

# Financial Results for the First Half of FY2018

November 12, 2018

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# Highlights

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## Financial Results for 1H18

Main Points of 1H18 Financial Results	3
Change of Core Net Business Income	4
Core Gross Business Profit	5
Expenses / OHR	6
Loans and Deposits (Average Balance / Average Yield)	7
Loans	8-10
Deposits	11
Customer Assets under Custody	12
Securities	13-14
Credit Related Costs / Non-performing Loans	15
Status of Integration Synergy	16
Forecast for FY18	17
Capital Adequacy Ratio / Shareholder Return	18

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

# Highlights

## Results for 1H18

\*Attributable to owners of the parent

Consolidated net income\* of Mebuki FG is ¥27.1bn, representing a 60.4% progress toward the full-year forecast.

Core net business income on a simple-sum basis of the two banking subsidiaries is ¥46.0 bn representing a 67.2% progress toward the full-year forecast.

Synergy effect arising from the business integration for 1H18 was ¥3.9 bn, representing a 74.7% progress toward the full-year forecast for FY18 of ¥5.3 bn.

## Forecast for FY18

Though the results for 1H18 surpassed their initial forecast, due to uncertain market trends, forecast for FY2018 remains unchanged from that announced on May 11, 2018.

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

(a) 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.

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

Number of shares   5mil	Amount   ¥2.08bn	Total payout ratio (a)+(b)   33.3% (scheduled)
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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 1H18 Financial Results

## Mebuki FG (Consolidated) (¥bn)

	1H18	YoY Chg	vs Forecast
Ordinary profit	39.0	1.7	60.1%
Net income attributable to owners of the parent	(1) 27.1	2.2	60.4%

### Consolidation adjustment

(2)-(1) -14.9bn

Dividends receivable from affiliated companies (-12.0bn)  
Adjustments related to securities (-2.4bn)  
Interest expenses of subordinated loans, expenses, etc.

## Two banking subsidiaries and group companies

	1H18	YoY Chg	vs Forecast
Net income	(2) 42.0	11.4	67.8%

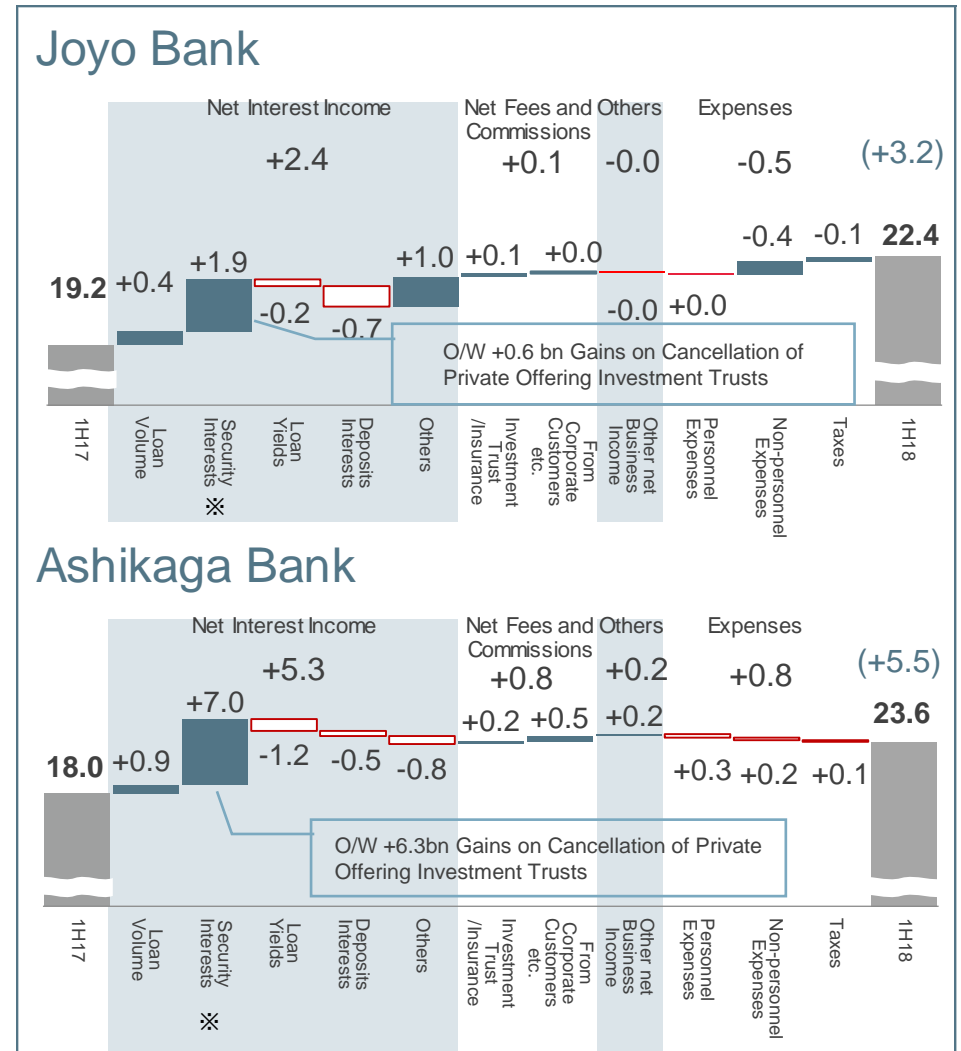
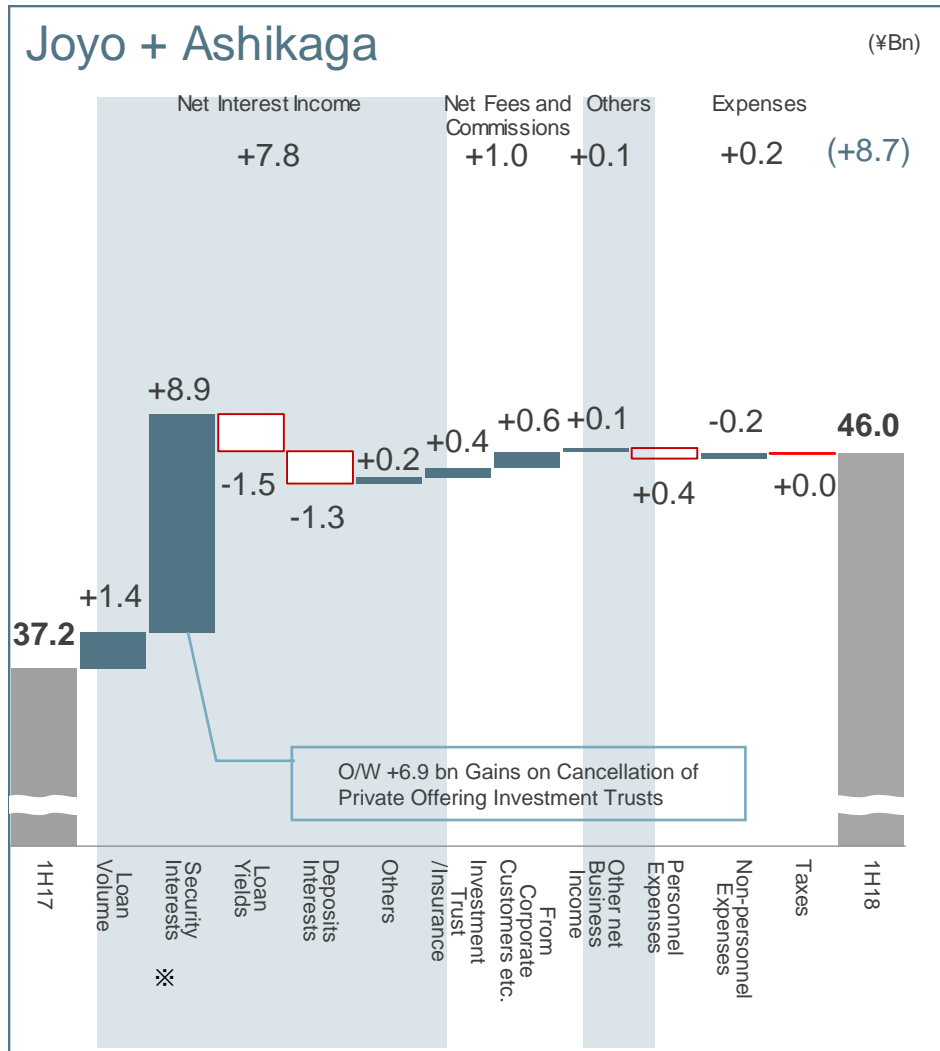
Net Income of group companies other than banking subsidiaries  
¥1.8bn

