

Financial Results for the First Quarter of FY2018

August 3, 2018

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Financial Results for 1Q18

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

Highlights

Results for 1Q18

*Attributable to owners of the parent

Consolidated net income* of Mebuki FG is ¥13.4bn, representing 29.9% progress toward the full-year forecast.

Synergy effect arising from the business integration was ¥1.7 bn, representing progress of 33.3% toward the forecast for FY18 of ¥5.3 bn.

Core net business income on a simple-sum basis of the two banking subsidiaries increased by ¥1.9bn to ¥21.2bn, mainly due to increases in net fees and commissions resulted from the synergy effect arising from the business integration and enhancement of consulting service, and mainly due to increases in net interest income from proceeds of interest and dividends on securities.

Forecast for FY18

There has been no change since the forecast was announced on May 11, 2018.

We expect increases in net fees and commissions from consulting services related to business potential assessment and customers' asset building.

Consolidated Ordinary Profit	¥65.0 bn (+¥1.4 bn YoY)
Consolidated Net Income*	¥45.0 bn (+¥1.9 bn YoY)

*Attributable to owners of the parent

Shareholder Returns for FY18

For FY18, in line with an earnings distribution policy*, annual dividend forecast is ¥11.00 per share, made up of an interim dividend and year-end dividend of ¥5.50 each, being unchanged from the previous fiscal year.(1)

In order to enhance shareholder returns and improve capital efficiency, Mebuki FG repurchased its own shares in May, 2018.(2)

Number of shares acquired 5mil	Acquisition cost ¥2.08bn	Total payout ratio(1)+(2) 33.3%(planned)
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*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 1Q18 Financial Results

Mebuki FG (Consolidated) (¥bn)

	1Q18	YoY Chg	Vs Forecast
Ordinary profit	19.0	1.0	29.2%
Net income attributable to owners of the parent	(1) 13.4	1.4	29.9%

Consolidation adjustment

(2)-(1) -13.2bn

Dividends receivable from affiliated companies (-12.0bn)(*1)

Adjustments related to securities (-1.0bn)

Two banking subsidiaries and group companies

	1Q18	Yoy Chg	Vs Forecast
Net income	(2) 26.6	11.0	43.0%

Net Income of group companies other than banking subsidiaries ¥0.8bn

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

	J+A		1Q18				vs Forecast		
	Result	YoY Chg	Joyo Result	Joyo YoY Chg	Ashikaga Result	Ashikaga YoY Chg	J+A	Joyo	Ashikaga
Gross business profit	43.6	-4.5	21.5	-6.0	22.1	+1.4	24.1%	21.4%	27.6%
Net interest income	41.0	+1.3	22.4	+0.5	18.5	+0.8	27.4%	26.6%	28.6%
Net fees and commissions	8.3	+0.6	5.0	-0.0	3.3	+0.6	26.6%	28.6%	24.1%
Net other business income and Net trading income	-5.8	-6.6	-6.0	-6.5	0.1	-0.0	-	-	-
(o/w gains/losses on bond transactions)	-6.5	-6.7	-6.2	-6.4	-0.2	-0.2	-	-	-
Expenses	28.9	+0.1	16.7	-0.2	12.2	+0.4	25.1%	25.3%	24.9%
o/w Personnel expenses	15.3	+0.2	8.5	+0.0	6.7	+0.2	25.4%	25.5%	25.2%
o/w Non-personnel expenses	11.1	-0.0	6.7	-0.1	4.3	+0.1	23.4%	23.9%	22.6%
Net business income (before general allowance for loan losses)	14.6	-4.7	4.7	-5.7	9.9	+0.9	22.4%	13.7%	31.9%
Core net business income	21.2	+1.9	11.0	+0.7	10.1	+1.2	30.9%	29.4%	32.8%
Net transfer to general allowance for loan losses (a)	-1.9	-1.6	-0.1	-0.0	-1.8	-1.6	-	-	-
Net business income	16.6	-3.0	4.8	-5.6	11.7	+2.6	25.0%	13.7%	38.0%
Net non-recurrent gains/losses	2.9	+1.3	7.5	+6.6	-4.6	-5.3	-	-	-
o/w Disposal of non-performing loans (b)	5.3	+4.2	1.8	+1.0	3.5	+3.1	-	-	-
o/w Gains/losses related to stocks, etc	8.3	+4.9	9.6	+7.2	-1.3	-2.3	-	-	-
Ordinary profit	19.6	-1.7	12.4	+1.0	7.1	-2.7	29.7%	32.3%	26.0%
Extraordinary income/losses	11.8	+12.4	-0.0	+0.3	11.9	+12.0 (**)	-	-	-
Income taxes	5.6	-0.4	3.5	+0.2	2.1	-0.7	-	-	-
Net income	25.8	+11.2	8.9	+1.1	16.9	+10.0	44.9%	33.6%	54.6%
Credit related costs (a)+(b)	3.4	+2.5	1.7	+0.9	1.6	+1.5	68.2%	58.7%	82.5%

