

Mebuki Financial Group, Inc.

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



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# 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%

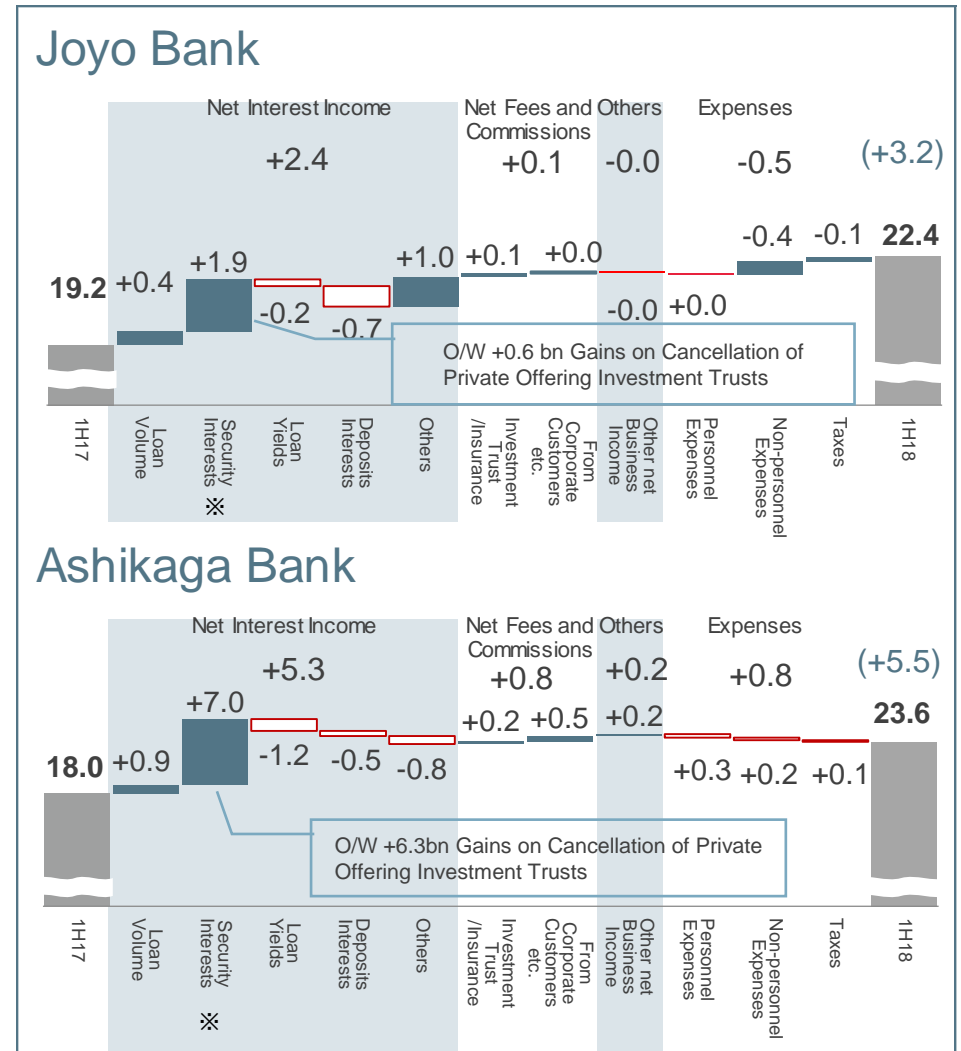
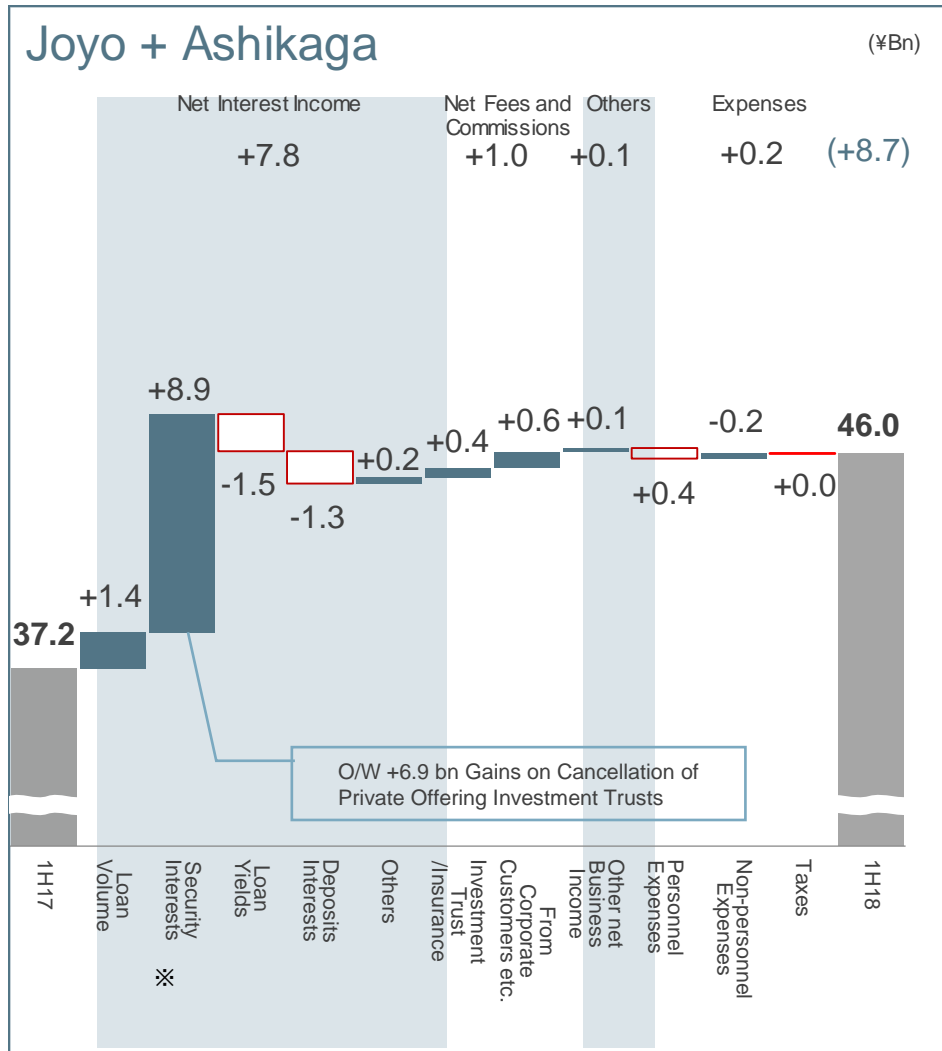
Net Income of group companies other than banking subsidiaries  
¥1.8bn

## 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

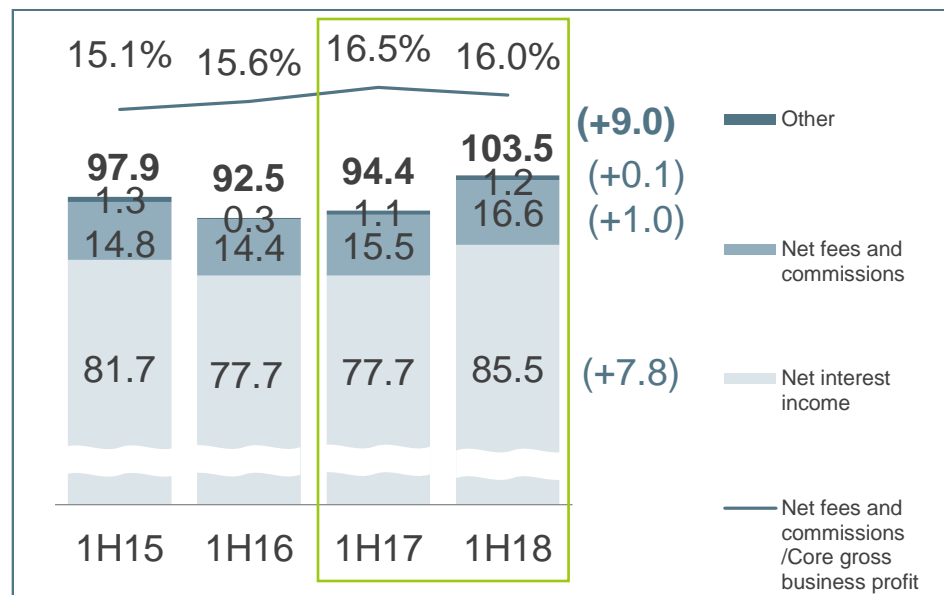
(Gross Business Profit excl. Gains/Losses on Bond Transactions)

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

	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

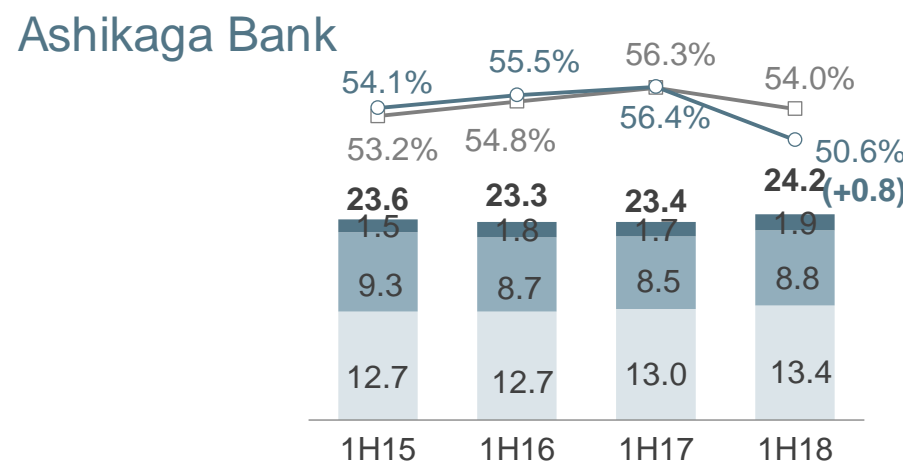
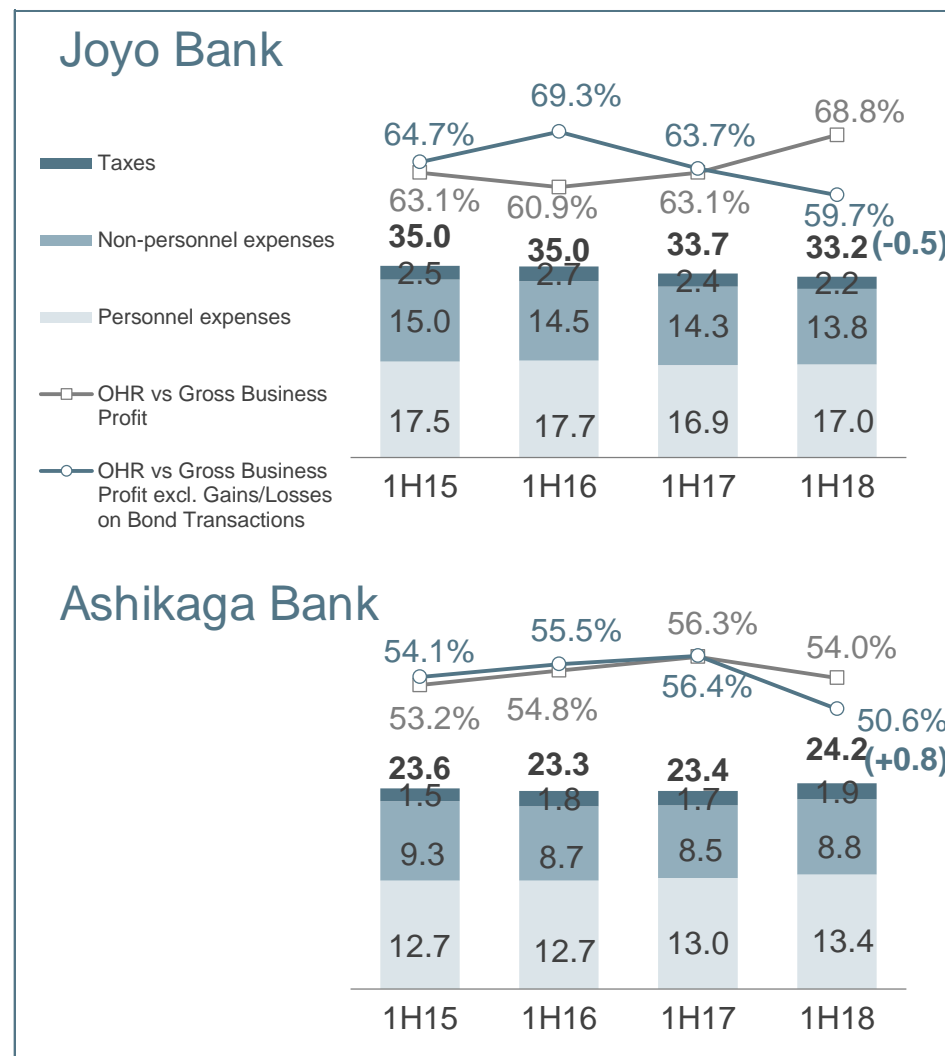
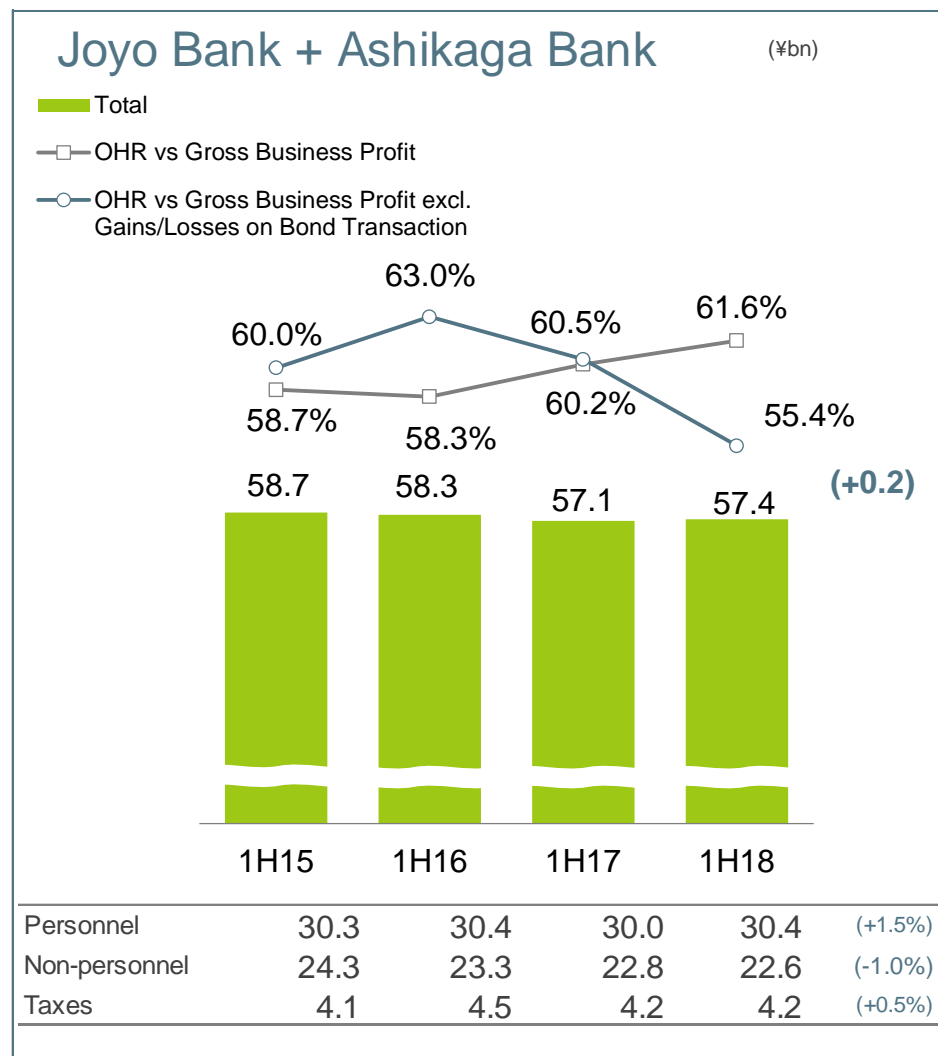
Factor	YoY Chg	Domestic (Chg. in NII)		Overseas (Chg. in NII)	
		Chg. in Factors		Chg. in Factors	
Interest on loans and bills discounted	Avg	+0.4	+0.4 (+¥81.4bn)	+0.0	(+¥6.2bn)
	Yield	-0.2	-0.8 (-2.9bp)	+0.6	(+94.9bp)
Interest on deposits (-)		+0.7	-0.0	-	+0.8
Interest and dividend on securities	Avg	+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

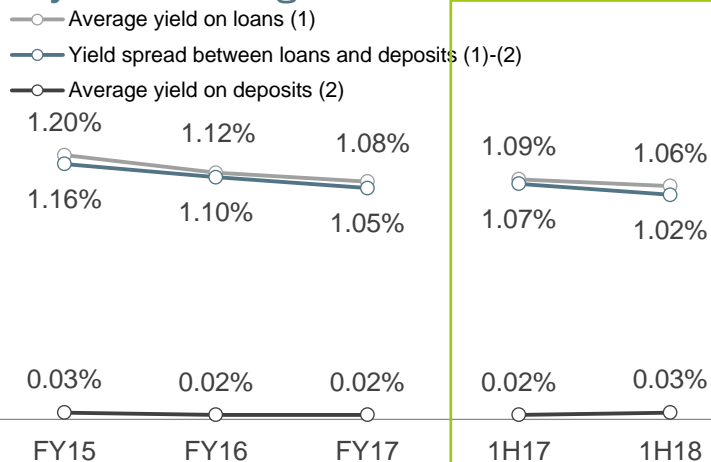
Expenses increased by ¥0.2 bn YoY, mainly due to an increase in personnel expenses  
OHR has been improved on a Core Gross Business Profit basis.



