

Mebuki Financial Group, Inc.

# Financial Results for FY2020 (IR Presentation Material)



## 1. Financial Results for FY 2020

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

# 1. Financial Results for FY 2020

# (1) Highlights

## Results for FY20

	Results for FY20	YoY Change	compared to Forecast
Consolidated net income <sup>(*1)</sup>	¥36.4bn	+¥0.1 bn	+¥3.4bn
Core net business income <sup>(*2)</sup> (Banks' total)	¥69.4bn	+¥3.3bn	-
Expenses (Banks' total)	¥110.1bn	-¥4.8bn	-
Credit related costs (Banks' total)	¥22.4bn	+¥3.3bn	+¥2.4bn

- Consolidated net income <sup>(\*1)</sup> exceeded full-year forecast and previous year's results.
- Core net business income <sup>(\*2)</sup>, indicating the profitability in core business, increased by ¥3.3 bn YoY. Reflecting the success of strengthened consulting function, net fees and commissions exceeded previous year even during the COVID-19 pandemic.
- Cost reduction was realized as a full-scale result of our business integration. We accelerated the structural reforms such as branch network restructuring more than planned and reorganization of business administration and concentration sections and group companies.
- Credit related costs were preventively recognized in 4Q20.

( \*1 ) Attributable to owners of the parent ( \*2 ) Excluding gains /losses on cancellation of investment trusts

## Forecast for FY21

	Forecast for FY21	YoY Change
Consolidated net income <sup>(*3)</sup>	¥38.0bn	+¥1.5bn

- Taking into account business environment and market conditions under the COVID-19 pandemic, we conservatively forecast with credit related costs of ¥20.0 bn expected.
- If the COVID-19 impact changes, we will immediately revise the forecast as necessary.

( \*3 ) Attributable to owners of the parent

## (2) Main Points of FY20 Financial Results

### Mebuki FG (Consolidated)

	(¥bn)		
	FY20	YoY Chg	toward forecasts
Gross business profit	188.0	-4.4	-
Net interest income	150.1	+0.2	-
(o/w Defference of interests between loans and deposits)	(106.6)	(-0.2)	-
Net fees and commissions	38.6	+0.1	-
Net trading income	4.2	+0.4	-
Net other business income	-5.0	-5.2	-
Expenses	115.7	-3.8	-
Credit related cost	23.4	+2.6	-
Gains/losses related to stocks	3.5	+4.3	-
Ordinary profit	54.1	+0.9	+5.6
Extraordinary income/losses	-1.9	-0.3	
<b>Net income</b>	<b>36.4</b>	<b>+0.1</b>	<b>+3.4</b>

【 Consolidation adjustment 】 -¥8.8bn  
Adjustments related to securities, etc.

### 【Joyo + Ashikaga (Non-consolidated)】

	(¥bn)		
	FY20	YoY Chg	toward forecasts
Gross business profit	180.1	-6.1	-
Net interest income	153.0	-0.9	-
(o/w Defference of interests between loans and deposits)	(105.5)	(-0.2)	-
Net fees and commissions	31.4	+0.1	-
Net other business income	-4.4	-5.3	-
(o/w gains/losses on bond transactions)	(-6.2)	(-4.1)	-
Expenses	110.1	-4.8	-
Net business income	69.9	-1.2	-
(before general allowance for loan losses)			
Core net business income	76.2	+2.9	-
(excl. gains/losses on cancellation of investment trusts)	69.4	+3.3	-
Net transfer to general allowance for loan losses (a)	2.2	+1.0	-
Net business income	67.7	-2.3	-
Net non-recurrent gains/losses	-11.8	+6.1	-
o/w Disposal of non-performing loans (b)	20.2	+2.3	-
o/w Gains/losses related to stocks, etc.	10.0	+9.6	-
<b>Ordinary profit</b>	<b>55.9</b>	<b>+3.9</b>	<b>+8.9</b>
Credit related cost (J + A) (a)+(b)	22.4	+3.3	

