

Mebuki Financial Group, Inc.

Financial Results for the First Half of FY2017 (IR Presentation Material)



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Highlights

Results for 1H17 (refer to page 4)

Consolidated net income* of Mebuki is ¥24.9bn, representing 62.3% progress toward the full year forecast. *Attributable to owners of the parent

Due to sales of strategic-holding stocks taking into consideration the stock price level, and core net business income surpassing the forecast, net income of the two banking subsidiaries' simple-sum basis represented strong progress of 64.7% toward the forecast.

Synergy effect arising from the business integration for 1H17 was ¥2.1 bn, representing steady progress of 78.9% toward the forecast for FY17 of ¥2.7 bn.

Forecast for FY17 (refer to page 21)

* Figures in parentheses are changes on a 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 and ¥40.0bn respectively. * Attributable to owners of the parent

Non-consolidated net income <Joyo> ¥23.0bn (-¥1.4 bn) <Ashikaga> ¥21.0 bn (-¥5.4 bn)

Dividend (refer to page 24)

For FY17, 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 1H17 Financial Results

● Mebuki FG (Consolidated basis) (¥bn)

	1H17	Pro- gress	Full- year Forecast
Ordinary profit	37.3	63.8%	58.5
Net income attributable to owners of the parent	(1) 24.9	62.3%	40.0

Consolidation adjustment

	(2)-(1)	-5.6bn
Adjustments related to securities		-4.8bn
Interest expenses of subordinated loans, expenses, etc.		-0.8bn

● Two banking subsidiaries and the other group companies

	1H17	Pro- gress	Full- year Forecast
Net income	(2) 30.6	63.7%	48.0

Net Income of group companies other than banking subsidiaries ¥2.1bn

Reference | Results of Joyo and Ashikaga (¥bn)

	J+A		1H17				Progress vs forecast		
	Result	YoY Chg	Joyo		Ashikaga		J+A	Joyo	Ashi- kaga
			Result	YoY Chg	Result	YoY Chg			
Gross business profit	94.9	-4.9	53.4	-4.0	41.5	-0.9	51.9%	51.6%	52.2%
Net interest income	77.7	+0.0	43.4	+0.4	34.3	-0.4	53.0%	52.9%	53.2%
Net fees and commissions	15.5	+1.1	8.9	+1.2	6.6	-0.1	49.4%	51.3%	47.1%
Net other business income and Net trading income	1.6	-6.1	1.0	-5.7	0.5	-0.3	33.2%	26.8%	59.1%
(o/w gains/losses on bond transactions)	0.5	-6.9	0.4	-6.4	0.0	-0.4	17.3%	16.1%	-
Expenses	57.1	-1.1	33.7	-1.2	23.4	+0.0	48.8%	49.6%	47.7%
Personnel expenses	30.0	-0.3	16.9	-0.7	13.0	+0.3	-	-	-
Non-personnel expenses	22.8	-0.4	14.3	-0.2	8.5	-0.2	-	-	-
Net business income (before general allowance for loan losses)	37.8	-3.8	19.6	-2.7	18.1	-1.0	57.2%	55.4%	59.3%
Core net business income	37.2	+3.1	19.2	+3.7	18.0	-0.6	59.1%	59.0%	59.2%
Net transfer to general allowance for loan losses (a)	0.1	+2.4	-0.3	+0.6	0.5	+1.7	-	-	-
Net business income	37.6	-6.2	20.0	-3.4	17.5	-2.8	56.5%	55.6%	57.6%
Net non-recurrent gains/losses	4.3	+5.7	3.3	+4.4	0.9	+1.3	-	-	-
o/w Disposal of non-performing loans (b)	3.6	-1.5	2.1	-0.3	1.5	-1.2	-	-	-
o/w Gains/losses related to stocks, etc	9.2	+2.6	6.7	+2.6	2.4	+0.0	142.0%	168.4%	99.7%
Ordinary profit	41.9	-0.4	23.3	+1.0	18.5	-1.4	65.5%	69.7%	60.9%
Extraordinary income/losses	-1.1	-0.7	-0.7	-0.4	-0.3	-0.3	-	-	-
Net Income	28.4	-0.7	15.7	+0.2	12.7	-1.0	64.7%	68.5%	60.5%
Credit related costs (a)+(b)	3.8	+0.8	1.7	+0.3	2.0	+0.5	64.1%	50.9%	82.6%

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

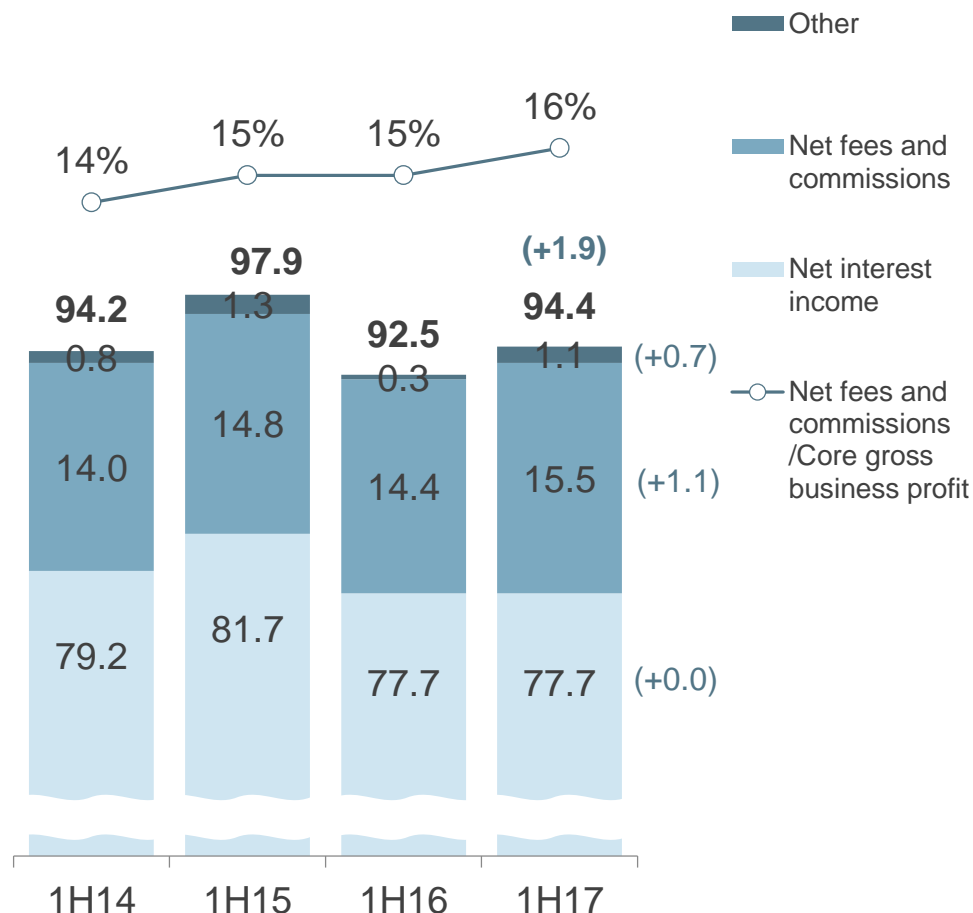
① ② ③ ④

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

◇ Core gross business profit increased ¥1.9bn YoY. Net fees and commission from corporate customers increased through enhancement of consulting services.

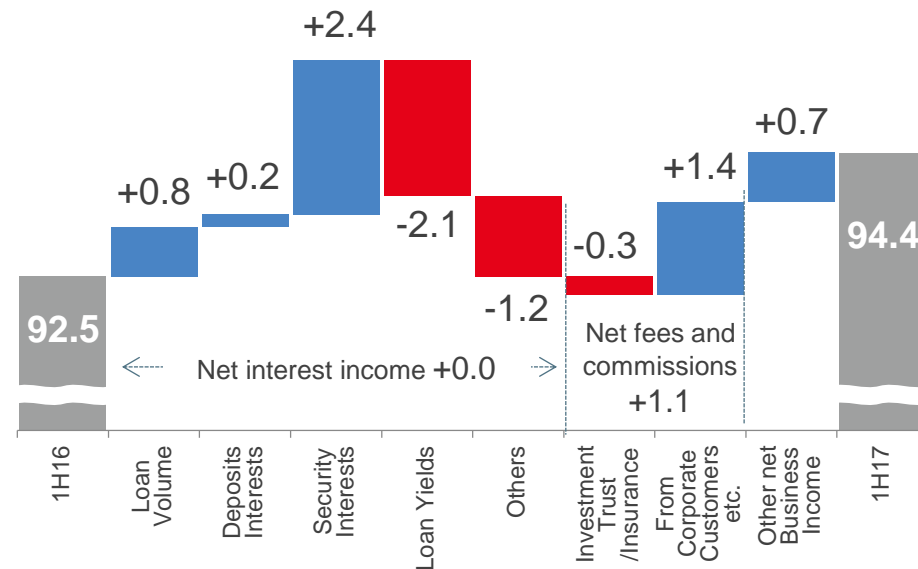
• Joyo + Ashikaga

(¥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	1H17	YoY Chg
Joyo	Annual	0.8	1.7	0.5	+0.4
	o/w 2H	(0.4)	(1.6)	-	-
Ashikaga	Annual	3.7	3.6	2.2	-0.8
	o/w 2H	-	(0.4)	-	-

Net Interest Income / Loans and Deposits

Average Balance / Average Yield
(Domestic + Overseas)

1 2 3 4

Key Change Factor in NII (by Bank)

• Jojo

(¥bn)

	Factor	YoY Chg	Domestic (Chg in NII)		Overseas (Chg in NII)	
			Chg in Factors	Chg in Factors	Chg in Factors	Chg in Factors
Interest on loans and bills discounted	Avg	+0.3	+0.2	(+¥38.9bn)	+0.1	(+¥23.1bn)
	Yield	-0.7	-1.0	(-3.7bp)	+0.3	(+61.0bp)
Interest on deposits (-)		-0.0	-0.1	—	+0.0	—
Interest and dividend on securities*	Avg	+0.1	-0.0	(-¥10.1bn)	+0.1	(+¥18.3bn)
	Yield	+1.0	+0.5	(+5.6bp)	+0.4	(+21.5bp)
Market investments and borrowings (-)		+0.4	-0.5	—	+1.0	—

*Includes gains on cancellation of private offering investment trusts of ¥0.5bn (YoY +¥0.4bn)

• Ashikaga

	Factor	YoY Chg	Domestic (Chg in NII)		Overseas (Chg in NII)	
			Chg in Factors	Chg in Factors	Chg in Factors	Chg in Factors
Interest on loans and bills discounted	Avg	+0.4	+0.3	(+¥64.9bn)	+0.0	(+¥7.3bn)
	Yield	-1.4	-1.4	(-6.9bp)	+0.0	(+86.8bp)
Interest on deposits (-)		-0.1	-0.1	—	+0.0	—
Interest and dividend on securities	Avg	+1.1	+0.5	(+¥65.5bn)	+0.6	(+¥51.4bn)
	Yield	+0.1	-0.4	(-7.7bp)	+0.5	(+58.0bp)
Market investments and borrowings (-)		+0.8	+0.0	—	+0.8	—

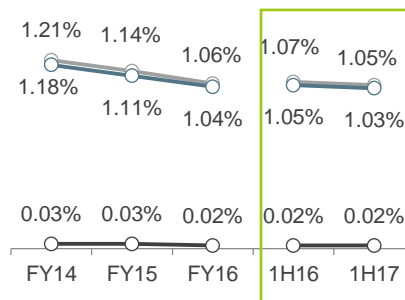
*Includes gains on cancellation of private offering investment trusts of ¥2.2bn (YoY -¥0.8bn)

Average Yield

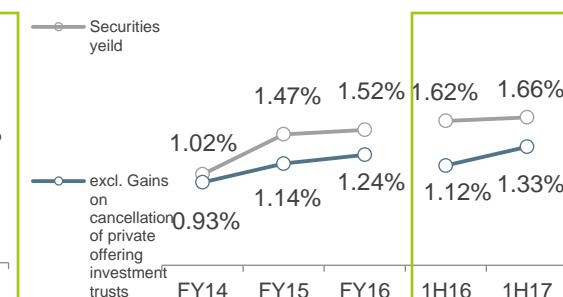
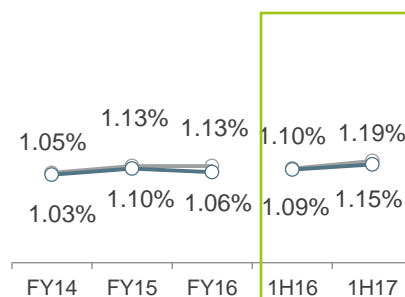
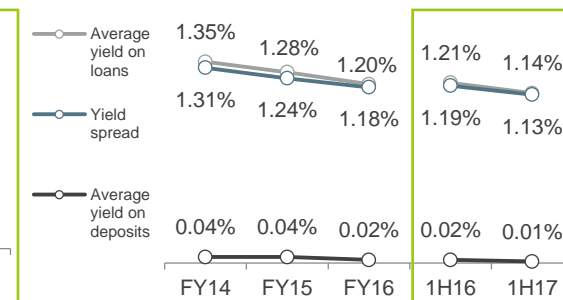
[J+A]

Avg yeild on	Domestic + International			Domestic		
	1H16	1H17	Chg	1H16	1H17	Chg
Total Investment	1.13%	1.12%	-0.01%	1.07%	1.04%	-0.03%
o/w Loan	1.13%	1.09%	-0.04%	1.13%	1.08%	-0.05%
o/w Securities	1.27%	1.36%	+0.09%	1.18%	1.19%	+0.01%
Deposits	0.02%	0.02%	0.00%	0.01%	0.01%	0.00%

• Jojo



• Ashikaga

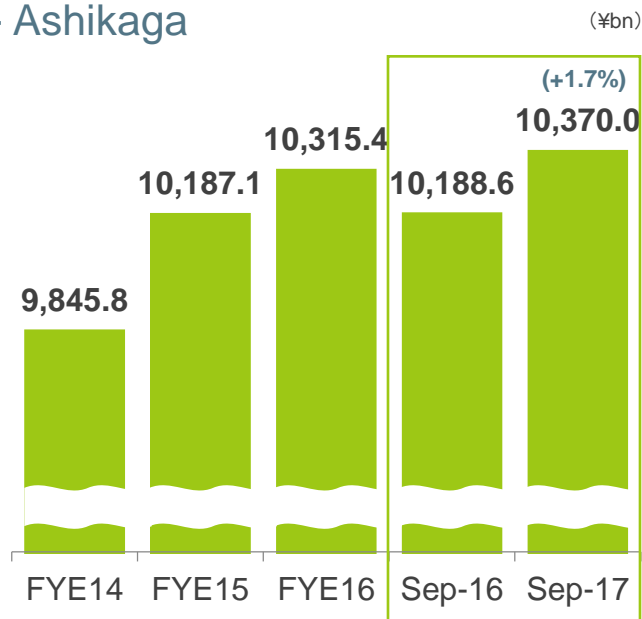


Loans (1)

