

# Financial Results for the Third Quarter of FY2018

February 6, 2019

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## Financial Results for 3Q18

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

# Highlights

## Results for 3Q18

\*1 Attributable to owners of the parent

Consolidated net income<sup>\*1</sup> of Mebuki FG is ¥37.8bn, representing a 84.1% progress toward the full-year forecast.

Core net business income on a simple-sum basis of the two banking subsidiaries is ¥63.8 bn representing a 93.1% progress toward the full-year forecast.

Synergy effect arising from the business integration for 3Q18 was ¥5.9 bn, representing a 112.2% progress toward the full-year forecast for FY18 of ¥5.3 bn.

## Forecast for FY18

Though the results for 3Q18 surpassed their initial forecast, due to uncertain market trends, the 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 <sup>*2</sup>	¥45.0 bn (+¥1.9 bn YoY)

\*2 Attributable to owners of the parent

## Shareholder Returns for FY18

For FY18, in line with an earnings distribution policy<sup>\*3</sup>, 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.

\*3 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.

Total payout ratio   33.3% <sup>*4</sup> (scheduled)
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\*4 Total payout includes not only ¥11.0 of annual dividend but also ¥2.08 bn ( 5mil shares) of treasury stocks repurchased in May, 2018.

# Main Points of 3Q18 Financial Results

## Mebuki FG (Consolidated)

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

(¥bn)

	3Q18	YoY Chg	vs Forecast
Ordinary profit	54.4	-2.7	83.7%
Net income attributable to owners of the parent	(1) 37.8	-1.0	84.1%

Consolidation adjustment	
	(2)-(1) -16.5bn
Dividends receivable from affiliated companies (-12.0bn)	
Adjustments related to securities (-3.9bn)	
Interest expenses of subordinated loans, expenses, etc.	

## Two banking subsidiaries and group companies

	3Q18	YoY Chg	vs Forecast
Net income	(2) 54.4	+8.6	87.8%

Net Income of group companies other than banking subsidiaries	¥3.0bn
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	3Q18						vs Forecast		
	J+A		Joyo		Ashikaga		J+A	Joyo	Ashikaga
	Result	YoY Chg	Result	YoY Chg	Result	YoY Chg			
Gross business profit	138.2	-2.5	74.9	-4.8	63.3	+2.3	76.6%	74.5%	79.1%
(Net Gross business profit)	149.3	+9.3	82.5	+3.3	66.7	+5.9	81.3%	79.7%	83.4%
Net interest income	123.0	+7.8	68.5	+3.3	54.5	+4.5	82.3%	81.0%	83.9%
Net fees and commissions	24.1	+0.9	13.1	+0.0	10.9	+0.8	76.5%	75.3%	78.0%
Net other business income and Net trading income	-8.8	-11.3	-6.7	-8.3	-2.1	-3.0	-	-	-
(o/w gains/losses on bond transactions)	-11.0	-11.8	-7.6	-8.2	-3.4	-3.5	-	-	-
Expenses	85.5	+0.6	49.2	-0.7	36.3	+1.3	74.3%	74.5%	74.1%
o/w Personnel expenses	45.5	+0.6	25.5	+0.1	20.0	+0.5	75.7%	75.9%	75.4%
o/w Non-personnel expenses	34.1	-0.1	20.6	-0.7	13.4	+0.5	71.8%	72.9%	70.2%
Net business income (before general allowance for loan losses)	52.7	-3.2	25.7	-4.1	27.0	+0.9	80.5%	74.6%	87.1%
Core net business income	63.8	+8.6	33.3	+4.1	30.4	+4.5	93.1%	88.9%	98.2%
Net transfer to general allowance for loan losses (a)	-	+1.8	-	+0.7	-3.2	-2.1	-	-	-
<b>Net business income</b>	<b>52.7</b>	<b>-5.1</b>	<b>25.7</b>	<b>-4.9</b>	<b>30.2</b>	<b>+3.0</b>	<b>79.3%</b>	<b>72.5%</b>	<b>97.5%</b>
Net non-recurrent gains/losses	3.7	-0.3	9.7	+6.1	-9.2	-9.8	-	-	-
o/w Disposal of non-performing loans (b)	5.7	+0.1	2.2	-1.3	6.7	+4.7	-	-	-
o/w Gains/losses related to stocks, etc	10.1	-1.3	12.7	+3.6	-2.5	-5.0	-	-	-
<b>Ordinary profit</b>	<b>56.4</b>	<b>-5.4</b>	<b>35.4</b>	<b>+1.2</b>	<b>20.9</b>	<b>-6.7</b>	<b>85.5%</b>	<b>92.1%</b>	<b>76.2%</b>
Extraordinary income/losses	11.6	+12.7	-0.1	+0.6	11.7	+12.1	-	-	-
Income taxes	16.7	-1.4	10.3	+0.5	6.3	-1.9	-	-	-
<b>Net income</b>	<b>51.3</b>	<b>+8.7</b>	<b>24.9</b>	<b>+1.3</b>	<b>26.3</b>	<b>+7.3</b>	<b>89.3%</b>	<b>94.2%</b>	<b>85.1%</b>
Credit related costs (a)+(b)	5.7	+2.0	2.2	-0.6	3.4	+2.6	114.5%	75.4%	173.2%