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

	J+A		1H18				vs Forecast		
	Re-sult	YoY Chg	Joyo		Ashikaga		J+A	Joyo	Ashi-kaga
			Re-sult	YoY Chg	Re-sult	YoY Chg			
Gross business profit	93.1	-1.8	48.2	-5.1	44.8	+3.2	51.5%	48.0%	56.0%
(Net Gross business profit)	103.5	+9.0	55.6	+2.6	47.8	+6.3	56.4%	53.7%	59.8%
Net interest income	85.5	+7.8	45.9	+2.4	39.6	+5.3	57.2%	54.3%	61.0%
Net fees and commissions	16.6	+1.0	9.1	+0.1	7.4	+0.8	52.8%	52.4%	53.2%
Net other business income and Net trading income	-9.1	-10.7	-6.7	-7.8	-2.3	-2.8	-	-	-
(o/w gains/losses on bond transactions)	-10.3	-10.9	-7.3	-7.8	-3.0	-3.1	-	-	-
Expenses	57.4	+0.2	33.2	-0.5	24.2	+0.8	49.9%	50.3%	49.4%
o/w Personnel expenses	30.4	+0.4	17.0	+0.0	13.4	+0.3	50.6%	50.7%	50.4%
o/w Non-personnel expenses	22.6	-0.2	13.8	-0.4	8.8	+0.2	47.7%	48.9%	45.9%
Net business income (before general allowance for loan losses)	35.6	-2.1	15.0	-4.5	20.5	+2.4	54.4%	43.7%	66.3%
Core net business income	46.0	+8.7	22.4	+3.2	23.6	+5.5	67.2%	59.8%	76.2%
Net transfer to general allowance for loan losses (a)	-	-0.1	-	+0.3	-	-0.5	-	-	-
<b>Net business income</b>	<b>35.6</b>	<b>-1.9</b>	<b>15.0</b>	<b>-4.9</b>	<b>20.5</b>	<b>+2.9</b>	<b>53.6%</b>	<b>42.5%</b>	<b>66.3%</b>
Net non-recurrent gains/losses	4.9	+0.5	10.4	+7.1	-5.5	-6.5	-	-	-
o/w Disposal of non-performing loans (b)	4.8	+1.1	2.0	-0.0	2.7	+1.1	-	-	-
o/w Gains/losses related to stocks, etc	10.0	+0.8	12.9	+6.2	-2.8	-5.3	-	-	-
<b>Ordinary profit</b>	<b>40.5</b>	<b>-1.3</b>	<b>25.5</b>	<b>+2.1</b>	<b>15.0</b>	<b>-3.5</b>	<b>61.4%</b>	<b>66.4%</b>	<b>54.5%</b>
Extraordinary income/losses	11.7	+12.9	-0.0	+0.6	11.8	+12.2	-	-	-
Income taxes	12.1	-0.1	7.5	+0.7	4.5	-0.9	-	-	-
<b>Net income</b>	<b>40.2</b>	<b>+11.7</b>	<b>17.9</b>	<b>+2.1</b>	<b>22.2</b>	<b>+9.5</b>	<b>69.9%</b>	<b>67.7%</b>	<b>71.7%</b>
Credit related costs (a)+(b)	4.8	+0.9	2.0	+0.3	2.7	+0.6	96.4%	69.7%	136.3%

# Change of Core Net Business Income

Core net business income on a simple-sum basis of the two banking subsidiaries increased by ¥8.7bn YoY to ¥46.0bn, mainly due to increases in net interest income and net fees and commissions



# Core Gross Business Profit

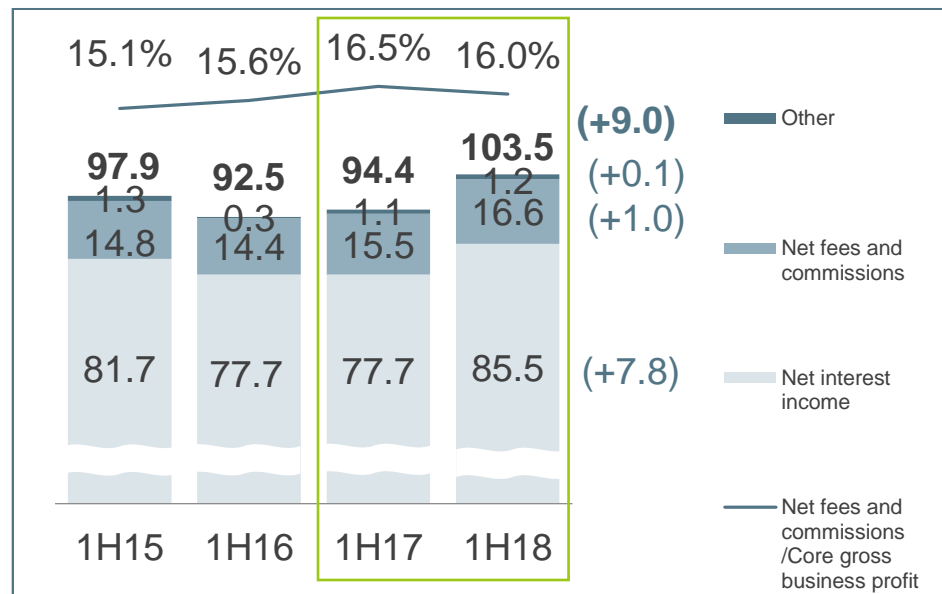
(Gross Business Profit excl. Gains/Losses on Bond Transactions)

Core gross business profit increased by ¥9.0 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

## 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	1H17	1H18	YoY Chg
Joyo	1.7	1.0	0.5	1.2	+0.6
Ashikaga	3.6	4.4	2.2	8.5	+6.3
J + A	5.4	5.4	2.8	9.8	+6.9

## Change of Interest Income (¥bn)

### Joyo

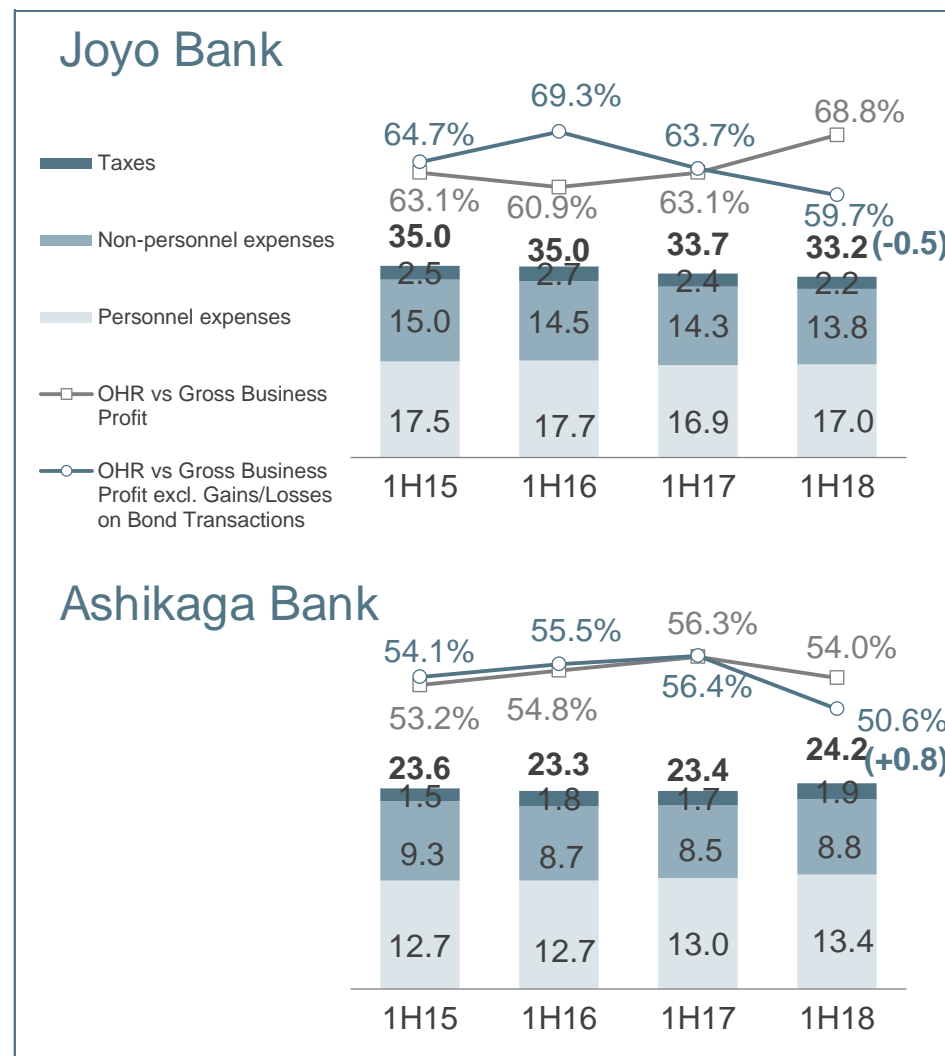
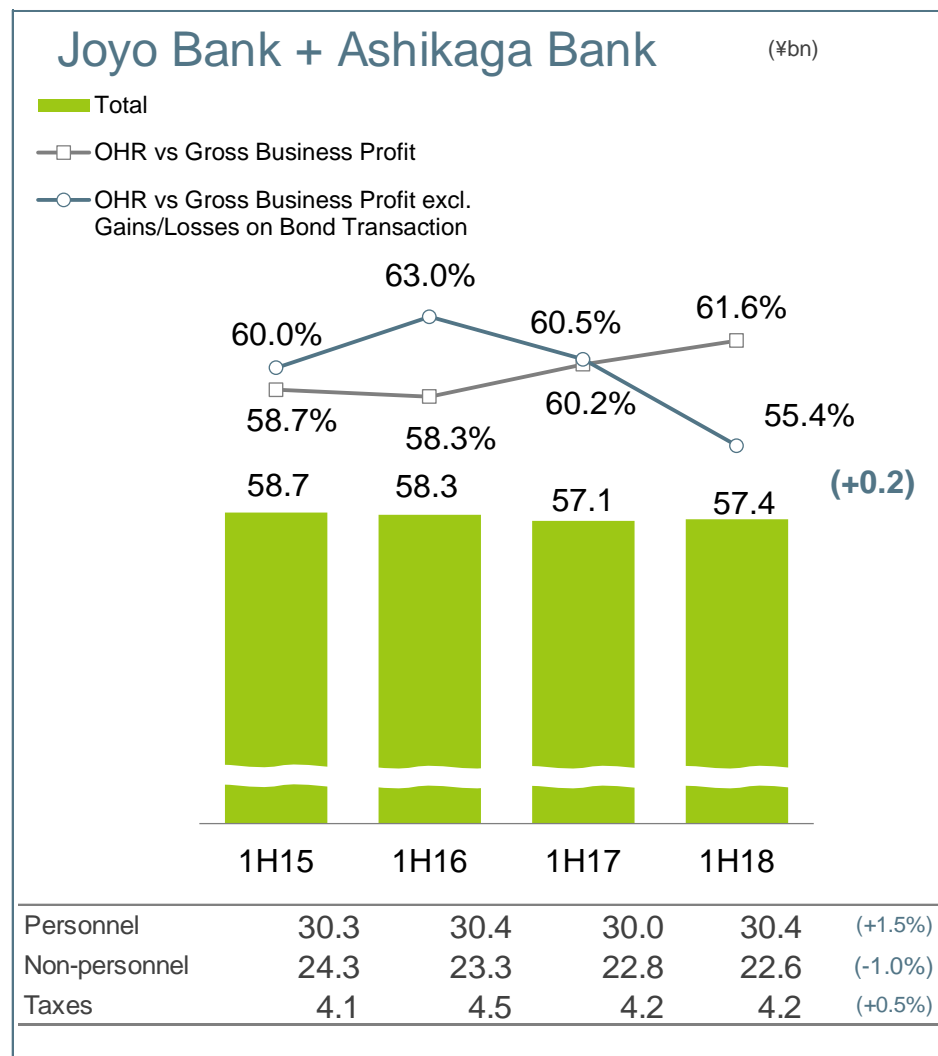
	Factor	YoY Chg	Domestic (Chg. in NII)		Overseas (Chg. in NII)	
			Chg. in Factors		Chg. in Factors	
Interest on loans and bills discounted	Avg	+0.4	+0.4	(+¥81.4bn)	+0.0	(+¥6.2bn)
	Yield	-0.2	-0.8	(-2.9bp)	+0.6	(+94.9bp)
Interest on deposits (-)		+0.7	-0.0	—	+0.8	—
Interest and dividend on securities	Avg	+0.9	+0.9	(+¥182.1bn)	+0.0	(+¥0.3bn)
	Yield	+0.9	+0.9	(+8.8bp)	-0.0	(-1.8bp)
Market investments and borrowings (-)		-1.0	-0.2	—	-0.7	—
Total		+2.4	+1.8		+0.6	