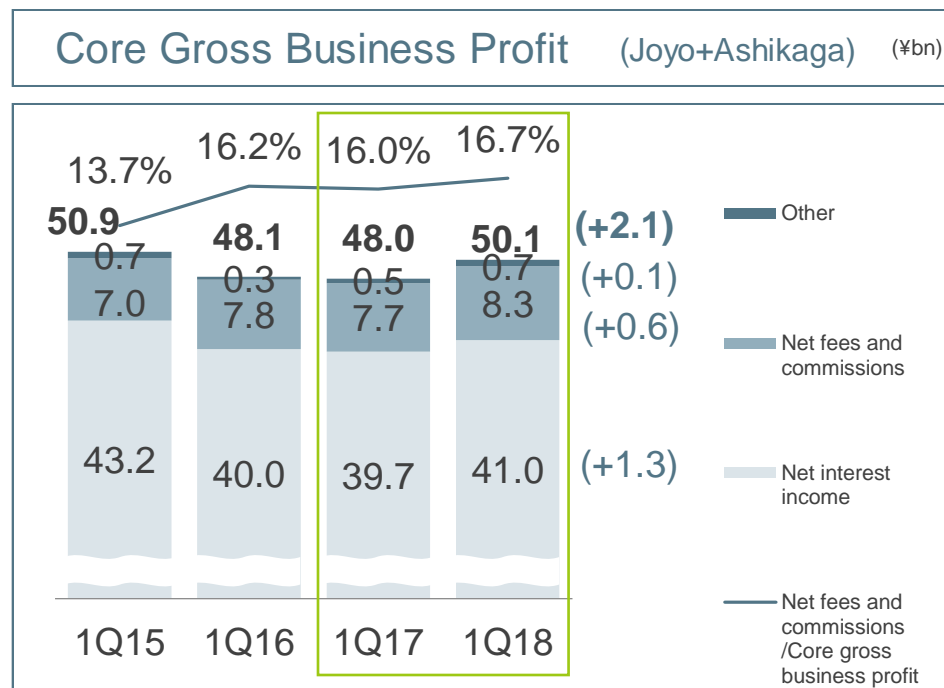
Core Gross Business Profit

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

Core gross business profit increased by ¥2.1 bn YoY

Interest and dividends on securities and net fees and commissions from corporate customers increased

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



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

	FY16	FY17	1Q17	1Q18	YoY Chg
Joyo	1.7	1.0	0.1	0.1	+0.0
Ashikaga	3.6	4.4	2.2	3.4	+1.2
J + A	5.4	5.4	2.3	3.6	+1.3

Change of Interest Income (¥bn)

Joyo Bank

	Factor	YoY Chg	Domestic (Chg. in Nil)		Overseas (Chg. in Nil)	
			Chg. in Factors		Chg. in Factors	
Interest on loans and bills discounted	Avg	+0.1	+0.1	+77.0	-0.0	-1.7
	Yield	-0.1	-0.4	(-3.0bp)	+0.2	(+83.8bp)
Interest on deposits (-)		+0.3	-0.0	-	+0.4	-
Interest and dividend on securities	Avg	+0.4	+0.4	+171.4	+0.0	+6.3
	Yield	-0.0	-0.0	(-1.0bp)	-0.0	(-0.2bp)
Market investments and borrowings (-)		-0.5	-0.1	-	-0.3	-

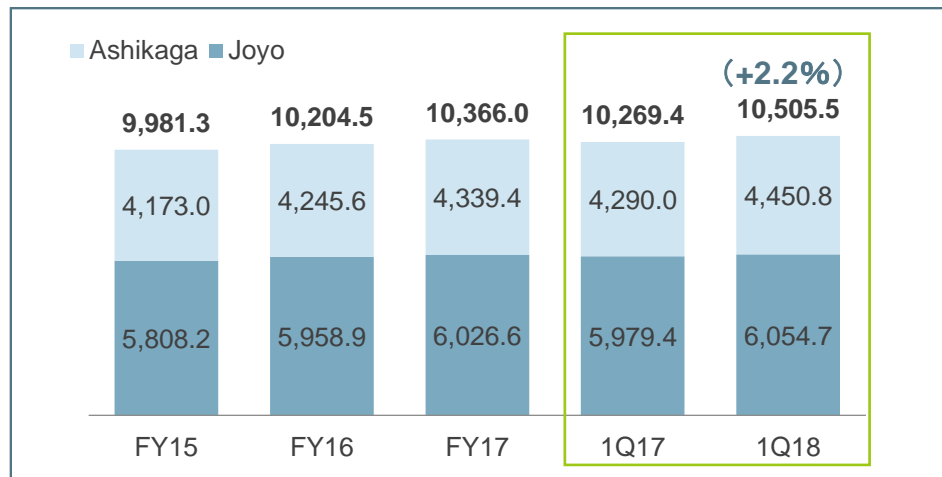
Ashikaga Bank

	Factor	YoY Chg.	Domestic (Chg. in Nil)		Overseas (Chg. in Nil)	
			Chg. in Factors		Chg. in Factors	
Interest on loans and bills discounted	Avg	+0.4	+0.4	+156.4	+0.0	+4.3
	Yield	-0.5	-0.6	(-5.8bp)	+0.0	(+88.0bp)
Interest on deposits (-)		+0.2	-0.0	-	+0.3	-
Interest and dividend on securities	Avg	-0.0	-0.1	-33.2	+0.0	+11.8
	Yield	+1.7	+1.3	(+46.6bp)	+0.4	(+73.8bp)
Market investments and borrowings (-)		+0.4	+0.0	-	+0.4	-

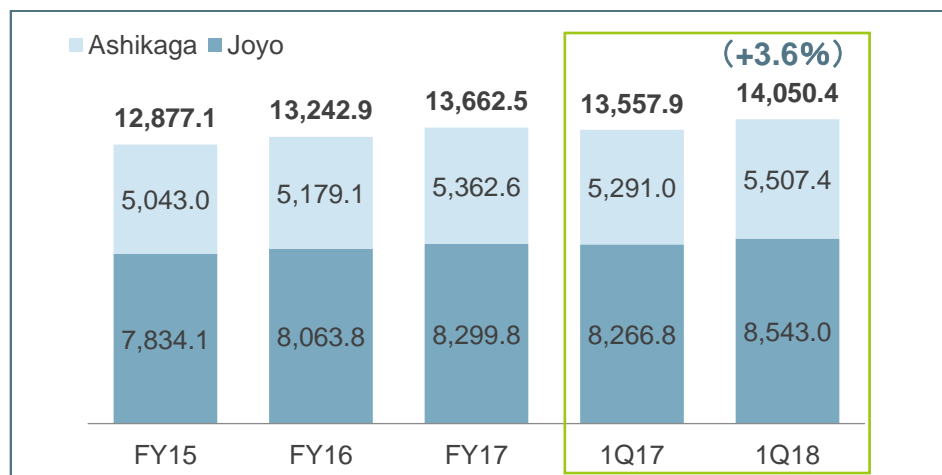
Loans and Deposits (Avg. Balance / Avg. Yield)

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

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



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



Average Yield (Domestic + International)