# Average yield on Loan and Deposits, Securities

## Average Yield on Loan and Deposits

### Joyo + Ashikaga



### Joyo Bank

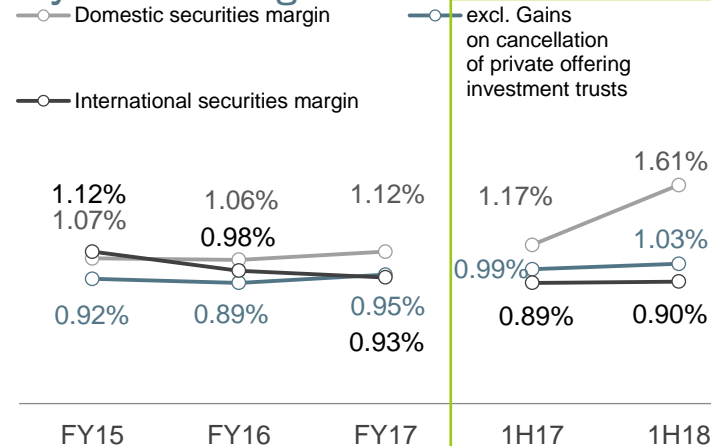


### Ashikaga Bank

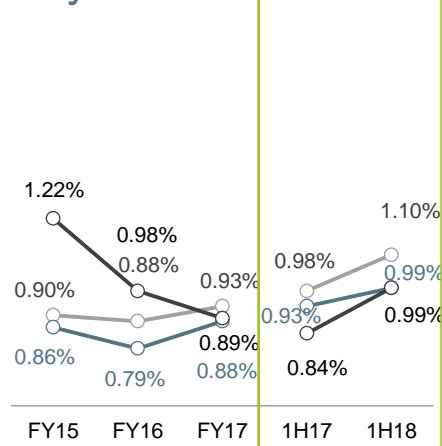


## Securities Margin\* (Domestic and International)

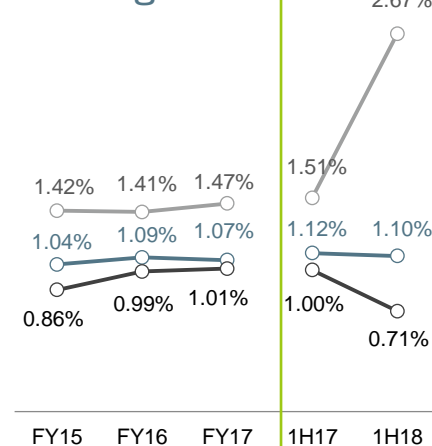
### Joyo + Ashikaga



### Joyo Bank



### Ashikaga Bank



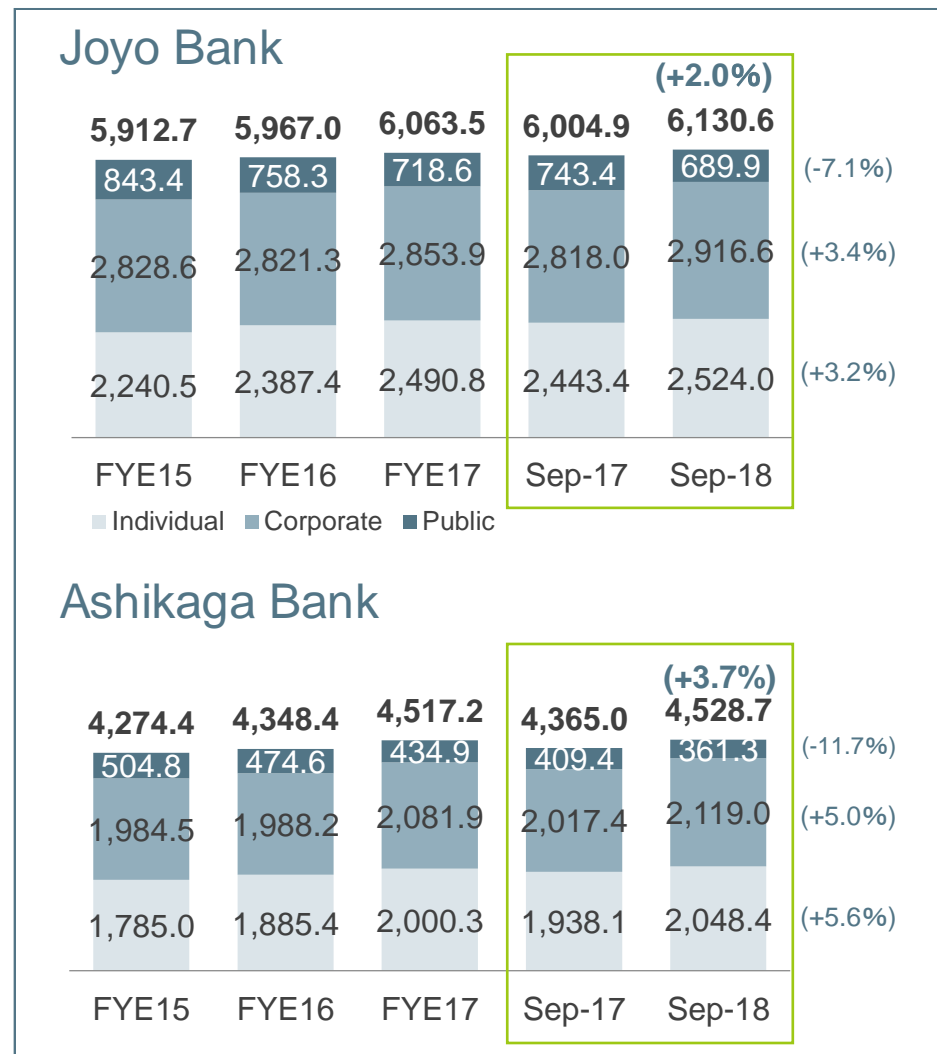
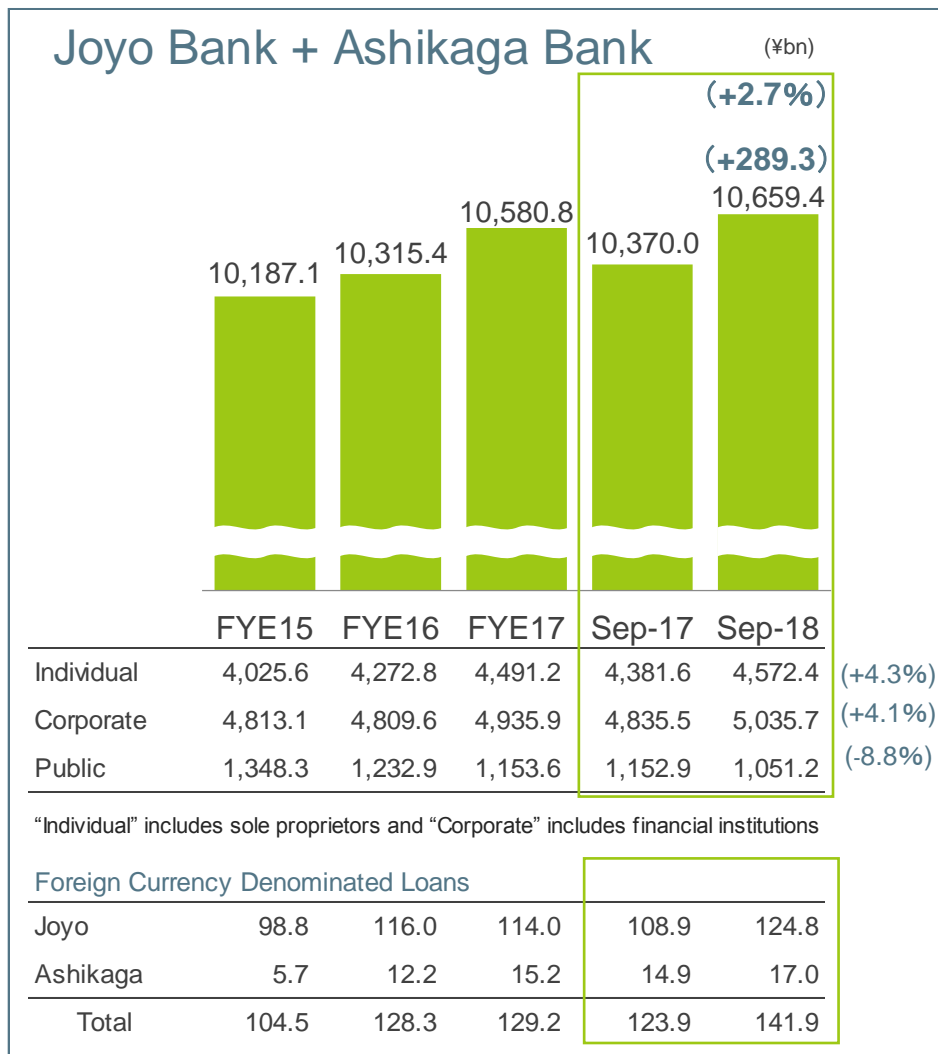
\*Securities Margin=(Securities income-Securities funding costs)/Avg. securities



# 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

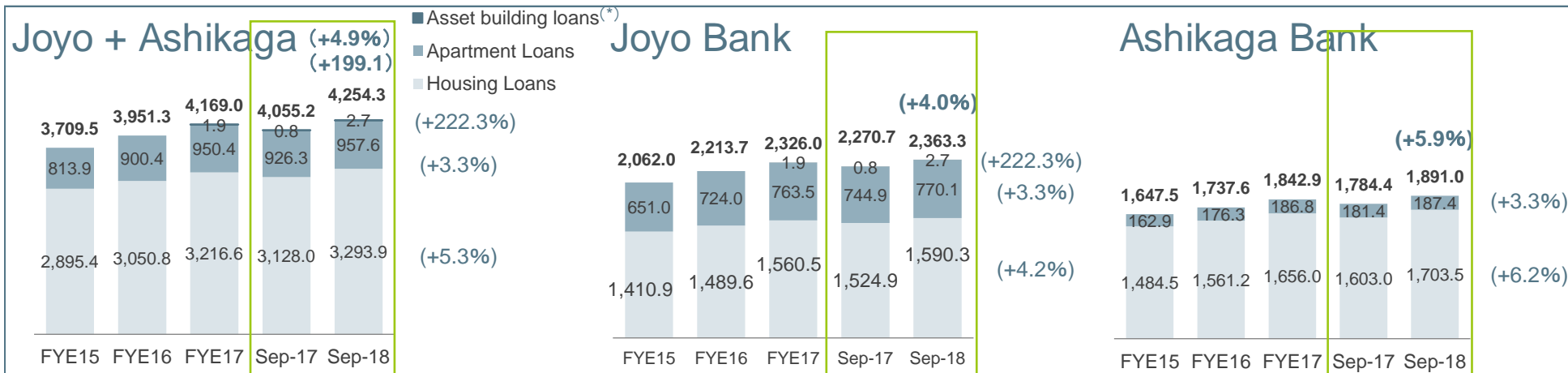


# Loans (2) Individual Housing Related / Unsecured

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

## Housing Related Loans Term-end Balance

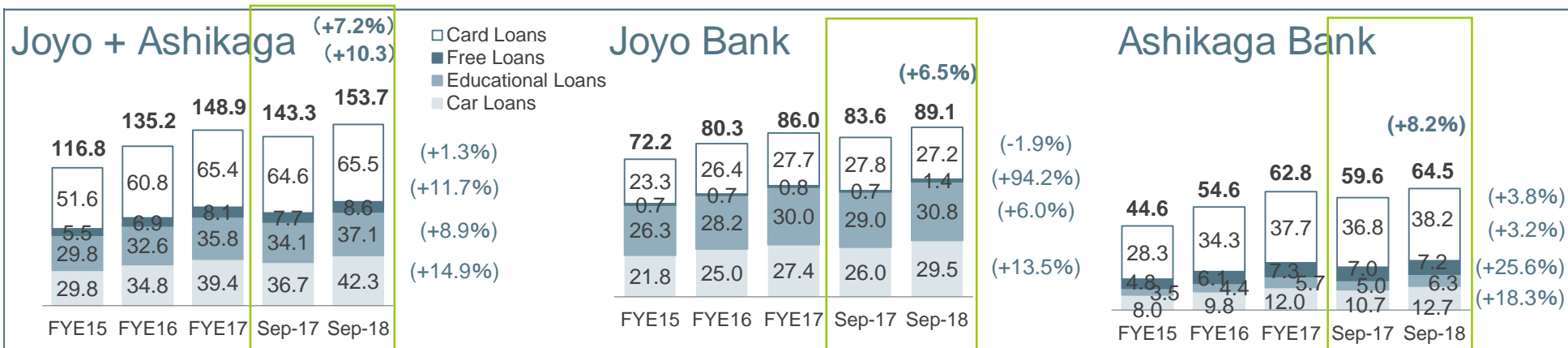
(¥bn)



(\*) 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 Joyo only)

## Unsecured Loans Term-end Balance

(¥bn)



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

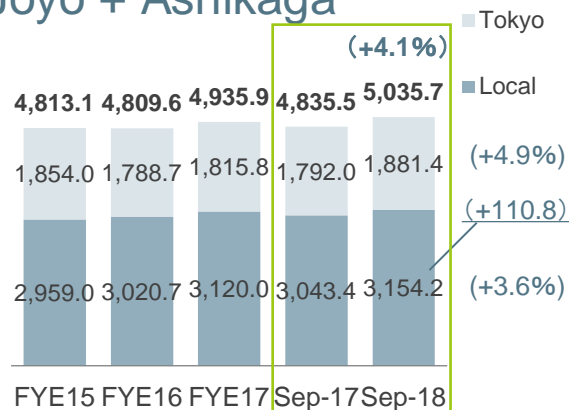
# Loans (3) Corporate by Area / Company Size

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

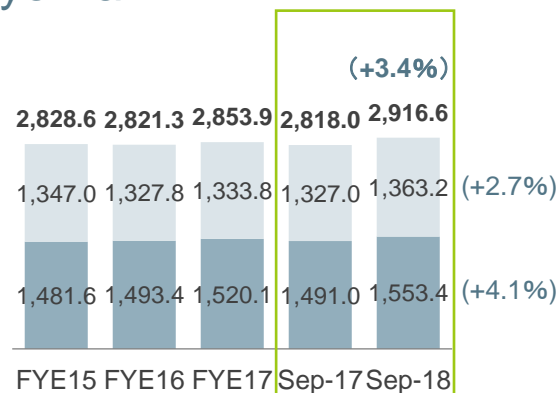
## Term-end Balance by Area

(¥bn)