### Ashikaga

	Factor	YoY Chg.	Domestic (Chg. in NII)		Overseas (Chg. in NII)	
			Chg. in Factors		Chg. in Factors	
Interest on loans and bills discounted	Avg	+0.9	+0.9	(+¥169.8bn)	+0.0	(+¥5.0bn)
	Yield	-1.2	-1.3	(-6.2bp)	+0.0	(+88.9bp)
Interest on deposits (-)		+0.5	-0.0	—	+0.6	—
Interest and dividend on securities	Avg	-0.2	-0.5	(-¥42.6bn)	+0.3	(+¥23.7bn)
	Yield	+7.2	+6.5	(+114.7bp)	+0.7	(+60.8bp)
Market investments and borrowings (-)		+0.8	-0.0	—	+0.8	—
Total		5.3	5.6		-0.3	

# Expenses / OHR

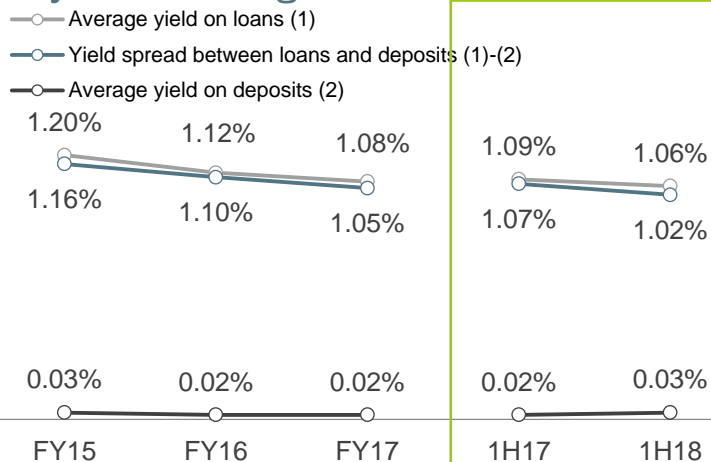
Expenses increased by ¥0.2 bn YoY, mainly due to an increase in personnel expenses  
 OHR have been improved on Core Gross Business Profit basis.



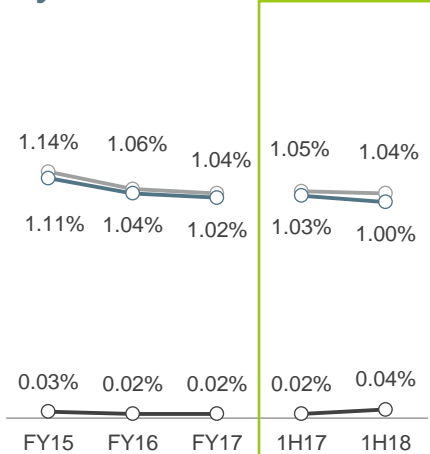
# Average yield on Loan and Deposits, Securities Margin