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

- ◇ Loans to individual customers increased by ¥238.2 bn (+5.7%) and housing related loans increased by ¥230.2 bn from the previous year. (refer to p.9)
- ◇ Loans to corporate customers increased by ¥61.6 bn and those to local corporate customers increased ¥113.1 bn YoY. (refer to p.8)

● Joyo + Ashikaga



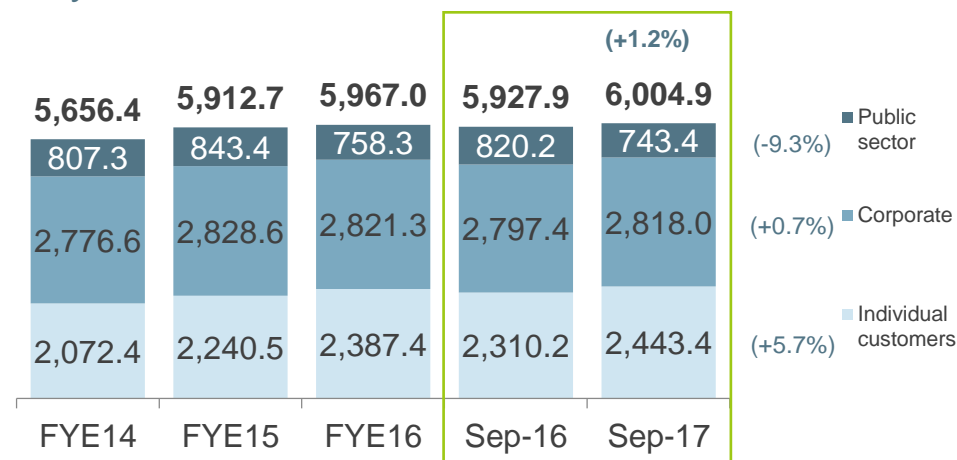
* "Individual Customers" include sole proprietors and "Corporate" include financial institutions

	FYE14	FYE15	FYE16	Sep-16	Sep-17	YoY Change (%)
Individual	3,746.2	4,025.6	4,272.8	4,143.3	4,381.6	(+5.7%)
Corporate	4,772.2	4,813.1	4,809.6	4,773.8	4,835.5	(+1.2%)
Public	1,327.3	1,348.3	1,232.9	1,271.4	1,152.9	(-9.3%)
Total	9,845.8	10,187.1	10,315.4	10,188.6	10,370.0	(+1.7%)

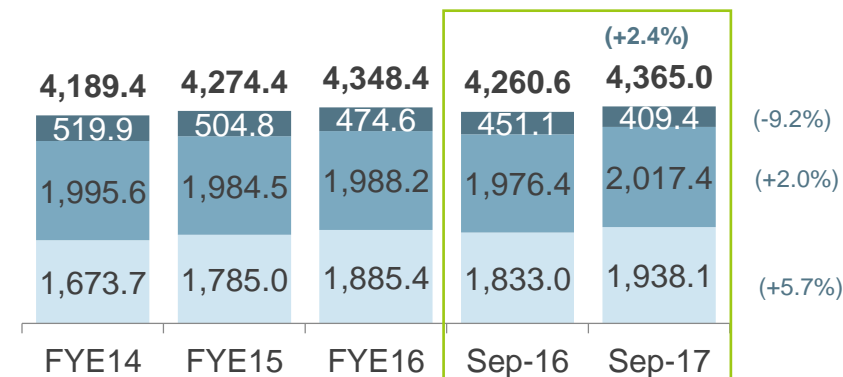
Foreign Currency Denominated Loans

	FYE14	FYE15	FYE16	Sep-16	Sep-17
Joyo	86.3	98.8	116.0	90.6	108.9
Ashikaga	5.5	5.7	12.2	4.1	14.9
Total	91.9	104.5	128.3	94.7	123.9

● Joyo



● Ashikaga



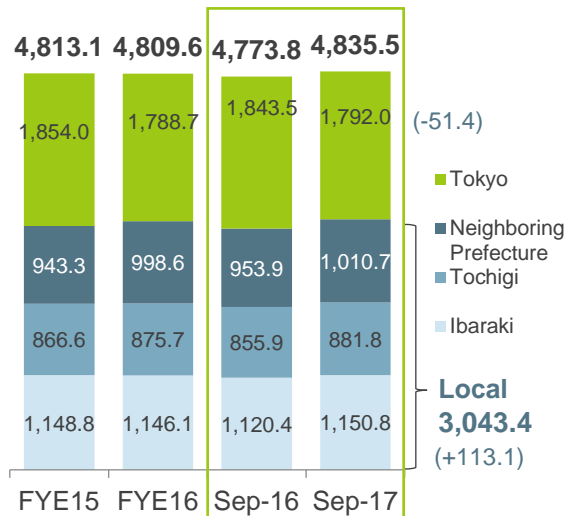
Loans (2) Loans to Corporate Customers (by Area / Company Size)

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

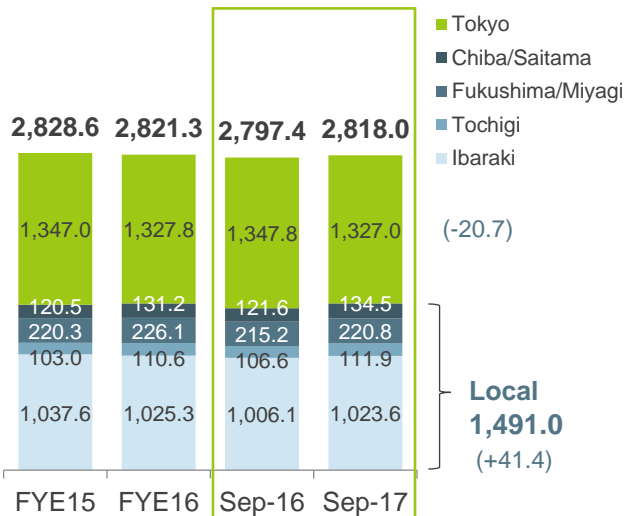
Balance by Area

● Joyo + Ashikaga

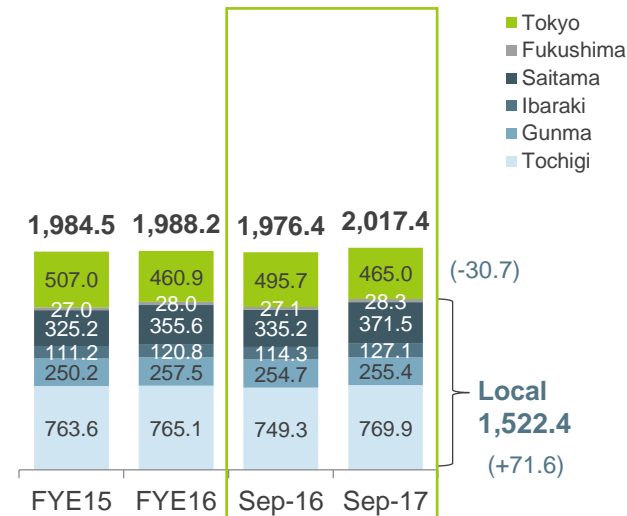
(¥bn)



● Joyo



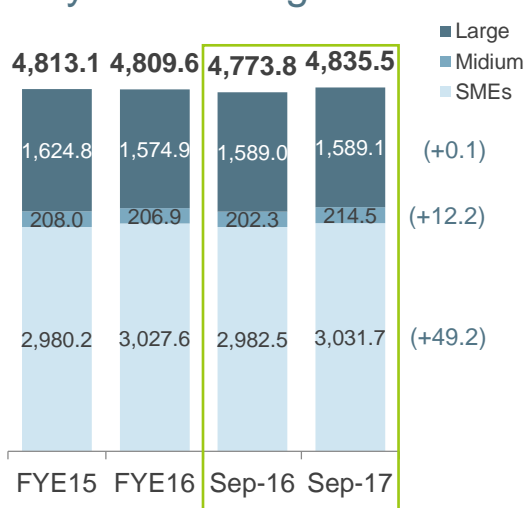
● Ashikaga



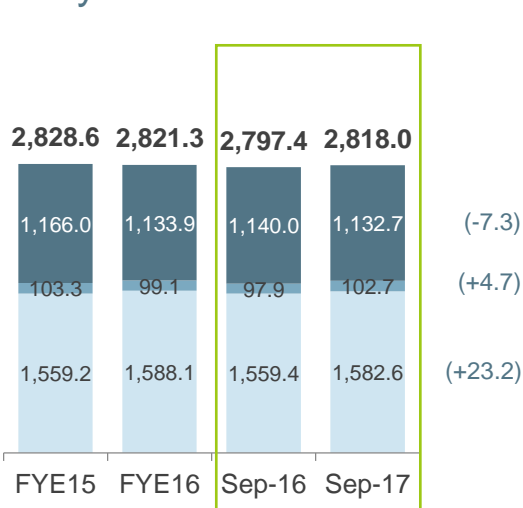
Balance by Company Size

● Joyo + Ashikaga

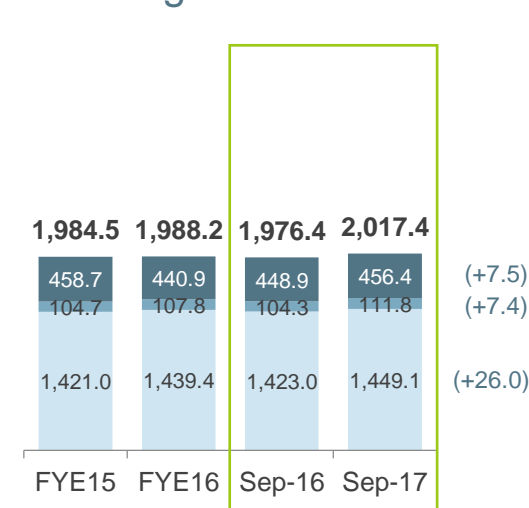
(¥bn)



● Joyo



● Ashikaga

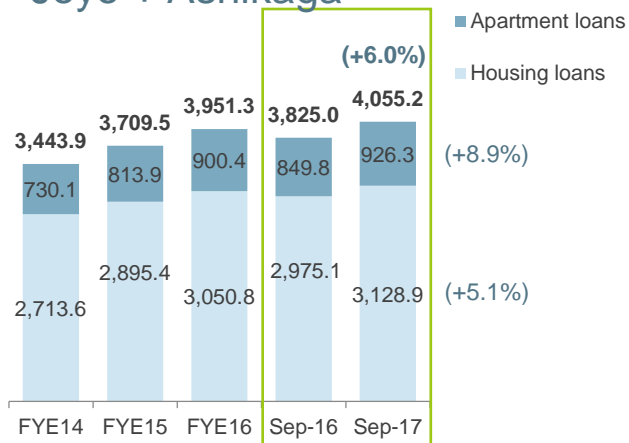


* Figures in parentheses are changes on a year-on-year basis

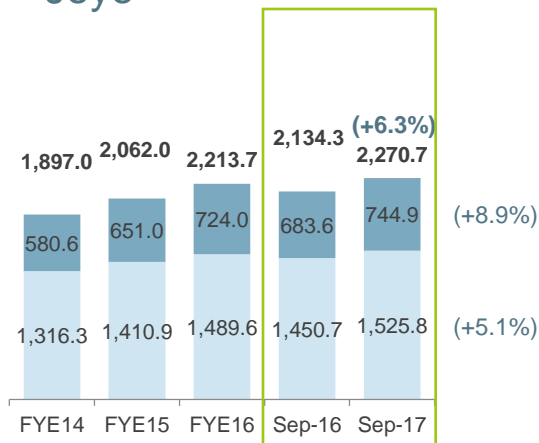
Housing Related Loans (Term-end Balance) (¥bn)

* "Apartment loans" include those to corporate customers

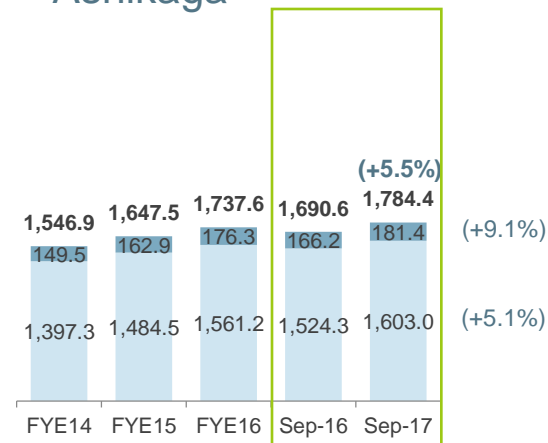
• Joyo + Ashikaga



• Joyo

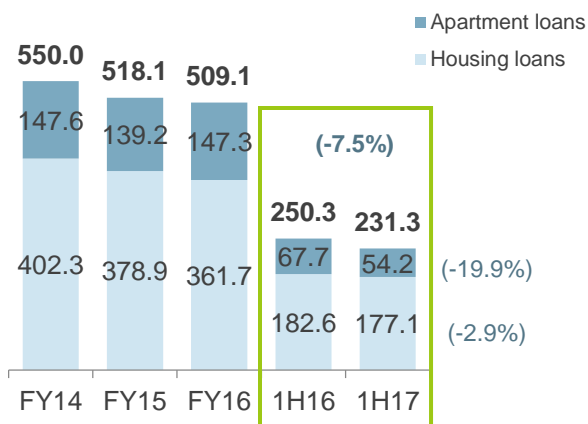


• Ashikaga

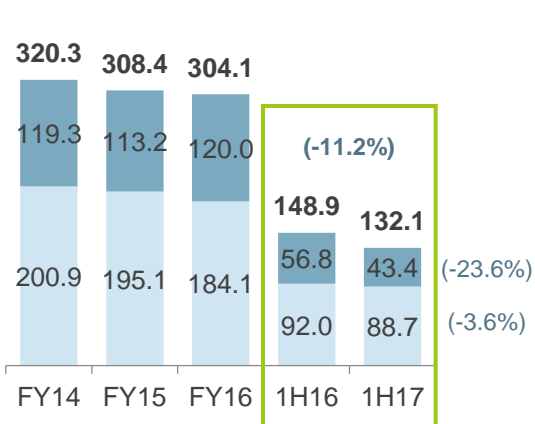


Loans Made (¥bn)