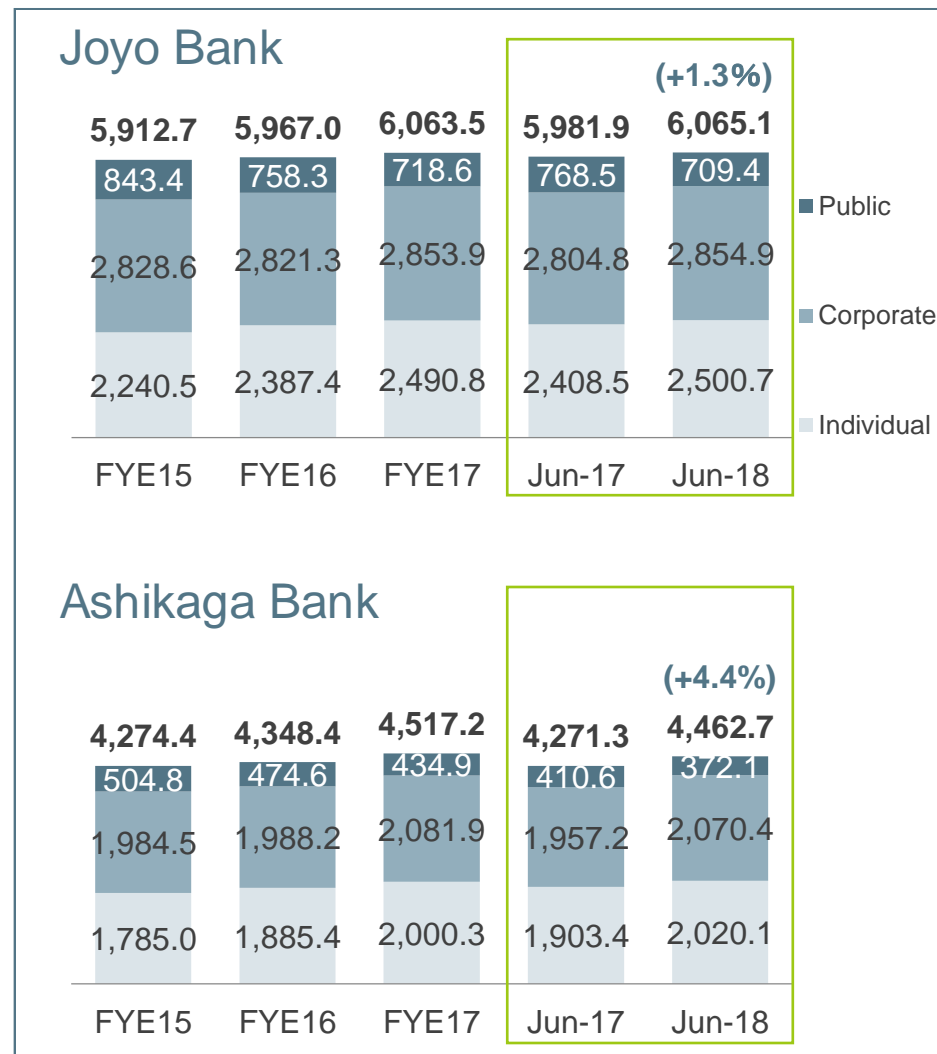
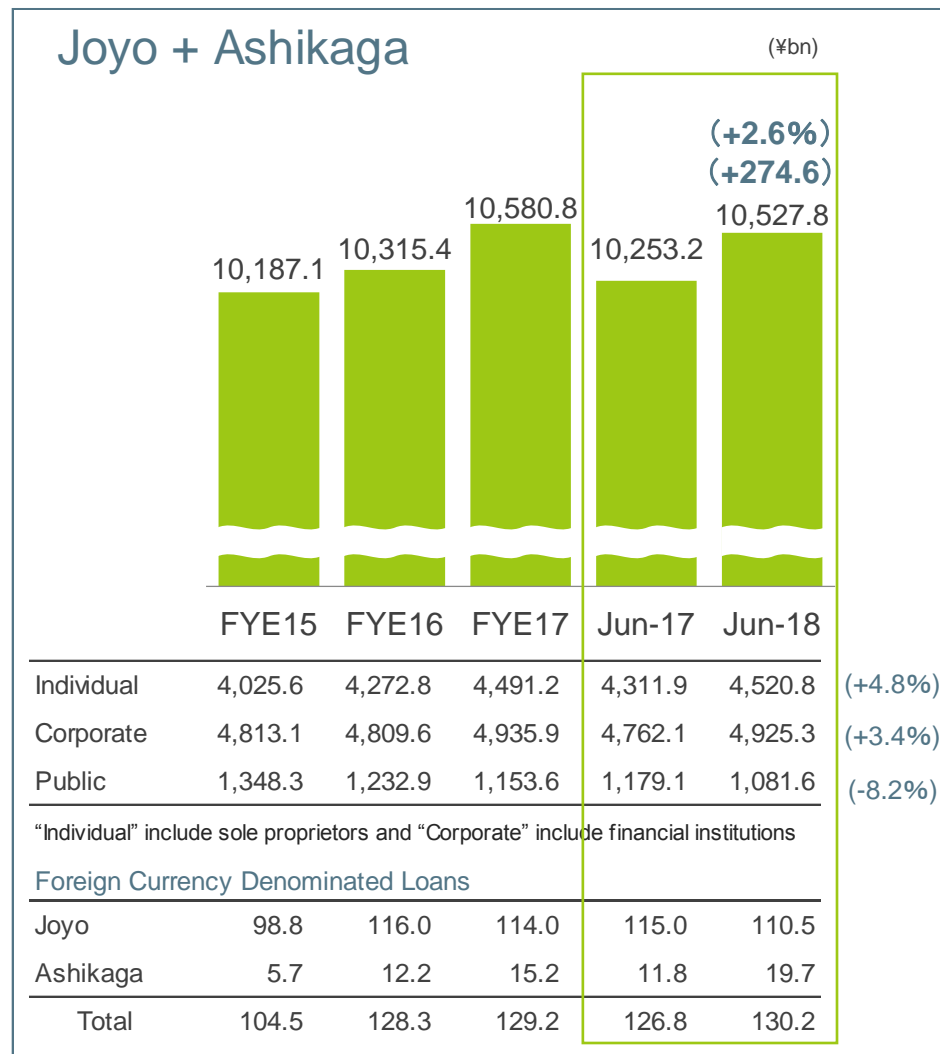


