

Mebuki Financial Group, Inc.

# Financial Results for the Third Quarter of FY2019 (IR Presentation Material)



## 1. Financial Results for the Third Quarter of FY 2019

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### 【Reference】

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## Summery of Second Medium-Term Group Business Plan

\*Unless otherwise mentioned, figures are based on banking subsidiaries (non consolidated-basis)

# 1. Financial Results for the Third Quarter of FY 2019

# (1) Highlights

## Results for 3Q19

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- Consolidated net income<sup>(\*1)</sup> decreased YoY mainly due to decrease of gains/losses on cancellation of investment trusts and increase of credit related costs. However, the progress toward forecast for 2019 of ¥40.0bn is at a high level of 88.5%.
- Though credit related costs exceeded initial plans, cost reduction and gains on securities (excluding gains/losses on cancellation of investment trusts) made up for decrease of profit. The progress toward FY19 is at a high level due to gains on securities under active market conditions.

➤ Consolidated Income<sup>(\*1)</sup> : ¥35.4bn( -¥2.4bn YoY)

(88.5% progress toward the full-year forecast)

(\*1) Attributable to owners of the parent

## Forecast for FY19

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- Forecast for FY19 remains unchanged from that announced on May 13, 2019

➤ Forecast for FY19 : Consolidated Income<sup>(\*2)</sup> ¥40.0bn

(\*2) Attributable to owners of the parent

## Shareholder Returns for FY19

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➤ Annual Dividends(scheduled) : ¥11.0 per share

(Interim dividend of ¥5.5(decided), Year-end dividend of ¥5.5(scheduled))

➤ Total Return Ratio : 42.2% (Payout ratio: 32.2%)

(\*3) Total Return Ratio = (Total amount of dividends + Total amount of acquisition of own shares) / Net income<sup>(\*1)</sup>

(\*4) In addition ¥11.0 of annual dividends, amount of total return includes ¥3.9 bn (13.9 mil stocks) of own shares repurchased in Oct.2019 .

## (2) Main Points of 3Q19 Financial Results

- 3Q19 financial results of Mebuki FG and Two banking subsidiaries progressed steadily.
- Focusing on "Enhancement of Consulting Services" and "Structural Reform for Enhanced Productivity" in the Second medium-term business plan, the effects of those major initiatives appear during the first year.

### Mebuki FG (Consolidated)

	3Q19	YoY Chg	Progress
Gross business profit	146.5	+5.5	-
Net interest income	112.8	-6.1	-
<b>Net fees and commissions</b>	<b>29.3</b>	<b>+0.2</b>	-
Net trading income	2.4	+0.5	-
Net other business income	1.8	+10.9	-
Expenses	89.4	-0.1	-
Credit related cost	14.0	+6.6	-
Gains/losses related to stocks	6.2	-2.8	-
<b>Ordinary profit</b>	<b>50.3</b>	<b>-4</b>	<b>86.8%</b>
Extraordinary income/losses	-0.2	+0.1	-
<b>Net income (1)</b>	<b>35.4</b>	<b>-2.4</b>	<b>88.5%</b>

【 Consolidation adjustment 】 (2)-(1) -4.0bn  
 Adjustments related to securities (-3.3bn)  
 Interest expenses of subordinated loans, expenses, etc.

### Two banking subsidiaries and group companies

	3Q19	YOY Chg	Progress
Gross business profit	142.4	+4.1	80.3%
(Core gross business profit)	142.3	-7.0	80.3%
Net interest income	116.2	-6.8	80.7%
(o/w gains/losses on cancellation of private offering investment trusts)	6.3	-3.9	-
Net fees and commissions	23.9	-0.1	76.3%
Net other business income	2.2	+11.1	-
(o/w gains/losses on bond transactions)	0.0	+11.1	-
Expenses	86.1	+0.5	72.3%
<b>(Excluding system integration expenses)</b>	<b>83.7</b>	<b>-0.9</b>	-
Net business income	56.2	+3.5	96.8%
(before general allowance for loan losses)	56.2	+3.5	96.8%
Core net business income	56.2	-7.6	96.7%
(excl. gains/losses on cancellation of private offering investment trusts)	49.8	-3.6	-
Net transfer to general allowance for loan losses (a)	0.4	+0.4	-
Net business income	55.8	+3.0	96.3%
Net non-recurrent gains/losses	-5.1	-8.8	-
o/w Disposal of non-performing loans (b)	11.7	+6.0	172.9%
o/w Gains/losses related to stocks, etc.	7.1	-3.0	88.8%
<b>Ordinary profit</b>	<b>50.5</b>	<b>-5.8</b>	<b>86.4%</b>
Extraordinary income/losses	-0.2	-11.8	-
<b>Net income (J + A)</b>	<b>35.7</b>	<b>(*1) -15.5</b>	<b>88.3%</b>
<b>Credit related cost (J + A)(2)</b>	<b>39.4</b>	<b>-14.9</b>	<b>89.1%</b>
Credit related cost (J + A)	12.2	+6.5	174.7%

(\*1) The amount of the previous period includes dividends receivable of ¥12.0 bn from affiliated companies. Since this is removed from consolidated FS, there is no effect on net income attributable to owners of the parent of FG.

# (3) Topics ① Credit Related Costs

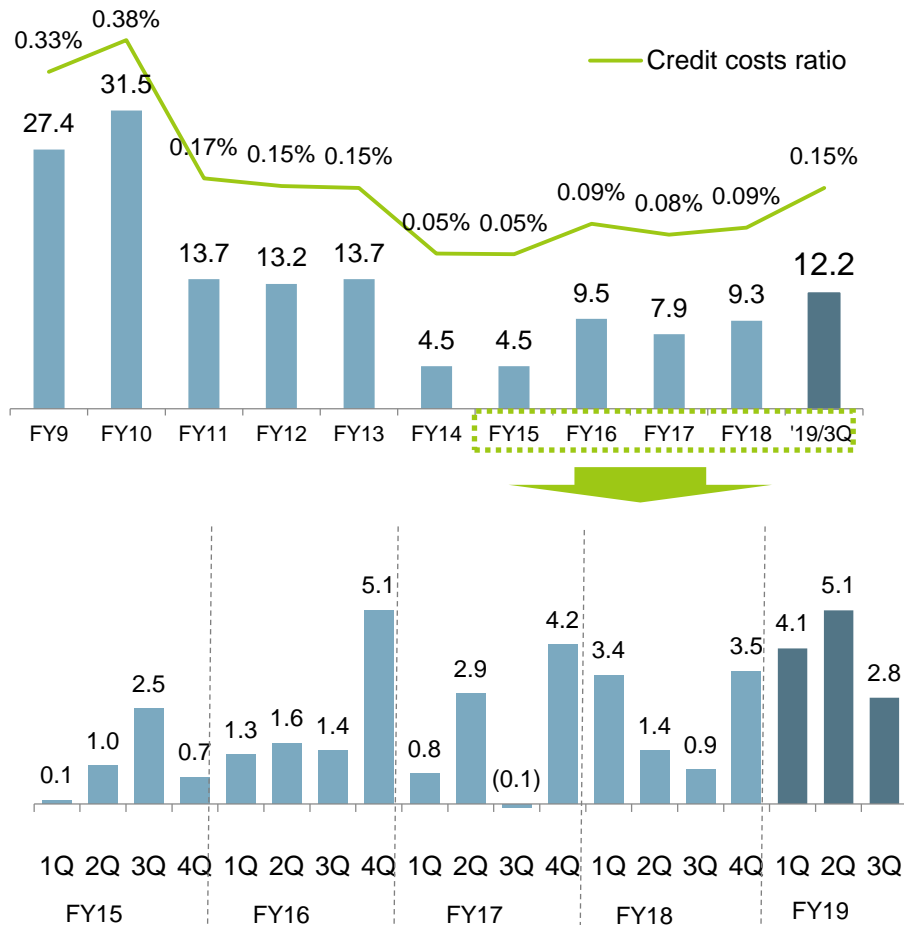
\*Figures in parentheses are changes on a year on year basis

- Credit related costs increased by ¥6.5bn YoY mainly due to the lack of special factors (\*1)
- Since bankruptcy and overdue conditions settled down, credit related costs of 3Q19 trended downward compared to 1H19.

(\*1) In FY18, the reversal of general allowance for loan losses from large borrowers requiring monitoring incurred because of upgrade of credit ratings.

## Change of Credit Related Costs

(1) Change of Credit Related Costs (J+A) ¥bn



## Breakdown of Credit Related Costs

(¥bn)

	Apr. - Jun.	Jul. - Sep.	Oct. - Dec.	3Q19	YoY
Credit related costs	4.1	5.1	2.8	12.2	+6.5
Net transfer to general allowance for loan losses	(0.6)	1.0	0.0	0.4	+4.6
Disposal of non-performing loans (o/w) Transfer to specific allowance for loan losses	4.8 3.7	4.0 0.6	2.8 1.2	11.7 5.6	+1.8 +2.1

### Factors of increase in allowance for loan losses and measures

- Transfer to specific allowance for loan losses increased due to rank down of credit ratings and increase of preventive reserves.
- Although there are no major movements of bankruptcy in the local market, we will control credit risk more carefully than usual, taking into account borrower's rank down of credit rating.
- In January 2020, all branches of Joyo introduced "Financial Alert" (\*2), which began on a trial base in July 2019. Ashikaga scheduled to introduce that function.

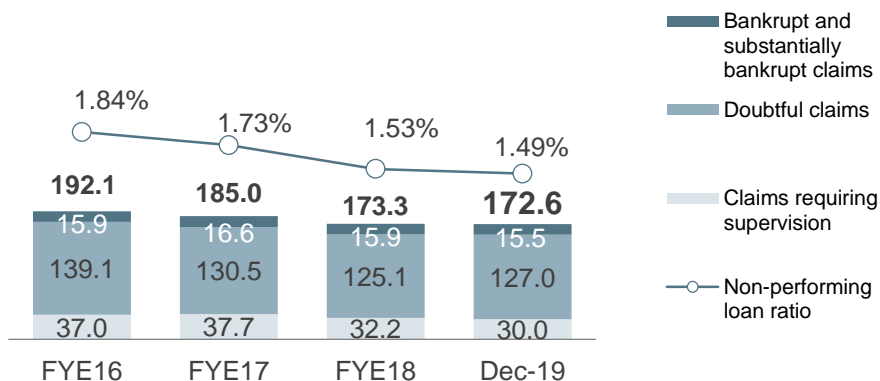
(\*2) We introduced for the purpose of accuracy improvement in understanding actual financial situation of customers. We detect customers in bad financial situations and credit noncompliance based on complex analysis of CF, BS, and PL. Using that function, we will reduce credit costs.

## (2) Topics ① Status of Non-performing Loans and Delinquent Loans

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

- Ratio of non-performing loan based on financial revitalization law have been on the decrease. Delinquent loans remains at a low level.
- There are no major movements in bankruptcy in the recent local market.

