

Financial Results for the First Quarter of FY2017

August 7, 2017

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Financial Results for the 1st Quarter of FY2017

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

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Highlights

Financial Results for 1Q FY2017

- ◎ Consolidated net income* of Mebuki FG is ¥12.0bn, representing 30.1% progress toward the full year forecast. * attributable to owners of the parent
- ◎ Due to sales of strategic-holding stocks early in the fiscal year taking into consideration the current stock price level, net income of the two banking subsidiaries' simple-sum basis represented strong progress of 33.1% towards the full-year forecast.
- ◎ Synergy effect arising from the business integration for the first quarter was ¥0.7 bn, representing steady progress of 25.2% towards the full-year forecast of ¥2.7 bn.

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

- ◎ There has been no change since the forecast was announced on May 12, 2017.
- ◎ Consolidated ordinary profit and consolidated net income* are forecasted to be ¥58.5bn (+¥6.2bn) and ¥40.0bn (-¥118.4bn) respectively. * attributable to owners of the parent
Non-consolidated net income <Joyo> ¥23.0bn (-¥1.4bn) <Ashikaga> ¥21.0bn (-¥5.4bn)

Dividend

- ◎ For FY2017, in line with an earnings distribution policy*, annual dividend forecast is ¥11.00, made up of an interim dividend and year-end dividend of ¥5.50 each.

* 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 1Q FY2017 Financial Results

● Mebuki FG (Consolidated) (JPY Bn) <Reference> Results of Joyo and Ashikaga

(JPY Bn)

	1Q FY2017		Full-year Forecast
		Progress	
Ordinary profit	17.9	30.7%	58.5
Net income attributable to owners of the parent	(1) 12.0	30.1%	40.0

【Consolidation adjustment】

(2)-(1) -¥3.6bn

○ Adjustments related to securities

-¥3.2 bn

○ Interest expenses of subordinated loans, expenses, etc.

-¥0.4 bn

● Two banking subsidiaries and the other group companies

	1Q FY2017		Full-year Forecast
		Progress	
Net income	(2) 15.6	32.5%	48.0

	1Q FY2016						[Progress against forecast]		
	J + A		Joyo		Ashikaga		J + A	Joyo	Ashikaga
	Result	YoY Change	Result	YoY Change	Result	YoY Change			
Gross business profit	48.2	-3.5	27.5	-2.6	20.6	-0.9	26.3%	26.6%	26.0%
Net interest income	39.7	-0.2	21.9	-0.2	17.7	-0.0	27.1%	26.7%	27.5%
Net fees and commissions	7.7	-0.1	5.0	+0.3	2.6	-0.4	24.4%	28.7%	19.1%
Net other business income and Net trading income (o/w gains/losses on bond transactions)	0.7	-3.1	0.5	-2.6	0.1	-0.4	15.4%	14.5%	19.1%
Expenses	28.7	-0.8	17.0	-0.7	11.7	-0.1	24.5%	25.0%	23.9%
Personnel expenses	15.0	-0.2	8.5	-0.3	6.4	+0.0	-	-	-
Non-personnel expenses	11.1	-0.2	6.9	-0.0	4.2	-0.2	-	-	-
Net business income (before general allowance for loan losses)	19.4	-2.6	10.5	-1.9	8.9	-0.7	29.4%	29.5%	29.2%
Core net business income	19.2	+0.6	10.3	+0.9	8.9	-0.3	30.5%	31.7%	29.2%
Net transfer to general allowance for loan losses (a)	-0.2	-0.9	-0.0	-0.6	-0.2	-0.2	-	-	-
Net business income	19.7	-1.7	10.5	-1.2	9.1	-0.5	29.6%	29.2%	30.1%
Net non-recurrent gains/losses	1.6	+0.5	0.9	+1.0	0.7	-0.4	-65.0%	-36.9%	-
o/w Disposal of non-performing loans (b)	1.1	+0.3	0.8	-0.1	0.3	+0.5	17.8%	20.0%	14.3%
o/w Gains/losses related to stocks, etc	3.3	+1.0	2.4	+0.9	0.9	+0.0	51.9%	60.0%	38.8%
Ordinary profit	21.3	-1.2	11.4	-0.2	9.8	-1.0	33.3%	34.2%	32.4%
Extraordinary income/losses	-0.5	-0.4	-0.4	-0.2	-0.1	-0.1	-	81.0%	92.6%
Net Income	14.6	-1.0	7.7	-0.3	6.8	-0.7	33.1%	33.8%	32.5%
Credit related costs (a)+(b)	0.8	-0.5	0.7	-0.8	0.1	+0.2	14.5%	21.9%	4.1%

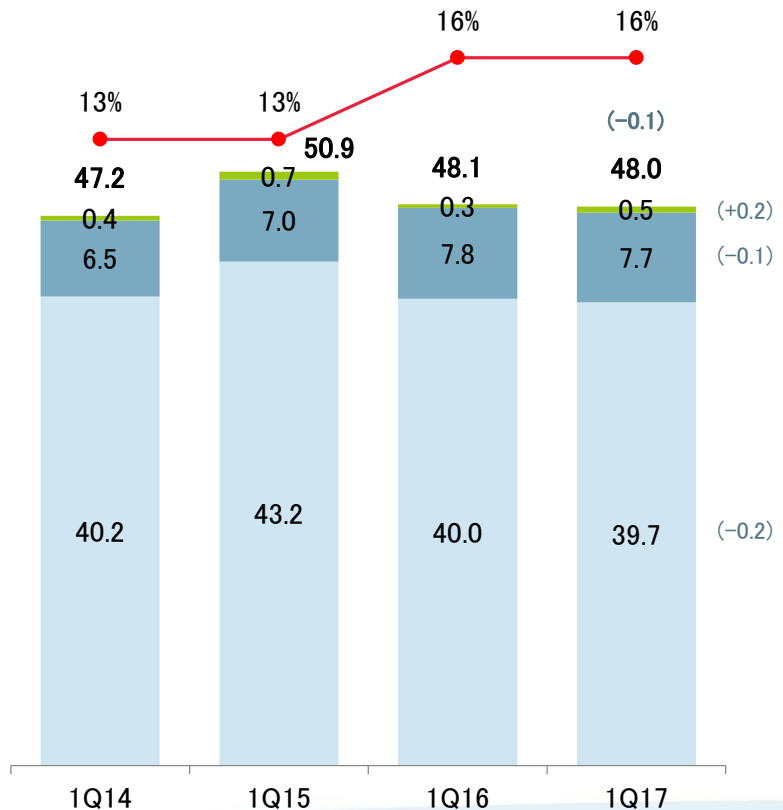
Core Gross Business Profit (Gross Business Profit excluding Gains/Losses on Bond Transaction)

◇ Core gross business profit is almost unchanged year-on-year.

While net interest income and fees related to financial assets under custody decreased, net fees and commissions from corporate customers increased through enhancement of consulting services.

● Joyo + Ashikaga

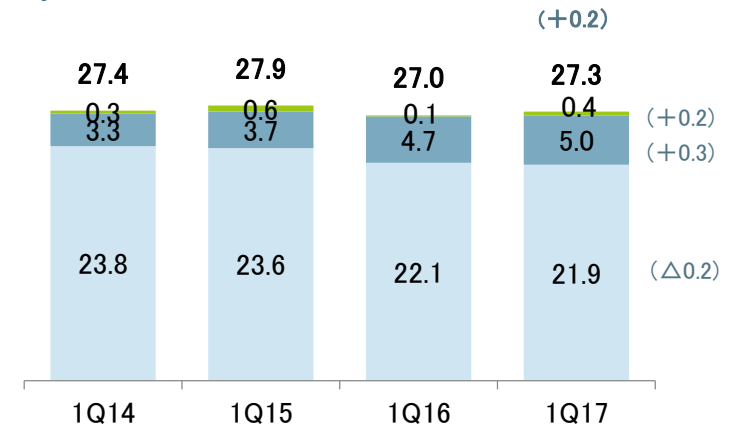
(JPY Bn)



● Joyo

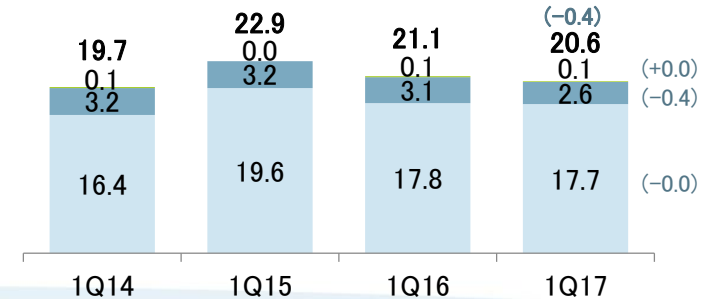
(*) Net other business income includes interest rate swap cost

(JPY Bn)