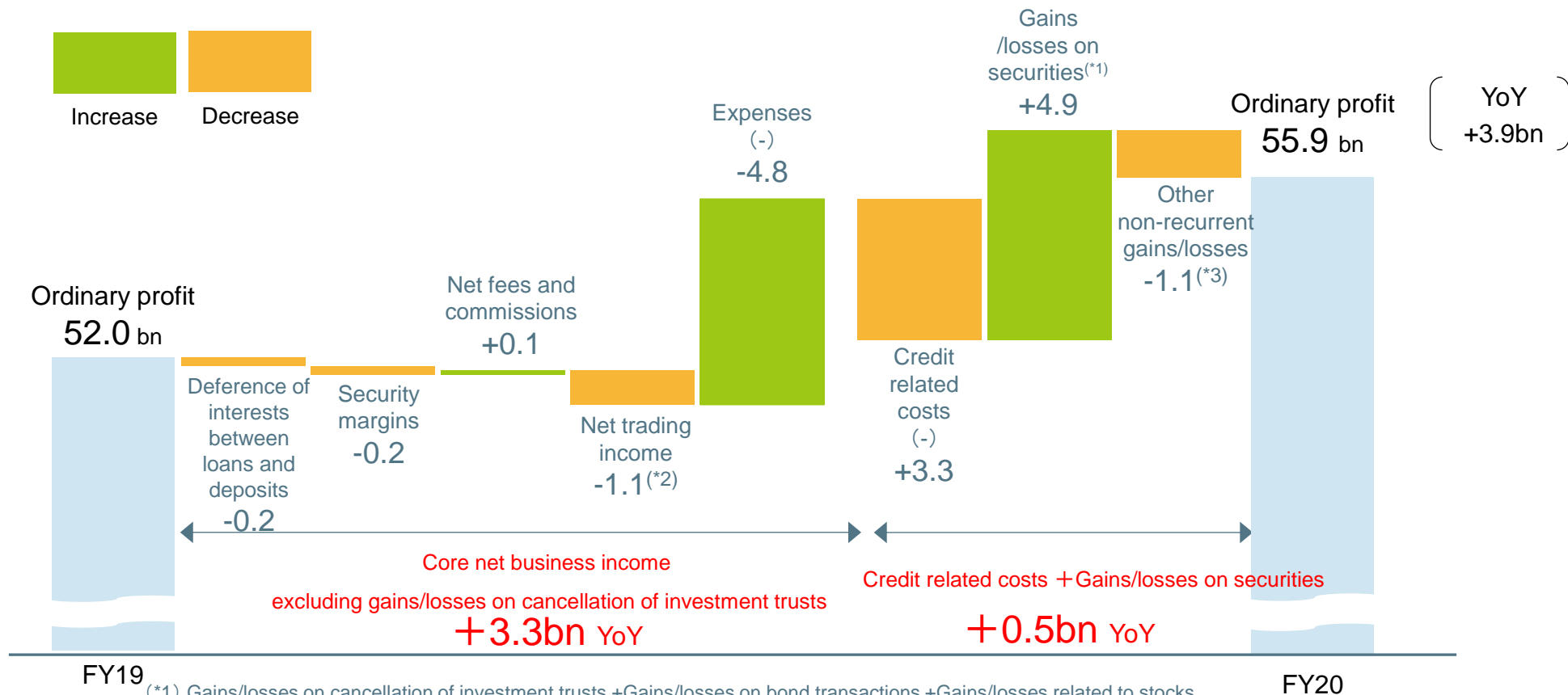
### 【Group Companies】

	(¥bn)	
Net Income	FY20	YOY Chg
Joyo Bank (Consolidated)	27.0	-0.0
Ashikaga Bank (Consolidated)	14.5	+1.8
Mebuki Lease	0.8	+0.1
Mebuki Securities	1.5	+0.4
Mebuki Credit Guarantee	1.3	+0.2
	<b>45.3</b>	<b>+2.5</b>

## (2) Supplementary Explanation ~Change of Ordinary profit~

- Core net business income increased ¥3.3bn YoY mainly due to cost reduction by the progress of structural reform.
- Although credit related costs increased due to impact of the COVID-19 pandemic, ordinary income increased ¥3.9bn YoY due to increase of gains/losses on securities.

Year -on-Year Changes of Ordinary Profit (Bank total) (¥bn)



(\*1) Gains/losses on cancellation of investment trusts +Gains/losses on bond transactions +Gains/losses related to stocks

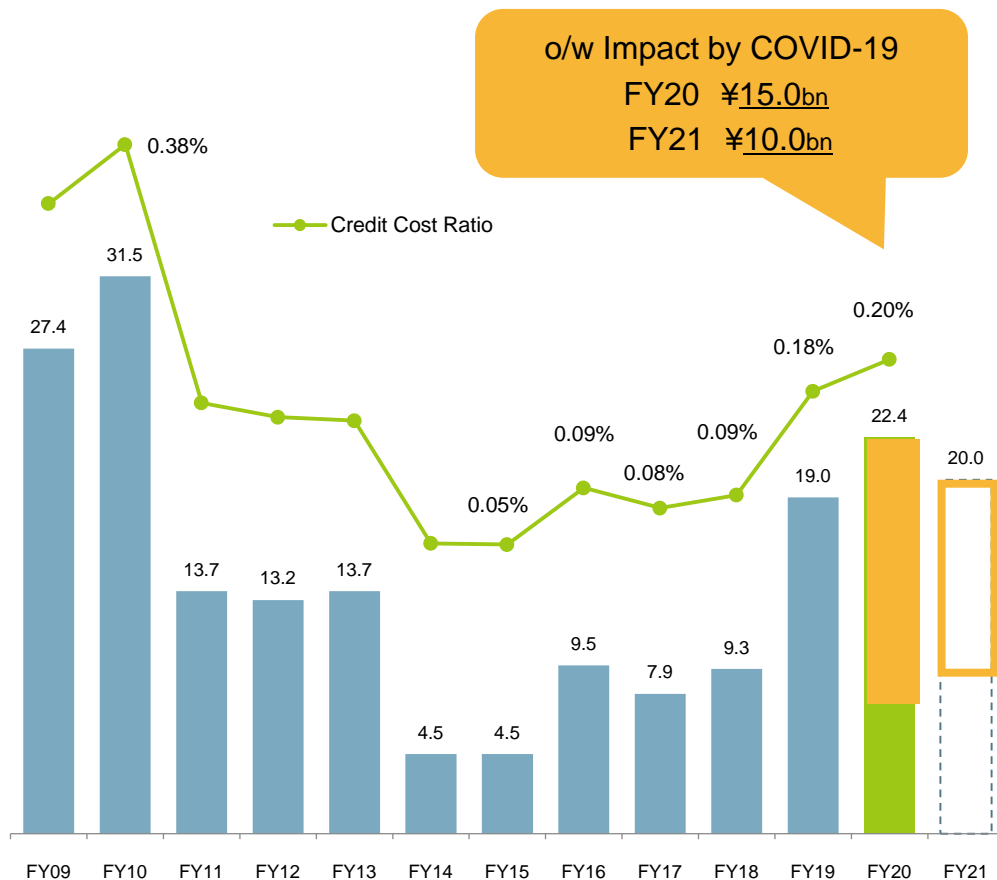
(\*2) Diminishment of ¥ 0.6bn of the previous year's gains on yen currency asset swaps ,and decrease of -¥0.5bn interest / currency swaps to customers

(\*3) Including (-)¥1.3bn of costs related to liability for retirement benefits

### (3) Topics①~Credit Related Costs~

- In FY20, credit related costs were preventively recognized ¥22.4bn over the initial forecast by ¥2.4bn due to the COVID-19 pandemic.
- Since we predict that corporate customer's performance in specific industries is severe, we estimate a conservative forecast of ¥20.0bn for the credit related costs in FY21.