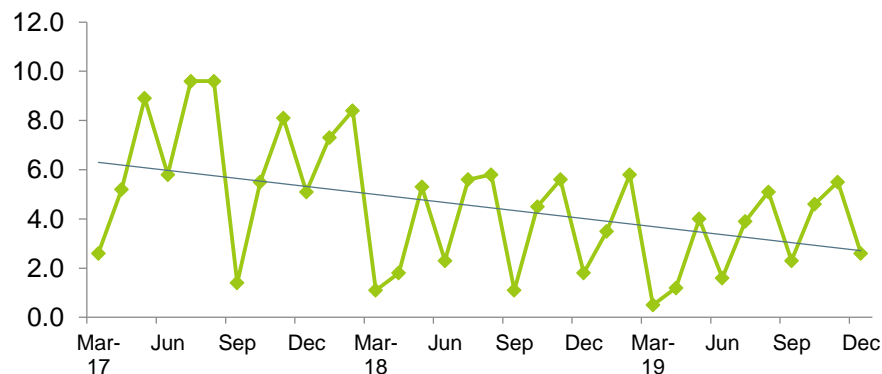
### Non-performing Loans (Financial Revitalization Law)



### Status of Delinquent Loans to Businesses

#### <Loans delinquent 1 month or more>

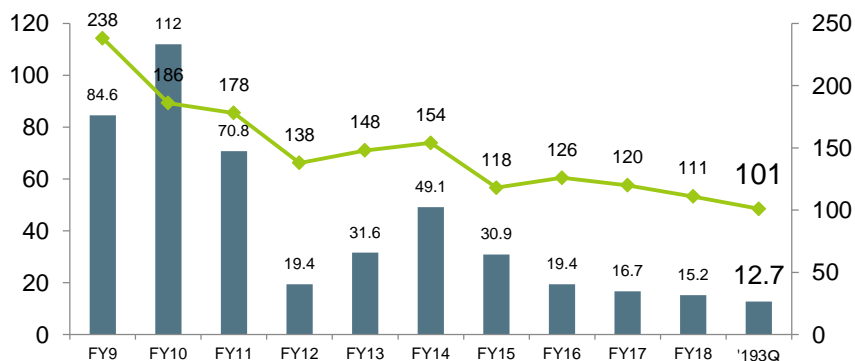
(¥bn)



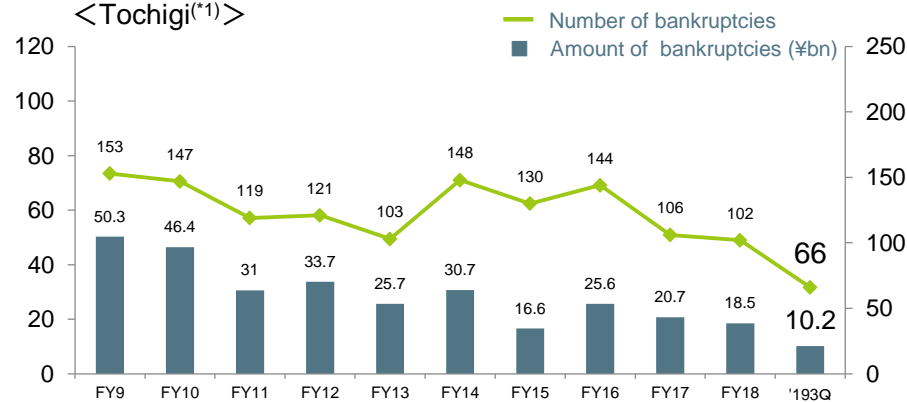
### [Reference] Status of Bankruptcy

Number of bankruptcies (Total liabilities amounting to 10 million yen or more) ~by Tokyo Chamber of Commerce

#### <Ibaraki>



#### <Tochigi(\*1)>



(\*1) Specific major borrower's bankruptcy of ¥43.3bn in FY11 is excluded from figures above. 6

## (3) Topics② Net Interest Income

- Net interest income decreased by ¥3.9bn YoY due to decrease of gains/ losses on cancellation of investment trusts of ¥6.8bn. The progress toward forecast is at a high level of 80.7%(76.2% excluding gains /losses on cancellation of investment trusts).
- Loan- deposit interest margins progressed according to forecast and security margins exceeded the forecast at a faster pace than planned. Net interest income of FY19 is expected to exceed the forecast of ¥143.9 bn.

### Net Interest Income (¥bn)

	3Q19	YoY	Progress
Loan- deposit interest margins (A)	79.5	-0.8	(*1) <b>75.3%</b>
Interest on loans	83.7	-1.0	(-)
Interest on deposits	4.2	-0.2	
Security margins (B)	36.6	-0.6	95.0%
(excluding gains/ losses on cancellation of investment trusts)	30.3	-2.1	78.7%
Interest and dividends on securities (o/w gains/ losses on cancellation of investment trusts)	43.7 (6.3)	-5.0 (-3.9)	(-)
Market procurement	7.0	+1.0	
<b>Net interest income (A)+(B)</b>	<b>116.2</b>	<b>-6.8</b>	<b>80.7%</b>
(Excluding gains/ losses on cancellation of investment trusts)	<b>109.8</b>	<b>-2.8</b>	<b>(76.2%)</b>

(\*1) Loan- deposit interest margins progress according to plan. The 3.7bp decline of the average yield of domestic loans (excluding borrowing from special account of MoF) was reduced compared to 4.3bp during the previous period

### Breakdown of Security Margins (¥bn)

	3Q19	YoY	Progress
Interest and dividends on securities(C)	43.7	-5.0	(-)
JGB	3.9	-0.6	
Local government bonds/ corporate bonds (Yen-dominated)	5.2	-0.0	
Foreign currency bonds	14.0	+1.0	(-)
Stocks	6.4	-0.0	
Investment trusts	7.7	-1.3	
Gains/ losses on cancellation of investment trusts	6.3	-3.9	
Market procurement (-)(D)	7.0	(*2) +1.0	(-)
<b>Security margins (C)-(D)</b>	<b>36.6</b>	<b>-6.0</b>	<b>95.0%</b>
(Excluding gains/ losses on cancellation of investment trusts)	<b>30.3</b>	<b>-2.1</b>	<b>78.7%</b>

(\*2) Although market procurement increased YoY due to U.S interest rate rise in 2H18, net interest income recently improved due to a decrease in market procurement.



## 2. Progress of the Second Medium-Term Business Plan

【Plan period: April 2019 to March 2022】

# (1) Progress of Business Objectives①

- Net income<sup>(\*)</sup> and Core OHR (banking subsidiaries' total) progressed favorably according to plan.
- Profit for customer services, one main quantitative target, progressed favorably according to forecast for FY19.

## Business Objectives

(\*) Profit for customer services = Loan- deposit interest margins + Net fees and commissions for customers + Net trading income (Fee of derivative transactions from customers) - expenses (defined by ourselves)

### (1) Progress of Business Objectives

	FY18 Result	FY19 planned	3Q19	Progress	FY21 planned
ROE (Consolidated)	5.1%	—	—	-	5.0% or more
Net income attributable to owners of the parent	¥46.3bn	¥40.0bn	¥35.4bn	88.5%	around ¥47.0bn
Core OHR (banking subsidiaries' total) <sup>(*)2</sup>	57.1%	64.8%	61.5%	—	around 60%

(\*)2 Core gross profit excluding Gains/ losses on cancellation of investment trusts . Expenses excluding System integration expenses.

## Main Quantitative Target

### (2) Progress of main quantitative target

	FY18 Results(1)	FY19 planned	3Q19	Progress	FY21 Planned(2)	(2)-(1)
Profit for customer services <sup>(*)1</sup>	¥29.2bn	¥21.2bn	¥19.8bn	93.3%	around ¥30.5bn	around ¥1.5bn
(excluding system integration expenses) <sup>(*)1</sup>	¥31.1bn	¥25.4bn	¥22.2bn	87.4%	around ¥33.5bn	around ¥2.5bn
Average balance of loans (total) <sup>(*)3</sup>	¥10,644.9bn	—	¥10,819.2bn	+¥174.3bn	around ¥11,250bn	around ¥600bn
Average balance of deposits (total) <sup>(*)4</sup>	¥14,530.9bn	—	¥14,877.7bn	+¥346.8bn (YoY for FY18)	around ¥15,030bn	around ¥500bn

(\*)3 Excluding borrowing from special account of MoF

(\*)4 Including negotiable certificates of deposit

# (1) Progress of Business Objectives②

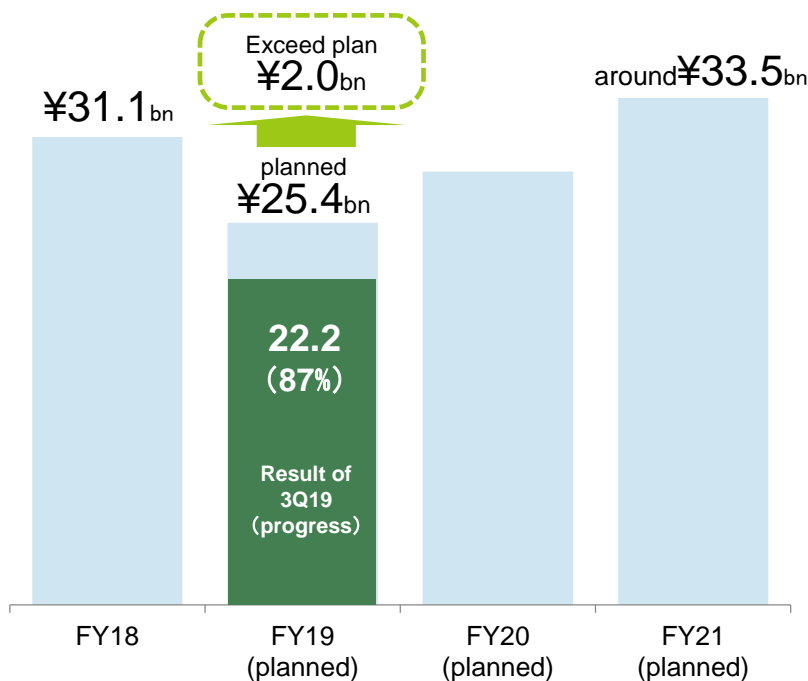
- For the 3 years of the medium-term plan, we will make efforts to increase profit for customer services<sup>(\*1)</sup> by ¥1.5bn or more, or ¥2.5bn or more excluding system integration expenses.
- Profit for customer services is expected to exceed forecast for FY19 by ¥2.0bn, driven by net fees and commissions and cost reductions.

## Profit for Customer Services

(\*1) Profit for customer services = Loan- deposit interest margins + Net fees and commissions for customers + Net trading income (Fee of derivative transactions from customers) - expenses (defined by ourselves)

### 3 Year Plan

Profit for customer services (Excluding system integration expenses)



### Result of 3Q19

- Profit for customer services excluding system integration expenses in 3Q19 is ¥22.2bn on a high level of 87.4% progress toward a plan for FY19
- Result of 3Q19 is driven by net fees and commissions from customers and cost reductions.

