisory functions, establishing a system that is capable of quick and decisive decision-making and business execution.
- Since both banks will need to implement important strategies, multiple outside directors who have specialized knowledge and are familiar with the local community will be appointed, and a Corporate Governance Committee, consisting mainly of outside directors of the holding company and the banks, will be established as a means of actively incorporating the diverse views of outside directors.
- A group strategy committee will be established at the holding company to gather the knowledge and expertise of both banks, plan strategies for responding promptly and accurately to changes in the surrounding environment based on local circumstances, and facilitate the penetration of such strategies within the new group.

Establishing and enhancing an appropriate risk management system

Establishing and enhancing an appropriate risk management system

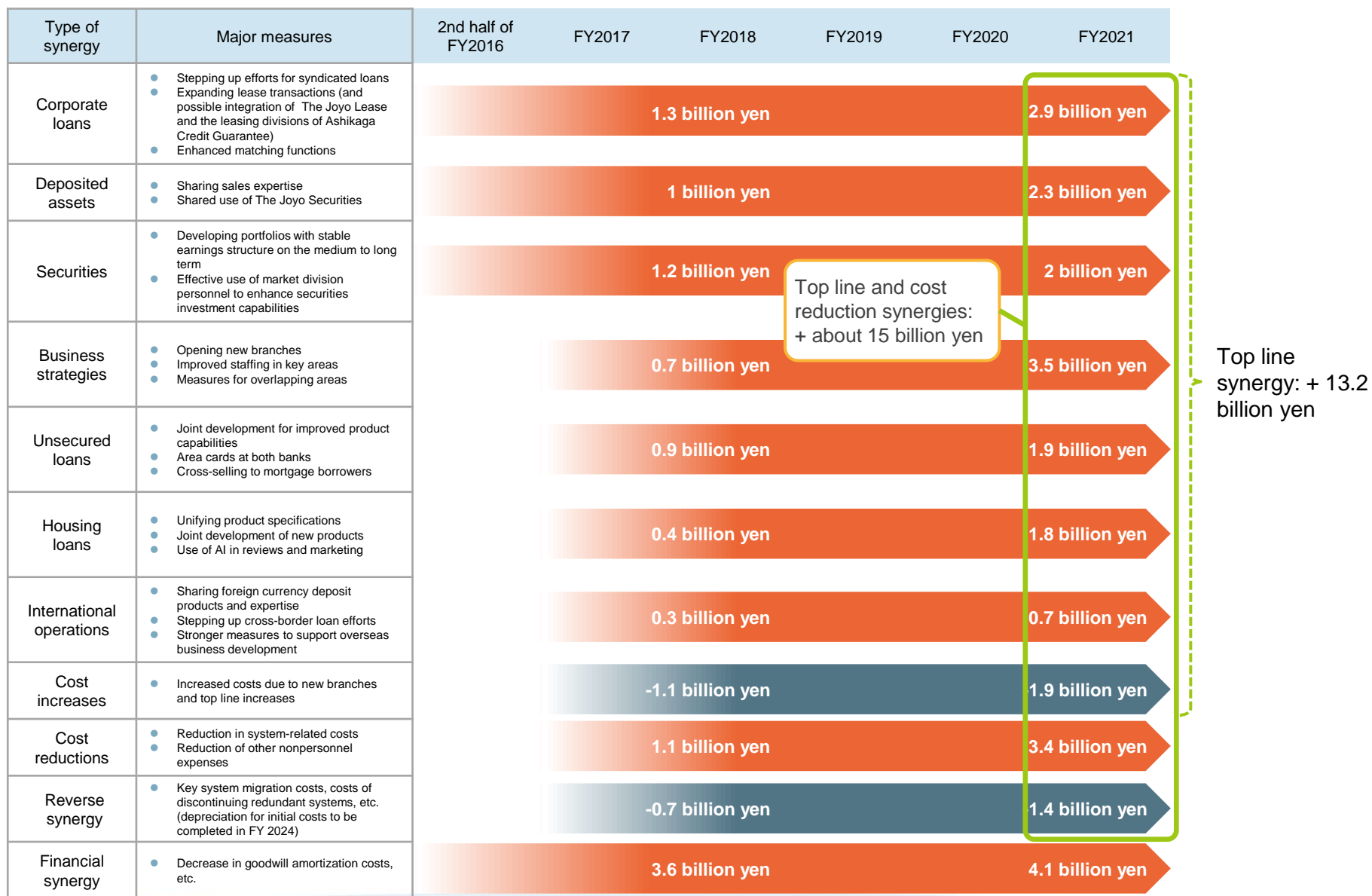
- In pursuing integration of various risk management systems at the banks based on business integration, the new group will establish an appropriate, effective, and efficient risk management system in light of the scale and characteristics of both banks.
- The credit risk management system of the overall group will be enhanced through such means as transitioning to the basic internal rating methods of the holding company and Ashikaga Bank, endeavoring to further facilitate financial intermediary functions.

