

Financial Results for FY2018

May 13, 2019

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Financial Results for FY18

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

Highlights

Results for FY18

Consolidated Income exceeded the financial results of FY17 and forecast for FY18. Core net business income of banking subsidiaries, excluding gains on cancellation of private offering investment trusts, increased by net fees and commissions and interest on loans.

➤ Consolidated Income^(*1) : ¥46.3bn(+¥3.2bn YoY) (+¥1.3bn from forecast)

(*1) Attributable to owners of the parent

Forecast for FY19

Forecast FY19 profits will decrease mainly due to decrease of margins and gains on sales of securities and due to increase of system integration expenses.

➤ Consolidated Income^(*1) : ¥40.0bn(-¥6.3bn YoY)

(*1) Attributable to owners of the parent

Shareholder Returns for FY19

➤ Annual Dividends : ¥11.0 per share (unchanged from the previous fiscal year)

➤ Return Policy : The target of Total Return Ratio^(*2) from FY19 is 30% or more.

We will continue to consider the dividend.

(*2) Total Return Ratio = (Total amount of dividends + Total amount of acquisition of own shares) / Net income^(*1)

Main Points of FY18 Financial Results

Mebuki FG (Consolidated) (¥bn)

	FY18	YoY	VS Full-year Forecast
Ordinary profit	69.5	+6.0	106.9%
Net income attributable to owners of the parent	(1) 46.3	+3.2	102.9%

Consolidation adjustment

(2)-(1) -¥17.5bn

Dividends receivable from affiliated companies of Ashikaga bank (-¥12.0bn)
Adjustments related to securities(-¥4.9bn)
Interest expenses of subordinated loans, expenses, etc.

Two banking subsidiaries and group companies

	FY18	YOY	VS Full-year Forecast
Net income	(2) 63.9	+12.5	103.0%

Net Income of group companies other than banking subsidiaries ¥3.8bn

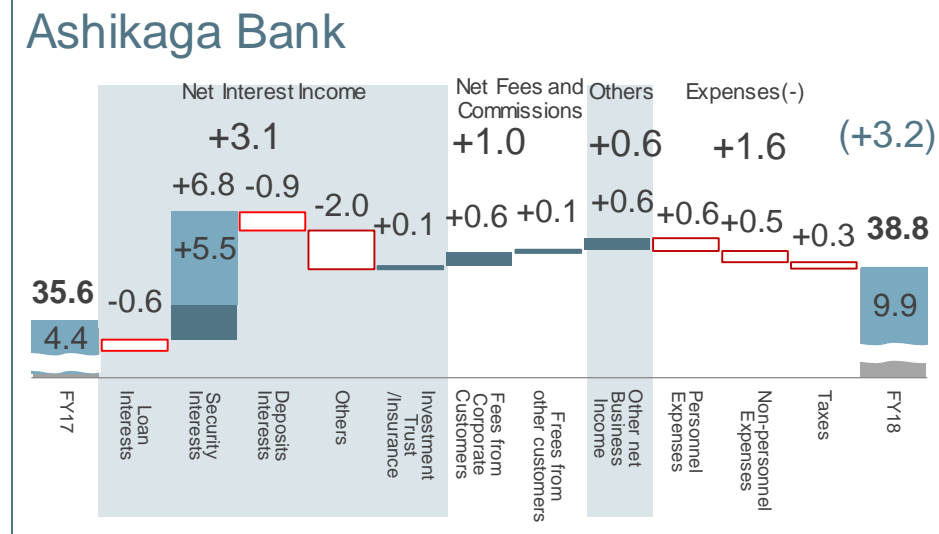
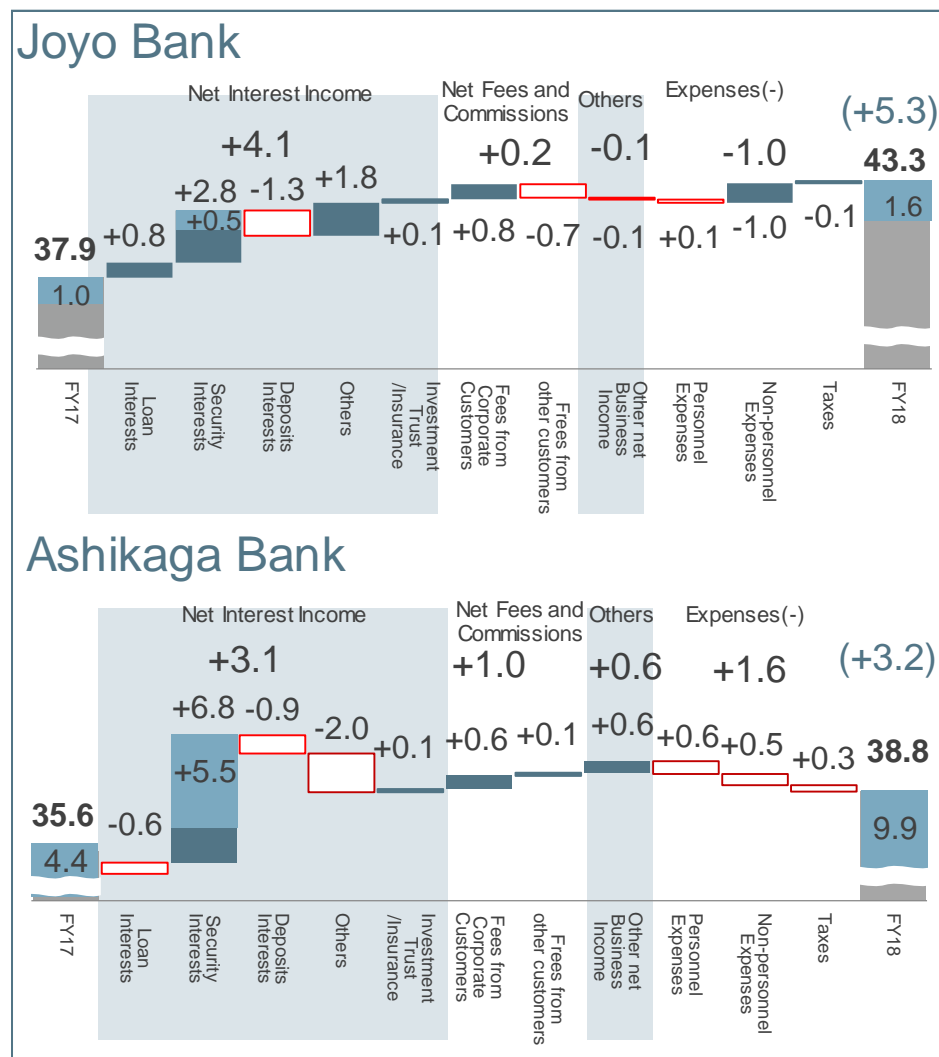
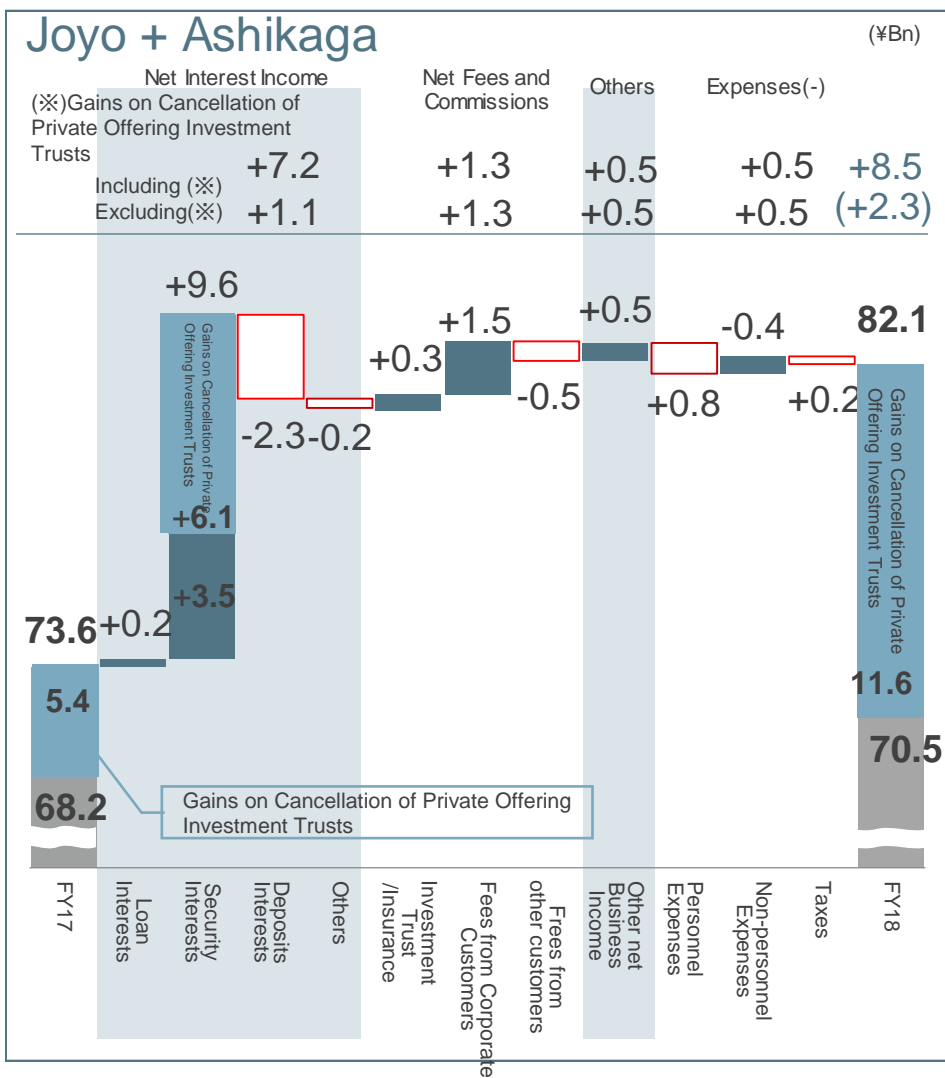
Joyo and Ashikaga (Non-consolidated) (¥bn)

