

Mebuki Financial Group, Inc.

# Financial Results for FY2017 (IR Presentation Material)



# Contents

<u>Highlights</u>	2	<u>2. Forecast for FY18 etc.</u>	
<u>1. Financial Results for FY17</u>		Forecast for FY18	19-20
Main Points of FY17 Financial Results	3	Capital Adequacy Ratio / Shareholder Return	21
Core Gross Business Profit	4	Integration Synergy	22
Change of Core Net Business Income	5		
Expenses / OHR	6		
Loans and Deposits (Avg. Balance / Yield)	7	<u>3. Sales Measures etc.</u>	
Loans	8-11	Measures for Corporate Customers	23-27
Deposits	12	Measures for Individual Customers	28-30
Customer Assets under Custody	13	Branch Network	31-32
Fees from Corporate Customers	14	System Integration / Cost Reduction	33
Securities	15-16	Branch Operation Efficiency	34
Credit Related Costs / Non-performing Loans	17	Operational Efficiency Improvement	35
Group Companies	18	IT / Enhancement of Customer Convenience	36

# 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

We are projecting a decrease in net interest income, increases in net fees and commissions from consulting services related to business potential assessment and customers' asset building, a decrease in credit related cost, 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
<b>Net business income</b>	<b>68.5</b>	<b>-4.4</b>	<b>34.4</b>	<b>-2.9</b>	<b>34.1</b>	<b>-1.4</b>
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
<b>Ordinary profit</b>	<b>68.2</b>	<b>-0.7</b>	<b>36.9</b>	<b>+1.2</b>	<b>31.2</b>	<b>-1.9</b>
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
<b>Net income</b>	<b>46.8</b>	<b>-3.9</b>	<b>25.5</b>	<b>+1.0</b>	<b>21.3</b>	<b>-5.0</b>
Credit related costs (a)+(b)	7.9	-1.5	4.9	+0.1	3.0	-1.7

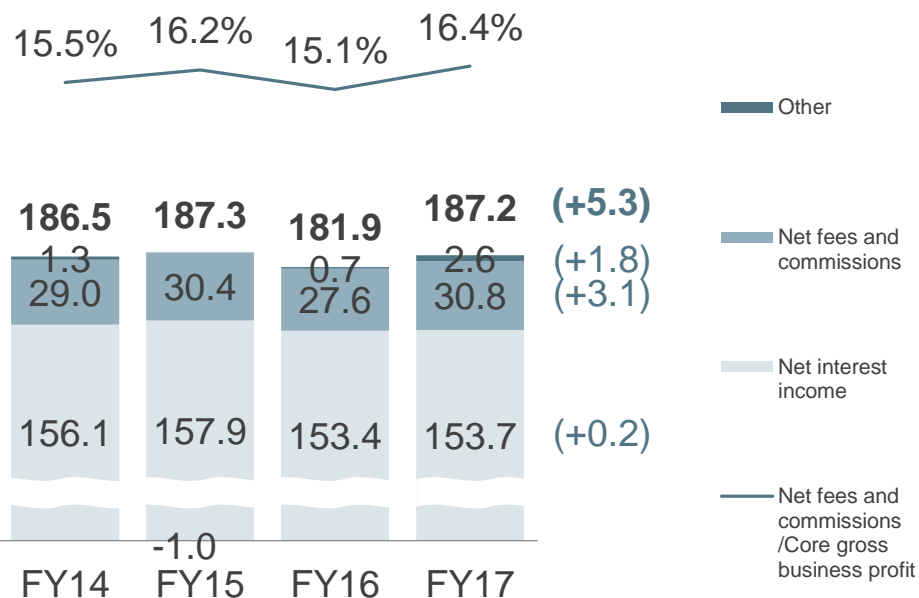
# Core Gross Business Profit

(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

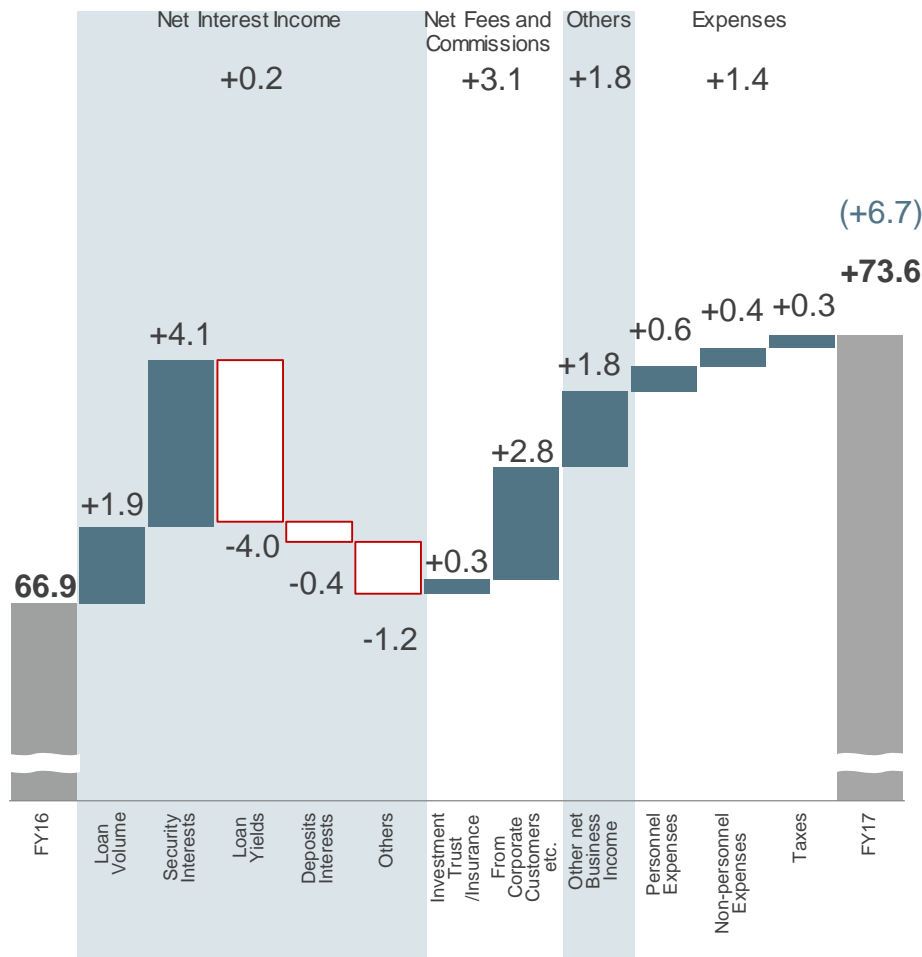
	Factor	YoY Chg.	Domestic (Chg. in Nil)		Overseas (Chg. in Nil)	
			Chg. in Factors	Chg. in Factors		
Interest on loans and bills discounted	Avg	+1.1	+0.9	(+¥85.7bn)	+0.1	(+¥8.0bn)
	Yield	-2.7	-2.8	(-6.6bp)	+0.0	(+70.5bp)
Interest on deposits (-)		+0.1	-0.2	—	+0.3	—
Interest and dividend on securities	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

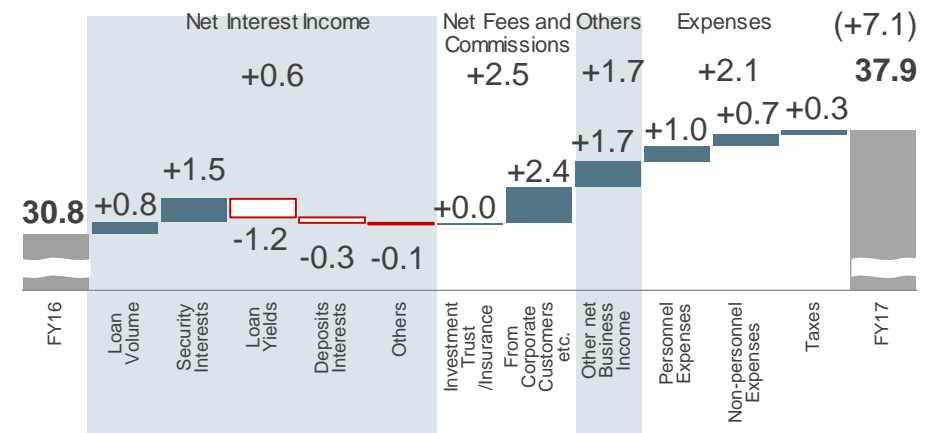
Core net business income on a simple-sum basis of the two banking subsidiaries increased by ¥6.7bn YoY to ¥73.6bn, mainly due to increases in net fees and commissions and cost reduction measures

## Joyo + Ashikaga

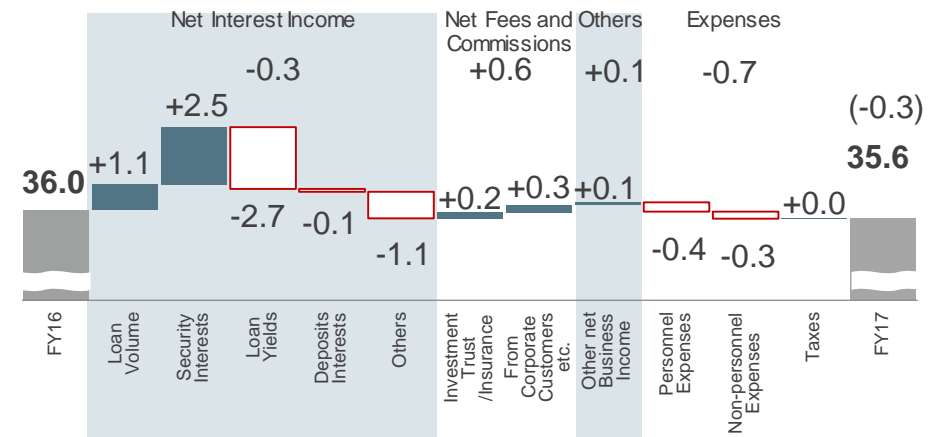
(¥Bn)



## Joyo Bank



## Ashikaga Bank



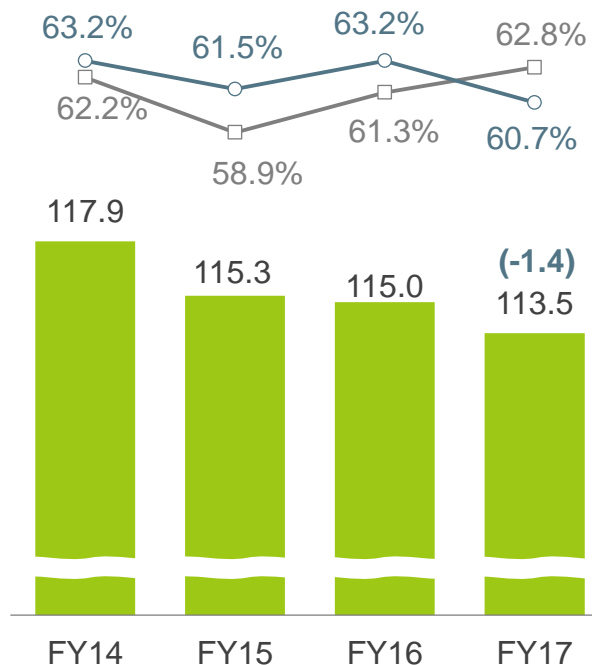
# Expenses / OHR

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)

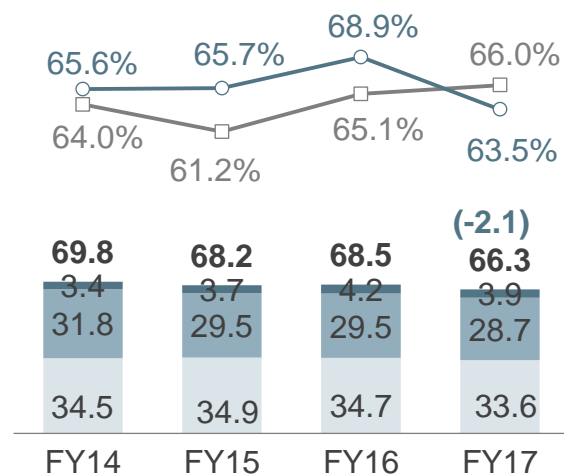
- Total
- OHR vs Gross Business Profit
- OHR vs Gross Business Profit excl. Gains/Losses on Bond Transaction



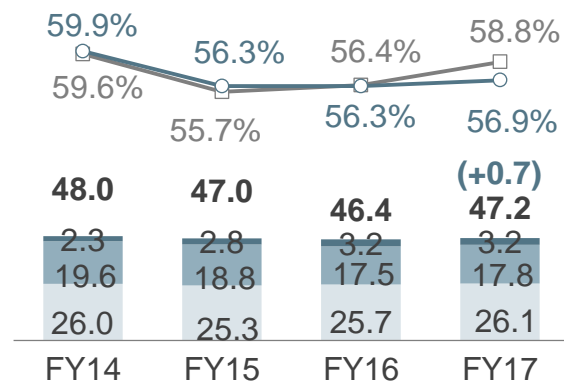
	FY14	FY15	FY16	FY17	Change
Personnel	60.5	60.3	60.4	59.7	(-0.6)
Non-personnel	51.5	48.4	47.0	46.6	(-0.4)
Taxes	5.8	6.5	7.4	7.1	(-0.3)

## Joyo Bank

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



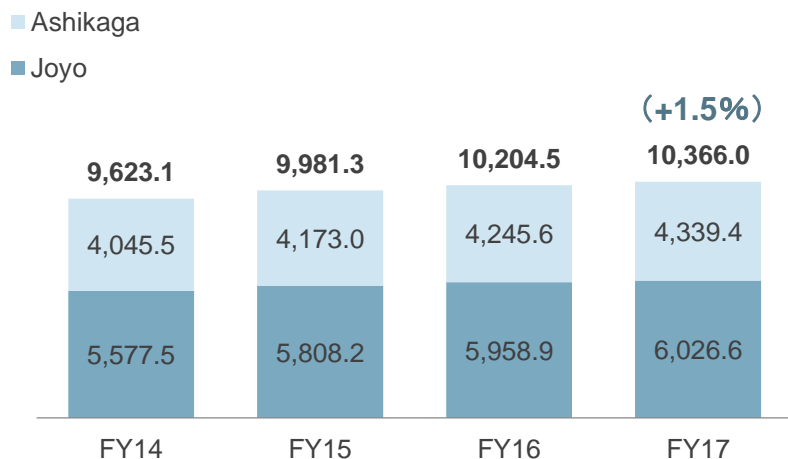
## Ashikaga Bank



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

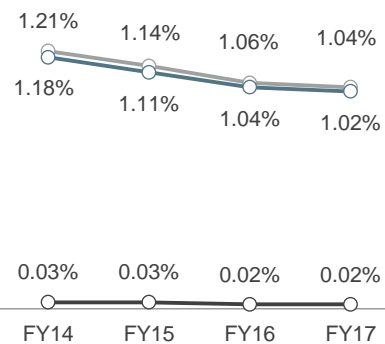
\*Figures in parentheses are changes on a year on year basis