● Ashikaga

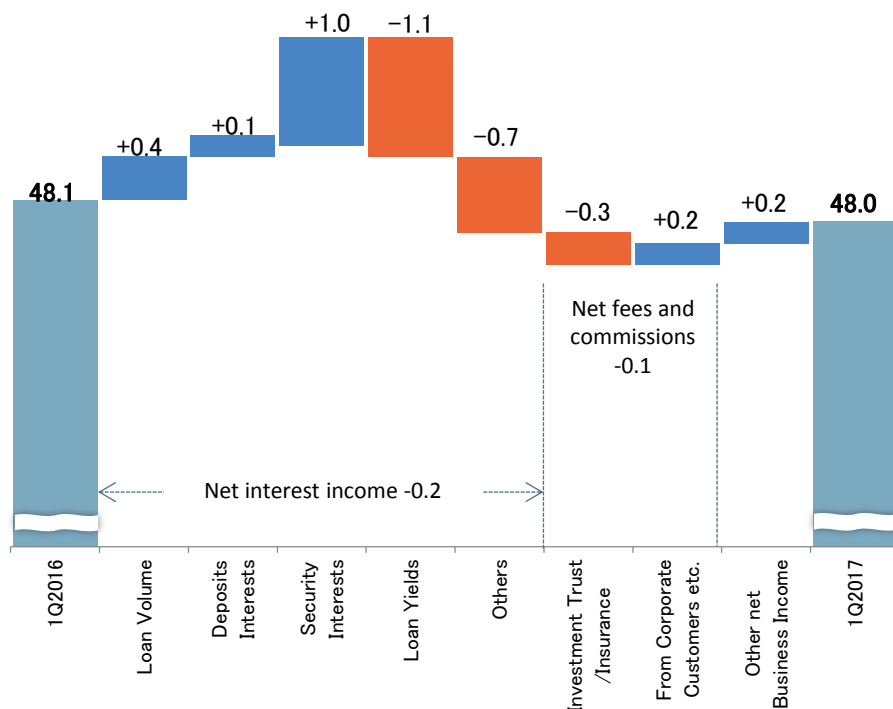
(JPY Bn)



Key Change Factors in Core Gross Business Profit

Key Change Factors (Joyo + Ashikaga)

● Joyo + Ashikaga (JPY Bn)



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

		FY2015	FY2016	1Q2017
Joyo	Annual	0.8	1.7	0.0
	(o/w 2H)	(0.4)	(1.6)	-
Ashikaga	Annual	3.7	3.6	2.2
	(o/w 2H)	-	(0.4)	-

Factor Analysis of changes in Net Interest Income (by Banking Subsidiary)

● Joyo (JPY Bn)

Factor	YoY	Domestic		Overseas	
		Change in Average Balance / Yield	Change in Average Balance / Yield	Change in Average Balance / Yield	Change in Average Balance / Yield
Interest on loans and bills discounted	Average Balance	+0.2	+0.1 (+¥42.6bn)	+0.1 (+¥26.1bn)	
	Yield	-0.4	-0.6 (-4BP)	+0.1 (+62BP)	
Interest on deposits (-)	-0.0	-0.0	-	+0.0	-
Interest and dividends on securities	Average Balance	-0.0	-0.1 (-¥45.1bn)	+0.0 (+¥5.4bn)	
	Yield	+0.3	+0.0 (+0BP)	+0.3 (+30BP)	
Market investments and borrowings (-)	+0.2	-0.2	-	+0.5	-

● Ashikaga (JPY Bn)

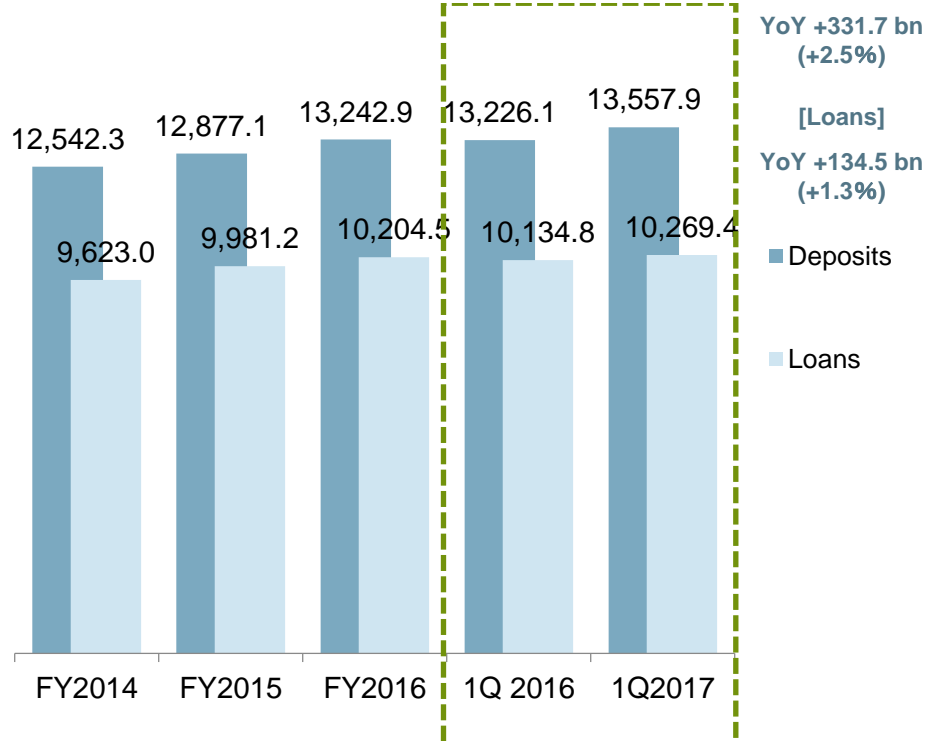
Factor	YoY	Domestic		Overseas	
		Change in Average Balance / Yield	Change in Average Balance / Yield	Change in Average Balance / Yield	Change in Average Balance / Yield
Interest on loans and bills discounted	Average Balance	+0.1	+0.1 (+¥60.0bn)	+0.0 (+¥5.7bn)	
	Yield	-0.7	-0.7 (-7BP)	+0.0 (+79BP)	
Interest on deposits (-)	-0.0	-0.1	-	+0.0	-
Interest and dividends on securities	Average Balance	+0.5	+0.3 (+¥80.3bn)	+0.2 (+¥46.6bn)	
	Yield	+0.2	-0.0 (-3BP)	+0.2 (+60BP)	
Market investments and borrowings (-)	+0.4	-0.0	-	+0.4	-

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

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

Loans and Deposits (Average Balance)

● Joyo + Ashikaga (JPY Bn)

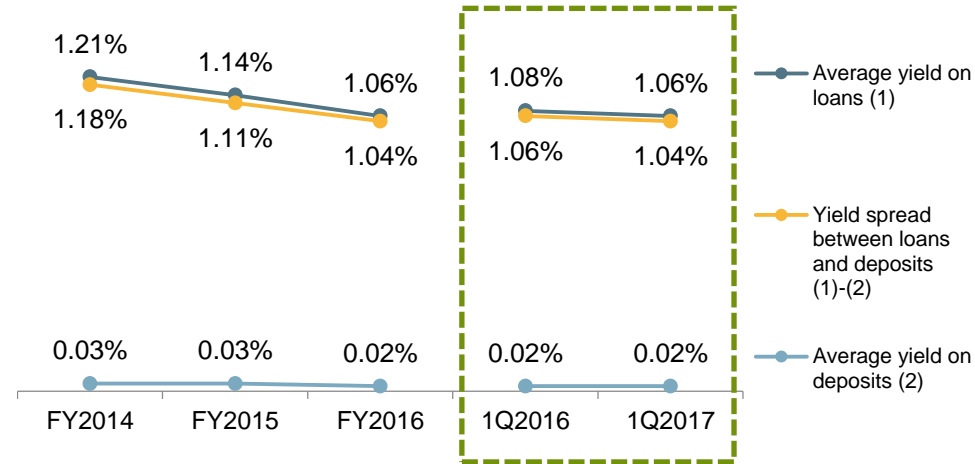


[Deposits]	FY2014	FY2015	FY2016	1Q 2016	1Q 2017
Joyo	7,599.3	7,834.1	8,063.8	8,090.8	8,266.8
Ashikaga	4,943.0	5,043.0	5,179.1	5,135.3	5,291.0

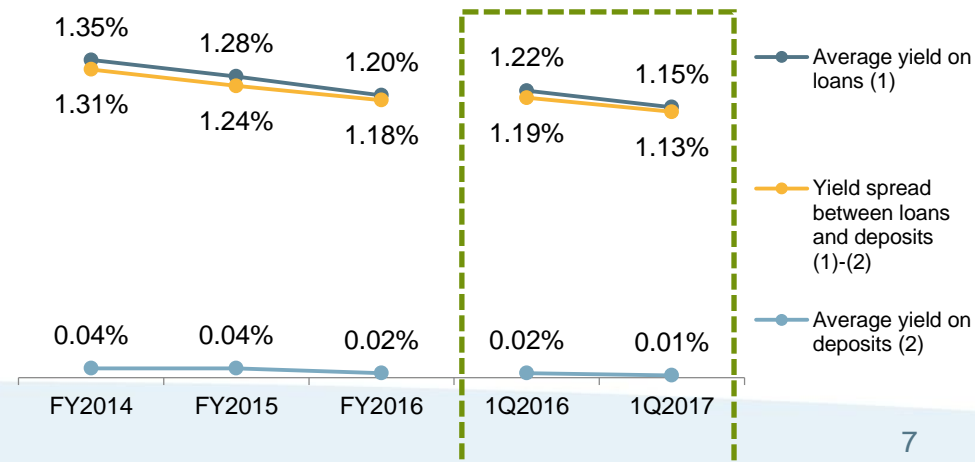
[Loans]	FY2014	FY2015	FY2016	1Q 2016	1Q 2017
Joyo	5,577.5	5,808.2	5,958.9	5,910.6	5,979.4
Ashikaga	4,045.5	4,173.0	4,245.6	4,224.2	4,290.0