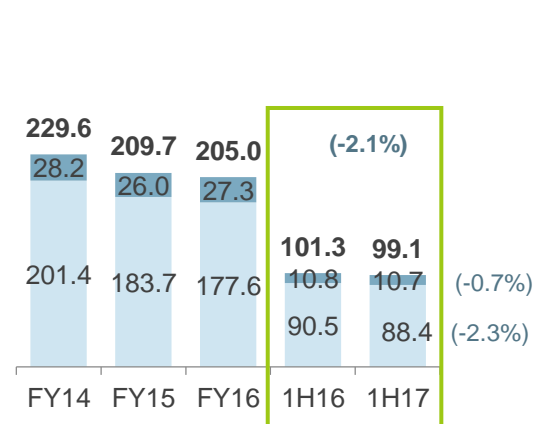
• Joyo + Ashikaga



• Joyo



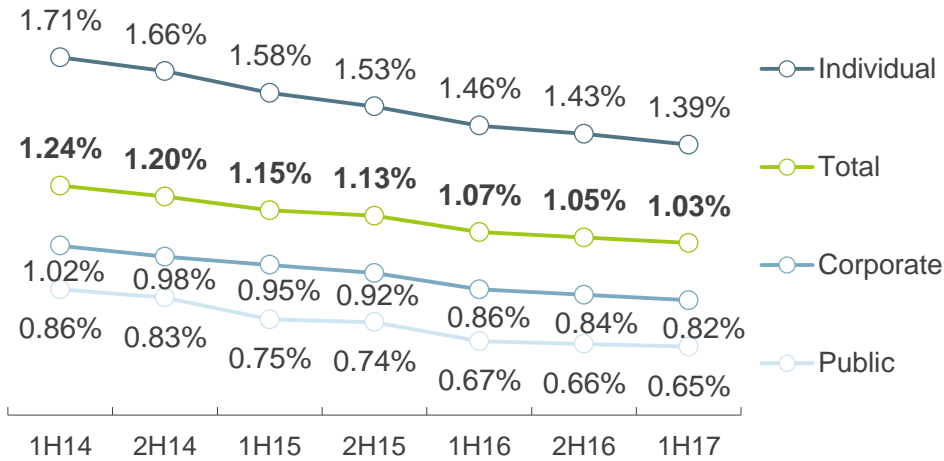
• Ashikaga



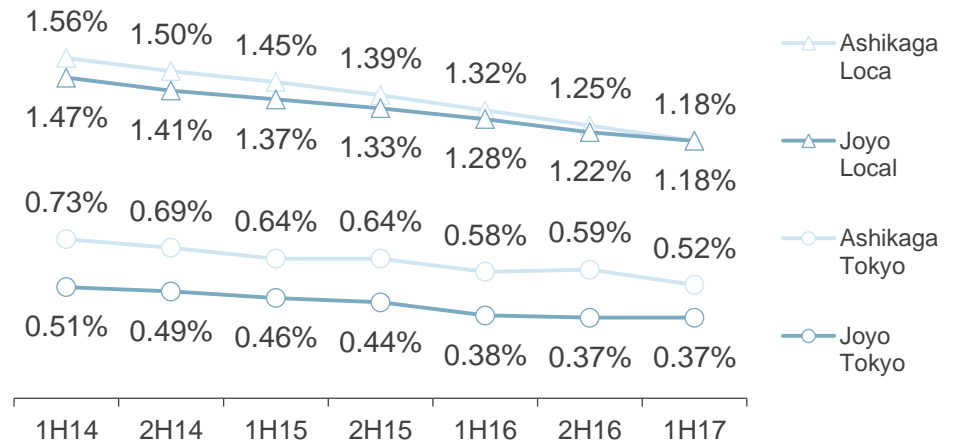
Loans (4) Average Yields

* Average yields are calculated based on management accounting

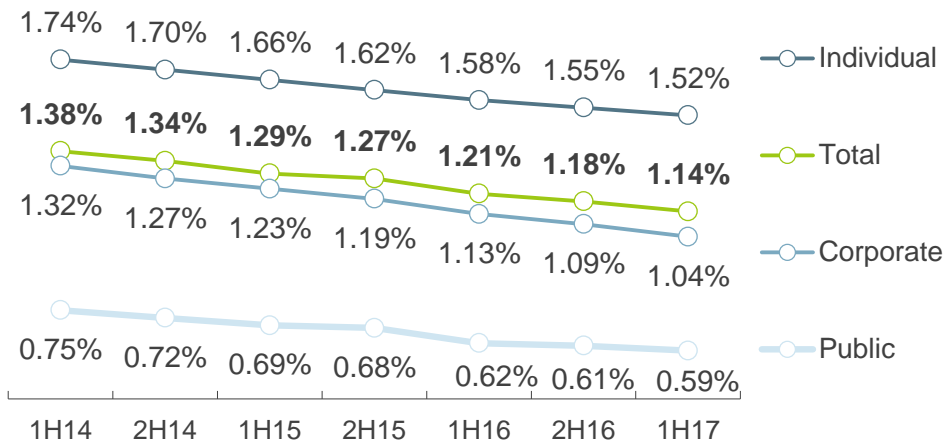
By Borrower type (Domestic) Jojo



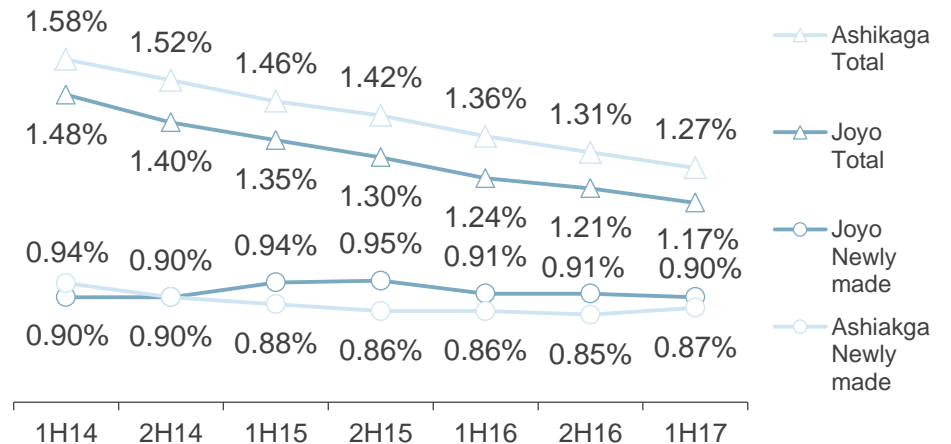
Loans to Corporate Customers (By Area)



By Borrower type (Domestic) Ashikaga



Housing Loans

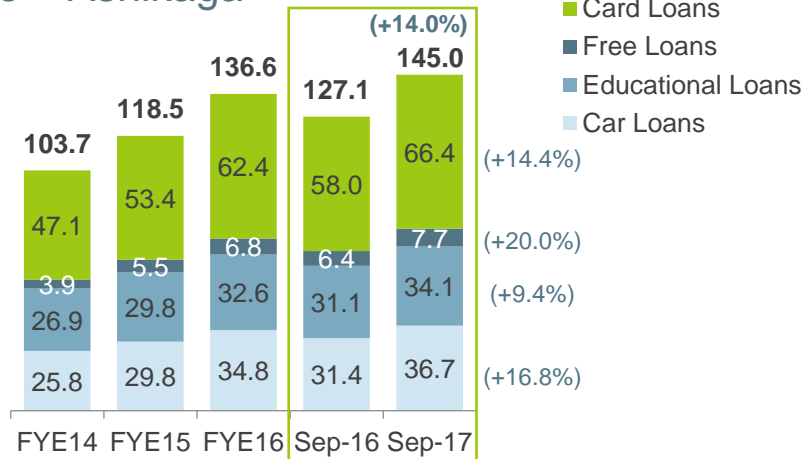


Loans (5) Unsecured Loans

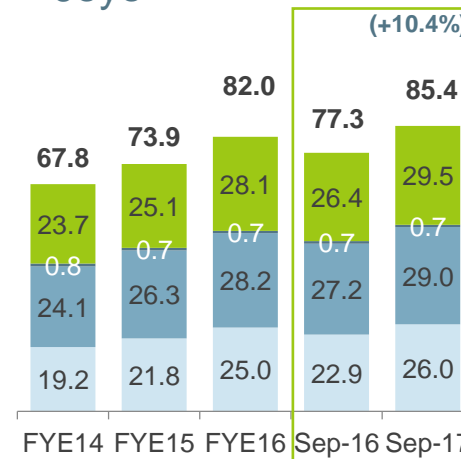
* Figures in parentheses are changes on a year-on-year basis

Term-end Balance (¥bn)

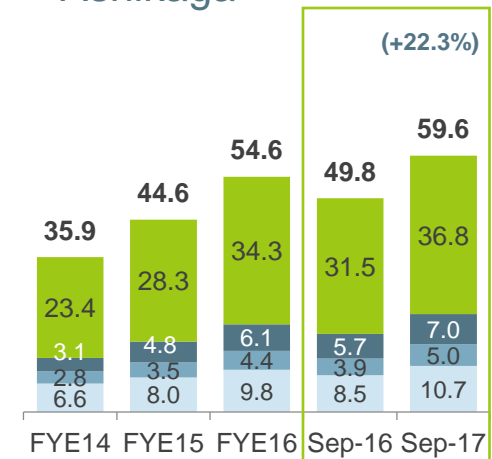
• Joyo + Ashikaga



• Joyo



• Ashikaga



Card Loans (Compliance with JBA arrangement)

Take into account both customer benefits and customer protection

Measure	Measure
Apr. 2017 -	Refrainment from advertising and publicity that might lack consideration for customer protection
Jul. 2017 -	Requirement of certificate of annual income for card loan contract with an external guarantee whose borrowing limit is 500 thousand yen or more
	Set borrowing limit based on income-debt ratio to one-half

Promotion Measures

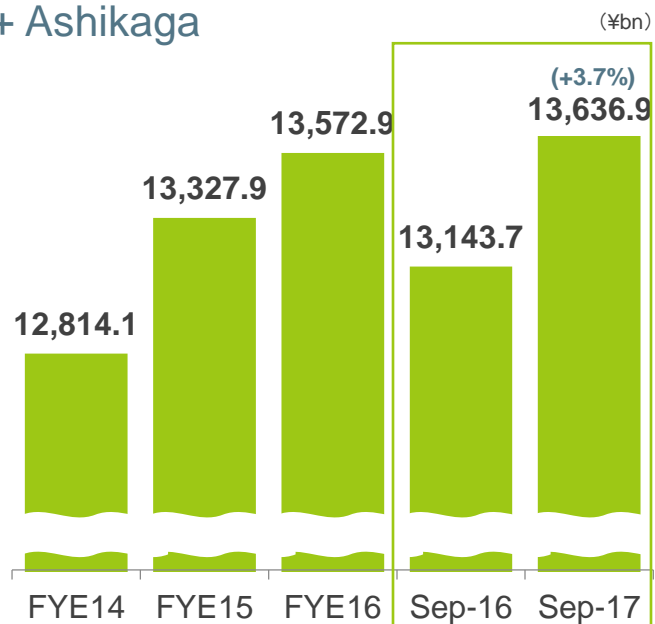
	Measures
Car Loans	<ul style="list-style-type: none"> Preferential interest rate (Sep. 2017 – Apr. 2018) Online ads / Ads at driving schools (Joyo) Introduction of assistance tool for preliminary online application (Ashikaga)
Educational Loans	<ul style="list-style-type: none"> Preferential interest rate (Sep. 2017 – Apr. 2018) PR materials for educational institutions / Expansion of alliances (Joyo)
Free Loans	<ul style="list-style-type: none"> Introduction of web completion scheme (Ashikaga)

Deposits (by Customer Type)

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

◇ Deposits of individual and corporate customers have been on the increase.
(Individual customers : +3.5%, Corporate customers : +4.2%)

● Joyo + Ashikaga



	FYE14	FYE15	FYE16	Sep-16	Sep-17	Change (%)
Individual	9,344.2	9,502.6	9,762.1	9,576.7	9,914.8	+3.5%
Corporate	2,741.9	3,020.8	3,062.8	3,005.4	3,131.8	+4.2%
Public	727.8	804.4	748.0	561.5	590.1	+5.0%
Total	12,814.1	13,327.9	13,572.9	13,143.7	13,636.9	+3.7%

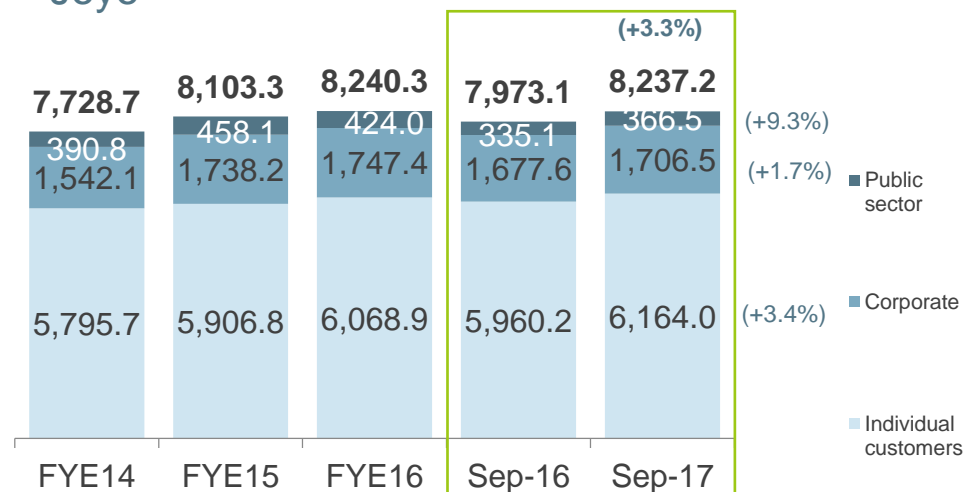
Foreign Currency Deposit

	FYE14	FYE15	FYE16	Sep-16	Sep-17
Joyo	54.6	111.4	140.7	152.5	162.3
Ashikaga	16.4	16.3	24.8	21.4	64.2
Total	71.1	127.7	165.6	174.0	226.5

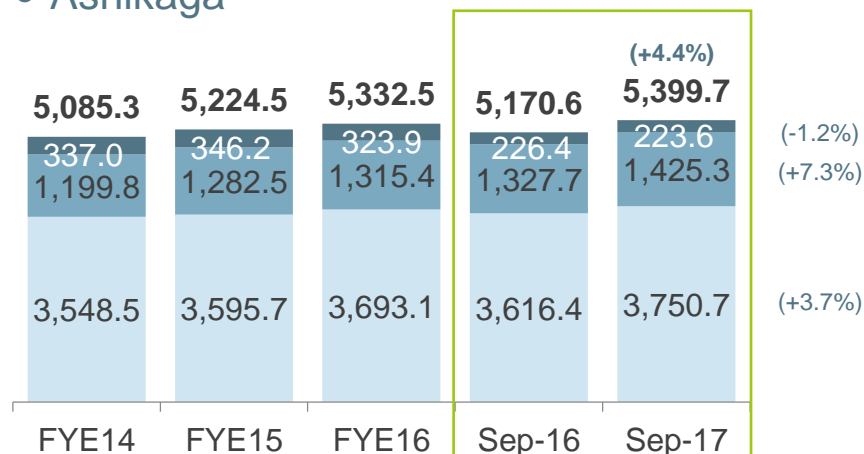
*1 "Corporate" includes financial institutions.