Loans (1) Term-end Balance

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

Loans to individual customers increased by ¥208.8bn (+4.8%) and housing related loans increased by ¥212.6bn (+5.3%) YoY

Loans to corporate customers increased by ¥163.2 bn (+3.4%) and loans to local corporate customers increased ¥123.1 bn (+4.1%) YoY



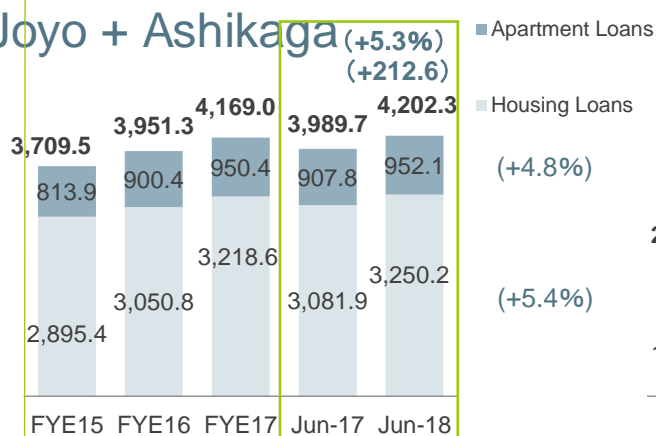
Loans (2) Individual Housing Related / Unsecured

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

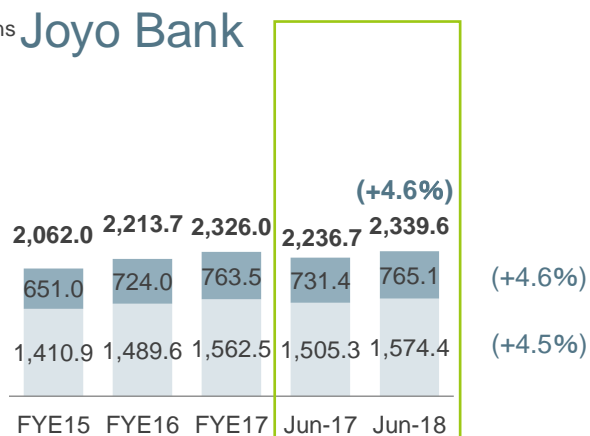
Housing Related Loans Term-end Balance

(¥bn)

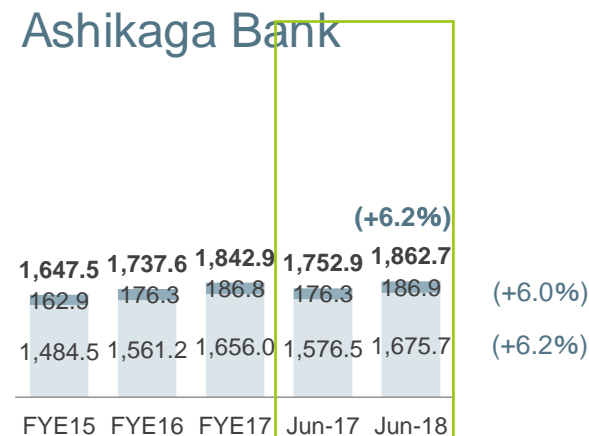
Joyo + Ashikaga



Joyo Bank



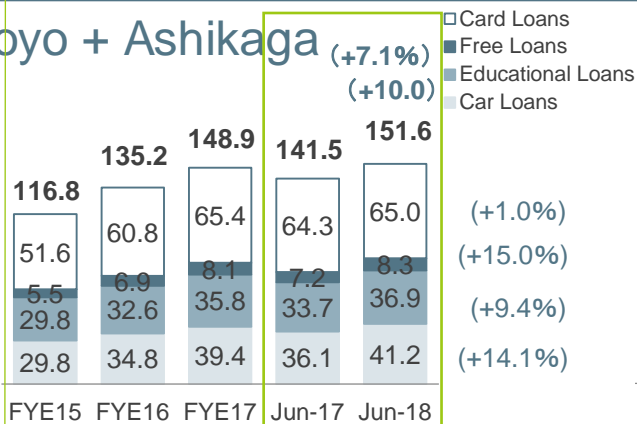
Ashikaga Bank



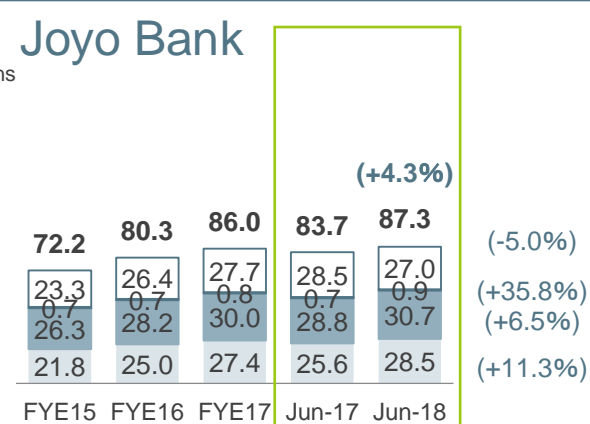
Unsecured Loans Term-end Balance

(¥bn)

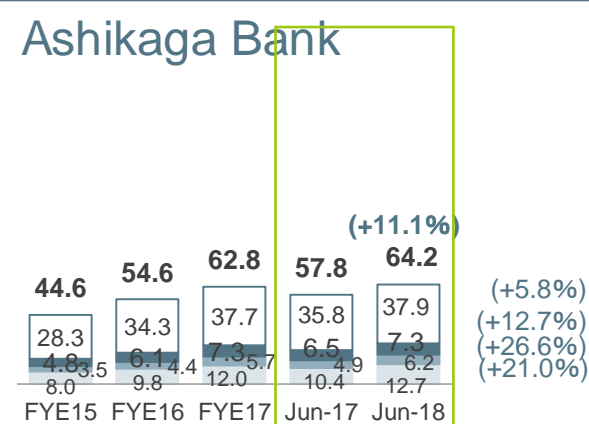
Joyo + Ashikaga



Joyo Bank



Ashikaga Bank



* Credit cards are not included in "Card Loans"