	J+A		FY18		vs. Forecast		J+A	Joyo	Ashikaga
	Result	YoY Chg	Result	YoY Chg	Result	YoY Chg			
Gross business profit	185.6	+4.8	101.2	+0.7	84.3	+4.0	102.8%	100.7%	105.4%
(Net Gross business profit)	196.3	+9.1	108.6	+4.2	87.7	+4.8	107.0%	104.9%	109.6%
Net interest income	161.0	+7.2	89.9	+4.1	71.1	+3.1	107.7%	106.4%	109.3%
Net fees and commissions	32.1	+1.3	17.2	+0.2	14.9	+1.0	102.0%	98.3%	106.7%
Net other business income and Net trading income	-7.5	-3.7	-5.8	-3.6	-1.6	-0.1	-	-	-
(o/w gains/losses on bond transactions)	-10.7	-4.2	-7.3	-3.4	-3.3	-0.7	-	-	-
Expenses	114.1	+0.5	65.3	-1.0	48.8	+1.6	99.2%	99.0%	99.6%
o/w Personnel expenses	60.6	+0.8	33.8	+0.1	26.8	+0.6	-	-	-
o/w Non-personnel expenses	46.1	-0.4	27.7	-1.0	18.4	+0.5	-	-	-
Net business income (before general allowance for loan losses)	71.4	+4.2	35.9	+1.8	35.5	+2.4	109.0%	104.1%	114.5%
Core net business income	82.1	+8.5	43.3	+5.3	38.8	+3.2	119.9%	115.5%	125.3%
Net transfer to general allowance for loan losses (a)	-5.2	-3.7	-1.1	-0.8	-4.1	-2.9	-	-	-
Net business income	76.6	+8.0	37.0	+2.6	39.6	+5.4	115.2%	104.3%	127.7%
Net non-recurrent gains/losses	-4.7	-4.3	6.1	+3.6	-10.9	-8.0	-	-	-
o/w Disposal of non-performing loans (b)	14.5	+5.1	5.3	+0.1	9.1	+4.9	-	-	-
o/w Gains/losses related to stocks, etc.	10.7	+0.2	12.4	+2.9	-1.7	-2.7	-	-	-
Ordinary profit	71.8	+3.6	43.2	+6.2	28.6	-2.6	108.8%	112.2%	104.2%
Extraordinary income/losses	8.6	+9.7 (*1)	-2.5	-2.0	11.1	+11.7	-	-	-
Income taxes	20.4	+0.2	11.9	+1.0	8.5	-0.7	-	-	-
Net income	60.0	+13.1	28.7	+3.2	31.2	+9.9	104.3%	108.4%	100.9%
Credit related costs (a)+(b)	9.3	+1.3	4.2	-0.6	5.0	+1.9	186.2%	143.0%	250.9%

(*1) Dividends receivable from affiliated companies of Ashikaga bank, Impairment loss of branches (total) etc.

Change of Core Net Business Income

Core net business income on a simple-sum basis of the two banking subsidiaries, excluding gains on cancellation of private offering investment trusts, increased by ¥2.3bn YoY, mainly due to increase of net fee and commissions from corporate customers and loan interest.



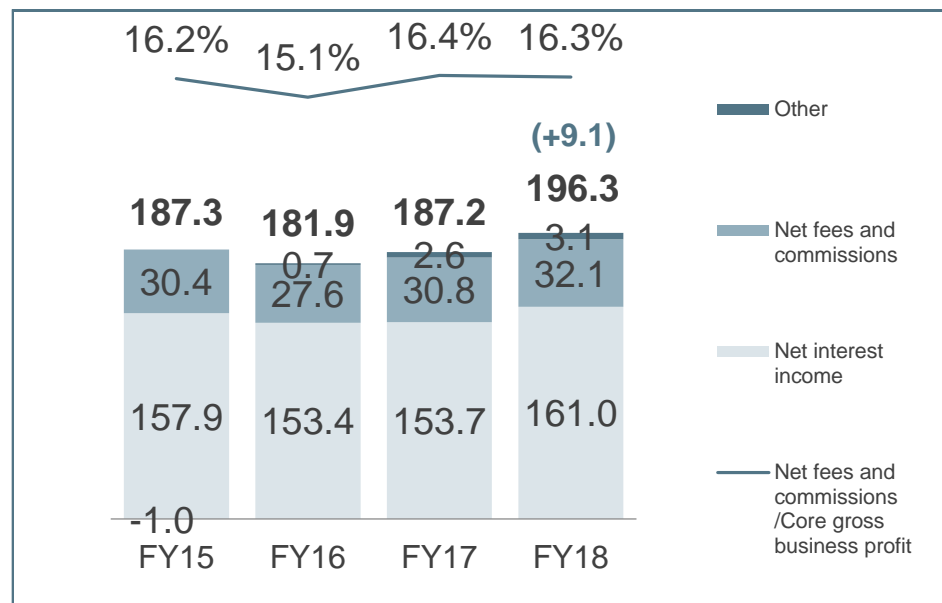
Core Gross Business Profit

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

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

Core gross business income on a simple-sum basis of the two banking subsidiaries increased by ¥9.1bn YoY (¥2.9bn excluding gains on cancellation of private offering investment trusts), mainly due to increase of net fee and commissions and net interest income from securities.

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



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

	FY16	FY17	FY18	YoY Chg
Joyo	1.7	1.0	1.6	+0.6
Ashikaga	3.6	4.4	9.9	+5.5
J + A	5.4	5.4	11.6	+6.1

Change of Interest Income

Joyo

	Factor	YoY Chg	Domestic (Chg. in Nil)		Overseas (Chg. in Nil)	
			Chg. in Factors		Chg. in Factors	
Interest on loans and bills discounted	Avg	+1.8	+1.4	(+¥142.3bn)	+0.3	(+¥16.0bn)
	Yield	-0.9	-2.2	(-3.7bp)	+1.2	(+94.0bp)
Interest on deposits (-)		+1.3	-0.1	—	+1.5	—
Interest and dividend on securities	Avg	+1.9	+1.9	(+¥199.4bn)	-0.0	(-¥1.8bn)
	Yield	+0.9	+1.0	(+4.7bp)	-0.1	(-2.4bp)
Market investments and borrowings (-)		-1.8	-0.6	—	-1.2	—
Total		+4.1	+2.9		+1.1	