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

● Joyo



● Ashikaga



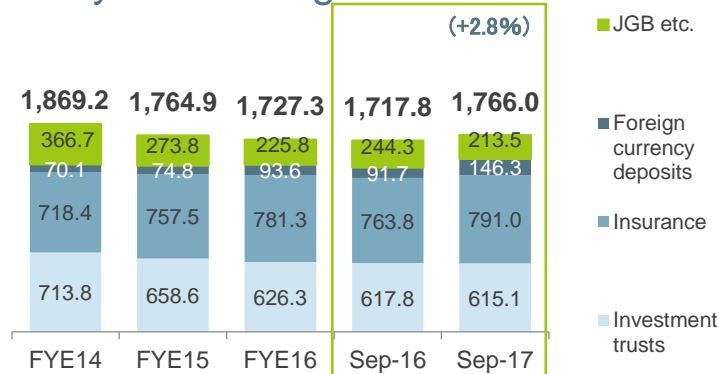
Financial Assets under Custody Balance / Commission

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

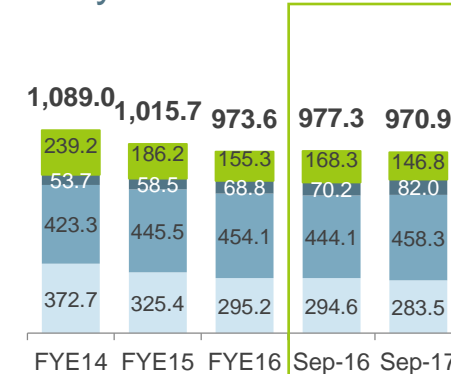
- ◇ The amount rose 2.8% YoY due to foreign currency deposits. Commission dropped mainly due to insurance.
- ◇ Commissions from intermediary financial instruments steadily increased due to the synergistic effects arising from closer cooperation between the banking subsidiaries and Mebuki Securities.

Financial Assets under Custody (Balance)

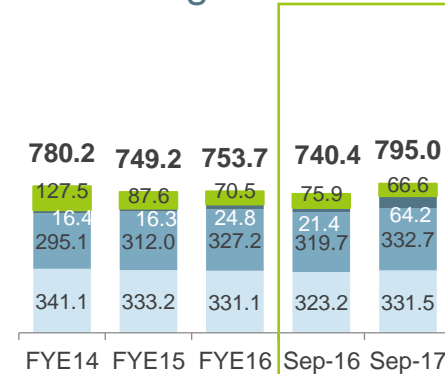
• Jojo + Ashikaga (¥bn)



• Jojo

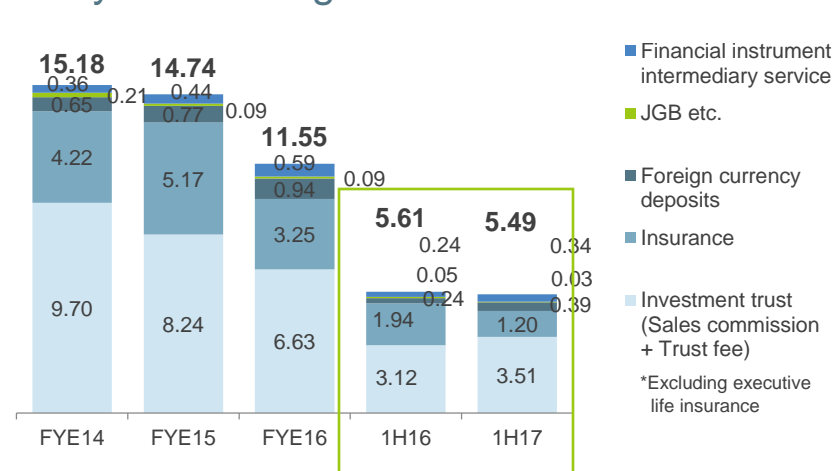


• Ashikaga

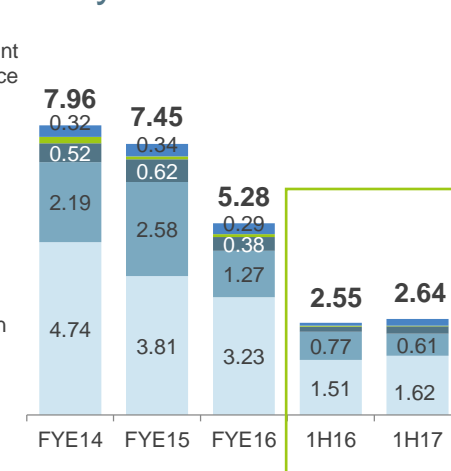


Commissions

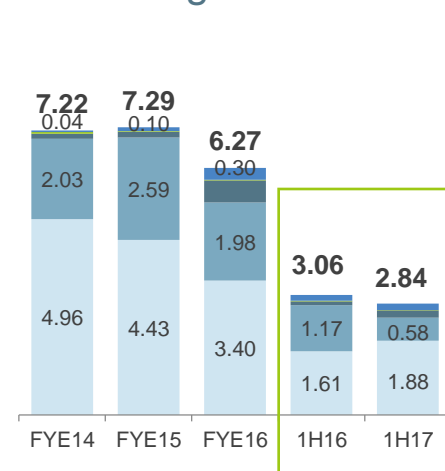
• Jojo + Ashikaga (¥bn)



• Jojo

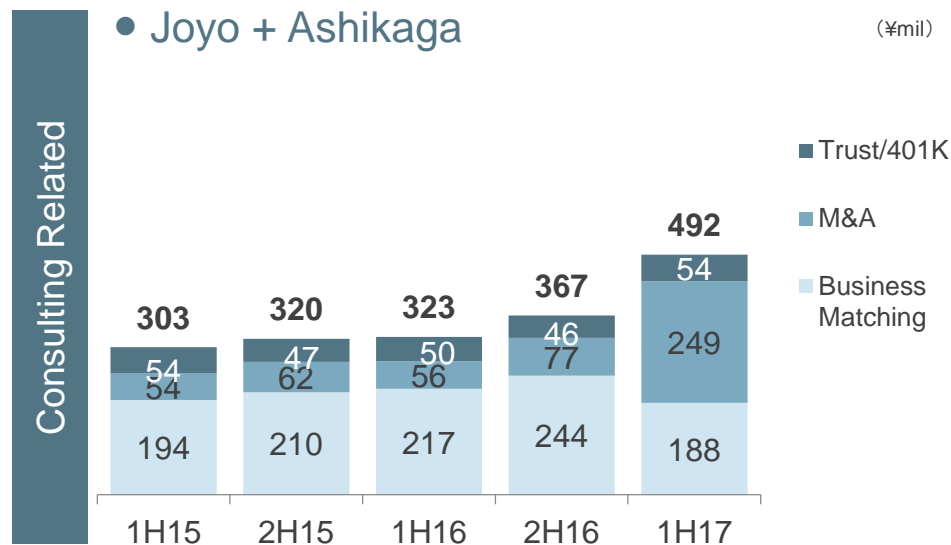
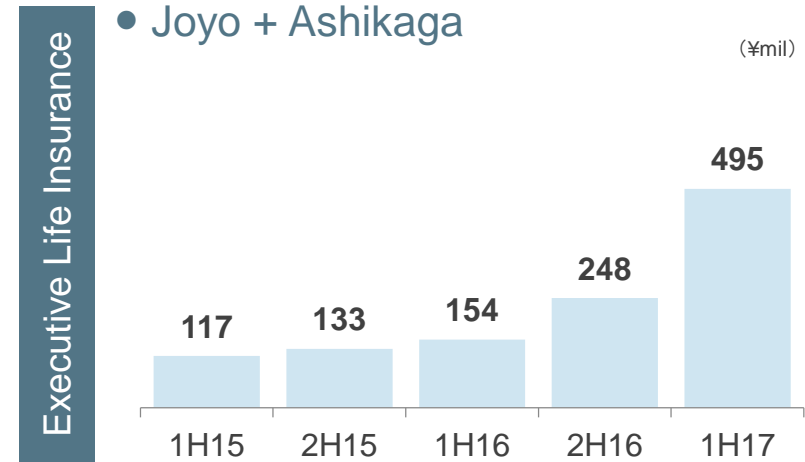
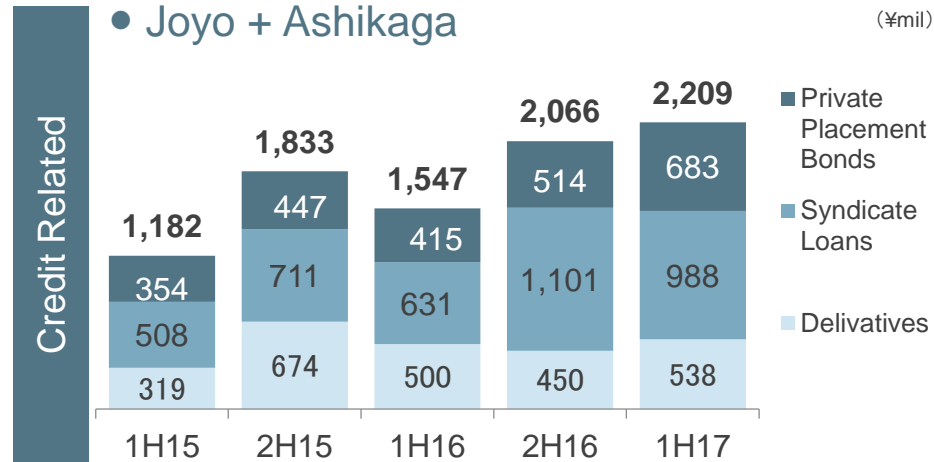


• Ashikaga



Fees from Corporate Customers

- ◇ Due to enhancement of consulting service, fees from corporate customers increased as shown bellow.
- ◇ Based on business assessment, offered wide range of solutions and established new fees.

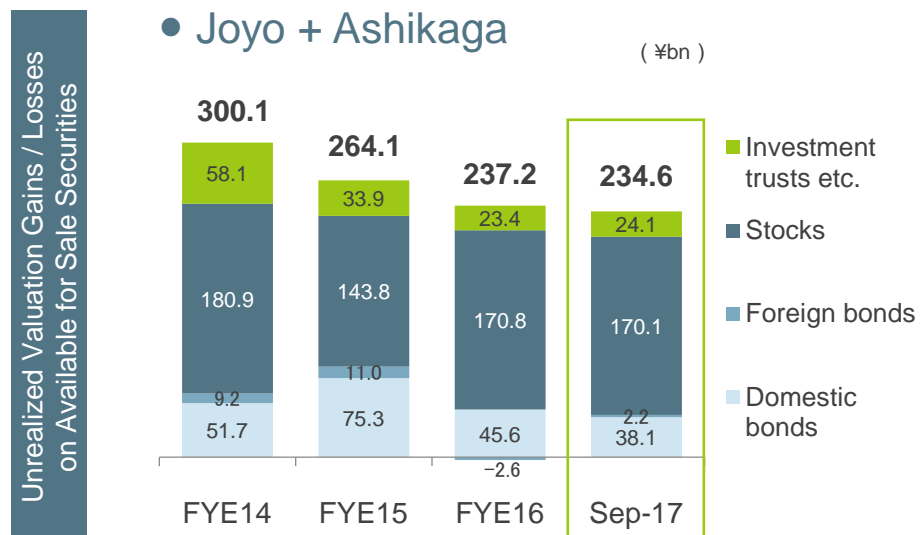
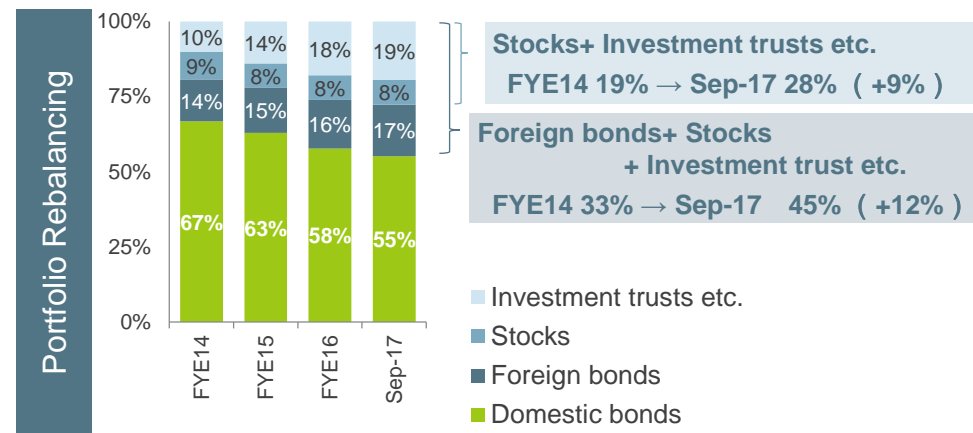
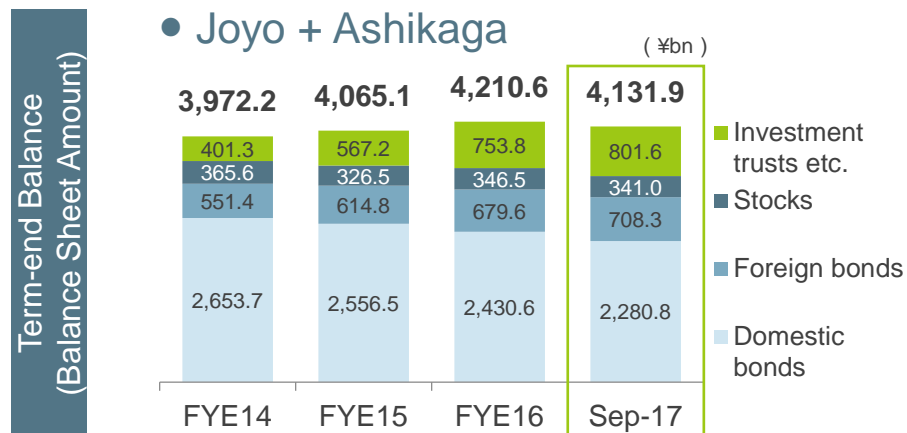


Newly Set Fee

Items	Outline
Fees related to corporate loans	ABL handling fee Short-term-rolling loans etc.
Handling fee for loans with covenants	Full deployment from 2H17
Housing loan handling fee	Housing loan refinance fee (web application)
Total fees (Joyo + Ashikaga)	1H17 ¥0.4bn*

Securities (1)

- ◇ Considering the interest rate of the Japanese yen, reinvestment of redemption payments of JGBs was suspended (The amount of domestic bonds held decreased by ¥149.7bn from the end of FY16).
- ◇ Focused on managing risks and rebalanced portfolio by purchasing investment trusts and foreign bonds.