#### Change of Credit Related Costs (¥bn)



#### Breakdown on Credit Related Costs (¥bn)

	FY19	FY20	YoY
<b>Credit Related Costs</b>	<b>19.0</b>	<b>22.4</b>	<b>+3.3</b>
Net transfer to general allowance for loan losses	1.1	22	+1.0
Disposal of non-performing loans	17.9	20.2	+23
Write off of loans	9.3	4.1	-5.2
<b>Transfer to specific allowance for loan losses</b>	<b>8.7</b>	<b>16.7</b>	<b>+8.0</b>
Transfer to provision for contingent losses	0.4	0.2	-0.2
Recoveries of written-off claims(-)	1.5	1.7	+0.2
Other	0.9	0.8	-0.0

#### Top 5 Industries with Increase in Allowance for Loan Losses (¥bn)

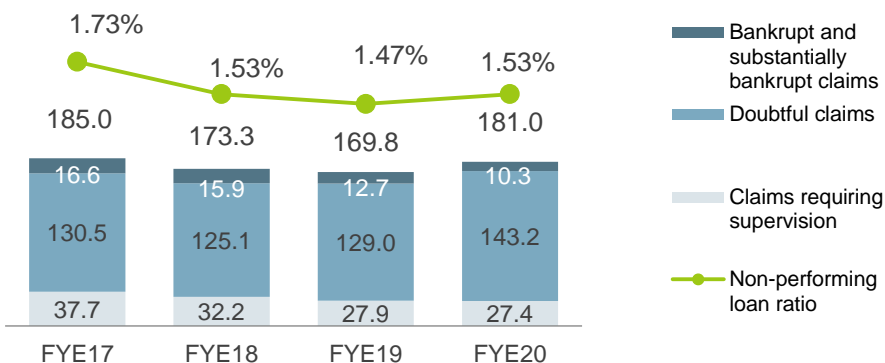
Top 5 Industries	Number	Increase in allowance for loan losses
①Manufacturing	159	6.3
②Wholesale/ Retail services	200	5.6
③Real Estate	66	2.7
④Construction	104	2.1
⑤Services	79	1.7

### (3) Topics①～Credit Related Costs～

- In FY20, amount of non-performing loans based on financial revitalization law and ratio rose due to reviewing borrowers' credit ratings conservatively.
- Number of changes of terms and conditions of loans and delinquent loans has remained stable. With the future in mind, we make effort to support customer's management improvement such as solving customers' issues.

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

(¥bn)



#### Support for Customer's Management Improvement

- In FY20, we have focused on stable cash flow for our customers affected by the COVID-19 pandemic, through funding support and change of terms and conditions of loans.
- We are making efforts to support customers' management improvement, analyzing their cash flow, financial conditions and business environment. We continue to support their structural reforms, conversion of business types, etc.
- We will contribute to solve customers' issues and develop regional companies through our accompanied support or equity investments by two subsidiary banks and investment companies (JCP, WCP(\*)).

(\*) JCP : The Joyo Capital Partners Co., Ltd. WCP : Wing Capital Partners, Ltd.

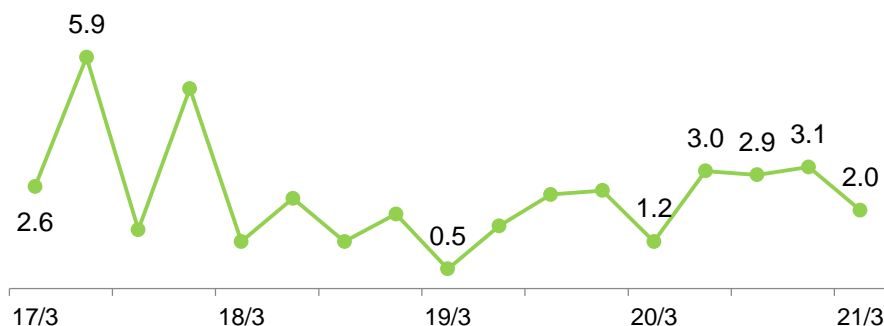
#### Change of terms and conditions of loans due to COVID-19

(Cumulative total until Mar.2021)

		Cumulative Total				The ratio of total customers
		~Jun.	Jul~Sep	Oct~Dec	Jan~Mar	
Business loans	Customers	925	382	358	271	Around 3.4%
	Contracts	2,659	1,440	1,739	1,409	
Housing loans	Customers	293	140	90	99	Around 0.3%
	Contracts	329	148	124	120	

#### Status of Delinquent Loans to Businesses

(¥bn)

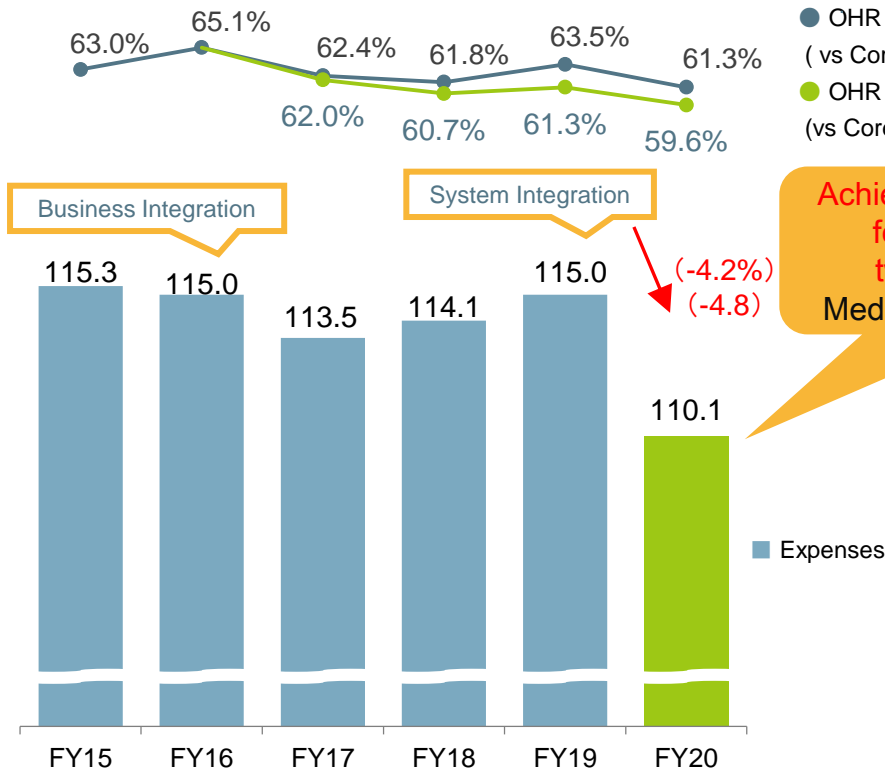




### (3) Topics② ~ Expenses / OHR

- We achieved cost reduction due to the promotion of structural reform as a full-scale result of our business integration (decrease in total expenses of ¥4.8bn and 4.2% YoY).
- OHR, indicator of efficiency, continues to decline since the business integration.

