

Mebuki Financial Group, Inc.

Financial Results for the Third Quarter of FY2017 (IR Presentation Material)



This page is intentionally left blank

Contents

<u>Highlights</u>	3	<u>2. Forecast for FY17 etc.</u>	
<u>1. Financial Results for 3Q17</u>		Forecast for FY17	23
Main Points of 3Q17 Financial Results	4	Capital Adequacy Ratio / Shareholder Return	24
Core Gross Business Profit	5		
Key Change Factors of Interest Income / Core Gross Business Profit	6	<u>3. Sales Measures etc.</u>	
Loans and Deposits (Avg. Balance / Yield)	7	Measures for Corporate Customers	25-26
Loans	8-11	Measures for Individual Customers	27
Deposits	12	System Integration / Cost Reduction	28
Customer Assets under Custody	13	Branch Network / Branch Operation Efficiency	29-30
Fees from Corporate Customers	14	Enhancement of Customer Convenience through Utilization of IT	31
Securities	15-16	Operational Efficiency Improvement	32
Expenses / OHR	17		
Credit Related Costs / Non-performing Loans	18	<u>4. Other</u>	
Integration Synergy	19-20	Regional Revitalization	33
Group Companies	21-22		

Highlights

Results for 3Q17

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

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

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

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

Forecast for FY17

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

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

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

*Attributable to owners of the parent

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

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

Dividend

For FY17, in line with an earnings distribution policy*, annual dividend forecast is ¥11.00 per share, made up of an interim dividend and year-end dividend of ¥5.50 each.

*Aim to continue stable dividend returns while taking into account both the maintenance of solid capital levels for the future growth and the appropriate distribution of profits to our shareholders.

Main Points of 3Q17 Financial Results

Mebuki FG (Consolidated) (¥bn)

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

Consolidation adjustment

(2)-(1) -6.9bn

Adjustments related to securities (-5.8bn)

Interest expenses of subordinated loans, expenses, etc.

Two banking subsidiaries and group companies

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

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

Reference | Results of Joyo and Ashikaga (¥bn)

	3Q17						vs Previous forecast		
	J+A		Joyo		Ashikaga		J+A	Joyo	Ashi- kaga
	Re- sult	YoY Chg	Re- sult	YoY Chg	Re- sult	YoY Chg			
Gross business profit	140.8	-5.2	79.8	-4.2	60.9	-0.9	76.9%	77.1%	76.7%
Net interest income	115.2	-0.5	65.1	+0.5	50.0	-1.1	78.6%	79.4%	77.5%
Net fees and commissions	23.1	+2.6	13.0	+2.1	10.0	+0.4	73.5%	74.7%	71.9%
Net other business income and Net trading income	2.4	-7.2	1.5	-6.9	0.8	-0.2	49.3%	39.3%	89.3%
(o/w gains/losses on bond transactions)	0.7	-8.6	0.6	-8.2	0.1	-0.3	25.4%	21.7%	-
Expenses	84.8	-1.4	49.9	-1.7	34.9	+0.2	72.5%	73.4%	71.3%
o/w Personnel expenses	44.9	-0.5	25.3	-0.9	19.5	+0.4	-	-	-
o/w Non-personnel expenses	34.2	-0.6	21.3	-0.5	12.9	-0.0	-	-	-
Net business income (before general allowance for loan losses)	55.9	-3.7	29.9	-2.5	26.0	-1.2	84.7%	84.2%	85.4%
Core net business income	55.1	+4.9	29.2	+5.7	25.9	-0.8	87.6%	89.9%	85.0%
Net transfer to general allowance for loan losses	-1.8	+0.6	-0.7	+0.2	-1.1	+0.4	-	-	-
Net business income	57.8	-4.4	30.6	-2.7	27.2	-1.6	86.9%	85.1%	89.1%
Net non-recurrent gains/losses	4.0	+5.0	3.5	+3.0	0.5	+2.0	-	-	-
o/w Disposal of non-performing loans (b)	5.6	-1.3	3.6	+0.1	1.9	-1.4	-	-	-
o/w Gains/losses related to stocks, etc	11.5	+1.9	9.1	+1.4	2.4	+0.5	178.3%	227.5%	99.6%
Ordinary profit	61.9	+0.5	34.2	+0.2	27.7	+0.3	96.7%	102.1%	90.8%
Extraordinary income/losses	-1.1	-0.7	-0.7	-0.4	-0.3	-0.3	167.5%	157.6%	192.3%
Income taxes	18.1	+4.2	9.8	-0.0	8.2	+4.2	-	-	-
Net income	42.6	-4.3	23.5	-0.1	19.0	-4.2	96.8%	102.5%	90.6%
Credit related costs (a)+(b)	3.7	-0.6	2.8	+0.3	0.8	-1.0	62.0%	82.1%	34.0%

Core Gross Business Profit

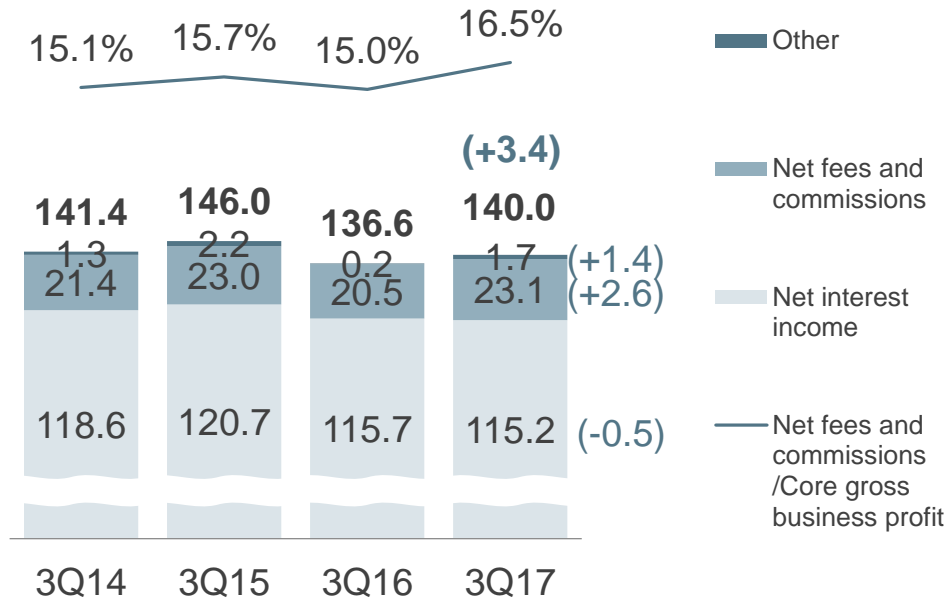
(Gross Business Profit excl. Gains/Losses on Bond Transaction)

Core gross business profit increased ¥3.4 bn YoY

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

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

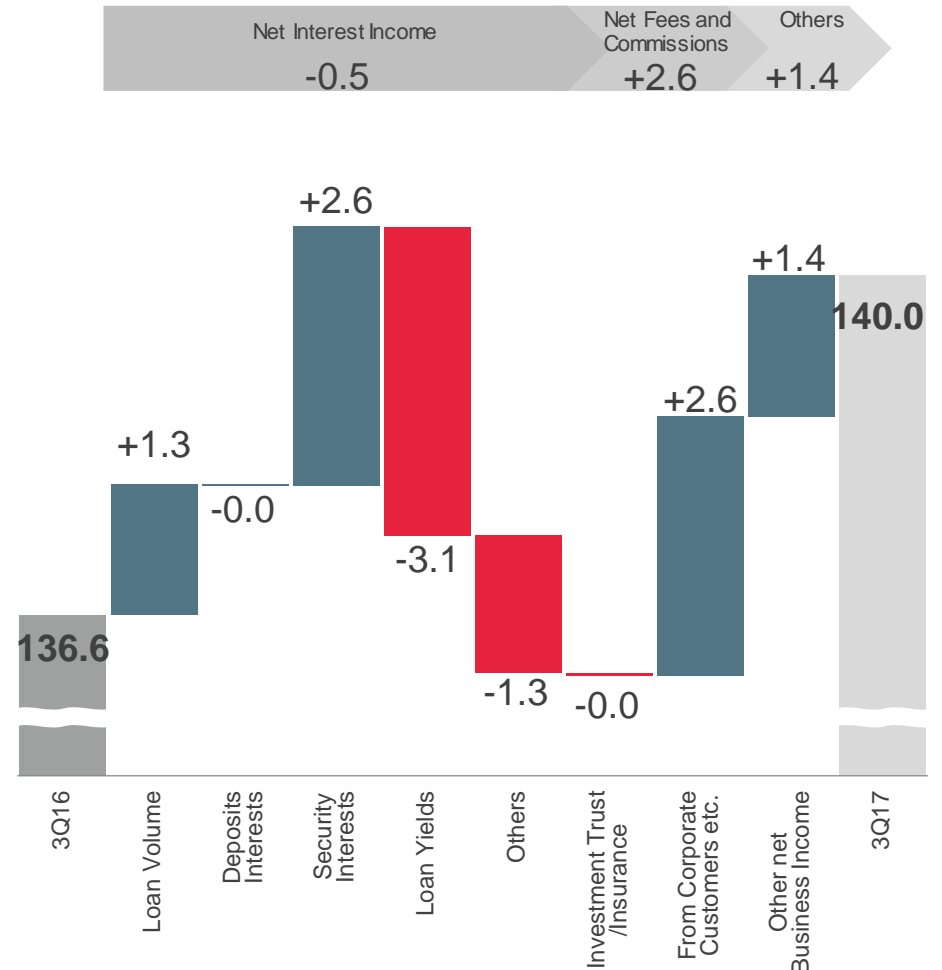
Core Gross Business Profit (Joyo+Ashikaga) (¥bn)



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

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

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

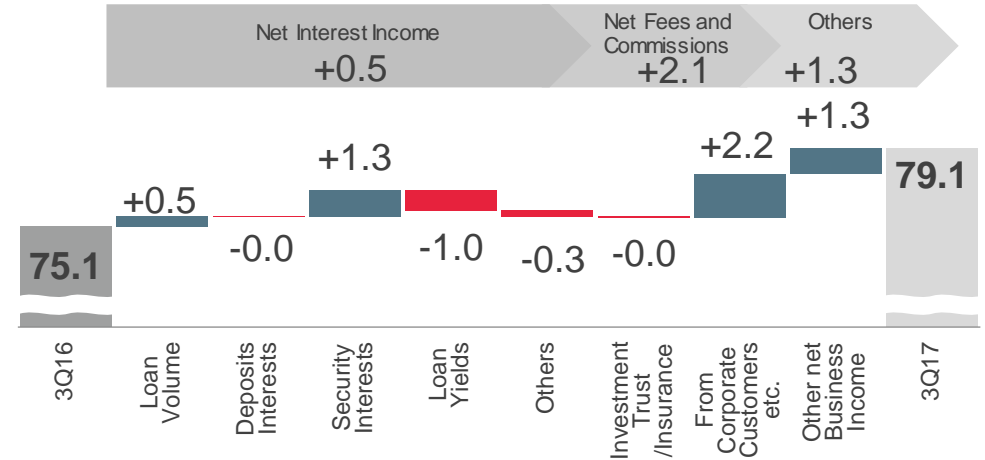


Key Change Factors of Interest Income / Core Gross Business Profit

Change of Interest Income (Joyo) (¥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	+0.5	+0.3	(+¥39.9bn)	+0.2	(+¥19.6bn)
	Yield	-1.0	-1.5	(-3.4bp)	+0.4	(+54.3bp)
Interest on deposits (-)		+0.0	-0.1	-	+0.2	-
Interest and dividend on securities	Avg	+0.4	+0.1	(+¥18.9bn)	+0.2	(+¥17.7bn)
	Yield	+0.9	+0.3	(+1.9bp)	+0.6	(+19.4bp)
Market investments and borrowings (-)		+0.3	-0.8	-	+1.1	-

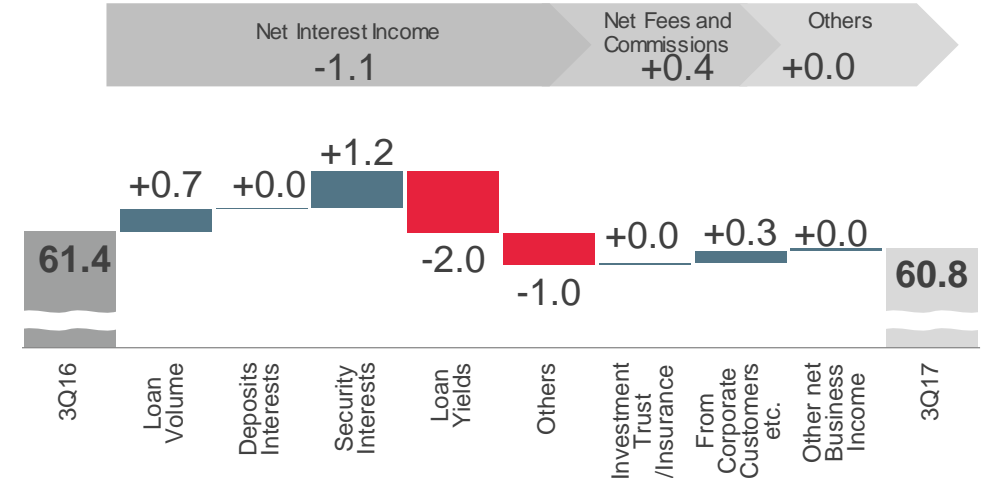
Change of Core Gross Business Profit (Joyo) (¥bn)



Change of Interest Income (Ashikaga) (¥bn)