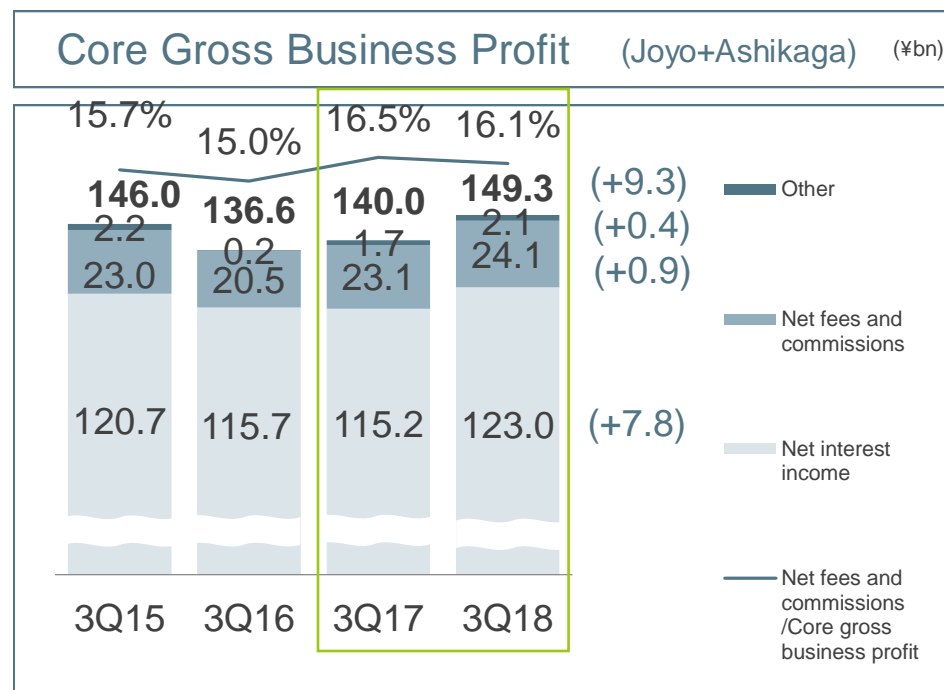
# Core Gross Business Profit

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

Core gross business profit increased ¥9.3 bn YoY

Interest and dividends on securities and commissions from corporate customers and customer assets under custody 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	3Q17	3Q18	YoY Chg
Joyo	1.7	1.0	0.7	1.6	+0.9
Ashikaga	3.6	4.4	2.2	8.6	+6.3
<b>J + A</b>	<b>5.4</b>	<b>5.4</b>	<b>2.8</b>	<b>10.3</b>	<b>+7.3</b>

## Change of Interest Income (¥bn)

**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	+0.8	+0.6	(+¥85.5bn)	+0.2	(+¥11.5bn)
	Yield	-0.3	-1.2	(-2.8bp)	+0.9	(+94.2bp)
Interest on deposits (-)		+1.1	-0.0	—	+1.2	—
Interest and dividend on securities	Avg	+1.5	+1.6	(+¥214.3bn)	-0.1	(-¥6.5bn)
	Yield	+0.7	+0.7	(+4.6bp)	-0.0	(-0.1bp)
Market investments and borrowings (-)		-1.5	-0.4	—	-1.1	—
<b>Total</b>		<b>+3.3</b>	<b>+2.3</b>		<b>+0.9</b>	

**Ashikaga**

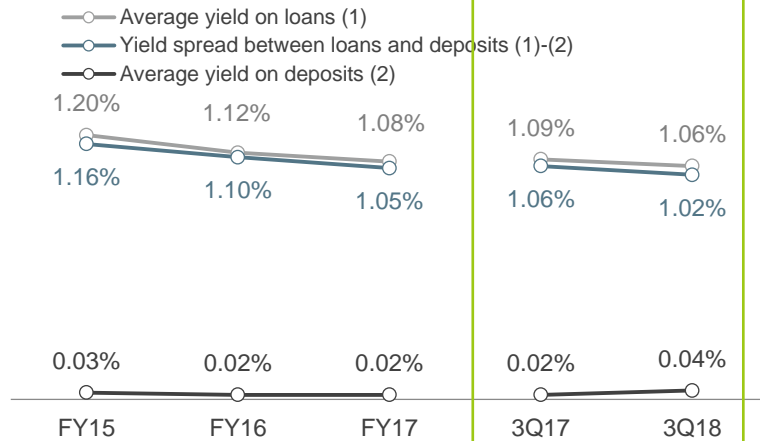
	Factor	YoY Chg.	Domestic (Chg. in Nil)		Overseas (Chg. in Nil)	
			Chg. in Factors	Chg. in Factors		
Interest on loans and bills discounted	Avg	+1.4	+1.4	(+¥173.3bn)	+0.0	(+¥4.5bn)
	Yield	-1.9	-2.0	(-6.3bp)	+0.1	(+82.6bp)
Interest on deposits (-)		+0.7	-0.1	—	+0.8	—
Interest and dividend on securities	Avg	-0.4	-1.2	(-¥75.4bn)	+0.7	(+¥36.1bn)
	Yield	+7.8	+7.0	(+81.6bp)	+0.7	(+43.2bp)
Market investments and borrowings (-)		+1.6	-0.0	—	+1.6	—
<b>Total</b>		<b>+4.5</b>	<b>+5.3</b>		<b>-0.7</b>	

# Average Yield on Loans and Deposits, Securities Margin

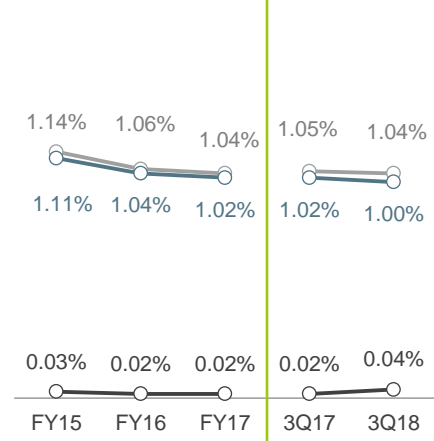
\*Figures in parentheses are changes on a year on year basis