Joyo Bank + Ashikaga Bank (¥bn)



(\* 1) Excl. gains/losses on cancellation of investment trusts

(\* 2) Excl. gains/losses on cancellation of investment trusts and system integration expenses

#### < Changes of FY20 >

	FY20	YoY	Factors
Personnel expenses	59.9	-1.3	<ul style="list-style-type: none"> <li>● Personnel reduction by the progress of structural reform -0.8</li> <li>● Reactional decrease of overtime pay for system integration in the previous year -0.5</li> </ul>
Non-personnel expenses	43.4	-3.3	<ul style="list-style-type: none"> <li>● Reactional decrease from the previous year in depreciation and migration costs of new system -0.8</li> <li>● Decrease of depreciation of branch stores, business equipment and systems by the progress of structural reform -0.6</li> </ul>
Taxes	6.8	-0.1	<ul style="list-style-type: none"> <li>● Consumption tax , etc. -0.1</li> </ul>

(Details)

	FY15	FY16	FY17	FY18	FY19	FY20
Total expenses	115.3	115.0	113.5	114.1	115.0	110.1
Personnel	60.3	60.4	59.7	60.6	61.2	59.9
Non-personnel	48.4	47.0	46.6	46.1	46.7	43.4
Tax	6.5	7.4	7.1	7.3	7.0	6.8
System integration cost (personnel + Non-personnel)	0.0	0.0	0.8	1.9	3.9	3.1

### (3) Topics③～Share Acquisition (Shareholder Returns)

- We acquired 60 million of our own shares for ¥14.5bn.

#### Share Acquisition

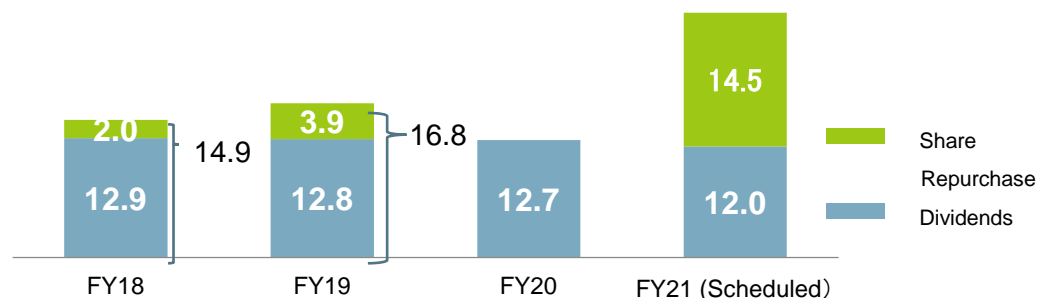
【Purpose】 In order to enhance shareholder returns and improve capital efficiency

【Number of shares】 60mil

【Amount of cost】 ¥14.5bn

【Date of purchase】 May 13, 2021

#### Dividends, Shareholder Returns



Annual Dividends	¥11.0	¥11.0	¥11.0	¥11.0 (scheduled)
Payout Ratio	27.8%	35.3%	34.9%	31.8%
Total Return Ratio	32.3%	46.2%	34.9%	70.0%

#### Major Shareholders

As of March.31, 2021

Names	Number of shares held (thousand)	Shareholding ratio
Nomura Securities Co., Ltd.	106,816	9.20%
The Master Trust Bank of Japan, Ltd. (Trust Account)	69,164	5.96%
Custody Bank of Japan, Ltd.(Trust Account)	44,677	3.85%
Nippon Life Insurance Company	34,487	2.97%
Sompo Japan Insurance Inc.	28,325	2.44%
STATE STREET BANK AND TRUST COMPANY 505223	23,026	1.98%
Sumitomo Life Insurance Company	21,659	1.86%
The Dai-ici Life Insurance Company, Ltd.	19,948	1.71%
Custody Bank of Japan, Ltd.(Trust Account 9)	19,118	1.64%
MUFG Bank, Ltd	17,780	1.53%



As of May.13, 2021

Names	Number of shares held (thousand)	Shareholding ratio
The Master Trust Bank of Japan, Ltd. (Trust Account)	69,164	6.28%
Nomura Securities Co., Ltd.	48,139	4.37%
Custody Bank of Japan, Ltd.(Trust Account)	44,677	4.06%
Nippon Life Insurance Company	34,487	3.13%
Sompo Japan Insurance Inc.	28,325	2.57%
STATE STREET BANK AND TRUST COMPANY 505223	23,026	2.09%
Sumitomo Life Insurance Company	21,659	1.96%
The Dai-ici Life Insurance Company, Ltd.	19,948	1.81%
Custody Bank of Japan, Ltd.(Trust Account 9)	19,118	1.73%
MUFG Bank, Ltd	17,780	1.61%

(Note) Number of shares is rounded down to the nearest thousand shares. Shareholding ratio is calculated excluding treasury stocks.

The number of shares held by Nomura Securities Co., Ltd is based on their substantial shareholding report presented on May 20, 2021. The number of shares held by other shareholders is based on the shareholder's list as of March 31, 2021.

## ( 3 ) Topics ④ ~ Expansion of Banking App

- By advancing digitalization in consulting services, we will increase customers' convenience and efficiency of the Group, as well as expand and improve our services even during the COVID-19 pandemic.