Average Yields of Loans and Deposits

● Joyo

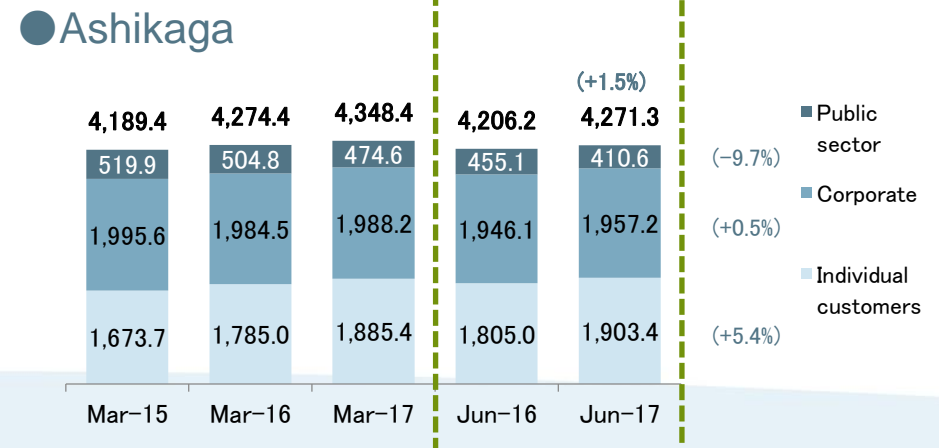
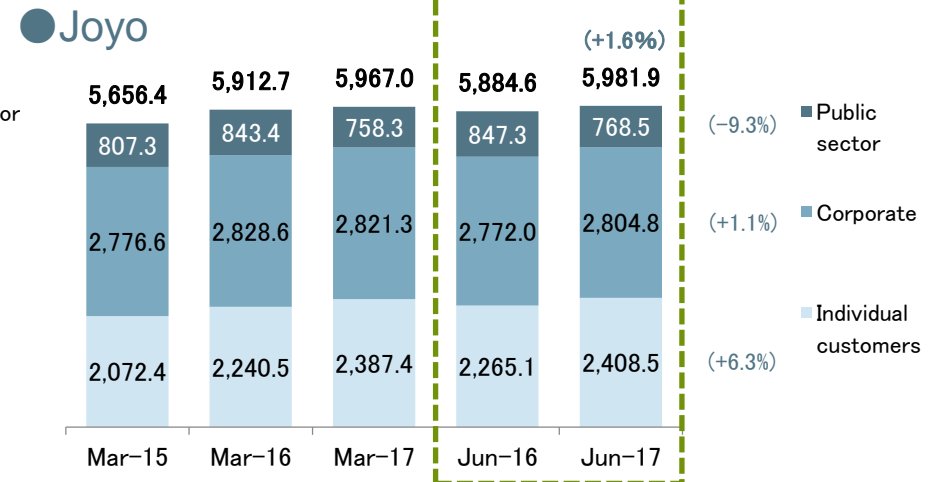
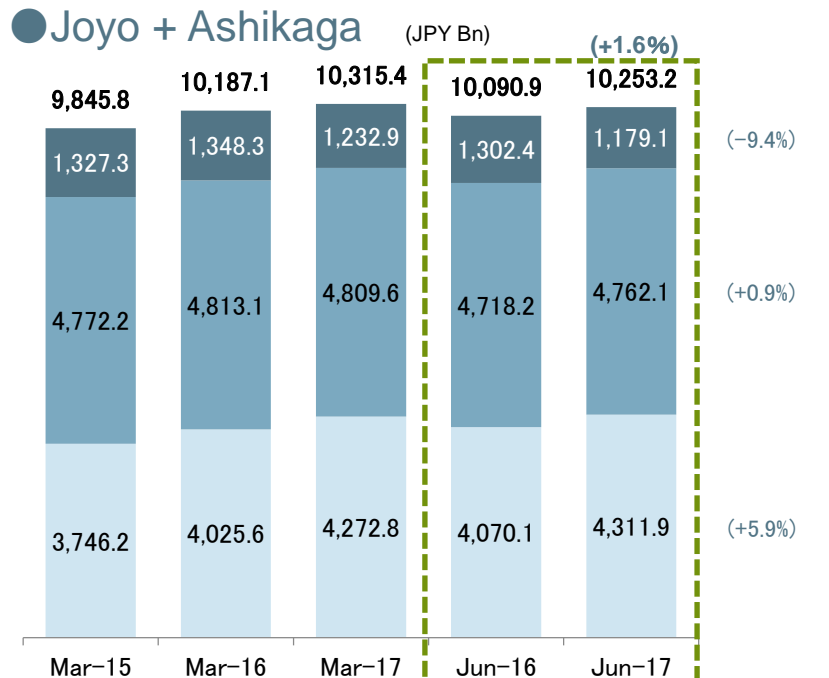


● Ashikaga

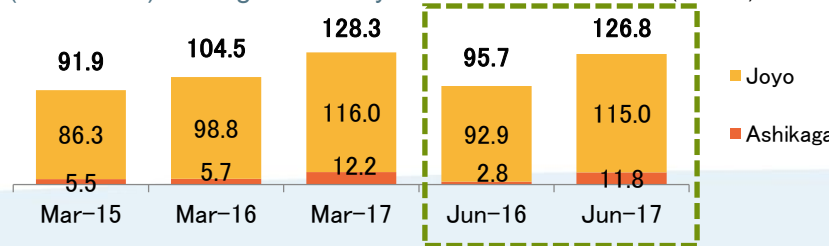


Loans (1)

- ◇ Loans to individual customers increased by ¥241.8 bn (+5.9%) and housing related loans increased by ¥232.0 bn from the previous year (refer to p.9).
- ◇ Loans to corporate customers increased by ¥43.8 bn and those to local corporate customers increased ¥97.6 bn year-on-year (refer to p.10).

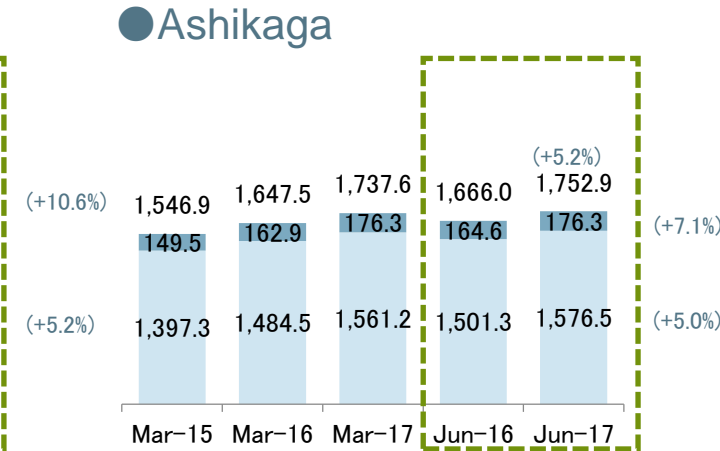
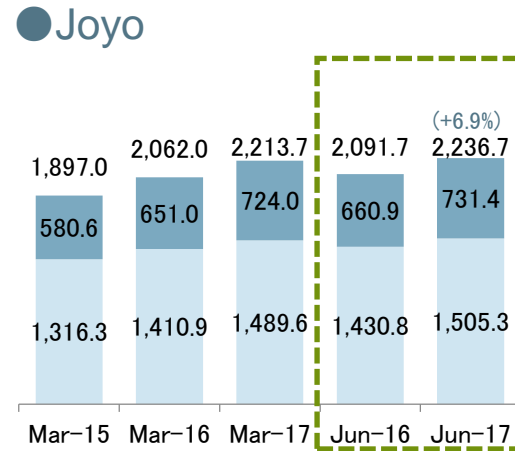
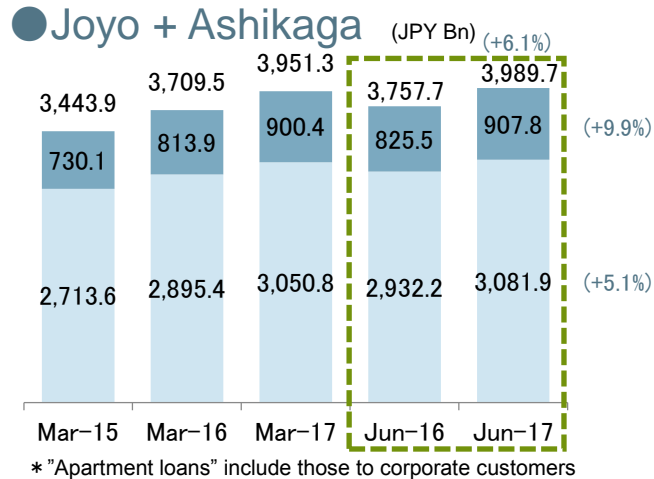


(*) "Individual Customers" include sole proprietors and "Corporate" include financial institutions
 (Reference) Foreign Currency Denominated Loans (JPY Bn)

