

Mebuki Financial Group, Inc.

# Financial Results for FY2019 (IR Presentation Material)



## 1. Financial Results for FY 2019

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### 【Reference】

Financial Data for FY2019	27-35
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\*Unless otherwise mentioned, figures are based on banking subsidiaries (non consolidated-basis)

# 1. Financial Results for FY19

# (1) Highlights

## Results for FY19

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- Consolidated net income steadily progressed toward forecast until 3Q19 due to securities' income and cost reduction exceeding plans. However, consolidated net income fell short of forecast for FY19 and results of FY18 because of loss on securities<sup>(\*1)</sup> of ¥7.8bn and credit related costs of ¥6.8 bn due to impact of COVID-19 in 4Q19.

➤ Core net business income <sup>(\*3)</sup> : ¥66.0bn( -¥4.5bn YoY +¥8.9bn toward forecast)

➤ Consolidated Income<sup>(\*2)</sup> : ¥36.3bn( -¥9.9bn YoY -¥3.6bn toward forecast)

(\*1) gains/losses on stocks + bond transactions +cancellation of private offering investment trusts

(\*2) Attributable to owners of the parent

(\*3) Bank total excluding cancellation of private offering investment trusts

## Forecast for FY20

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- Taking into account present business environment and market conditions, we expect forecast of FY20 based on predictable assumptions

Reference P24 for detailed information

- We will immediately announce forecast revisions if COVID-19 situation changes.

➤ Forecast for FY20 : Consolidated Income<sup>(\*2)</sup> ¥33.0bn ( -¥3.3bn YoY)

## Capital Policies

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➤ FY19 Results Annual Dividends: ¥11.0 per share (Interim ¥5.5, Year-end ¥5.5)

➤ FY20 Forecast Annual Dividends: ¥11.0 per share (Interim ¥5.5, Year-end ¥5.5)

➤ Capital Adequacy Ratio (Consolidated): 10.95% (+1.01%P YoY)

## (2) Main Points of FY19 Financial Results

### Mebuki FG (Consolidated)

	FY19	YoY Chg	Progress
Gross business profit	192.5	+2.9	-
Net interest income	149.9	-6.3	-
Net fees and commissions	38.5	-0.2	-
Net trading income	3.8	+1.4	-
Net other business income	0.2	+8.2	-
Expenses	119.6	-0.0	-
Credit related cost	20.7	+8.8	-
Gains/losses related to stocks	(0.7)	-9.9	-
<b>Ordinary profit</b>	<b>53.1</b>	<b>-16.3</b>	<b>91.6%</b>
Extraordinary income/losses	(1.6)	+1.5	-
<b>Net income (1)</b>	<b>36.3</b>	<b>-9.9</b>	<b>90.9%</b>

【 Consolidation adjustment 】 (2)-(1) -5.1bn

Adjustments related to securities (-4.2bn)

Interest expenses of subordinated loans, expenses, etc.

#### <Mebuki FG (Consolidated)>

- Gross business profit increased ¥2.9bn due to improvement of net other business income for the lack of losses on foreign bonds in FY18.
- Net income decreased by -¥9.9bn YoY due to increase of credit related costs and losses on securities <sup>(\*)</sup> affected by COVID-19

(\*) gains/losses on stocks + bond transactions +cancellation of private offering investment trusts

#### <Joyo and Ashikaga "J +A"(Non-consolidated) >

Net income decreased by -¥24.1bn YoY due to increase of credit related costs and losses on securities <sup>(\*)</sup> and the lack of extraordinary income in FY19 ( Ashikaga received dividends of ¥12.0bn from affiliated companies in 1Q18). Since this is removed from consolidated FS, there is no effect on the YoY change of net income of FG consolidated.

### Two banking subsidiaries and group companies

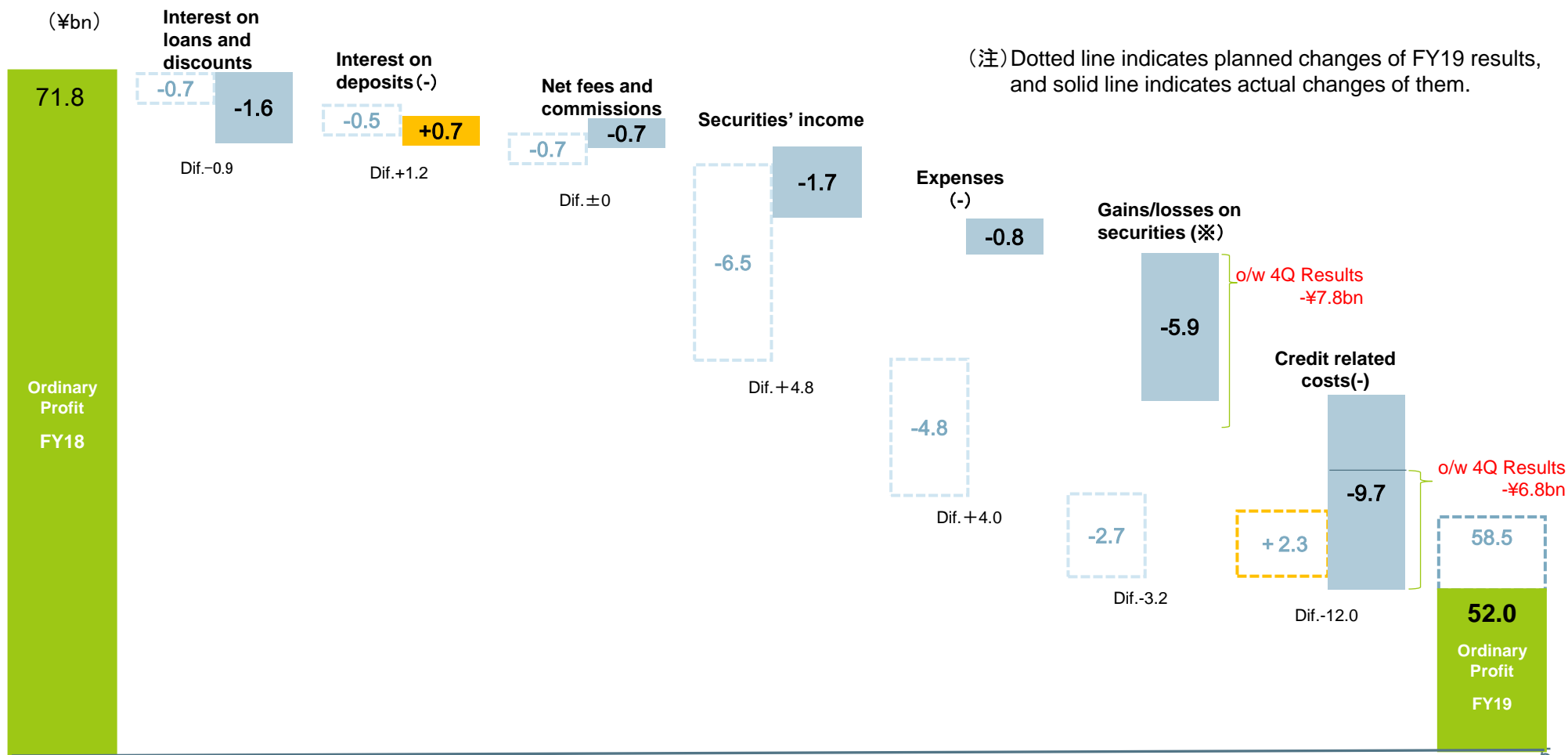
(¥bn)

	FY19	YoY Chg	Progress
<Joyo and Ashikaga "J +A"(Non-consolidated) >			
Gross business profit	186.3	+0.7	-
(Core gross business profit)	188.4	-7.9	-
Net interest income	154.0	-6.9	107.0%
(o/w gains/losses on cancellation of private offering investment trusts)	7.3	-4.3	-
Net fees and commissions	31.3	-0.7	-
Net other business income	0.8	+8.4	-
(o/w gains/losses on bond transactions)	(2.0)	+8.6	-
Expenses	115.0	+0.8	96.6%
Net business income (before general allowance for loan losses)	71.2	-0.1	-
Core net business income	73.3	-8.8	-
(excl. gains/losses on cancellation of private offering investment trusts)	66.0	-4.5	115.6%
Net transfer to general allowance for loan losses (a)	1.1	+6.3	-
Net business income	70.1	-6.5	-
Net non-recurrent gains/losses	(18.0)	-13.3	-
o/w Disposal of non-performing loans (b)	17.9	+3.3	-
o/w Gains/losses related to stocks, etc.	0.4	-10.2	-
<b>Ordinary profit</b>	<b>52.0</b>	<b>-19.8</b>	<b>88.9%</b>
Extraordinary income/losses	(1.5)	-10.2	-
<b>Net income (J + A)</b>	<b>35.8</b>	<b>-24.1</b>	<b>88.6%</b>
<b>Net income (Group total)(2)</b>	<b>41.5</b>	<b>-22.3</b>	<b>-</b>
Credit related cost (J + A )	19.0	+9.7	-

(\* 2) 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.

## (2) 《Appendix》 Change of Ordinary profit (Bank total / FY19 Plans and Results)

- Ordinary profit is expected to decrease -¥13.3bn to ¥58.5bn considering decrease of securities' income due to massive repayments of JGB's and increase of system integration expenses.
- Consolidated net income steadily progressed toward forecast until 3Q19 since securities' income and cost reduction exceeded plans. However, results of FY19 decreased by -¥19.8bn to ¥52.0bn because of loss on securities and credit related costs due to the impact of COVID-19 in 4Q19.

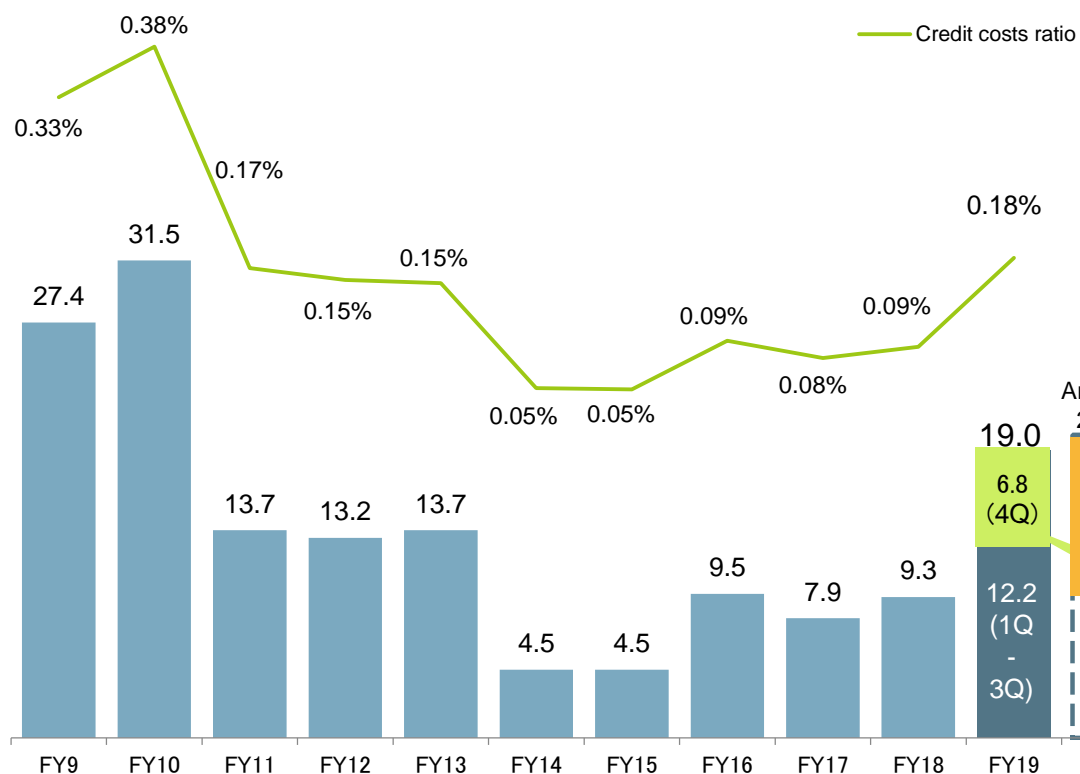


### (3) Topics ① Credit Related Costs

- Credit related cost increased by ¥9.7bn YoY to ¥19.0bn due to decrease because of the lack of special factors (such as the reversal of general allowance for loan losses from large borrowers requiring monitoring) and preventive reserves for COVID-19.
- Considering impact of COVID-19, we estimate ¥20.0bn in FY20.