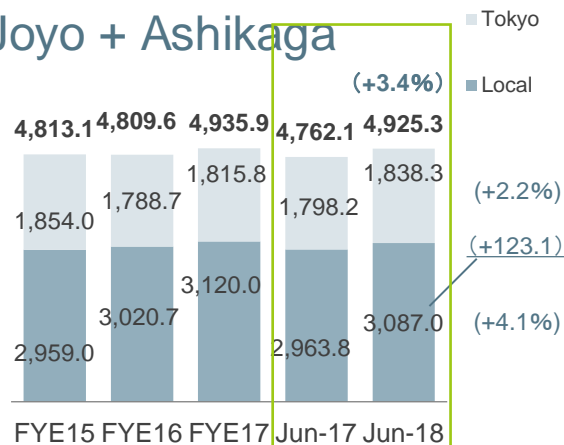
Loans (3) Corporate by Region / Company Size

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

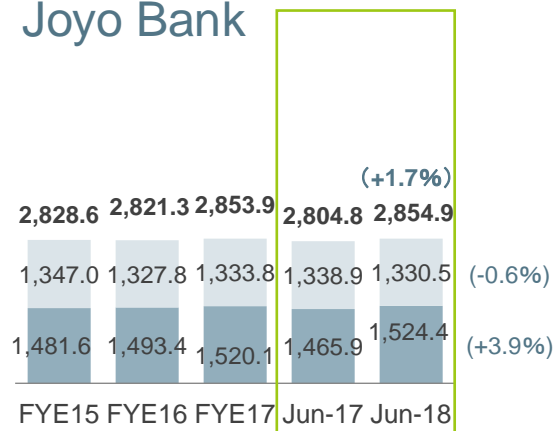
Term-end Balance by Region

(¥bn)

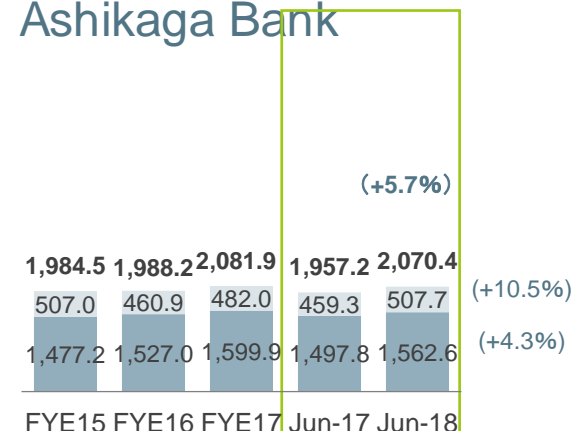
Joyo + Ashikaga



Joyo Bank



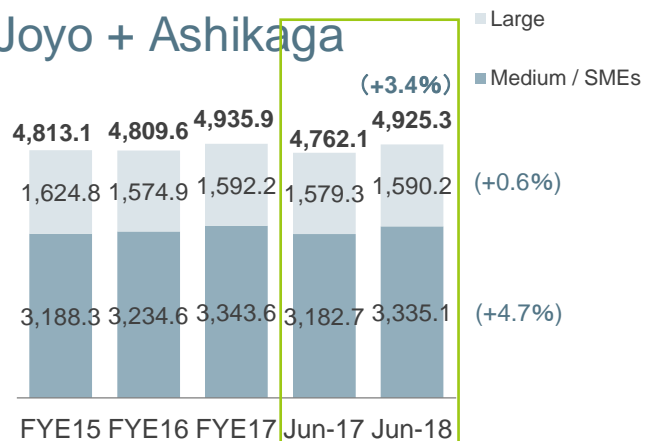
Ashikaga Bank



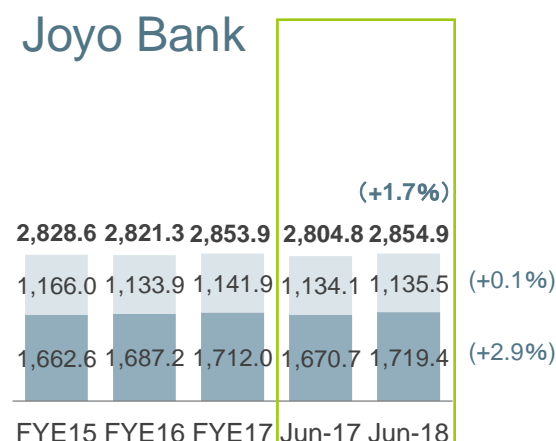
Term-end Balance by Company Size

(¥bn)

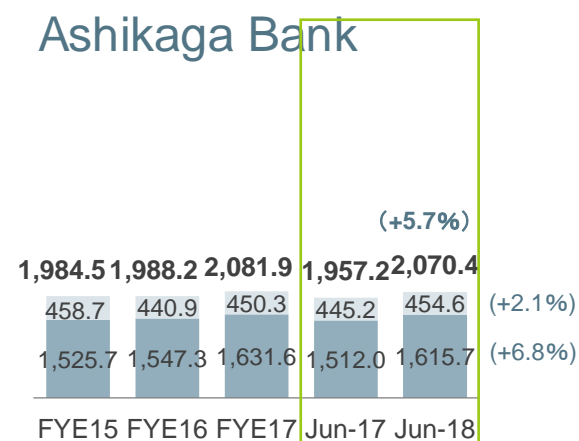
Joyo + Ashikaga



Joyo Bank



Ashikaga Bank



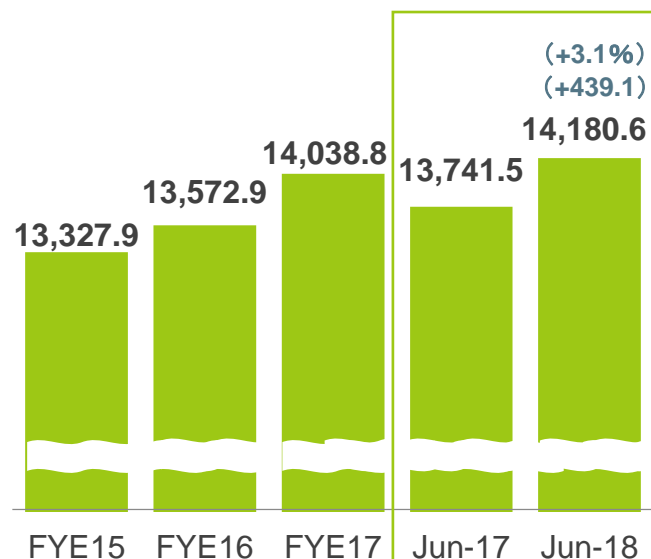
Deposits Term-end Balance

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

Deposits of individual and corporate customers have been on the rise
(Individual customers : +3.4%, Corporate customers : +3.4%)