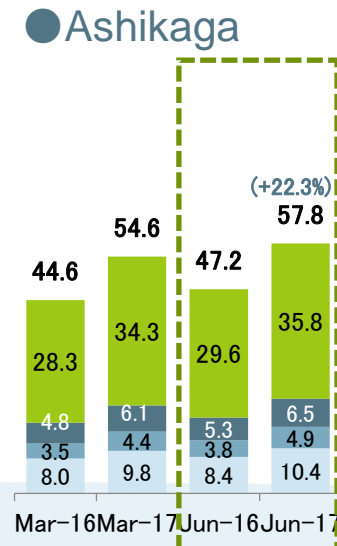
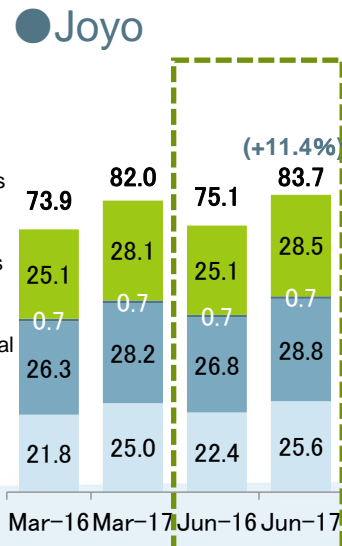
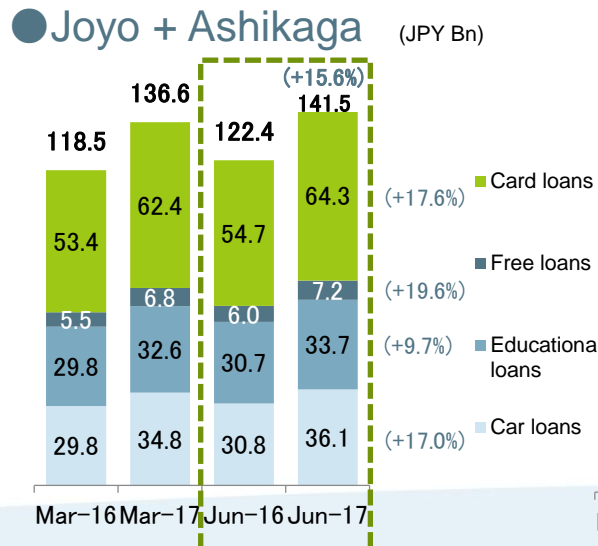


Loans (2) Housing Related Loans / Unsecured Loans

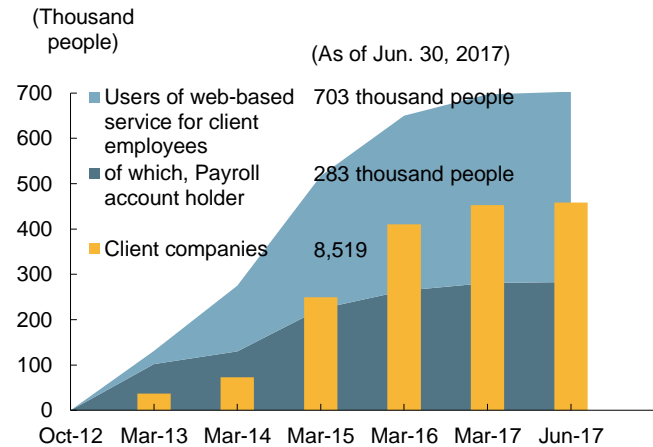
Housing Related Loans (Term-end Balance)



Unsecured Loans (Term-end balance)



Employee-specific Website (Joyo)

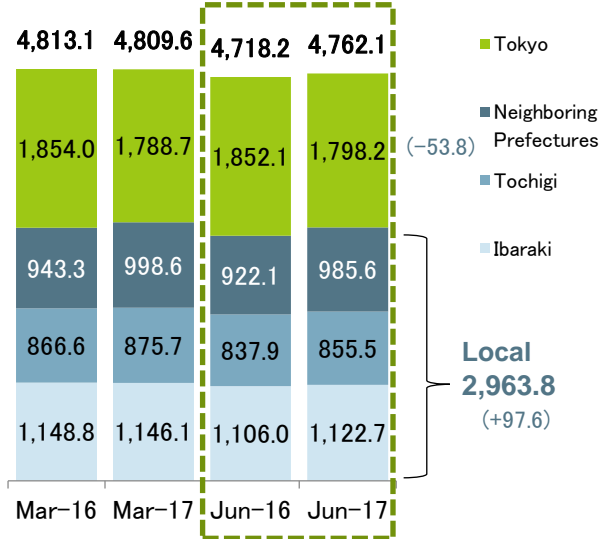


◆ Ashikaga will start to make use of the employee-specific website from Oct. 2017

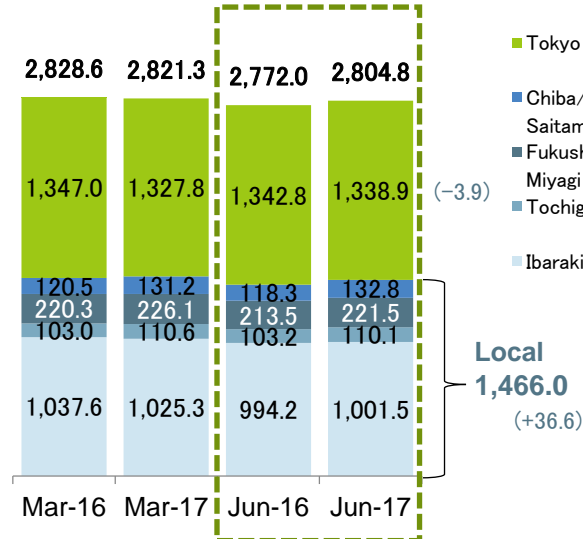
Loans (3) Loans to Corporate Customers (by Area / Company Size)

Balance by Area

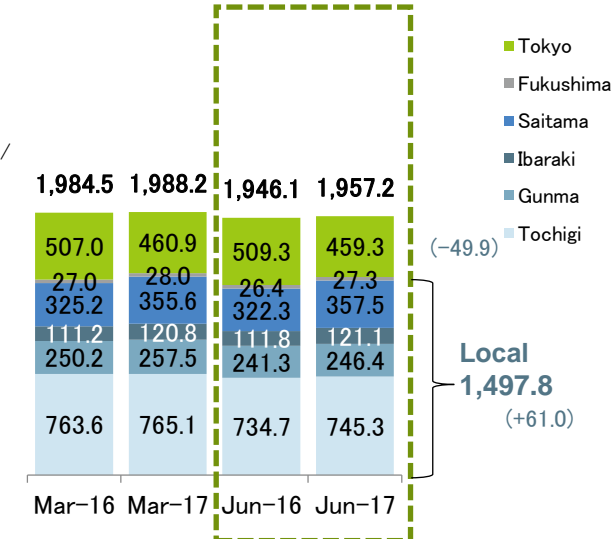
● Joyo + Ashikaga (JPY Bn)



● Joyo

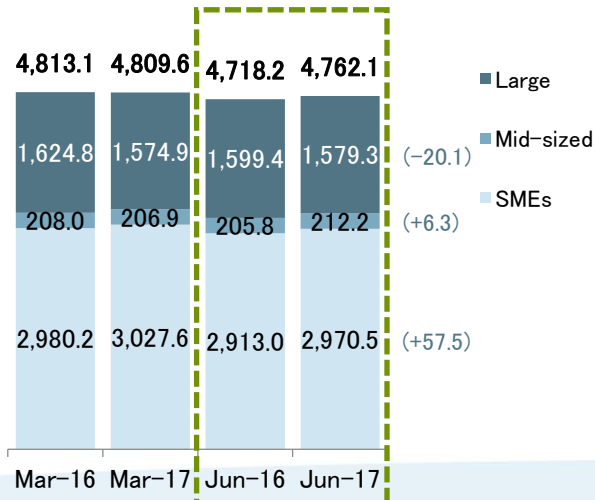


● Ashikaga

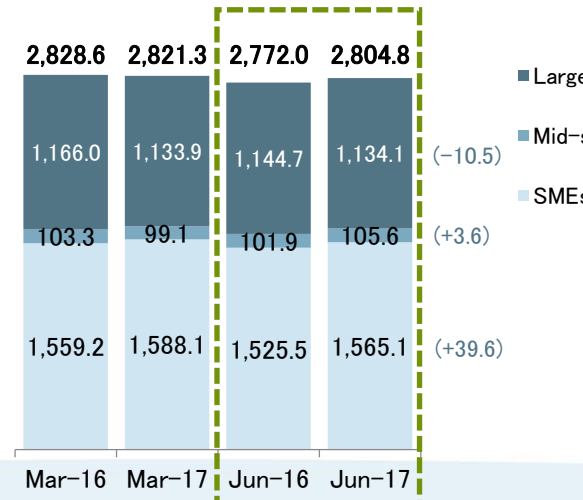


Balance by Company Size

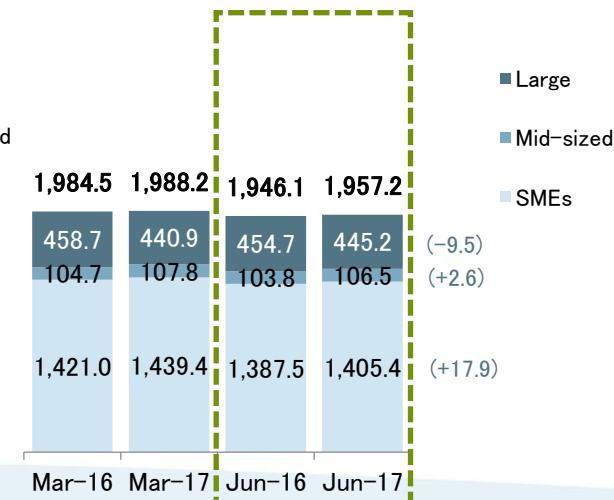
● Joyo + Ashikaga (JPY Bn)