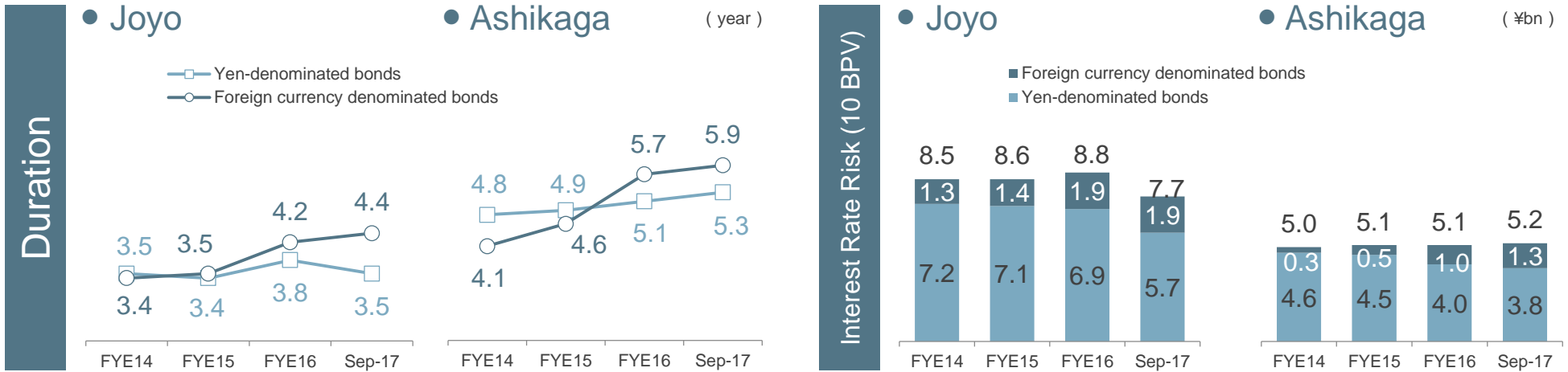
Gains/Losses on sales (1H17)

Company	Category	Sub-category	Gains/Losses (¥bn)			Notes
			Gains	Losses	Net	
Joyo	Bonds	Domestic	0.9	-0.4	0.4	JGBs etc.
		International	0.8	-0.8	-0.0	Foreign government bonds etc.
	Stocks etc.	-	7.0	-0.3	6.7	Strategic-holding stocks, ETF
Ashikaga	Bonds	Domestic	0.0	-0.0	-0.0	Local government bonds etc.
		International	0.0	-	0.0	Foreign government bonds etc.
	Stocks etc.	-	2.6	-0.1	2.4	Strategic-holding stocks, Investment trusts

*Gains on Cancellation of Private Offering Investment Trusts ¥0.5bn

*Gains on Cancellation of Private Offering Investment Trusts ¥2.2bn

◇ Most foreign bonds held are government bonds and government-guaranteed bonds. Investment trusts are mainly focused upon domestic stocks and foreign bonds.



Foreign Bonds / Investment trusts (Book Value)

Joyo + Ashikaga (as of Sep. 30, 2017)

	J + A	Joyo	Ashikaga	Details	(¥bn)
Foreign Bonds	706.0	458.1	247.9	-	
o/w Gov. Bond, Gov. Guaranteed Bonds, etc.	319.6	261.1	58.5	Invest mainly in gov. bonds, gov. guaranteed bonds	
o/w Corporate Bond	301.2	111.7	189.4	Bonds rated A or above account for more than 90% of total	
o/w Ginnie Mae	26.0	26.0	0.0	Bonds w hose interest rates are high for their duration	
others	59.0	59.0	0.0	Floating bonds centering on CLO (only highest tranches)	
Investment Trusts etc.	773.6	324.1	449.5	-	
o/w ETF, Stock Index Fund	208.5	157.5	50.9	Control risks using bear funds	
o/w REIT	57.7	41.8	15.9	Invest in diversified REIT considering yield and liquidity	
others	507.3	124.7	382.6	Improve risk-return profile of entire portfolio considering correlation w ith other assets	

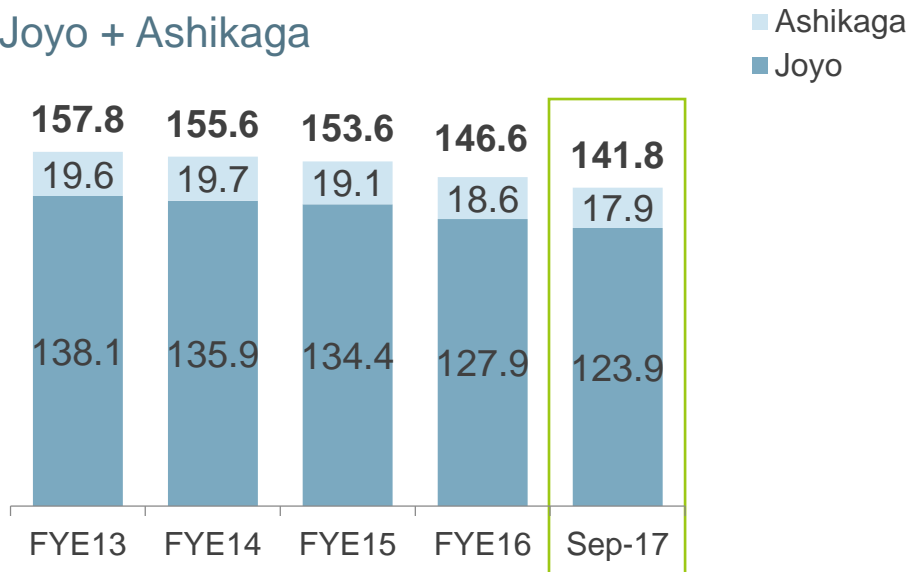
Strategic Shareholdings

- ◇ Sum of strategic shareholdings of the two banking subsidiaries is ¥141.8 bn (-¥4.7 bn vs. FYE16)
- ◇ The amount of Joyo declined to ¥123.9 bn (-¥4.0bn), which reduced CET1 ratio* to 28.9%

*Excl. accumulated other comprehensive income etc.

Balance (¥bn)

• Joyo + Ashikaga



• CET 1 Ratio (Joyo)

FYE13	FYE14	FYE15	FYE16	Sep-17	Vs. FYE16
34.6%	34.1%	32.6%	30.4%	28.9%	-1.5%

Excerpts from Basic Corporate Governance Policy

Basic Policy on Strategic Shareholdings

The objective and rationale behind strategic shareholdings are sustainable growth and improvement of mid- to long-term corporate value of Mebuki FG and its customers, and to maintain a stable relationship with customers

Concerning major strategic shareholdings, examine the permissibility of the shareholdings at the board of directors every year, based on mid- to long-term economic rationality reflecting the risk and returns, and the objective and rationale behind the shareholdings

Expenses / OHR

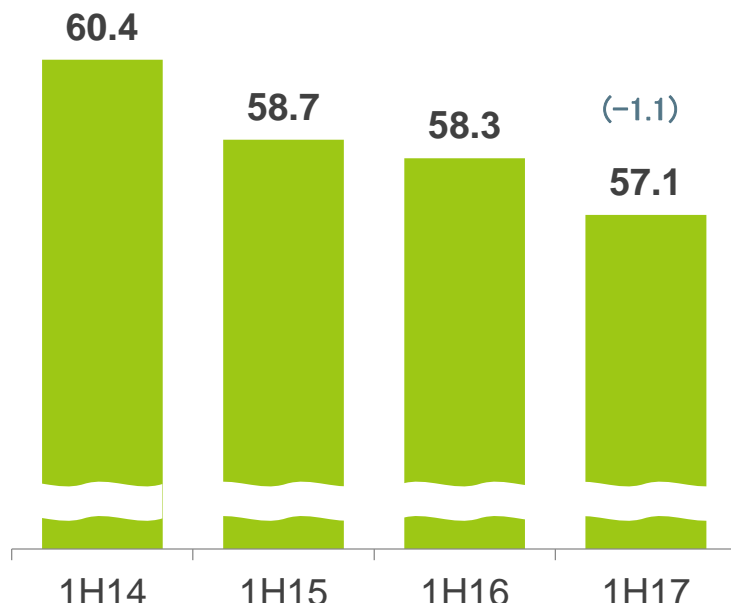
① ② ③ ④

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

◇ Expenses decreased ¥1.1 bn YoY, mainly due to measures to reduce expenses and a decrease in deposit insurance premiums. * two banking subsidiaries' simple-sum basis

● Joyo + Ashikaga

(¥bn)

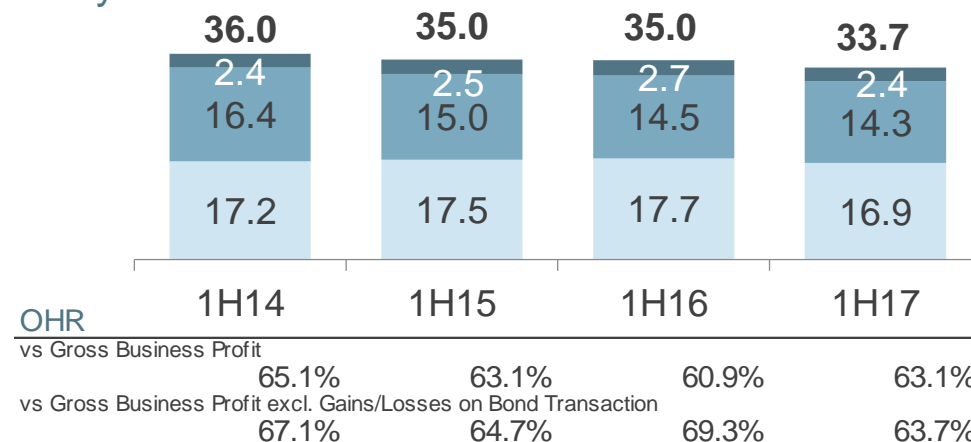


	1H14	1H15	1H16	1H17	
Personel	30.2	30.3	30.4	30.0	(-0.3)
Non-personel	26.2	24.3	23.3	22.8	(-0.4)
Taxes	3.9	4.1	4.5	4.2	(-0.3)
Total	60.4	58.7	58.3	57.1	(-1.1)

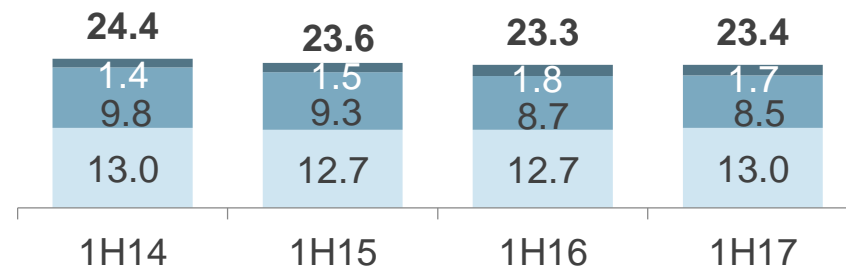
OHR

vs Gross Business Profit	62.7%	58.7%	58.3%	60.2%
vs Gross Business Profit excl. Gains/Losses on Bond Transaction	64.1%	60.0%	63.0%	60.5%

● Joyo



● Ashikaga

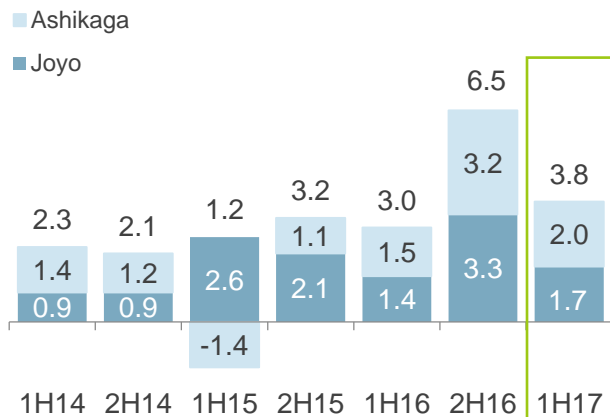


Credit Related Costs / Non-performing Loans

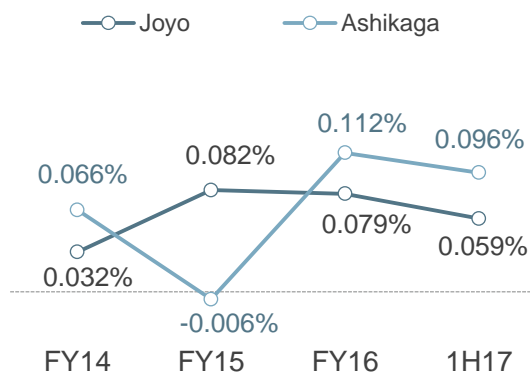
◇ Credit related costs rose ¥0.8 bn YoY* and number of bankruptcies stayed low in Ibaraki and Tochigi.

*two banking subsidiaries' simple-sum basis

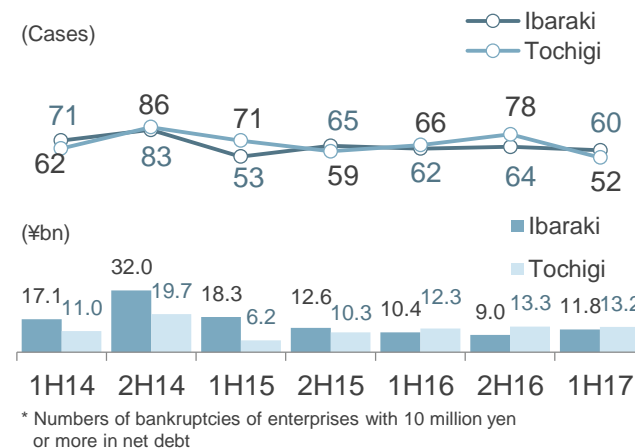
Credit Related Costs (¥bn)



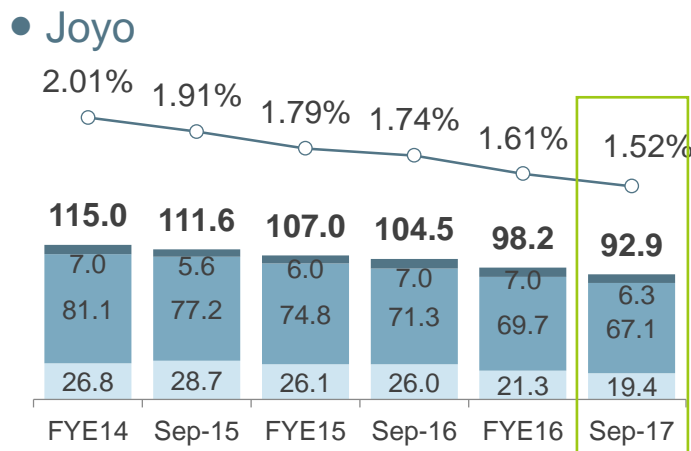
< Reference > Credit Related Cost Ratio



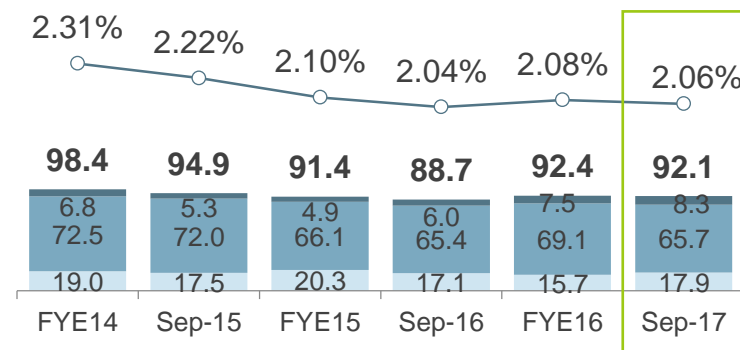
< Reference > Bankruptcies



Non-performing Loans (¥bn)



Ashikaga



Status of Group Companies

1 2 3 4

(¥mil)

	Company name	Main business activities	Ordinary income		Ordinary Profit		Net income		
				YoY		YoY		YoY	
FG	Mebuki Lease	Leasing of machinery and equipment, claim acquisition	12,232	+1,424	359	-150	311	+10	
Joyo	Sales	Mebuki Securities	1,439	+738	515	+401	354	+277	
		The Joyo Computer Service	686	-46	37	-8	23	-6	
		The Joyo Industrial Research Institute	276	-43	18	-3	12	-0	
	Business operation	The Joyo Credit Guarantee	Credit guarantee of housing loans	1,952	+54	971	+453	633	+297
		The Joyo Credit	Credit card services	592	+8	90	-2	59	-53
		The Joyo Business Service	Agent in charge of administrative work for the Bank	396	+1	0	+0	△0	-1
		The Joyo Cash Service	Maintenance and management of the Bank's ATMs and CDs	528	-34	1	+1	0	+0
The Joyo Equipment Management	Maintenance and management of operational properties and equipment of the Bank	485	-3	125	-2	72	-13		
	Total		6,356	+673	1,761	+841	1,157	+499	
Ashikaga	Ashikaga Credit Guarantee	Credit guarantee of housing loans	1,923	-944	894	+215	511	+77	
	Ashigin Research Institute	Consulting, investigation and research	262	-2	1	-16	1	-16	
	Ashigin Card	Credit card services	817	-1,406	207	-1,458	135	-1,122	
	Total		3,003	-2,352	1,103	-1,260	647	-1,061	
	Non-banking Subsidiaries' Total		21,592	-254	3,224	-569	2,116	-550	

Mebuki Lease

Ordinary profit decreased YoY, due to a cost increase resulted from acceptance of Ashikaga Credit Guarantee's lease Division, which has positive impact on Ashikaga Credit Guarantee's financial result.

