

Financial Results for the Third Quarter of FY2017

February 9, 2018

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Financial Results for 3Q17

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

Highlights

Results for 3Q17

Consolidated net income* of Mebuki is ¥38.8bn, representing 97.1% progress toward the previous full-year forecast. *Attributable to owners of the parent

On a simple-sum basis of the two banking subsidiaries, net income of ¥ 42.6 bn was recorded, which represented steady progress of 96.8% toward the previous full-year forecast.

Core net business income and gains on sales of strategic-holding stocks surpassed the forecast.

Synergy effect arising from the business integration for 3Q17 was ¥3.1 bn, representing strong progress of 115.2% toward the forecast for FY17 of ¥2.7 bn.

Forecast for FY17

Earnings forecast for FY17 has been revised upward since net interest income and net gains related to securities are expected to surpass the previous forecast and expenses are expected to decrease.

Consolidated Ordinary Profit ¥62.5 bn (Previous Forecast ¥58.5 bn / Chg. +¥4.0 bn)

Consolidated Net Income * ¥42.5 bn (Previous Forecast ¥40.0 bn / Chg. +¥2.5 bn)

*Attributable to owners of the parent

Joyo | Non-consolidated Net Income ¥25.5 bn (Previous Forecast ¥23.0 bn / Chg. +¥2.5 bn)

Ashikaga | Non-consolidated Net Income ¥21.5 bn (Previous Forecast ¥21.0 bn / Chg. +¥0.5 bn)

Dividend

For FY17, 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.

*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 3Q17 Financial Results

Mebuki FG (Consolidated) (¥bn)

	3Q17	Pro- gress	Previous Full- year Forecast
Ordinary profit	57.1	97.7%	58.5
Net income attributable to owners of the parent	(1) 38.8	97.1%	40.0

Consolidation adjustment

(2)-(1) -6.9bn

Adjustments related to securities (-5.8bn)

Interest expenses of subordinated loans, expenses, etc.

Two banking subsidiaries and group companies

	3Q17	Pro- gress	Previous Full- year Forecast
Net income	(2) 45.8	95.5%	48.0

Net Income of group companies other than banking subsidiaries ¥3.2bn

Reference | Results of Joyo and Ashikaga (¥bn)

	3Q17						vs Previous forecast		
	J+A		Joyo		Ashikaga		J+A	Joyo	Ashi- kaga
	Re- sult	YoY Chg	Re- sult	YoY Chg	Re- sult	YoY Chg			
Gross business profit	140.8	-5.2	79.8	-4.2	60.9	-0.9	76.9%	77.1%	76.7%
Net interest income	115.2	-0.5	65.1	+0.5	50.0	-1.1	78.6%	79.4%	77.5%
Net fees and commissions	23.1	+2.6	13.0	+2.1	10.0	+0.4	73.5%	74.7%	71.9%
Net other business income and Net trading income (o/w gains/losses on bond transactions)	2.4	-7.2	1.5	-6.9	0.8	-0.2	49.3%	39.3%	89.3%
Expenses	84.8	-1.4	49.9	-1.7	34.9	+0.2	72.5%	73.4%	71.3%
Personnel expenses	44.9	-0.5	25.3	-0.9	19.5	+0.4	-	-	-
Non-personnel expenses	34.2	-0.6	21.3	-0.5	12.9	-0.0	-	-	-
Net business income (before general allowance for loan losses)	55.9	-3.7	29.9	-2.5	26.0	-1.2	84.7%	84.2%	85.4%
Core net business income	55.1	+4.9	29.2	+5.7	25.9	-0.8	87.6%	89.9%	85.0%
Net transfer to general allowance for loan losses (a)	-1.8	+0.6	-0.7	+0.2	-1.1	+0.4	-	-	-
Net business income	57.8	-4.4	30.6	-2.7	27.2	-1.6	86.9%	85.1%	89.1%
Net non-recurrent gains/losses	4.0	+5.0	3.5	+3.0	0.5	+2.0	-	-	-
o/w Disposal of non-performing loans (b)	5.6	-1.3	3.6	+0.1	1.9	-1.4	-	-	-
o/w Gains/losses related to stocks, etc	11.5	+1.9	9.1	+1.4	2.4	+0.5	178.3%	227.5%	99.6%
Ordinary profit	61.9	+0.5	34.2	+0.2	27.7	+0.3	96.7%	102.1%	90.8%
Extraordinary income/losses	-1.1	-0.7	-0.7	-0.4	-0.3	-0.3	167.5%	157.6%	192.3%
Income taxes	18.1	+4.2	9.8	-0.0	8.2	+4.2	-	-	-
Net income	42.6	-4.3	23.5	-0.1	19.0	-4.2	96.8%	102.5%	90.6%
Credit related costs (a)+(b)	3.7	-0.6	2.8	+0.3	0.8	-1.0	62.0%	82.1%	34.0%