(1) Plan and Results of profit for customer services for FY19 (¥bn)

	FY19 planned	3Q19 Results	Progress
Top line of customer services(1)	140.3	105.9	75.4%
Loan- deposit interest margins	107.0	80.4	75.1%
Net fees and commissions	33.3	25.4	76.2%
Expenses (2)	119.0	86.1	72.3%
(Excluding system integration expenses) (3)	114.8	83.7	72.9%
Profit for customer services(1)-(2)	21.2	19.8	93.3%
(Excluding system integration expenses)(2)-(3)	25.4	22.2	87.4%

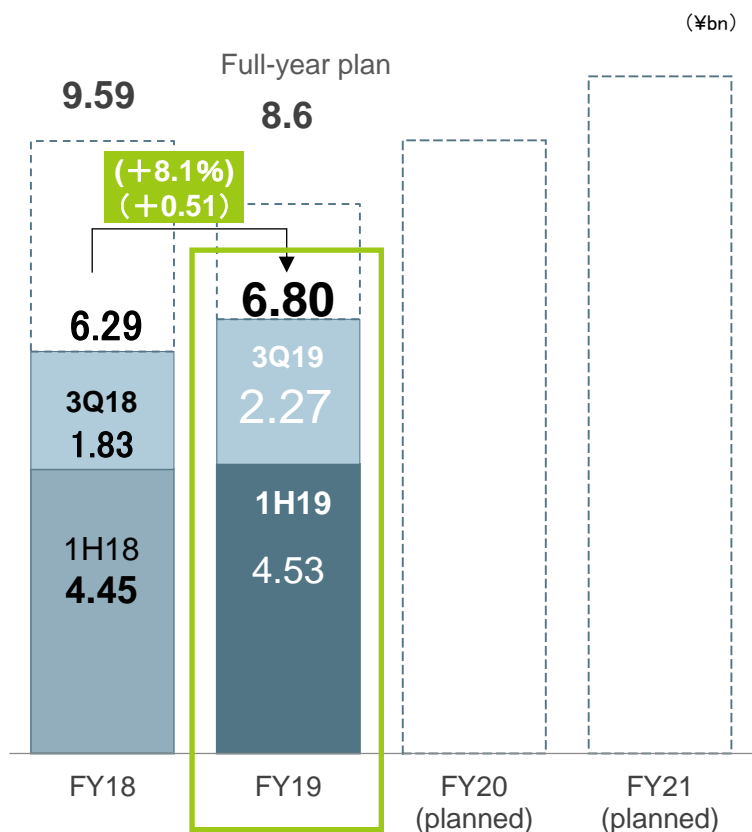
## (2) Create Growth Business Models with Local Regions

### ① Enhancement of consulting services (Business support)

- The progress of fees from corporate customers toward plans is at a high level of 79.0% and we expect to exceed full-year plan.
- Although fees from corporate customers used to be driven by credit related fees, we will promote to invest human resources to consulting fields and strengthen business solutions such as business matching and M&A.

### ➤ Fees from Corporate customers

### ➤ Breakdown of Fees from Corporate customers



(¥bn)

	3Q19 Results	YoY	Progress
<b>Credit related (1)</b>	<b>5.7</b>	<b>+0.9</b>	<b>81.8%</b>
o/f Derivatives	0.5	+0.1	
Syndicate loans	4.1	+0.9	-
Private placement bonds	1.0	-0.0	
<b>Consulting related (2)</b>	<b>1.0</b>	<b>-0.4</b>	<b>66.8%</b>
o/f Business Matching	0.4	+0.0	
M&A	0.3	+0.0	
Executive Insurance	0.2	-0.4	-
Trust ·401K	0.1	+0.0	
<b>Total ((1)+(2))</b>	<b>6.8</b>	<b>+0.5</b>	<b>79.0%</b>

- Fees of syndicate loans and commitment line : ¥1.0bn (+¥0.1bn YoY)
- Fees related business loans : ¥3.0bn (+¥0.8bn YoY)
  - o/f Loans with covenants : ¥1.1bn (+¥0.4bn YoY)
  - o/f Lump-sum loans with credit insurance : ¥0.5bn (+¥0.2bn YoY)

**(Strengthen organization for consulting services)**  
 Invest to consulting field for business solutions  
 and support for asset building

**+100 people over 3 years**

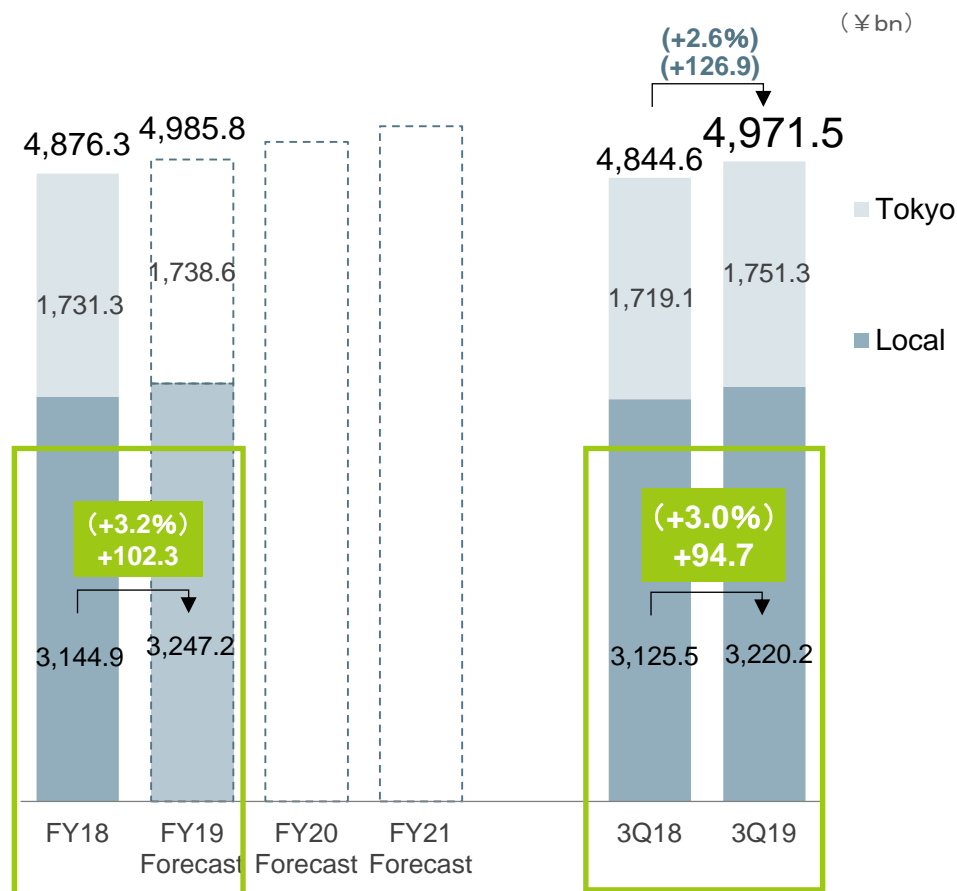
**+30 people invested as of Dec,2019**

## (2) Create Growth Business Models with Local Regions

### ① Enhancement of consulting services (Business support)

- Increase in loans to local corporate customers is planned to increase by ¥102.3 bn (+3.2% annual rate) on a fiscal year base (2018~2019).
- Since loans increased by ¥94.7bn YoY in 3Q19, according to forecast for FY19, we expect to achieve the forecast.

### Corporate Loans (Average balance)



### Expansion of Loan Services

#### Loans with special agreement of debt forgiveness for earthquake disaster

- Provide loans with special agreement of debt forgiveness when an earthquake measuring 6 or greater occurs.

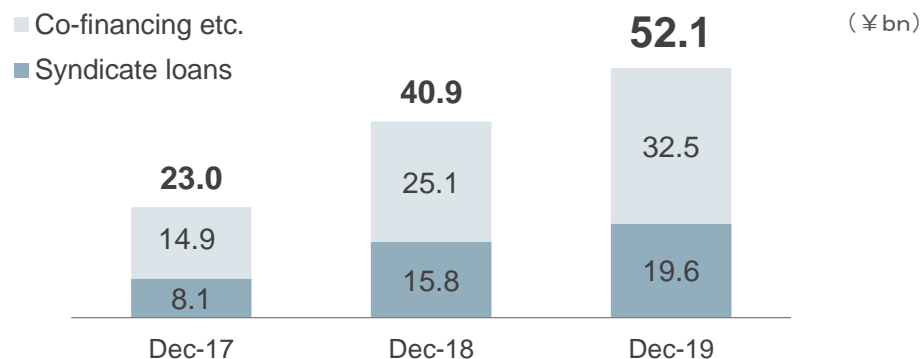
**3Q19 Results (accumulated) 32 loans / ¥5.5bn**

#### Start SDGs private placement bonds

- Start SDGs private placement bonds from Mar.2019, to support corporate customers to make efforts to achieve SDG's

**3Q19 Results (accumulated) 51 bonds / ¥4.8bn**

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

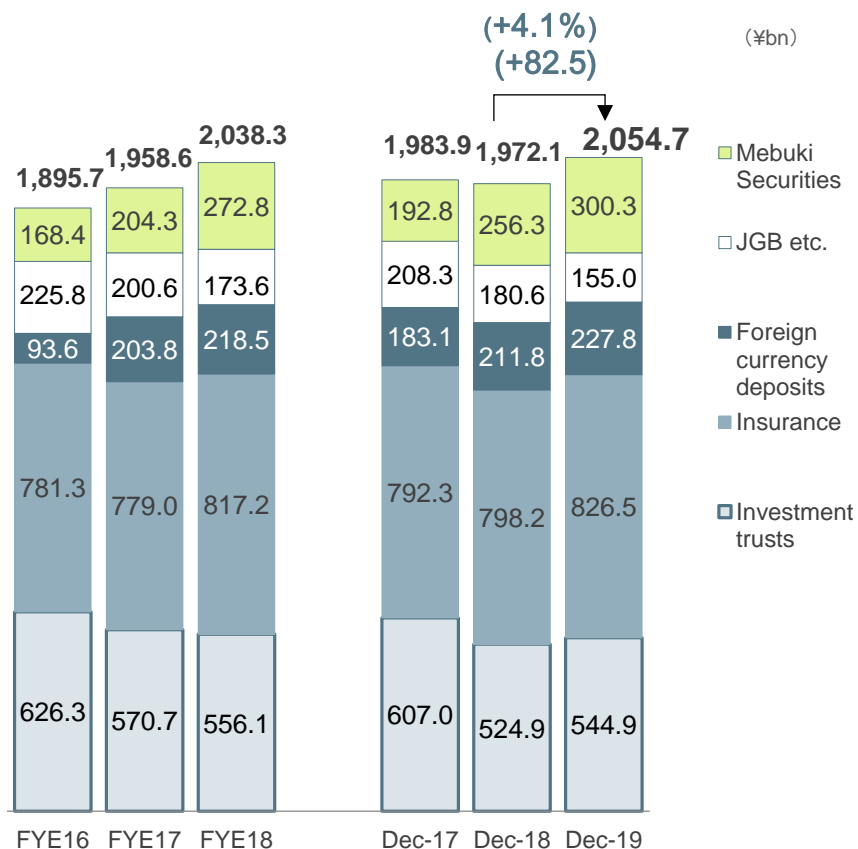


## (2) Create Growth Business Models with Local Regions

### ① Enhancement of Consulting Services (Support for asset building)

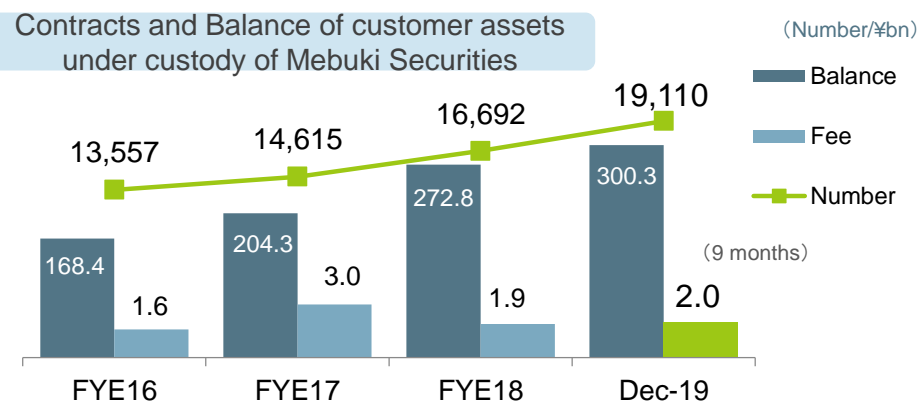
- Commissions increased YoY and progressed 74.1% according to plans.
- We will strengthen cooperation between banking and securities to recover the decline of investment trusts commissions by Mebuki securities and financial instrument intermediary services.