*For more information about Mebuki Lease and Mebuki Securities, refer to page 26

Forecast for FY17 (1)

- ◇ 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 and ¥40.0bn respectively.

* Attributable to owners of the parent

● Mebuki FG

	Consolidated		
	1H17	Progress	FY17 Forecast
Ordinary profit	37.3	63.8%	58.5
Net income attributable to owners of the parent	24.9	62.3%	40.0

● Joyo + Ashikaga

+ Non-banking Subsidiaries

(¥bn)

	Consolidated		
	1H17	Progress	FY17 Forecast
Net income	30.6	63.7%	48.0

● Joyo + Ashikaga

● Joyo

● Ashikaga

	Non-consolidated			
	1H17	Progress	FY17 Forecast	YoY Chg
Core net business income	37.2	59.1%	63.0	-3.9
Ordinary profit	41.9	65.5%	64.0	-4.9
Net income	28.4	64.7%	44.0	-6.8

	Non-consolidated			
	1H17	Progress	FY17 Forecast	YoY Chg
Core net business income	19.2	59.0%	32.5	+1.6
Ordinary profit	23.3	69.7%	33.5	-2.1
Net income	15.7	68.5%	23.0	-1.4

	Non-consolidated			
	1H17	Progress	FY17 Forecast	YoY Chg
Core net business income	18.0	59.2%	30.5	-5.5
Ordinary profit	18.5	60.9%	30.5	-2.7
Net income	12.7	60.5%	21.0	-5.4

Forecast for FY17 (2) Joyo + Ashikaga

① ② ③ ④

	FY16 Results			FY17 Forecast			YoY			
	J + A	Joyo	Ashi- kaga	J + A	Joyo	Ashi- kaga	J + A		Joyo Chg	Ashikaga Chg
							Chg	Ratio		
Gross business profit	187.5	105.2	82.3	183.0	103.5	79.5	-4.5	-2.4%	-1.7	-2.8
Net interest income	153.4	85.1	68.2	146.5	82.0	64.5	-6.9	-4.5%	-3.1	-3.7
Net fees and commissions	27.6	14.3	13.2	31.5	17.5	14.0	+3.8	+13.9%	+3.1	+0.7
Net trading income and Net other business income	6.3	5.6	0.7	5.0	4.0	1.0	-1.3	-21.8%	-1.6	+0.2
(Of which, gains/losses on bond transactions)	5.6	5.8	-0.2	3.0	3.0	0.0	-2.6	-46.4%	-2.8	+0.2
Expenses	115.0	68.5	46.4	117.0	68.0	49.0	+1.9	+1.7%	-0.5	+2.5
Net business income(before general allowance for loan losses)	72.5	36.7	35.8	66.0	35.5	30.5	-6.5	-9.0%	-1.2	-5.3
Core net business income	66.9	30.8	36.0	63.0	32.5	30.5	-3.9	-5.8%	+1.6	-5.5
Net transfer to general allowance for loan losses (a)	-0.4	-0.6	0.1	-0.5	-0.5	0.0	+0.0	-	+0.1	-0.1
Net business income	73.0	37.3	35.6	66.5	36.0	30.5	-6.5	-8.9%	-1.3	-5.1
Net non-recurrent gains/losses	-4.0	-1.7	-2.3	-2.5	-2.5	0.0	+1.5	-	-0.7	+2.3
Disposal of non-performing loans (b)	10.0	5.4	4.5	6.5	4.0	2.5	-3.5	-35.1%	-1.4	-2.0
Gains/losses related to stocks, etc	9.7	7.5	2.1	6.5	4.0	2.5	-3.2	-33.4%	-3.5	+0.3
Ordinary profit	68.9	35.6	33.2	64.0	33.5	30.5	-4.9	-7.1%	-2.1	-2.7
Extraordinary income/losses	-2.1	-0.8	-1.3	-0.7	-0.5	-0.2	+1.4	-	+0.3	+1.1
Net Income	50.8	24.4	26.4	44.0	23.0	21.0	-6.8	-13.5%	-1.4	-5.4
Credit related costs (a)+(b)	9.5	4.7	4.7	6.0	3.5	2.5	-3.5	-37.1%	-1.2	-2.2

● ROE

	FY16	FY17 Forecast
FG (Consolidated)	-	4.6%
Joyo(Non-consolidated)	4.1%	3.8%
Ashikaga(Non-consolidated)	8.3%	6.5%

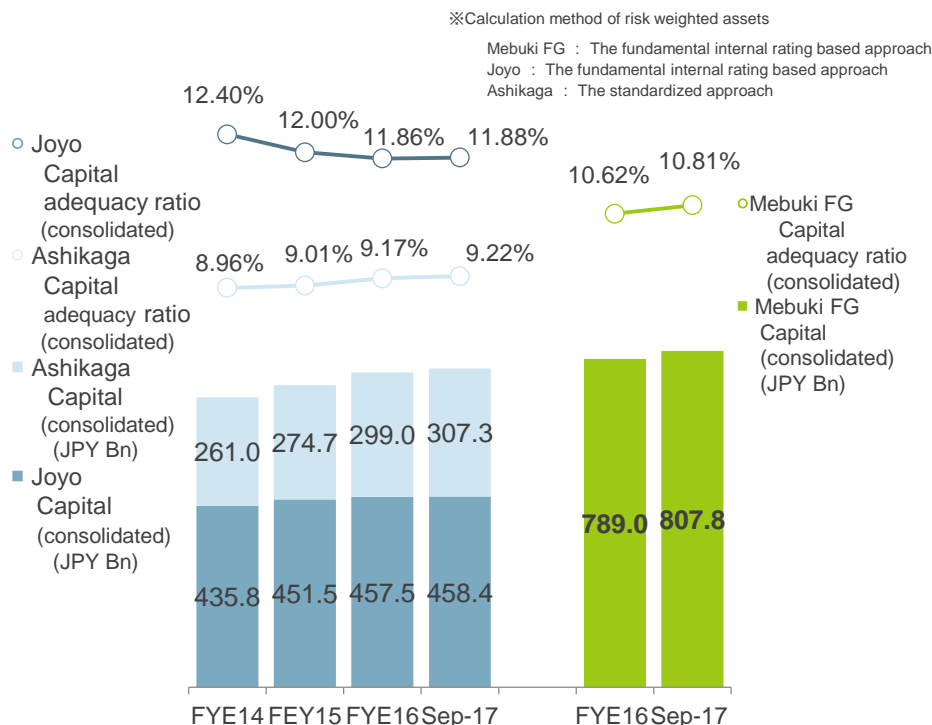
● OHR (Expenses / Core gross business profit)

	FY16	FY17 Forecast
Joyo + Ashikaga	61.3%	63.8%
Joyo(Non-consolidated)	65.1%	65.8%
Ashikaga(Non-consolidated)	56.4%	61.5%

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Capital Adequacy Ratio / Shareholder Return

Capital Adequacy Ratio



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

	FYE13	FYE14	FYE15	FYE16	Sep-17
Mebuki FG	-	-	-	9.49%	9.68%
Joyo	11.35%	11.51%	11.17%	11.52%	11.56%
Ashikaga	8.67%	8.64%	8.77%	9.00%	9.05%

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 FY17 is ¥11.0 per share (Payout ratio: 32.3%).

Dividend per Share Forecast for FY17

FY17		
Annual dividend (scheduled)	Interim dividend	Term-end dividend
	¥11.0	¥5.5

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	
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 FY16 Joyo bank's shareholder benefit catalog is 316.

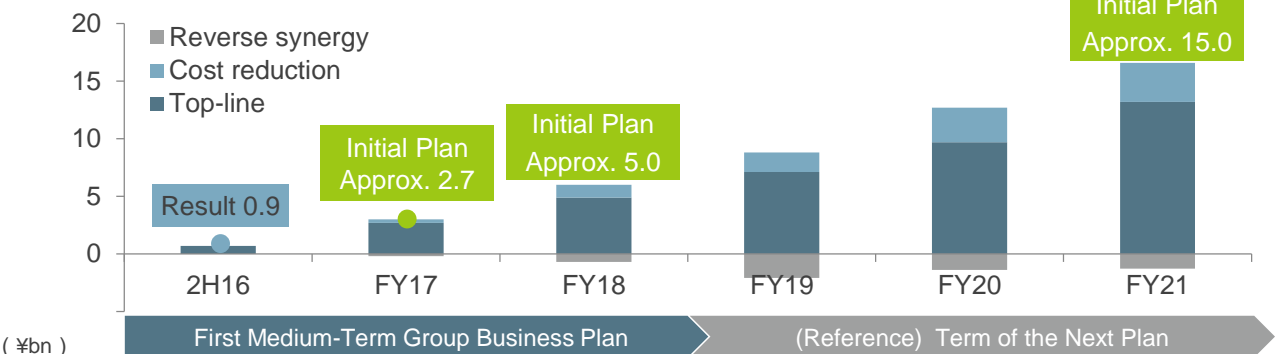
Status of Integration Synergy

- ◇ Synergy effect for 1H17 is ¥2.1bn representing progress of 78% 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 taxes

	Amount
FY17 Forecast	+ ¥2.7bn
1H17 Result	+ ¥2.1bn (Progress 78%)

● Initial Plan (¥bn)



FY17 (1H Result / Forecast)

Items	Full-year Forecast	1H Result	Progress	Details
Loans Corporate services	1.03	0.77	74.4%	<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	0.40	47.4%	<ul style="list-style-type: none"> • Share sales promotion know-how • Utilization of Mebuki Securities
Securities	0.70	0.29	41.6%	<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	0.55	215.0%	<ul style="list-style-type: none"> • Enhance staff in important regions • Promote cross-border loans • Utilize Joyo's know-how of dual currency deposit service (Ashikaga) • Conduct foreign currency deposit campaigns
Cost reductions	0.30	0.39	132.0%	<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	-0.22	-	<ul style="list-style-type: none"> • Lower transfer fee between both banks to the inter-branch rate • Increase in depreciation expense and running cost
Total	2.77	2.18	78.9%	

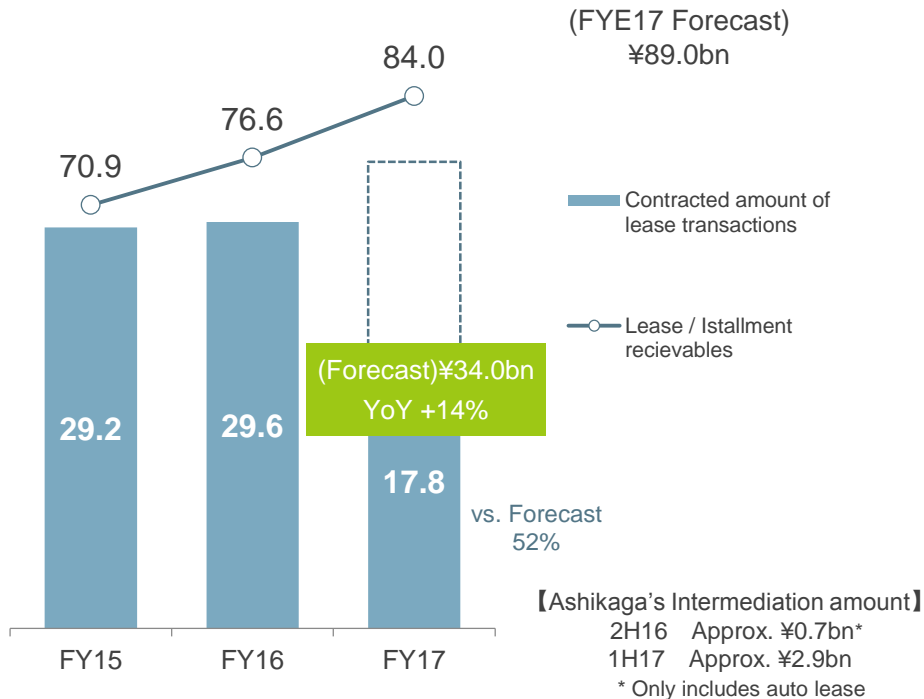
Mebuki Lease

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, opened three sales offices in Tochigi Prefecture (Utsunomiya, Ashikaga, and Oyama)

- Contracted amount of lease transactions / Lease receivables



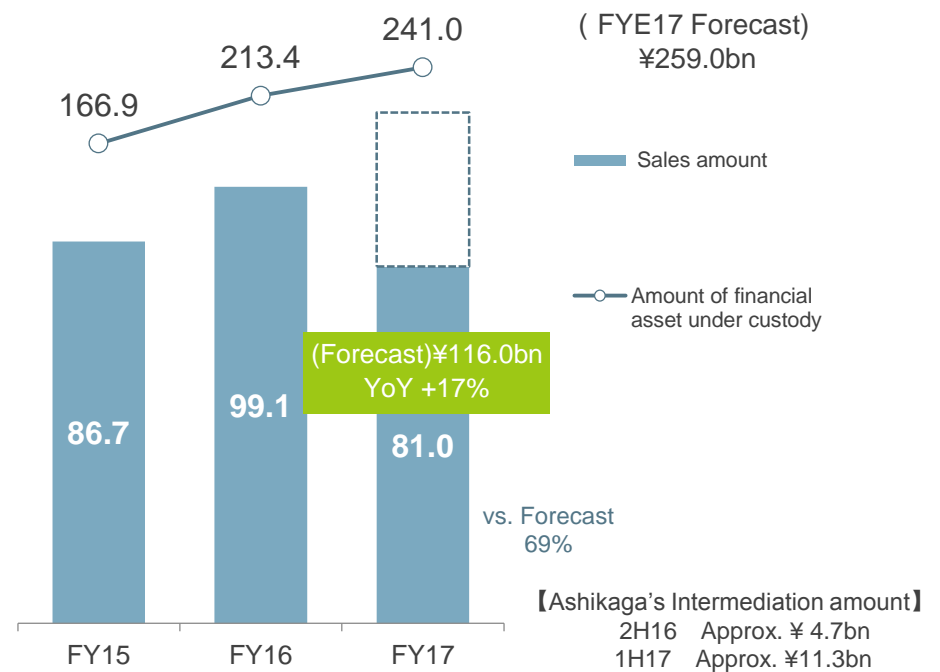
Mebuki Securities

Trade name was changed from Joyo Securities in Apr. 2017.