Core Gross Business Profit

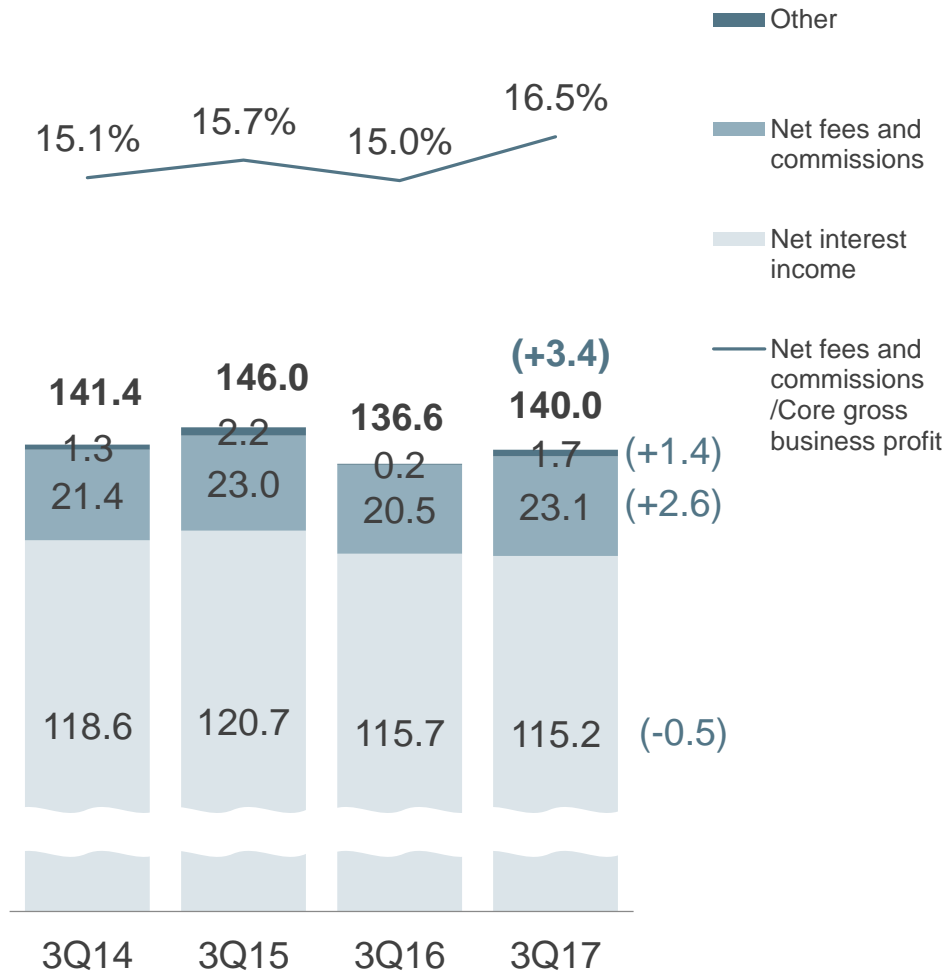
(Gross Business Profit excl. Gains/Losses on Bond Transaction)

Core gross business profit increased ¥3.4 bn YoY.

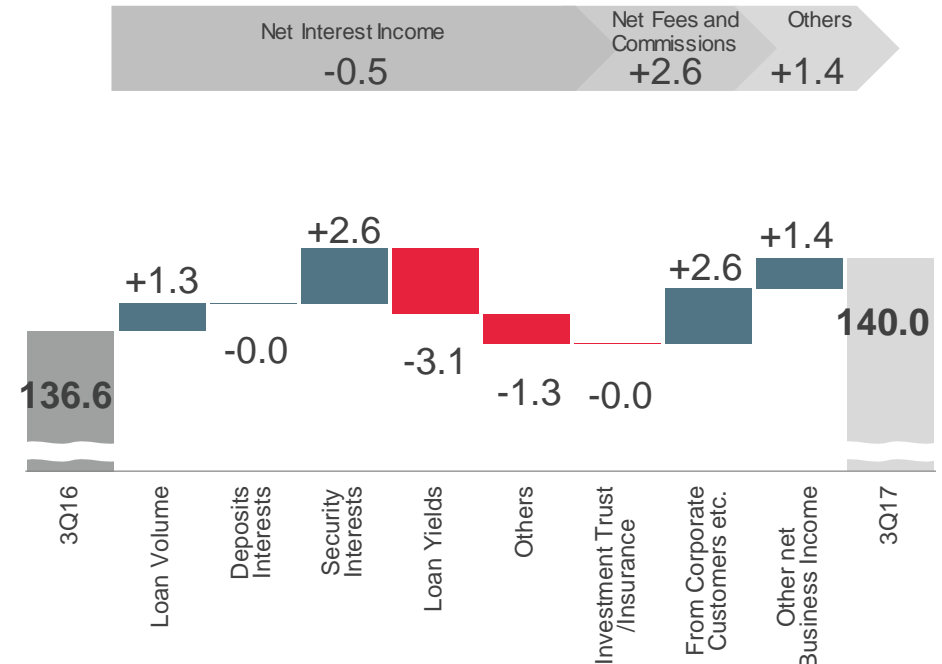
Net fees and commissions from corporate customers increased through enhancement of consulting services.

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

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



Key Change Factors (Joyo+Ashikaga) (¥bn)

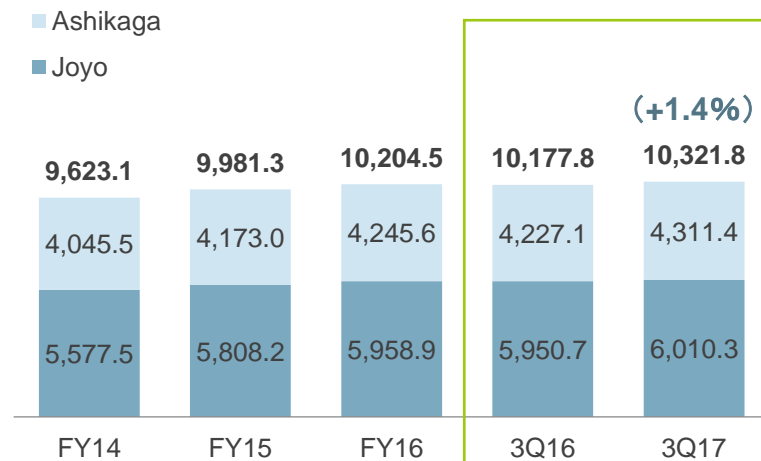


Reference | Gains on Cancellation of Private Offering Investment Trusts among Interests and Dividends on Securities (¥bn)