Joyo + Ashikaga

(¥bn)



	FYE15	FYE16	FYE17	Jun-17	Jun-18	Change (%)
Individual	9,502.6	9,762.1	10,103.6	9,966.2	10,308.9	(+3.4%)
Corporate	3,020.8	3,062.8	3,158.8	3,109.6	3,218.2	(+3.4%)
Public	804.4	748.0	776.3	665.6	653.3	(-1.8%)

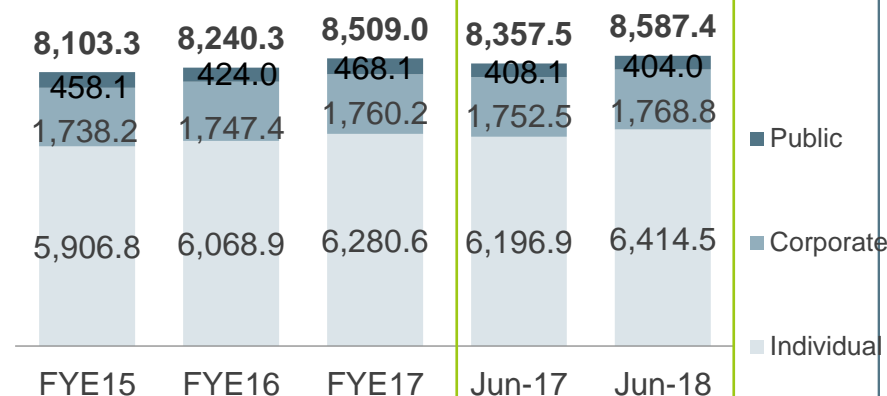
*1 "Corporate" includes financial institutions.

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

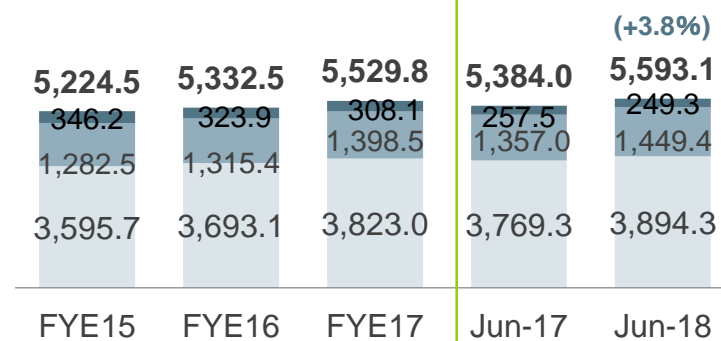
Foreign Currency Deposit

	FYE15	FYE16	FYE17	Jun-17	Jun-18
Joyo	111.4	140.7	199.1	154.9	207.6
Ashikaga	16.3	24.8	76.0	23.0	87.5
Total	127.7	165.6	275.2	177.9	295.1

Joyo Bank



Ashikaga Bank

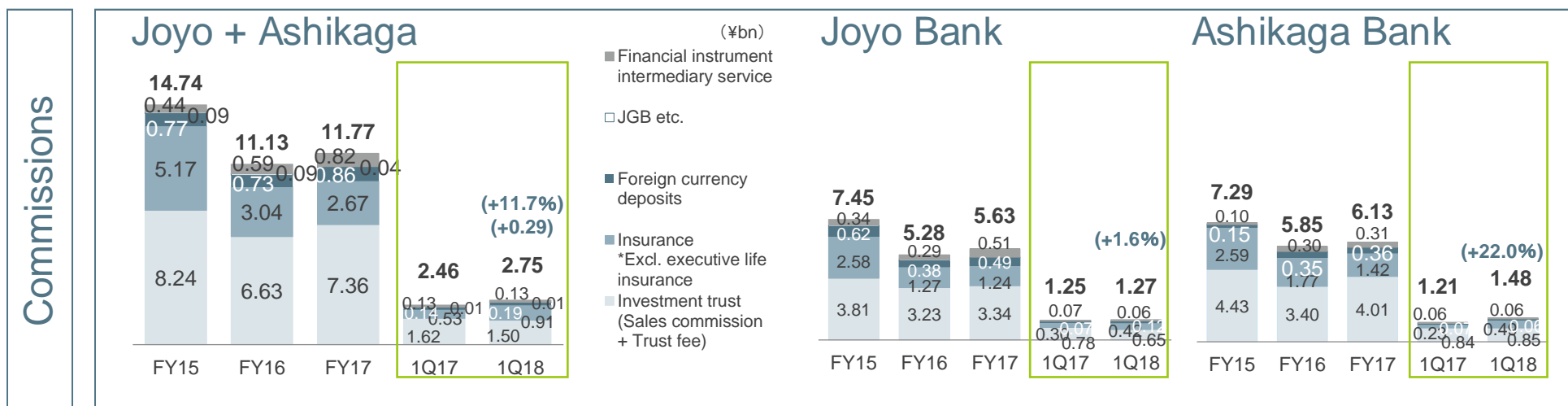
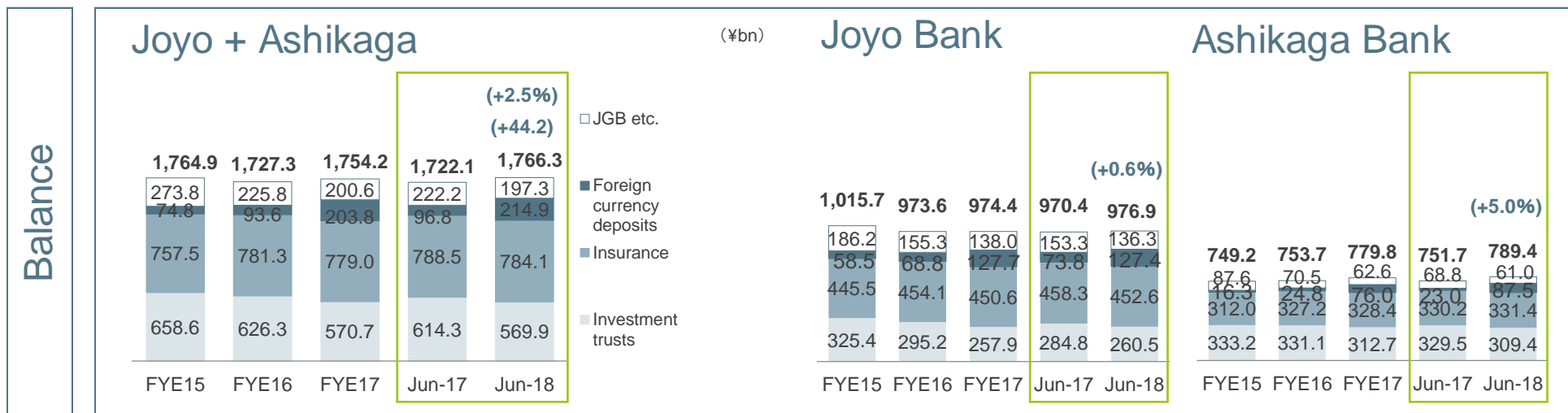