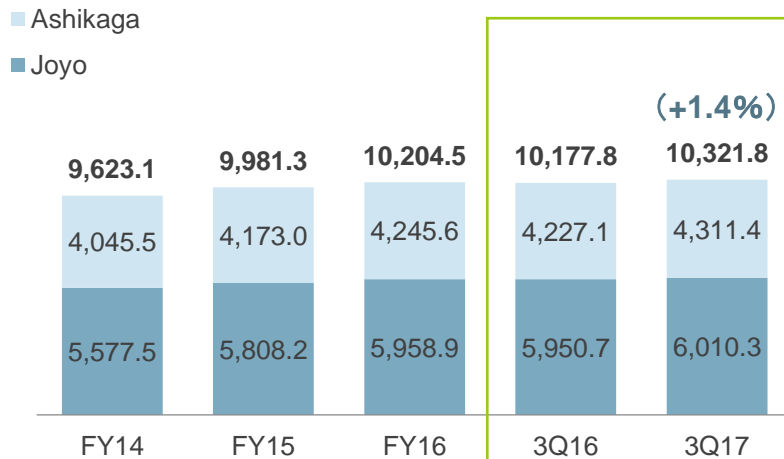
	Factor	YoY Chg	Domestic (Chg. in NII)		Overseas (Chg. in NII)	
			Chg. in Factors	Chg. in Factors	Chg. in Factors	Chg. in Factors
Interest on loans and bills discounted	Avg	+0.7	+0.6	(+¥75.9bn)	+0.1	(+¥8.4bn)
	Yield	-2.0	-2.1	(-6.8bp)	+0.0	(+77.8bp)
Interest on deposits (-)		-0.0	-0.2	-	+0.2	-
Interest and dividend on securities	Avg	+1.4	+0.5	(+¥51.5bn)	+0.8	(+¥48.7bn)
	Yield	-0.1	-0.8	(-9.8bp)	+0.6	(+45.0bp)
Market investments and borrowings (-)		+1.0	-0.0	-	+1.1	-

Change of Core Gross Business Profit (Ashikaga) (¥bn)



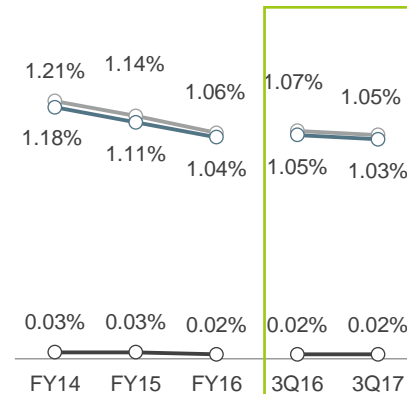
Loans and Deposits (Average Balance / Average Yield)

Loans (Average Balance) (¥bn)

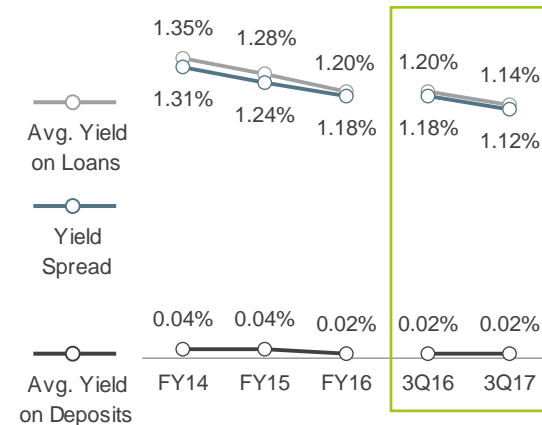


Average Yield

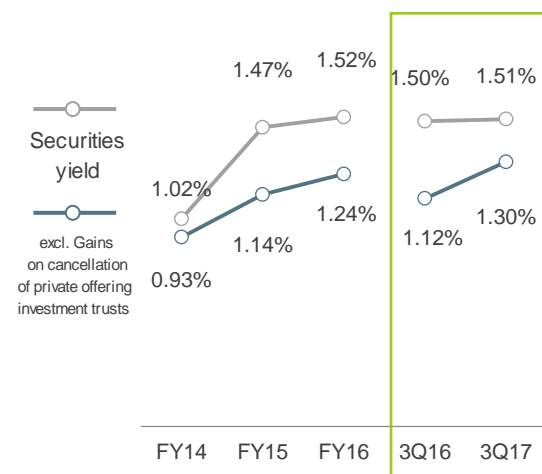
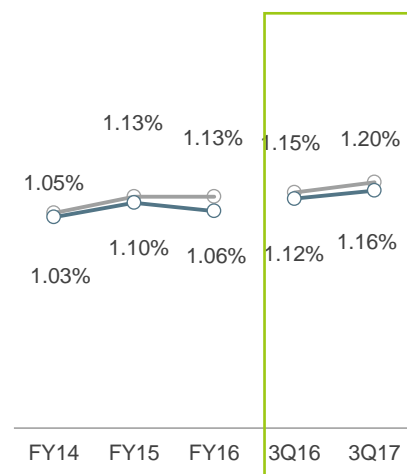
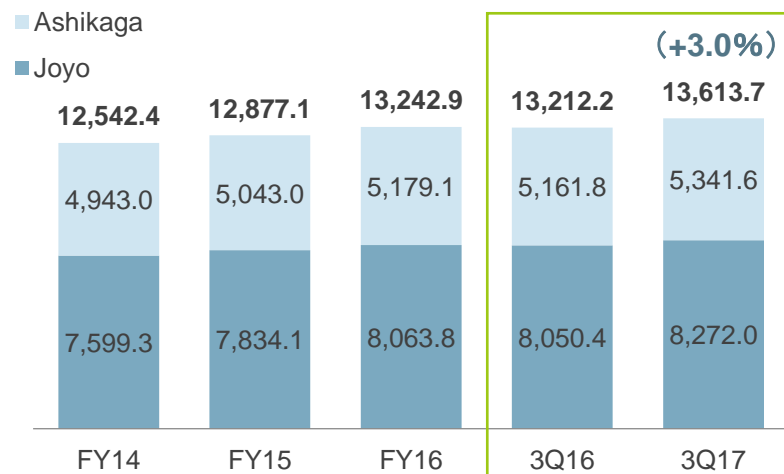
Joyo (Domestic + International)



Ashikaga (Domestic + International)



Deposits (Average Balance) (¥bn)



Loans (1) Term-end Balance

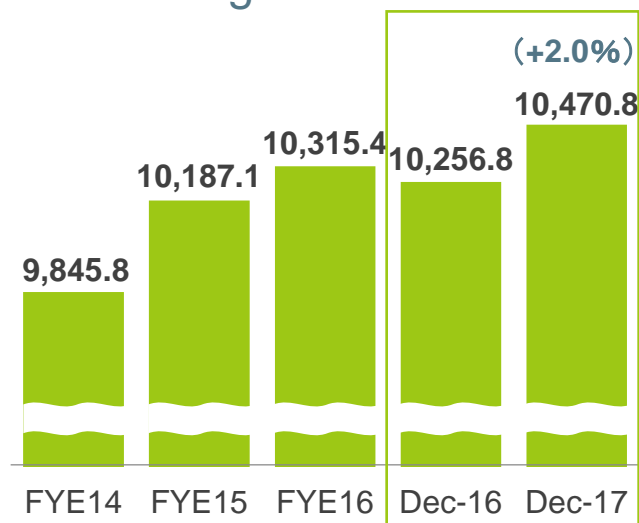
*Figures in parentheses are changes on a year on year basis

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

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

Joyo Bank + Ashikaga Bank

(¥bn)



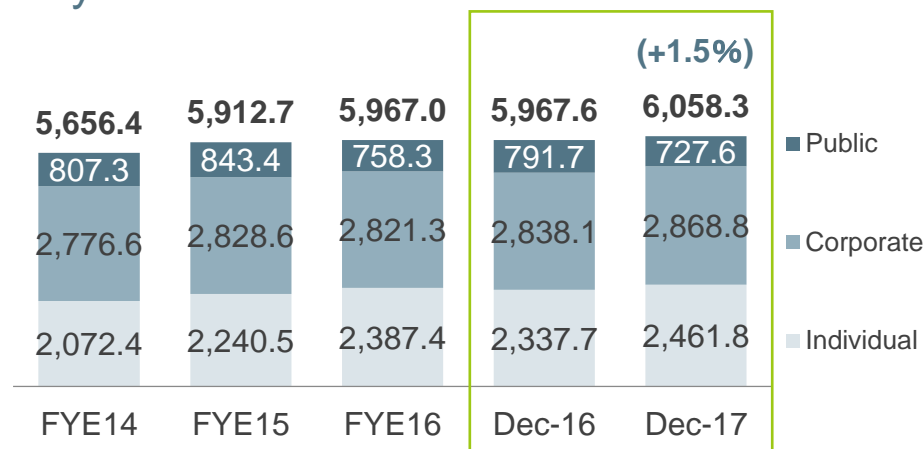
	FYE14	FYE15	FYE16	Dec-16	Dec-17	Change (%)
Individual	3,746.2	4,025.6	4,272.8	4,193.3	4,427.6	(+5.5%)
Corporate	4,772.2	4,813.1	4,809.6	4,846.8	4,926.0	(+1.6%)
Public	1,327.3	1,348.3	1,232.9	1,216.6	1,117.1	(-8.1%)

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

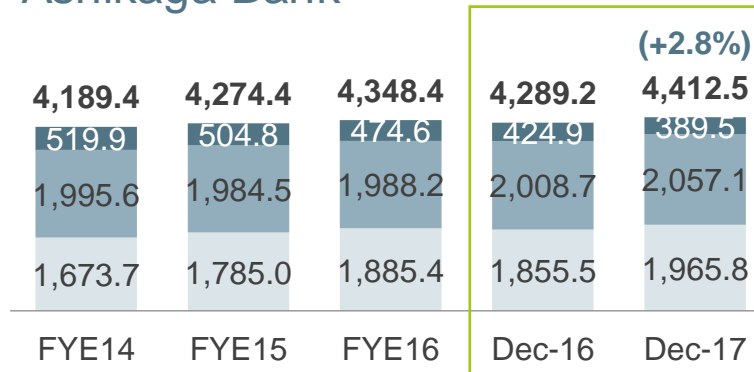
Foreign Currency Denominated Loans

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

Joyo Bank



Ashikaga Bank



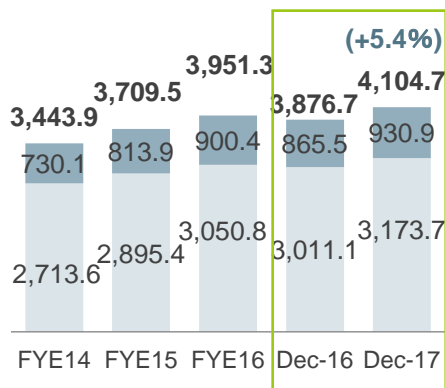
Loans (2) Individual Housing Related / Unsecured

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

Housing Related Loans Term-end Balance

(¥bn)

Joyo + Ashikaga



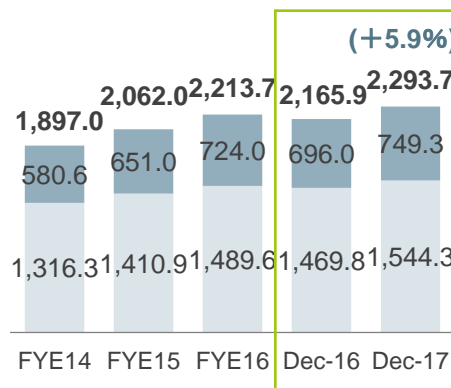
■ Apartment Loans

■ Housing Loans

(+7.5%)

(+5.8%)

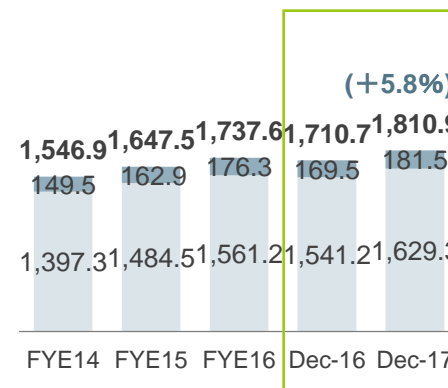
Joyo



(+7.6%)

(+5.0%)

Ashikaga



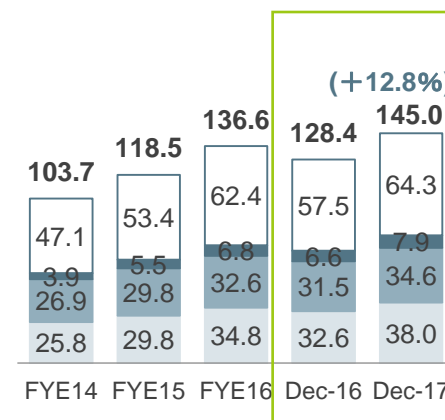
(+7.1%)

(+5.7%)

Unsecured Loans Term-end Balance

(¥bn)

Joyo + Ashikaga



□ Card Loans

■ Free Loans

■ Educational Loans

■ Car Loans

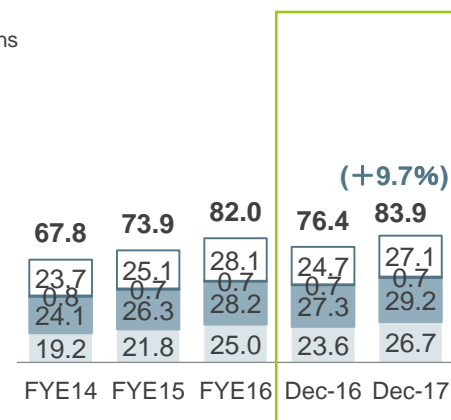
(+11.7%)

(+19.2%)

(+9.8%)

(+16.5%)

Joyo



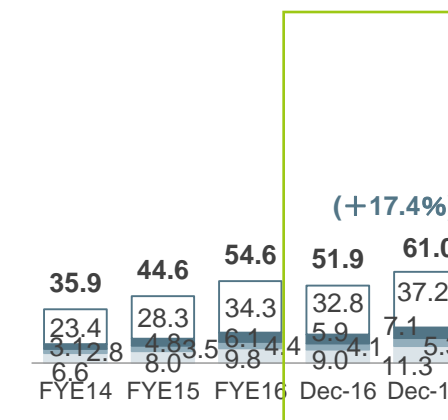
(+9.7%)

(+8.6%)

(+7.0%)

(+13.0%)

Ashikaga



(+13.2%)

(+20.5%)

(+28.4%)

(+25.5%)

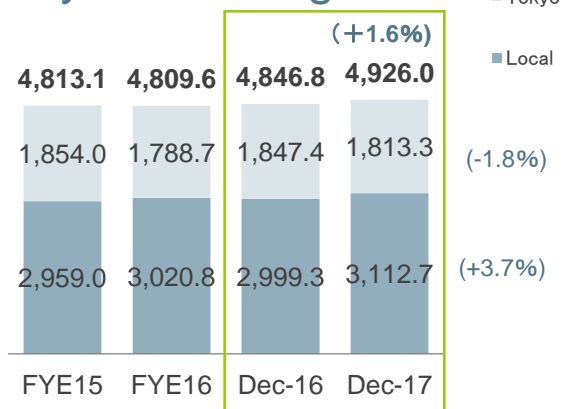
Loans (3) Corporate by Area / Company Size