#### Change of Credit Related Costs

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



(2) Breakdown of Credit Related Costs (¥bn)

	FY18	FY19	YoY
Credit related costs	9.3	19.0	+9.7
Net transfer to general allowance for loan losses	-5.2	1.1	+6.3
Disposal of non-performing loans	14.5	17.9	+3.3
(o/w) Transfer to specific allowance for loan losses	6.8	8.7	+1.8

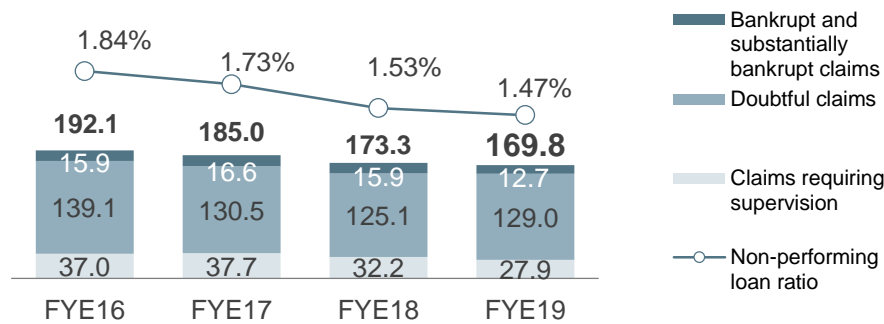
**Credit related costs in FY20**  
Impact of COVID-19  
¥10.0bn

**Credit related costs in 4Q19**  
¥6.8bn  
Taking into account impact of COVID-19, recognize preventive reserves

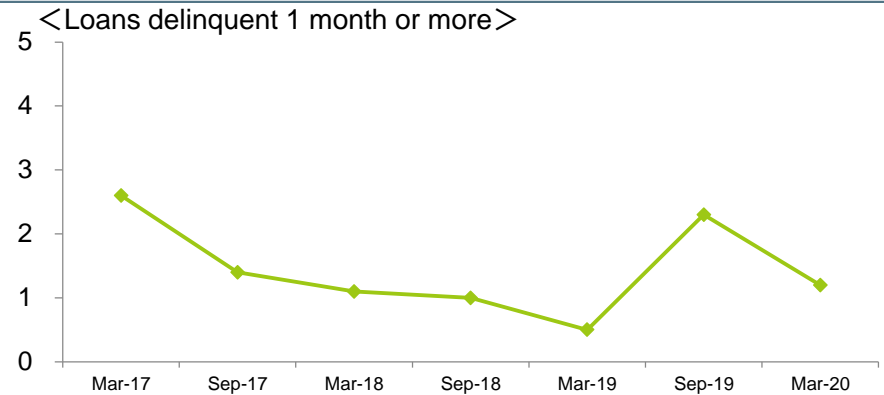
### (3) Topics ① Status of Non-performing Loans and Delinquent Loans

- Amount of non-performing loans based on financial revitalization law decreased and ratio has been on the decrease.
- Though number of delinquent loans began to rise in Mar. 2019, they began to decrease again as of Mar.31, 2019. Impact of COVID-19 needs to be monitored

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



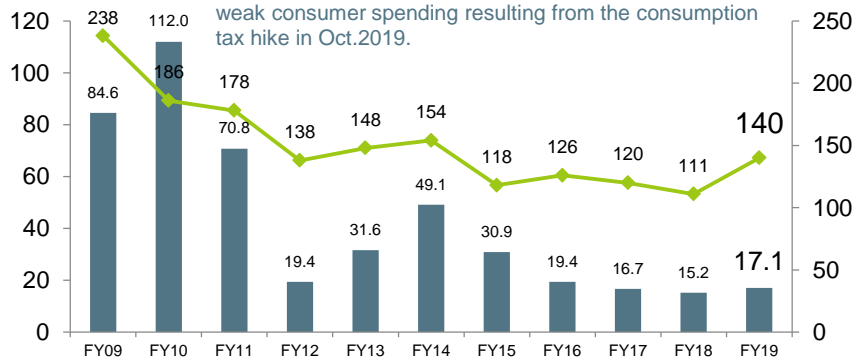
**Status of Delinquent Loans to Businesses** (¥bn)



**【Reference】Status of Bankruptcy** Number of bankruptcies (Total liabilities amounting to 10 million yen or more) ~by Tokyo Chamber of Commerce

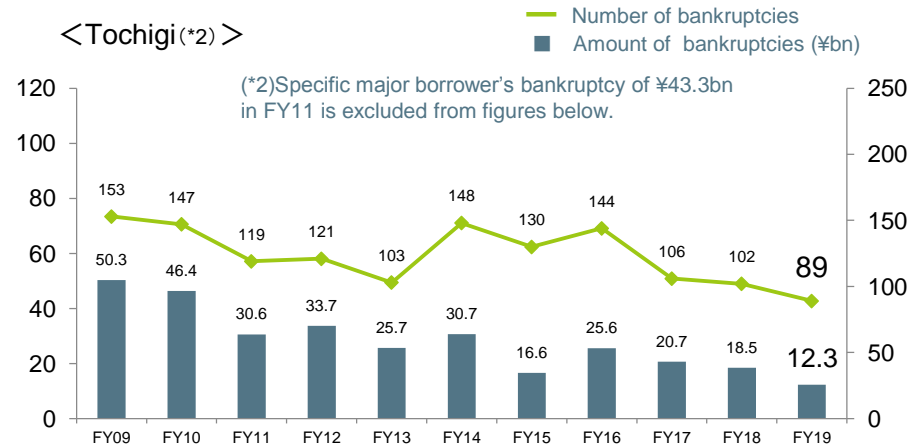
<Ibaraki(\*1)>

(\*1) Bankruptcy of medium-sized businesses such as accommodation and catering services increased due to weak consumer spending resulting from the consumption tax hike in Oct.2019.



<Tochigi(\*2)>

(\*2) Specific major borrower's bankruptcy of ¥43.3bn in FY11 is excluded from figures below.

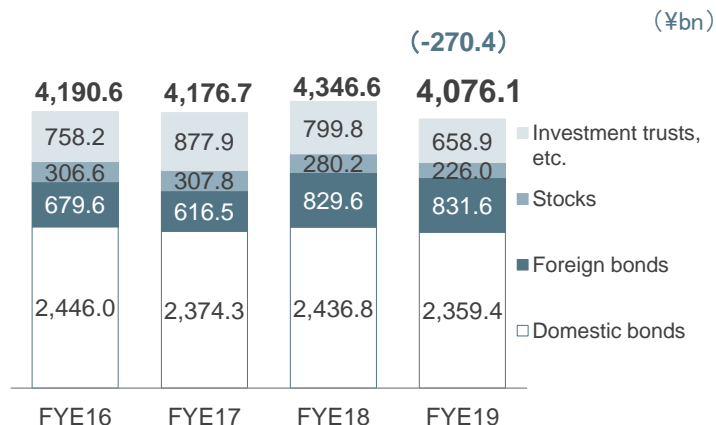




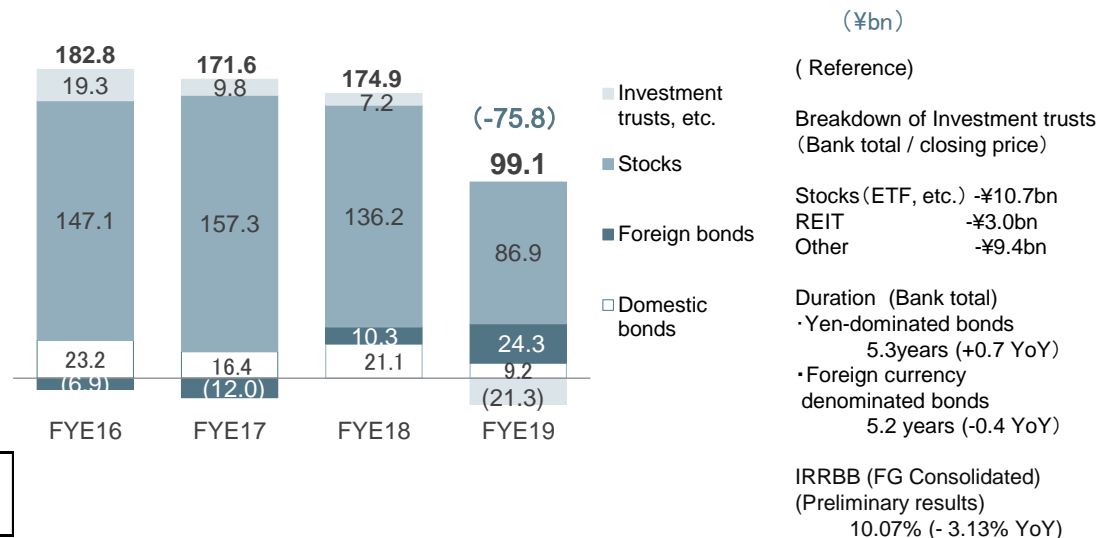
### (3) Topics ② Securities / Gains(losses) on securities

- During 4Q, we sold poor performance investment trusts (gains/ losses of 4Q: -¥7.8bn) and changed the portfolio of securities considering deteriorating market affected by COVID-19.

Balance(Carrying amount) (Mebuki FG)



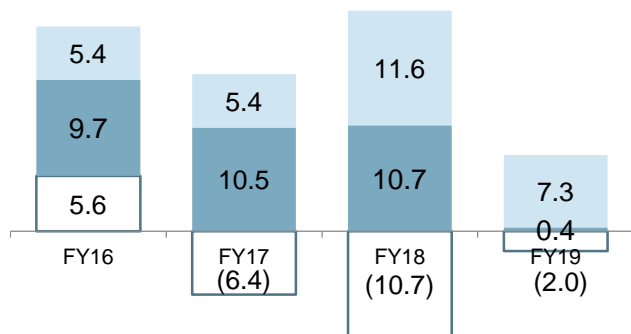
Unrealized valuation gains/losses on available for sales securities (Mebuki FG)



### Gains and losses on securities

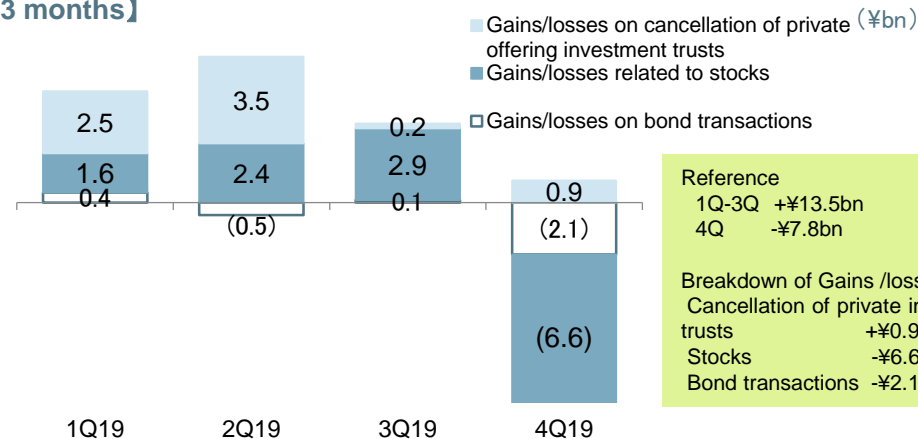
(Including gains/losses on cancellation of private offering investment trusts)

[Full-year]



¥ 20.8bn (FY16)    ¥ 9.5bn (FY17)    ¥ 11.6bn (FY18)    ¥ 5.6bn (FY19)    Gains and losses on sales

[3 months]



Reference

- 1Q-3Q +¥13.5bn
- 4Q -¥7.8bn

Breakdown of Gains /losses in 4Q

- Cancellation of private investment trusts +¥0.9bn
- Stocks -¥6.6bn
- Bond transactions -¥2.1bn

1Q19 ¥4.6bn    2Q19 ¥5.5bn    3Q19 ¥3.4bn    4Q19 -¥7.8bn    Gains and losses on sales

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

【Plan period: April 2019 to March 2022】

# (1) Progress of Business Objectives①

- Consolidated net income fell short of plans for first year of second medium-term business plan due to increase of loss on securities and credit related costs.
- However, measures such as enhancement of consulting services and structural reform progressed according to plans and core net profit (excluding gains/ losses on cancellation of investment trusts) and profit for customer services<sup>(\*)</sup> exceed plans.