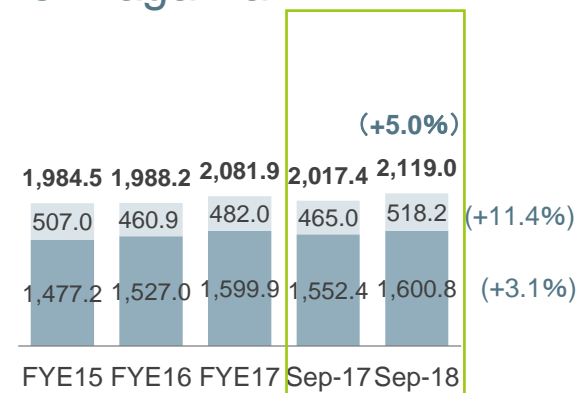
### Joyo + Ashikaga



### Joyo Bank



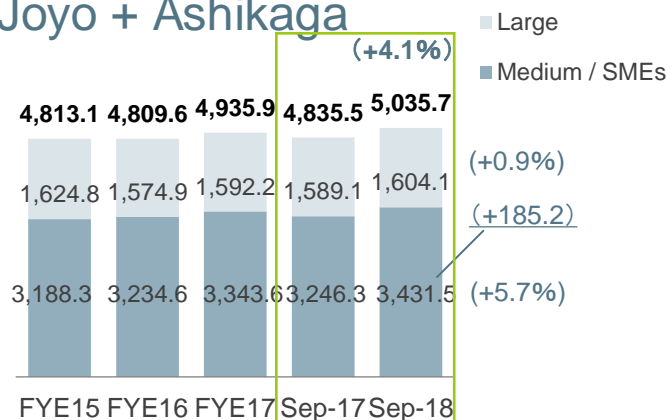
### Ashikaga Bank



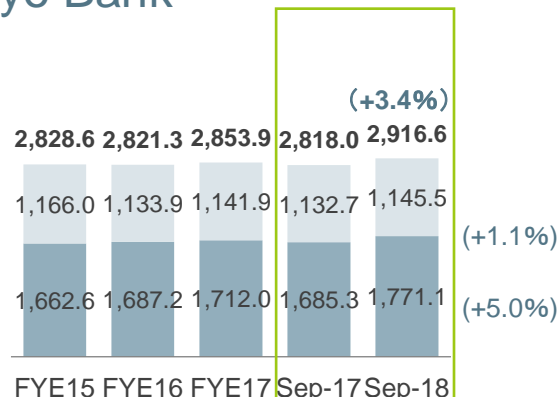
## Term-end Balance by Company Size

(¥bn)

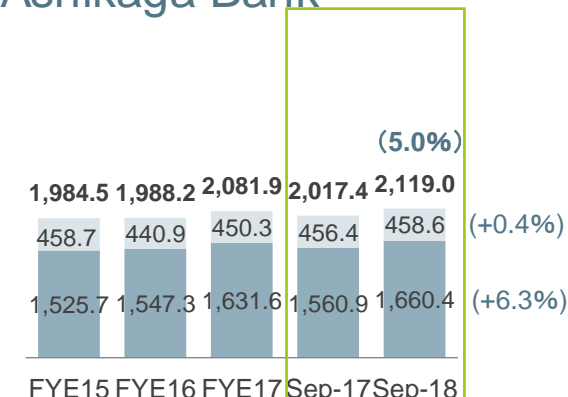
### Joyo + Ashikaga



### Joyo Bank



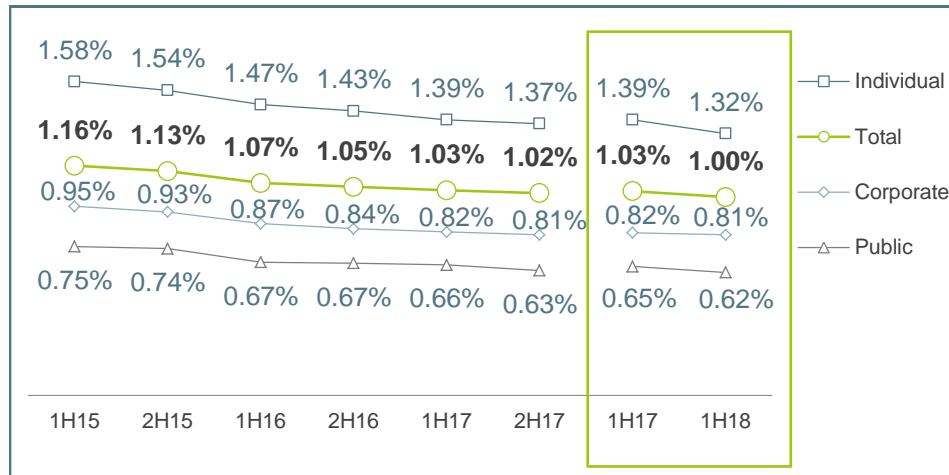
### Ashikaga Bank



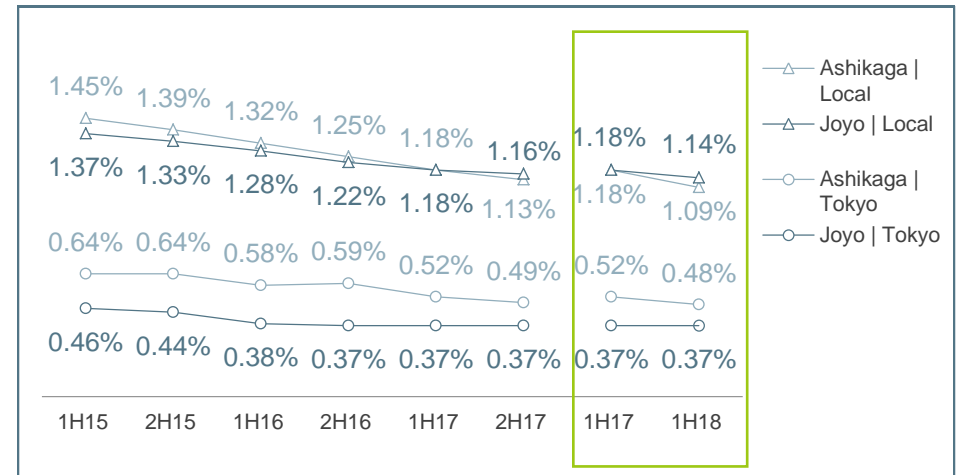
# Loans (4) Average Yield

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

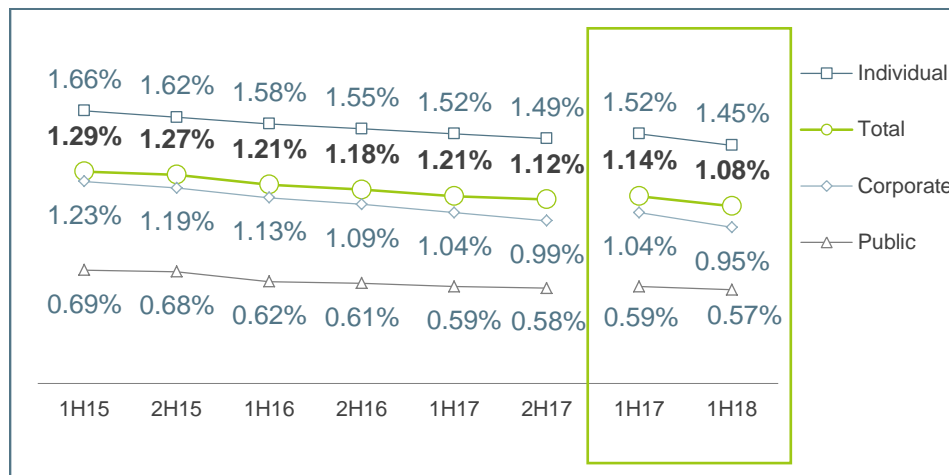
## By Borrower Type (Domestic) Joyo



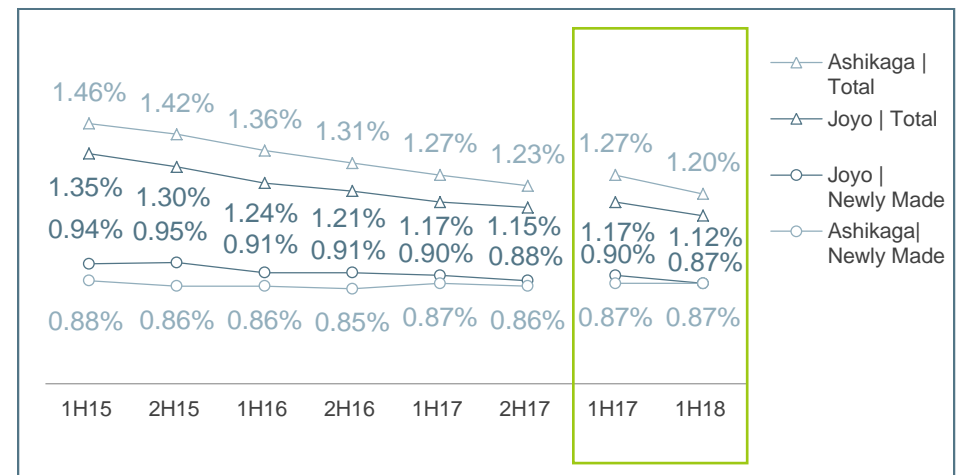
## Corporate Loans (by Area)



## By Borrower Type (Domestic) Ashikaga



## Housing Loans

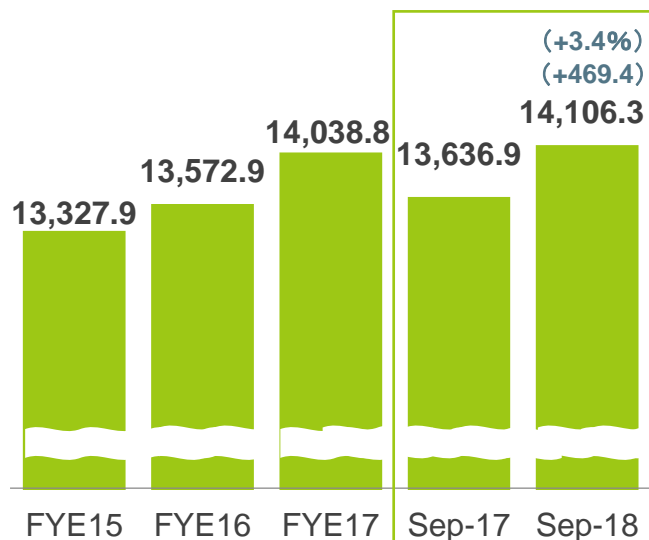


# Deposits Term-end Balance

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

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

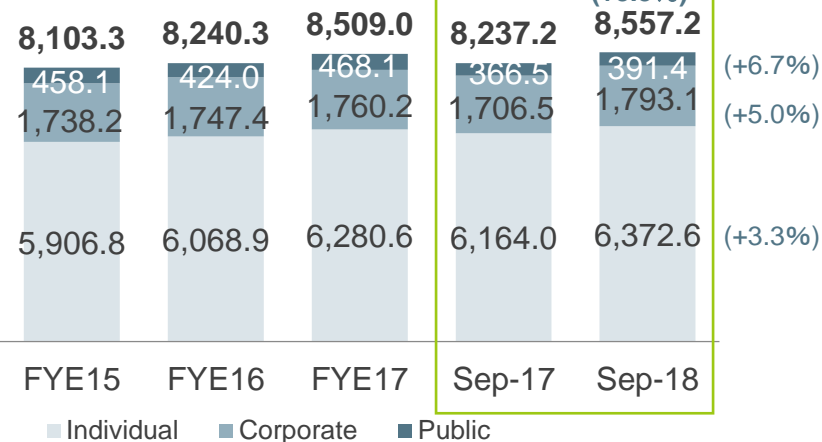
\*1 "Corporate" includes financial institutions.

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

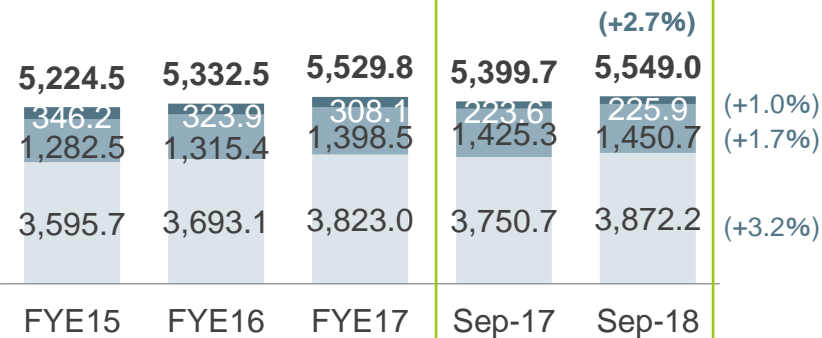
### Foreign Currency Deposit

	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

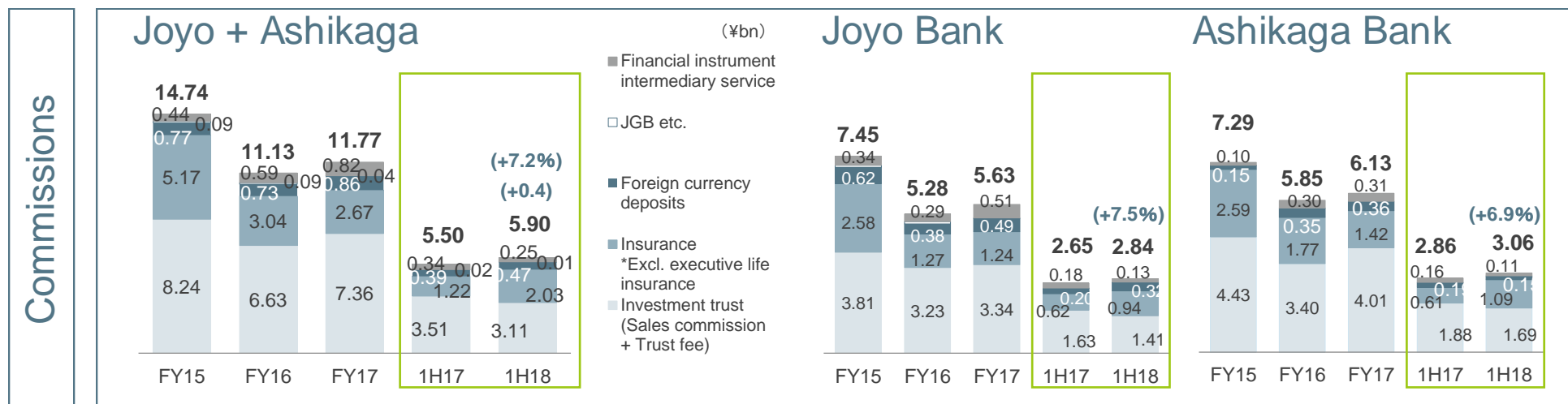
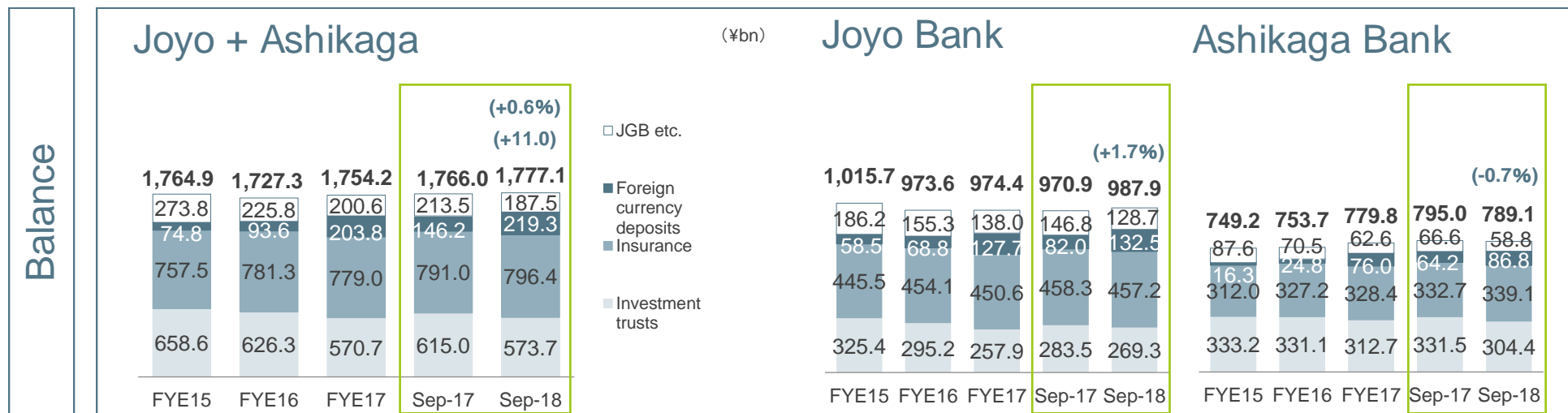