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

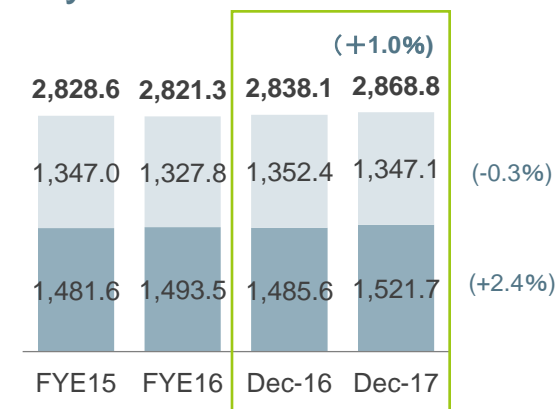
Term-end Balance by Area

(¥bn)

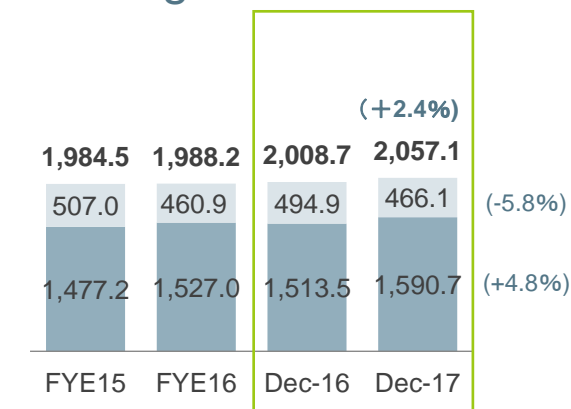
Joyo + Ashikaga



Joyo



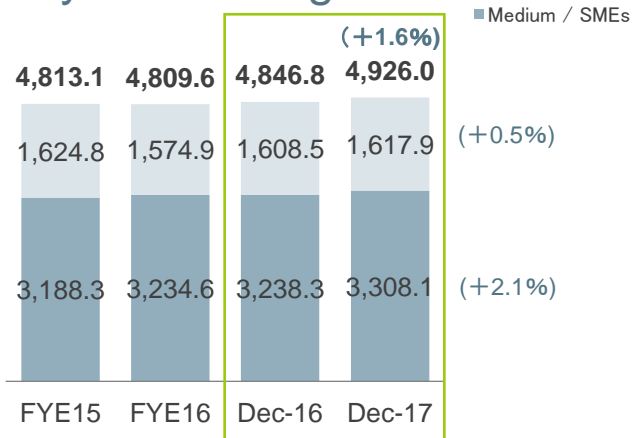
Ashikaga



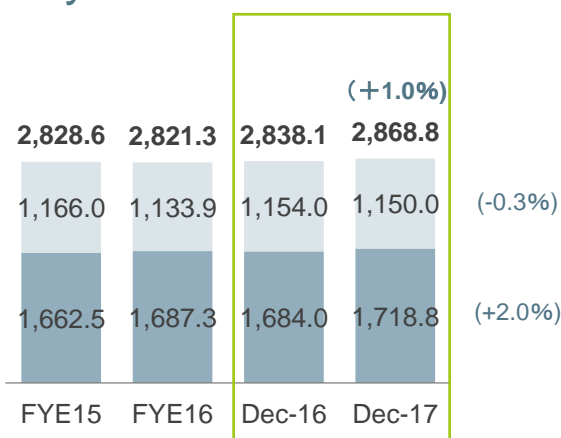
Term-end Balance by Company Size

(¥bn)

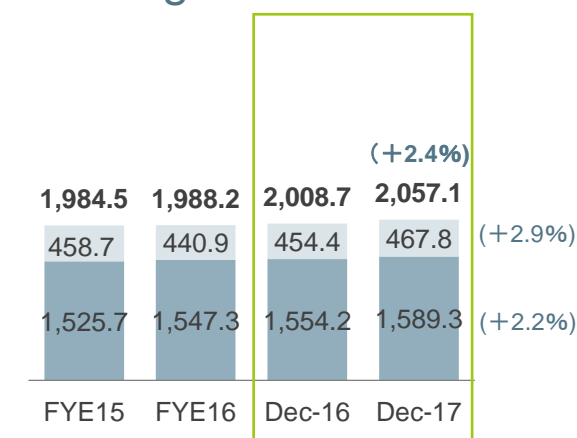
Joyo + Ashikaga



Joyo



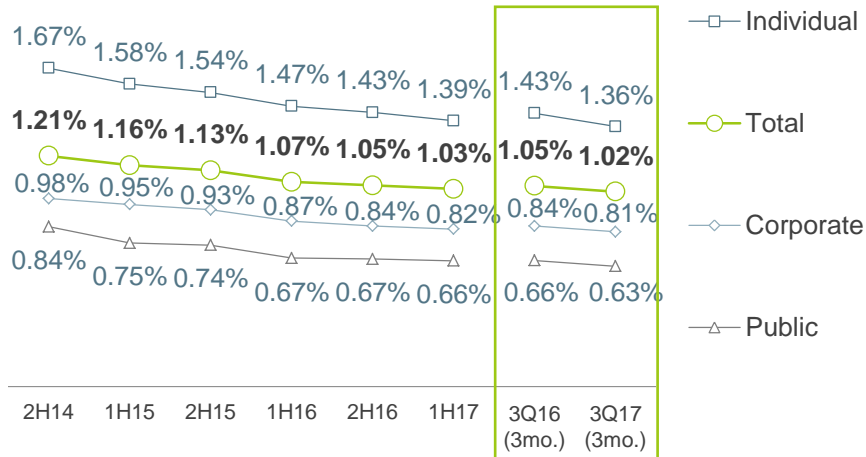
Ashikaga



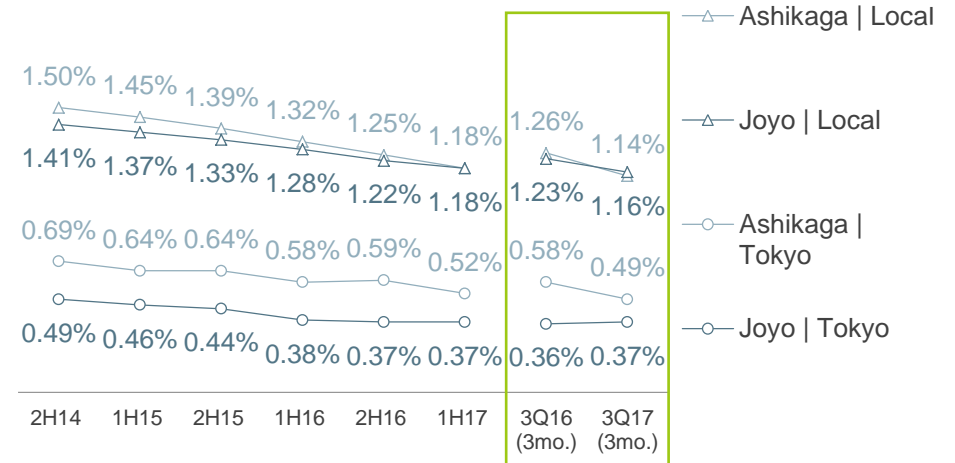
Loans (4) Average Yield

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

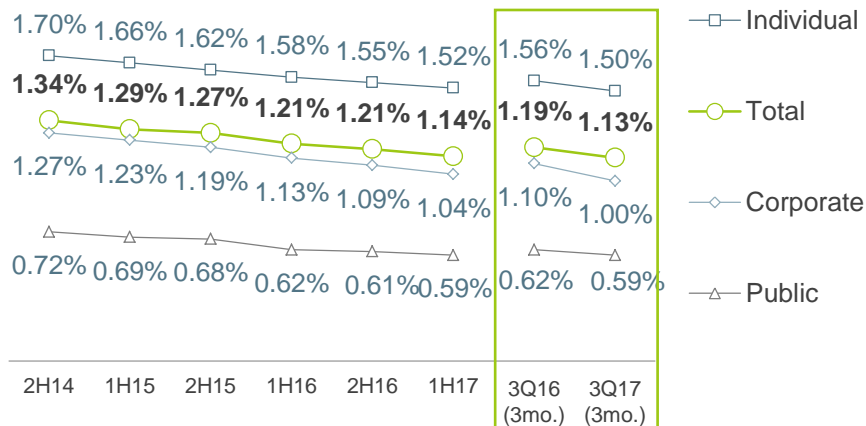
By Borrower Type (Domestic) Joyo



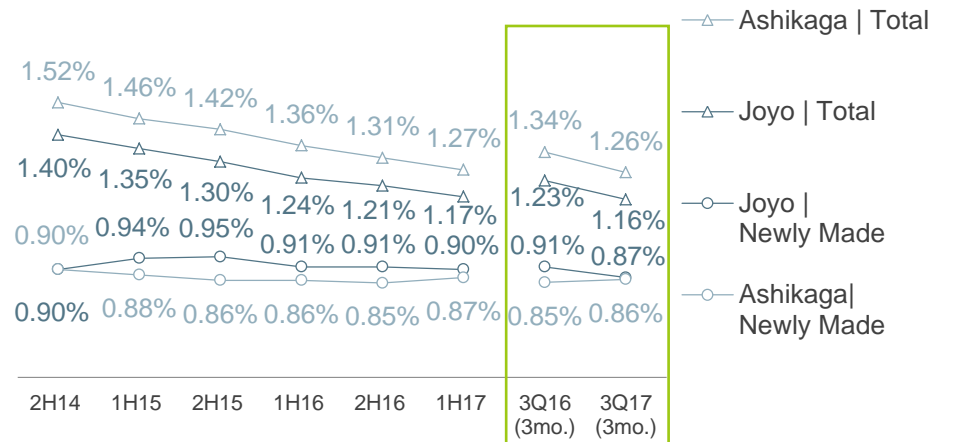
Corporate Loans (by Area)



By Borrower Type (Domestic) Ashikaga



Housing Loans

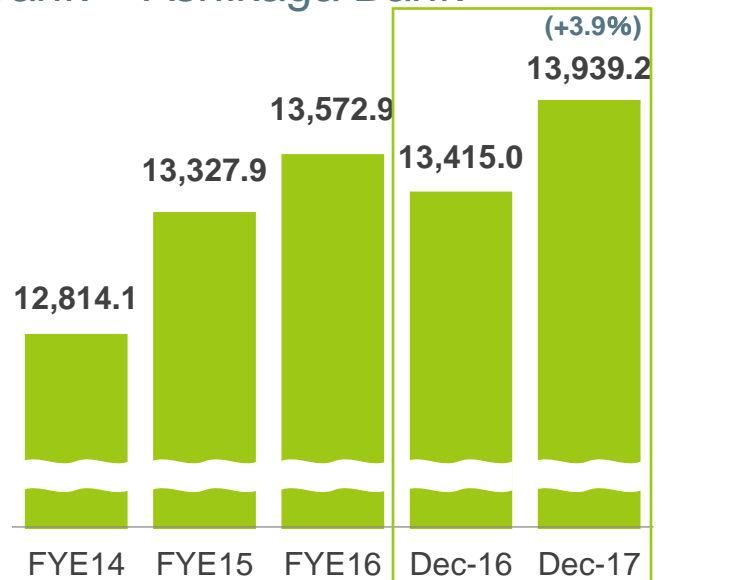


Deposits Term-end Balance

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

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

Joyo Bank + Ashikaga Bank



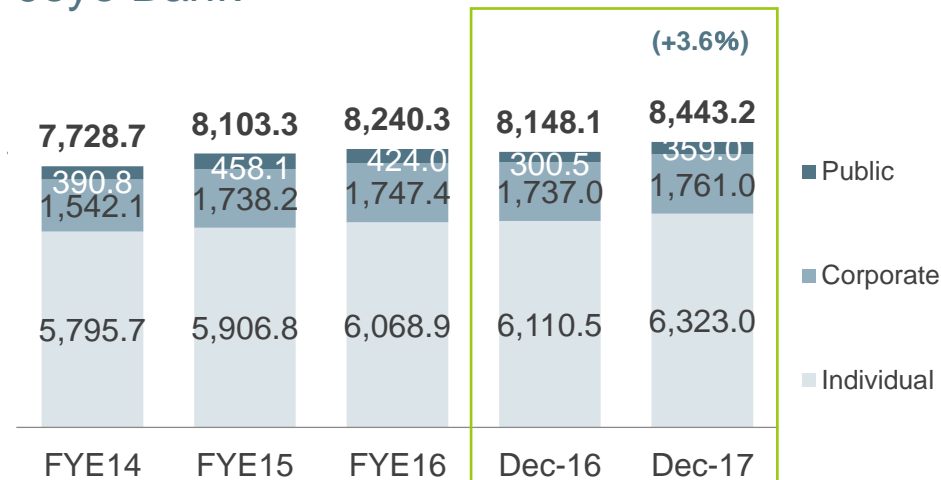
	FYE14	FYE15	FYE16	Dec-16	Dec-17	(% Change)
Individual	9,344.2	9,502.6	9,762.1	9,829.0	10,187.4	(+3.6%)
Corporate	2,741.9	3,020.8	3,062.8	3,051.6	3,177.6	(+4.1%)
Public	727.8	804.4	748.0	534.4	574.2	(+7.4%)

*1 "Corporate" includes financial institutions.

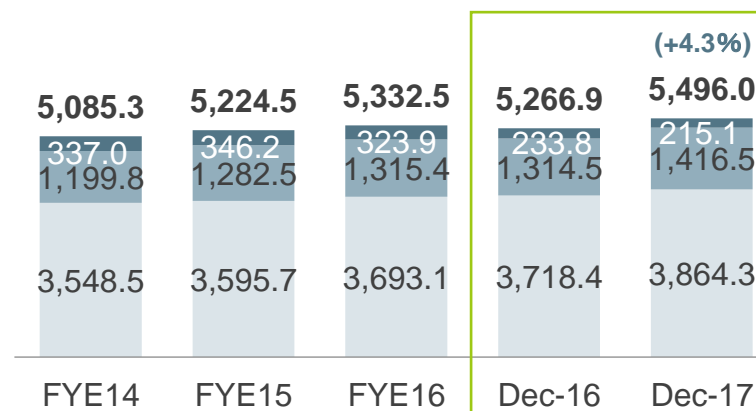
*2 Foreign currency deposits include foreign currency deposits hedged by forward exchange contracts, offshore deposits, and so forth.

