

Mebuki Financial Group, Inc.

Financial Results for the First Quarter of FY2018 (IR Presentation Material)



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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 resulting 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)

*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)

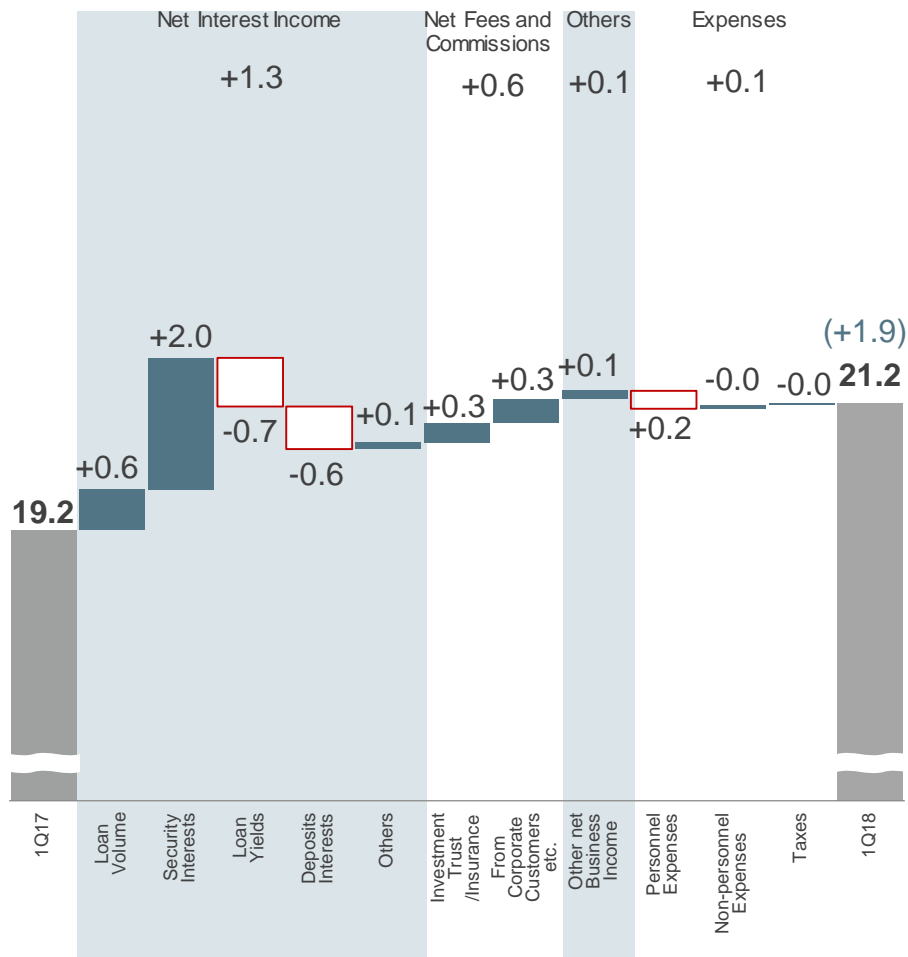
	J+A		1Q18				vs Forecast		
	Result	YoY Chg	Joyo Result	Joyo YoY Chg	Ashikaga Result	Ashikaga YoY Chg	J+A	Joyo	Ashikaga
Gross business profit	43.6	-4.5	21.5	-6.0	22.1	+1.4	24.1%	21.4%	27.6%
Net interest income	41.0	+1.3	22.4	+0.5	18.5	+0.8	27.4%	26.6%	28.6%
Net fees and commissions	8.3	+0.6	5.0	-0.0	3.3	+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%

Change of Core Net Business Income

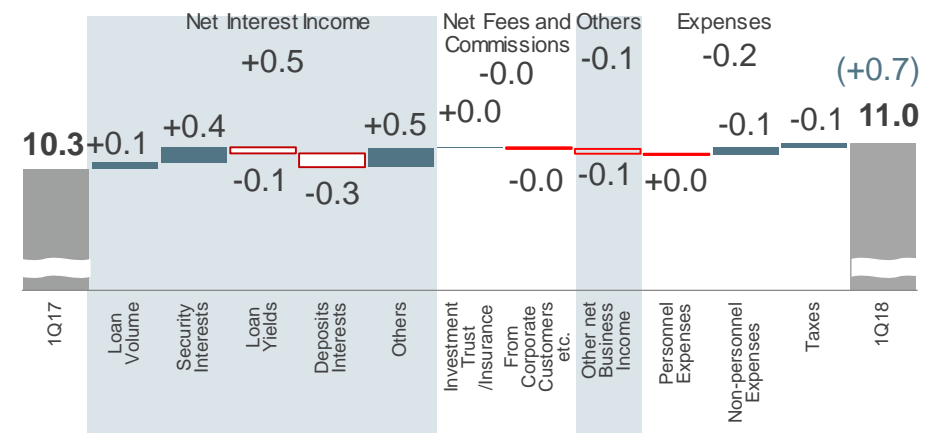
Core net business income on a simple-sum basis of the two banking subsidiaries increased by ¥1.9bn YoY to ¥21.2bn, mainly due to increases in interest income and net fees and commissions

Joyo + Ashikaga

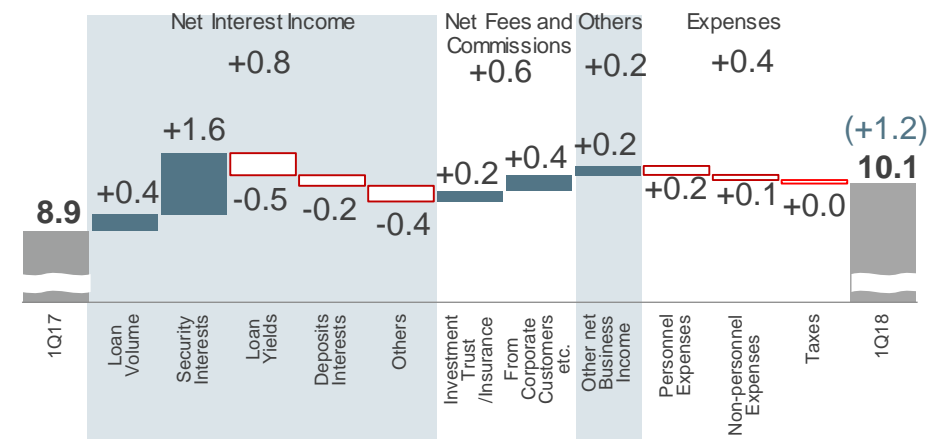
(¥Bn)



Joyo Bank



Ashikaga Bank



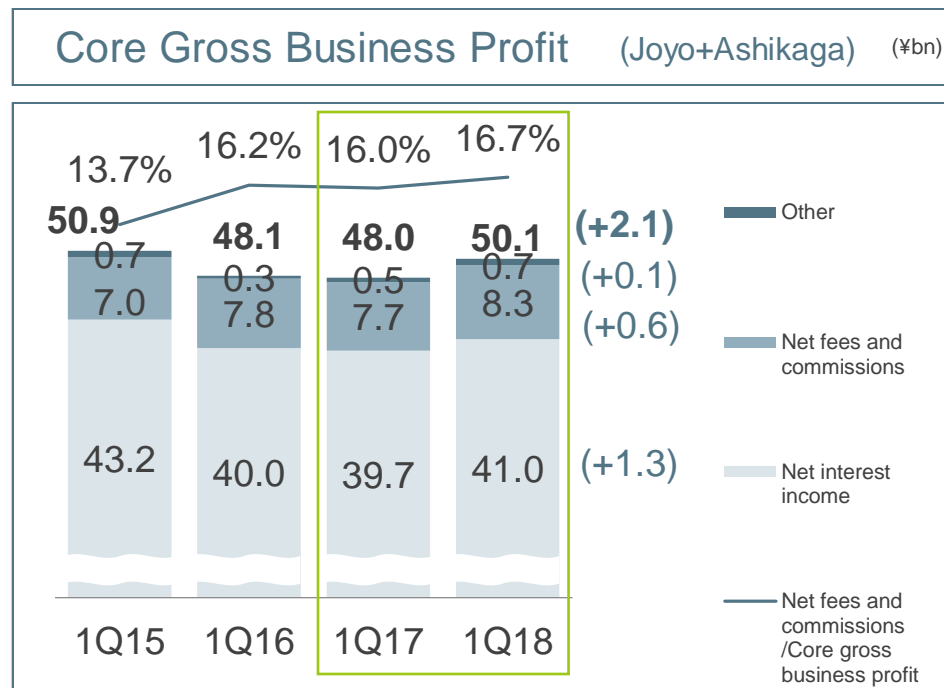
Core Gross Business Profit

(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



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	-

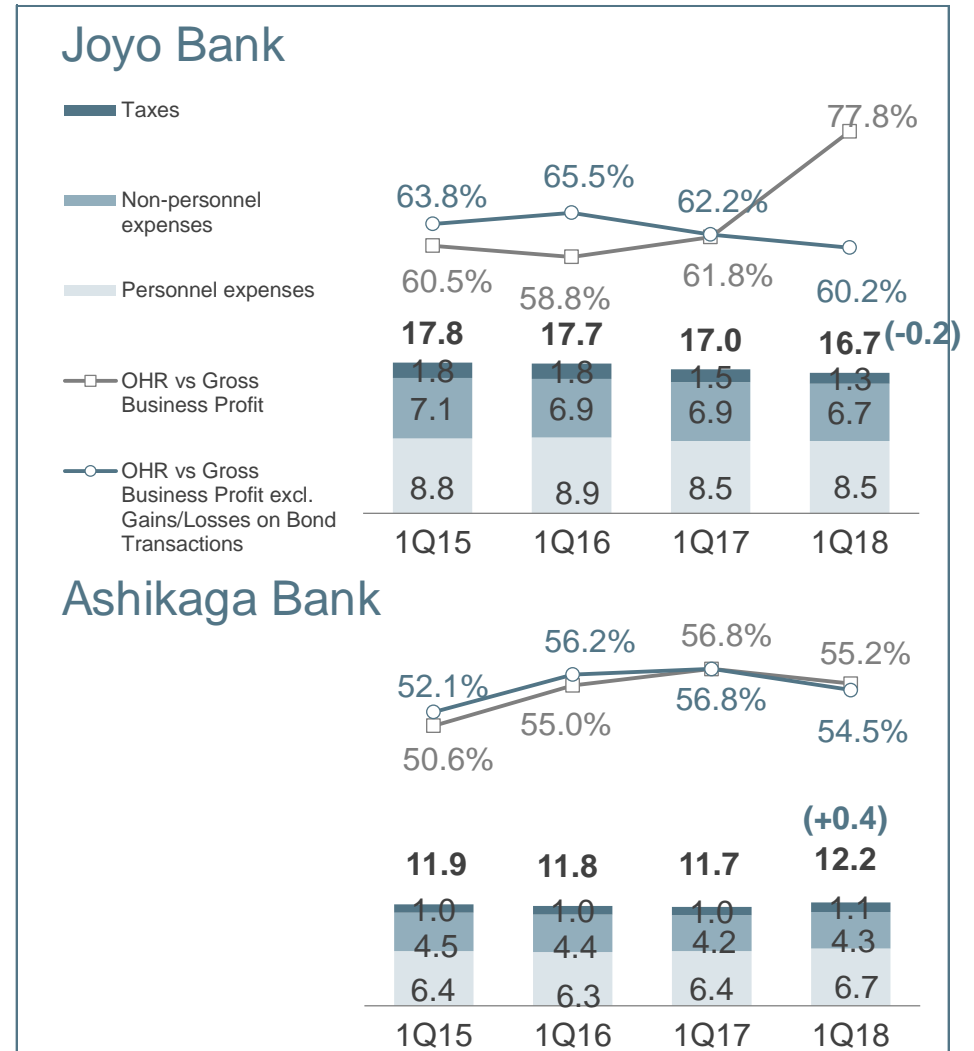
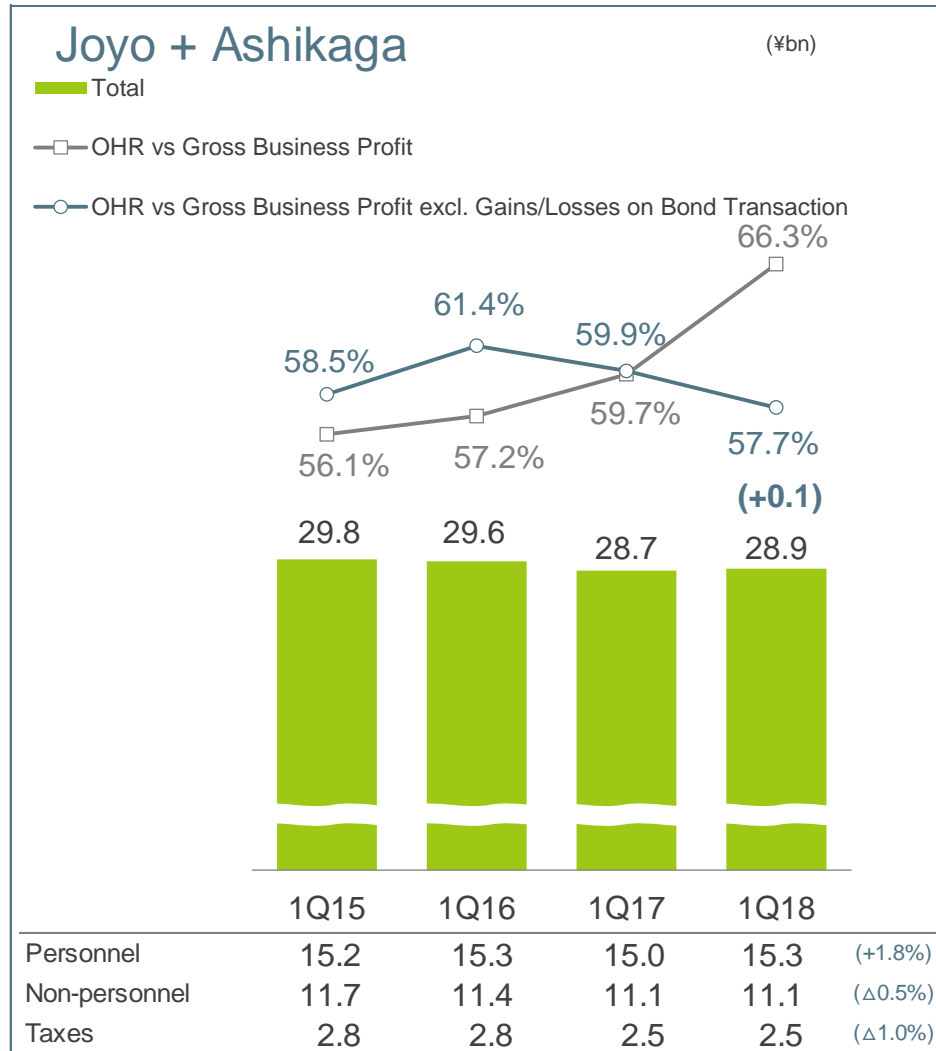
Reference | Gains on Cancellation of Private Offering Investment Trusts among Interests and Dividends on Securities (¥bn)

	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

Expenses / OHR

Expenses increased ¥0.1 bn YoY, mainly due to higher personnel expenses.
OHR improved on a core gross business profit basis.