# Customer Assets under Custody

\*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

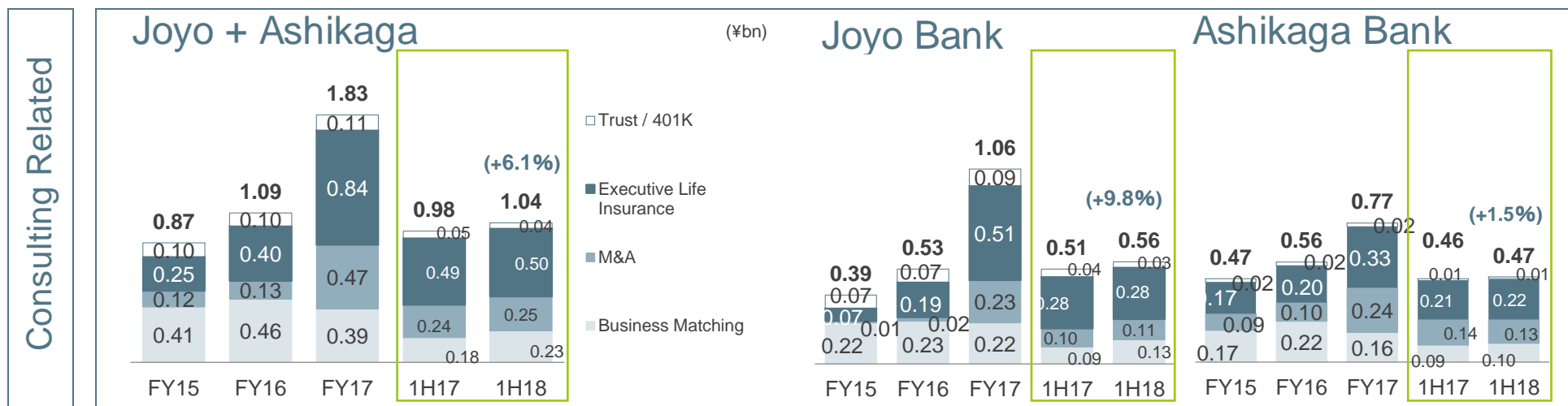
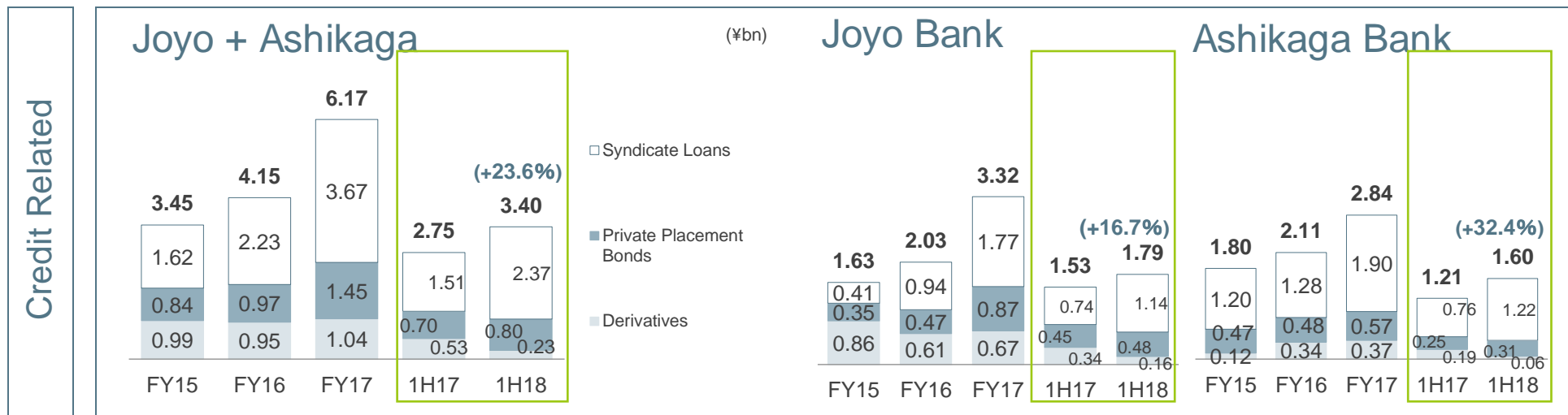
Commissions increased +7.2% YoY mainly due to sales of insurance



# Fees from Corporate Customers

Credit related fees from corporate customers rose 23.6% YoY due to Private Placement Bonds and Syndicate Loans

Consulting related fees increased 6.1% YoY, mainly due to Business Matching

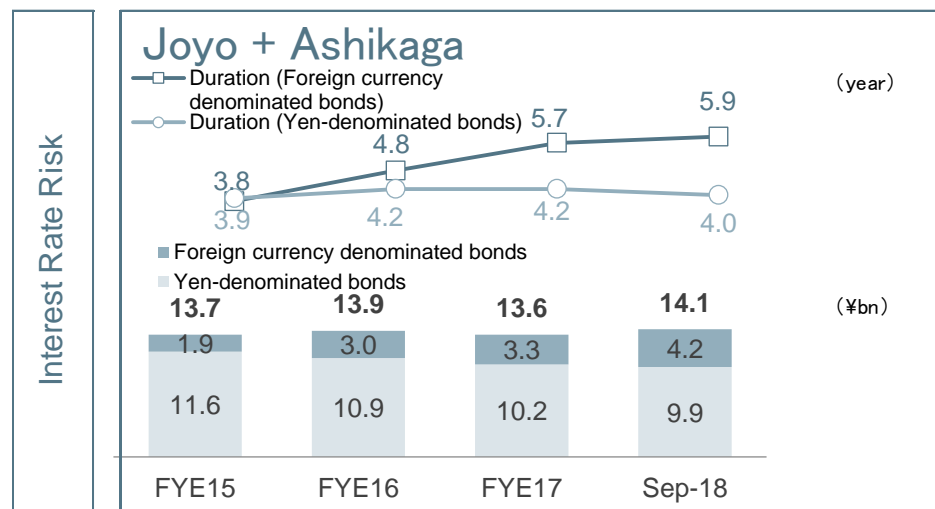
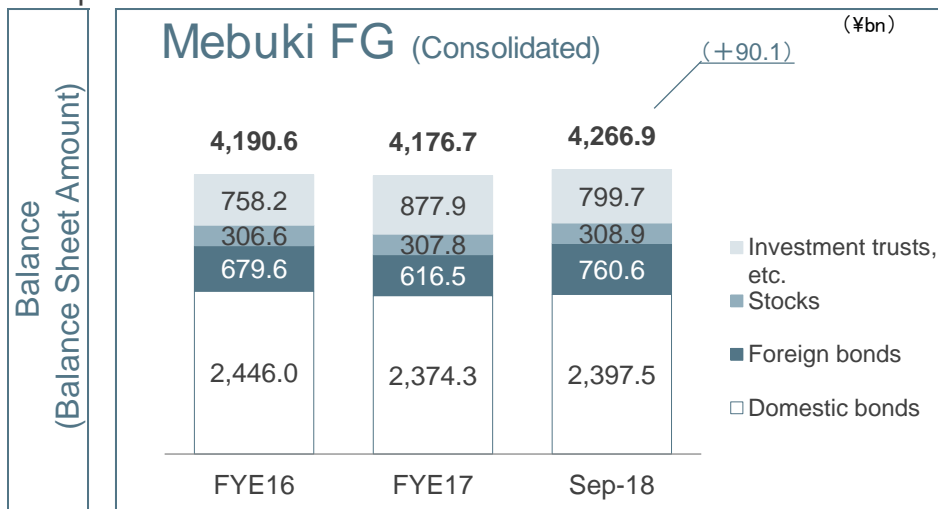


# Securities (1)

\*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**

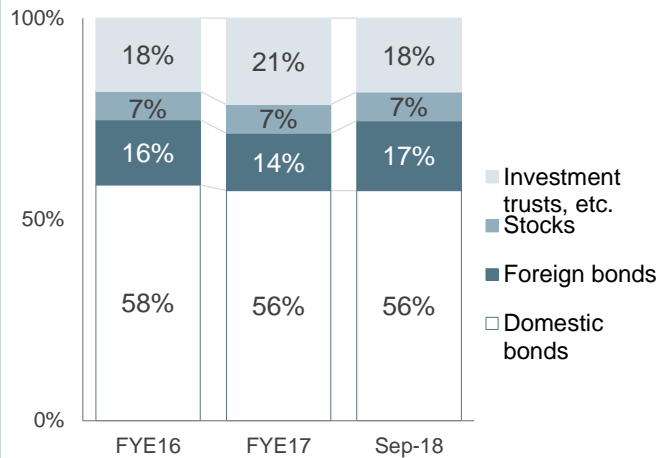
	Book value as of Sep. 30 2018 (¥bn)			Details
	J + A	Joyo	Ashikaga	
<b>Foreign Bonds</b>	773.4	462.8	310.5	-
o/w Gov. Bond, Gov. Guaranteed Bonds, etc.	354.5	261.1	93.4	Reduced U.S treasury bonds, increased European bonds
o/w Corporate Bond	324.4	107.3	217.1	Bonds rated A or above account for more than 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)
<b>Investment Trusts etc.</b>	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



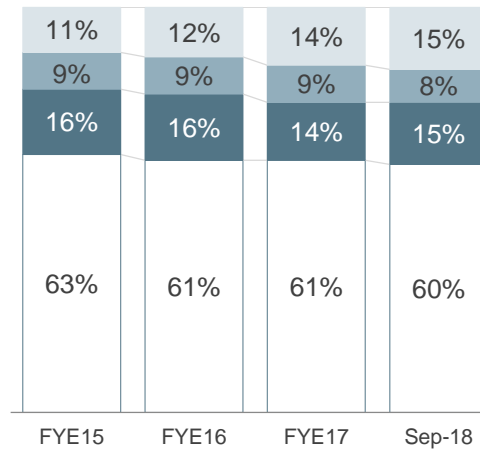
# Securities (2)

Portfolio Allocation  
(Balance Sheet Amount Basis)

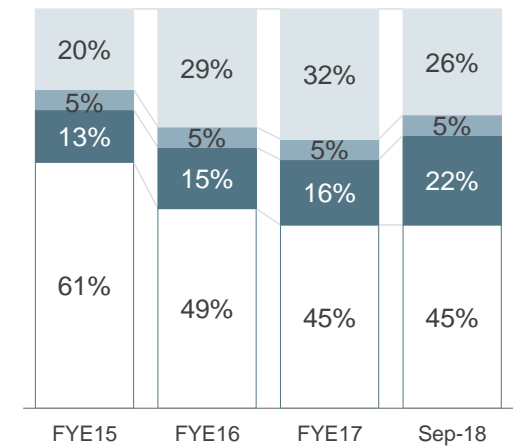
## Mebuki FG (Consolidated)



## Joyo Bank (Non-Consolidated)

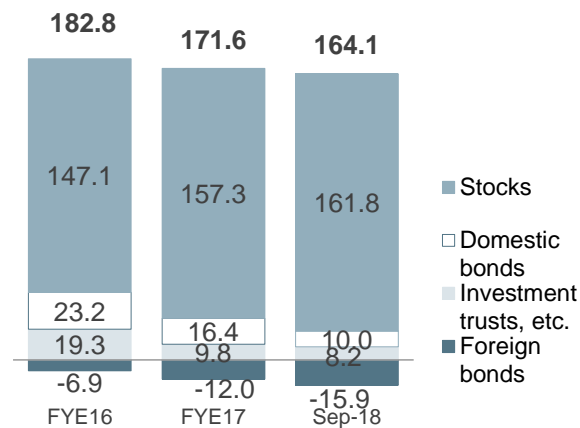


## Ashikaga Bank (Non-Consolidated)

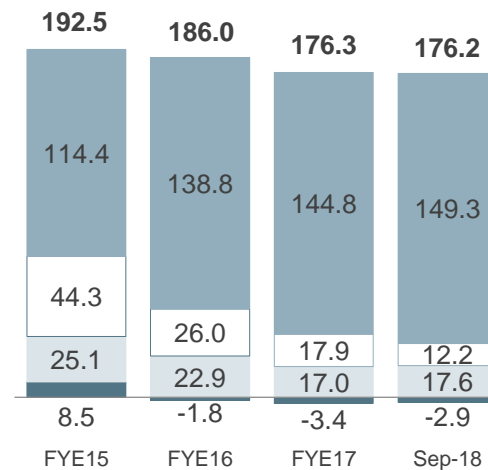


Unrealized Valuation Gains/Losses  
on Available for Sale Securities

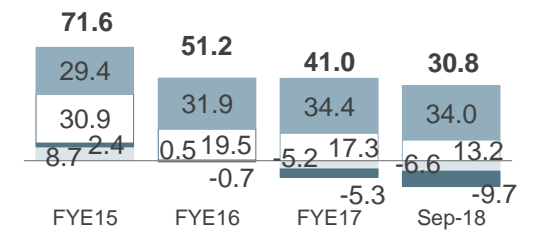
## Mebuki FG (Consolidated)



## Joyo Bank (Non-Consolidated)



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

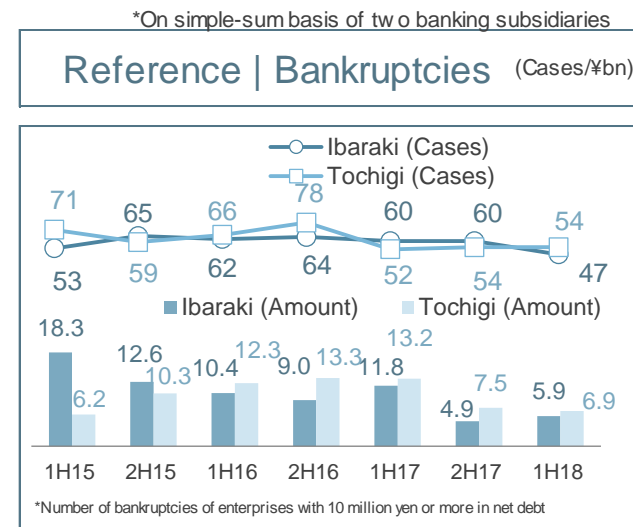
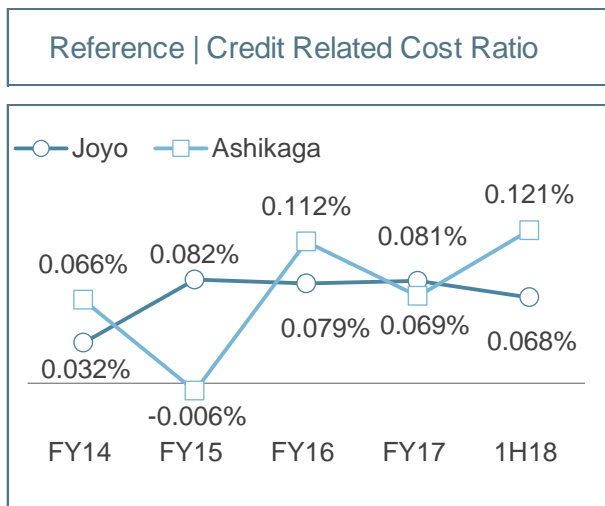
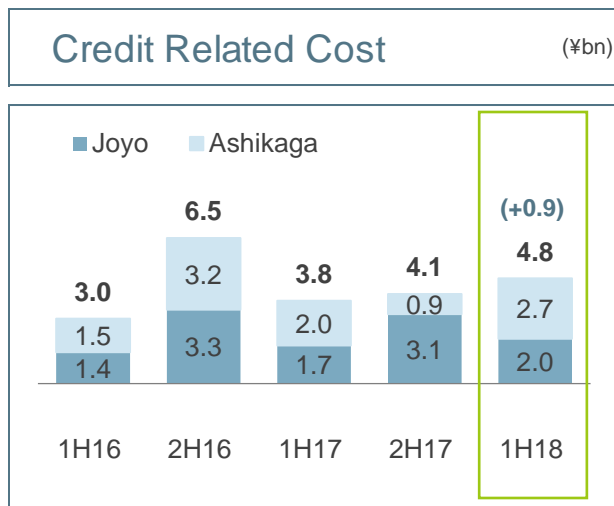