## 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 Results	YoY	Compared to FY19 plans	FY21 plans
ROE (Consolidated)	5.1%	4.0%	-1.1%	—	5.0% or more
Net income attributable to owners of the parent	¥46.3bn	¥36.3bn	-¥9.9bn	-¥3.6bn	around ¥47.0bn
Core OHR (banking subsidiaries' total) <sup>(*)2</sup>	57.1%	61.3%	+4.2%	—	around 60%
(Reference) Core net business income (excluding gain/losses on cancellation of private offering investment trusts)	¥70.5bn	¥66.0bn	-¥4.5bn	¥8.9bn	—

(\*)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 Result ①	FY19 Results	YoY	Compared to FY19 plans	FY21 plans ②	②-①
Profit for customer services <sup>(*)1</sup>	¥29.2bn	¥25.7bn	-¥3.4bn	+¥4.3bn	around ¥30.5bn	around ¥1.5bn
(excluding system integration expenses)	¥31.1bn	¥29.6bn	-¥1.4bn	+¥4.1bn	around ¥33.5bn	around ¥2.5bn
Average balance of loans (total) <sup>(*)3</sup>	¥10,644.9bn	¥10,849.3bn	+¥204.3bn	as planned	around ¥11,250.0bn	around ¥600.0bn
Average balance of deposits (total) <sup>(*)4</sup>	¥14,530.9bn	¥14,875.3bn	+¥344.4bn	+¥240.0bn	around ¥15,300.0bn	around ¥500.0bn

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

(\*)4 Including negotiable certificates of deposit

# (1) Progress of Business Objectives ②

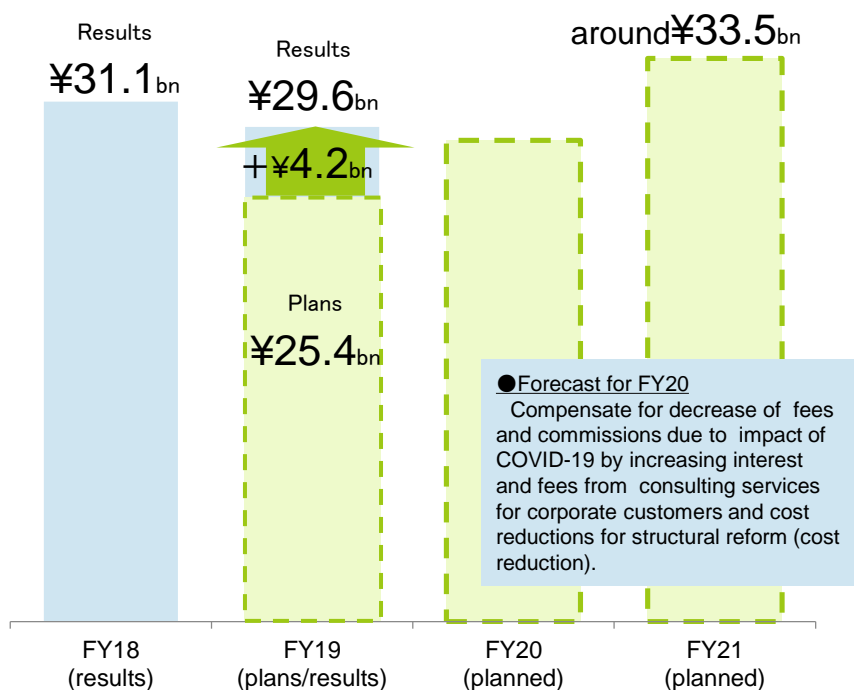
- We plan to increase profit for customer services by ¥1.5bn or more (excluding system integration expenses by ¥2.5bn or more).
- Profit for customer services excluding system integration expenses in FY19 exceeded plans of ¥4.4bn driven by fees and commissions and cost reductions.

## Profit for customer services<sup>(\*1)</sup>

(\*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)

### Plans for 3 years

profit for customer services  
(excluding system integration expenses)



### Results of FY19

#### (1) Profit for customer services

(¥bn)

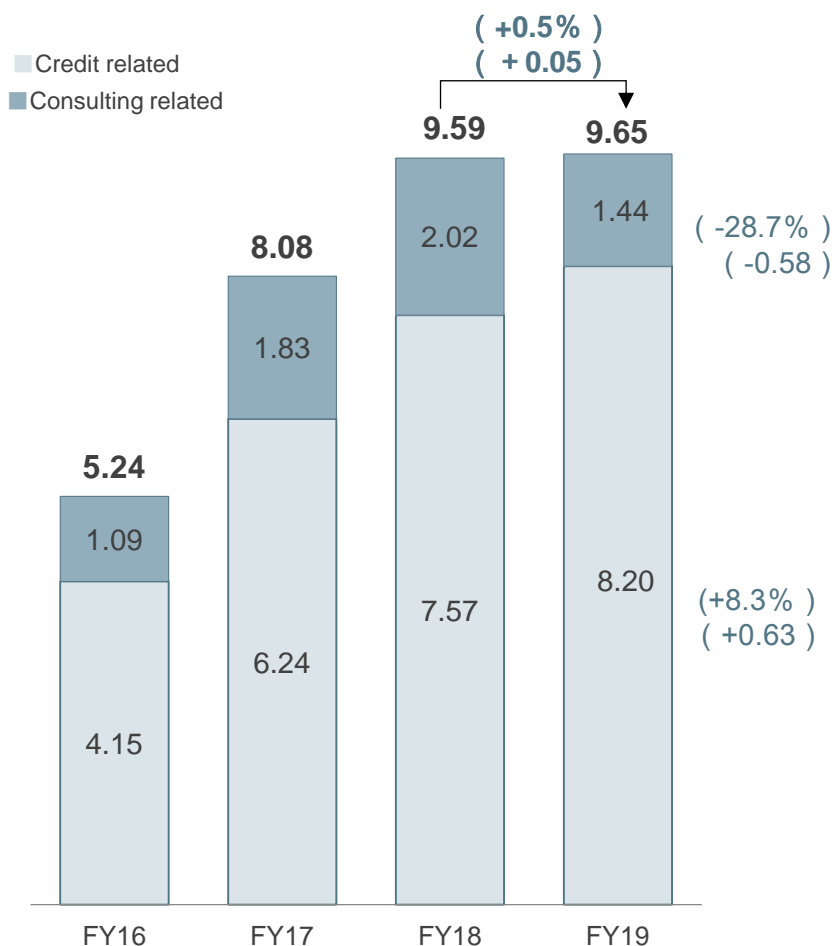
	FY18 Result	FY19 Results	YoY	Compared to FY19 plans
Top line of customer services(1)	143.4	140.7	-2.6	+0.4
Loan- deposit interest margins	108.4	106.9	-1.4	-0.1
Net fees and commissions	35.0	33.8	-1.1	+0.5
Expenses (2)	114.2	115.0	+0.8	-4.0
(Excluding system integration expenses) (3)	112.2	111.1	-1.1	-3.7
Profit for customer services(1)-(2)	29.2	25.7	-3.4	+4.4
(Excluding system integration expenses)(2)-(3)	31.1	29.6	-1.4	+4.2

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

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

- Fees from corporate customers increased by ¥0.05bn YoY (+0.5%) due to enhancement of consulting services.
- While consulting related fees decreased -¥0.58bn YoY mainly due to decrease in executive life insurance (-¥0.65bn YoY), credit related fees increased by ¥0.63bn due to systematic loans.

### Fees from Corporate customers



### Breakdown of Fees from Corporate customers

	FY19 Results	YoY	Progress
<b>Credit related (1)</b>	<b>8.20</b>	<b>+0.63</b>	<b>117.1%</b>
o/w Systematic loans	5.70	+0.74	
Private placement bonds	1.35	-0.16	-
Derivatives	1.14	+0.05	
<b>Consulting related (2)</b>	<b>1.44</b>	<b>-0.58</b>	<b>90.0%</b>
o/w Business Matching	0.58	+0.07	
M&A	0.43	-0.02	-
Executive Insurance	0.30	-0.65	
Trust · 401K	0.12	+0.01	
<b>Total ((1)+(2))</b>	<b>9.65</b>	<b>+0.05</b>	<b>112.2%</b>

- Fees of systematic loans : ¥5.70bn (-¥0.74bn YoY)
  - o/w Syndicate loans and commitment line : ¥1.65bn (-¥0.03bn YoY)
  - o/w Loans with covenants : ¥1.46bn (+¥0.23bn YoY)
  - o/w Lump-sum loans with credit insurance : ¥0.65bn (+¥0.15bn YoY)
  - o/w ABL : ¥0.53bn (+¥0.05bn YoY)
  - other : ¥1.39bn (+¥0.33bn YoY)

(\*1) Consulting related fees: Trust · 401K, Executive Insurance, M&A, Business Matching

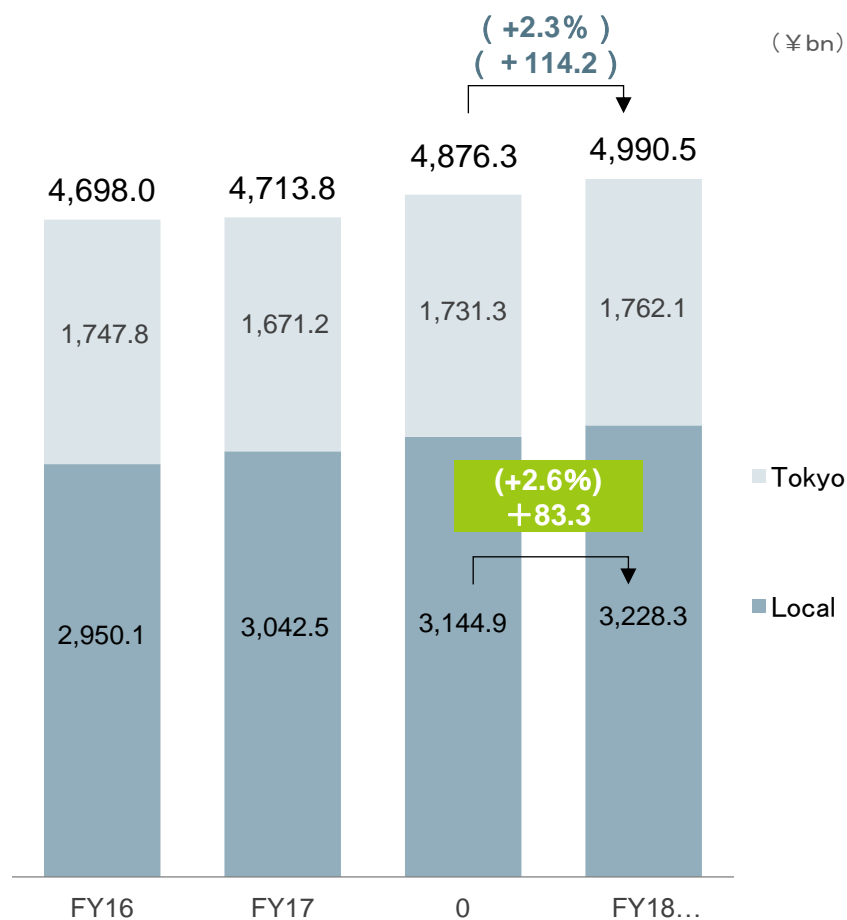
(\*2) Credit related fees: syndicate loans, private offering bonds, derivatives

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

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

- Loans to local corporate customers increased by ¥83.2bn (+2.6% annual rate) due to enhancement of consulting services for customer's growth and to provide solutions.

### 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.

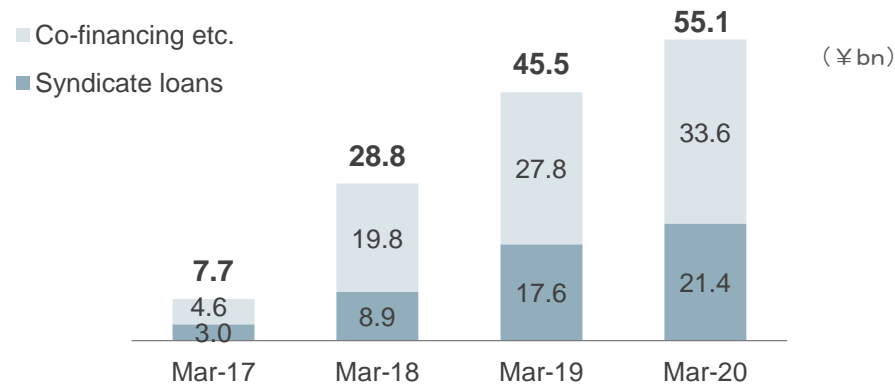
**FY19 Results (accumulated) 37 loans / ¥5.8bn**

#### Start SDGs private placement bonds

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

**FY19 Results (accumulated) 78 loans / ¥6.9bn**

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

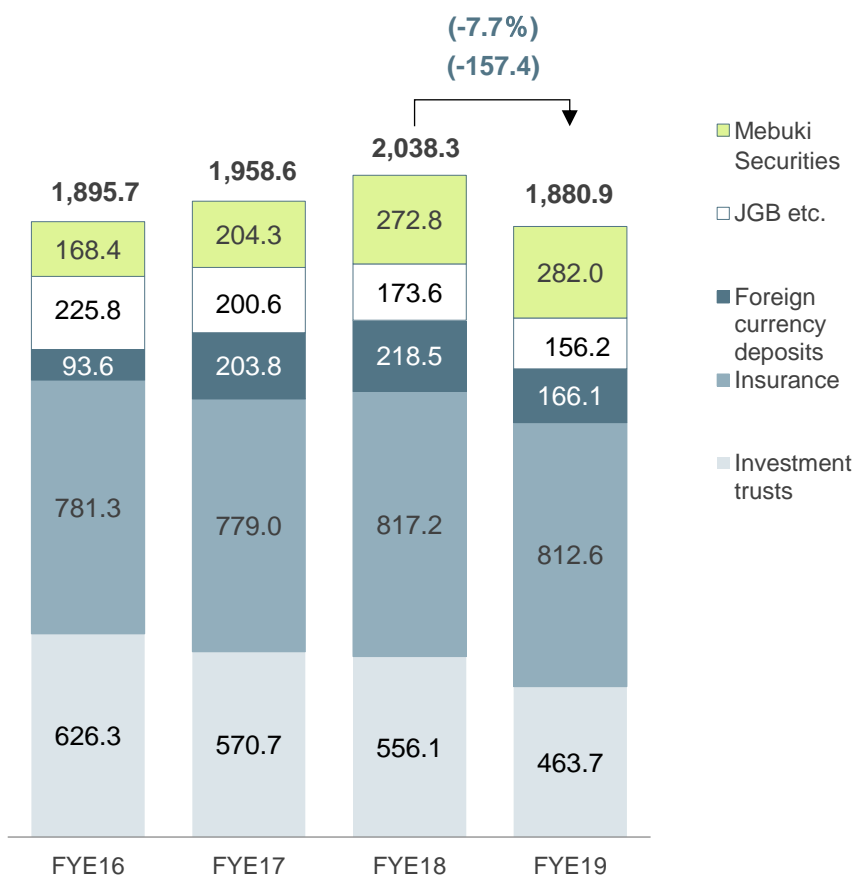


## (2) Create Growth Business Models with Local Regions

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

- Amount of customer assets under custody, especially investment trusts, decreased by ¥157.4bn YoY mainly due to decline in stock market.
- Amounts of Mebuki Securities remains on the increase because of collaboration with subsidiary banks. Total commissions increased YoY.