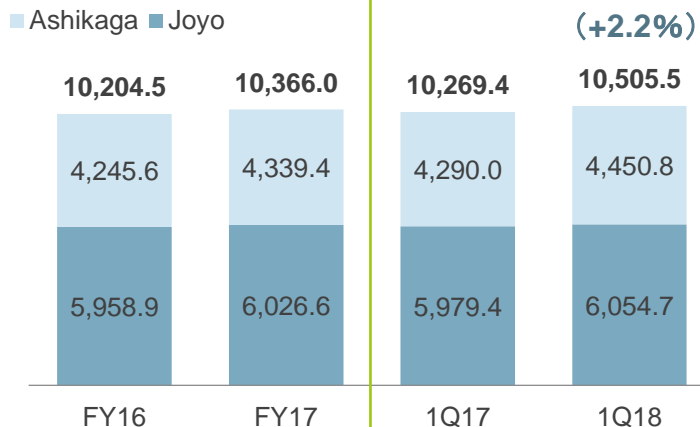
*Simple-sum basis of the two banking subsidiaries



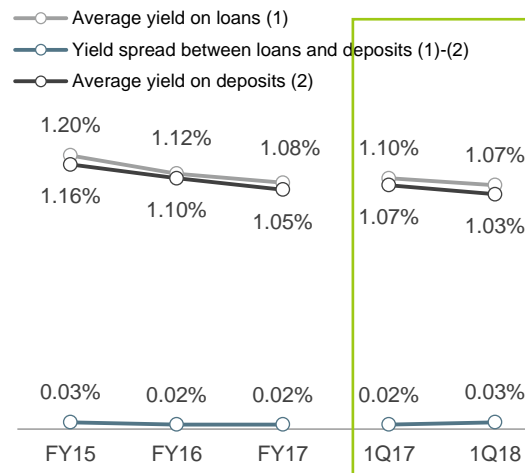
Loans and Deposits (Avg. Balance / Avg. Yield)

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

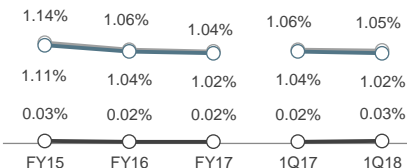
Loans (Avg. Balance / Joyo + Ashikaga) (¥bn)



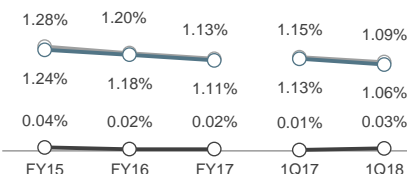
Average Yield (Joyo + Ashikaga)



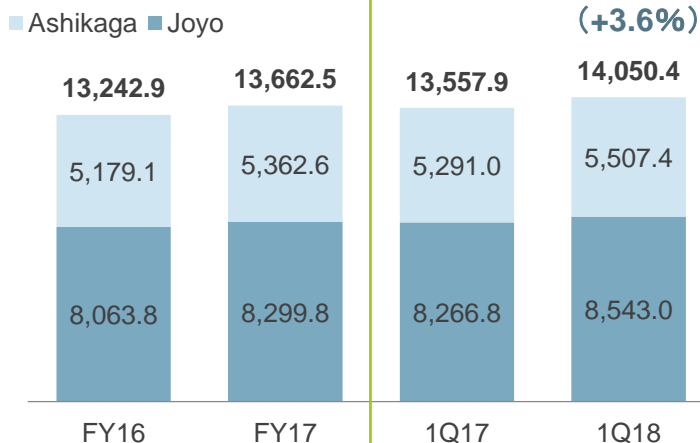
Joyo



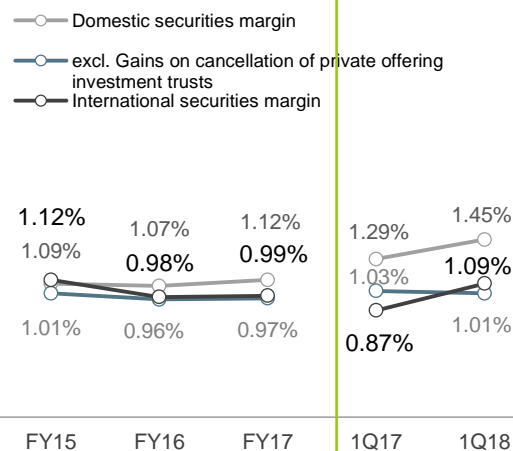
Ashikaga



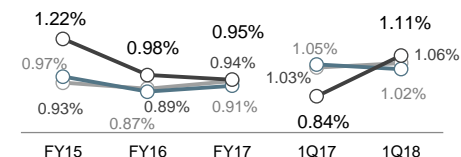
Deposits (Avg. Balance / Joyo + Ashikaga) (¥bn)



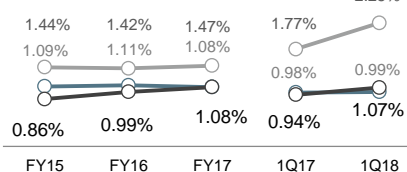
Securities Margin* (Domestic and International/Joyo+Ashikaga)



Joyo



Ashikaga



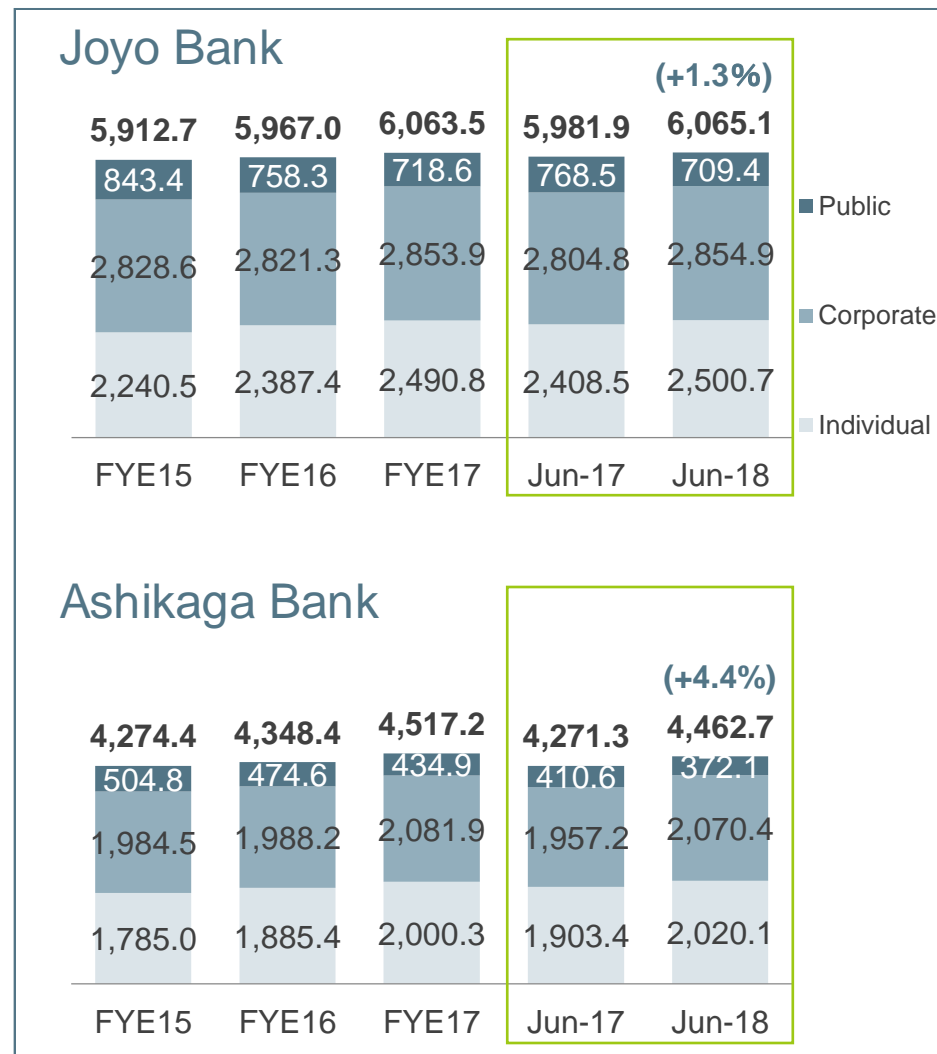
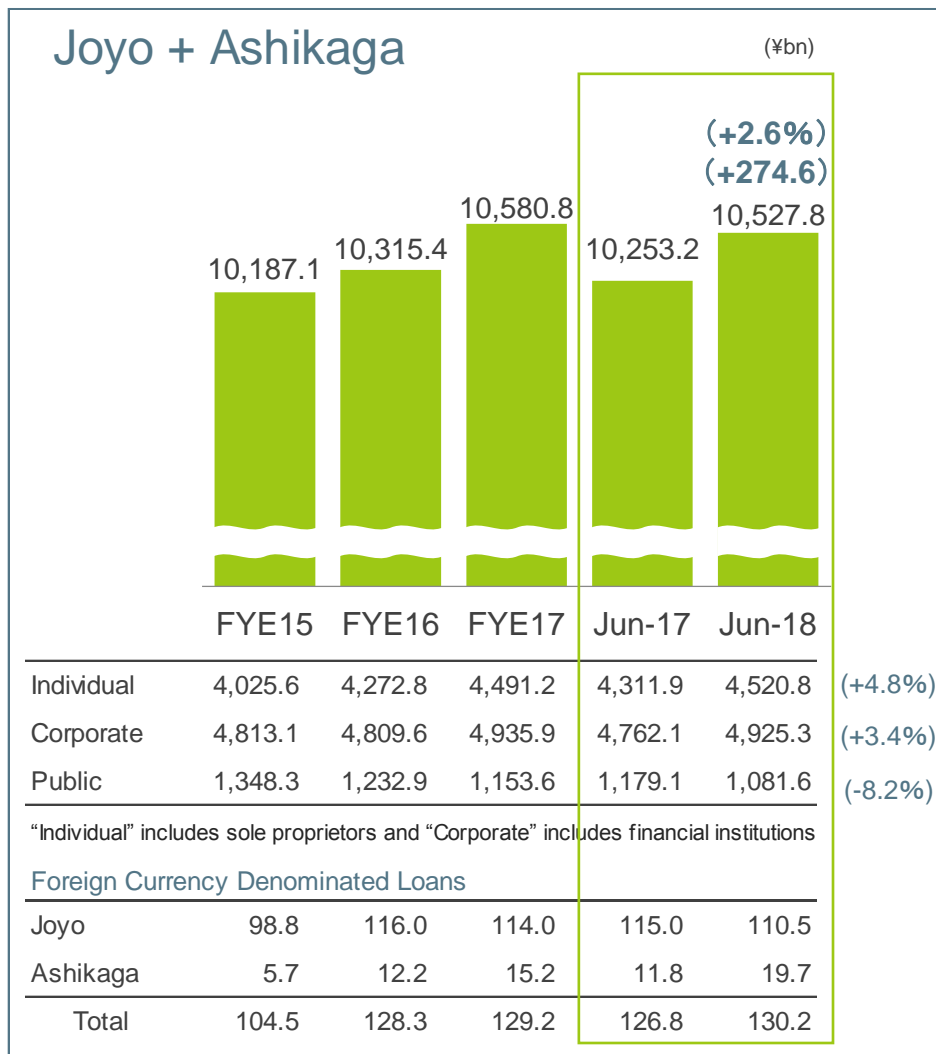
*Securities Margin=(Securities incomes-(Funding costs-Deposit interest)/Avg. securities balance

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



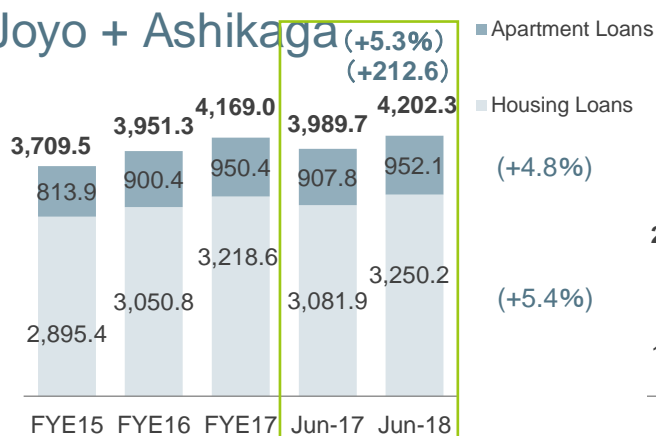
Loans (2) Individual Housing Related / Unsecured

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

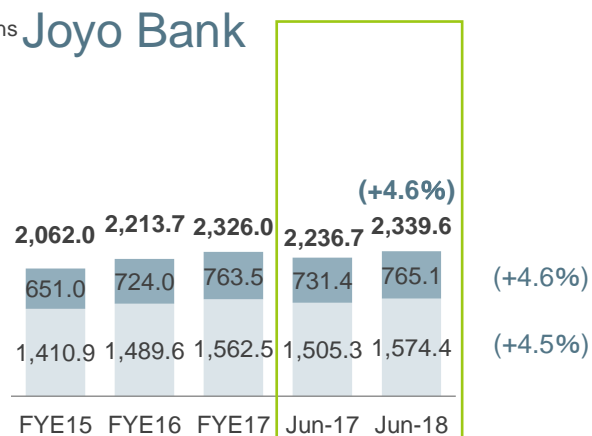
Housing Related Loans Term-end Balance

(¥bn)

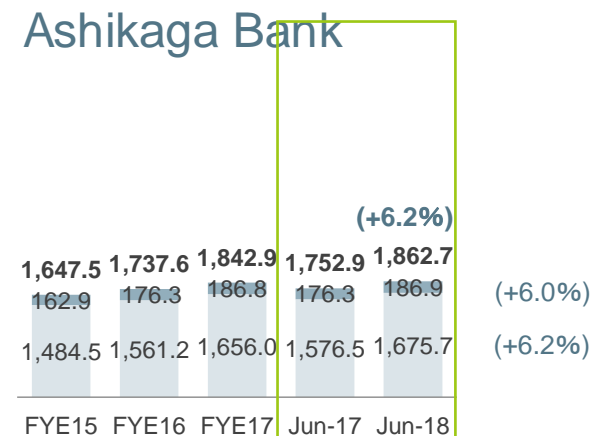
Joyo + Ashikaga



Joyo Bank



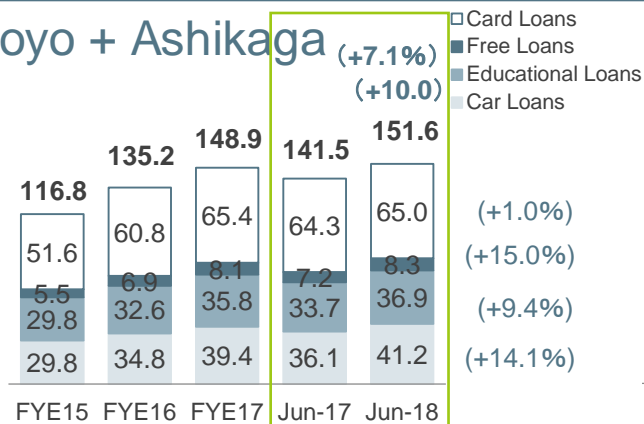
Ashikaga Bank



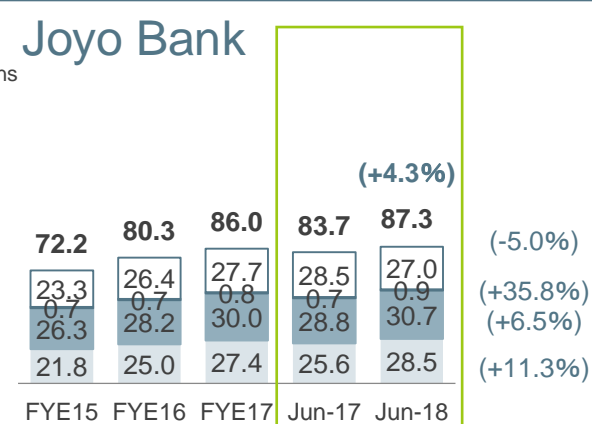
Unsecured Loans Term-end Balance

(¥bn)

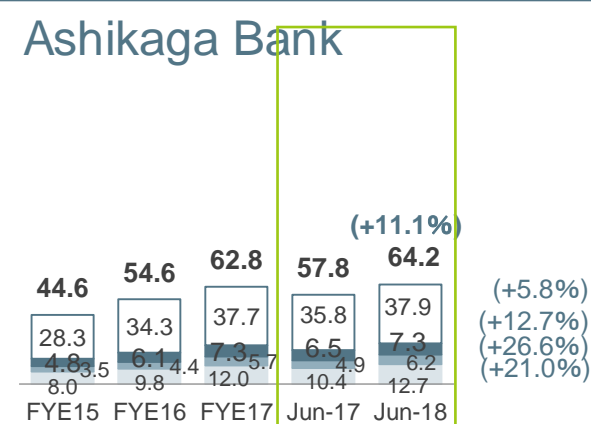
Joyo + Ashikaga



Joyo Bank



Ashikaga Bank



* Credit cards are not included in "Card Loans"