Customer Assets under Custody

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

The amount rose 2.5% YoY due to an increase of foreign currency deposits

Commissions increased 11.7% YoY mainly due to sales of insurance

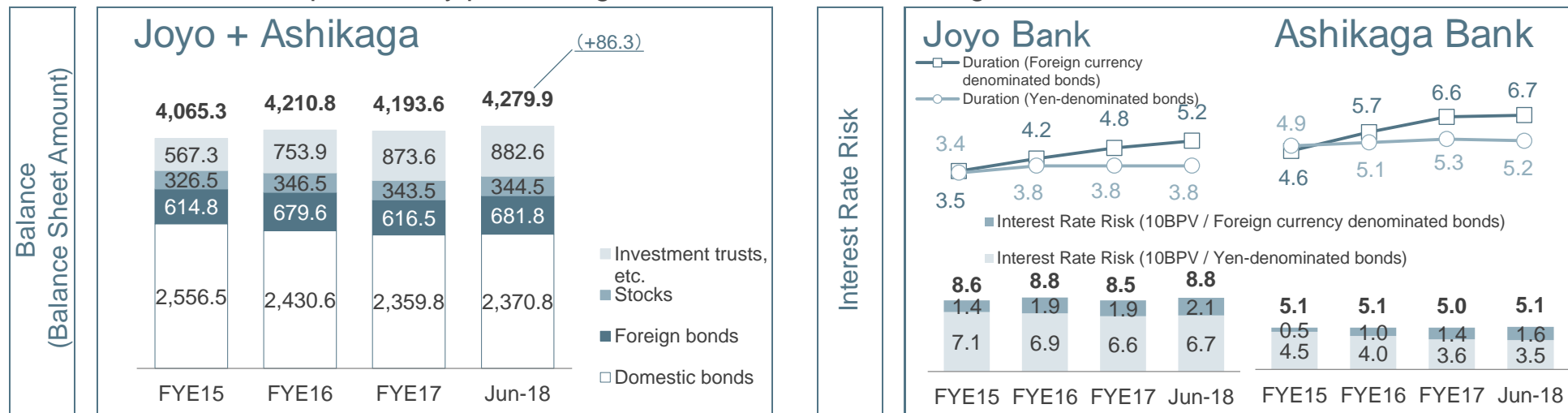


Securities (1)

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

Considering the interest rate of the Japanese yen, reinvestment of redemption payments of JGBs was suspended
(The amount of securities held increased by ¥86.3bn from the end of FY17)

Continue to rebalance portfolio by purchasing investment trusts and foreign bonds

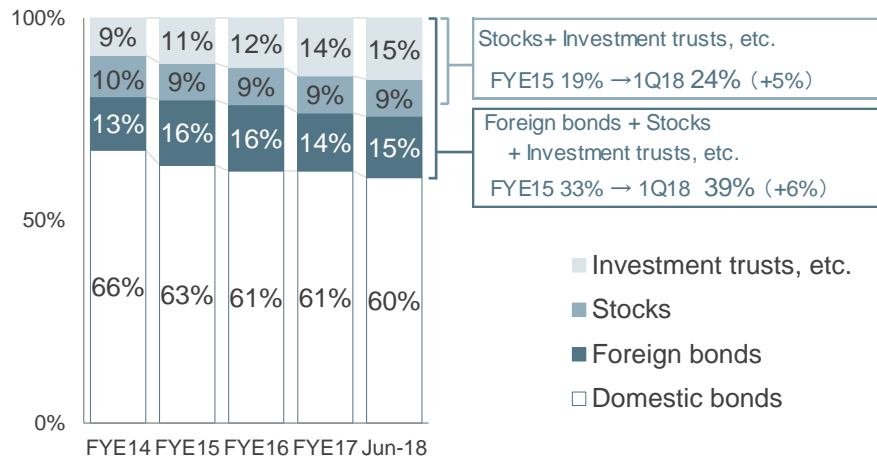


Foreign Bonds / Investment Trusts	Book value as of Jun. 30 2018				Details
	J + A	Joyo	Ashikaga		
Foreign Bonds		689.9	436.4	253.5	-
	o/w Gov. Bond, Gov. Guaranteed Bonds, etc.	298.3	246.8	51.4	Invest mainly in gov. bonds, gov. guaranteed bonds
	o/w Corporate Bond	291.3	89.2	202.0	Bonds rated A or above account for more than 90% of total
	o/w Ginnie Mae	23.9	23.9	-	Bonds whose interest rates are high for their duration
	Others	76.3	76.3	-	Floating bonds centering on CLO (only highest tranches)
Investment Trusts etc.		864.1	436.1	428.0	Pay attentions to balance of bond and equity
	o/w Equity-related	233.6	193.0	40.5	Control risks using bear funds
	o/w REIT	60.9	45.0	15.9	Invest in diversified REIT considering yield and liquidity
	Others	569.5	198.0	371.5	Improve risk-return profile of entire portfolio considering correlation with other assets