Number of Ashikaga's branches that intermediate financial products carried by Mebuki Securities increased from 13 to 128.

Opened Utsunomiya Branch and became Mebuki FG's wholly owned subsidiary in Oct. 2017.

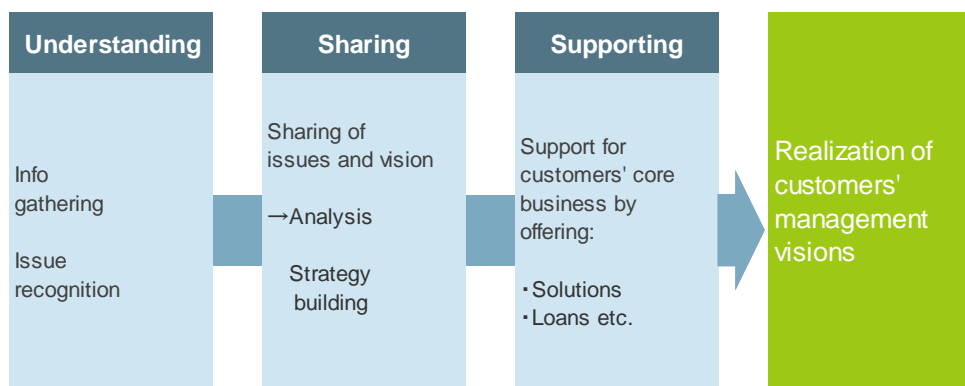
- Sales amount / Amount of financial assets under custody



Measures for Corporate Customers

Business Assessment

More actively support customers' core business (incl. financing) by appropriately assessing nature of their business and growth potential instead of over-relying on collateral and guarantees



Relation Building / Progress Management

Number of targets

Approx. 3,000

Joyo: 2,000 Ashikaga: 1,000

Utilization of Covenants loans (Full scale launch from 2H17)

- Grasp progress of their business through monitoring of indicators
- Utilizing covenants, take higher risks and support customers' financing
- Should covenant violation occur, modify covenants by changing interest rate, etc.

- Joyo will adopt the business assessment scheme of Ashikaga from 2H17. From FY18, restructure sales promotion structure and build new business models depending on customer segments.

Wide-area Business Matching (Oct. 2016 – Sep. 2017)

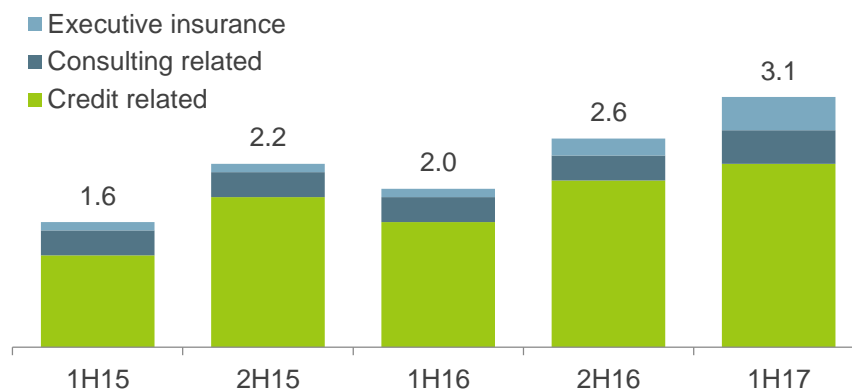
	Joyo + Ashikaga
Information Provision	5,874
Arranged	288
Contracts Concluded	37

Joint Sales Promotion (Oct. 2016 – Sep. 2017)

	# of deals	Joyo + Ashikaga
Co-finance	38	¥5.1bn
Syndicate Loans	41	¥6.8bn
Referrals	92	¥5.7bn
Total	171	¥17.8bn

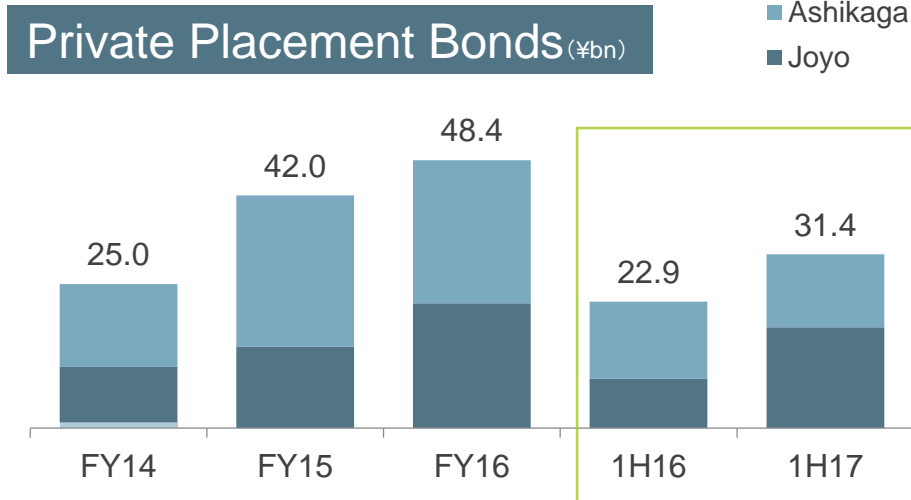
(Reference) Net fees and commissions from solution business

(¥bn)

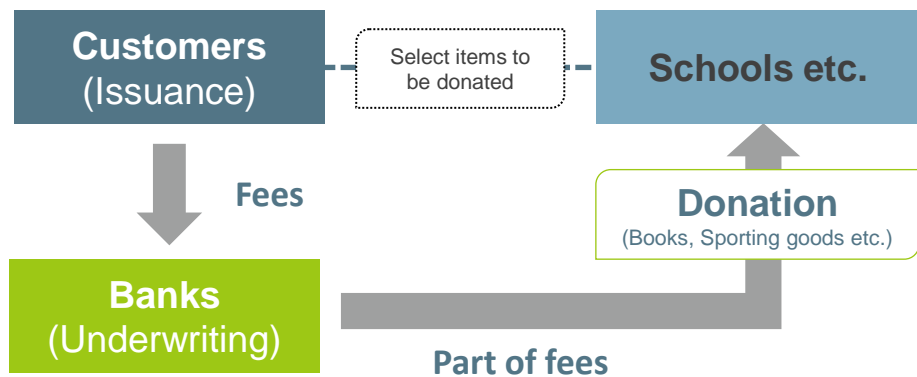


* Based on management accounting. Refer page 14 for detailed information

Measures for Corporate Customers



Private placement bond with donation scheme
 (As of Sep. 2017 | ¥20.3bn/229 bonds)
 Contribute to local societies by developing school environment

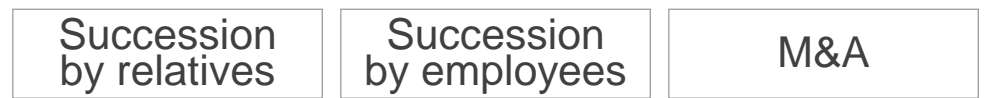
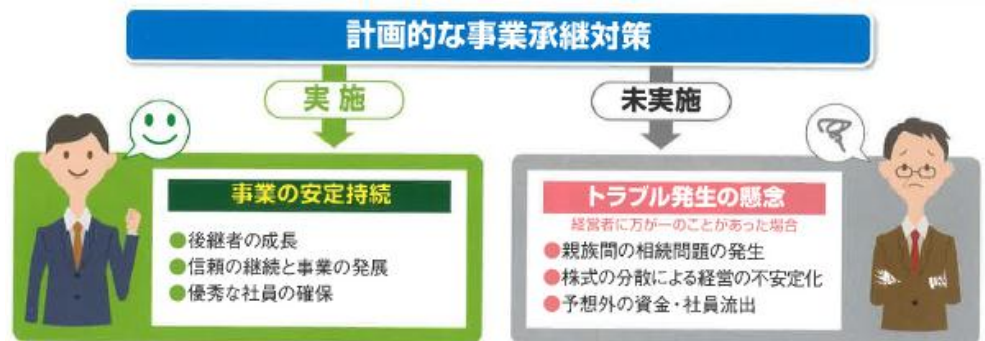


● Two banking subsidiaries donated more than ¥30mil since the scheme was introduced in Jul. 2016

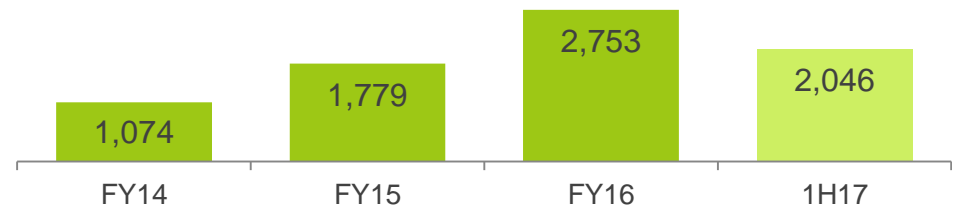
Business Succession / M&A

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



(Number of Proposals Regarding Business succession and M&A | J+A)



● Potential companies expected to conduct M&A etc. in Ibaraki / Tochigi | 20 thousand

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

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Measures for Individual Customers

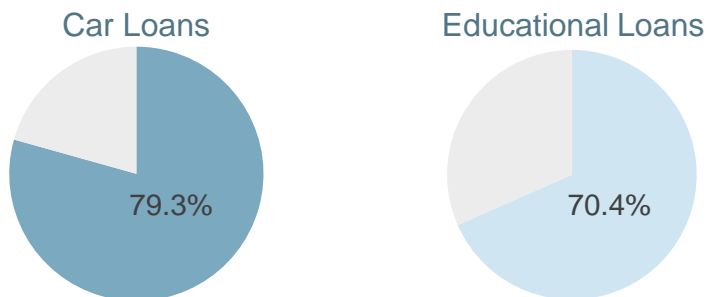
Loans to individual Customers

Improve convenience of online-applications and enrich contents of employee-specific website

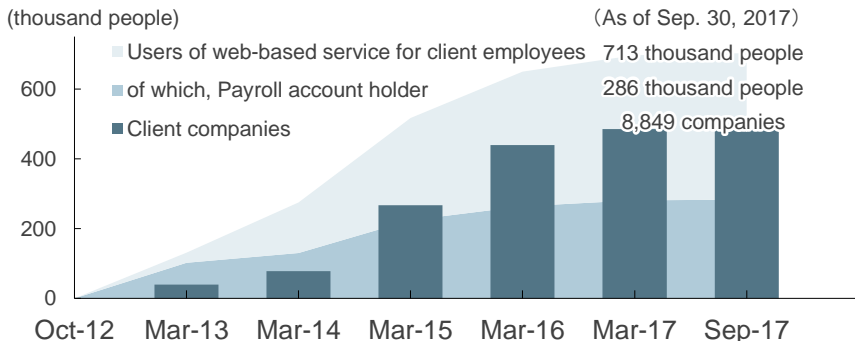
Joyo established the direct marketing division

• Web Application Ratio (Joyo + Ashikaga)

*Based on # of application / As of Sep.30 2017



• Employee-specific Website



◆ Ashikaga initiated use of the website in Oct. 2017

Customer Assets under Custody

The number of customers increased and the amount of accumulation services is on the rise

Supported customers' asset building in compliance with fiduciary duty, which enhanced our source of revenue

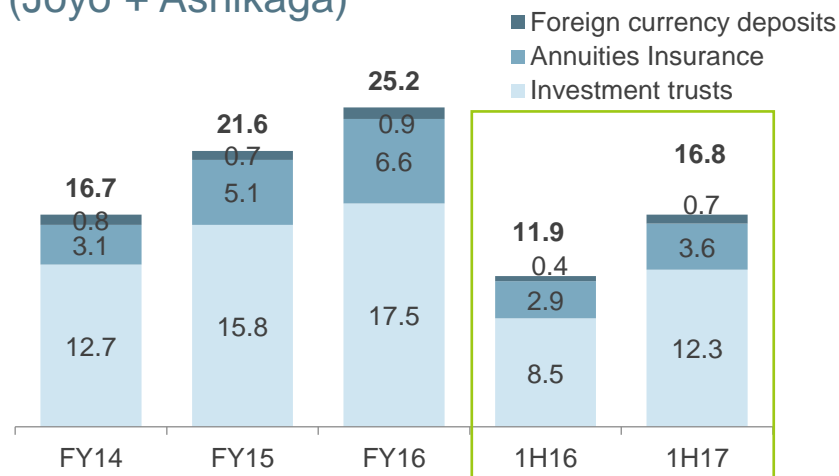
• Number of Customers

(Thousand people)

	FYE14	FYE15	FYE16	Sep-17	vs FYE16
Joyo	191	190	197	198	+0
Ashikaga	148	149	156	159	+2
J + A	340	340	353	357	+3

• Total Amount of Accumulation Services (Joyo + Ashikaga)

(¥bn)



System Integration

[Basic Policy]

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

Aim to complete core system integration in Jan. 2020

«System integration project was commenced in Apr. 2017»

● System Integration Project

Integrate core system, distributed systems, networks, etc.