### Strategic Business Alliance with Resona Holdings, Inc.

#### Outline of Strategic Business Alliance

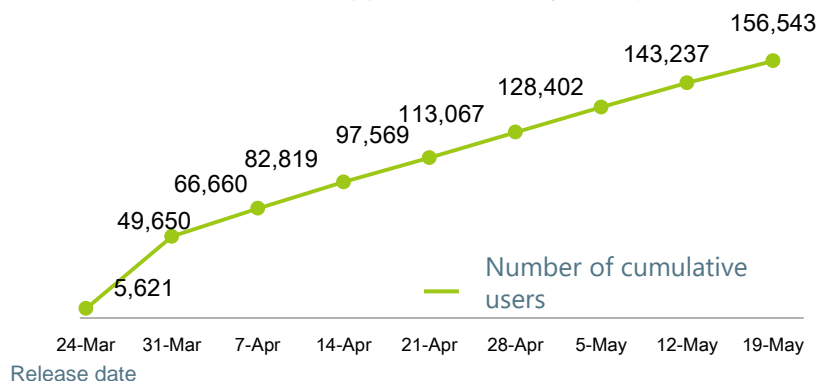
- ① Strengthen banking application and pursue reform of sales process and counter operations
- ② Share and improve know-how in digital field through collaboration and personnel exchange
- ③ Expand cooperation and collaboration with other financial institutions and different industries, etc.

#### Contents to be implemented

- Introduction of "Banking App" [March 2021]**
- Personnel Exchange [April 2021]**
- Implement self-counter terminal (under consideration)**

### Banking App Users in Mebuki Group

- The number of cumulative App users ( Joyo Banking App and Ashikaga Bank App) exceeded 150 thousand in 54 days after introduction.
- We are aiming to have about half of our individual customers with active accounts use the App in the first 3 years (1.6 million users).



### Main Service Menu of Banking App As of March 2021

- Deposit balance inquiry, Deposit and withdrawal details, Graph display
- Transfer ( 24 hours a day, 365 days a year )
- Deposit and withdrawal of Time deposit / Saving-type time deposit
- Loan balance inquiry
- Deposit and withdrawal notice, Non-withdrawal notice using push notification function
- Search for branch offices and ATMs using GPS function

### Function Additions after May 2021

- Foreign currency deposit
- Time deposit /Saving-type deposit (account open), Deposit with an amount goal
- Transfer by 1 tap, Tax payment (using Pay-easy),
- Suspension and restarting of cash card
- Automatic withdrawal for public utility charges
- Change of address and telephone number
- Application for new VISA debit card issuance, Deposit and withdrawal report (Joyo Bank)

## ( 3 ) Topics ⑤ ~ Endorsement of TCFD Recommendations and SDGs Initiatives

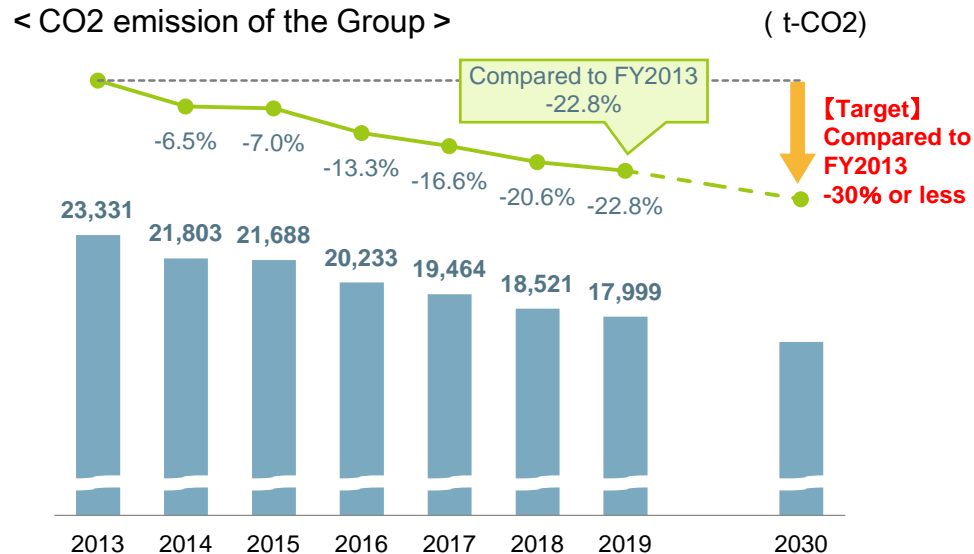
- The Group has identified responding to climate change and environmental conservation as important management issues. With our endorsement of TCFD recommendations, we will strive to improve our management system and disclose information in line with the recommendations.

### Endorsement of TCFD Recommendations

- On March 26, 2021, we declared the endorsement of TCFD recommendations.
- We will strive to analyze and disclose climate change risk. Further, we will secure the trust from stakeholders and increase our corporate value sustainably.

### Reinforcement of Initiative for Reducing Greenhouse Gas Emissions

- We have set to reduce CO2 emissions in domestic offices by 30% or more by FY2030, compared to FY2013 as our goal.



### Environmentally and Socially Friendly Investments

- Based on “Environmentally and Socially Friendly Investments and Loans Policy”, we will take appropriate measures to lend to specific sectors whom are expected to have a large impact on the environment and society.

#### 1. Coal-fired power plants

In principle, we will not engage in investments and loans for newly established coal-fired power plants. (However, exceptions may be considered where taking into account background or characteristics of each project such as overall power generation efficiency, impacts on environment and local communities, etc., based on international guidelines.)

#### 2. Deforestation

Investment decisions for deforestation operations will be made after careful consideration of the status of acquisition of international certifications by FSC or PEFC, environmental considerations and conflicts with local communities.

#### 3. Palm oil plantation development

Investment decisions for palm oil plantation development will be made after careful consideration of the status of acquisition of international certifications by RSPO, environmental considerations, and conflicts with local communities.

#### 4. Cluster munitions manufacturing

In view of the inhumane nature of cluster munitions, we prohibit investments and loans for businesses that manufacture cluster munitions, regardless of the use of the funds.

#### 5. Human rights violations, forced labor, etc.

We prohibit investments and loans for businesses that violate the principles of international human rights standards such as child labor and forced labor.

# ( 3 ) Topics ⑤ ~ Endorsement of TCFD Recommendations and SDGs Initiatives

- We will take efforts proactively for regional sustainable growth (achievement of SDGs) under the SDGs Committee (Chairman: President).