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

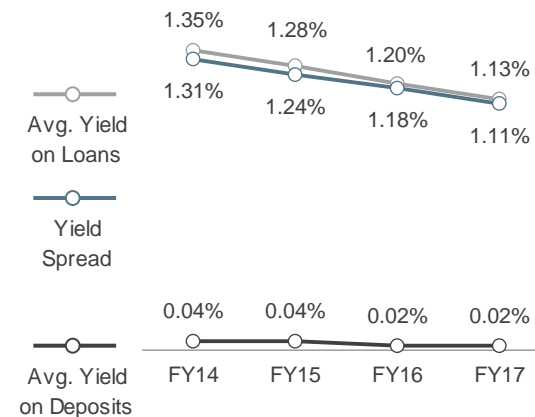


## Average Yield (Domestic + International)

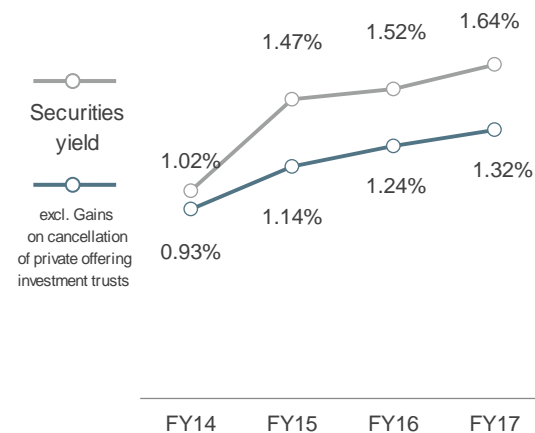
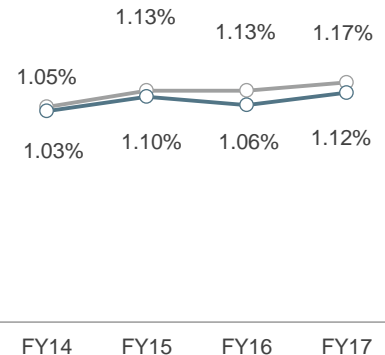
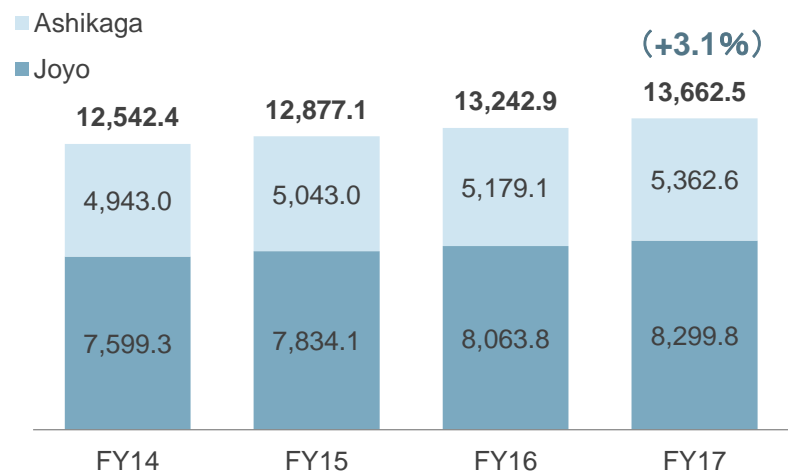
### Joyo



### Ashikaga



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





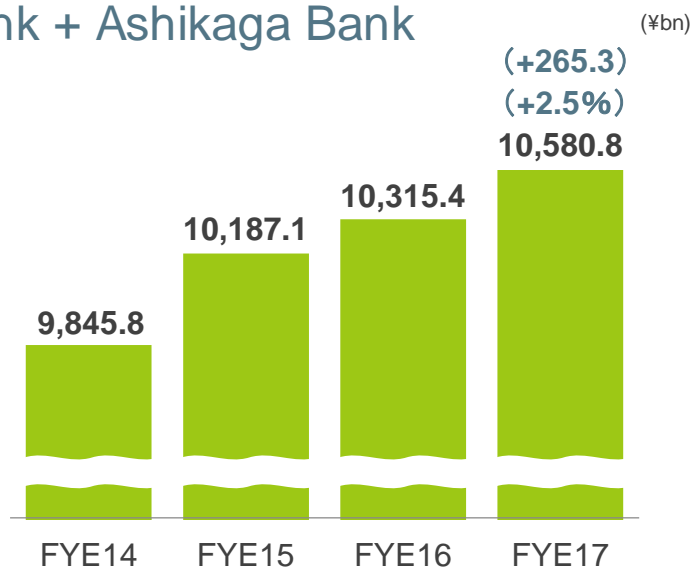
# Loans (1) Term-end Balance

\*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



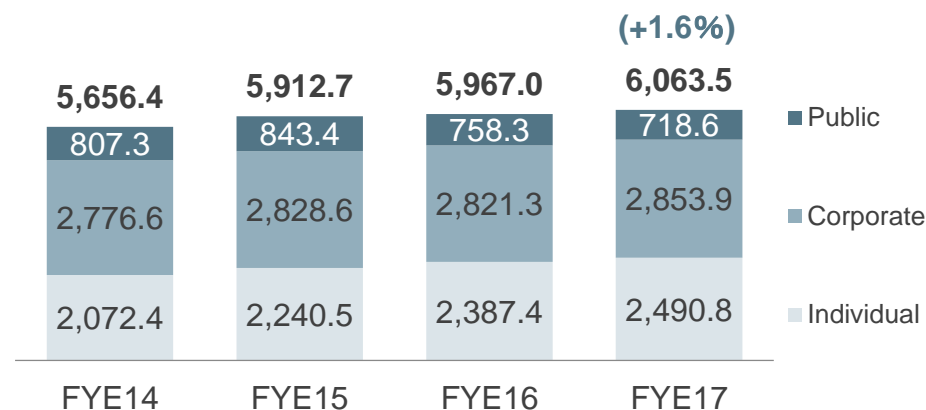
	FYE14	FYE15	FYE16	FYE17	YoY Change (%)
Individual	3,746.2	4,025.6	4,272.8	4,491.2	+5.1%
Corporate	4,772.2	4,813.1	4,809.6	4,935.9	+2.6%
Public	1,327.3	1,348.3	1,232.9	1,153.6	-6.4%

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

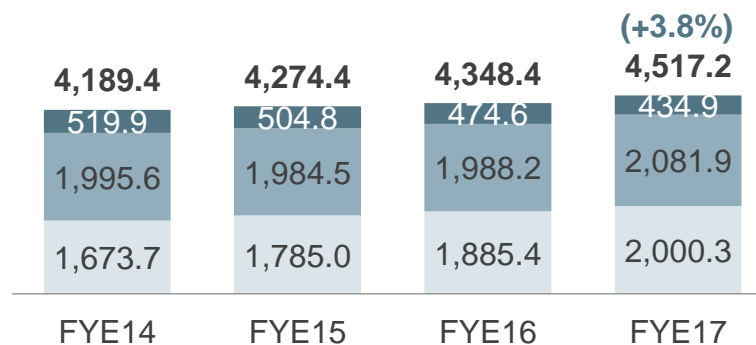
### Foreign Currency Denominated Loans

	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



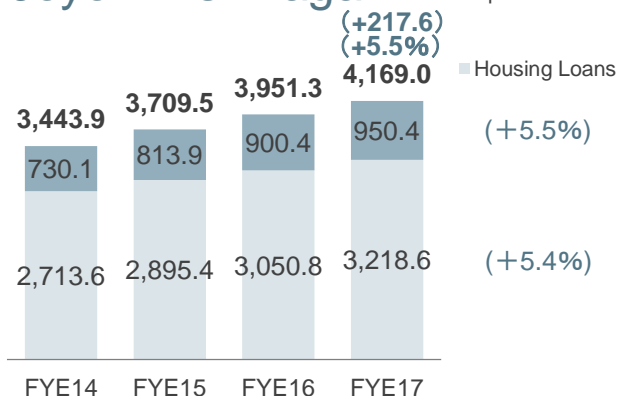
# Loans (2) Individual Housing Related / Unsecured

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

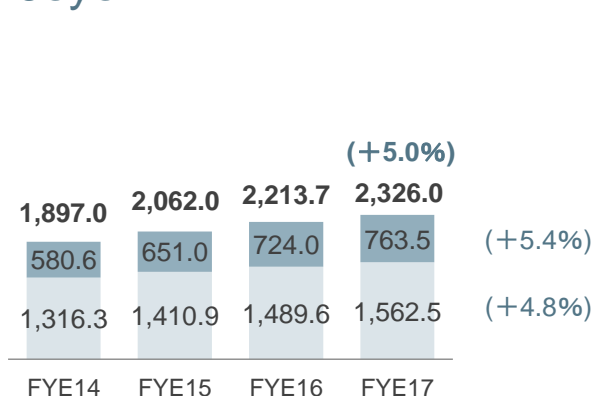
## Housing Related Loans Term-end Balance

(¥bn)

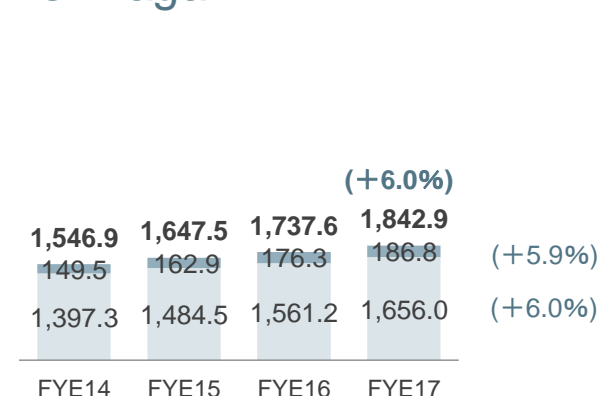
### Joyo + Ashikaga



### Joyo



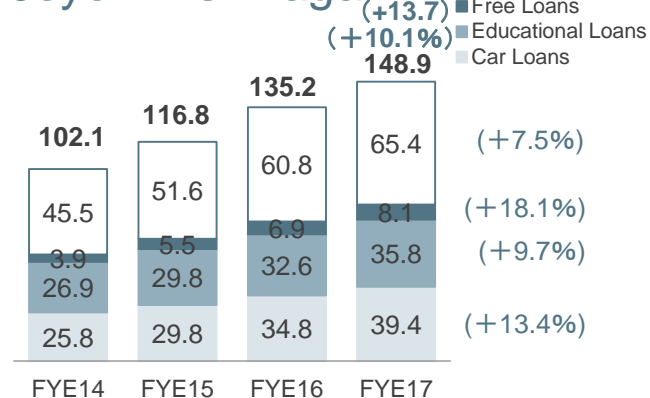
### Ashikaga



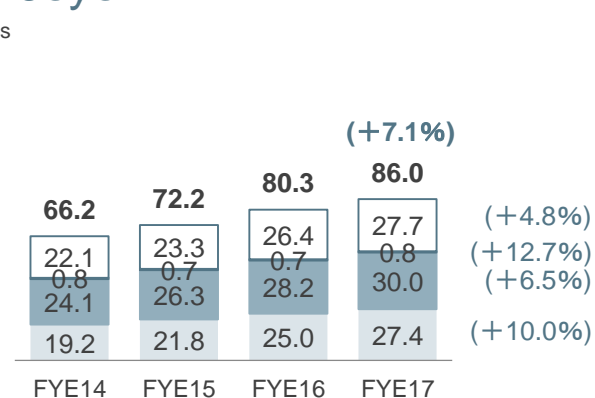
## Unsecured Loans Term-end Balance

(¥bn)

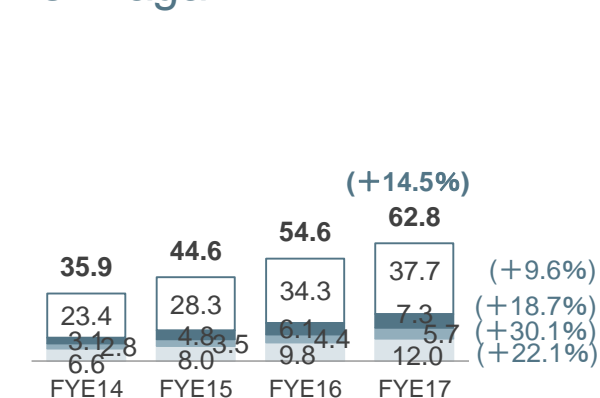
### Joyo + Ashikaga



### Joyo



### Ashikaga



\* Credit cards are not included in "Card Loans"

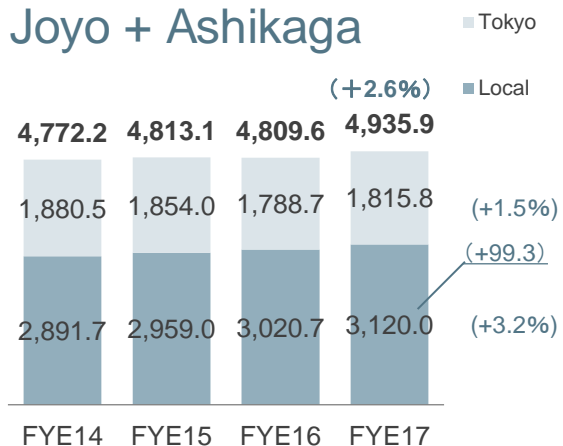
# Loans (3) Corporate by Area / Company Size

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

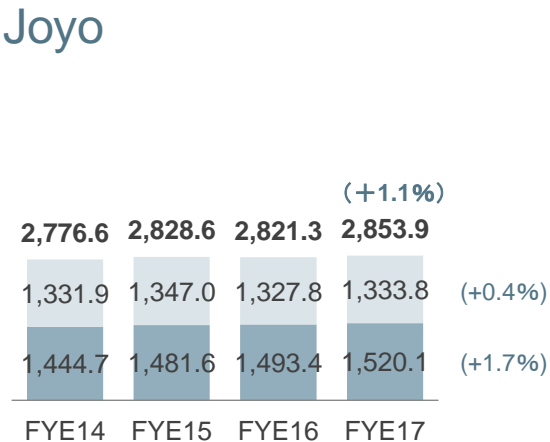
## Term-end Balance by Area

(¥bn)

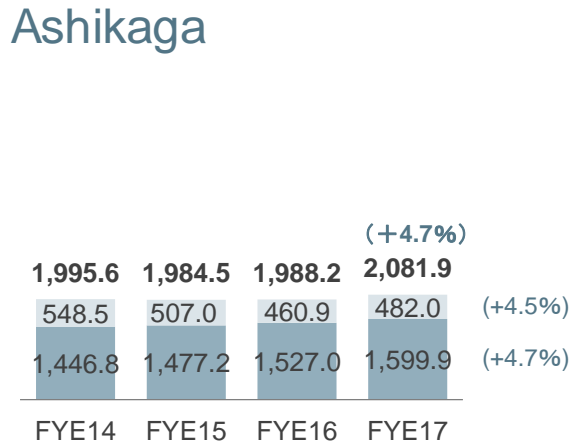
### Joyo + Ashikaga



### Joyo



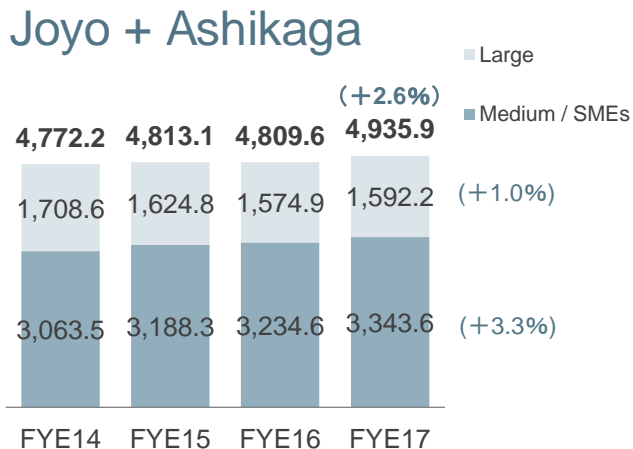
### Ashikaga



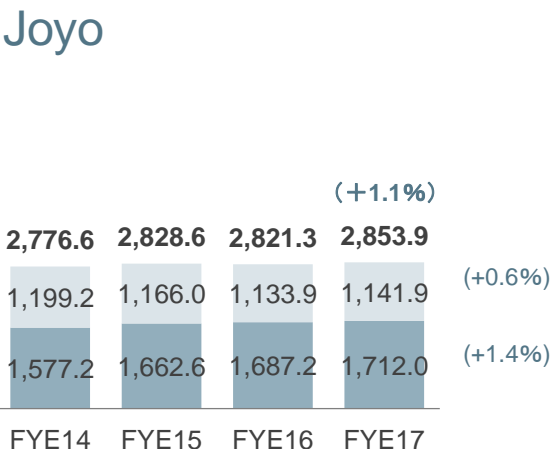
## Term-end Balance by Company Size

(¥bn)