Establishing an appropriate internal audit system, etc. for the new group

Establishing an appropriate internal audit system.

- A proper and efficient internal audit system, which will contribute to sound corporate management and the efficient attainment of management objectives at the new group, will be established through cooperation and appropriate organizational allocation by the internal audit units of the holding company and subsidiary banks.
- We will seek to develop an appropriate internal governance system that includes a capable internal audit system with close collaboration between the Audit and Supervisory Committee and internal audit units.

# Initiatives and measures related to integration synergies



Note: Figures from "Corporate loans" to "Reverse synergy" are pretax. Figures for "financial synergy" are after tax.



# Progress of the Synergy Effect (1) Day180 Plan

		Items	Details
Action Plan	Channel	Transfer Fee Reduction for Each Other's Customers	Lower the transfer fee between the two banks to the same rate of an intra-bank transfer.
		Mutual Utilization of ATMs	Make it possible to deposit into an account using one bank's cash card at the other's ATM.
	Group Companies	Cooperation on Securities Business	Start to provide financial product intermediary services cooperating with Joyo Securities at 13 Ashikaga Bank branches.
		Cooperation on Leasing Business	Ashikaga Bank starts to deal Joyo Lease's auto lease products.
Assets under Custody	Establishment of a Joint Fund	Establish and sell an investment trust, 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 if they obtain investment products worth 200,000 yen or more.
		Auto Loans and Educational Loans Campaign	Preferential Interest Rates
	Corporate Customers	Internet Banking Campaign	Exemption of activation fee and three-month's monthly fee for new subscribers.
		Business Seminar	Members of one bank's research institute can take seminars of the other research institute at preferential rates.

October 2016 Results	
Started on 1 Oct. 2016	
Started on 1 Oct. 2016	
Sales amount	¥8.4bn (+¥5.4bn)* of which, Foreign bonds ¥5.0bn (+¥2.8bn)*
Referrals to Joyo Lease	322(+8) *
Sales amount	¥10.8bn
Number of sales	4,681
<u>Sales amount</u>	
Investment trust	¥13.9bn(+3.3bn)*
Foreign currency deposits	¥0.6bn(+0.5bn)*
Accumulation service	1,746contracts
<u>Preliminary application</u>	
Auto loans	¥2.3bn / 1,523 loans
Educational loans	¥1.5bn / 574loans
<u>Amount of loans made</u>	
Auto loans	¥0.4bn / 249loans
Educational loans	¥0.2bn / 93loans
<u>New contrasts</u>	
New subscribers	550(+152)*
Optional service	230
Mutual participants	7 from 5 companies

# Progress of the Synergy Effect (2)

## 【Regional Revitalization】

Food Exhibition in Mito City	Food Business Meeting in Utsunomiya City	Business Award	Manufacturing Forum
<ul style="list-style-type: none"> <li>◆ Conduct evaluations for product development and quality improvement of local specialties making use of regional resources.</li> </ul>	<ul style="list-style-type: none"> <li>◆ Support customers' sales and buying channel expansion for local specialties making use of regional resources, etc. through the meeting.</li> </ul>	<ul style="list-style-type: none"> <li>◆ Give award to creative and innovative business plans.</li> <li>◆ Support customers' business expansion through the award and business seminars.</li> </ul>	<ul style="list-style-type: none"> <li>◆ Support regional manufacturing companies. Invite German and Taiwanese manufacturing companies to the forum.</li> </ul>
<p><u>Outline (12 Oct.2016)</u></p> <ul style="list-style-type: none"> <li>•Exhibitors                      Approx. 100</li> <li>•Evaluators                      Approx. 400</li> <li>•Evaluations handed in Over 4,600</li> </ul> <p>※Food related business operators exhibit their products and international students and housewives experienced the products and evaluated them on interview base.</p>	<p><u>Outline (22 Nov.2016)</u></p> <ul style="list-style-type: none"> <li>•Exhibitors                      Over 300</li> <li>•Buyers                            Approx.150</li> <li>•Meetings held                  Approx.450</li> </ul> <p>※Conducted "Exhibition" where selling enterprises promote their products and "Business Meetings" which required reservations.</p>	<p><u>Outline</u></p> <ul style="list-style-type: none"> <li>•Offering period Dec.1-Jan.31</li> <li>•8 Business segment ex. "Regional Revitalization" "Growth" "Founding"</li> </ul> <p>※Financial support  "Mebuki Regional Revitalization Fund"  Volumes: 2 billion yen  Target: Agriculture, Food processing, Tourism, etc.  LP : Joyo Bank, Ashikaga Bank  Sompo Japan Nipponkoa Insurance</p>	<p><u>Outline (Scheduled in Feb. 2017)</u></p> <ul style="list-style-type: none"> <li>•Technical Proposals       Over 250</li> <li>•Meetings Scheduled       Approx. 300</li> <li>•Major Company Participants 15</li> </ul> <p>※63 companies, including 21 large user companies taking part in for the first time, will participate in, which is the largest scale for the two banks.</p>