		FY15	FY16	3Q17	YoY Chg
Joyo	Annual	0.8	1.7	0.7	+0.2
	o/w 2H	(0.4)	(1.6)	(0.1)	(-0.1)
Ashikaga	Annual	3.7	3.6	2.2	-1.3
	o/w 2H	-	(0.4)	(0.0)	(-0.4)

Loans and Deposits (Average Balance / Average Yield)

Loans (Average Balance) (¥bn)

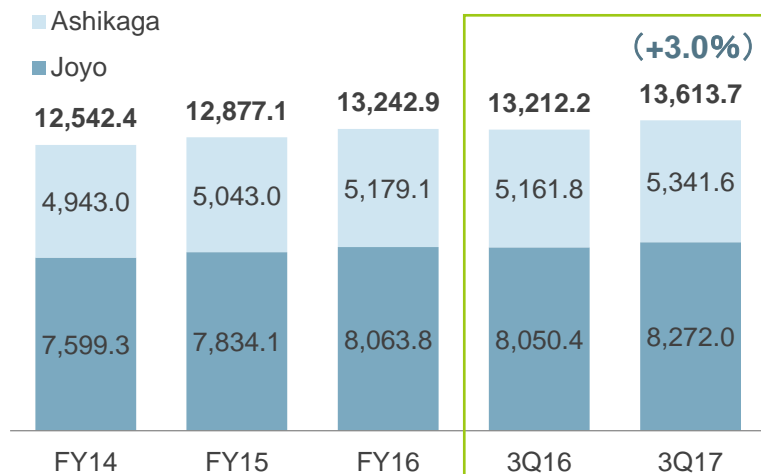


Average Yield

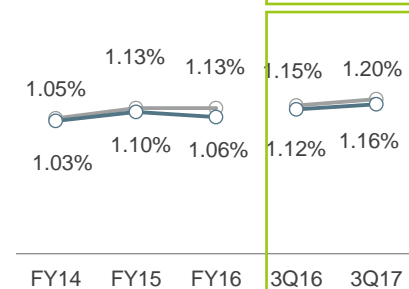
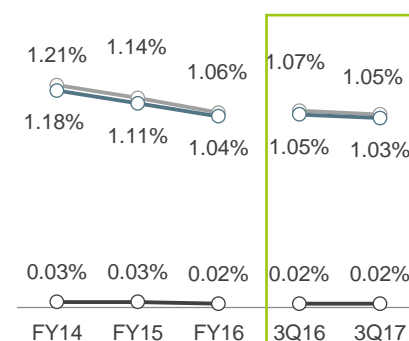
Joyo Bank + Ashikaga Bank (Domestic)

	3Q16	3Q17	YoY
Total Investments	1.06%	1.02%	-0.04%
o/w Loans	1.12%	1.07%	-0.05%
o/w Securities	1.14%	1.13%	-0.01%
Deposits	0.01%	0.01%	0.00%

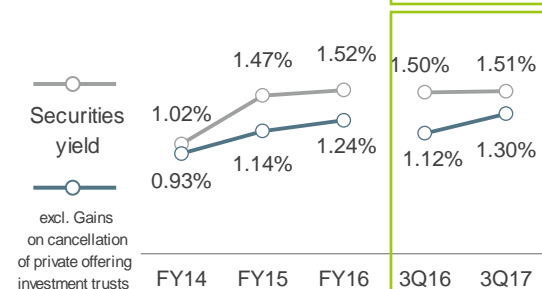
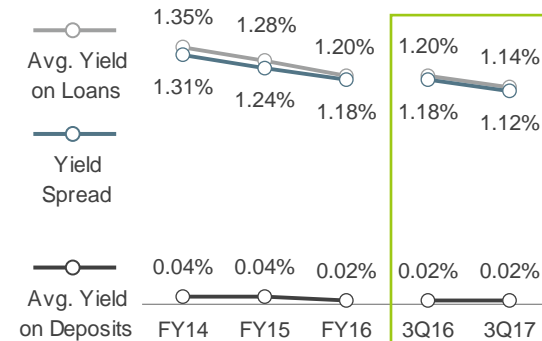
Deposits (Average Balance) (¥bn)



Joyo (Domestic + International)



Ashikaga (Domestic + International)



Loans (1)

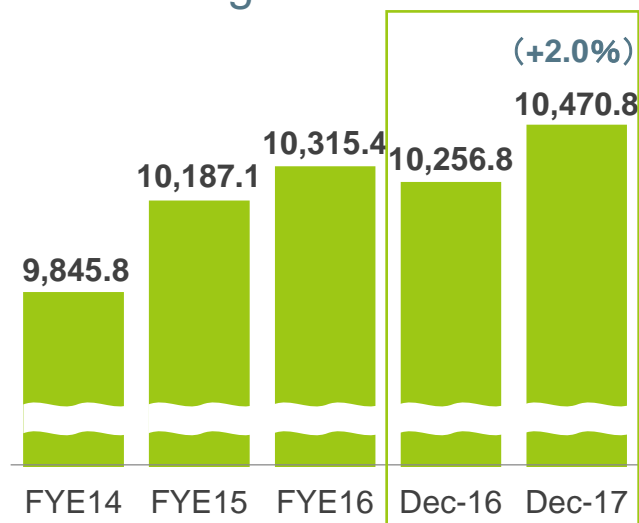
*Figures in parentheses are changes on a year on year basis

Loans to individual customers increased by ¥234.3 bn (+5.5%) and housing related loans increased by ¥228.0 bn (+5.8%) YoY.

Loans to corporate customers increased by ¥79.2 bn (+1.6%) and loans to local corporate customers increased ¥113.3 bn (+3.7%) YoY.