### Balance (Bank Total + Mebuki Securities)



### Strengthening of Cooperation Between Banking and Securities Businesses

#### Contracts and Balance of customer assets under custody of Mebuki Securities



### Commissions (Bank Total + Mebuki Securities)

(¥bn)

	FY19 Planned	3Q19 Results	Progress	YoY
Investment trusts	6.5	4.2	65.1%	-0.1
Insurance	4.3	3.3	76.7%	+0.0
Mebuki securities <sup>(*)</sup>	2.5	2.5	100.3%	+0.4
Others <sup>(*)</sup>	1.0	0.5	54.7%	-0.2
<b>Total</b>	<b>14.3</b>	<b>10.6</b>	<b>74.1%</b>	<b>+0.1</b>

(\*1) Mebuki securities + Financial instrument intermediary service

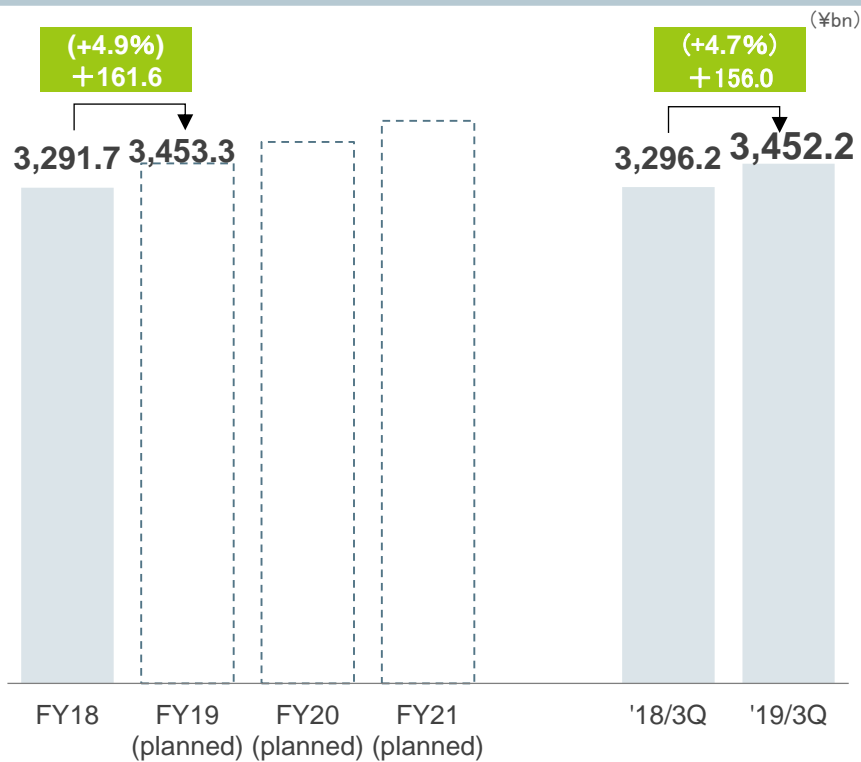
(\*2) Foreign currency deposits + bonds, etc.

## (2) Create Growth Business Models with Local Regions

### ②IT services / Data utilization (Promote housing loans expanding sales channel)

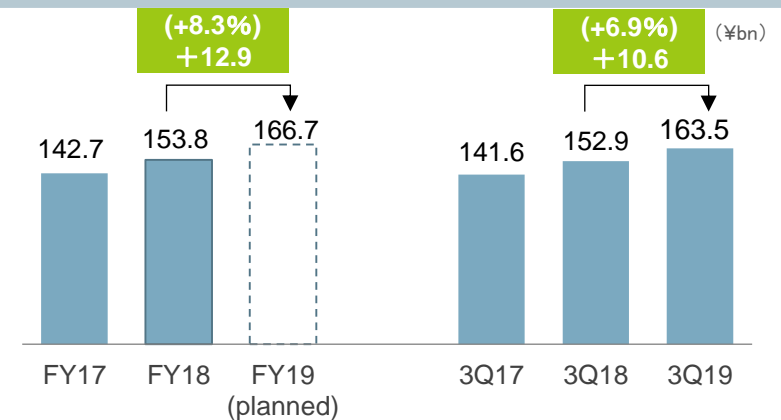
- Since we strengthen housing loans' sales for home vendors using IT to improve operations, results of average balance and amount of acquisition in 3Q19 progressed according to full-year plans.
- We expect to achieve the plan of average balance of unsecured loans due to substantial increase in the number of unsecured loan applications via the internet (+ 10,000 YoY).

### ➤ Housing Loans (Average balance)



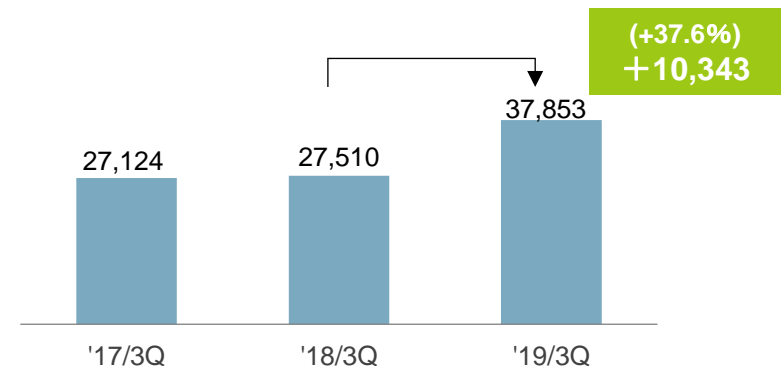
Amount of acquisition 3Q19 Results Full-year plan (Progress)	(2018/3Q)	(2019/3Q)
	¥277.1bn	¥268.1bn
	¥360.6bn	¥351.0bn
	(74.3%)	(76.3%)

### ➤ Unsecured Loans<sup>(\*)</sup> (Average Balance)



(\*) Car loans/ Educational loans/ Free loans/ Card loans

### ➤ Number of Unsecured Loan Applications via the internet



## (2) Create Growth Business Models with Local Regions

② IT services / Data utilization (enhanced productivity in the group / customer's convenience)

- We will work to enhance IT services / Data utilization within the group and improve customer's convenience and services, using external knowledge.

### Utilization of specialists in IT business management

#### Collaboration with IT Coordination Association

- In February 2020, we signed comprehensive collaboration agreement with IT Coordination Association, a non-profit organization.
- For many SME's, IT utilization is essential requirement for improving productivity and strengthening the competitiveness. In this environment, we will strengthen support until the system introduction from digital strategic advice and suggestion, collaborating with IT coordinator(\*1) having knowledge in management and IT field, under this agreement.

(\*1) Qualification of professional, promoted by Ministry of Economy, Trade and Industry, who has knowledge and experience in corporate management and IT field, and can advise and support IT utilization as corporate strategy taking the business manager's point of view

### Joint research with Resona Holdings, Inc.

#### Introduction of joint research in digital field

- In February 2020, we started joint research in digital field with Resona Holdings, Inc..

#### Banking Application

・Sharing management know-how about "Resona Group Application" and standardizing platforms

#### Self-terminals (tablets) at the counter

・Change of business processes for placing importance on dialog with customers  
・Improving productivity of procedures at the counter

#### Digital field

・Upgrading functionality of digital marketing and data utilization

### IT services / Data utilization within the group

#### Utilization of business use smartphone applications (enhancement of efficiency and functionality)

- In November 2019, we introduced application for management of sales staffs' visits to customers. We will enhance functionality of sales staffs' activities by data storage and analysis for staff management.

### Utilization for Customer's Convenience

#### Utilization of robot advisor for investment trust

- Customers can utilize a robot advisor for consultation about investment trust on smartphone and other devices, without visiting the bank branch.



(Home page of robot advisor)

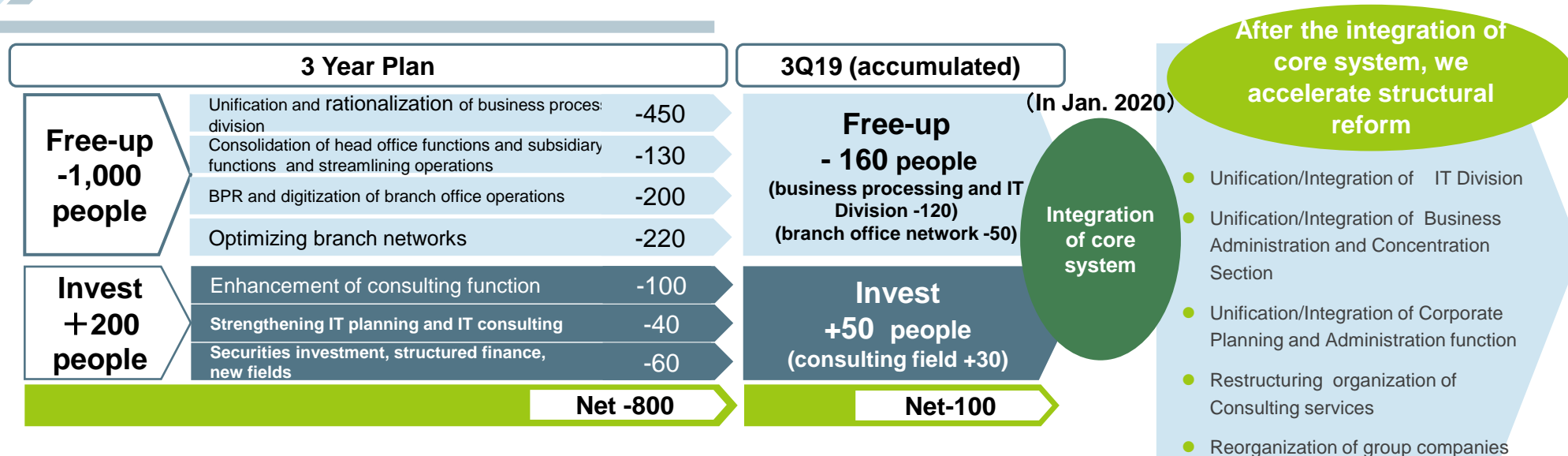


# (3) Structural Reform for Enhanced Productivity

## ① Control of Total Staff

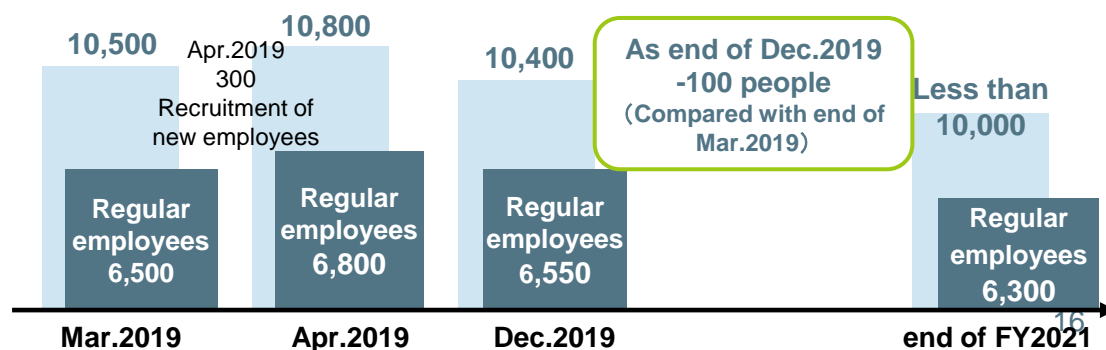
- We are planning personnel reduction of 800 people during the 3 year medium-term plan.
- By December 2019, we realized human resources “Free-up” of 160 people, by unification of business processing and IT division and optimizing branch networks. On the other hand, we invested 50 people mainly in consulting field, controlling a net of 100 people.