## 【Regional Interaction】

### Economic Lecture

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

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

## 【Organizational Integration/Personnel Exchange】

### Joint-Trainings

- Hold rank-based trainings in which 1,000 employees will participate
- Share each other's training program.

### Regional Collaboration Meeting

Established at 10 areas to enhance collaboration between Joyo bank and Ashikaga bank on introducing customers and co-financing.

## 4. Group Performance Targets

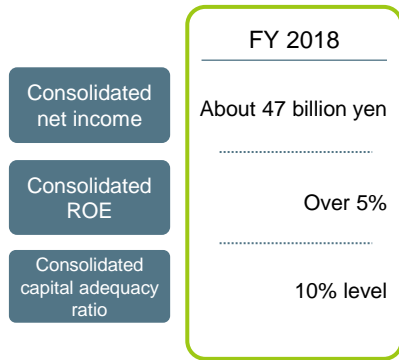
- ◆ Targets for Realization of the vision
- ◆ Business Objective Indicators / Performance Targets
- ◆ Joyo Bank / Ashikaga Bank Performance Targets / Medium-term Business plan



# Targets for realization of the vision

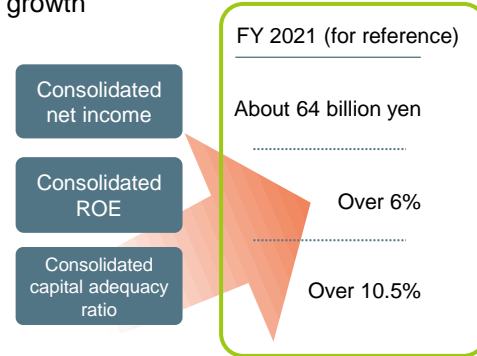
First medium-term group business plan  
(2nd half of FY 2016 to FY 2018)