● Joyo



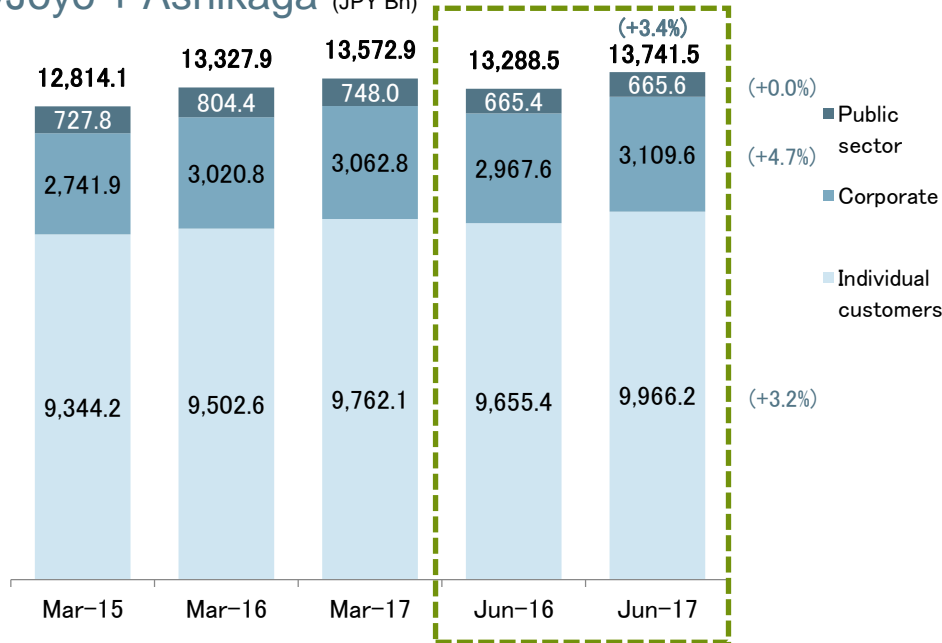
● Ashikaga



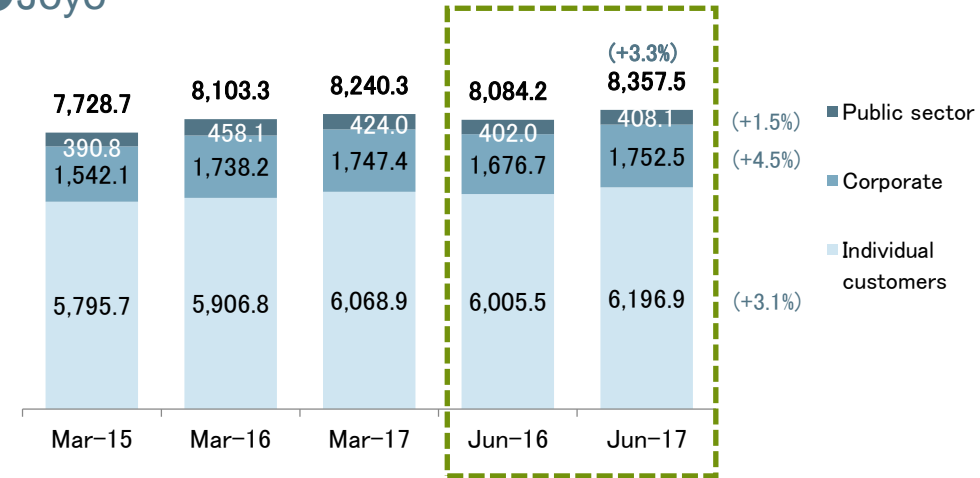
Deposits

- ◇ Deposits of individual and corporate customers have been on the increase.
(Individual customers : YoY +3.2%, Corporate customers : YoY +4.7%)

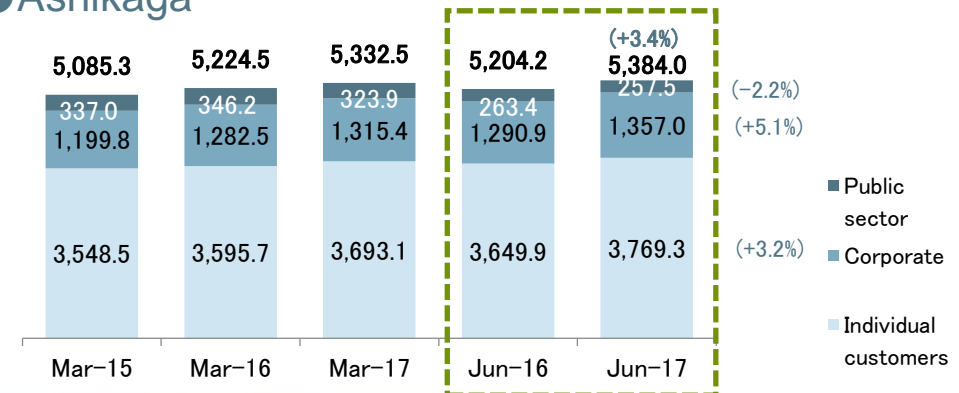
● Joyo + Ashikaga (JPY Bn)



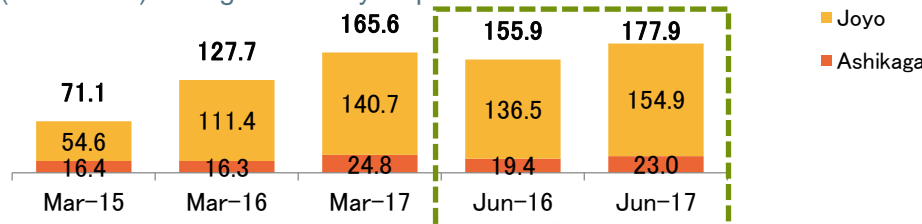
● Joyo



● Ashikaga



(Reference) Foreign Currency Deposits



※1 "Corporate" includes financial institutions.

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

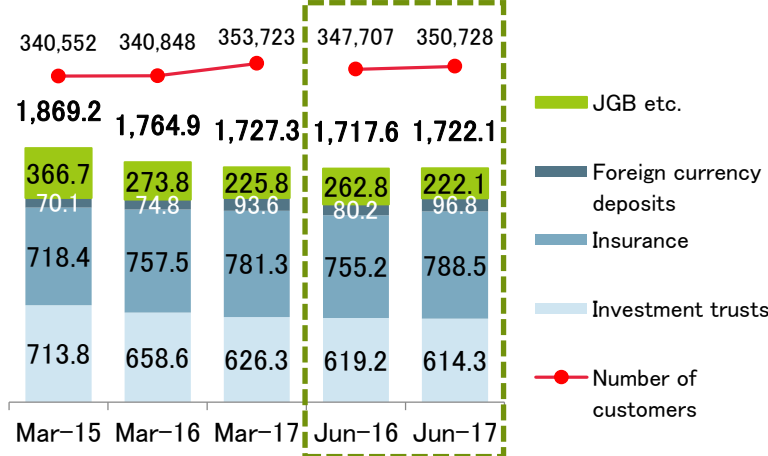
Financial Assets under Custody Balance / Commission

* Foreign currency deposits don't include those hedged by forward exchange contracts, offshore deposits, and those coming from US dollar-denominated convertible bond issued by Mebuki FG.

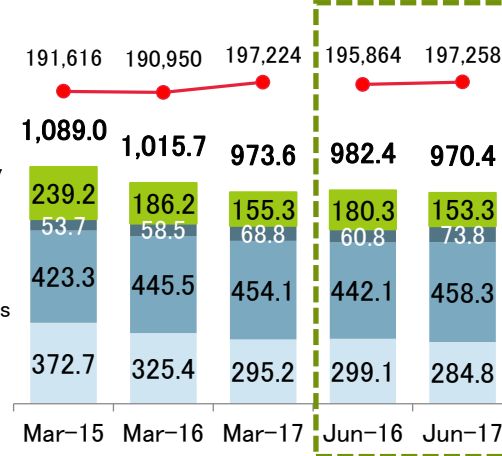
- ◇ While the amount of financial asset under custody remained flat and commissions decreased due to declining revenue from insurance sales, the number of customers increased.
- ◇ Commissions from financial instruments intermediary service steadily increased due to the synergetic effects arising from closer cooperation between the banking subsidiaries and Mebuki Securities.

Financial Assets under Custody (Balance)

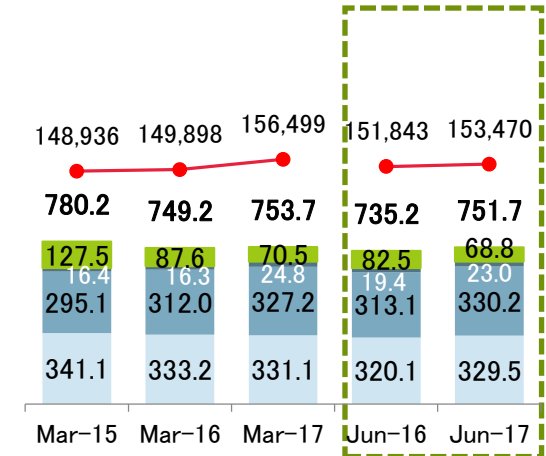
● Joyo + Ashikaga (JPY Bn / number)



