

Financial Results for FY2017

May 11, 2018

Highlights

2

Financial Results for FY17

Main Points of FY17 Financial Results	3
Core Gross Business Profit	4
Change of Core Net Business Income	5
Expenses / OHR	6
Loans and Deposits (Average Balance / Average Yield)	7
Loans	8-10
Deposits	11
Customer Assets under Custody	12
Securities	13-14
Credit Related Costs / Non-performing Loans	15
Status of Integration Synergy	16
Forecast for FY18	17
Capital Adequacy Ratio / Shareholder Return	18

*Unless otherwise mentioned, figures are on non-consolidated basis

Highlights

Results for FY17

*Attributable to owners of the parent

Consolidated net income* of Mebuki FG is ¥43.0bn, representing a 101.3% completion of the revised full-year forecast.

Synergy effect arising from the business integration was ¥4.8 bn, representing completion of 175% of the forecast for FY17 of ¥2.7 bn.

Core net business income on a simple-sum basis of the two banking subsidiaries increased by ¥6.7bn to ¥73.6bn, mainly due to the synergy effect arising from the business integration, increases in net fees and commissions resulted from enhancement of consulting service, and progress of cost reduction measures.

Forecast for FY18

Although net interest income is expected to decrease, we are projecting that consolidated net income will increase YoY, mainly due to a decrease in credit related cost and increases in net fees and commissions from consulting services related to business potential assessment and customers' asset building and so forth.

Consolidated Ordinary Profit ¥65.0 bn (+¥1.4 bn YoY)

Consolidated Net Income* ¥45.0 bn (+¥1.9 bn YoY)

*Attributable to owners of the parent

Shareholder Returns for FY18

For FY18, in line with an earnings distribution policy*, annual dividend forecast is ¥11.00 per share, made up of an interim dividend and year-end dividend of ¥5.50 each, being unchanged from the previous fiscal year.

In order to enhance shareholder returns and improve capital efficiency, Mebuki FG will repurchase its own shares

<Upper limit of repurchase> Number of shares | 5mil Amount | ¥2.5bn

In the case where maximum amount is purchased

Total payout ratio | 34.2%

*Aim to continue 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 FY17 Financial Results

Mebuki FG (Consolidated) (¥bn)

	FY17	Pro- gress	Revised Full- year Forecast
Ordinary profit	63.5	101.6%	62.5
Net income attributable to owners of the parent	(1) 43.0	101.3%	42.5

Consolidation adjustment

(2)-(1) -8.2bn

Adjustments related to securities (-6.7bn)

Interest expenses of subordinated loans,
expenses, etc.

Two banking subsidiaries and group companies

	FY17	Pro- gress	Revised Full- year Forecast
Net income	(2) 51.3	100.6%	51.0

Net Income of group companies other than
banking subsidiaries ¥4.4bn

Joyo and Ashikaga (Non-consolidated) (¥bn)

	J+A		FY17			
	Result	YoY Chg	Joyo		Ashikaga	
			Result	YoY Chg	Result	YoY Chg
Gross business profit	180.7	-6.7	100.4	-4.7	80.2	-2.0
Net interest income	153.7	+0.2	85.8	+0.6	67.9	-0.3
Net fees and commissions	30.8	+3.1	16.9	+2.5	13.8	+0.6
Net other business income and Net trading income	-3.8	-10.2	-2.2	-7.9	-1.5	-2.2
(o/w gains/losses on bond transactions)	-6.4	-12.0	-3.8	-9.7	-2.5	-2.3
Expenses	113.5	-1.4	66.3	-2.1	47.2	+0.7
o/w Personnel expenses	59.7	-0.6	33.6	-1.0	26.1	+0.4
o/w Non-personnel expenses	46.6	-0.4	28.7	-0.7	17.8	+0.3
Net business income (before general allowance for loan losses)	67.1	-5.3	34.1	-2.6	33.0	-2.7
Core net business income	73.6	+6.7	37.9	+7.1	35.6	-0.3
Net transfer to general allowance for loan losses (a)	-1.4	-0.9	-0.3	+0.3	-1.1	-1.3
Net business income	68.5	-4.4	34.4	-2.9	34.1	-1.4
Net non-recurrent gains/losses	-0.3	+3.6	2.5	+4.2	-2.8	-0.5
o/w Disposal of non-performing loans (b)	9.3	-0.6	5.2	-0.2	4.1	-0.4
o/w Gains/losses related to stocks, etc	10.5	+0.7	9.4	+1.8	1.0	-1.1
Ordinary profit	68.2	-0.7	36.9	+1.2	31.2	-1.9
Extraordinary income/losses	-1.1	+0.9	-0.5	+0.2	-0.6	+0.7
Income taxes	20.2	+4.2	10.8	+0.4	9.3	+3.7
Net income	46.8	-3.9	25.5	+1.0	21.3	-5.0
Credit related costs (a)+(b)	7.9	-1.5	4.9	+0.1	3.0	-1.7

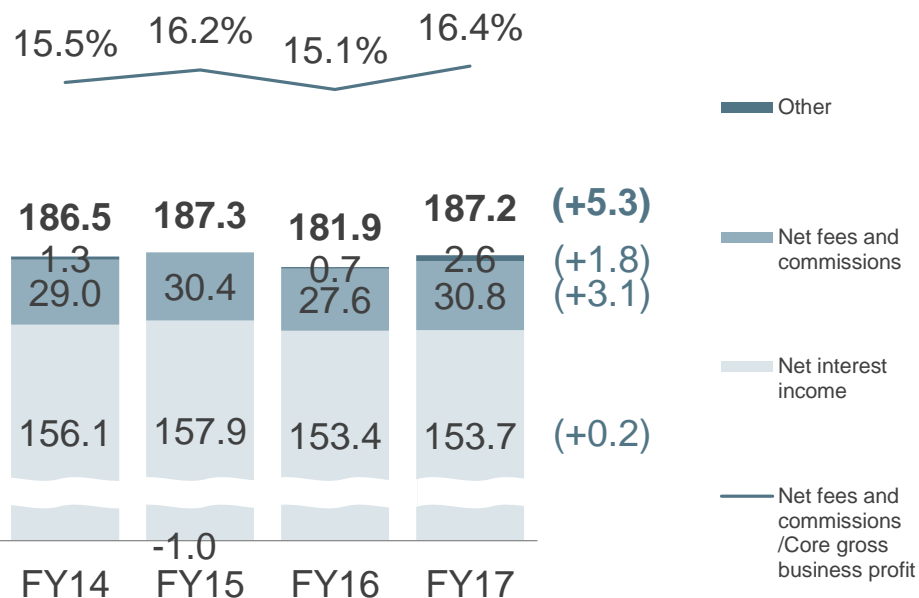
Core Gross Business Profit

(Gross Business Profit excl. Gains/Losses on Bond Transactions)

Core gross business profit increased ¥5.3 bn YoY

Net fees and commissions from corporate customers increased through enhancement of consulting services

Core Gross Business Profit (Joyo+Ashikaga) (¥bn)



Reference | Gains on Cancellation of Private Offering Investment Trusts among Interests and Dividends on Securities (¥bn)

	FY15	FY16	FY17	YoY Chg
Joyo	0.8	1.7	1.0	-0.7
Ashikaga	3.7	3.6	4.4	+0.7
J + A	4.5	5.4	5.4	+0.0

*Figures in parentheses are changes on a year on year basis

Change of Interest Income (¥bn)

Joyo Bank

	Factor	YoY Chg	Domestic (Chg. in Nil)		Overseas (Chg. in Nil)	
				Chg. in Factors		Chg. in Factors
Interest on loans and bills discounted	Avg	+0.8	+0.5	(+¥53.2bn)	+0.2	(+¥14.4bn)
	Yield	-1.2	-1.9	(-3.3bp)	+0.6	(+56.5bp)
Interest on deposits (-)		+0.3	-0.2	-	+0.5	-
Interest and dividend on securities	Avg	+0.7	+0.4	(+¥51.5bn)	+0.2	(+¥14.1bn)
	Yield	+0.8	-0.0	(-0.1bp)	+0.8	(+17.8bp)
Market investments and borrowings (-)		+0.1	-0.9	-	+1.0	-