Getting the new group on the right track to success

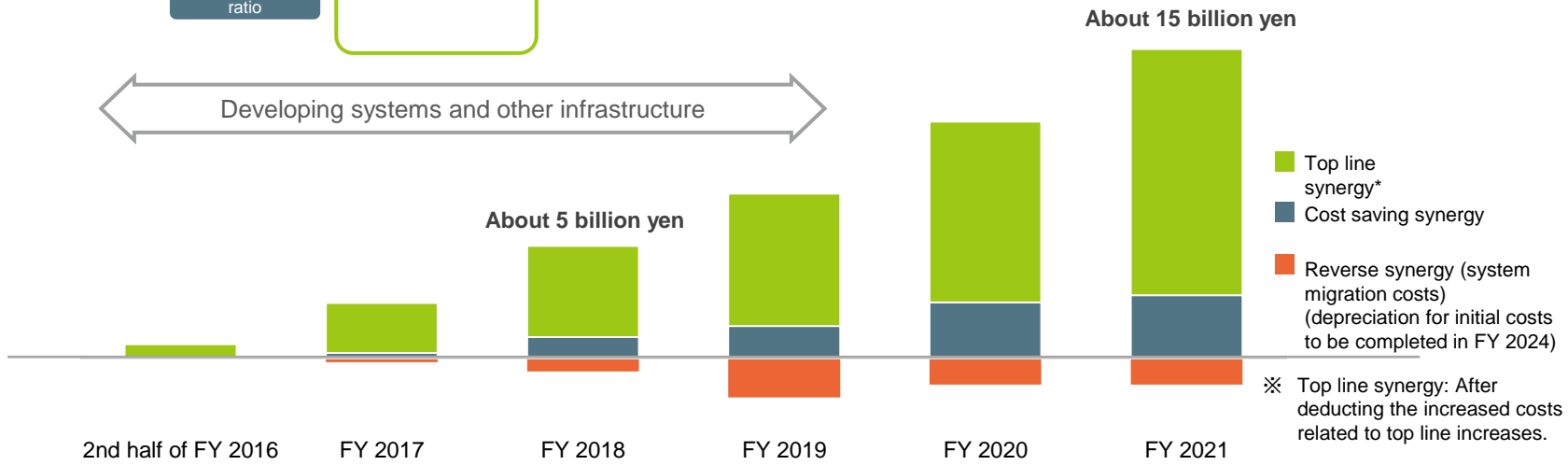


Second medium-term group business plan  
(FY 2019 to FY 2021)

Producing solid results and upshifting for the next stage of growth



Developing systems and other infrastructure



※ Top line synergy: After deducting the increased costs related to top line increases.

# Mebuki FG business objective indicators

## Mebuki FG business objective indicators

- The disappearance of gains on sales of stocks and bonds and the effect of negative interest rates will be covered by the incorporation of the synergistic effect, and consolidated net income are expected to be approximately 47 billion yen for FY 2018 and 64 billion yen for FY 2021.
- The consolidated ROE is expected to be 5% or more for each fiscal year. The target for FY 2021 is 6% or more.
- The consolidated capital adequacy ratio is expected to be in the mid-10% level. The target for FY 2021 is 10.5% or greater.
- The goal for OHR is appropriate control of the increase in investment expenses resulting from the merger, and the target for FY 2021 is the upper 50% level.

Business objective indicator	FY 2018	(Reference) FY 2021
Consolidated net income (as compared to FY 2015*)	Approximately 47 billion yen (- 6.5 billion yen)	Approximately 64 billion yen (+ 10.5 billion yen)
Consolidated ROE	5% or more	6% or more
Consolidated capital adequacy ratio	mid-10% level	10.5% or more
OHR (combined value for banks)	Approximately 60%	Upper 50% level

\* Comparison with FY 2015: Comparison with FY 2015 “Joyo Bank Ltd. + Ashikaga Holdings consolidated earnings”

## Preconditions for objectives

- In FY 2015, the impact of the consumption tax increase had mostly subsided, and company earnings were positive, and these factors seemed to signal an improved business climate. However, concerns about an economic slowdown in China and other developing countries, as well as a downturn in business confidence on the part of companies due to the strong yen and lower share prices after the start of the year, generally took the wind out of the economy’s sails.
- In the future, an economic recovery in the domestic economy is anticipated over the medium to long term as a result of the effect of the negative interest rate policy introduced by the Bank of Japan in February 2016, as well as the demand for equipment investment in anticipation of the Tokyo Olympics and Paralympics in 2020. However, the risk of a downturn in the overseas business climate due to the decision by Great Britain to leave the EU and other factors, as well as declining consumer confidence and the possibility that the result of various policies may not meet expectations, means that there is still a risk that the domestic economy may be pushed downward.
- Based on this perception of the economic environment, a common economic scenario was established at both banks and used as the precondition for business planning.

# Mebuki FG performance targets plan

## [Mebuki FG consolidated ((1) + (2))]

(billion yen)

	Actual performance (Joyo Bank consolidated + Ashikaga Holdings consolidated)	Planned		FY 2021 - FY 2015
		First medium-term group business plan (latter FY 2016 - )	Reference: next period plan	
		FY 2018	FY 2021	
Consolidated net income	53.5	46.6	64.1	10.6
Consolidated ROE		5.1%	6.2%	
Consolidated capital adequacy ratio		10.4%	10.5%	

## [Total for both banks / Profit and Loss Statement and major indicators]

(billion yen)