Foreign Currency Deposit						
Joyo	54.6	111.4	140.7	180.2	209.5	
Ashikaga	16.4	16.3	24.8	18.2	62.5	
Total	71.1	127.7	165.6	198.5	272.1	

Joyo Bank



Ashikaga Bank

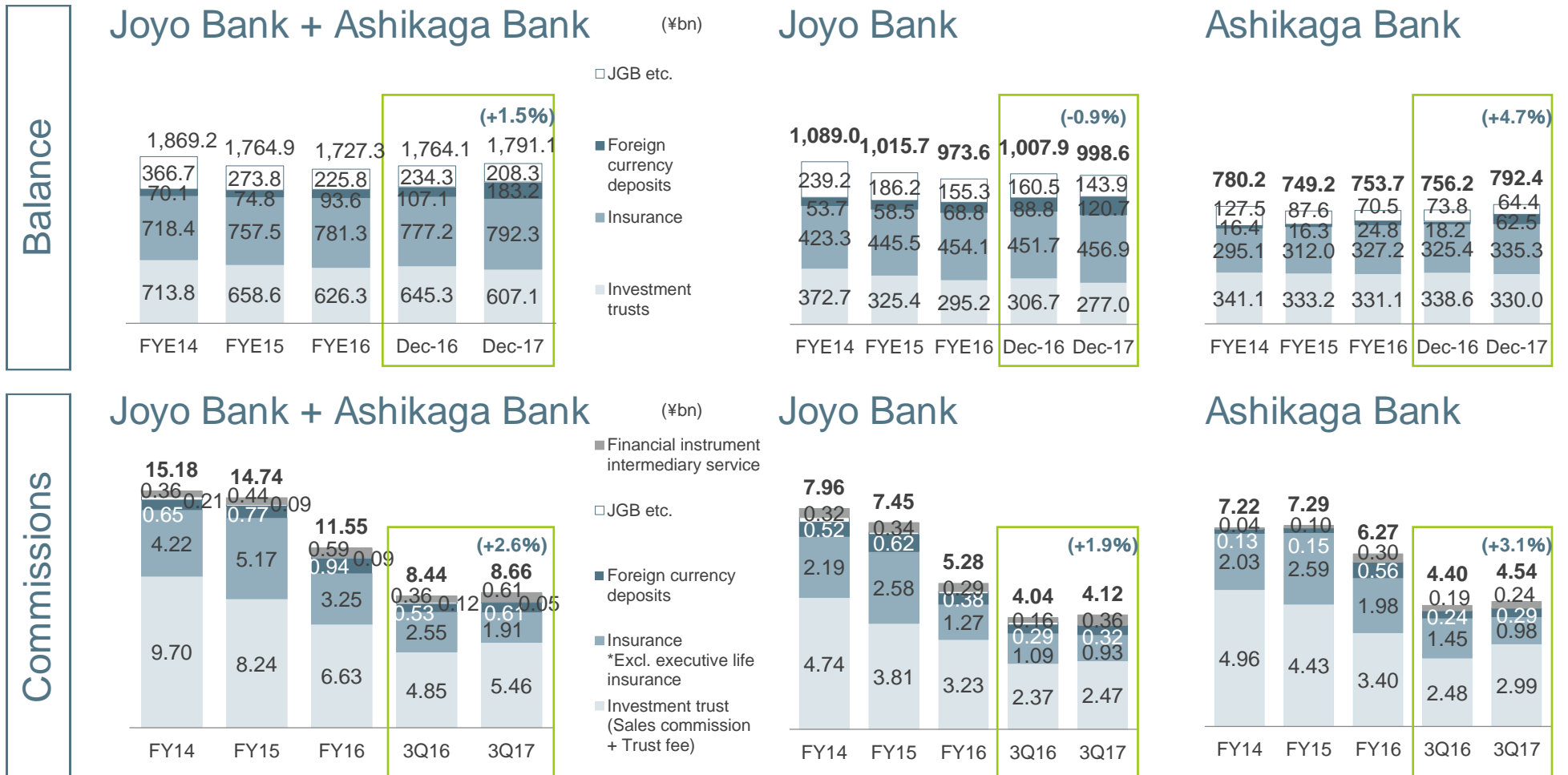


Customer Assets under Custody

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

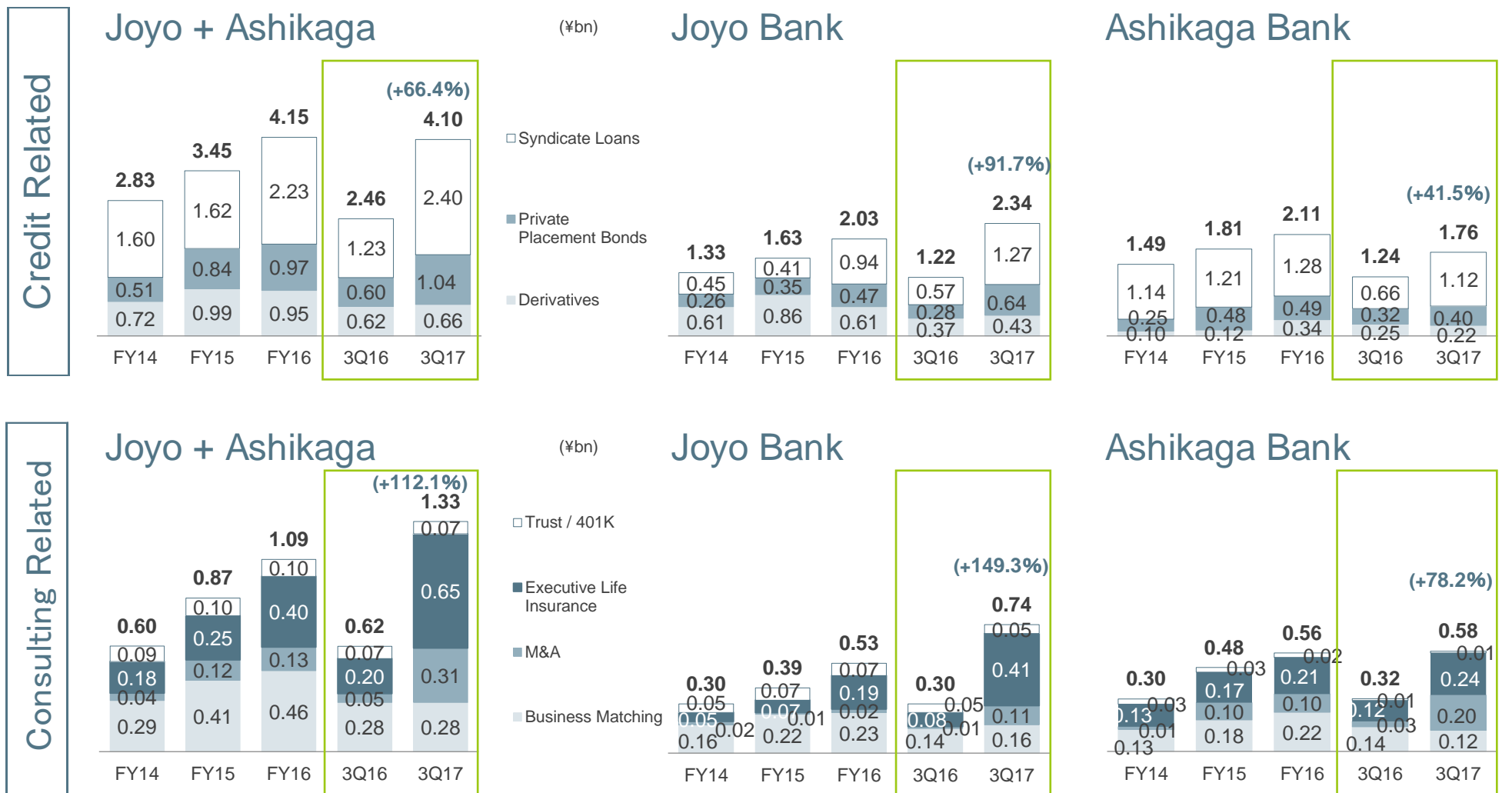
The amount rose 1.5% YoY due to foreign currency deposits

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



Fees from Corporate Customers

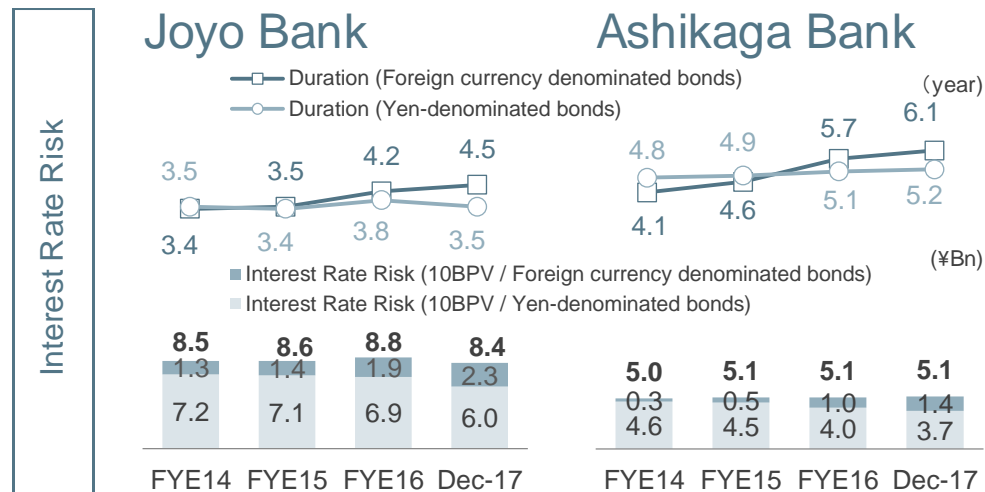
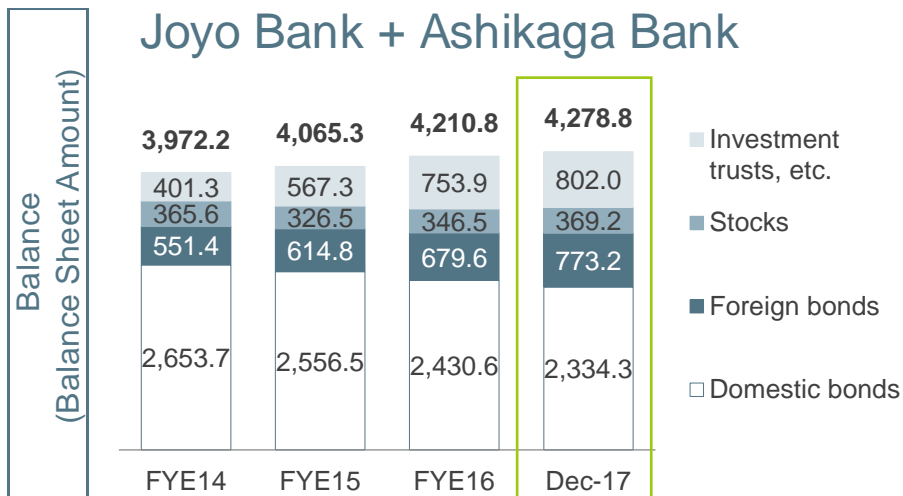
Both credit related fees and consulting related fees from corporate customers increased through enhancement of consulting services



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 ¥96.2 bn from the end of FY16)

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



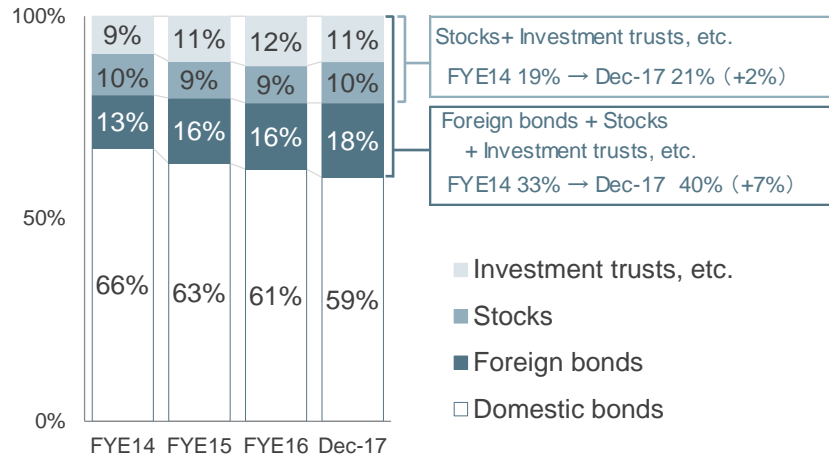
Foreign Bonds / Investment Trust

Book value as of Dec. 31 2017		J + A	Joyo	Ashikaga	Details
Foreign Bonds		774.9	524.7	250.2	-
	o/w Gov. Bond, Gov. Guaranteed Bonds, etc.	371.5	312.8	58.6	Invest mainly in gov. bonds, gov. guaranteed bonds
	o/w Corporate Bond	320.0	128.4	191.5	Bonds rated A or above account for more than 90% of total
	o/w Ginnie Mae	26.7	26.7	-	Bonds whose interest rates are high for their duration
	Others	56.6	56.6	-	Floating bonds centering on CLO (only highest tranches)
Investment Trusts etc.		766.3	299.5	466.8	-
	o/w Equity-related	227.8	143.5	84.2	Control risks using bear funds
	o/w REIT	58.8	42.9	15.9	Invest in diversified REIT considering yield and liquidity
	Others	479.6	112.9	366.7	Improve risk-return profile of entire portfolio considering correlation with other assets

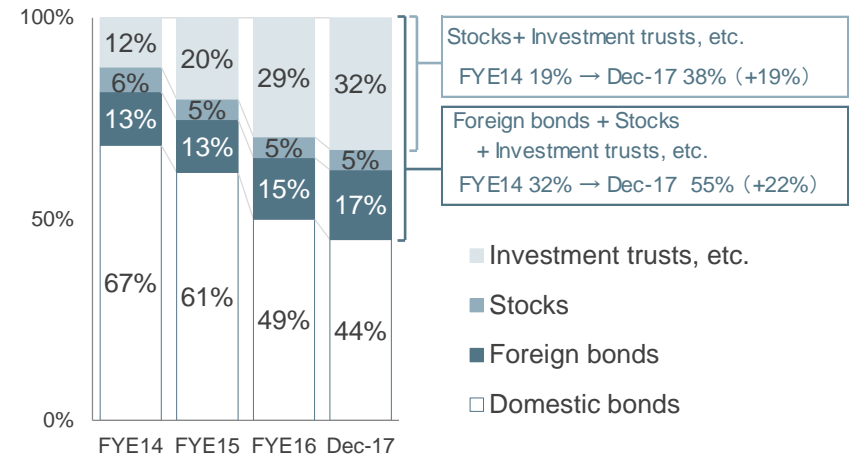
Securities (2)