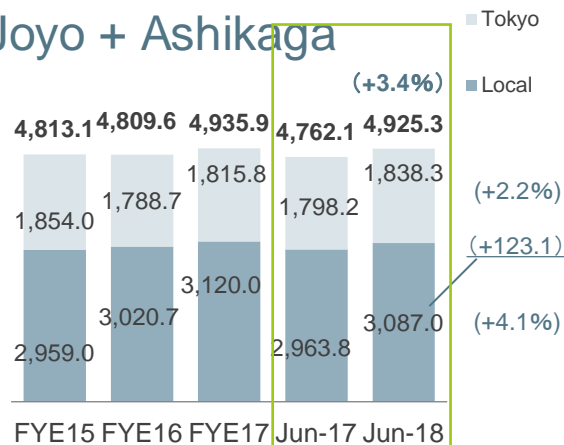
Loans (3) Corporate by Region / Company Size

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

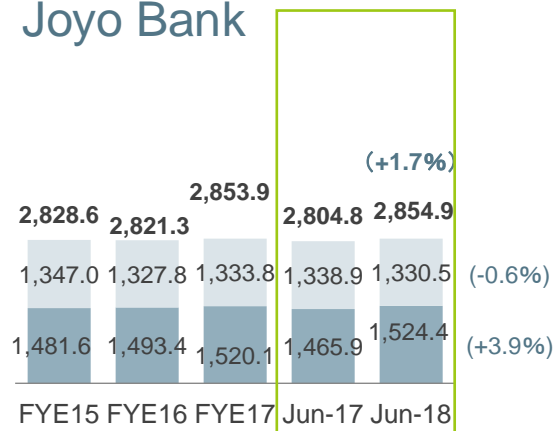
Term-end Balance by Region

(¥bn)

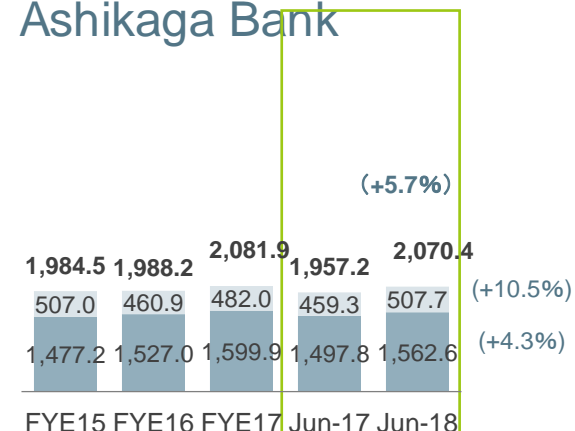
Joyo + Ashikaga



Joyo Bank



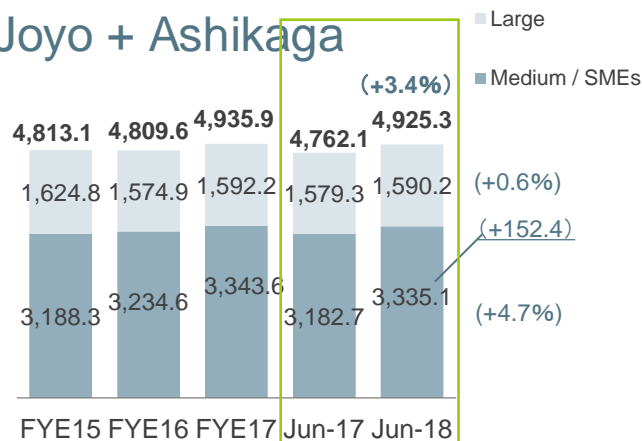
Ashikaga Bank



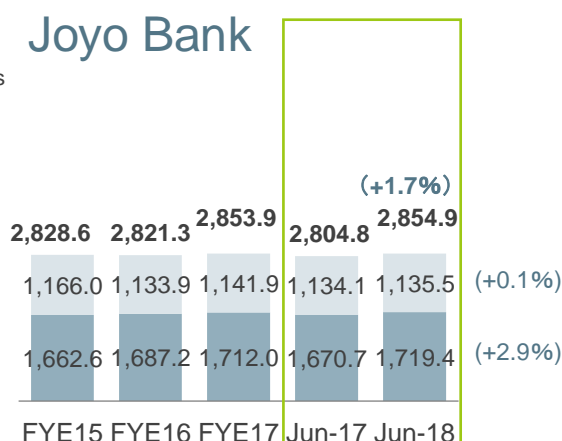
Term-end Balance by Company Size

(¥bn)

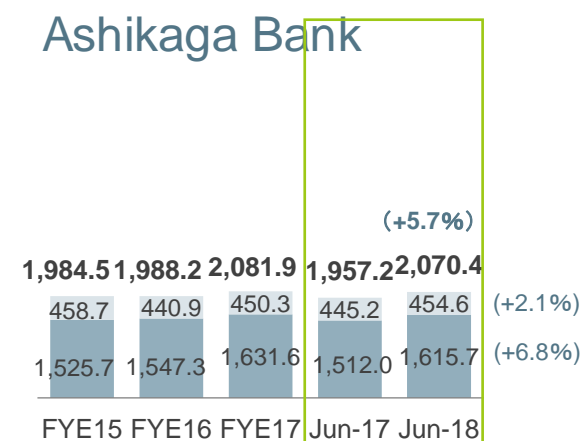
Joyo + Ashikaga



Joyo Bank



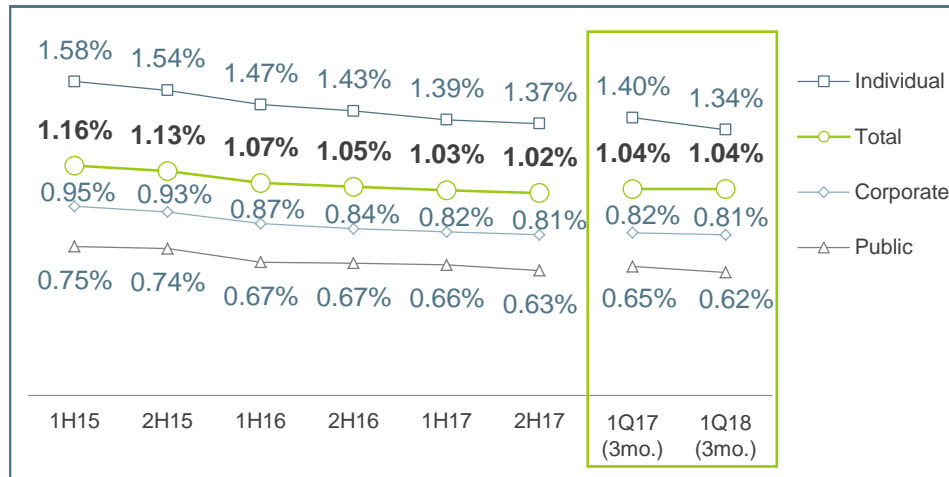
Ashikaga Bank



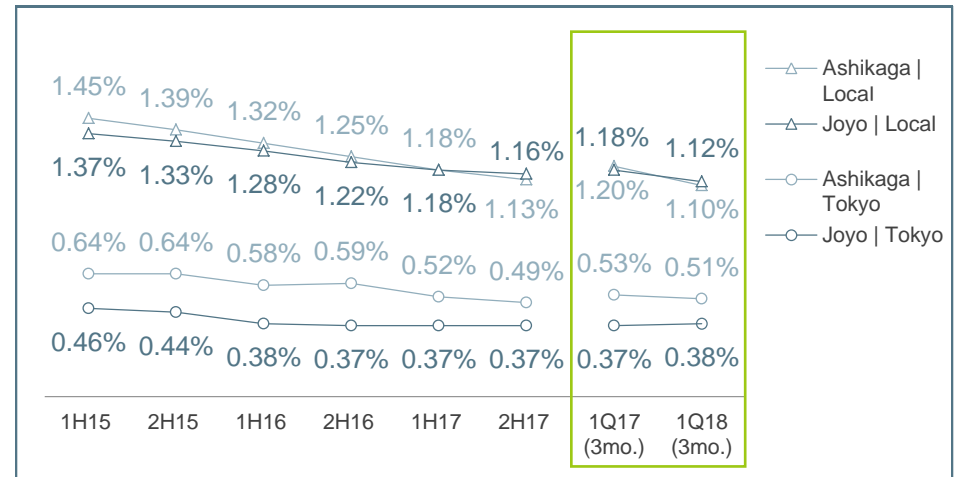
Loans (4) Average Yield

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

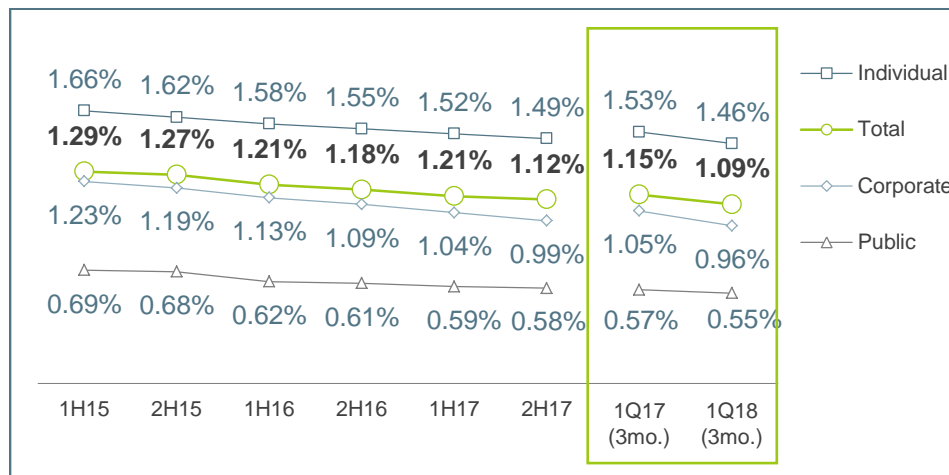
By Borrower Type (Domestic) Joyo



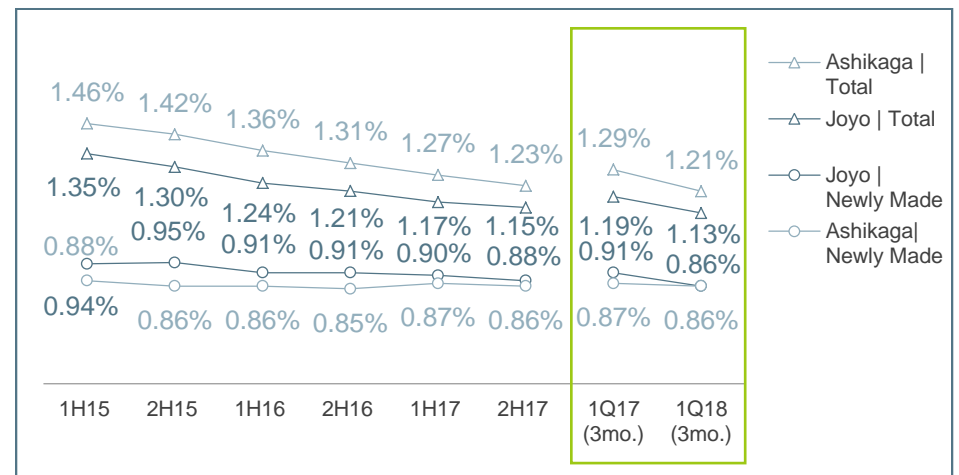
Corporate Loans (by Area)



By Borrower Type (Domestic) Ashikaga



Housing Loans



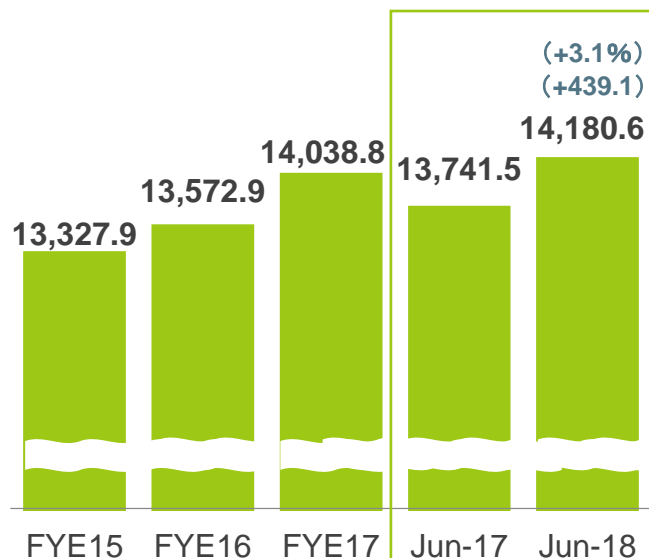
Deposits Term-end Balance

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

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

Joyo + Ashikaga

(¥bn)



	FYE15	FYE16	FYE17	Jun-17	Jun-18	
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%)

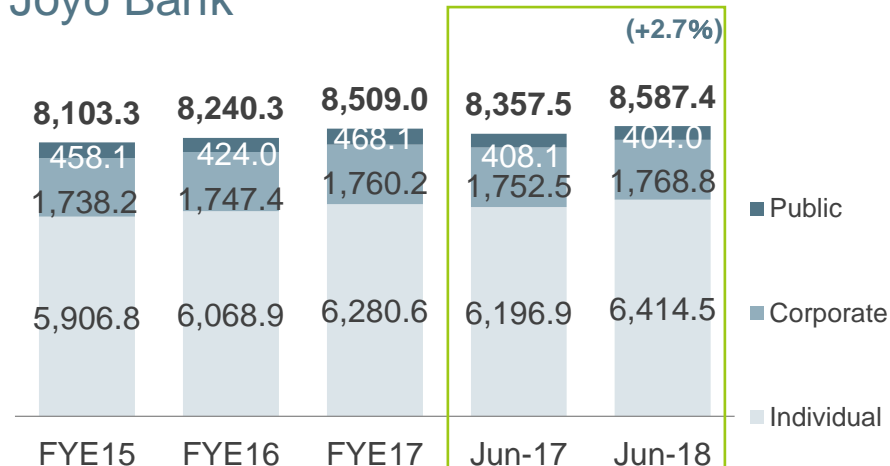
*1 "Corporate" includes financial institutions.