	Actual performance	Planned		FY 2021 - FY 2015	
		First medium-term group business plan (latter FY 2016 - )	Reference: next period plan		
		FY 2018	FY 2021		
PL Total for both banks (non-consolidated)	Gross business profit	195.8	193.6	214.2	18.4
	Core gross business profit	187.4	192.0	211.6	24.3
	Net interest income	158.0	152.0	166.0	8.0
	Net fees and commissions	30.4	36.5	41.8	11.4
	Other / net trading income	-1.1	3.6	3.9	4.9
	Gains (losses) on bonds	8.4	1.6	2.6	-5.9
	Expenses	115.2	119.0	118.9	3.7
	Net business income	80.6	74.6	95.3	14.7
	(Core net business income)	72.0	73.1	92.7	20.7
	Credit-related costs	4.6	7.7	8.6	4.0
	Gains (losses) on stocks and other securities	7.2	1.0	2.0	-5.2
	Other	-0.7	-1.8	-0.2	0.5
	Ordinary profit	82.5	66.2	88.5	6.0
	Non-consolidated net income	58.6	45.7	61.1	2.5
	Consolidated net income(1) *	61.2	50.1	66.8	5.6
Guideline					
OHR	58.9%	61.5%	55.5%	-3.3%	
Ratio of fees and commissions, etc. to gross business profit	15.0%	20.7%	21.3%	6.3%	

Consolidated adjustment with Mebuki FG (2) *	-7.7	-3.6	-2.7
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\* (1) Consolidated net income is noted as "Joyo Bank consolidated net income + Ashikaga Bank consolidated net income".

\* (2) Major enumerated items: negative goodwill for FY 2016 (estimate as of March 31, 2016), and FG interest cost, amortization of PPA etc. for other fiscal years.

## [Combined non-consolidated BS of both banks at average balance]

(billion yen)

	Actual performance	Planned		FY 2021 - FY 2015
		First medium-term group business plan (latter FY 2016 - )	Reference: next period plan	
		FY 2018	FY 2021	
(After partial direct write-offs)				
Average balance of loans and bills discounted	9,981.3	11,113.9	12,486.7	2,505.4
( // local companies)	2,911.2	3,269.9	3,777.8	866.7
( // unsecured loans)	109.8	175.7	242.5	132.7
( // foreign currency and non-resident yen loans)	109.3	200.1	261.0	151.7
Yield	1.204%	1.061%	1.079%	-0.125%
Securities	3,712.3	3,709.1	3,703.2	-9.1
Yield	1.235%	1.271%	1.366%	0.131%
Total assets	15,011.7	15,925.4	16,986.7	1,975.0
Yield	1.126%	1.042%	1.095%	-0.031%
Deposits / NCD	13,281.3	14,058.2	15,049.6	1,768.3
Yield	0.036%	0.031%	0.042%	0.006%
Total debt / equity	15,011.7	15,925.4	16,986.7	1,975.0
Yield	0.074%	0.087%	0.118%	0.044%

# Overview of Joyo Bank medium-term business plan (Reference)

[13th medium-term business plan - Planning period: October 1, 2016 - March 31, 2019]

Goal

**“Best partner bank” that co-creates new value**

Create a brighter future and new value through various collaborations with the local community and share passion

## [Basic strategies]

### ◆ Work to improve corporate management

- Reconstruct revenue management structure
- Implement advanced risk management (symptom management)
- Ensure thorough understanding of the importance of compliance

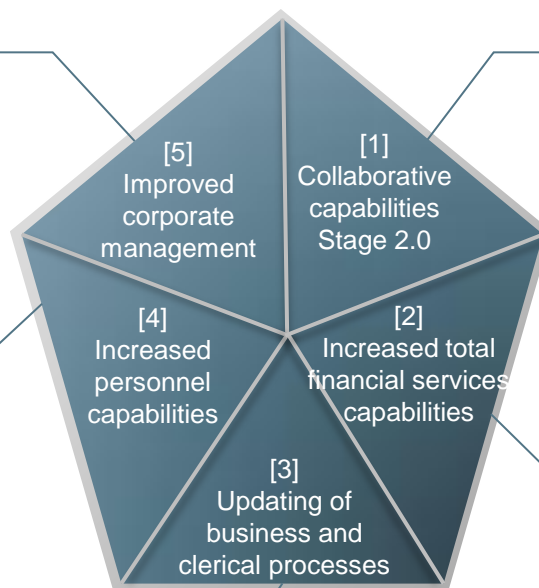
### ◆ Conduct ongoing and enhanced training of personnel who can accommodate various customer needs, in order to increase sales capabilities and earnings potential

- Improve personnel capabilities and increase organizational capacity and earnings potential (foster professional groups, promote diversity and expand opportunities for activity, promote work-life balance, increase productivity)