# Credit Related Costs / Non-performing Loans

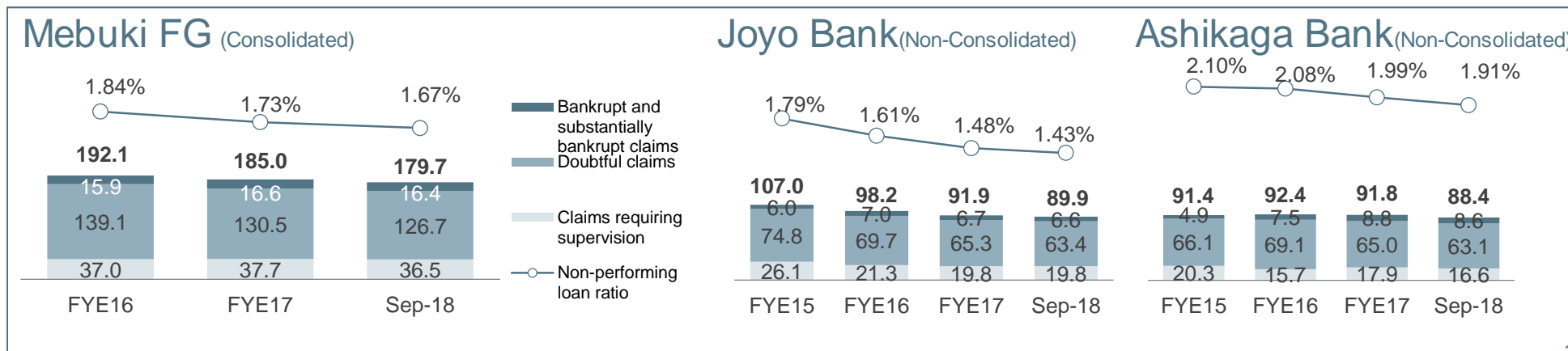
\*Figures in parentheses are changes on a year on year basis

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)



# 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	13,721	+1,488	185	-174	114	-196	
	Mebuki Securities	Dealing of securities, mediation, commission and substitution of trading of securities	1,275	-163	394	-121	270	-84	
Joyo Bank	Sales	The Joyo Computer Service	Sale of software and contracting of calculating business	685	+0	37	+0	24	+0
		The Joyo Industrial Research Institute	Consulting, investigation and research	281	+5	33	+15	21	+8
	Business operation	The Joyo Credit Guarantee	Credit guarantee of housing loans	1,939	-13	714	-256	470	-163
		The Joyo Credit	Credit card services	617	+25	97	+7	64	+5
		The Joyo Business Service	Agent in charge of administrative work for Joyo Bank	374	-21	1	+0	0	+1
		The Joyo Cash Service	Maintenance and management of Joyo Bank's ATMs and CDs	460	-67	1	+0	0	+0
		The Joyo Equipment Management	Maintenance and management of operational properties and equipment of Joyo Bank	498	+13	147	+21	97	+24
		Total		4,856	-60	1,035	-210	680	-122
Ashikaga Bank	Ashikaga Credit Guarantee	Credit guarantee of housing loans	1,865	-58	1,100	+205	724	+213	
	Ashigin Research Institute	Consulting, investigation and research	279	+17	33	+32	32	+31	
	Ashigin Card	Credit card services	724	-92	87	-119	58	-76	
	Total		2,869	-133	1,220	+117	816	+168	
Non-banking Subsidiaries' Total			22,722	+1,130	2,835	-388	1,881	-234	

# Forecast for FY18

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	1H18 Results	FY18 Forecast	vs Forecast	
Core Net Business Income	22.4	37.5	59.8%	23.6	31.0	76.2%	
Ordinary Profit	25.5	38.5	66.4%	15.0	27.5	54.5%	
Net Income	17.9	26.5	67.7%	22.2	31.0 <sup>*3</sup>	71.7%	
ROE	TSE basis	5.9%	4.3%	-	13.5% <sup>*4</sup>	9.3% <sup>*6</sup>	-
	Based on total shareholders' equity	7.6%	5.6%	-	14.7% <sup>*5</sup>	10.2% <sup>*7</sup>	-

\*<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)

## 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%

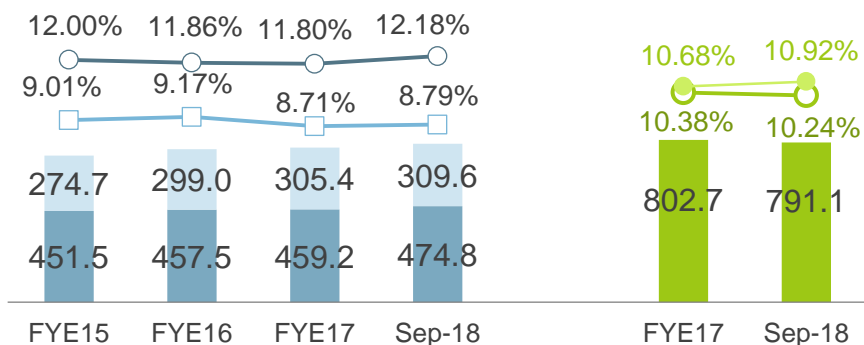
## Consolidation Adjustment

	<b>-17.0bn</b>
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

FY18	Annual		Interm	Term-end
	¥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

# 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)

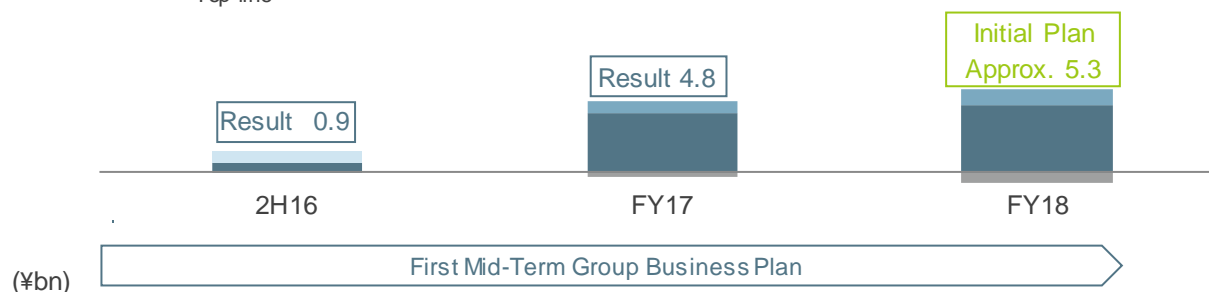
FY18 Forecast	5.3bn
1H18 Result	3.9bn (Progress 74%)

## FY18 (1H Result / Forecast)

\*Figures are on a single year basis

- Reverse synergy
- Cost reduction
- Top-line

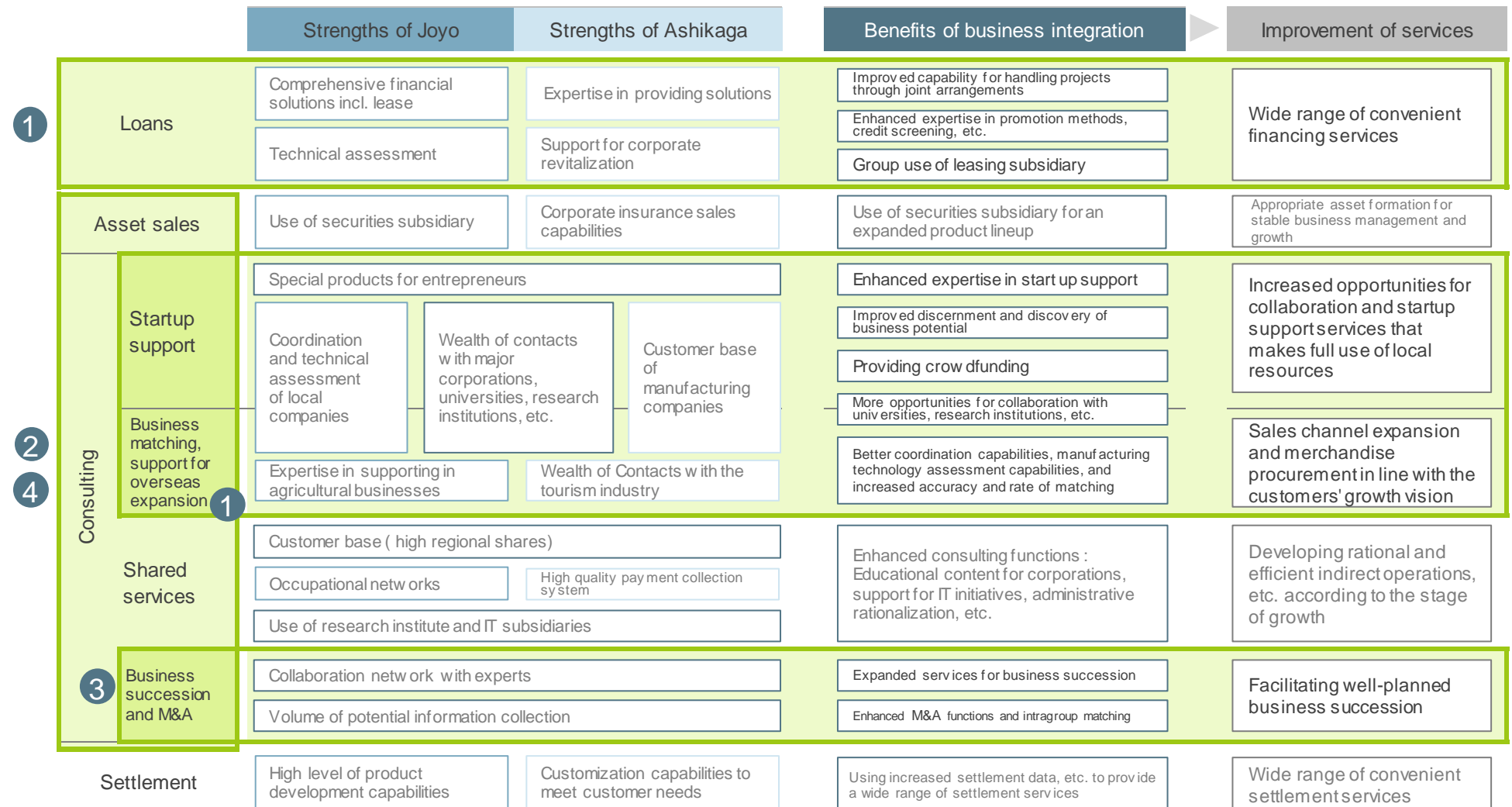
(¥bn)



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

# 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



# Enhancement of Loans / Wide-area Business Matching

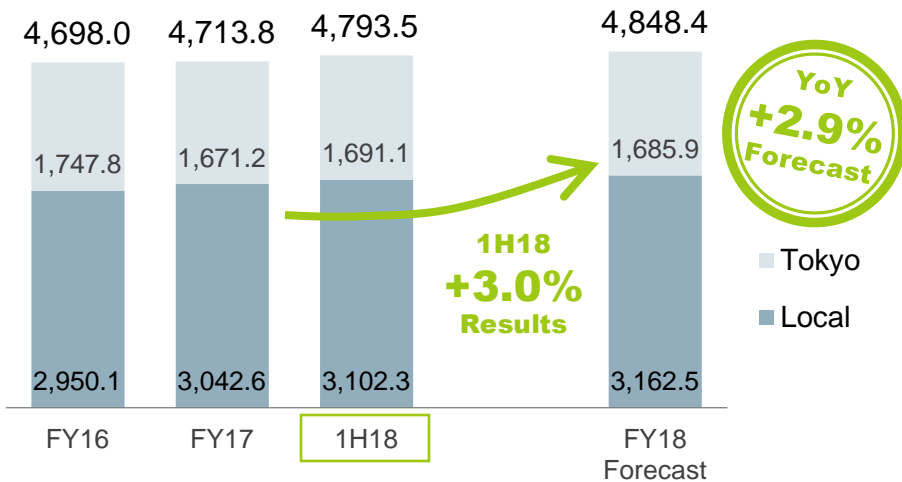
Measures for Corporate Customers

1 2 3 4

Wide-area business matching based on accurate and fresh information

Utilizing network of main customers of both banks, Wide-area Business Matching is carried out

## Enhancement of loans to corporate customers (Avg.) (¥bn)



## 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

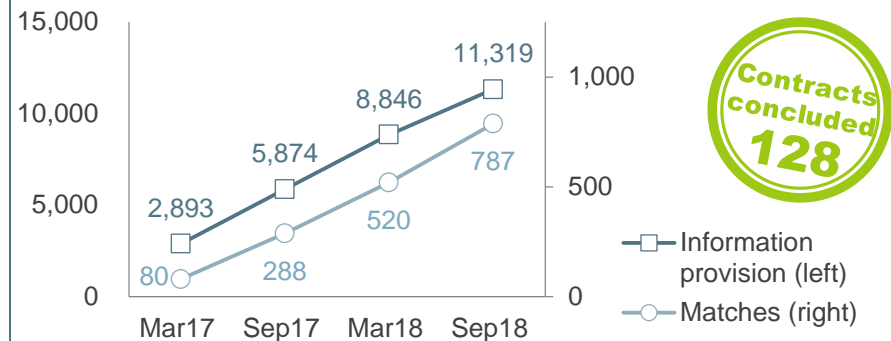
Sales promotion based on refined customer segment

Broadening target, enhance structured finance and cross-border loans

Actively meet financial needs of growth industries

## Wide-area Business Matching (accumulative number)

Due to wide area network, number of business matching is increasing

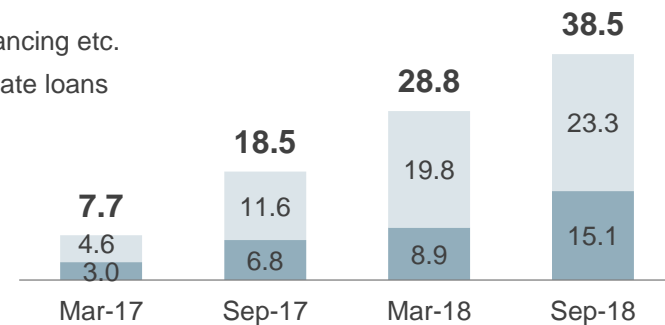


## Co-financing (Accumulated amount of loans made) (¥bn)

Actively implement co-financing

Co-financing etc.