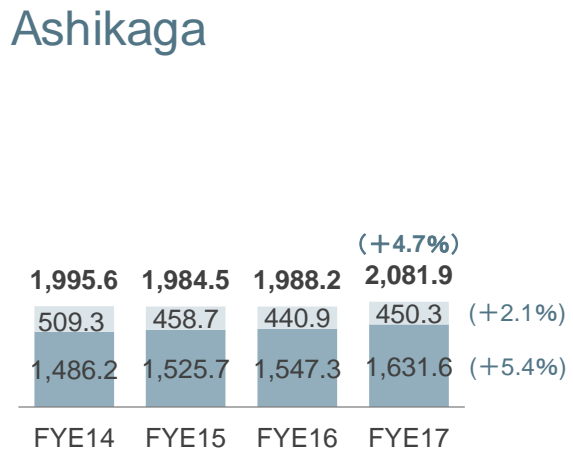
### Joyo + Ashikaga



### Joyo



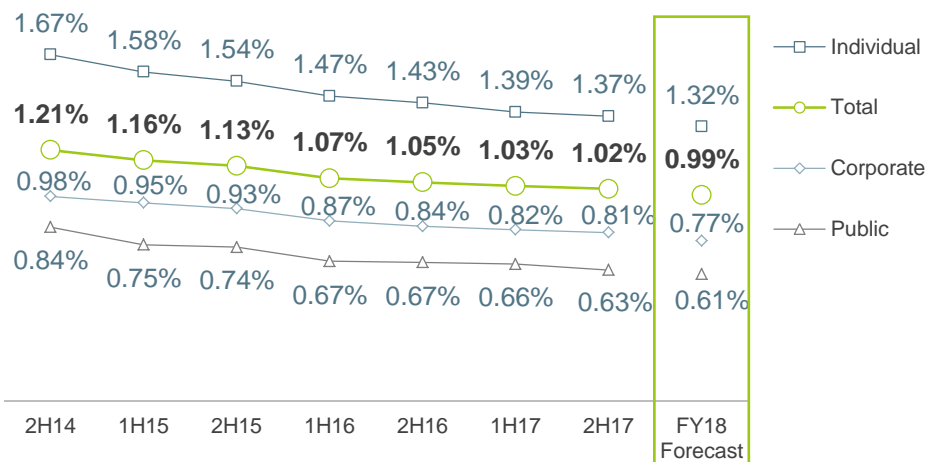
### Ashikaga



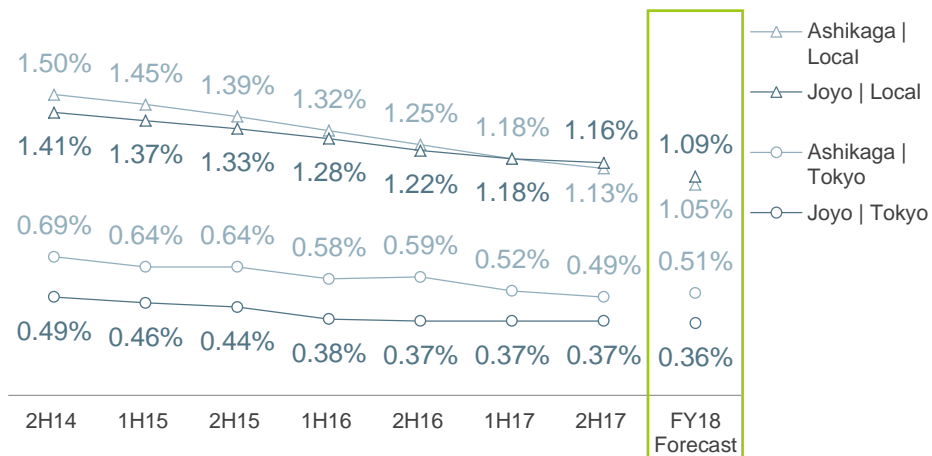
# Loans (4) Average Yield

\*Average yields by borrower type are calculated based on management accounting

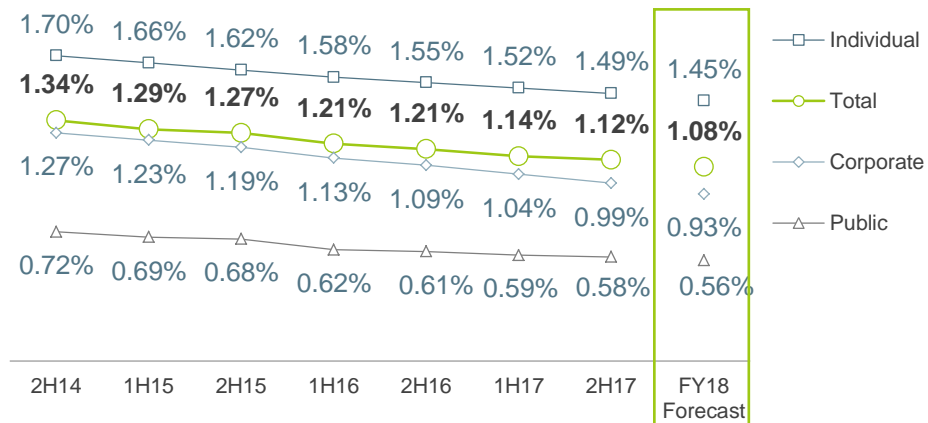
## By Borrower Type (Domestic) Joyo



## Corporate Loans (by Area)

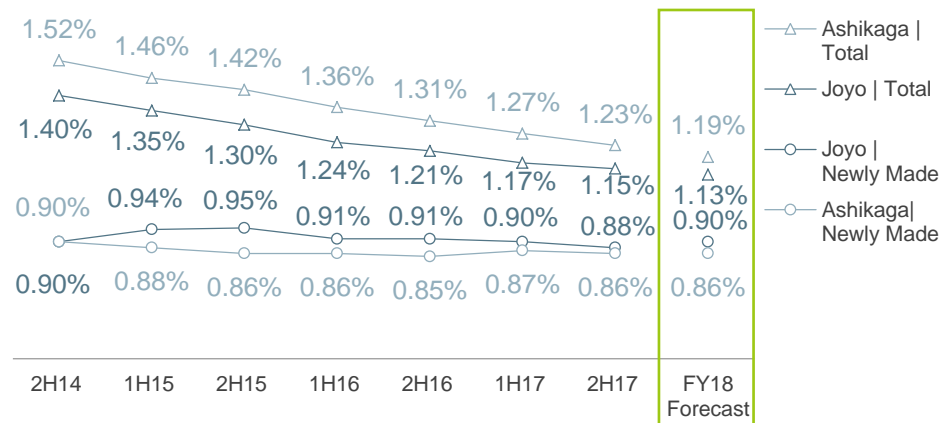


## By Borrower Type (Domestic) Ashikaga



## Housing Loans

Result of Total | Based on term-end balance  
Forecast | Based on avg. balance



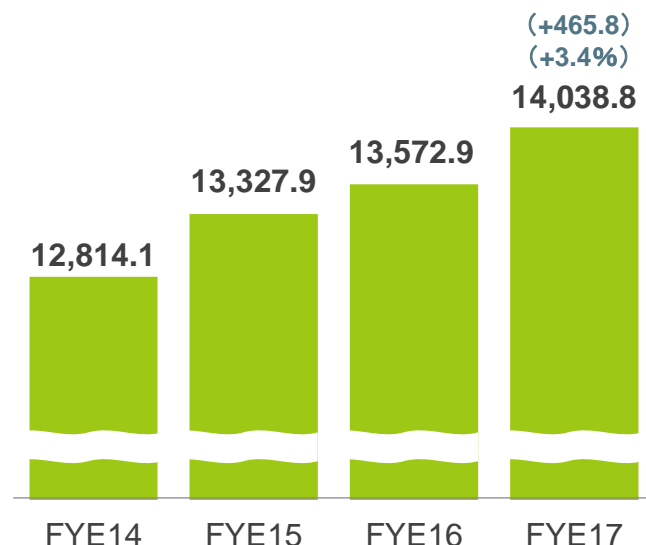
# Deposits Term-end Balance

\*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%

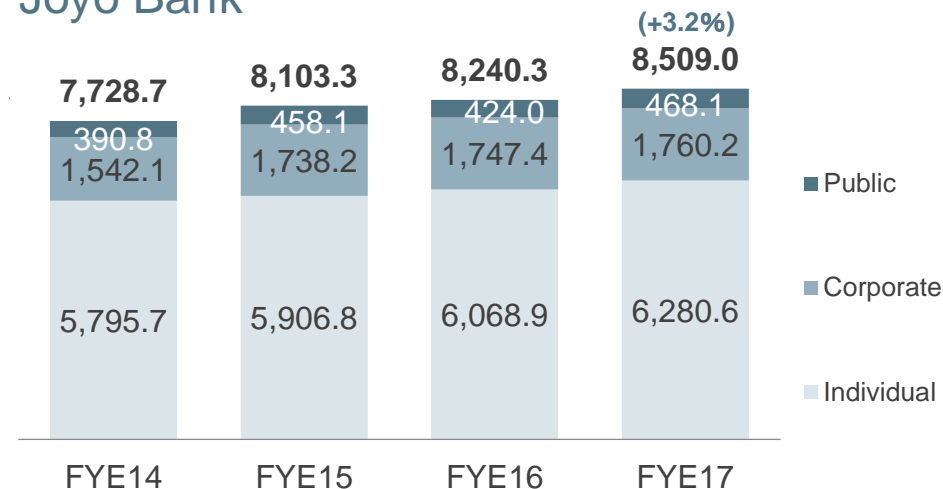
\*1 "Corporate" includes financial institutions.

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

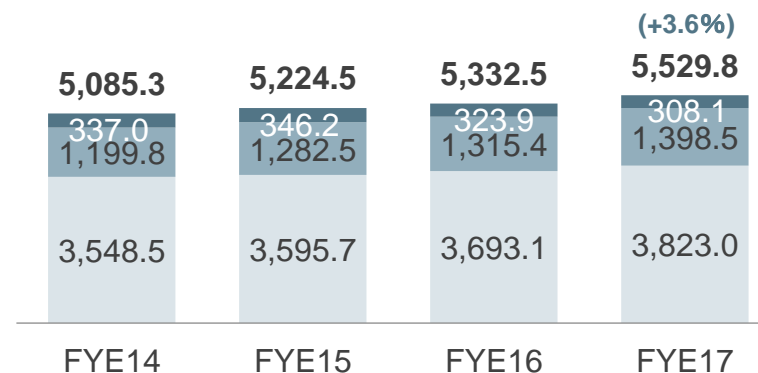
### Foreign Currency Deposit

	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

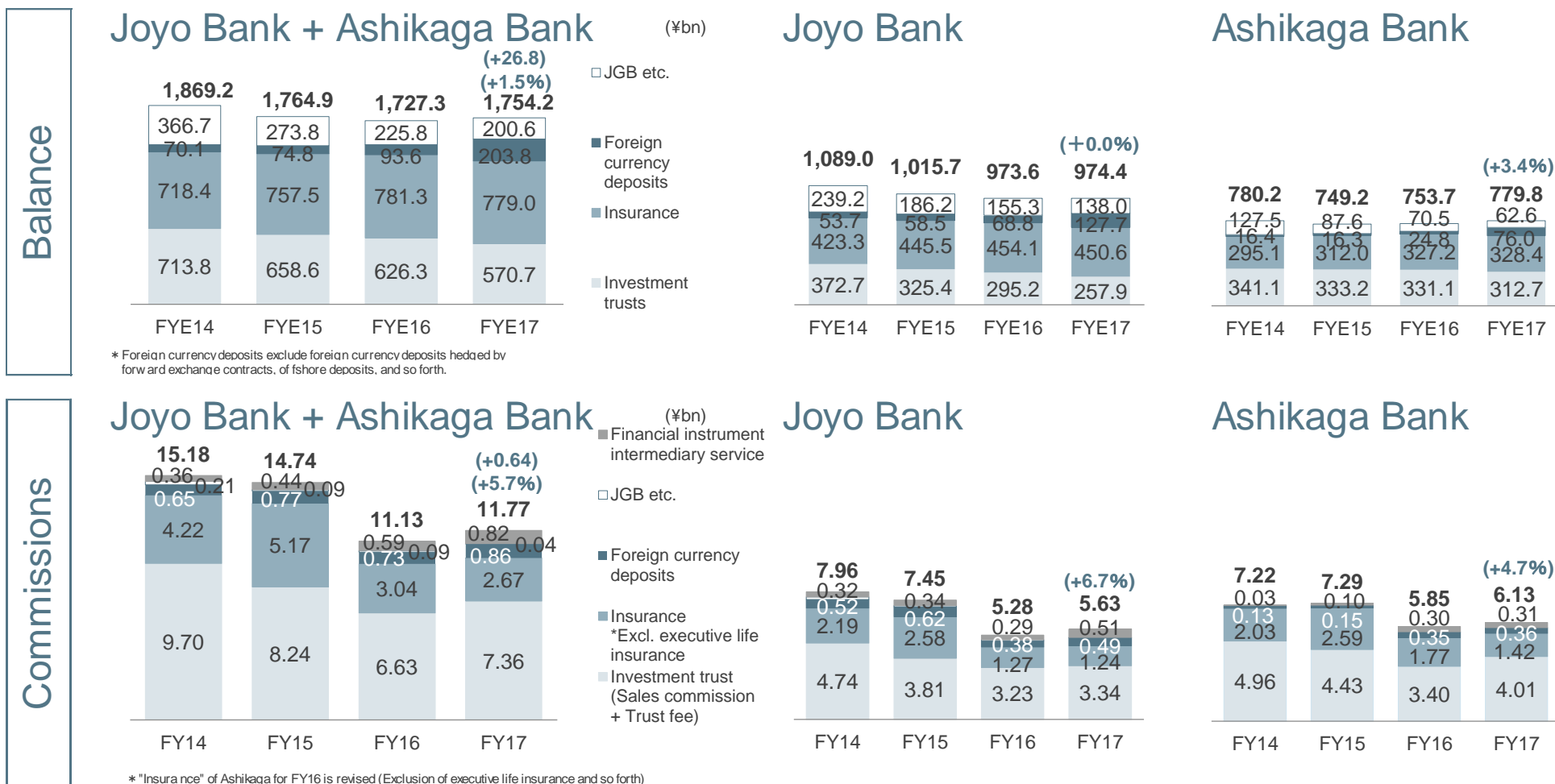


# Customer Assets under Custody

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

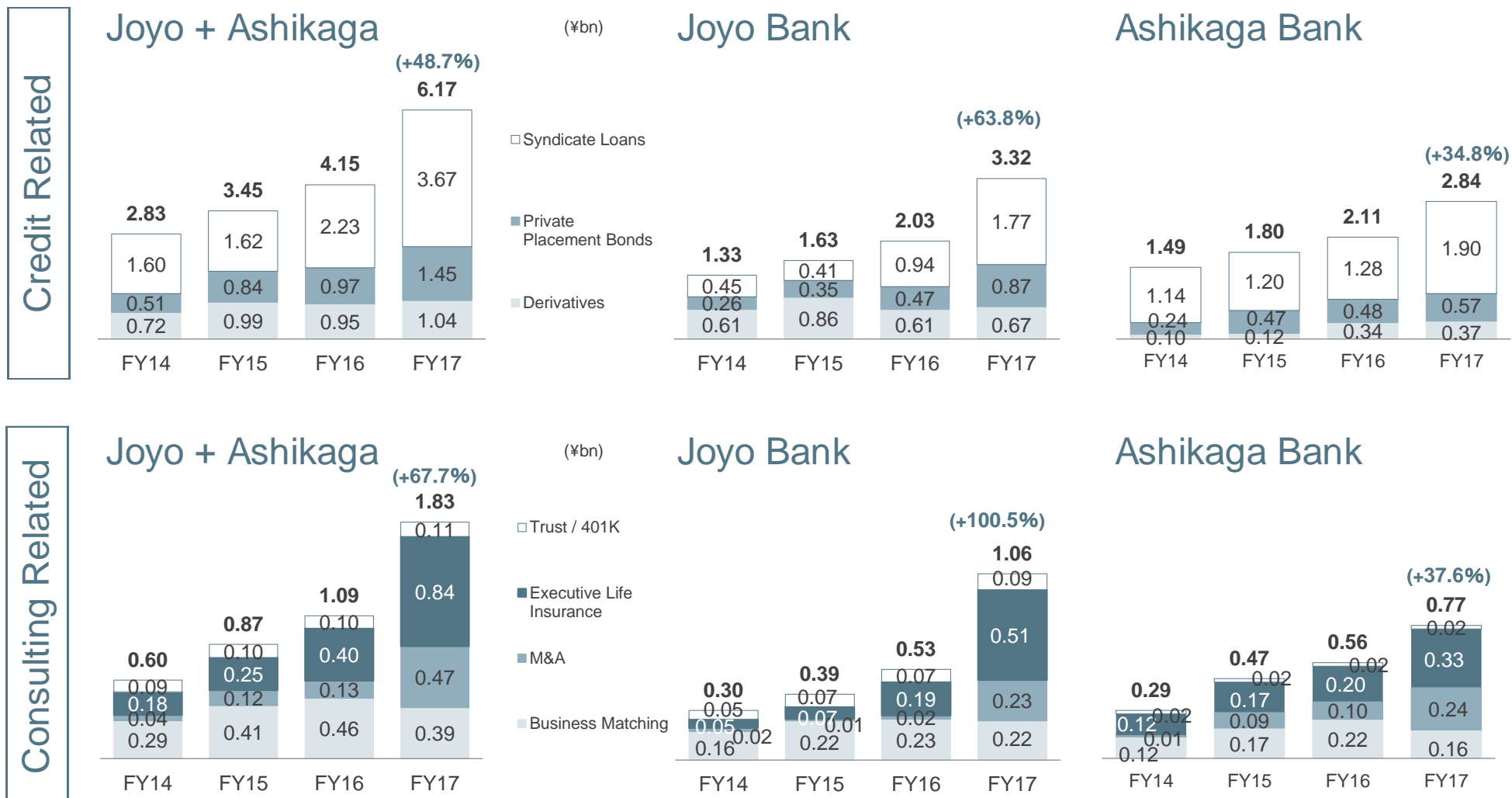
The amount rose 1.5% YoY due to foreign currency deposits