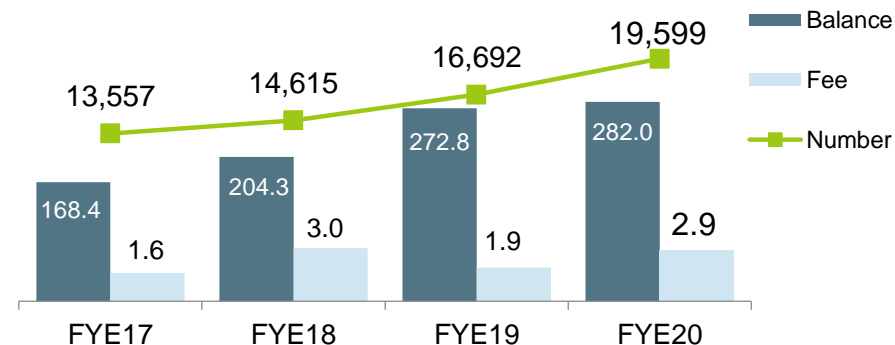
### Balance (Bank Total + Mebuki Securities)



### Strengthening of Cooperation Between Banking and Securities Businesses

Contracts and Balance of customer assets under custody of Mebuki Securities

(Number/¥bn)



### Commissions (Bank Total + Mebuki Securities)

(¥bn)

	FY19	YoY	Progress
Investment trusts	5.9	+0.2	90.9%
Insurance	4.2	-0.4	99.0%
Mebuki securities <sup>(*1)</sup>	3.7	+1.2	148.0%
Others <sup>(*2)</sup>	0.7	-0.2	76.0%
<b>Total</b>	<b>14.6</b>	<b>+0.8</b>	<b>102.5%</b>

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

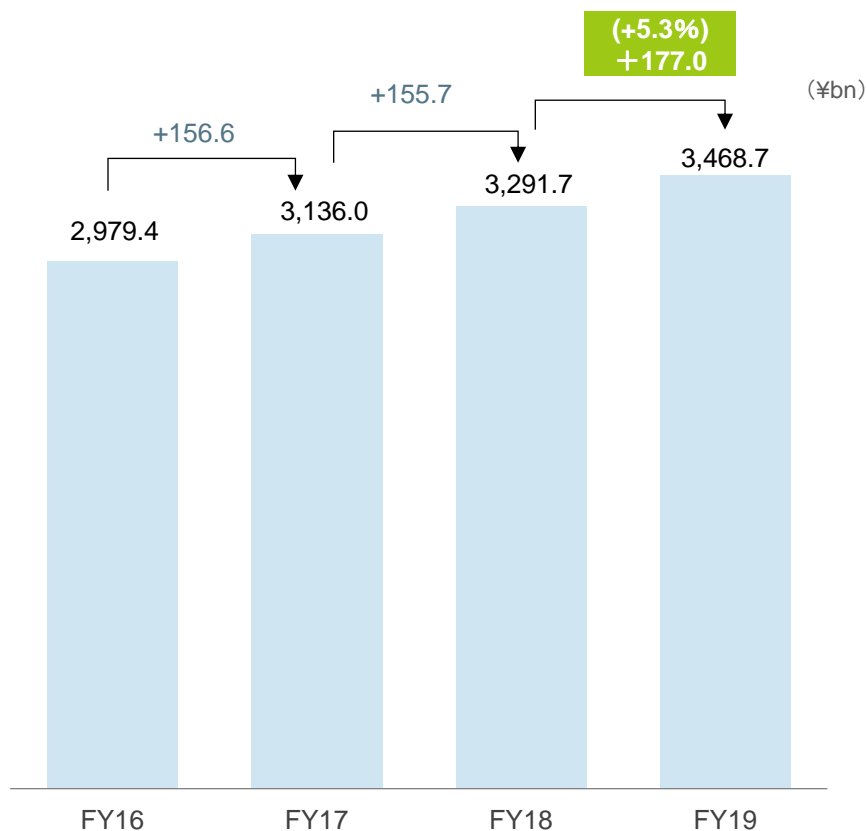
(\*2) Foreign currency deposits + bonds, etc.

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

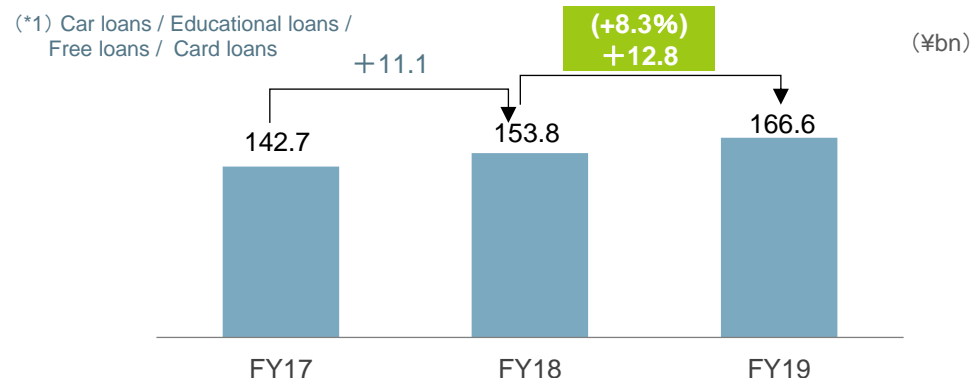
### ② IT services / Data utilization (Promote individual loans by expanding sales channel)

- Average balance of housing loans increased as a result of improving operational efficiency due to introduction of video for explaining important items and strengthening loans' sales for vendors.
- Number of applications and average balance of unsecured loans continued high growth by improving web completion scheme which allows customers to complete from application to contract.

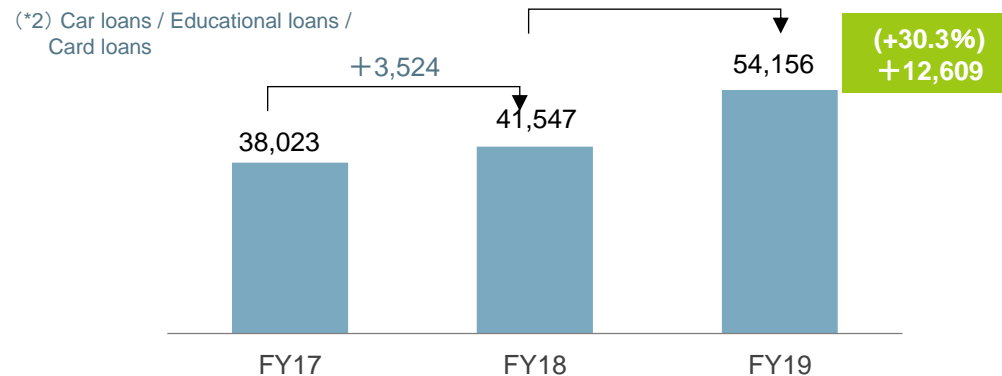
### ➤ Housing Loans (Average Balance)



### ➤ Unsecured Loans<sup>(\*1)</sup> (Average Balance)



### ➤ Number of Unsecured Loan Applications<sup>(\*2)</sup>





## (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 competitiveness. In this environment, we will strengthen support from digital strategic advice and suggestion until system introduction, 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 (digital receipts/company cars) for management of sales staffs visits to customers.
- Utilized for issuing digital receipts for keeping customers' bankbooks or cash and for management of company cars utilizing GPS function.
- In April 2020, obtained a patent for the delivery management function with “the application for digital receipts”.



(Image of business use smartphone application)

#### Utilization for Customer's Convenience

##### Utilization of robot advisor for investment trusts

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



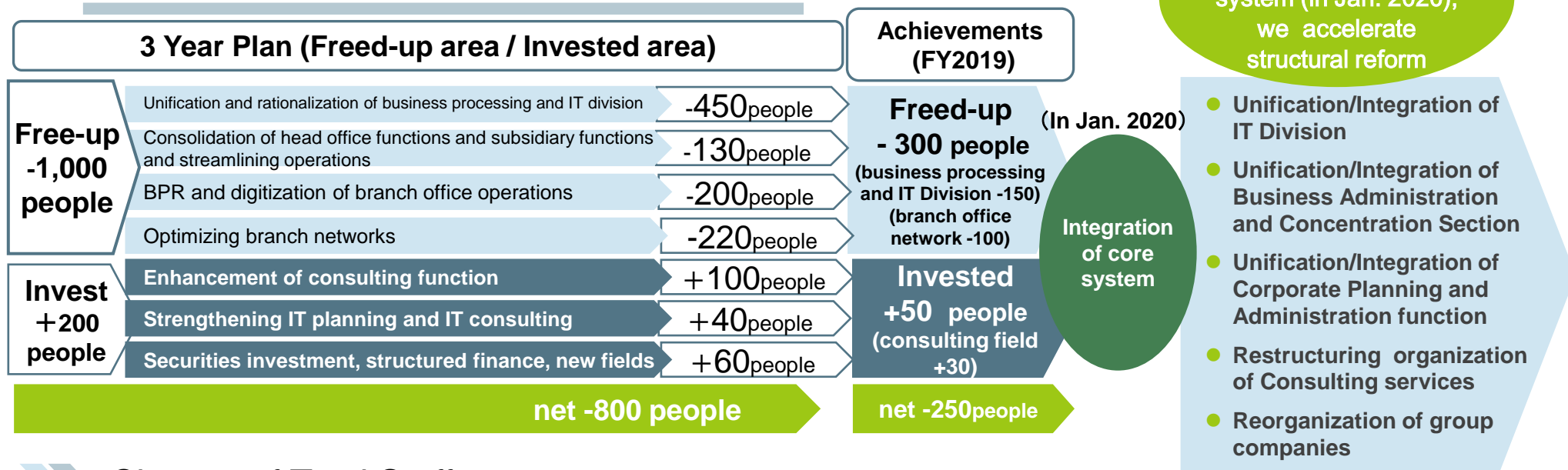
(Home page of robot advisor)

# (3) Structural Reform for Enhanced Productivity

## ① Control of Total Staff

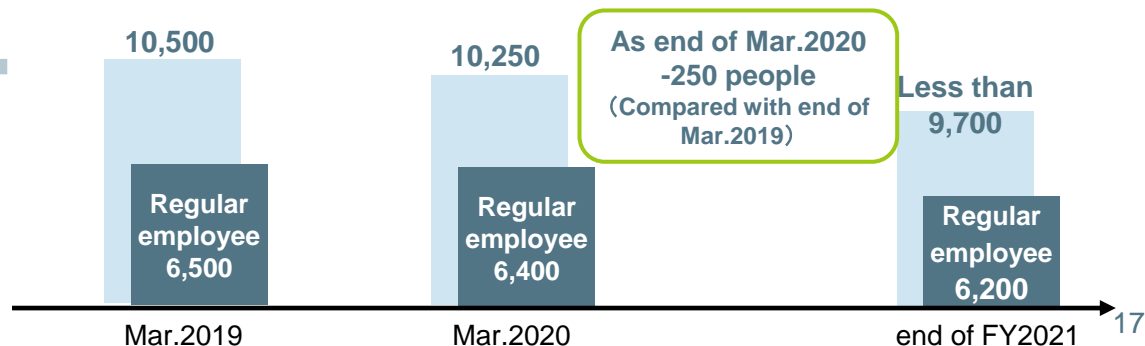
- We are planning personnel reduction of 800 people in 3 year medium-term plan.
- In FY2019, we realized human resources “Freed-up” of -300 people, by unification of business process and IT division and optimizing branch networks. On the other hand, we invested 50 people in consulting field, controlling net-based 250 people.