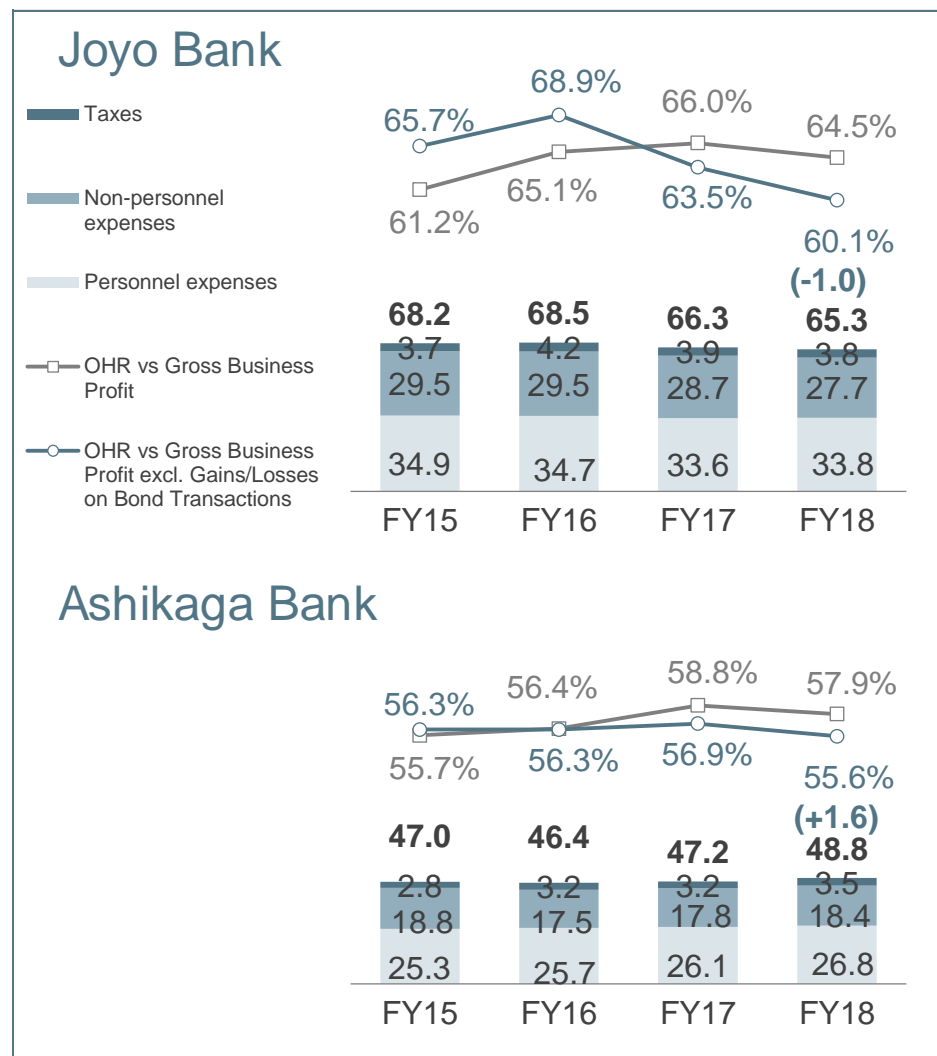
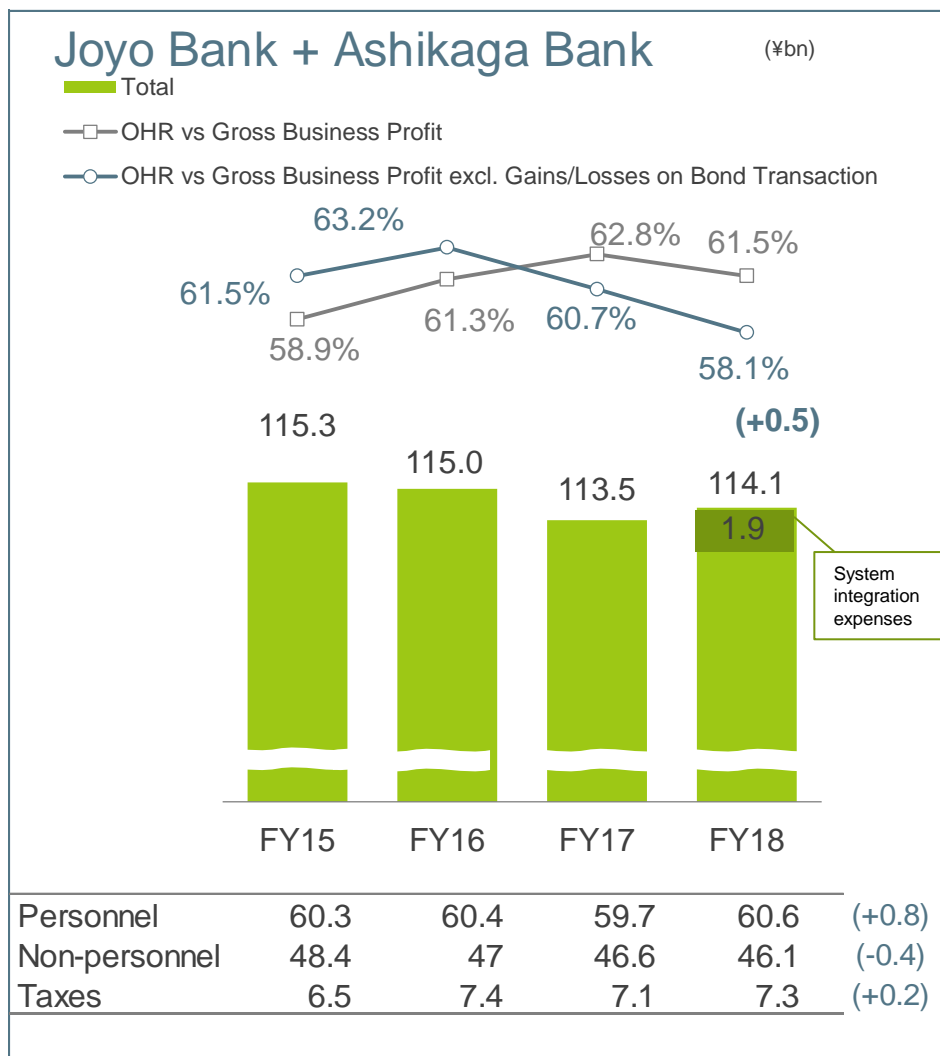
Ashikaga

	Factor	YoY Chg.	Domestic (Chg. in Nil)		Overseas (Chg. in Nil)	
			Chg. in Factors		Chg. in Factors	
Interest on loans and bills discounted	Avg	+1.9	+1.8	(+¥169.5bn)	+0.1	(+¥4.5bn)
	Yield	-2.5	-2.6	(-6.2bp)	+0.1	(+84.9bp)
Interest on deposits (-)		+0.9	-0.1	—	+1.1	—
Interest and dividend on securities	Avg	-0.4	-1.6	(-¥83.1bn)	+1.2	(+¥43.9bn)
	Yield	+7.2	+6.3	(+56.2bp)	+0.8	(+37.1bp)
Market investments and borrowings (-)		+2.0	-0.0	—	+2.1	—
Total		+3.1	+4.0		-0.8	

Expenses / OHR

Expenses on a simple-sum basis of the two banking subsidiaries increased by ¥0.5bn YoY, mainly due to increase of system integration expenses.

However, OHR improved due to increase of core gross business income, and fell to 58.1% on core gross business income basis.

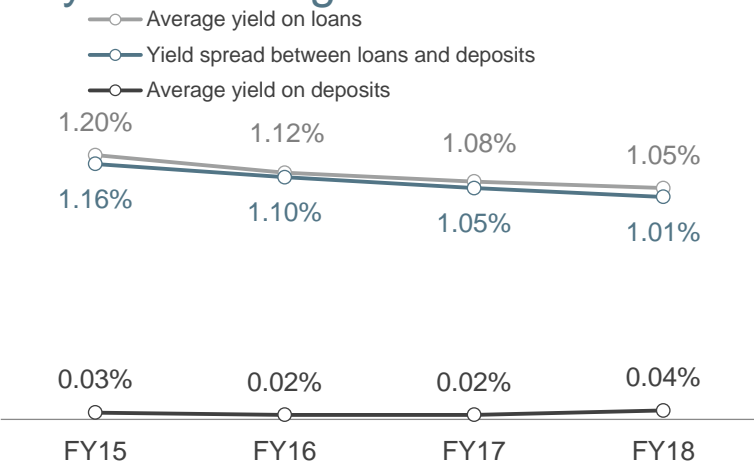


Loans and Deposits (Avg. Balance / Avg. Yield)

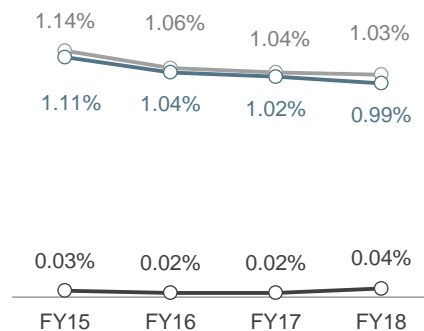
*Figures in parentheses are changes on a year on year basis

Average Yield on Loan and Deposits

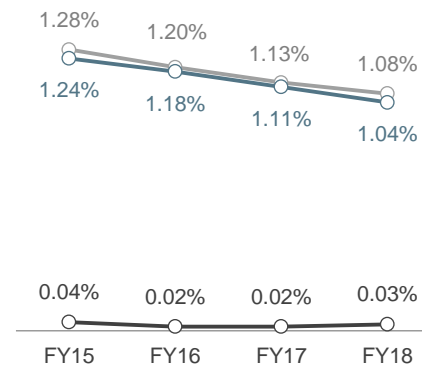
Joyo + Ashikaga



Joyo Bank

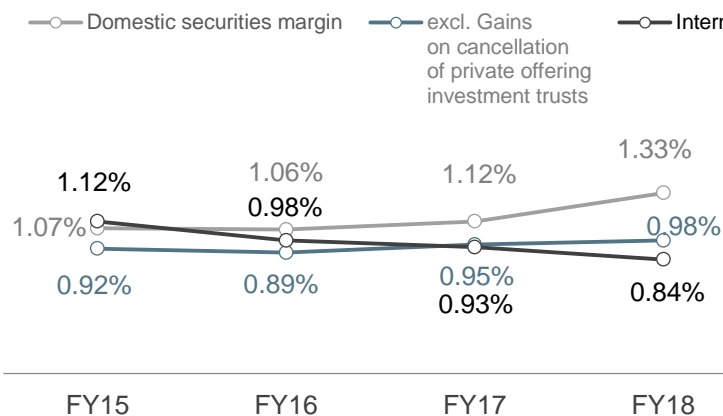


Ashikaga Bank

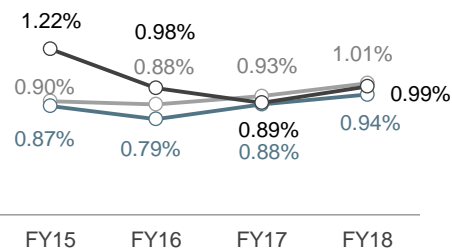


Securities Margin* (Domestic and International)