Portfolio Rebalancing

Portfolio Allocation (Joyo Bank)

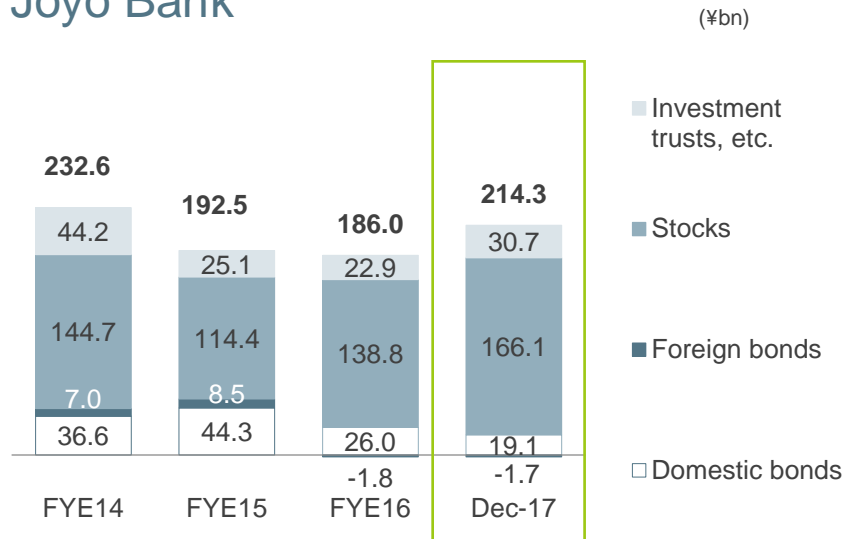


Portfolio Allocation (Ashikaga Bank)

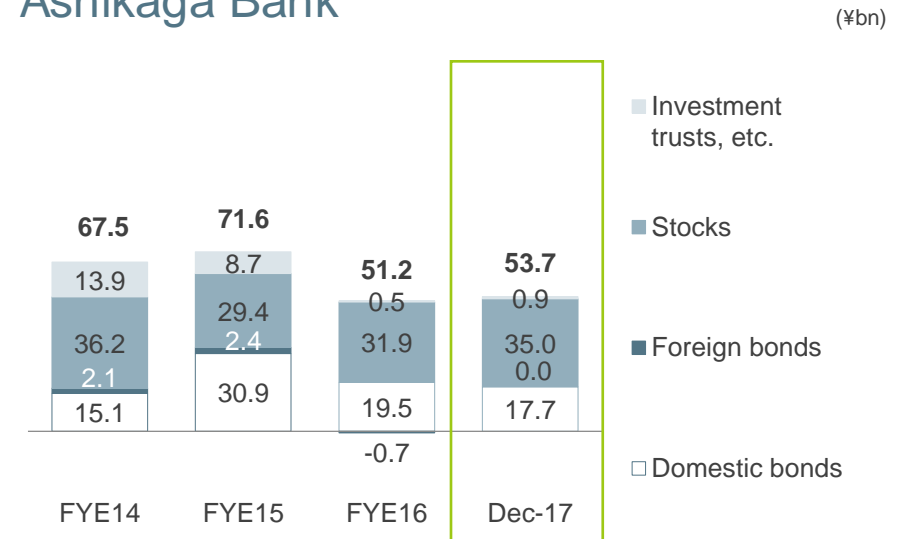


Unrealized Valuation Gains/Losses on Available for Sale Securities

Joyo Bank



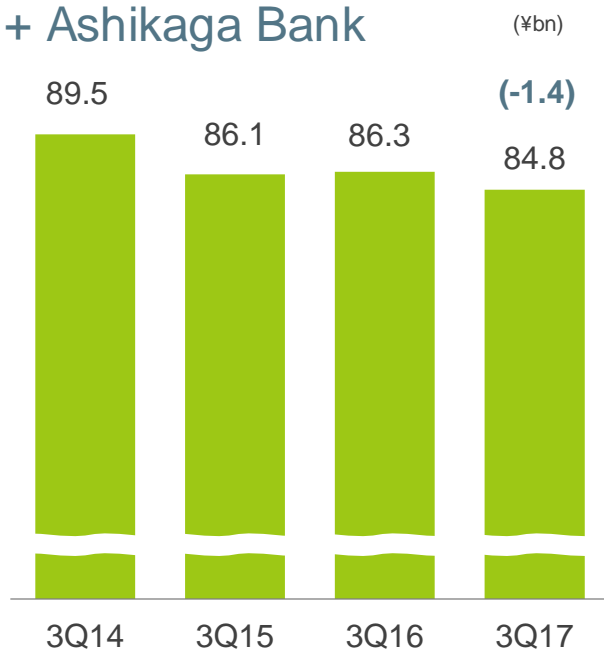
Ashikaga Bank



Expenses / OHR

Expenses decreased ¥1.4 bn YoY, mainly due to measures to reduce expenses and a decrease in deposit insurance premiums *Simple-sum basis of two banking subsidiaries

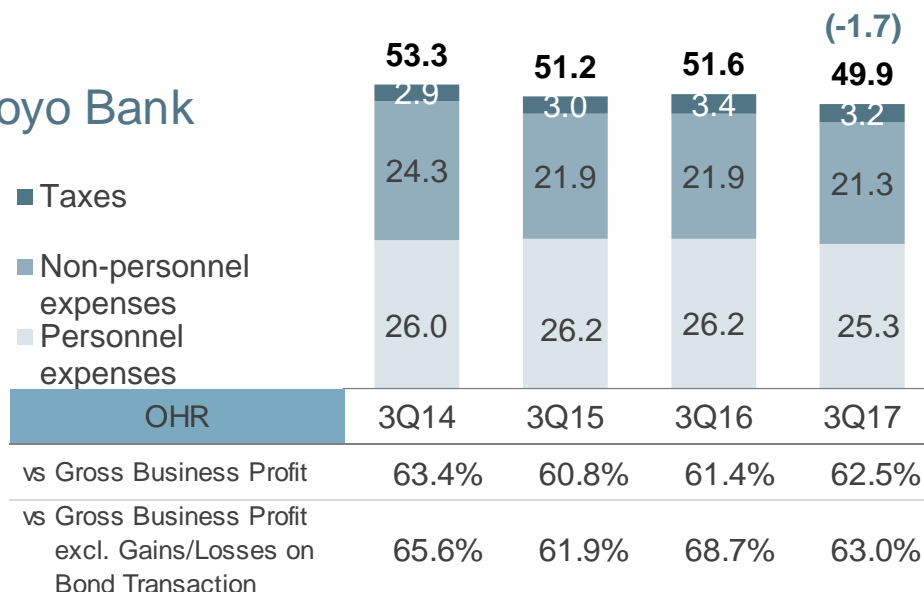
Joyo Bank + Ashikaga Bank



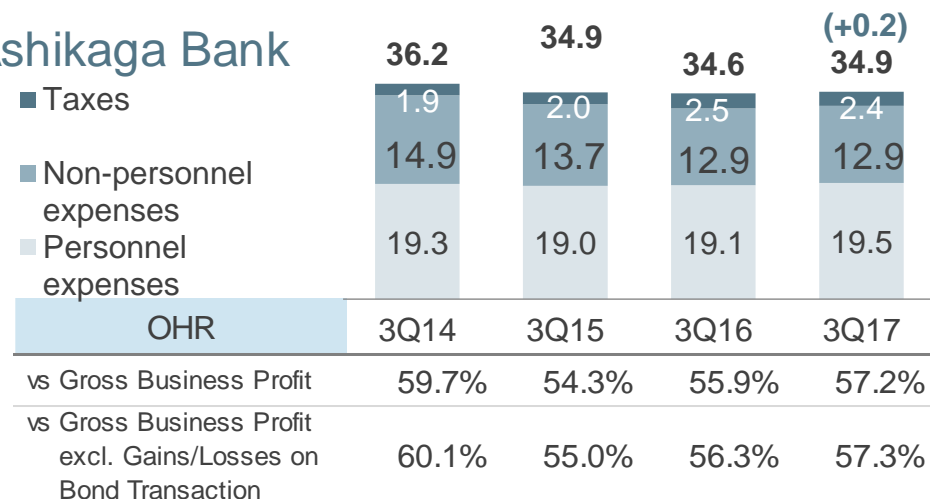
	3Q14	3Q15	3Q16	3Q17	Change
Personnel	45.3	45.3	45.4	44.9	(-0.5)
Non-personnel	39.2	35.6	34.8	34.2	(-0.6)
Taxes	4.9	5.1	6.0	5.6	(-0.3)

OHR	3Q14	3Q15	3Q16	3Q17
vs Gross Business Profit	61.9%	58.0%	59.1%	60.2%
vs Gross Business Profit excl. Gains/Losses on Bond Transaction	63.3%	58.9%	63.1%	60.5%

Joyo Bank



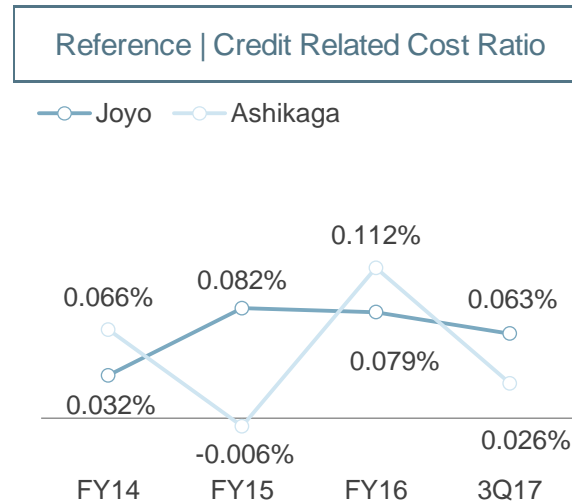
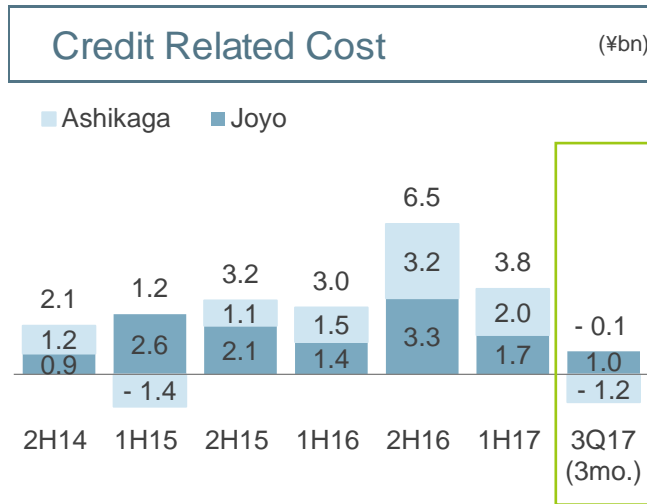
Ashikaga Bank



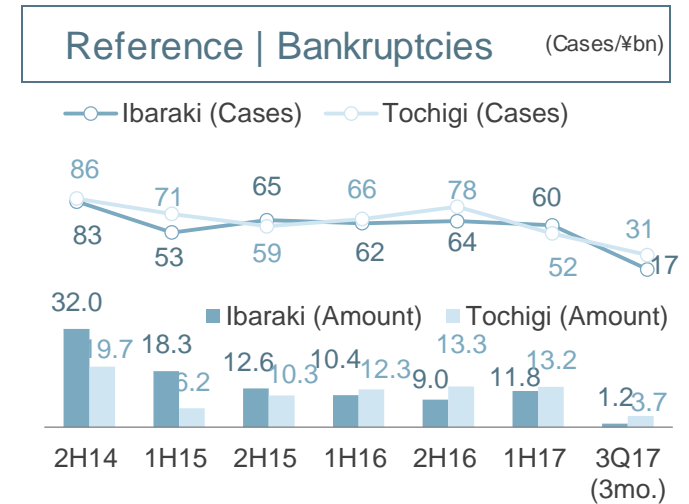
Credit Related Costs / Non-performing Loans

Credit related costs* for the first nine months of FY17 was ¥3.7 bn, ¥0.6 bn less than the same period last year

Number of bankruptcies stayed low in Ibaraki and Tochigi Prefecture



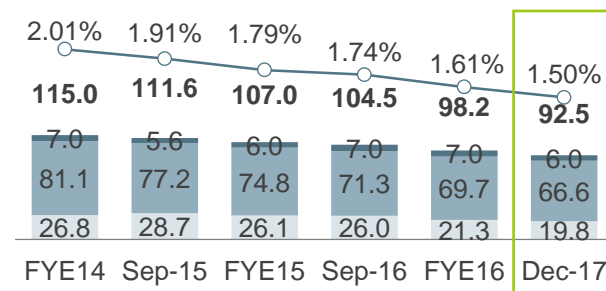
*On simple-sum basis of two banking subsidiaries



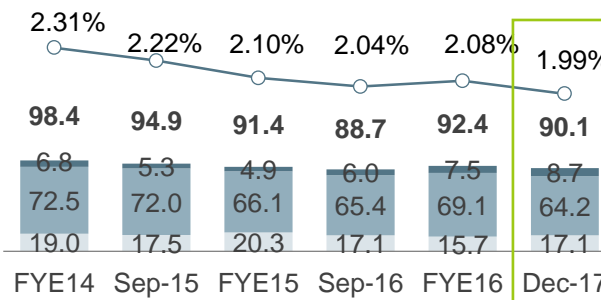
*Number of bankruptcies of enterprises with 10 million yen or more in net debt

Non-performing Loans (¥bn)