● Joyo

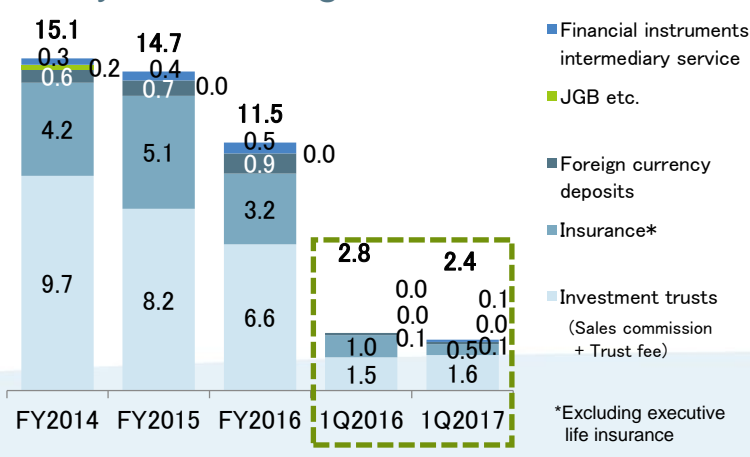


● Ashikaga

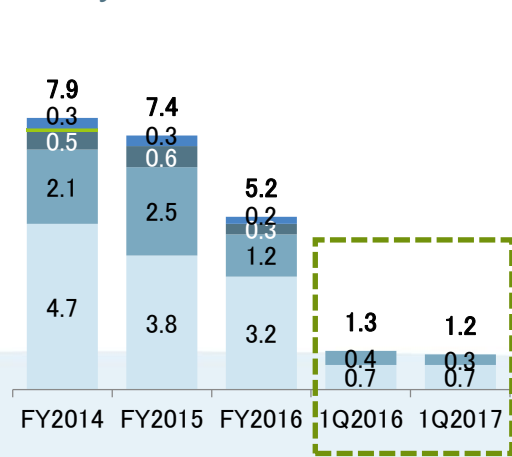


Commissions

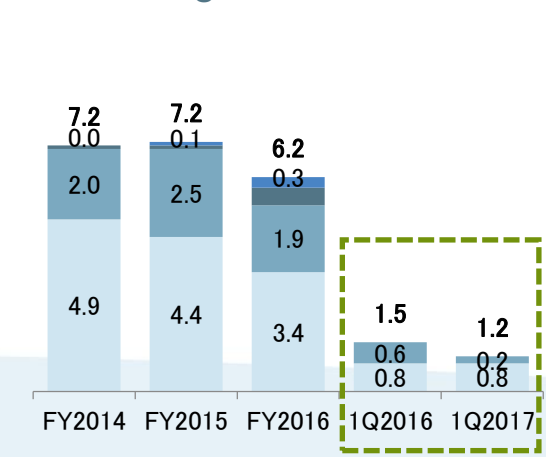
● Joyo + Ashikaga (JPY Bn)



● Joyo



● Ashikaga

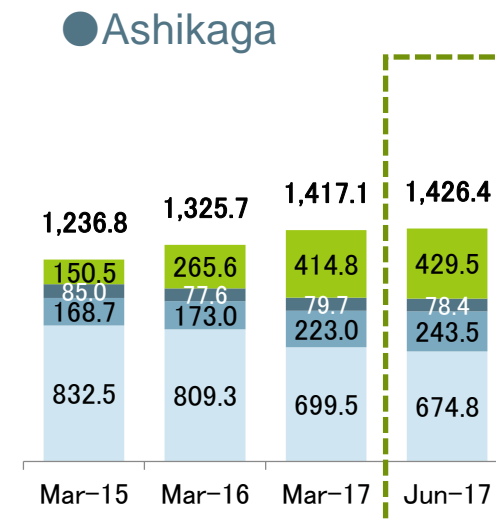
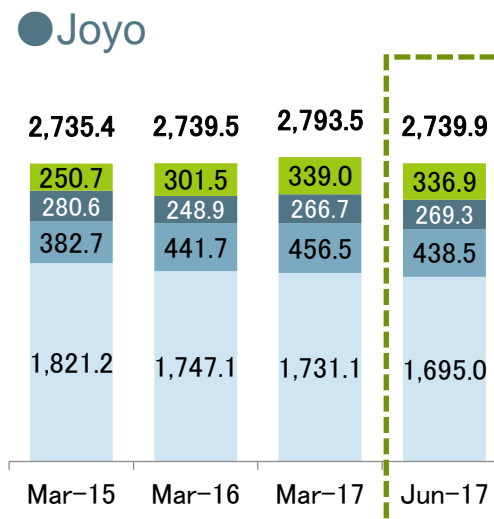
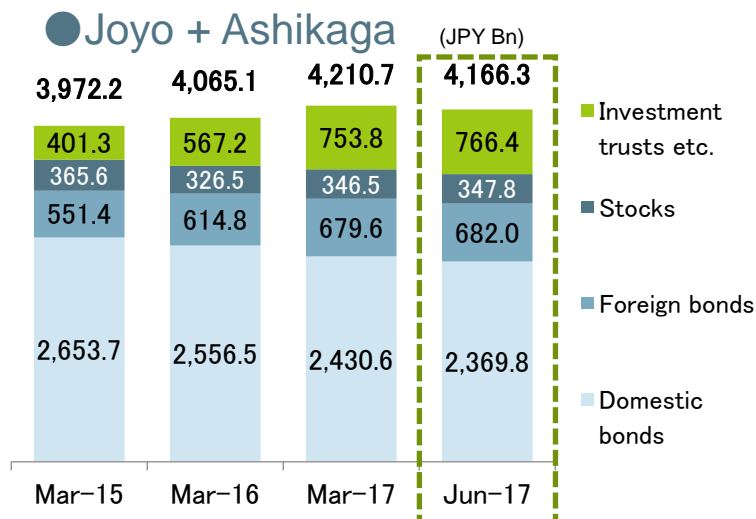


*Excluding executive life insurance

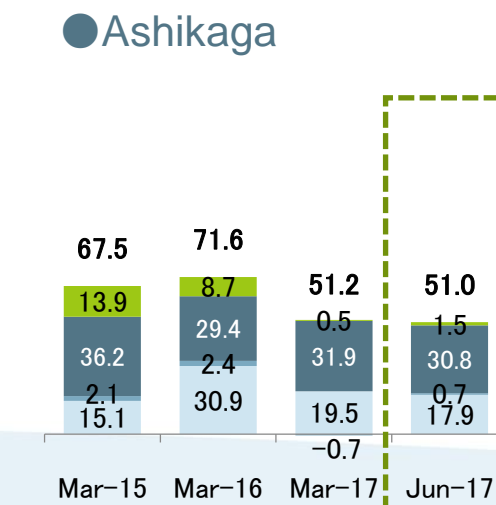
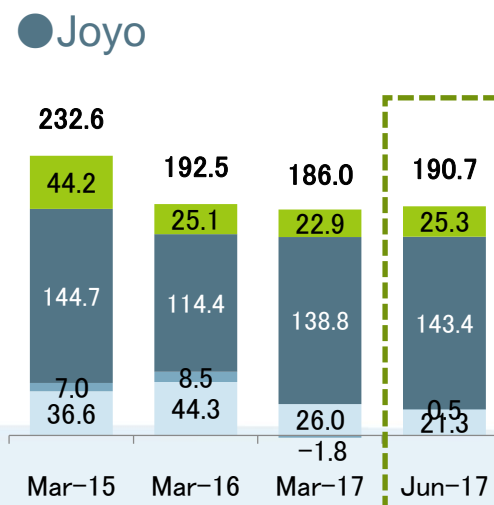
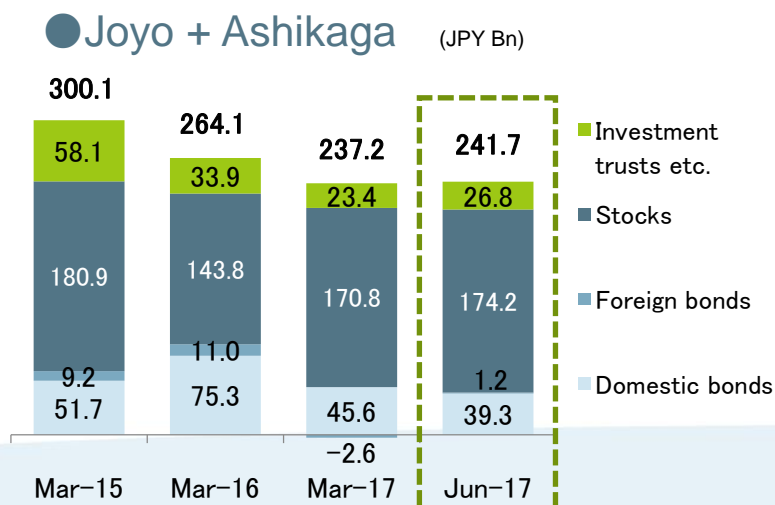
Securities

- ◇ Considering the interest rate of Japanese yen, suspended reinvestment of redemption payments of JGBs decreased the amount of domestic bonds held by ¥60.8bn from the end of FY2016.
- ◇ Continue to rebalance our portfolio through purchasing investment trusts and foreign bonds, while paying attention to risk management.