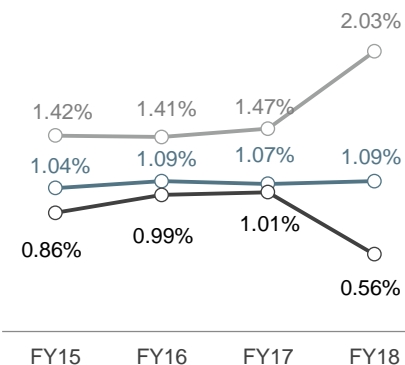
Joyo + Ashikaga



Joyo Bank



Ashikaga Bank

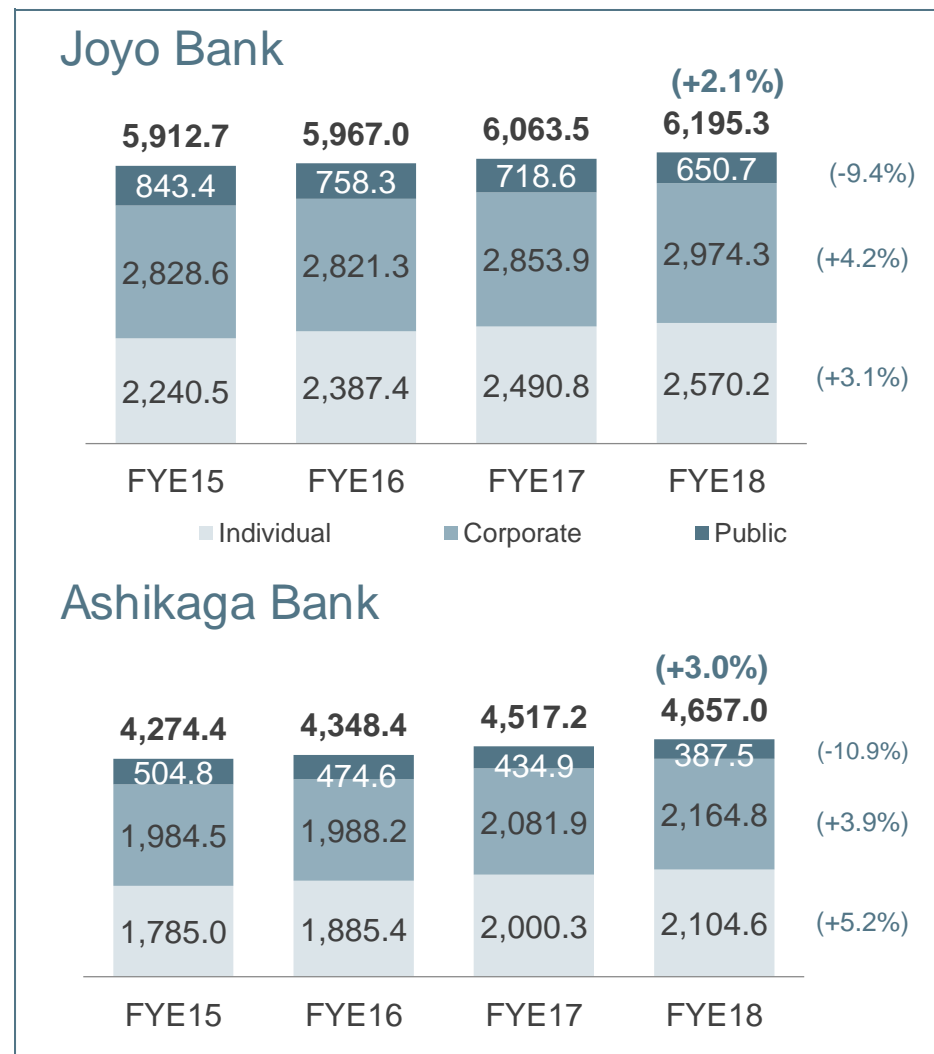
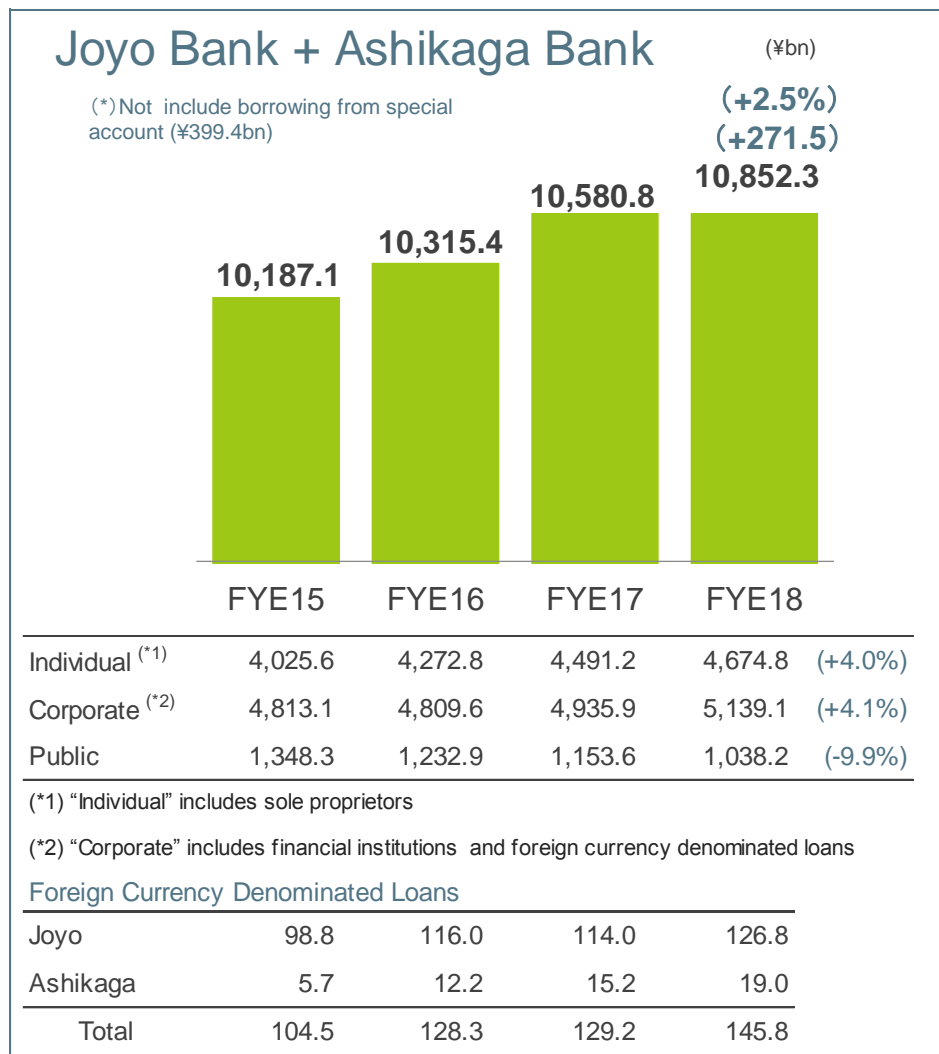


*Securities Margin=(Securities income-Securities funding costs)/Avg. securities

Loans (1) Term-end Balance

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

The term-end balance of loans for corporate and individual customers shows an annual rate of growth of 4.0%. The annual rate of total balance stays 2.5% due to decrease in loans to the public sector.



Loans (2) Individual Housing Related / Unsecured

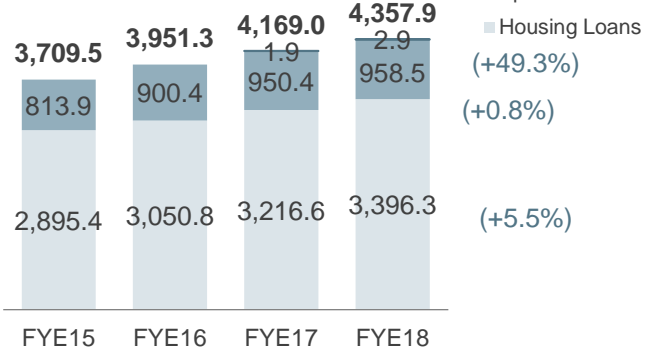
*Figures in parentheses are changes on a year on year basis

Housing Related Loans Term-end Balance

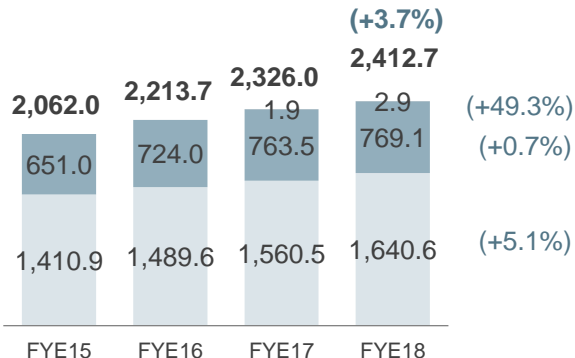
(¥bn)

Joyo + Ashikaga (+4.5%)

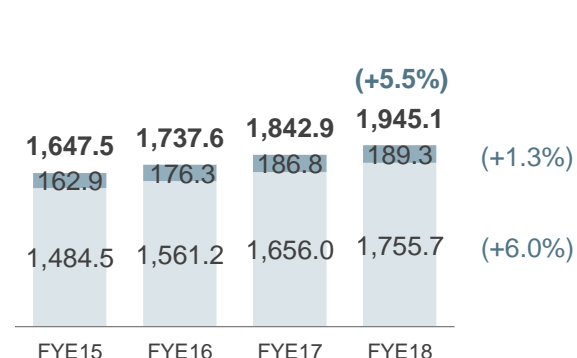
- Asset building loans (*)
- Apartment Loans
- Housing Loans



Joyo Bank



Ashikaga Bank



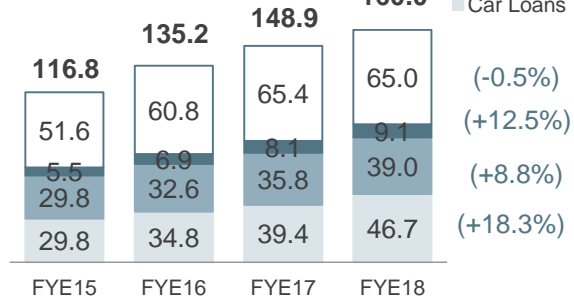
(*) Asset Building Loans: A product intended for individuals (w age earners/ self-employed) w ith a certain amount of income, and designed to meet asset building needs from rent acquired mainly for condominiums in the Tokyo metropolitan area (offered by Jojo only)