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

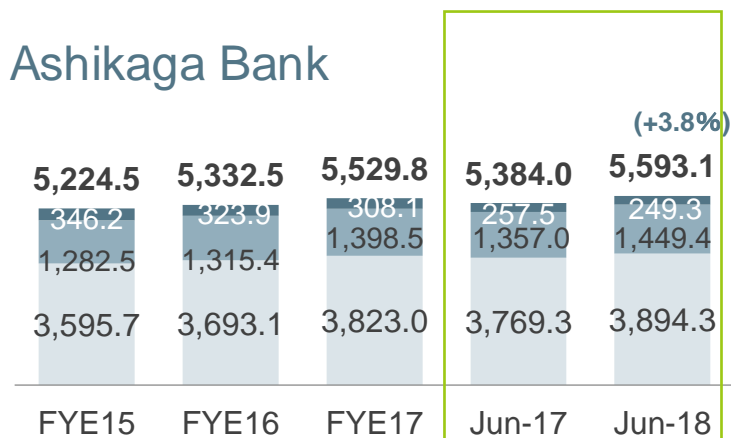
Foreign Currency Deposit

	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

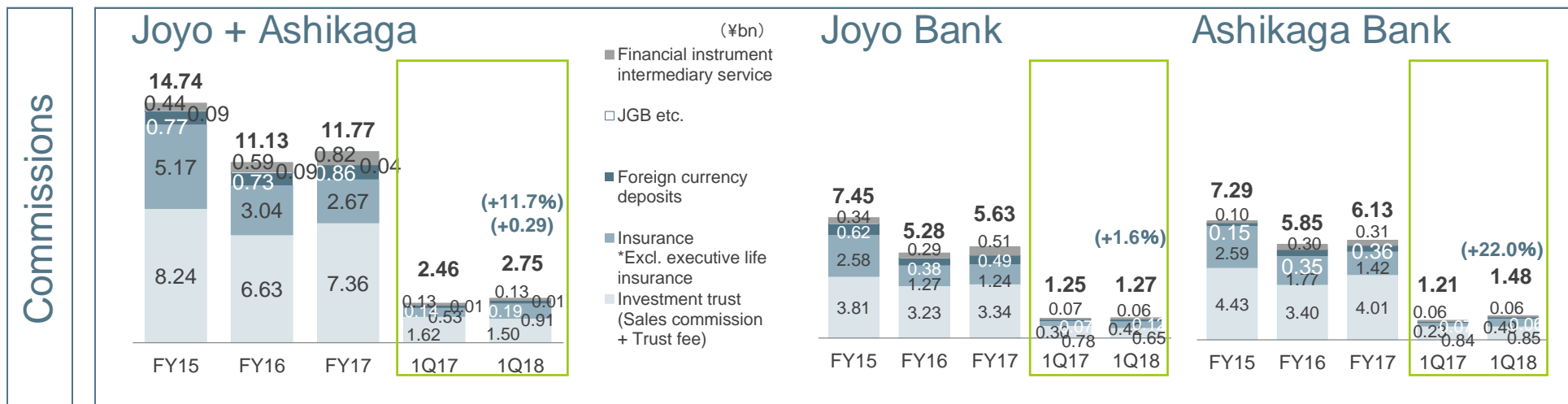
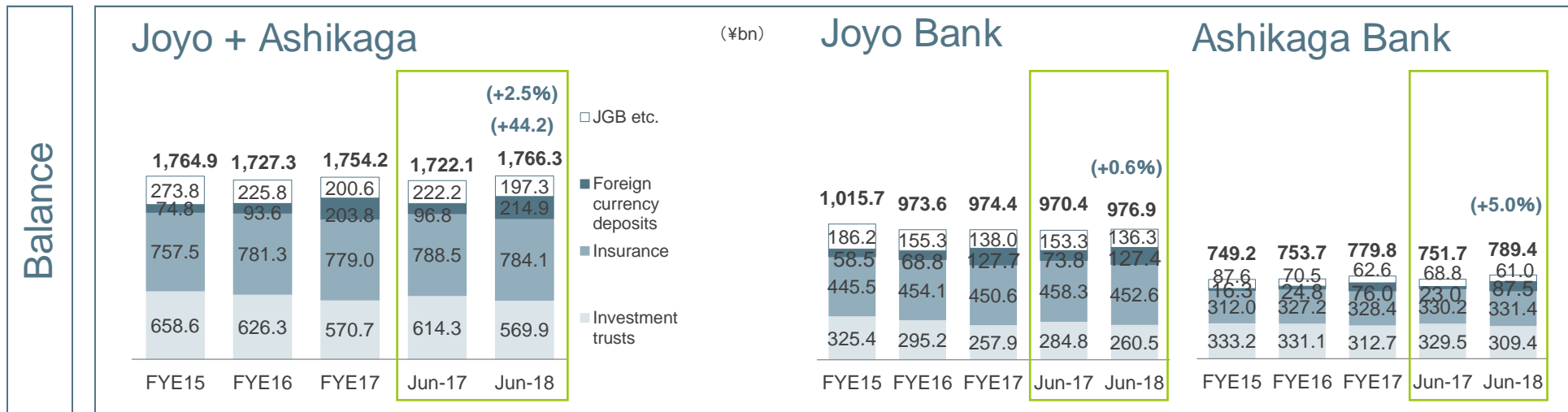


Customer Assets under Custody

*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

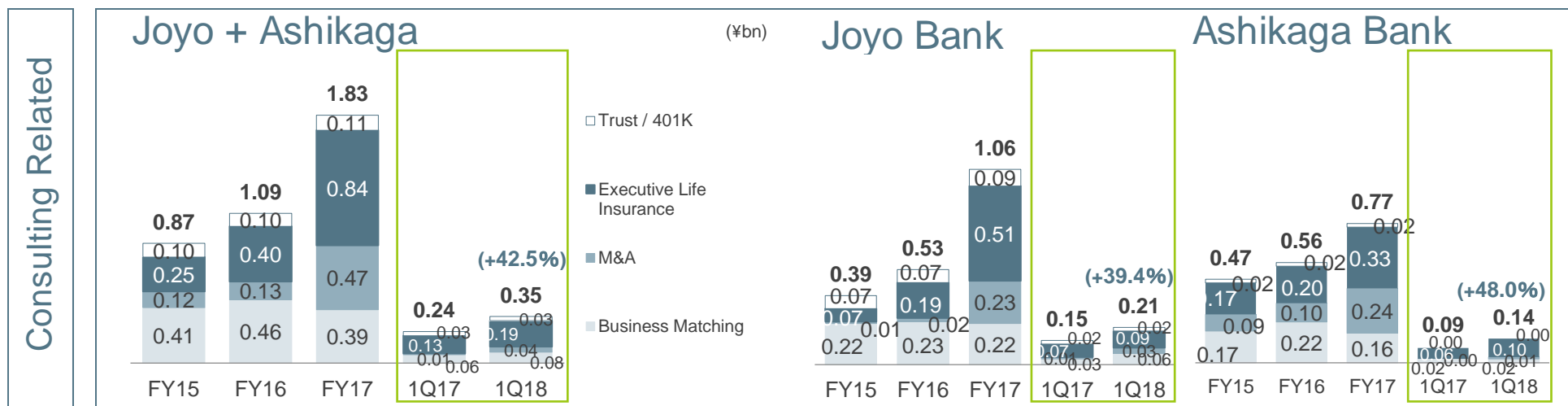
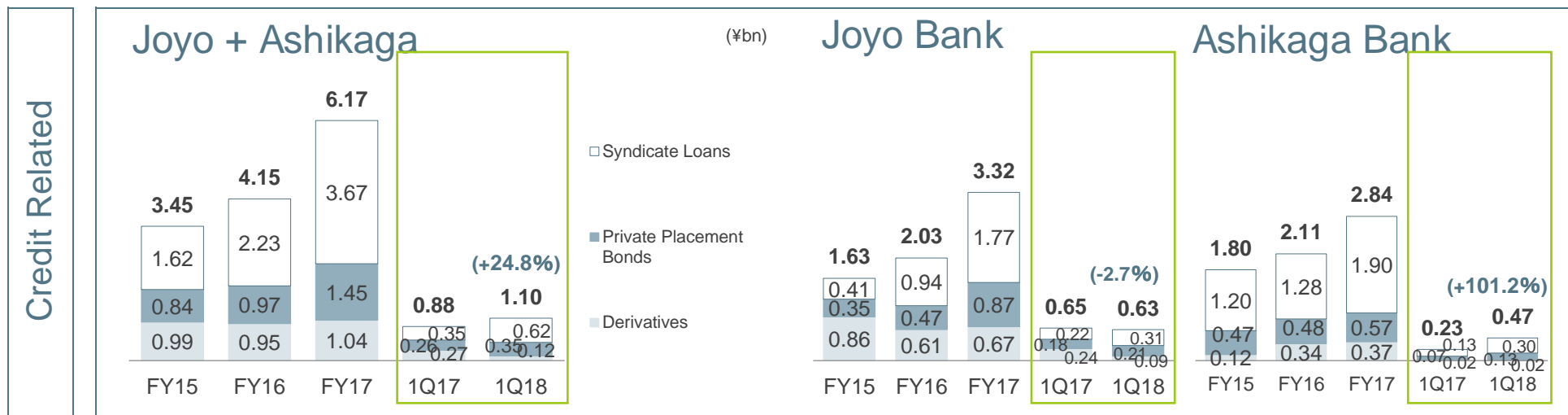


Fees from Corporate Customers

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

Credit related fees increased by 24.8% YOY mainly due to the increase of private placement bonds and syndicate loans

Consulting related fees increased by 42.5% YOY mainly due to the increase of executive life insurance

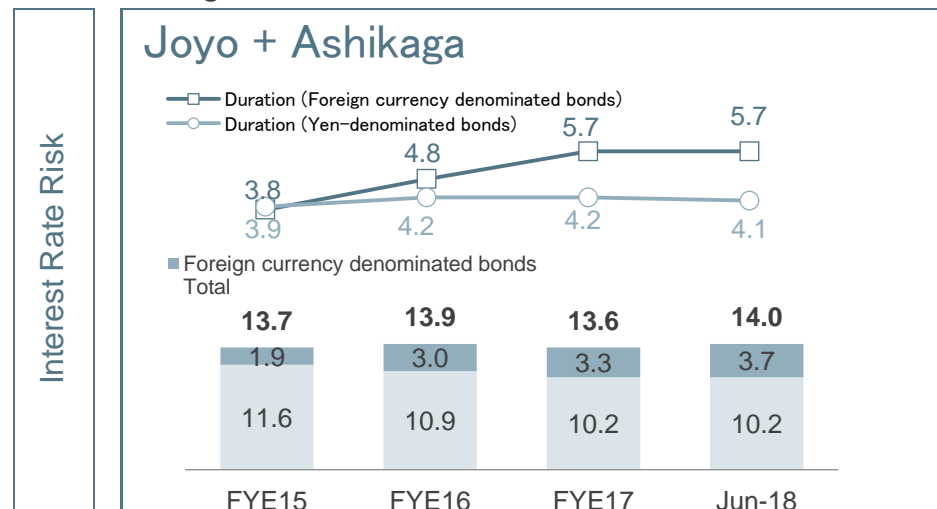
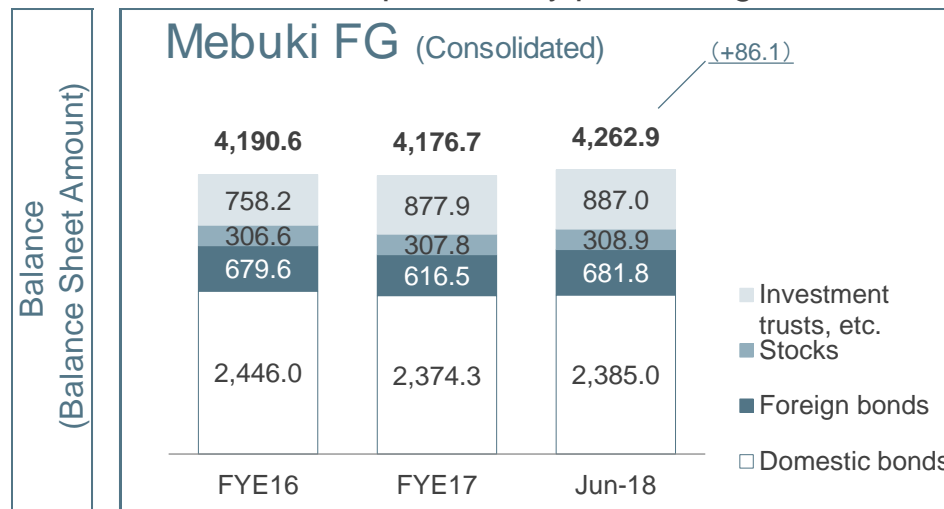


Securities (1)

*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 ¥86.1bn from the end of FY17)

Continue to rebalance portfolio by purchasing investment trusts and foreign bonds

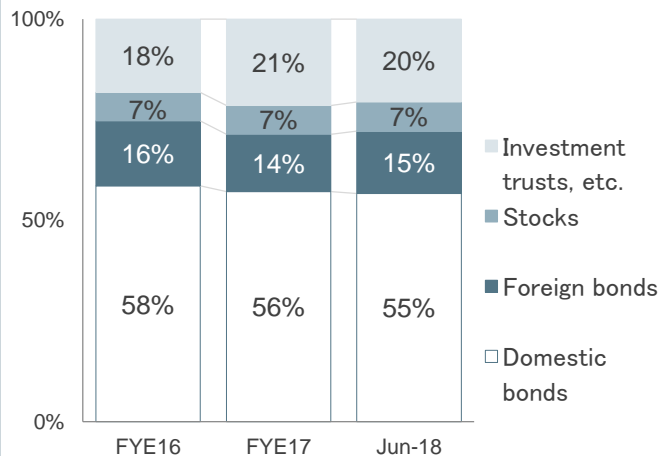


Foreign Bonds / Investment Trusts	Book value as of Jun. 30 2018	J + A	Joyo	Ashi-kaga	Details
		689.9	436.4	253.5	
Foreign Bonds	o/w Gov. Bond, Gov. Guaranteed Bonds, etc.	298.3	246.8	51.4	Invest mainly in gov. bonds, gov. guaranteed bonds
	o/w Corporate Bond	291.3	89.2	202.0	Bonds rated A or above account for more than 90% of total
	o/w Ginnie Mae	23.9	23.9	-	U.S.Government Residential Mortgage Backed Securities(RMBS)
	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

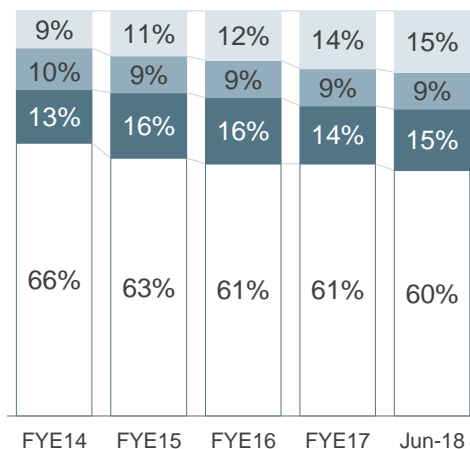
Securities (2)

Portfolio Allocation
(Balance Sheet Amount Basis)

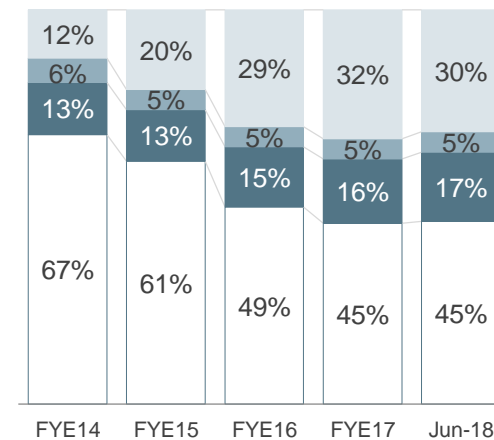
Mebuki FG (Consolidated)



Joyo Bank (Non-Consolidated)

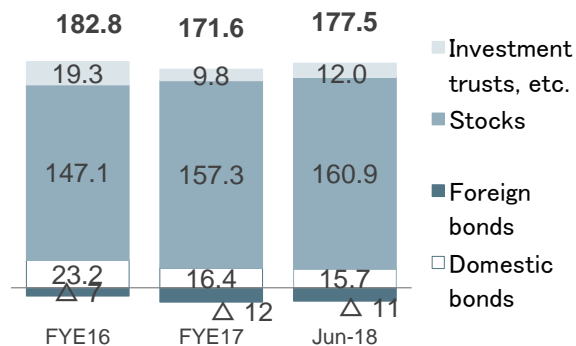


Ashikaga Bank (Non-Consolidated) (¥bn)

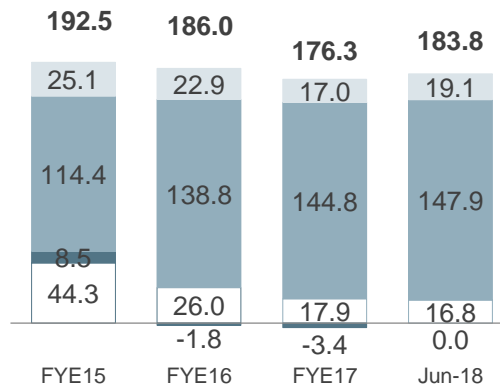


Unrealized Valuation Gains/Losses
on Available for Sale Securities

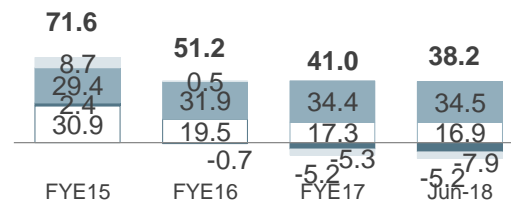
Mebuki FG (Consolidated)