## Average Yield on Loan and Deposits

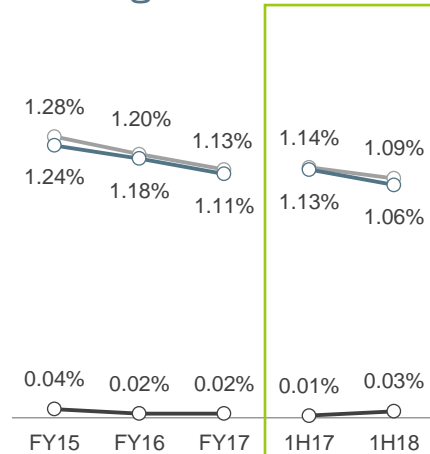
### Joyo + Ashikaga



### Joyo Bank

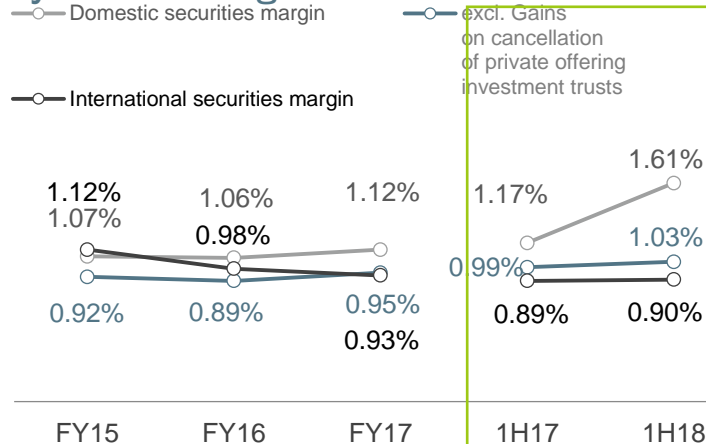


### Ashikaga Bank

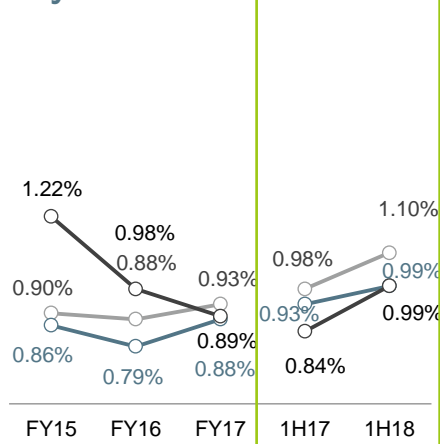


## Securities Margin\* (Domestic and International)

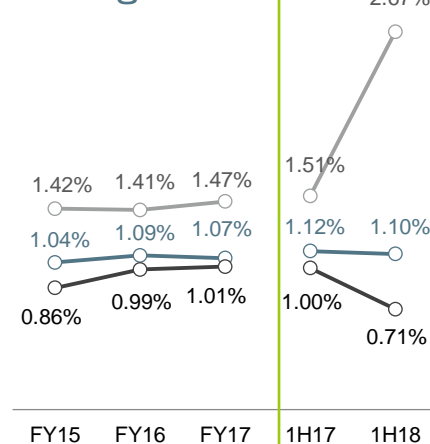
### Joyo + Ashikaga



### Joyo Bank



### Ashikaga Bank



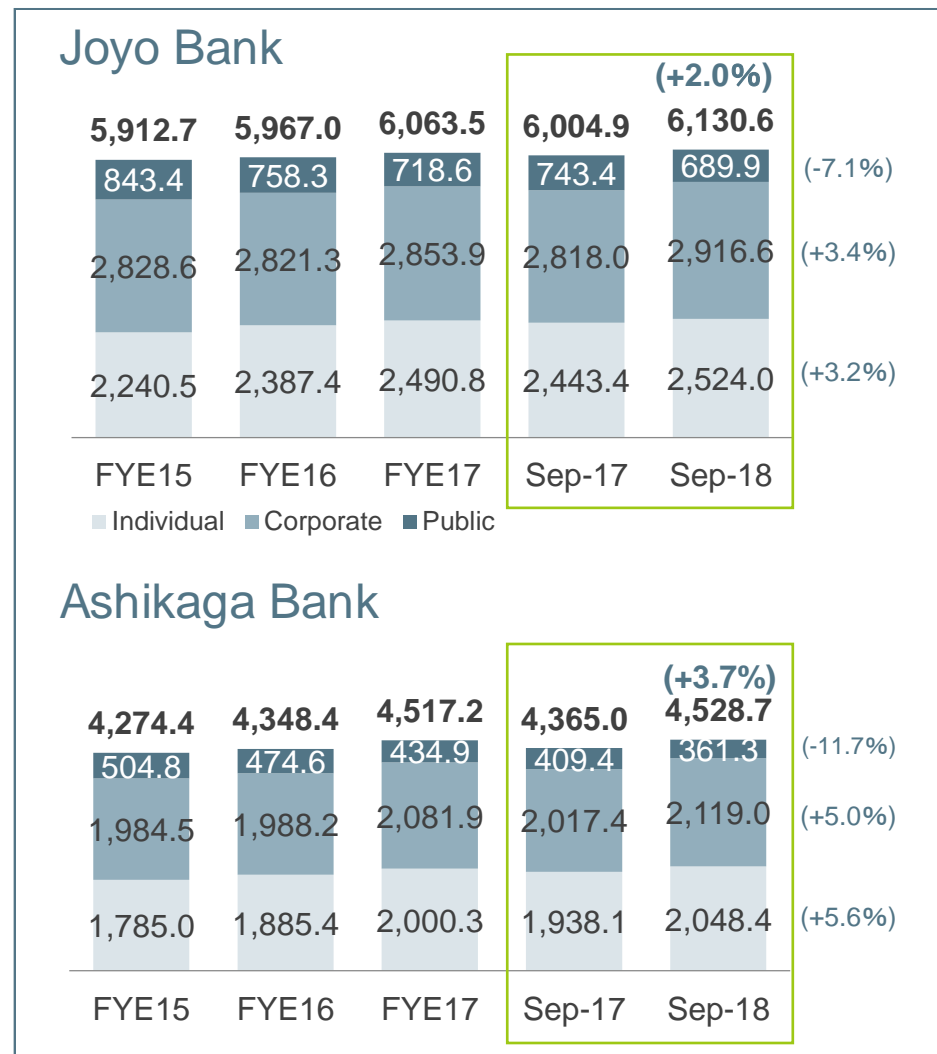
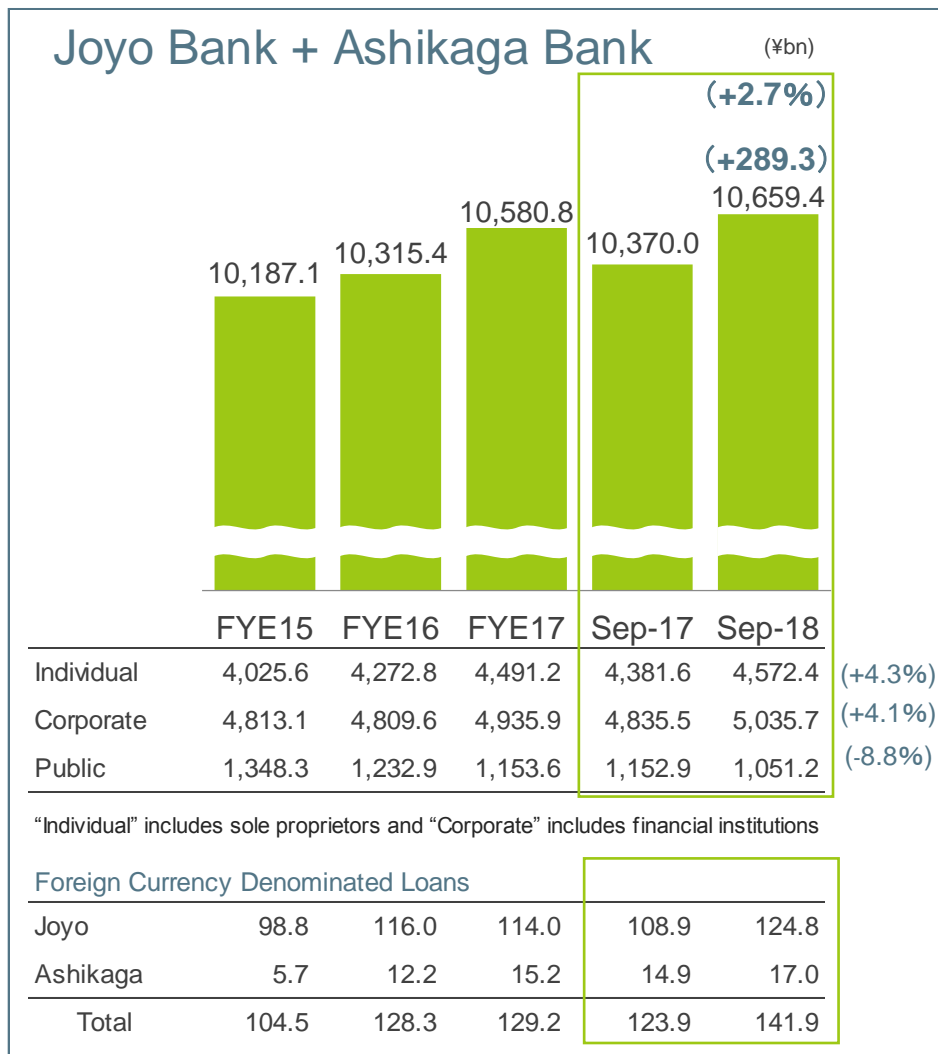
\*Securities Margin=(Securities income-Securities funding costs)/Avg. securities



# Loans (1) Term-end Balance

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

Loans to individual customers increased by ¥190.8 bn (+4.3%) and housing related loans increased by ¥199.1 bn  
 Loans to corporate customers increased by ¥200.2 bn (+4.1%) and loans to local corporate customers increased  
 ¥110.8 bn (+3.6%) YoY