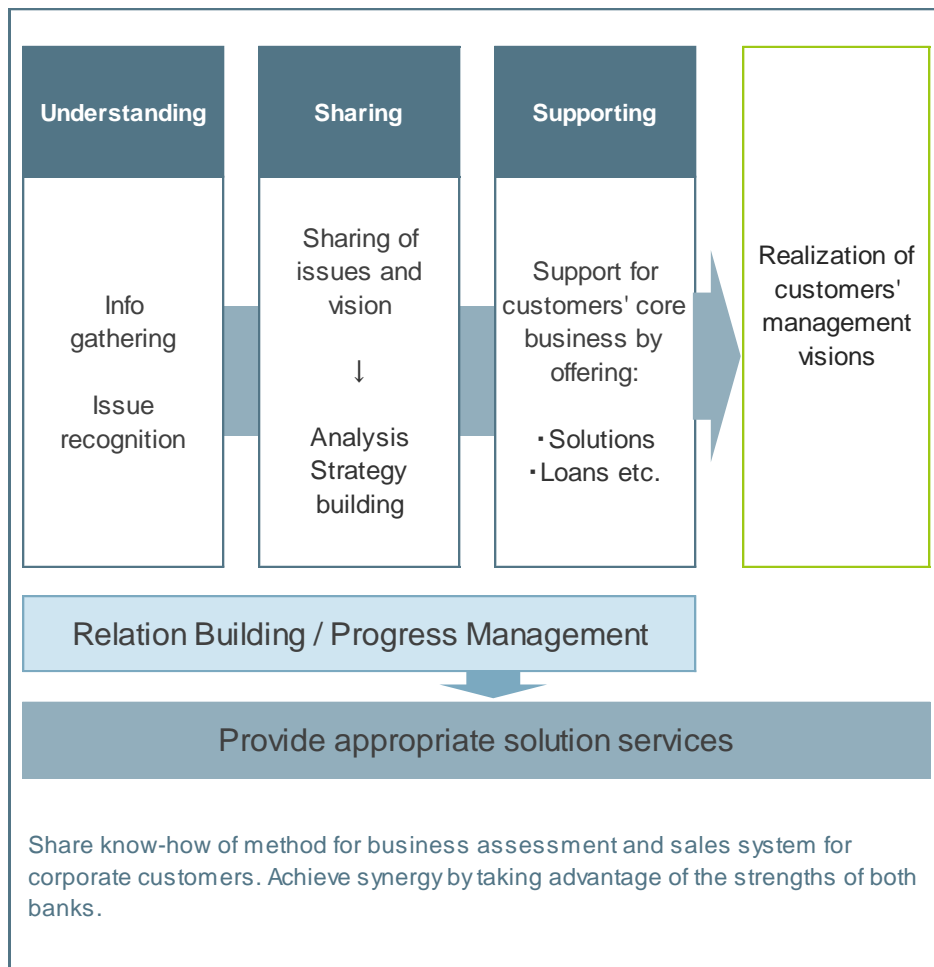
Syndicate loans



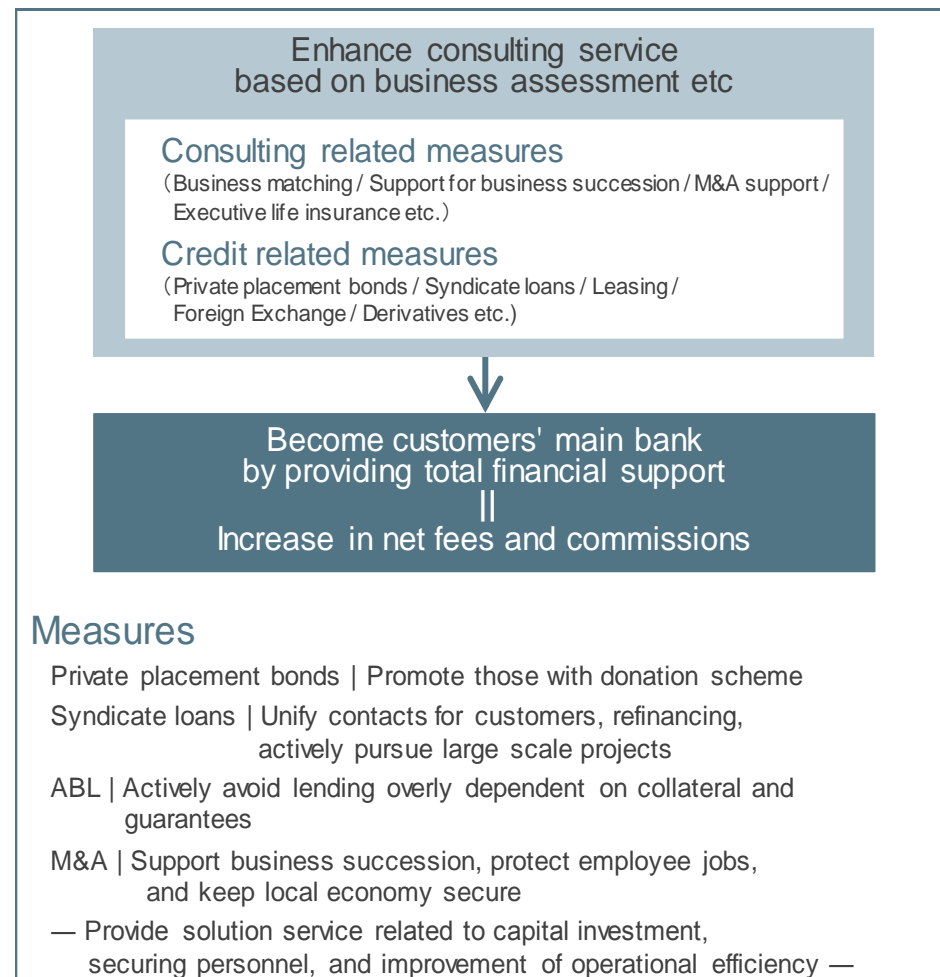


Through business assessment, understand customer's business and value potential properly  
 Sharing issues and vision with customers, enhance consulting services for resolving issues

## Business Assessment



## Enhancement of Consulting Services



Through consulting services, provide right solutions and a variety of services such as loans

## 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 sustenance of employment

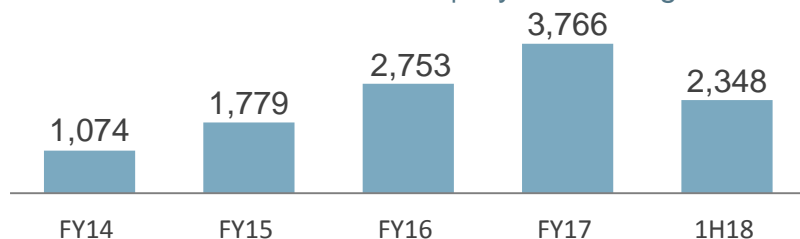


Succession by relatives

Succession by employees

M&A

Number of Proposals regarding Business Succession and M&A | Joyo + Ashikaga

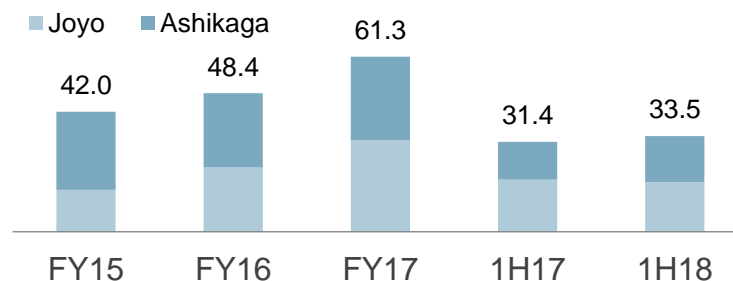


Potential companies to conduct M&A etc. in Ibaraki / Tochigi | 20,000

\*Estimated by Mebuki using data from Small and Medium Enterprise Agency and Teikoku Databank

## Private Placement Bonds

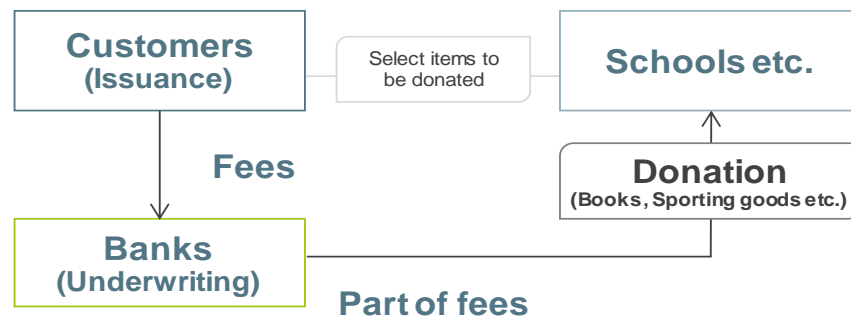
(¥bn)



## Private placement bond with donation scheme

(As of Sep. 2018 | ¥33.9bn/393 bonds)

Contribute to local societies by developing school environment

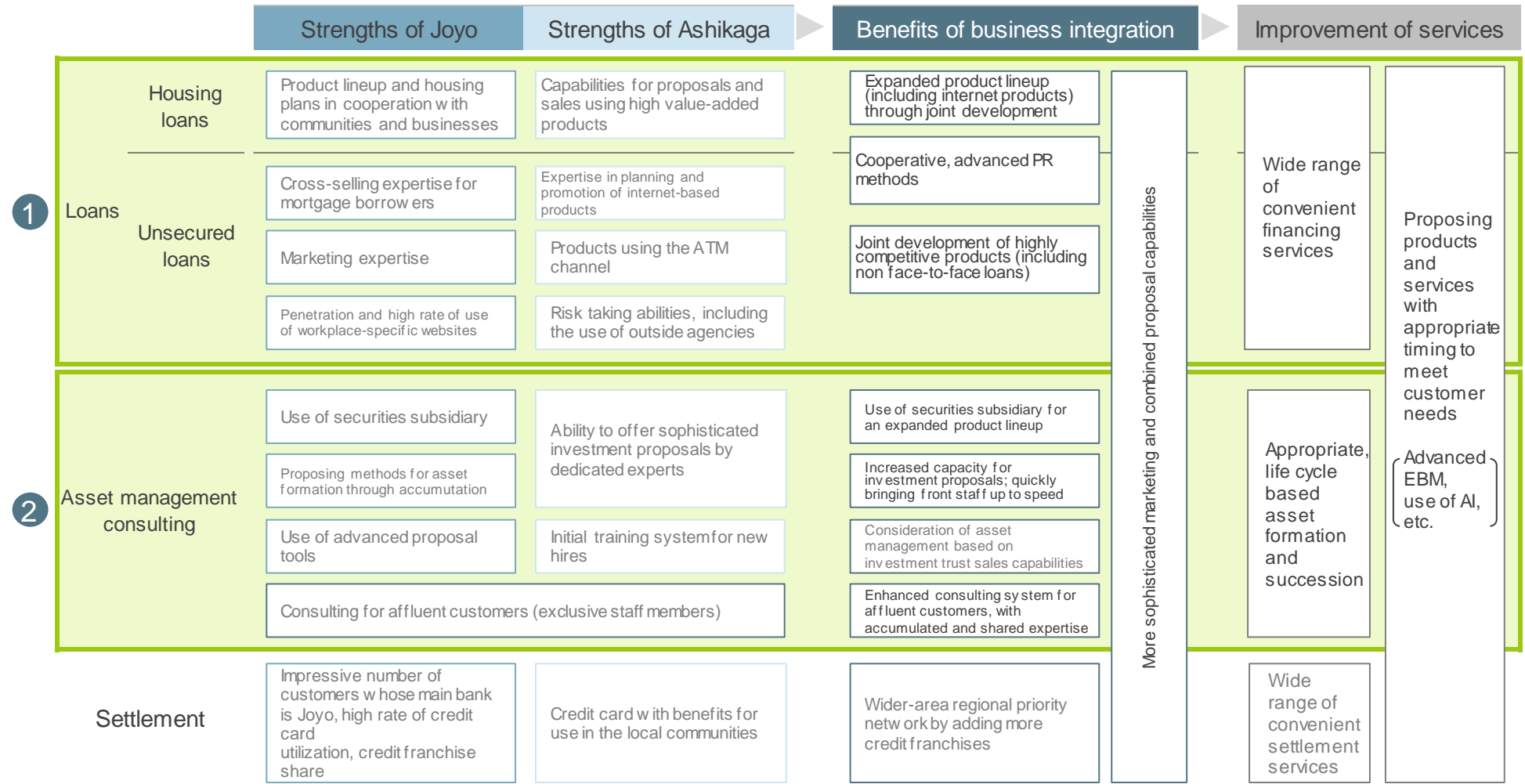


Two banking subsidiaries donated more than ¥30mil since the scheme was introduced in Jul. 2016



# 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



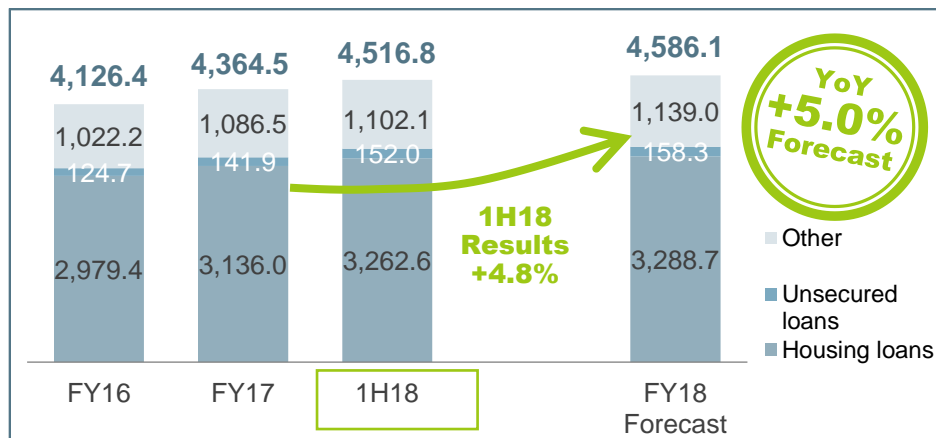
# Loans | Increase Housing / Unsecured Loans

Measures for Individual Customers

① ②

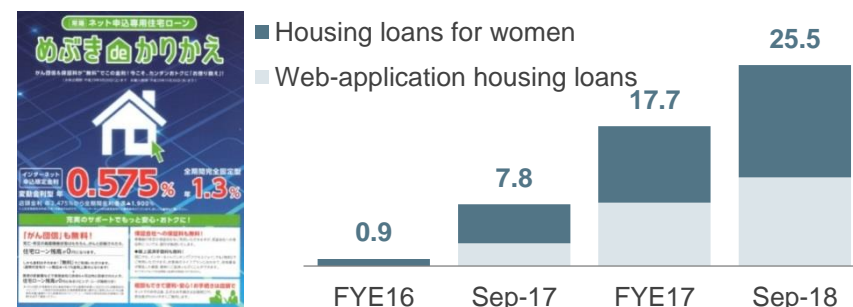
Continue focus on housing loans and enhance non-face-to-face channel (web completion scheme etc.) for purpose specific loans.

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

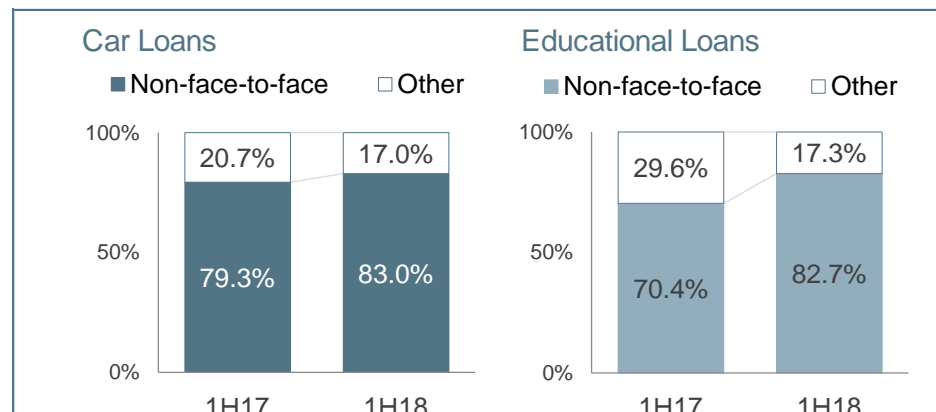


Jointly Developed Housing Loans (J + A) (balance) (¥bn)

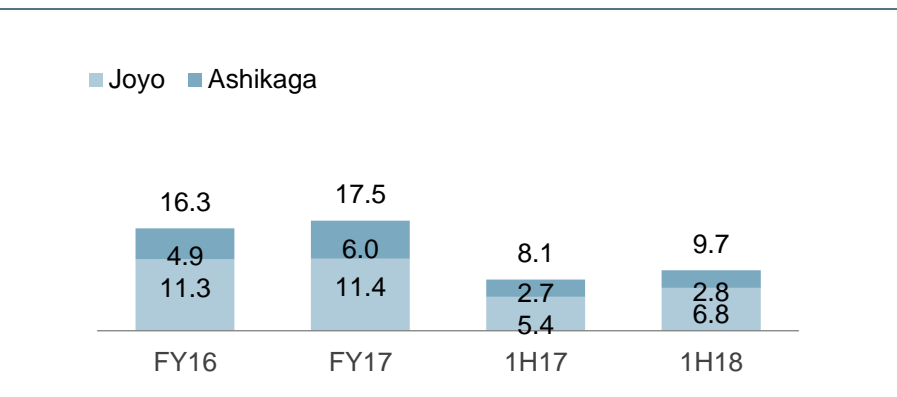
Fees from jointly developed housing loans are on the rise



Non-face-to-face Application Ratio \*Web etc.