## Average Yield on Loans and Deposits

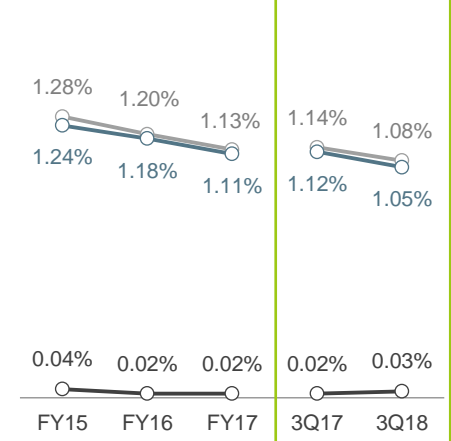
### Joyo + Ashikaga



### Joyo Bank

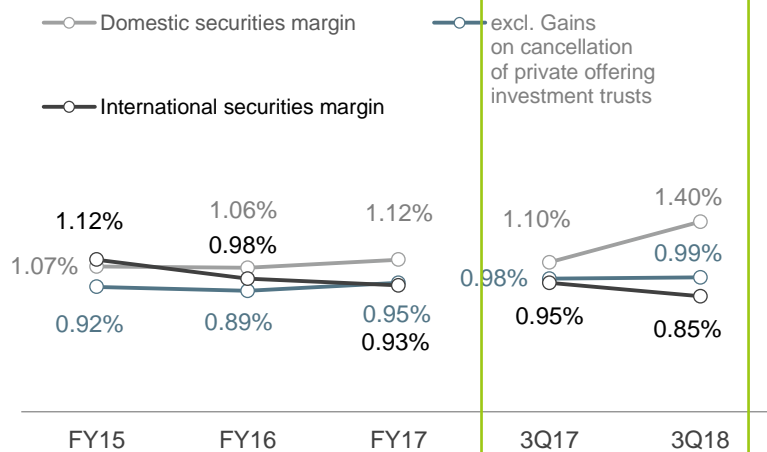


### Ashikaga Bank

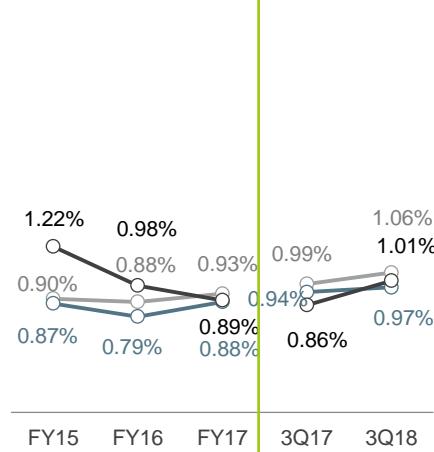


## Securities Margin\* (Domestic and International)

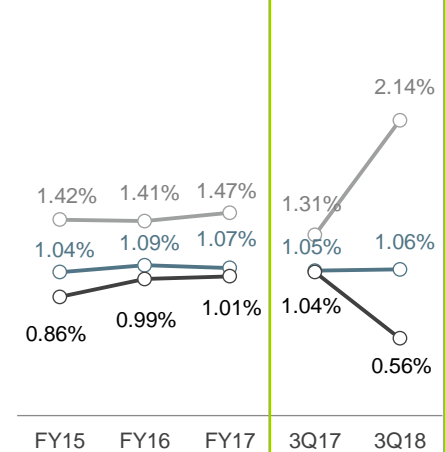
### Joyo + Ashikaga



### Joyo Bank



### Ashikaga Bank



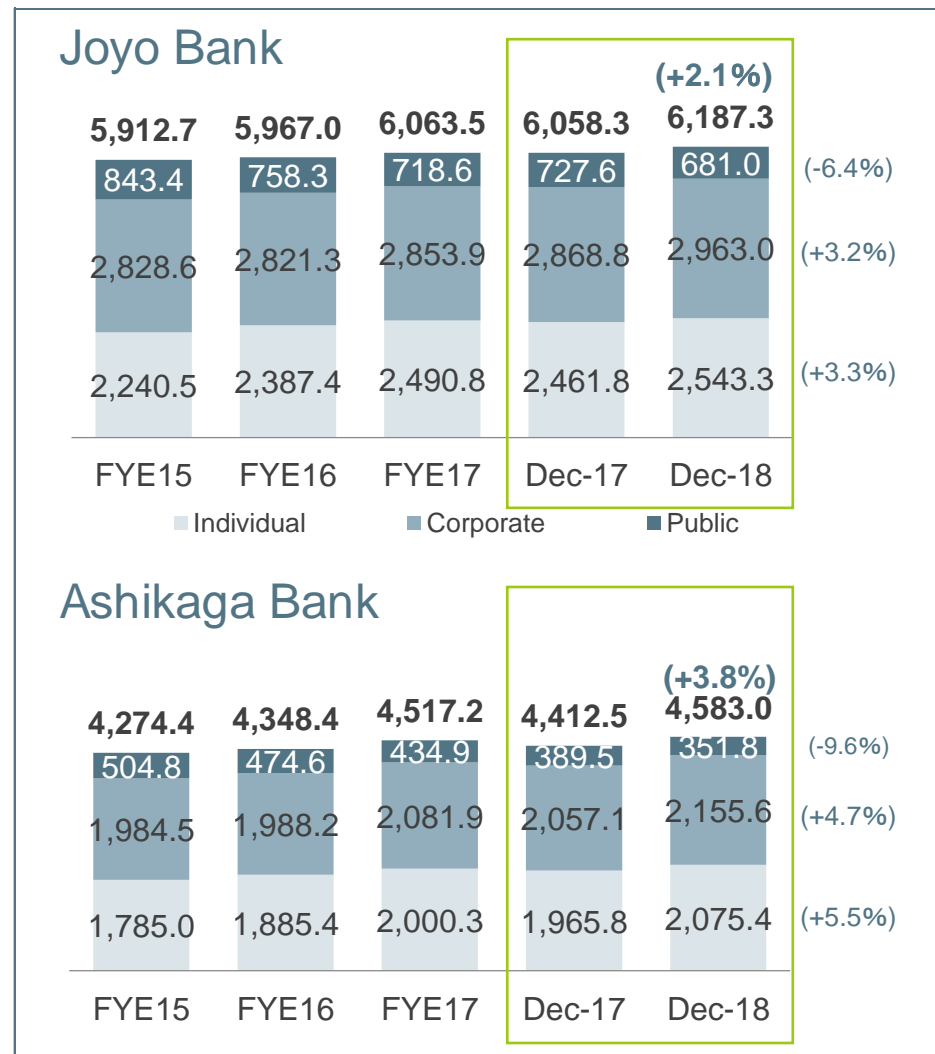
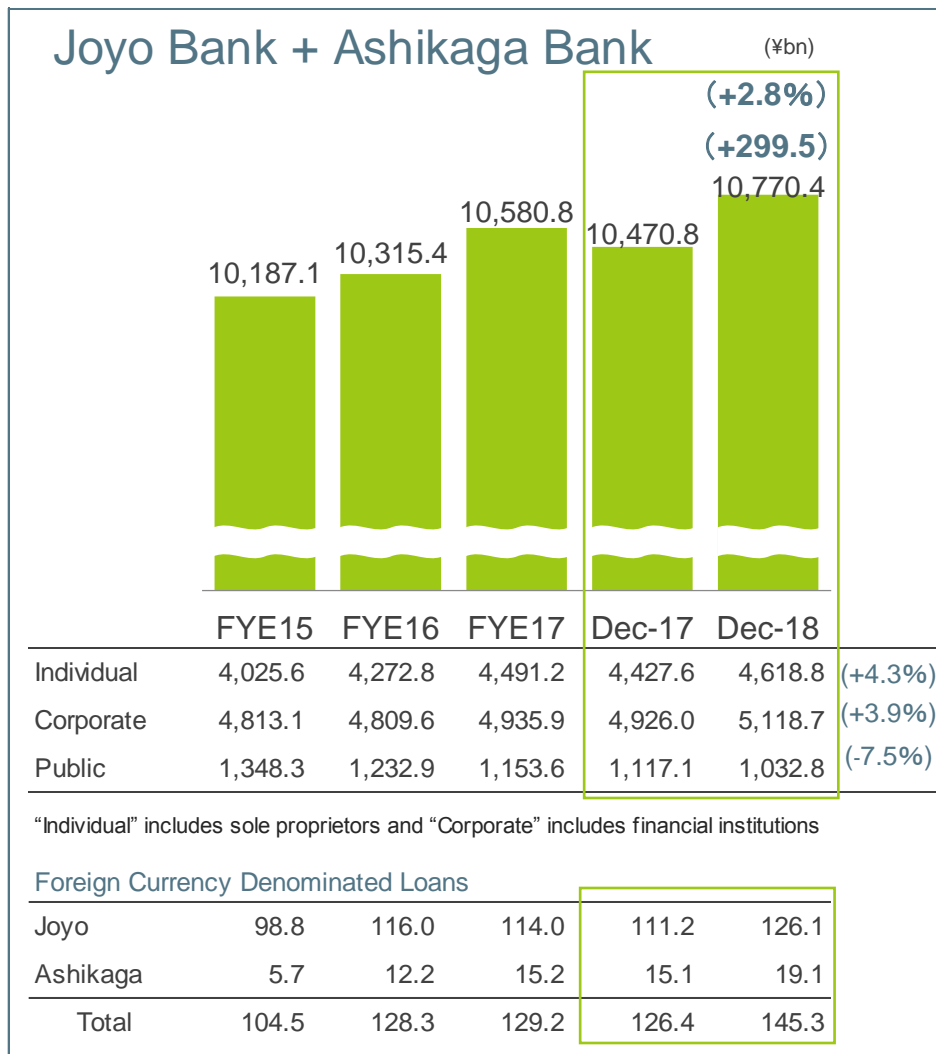
\*Securities Margin=(Securities income-Securities funding costs)/Avg. securities