## Initiatives for Achievement of SDGs

### SDGs Policy in FY2021

#### 1. Contribution to Revitalization of regional economies with positive cycle through financial and consulting functions

- Through our efforts to solve issues of communities and customers, we accelerate initiatives for revitalization of regional economy and job creation.
- In addition, we promote initiatives for creating communities in which people can live safe lives (improvement of gerontology, financial literacy).

#### 2. Progress of initiatives for responding to counter climate change and environmental conservation based on TCFD declaration

- We will reduce burden on environment and analyze climate change risks, and will provide financial services to contribute to environmental conservation or consulting services such as BCP measures.
- In addition, we will develop a roadmap toward achievement of reducing CO2 emissions by FY2030.

#### 3. Progress toward Diversity

- We will create a corporate culture that supports to develop diverse human resources and promotes active participation of employees who have desire and talent regardless of age or gender. Further, we will provide a pleasant working environment that allows all employees to work proactively.

( Life support for elderly people and their families )



### Initiatives through our businesses of the Group

- Discovering regional industries and supporting new businesses ( Support for start-up or second start-up )
- Providing solution of management issues for regional corporate customers ( Business succession, business revitalization, SDGs consulting, etc. )
- Support for growth and productivity improvement ( Utilizing human resources matching business that play a leading role, placement of side business personnel, etc.)
- Initiatives utilizing the knowledge of gerontology ( Support for elderly customers and their families, asset succession )
- Initiatives for improvement of financial literacy ( Holding financial education / financial seminars, etc. )



### Initiatives as good corporate citizens

- Promotion of diversity ( Promotion of active participation of women, work-style reform )
- Environment conservation activities ( Developing “Joyo Furusato no Mori”, “Ashigin Forest”, etc. )



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

【Plan period: April 2019 to March 2022】

# (1) Progress of Business Objectives

- Consolidated net income slightly increased due to unexpected increase of credit related costs.
- In FY21, we expect that consolidated net income will not meet the plans since credit related costs will increase by ¥12.0bn more than planned due to COVID-19. Core net business income<sup>(\*)</sup>, which indicates core business profitability, will exceed the plans.

(\*1) excluding gain/losses on cancellation of investment trusts

## Business Objectives

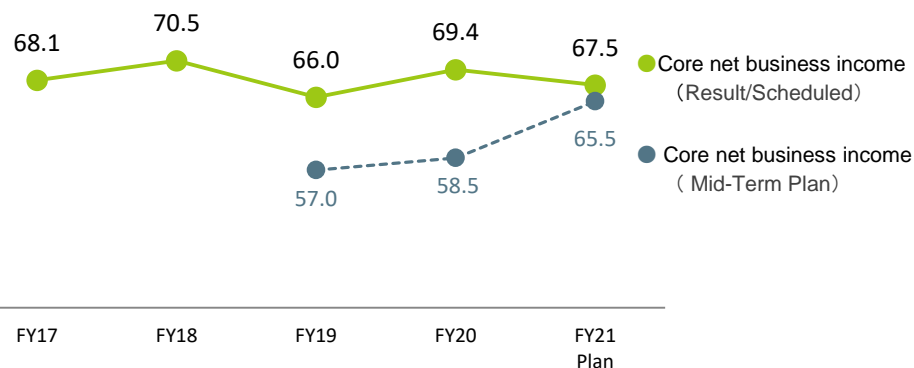
### Progress of Business Objectives

	FY18 Result	FY19 Results	FY20 Results	YoY
ROE (Consolidated)	5.1%	4.0%	3.8%	-0.1%
Net income attributable to owners of the parent	¥46.3bn	¥36.3bn	¥36.4bn	+¥0.1bn
Core OHR (banking subsidiaries' total) (*2)	60.7%	61.3%	59.6%	-1.7%
(Reference)Core net business income (excluding gain/losses on cancellation of investment trusts)	¥70.5bn	¥66.0bn	¥69.4bn	+¥3.3bn

(\*2) excluding gain/losses on cancellation of investment trusts and System integration cost

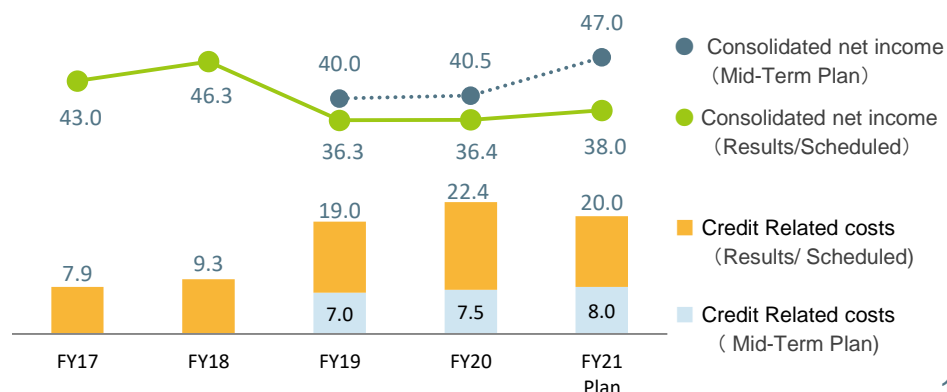
### Change of Core net business income (excluding gain/losses on cancellation of investment trusts)

(¥bn)



### Change of Consolidated net income and Credit related costs

(¥bn)