Joyo Bank (Non-Consolidated)



Ashikaga Bank (Non-Consolidated) (¥bn)

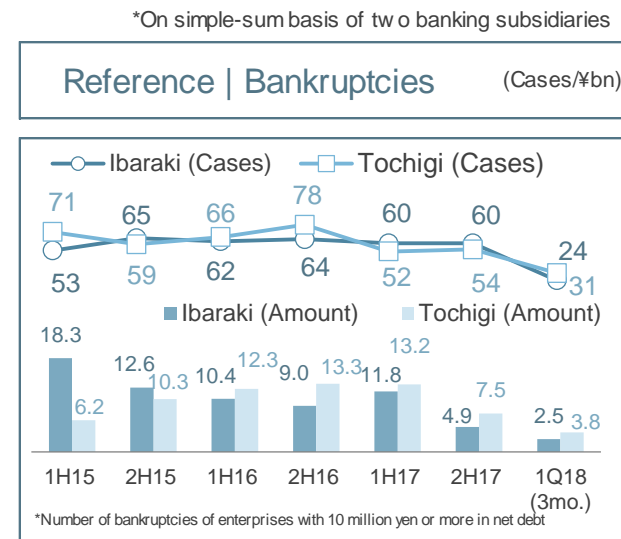
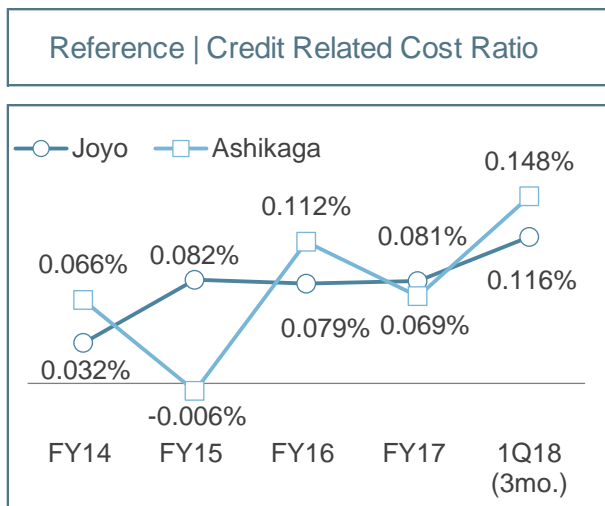
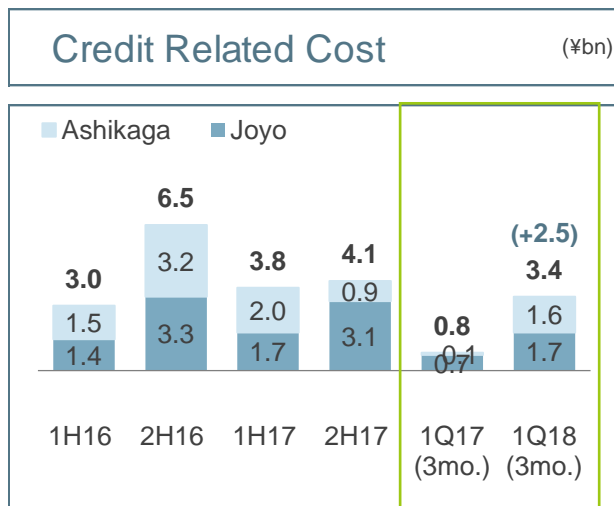


Credit Related Costs / Non-performing Loans

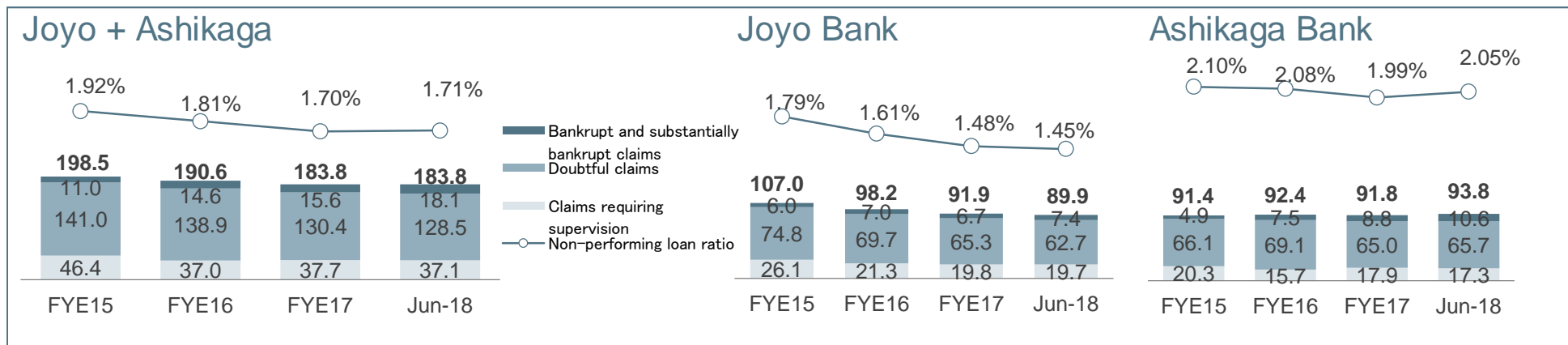
*Figures in parentheses are changes on a year on year basis

Credit related costs* increased by ¥2.5 bn YOY, mainly due to influence of credit rating reduction

Number of bankruptcies has stayed low in Ibaraki and Tochigi Prefecture



Non-performing Loans (Financial Revitalization Law) (¥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	6,756	+813	-11	-190	-25	-131	
	Mebuki Securities	Dealing of securities, mediation, commission and substitution of trading of securities	675	+65	227	+44	156	+30	
Joyo Bank	Sales	The Joyo Computer Service	Sale of software and contracting of calculating business	295	+0	-17	+6	-10	+4
		The Joyo Industrial Research Institute	Consulting, investigation and research	160	+15	38	+20	25	+12
	Business Operation	The Joyo Credit Guarantee	Credit guarantee of housing loans	973	+7	409	-104	269	-65
		The Joyo Credit	Credit card services	309	+5	48	+6	37	+5
		The Joyo Business Service	Agent in charge of administrative work for Joyo Bank	188	-16	1	+0	0	+0
		The Joyo Cash Service	Maintenance and management of Joyo Bank's ATMs and CDs	235	-30	0	-0	0	-0
		The Joyo Equipment Management	Maintenance and management of operational properties and equipment of Joyo Bank	246	+6	77	+18	51	+22
Total			2,408	-11	558	-53	375	-22	
Ashikaga Bank	Ashikaga Credit Guarantee	Credit guarantee of housing loans	854	-120	529	+22	347	+10	
	Ashigin Research Institute	Consulting, investigation and research	130	+4	-7	+5	-1	+7	
	Ashigin Card	Credit card services	336	-114	6	-139	3	-80	
	Total			1,320	-230	528	-111	349	-61
Non-banking Subsidiaries' Total			11,160	+636	1,303	-310	855	-185	

Forecast for FY2018

We are projecting a decrease in net interest income, increases in net fees and commissions from consulting services related to business potential assessment and customers' asset building, a decrease in credit related costs, and so forth.

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)

	1Q18 Results	FY18 Forecast	vs Forecast	
Ordinary Profit	19.0	65.0	+29.2%	
Net Income (Attributable to owners of the parent)	13.4	45.0	+29.9%	
ROE	TSE basis * ¹	6.0%	5.0%	-
	Based on total shareholders' equity * ²	7.1%	5.8%	-

*¹ ROE(TSE basis)

= Net Income^{*Attributable to owners of the parent} ÷ Total Net Asset

*² ROE(Based on total shareholders' equity)

= Net Income^{*Attributable to owners of the parent} ÷ Total Shareholders' Equity

Joyo (Non-consolidated)

Ashikaga (Non-consolidated)

	1Q18 Results	FY18 Forecast	vs Forecast	1Q18 Results	FY18 Forecast	vs Forecast	
Core Net Business Income	11.0	37.5	+29.4%	10.1	31.0	+32.8%	
Ordinary Profit	12.4	38.5	+32.3%	7.1	27.5	+26.0%	
Net Income	8.9	26.5	+33.6%	16.9	31.0 ^{*3}	+54.6%	
ROE	TSE basis	5.9%	4.3%	-	20.7% ^{*4}	9.3%	-
	Based on total shareholders' equity	7.6%	5.6%	-	22.7% ^{*5}	10.2%	-

*³ Dividend income of ¥12.0bn from a subsidiary is recognized in extraordinary income.

*^{4,5} ROE that are calculated excluding dividend from a subsidiary are 6.1% on TSE basis (*⁴) and 6.7% on shareholder's

J + A (Non-consolidated)

	1Q18 Results	FY18 Forecast	vs Forecast
Ordinary Profit	19.6	66.0	+29.7%
Net Income	25.8	57.5	+44.9%

Non-banking Subsidiaries

	1Q18 Results	FY18 Forecast	vs Forecast
Ordinary Profit	1.3	7.0	+18.6%
Net Income	0.8	4.5	+19.0%

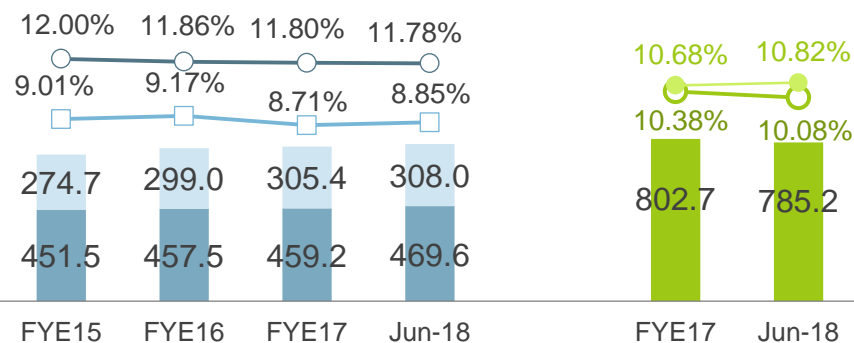
Consolidation Adjustment

	-13.2bn
Dividend Income from a subsidiary (Ashikaga)	-12.0bn
Adjustment related to securities	-1.0bn

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 Temporary Measure (consolidated)

	FYE15	FYE16	FYE17	Jun-18
Mebuki FG	-	9.49%	9.48%	9.54%
Joyo	11.17%	11.52%	11.57%	11.55%
Ashikaga	8.77%	9.00%	8.62%	8.76%

Shareholder Return

Dividend

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

	Annual		Interim		Term-end	
	Amount	Status	Amount	Status	Amount	Status
FY17	¥11.0		¥5.5		¥5.5	
FY18	¥11.0	Scheduled	¥5.5	Scheduled	¥5.5	Scheduled

Purchase of Treasury Stocks

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

Number of shares acquired | 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
5,000 shares or more and less than 10,000 shares	Equivalent to 4,000 yen	specialty products from Ibaraki Prefecture and
10,000 shares or more	Equivalent to 6,000 yen	Tochigi Prefecture *

*The number of items for FY17 is 488

Integration Synergy Results and Forecast

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

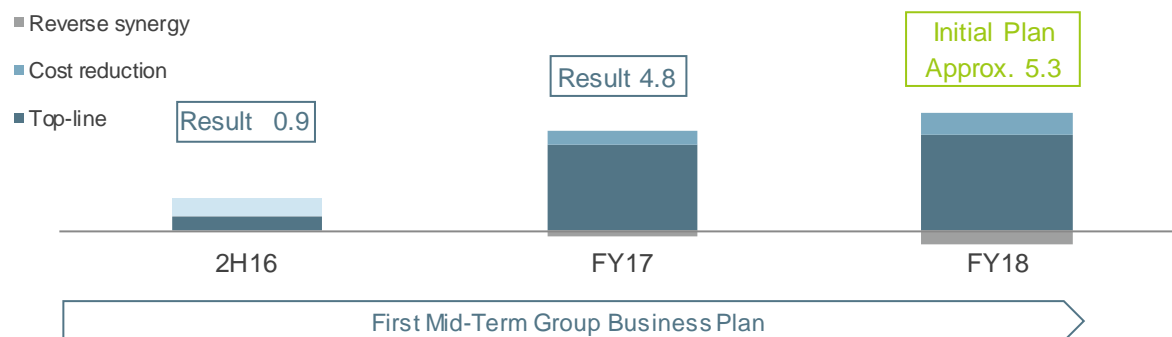
Synergy Effects on the Statement of Income (before Tax)

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

FY18 (1Q Results / Forecast)

*Figures are on a single year basis

(¥bn)



Items	FY18 Forecast	1Q 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	2.01	0.44	21.8%	• Joint development of online application housing loans, Joint sales of housing loans for women
Financial assets under custody	1.04	0.18	17.3%	• Share sales promotion know-how • Utilization of Mebuki Securities
Securities	1.23	0.43	34.9%	• 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%	• 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%	• 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	—	• Lower transfer fee between both banks to the inter-branch rate • System migration expenses
Total	5.34	1.78	33.3%	

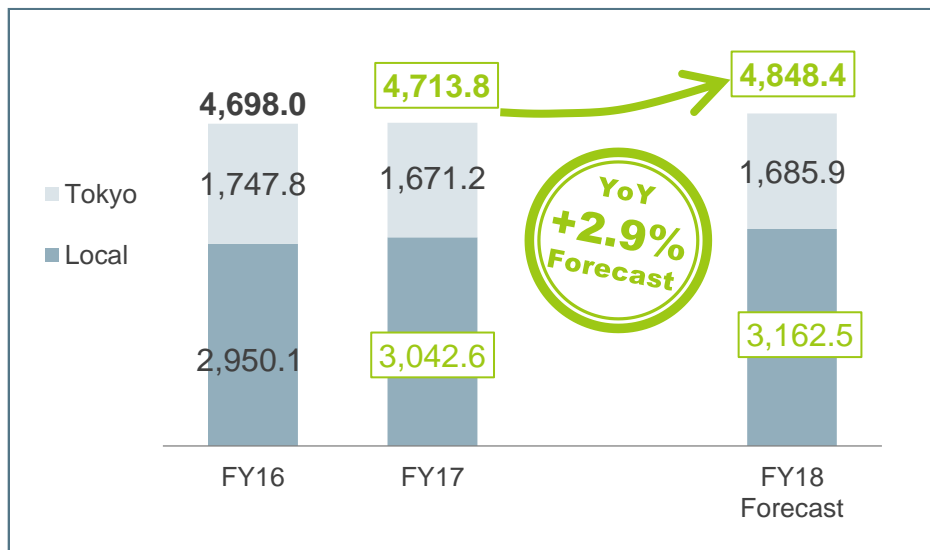
Measures for Corporate Customers

Develop and provide advanced financial services that use IT and cross-industry collaboration to meet the diverse needs of customers at every stage of their business, from startup and growth to maturity and succession