Joyo Bank + Ashikaga Bank

(¥bn)



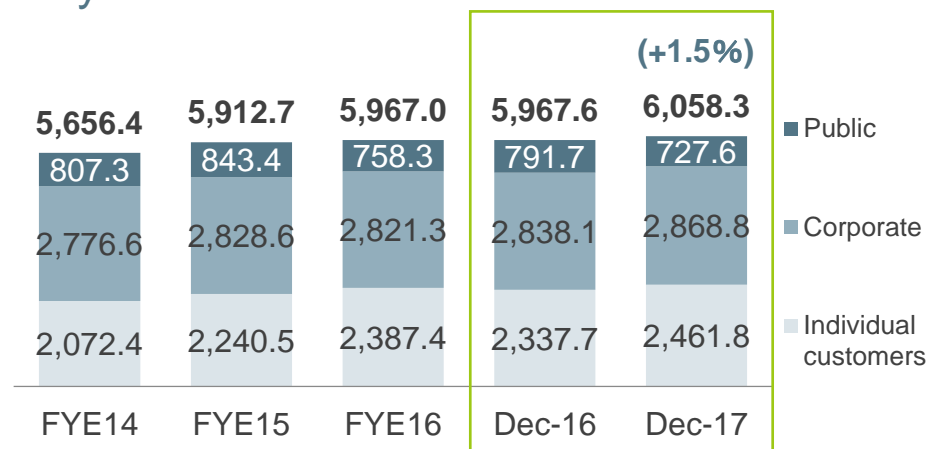
	FYE14	FYE15	FYE16	Dec-16	Dec-17	YoY Change (%)
Individual	3,746.2	4,025.6	4,272.8	4,193.3	4,427.6	+5.5%
Corporate	4,772.2	4,813.1	4,809.6	4,846.8	4,926.0	+1.6%
Public	1,327.3	1,348.3	1,232.9	1,216.6	1,117.1	-8.1%

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

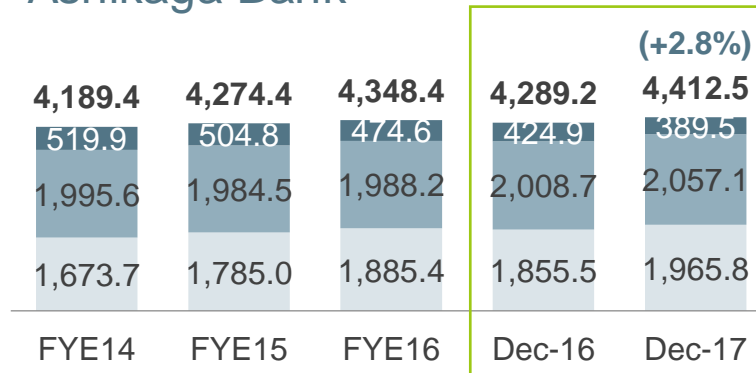
Foreign Currency Denominated Loans

	FYE14	FYE15	FYE16	Dec-16	Dec-17
Joyo	86.3	98.8	116.0	112.9	111.2
Ashikaga	5.5	5.7	12.2	8.6	15.1
Total	91.9	104.5	128.3	121.6	126.4

Joyo Bank



Ashikaga Bank



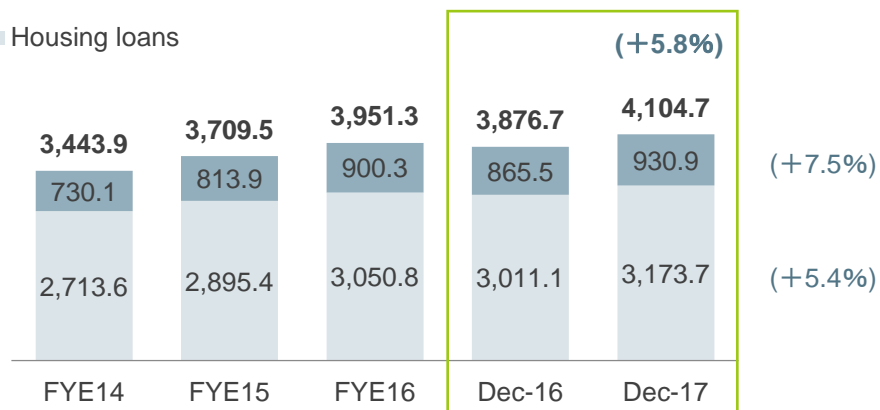
Loans (2) Term-end Balance (Joyo + Ashikaga)

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

Housing Related Loans (¥bn)