Unsecured Loans Term-end Balance

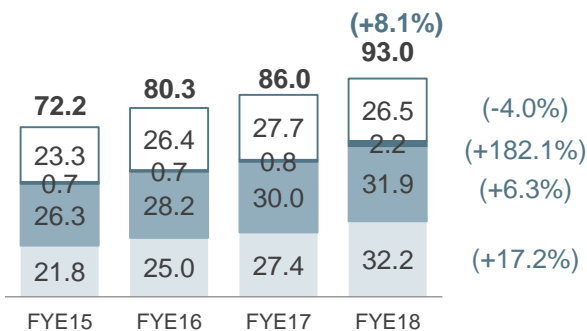
(¥bn)

Joyo + Ashikaga (+7.4%)

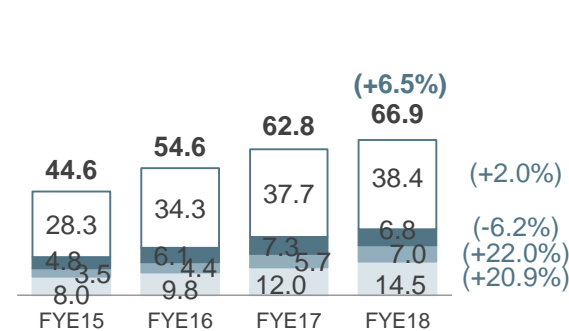
- Card Loans
- Free Loans
- Educational Loans
- Car Loans



Joyo



Ashikaga



* Credit cards are not included in "Card Loans"

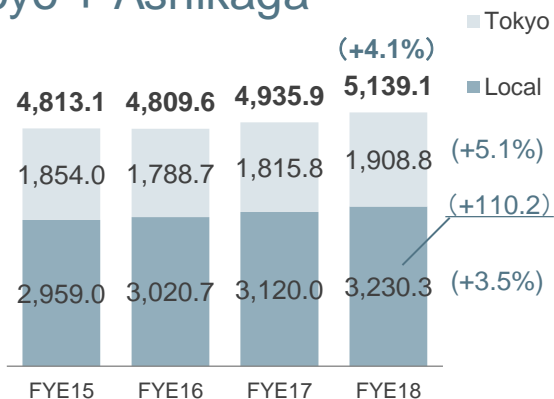
Loans (3) Corporate by Area / Company Size

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

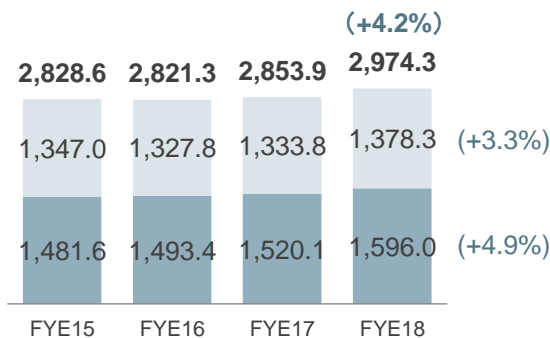
Term-end Balance by Area

(¥bn)

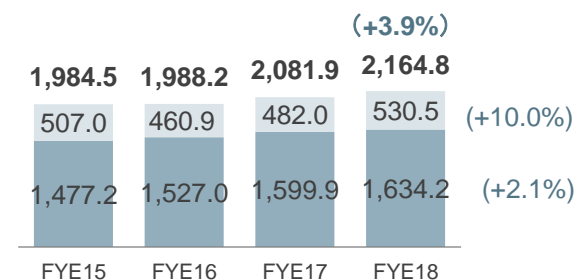
Joyo + Ashikaga (*)



Joyo



Ashikaga (*)

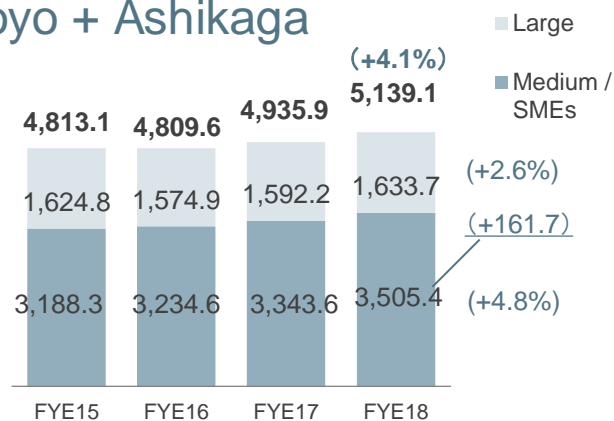


(*) Ratio of changes (Tokyo/ local) excluding effect of ¥23bn transfer of local to Tokyo in FY18 is 4.2% / 3.8% for Joyo+Ashikaga and 3.8%/5.3% for Ashikaga.

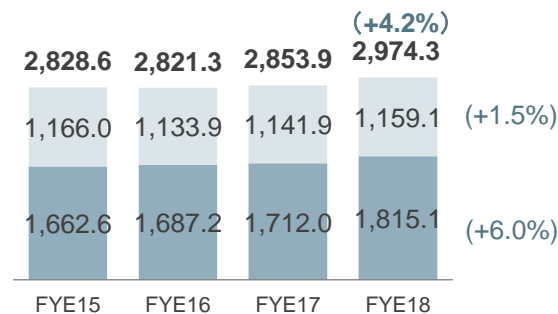
Term-end Balance by Company Size

(¥bn)

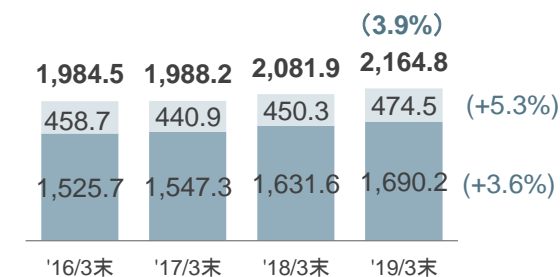
Joyo + Ashikaga



Joyo



Ashikaga

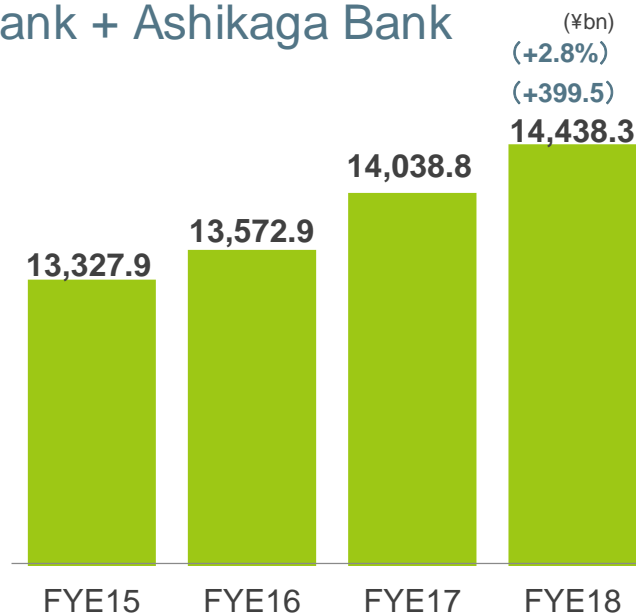


Deposits Term-end Balance

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

Deposits of individual and corporate customers have been on the increase
(Individual customers : +2.5%, Corporate customers : +5.2%)

Joyo Bank + Ashikaga Bank



	FYE15	FYE16	FYE17	FYE18	Change (%)
Individual	9,502.6	9,762.1	10,103.6	10,362.7	+2.5%
Corporate ^(*)	3,020.8	3,062.8	3,158.8	3,325.5	+5.2%
Public	804.4	748.0	776.3	750.1	-3.3%

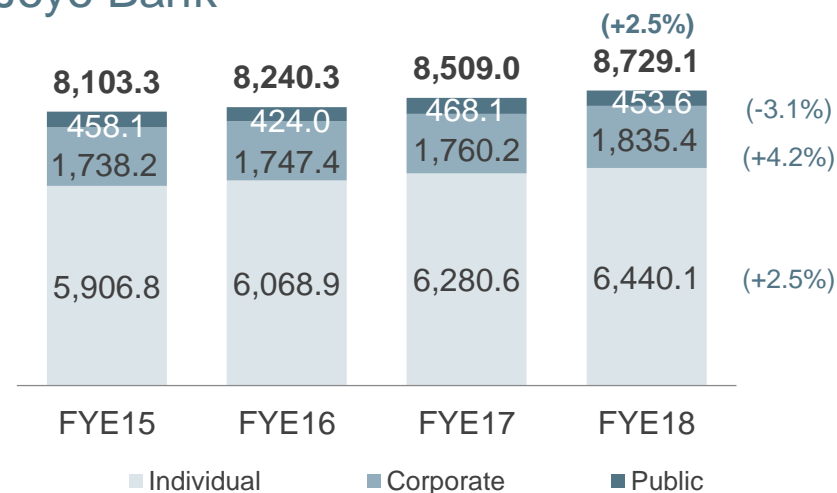
(*)"Corporate" includes financial institutions.

o/w Foreign Currency Deposit^(*)