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



# Fees from Corporate Customers

Both credit related fees and consulting related fees from corporate customers increased through enhancement of consulting services

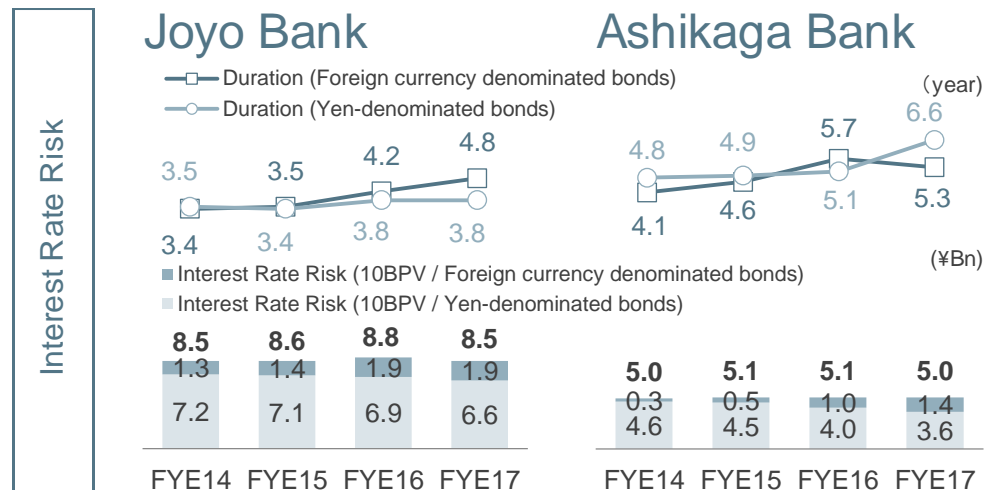
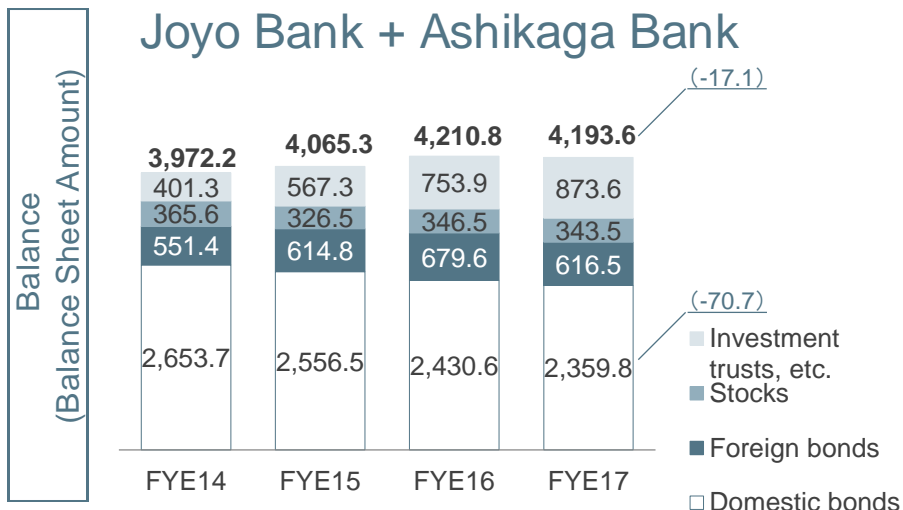


# Securities (1)

\*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



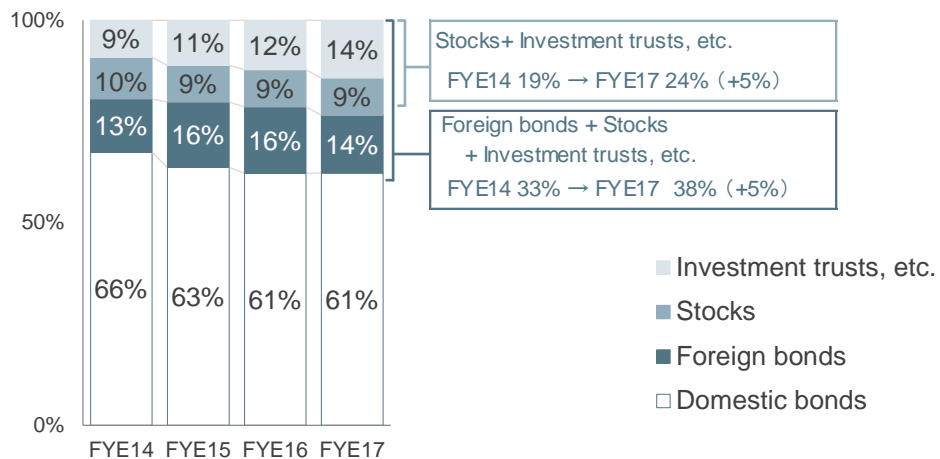
Foreign Bonds / Investment Trust	Book value as of Mar. 31 2018				Details
	J + A	Joyo	Ashikaga		
Foreign Bonds	625.3	397.2	228.1	-	
o/w Gov. Bond, Gov. Guaranteed Bonds, etc.	276.5	233.7	42.8	-	Invest mainly in gov. bonds, gov. guaranteed bonds
o/w Corporate Bond	264.7	79.4	185.3	-	Bonds rated A or above 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



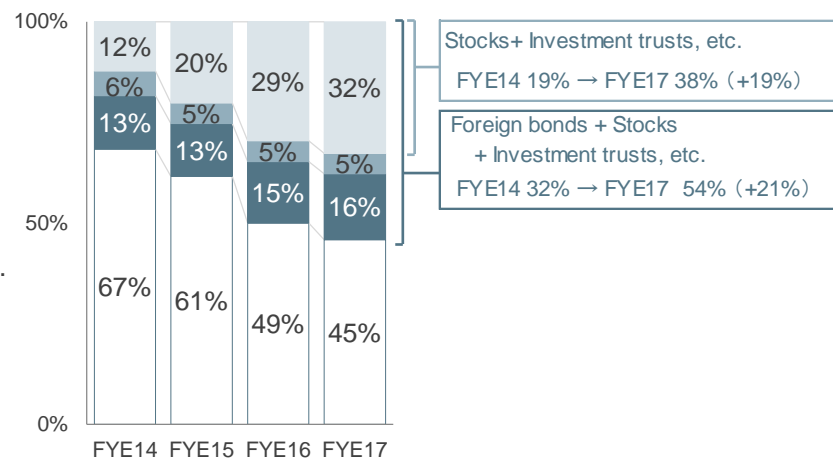
# Securities (2)

Portfolio Allocation  
(Balance Sheet Amount Basis)

## Joyo Bank

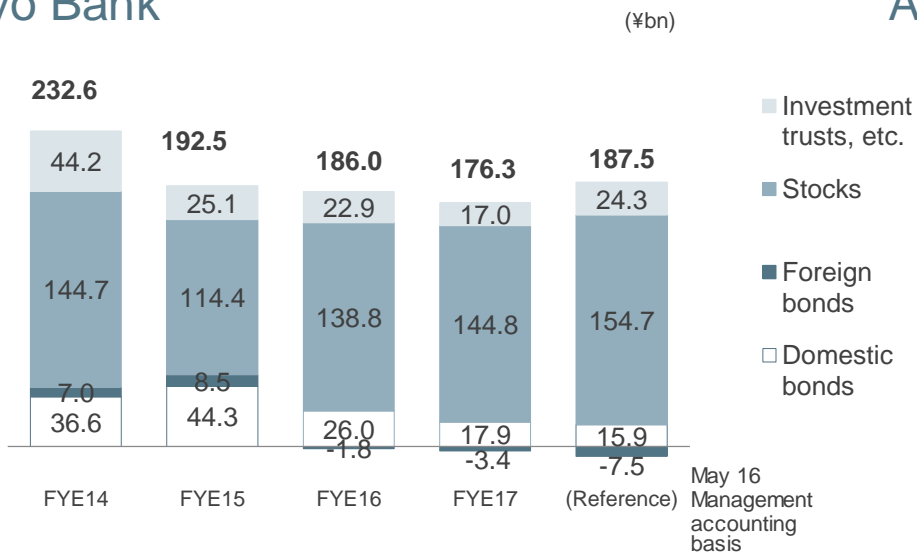


## Ashikaga Bank

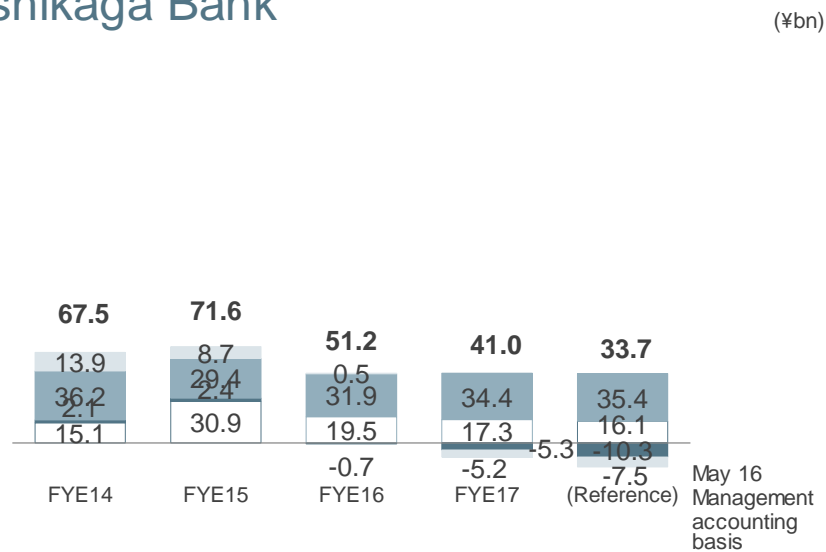


Unrealized Valuation Gains/Losses  
on Available for Sale Securities

## Joyo Bank



## Ashikaga Bank

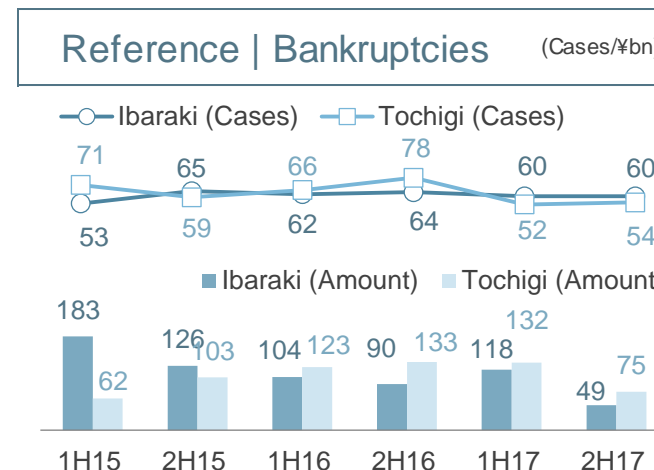
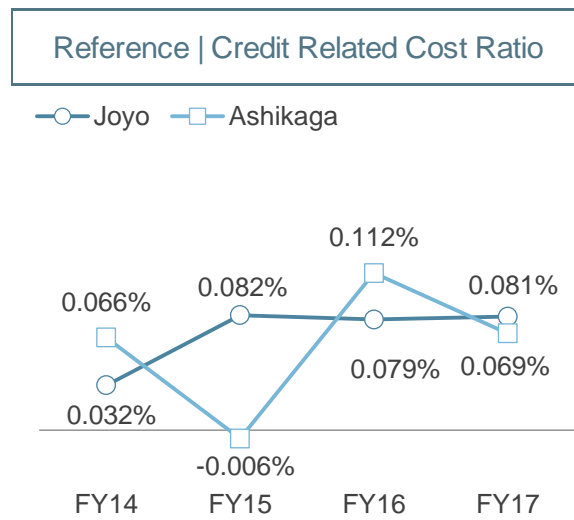
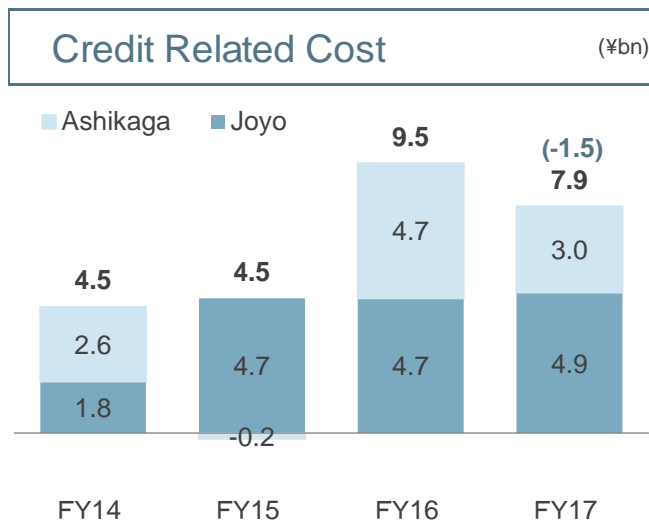


# Credit Related Costs / Non-performing Loans

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

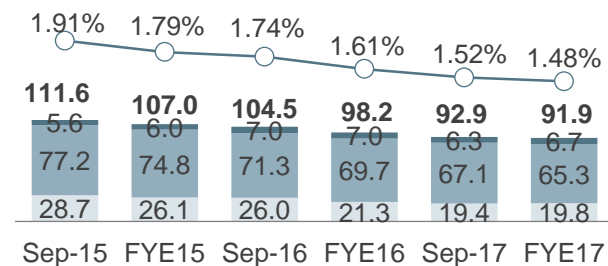
Credit related costs\* for FY17 was ¥7.9 bn, ¥1.5 bn less than the previous fiscal year

Number of bankruptcies has stayed low in Ibaraki and Tochigi Prefecture

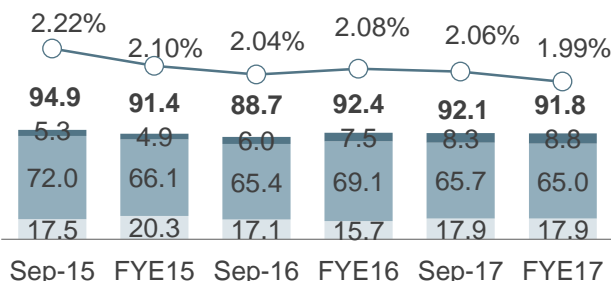


## Non-performing Loans (Financial Revitalization Law) (¥bn)

### 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

# Group Companies

(¥Mil)

	Company Name	Main Business Activities	Ordinary Income	YoY	Ordinary Profit	YoY	Net Income	YoY	
FG	Mebuki Lease	Leasing of machinery and equipment, claim acquisition	25,237	+3,144	745	-279	553	-92	
	Mebuki Securities	Dealing of securities, mediation, commission and substitution of trading of securities	3,824	+1,643	1,770	+1,029	1,219	+709	
Joyo Bank	Sales	The Joyo Computer Service	Sale of software and contracting of calculating business	1,404	-32	121	+31	78	+18
		The Joyo Industrial Research Institute	Consulting, investigation and research	579	-26	53	+34	35	+22
	Business operation	The Joyo Credit Guarantee	Credit guarantee of housing loans	3,963	+196	1,594	+12	1,037	+3
		The Joyo Credit	Credit card services	1,218	+20	219	-16	142	-63
		The Joyo Business Service	Agent in charge of administrative work for Joyo Bank	764	-22	3	+3	0	-0
		The Joyo Cash Service	Maintenance and management of Joyo Bank's ATMs and CDs	1,029	-71	3	+2	0	+0
		The Joyo Equipment Management	Maintenance and management of operational properties and equipment of Joyo Bank	972	-1	293	+9	182	-2
Total			9,932	+61	2,288	+76	1,478	-20	
Ashikaga Bank	Ashikaga Credit Guarantee	Credit guarantee of housing loans	3,518	-852	1,638	+58	987	-12	
	Ashigin Research Institute	Consulting, investigation and research	589	-59	49	+10	47	+8	
	Ashigin Card	Credit card services	1,500	-2,619	254	-2,721	166	-2,105	
	Total			5,608	-3,531	1,942	-2,652	1,201	-2,109
Non-banking Subsidiaries' Total			44,602	+1,318	6,746	-1,825	4,452	-1,512	

## Mebuki Lease

In spite of the fact that sales substantially increased mainly due to newly opened offices in Tochigi, ordinary profit decreased largely because expenses related to the business integration, such as cost to open new offices, exceeded revenue and integration of the lease division of Ashikaga Credit Guarantee increased personnel expenses.