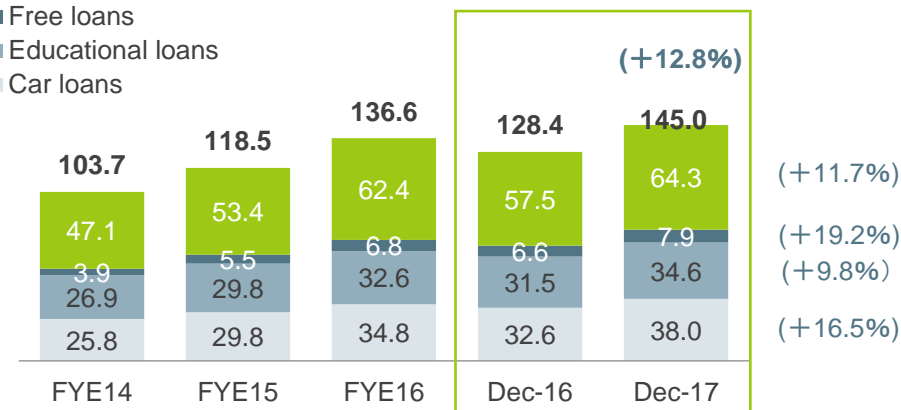
- Apartment loans
- Housing loans

* Apartment loans include those to corporate customers



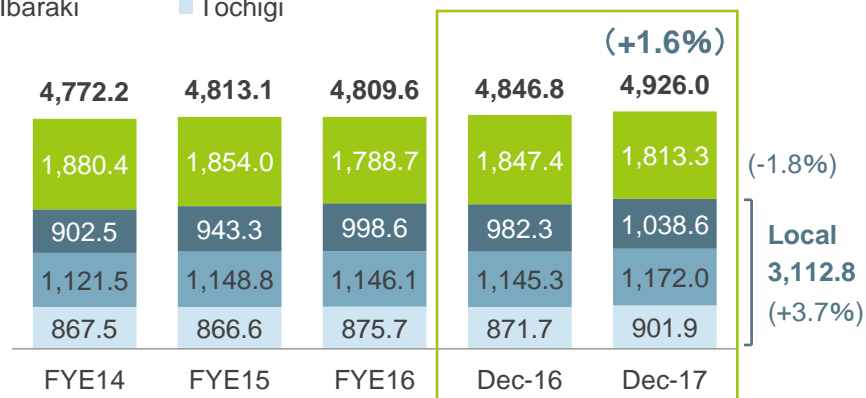
Unsecured Loans (¥bn)

- Card loans
- Free loans
- Educational loans
- Car loans



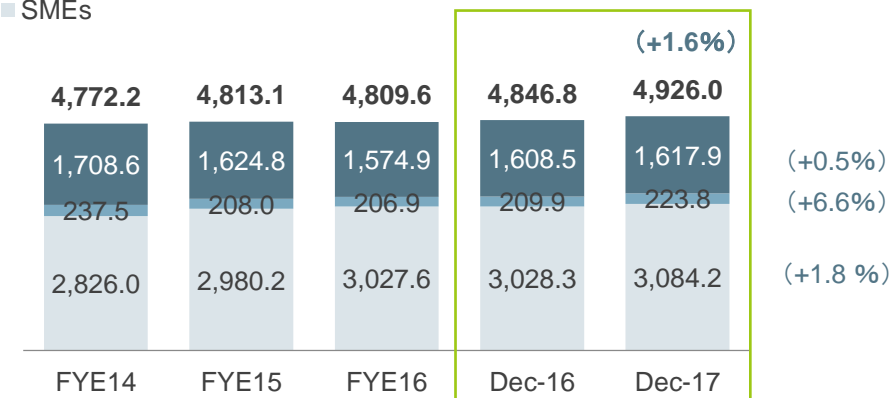
Corporate Loans (by Area) (¥bn)

- Tokyo
- Neighboring Prefectures
- Ibaraki
- Tochigi



Corporate Loans (by Company Size) (¥bn)

- Large
- Midium
- SMEs



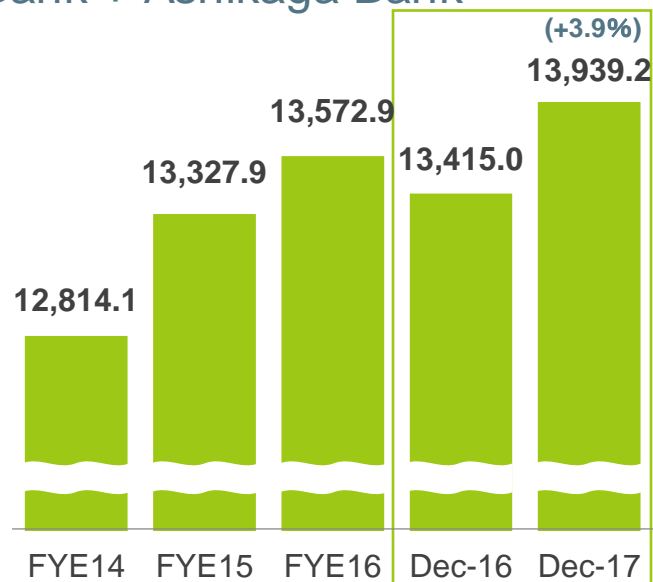
Deposits

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

Deposits of individual and corporate customers have been on the increase.
(Individual customers : +3.6%, Corporate customers : +4.1%)

Joyo Bank + Ashikaga Bank

(¥bn)



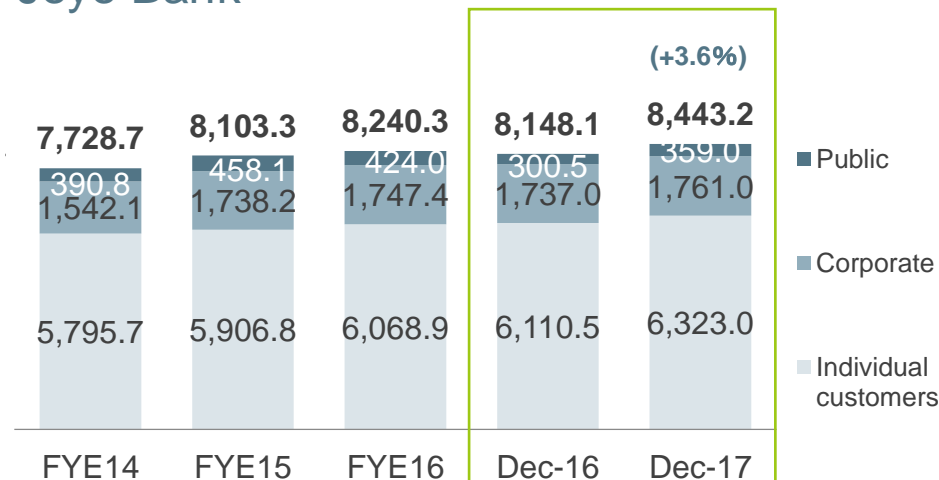
	FYE14	FYE15	FYE16	Dec-16	Dec-17	Change (%)
Individual	9,344.2	9,502.6	9,762.1	9,829.0	10,187.4	(+3.6%)
Corporate	2,741.9	3,020.8	3,062.8	3,051.6	3,177.6	(+4.1%)
Public	727.8	804.4	748.0	534.4	574.2	(+7.4%)

*1 "Corporate" includes financial institutions.