Ashikaga Bank

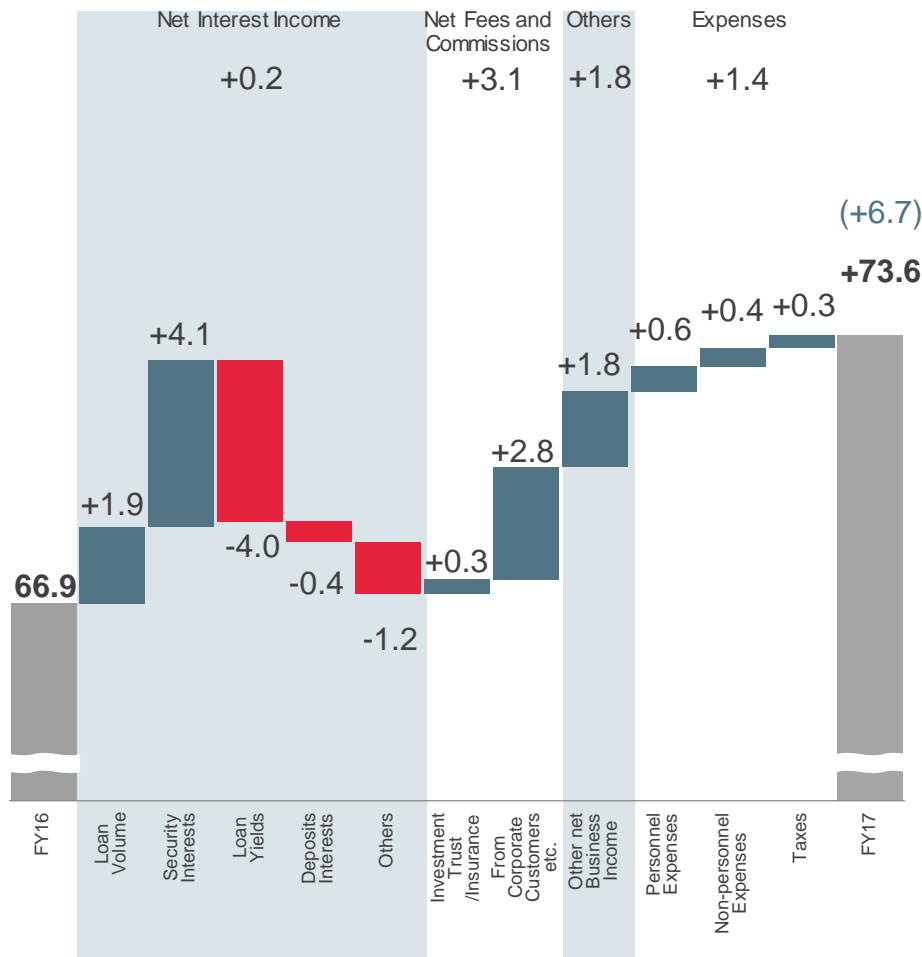
	Factor	YoY Chg.	Domestic (Chg. in Nil)		Overseas (Chg. in Nil)	
				Chg. in Factors		Chg. in Factors
Interest on loans and bills discounted	Avg	+1.1	+0.9	(+¥85.7bn)	+0.1	(+¥8.0bn)
	Yield	-2.7	-2.8	(-6.6bp)	+0.0	(+70.5bp)
Interest on deposits (-)		+0.1	-0.2	-	+0.3	-
Interest and dividend on securities	Avg	+1.2	+0.3	(+¥21.0bn)	+0.9	(+¥39.8bn)
	Yield	+1.2	+0.4	(+3.7bp)	+0.8	(+43.4bp)
Market investments and borrowings (-)		+1.1	-0.0	-	+1.2	-

Change of Core Net Business Income

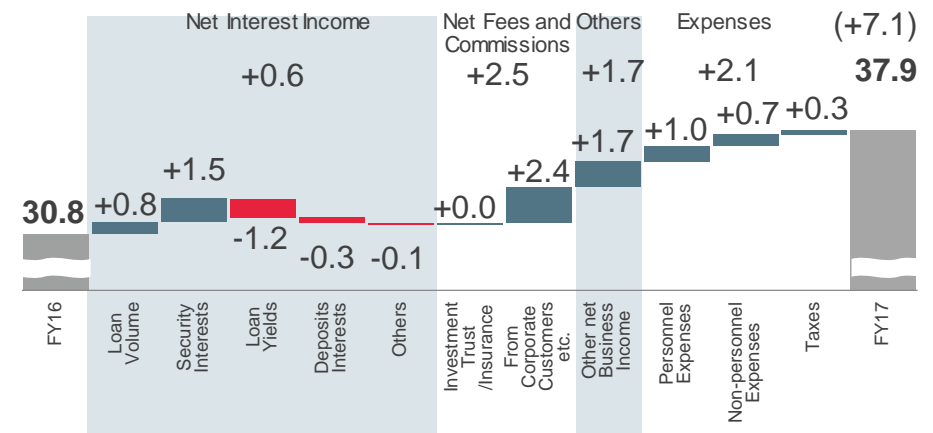
Core net business income on a simple-sum basis of the two banking subsidiaries increased by ¥6.7bn YoY to ¥73.6bn, mainly due to increases in net fees and commissions and cost reduction measures

Joyo + Ashikaga

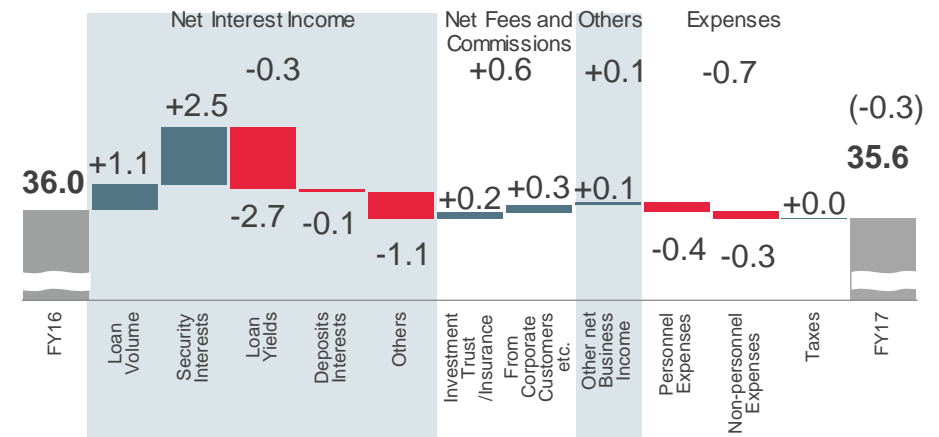
(¥Bn)



Joyo Bank



Ashikaga Bank



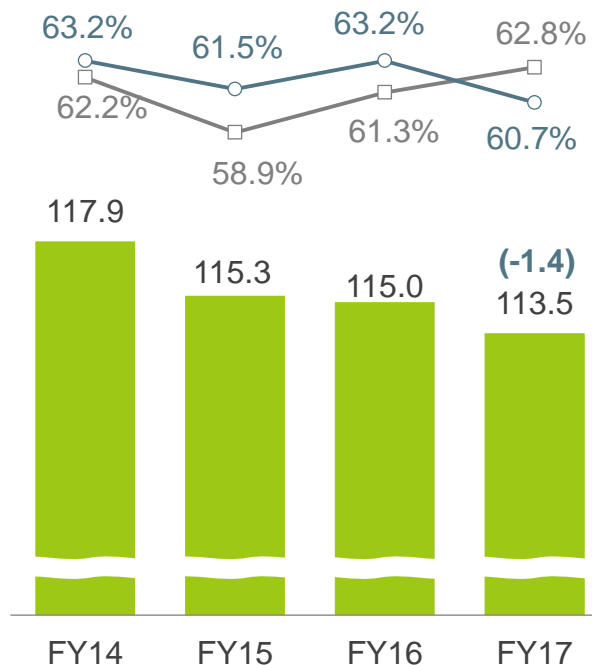
Expenses / OHR

Expenses decreased ¥1.4 bn YoY, mainly due to cost reduction measures and a decrease in deposit insurance premiums. Cost reduction synergy also made a contribution. *Simple-sum basis of the two banking subsidiaries

Joyo Bank + Ashikaga Bank

(¥bn)

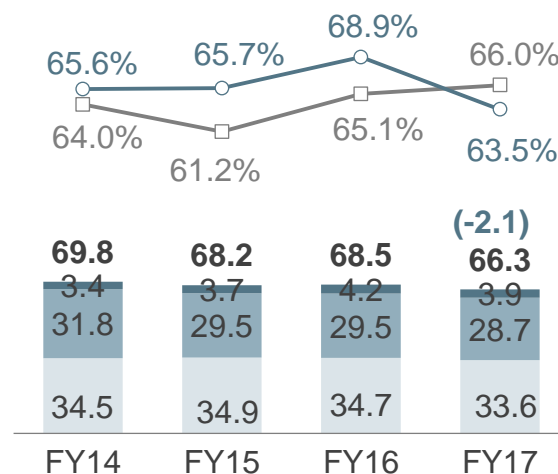
- Total
- OHR vs Gross Business Profit
- OHR vs Gross Business Profit excl. Gains/Losses on Bond Transaction



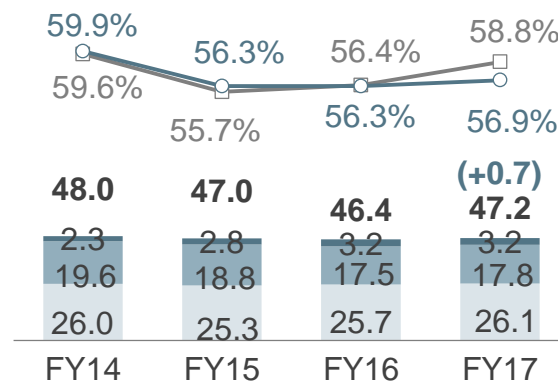
	FY14	FY15	FY16	FY17	Change
Personnel	60.5	60.3	60.4	59.7	(-0.6)
Non-personnel	51.5	48.4	47.0	46.6	(-0.4)
Taxes	5.8	6.5	7.4	7.1	(-0.3)