# Forecast for FY2018

We are projecting a decrease in net interest income, increases in net fees and commissions from consulting services related to business potential assessment and customers' asset building, a decrease in credit related cost, 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 * <sup>1</sup>	4.9%	5.0%	+0.1%
Based on total shareholders' equity * <sup>2</sup>	5.8%	5.8%	+0.0%

\*<sup>1</sup> ROE(TSE basis)

= Net Income<sup>\*Attributable to owners of the parent</sup> ÷ Total Net Asset

\*<sup>2</sup> ROE(Based on total shareholders' equity)

= Net Income<sup>\*Attributable to owners of the parent</sup> ÷ 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 <sup>*3</sup>	+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%

\*<sup>3</sup> 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
Dividend Income from a subsidiary (Ashikaga)	-12.0bn
Adjustment related to securities	-3.5bn
Interest expenses of subordinated loans, etc.	-1.5bn

# Forecast for FY18 (2) Joyo + Ashikaga

	(¥bn)										
	FY17 Result			FY18 Forecast			YoY				
	J + A	Joyo	Ashikaga	J + A	Joyo	Ashikaga	J + A		Joyo	Ashikaga	
						Chg.	%	Chg.	Chg.		
Gross business profit	180.7	100.4	80.2	180.5	100.5	80.0	-0.2	-0.1%	+0.0	-0.2	
Net interest income	153.7	85.8	67.9	149.5	84.5	65.0	-4.2	-2.7%	-1.3	-2.9	
Net fees and commissions	30.8	16.9	13.8	31.5	17.5	14.0	+0.6	+2.2%	+0.5	+0.1	
Net other business income and Net trading income	-3.8	-2.2	-1.5	-0.5	-1.5	1.0	+3.3	-	+0.7	+2.5	
(o/w gains/losses on bond transactions)	-6.4	-3.8	-2.5	-3.0	-3.0	0.0	+3.4	-	+0.8	+2.5	
Expenses	113.5	66.3	47.2	115.0	66.0	49.0	+1.4	+1.2%	-0.3	+1.7	
o/w Personnel expenses	59.7	33.6	26.1	60.2	33.6	26.6	+0.4	+0.6%	+0.0	+0.4	
o/w Non-personnel expenses	46.6	28.7	17.8	47.5	28.3	19.2	+0.8	+1.8%	-0.4	+1.3	
Net business income (before general allowance for loan losses)	67.1	34.1	33.0	65.5	34.5	31.0	-1.6	-2.4%	+0.3	-2.0	
Core net business income	73.6	37.9	35.6	68.5	37.5	31.0	-5.1	-6.9%	-0.4	-4.6	
Net transfer to general allowance for loan losses (a)	-1.4	-0.3	-1.1	-1.0	-1.0	0.0	+0.4	-	-0.6	+1.1	
<b>Net business income</b>	<b>68.5</b>	<b>34.4</b>	<b>34.1</b>	<b>66.5</b>	<b>35.5</b>	<b>31.0</b>	<b>-2.0</b>	<b>-3.0%</b>	<b>+1.0</b>	<b>-3.1</b>	
Net non-recurrent gains/losses	-0.3	2.5	-2.8	-0.5	3.0	-3.5	-0.1	-	+0.4	-0.6	
o/w Disposal of non-performing loans (b)	9.3	5.2	4.1	6.0	4.0	2.0	-3.3	-36.0%	-1.2	-2.1	
o/w Gains/losses related to stocks, etc	10.5	9.4	1.0	7.5	9.0	-1.5	-3.0	-28.6%	-0.4	-2.5	
<b>Ordinary profit</b>	<b>68.2</b>	<b>36.9</b>	<b>31.2</b>	<b>66.0</b>	<b>38.5</b>	<b>27.5</b>	<b>-2.2</b>	<b>-3.2%</b>	<b>+1.5</b>	<b>-3.7</b>	
Extraordinary income/losses	-1.1	-0.5	-0.6	11.0	-1.0	12.0	+12.1	-	-0.4	+12.6	
<b>Net income</b>	<b>46.8</b>	<b>25.5</b>	<b>21.3</b>	<b>57.5</b>	<b>26.5</b>	<b>31.0</b>	<b>+10.6</b>	<b>+22.6%</b>	<b>+0.9</b>	<b>+9.6</b>	
Credit related costs (a)+(b)	7.9	4.9	3.0	5.0	3.0	2.0	-2.9	-37.1%	-1.9	-1.0	

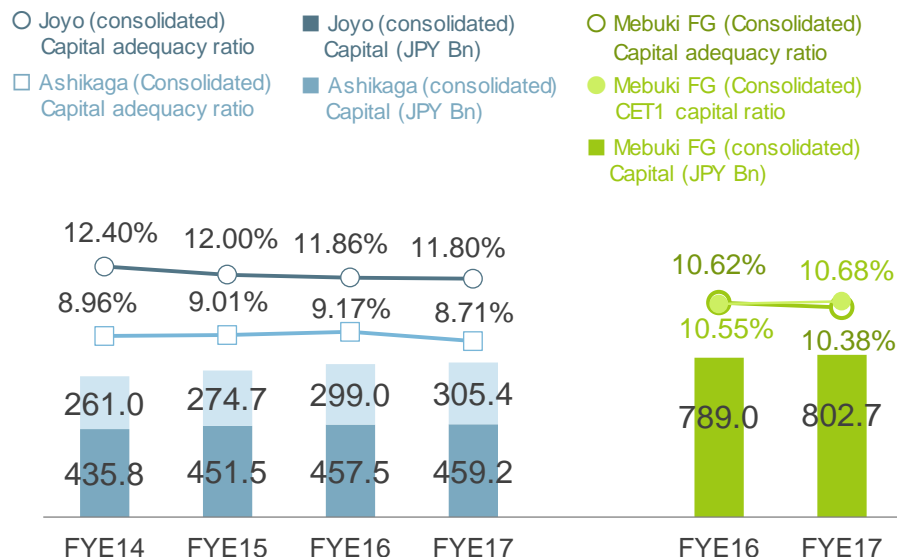
## Breakdown

	(¥bn)
<b>Net interest income</b>	<b>-4.2</b>
Interest on loans and discounts (Domestic)	-1.5
Interest on loans and discounts (International)	+1.2
Interest on deposits (-)	+0.9
Interest on securities	-3.0
o/w Domestic bonds	-1.5
o/w Foreign bonds / Funding costs	-1.7
o/w Gains on cancellation of private offering investment trusts	+0.3
<b>Net fees and commissions</b>	<b>+0.6</b>
Assets under custody	+0.9
Corporate services, etc.	+0.2

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

# Capital Adequacy Ratio / Shareholder Return

## Capital Adequacy Ratio



\*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	
	Amount	Timing	Amount	Timing	Amount	Timing
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 specialty products from Ibaraki Prefecture and Tochigi Prefecture *
5,000 shares or more and less than 10,000 shares	Equivalent to 4,000 yen	
10,000 shares or more	Equivalent to 6,000 yen	

\*The number of items for FY17 is 488

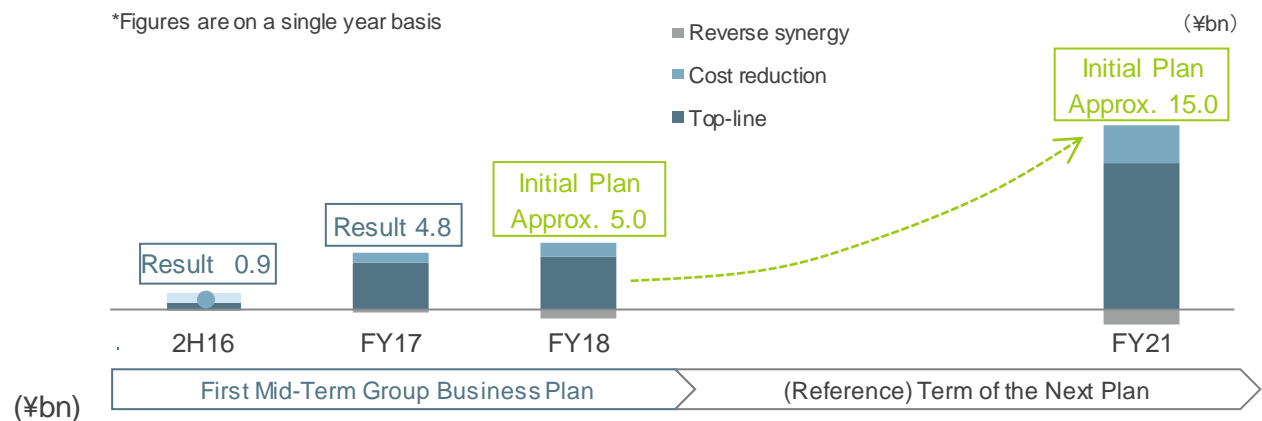
# Integration Synergy Results and Forecast

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

## Synergy Effects on the Statement of Income \*before Tax

	Forecast	Results
2H16	¥0.7bn	¥0.9bn
FY17	¥2.7bn	¥4.8bn
FY18	¥5.3bn	-

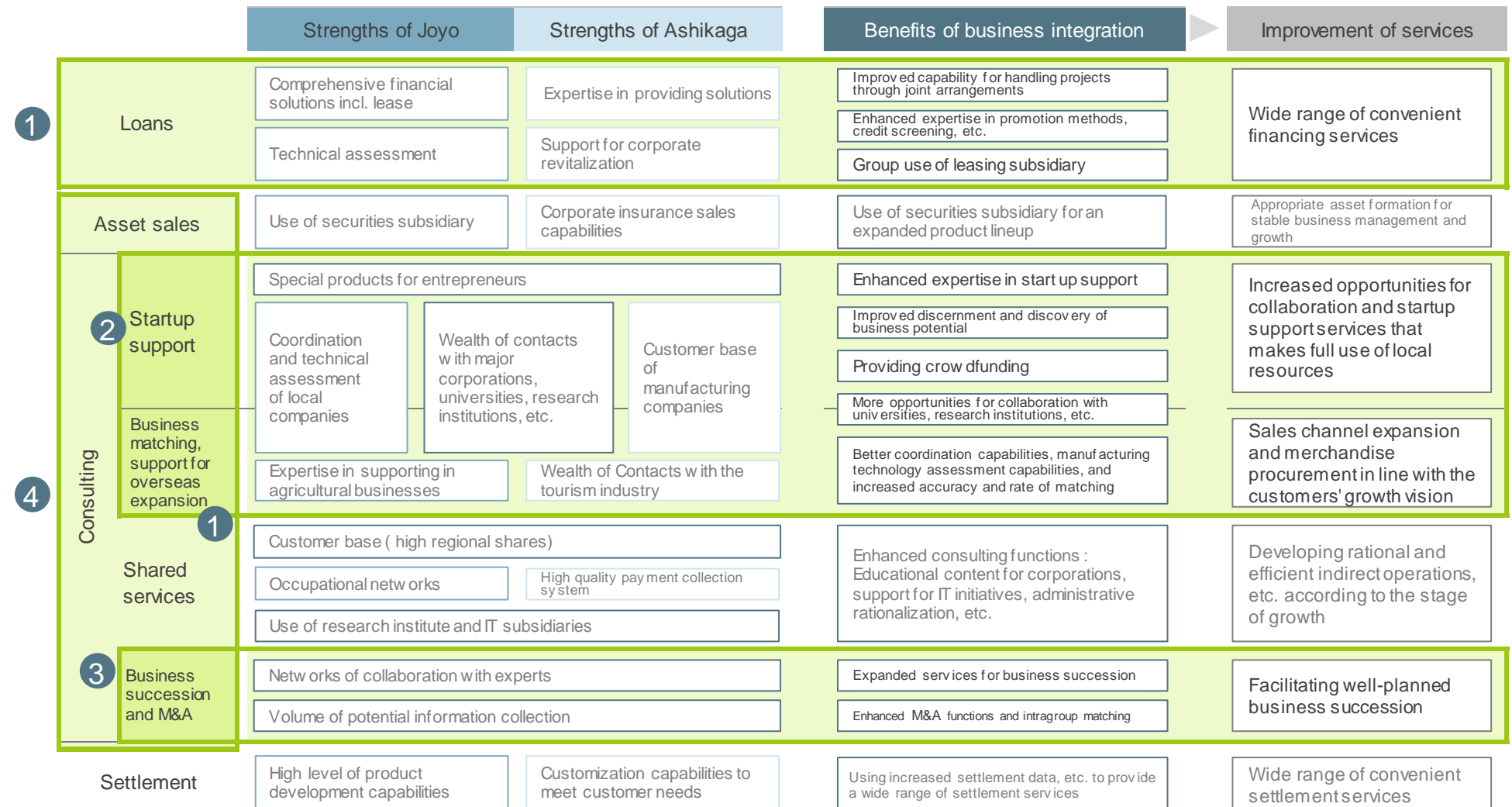
## FY17 Result / FY18 Forecast



Items	FY17 Result	FY18 Forecast	YoY Chg.	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	1.40	2.01	+6.1	• Joint development of online application housing loans, Joint sales of housing loans for women
Financial assets under custody	0.88	1.04	+1.6	• Share sales promotion know-how • Utilization of Mebuki Securities
Securities	0.78	1.23	+4.5	• 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)	1.40	0.74	-6.6	• 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	0.88	1.15	+2.7	• 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	-0.51	-0.85	-3.4	• Lower transfer fee between both banks to the inter-branch rate • System migration expenses
Total	4.85	5.34	+4.9	

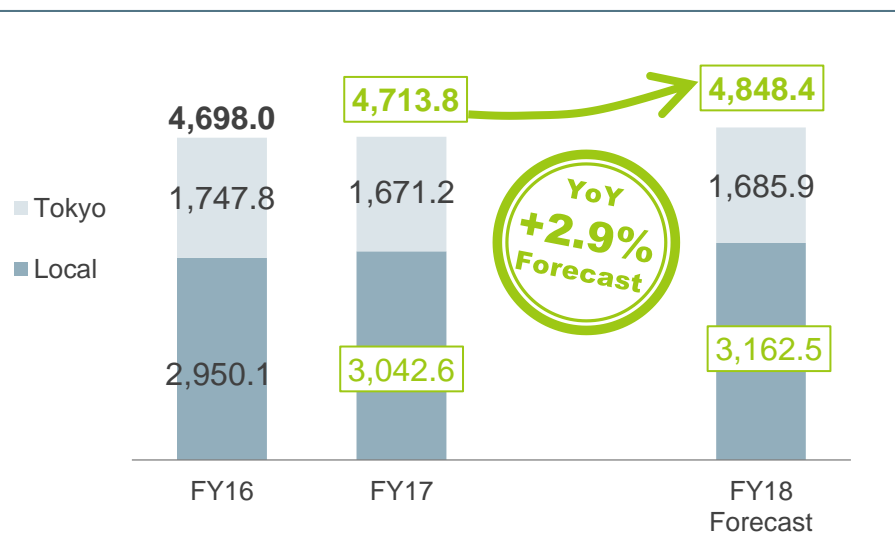
# Measures for Corporate Customers

Develop and provide advanced financial services that use IT and cross-industry collaboration to meet the diverse needs of customers at every stage of their business, from startup and growth to maturity and succession