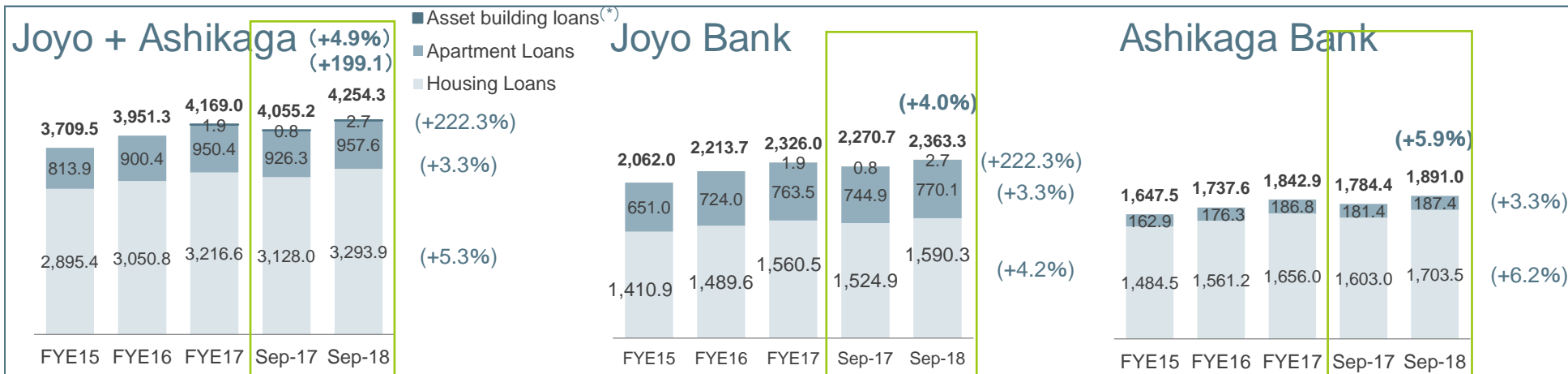


# Loans (2) Individual Housing Related / Unsecured

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

## Housing Related Loans Term-end Balance

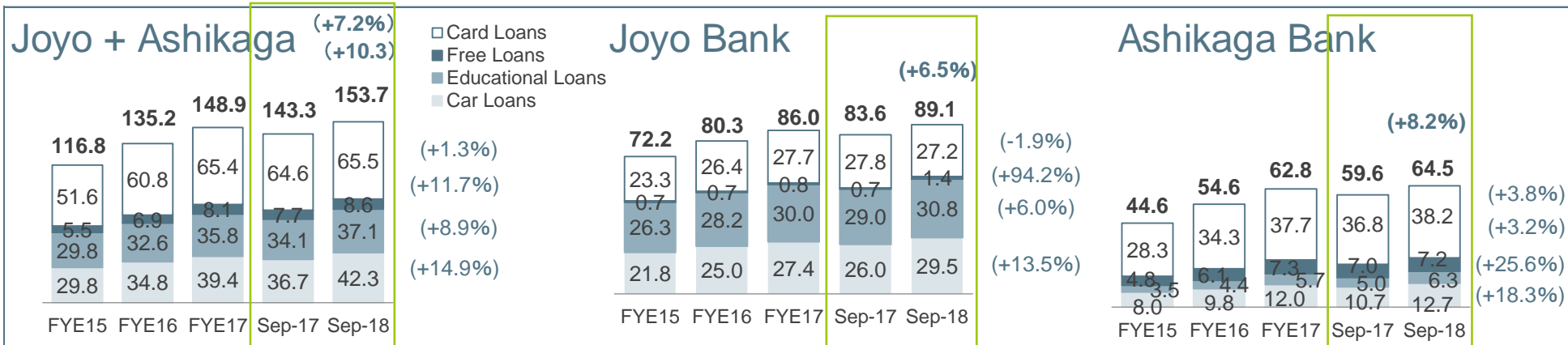
(¥bn)



(\*) Asset Building Loans: A product intended for individuals (w age earners/ self-employed) w with 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)



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

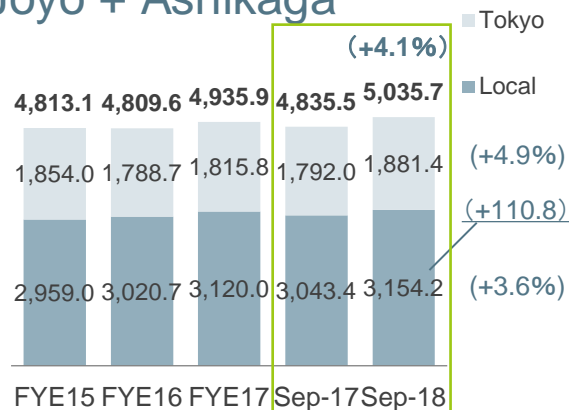
# Loans (3) Corporate by Area / Company Size

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

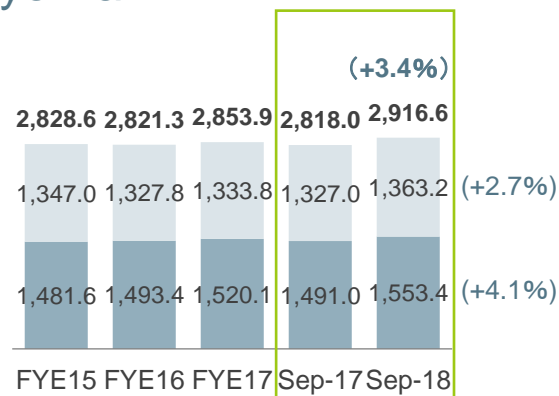
## Term-end Balance by Area

(¥bn)

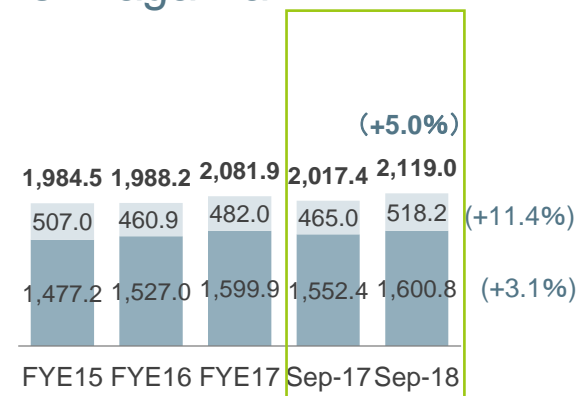
### Joyo + Ashikaga



### Joyo Bank



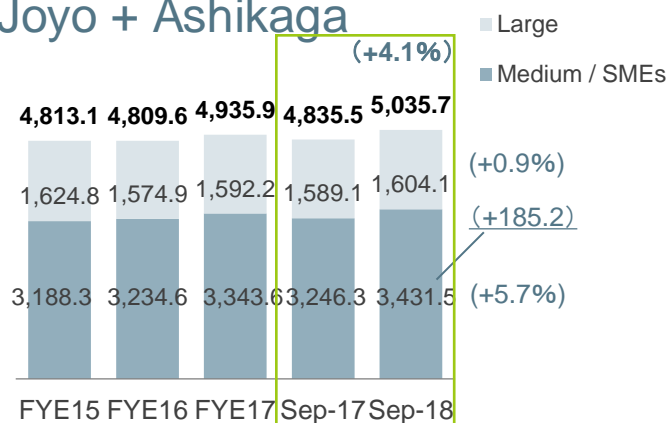
### Ashikaga Bank



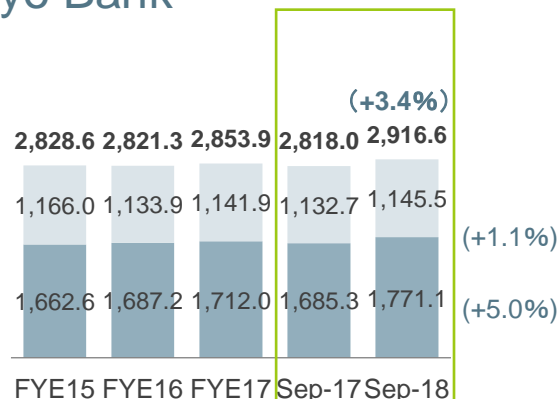
## Term-end Balance by Company Size

(¥bn)

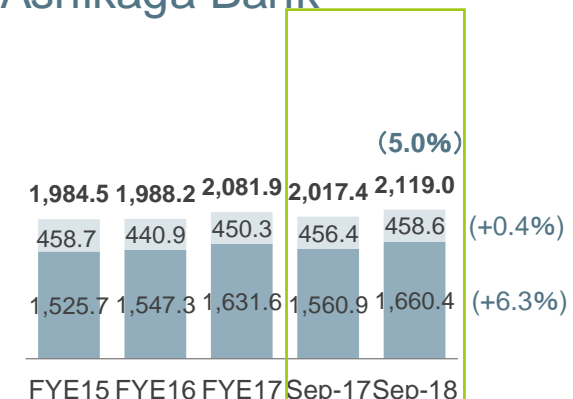
### Joyo + Ashikaga



### Joyo Bank



### Ashikaga Bank



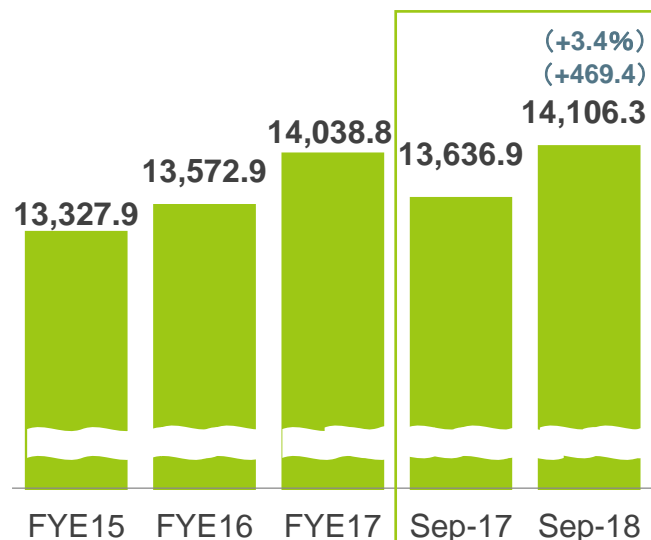
# Deposits Term-end Balance

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

Deposits of individual and corporate customers have been on the rise  
(Individual customers : +3.3%, Corporate customers : +3.5%)

## Joyo Bank + Ashikaga Bank

(¥bn)



	FYE15	FYE16	FYE17	Sep-17	Sep-18	Change (%)
Individual	9,502.6	9,762.1	10,103.6	9,914.8	10,244.9	(+3.3%)
Corporate	3,020.8	3,062.8	3,158.8	3,131.8	3,243.9	(+3.5%)
Public	804.4	748.0	776.3	590.1	617.4	(+4.6%)

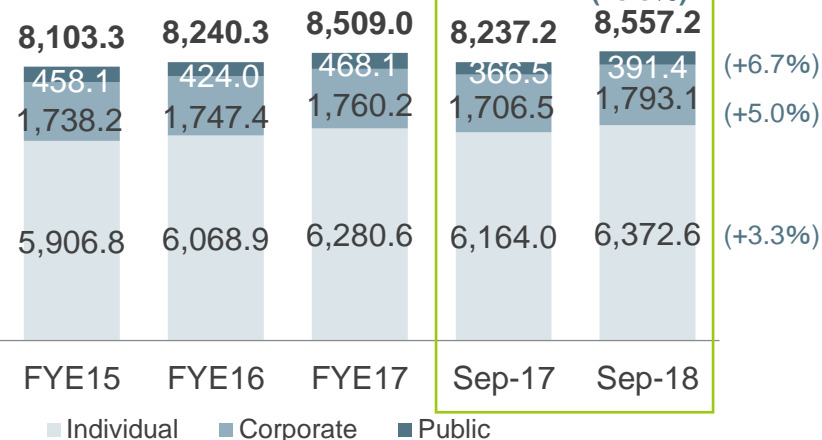
\*1 "Corporate" includes financial institutions.