### Progress of Measures for Control of Staff



### Change of Total Staff

- By the end of Mar.2020, the number of personnel decreased by 250 people compared with end of Mar.2019. By taking above-mentioned measures, we displaced and controlled total staff.



### (3) Structural Reform for Enhanced Productivity

#### ② Core system integration / Reorganization of system departments in the group

- In Jan. 2020, we completed the core system integration. After FY2025, cost reduction of ¥2.0bn or more per year expected by the integration.
- From the viewpoint of strengthening IT governance and enhancement of organizational efficiency concerning the system management, we will reorganize IT and system related departments in the group in June, 2020 and realize human resources “Freed-up” of 50 people.

#### Core system integration

In Jan.2020, Ashikaga Bank completed a system transition to the Regional Banks’ Partnership System “Chance”(\*1) and two banks’ core system integration was realized.

##### Investment/Cost reduction (two banks total)

- Total investment      ¥11.2bn (as initially panned)
- Expected effects      Running cost reduction    ¥2.2bn
- Return on investment    After the end of depreciation in FY2025, system cost reduction of ¥2.0bn or more per year expected

##### Distributed system integration

The integration has progressed mainly in distributed systems required for business operations in two subsidiary banks. Further, we promote distributed system integration with the unification of business processes.

- Integrated systems  
Customer relation and loan support system, Customer information management system, Individual loan examination system, ALM and profit management system, Securities management system, etc.

(\*1) The System, developed based on banking core system of MUFG Bank, Ltd. , used by 8 regional banks (Joyo Bank, Ashikaga Bank, Hyakujushi Bank, Juroku Bank, Nanto Bank, Yamaguchi Bank, Momiji Bank, Kitakyushu Bank)

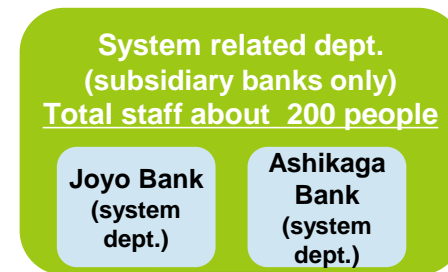
#### Reorganization of system departments

In July 2020, we will establish a new department in charge of system planning and administration in the FG (holding company) (scheduled)

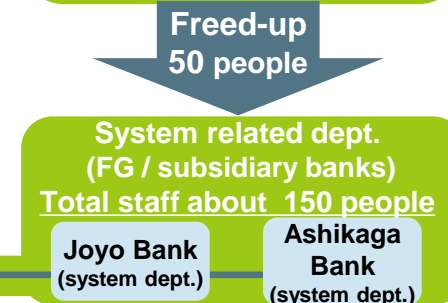
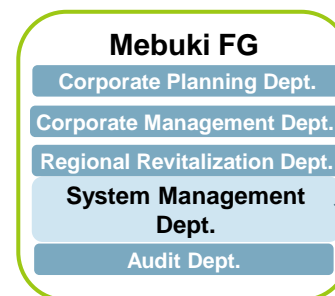
##### Purpose /Aim

Strengthening IT governance /  
Enhancing organizational efficiency

##### 【current】



##### 【After June, 2020】



Consolidation of system planning and administration functions

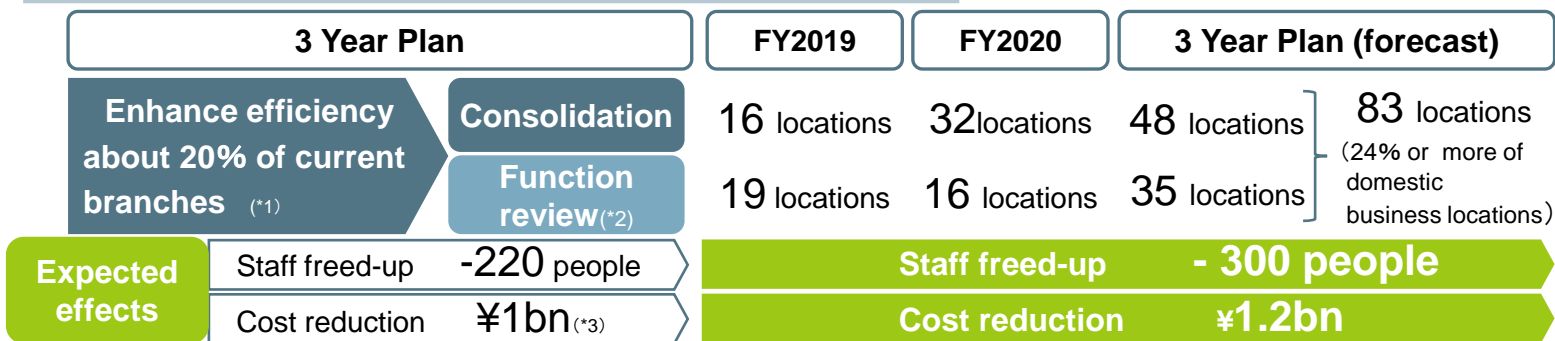
# (3) Structural Reform for Enhanced Productivity

## ③ Optimization of Branch Network

- We will optimize branch network by enhancing efficiency about 20% of current branches <sup>(\*1)</sup> within 3 years.
- We will promote efficiency of branch network by 83 locations (including consolidation of 48 locations) in FY2019 and FY2020, expanding size of freed-up staff and cost reduction by additional or accelerated implementation .

(\* 1) 337 domestic branches  
(two banks' total, as of end of FY2018)

### 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) Reviewing branch style of small number of people and others (\*3) Annual cost in FY2021, compared with FY2018

### Number of Branch Offices

	Result in FY2018	Forecast In FY2020	change
Domestic Branch Network	337	330	-7
<b>Real branch offices</b>	313	272	-41
In-store branches (* 4)	24	58	+34

(\*4) 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 function provided)

- Balance inquiries
- Transfer details
- Opening account
- Collaboration with Internet Banking

# (3) Structural Reform for Enhanced Productivity

## ④ Cost Control

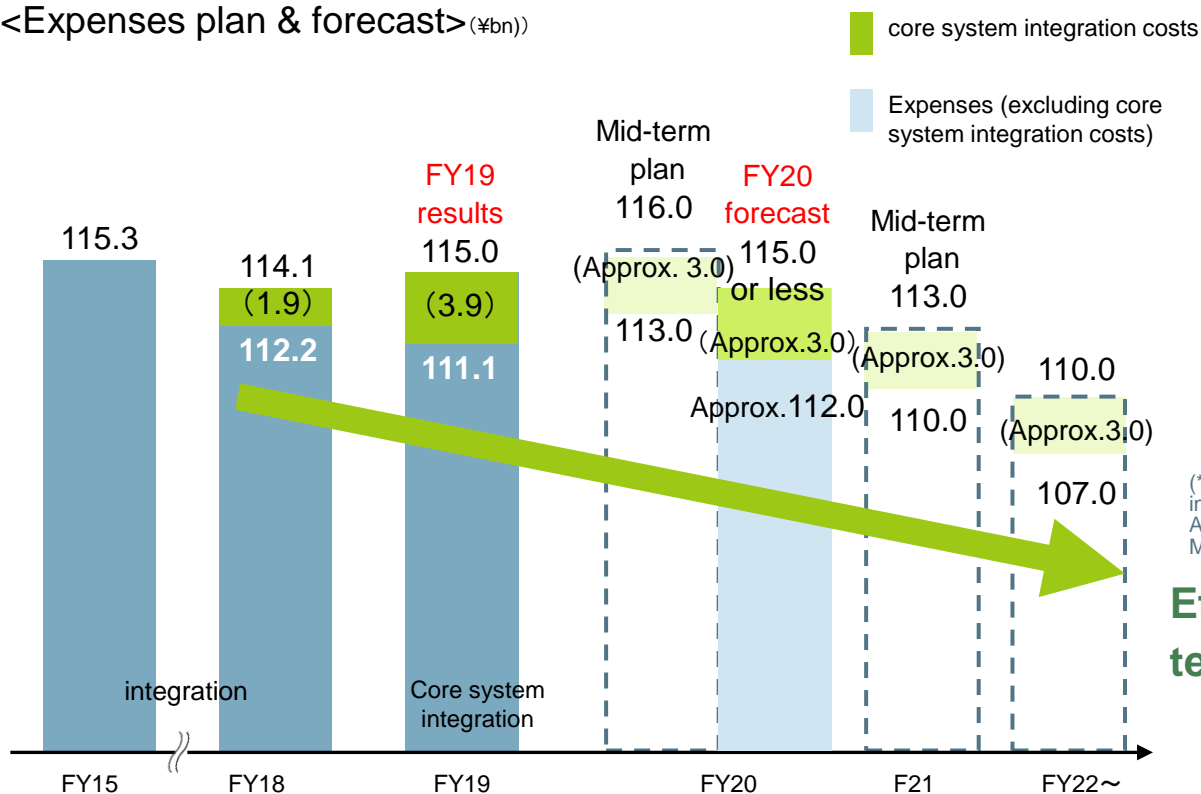
- Cost reduction of ¥5.0bn (\*1) per year expected by streamlining and reviewing branch network in 2nd medium-term plan.
- In FY2019, we achieved the decrease of ¥4.0bn in total expenses compared to the initial plan, by early achievement of structural reform

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

### Expenses (Results and Forecast/two banks' total)

### Progress of Structural Reform

<Expenses plan & forecast> (¥bn)



**Core system integration**

In Jan.2020, Ashikaga Bank completed system transition to Regional Banks' Partnership System "Chance"(\*2).  
【Two banks' core system integration realized】

**Integration of Business Concentration Department**

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

**Optimization of branch network**

From FY2019, we promote efficiency of branch network by accelerated implementation.  
【80 staff freed-up, additional cost reduction -¥0.2bn】

(\*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)

### Effects of Structural Reform in 2nd mid-term plan Cost reduction over -¥5.0 (\*1)

- Personnel slimming over -¥3.0
- Reviewing branch network over -¥1.0
- Integration of business administration system/BPR over -¥1.0

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

# ~Strengthening Corporate Governance System~

- We will reduce total number of Directors of subsidiary banks to activate discussion and appoint a person who performs important business execution as a “Director and Executive Officer”.
- We will introduce restricted stock remuneration plan for Directors (\*1)

## Revision to “Director and Executive Officer”

### Purpose

- In order to clarify separation of decision-making and supervisory function from executive function and further strengthen corporate governance system, we will appoint directors who perform important business execution as a “Director and (delegated) Executive Officer” .

### Status after revision

		Current (people)	After revision (people)	Composition
Joyo Bank	Director	15	12	 Audit & Supervisory Committee member within dotted line
	Inside	12	9	
	Outside	3	3	
Ashikaga Bank	Director	14	12	 Audit & Supervisory Committee member within dotted line
	Inside	11	9	
	Outside	3	3	
Mebuki FG	Director	(No change)	12	 Audit & Supervisory Committee member within dotted line
	Inside		7	
	Outside		5	

Inside Director

Director and Executive Officer

Outside Director

## Introduction of Restricted Stock Remuneration Plan

### Purpose

- Plan aims at promoting further value-sharing with Company’s shareholders, and providing an additional incentive to the Directors (\*1)

### Amount to be provided

- Total amount of monetary compensation claims to be provided 20 million yen or less per year
- Total number of common shares newly issued or disposed 200 thousand shares or less per year (about 0.01% of total number of issued shares)
- ※ The current remuneration framework for the compensation-type stock options will be abolished

(\*1) Directors (excluding Directors who are Audit and Supervisory Committee Members), and Directors (excluding Outside Directors and Directors who are Audit and Supervisory Committee Members ) of Joyo and Ashikaga which are wholly owned subsidiaries of the Company, and Joyo’s and Ashikaga’s Executive Officers who are not concurrently serving as respective subsidiary’s Directors