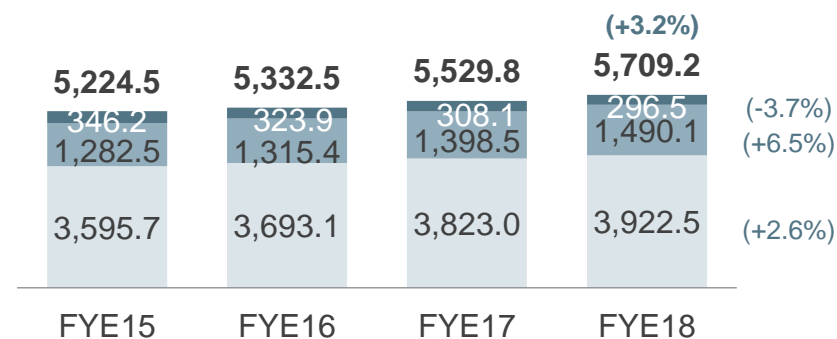
	FYE15	FYE16	FYE17	FYE18
Joyo	111.4	140.7	199.1	222.6
Ashikaga	16.3	24.8	76.0	83.3
Total	127.7	165.6	275.2	306.0

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

Joyo Bank



Ashikaga Bank

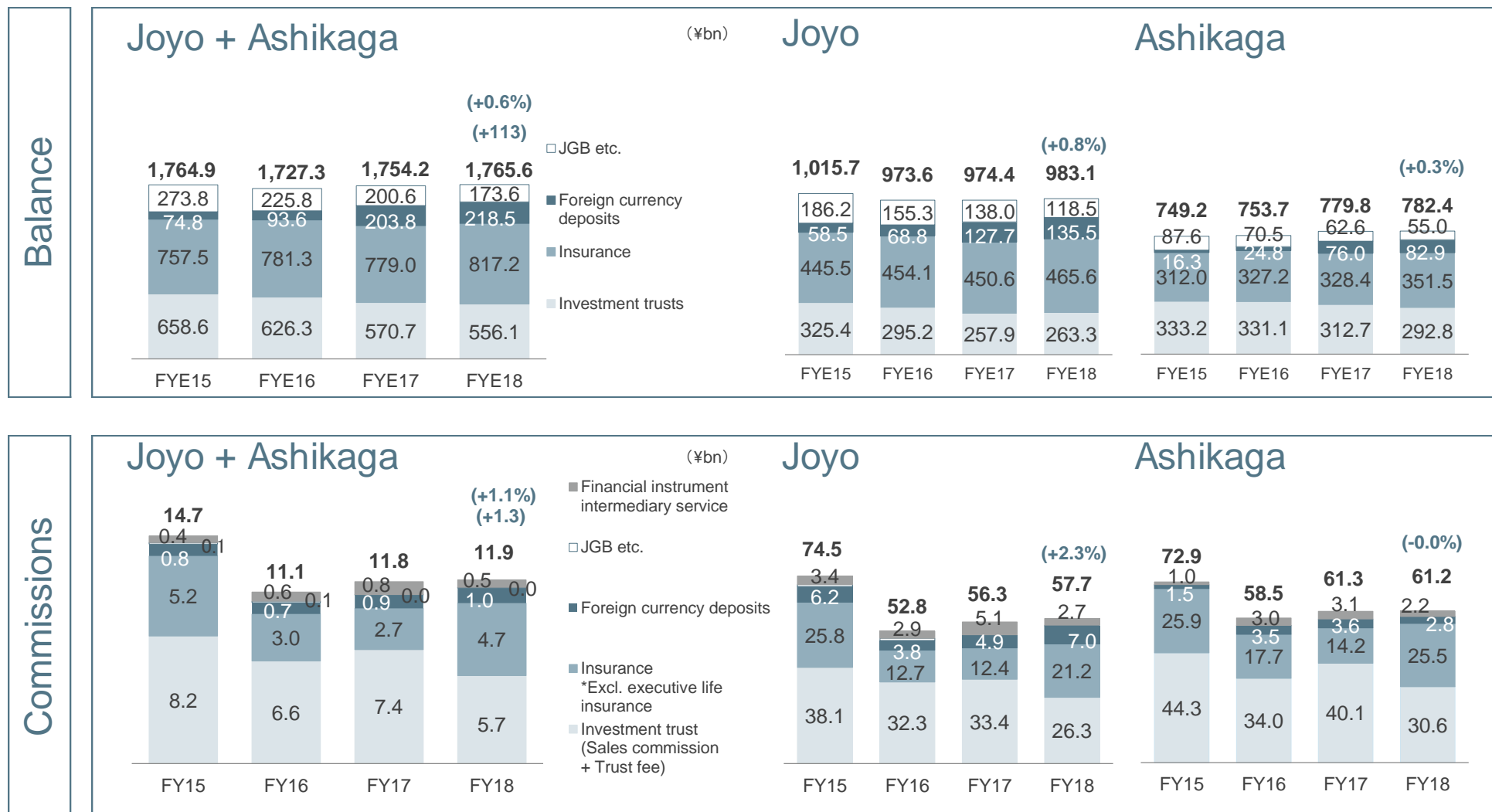


Customer Assets under Custody

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

The amount remained at the same level as the previous year.

Commissions increased year on year due to increase of insurance fees in spite of decrease of investment trusts.

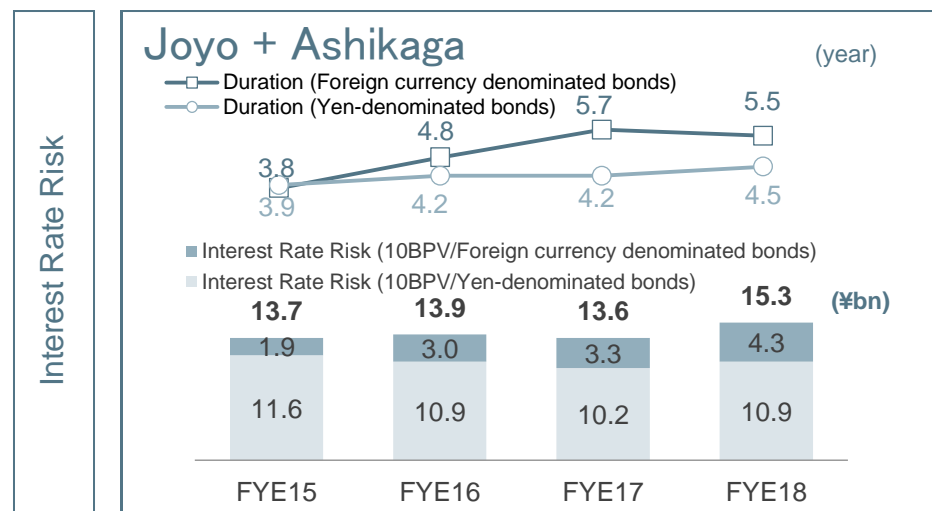
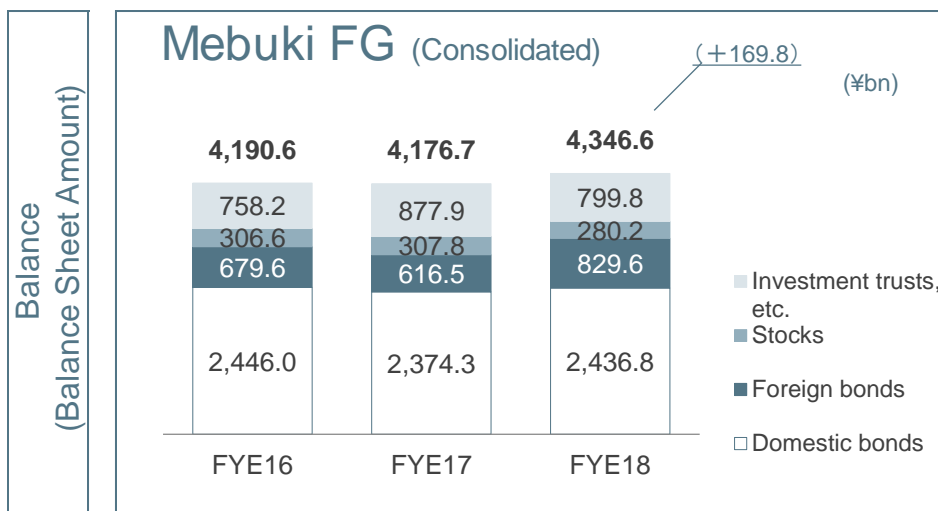


Securities (1)

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

While government bond balances declined due to redemption, domestic bond balances increased through purchasing of municipal bonds.

Regarding foreign bonds, reduced US Treasury bonds based on the outlook of US policy interest rates, and increased the balance of mainly European bonds.



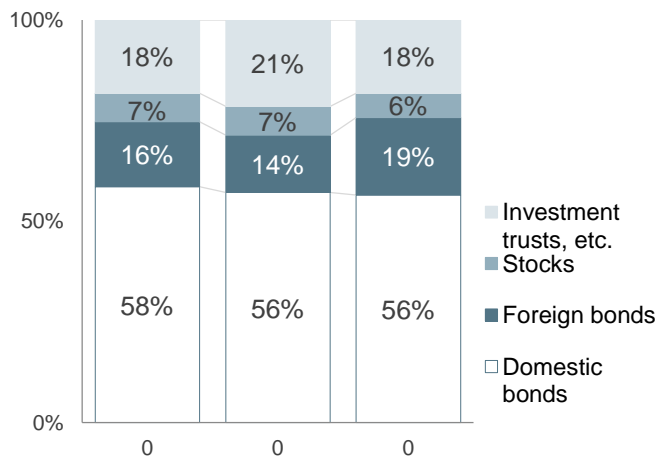
Foreign Bonds / Investment Trusts (¥bn)