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

### Foreign Currency Deposit

	FYE15	FYE16	FYE17	Sep-17	Sep-18
Joyo	111.4	140.7	199.1	162.3	225.1
Ashikaga	16.3	24.8	76.0	64.2	86.8
Total	127.7	165.6	275.2	226.5	311.9

## Joyo Bank



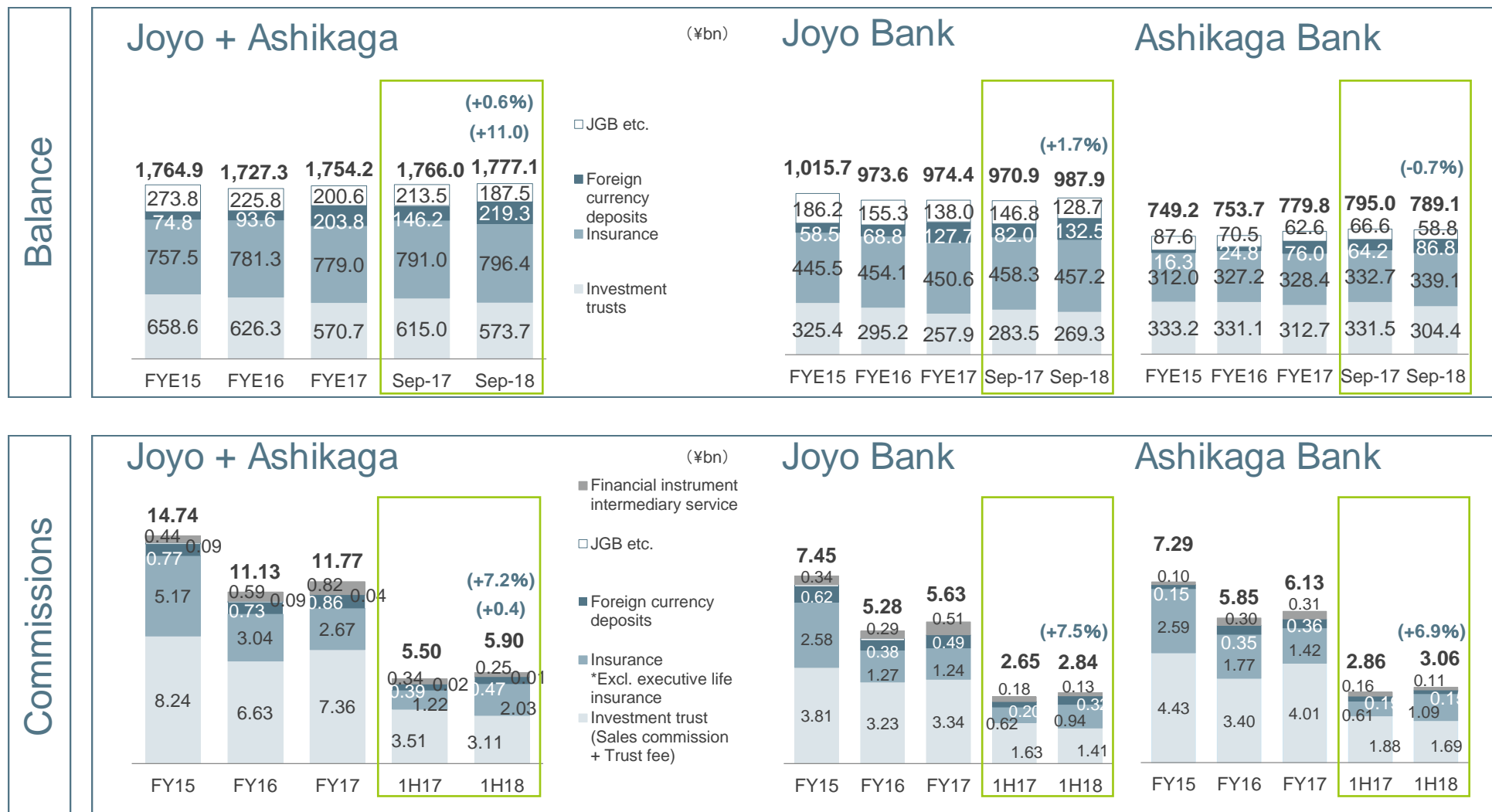
## Ashikaga Bank



# Customer Assets under Custody

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

The amount rose +0.6% YoY, mainly due to an increase of foreign currency deposits  
 Commissions increased +7.2% YoY mainly due to sales of insurance

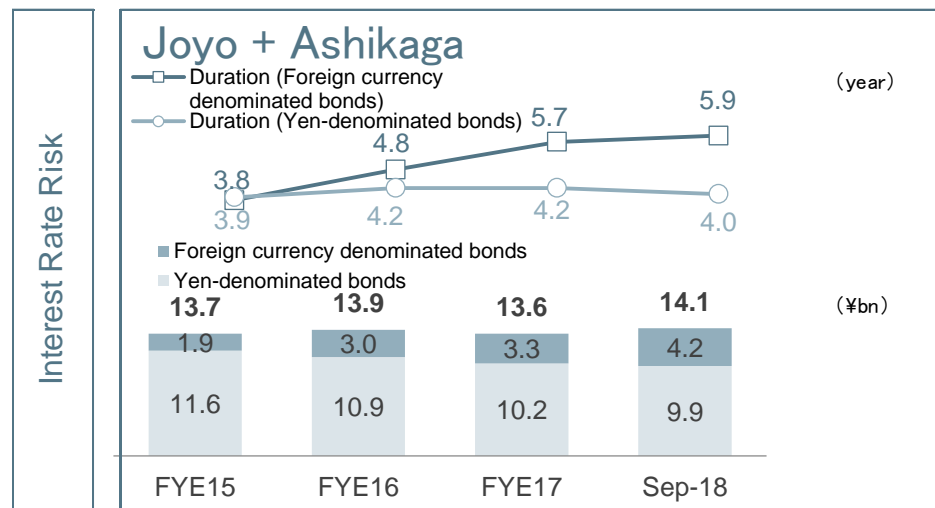
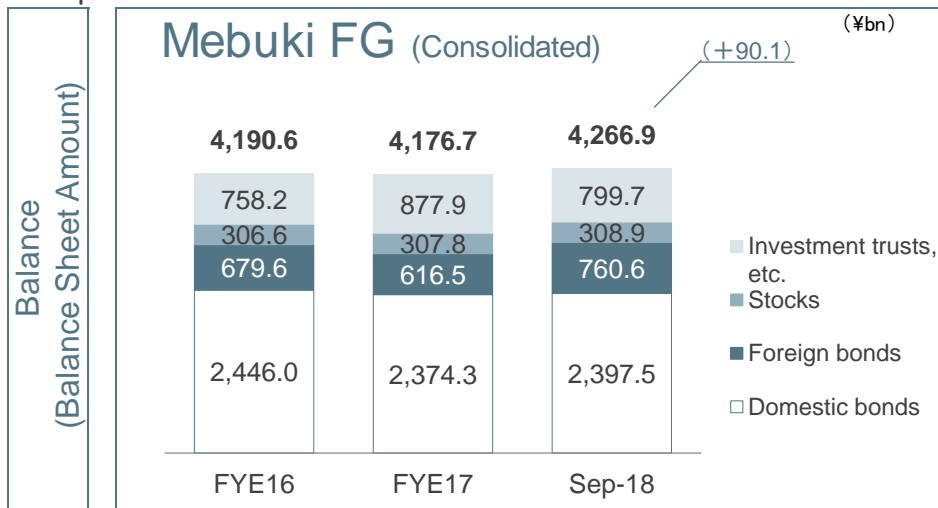


# Securities (1)

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

While government bond balances declined due to redemption, domestic bond balances have been maintained 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