# Loans (1) Term-end Balance

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

Loans to individual customers increased by ¥191.1 bn (+4.3%) and housing related loans increased by ¥200.1 bn (+4.8%) YoY

Loans to corporate customers increased by ¥192.6 bn (+3.9%) and loans to local corporate customers increased ¥84.7bn (+2.7%) YoY



# Loans (2) Individual Housing Related / Unsecured

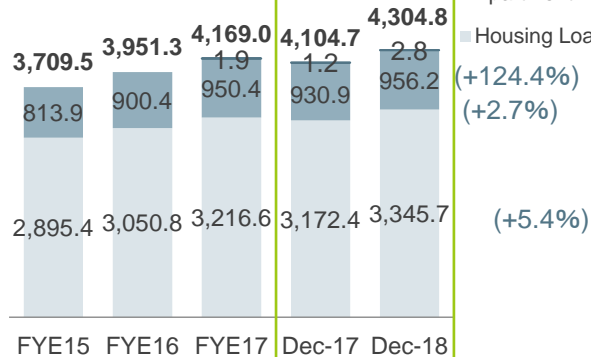
\*Figures in parentheses are changes on a year on year basis

## Housing Related Loans Term-end Balance

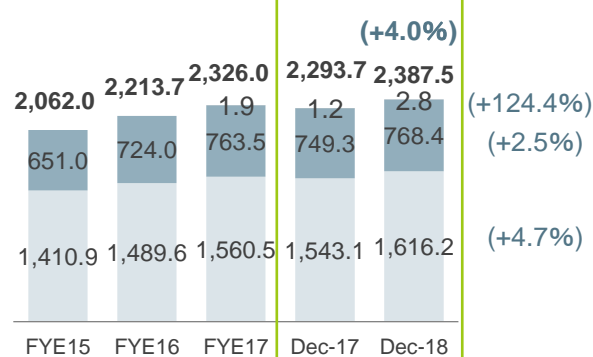
(¥bn)

### Joyo + Ashikaga (+4.8%)

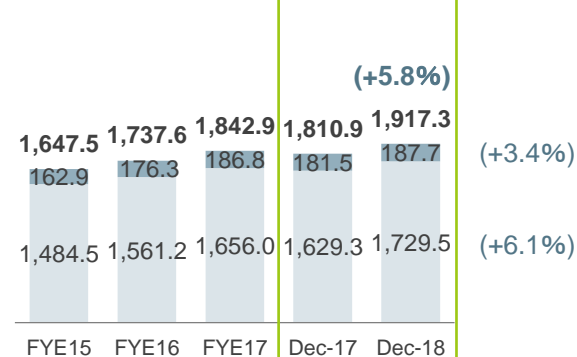
- Asset building loans<sup>(\*)</sup>
- Apartment Loans
- Housing Loans



### Joyo (+4.0%)



### Ashikaga (+5.8%)



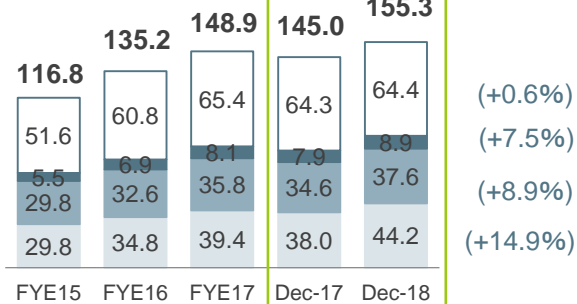
(\*) Asset Building Loans: A product intended for individuals (wage earners/ self-employed) with a certain amount of income, and designed to meet asset building needs from rent acquired mainly for condominiums in the Tokyo metropolitan area (offered by Joyo only)

## Unsecured Loans Term-end Balance

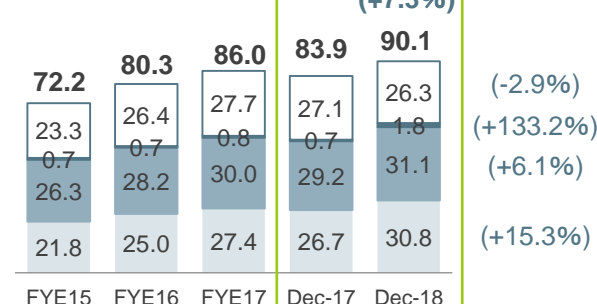
(¥bn)