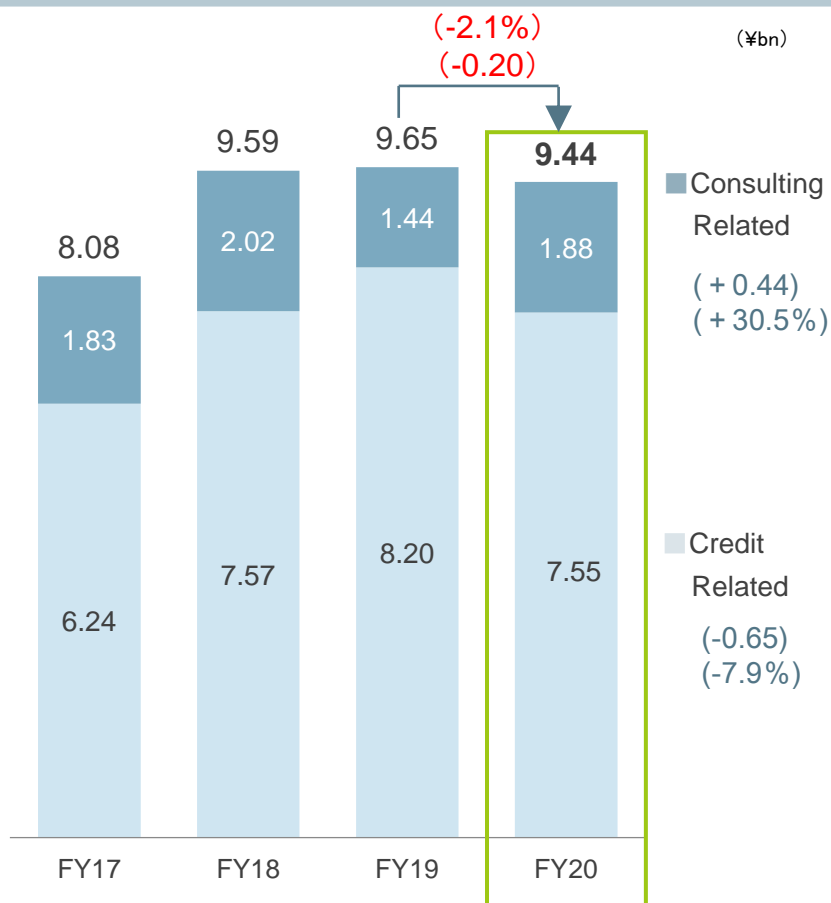
## (2) Create Growth Business Models with Local Regions

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

- Fees from corporate customers decreased by ¥0.20bn YoY (-2.1% annualized) due to refraining from visiting customers during COVID-19.
- On the other hand, consulting related fees increased mainly due to providing business matching and M&A services by fulfilling our function as a consultant during the COVID-19 pandemic.

### ➤ Fees from Corporate customers

### ➤ Breakdown of Fees from Corporate customers



	FY18 Results	FY19 Results	FY20 Results	YoY
<b>Credit related (1)</b>	<b>7.57</b>	<b>8.20</b>	<b>7.55</b>	<b>-0.65</b>
Derivatives	1.08	1.14	0.78	-0.35
Syndicate loans	4.96	5.70	5.31	-0.39
Private placement bonds	1.52	1.35	1.45	+0.10
<b>Consulting related (2)</b>	<b>2.02</b>	<b>1.44</b>	<b>1.88</b>	<b>+0.44</b>
Business Matching	0.50	0.58	0.82	+0.24
M&A	0.45	0.43	0.51	+0.07
Executive Insurance	0.96	0.30	0.43	+0.13
Trust · 401K	0.10	0.12	0.11	-0.01
<b>Total ((1)+(2))</b>	<b>9.59</b>	<b>9.65</b>	<b>9.44</b>	<b>-0.20</b>

M&A	Advisory, Funds to purchase stocks, etc.	1,226 (+309)
Business Successions	Loans for Own shares, Pension, Real estate	2,703 (+29)

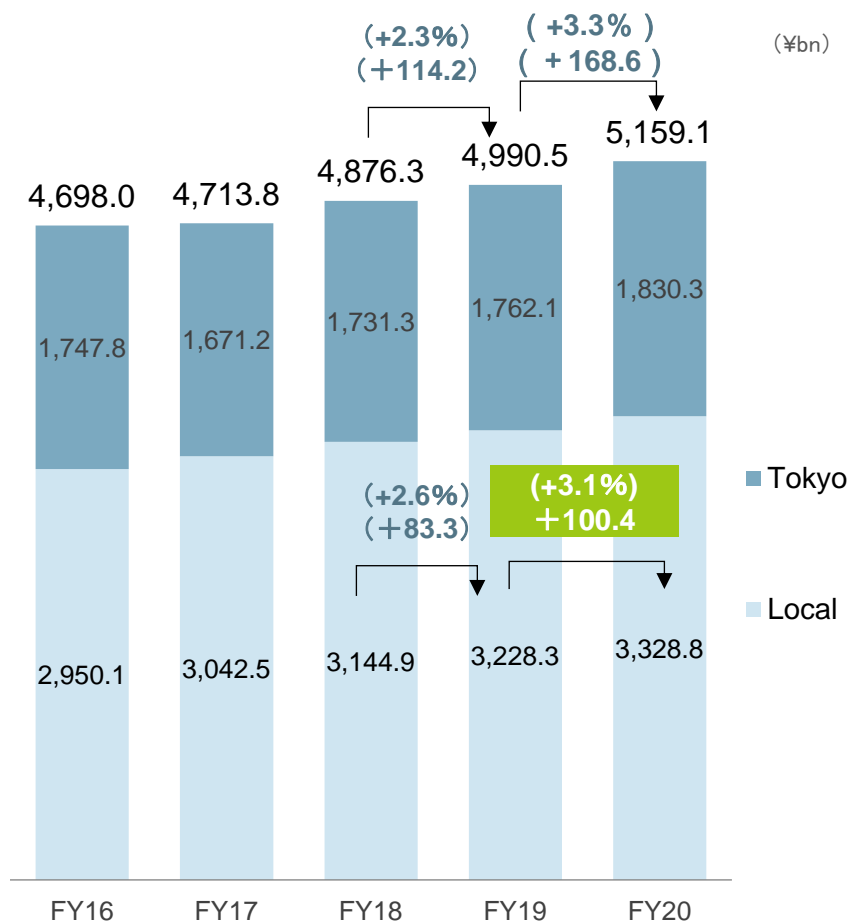


## (2) Create Growth Business Models with Local Regions

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

- Amount of corporate loans increased by ¥168.6 bn YoY (+3.3% annualized) due to strengthening financing for COVID-19 measures.