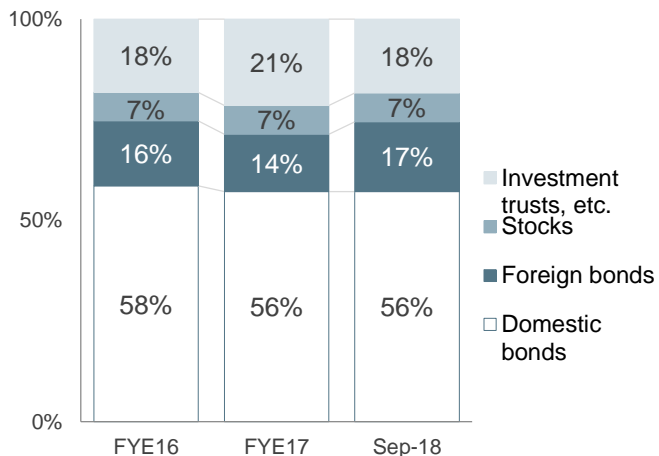
**Foreign Bonds / Investment Trusts**

		(¥bn)			
Book value as of Sep. 30 2018		J + A	Joyo	Ashikaga	Details
Foreign Bonds		773.4	462.8	310.5	-
	o/w Gov. Bond, Gov. Guaranteed Bonds, etc.	354.5	261.1	93.4	Reduced U.S treasury bonds, increased European bonds
	o/w Corporate Bond	324.4	107.3	217.1	Bonds rated A or above account for more than 90% of total
	o/w Ginnie Mae	19.4	19.4	-	RMBS issued by U.S governmental public corporations
	Others	74.9	74.9	-	Floating bonds centering on CLO (only highest tranches)
Investment Trusts etc.		779.7	425.5	354.1	-
	o/w Equity-related	186.1	169.2	16.9	Control risks using bear funds
	o/w REIT	66.5	45.7	20.8	Invest in diversified REIT considering yield and liquidity
	Others	526.9	210.5	316.4	Improve risk-return profile of entire portfolio considering correlation with other assets

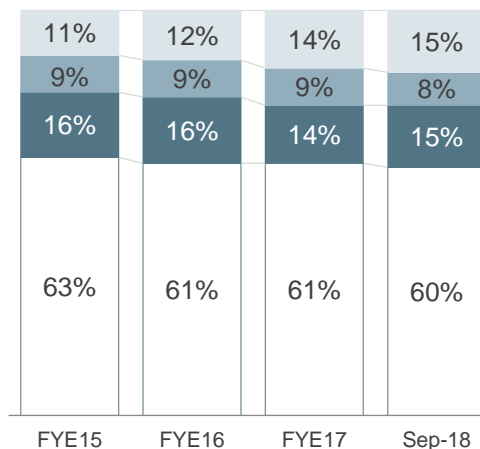
# Securities (2)

Portfolio Allocation  
(Balance Sheet Amount Basis)

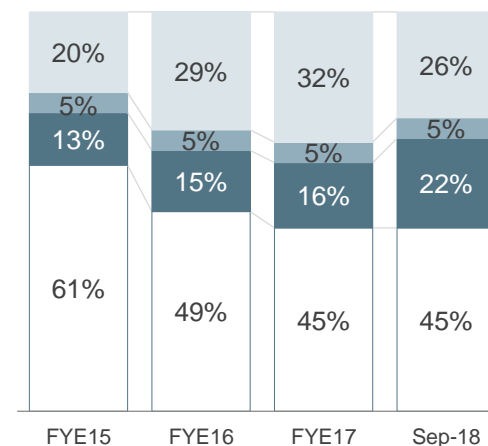
## Mebuki FG (Consolidated)



## Joyo Bank (Non-Consolidated)

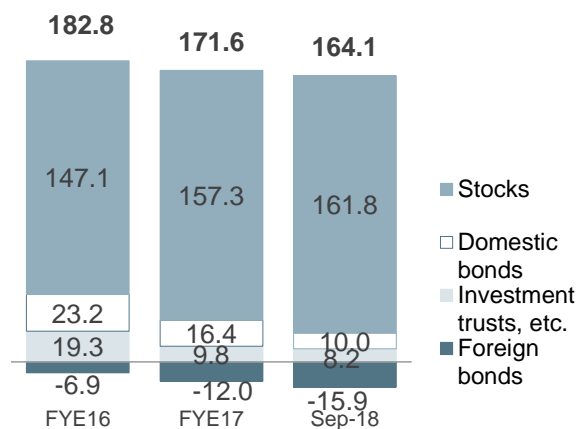


## Ashikaga Bank (Non-Consolidated) (¥bn)

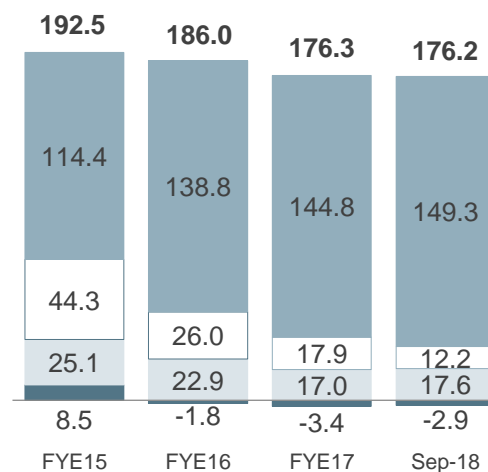


Unrealized Valuation Gains/Losses  
on Available for Sale Securities

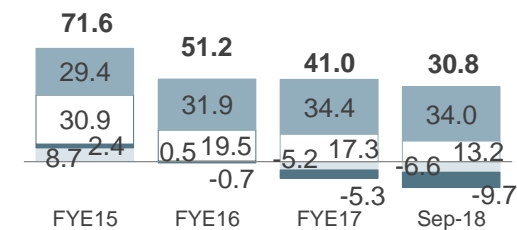
## Mebuki FG (Consolidated)



## Joyo Bank (Non-Consolidated)



## Ashikaga Bank (Non-Consolidated) (¥bn)

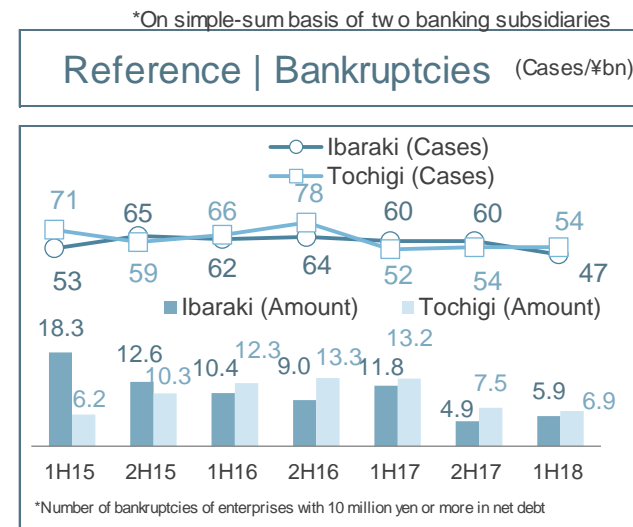
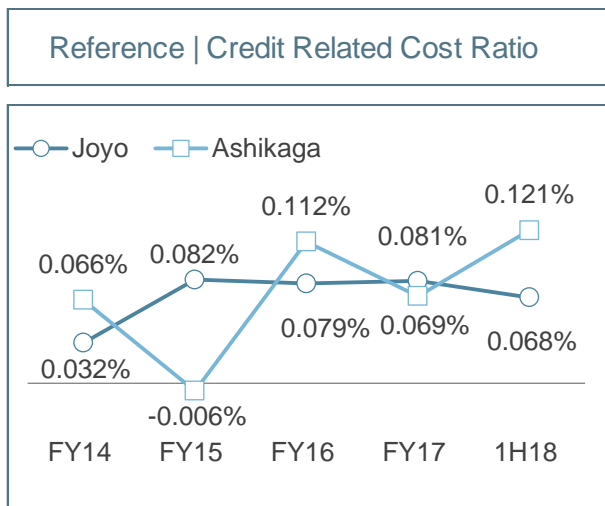
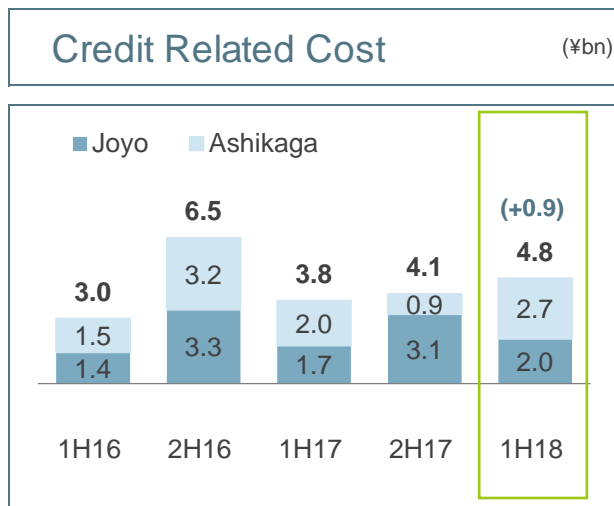


# Credit Related Costs / Non-performing Loans

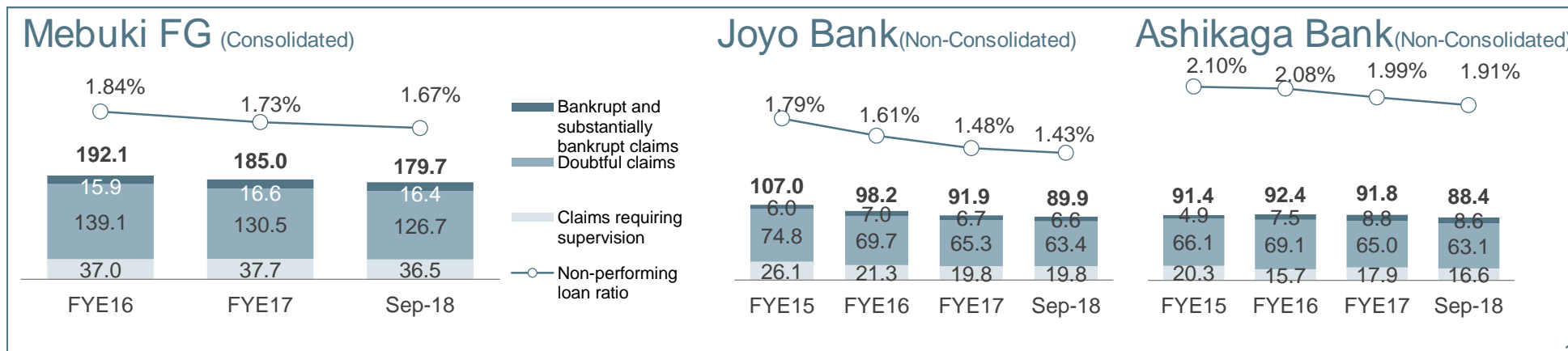
\*Figures in parentheses are changes on a year on year basis