### Joyo + Ashikaga (+7.1%)

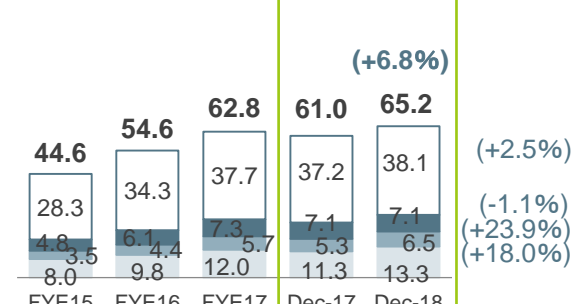
- Card Loans
- Free Loans
- Educational Loans
- Car Loans



### Joyo (+7.3%)



### Ashikaga (+6.8%)



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



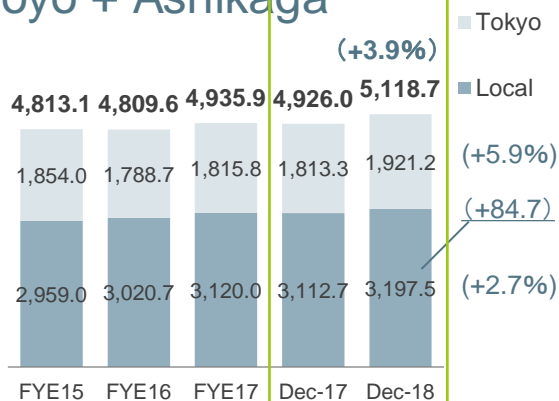
# Loans (3) Corporate by Area / Company Size

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

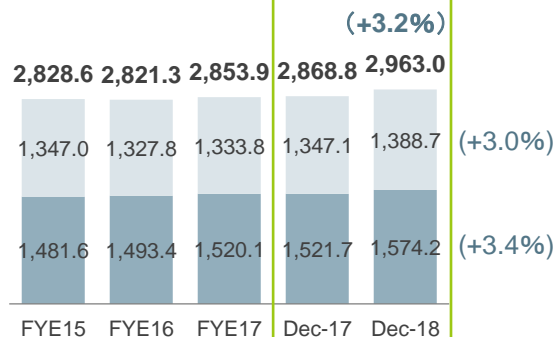
## Term-end Balance by Area

(¥bn)

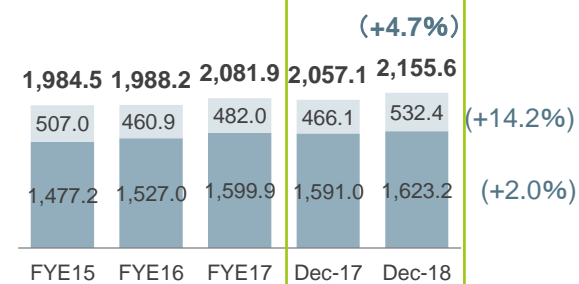
### Joyo + Ashikaga



### Joyo



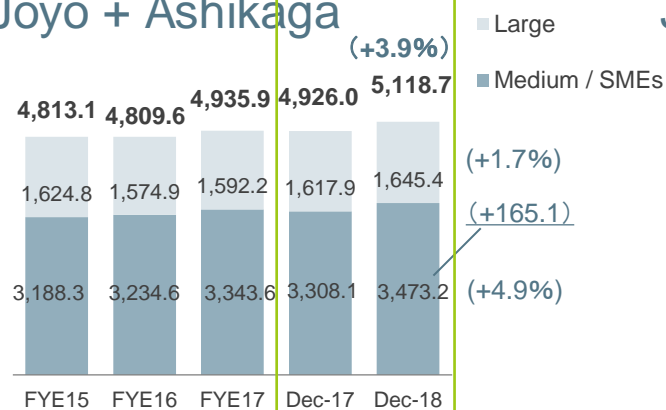
### Ashikaga



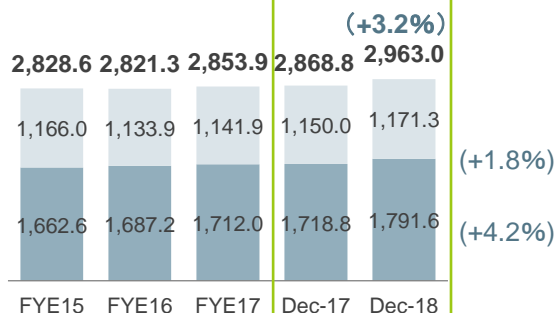
## Term-end Balance by Company Size

(¥bn)

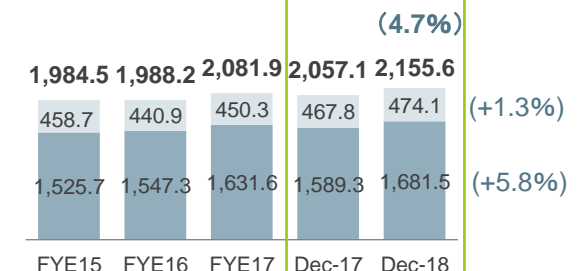
### Joyo + Ashikaga



### Joyo



### Ashikaga



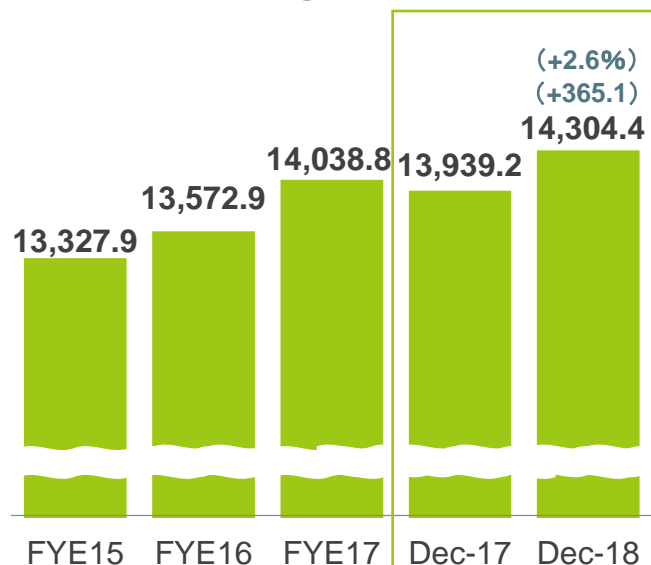
# Deposits Term-end Balance

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

Deposits of individual and corporate customers have been on the rise  
(Individual customers : +2.6%, Corporate customers : +2.9%)