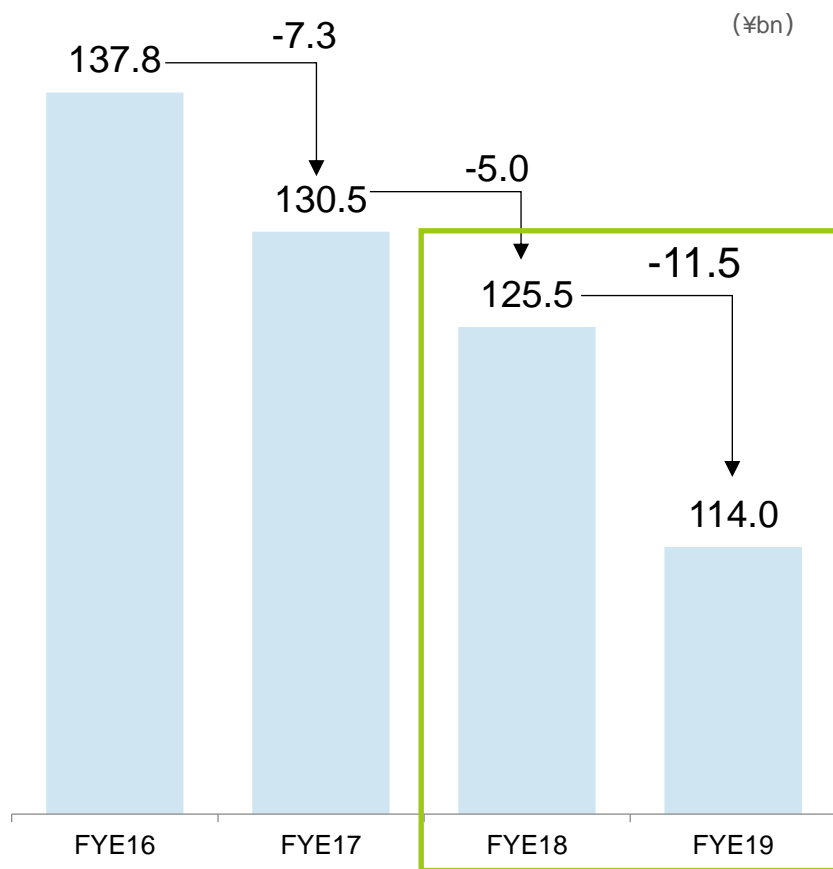


# ~Strategic Shareholdings~

- Increased reduction amount of strategic shareholdings by enhancement of corporate governance

## Strategic Shareholdings (balance<sup>(\*1)</sup>)

(\*1) Balance, including non-listed stocks, are based on internal management figures.



### Status of reducing strategic shareholdings

	As of March 2019	As of March 2020	YoY
Number of stocks (Listed companies only)	221	204	-17
Number decreased from previous year	17	15	

### Basic policy of strategic shareholdings, assessment of rationality and examination by the Board of Directors, etc.

- We may hold shares aimed for sustainable growth and medium to long term enhancement of corporate value of the group and customers or building stable business relationship with those customers, upon the examination of the medium to long term economic rationale and future outlook of shareholdings taking into consideration the associated risks and returns.
- We examine each shareholdings for economic rationale, from the viewpoint of profitability, creditworthiness, regional characteristics (relevancy to our core business area), and improvement of business relationship, etc. Concerning profitability, we examine their overall business RORA(\*2) based on our ROE target.
- As of March 31, 2020, the Board of Directors confirmed every strategic shareholdings to be meaningful pursuant to the basic policy to secure a sustainable growth, increase corporate value over the medium to long term of Mebuki FG and issuing companies, and building stable business relationships with those companies. Regarding the profitability, their overall combined business RORA exceeded the target value.

(\*2) RORA = (Net interest margin on loans and deposits – Expenses (including credit cost) + Fees and Commissions + Dividends) ÷ Risk-weighted Assets (Loans and Stocks)

### 3. Forecast for FY2020,etc



# (1) Forecast for FY2020

- Taking into account present business environment and market conditions, we expect forecast of FY20 based on predictable assumptions.
- We would immediately announce forecast revisions if COVID-19 situation changes.

## Mebuki FG (consolidated)

	Results for FY2019	Forecast for FY2020	YoY
Ordinary Profit	53.1	48.5	-4.6
Net Income <small>(Attributable to owners of the parent)</small>	36.3	33.0	-3.3

(¥bn)

## Assumptions of Forecast for FY2020

- We expect COVID-19 to be resolved in 1H20. Economic activity will gradually recover.
- Since effects of lower sales in some industries still remains, we estimate credit related costs of ¥10.0bn due to COVID-19 impact.

## Total of Two banking subsidiaries

	Results for FY2019	Forecast for FY2020	YoY
Ordinary Profit	52.0	47.0	-5.0
Net Income	35.8	33.5	-2.3
(Credit Related Costs)	19.0	around 20.0	around +1.0

## Changes of Ordinary profit (Bank total)

- Deference of interests between loans and deposits  
around -¥2.0bn
- \* Interest on foreign currency loans will decrease due to lower market interest rates.
- Net fee and commissions  
around -¥1.0bn
- \* We refrain from customer visits corresponding to a declaration of national emergency
- Credit related cost (-)  
around +¥1.0bn
- \* ¥20.0bn of FY20 includes increase due to COVID-19 impact.
- Other (Retirement benefits costs, etc.)  
around -¥1.0bn

## (2) Dividends, Shareholder Returns, Capital Adequacy Ratio

- Year-end dividends in FY19 was ¥5.5 per share (annual dividends ¥11.0).
- Taking into account shareholder return policy, annual dividends of ¥11.0 per share in FY20 will be continued.
- Capital Adequacy ratio of Mebuki FG increased 1.01%p YoY to 10.95% since Ashikaga Bank adopted FIRB.

### Dividends

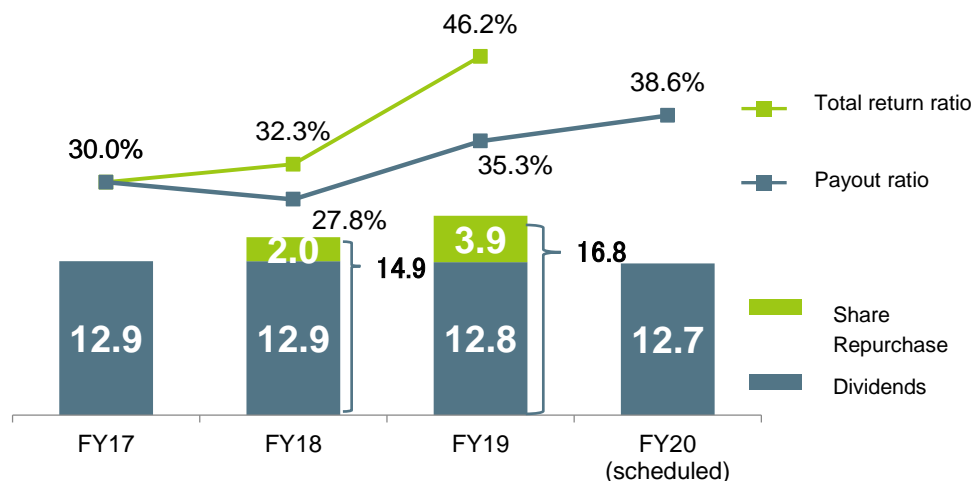
- Annual dividends of FY20 ¥11.0 (scheduled)

(1) Dividends per share

	Annual Dividends	Interim	year-end
FY19	¥11.0	¥5.5	¥5.5
FY20	¥11.0 (scheduled)	¥5.5 (scheduled)	¥5.5 (scheduled)

### Results of Returns

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



### 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>

### Capital Adequacy Ratio

- Ashikaga Bank started to calculate each risk-weighted asset according to foundation internal rating-based approach(FIRB<sup>(\*)</sup>).

(3) Capital adequacy ratio

	Mebuki FG (Consolidated)	Joyo (Consolidated)	Ashikaga (Consolidated)
FYE17	10.38%	11.80%	8.71%
FYE18	9.94%	11.91%	8.55%
FYE19	10.95%	12.22%	9.45%

(\*)FIRB, calculation procedures to measure risk-weighted assets related to capital adequacy ratio, is more advanced approach than Standard Approach using prescribed weight by FSA. Although FIRB can reflect the changes of credit risk more accurately, there is a need to establish rigorous internal control system and to be approved by FSA.

**【Reference】**

Financial Data for FY2019

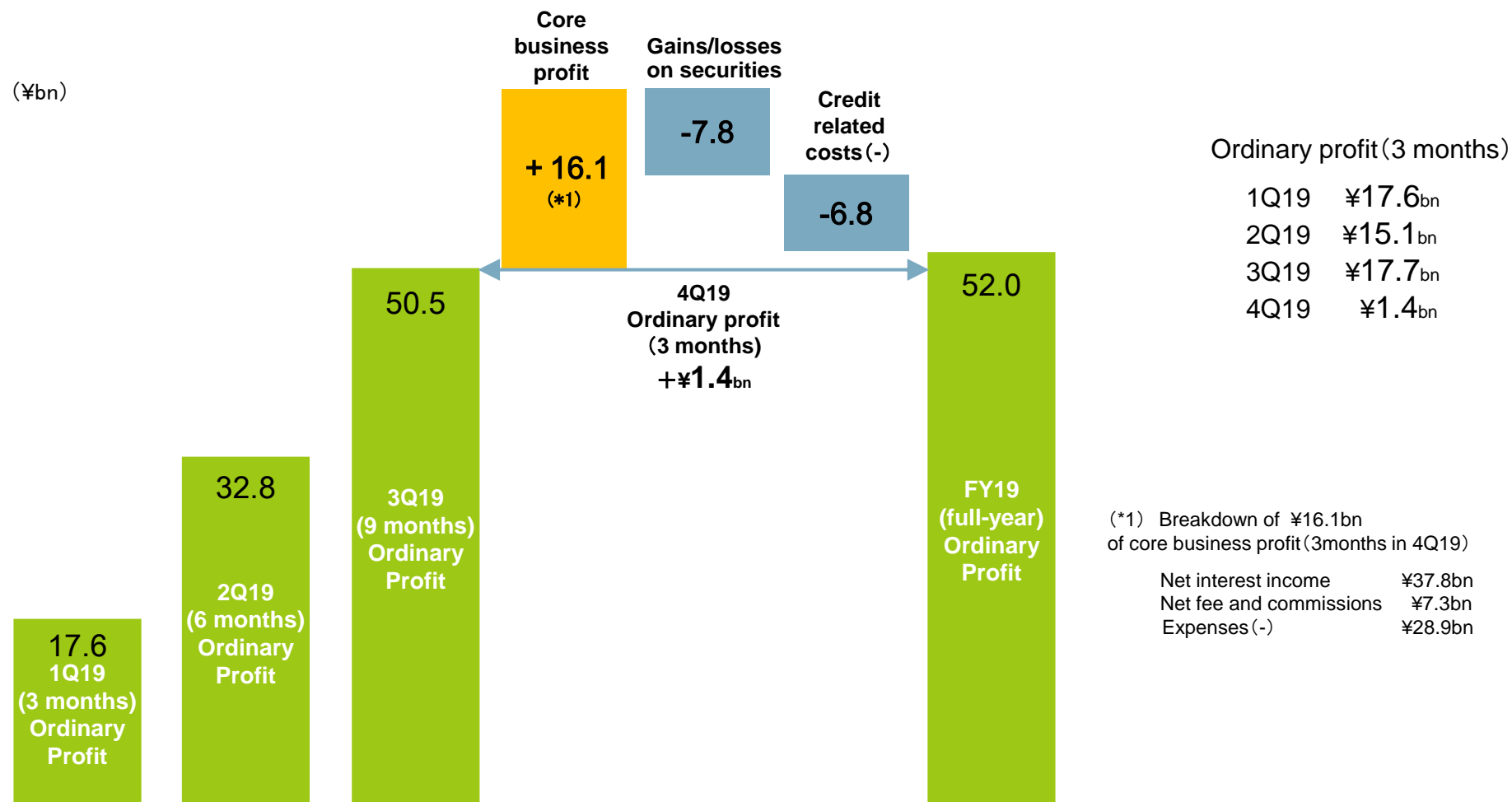
Progress of the Second Medium-Term Business Plan

SDGs Initiatives

# Change of Ordinary profit (Bank total)

- Ordinary profit steady progressed toward forecast until 3Q19 since securities' income and cost reduction exceeded plans (Results of 3Q ¥50.5bn, 86.4% progress toward full-year plan of ¥58.5bn).
- However, it fell short of plans for FY19 and results of FY18 because of loss on securities<sup>(\*)</sup> of -¥7.8bn and credit related costs of ¥6.8bn due to impact of COVID-19 in 4Q19.