Book value as of Mar. 31 2019		J + A	Joyo	Ashi-kaga	Details
Foreign Bonds		816.3	502.8	313.5	-
	o/w Gov. Bond, Gov. Guaranteed Bonds, etc.	385.9	284.5	101.4	o/w ¥217.4bn European government bonds
	o/w Corporate Bond	333.7	121.5	212.1	Bonds rated A or above account for more than 90% of total
	o/w Ginnie Mae	23.3	23.3	-	RMBS issued by U.S governmental public corporations
	Others	73.4	73.4	-	Floating bonds centering on CLO (only highest tranches)
Investment Trusts etc.		780.0	443.9	336.0	-
	o/w Equity-related	216.6	176.8	39.7	ETF (long ¥157.6bn, bear funds ¥59.0bn)
	o/w REIT	71.4	54.5	16.9	o/w ¥55.8bn national REIT
	Others	491.8	212.6	279.2	o/w ¥363.2bn foreign bond funds, ¥110.5bn alterative funds

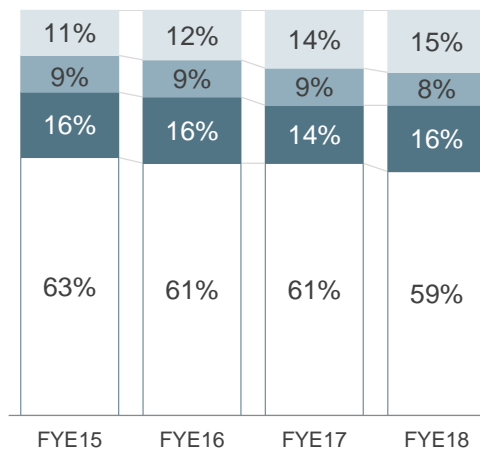
Securities (2)

Portfolio Allocation
(Balance Sheet Amount Basis)

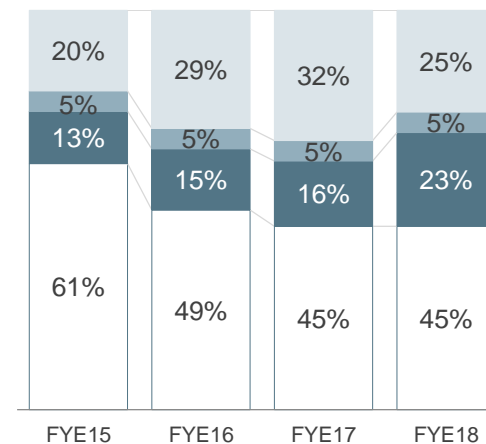
Mebuki FG (Consolidated)



Joyo Bank (Non-Consolidated)

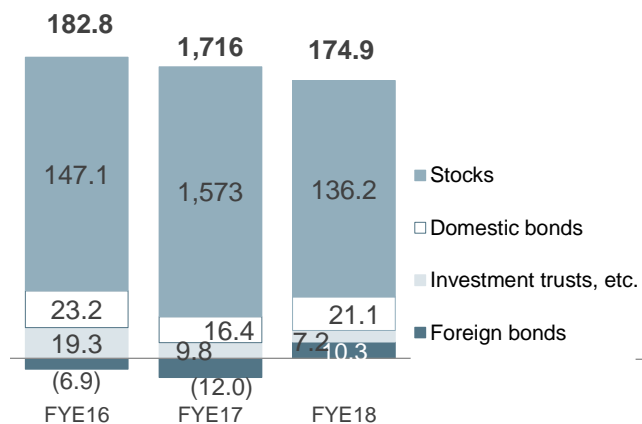


Ashikaga Bank (Non-Consolidated) (¥bn)

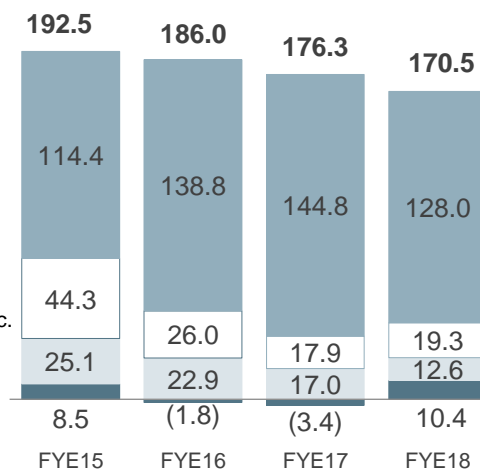


Unrealized Valuation Gains/Losses
on Available for Sale Securities

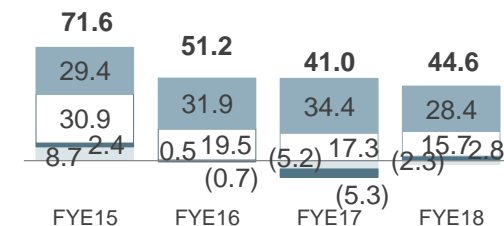
Mebuki FG (Consolidated)



Joyo Bank (Non-Consolidated)



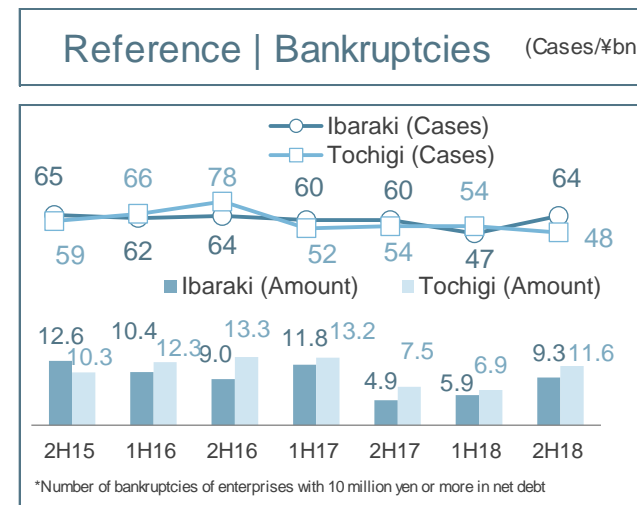
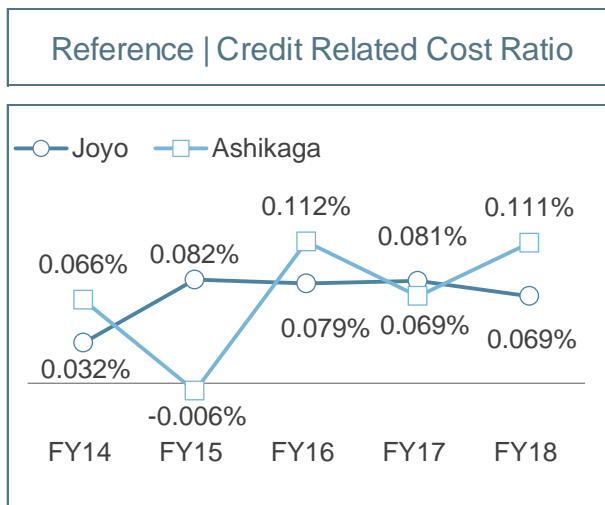
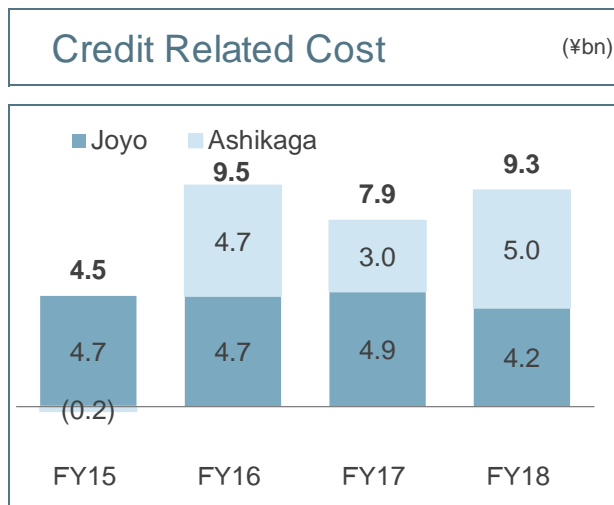
Ashikaga Bank (Non-Consolidated) (¥bn)



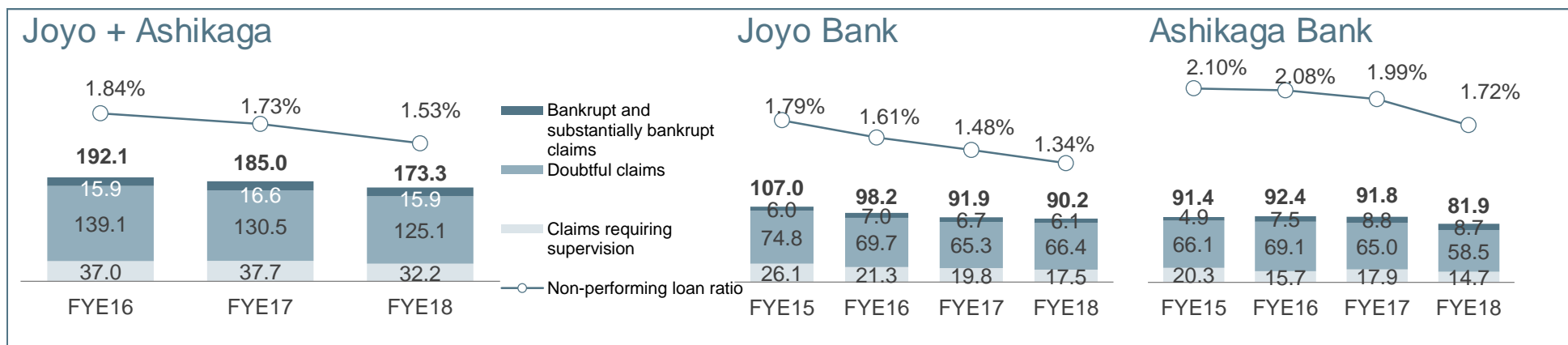
Credit Related Costs / Non-performing Loans

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

Credit related costs (total) increased by ¥1.3bn YoY due to credit deterioration



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



Integration Synergy Results and Forecast

Synergy effect exceeded the forecast for FY18 of ¥5.3bn to ¥8.5bn, representing completion of 159%.