### Progress of Measures for Control of Staff



### Change of Total Staff

- By the end of Dec.2019, the number of personnel decreased 100 people compared with end of Mar.2019 through natural attrition. By taking above-mentioned measures, we will displace and control total staff.



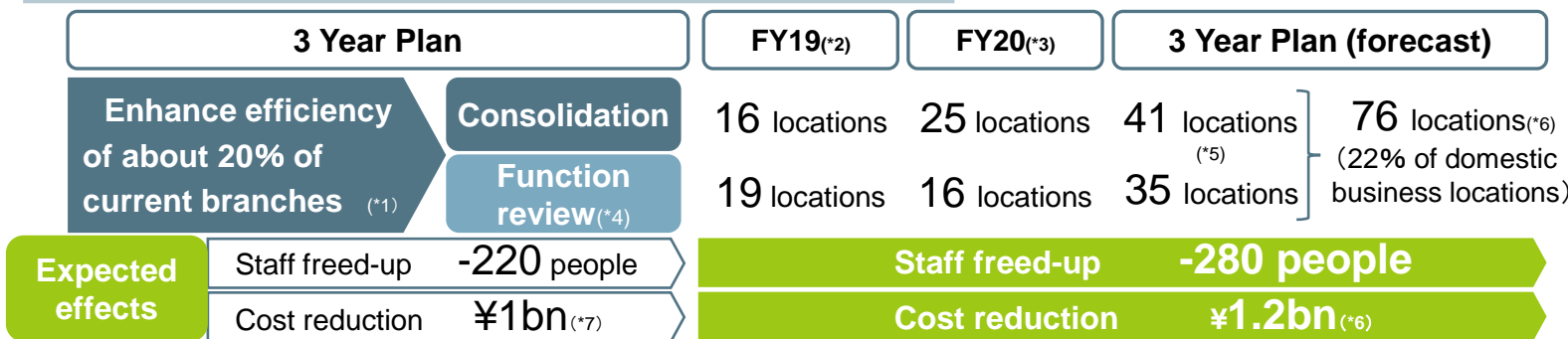
# (3) Structural Reform for Enhanced Productivity

## ② Optimization of Branch Network

- We will optimize branch network by enhancing efficiency of about 20% of current branches<sup>(\*1)</sup> within 3 years.
- We will promote efficiency of branch network by 76 locations (including consolidation of 41 locations) in FY2019 and FY2020, expanding number of freed-up staff and cost reducing cost by additional or accelerated implementation.

(\* 1) 337 domestic branches  
(two banks' total, as of FY18)

### Branch Network Optimization



In FY2020 (by second year of mid-term plan), we will achieve the initial plan's target and accelerate staff control and cost reduction. Further more, by reviewing branch network, we increase effects of structural reform.

(\*2) Including scheduled Mar.2020 (\*3) scheduled in FY2020 (published) (\*4) Reviewing operation style of branches with a small staff  
 (\*5) Including branch offices where the facilities such as ATMs are left temporarily (7 branch offices) (\*6) Consolidation : 17 branches, 24sub-branches, Function review : 26branches, 9sub-branches (\*7) Annual cost in FY2021, compared with FY2018

### Number of Branch Offices

	Result in FY2018	Forecast In FY2020	change
Domestic Branch Network	337	332	-5
Brick and mortar offices	313	279	-34
In-store branches (* 8)	24	53	+29

(\*8) Including virtual offices such as specialized money transfer branch, etc.)

### Improvement of Digital Channel

#### Expansion of loan products that can be completed online (WEB)

- My Car (Automobile) Loan
- Educational Loan
- Card Loan
- Free Loan (small, unsecured, etc.)

#### Banking Application (Expansion of functions provided)

- Balance inquiries
- Transfer details
- Account opening
- Collaboration with Internet Banking

# (3) Structural Reform for Enhanced Productivity

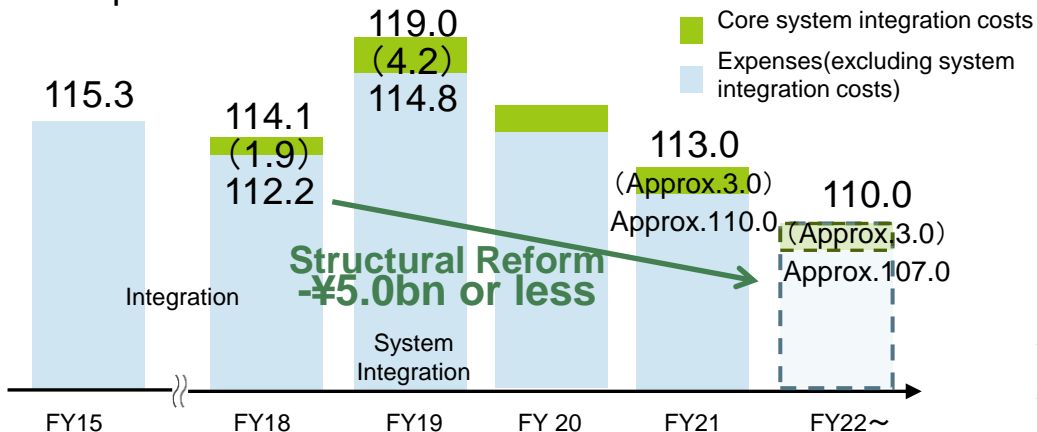
## ③ Cost Control

- We planned to reduce costs of ¥5.0bn or more per a year due to personnel reduction and branch network optimization according to second medium-term plan<sup>(\*1)</sup>.
- We forecast a decrease of ¥2.0bn in total expenses for FY 19 compared to the initial plan, by early achievement of structural reform.

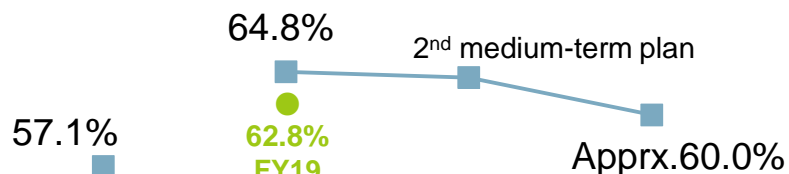
(\*1) Expenses after FY2022 – FY2018 (excluding system integration costs)

### Second Medium-term Plan (two banks' total)

<Expenses> (¥ bn)



<Core OHR (excluding system integration costs)>



Due to decrease in gains on cancellation of investment trust (-8.0 billion yen compared to previous year) core OHR is expected to worsen in FY19.

### Forecast in FY19

(¥ bn)

	FY2018 results	FY2019 planned	FY2019 forecast	Difference
<b>Expenses</b>				
(excluding system integration costs)	114.1	119.0	117.0	-2.1
<b>Personnel expenses</b>	112.2	114.8	112.8	-2.0
<b>Non-personnel expenses</b>	60.6	62.2	61.6	-0.6
	46.1	48.9	47.8	-0.9
<b>Core OHR (two banks' total) (*2)</b>	57.1%	64.8%	62.8%	-2.0%p

(\*2) Expenses : excluding core system integration costs,  
Core net business income : excluding gains on cancellation of private offering investment trusts

### Progress of Structural Reform

**Core system integration**

In Jan.2020, Ashikaga Bank completed system transition to Regional Banks' Partnership System "Chance"<sup>(\*3)</sup>.  
【Two banks' core system integration realized】

**Unification of business concentration center**

In Aug.2019, Joyo Bank consolidated 4 business concentration sections.  
【100 staff freed-up】

**Reviewing branch network**

From FY2019, we promote efficiency of branch network by accelerated implementation.  
【Additional cost reduction -¥2.0bn】

(\*3) The System, developed based on banking core system with accounting, information and others of MUFG Bank, Ltd., that by 8 regional banks (Joyo Bank, Ashikaga Bank, Hyakujushi Bank, Juroku Bank, Nanto Bank, Yamaguchi Bank, Momiji Bank, Kitakyushu Bank)

### 3. Forecast for FY2019,etc

# (1) Forecast for FY2019

- 3Q19 results of both Mebuki FG (consolidated) and its two banking subsidiaries are progressing favorably (over 80% progress).
- Forecast for FY19 remains unchanged from that announced on May 13, 2019.

## Mebuki FG (consolidated)

	Forecast for FY2019	3Q19 Results	Progress
Ordinary Profit	58.0	50.3	86.8%
Net Income <small>(Attributable to owners of the parent)</small>	40.0	35.4	88.5%

## Total of Two banking subsidiaries

	Forecast for FY2019	3Q19 Results	Progress
Ordinary Profit	58.5	50.5	86.4%
Net Income	40.5	35.7	88.3%

## Banking subsidiaries (non consolidated)

	Forecast for FY2019	3Q19 Results	Progress
Ordinary Profit	39.5	33.7	85.4%
Net Income	27.5	23.8	86.8%

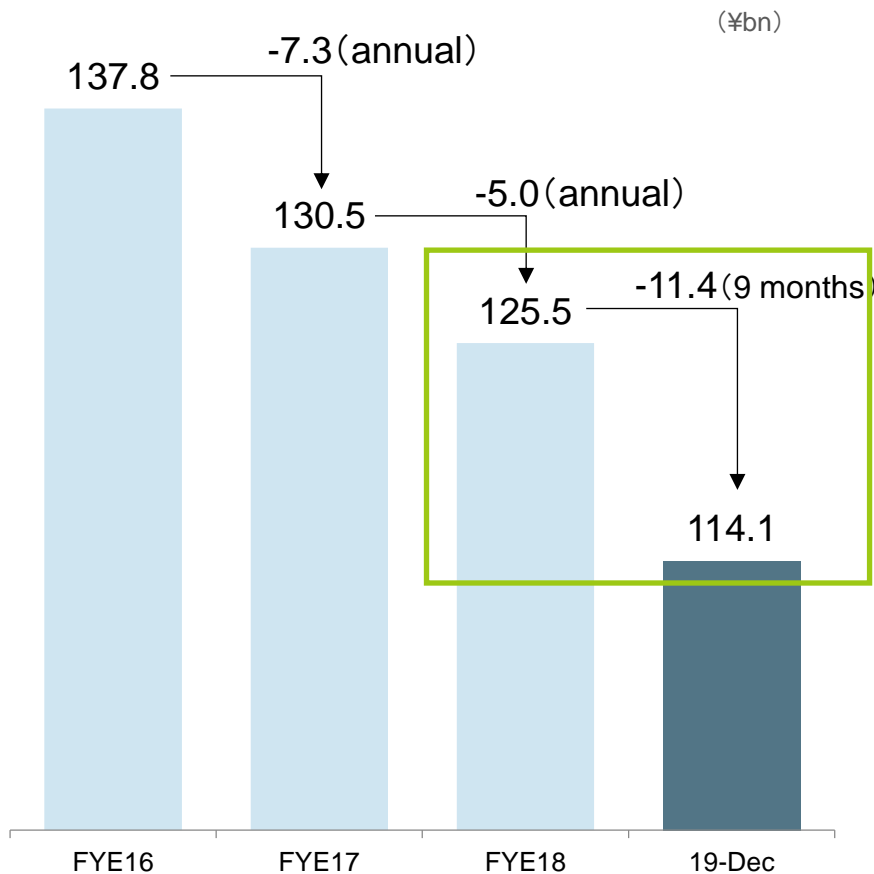
## Ashikaga

	Forecast for FY2019	3Q19 Results	Progress
Ordinary Profit	19.0	16.8	88.5%
Net Income	13.0	11.9	91.6%

## (2) Strategic Shareholdings

- Strategic shareholdings decreased by ¥11.4 bn YoY. We accelerate sales of strategic shareholdings to reduce balance.
- The number and percentage of shares owned by financial institutions mainly declined.