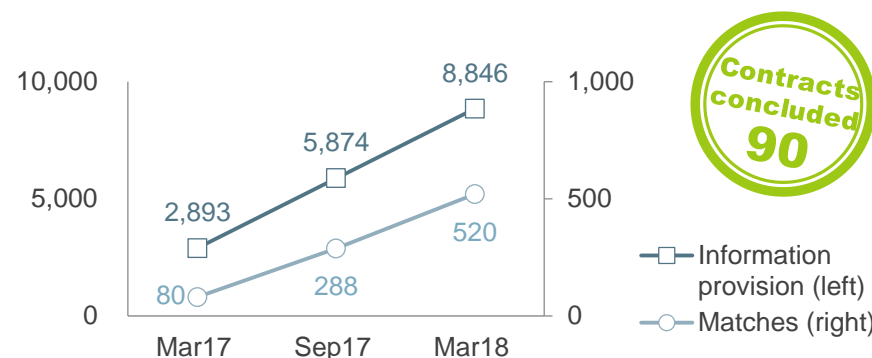


## Enhancement of loans to corporate customers (Avg.) (¥bn)



## Wide-area Business Matching (accumulative number)

Due to wide area network, number of business matching is increasing

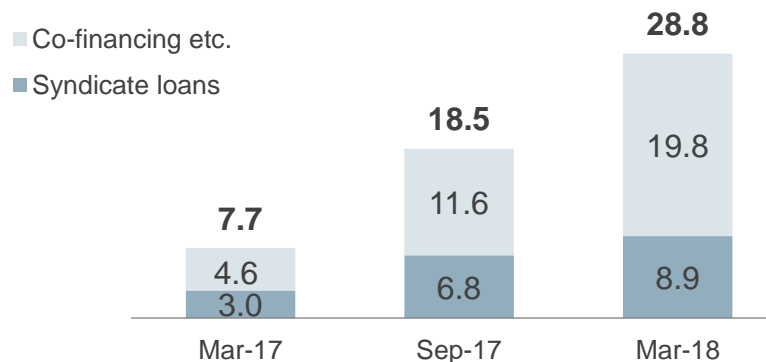


## Measures for loans to corporate customers

- Wide-area business matching based on accurate and fresh information
- Enhance co-finance and cooperation between the two banks
- Enhance consulting capabilities related to business assessment, business succession, and so forth
- Sales promotion based on refined customer segment
- Broadening target, enhance structured finance, cross-border loans
- Actively meet financial needs of growth industries

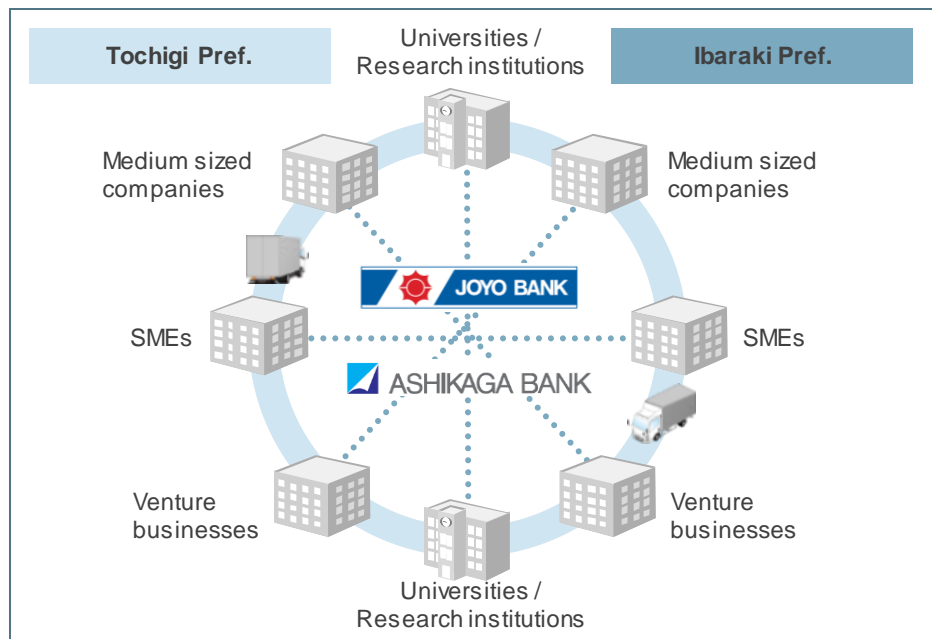
## Co-financing (Accumulated amount of loans made) (¥bn)

Actively implement co-financing



# Support for Start-ups / Local Businesses

Support businesses in start-up and growth stage, making use of our wide-area network and product provision capability and regional characteristics



## Mebuki Business Award (2nd)



Ingenious business ideas latent in both banking subsidiaries' vast business territories are gathered and the best entries are presented with awards

Consistent support provided regarding formulating business plans and launching new businesses

Newly created "University-oriented Venture Award" and "Prefectural Governor Award"

Second screening (in late May)

Applicants | 637 / Prize winners | 30 (scheduled)

## Mebuki Regional Revitalization Fund

(from Nov. 2016)

Fund Size  
¥ 4.0 bn

Raised by the two banking subsidiaries and Sompo Japan Nipponkoa Insurance to facilitate creation of new businesses

Invest in local SMEs who contribute to development of local economies



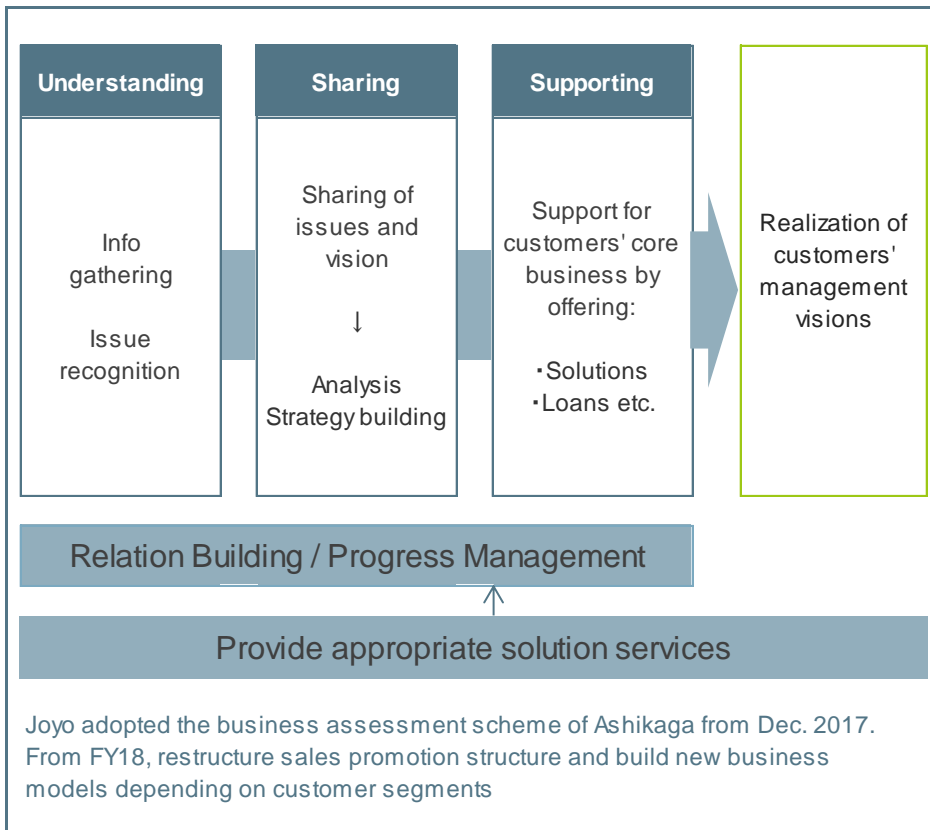
Results | As of Mar. 31 2018

Number of deals | 8 deals

Amount | ¥1.65bn

Stage	Measures
Start-up	Information provision (Matching / Site acquisition) / Industry-government-academia partnership Investment fund / Crowd funding / Advisory service related to subsidies
Growth	Private placement bonds / ABL / Derivatives / Leasing / Support for overseas expansion Business matching / Employee-specific website / Support for investment of business owners EB / Densai

## Business Assessment



### Targets of business assessment

Joyo	Approx. 2,000 (by the end of FY19)
Ashikaga	Approx. 5,000 (by the end of FY21)

## Business Succession / M&A

Depending on whether or not successors exist, examine direction of customers' business successions and offer solutions

Contribute to sustainable development of local economies through supporting customers' smooth business/asset succession and sustainment of employment

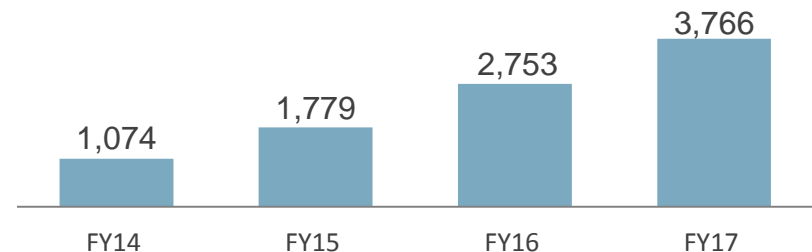


Succession by relatives

Succession by employees

M&A

### Number of Proposals Regarding Business succession and M&A | Joyo + Ashikaga



Potential companies to conduct M&A etc. in Ibaraki / Tochigi | 20,000

\*Estimated by Mebuki using data from Small and Medium Enterprise Agency and Teikoku Databank

# Fees from Corporate Customers

Make fees remain at high levels by strengthening ties with target of relationship banking and enhancing consulting-based sales promotion

## Enhancement of Consulting Services

## Fees and Commissions from corporate customers (¥bn)

Enhance consulting service based on business assessment etc

### Consulting related measures

(Business matching / Support for business succession / M&A support / Executive life insurance etc.)

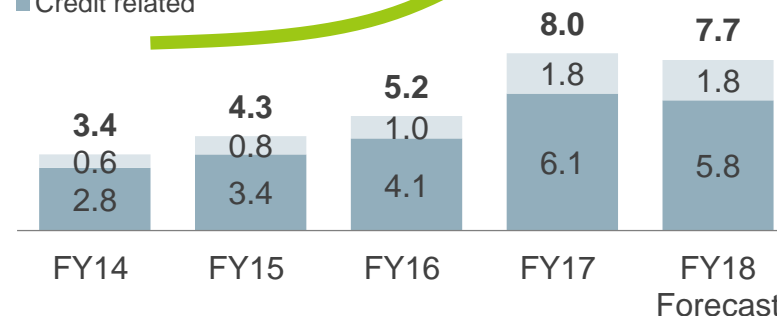
### Credit related measures

(Private placement bonds / Syndicate loans / Leasing / Foreign Exchange / Derivatives etc.)

Become customers' main bank by providing total financial support

∥  
Increase in net fees and commissions

■ Consulting related  
■ Credit related



\* Figures are on management accounting basis. Refer page 14 for detailed information

## Newly Set Fees <sup>\*incl. some fees from individual customers</sup>

## Measures

Private placement bonds | Promote those with donation scheme

Syndicate loans | Unify contacts for customers, refinancing, large scale projects

ABL | Actively avoid lending overly dependent on collateral and guarantees

M&A | Support business succession, protect employee jobs, and keep local economy secure

— Provide solution service related to capital investment, securing personnel, and improvement of operational efficiency —

Items

Outline

Credit related fees

ABL handling fee  
Loan covenants fee etc.

Housing loan handling fees

Housing loan refinance fee  
(web application)

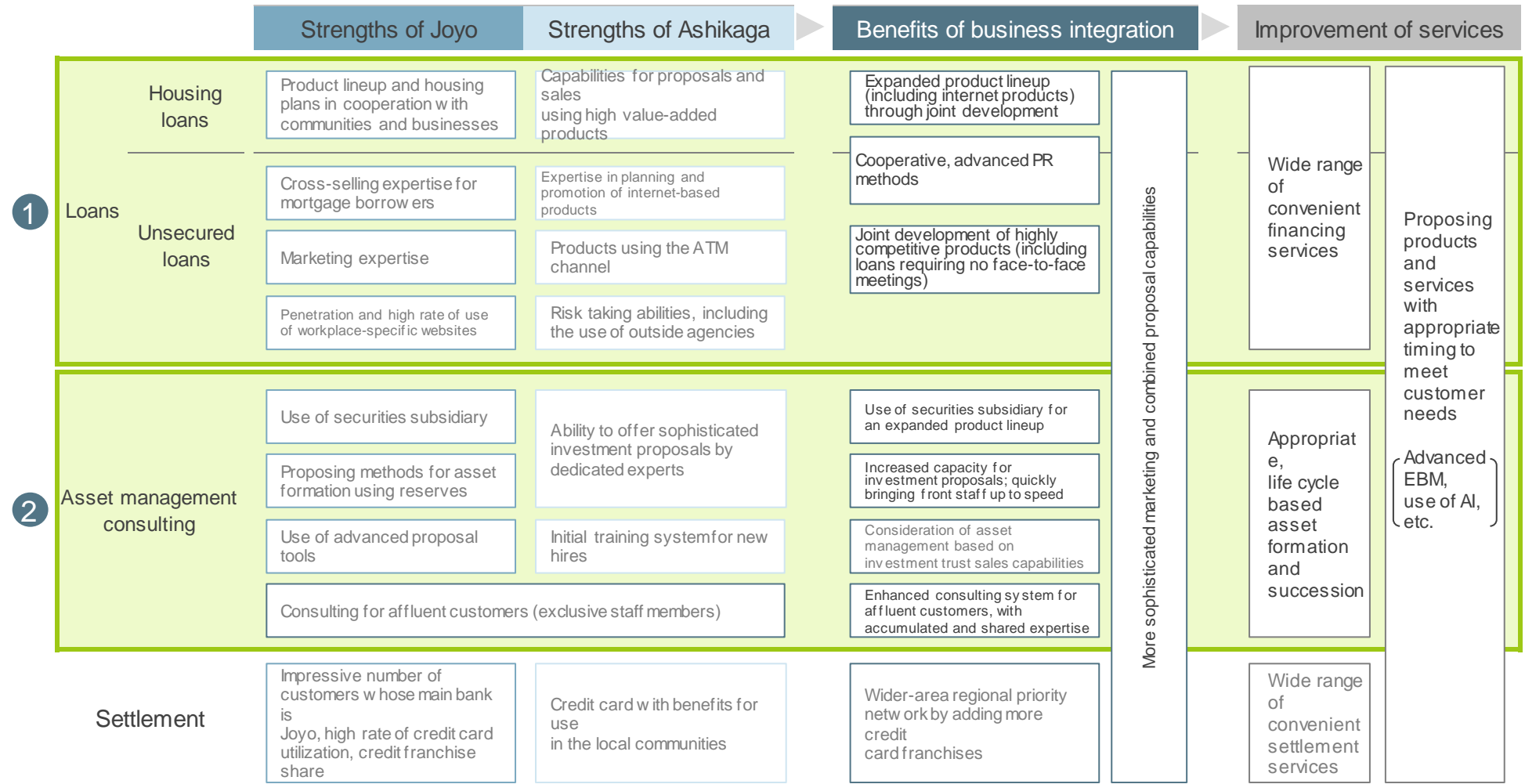
Total

FY17 ¥1.4bn<sup>+</sup>

Increase fees through suspending reduction of credit related fees

# Measures for Individual Customers

Propose and provide appropriate products and services for customers through accurate and timely identification of their wide-ranging needs at each stage of life, based on improvements including more advanced eventbased marketing (EBM) and the use of AI



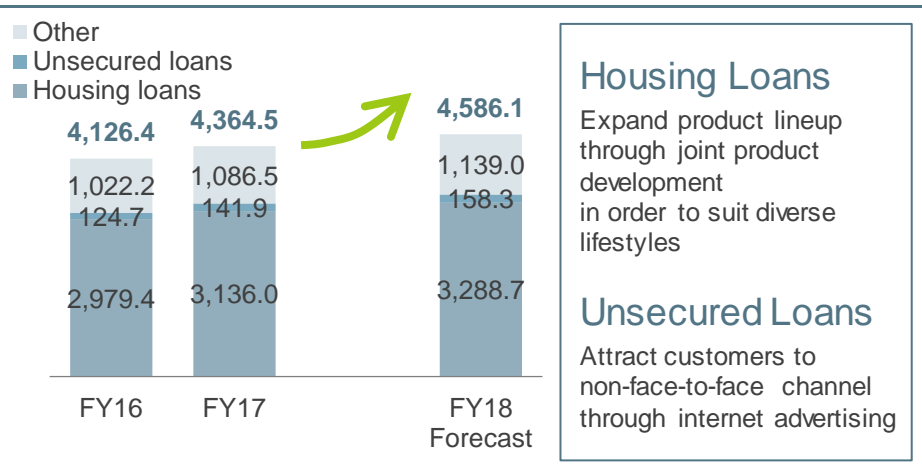
# Loans | Increase Housing / Unsecured Loans

Measures for Individual Customers

① ②

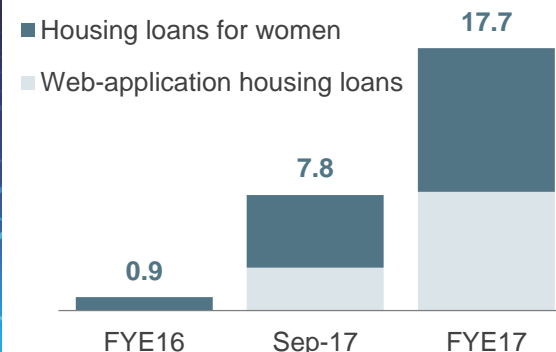
Continue focus on housing loans and enhance non-face-to-face channel (web completion scheme etc.) for purpose specific loans.