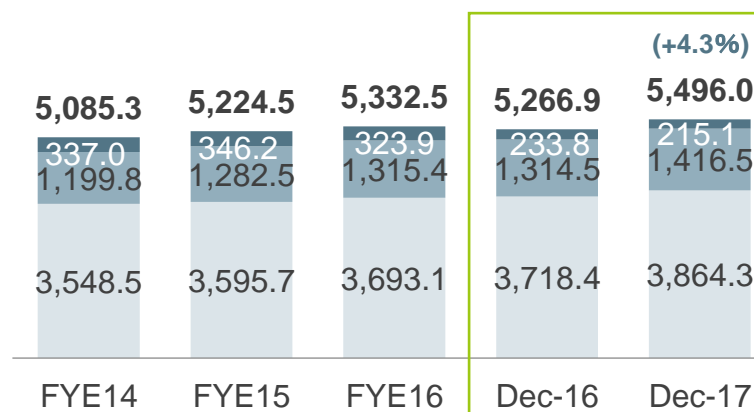
*2 Foreign currency deposits include foreign currency deposits hedged by forward exchange contracts, offshore deposits, and so forth.

Foreign Currency Deposit						
	FYE14	FYE15	FYE16	Dec-16	Dec-17	
Joyo	54.6	111.4	140.7	180.2	209.5	
Ashikaga	16.4	16.3	24.8	18.2	62.5	
Total	71.1	127.7	165.6	198.5	272.1	

Joyo Bank



Ashikaga Bank

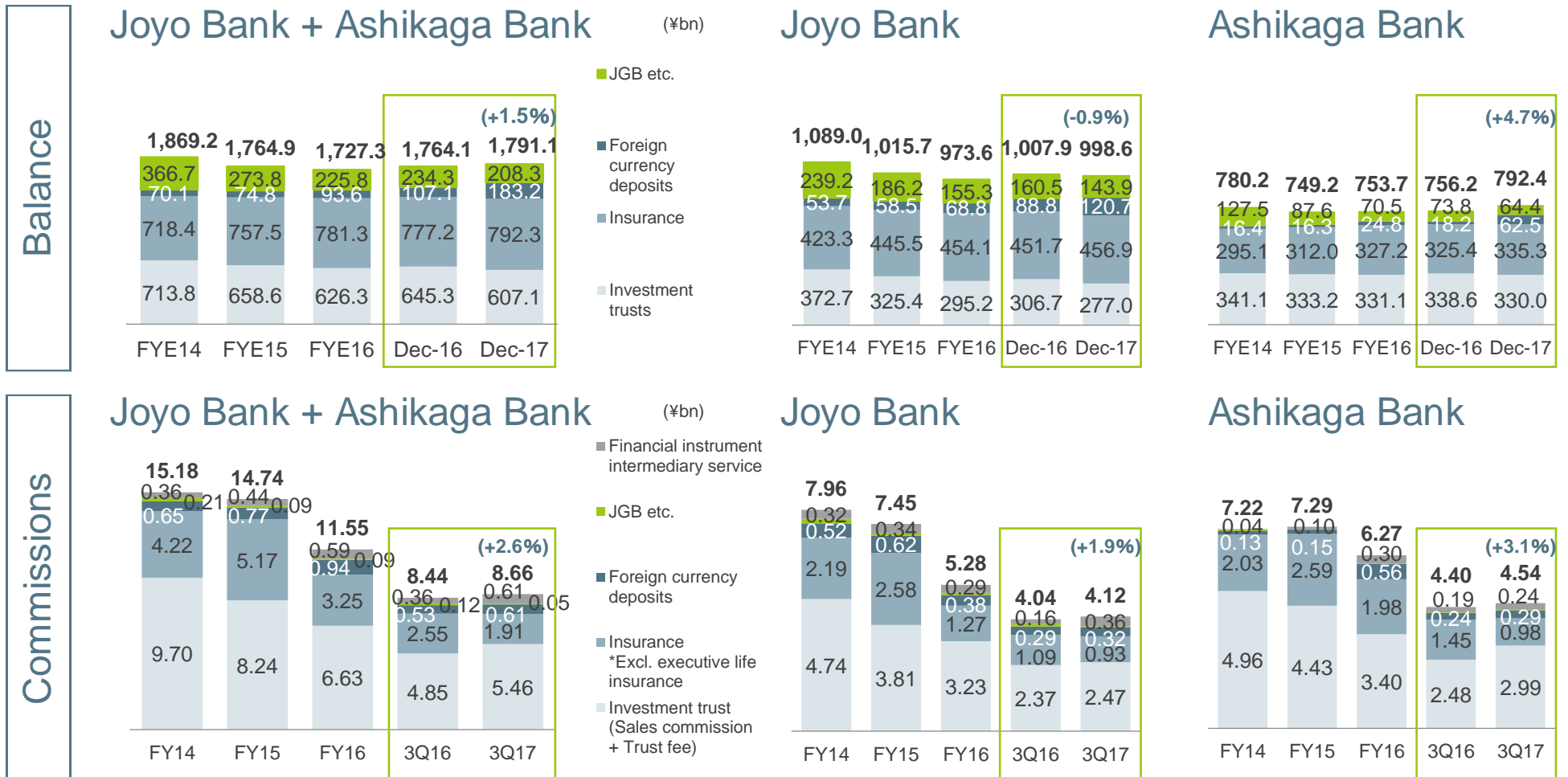


Customer Assets under Custody

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

The amount rose 1.5% YoY due to foreign currency deposits.