Joyo Bank

- Taxes
- Non-personnel expenses
- Personnel expenses
- OHR vs Gross Business Profit
- OHR vs Gross Business Profit excl. Gains/Losses on Bond Transactions



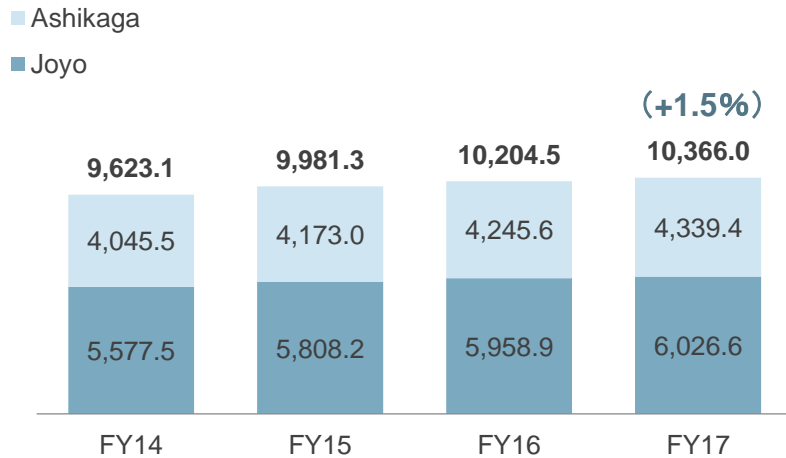
Ashikaga Bank



Loans and Deposits (Avg. Balance / Avg. Yield)

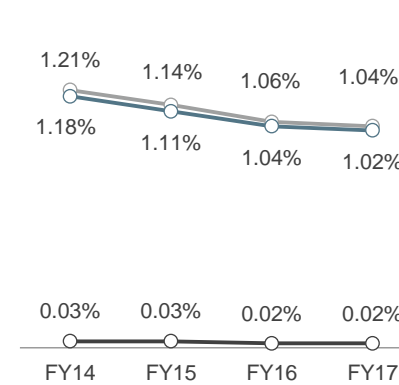
*Figures in parentheses are changes on a year on year basis

Loans (Avg. Balance / Joyo + Ashikaga) (¥bn)

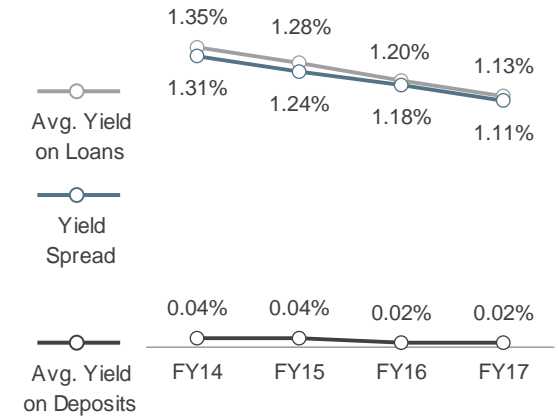


Average Yield (Domestic + International)

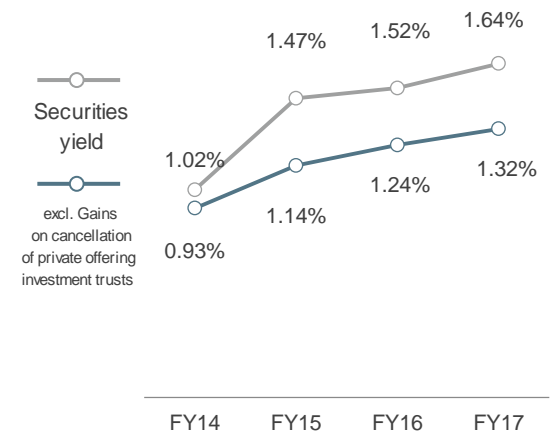
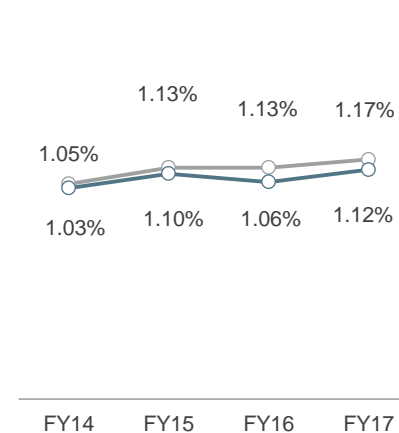
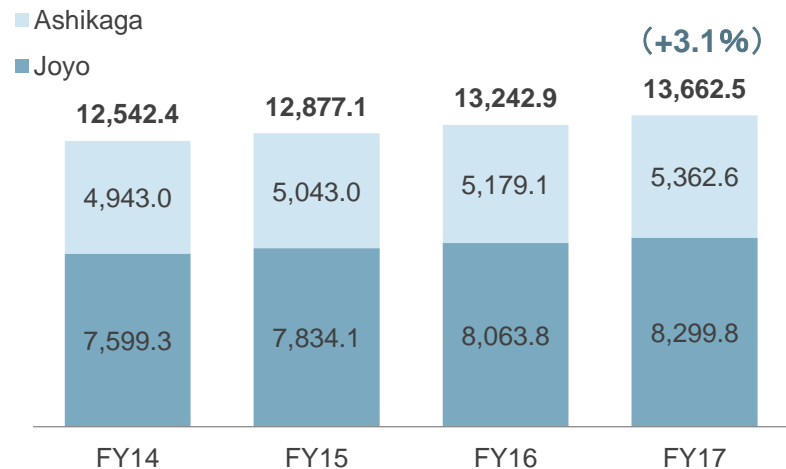
Joyo



Ashikaga



Deposits (Avg. Balance / Joyo + Ashikaga) (¥bn)



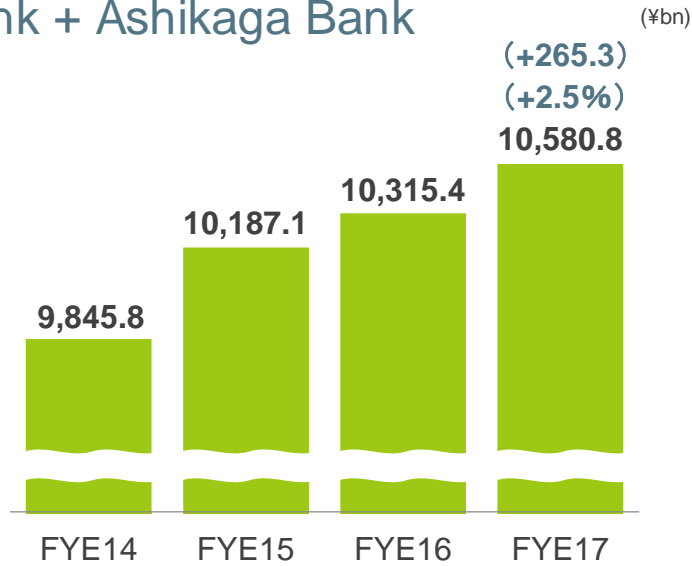
Loans (1) Term-end Balance

*Figures in parentheses are changes on a year on year basis

Loans to individual customers increased by ¥218.3 bn (+5.1%) and housing related loans increased by ¥217.6 bn (+5.5%) YoY

Loans to corporate customers increased by ¥126.3 bn (+2.6%) and loans to local corporate customers increased ¥99.3 bn (+3.2%) YoY

Joyo Bank + Ashikaga Bank



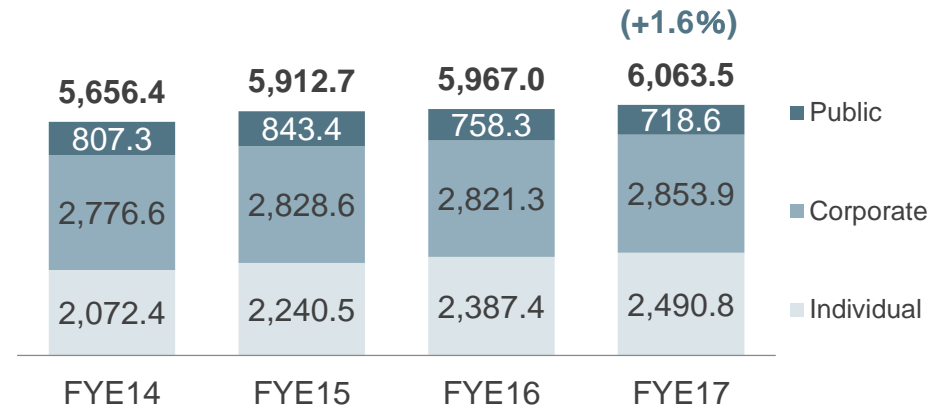
	FYE14	FYE15	FYE16	FYE17	YoY Change (%)
Individual	3,746.2	4,025.6	4,272.8	4,491.2	+5.1%
Corporate	4,772.2	4,813.1	4,809.6	4,935.9	+2.6%
Public	1,327.3	1,348.3	1,232.9	1,153.6	-6.4%