Synergy Effects on the Statement of Income *before Tax

Amount (Completion)

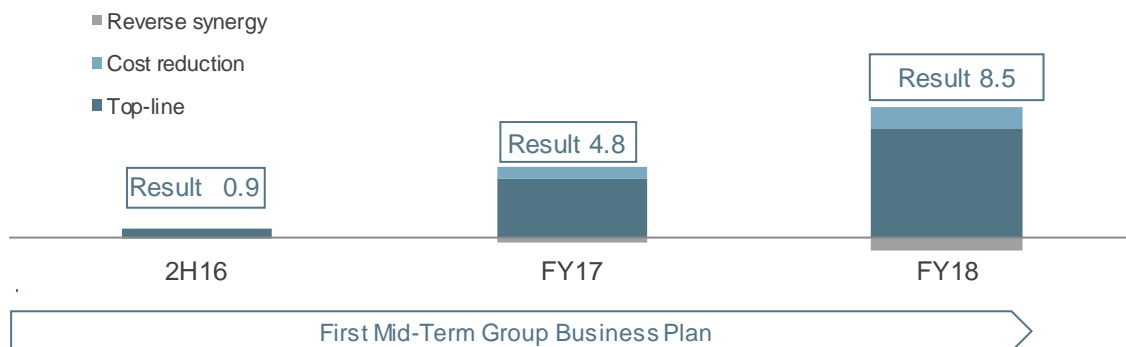
FY18 Forecast	¥5.3bn
FY18 Result	¥8.5bn (Completion 159%)

FY18 (Result / Forecast)

(¥bn)

*Figures are on a single year basis

(¥bn)



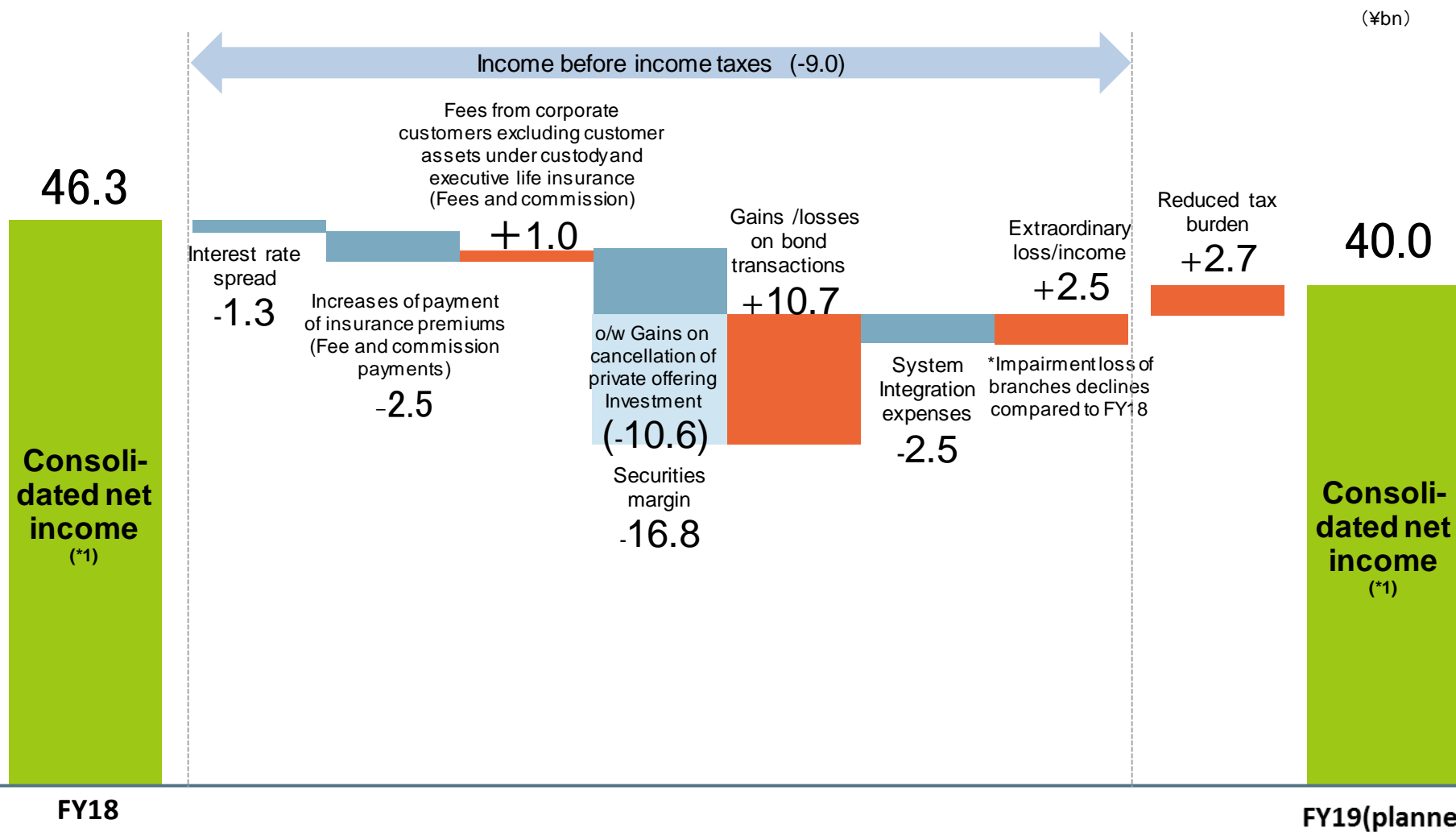
Items	FY18 Forecast	FY18 Result	Completion	Details
Loans Corporate services	2.02	3.02	149.7%	<ul style="list-style-type: none"> • Sales promotion based on wide area network → Co-financing, Syndicate loans, Customer referral, and Lending to growth industries (Medical and nursing care) • Utilization of 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	1.04	0.67	64.9%	<ul style="list-style-type: none"> • Share sales promotion know-how • Utilization of Mebuki Securities
Securities	1.23	1.69	137.6%	<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)	0.74	2.55	343.3%	<ul style="list-style-type: none"> • 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	1.14	1.55	135.2%	<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	-0.85	-0.97	—	<ul style="list-style-type: none"> • Lower transfer fee between both banks to the inter-branch rate • System migration expenses
Total	5.33	8.53	159.9%	

Reference: Forecast for FY2019 (Factors for change of consolidated net income)

* A portion of figures are based on internal management.

Consolidated net income^(*) (FY19)
¥40.0bn (vs.FY18-¥6.3bn)

(*) Attributable to owners of the parent



Shareholder Return Policy / Capital Adequacy Ratio

Shareholder Return Policy

We changed the shareholder return policy as described below.

● We will target a Total Return Ratio^(*1) of 30% or more while taking into account both the maintenance of solid capital levels for future growth and the appropriate distribution of profits to our shareholders. We will continue to consider the dividend level.

(*1) Total Return Ratio = (Total Amount of Dividends + Total Amount of Acquisition of Own Shares) / Net Income Attributable to Owners of the Parent

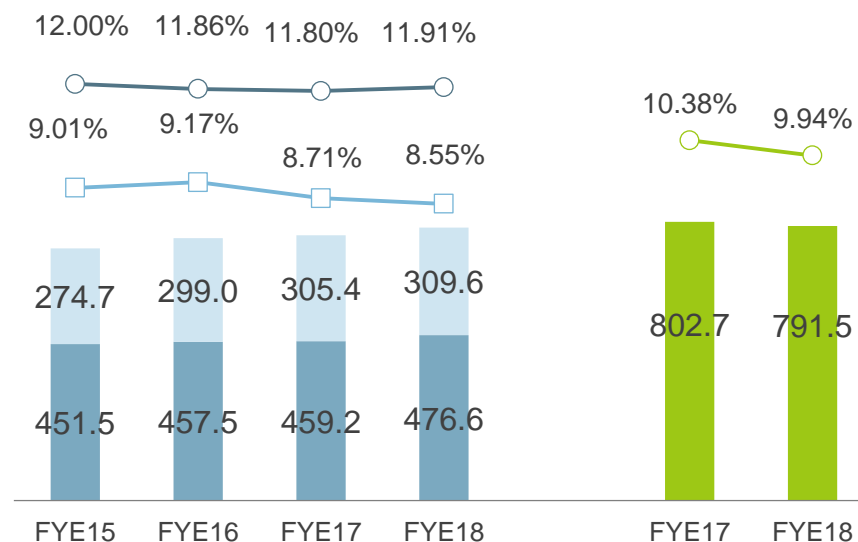
Dividends per share

Forecast of dividends for FY19 is ¥11.0 per share.

	Annual					
	Interim		Term-end			
FY18	¥11.0		¥5.5		¥5.5	
FY19	¥11.0	Scheduled	¥5.5	Scheduled	¥5.5	Scheduled

Capital Adequacy Ratio

- Joyo (consolidated) Capital adequacy ratio
- Joyo (consolidated) Capital (JPY Bn)
- Mebuki FG (Consolidated) Capital adequacy ratio
- Ashikaga (consolidated) Capital (JPY Bn)
- Mebuki FG (consolidated) Capital (JPY Bn)



*Calculation method of risk weighted assets

- Mebuki FG The fundamental internal rating based approach
- Joyo The fundamental internal rating based approach
- Ashikaga The standardized approach

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