### Changes in Balance\*



\* The balance, including non-listed stocks, are based on internal management figures.

### Major Shareholders

Mar.31, 2017

Shareholders	Stock (thousands)	Ratio
Nomura Financial Partners Co., Ltd.	122,900	10.43%
Sompo Japan Nipponkoa Insurance Inc.	46,118	3.91%
The Master Trust Bank of Japan, Ltd. (Trust Account)	38,662	3.28%
Nippon Life Insurance Company	34,487	2.92%
MUFG Bank, Ltd.	33,920	2.88%
The Master Trust Bank of Japan, Ltd. (Trust Account)	28,320	2.40%
Japan Trustee Services Bank, Ltd. (Trust Account9)	26,331	2.23%
STATE STREET BANK AND TRUST COMPANY 505223	24,815	2.10%
Sumitomo Life Insurance Company	21,659	1.83%
Daiichi Life Insurance Company, Ltd.	19,948	1.69%

Nov.12, 2019

\*Shareholders' names are shown as company name at that time.

Shareholders	Stock (thousands)	Ratio
Nomura Financial Partners Co., Ltd.	109,257	9.42%
The Master Trust Bank of Japan, Ltd. (Trust Account)	54,714	4.71%
Japan Trustee Services Bank, Ltd. (Trust Account)	47,314	4.08%
Nippon Life Insurance Company	34,487	2.97%
Sompo Japan Nipponkoa Insurance Inc.	30,215	2.60%
Japan Trustee Services Bank, Ltd. (Trust Account9)	26,981	2.32%
STATE STREET BANK AND TRUST COMPANY 505223	24,156	2.08%
Sumitomo Life Insurance Company	21,659	1.86%
Japan Trustee Services Bank, Ltd. (Trust Account 5)	20,519	1.76%
Daiichi Life Insurance Company, Ltd.	19,948	1.72%

(\*) Shareholding ratio is calculated using the total number of shares excluding treasury stock. Figures less than the second decimal place are disregarded. The number of Nomura Financial Partners Co., Ltd. is that after disposal through the off-hours trading (ToSTNeT-3) system of the Tokyo Stock Exchange on Nov.12, 2019. Other shareholder's numbers are those recorded in the 21 shareholders registry on September.30, 2019.

### (3) Capital Policies (Dividends, Shareholder Returns, Capital Adequacy Ratio)

- We repurchased of 13.9mil shares of our own shares at around ¥4.0bn on Nov.12, 2019.
- Forecast for FY2019 payout ratio is 32.2% and total return ratio is 42.2%.

#### Dividends, Shareholder Returns

##### Dividends

###### (1) Dividends per share

	Annual Dividends	Interium	year-end
FY17	¥11.0	¥5.5	¥5.5
FY18	¥11.0	¥5.5	¥5.5
FY19	¥11.0 (scheduled)	¥5.5	¥5.5 (scheduled)

##### Shares Repurchase

【 Aim 】 Enhance appropriate distribution of profits to shareholders through improving capital efficiency.

【 Amount 】 ¥3,999,976,400

【 Number 】 13,937,200

【 Date 】 2019/11/12

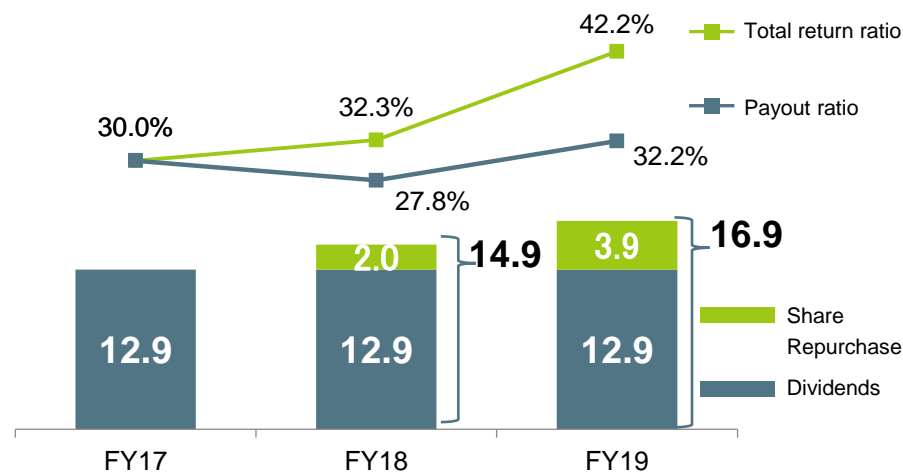
##### Shareholder Return Policy

We will target a Total Return Ratio<sup>(\*)</sup> of 30% or more while taking into account both the maintenance of solid capital levels for future growth and the appropriate distribution of profits to our shareholders. We will continue to consider the dividend level.

(\*) Total Return Ratio = (Total amount of dividends + Total amount of acquisition of own shares) / Net income<sup>(\*)</sup>

##### Results of Returns

(2) Amount of Dividends / Shares Repurchase / Total Return Ratio / Payout Ratio



#### Capital Adequacy Ratio

(3) Capital adequacy ratio

	Mebuki FG (Consolidated)	Joyo (Consolidated)	Ashikaga (Consolidated)
FYE17	10.38%	11.80%	8.71%
Dec-18	10.11%	12.06%	8.73%
FYE18	9.94%	11.91%	8.55%
Sep-19	10.27%	12.60%	8.69%



# SDGs Initiatives

Sustainable Development Goals (SDGs)

Adopted by the UN Sustainable Development Summit held in September 2015, the 2030 Agenda listed “Sustainable Development Goals” consisting of 17 goals and 169 targets. The SDGs are universal goals applicable not only to developing countries but also developed countries.

## Our group SDGs Initiatives

## SDGs Goal

Initiative to create a more prosperous regional society in harmony with local communities

### SDGs Private Placement Bonds

A portion of the commissions received when issuing private placement bonds for customers is used for donating books and other materials to the school of the customer's choice. To date, we have made donations of more than ¥90 million.



Private Placement Bonds with donation service (Cumulative total)

Number issued	Amount issued
569	¥48.3 billion

(as of end of Dec. 2019 (two banks' total))

### Support children to become independent

We conduct lessons on finance to teach the importance of money and the role of banks to the next generation. We also provide financial education seminars intended for high-school and college students for understanding the mechanism of the monetary economy and specific financial operations.



Initiative to regional revitalization by providing comprehensive financial services and utilizing a wide-area network

### Discover regional industries and support the creation of new businesses

We host the “Mebuki Business Award”, in which entries for innovative and creative business plans in the region are invited and an award is presented to selected plans. Support is provided in various ways to help make the award-winning plans take off as businesses, such as providing financial assistance by utilizing funds.



Mebuki Regional Revitalization Fund

Amount invested (cumulative total)  
(as of end of Dec. 2019 (two banks' total))

¥1.87 billion / 10 projects

### Development of new market and expansion of economic exchange

By taking advantage of the group's wide-area network, the two banks jointly hold various business conferences related to agriculture, food and manufacturing to assist in business matching among clients.



Initiative to preserve a bountiful and beautiful environment for the future with aiming of maintaining the natural environment

### Environment-related loans

We are working to spread and develop renewable energy in the region through environment-related loans for power generation businesses that utilize solar power, wind power, biomass and other forms of clean energy.



Loans for solar power generation

Number of contracts	Contract amount
153	¥18.3 billion

(3Q of FY2019 (two banks' total))

### Environmental conservation activities

We participate in forest conservation activities by “Save the forest in Japan” composed of voluntary members of regional banks. In order to preserve the beauty and health of local woodlands for future generations, we promote various activities such as tree planting and environmental education.





**【Reference】**

Financial Data for the Third Quarter of FY2019

Progress of the Second Medium-Term Business Plan

## 【Data】 Breakdown of Banking subsidiaries

( 1 ) P/L for 3Q19 ( ¥bn )

	J+A	YoY	Joyo	YoY	Ashikaga	YoY
Gross business profit	142.4	+4.1	85.0	+10.1	57.3	-5.9
(Net Gross business profit)	142.3	-7.0	83.8	+1.2	58.4	-8.3
Net interest income	116.2	-6.8	68.8	+0.3	47.3	-7.1
o/w Gains/losses on Cancellation of Private Offering Investment Trusts	6.3	-3.9	4.2	+2.6	2.0	-6.5
Net fees and commissions	23.9	-0.1	13.3	+0.2	10.5	-0.3
Net other business income and Net trading income	2.2	+11.1	2.8	+9.5	-0.5	+1.5
(o/w gains/losses on bond transactions)	0.0	+11.1	1.1	+8.8	-1.1	+2.3
Expenses	86.1	+0.5	48.4	-0.7	37.7	+1.3
o/w Personnel expenses	45.9	+0.3	25.3	-0.2	20.6	+0.5
o/w Non-personnel expenses	34.6	+0.4	20.0	-0.6	14.5	+1.1
Net business income (before general allowance for loan losses)	56.2	+3.5	36.6	+10.9	19.6	-7.3
Core net business income	56.2	-7.6	35.4	+2.0	20.7	-9.6
Core net Business Income ( exclu. Gains/losses on Cancellation of Private Offering Investment )	49.8	-3.6	31.1	-0.5	18.6	-3.1
Net transfer to general allowance for loan losses (a)	0.4	+0.4	0.5	+0.5	0.0	+3.2
Net business income	55.8	+3.0	36.1	+10.3	19.6	-10.5
Net non-recurrent gains/losses	-5.1	-8.8	-2.3	-12.1	-2.7	+6.5
o/w Disposal of non-performing loans (b)	11.7	+6.0	6.2	+3.9	5.5	-1.1
o/w Gains/losses related to stocks, etc	7.1	-3.0	4.5	-8.2	2.5	+5.1
Ordinary profit	50.5	-5.8	33.7	-1.7	16.8	-4.1
Extraordinary income/losses	-0.2	-11.8	-0.2	+0.0	0.0	-11.7
Net income	35.7	-15.5	23.8	-1.0	11.9	-14.4
Credit related costs (a)+(b)	12.2	+6.5	6.7	+4.4	5.4	+2.0