"Individual" include sole proprietors and "Corporate" include financial institutions

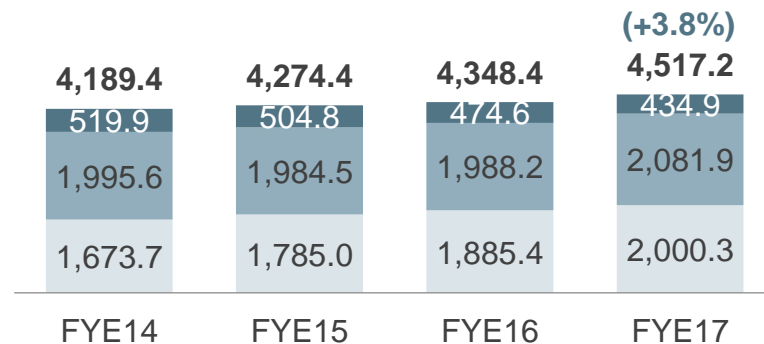
Foreign Currency Denominated Loans

	FYE14	FYE15	FYE16	FYE17
Joyo	86.3	98.8	116.0	114.0
Ashikaga	5.5	5.7	12.2	15.2
Total	91.9	104.5	128.3	129.2

Joyo Bank



Ashikaga Bank



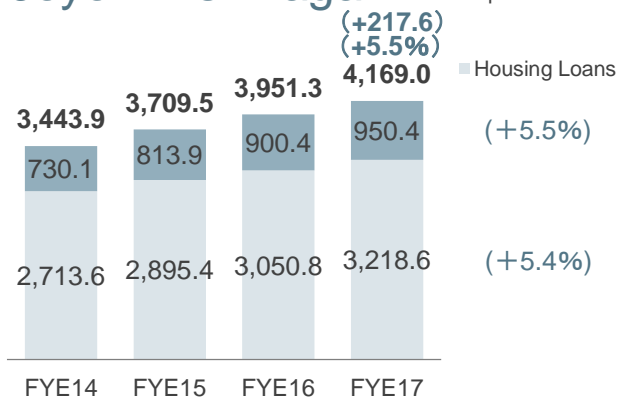
Loans (2) Individual Housing Related / Unsecured

*Figures in parentheses are changes on a year on year basis

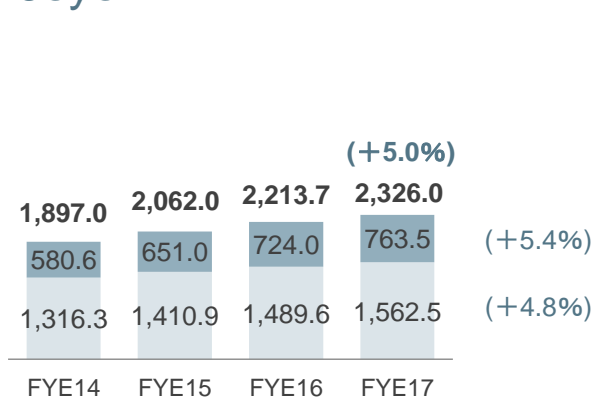
Housing Related Loans Term-end Balance

(¥bn)

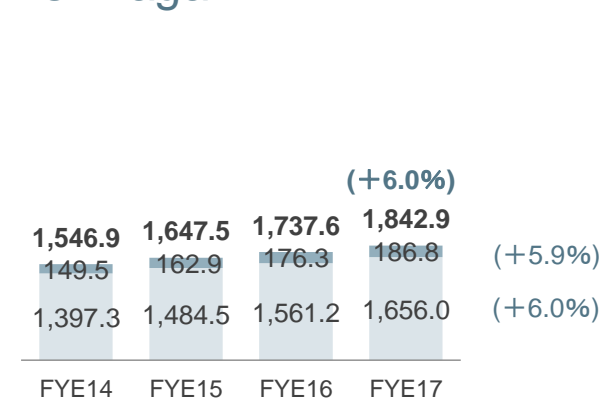
Joyo + Ashikaga



Joyo



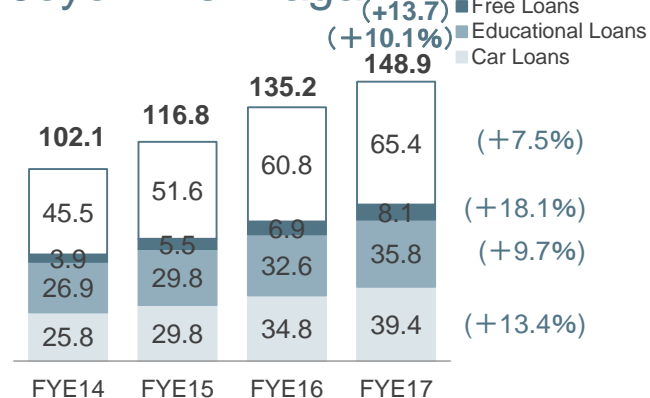
Ashikaga



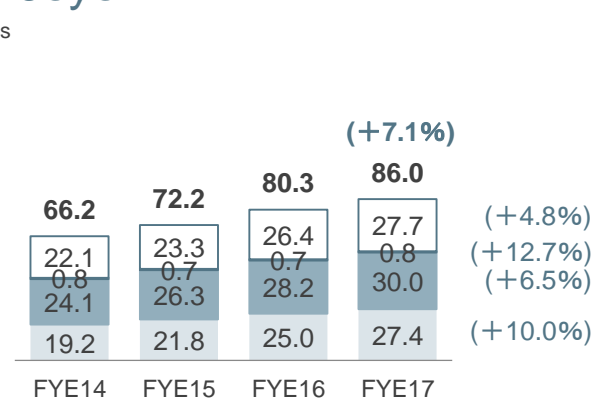
Unsecured Loans Term-end Balance

(¥bn)

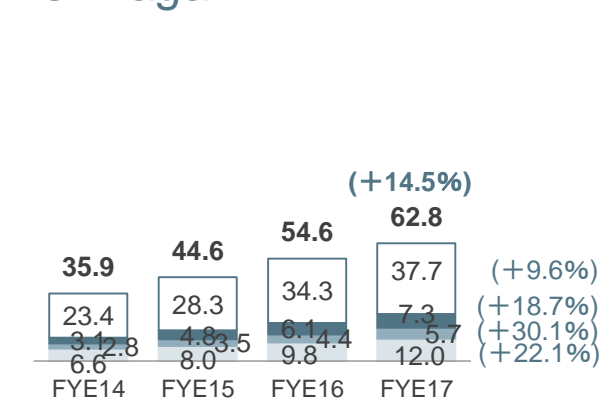
Joyo + Ashikaga



Joyo



Ashikaga



* Credit cards are not included in "Card Loans"

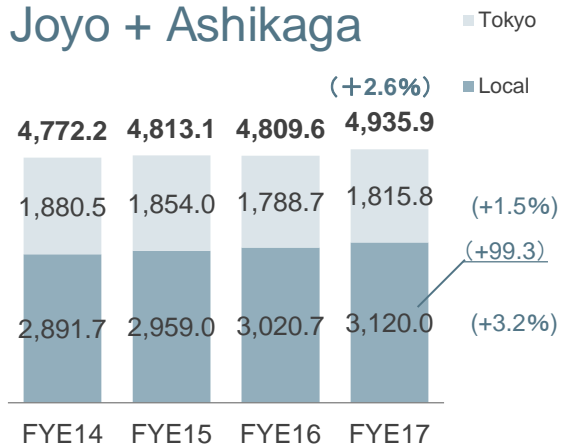
Loans (3) Corporate by Area / Company Size

*Figures in parentheses are changes on a year on year basis

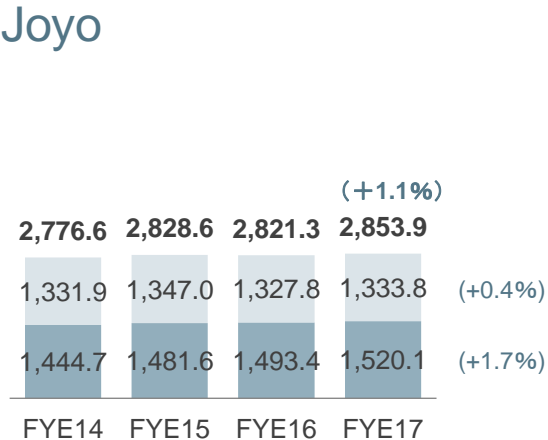
Term-end Balance by Area

(¥bn)