## Joyo Bank + Ashikaga Bank

(¥bn)



	FYE15	FYE16	FYE17	Dec-17	Dec-18	Change
Individual	9,502.6	9,762.1	10,103.6	10,187.4	10,455.3	(+2.6%)
Corporate	3,020.8	3,062.8	3,158.8	3,177.6	3,270.3	(+2.9%)
Public	804.4	748.0	776.3	574.2	578.7	(+0.7%)

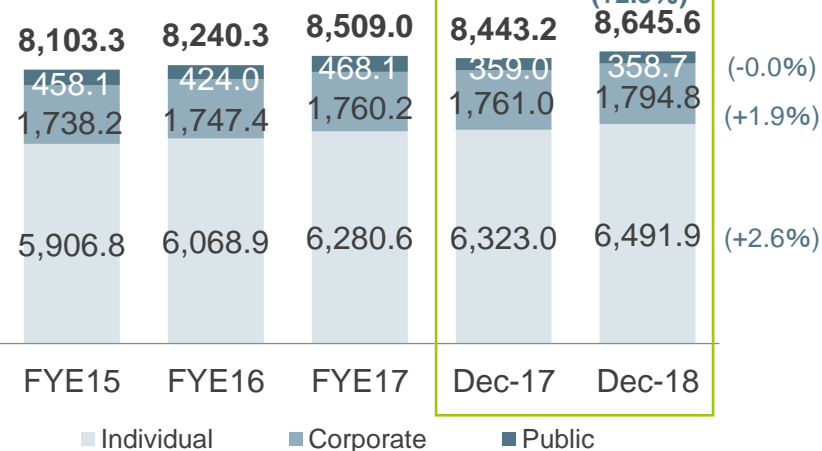
\*1 "Corporate" includes financial institutions.

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

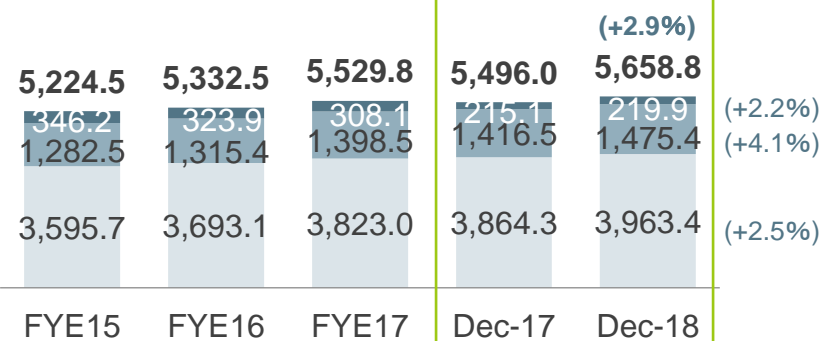
### Foreign Currency Deposits

	FYE15	FYE16	FYE17	Dec-17	Dec-18
Joyo	111.4	140.7	199.1	209.5	224.2
Ashikaga	16.3	24.8	76.0	62.5	84.2
Total	127.7	165.6	275.2	272.1	308.4