Joyo Bank



Ashikaga Bank



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

Integration Synergy

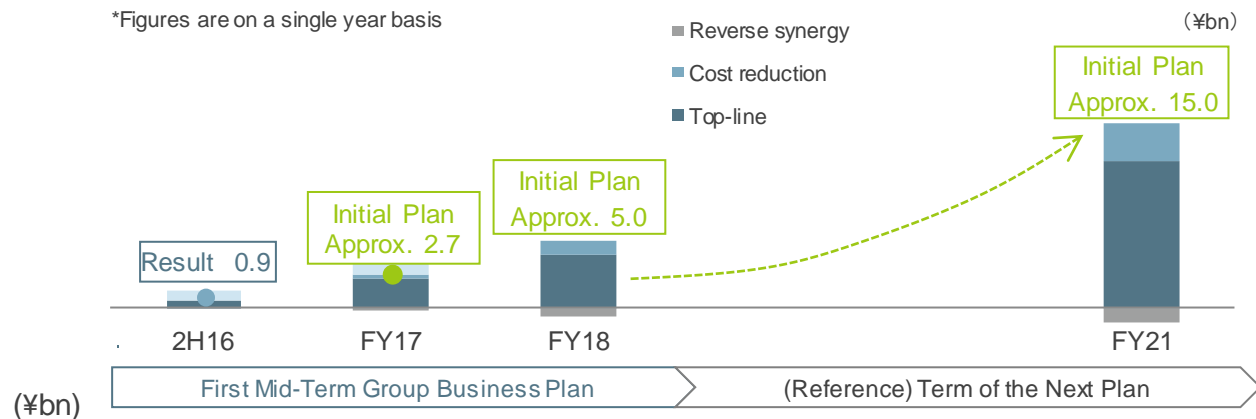
Synergy effect for 3Q17 is ¥3.1bn representing progress of 115% towards FY17 forecast of ¥2.7bn
 Integration measures are progressing steadily to achieve synergy effect target for after FY18

Synergy Effects on the Statement of Income *before Tax

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

FY17 (3Q Results/ Forecast)

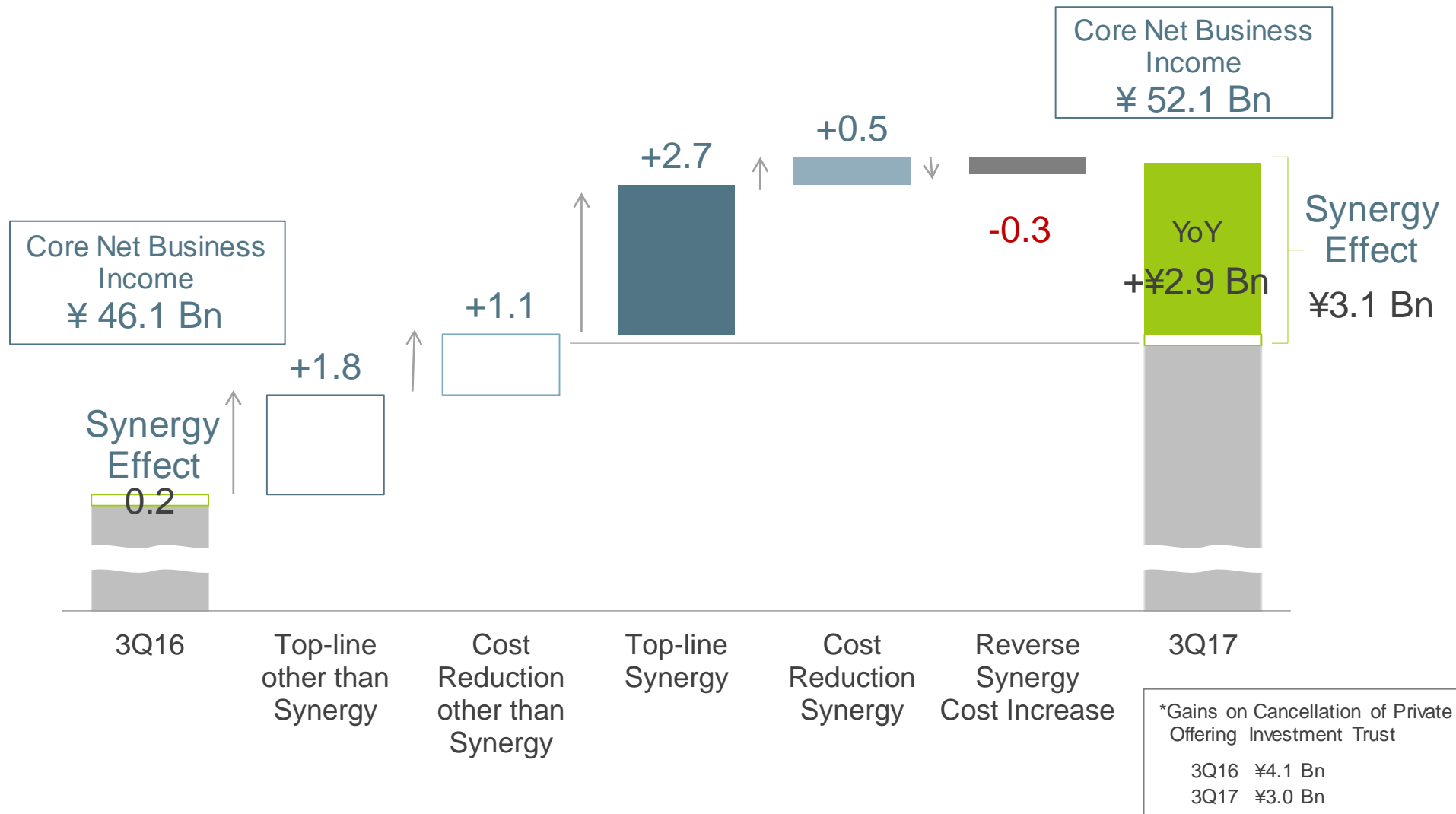
Items	Full-year Forecast	3Q Result	Progress	Details
Loans				• Sales promotion based on wide area network → Co-financing, Syndicate loans, Customer referral, and Lending to growth industries (Medical and nursing care)
Corporate services	1.03	0.95	92.7%	• Utilization of Mebuki Lease • Share know-how for non-face-to-face sales (Unsecured loans)
Financial assets under custody	0.85	0.65	76.0%	• Joint development of online application housing loans, Joint sales of housing loans for women
Securities	0.70	0.49	71.3%	• Share sales promotion know-how
Others (Channel / international)	0.25	0.87	341.8%	• Utilization of Mebuki Securities
Cost reductions	0.30	0.59	198.9%	• Investment in new areas and diversification of funding method based on both banking subsidiaries' investment experience
Cost Increases / Reverse synergy	-0.37	-0.38	-	• Joint investment • Enhancement of investment and controlling method through sharing of analysis method (Monitoring, etc.)
Total	2.77	3.19	115.2%	• 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
				• 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
				• Lower transfer fee between both banks to the inter-branch rate
				• System migration expenses



Reference | Integration Synergy Effect on Core Net Business Income

Excluding Gains on Cancellation of Private Offering Investment Trusts

(¥Bn)



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	18,680	+2,318	444	-291	360	-94	
	Mebuki Securities	Dealing of securities, mediation, commission and substitution of trading of securities	2,793	+1,523	1,284	+966	885	+667	
Joyo Bank	Sales	The Joyo Computer Service	Sale of software and contracting of calculating business	961	-36	21	+19	13	+11
		The Joyo Industrial Research Institute	Consulting, investigation and research	420	-42	38	+16	25	+11
	Business operation	The Joyo Credit Guarantee	Credit guarantee of housing loans	2,929	+126	1,352	+398	881	+260
		The Joyo Credit	Credit card services	917	+19	157	-3	107	-53
		The Joyo Business Service	Agent in charge of administrative work for Joyo Bank	587	-5	3	+2	1	-0
		The Joyo Cash Service	Maintenance and management of Joyo Bank's ATMs and CDs	787	-46	3	+2	1	+1
		The Joyo Equipment Management	Maintenance and management of operational properties and equipment of Joyo Bank	727	+0	200	+5	121	-7
Total			7,332	+15	1,777	+440	1,154	+223	
Ashikaga Bank	Ashikaga Credit Guarantee	Credit guarantee of housing loans	2,673	+131	1,174	+172	692	+82	
	Ashigin Research Institute	Consulting, investigation and research	417	+41	3	-5	2	-4	
	Ashigin Card	Credit card services	1,145	-2,129	200	-2,218	129	-1,782	
	Total			4,236	-1,956	1,378	-2,051	825	-1,704
Non-banking Subsidiaries' Total			33,043	+1,901	4,883	-936	3,225	-907	

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.

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

Mebuki Lease / Mebuki Securities

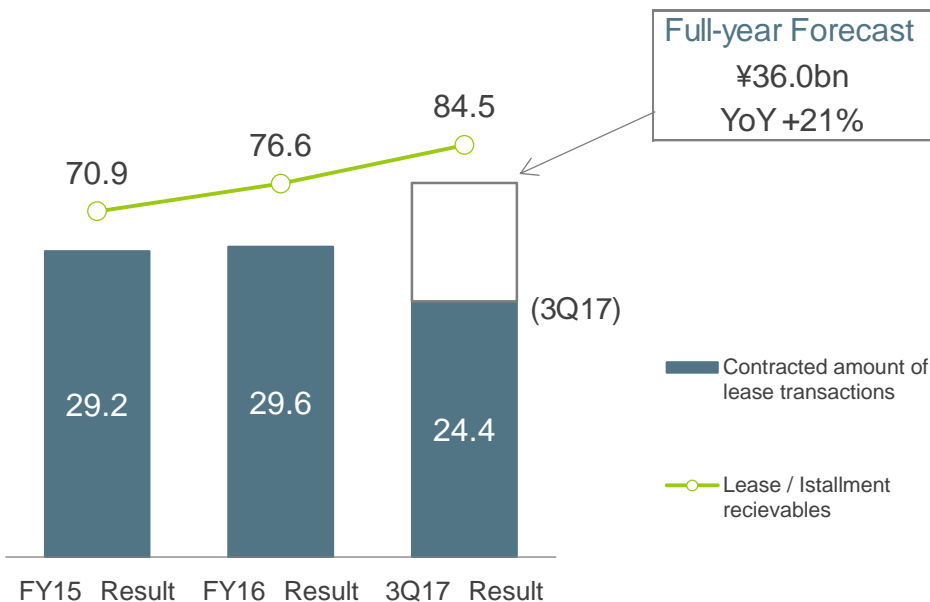
Mebuki Lease

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 (¥Bn)



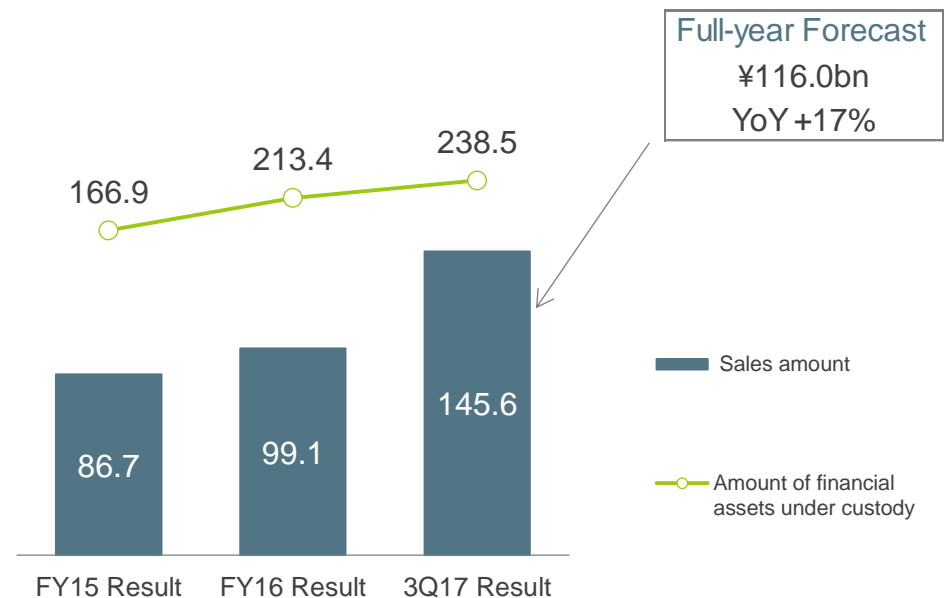
Mebuki Securities

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 (¥Bn)



Forecast for FY17

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

Consolidated Ordinary Profit ¥62.5 bn (+¥4.0 bn vs Previous Forecast of ¥58.5 bn)
 Consolidated Net Income* ¥42.5 bn (+¥2.5 bn vs Previous Forecast of ¥40.0 bn)

*Attributable to owners of the parent

Mebuki FG (Consolidated)

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

*Attributable to owners of the parent

FY17 Forecast

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

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

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

Joyo + Ashikaga (Non-consolidated)

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

Joyo Bank (Non-Consolidated)

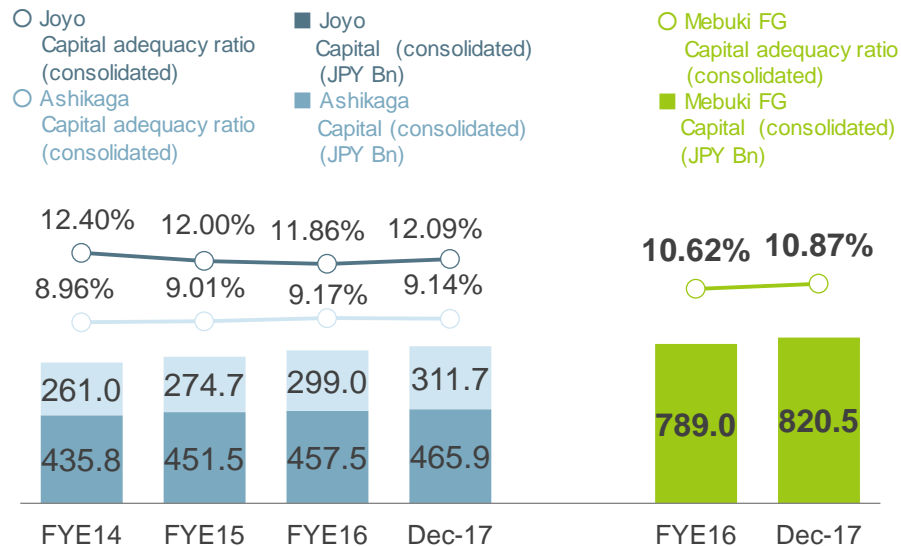
	3Q17		FY17 (Full-year)		
	3Q17	Progress	Revised Forecast	Previous Forecast	Chg.
Ordinary Profit	34.2	92.5%	37.0	33.5	+3.5
Net Income	23.5	92.4%	25.5	23.0	+2.5

Ashikaga Bank (Non-consolidated)

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

Capital Adequacy Ratio / Shareholder Return

Capital Adequacy Ratio



*Calculation method of risk weighted assets

Mebuki FG The fundamental internal rating based approach
 Jojo The fundamental internal rating based approach
 Ashikaga The standardized approach

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

	FYE13	FYE14	FYE15	FYE16	Dec-17
Mebuki FG	-	-	-	9.49%	9.75%
Jojo	11.35%	11.51%	11.17%	11.52%	11.77%
Ashikaga	8.67%	8.64%	8.77%	9.00%	8.97%