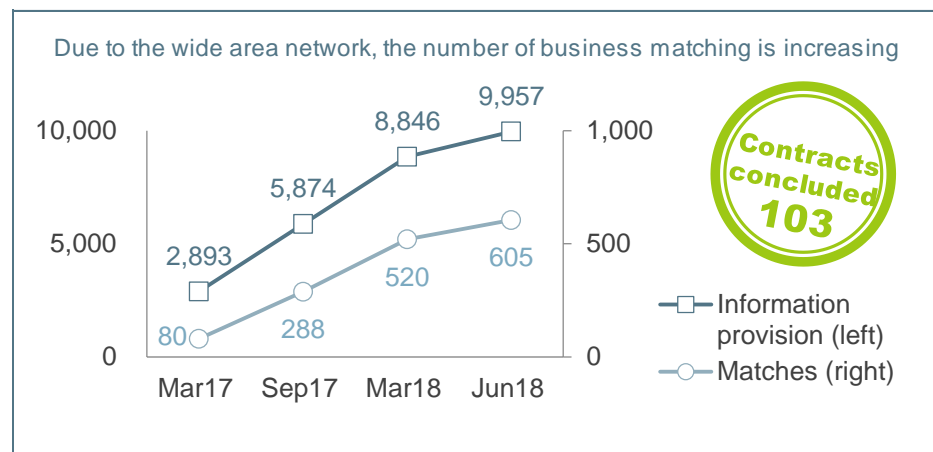
	Strengths of Joyo	Strengths of Ashikaga	Benefits of business integration	Improvement of services
1 Loans	Comprehensive financial solutions incl. lease	Expertise in providing solutions	Improved capability for handling projects through joint arrangements	Wide range of convenient financing services
	Technical assessment	Support for corporate revitalization	Enhanced expertise in promotion methods, credit screening, etc. Group use of leasing subsidiary	
Asset sales	Use of securities subsidiary	Corporate insurance sales capabilities	Use of securities subsidiary for an expanded product lineup	Appropriate asset formation for stable business management and growth
2 Startup support	Special products for entrepreneurs	Wealth of contacts with major corporations, universities, research institutions, etc.	Enhanced expertise in start up support	Increased opportunities for collaboration and startup support services that makes full use of local resources
	Coordination and technical assessment of local companies		Customer base of manufacturing companies	
4 Consulting	Business matching, support for overseas expansion	Wealth of contacts in the tourism industry	More opportunities for collaboration with universities, research institutions, etc.	Sales channel expansion and merchandise procurement in line with the customers' growth vision
	Expertise in supporting in agricultural businesses		Better coordination capabilities, manufacturing technology assessment capabilities, and increased accuracy and rate of matching	
1 Shared services	Customer base (high regional shares)	High quality payment collection system	Enhanced consulting functions : Educational content for corporations, support for IT initiatives, administrative rationalization, etc.	Developing rational and efficient indirect operations, etc. according to the stage of growth
	Occupational networks			
3 Business succession and M&A	Collaboration networks with experts		Expanded services for business succession	Facilitating well-planned business succession
	Volume of potential information collection		Enhanced M&A functions and intragroup matching	
Settlement	High level of product development capabilities	Customization capabilities to meet customer needs	Using increased settlement data, etc. to provide a wide range of settlement services	Wide range of convenient settlement services

Engage in wide-area business matching using the network of the two banks' main customers (about 30 thousand)

Enhancement of Loans to Corporate Customers (Avg.) (¥bn)



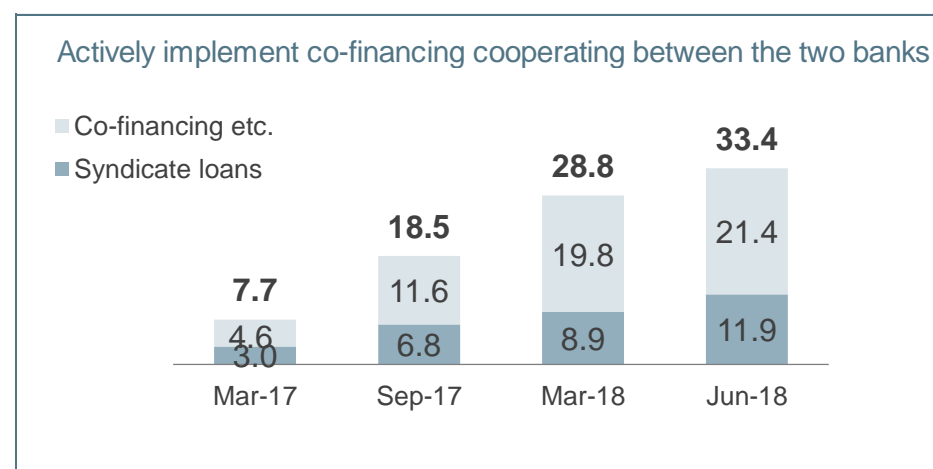
Wide-area Business Matching (accumulative number)



Measures for loans to corporate customers

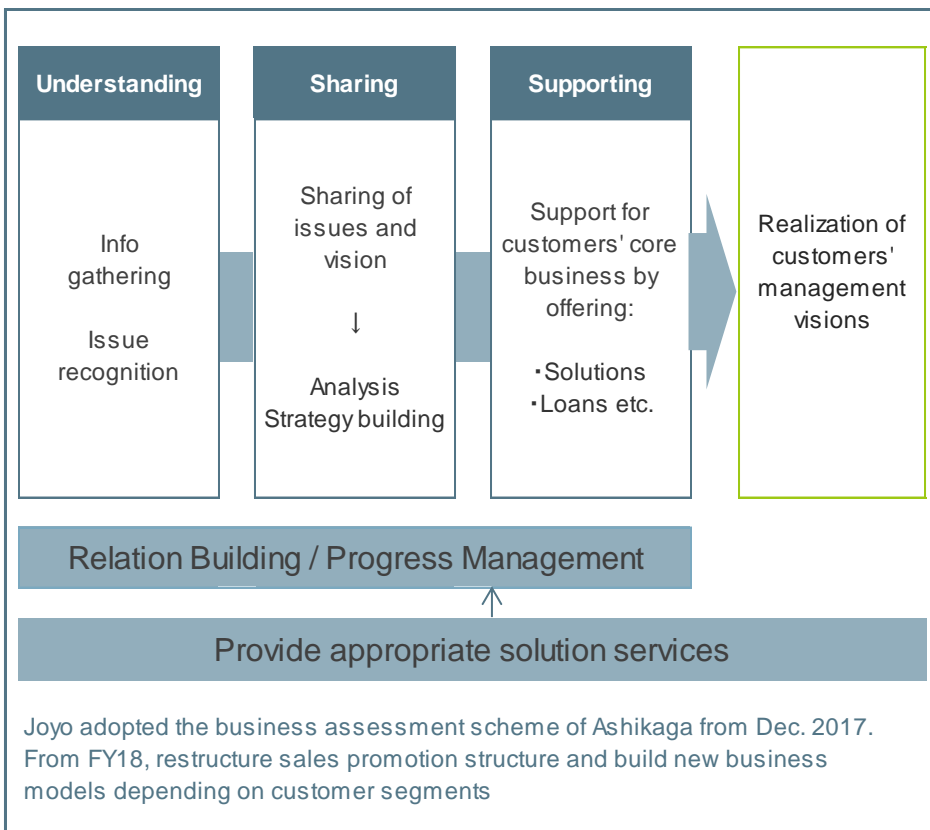
- Wide-area business matching based on accurate and fresh information
- Enhance co-finance and cooperation between the two banks
- Enhance consulting capabilities related to business assessment, business succession, and so forth
- Sales promotion based on redefined customer segment
- Enhance structured finance, and cross-border loans by broadening target market
- Actively meet financial needs of growth industries

Co-financing (Accumulated amount of loans made) (¥bn)



Provide appropriate solution services, properly value business and growth potential through business assessment

Business Assessment



Potential customers for business assessment

Joyo	Approx. 2,000 (by the end of FY19)
Ashikaga	Approx. 5,000 (by the end of FY21)

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

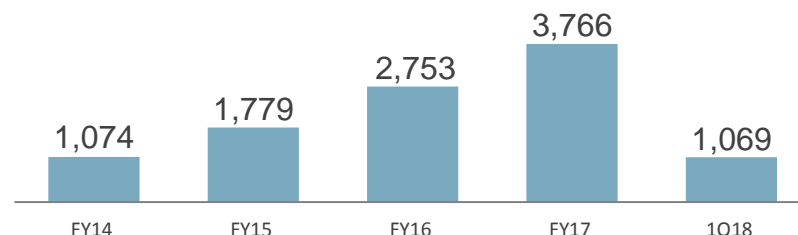


Succession by relatives

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

Fees from Corporate Customers

Keep fees at high levels by strengthening ties with relationship banking customers and enhancing consulting-based sales promotion

Enhancement of Consulting Services

Fees and Commissions from Corporate Customers (¥bn)

Enhance consulting service based on business assessment etc

Consulting related measures

(Business matching / Support for business succession / M&A support / Executive life insurance etc.)

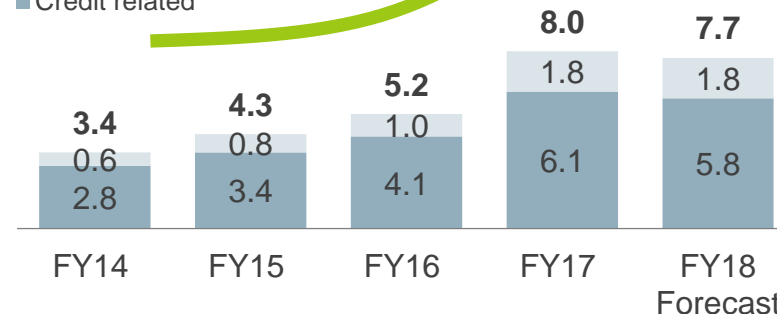
Credit related measures

(Private placement bonds / Syndicate loans / Leasing / Foreign exchange / Derivatives etc.)

Become customers' main bank by providing total financial support

||
Increase in net fees and commissions

■ Consulting related
■ Credit related



* Figures are on management accounting basis. Refer page 14 for detailed information

Newly Set Fees ^{*incl. some fees from individual customers}

Measures

Private placement bonds | Promote those with donation scheme

Syndicate loans | Unify contacts for customers, refinancing, large scale projects

ABL | Actively avoid lending overly dependent on collateral and guarantees

M&A | Support business succession, protect employee jobs, and keep local economy secure

— Provide solution service related to capital investment, securing personnel, and improvement of operational efficiency —

Items

Outline

Credit related fees

ABL handling fee
Loan covenants fee etc.

Housing loan handling fees

Housing loan refinance fee
(web application)

Total

1Q18 ¥0.4bn⁺

Increase fees through suspending reduction of credit related fees

Approach to Regional Revitalization

Measures for Corporate Customers

① ② ③ ④

Actively develop various events aimed at revitalizing the regional economy

Food Business Meeting



常陽銀行 足利銀行 MEBUKI
北関東で最大級！
地域のあじしい食材大集合！

めぶき
食の
商談会
MEBUKI Food Business Meeting

2018 In つくば

展示と予約の参加者募集！
有料 無料

平成30年1月25日①
10:00-16:00
つくば国際会議場

Held food-related business meeting to expand sales channels, support food procurement, and exchange participants

Exhibiting companies 240
Participants 3,100
Number of reserved negotiations 610

Manufacturing Business Forum



常陽銀行 足利銀行 MEBUKI
2018
技術商談会
2月20日①
10:00-17:00開場 9:00
つくば国際会議場
北関東で最大級！

すべての参加企業に貴社の技術を
売り込むチャンスです。ぜひご参加を！

【技術提案書】
技術提案書の提出は、
2017年度から開始し、
2018年度は、
北関東で最大級！
850名 390名
2,000名 314名

【ものづくり】の特産品展示ブースが盛りだくさん！

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

Conducted reserved negotiations and panel exhibitions using prepared technical proposals

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

Mebuki Business Award



MEBUKI
そのビジネスアイデアが、金の卵。

2ND MEBUKI BUSINESS AWARD
第2回 めぶきビジネスアワード

応募期間
2018.11.20まで
↓
2019.1.31まで

最優秀賞 300万円
優秀賞 100万円

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" and "Prefectural Governor Award"

Second screening (in late May)

Applicants | 637 / Prize winners | 30

Mebuki Regional Revitalization Fund (from Nov. 2016)



Fund Size
¥4.0bn

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

Invest in local SMEs that contribute to the development of local economies

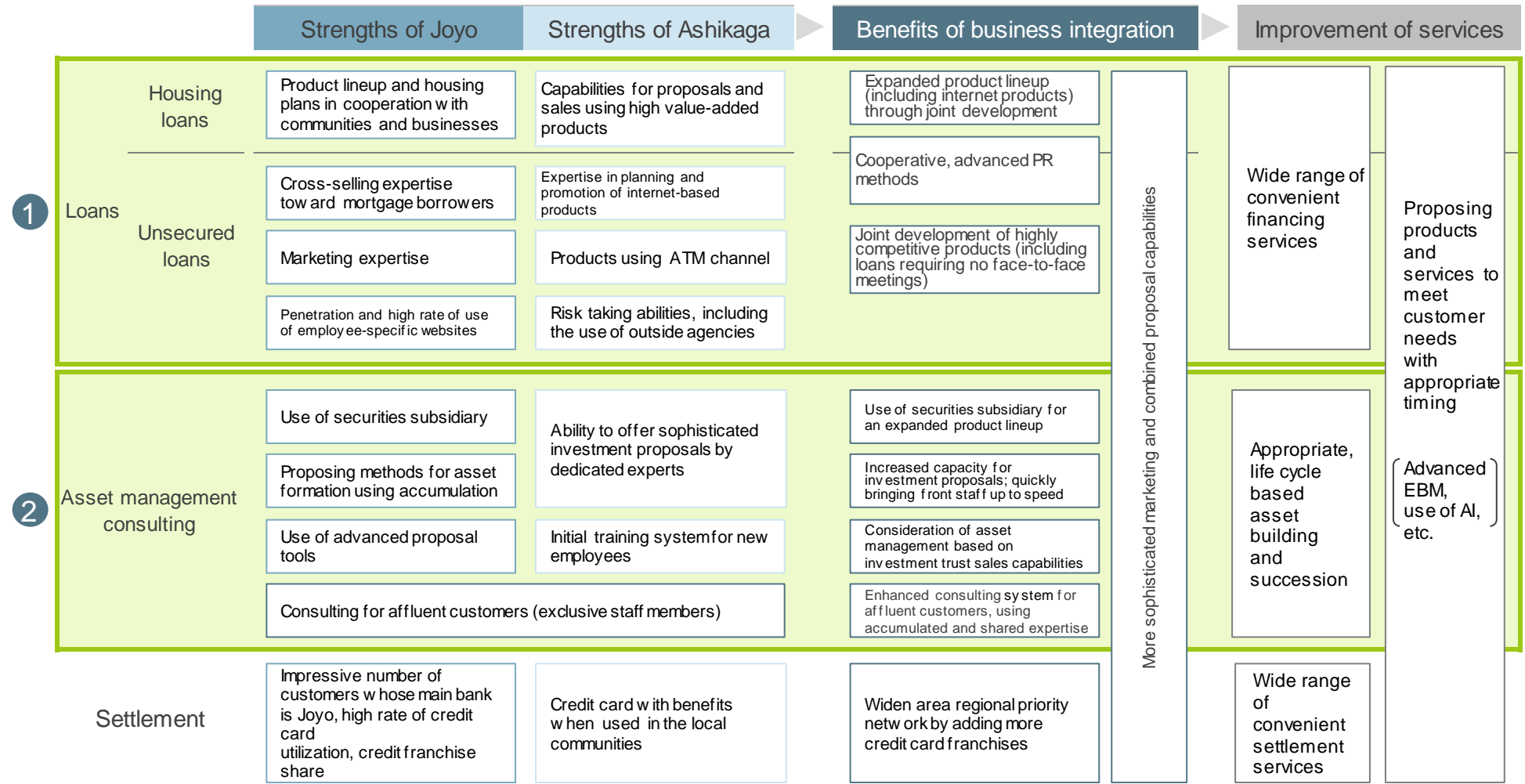
Results | As of Jun. 30 2018

Number of deals | 9 deals

Amount | ¥1.77bn

Measures for Individual Customers

Propose and provide appropriate products and services for customers through accurate and timely identification of their wide-ranging needs at each stage of life, based on improvements including more advanced eventbased marketing (EBM) and the use of AI