## Joyo Bank



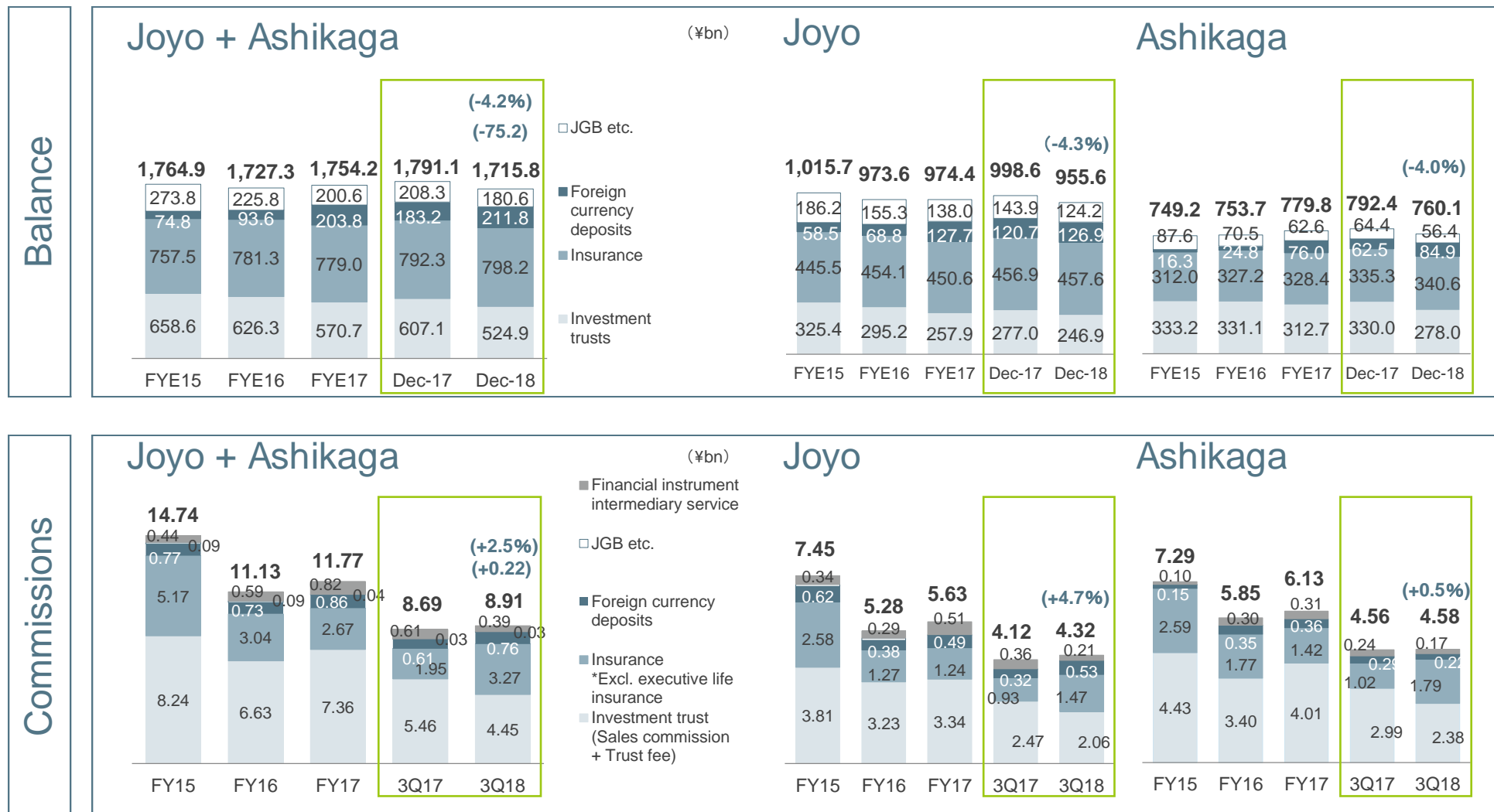
## Ashikaga Bank



# Customer Assets under Custody

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

The amount decreased by 4.2% YoY due to investment trusts  
 Commissions increased 2.5% YoY mainly due to sales of insurance

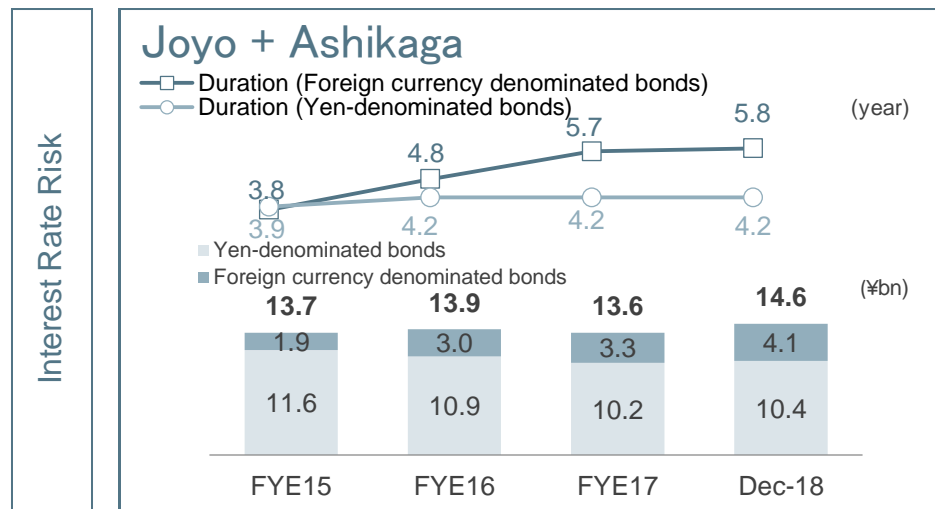
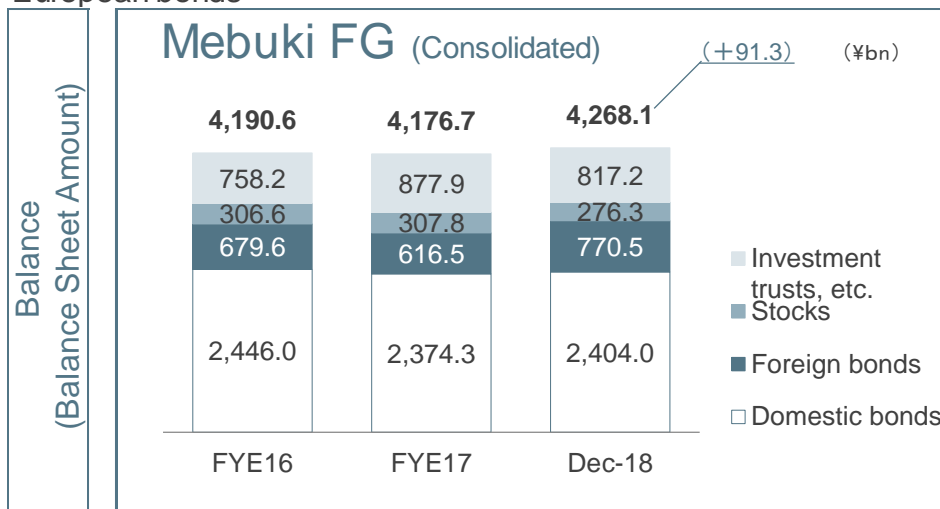


# Securities (1)

\*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



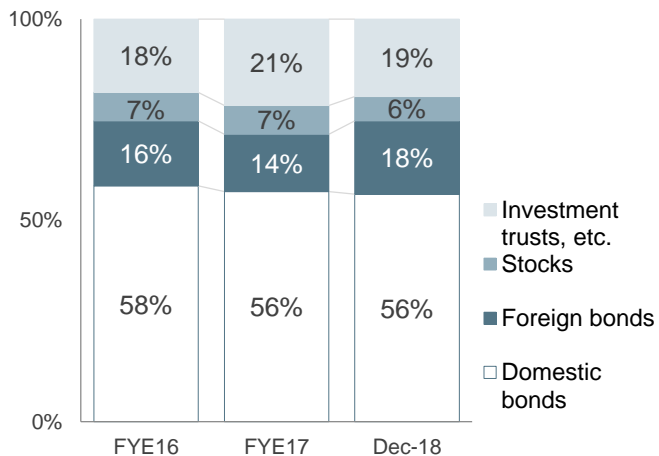
**Foreign Bonds / Investment Trusts**

		(¥bn)			
Book value as of Dec. 31 2018		J + A	Joyo	Ashi-kaga	Details
Foreign Bonds		778.2	472.2	306.0	-
	o/w Gov. Bond, Gov. Guaranteed Bonds, etc.	347.1	254.3	92.8	Reduced U.S treasury bonds, increased European bonds
	o/w Corporate Bond	325.1	112.0	213.1	Bonds rated A or above account for more than 90% of total
	o/w Ginnie Mae	18.2	18.2	-	RMBS issued by U.S governmental public corporations
	Others	87.6	87.6	-	Floating bonds centering on CLO (only highest tranches)
Investment Trusts etc.		811.8	449.1	362.7	-
	o/w Equity-related	238.9	184.5	54.4	Control risks using bear funds
	o/w REIT	71.1	52.2	18.8	Invest in diversified REIT considering yield and liquidity
	Others	501.8	212.3	289.4	Improve risk-return profile of entire portfolio considering correlation with other assets