(\*) gains/losses on stocks + bond transactions +cancellation of private offering investment trusts



【Data】 Breakdown of Banking subsidiaries

( 1 ) P/L for FY19 ( ¥bn )

	J+A	YoY	Joyo	YoY	Ashikaga	YoY
Gross business profit	186.3	+0.7	110.2	+8.9	76.1	-8.2
(Net Gross business profit)	188.4	-7.9	111.2	+2.5	77.2	-10.4
Net interest income	154.0	-6.9	91.7	+1.8	62.3	-8.7
o/w Gains/losses on Cancellation of Private Offering Investment Trusts	7.3	-4.3	5.2	+3.5	2.0	-7.8
Net fees and commissions	31.3	-0.7	17.2	-0.0	14.1	-0.7
Net other business income and Net trading income	0.8	+8.4	1.2	+7.1	-0.3	+1.3
(o/w gains/losses on bond transactions)	-2.0	+8.6	-0.9	+6.3	-1.1	+2.2
Expenses	115.0	+0.8	64.2	-1.0	50.7	+1.9
o/w Personnel expenses	61.2	+0.5	33.5	-0.2	27.6	+0.8
o/w Non-personnel expenses	46.7	+0.6	26.8	-0.8	19.9	+1.5
Net business income (before general allowance for loan losses)	71.2	-0.1	45.9	+10.0	25.3	-10.1
Core net business income	73.3	-8.8	46.9	+3.6	26.4	-12.4
Core net Business Income ( exclu. Gains/losses on Cancellation of Private Offering Investment )	66.0	-4.5	41.6	+0.0	24.3	-4.5
Net transfer to general allowance for loan losses (a)	1.1	+6.3	0.8	+1.9	0.2	+4.3
Net business income	70.1	-6.5	45.0	+8.0	25.0	-14.5
Net non-recurrent gains/losses	-18.0	-13.3	-9.4	-15.5	-8.6	+2.2
o/w Disposal of non-performing loans (b)	17.9	+3.3	9.3	+3.9	8.6	-0.5
o/w Gains/losses related to stocks, etc	0.4	-10.2	0.6	-11.8	-0.1	+1.5
Ordinary profit	52.0	-19.8	35.6	-7.5	16.3	-12.3
Extraordinary income/losses	-1.5	-10.2	-1.3	+1.2	-0.2	-11.4
Net income	35.8	-24.1	24.6	-4.0	11.2	-20.0
Credit related costs (a)+(b)	19.0	+9.7	10.1	+5.8	8.8	+3.8

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

		F Y 16	F Y 17	F Y 18	FY19	YoY
J+A	Domestics	1.12%	1.07%	1.03%	0.99%	-0.03%
	Overseas	1.42%	1.99%	2.92%	2.77%	-0.05%
	Total	1.12%	1.08%	1.06%	1.02%	-0.03%
Joyo	Domestics	1.06%	1.02%	1.00%	0.97%	-0.03%
	Overseas	1.45%	2.01%	2.95%	2.80%	-0.06%
	Total	1.06%	1.04%	1.04%	1.01%	-0.02%
Ashikaga	Domestics	1.20%	1.13%	1.07%	1.03%	-0.04%
	Overseas	1.11%	1.82%	2.67%	2.57%	-0.01%
	Total	1.20%	1.13%	1.08%	1.03%	-0.04%

## 【Data】 Breakdown of Banking subsidiaries

( 3 ) Loans Term-end Balance

		FYE16	FYE17	FYE18	FYE19	YoY
J+A	Individual	4,272.8	4,491.2	4,674.8	4,795.9	+121.1
	Corporate	4,809.6	4,935.9	5,139.1	5,181.3	+42.1
	Public	1,232.9	1,153.6	1,038.2	980.2	-58.0
	Total	10,315.4	10,580.8	10,852.3	10,957.5	+105.1
Joyo	Individual	2,387.4	2,490.8	2,570.2	2,624.6	+54.4
	Corporate	2,821.3	2,853.9	2,974.3	3,002.6	+28.2
	Public	758.3	718.6	650.7	612.8	-37.9
	Total	5,967.0	6,063.5	6,195.3	6,240.1	+44.8
Ashikaga	Individual	1,885.4	2,000.3	2,104.6	2,171.3	+66.6
	Corporate	1,988.2	2,081.9	2,164.8	2,178.6	+13.8
	Public	474.6	434.9	387.5	367.4	-20.1
	Total	4,348.4	4,517.2	4,657.0	4,717.3	+60.3

\* Not including borrowing from special account of MoF

Foreign Currency Denominated Loans

		FYE16	FYE17	FYE18	FYE19	YoY
J+A		128.3	129.2	145.8	164.2	+18.3
Joyo		116.0	114.0	126.8	146.8	+20.0
Ashikaga		12.2	15.2	19.0	17.3	-1.6

( 5 ) Unsecured Loans Term-end Balance

		FYE16	FYE17	FYE18	FYE19	YoY
J+A	Car Loans	34.8	39.4	46.7	52.0	+5.3
	Educational Loans	32.6	35.8	39.0	42.5	+3.5
	Free Loans	6.9	8.1	9.1	9.8	+0.6
	Card Loans	60.8	65.4	65.0	65.4	+0.3
	Total	135.2	148.9	160.0	169.9	+9.8
Joyo	Car Loans	25.0	27.4	32.2	35.2	+3.0
	Educational Loans	28.2	30.0	31.9	34.0	+2.0
	Free Loans	0.7	0.8	2.2	3.5	+1.2
	Card Loans	26.4	27.7	26.5	26.0	-0.5
	Total	80.3	86.0	93.0	98.8	+5.8
Ashikaga	Car Loans	9.8	12.0	14.5	16.8	+2.2
	Educational Loans	4.4	5.7	7.0	8.5	+1.4
	Free Loans	6.1	7.3	6.8	6.2	-0.6
	Card Loans	34.3	37.7	38.4	39.4	+0.9
	Total	54.6	62.8	66.9	71.0	+4.0

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

		FYE16	FYE17	FYE18	FYE19	YoY
J+A	Housing Loans	3,050.9	3,216.6	3,396.3	3,546.5	+150.1
	Apartment Loans	900.4	950.4	958.5	933.6	-24.8
	Asset building loans	-	1.9	2.9	2.8	-0.1
	Total	3,951.3	4,169.0	4,357.9	4,483.0	+125.1
Joyo	Housing Loans	1,489.6	1,560.5	1,640.6	1,719.5	+78.9
	Apartment Loans	724.0	763.5	769.1	748.6	-20.5
	Asset building loans	-	1.9	2.9	2.8	-0.1
	Total	2,213.7	2,326.0	2,412.7	2,471.1	+58.3
Ashikaga	Housing Loans	1,561.3	1,656.0	1,755.7	1,826.9	+71.1
	Apartment Loans	176.3	186.8	189.3	185.0	-4.3
	Asset building loans	-	-	-	-	-
	Total	1,737.6	1,842.9	1,945.1	2,011.9	+66.8

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

		FYE16	FYE17	FYE18	FYE19	YoY
J+A	Large	1,574.9	1,592.2	1,633.7	1,635.4	+1.7
	Medium/SMEs	3,234.6	3,343.6	3,505.4	3,545.9	+40.4
	Total	4,809.6	4,935.9	5,139.1	5,181.3	+42.1
Joyo	Large	1,133.9	1,141.9	1,159.1	1,165.1	+6.0
	Medium/SMEs	1,687.2	1,712.0	1,815.1	1,837.4	+22.2
	Total	2,821.3	2,853.9	2,974.3	3,002.6	+28.2
Ashikaga	Large	440.9	450.3	474.5	470.2	-4.3
	Medium/SMEs	1,547.3	1,631.6	1,690.2	1,708.4	+18.1
	Total	1,988.2	2,081.9	2,164.8	2,178.6	+13.8

( 7 ) Loans Corporate Term-end Balance by Area

		FYE16	FYE17	FYE18	FYE19	YoY
J+A	Tokyo	1,788.7	1,815.8	1,908.8	1,967.5	+58.6
	Local	3,020.7	3,120.0	3,230.3	3,213.8	-16.4
	Total	4,809.6	4,935.9	5,139.1	5,181.3	+42.1
Joyo	Tokyo	1,327.8	1,333.8	1,378.3	1,422.6	+44.3
	Local	1,493.4	1,520.1	1,596.0	1,579.9	-16.0
	Total	2,821.3	2,853.9	2,974.3	3,002.6	+28.2
Ashikaga	Tokyo	460.9	482.0	530.5	544.8	+14.2
	Local	1,527.3	1,599.9	1,634.2	1,633.8	-0.4
	Total	1,988.2	2,081.9	2,164.8	2,178.6	+13.8

## 【Data】 Breakdown of Banking subsidiaries

### ( 8 ) Loans Term-end Balance

		FYE16	FYE17	FYE18	FYE19	YoY
J+A	Individual	9,762.1	10,103.6	10,362.7	10,685.0	+322.3
	Corporate	3,062.8	3,158.8	3,325.5	3,364.1	+38.6
	Public	748.0	776.3	750.1	737.3	-12.7
	Total	13,572.9	14,038.8	14,438.3	14,786.5	+348.1
Joyo	Individual	6,068.9	6,280.6	6,440.1	6,633.6	+193.4
	Corporate	1,747.4	1,760.2	1,835.4	1,880.3	+44.9
	Public	424.0	468.1	453.6	459.2	+5.5
	Total	8,240.3	8,509.0	8,729.1	8,973.1	+243.9
Ashikaga	Individual	3,693.1	3,823.0	3,922.5	4,051.4	+128.8
	Corporate	1,315.4	1,398.5	1,490.1	1,483.8	-6.2
	Public	323.9	308.1	296.5	278.1	-18.3
	Total	5,332.5	5,529.8	5,709.2	5,813.4	+104.2

### Foreign Currency Denominated Loans

		FYE16	FYE17	FYE18	FYE19	YoY
J+A		165.6	275.2	306.0	219.7	-86.3
Joyo		140.7	199.1	222.6	176.4	-46.2
Ashikaga		24.8	76.0	83.3	43.2	-40.0

### ( 9 ) Customer Assets under Custody Balance

		FYE16	FYE17	FYE18	FYE19	YoY
Group total	Investment trusts	626.3	570.7	556.1	463.7	-92.3
	Insurance	781.3	779.0	817.2	812.6	-4.6
	Foreign currency	93.6	203.8	218.5	166.1	-52.3
	JGB etc.	225.8	200.6	173.6	156.2	-17.3
	Mebuki Securities	168.4	204.3	272.8	282.0	+9.2
	Total	1,895.7	1,958.6	2,038.3	1,880.9	-157.4
Joyo	Investment trusts	295.2	257.9	263.3	214.7	-48.5
	Insurance	454.1	450.6	465.6	471.9	+6.2
	Foreign currency	68.8	127.7	135.5	122.9	-12.6
	JGB etc.	155.3	138.0	118.5	104.1	-14.4
	Total	973.6	974.4	983.1	913.8	-69.3
Ashikaga	Investment trusts	331.1	312.7	292.8	249.0	-43.8
	Insurance	327.2	328.4	351.5	340.6	-10.8
	Foreign currency	24.8	76.0	82.9	43.2	-39.7
	JGB etc.	70.5	62.6	55.0	52.1	-2.9
	Total	753.7	779.8	782.4	685.0	-97.3

### ( 10 ) Customer Assets under Custody Commissions

		F Y 16	F Y 17	F Y 18	FY18	YoY
Group Total	Investment trusts(*1)	6.6	7.36	5.69	5.91	+0.2
	Insurance(*2)	3.04	2.67	4.67	4.26	-0.4
	Foreign currency deposits	0.73	0.86	0.98	0.68	-0.3
	JGB etc.	0.09	0.0	0.0	0.08	+0.0
	Financial instrument intermediary service	0.6	0.82	0.49	0.72	+0.2
	Mebuki Securities	1.7	3.052	1.94	2.98	+1.0
	Total	12.8	14.82	13.84	14.66	+0.8
Joyo	Investment trusts(*1)	3.23	3.34	2.63	2.83	+0.2
	Insurance(*2)	1.27	1.24	2.12	2.61	+0.5
	Foreign currency deposits	0.38	0.49	0.7	0.5	-0.2
	JGB etc.	0.08	0.03	0.03	0.05	+0.0
	Financial instrument intermediary service	0.29	0.51	0.27	0.43	+0.2
	Total	5.28	5.63	5.77	6.44	+0.7
Ashikaga	Investment trusts(*1)	3.4	4.01	3.06	3.08	+0.0
	Insurance(*2)	1.77	1.42	2.55	1.64	-0.9
	Foreign currency deposits	0.35	0.36	0.28	0.18	-0.1
	JGB etc.	0.01	0.0	0.0	0.02	+0.0
	Financial instrument intermediary service	0.3	0.31	0.22	0.29	+0.1
	Total	5.85	6.13	6.12	5.22	-0.9

\* 1 : Sales commission+ Trust fee

\* 2 : Excl. executive life insurance

### ( 11 ) Fees from Corporate Customers

		F Y 16	F Y 17	F Y 18	FY18	YoY
J+A	Credit Related	4.15	6.24	7.57	8.20	0.63
	Consulting Related	1.09	1.83	2.02	1.44	-0.58
	total	5.24	8.08	9.59	9.65	0.05
Joyo	Credit Related	2.03	3.39	4.14	4.24	0.10
	Consulting Related	0.53	1.06	1.14	0.80	-0.34
	total	2.56	4.45	5.28	5.05	-0.23
Ashikaga	Credit Related	2.11	2.84	3.42	3.95	0.52
	Consulting Related	0.56	0.77	0.88	0.64	-0.23
	total	2.67	3.61	4.30	4.60	0.29