Credit related costs increased by ¥0.9 bn YoY, due to credit deterioration

Number of bankruptcies has stayed low in Ibaraki and Tochigi Prefectures



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





# Integration Synergy Results and Forecast

Synergy effect for 1H18 is ¥3.9bn representing progress of 74% towards FY18 forecast of ¥5.3bn

## Synergy Effects on the Statement of Income (before Tax)

Amount (Progress)

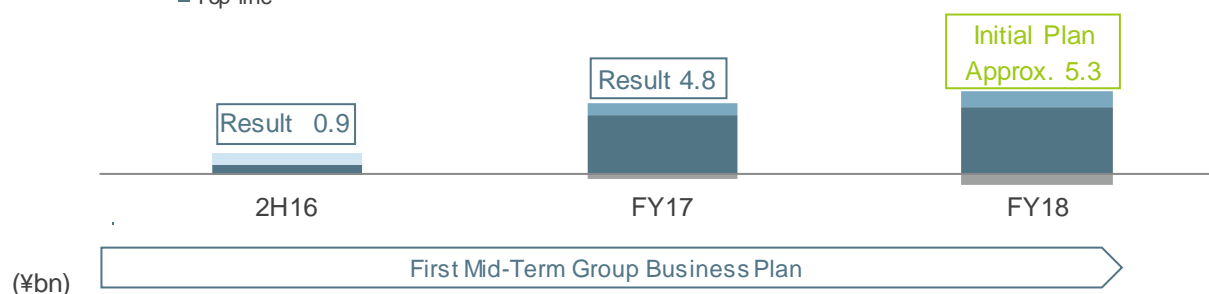
FY18 Forecast	5.3bn
1H18 Result	3.9bn (Progress 74%)

## FY18 (1H Result / Forecast)

\*Figures are on a single year basis

- Reverse synergy
- Cost reduction
- Top-line

(¥bn)



Items	FY18 Forecast	1H 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	2.02	1.29	63.8%	• Utilization of Mebuki Lease • Share know-how for non-face-to-face sales (Unsecured loans)
Financial assets under custody	1.04	0.36	35.1%	• Joint development of online application housing loans, Joint sales of housing loans for women
Securities	1.23	0.96	78.3%	• Share sales promotion know-how
Others (Channel / international)	0.74	1.09	146.1%	• Utilization of Mebuki Securities
Cost reductions	1.14	0.76	66.3%	• Investment in new areas and diversification of funding method based on both banking subsidiaries' investment experience
Cost Increases / Reverse synergy	-0.85	-0.48	—	• Joint investment • Enhancement of investment and controlling method through sharing of analysis method (Monitoring, etc.)
Total	5.33	3.98	74.7%	• 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

# Forecast for FY2018

Forecast for FY2018 remains unchanged from that announced on May 11, 2018

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

\*Attributable to owners of the parent

## Mebuki FG (Consolidated)

(¥bn)

	1H18 Results	FY18 Forecast	vs Forecast
Ordinary Profit	39.0	65.0	60.1%
Net Income (Attributable to owners of the parent)	27.1	45.0	60.4%
ROE	TSE basis * <sup>1</sup>	6.0%	5.0%
	Based on total shareholders' equity * <sup>2</sup>	7.0%	5.8%

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

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

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

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

## Joyo (Non-consolidated)

	1H18 Results	FY18 Forecast	vs Forecast
Core Net Business Income	22.4	37.5	59.8%
Ordinary Profit	25.5	38.5	66.4%
Net Income	17.9	26.5	67.7%
ROE	TSE basis	5.9%	4.3%
	Based on total shareholders' equity	7.6%	5.6%

\*<sup>3</sup> Dividend income of ¥12.0bn from a subsidiary is recognized in extraordinary income.

\*<sup>4</sup>\*<sup>5</sup>\*<sup>6</sup>\*<sup>7</sup> ROE calculated excluding dividends from subsidiary are 6.3%<sup>4</sup> and 6.9%<sup>5</sup> and 5.9%<sup>6</sup> and 6.4%<sup>7</sup>, respectively.

## Ashikaga (Non-consolidated)

	1H18 Results	FY18 Forecast	vs Forecast
Core Net Business Income	23.6	31.0	76.2%
Ordinary Profit	15.0	27.5	54.5%
Net Income	22.2	31.0 <sup>*3</sup>	71.7%
ROE	TSE basis	13.5% <sup>*4</sup>	9.3% <sup>*6</sup>
	Based on total shareholders' equity	14.7% <sup>*5</sup>	10.2% <sup>*7</sup>

## Joyo + Ashikaga (Non-consolidated)

	1H18 Results	FY18 Forecast	vs Forecast
Ordinary Profit	40.5	66.0	61.4%
Net Income	40.2	57.5	69.9%

## Non-banking Subsidiaries

	1H18 Results	FY18 Forecast	vs Forecast
Ordinary Profit	2.8	7.0	40.4%
Net Income	1.8	4.5	41.7%

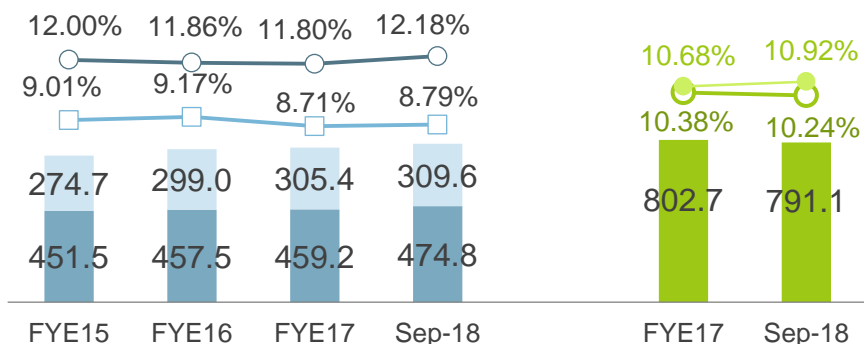
## Consolidation Adjustment

	-17.0bn
Dividend Income from a subsidiary (Ashikaga)	
	-12.0bn
Adjustment related to securities	-3.5bn
Other	-1.5bn

# Capital Adequacy Ratio / Shareholder Return

## Capital Adequacy Ratio

- Joyo (consolidated) Capital adequacy ratio
- Joyo (consolidated) Capital (JPY Bn)
- Mebuki FG (Consolidated) Capital adequacy ratio
- Ashikaga (Consolidated) Capital adequacy ratio
- Ashikaga (consolidated) Capital (JPY Bn)
- Mebuki FG (Consolidated) CET1 capital ratio
- Mebuki FG (consolidated) Capital (JPY Bn)



\*Calculation method of risk weighted assets

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

(Reference) Capital Adequacy Ratio  
w/o Transitional Measures (consolidated)

	FYE15	FYE16	FYE17	Sep-18
Mebuki FG	-	9.49%	9.48%	9.69%
Joyo	11.17%	11.52%	11.57%	11.95%
Ashikaga	8.77%	9.00%	8.62%	8.69%

## Shareholder Return

### Dividend

In line with the dividend policy, the dividend forecast for FY18 is ¥11.0 per share

	Annual		Interm	Term-end
FY18	¥11.0	Scheduled	¥5.5	¥5.5 Scheduled

### Purchase of Treasury Stocks

In order to enhance shareholder returns and improve capital efficiency, Mebuki FG repurchased its own shares

<Results of Acquisition> Number of shares | 5mil Amount | ¥2.08bn  
(Period of purchase | From May 14, 2018 to May 25, 2018)

## Shareholder Benefit Plan

Shareholders to be Subjected	Shareholders holding 1,000 shares or more as of Mar. 31
Contents of the Plan	Local specialties etc. can be chosen from a dedicated catalog depending on the number of shares held

### Contents of the Shareholder Benefit Plan

Number of shares held	Items that can be selected	
1,000 shares or more and less than 5,000 shares	Equivalent to 2,500 yen	Approx. 540 items centered on specialty products from Ibaraki Prefecture and Tochigi Prefecture *
5,000 shares or more and less than 10,000 shares	Equivalent to 4,000 yen	
10,000 shares or more	Equivalent to 6,000 yen	

\*The number of items for FY17 is 488

## Inquiries

Mebuki Financial Group, Inc. Corporate Planning Department

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

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

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

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