### ◆ Use IT in branches and external sales services to build an efficient and effective business structure

### ◆ Provide seamless channels that can accommodate changes in customer behavior

- Make effective use of IT to perform a fundamental review of business processes in order to free up branch employee's time
- Improve consulting capabilities by devising new outside sales styles and using customer data analysis
- Offer non-face-to-face contracting customer services to improve customer convenience
- Create seamless channels by quickly and efficiently resolving common consultations through utilization of AI, robo-advisors etc., by making effective use of online branches, and by conducting promotions through social media
- Provide advanced customer behavior analysis (using Big Data) to foresee changing customer needs in advance



### ◆ Take collaborative capabilities to a new level

- Deploy mechanisms laterally to other regions in pursuit of the advantages of scale provided by operating in a larger area
- Achieve project implementation through a consortium that combines multiple functions in order to accommodate CCRC, DMO and other new frameworks
- Make effective use of tourist promotion, public properties and other local resources in order to accommodate the increased nonresident population
- Promote industrial development by expanding collaboration and developing evolved solutions to meet increasingly advanced company needs

- ◆ Provide thorough customer-oriented consulting in order to expand the customer base and develop new business transactions
- ◆ Increase market investment capabilities as earnings capacity that will increase the ability to provide comprehensive financial services

#### [Corporate]

- Provide the consulting needed for growth and problem resolution, based on company characteristics and distribution channels
- Increase one-stop financial services such as leasing and securities
- Expand partnerships and partners in order to support overseas expansion

#### [Retail]

- Promote cross-selling and “deep cultivation” of transactions as an starting point for housing loan business
- Actively incorporate functions and services provided by outside entities
- Do fiduciary duty (thorough offering of investment opportunities in accordance with stage of life and customer attributes)



# Joyo Bank performance targets (Reference)

## Business objective indicators

- Revenue structure reform (increased ratio of fees and commissions) and lending structure reform (increased lending to local companies and unsecured loans) will be promoted in order to increase the top line.
- Efforts will also be promoted to firmly establish the achievements of the cost reduction project pursued in the previous midterm plan, and to further reform the cost structure.
- Subsidiary earnings will be expanded through mutual use of lease functions and securities functions by Joyo Bank and Ashikaga Bank.

	FY 2018	(Reference) FY 2021
Core net business profit " comparison with FY 2015 (Net business profit)	Approximately 40 billion yen + approximately 4.5 billion yen (approximately 41 billion yen)	Approximately 49 billion yen + approximately 13.4 billion yen
Net income	Approximately 24 billion yen	(51 billion yen or more)
OHR	Approximately 60%	32 billion yen or more
Capital adequacy ratio	Approximately 11%	Approximately 57%
		Approximately 11%

(Below, consolidation assumes existing consolidated subsidiaries)

Consolidated net income	Approximately 28 billion yen	37 billion yen or more
Consolidated ROE	Secure mid 5% level through FY 2021	
Consolidated capital adequacy ratio	Mid 11% level	12% or more

## PL / major indicators

(billion yen)

	Actual performance	Planned		FY 2021 - FY 2015
		13th medium-term business plan (latter FY 2016 - )	Reference: next period plan	
		FY 2015	FY 2018	
Gross business profit	111.5	110.0	119.8	8.3
Core gross business profit	103.9	109.0	117.8	13.9
Net interest income	89.9	86.2	91.6	1.8
Loan-deposit difference (including foreign currency)	63.9	65.6	72.2	8.3
Securities, etc.	26.0	20.7	19.4	-6.5
Net fees and commissions	15.5	19.8	22.9	7.4
Other / net trading income	-1.5	2.9	3.2	4.7
Gains (losses) on bonds	7.6	1.0	2.0	-5.6
Expenses (▲)	68.2	68.9	68.7	0.5
Net business income	43.3	41.1	51.0	7.8
(Core net business income)	35.6	40.1	49.0	13.4
Credit-related costs (▲)	4.8	5.4	5.9	1.1
Gains (losses) on stocks and other securities	4.7	1.0	2.0	-2.7
Other	-0.5	-1.9	-0.3	0.2
Ordinary profit	42.7	34.8	46.8	4.1
Non-consolidated net income	27.8	24.0	32.2	4.4
Consolidated net income	31.0	27.8	37.1	6.0

## Combined non-consolidated BS at average balance

(billion yen)