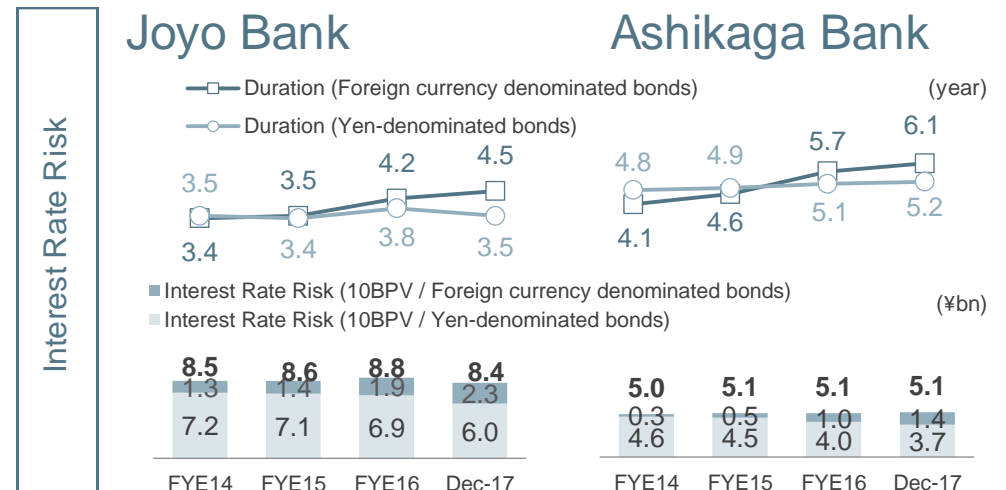
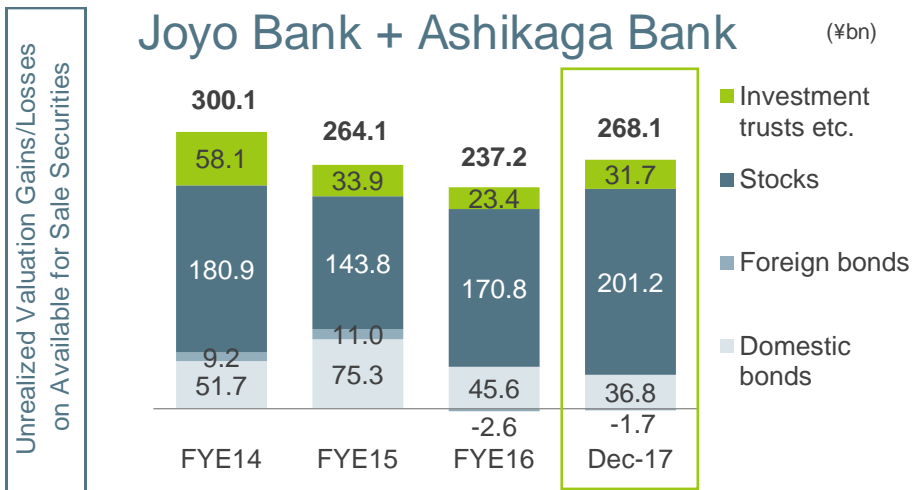
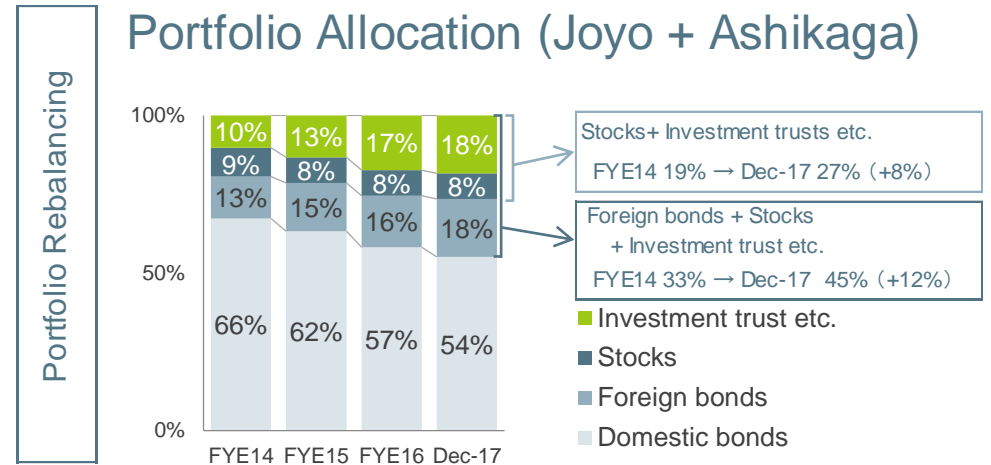
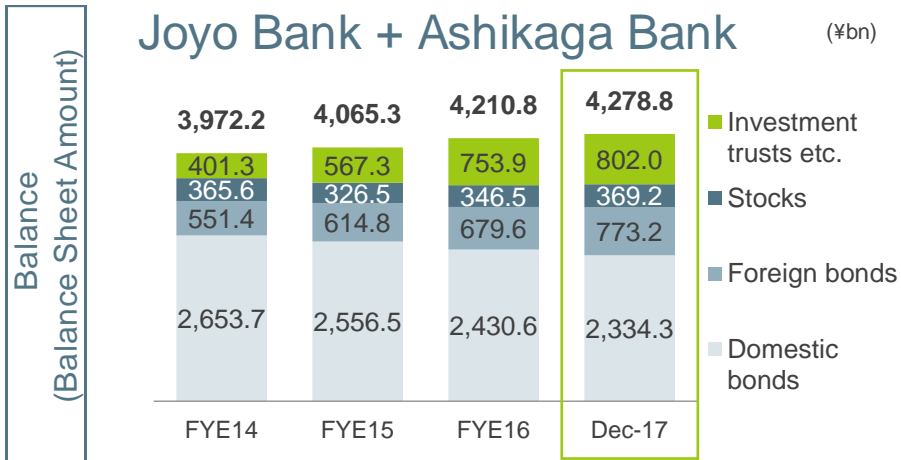
Commissions increased 2.6% YoY mainly due to sales of investment trusts.