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 dividend policy, the dividend forecast for FY17 is ¥11.0 per share (Payout ratio | 30.4%)

Dividend per Share Forecast for FY17

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

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

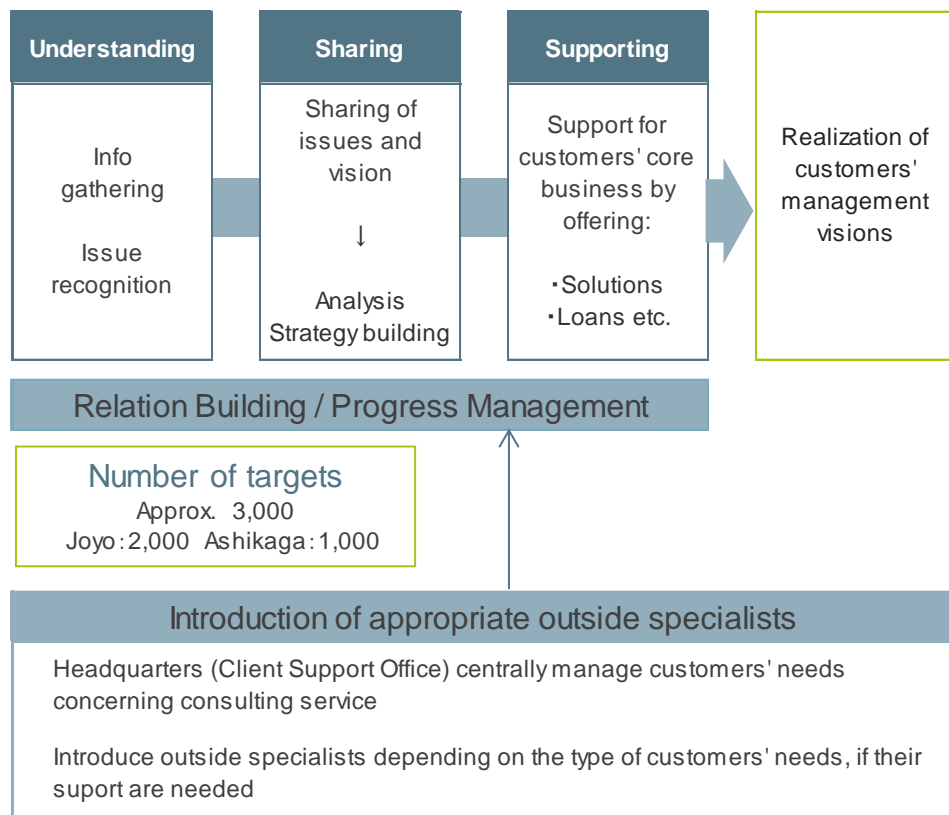
Number of shares held	Items that can be selected
Less than 5,000 shares and 1,000 shares or more	Equivalent to 2,500 yen 488 items centered on specialty products from Ibaraki Prefecture and Tochigi Prefecture *
Less than 10,000 shares and 5,000 shares or more	Equivalent to 4,000 yen
10,000 shares or more	Equivalent to 6,000 yen

*The number of items listed on the FY16 Jojo bank's shareholder benefit catalog is 316

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



Joyo adopted the business assessment scheme of Ashikaga from Dec. 2017.
From FY18, restructure sales promotion structure and build new business models depending on customer segments

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

	Joyo+Ashikaga
Information Provision	7,466
Arranged	390
Contracts Concluded	62

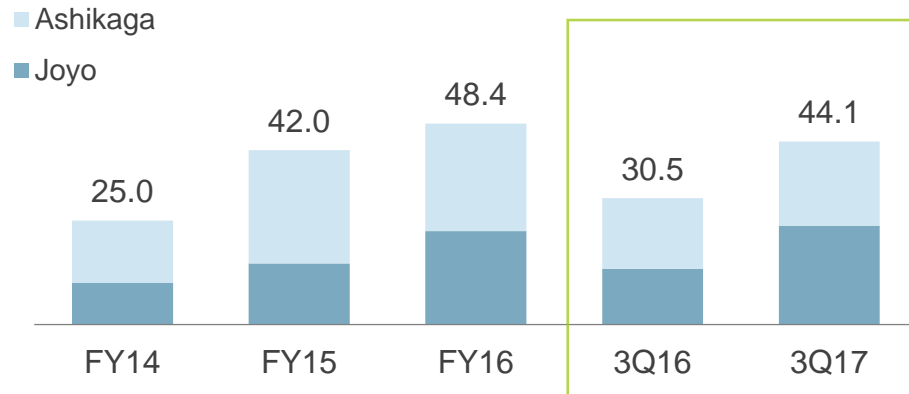
Joint Sales Promotion (Oct. 2016 – Dec. 2017)

	# of deals	Joyo+Ashikaga
Co-finance	46	¥6.7bn
Syndicate Loans	45	¥8.0bn
Referrals	120	¥7.3bn
Total	211	¥22.1bn

Measures for Corporate Customers

Private Placement Bonds

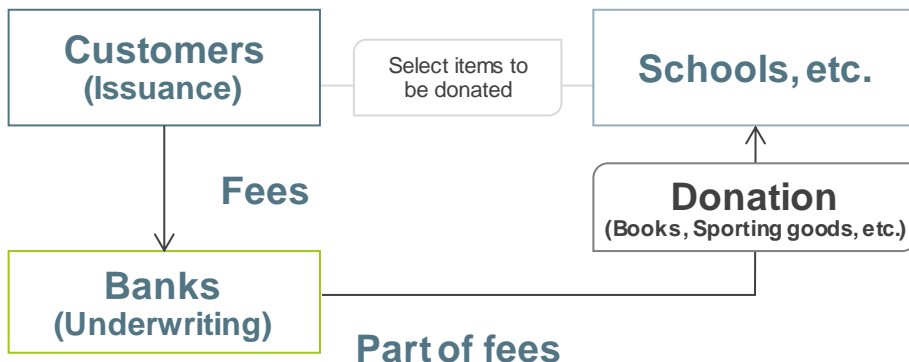
(¥bn)



Private placement bond with donation scheme

(As of Dec. 2017 | ¥22.8bn/259 bonds)

Contribute to local societies by developing school environment



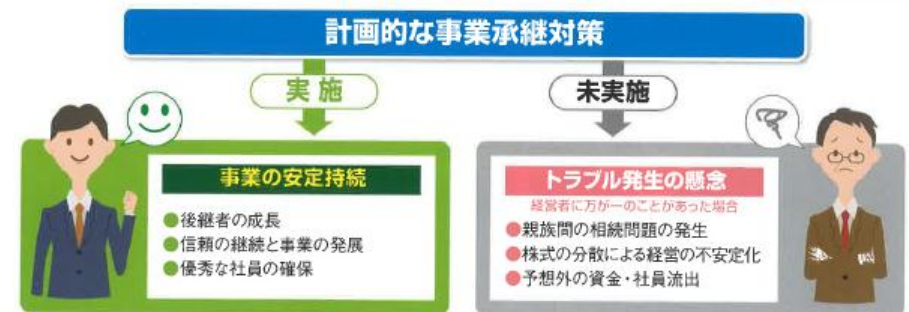
Part of fees

Two banking subsidiaries donated more than ¥40mil 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

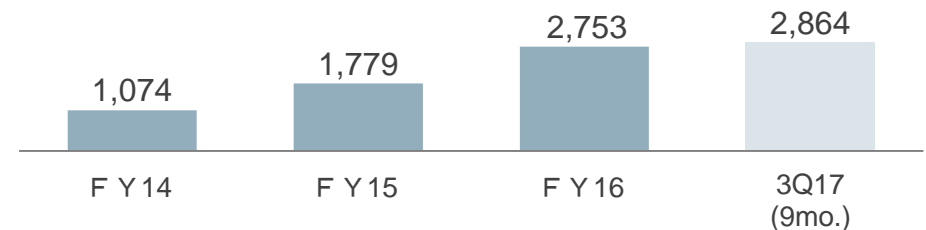


Succession by relatives

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

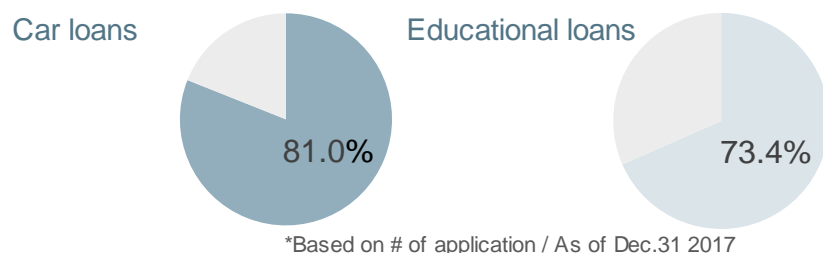
Measures for Individual Customers

Loans to individual Customers

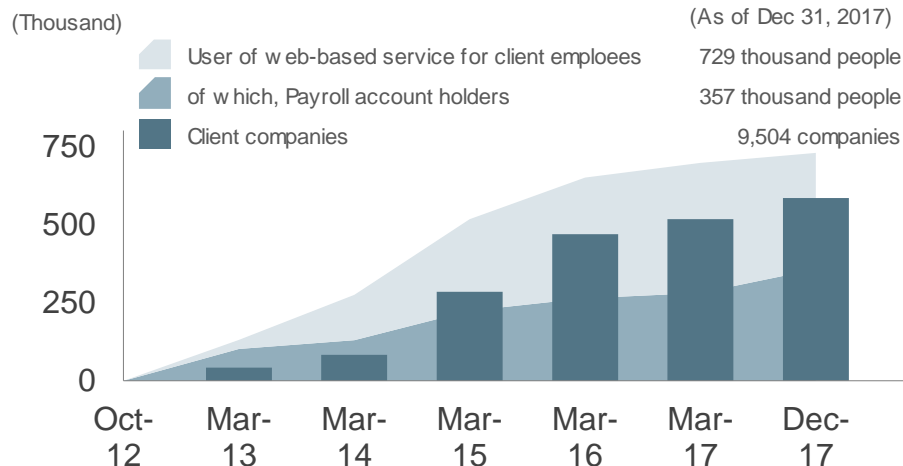
Improve convenience of online-applications and enrich contents of employee-specific website

Joyo established the direct marketing division

Web Application Ratio (Joyo + Ashikaga)



Employee-specific Website



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

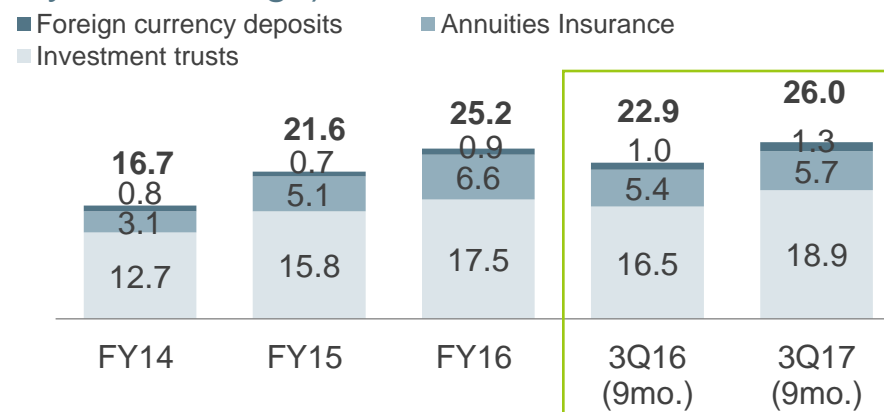
Number of Customers

(Thousand people)

	FYE14	FYE15	FYE16	Dec-17	vs FYE16
Joyo	191	190	197	197	+0
Ashikaga	148	149	156	158	+2
J + A	340	340	353	356	+3

Total Amount of Accumulation Services (Joyo + Ashikaga)

(¥bn)



System Integration / Cost Reduction

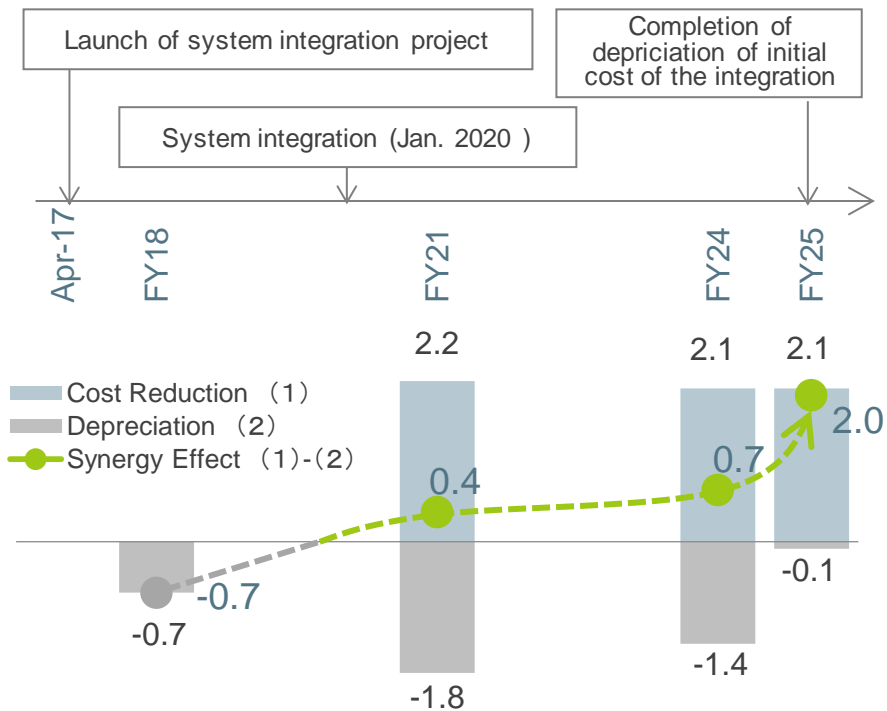
System Integration

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

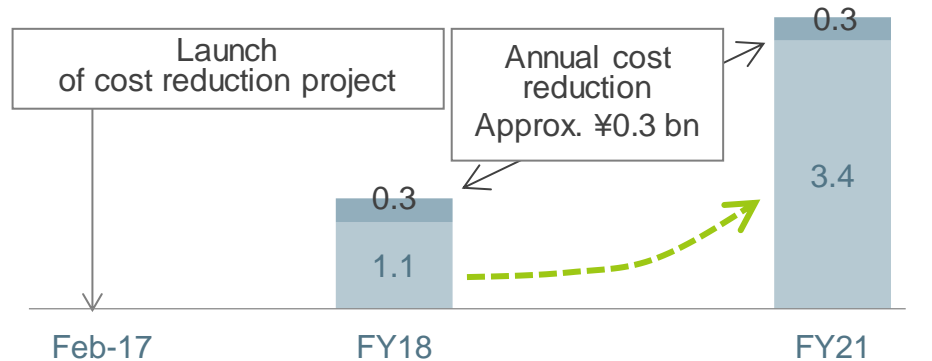
Synergy effects arising from the business integration