Term-end Balance
(Balance Sheet Amount)



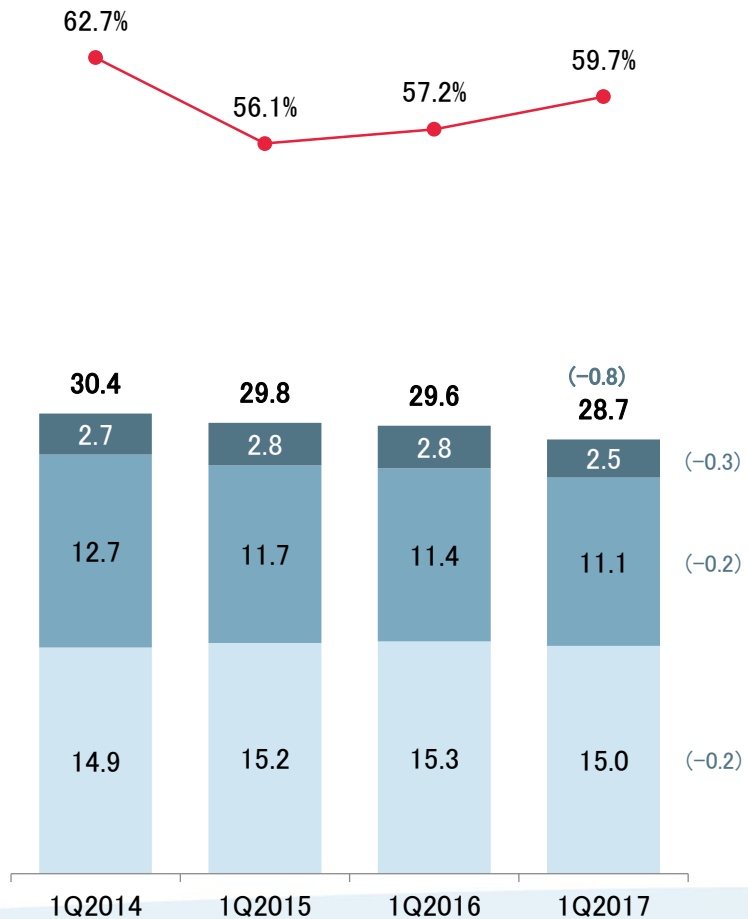
Unrealized Valuation Gains (Losses)
on Available for Sale Securities



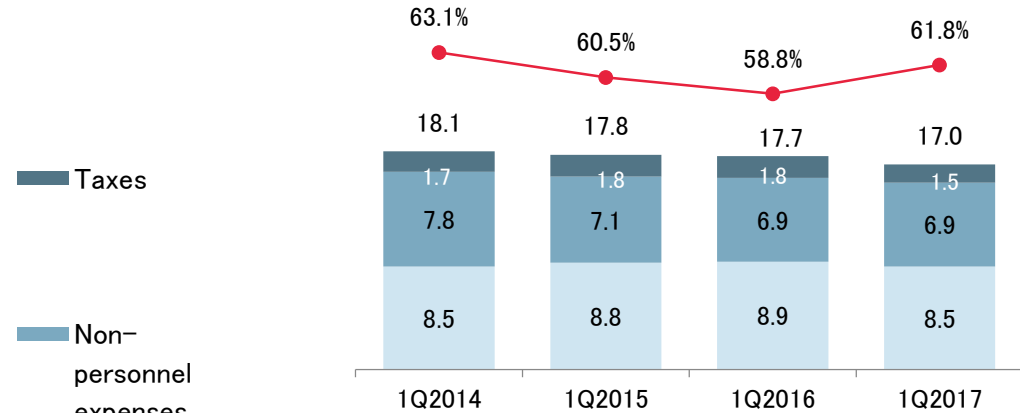
Expenses / OHR

◇ Expenses decreased by ¥0.8 bn on two banking subsidiaries' simple-sum basis from the same period of the previous year, mainly due to the implementation of measures to reduce expenses and a decrease in deposit insurance premiums.

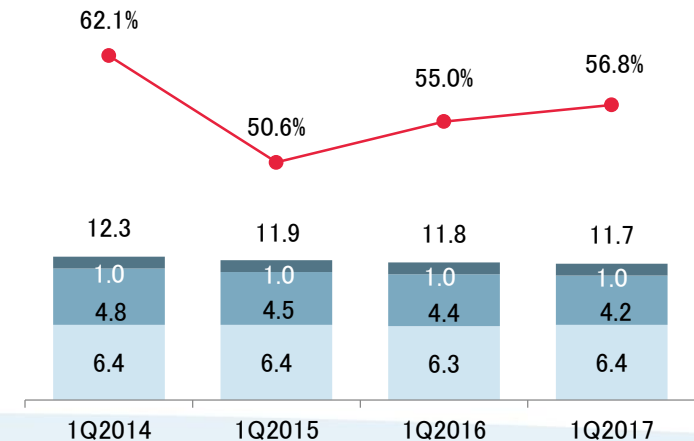
● Joyo + Ashikaga (JPY Bn)



● Joyo



● Ashikaga

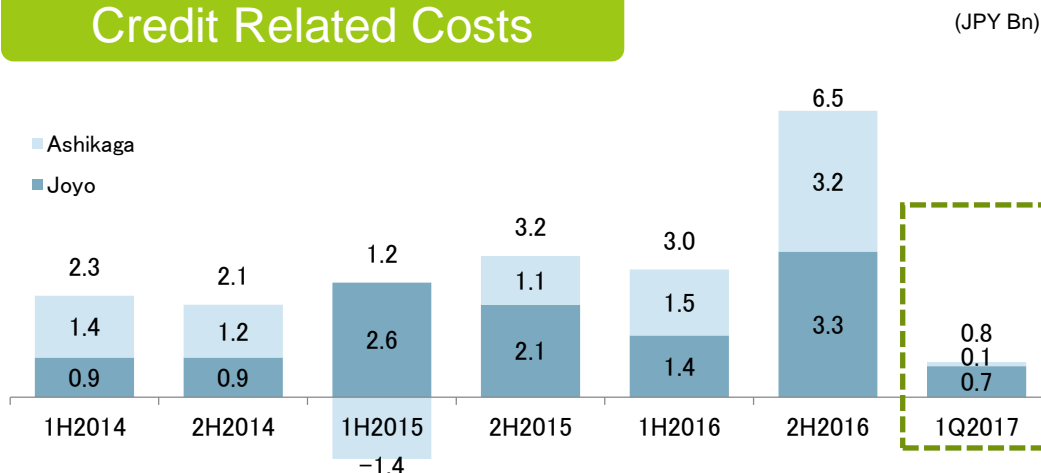


* OHR = Expenses / Core gross business profit

Credit Related Costs / Non-performing Loans

◇ Credit related costs decreased by ¥0.5 bn year-on-year on two banking subsidiaries' simple-sum basis and number of bankruptcies of local businesses remains low in Ibaraki and Tochigi Prefecture.

Credit Related Costs



<Reference (1)> Credit Related Cost Ratio

	FY2013	FY2014	FY2015	FY2016	1Q2017
Joyo	0.120%	0.032%	0.082%	0.079%	0.052%
Ahikaga	0.193%	0.066%	-0.006%	0.112%	0.002%

<Reference (2)> Business Failures

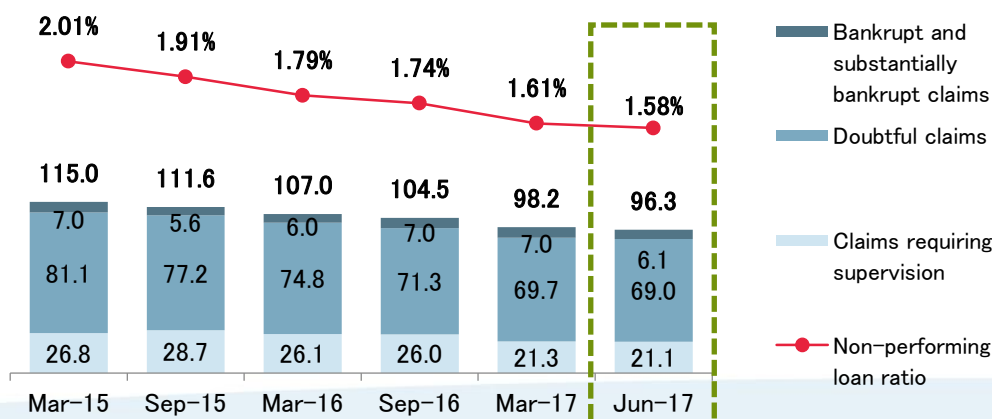
(Cases/JPY Bn)

		1H14	2H14	1H15	2H15	1H16	2H16	1Q17
Ibaraki Prefecture	number	71	83	53	65	62	64	38
	amount	17.1	32.0	18.3	12.6	10.4	9.0	6.7
Tochigi Prefecture	number	62	86	71	59	66	78	18
	amount	11.0	19.7	6.2	10.3	12.3	13.3	3.3

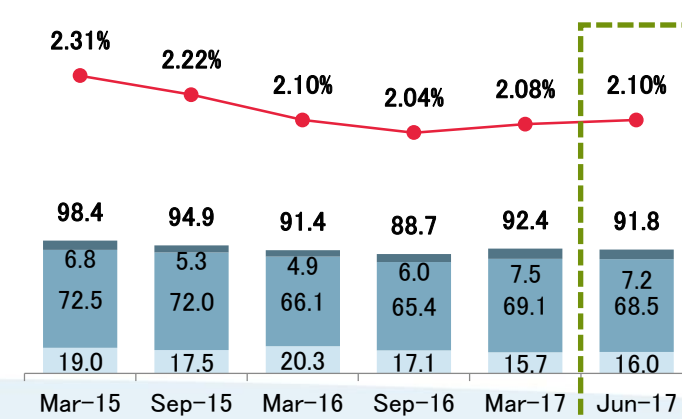
(*) Numbers of bankruptcies of enterprises with 10 million yen or more in net debt

Non-performing Loans

● Joyo (JPY Bn)



● Ashikaga (JPY Bn)



Group Companies (Mebuki Lease / Mebuki Securities)