The Amount of Car Loans (J + A) (balance) (¥bn)



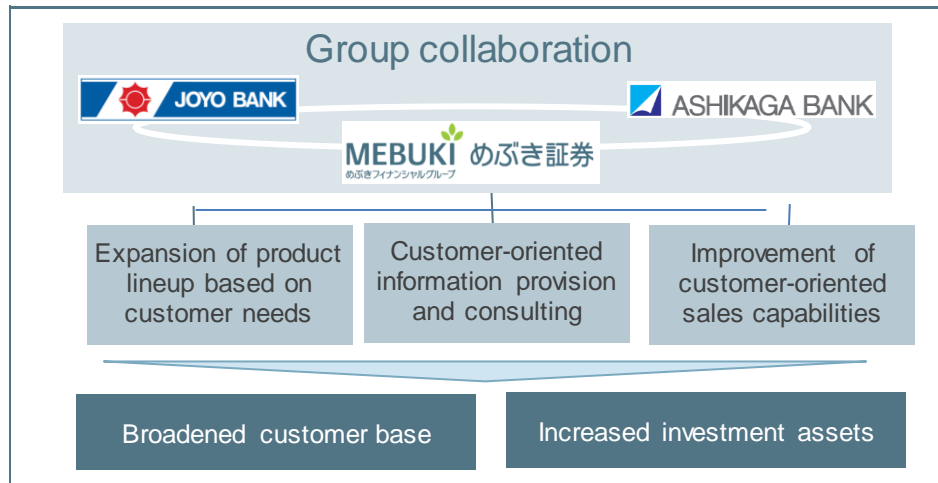
# Asset Management Consultation Services

Measures for Individual Customers

① ②

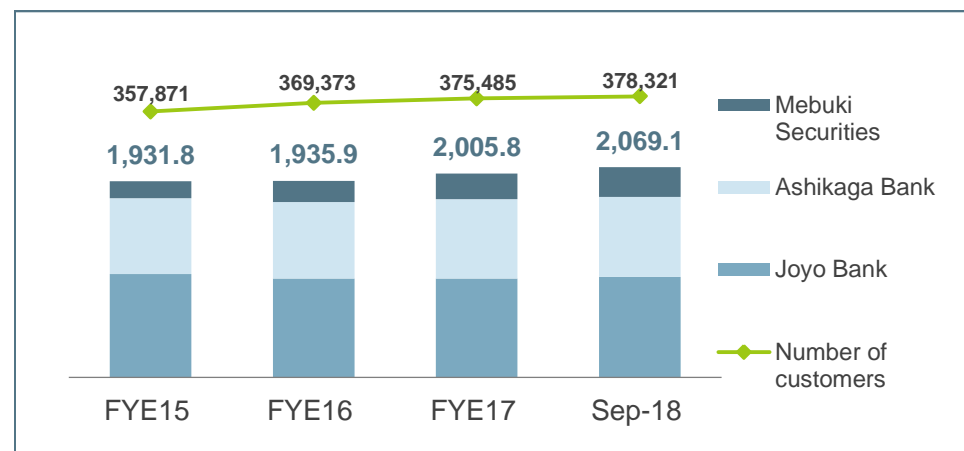
Enhancement of group cooperation for customers' stable asset building led to an increase in customers and their assets under custody

## Customer-oriented Measures



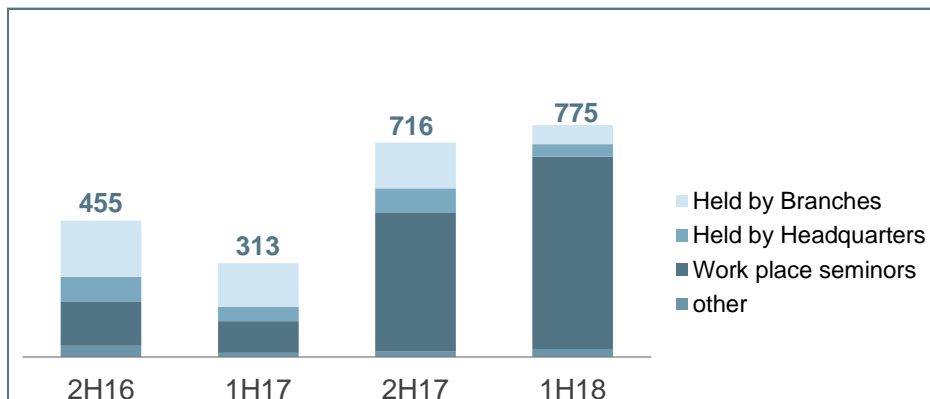
## Customer Assets under Custody of Group Companies

(¥bn)  
(number)



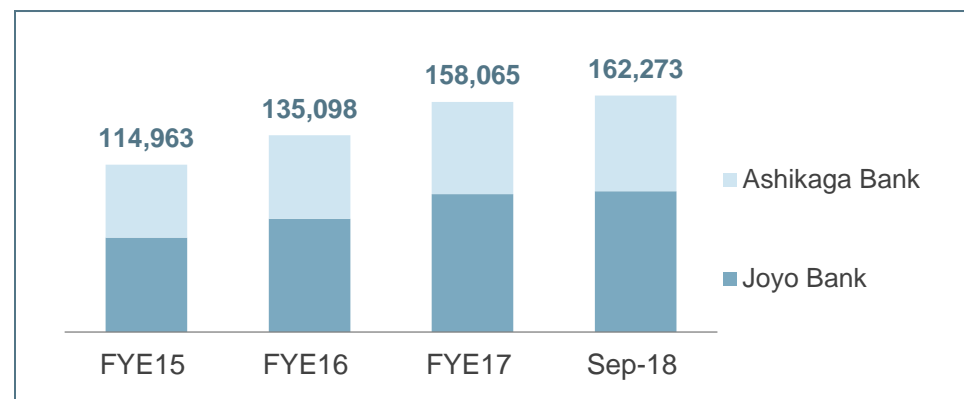
## Seminar frequently held for customers

(number)



## Number of customers of Accumulation Services (J + A)

(number)



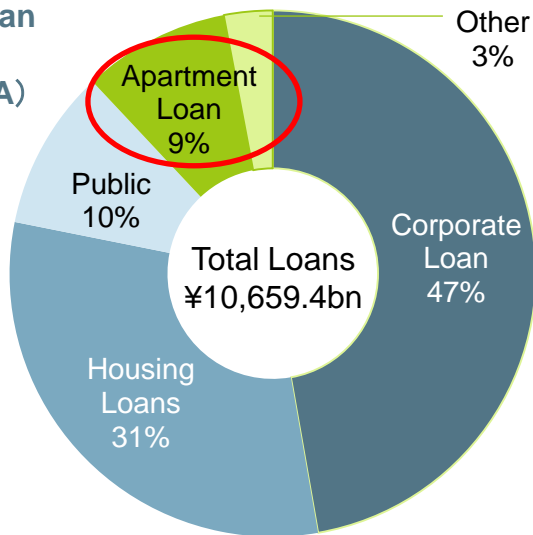
# Apartment Loans (1)

Mainly provide apartment construction funds for the purpose of inheritance tax saving measures and effective land utilization of unused real estate

## The Ratio of total loans

【As of Sep.30, 2018】

**Apartment loan balance**  
¥957.6bn (J+A)



- The balance of Apartment loans (total amount of ¥957.6 bn) represents 9 % of total loans
- Number of new loans decreased due to a decline in new construction of leasehold property, caused by the growth of supply and demand imbalance in demand for post-earthquake reconstruction and construction of apartments for inheritance tax saving measures.
- Carefully deal with loans to property with land (response to wealthy individuals on a case to case basis)

## Policy/ Screening standard/ Monitoring

### 【Policy】

Loan to wealthy individuals for apartment construction funds for the purpose of inheritance tax saving and effective land utilization of unused real estate

### 【Screening standard】

- Review borrower's profit plans which are adjusted downward considering interest rate hike risk
- Examine whether or not the purpose meets inheritance tax saving and effective land utilization and the loan amount is appropriate for the balance of assets and liabilities
- Collateral value is calculated by multiplying the value determined by the integration method by a certain rate. The value calculated by DCF method is used as a reference.

### 【Monitoring】

Monitor occupancy rate and rent of properties of borrowers whose loan amount is ¥100 million or more (one a year)

## Asset building loans (excluding Apartment loans)

### 【Asset building loans】

Loan for high-income earners to purchase rental condominiums

As of Sep.30, 2018

The amount ¥2.7 bn / Number 113 / Delinquent loans: No

### 【Loans for Share houses】

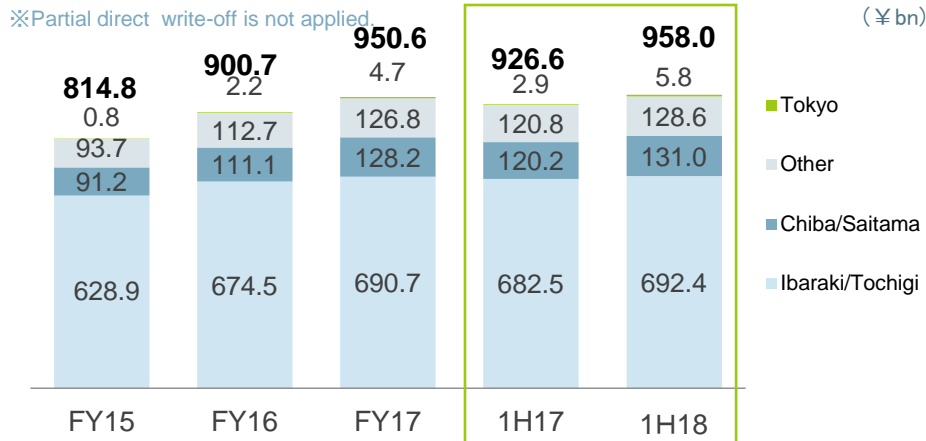
No transactions



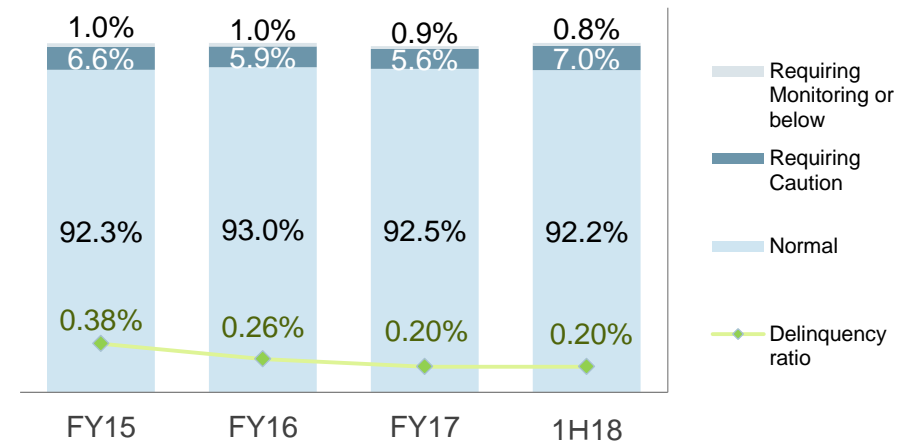
# Apartment Loans (2)

Loans to apartments mainly in Ibaraki and Tochigi. Latest loan amount declined due to decrease in construction  
 No major change in rating and delinquency ratio of apartment loans

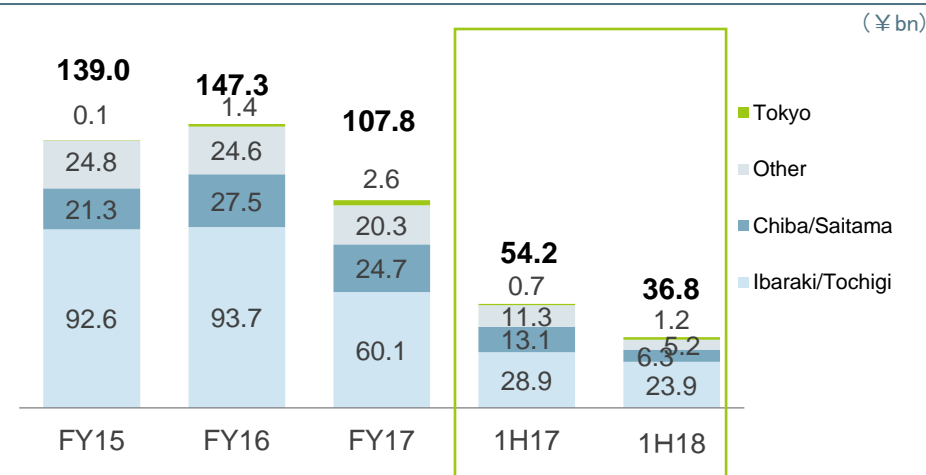
## Term-end Balance by Area (J+A)



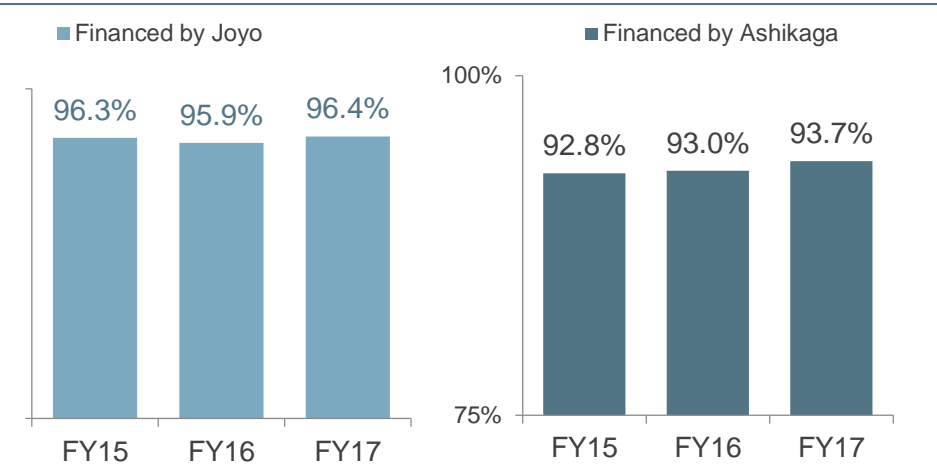
## Rating / Delinquency ratio (J+A)



## Loan Amount by Area (J+A)



## Occupancy Rate of Properties (Target for monitoring)





# System Integration / Cost Reduction

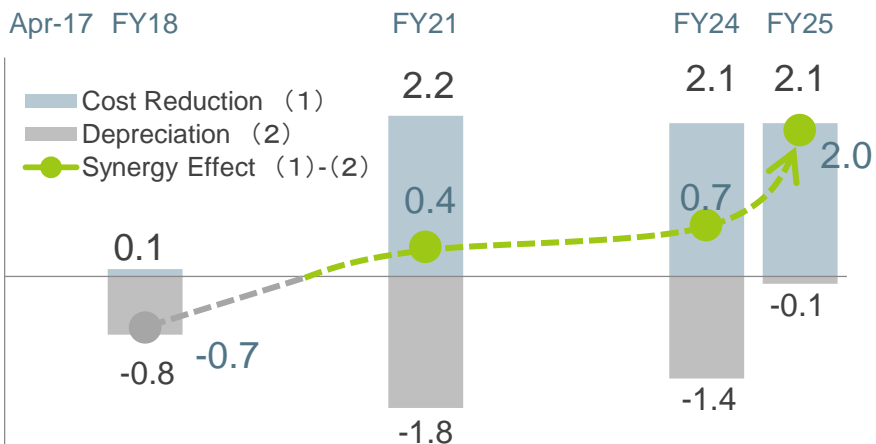
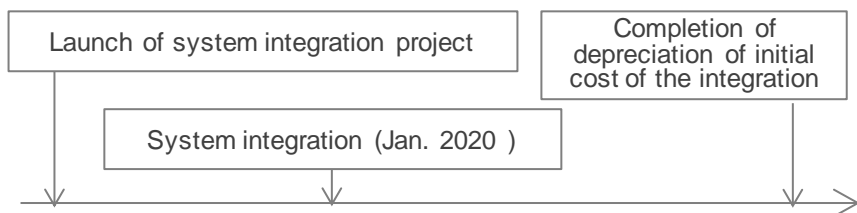
## System Integration

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.