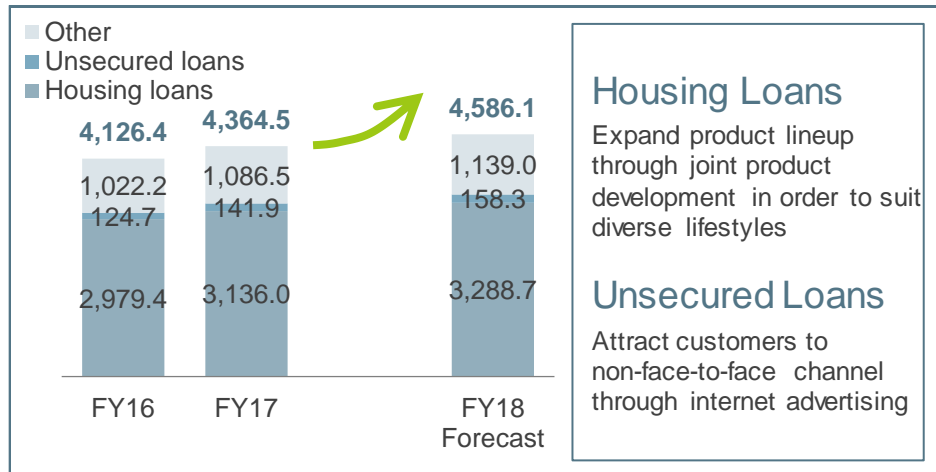
Loans | Increase Housing / Unsecured Loans

Measures for Individual Customers

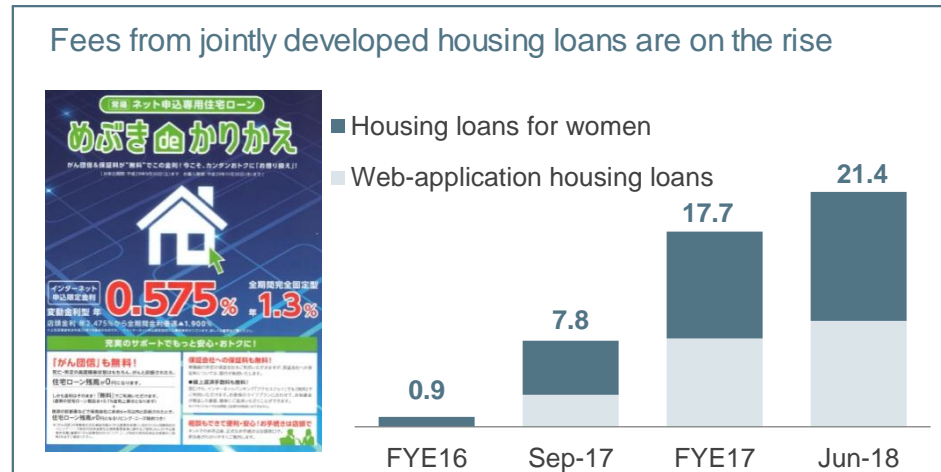
① ②

Continue focus on housing loans and enhance non-face-to-face channel (web completion scheme etc.) for purpose specific loans.

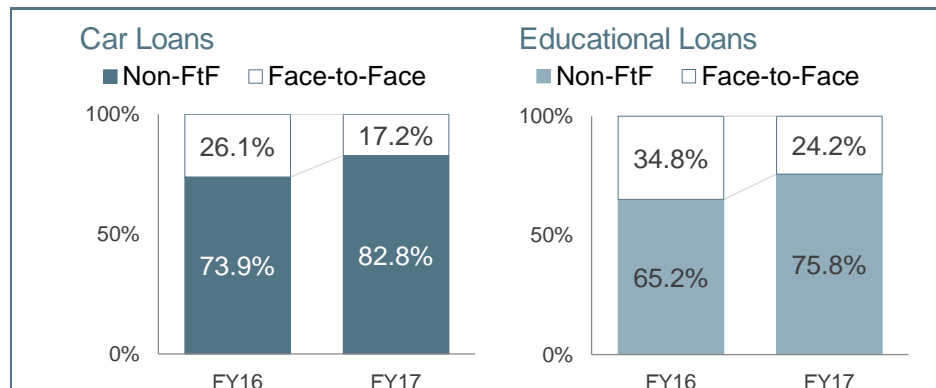
Increase Loans to Individual Customers (J + A) (Avg.) (¥bn)



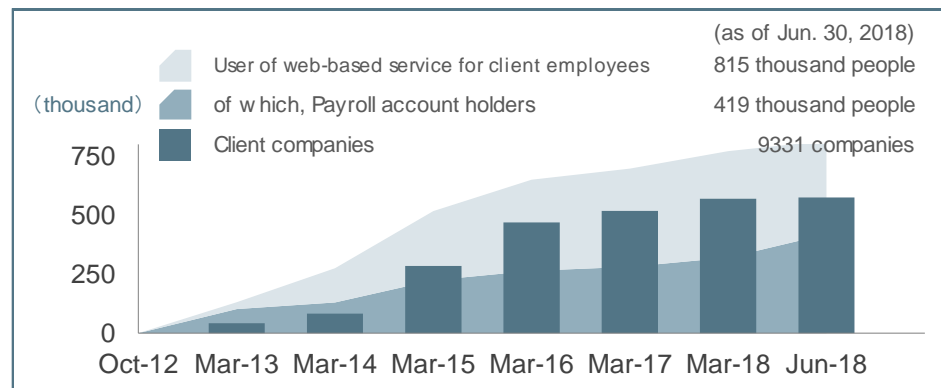
Jointly Developed Housing Loans (J + A) (balance) (¥bn)



Non-Face-to-Face Application Ratio *Web etc.



Employee-specific Website



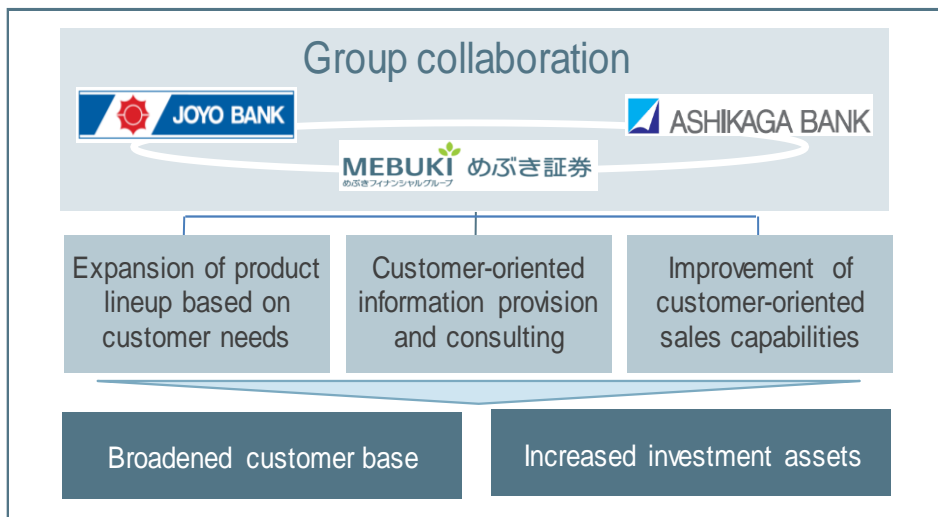
Asset Management Consultation Services

Measures for Individual Customers

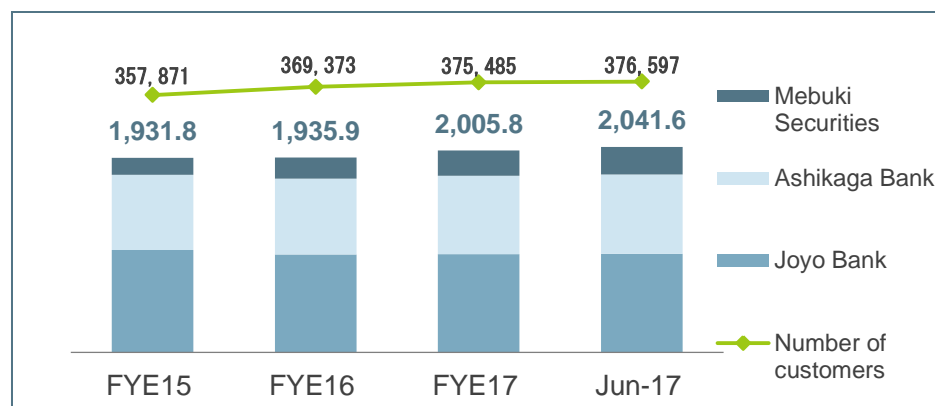
① ②

Strengthen group collaboration to support customers' stable asset formation and increase in customers and their assets under custody

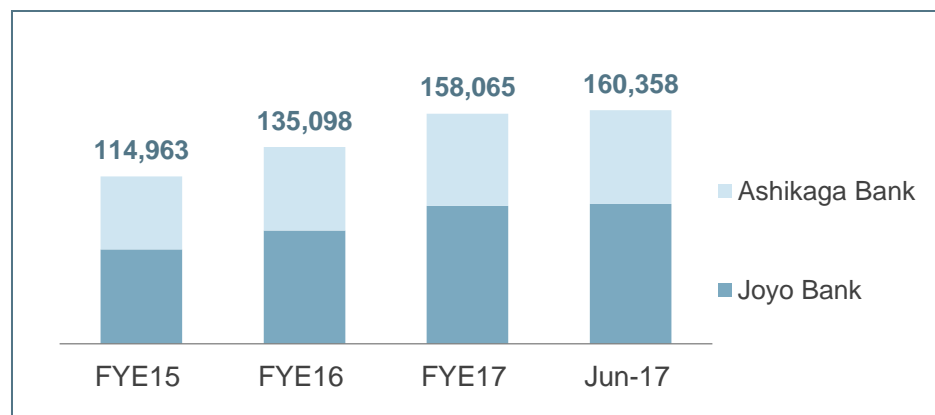
Customer-oriented Measures



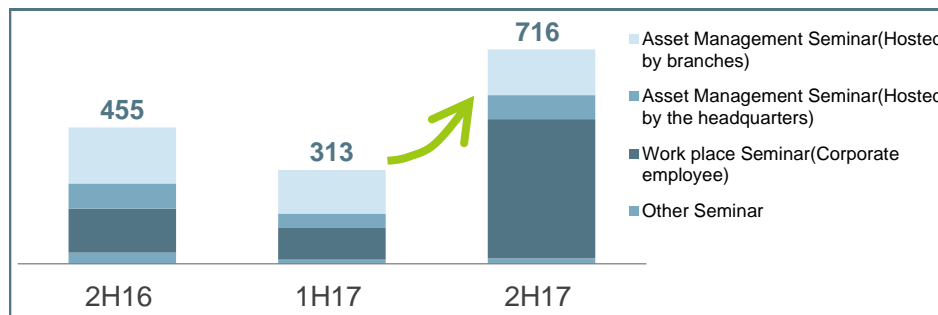
Number of Customers and Amount of Customer Assets Under Custody of Group Companies (¥bn) (number)



Number of Customers of Accumulation Services (J + A) (number)



Focus on Seminars for Customers (J + A) (times)

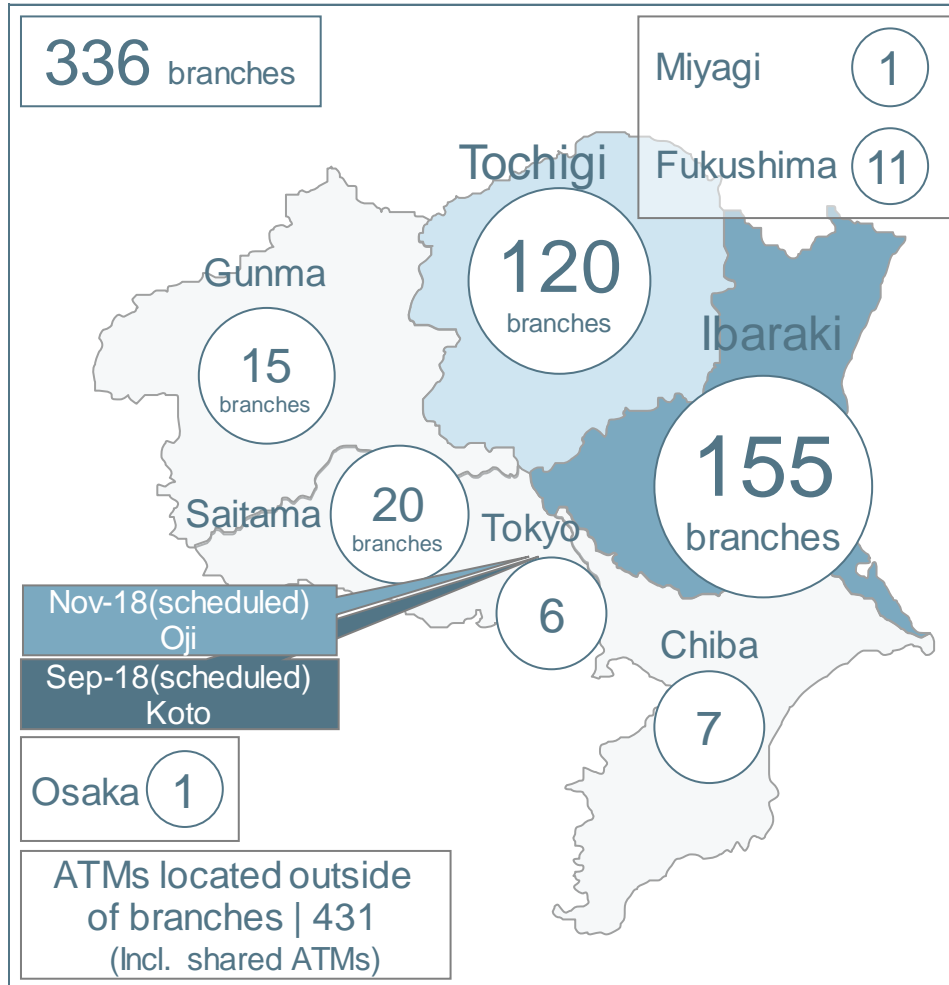


Branch Network (Domestic)

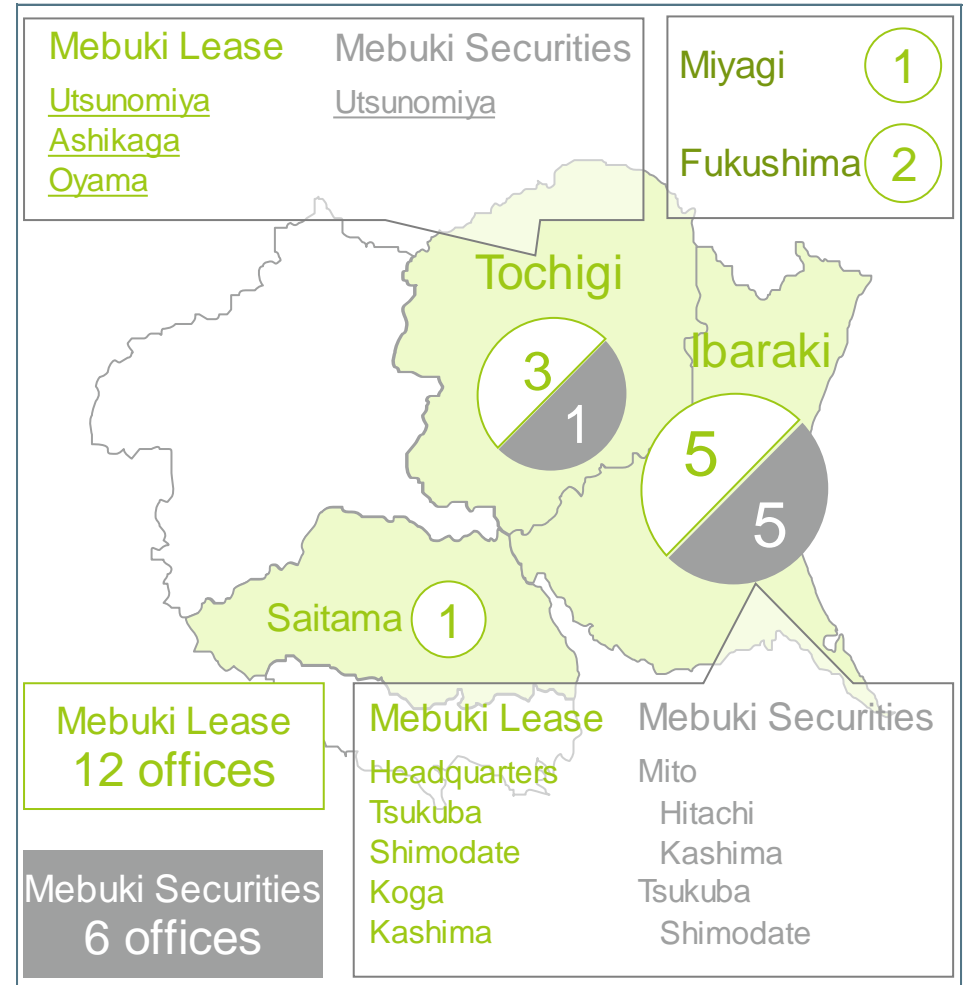
(as of Apr. 30, 2018)