	Actual performance	Planned		FY 2021 - FY 2015
		13th medium-term business plan (latter FY 2016 - )	Reference: next period plan	
		FY 2015	FY 2018	
Average balance of loans and bills discounted	5,808.3	6,583.9	7,295.7	1,487.4
( " local companies)	1,475.6	1,650.9	1,918.3	442.8
( " unsecured loans)	69.4	98.1	127.1	57.7
( " foreign currency and non-resident yen loans)	100.0	180.0	228.0	128.0
Yield	1.144%	1.032%	1.046%	-0.098%
Securities	2,564.2	2,347.3	2,174.5	-389.7
Yield	1.128%	1.124%	1.163%	0.035%
Total assets	8,970.7	9,540.7	10,030.8	1,060.1
Yield	1.087%	0.995%	1.019%	-0.068%
Deposits / NCD	7,877.7	8,420.0	9,065.0	1,187.3
Yield	0.032%	0.028%	0.046%	0.014%
Total debt / equity	8,970.7	9,540.7	10,030.8	1,060.1
Yield	0.085%	0.091%	0.106%	0.020%

# Overview of Ashikaga Bank medium-term business plan (Reference)

[Medium-term business plan “Ashigin Way” Planning period: April 1, 2016 - March 31, 2019]

Goal

**Strengthen core capabilities and use the benefits of business integration to contribute to regional revitalization**

A bank whose core strength is to be the main bank in the region, one that grows together with the region.

## [Basic strategies]

### ◆ Concentrated investment to build competitive advantage

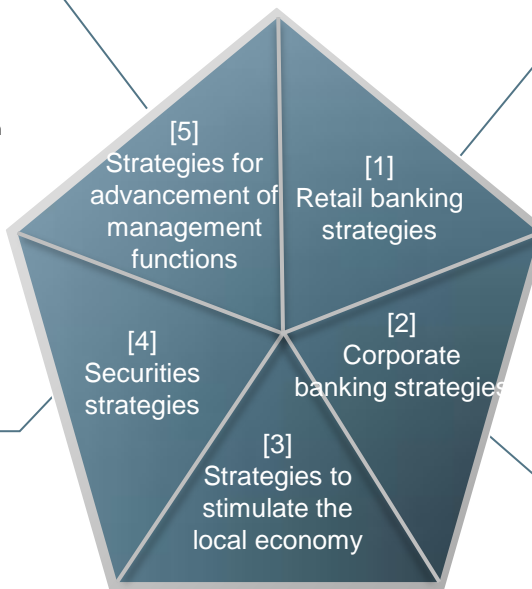
- Improve personnel capabilities (train consulting personnel and management personnel, improve the basic capabilities of young employees, stimulate the organization)
- Improve productivity (build an even lower-cost clerical organization, improve the productivity of sales departments)
- Improve branch and channel functions (promote the creation of omni-channels in order to improve contact with customers)
- Advanced marketing (provide appropriate products and services that accommodate needs and important life events)
- Advanced revenue management (maximization of revenue through advancement of profit margin management)
- Advanced credit management (prevention of default events)

### ◆ Expansion of securities portfolio through appropriate risk-taking

- Investment strategies (build portfolios that are less affected by market fluctuations, ensure stable revenues by accumulating securities, improve investigation and analysis capabilities through integration in order to expand into new investment categories)
- Procurement strategies (diversification of foreign currency procurement through currency basis swaps, etc.)

### ◆ Stimulation of the local economy through efforts to nurture local core businesses and increase the number of workplaces in the region, in order to grow together with the region

- Nurture local core businesses based on viability assessment (support for company founding and second stage of development, support for sales channel expansion, support for business succession and M&A, support for corporate revitalization, support for nurturing of growth industries, support for globalization)
- “Regional revitalization” in cooperation with local governments in the region (invitation of companies, discouraging companies from moving out of the region, sixth-order industrialization support, support for stimulation of tourist spots, setting up of regional revitalization funds)
- Involvement in social capital development (support for setting up of PFI for companies in the prefecture, meeting of investment needs for redevelopment)



### ◆ Relationship-based approach: Increased asset management sales to wealthy and quasi-wealthy customers centering on senior citizens, and building of inheritance business

- Advanced consulting through private banking group
- Evolution of asset management sales, one of the bank’s strengths (increased transactions with senior citizens, increased client assets through proposals for diversified investment, increased insurance consulting sales, use of group securities companies)
- Active deployment of asset management sales (one of the bank’s strengths) in the Saitama area