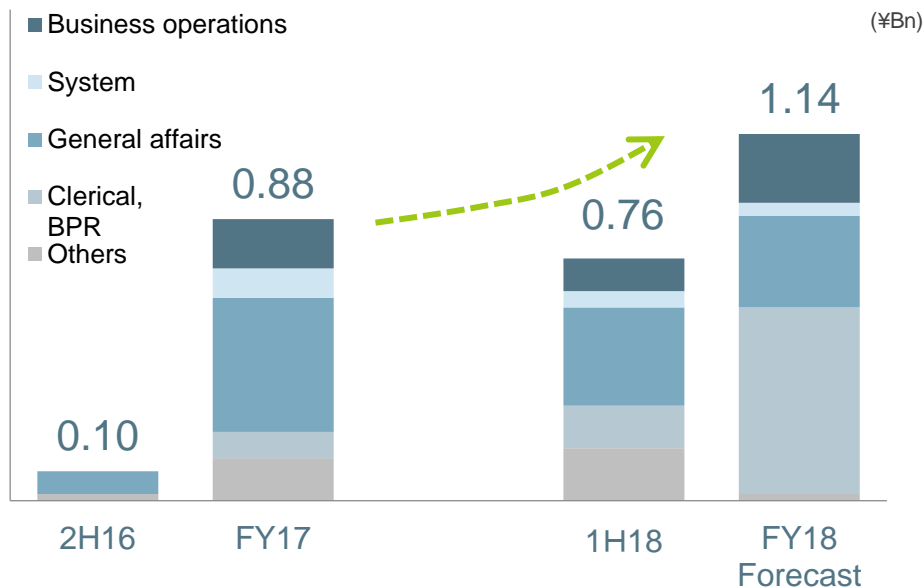
### Schedule and Synergy Effect of the Integration (¥Bn)



System integration costs | Approx. ¥10.0 bn

## Cost Reduction

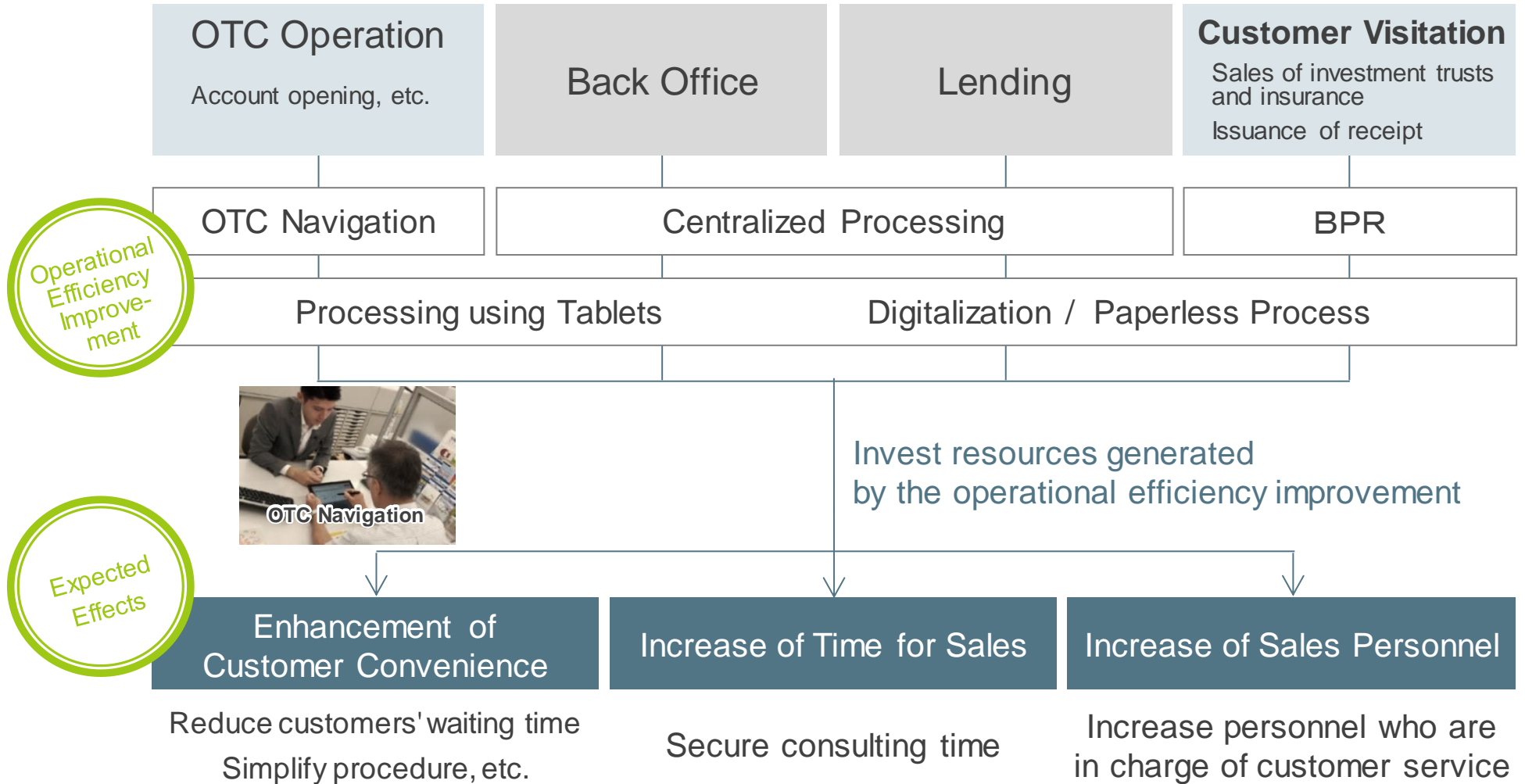
### Cost Reduction through business integration synergies (¥Bn)



Items	FY18 Forecast	2H Result	Details
Business operations	0.21	0.10	Sharing efficiency improvement know-how sharing
System	0.04	0.05	Synergy to reduce system expenses
General affairs	0.28	0.30	Share expense reduction know-how
Clerical · BPR	0.57	0.13	Integrated Tokyo operation center, Joint issuing of bills / check paper
Others	0.02	0.16	Collaborative investment of securities
<b>Total</b>	<b>1.14</b>	<b>0.76</b>	

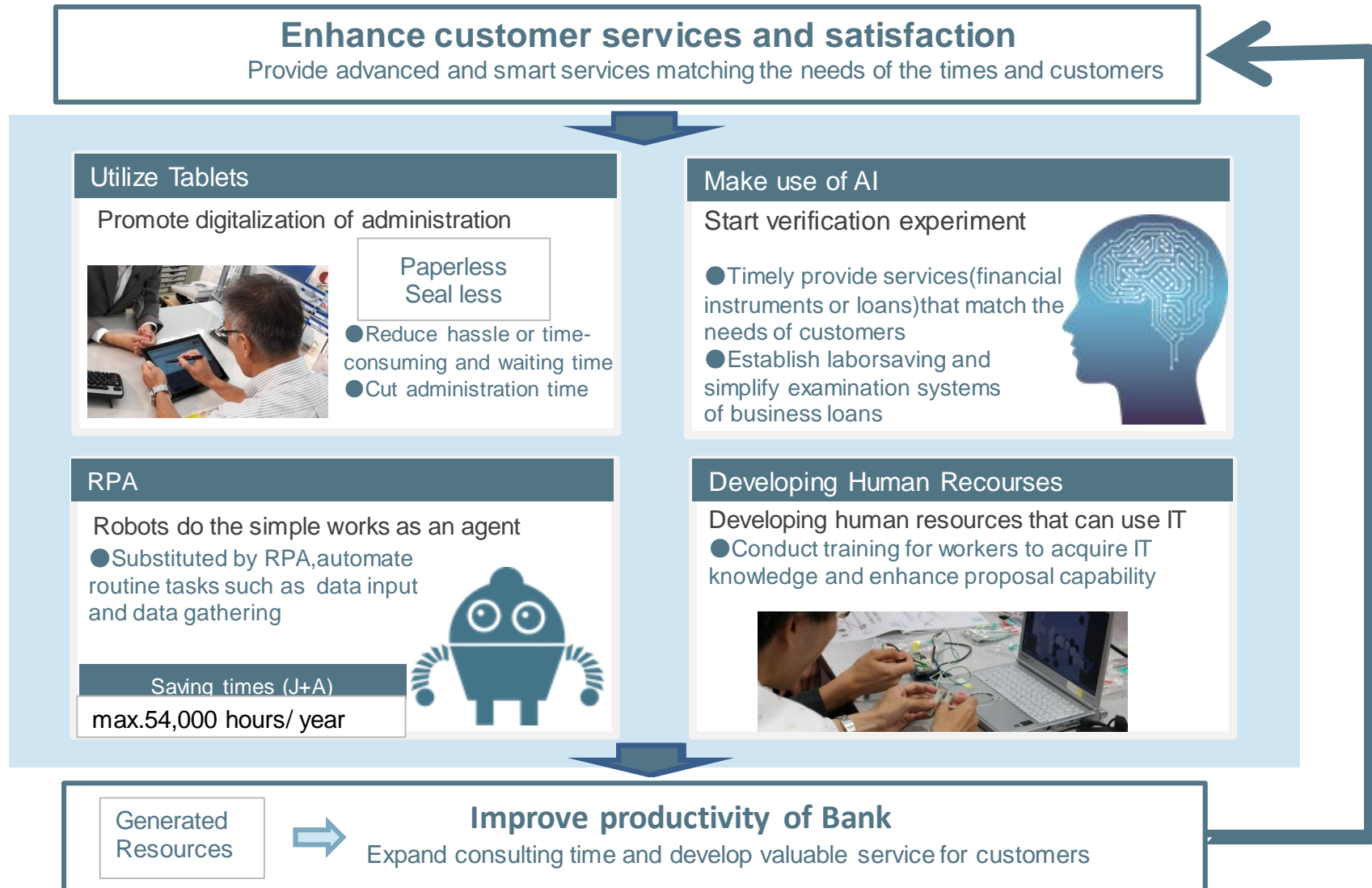
# Operational Efficiency Improvement

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



# Making full use of Digital Technology

Making full use of digital technology such as tablets , AI , and RPA to enhance customer convenience  
Improving proactivity, invest generated resources to develop and expand services



# Branch Operation Efficiency

(as of Sep. 30, 2018)

Improve branch operation efficiency while maintaining customer convenience

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

## Mutual use of ATMs

Mutual use of ATMs between Joyo Bank and Ashikaga Bank  
ATM mutual usage fees are reduced for cooperative banks

## User Friendly Branches enhance customer convenience

Utilization of branches open on weekends

Use of videophones

Internet Branch, etc.

## Other Measures

Improve efficiency of branch operation and personnel allocation by area management

More efficient sub-branches

Introduction of lunch-time closure

Joint ATM Allocation



Videophone

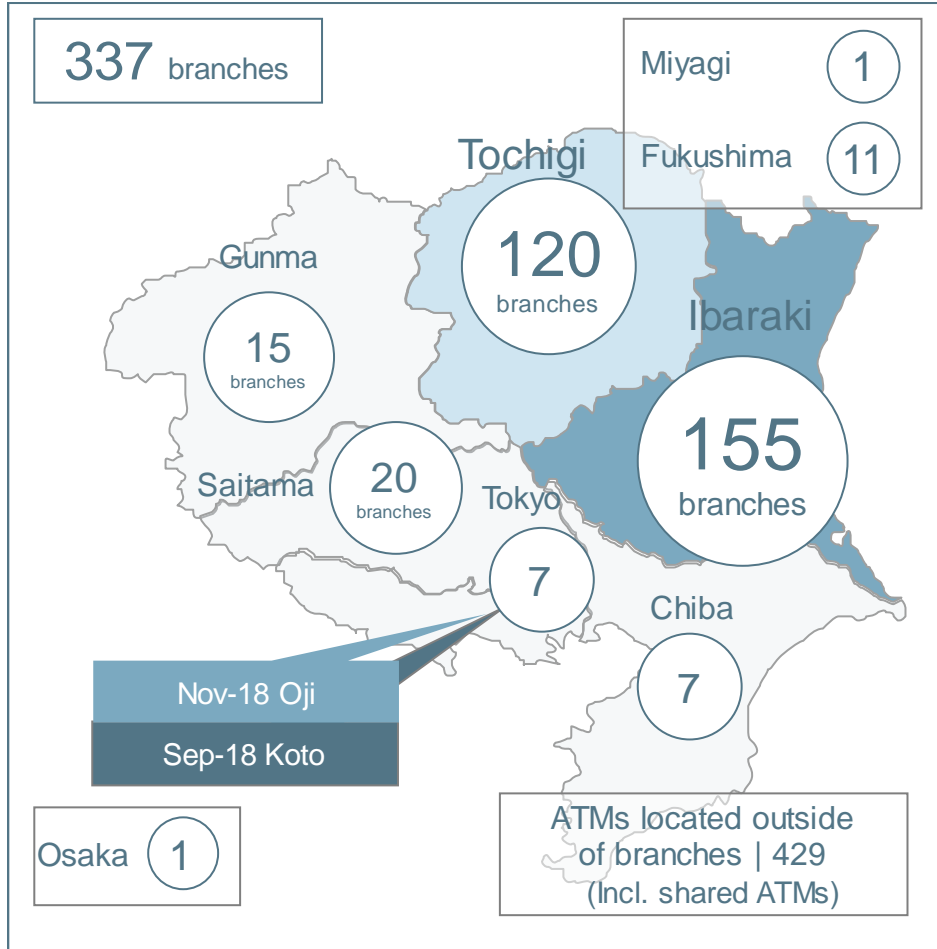


Branch open on weekends

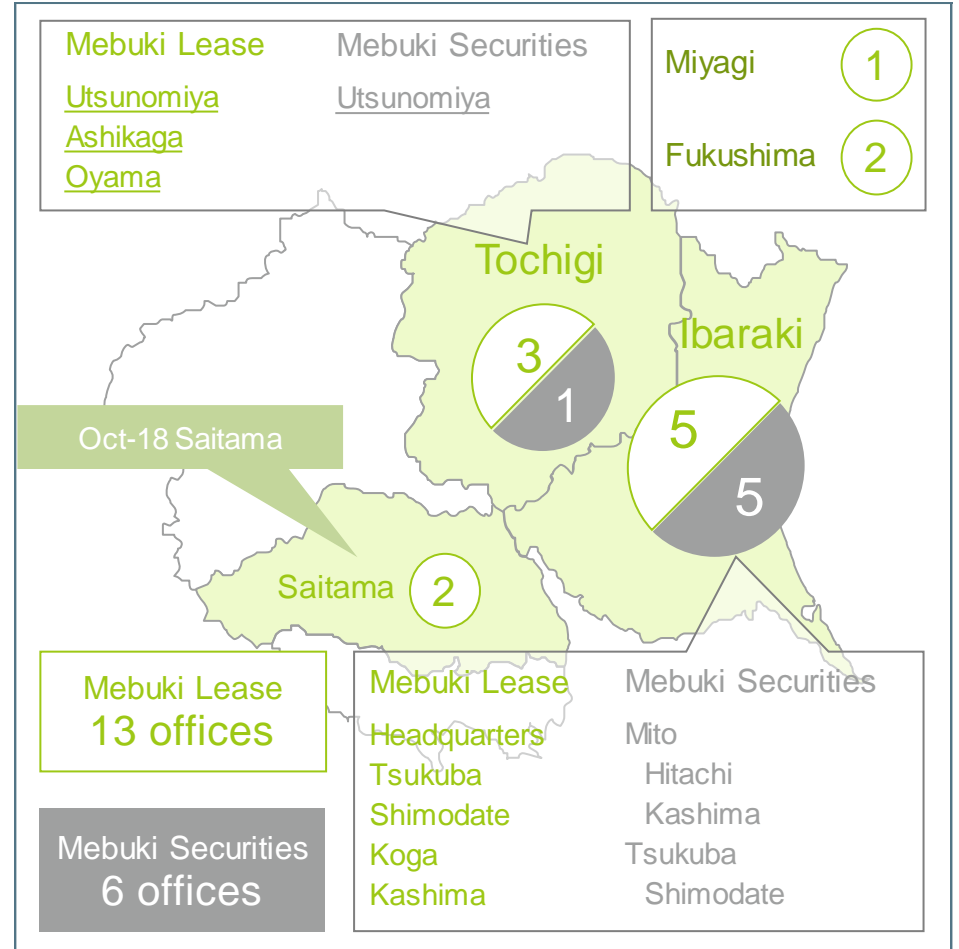
# Branch Network (Domestic)

Strengthen our wide-area network further

## Bank Branches (Joyo + Ashikaga)



## Mebuki Lease / Mebuki Securities





# ESG Initiatives

Making efforts to realize sustainable local communities, enhance ESG initiatives

## Environment

- Offer subsidies to environmental conservation organizations
- Environment-friendly branches
- Environmental conservation activities (Forest development)
- Loans to business operators of solar power generation and other renewable energy



## Social

- Support to discover regional industries and develop new business
- Support for business succession and matching of human resources
- Foster next-generation business leaders and children
- Initiative for regional revitalization collaborating with local government
- Promote work-life balance and participation and advancement of women in the workplace



## Governance

- Establish corporate governance
- Design internal control system
- Enhance risk management system
- Strengthen Compliance



## Inquiries

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