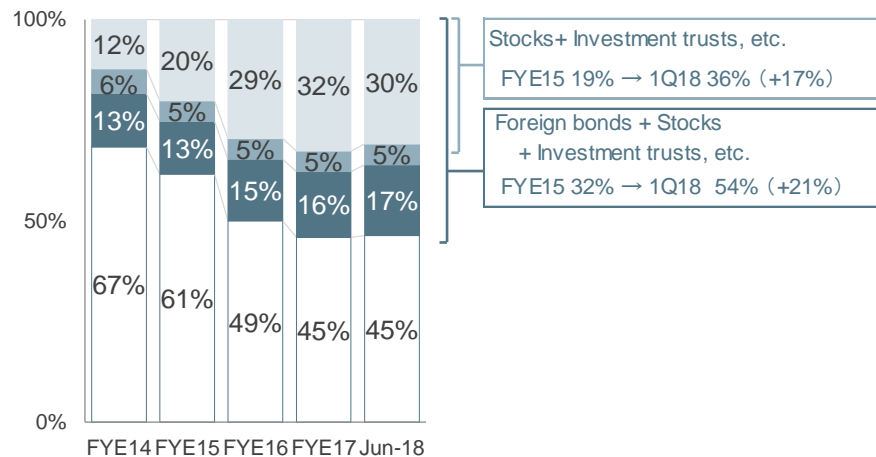
Securities (2)

Portfolio Allocation
(Balance Sheet Amount Basis)

Joyo Bank



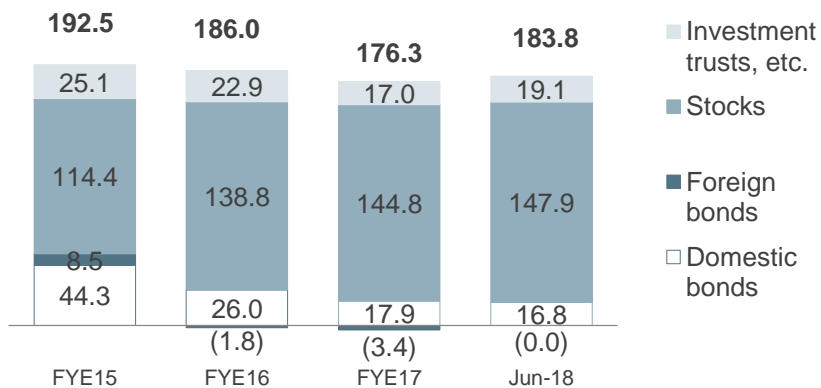
Ashikaga Bank



Unrealized Valuation Gains/Losses
on Available for Sale Securities

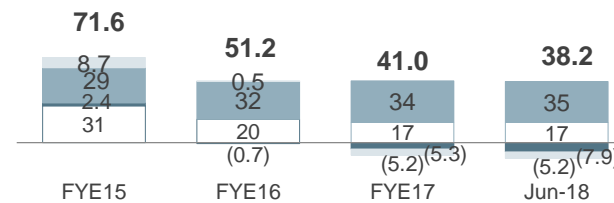
Joyo Bank

(¥bn)



Ashikaga Bank

(¥bn)



Integration Synergy Results and Forecast

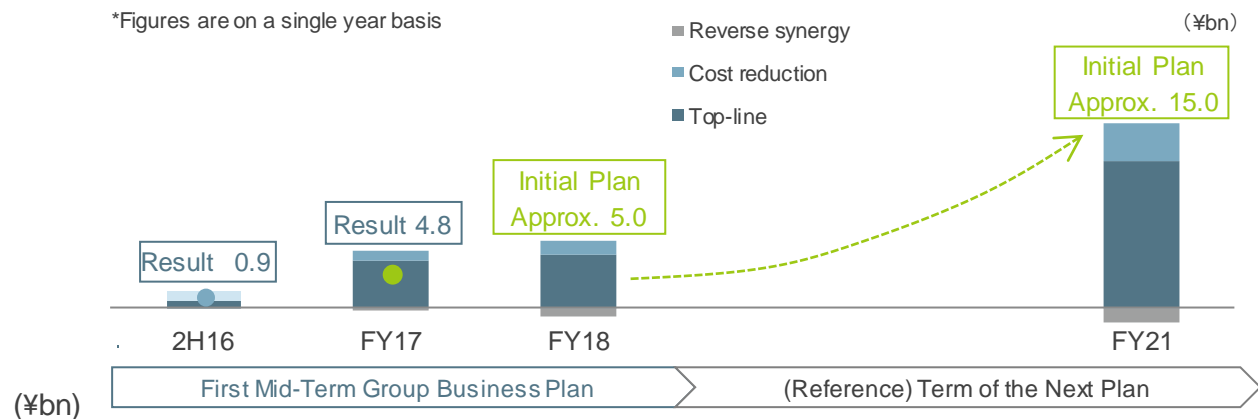
Synergy effect for 1Q18 is ¥1.7bn representing progress of 33% towards FY18 forecast of ¥5.3 bn.

Synergy Effects on the Statement of Income (before Tax)

Amount (Progress)

FY18 Forecast	+5.3bn
1Q18 Result	+1.7bn (Progress 33%)

FY18 (1Q Results / Forecast)



Items	FY18 Forecast	1Q Result	Progress	Details
Loans	2.01	0.44	21.8%	<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)
Corporate services				<ul style="list-style-type: none"> • Joint development of online application housing loans, Joint sales of housing loans for women
Financial assets under custody	1.04	0.18	17.3%	<ul style="list-style-type: none"> • Share sales promotion know-how • Utilization of Mebuki Securities
Securities	1.23	0.43	34.9%	<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	0.60	81.0%	<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	1.15	0.37	32.1%	<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	-0.24	—	<ul style="list-style-type: none"> • Lower transfer fee between both banks to the inter-branch rate • System migration expenses
Total	5.34	1.78	33.3%	

Inquiries

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