Strengthen our wide-area network further

Bank Branches (Joyo + Ashikaga)



Mebuki Lease / Mebuki Securities

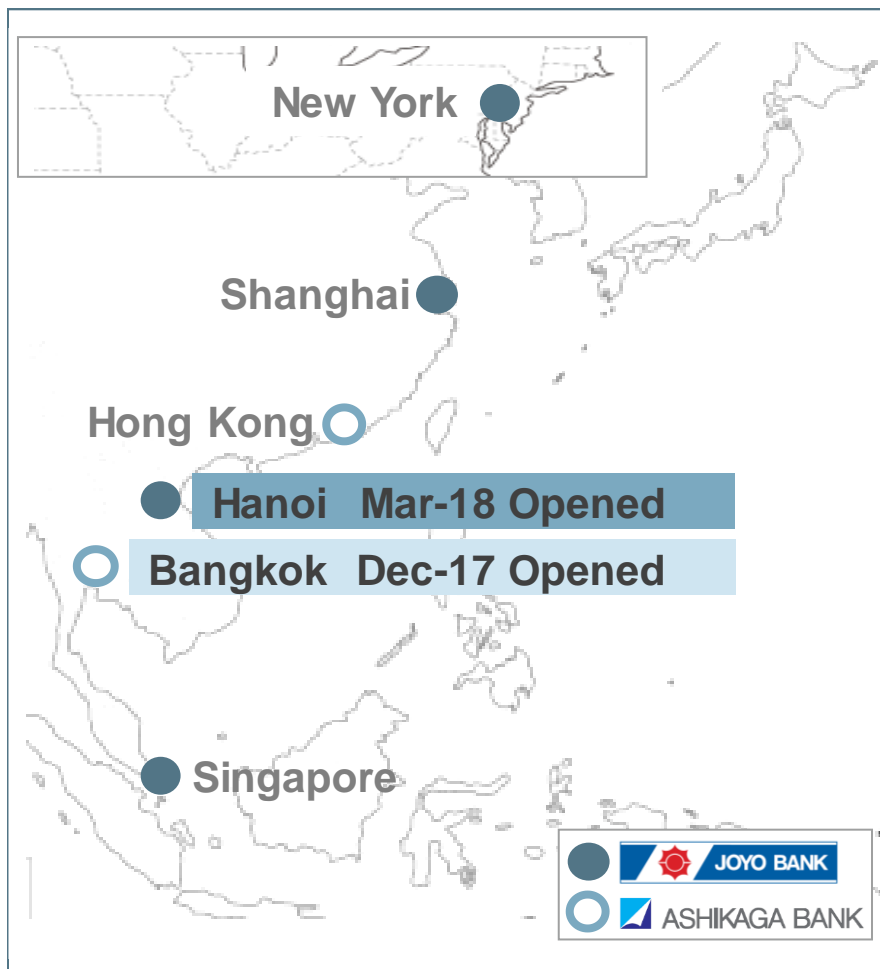


Overseas Network

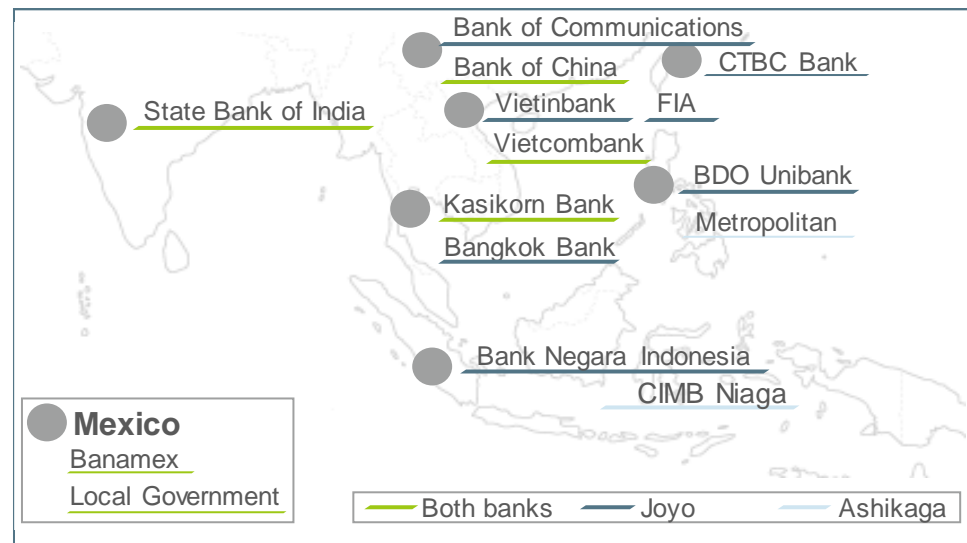
(as of Apr. 30, 2018)

Enhance overseas network and support for customers' overseas expansion

Overseas Representative Offices



Alliances with Local Financial Institutions



Support for Overseas Expansion

FBC Shanghai 2018 Manufacturing Business Meeting

Scheduled to be held in Shanghai, in November 2018
 Support manufacturing companies to procure materials and develop sales channels as part of overseas expansion
 (600 exhibitors expected to participate)

System Integration / Cost Reduction

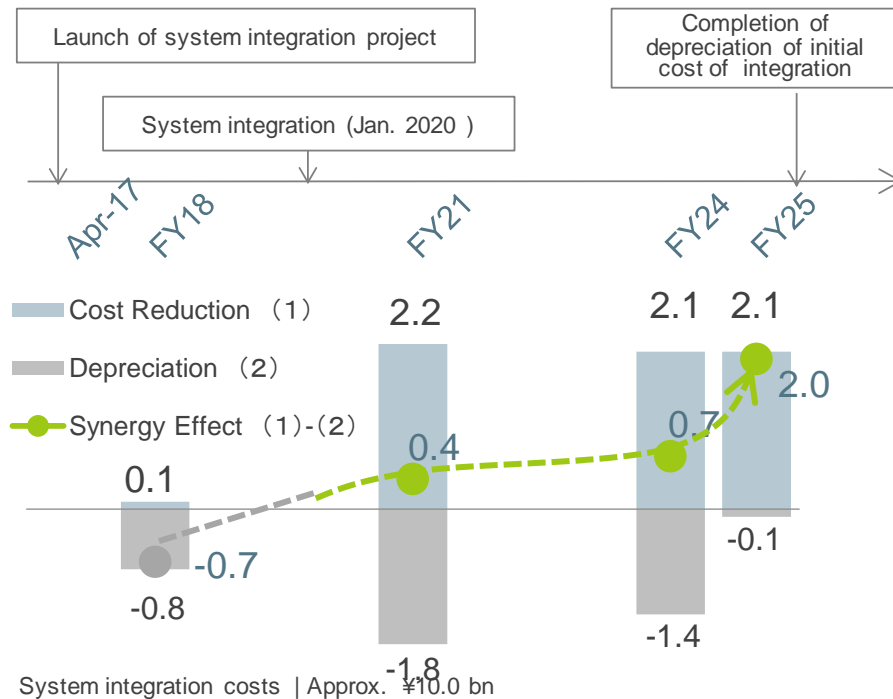
System Integration

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 resources to investment in new systems, etc.

Schedule and Synergy Effect of the Integration (¥Bn)



Cost Reduction

Synergy effects arising from the business integration

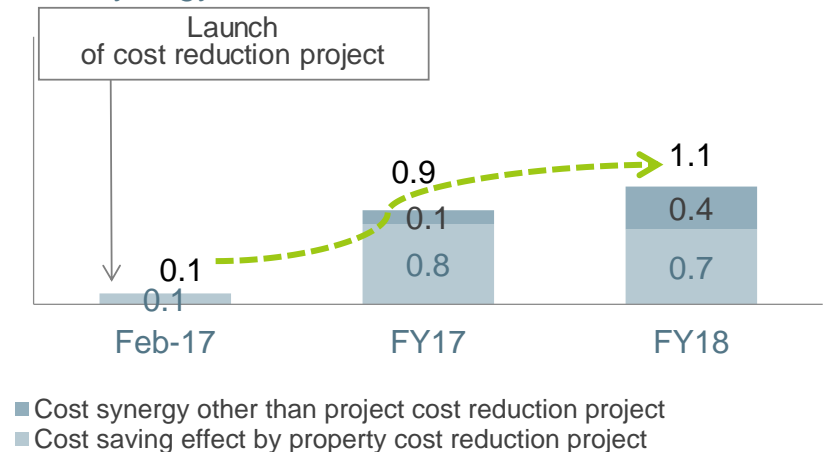
- Share cost reduction know-how and cost effectiveness evaluation
- Share know-how to improve branch operation efficiency
- Integrate op-centers in Tokyo to concentrate business operation further (transportation and clearing of bills)
- Totally entrust joint issuance of bill paper and check paper to 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 participate in

Compare both banking subsidiaries' cost structure and reduce costs

Cost synergy effect (¥Bn)



Branch Operation Efficiency

(as of Jun. 30, 2018)

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
Integrated 1 branch

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

Joint ATM Allocation



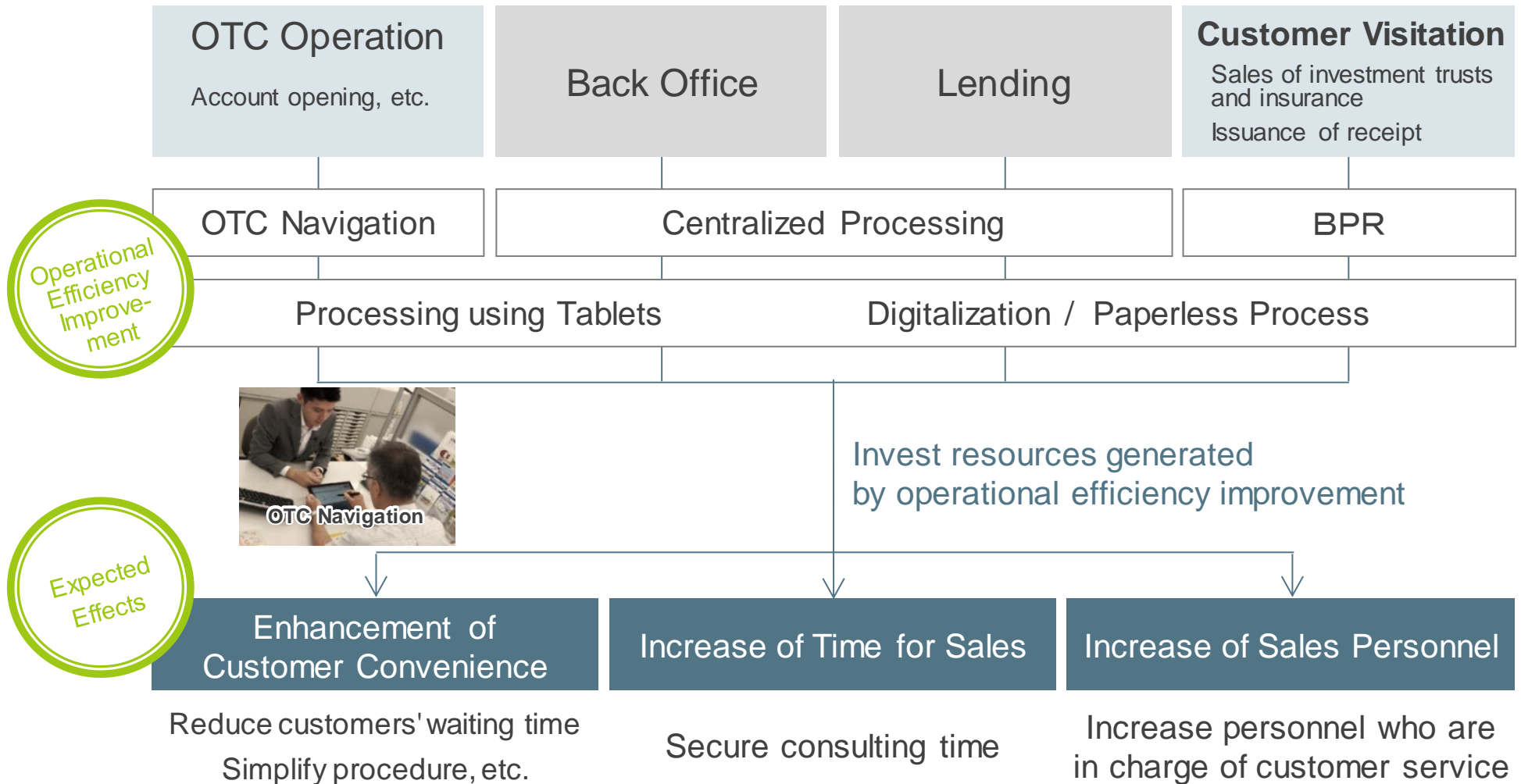
Videophone



Branch opening on holidays

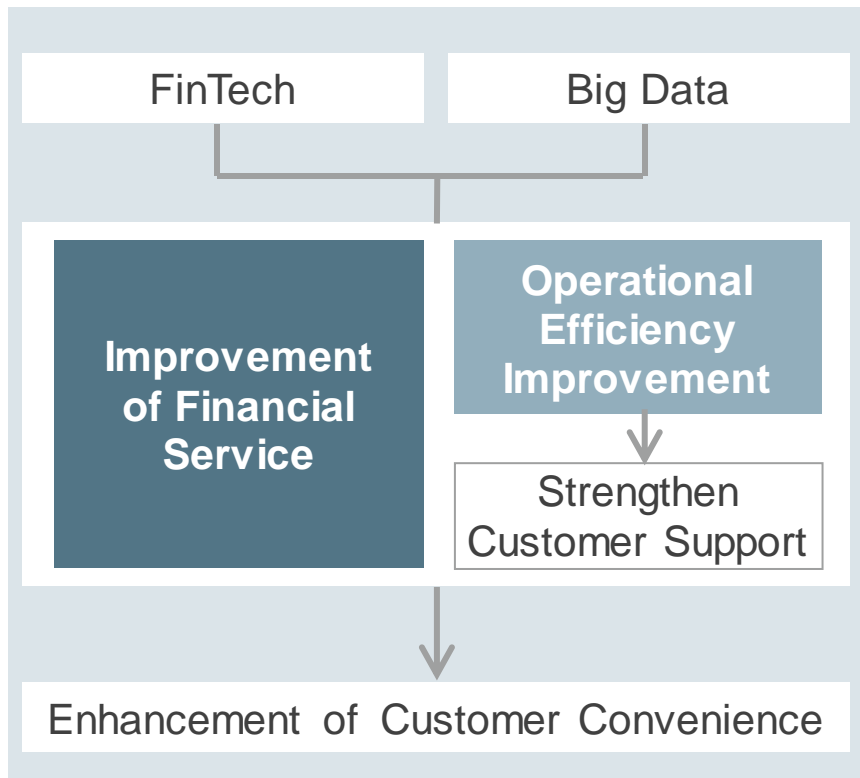
Operational Efficiency Improvement

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



IT / Enhancement of Customer Convenience

Improve our financial services and strengthen customer support by making full use of IT



Operational Efficiency Improvement

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

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

Inquiries

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