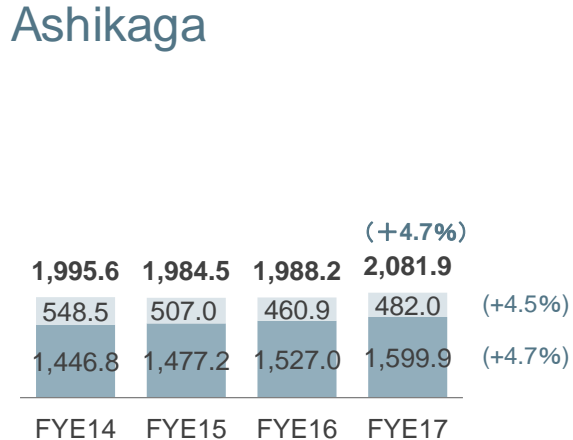
Joyo + Ashikaga



Joyo



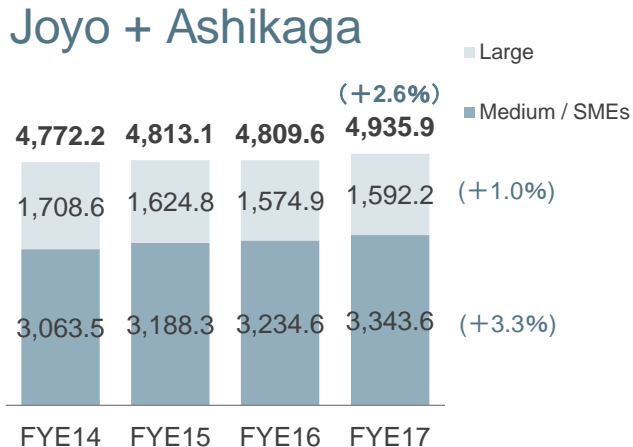
Ashikaga



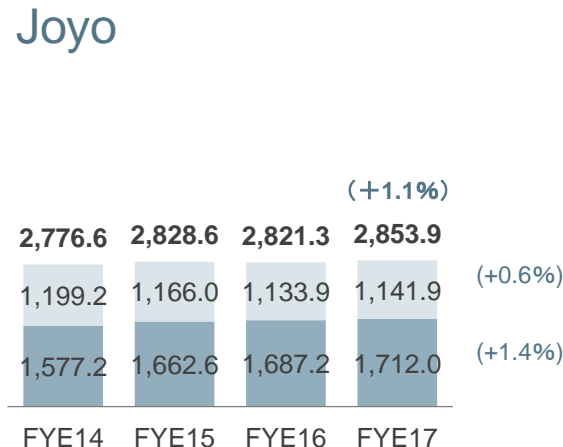
Term-end Balance by Company Size

(¥bn)

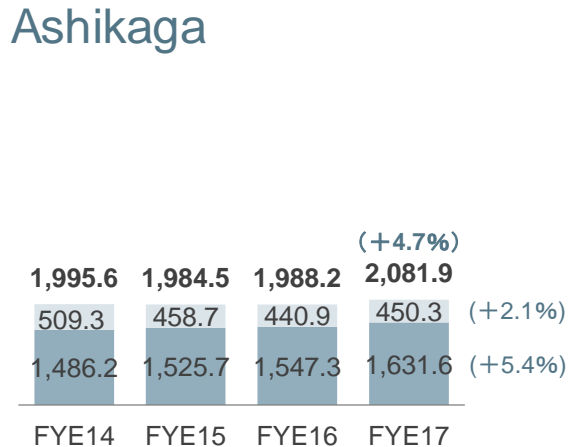
Joyo + Ashikaga



Joyo



Ashikaga



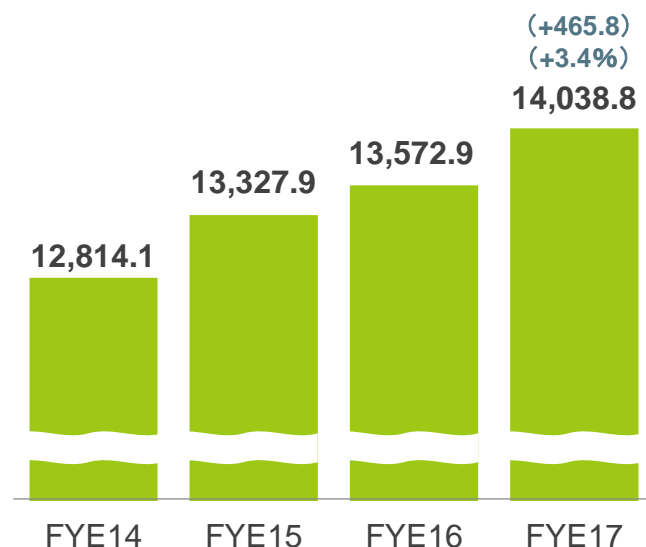
Deposits Term-end Balance

*Figures in parentheses are changes on a year on year basis

Deposits of individual and corporate customers have been on the increase
(Individual customers : +3.4%, Corporate customers : +3.1%)

Joyo Bank + Ashikaga Bank

(¥bn)



	FYE14	FYE15	FYE16	FYE17	YoY Change (%)
Individual	9,344.2	9,502.6	9,762.1	10,103.6	+3.4%
Corporate	2,741.9	3,020.8	3,062.8	3,158.8	+3.1%
Public	727.8	804.4	748.0	776.3	+3.7%

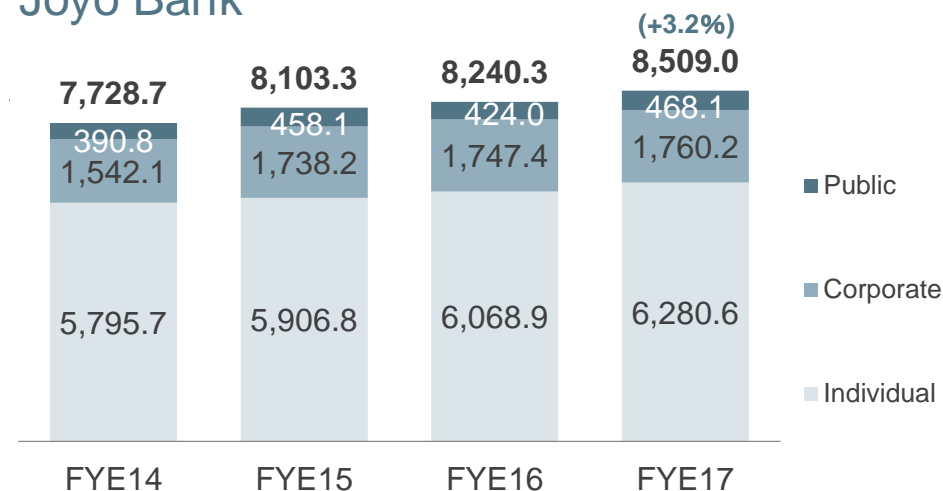
*1 "Corporate" includes financial institutions.

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

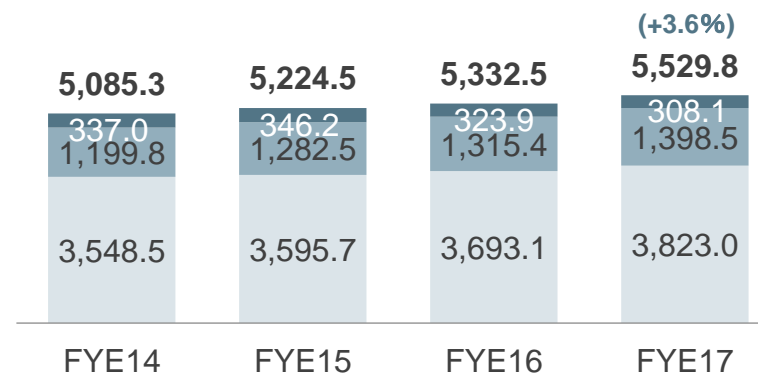
Foreign Currency Deposit

	FYE14	FYE15	FYE16	FYE17
Joyo	54.6	111.4	140.7	199.1
Ashikaga	16.4	16.3	24.8	76.0
Total	71.1	127.7	165.6	275.2