→Reduce development costs and running costs such as maintenance costs

→Shift the resource to investment in new domains / systems

Improve customer services at low cost by utilizing ICT

● Schedule of System Integration

Core system integration is scheduled for Jan. 2020

Synergy effect of ¥0.4 bn* that arises from system integration is estimated for FY21

Depreciation of initial costs of the integration will be completed and synergy effect will increase in FY24

*FY21 Cost reduction (¥1.8 bn) – depreciation of initial costs (¥1.4 bn)

[Distributed Systems]

Integrate 170 or more out of around 280 distributed systems

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 operations further (transportation and clearing of notes)

Totally entrust joint issuance of bill paper and check paper to group companies

● Cost Reduction Project

In order to enhance the effectiveness of the synergy effect, launched Cost Reduction Project which both banking subsidiaries' relevant departments participated in in Feb. 2017

Compare both banking subsidiaries' cost structure and realize ¥0.3bn of cost reduction per year

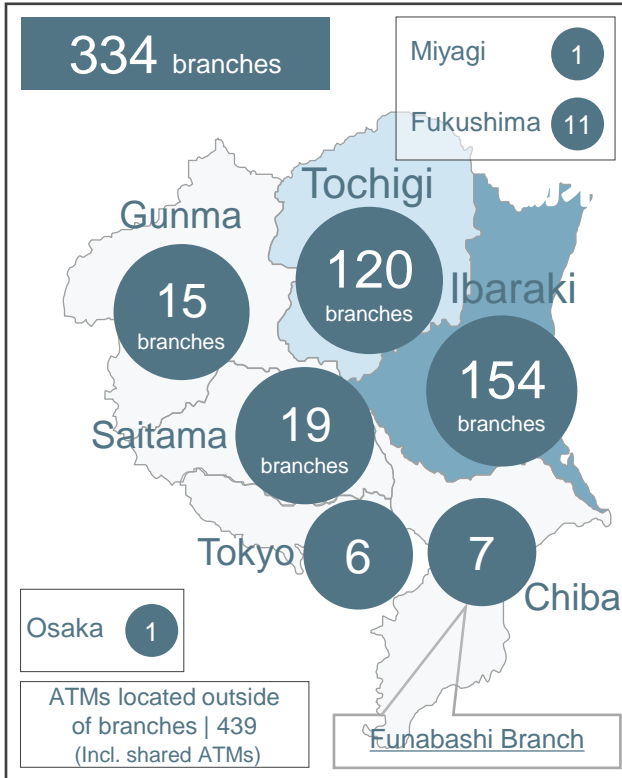


Add the cost reduction on the synergy effect

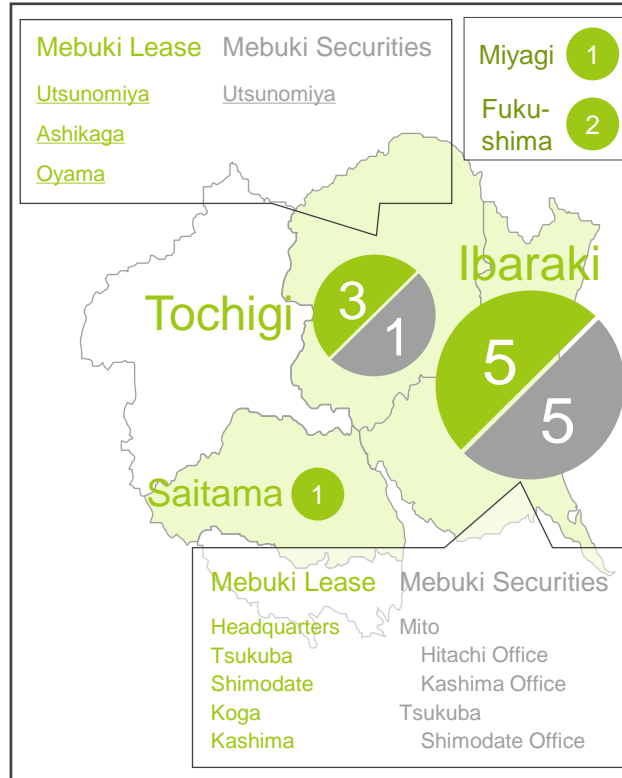
Branch Network / Branch Operation Efficiency

◇ Fifteen branches/offices across the group are planned to be opened by FY21

● Bank branches (Joyo + Ashikaga)



● Mebuki Lease / Mebuki Securities



● Improvement of branch operation efficiency (Since Oct. 2016)

Branch Consolidation related to the business integration (in overlapping areas)

- Joyo | Integrated 1 branch and 1 sub-branch
- Ashikaga | Restructuring in Koga area (Integrated 1 branch, 2 sub-branches, and 1 housing-loan center into Koga Branch)

Joint ATM Allocation

- Mutual ATM allocation into other banks' branches
- Mutual use of ATMs (Common fee rate and point service)

Other Branch Consolidation

- Joyo | Integrated 2 branches and 1 sub-branch
- Ashikaga | Integrated 1 branch, 1 sub-branch and 1 housing-loan center

Other Measures

- Limited-operation branches, branches that specializes in individual customers, and more efficient sub-branches
- Introduction of lunch-time closure
- Use of videophones and tablets
- Full use of Internet Branch etc.



Videophone

Overseas representative offices

- Joyo | Shanghai, Singapore, New York, Hanoi (Scheduled to open)
- Ashikaga | Hong Kong, Bangkok (Scheduled to open)



Mebuki Lease 12 offices

Mebuki Securities 6 offices

*Newly launched after the business integration on Oct. 2016 are underlined

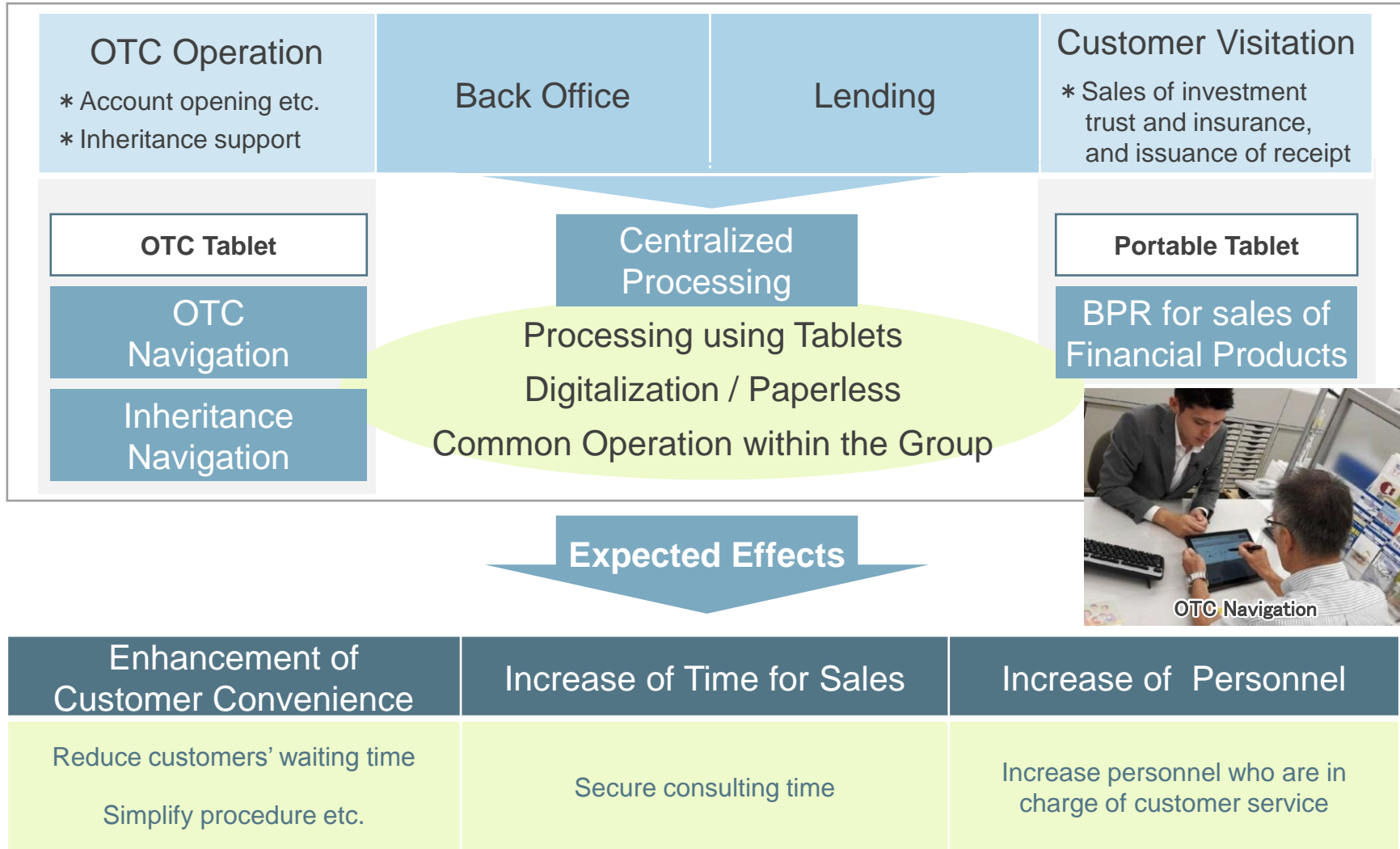
Initiatives in IT

1 2 3 4

	FinTech	Big Data	Others
Products Service	Apps for Smartphones	AI (Credit Screening / FAQ)	Web Completion Scheme for Car Loan Application
	Digitalization of Bankbook (Bankbook App)	Data Analysis (Marketing / Sales Promotion etc.)	 <p>(Bankbook App)</p>
	Cashless Smartphone Payment Directly Connected to Bank Accounts		
	Household Finance Management		
	Asset Management Advise (Robo-advisor)		
Channel BPR	Account Opening App (Internet Branch)		OTC Navigation System (Account Opening etc.)
	Cooperation with Cloud Accounting Service		BPR for Customer Visitation
	Operational Efficiency Improvement at H.Q.		Centralized Processing / Paperless Processing

Operational Efficiency Improvement

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



Regional Revitalization | Mebuki Business Award

① ② ③ ④

- ◇ 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
- ◇ Adopted GAP fund framework to support creation of university-oriented venture enterprises (Nov. 2017)

Results of 1st Award

Grand Prix

MCBI (Tsukuba, Ibaraki)

Business plan that realizes early detection and prevention of dementia

Excellence Award

Sid (Kawaguchi, Saitama)

Soft glass-like resin material

SOMAY-Q TECHNOLOGY (Satte, Saitama)

Reinforcement agents for kitchen floors with astounding strength and cost-efficiency

Fukule (Kiryu, Gunma)

Suit order system for working women



2nd Award

(Application Period Nov. 2017-Jan. 2018)

Target Business Categories

Manufacturing
Agriculture / 6th Industrialization
Environment / Energy
Medical / Nursing Care
Advanced Technologies
Overseas Expansion
Regional Revitalization, etc.
New Business, University-oriented innovation etc.

Sponsors

Sponsors
Mebuki FG,
Joyo Bank, Ashikaga Bank

Co-sponsors
Joyo Industrial Research,
Ashigin Research Institute



Applicants | 646

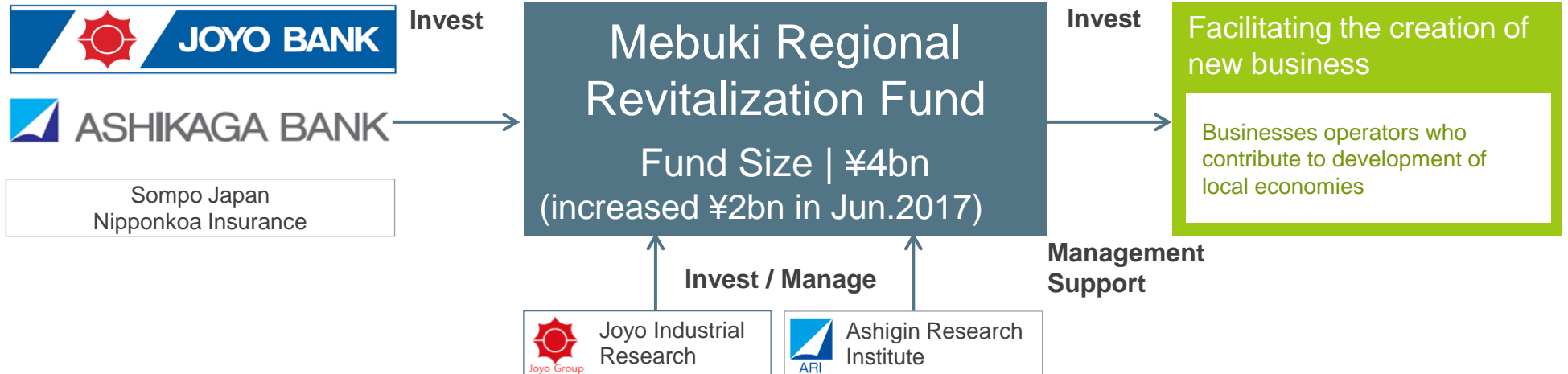
Joyo | 344

Ashikaga | 302

Business Launching Support for Prize Winners

Regional Revitalization | Mebuki Regional Revitalization Fund

① ② ③ ④



Result	Number of deals 6 deals
	Amount ¥1.4bn (as of Oct.31, 2017)
Invested Deals	1. World Farm (Tsukuba city) Date: Jan. 2017 / Amount : ¥100 million
	2. HATAKE Company (Tsukuba city) Date: May. 2017 / Amount : ¥200 million
	3. SS Food International (Ichikawa city) Date: Apr. 2017 / Amount: ¥200 million
	4. Hayakawa Holdings (Ashikaga city) Date: Apr. 2017 / Amount: ¥700 million
	5. Hibiki (Kawagoe city) Date: Jun. 2017 / Amount: ¥100 million
	6. Atock (Joso city) Date: Sep. 2017 / Amount: ¥100 million



Regional Revitalization | Support for Agriculture

① ② ③ ④

◇ Dividing the value chain of local products from development to sales into four stages below, provided seamless support through appropriate measures depending on the stages.



Food Exhibition

Date	Oct. 12, 2016
Place	Mito Plaza Hotel
Exhibitors	100 companies
Evaluators	505

Food related business operators exhibited their products and international students and housewives experienced the products and evaluated them.

Evaluation based on taste, price, package and so forth.

Support food related operators' future product development and test marketing.



Evaluations



Evaluators

Agri-Food Matching

Date	Sep. 5, 2017
Place	Marronnier Plaza
Exhibitors	41 companies
Evaluators	Approx. 350

Held to match food processing companies who have cutting edge processing technique with agricultural producers who look for potential contract processors

Exhibited processed food | Jam, Paste, Dressing, Smoked food, Fermented food, Pudding, Jelly, Sweet bean jelly, Sausage etc.



Venue

Food Business Meeting

Date	Jan. 25, 2018
Place	Tsukuba International Conference Center
Exhibitors	Agricultural producers, Food processors, Wholesalers, Retailers, Restaurants, Tourism operators, Municipalities, Transporters etc.
Meetings to be held	500* (scheduled)

Jointly held by the two banks for the first time

Support sales- and procurement-channel expansion and promote interaction among exhibitors/visitors

The biggest event of its kind held by regional banks

Match agricultural producers and food processors with transporters, which is a newly set theme



Food Business Meeting in Utsunomiya City (Nov. 2016)

Initiatives for ESG Issues

① ② ③ ④

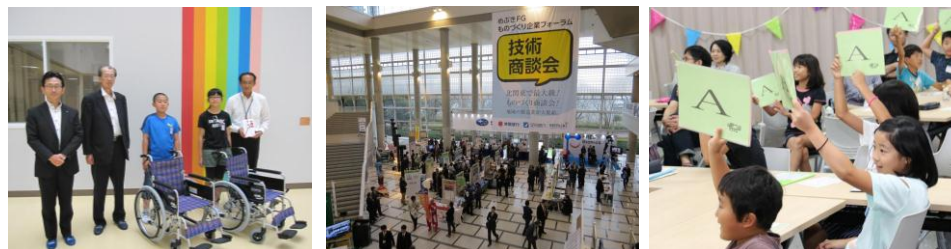
◇ Increase medium to long term corporate value through dealing with ESG issues.

Social

- Private placement bond with donation scheme
- Sponsor local sports teams (Kashima Antlers, Tochigi SC etc.)
- Jointly host fairs, forums, and so forth
- Support the attraction of enterprises and promotion of the relocation and settlement of people to the home region
- Holding business events and opening offices in Asia
- Enhancement of life-work balance and improvement of productivity
- Promotion of women to managerial positions and child care support
- Promotion of financial education

Environment

- Forest conservation activities
- Support for eco-energy (Environmental rating loans, solar power generation business loans, etc.)
- Use of local materials to build new branches
- Support for environmental organizations



Governance

- Company with audit and supervisory committee / Appointment of outside directors to enhance audit and supervisory functions
- Establishment of Corporate Governance Committee (Advisory body of board of directors mainly composed of outside directors)
- Basic Corporate Governance Policy

Inquiries :

Mebuki Financial Group, Inc. Corporate Planning Department

TEL **+81-29-300-2869 or +81-29-300-2603**

E-mail **ir@mebuki-fg.co.jp**

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

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