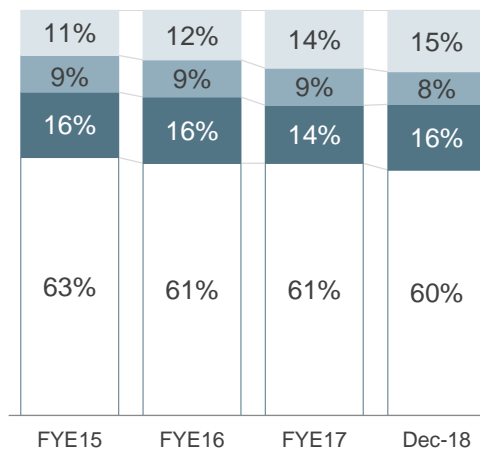
# Securities (2)

Portfolio Allocation  
(Balance Sheet Amount Basis)

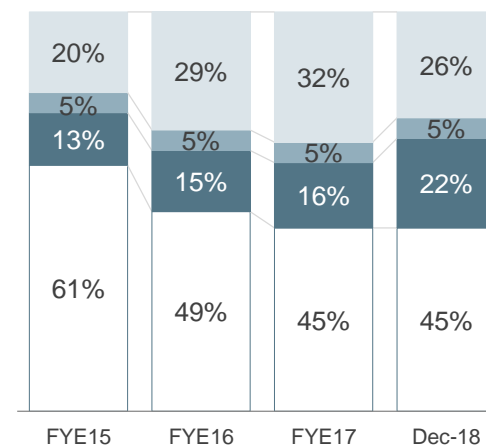
## Mebuki FG (Consolidated)



## Joyo Bank (Non-Consolidated)

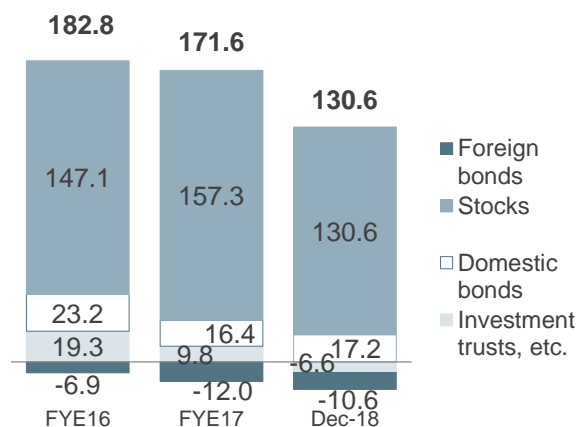


## Ashikaga Bank (Non-Consolidated)

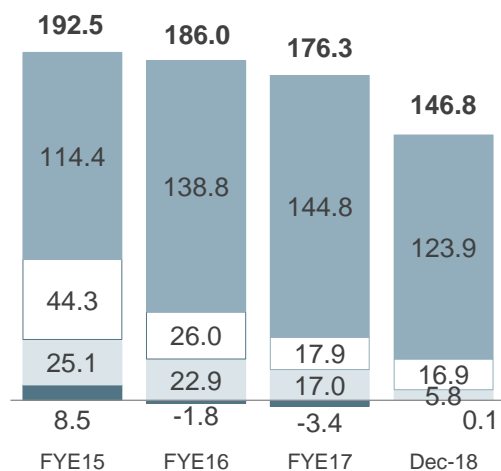


Unrealized Valuation Gains/Losses  
on Available for Sale Securities

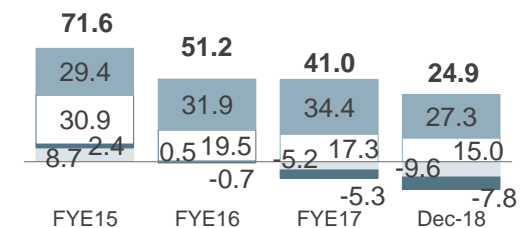
## Mebuki FG (Consolidated)



## Joyo Bank (Non-Consolidated)



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



# Integration Synergy Results and Forecast

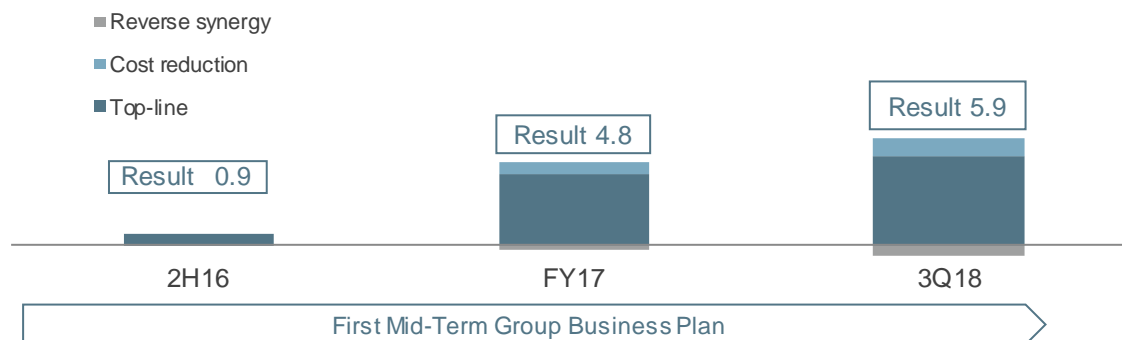
Synergy effect for 3Q18 is ¥5.9bn representing progress of 112% towards FY18 forecast of ¥5.3bn

(¥bn)

## Synergy Effects on the Statement of Income \*before Tax

Amount (Progress)

FY18 Forecast	+5.3bn
3Q18 Result	+5.9bn(Progress112%)



## FY18 (3Q Result / Forecast)

(¥bn)

Items	FY18 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) • Utilization of Mebuki Lease • Share know-how for non-face-to-face sales (Unsecured loans)
Corporate services	2.02	1.93	95.6%	• Joint development of online application housing loans, Joint sales of housing loans for women
Financial assets under custody	1.04	0.53	51.0%	• Share sales promotion know-how • Utilization of Mebuki Securities
Securities	1.23	1.34	109.4%	• 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	1.76	236.7%	• 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
Cost reductions	1.14	1.14	99.7%	• 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	-0.72	—	• Lower transfer fee between both banks to the inter-branch rate • System migration expenses
<b>Total</b>	<b>5.33</b>	<b>5.99</b>	<b>112.2%</b>	

## Inquiries

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