Joyo Bank



Ashikaga Bank

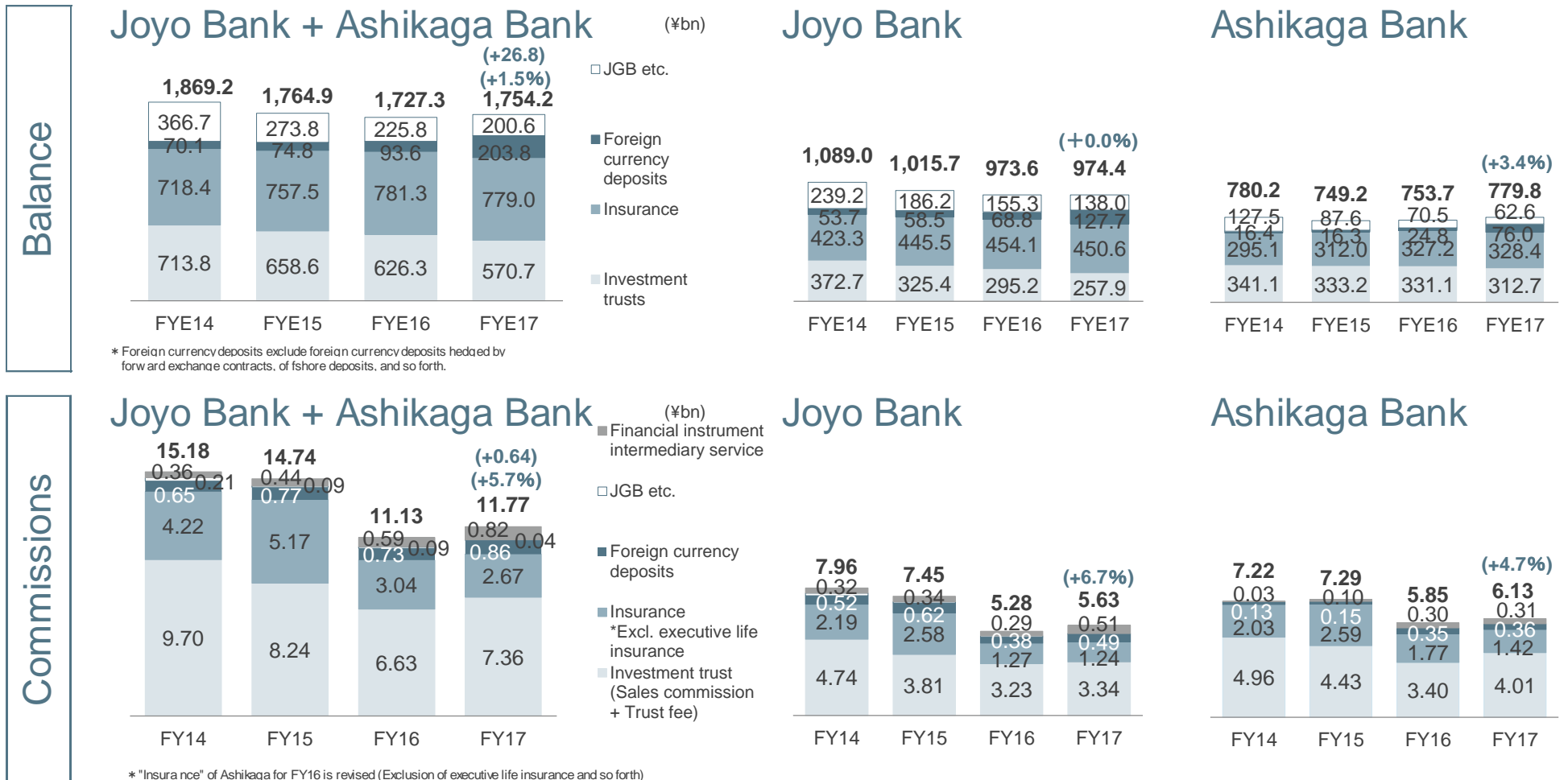


Customer Assets under Custody

*Figures in parentheses are changes on a year on year basis

The amount rose 1.5% YoY due to foreign currency deposits

Commissions increased 5.7% YoY mainly due to sales of investment trusts

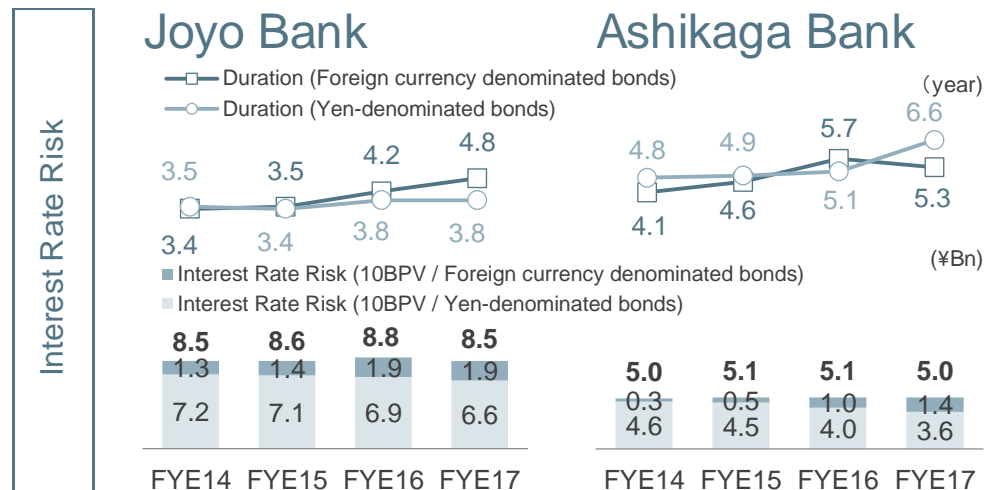
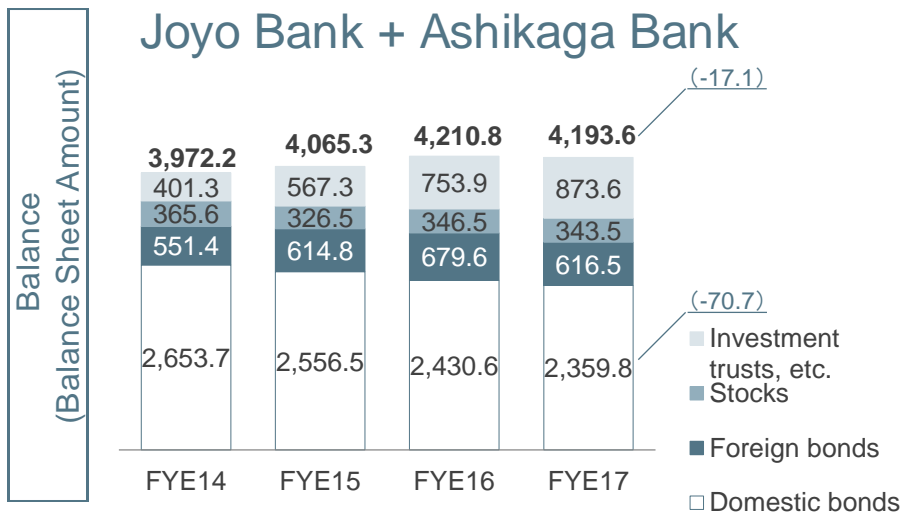


Securities (1)

*Figures in parentheses are changes on a year on year basis

Considering the interest rate of the Japanese yen, reinvestment of redemption payments of JGBs was suspended (The amount of domestic bonds held decreased by ¥70.7 bn from the end of FY16)

Focused on managing risks and rebalanced portfolio by purchasing investment trusts and foreign bonds

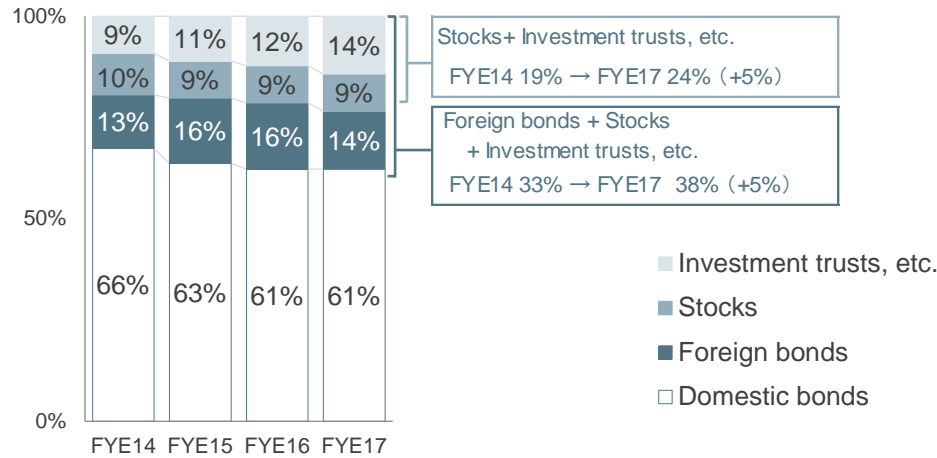


Foreign Bonds / Investment Trust	Book value as of Mar. 31 2018				Details
	J + A	Joyo	Ashikaga		
Foreign Bonds	625.3	397.2	228.1	-	
o/w Gov. Bond, Gov. Guaranteed Bonds, etc.	276.5	233.7	42.8	-	Invest mainly in gov. bonds, gov. guaranteed bonds
o/w Corporate Bond	264.7	79.4	185.3	-	Bonds rated A or above account for more than 90% of total
o/w Ginnie Mae	24.0	24.0	-	-	Bonds whose interest rates are high for their duration
Others	59.9	59.9	-	-	Floating bonds centering on CLO (only highest tranches)
Investment Trusts etc.	857.4	403.0	454.4	-	
o/w Equity-related	266.8	188.4	78.4	-	Control risks using bear funds
o/w REIT	60.3	44.4	15.9	-	Invest in diversified REIT considering yield and liquidity
Others	530.2	170.1	360.0	-	Improve risk-return profile of entire portfolio considering correlation with other assets