### ◆ Function-based approach: Increased transactions through pursuit of “accessibility” and “convenience”

- Efficient promotion through Internet transactions, EBM and other mechanisms and proposals
- Increased unsecured loans (pursuit of customer convenience and expanded product line)

### ◆ Relationship-based approach : Assist client core business and business succession based on viability assessment, and increase fee business through consulting

- Properly assess customer project details and growth potential, support business succession and M&A, conduct business matching, use leasing companies in the group, provide support for overseas deployment, offer guidance on improving finances and so on, in order to achieve local company growth

### ◆ Function-based approach : Efficient sales promotion to SMEs

- Invest in specialized products for SMEs (especially smaller ones)
- Increase efficiency of external sales activities

\* Retail banking strategies and corporate banking strategies are formulated from the standpoint of the relationship-based approach and the function-based approach.  
 Relationship-based approach : Consulting and viability assessment  
 Function-based approach : Pursuit of accessibility and convenience

# Ashikaga Bank performance targets (Reference)

## Business objective indicators

- Assist client core business and improve management based on viability assessment, strengthen efforts in growth fields, provide advanced consulting and achieve synergies to increase the top line.
- Expand the securities investment portfolio through appropriate risk-taking in order to build stable and sustainable earnings capabilities.
- Meet client needs through the use of lease functions and securities functions.

	FY 2018	(Reference) FY 2021
Core net business profit " comparison with FY 2015 (Net business profit)	Approximately 33 billion yen - approximately 3.5 billion yen (approximately 33.5 billion yen)	Approximately 43.5 billion yen + approximately 7 billion yen (approximately 44 billion yen)
Net income	Approximately 22 billion yen	Approximately 29 billion yen
OHR	Approximately 60%	Approximately 55%
Capital adequacy ratio	Approximately 8% or more	Mid 8% level

(Below, consolidation assumes existing consolidated subsidiaries)

Consolidated net income	Approximately 22.5 billion yen	29.5 billion yen or more
Consolidated ROE	Mid 6% level	Mid 7% level
Consolidated capital adequacy ratio	Mid 8% level	Approximately 9%

## PL / major indicators

(billion yen)

	Actual performance	Planned		FY 2021 - FY 2015
		"Ashigin Way"	Reference: next period plan	
		FY 2018	FY 2021	
Gross business profit	84.3	83.6	94.4	10.1
Core gross business profit	83.5	83.0	93.9	10.4
Net interest income	68.1	65.8	74.4	6.3
Loan-deposit difference (including foreign currency)	51.4	47.9	56.1	4.7
Securities, etc.	16.7	17.8	18.3	1.6
Net fees and commissions	14.9	16.6	18.9	4.0
Other / net trading income	0.4	0.6	0.6	0.2
Gains (losses) on bonds	0.8	0.6	0.6	-0.2
Expenses (▲)	47.0	50.1	50.2	3.2
Net business income	37.3	33.5	44.3	7.0
(Core net business income)	36.4	32.9	43.7	7.3
Credit-related costs (▲)	-0.2	2.3	2.7	2.9
Gains (losses) on stocks and other securities	2.5	0.0	0.0	-2.5
Other	-0.2	0.1	0.1	0.3
Ordinary profit	39.8	31.4	41.7	1.9
Non-consolidated net income	30.8	21.7	28.9	-1.9
Consolidated net income	30.1	22.3	29.7	-0.4

## Combined non-consolidated BS at average balance

(billion yen)

	Actual performance	Planned		FY 2021 - FY 2015
		"Ashigin Way"	Reference: next period plan	
		FY 2018	FY 2021	
Average balance of loans and bills discounted	4,173.0	4,530.1	5,191.0	1,018.0
( " local companies)	1,435.6	1,619.1	1,859.5	423.9
( " unsecured loans)	40.4	77.6	115.5	75.1
( " foreign currency and non-resident yen loans)	9.3	20.1	33.0	23.7
Yield	1.287%	1.103%	1.124%	-0.163%
Securities	1,148.1	1,361.7	1,528.7	380.6
Yield	1.474%	1.526%	1.655%	0.181%
Total assets	6,041.0	6,384.7	6,955.9	914.9
Yield	1.185%	1.111%	1.206%	0.021%
Deposits / NCD	5,403.6	5,638.2	5,984.6	581.0
Yield	0.042%	0.036%	0.037%	-0.005%
Total debt / equity	6,041.0	6,384.7	6,955.9	914.9
Yield	0.057%	0.081%	0.136%	0.079%

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