## Increase Loans to Individual Customers (J + A) (Avg.) (¥bn)



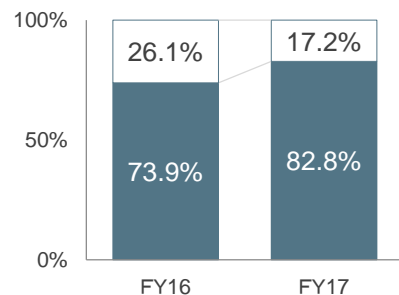
## Jointly Developed Housing Loans (J + A) (balance) (¥bn)

Fees from jointly developed housing loans are on the rise

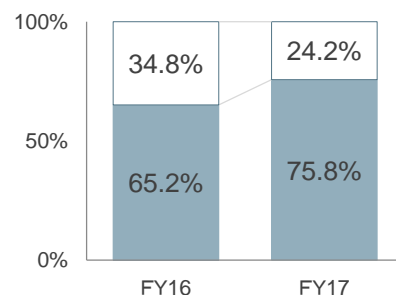


## Non-face-to-face Application Ratio \*Web etc.

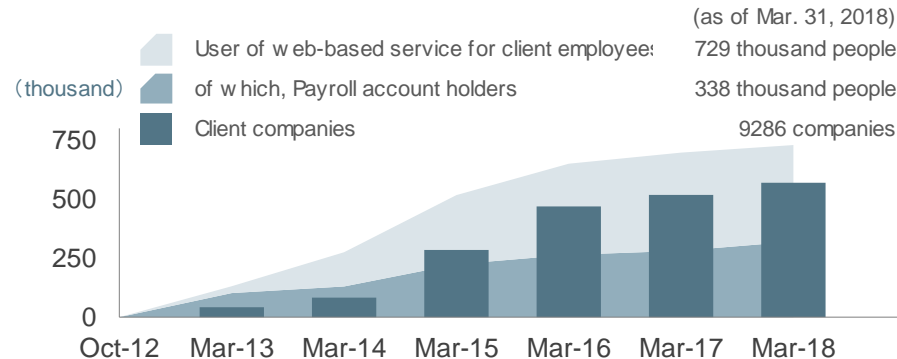
### Car Loans



### Educational Loans



## Employee-specific Website



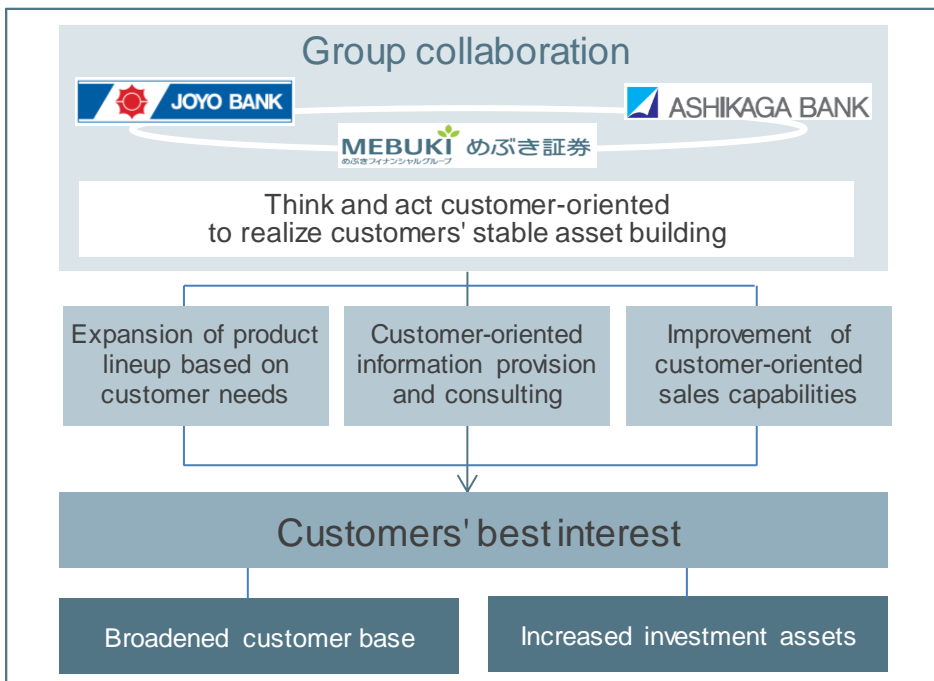
# Asset Management Consultation Services

Measures for Individual Customers

① ②

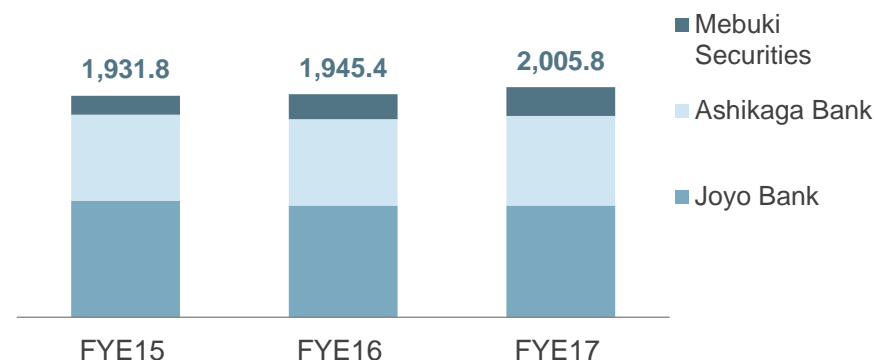
Enhancement of group cooperation for customers' stable asset building led to an increase in customers and their assets under custody

## Customer-oriented Measures

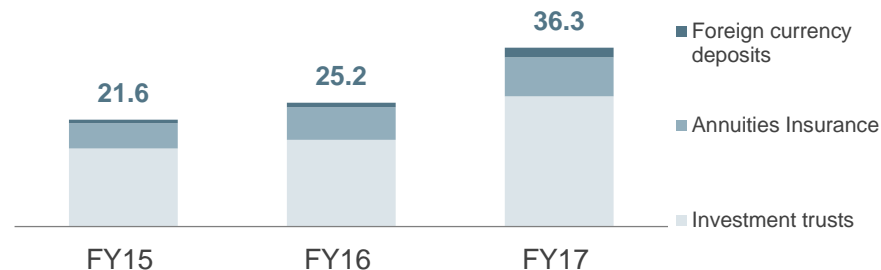


## Customer Assets under Custody of Group Companies (¥bn)

Enhance sales structure based on customer segment  
Implement "Core Satellite Strategy"  
Strengthen ties with customers using various channels



## Total Amount of Accumulation Services (J + A) (¥bn)



## Number of Customers \*Customer Assets under Custody

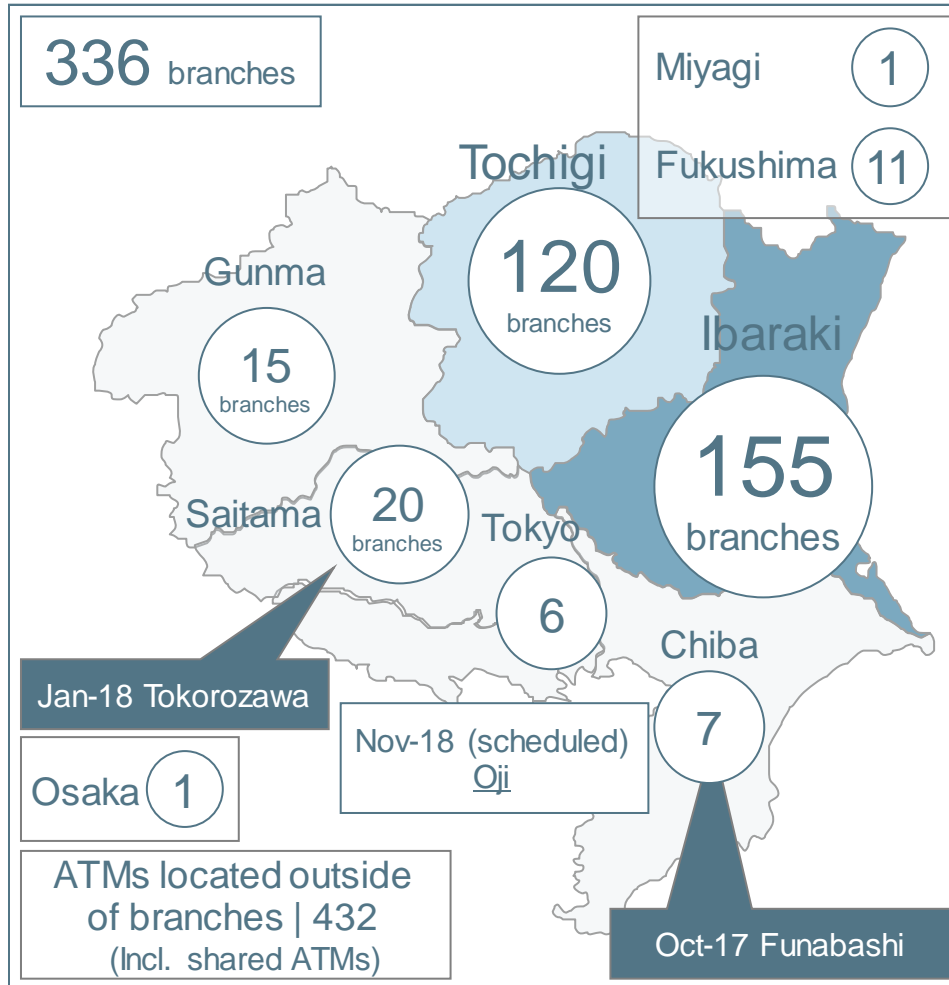
	Mar-15	Mar-16	Mar-17	Mar-18	VS Mar-17
J + A	340,552	340,848	353,723	359,807	+6,084

# Branch Network (Domestic)

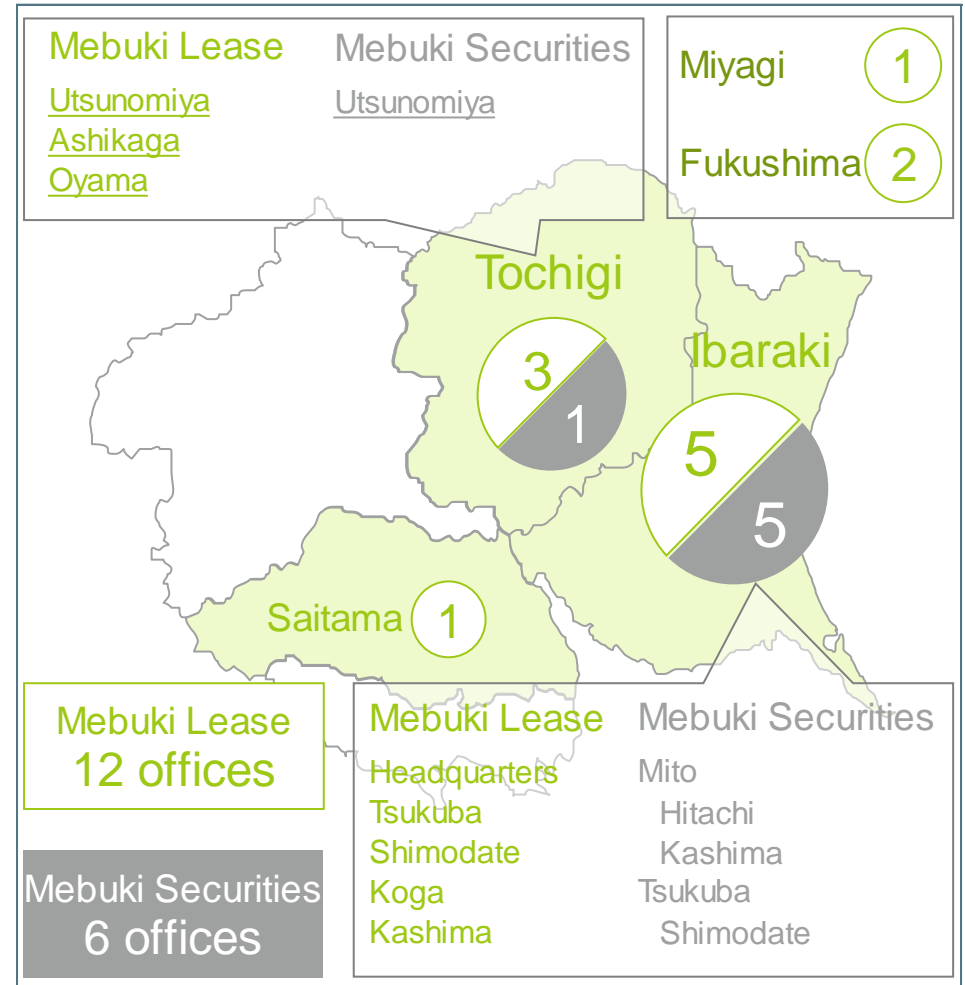
(as of Apr. 30, 2018)