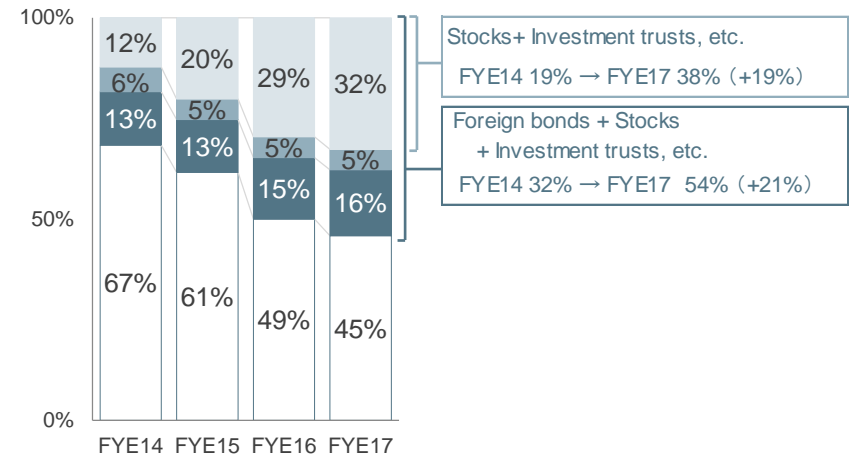
Securities (2)

Portfolio Allocation
(Balance Sheet Amount Basis)

Joyo Bank



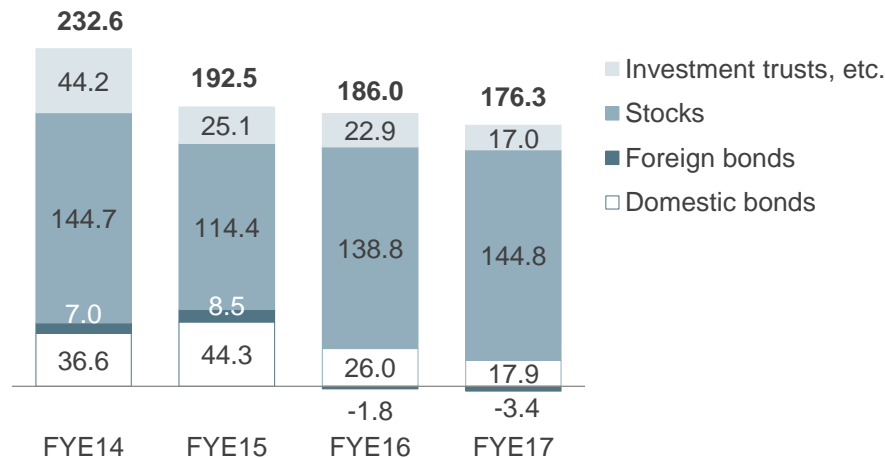
Ashikaga Bank



Unrealized Valuation Gains/Losses
on Available for Sale Securities

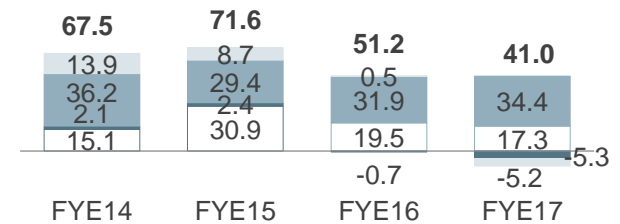
Joyo Bank

(¥bn)



Ashikaga Bank

(¥bn)

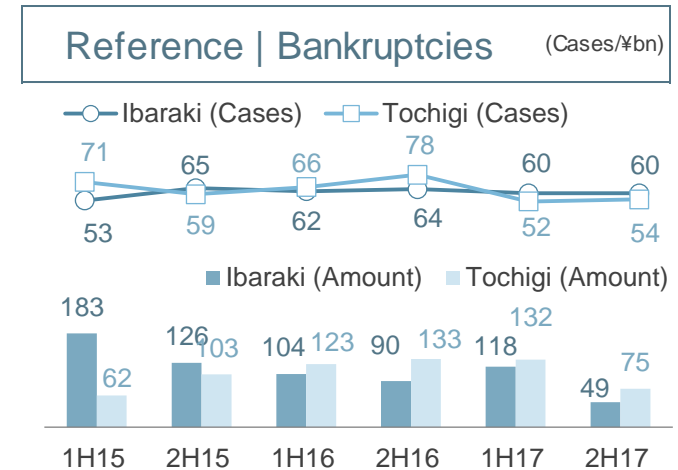
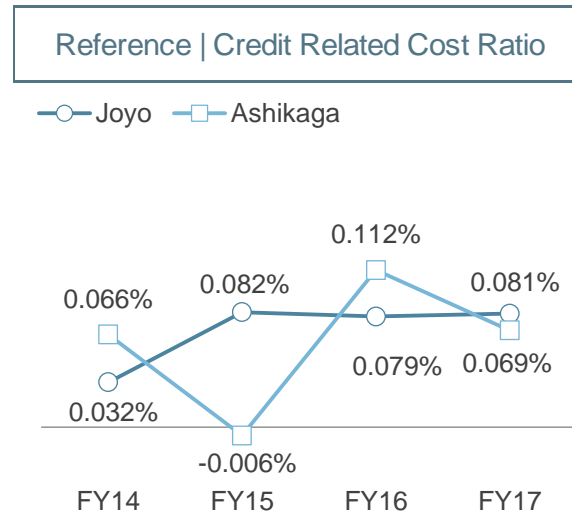
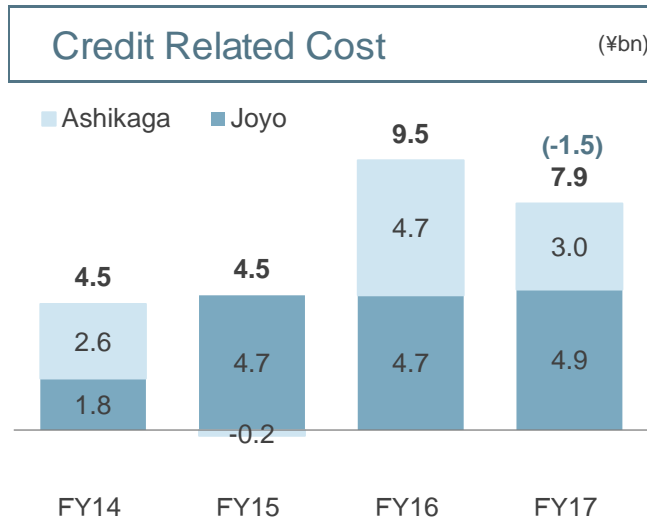


Credit Related Costs / Non-performing Loans

*Figures in parentheses are changes on a year on year basis

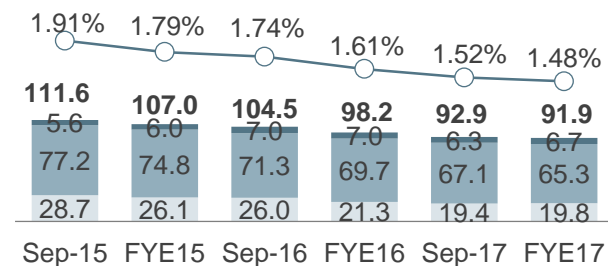
Credit related costs* for FY17 was ¥7.9 bn, ¥1.5 bn less than the previous fiscal year

Number of bankruptcies has stayed low in Ibaraki and Tochigi Prefecture

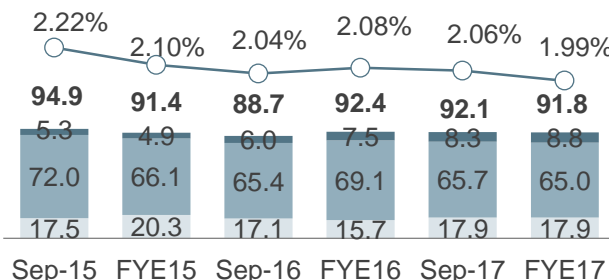


Non-performing Loans (Financial Revitalization Law) (¥bn)

Joyo Bank



Ashikaga Bank



*Number of bankruptcies of enterprises with 10 million yen or more in net debt

- Bankrupt and substantially bankrupt claims
- Doubtful claims
- Claims requiring supervision
- Non-performing loan ratio