## ( 2 ) Average Yield on and Loans(excluding borrowing from special account of MoF)

		F Y 16	F Y 17	F Y 18	3Q19	YoY	3Q18
J+A	Domestics	1.12%	1.07%	1.03%	0.99%	-0.03%	1.03%
	Overseas	1.42%	1.99%	2.92%	2.77%	-0.05%	2.82%
	Total	1.12%	1.08%	1.06%	1.02%	-0.03%	1.06%
Joyo	Domestics	1.06%	1.02%	1.00%	0.97%	-0.03%	1.00%
	Overseas	1.45%	2.01%	2.95%	2.80%	-0.06%	2.86%
	Total	1.06%	1.04%	1.04%	1.01%	-0.02%	1.04%
Ashikaga	Domestics	1.20%	1.13%	1.07%	1.03%	-0.04%	1.07%
	Overseas	1.11%	1.82%	2.67%	2.57%	-0.01%	2.58%
	Total	1.20%	1.13%	1.08%	1.03%	-0.04%	1.08%

## 【Data】 Breakdown of Banking subsidiaries

### ( 3 ) Loans Term-end Balance

( ¥ b n )

		FYE16	FYE17	FYE18	Dec-19	YoY	Dec-18
J+A	Individual	4,272.8	4,491.2	4,674.8	4,769.4	+150.6	4,618.8
	Corporate	4,809.6	4,935.9	5,139.1	5,213.0	+94.3	5,118.7
	Public	1,232.9	1,153.6	1,038.2	943.7	-89.1	1,032.8
	Total	10,315.4	10,580.8	10,852.3	10,926.2	+155.8	10,770.4
Joyo	Individual	2,387.4	2,490.8	2,570.2	2,609.9	+66.6	2,543.3
	Corporate	2,821.3	2,853.9	2,974.3	3,019.6	+56.5	2,963.0
	Public	758.3	718.6	650.7	626.7	-54.2	681.0
	Total	5,967.0	6,063.5	6,195.3	6,256.3	+68.9	6,187.3
Ashikaga	Individual	1,885.4	2,000.3	2,104.6	2,159.4	+84.0	2,075.4
	Corporate	1,988.2	2,081.9	2,164.8	2,193.4	+37.7	2,155.6
	Public	474.6	434.9	387.5	316.9	-34.8	351.8
	Total	4,348.4	4,517.2	4,657.0	4,669.9	+86.9	4,583.0

\* Not including borrowing from special account of MoF

### Foreign Currency Denominated Loans

( ¥ b n )

		FYE16	FYE17	FYE18	Dec-19	YoY	Dec-18
J+A		128.3	129.2	145.8	159.7	+14.4	145.3
Joyo		116.0	114.0	126.8	144.6	+18.4	126.1
Ashikaga		12.2	15.2	19.0	15.1	-4.0	19.1

### ( 5 ) Unsecured Loans Term-end Balance

( ¥ b n )

		FYE16	FYE17	FYE18	Dec-19	YoY	Dec-18
J+A	Car Loans	34.8	39.4	46.7	50.6	+6.4	44.2
	Educational Loans	32.6	35.8	39.0	41.1	+3.5	37.6
	Free Loans	6.9	8.1	9.1	9.8	+0.9	8.9
	Card Loans	60.8	65.4	65.0	64.9	+0.4	64.4
	Total	135.2	148.9	160.0	166.6	+11.3	155.3
Joyo	Car Loans	25.0	27.4	32.2	34.4	+3.6	30.8
	Educational Loans	28.2	30.0	31.9	33.1	+2.0	31.1
	Free Loans	0.7	0.8	2.2	3.4	+1.6	1.8
	Card Loans	26.4	27.7	26.5	25.6	-0.7	26.3
	Total	80.3	86.0	93.0	96.7	+6.5	90.1
Ashikaga	Car Loans	9.8	12.0	14.5	16.1	+2.7	13.3
	Educational Loans	4.4	5.7	7.0	8.0	+1.4	6.5
	Free Loans	6.1	7.3	6.8	6.4	-0.6	7.1
	Card Loans	34.3	37.7	38.4	39.3	+1.2	38.1
	Total	54.6	62.8	66.9	69.9	+4.7	65.2

### ( 4 ) Loans Individual Housing Related Loans Term-end Balance

( ¥ b n )

		FYE16	FYE17	FYE18	Dec-19	YoY	Dec-18
J+A	Housing Loans	3,050.9	3,216.6	3,396.3	3,513.7	+168.0	3,345.7
	Apartment Loans	900.4	950.4	958.5	938.7	-17.5	956.2
	Asset building loans	-	1.9	2.9	2.8	+0.0	2.8
	Total	3,951.3	4,169.0	4,357.9	4,455.3	+150.4	4,304.8
Joyo	Housing Loans	1,489.6	1,560.5	1,640.6	1,699.6	+83.4	1,616.2
	Apartment Loans	724.0	763.5	769.1	753.3	-15.1	768.4
	Asset building loans	-	1.9	2.9	2.8	+0.0	2.8
	Total	2,213.7	2,326.0	2,412.7	2,455.9	+68.4	2,387.5
Ashikaga	Housing Loans	1,561.3	1,656.0	1,755.7	1,814.0	+84.5	1,729.5
	Apartment Loans	176.3	186.8	189.3	185.3	-2.4	187.7
	Asset building loans	-	-	-	-	-	-
	Total	1,737.6	1,842.9	1,945.1	1,999.4	+82.0	1,917.3

### ( 6 ) Loans Corporate Term-end Balance by Company Size

( ¥ b n )

		FYE16	FYE17	FYE18	Dec-19	YoY	Dec-18
J+A	Large	1,574.9	1,592.2	1,633.7	1,634.2	-11.2	1,645.4
	Medium/SMEs	3,234.6	3,343.6	3,505.4	3,578.8	+105.5	3,473.2
	Total	4,809.6	4,935.9	5,139.1	5,213.0	+94.3	5,118.7
Joyo	Large	1,133.9	1,141.9	1,159.1	1,160.9	-10.3	1,171.3
	Medium/SMEs	1,687.2	1,712.0	1,815.1	1,858.6	+66.9	1,791.6
	Total	2,821.3	2,853.9	2,974.3	3,019.6	+56.5	2,963.0
Ashikaga	Large	440.9	450.3	474.5	473.2	-0.8	474.1
	Medium/SMEs	1,547.3	1,631.6	1,690.2	1,720.2	+38.6	1,681.5
	Total	1,988.2	2,081.9	2,164.8	2,193.4	+37.7	2,155.6

### ( 7 ) Loans Corporate Term-end Balance by Area

( ¥ b n )

		FYE16	FYE17	FYE18	Dec-19	YoY	Dec-18
J+A	Tokyo	1,788.7	1,815.8	1,908.8	1,966.9	+45.7	1,921.2
	Local	3,020.7	3,120.0	3,230.3	3,246.1	+48.5	3,197.5
	Total	4,809.6	4,935.9	5,139.1	5,213.0	+94.3	5,118.7
Joyo	Tokyo	1,327.8	1,333.8	1,378.3	1,430.1	+41.4	1,388.7
	Local	1,493.4	1,520.1	1,596.0	1,589.4	+15.1	1,574.2
	Total	2,821.3	2,853.9	2,974.3	3,019.6	+56.5	2,963.0
Ashikaga	Tokyo	460.9	482.0	530.5	536.7	+4.3	532.4
	Local	1,527.3	1,599.9	1,634.2	1,656.6	+33.4	1,623.2
	Total	1,988.2	2,081.9	2,164.8	2,193.4	+37.7	2,155.6

## [Data] Breakdown of Banking subsidiaries

		FYE16	FYE17	FYE18	Dec-19	YoY	Dec-18
J+A	Individual	9,762.1	10,103.6	10,362.7	10,763.8	+308.4	10,455.3
	Corporate	3,062.8	3,158.8	3,325.5	3,366.7	+96.3	3,270.3
	Public	748.0	776.3	750.1	550.1	-28.5	578.7
	Total	13,572.9	14,038.8	14,438.3	14,680.7	+376.3	14,304.4
Joyo	Individual	6,068.9	6,280.6	6,440.1	6,688.4	+196.4	6,491.9
	Corporate	1,747.4	1,760.2	1,835.4	1,873.6	+78.7	1,794.8
	Public	424.0	468.1	453.6	342.3	-16.4	358.7
	Total	8,240.3	8,509.0	8,729.1	8,904.3	+258.7	8,645.6
Ashikaga	Individual	3,693.1	3,823.0	3,922.5	4,075.4	+111.9	3,963.4
	Corporate	1,315.4	1,398.5	1,490.1	1,493.1	+17.6	1,475.4
	Public	323.9	308.1	296.5	207.8	-12.0	219.9
	Total	5,332.5	5,529.8	5,709.2	5,776.3	+117.5	5,658.8

		FYE16	FYE17	FYE18	Dec-19	YoY	Dec-18
J+A		165.6	275.2	306.0	268.6	-39.8	308.4
Joyo		140.7	199.1	222.6	206.0	-18.1	224.2
Ashikaga		24.8	76.0	83.3	62.5	-21.7	84.2

		FYE16	FYE17	FYE18	Dec-19	YoY	Dec-18
Group total	Investment trusts	626.3	570.7	556.1	544.9	+19.9	524.9
	Insurance	781.3	779.0	817.2	826.5	+28.2	798.2
	Foreign currency	93.6	203.8	218.5	227.8	+15.9	211.8
	JGB etc.	225.8	200.6	173.6	155.0	-25.6	180.6
	Mebuki Securities	168.4	204.3	272.8	300.3	+44.0	256.3
Total	1,895.7	1,958.6	2,038.3	2,054.7	+82.5	1,972.1	
Joyo	Investment trusts	295.2	257.9	263.3	251.8	+4.9	246.9
	Insurance	454.1	450.6	465.6	476.9	+19.2	457.6
	Foreign currency	68.8	127.7	135.5	149.1	+22.2	126.9
	JGB etc.	155.3	138.0	118.5	105.4	-18.7	124.2
	Total	973.6	974.4	983.1	983.3	+27.6	955.6
Ashikaga	Investment trusts	331.1	312.7	292.8	293.0	+15.0	278.0
	Insurance	327.2	328.4	351.5	349.6	+8.9	340.6
	Foreign currency	24.8	76.0	82.9	78.6	-6.2	84.9
	JGB etc.	70.5	62.6	55.0	49.5	-6.8	56.4
	Total	753.7	779.8	782.4	770.9	+10.8	760.1

		F Y 16	F Y 17	F Y 18	3Q19	YoY	3Q18
Group Total	Investment trusts(*1)	6.6	7.36	5.69	4.26	-0.2	4.5
	Insurance(*2)	3.04	2.67	4.67	3.31	+0.0	3.3
	Foreign currency deposits	0.73	0.86	0.98	0.47	-0.3	0.8
	JGB etc.	0.09	0.0	0.0	0.05	+0.0	0.0
	Financial instrument intermediary service	0.6	0.82	0.49	0.49	+0.1	0.4
	Total	12.8	14.82	13.84	10.63	+0.1	10.5
Joyo	Investment trusts(*1)	3.23	3.34	2.63	2.04	-0.0	2.06
	Insurance(*2)	1.27	1.24	2.12	2.04	+0.6	1.47
	Foreign currency deposits	0.38	0.49	0.7	0.34	-0.2	0.53
	JGB etc.	0.08	0.03	0.03	0.04	+0.0	0.0
	Financial instrument intermediary service	0.29	0.51	0.27	0.27	+0.1	0.21
	Total	5.28	5.63	5.77	4.75	+0.4	4.32
Ashikaga	Investment trusts(*1)	3.4	4.01	3.06	2.21	-0.2	2.38
	Insurance(*2)	1.77	1.42	2.55	1.26	-0.5	1.79
	Foreign currency deposits	0.35	0.36	0.28	0.13	-0.1	0.22
	JGB etc.	0.01	0.0	0.0	0.01	+0.0	0.0
	Financial instrument intermediary service	0.3	0.31	0.22	0.21	+0.0	0.17
	Total	5.85	6.13	6.12	3.85	-0.7	4.58