Financial Results of Subsidiaries other than Banking Subsidiaries

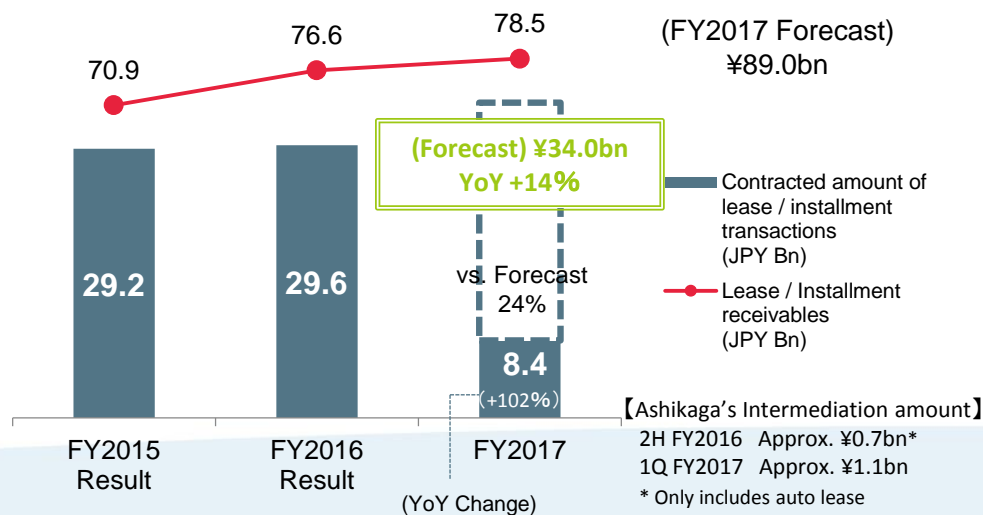
(JPY Bn)

	1Q2017	Progress	Ful-year Forecast	Break down
Ordinary profit	1.6	-	-	-
Net income	1.0	26.0%	4.0	Mebuki Lease ¥0.1bn, Mebuki Securities ¥0.1bn The Joyo Credit Guarantee ¥0.3bn, Ashikaga Credit Guarantee ¥0.3bn, Others ¥0.1bn

Mebuki Lease

- Mebuki Lease, whose trade name was changed from Joyo Lease in Apr. 2017, has become Mebuki FG's wholly owned subsidiary.
- Integrated the leasing business units within the group.
- Strengthening sales operation, achieved three sales-base structure in Tochigi Prefecture (Utsunomiya, Ashikaga, and Oyama)

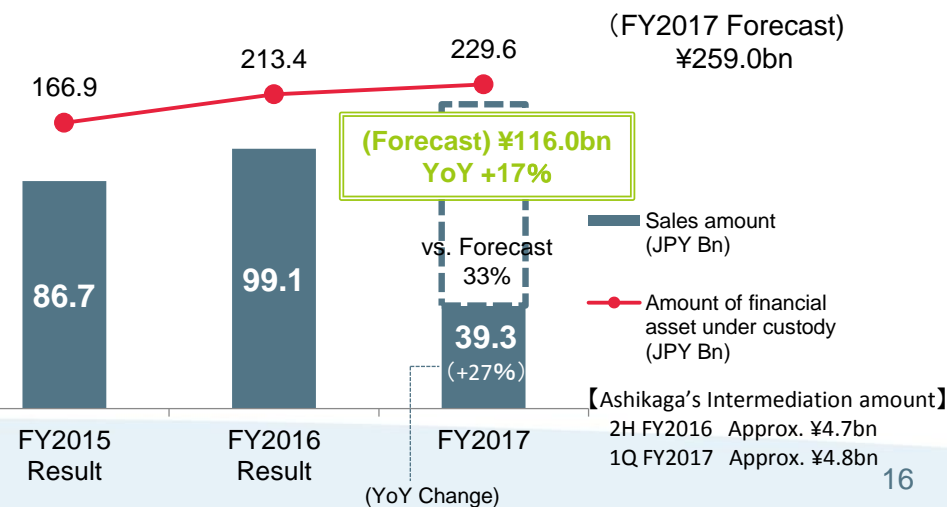
● Contracted amount of lease transactions / Lease receivables



Mebuki Securities

- Trade name was changed from Joyo Securities to Mebuki Securities in Apr. 2017.
- Number of Ashikaga's branches that intermediate financial products carried by Mebuki Securities increased from 13 to 128.
- Provide one-stop financial service in response to diversifying investment needs

● Sales amount / Amount of financial assets under custody



Forecast for FY2017

- ◇ There has been no change since the forecast was announced on May 12, 2017.
- ◇ Consolidated ordinary profit and consolidated net income* are forecasted to be ¥58.5bn (+¥6.2bn) and ¥40.0bn (-¥118.4bn) respectively. * Attributable to owners of the parent
- ◇ Synergy effect arising from the business integration of ¥2.7 bn is expected for FY2017.

●Mebuki FG

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

●Joyo + Ashikaga + Non-banking Subsidiaries

Items	Interim	Annual
Net income	27.5	48.0

(JPY Bn)

●Joyo + Ashikaga

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

●Joyo (non-consolidated)

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

●Ashikaga (non-consolidated)

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

Capital Adequacy Ratio / Shareholder Return

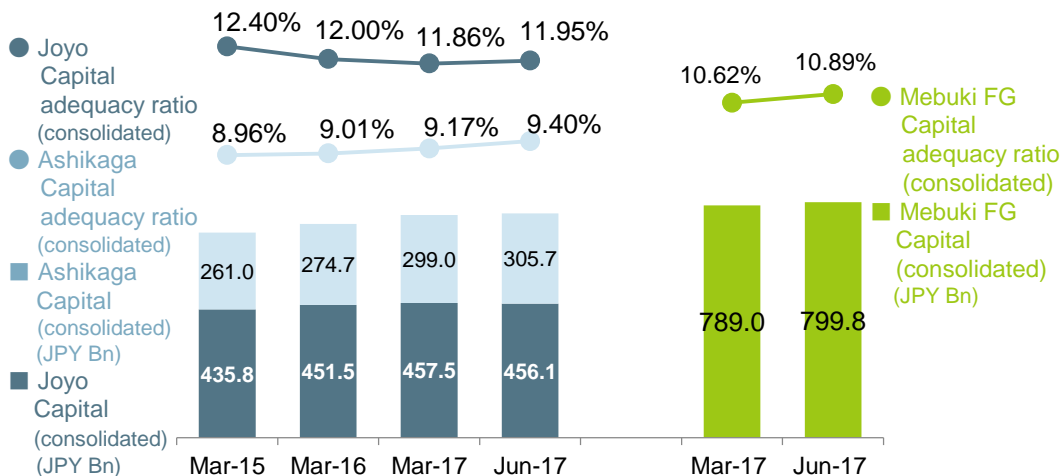
Capital Adequacy Ratio

※Calculation method of risk weighted assets

Mebuki FG : The fundamental internal rating based approach

Joyo : The fundamental internal rating based approach

Ashikaga : The standardized approach



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

	Mar-14	Mar-15	Mar-16	Mar-17	Jun-17
Mebuki FG	-	-	-	9.49%	9.74%
Joyo	11.35%	11.51%	11.17%	11.52%	11.61%
Ashikaga	8.67%	8.64%	8.77%	9.00%	9.24%

<Reference> Rating

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

○ Moody's

Mebuki FG	Joyo	Ashikaga	Joyo
A	A+	A+	A2

Dividend Policy

- 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.
- In line with the earnings distribution policy, the dividend forecast for FY2017 is ¥11.0 per share (Payout ratio: 32.3%).

< Dividend per Share Forecast for FY2017 >

FY2017		
Annual Dividend		
	Interim Dividend	Term-end Dividend
¥11.0	¥5.5	¥5.5

Shareholder Benefit Plan

< Shareholders to be Subjected >

Shareholders recorded in the register of shareholders and holding 1,000 shares as of March 31 of every year.

< Contents of the Plan >

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

< 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	488 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.

Step-up 180 Plan – For Individual Customers –

Support Customers' Asset Building

<For the First Investment>

■ First Investment Campaign (Jun.-Dec.)

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

<For Additional Investment>

■ Mebuki Securities (Apr.-)

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

■ Foreign Bond Campaign (Apr.-Jun.)

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

<Others>

■ Mebuki Securities Founding Commemoration Seminar (Apr.-Jun.)

■ Foreign Currency Deposit Campaign (Jun.- Sept.)

Support Customers' Housing Acquisition

<Housing Loans>

■ Housing Loan for Women (Apr.-)

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

■ Online Application Housing Loan (May-)

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

Unsecured Loans

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

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

■ One-year Anniversary of Mebuki FG

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

Preferential interest rates for car/educational loans

Step-up 180 Plan –For Corporate Customers–

<Support for Manufacturers>

■ **Manufacturer Training Workshop** (Aug.)

- Through lecture and hands-on exercise, let our customers experience and learn basics of KAIZEN activities conducted by large companies for safety and productivity improvement.
- Achieve SMEs' improvement of production management and development of human resources through the workshop.

■ **R&D Meet-up at Utsunomiya and Ibaraki Univ.** (Jun.-July)

- Provide opportunities for applicants to have discussions with researchers of universities and research institutes concerning certain themes.
- Promote information exchange among participants.

■ **Rebuild support structures for start-ups and second start-ups**

- Construct a support structure for university-originated venture businesses.
- Support Mebuki Business Award applicants to launch new businesses. (Number of applicants: 646 / Number of prize winners: 28)
- Investment limit of Mebuki Regional Revitalization Fund was increased based on the possibilities of investment in their businesses. (Investment limit : from ¥2.0 bn to ¥4.0bn / Investment amount : ¥1.3 bn)

<Support for Agricultural Producers>

■ **Collaboration on Agri-Food Matching**

(Sept. / under planning)

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

<Support for Overseas Expansion>

■ **Cooperation on export support services** (Mar.-)

■ **Cooperation with Japan Halal Business Association**

(Apr.-)

■ **Overseas business convention for manufacturers, business networking, seminar** (Jun.-)

<Matching Event for Experienced Retirees and Local Businesses>

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

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