- ☑ 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 notes)
- ☑ 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



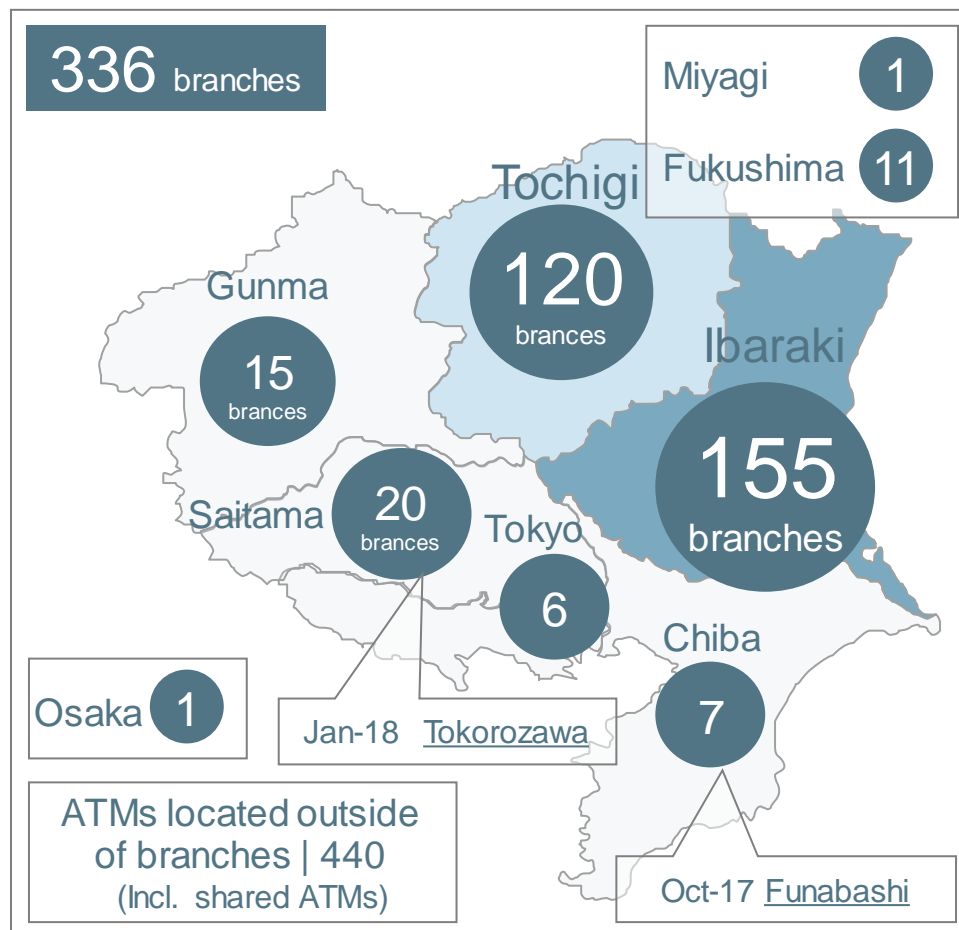
- Cost reduction through cost reduction project
- Cost reduction (Integration synergy)

Branch Network

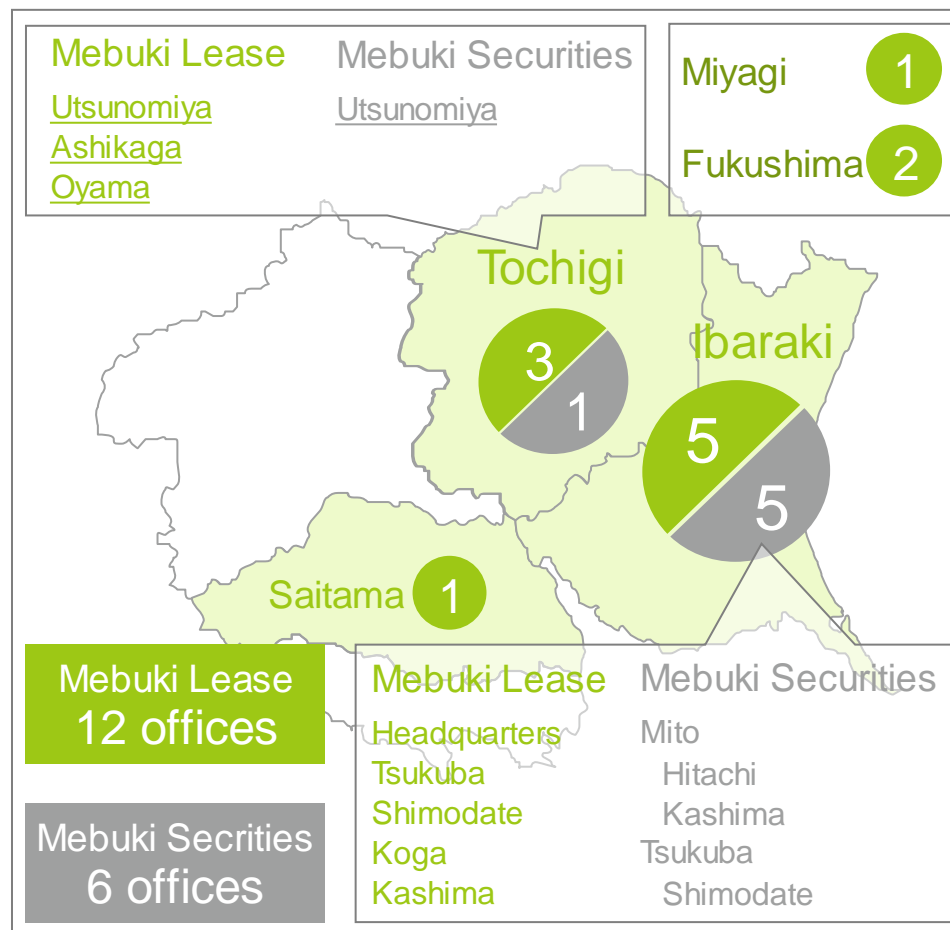
(as of Jan.31, 2018)

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

Bank Branches (Joyo + Ashikaga)



Mebuki Lease / Mebuki Securities



Branch Operation Efficiency

(as of Dec.31, 2017)

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

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.

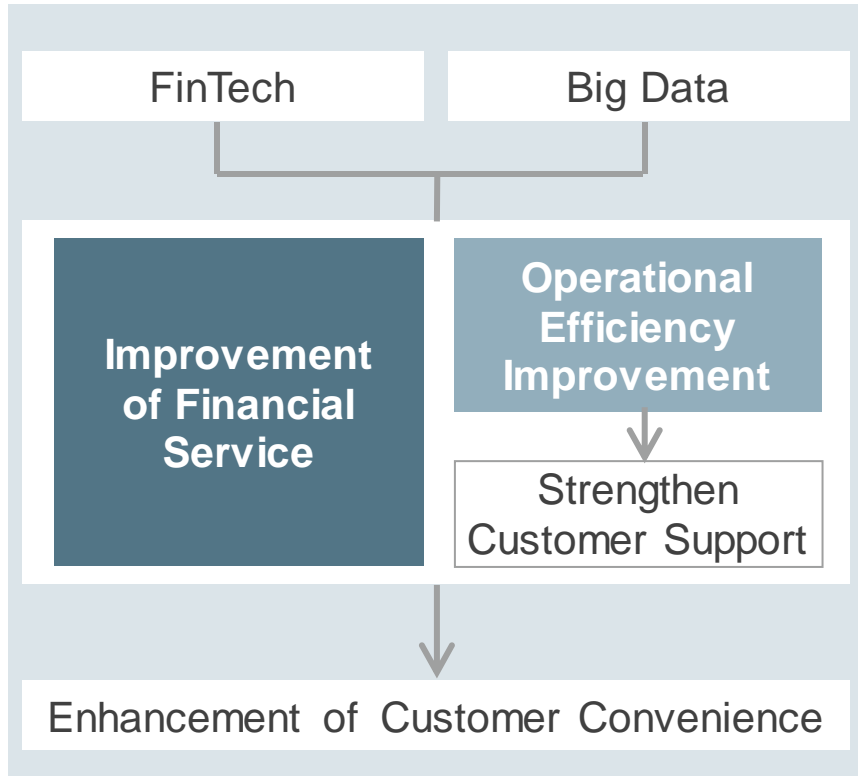


Other Measures

Limited-operation branches, branches that specialize in individual customers, and more efficient sub-branches
Introduction of lunch-time closure

Enhancement of Customer Convenience through Utilization of IT

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

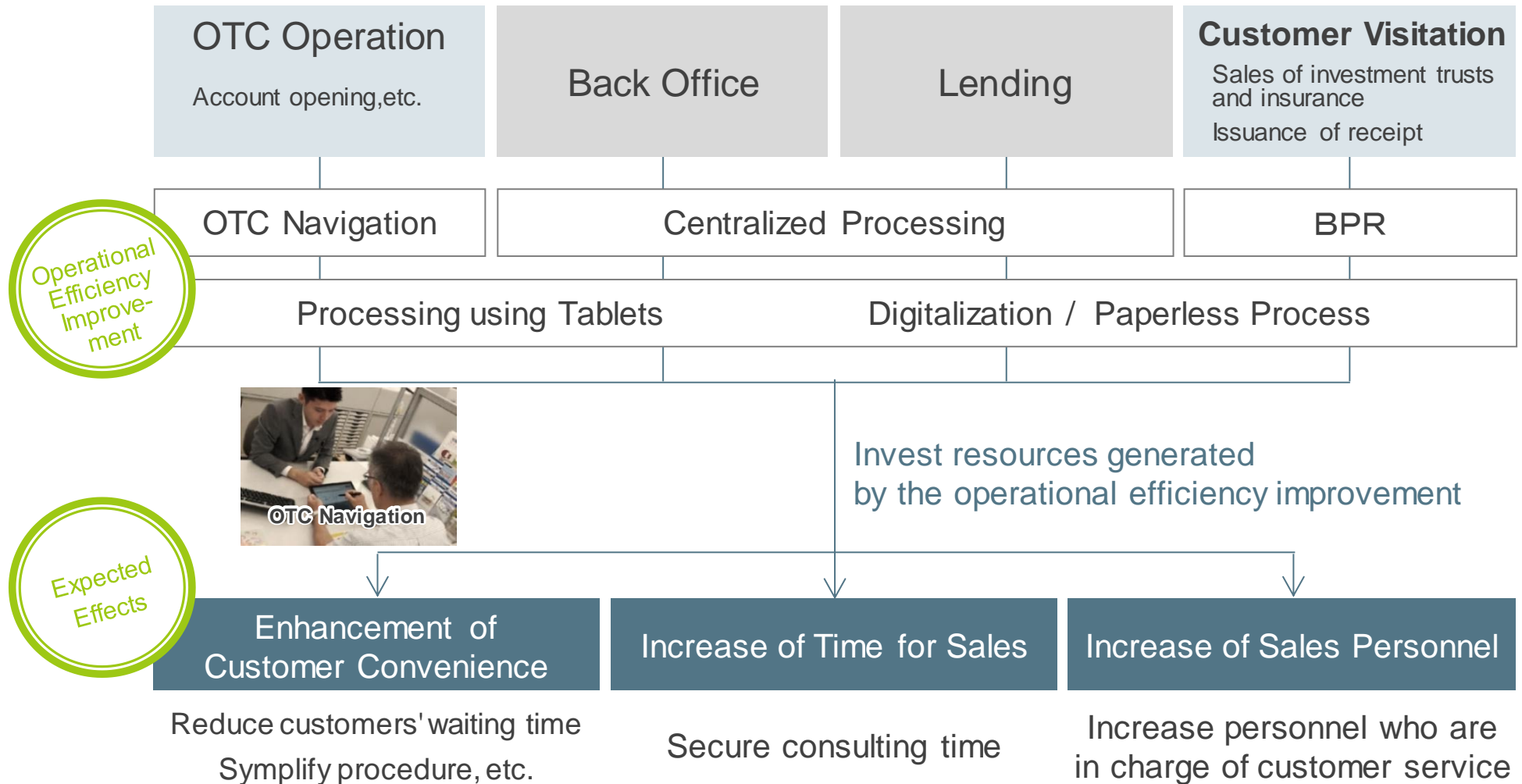


- Operational Efficiency Improvement**
- OTC Navigation System
 - BPR for Customer Visitation
 - Operational Efficiency Improvement of H.Q. / RPA
 - Centralized / Paperless Processing

- Settlement** **Cashless Smartphone Payment**
- Deposits** **Account Opening App**
Internet Branch
- Deposits** **Bankbook App**
Internet Banking
- Lendings** **Web Application for Car Loans and Housing Loan Refinance**
- Asset Management** **Asset Management Advice**
Robo-advisor
- Asset Management** **Household Finance Management**
- Grasp Customer Needs** **Data Analysis**
Marketing / Promotion / Loan screening, etc.
- Grasp Customer Needs** **AI**

Operational Efficiency Improvement

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



Regional Revitalization

Actively hold various events to vitalize regional economy

Support for Agri- / Food Related Business



Provide support depending on the value chain of local products from development to sales

Food Exhibition (Oct. 2016)

Food Business Meeting (Nov. 2016)

Agri-Food Matching (Sep. 2017)

Food Bizmatch (Jan. 2018)

Manufacturing Business Forum (Feb. 2018)



Held to support local manufacturers as one of the largest events of its kind held by regional banks

Exhibitors | Approx. 1,000

Visitors | Approx. 2,200

Meetings held | Approx. 480

Conducted demonstrations which can offer clues to manufacturing and presentations by prize winners of the business award

Mebuki Business Award 2nd (from Nov. 2017)



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" (Nov. 2017)

Mebuki Regional Revitalization Fund

Fund Size
¥ 4.0 bn



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

Invest in local SMEs who contribute to development of local economies



Results | As of Jan. 31 2018

Number of deals | 7 deals

Amount | ¥1.55bn

Inquiries

Mebuki Financial Group, Inc. Corporate Planning Department

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

E-mail 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.