\* 1 : Sales commission+ Trust fee

\* 2 : \*Excl. executive life insurance

		F Y 16	F Y 17	F Y 18	3Q19	YoY	3Q18
J+A	Credit Related	4.15	6.24	7.57	5.73	0.92	4.80
	Consulting Related	1.09	1.83	2.02	1.07	-0.41	1.48
	total	5.24	8.08	9.59	6.80	0.51	6.29
Joyo	Credit Related	2.03	3.39	4.14	2.84	0.28	2.55
	Consulting Related	0.53	1.06	1.14	0.59	-0.27	0.86
	total	2.56	4.45	5.28	3.43	0.01	3.42
Ashikaga	Credit Related	2.11	2.84	3.42	2.88	0.63	2.25
	Consulting Related	0.56	0.77	0.88	0.47	-0.13	0.61
	total	2.67	3.61	4.30	3.36	0.49	2.86

## 【Data】 Breakdown of Banking subsidiaries

(12) Securities Balance(Balance Sheet Amount) ( ¥ b n )

		FYE16	FYE17	FYE18	19-Dec	YoY
Mebuki FG (Consolidated)	Domestic bonds	2,446.0	2,374.3	2,436.8	2,409.3	-27.5
	Foreign bonds	679.6	616.5	829.6	846.9	+17.3
	Stocks	306.6	307.8	280.2	276.8	-3.3
	Investment trusts, etc.	758.2	877.9	799.8	683.3	-116.5
	Total	4,190.6	4,176.7	4,346.6	4,216.5	-130.1
Joyo	Domestic bonds	1,731.1	1,725.4	1,812.4	1,796.2	-16.1
	Foreign bonds	456.5	393.7	513.2	514.8	+1.6
	Stocks	266.7	263.2	243.4	236.6	-6.8
	Investment trusts, etc.	339.0	420.1	456.7	398.8	-57.8
	Total	2,793.5	2,802.5	3,025.9	2,946.6	-79.2
Ashikaga	Domestic bonds	699.5	634.3	610.9	600.3	-10.5
	Foreign bonds	223.0	222.7	316.3	332.1	+15.7
	Stocks	79.7	80.3	72.4	75.7	+3.3
	Investment trusts, etc.	414.8	453.5	338.7	274.5	-64.2
	Total	1,417.1	1,391.0	1,338.4	1,288.3	-50.1

( 14 ) Strategic shareholdings (Balance) ( ¥ b n )

		FYE16	FYE17	FYE18	19-Dec	YoY
J+A	Balance	137.8	130.5	125.5	114.1	-11.4
Joyo	Balance	119.2	113.7	110.7	99.7	-11.0
Ashikaga	Balance	18.6	16.8	14.8	14.4	-0.4

( 13 ) Securities Unrealized Valuation Gains/Losses on Available for Sale Securities ( ¥ b n )

		FYE16	FYE17	FYE18	19-Dec	YoY
Mebuki FG (Consolidated)	Stocks	147.1	157.3	136.2	144.9	+8.7
	Domestic bonds	23.2	16.4	21.1	14.3	-6.7
	Investment trusts, etc.	19.3	9.8	7.2	26	+18.7
	Foreign bonds	-6.9	-12.0	10.3	24.5	+14.1
	Total	182.8	171.6	174.9	209.8	+34.8
Joyo	Stocks	138.8	144.8	128.0	132.1	+4.0
	Domestic bonds	26.0	17.9	19.3	13.5	-5.8
	Investment trusts, etc.	22.9	17.0	12.6	23.1	+10.4
	Foreign bonds	-1.8	-3.4	10.4	13.2	+2.8
	Total	186.0	176.3	170.5	182.1	+11.5
Ashikaga	Stocks	31.9	34.4	28.4	32.2	+3.7
	Domestic bonds	19.5	17.3	15.7	12.7	-2.9
	Investment trusts, etc.	0.5	-5.2	-2.3	5.2	+7.5
	Foreign bonds	-0.7	-5.3	2.8	13.7	+10.8
	Total	51.2	41.0	44.6	63.9	+19.3

( 15 ) Gains and Losses on securities ( ¥ b n )

		FY16	FY17	FY18	3Q19	YoY	3Q18
J+A	Stocks	5.6	-6.4	-10.7	0.0	+11.1	-11.0
	Domestic bonds	9.7	10.5	10.7	7.1	-3.0	10.1
	Investment trusts, etc.	5.4	5.4	11.6	6.3	-3.9	10.3
	Total	20.8	9.5	11.6	13.5	+4.1	9.4
Joyo	Stocks	5.8	-3.8	-7.3	1.1	+8.8	-7.6
	Domestic bonds	7.5	9.4	12.4	4.5	-8.2	12.7
	Investment trusts, etc.	1.7	1.0	1.6	4.2	+2.6	1.6
	Total	15.2	6.6	6.7	10.0	+3.2	6.8
Ashikaga	Stocks	-0.2	-2.5	-3.3	-1.1	+2.3	-3.4
	Domestic bonds	2.1	1.0	-1.7	2.5	+5.1	-2.5
	Investment trusts, etc.	3.6	4.4	9.9	2.0	-6.5	8.6
	Total	5.5	2.8	4.8	3.5	+0.8	2.6

## 【Data】 Breakdown of Banking subsidiaries

### (16) Expenses

( ¥ b n )

		F Y 16	F Y 17	F Y 18	3Q19	YoY	3Q18
J+A	Personnel	60.4	59.7	60.6	45.9	+0.3	45.5
	Non-Personnel	47.0	46.6	46.1	34.6	+0.4	34.1
	Taxes	7.4	7.1	7.3	5.5	-0.2	5.8
	Total	115.0	113.5	114.1	86.1	+0.5	85.5
Joyo	Personnel	34.7	33.6	33.8	25.3	-0.2	25.5
	Non-Personnel	29.5	28.7	27.7	20.0	-0.6	20.6
	Taxes	4.2	3.9	3.8	3.1	+0.0	3.0
	Total	68.5	66.3	65.3	48.4	-0.7	49.2
Ashikaga	Personnel	25.7	26.1	26.8	20.6	+0.5	20.0
	Non-Personnel	17.5	17.8	18.4	14.5	+1.1	13.4
	Taxes	3.2	3.2	3.5	2.4	-0.2	2.7
	Total	46.4	47.2	48.8	37.7	+1.3	36.3

### ( 17 ) Credit related cost

( ¥ b n )

		FYE16	FYE17	FYE18	3Q19	YoY	3Q18
J+A		9.5	7.9	9.3	12.2	+6.5	5.7
Joyo		4.7	4.9	4.2	6.7	+4.4	2.2
Ashikaga		4.7	3.0	5.0	5.4	+2.0	3.4

### ( 19 ) Non-accrual delinquent loans ( to Business )

( ¥ b n )

		FYE16	FYE17	FYE18	Dec-19	YoY	Dec-18
J+A		2.6	1.1	0.5	2.4	+0.6	1.8
Joyo		2.4	1.0	0.3	1.0	-0.7	1.7
Ashikaga		0.2	0.1	0.2	1.4	+1.3	0.1

### ( 18 ) Disclosed Claims under the Financial Revitalization Law

( ¥ b n )

		FYE16	FYE17	FYE18	Dec-19	YoY
Consolidated	Bankrupt claims	15.9	16.6	15.9	15.5	-0.3
	Doubtful claims	139.1	130.5	125.1	127.0	+1.9
	Requiring monitoring claims	37.0	37.7	32.2	30.0	-2.2
	Total	192.1	185.0	173.3	172.6	-0.7
Joyo	Bankrupt claims	7.0	6.7	6.1	5.7	-0.4
	Doubtful claims	69.7	65.3	66.4	69.8	+3.3
	Requiring monitoring claims	21.3	19.8	17.5	12.4	-5.1
	Total	98.2	91.9	90.2	88.0	-2.2
Ashikaga	Bankrupt claims	7.5	8.8	8.7	8.5	-0.1
	Doubtful claims	69.1	65.0	58.5	57.1	-1.3
	Requiring monitoring claims	15.7	17.9	14.7	17.5	+2.8
	Total	92.4	91.8	81.9	83.3	+1.3

# Summery of Second Medium-Term Group Business Plan

- We will promote the structural reform mainly of business process and organization through the integration of our core system in Jan. 2020, develop the optimization of our channels and networks, and perform structural reforms such as the unification of the FG and subsidiary banks' organization.
- At the same time, we will build a business model that grows together with the region, enhance consulting services and IT utilization, and is positioned as a transition to the next growth period with the effects of structural reforms.

## Second Medium-Term Group Business Plan

### Goals

Building the region's future as a comprehensive financial service group

### Position

Achieve full-scale growth / Transitional period to next growth

### Period

For 3 years (Apr. 2019~Mar. 2022)

### Basic strategy

#### (1) Create growth business models with local regions

- Enhance consulting services

Strengthen business support

Support for asset building

- Proactively utilize and invest in IT

Enhance convenience / BPR

Support for digitalization

Cashless services

#### (2) Structural reform for enhanced productivity

- Establish common platform

Integrate core system

Common administration

Relocation of branches

- Group governance advancement

Consolidate head office functions

Enhance corporate governance

#### (3) Developing human resources for value creation

- Development of specialized personnel
- Reform of personnel and training system
- Working style reform and diversity promotion

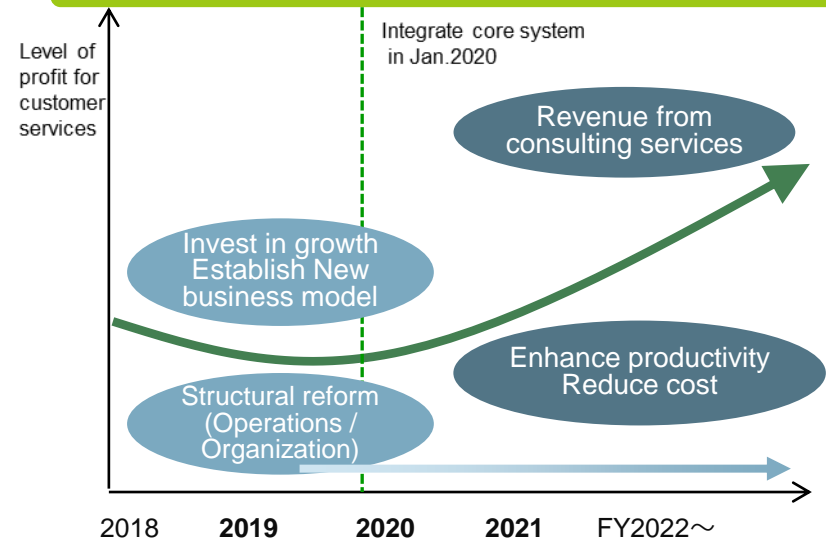
## Business Objectives

	<Results of FY18>	<FY2021>
ROE (Consolidated)	5.1%	5.0% or more
Net Income*1 (Consolidated)	¥46.3bn	approx. ¥47 bn
Core OHR*2 (total)	57.1%	around 60%

(\*1) attributable to owners of the parent

(\*2) excluding system integration expenses

## Position of 2nd group business plan



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