Strengthen our wide-area network further

## Bank Branches (Joyo + Ashikaga)



## Mebuki Lease / Mebuki Securities



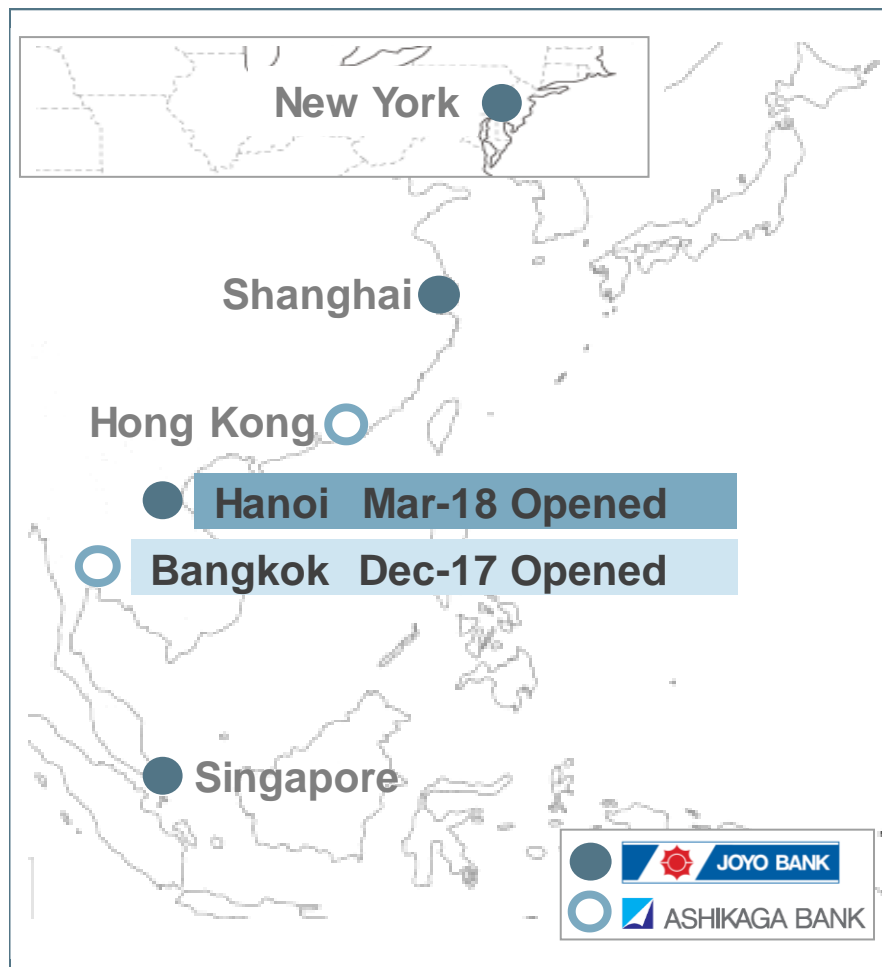


# Overseas Network

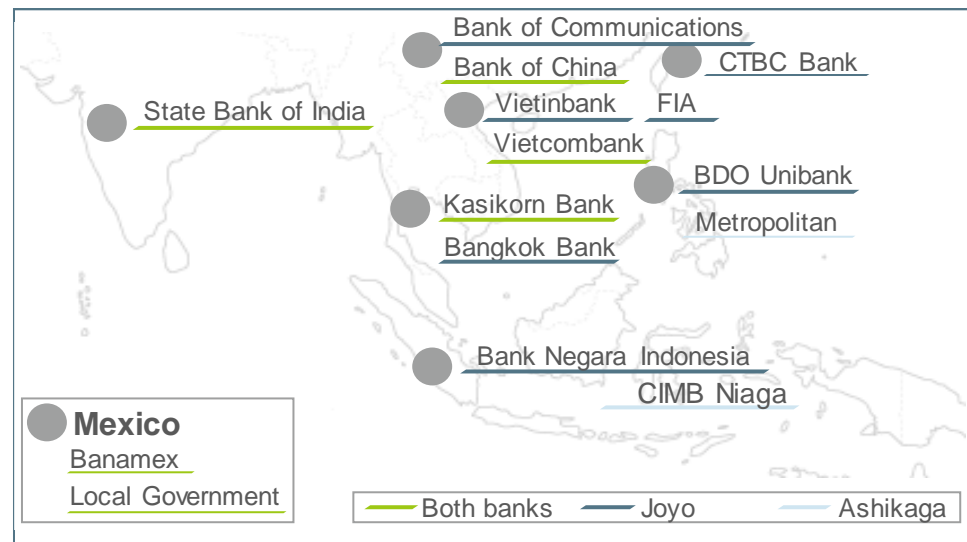
(as of Apr. 30, 2018)

Enhance overseas network and support for customers' overseas expansion

## Overseas Representative Offices



## Alliances with Local Financial Institutions



## Support for Overseas Expansion

### Business Matching Platform for Manufactures' Network in Asia

Support customers' overseas sales channel expansion  
 Exhibitors | Approx. 190 Visitors | Approx. 10,000  
 Facilitated active meetings between exhibitors and local businesses

# System Integration / Cost Reduction

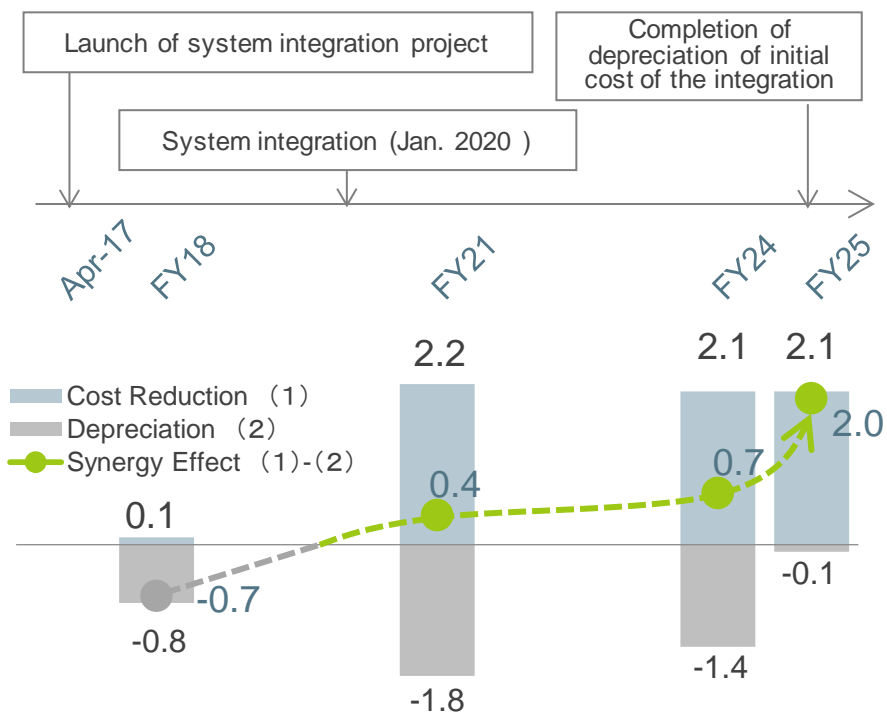
## System Integration

Ashikaga will adopt a multi-bank-shared core system named "Chance" that Mebuki FG is joined in

Integrate core systems and 170+ out of around 280 distributed systems

Shift resource to investment in new systems, etc.

### Schedule and Synergy Effect of the Integration (¥Bn)



System integration costs | Approx. ¥10.0 bn

## Cost Reduction

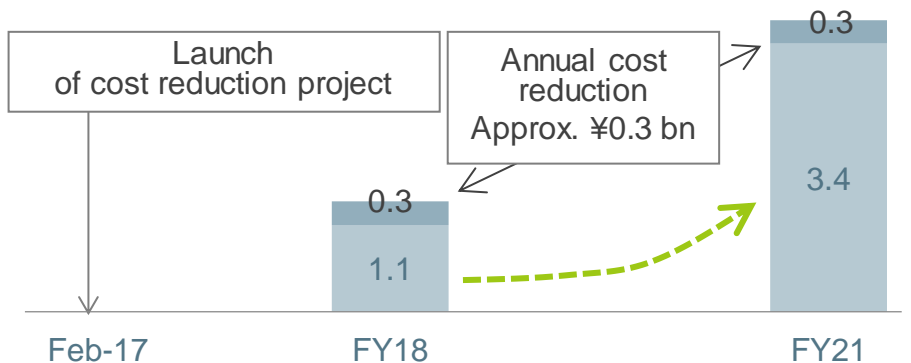
### Synergy effects arising from the business integration

- ☑ Joint cost reduction and cost effectiveness evaluation
- ☑ Share know-how to improve branch operation efficiency
- ☑ Integrate op-centers in Tokyo to concentrate business operation further (transportation and clearing of bills)
- ☑ Totally entrust joint issuance of bill paper and check paper to group companies
- ☑ Cost reduction through system integration

### Cost Reduction Project (from Feb. 2017)

To enhance the effectiveness of the synergy effects, launched Cost Reduction Project which both banks' relevant departments participated in  
Compare both banking subsidiaries' cost structure and reduce costs

### Cost Reduction



- Cost reduction through cost reduction project
- Cost reduction (Integration synergy)

# Branch Operation Efficiency

(as of Mar. 31, 2018)

Improve branch operation efficiency and enhance customer satisfaction

Improvement of branch operation efficiency (Since Oct. 2016)

## Branch Consolidation related to the business integration

Joyo | Integrated 1 branch and 1 sub-branch

Ashikaga | Restructuring in Koga area (Integrated 1 branch, 3 sub-branches, and 1 housing-loan center into Koga Branch)

## Other Branch Consolidation

Joyo | Integrated 2 branches and 1 sub-branch

Ashikaga | Integrated 1 branch, 1 sub-branch and 1 housing-loan center  
Integrated 1 branch

## Joint ATM Allocation

Mutual use of ATMs between Joyo Bank and Ashikaga Bank (Common fee rate and point service)

## User Friendly Branches

Utilization of branches open on holidays

Use of videophones

Internet Branch, etc.

## Other Measures

Limited-operation branches, branches that specialize in individual customers, and more efficient sub-branches

Introduction of lunch-time closure

Joint ATM Allocation



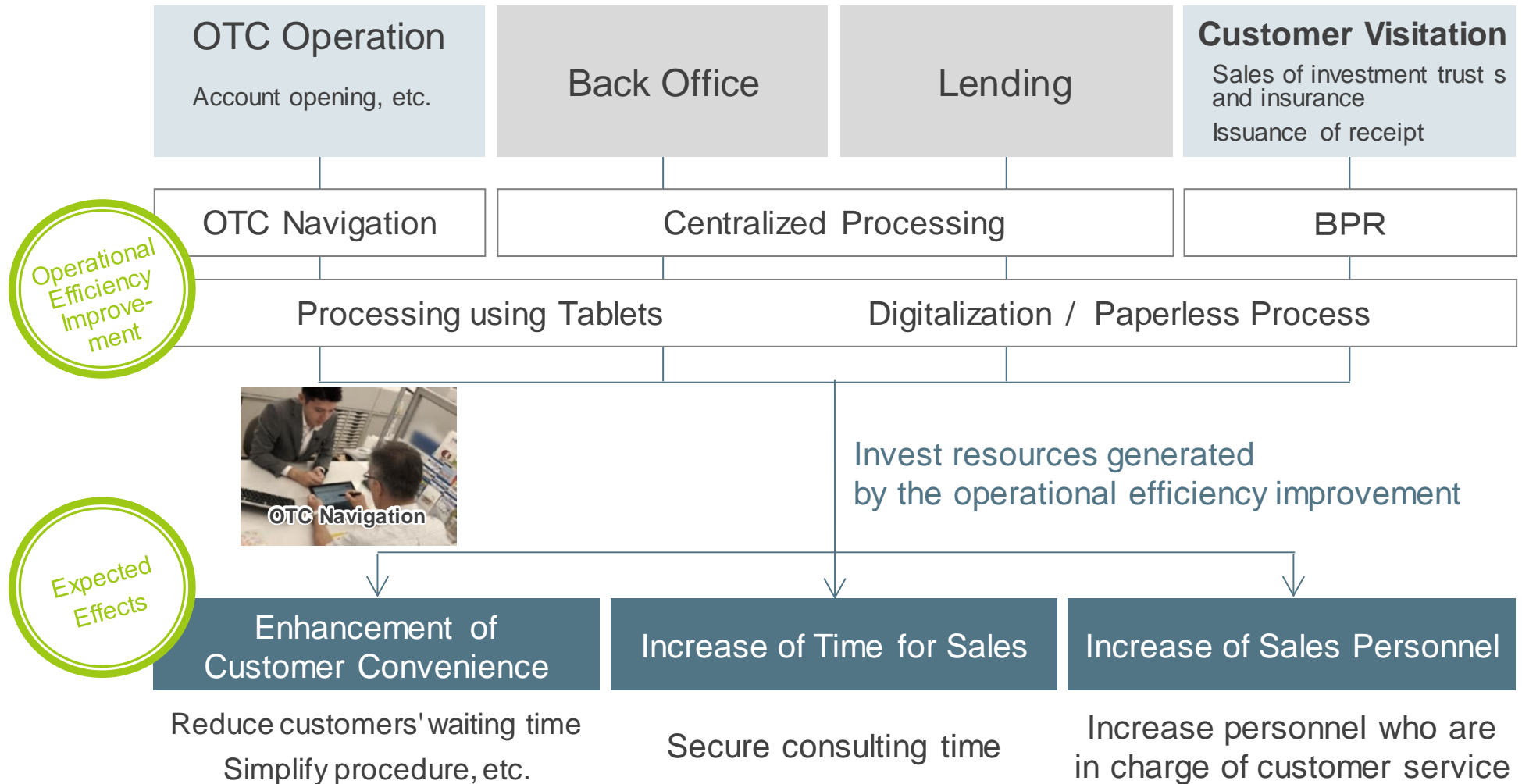
Videophone



Branch opening on holidays

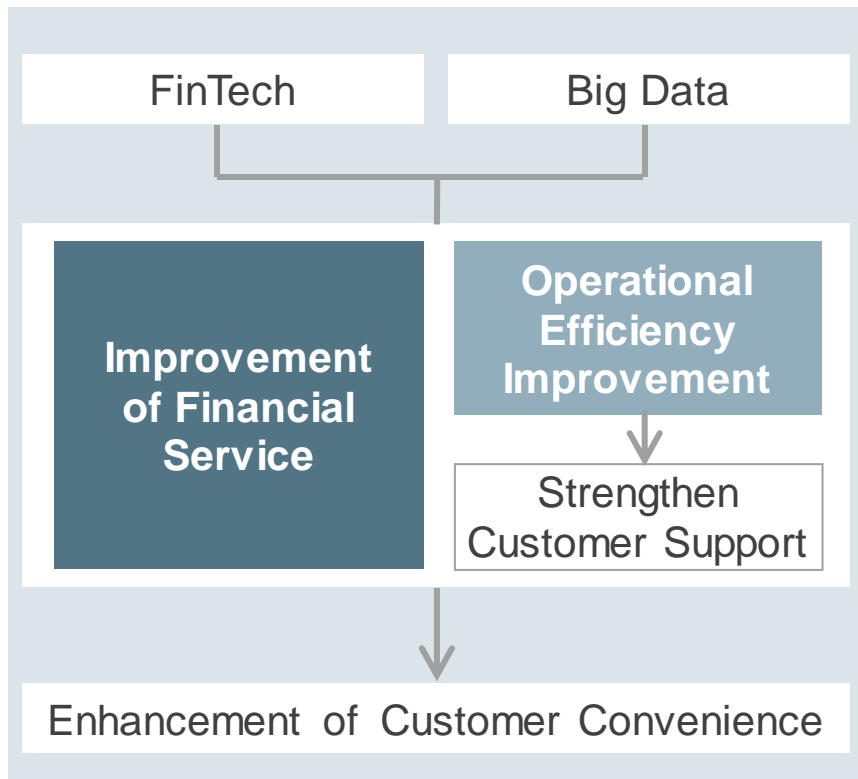
# Operational Efficiency Improvement

Invest resources generated by the operational efficiency improvement into the fields that are expected to lead to customer satisfaction



# IT / Enhancement of Customer Convenience

Making full use of IT, improve our financial services and strengthen customer support



**Operational Efficiency Improvement**

- OTC Navigation System
- BPR for Customer Visitation
- Operational Efficiency Improvement of H.Q. (RPA· AI)
- Centralized / Paperless Processing

<b>Settlement</b>		<b>Cashless Smartphone Payment</b>
<b>Deposits</b>		<b>Account Opening App</b>
		<b>Bankbook App Mobile Banking App</b>
<b>Lendings</b>		<b>Web Application for Car Loans and Housing Loan Refinance</b>
<b>Asset Management</b>		<b>Asset Management Advice Robo-advisor / Portfolio Optimization Tools</b>
		<b>Household Finance Management</b>
<b>Grasp Customer Needs</b>		<b>Data Analysis Marketing / Promotion / Loan Screening, etc.</b>
		<b>AI</b>

## Inquiries

Mebuki Financial Group, Inc. Corporate Planning Department

TEL +81-29-300-2869 | +81-29-300-2603

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

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

This document has been prepared for information purposes only and does not form part of a solicitation to sell or purchase any securities. ● Information contained herein may be changed or revised without prior notice. ● This document may contain forward-looking statements as to future results of operations. No forward-looking statement can be guaranteed and actual results of operations may differ from those projected.