Securities

Considering the interest rate of the Japanese yen, reinvestment of redemption payments of JGBs was suspended (The amount of domestic bonds held decreased by ¥96.2 bn from the end of FY16).

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



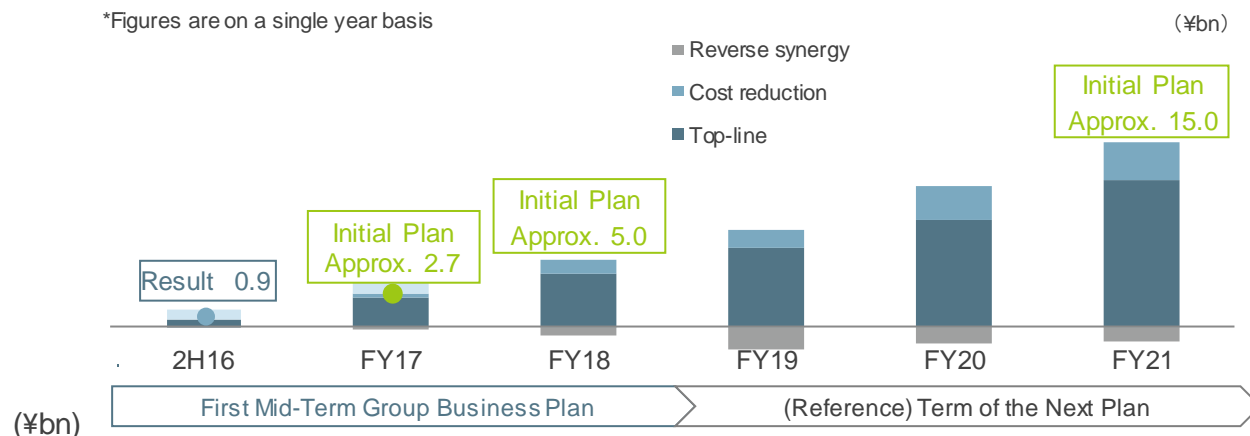
Status of Integration Synergy

Synergy effect for 3Q17 is ¥3.1bn representing progress of 115% towards FY17 forecast of ¥2.7bn. Integration measures are progressing steadily to achieve synergy effect target for after FY18.

Synergy Effects on the Statement of Income *before Tax

	Amount
FY17 Forecast	+ ¥2.7bn
3Q17 Result	+ ¥3.1bn (Progress 115%)

FY17 (3Q Results/ Forecast)



Items	Full-year Forecast	3Q Result	Progress	Details
Loans				• 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)
Corporate services	1.03	0.95	92.7%	• Joint development of online application housing loans, Joint sales of housing loans for women
Financial assets under custody	0.85	0.65	76.0%	• Share sales promotion know-how • Utilization of Mebuki Securities
Securities	0.70	0.49	71.3%	• 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	0.87	341.8%	• 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	0.59	198.9%	• 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	-0.38	-	• Lower transfer fee between both banks to the inter-branch rate • System migration expenses
Total	2.77	3.19	115.2%	

Forecast for FY17

Earnings forecast for FY17 has been revised upward since net interest income and net gain related to securities are expected to surpass the initial forecast and expenses are expected to decrease.

Consolidated Ordinary Profit ¥62.5 bn (+¥4.0 bn vs Previous Forecast of ¥58.5 bn)

Consolidated Net Income * ¥42.5 bn (+¥2.5 bn vs Previous Forecast of ¥40.0 bn)

*Attributable to owners of the parent

Mebuki FG (Consolidated)

	3Q17		FY17 (Full-year)		
	3Q17	Progress	Revised Forecast	Previous Forecast	Chg.
Ordinary Profit	57.1	91.5%	62.5	58.5	+4.0
Net Income *	38.8	91.4%	42.5	40.0	+2.5

*Attributable to owners of the parent

FY17 Forecast

	Revised Forecast	Prev. Forecast
ROE	Approx. 4.8%	4.6%
OHR	Approx. 63%	63.8%

Joyo + Ashikaga + Non-banking Subsidiaries (¥bn)

	3Q17		FY17 (Full-year)		
	3Q17	Progress	Revised Forecast	Previous Forecast	Chg.
Net Income	45.8	89.9%	51.0	48.0	+3.0

Joyo + Ashikaga (Non-consolidated)

	3Q17		FY17 (Full-year)		
	3Q17	Progress	Revised Forecast	Previous Forecast	Chg.
Ordinary Profit	61.9	90.4%	68.5	64.0	+4.5
Net Income	42.6	90.6%	47.0	44.0	+3.0

Joyo Bank (Non-Consolidated)

	3Q17		FY17 (Full-year)		
	3Q17	Progress	Revised Forecast	Previous Forecast	Chg.
Ordinary Profit	34.2	92.5%	37.0	33.5	+3.5
Net Income	23.5	92.4%	25.5	23.0	+2.5

Ashikaga Bank (Non-consolidated)

	3Q17		FY17 (Full-year)		
	3Q17	Progress	Revised Forecast	Previous Forecast	Chg.
Ordinary Profit	27.7	87.9%	31.5	30.5	+1.0
Net Income	19.0	88.5%	21.5	21.0	+0.5

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