## 【Data】 Breakdown of Banking subsidiaries

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

		FYE16	FYE17	FYE18	FYE19	YoY
Mebuki FG (Consolidated)	Domestic bonds	2,446.0	2,374.3	2,436.8	2,359.4	-77.4
	Foreign bonds	679.6	616.5	829.6	831.6	+2.0
	Stocks	306.6	307.8	280.2	226.0	-54.1
	Investment trusts, etc.	758.2	877.9	799.8	658.9	-140.9
	Total	4,190.6	4,176.7	4,346.6	4,076.1	-270.4
Joyo	Domestic bonds	1,731.1	1,725.4	1,812.4	1,746.7	-65.7
	Foreign bonds	456.5	393.7	513.2	505.3	-7.8
	Stocks	266.7	263.2	243.4	197.2	-46.2
	Investment trusts, etc.	339.0	420.1	456.7	388.1	-68.6
	Total	2,793.5	2,802.5	3,025.9	2,837.4	-188.4
Ashikaga	Domestic bonds	699.5	634.3	610.9	600.3	-10.6
	Foreign bonds	223.0	222.7	316.3	326.3	+9.9
	Stocks	79.7	80.3	72.4	64.2	-8.1
	Investment trusts, etc.	414.8	453.5	338.7	266.7	-72.0
	Total	1,417.1	1,391.0	1,338.4	1,257.5	-80.8

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

		FYE16	FYE17	FYE18	FYE19	YoY
Mebuki FG (Consolidated)	Stocks	147.1	157.3	136.2	86.9	-49.3
	Domestic bonds	23.2	16.4	21.1	9.2	-11.8
	Investment trusts, etc.	19.3	9.8	7.2	-21.3	-28.5
	Foreign bonds	-6.9	-12.0	10.3	24.3	+13.9
	Total	182.8	171.6	174.9	99.1	-75.8
Joyo	Stocks	138.8	144.8	128.0	85.1	-42.8
	Domestic bonds	26.0	17.9	19.3	9	-10.3
	Investment trusts, etc.	22.9	17.0	12.6	-8.3	-20.9
	Foreign bonds	-1.8	-3.4	10.4	12.8	+2.4
	Total	186.0	176.3	170.5	98.7	-71.8
Ashikaga	Stocks	31.9	34.4	28.4	20.8	-7.5
	Domestic bonds	19.5	17.3	15.7	11.5	-4.1
	Investment trusts, etc.	0.5	-5.2	-2.3	-10.6	-8.2
	Foreign bonds	-0.7	-5.3	2.8	13.8	+10.9
	Total	51.2	41.0	44.6	35.6	-9.0

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

		FYE16	FYE17	FYE18	FYE19	YoY
J+A	Balance	137.8	130.5	125.5	114.0	-11.5
Joyo	Balance	119.2	113.7	110.7	99.7	-11.0
Ashikaga	Balance	18.6	16.8	14.8	14.3	-0.5

( 15 ) Gains and Losses on securities

		FY16	FY17	FY18	FY19	YoY
J+A	Stocks	5.6	-6.4	-10.7	-2.0	+8.6
	Domestic bonds	9.7	10.5	10.7	0.4	-10.2
	Investment trusts, etc.	5.4	5.4	11.6	7.3	-4.3
	Total	20.8	9.5	11.6	5.6	-5.9
Joyo	Stocks	5.8	-3.8	-7.3	-0.9	+6.3
	Domestic bonds	7.5	9.4	12.4	0.6	-11.8
	Investment trusts, etc.	1.7	1.0	1.6	5.2	+3.5
	Total	15.2	6.6	6.7	4.8	-1.9
Ashikaga	Stocks	-0.2	-2.5	-3.3	-1.1	+2.2
	Domestic bonds	2.1	1.0	-1.7	-0.1	+1.5
	Investment trusts, etc.	3.6	4.4	9.9	2.0	-7.8
	Total	5.5	2.8	4.8	0.8	-4.0



## 【Data】 Breakdown of Banking subsidiaries

		F Y 16	F Y 17	F Y 18	FY19	YoY
J+A	Personnel	60.4	59.7	60.6	61.2	+0.5
	Non-Personnel	47.0	46.6	46.1	46.7	+0.6
	Taxes	7.4	7.1	7.3	7.0	-0.3
	Total	115.0	113.5	114.1	115.0	+0.8
Joyo	Personnel	34.7	33.6	33.8	33.5	-0.2
	Non-Personnel	29.5	28.7	27.7	26.8	-0.8
	Taxes	4.2	3.9	3.8	3.8	+0.0
	Total	68.5	66.3	65.3	64.2	-1.0
Ashikaga	Personnel	25.7	26.1	26.8	27.6	+0.8
	Non-Personnel	17.5	17.8	18.4	19.9	+1.5
	Taxes	3.2	3.2	3.5	3.1	-0.4
	Total	46.4	47.2	48.8	50.7	+1.9

		FYE16	FYE17	FYE18	FYE19	YoY
J+A		9.5	7.9	9.3	19.0	+9.7
Joyo		4.7	4.9	4.2	10.1	+5.8
Ashikaga		4.7	3.0	5.0	8.8	+3.8

		FYE16	FYE17	FYE18	FYE19	YoY
J+A	Bankrupt claims	15.9	16.6	15.9	12.7	-3.1
	Doubtful claims	139.1	130.5	125.1	129.0	+3.9
	Requiring monitoring claims	37.0	37.7	32.2	27.9	-4.3
	Total	192.1	185.0	173.3	169.8	-3.5
Joyo	Bankrupt claims	7.0	6.7	6.1	5.7	-0.4
	Doubtful claims	69.7	65.3	66.4	69.9	+3.4
	Requiring monitoring claims	21.3	19.8	17.5	12.5	-5.0
	Total	98.2	91.9	90.2	88.2	-1.9
Ashikaga	Bankrupt claims	7.5	8.8	8.7	5.8	-2.9
	Doubtful claims	69.1	65.0	58.5	59.0	+0.4
	Requiring monitoring claims	15.7	17.9	14.7	15.4	+0.7
	Total	92.4	91.8	81.9	80.2	-1.7

		FYE16	FYE17	FYE18	FYE19	YoY
J+A		2.6	1.1	0.5	1.2	+0.7
Joyo		2.4	1.0	0.3	0.3	-0.0
Ashikaga		0.2	0.1	0.2	0.9	+0.7

# 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

### Business Objectives

	<FY2018>	<FY2021>
ROE (Consolidated)	5.1%	5.0% or more
Net Income* <sup>1</sup> (Consolidated)	¥46.3bn	approx. ¥47 bn
Core OHR* <sup>2</sup> (total)	57.1%	around 60%

(\*1) Net Income attributable to owners of the parent

(\*2) excluding system integration expenses

### Position

Achieve full-scale growth / Transitional period to next growth

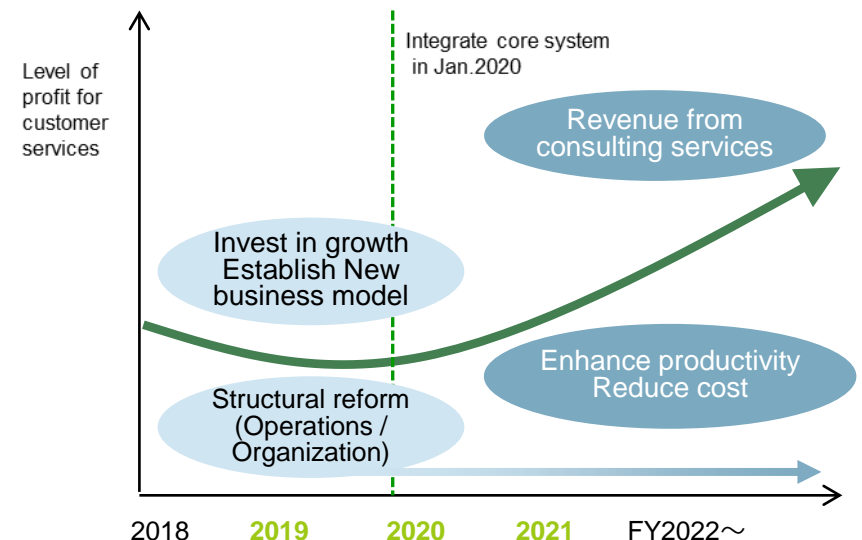
### Plan period

3 years ( April 1, 2019 to March 31, 2022 )

### Basic strategy

- (1) Create growth business models with local regions
  - Enhance consulting services
  - Proactively utilize and invest in IT
  - Business area expansion
- (2) Structural reform for enhanced productivity
  - Establish common platform
  - Group governance advancement
- (3) Developing human resources for value creation
  - Development of specialized personnel
  - Reform of personnel and training system
  - Working style reform and diversity promotion

### Position of 2nd group business plan



# 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
622	¥52.6 billion

(as of end of March 2020 (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 March 2020 (two banks' total))

¥1.9 billion

### 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
208	¥27.8 billion

FY2019 (two banks' total)

### Environmental conservation activities

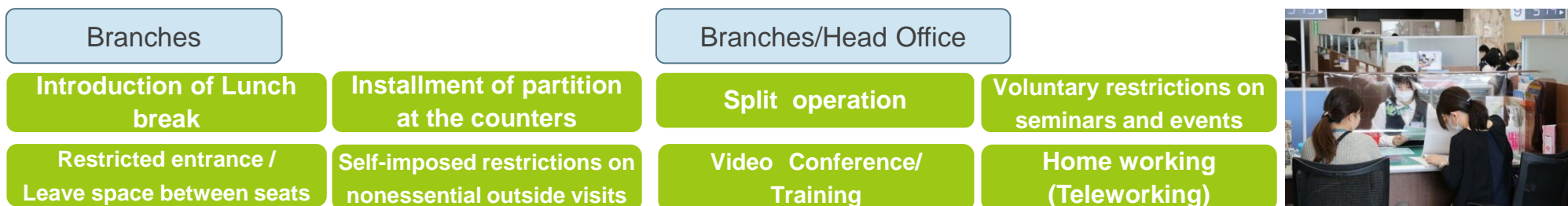
We participate in forest conservation activities by “Save the forest in Japan” composed of voluntary members of regional banks. In order to preserve the beauty and health of local woodlands for future generations, we promote various activities such as tree planting and environmental education.



# Measures regarding the spread of COVID-19

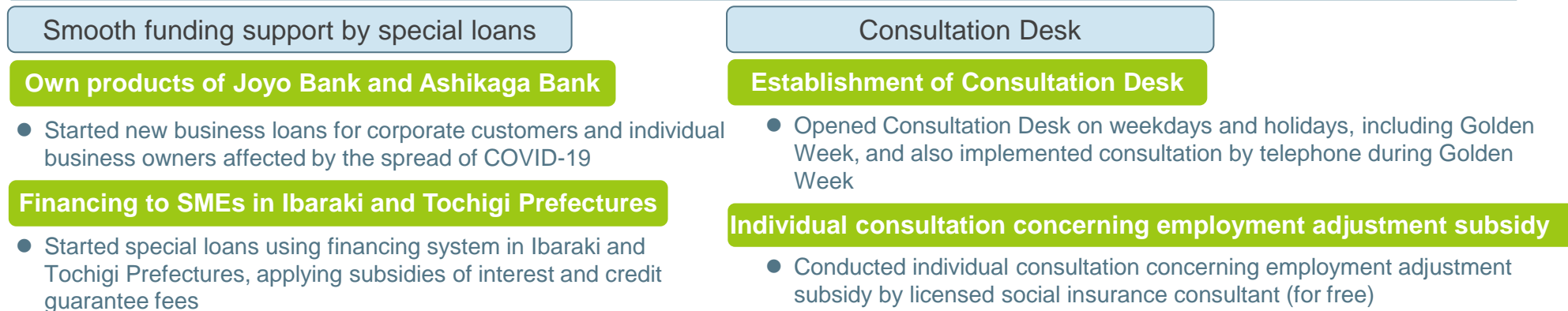
We are prioritizing the health of employees and their family members, and safety/security of our customers. On the other hand, we will continue to provide financial services as a social infrastructure.

## Business Continuity Management



(Installed splash prevention sheet at the teller counter)

## Providing financial services



Number of consultations and loans provided related to COVID-19 (2 banks' total / as of May 15, 2020)

Number of consultations regarding loans (*1)	Number of new loans provides (*2)	Amount of new loans provided (*2)	Number of application for change of loan conditions (*3)	Amount of application for change of loan conditions (*3)
8,200	1,200	¥76.0bn	600	¥16.0bn

(\*1) Number of consultations related to new application and conditions change regarding business loans

(\*2) New loans such as banks' own business loans and special loans with credit guarantee

(\*3) Change of business loan conditions

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