Integration Synergy

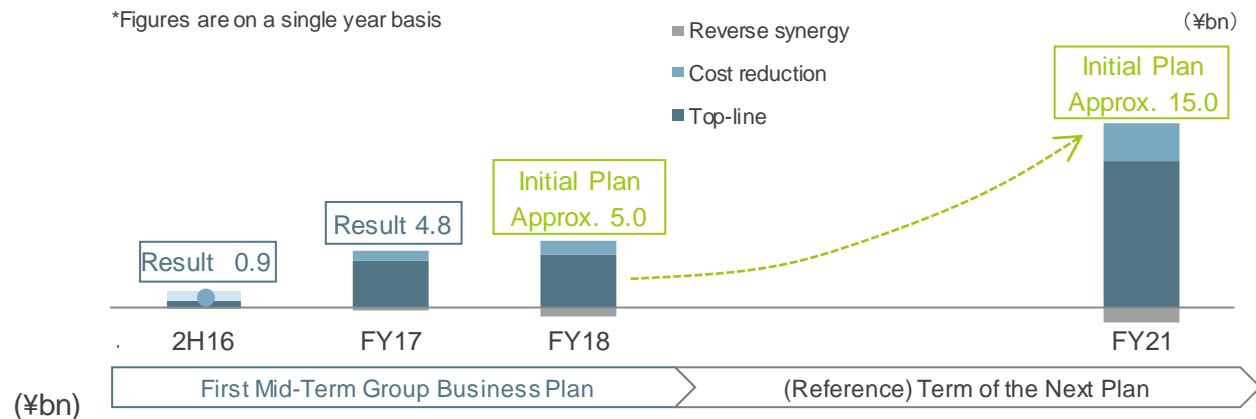
Synergy effect for FY17 is ¥4.8bn representing progress of 175% towards FY17 forecast of ¥2.7bn
 For FY18, aim to make the synergy effect surpass the initial target of ¥5.0bn.

Synergy Effects on the Statement of Income *before Tax

	Amount
FY17 Forecast	+ ¥2.7bn
FY17 Result	+ ¥4.8bn (Progress 175%)

FY17 (Results/ Forecast)

Items	Full-year Forecast	Result	Progress	Details
Loans Corporate services	1.03	1.40	136.0%	<ul style="list-style-type: none"> • Sales promotion based on wide area network → Co-financing, Syndicate loans, Customer referral, and Lending to growth industries (Medical and nursing care) • Utilization of Mebuki Lease • Share know-how for non-face-to-face sales (Unsecured loans) • Joint development of online application housing loans, Joint sales of housing loans for women
Financial assets under custody	0.85	0.88	103.5%	<ul style="list-style-type: none"> • Share sales promotion know-how • Utilization of Mebuki Securities
Securities	0.70	0.78	112.1%	<ul style="list-style-type: none"> • Investment in new areas and diversification of funding method based on both banking subsidiaries' investment experience • Joint investment • Enhancement of investment and controlling method through sharing of analysis method (Monitoring, etc.)
Others (Channel / international)	0.25	1.40	551.4%	<ul style="list-style-type: none"> • New branch openings • Enhance staff in important regions • Promote cross-border loans • Utilize Joyo's know-how of dual currency deposit service (Ashikaga) • Foreign currency deposit campaigns
Cost reductions	0.30	0.88	294.3%	<ul style="list-style-type: none"> • Joint cost reduction and cost effectiveness evaluation • Strengthen price negotiation power through information sharing • Share know-how to improve branch operation efficiency • Integrate operation center in Tokyo • Joint issuance of bills/check paper and bank cards
Cost Increases / Reverse synergy	-0.37	-0.51	-	<ul style="list-style-type: none"> • Lower transfer fee between both banks to the inter-branch rate • System migration expenses
Total	2.77	4.85	175.1%	



Forecast for FY2018

Although net interest income is expected to decrease, YoY increase in consolidated net income* is anticipated, mainly due to a decrease in credit related cost and increases in net fees and commissions from consulting services related to business potential assessment and customers' asset building and so forth.

Consolidated Ordinary Profit ¥65.0 bn (+¥1.4 bn YoY) Consolidated Net Income* ¥45.0 bn (+¥1.9 bn YoY)

*Attributable to owners of the parent

Mebuki FG (Consolidated)

(¥bn) Joyo (Non-consolidated)

Ashikaga (Non-consolidated)

	FY17 Results	FY18 Forecast	YoY Chg.
Ordinary Profit	63.5	65.0	+1.4
Net Income (Attributable to owners of the parent)	43.0	45.0	+1.9
ROE TSE basis * ¹	4.9%	5.0%	+0.1%
Based on total shareholders' equity * ²	5.8%	5.8%	+0.0%

*¹ ROE(TSE basis)

= Net Income^{*Attributable to owners of the parent} ÷ Total Net Asset

*² ROE(Based on total shareholders' equity)

= Net Income^{*Attributable to owners of the parent} ÷ Total Shareholders' Equity

	FY17 Results	FY18 Forecast	YoY Chg.	FY17 Results	FY18 Forecast	YoY Chg.
Core Net Business Income	37.9	37.5	-0.4	35.6	31.0	-4.6
Ordinary Profit	36.9	38.5	+1.5	31.2	27.5	-3.7
Net Income	25.5	26.5	+0.9	21.3	31.0 ^{*3}	+9.6
ROE TSE basis	4.2%	4.3%	+0.1%	6.6%	9.3%	+2.7%
Based on total shareholders' equity	5.5%	5.6%	+0.1%	7.4%	10.2%	+2.8%

*³ Dividend income of ¥12.0bn from a subsidiary is recognized in extraordinary income.

J + A (Non-consolidated)

	FY17 Results	FY18 Forecast	YoY Chg.
Ordinary Profit	68.2	66.0	-2.2
Net Income	46.8	57.5	+10.6

Non-banking Subsidiaries

	FY17 Results	FY18 Forecast	YoY Chg.
Ordinary Profit	6.7	7.0	+0.3
Net Income	4.4	4.5	+0.0

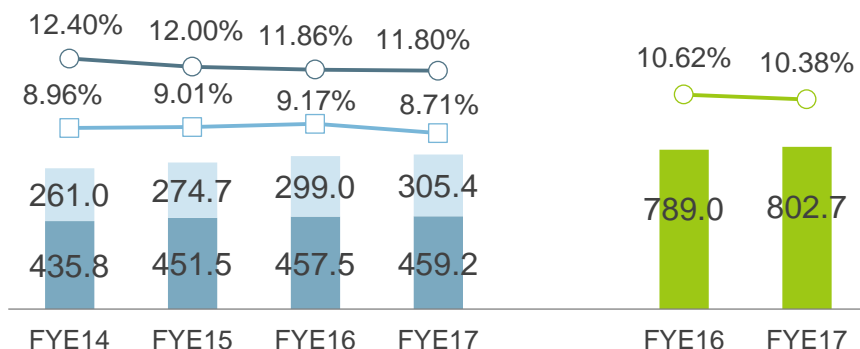
Consolidation Adjustment

	-17.0bn
Divident Income from a subsidiary (Ashikaga)	-12.0bn
Adjustment related to securities	-3.5bn
Interest expemnses of subordinated loans, etc.	-1.5bn

Capital Adequacy Ratio / Shareholder Return

Capital Adequacy Ratio

- Joyo (consolidated) Capital adequacy ratio
- Ashikaga (Consolidated) Capital adequacy ratio
- Joyo (consolidated) Capital (JPY Bn)
- Ashikaga (consolidated) Capital (JPY Bn)
- Mebuki FG (Consolidated) Capital adequacy ratio
- Mebuki FG (consolidated) Capital (JPY Bn)



*Calculation method of risk w eighted assets

- Mebuki FG The fundamental internal rating based approach
- Joyo The fundamental internal rating based approach
- Ashikaga The standardized approach

(Reference) Capital Adequacy Ratio
w/o Temporary Measure (consolidated)

	FYE14	FYE15	FYE16	FYE17
Mebuki FG	-	-	9.49%	9.48%
Joyo	11.51%	11.17%	11.52%	11.57%
Ashikaga	8.64%	8.77%	9.00%	8.62%

Shareholder Return

Dividend

In line with the dividend policy, the dividend forecast for FY18 is ¥11.0 per share

	Annual		
		Interim	Term-end
FY17	¥11.0	¥5.5	¥5.5
FY18	¥11.0 Scheduled	¥5.5 Scheduled	¥5.5 Scheduled

Purchase of Treasury Stocks

In order to enhance shareholder returns and improve capital efficiency, Mebuki FG will repurchase its own shares

<Upper limit of repurchase> Number of shares | 5mil Amount | ¥2.5bn
(Period of purchase | From May 14, 2018 to Jun 22, 2018)

Shareholder Benefit Plan

Shareholders to be Subjected	Shareholders holding 1,000 shares or more as of Mar. 31
Contents of the Plan	Local specialties etc. can be chosen from a dedicated catalog depending on the number of shares held

Contents of the Shareholder Benefit Plan

Number of shares held	Items that can be selected	
1,000 shares or more and less than 5,000 shares	Equivalent to 2,500 yen	Approx. 540 items centered on
5,000 shares or more and less than 10,000 shares	Equivalent to 4,000 yen	specialty products from Ibaraki Prefecture and
10,000 shares or more	Equivalent to 6,000 yen	Tochigi Prefecture *

*The number of items for FY17 is 488

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