#### Corporate Loans (Average balance)

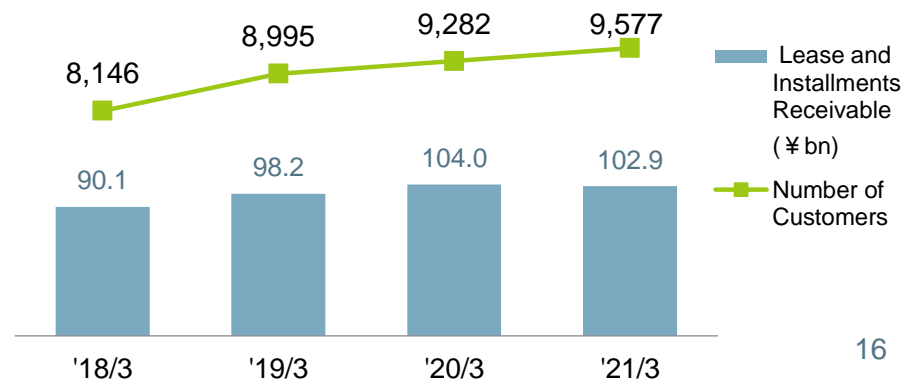


#### Amount of Loans Provided Related to COVID-19 (Cumulative total until March 31, 2021) (¥bn)

	Total	Guaranteed loans	Original loans
Amount of loans provided	498.5	311.1	187.3
To local customers	417.2	305.4	111.7
To Tokyo	81.2	5.6	75.6

#### Strengthen Collaboration with Lease

Customers / Lease and Installment of receivables Amount of Mebuki Lease



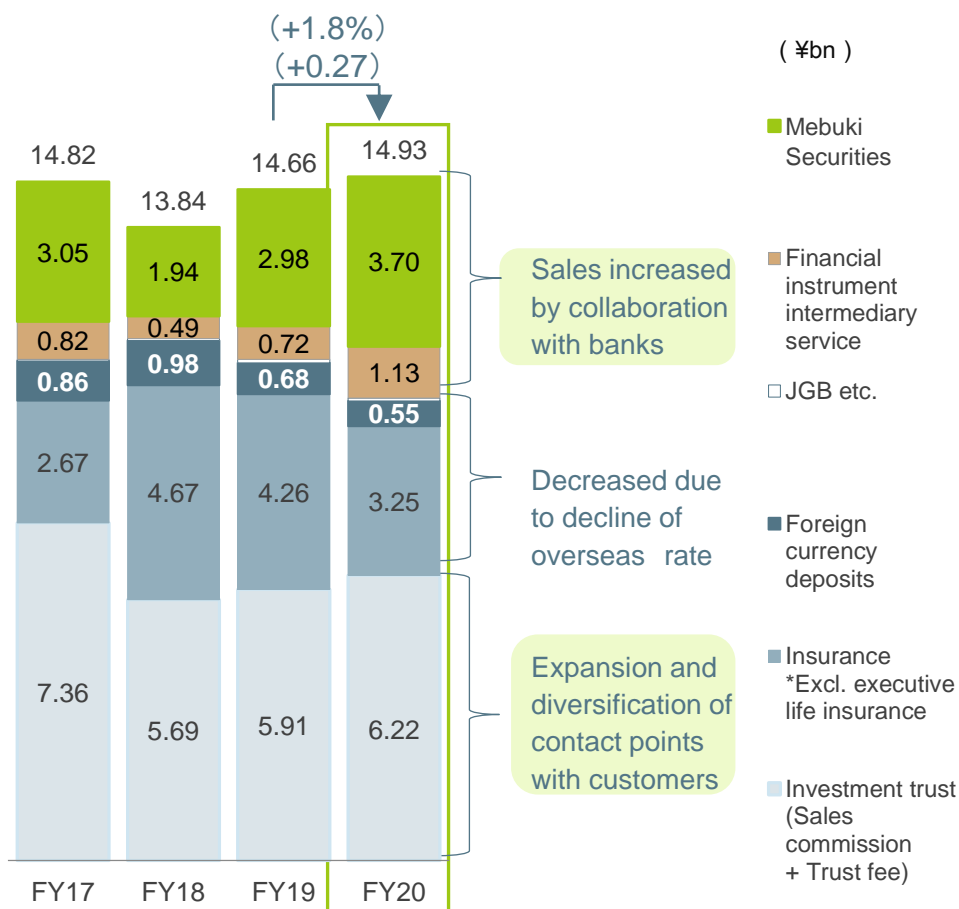
## (2) Create Growth Business Models with Local Regions

### ① Enhancement of consulting services (Support for asset building)

- Amount and fees of customer assets under custody exceeded the previous year because we expanded contact points with our customers during the COVID-19 pandemic through WEB consulting services or on-line seminars.
- Mebuki Securities is growing steadily by collaboration with subsidiary banks.

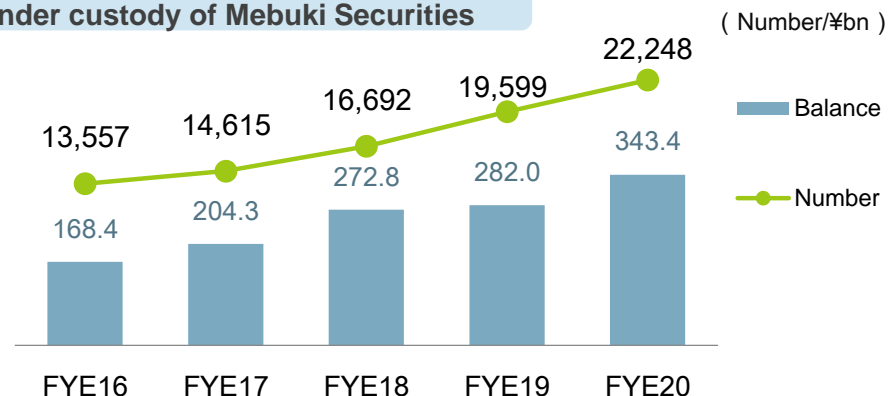
### Commissions

#### ( Bank Total + Mebuki Securities )

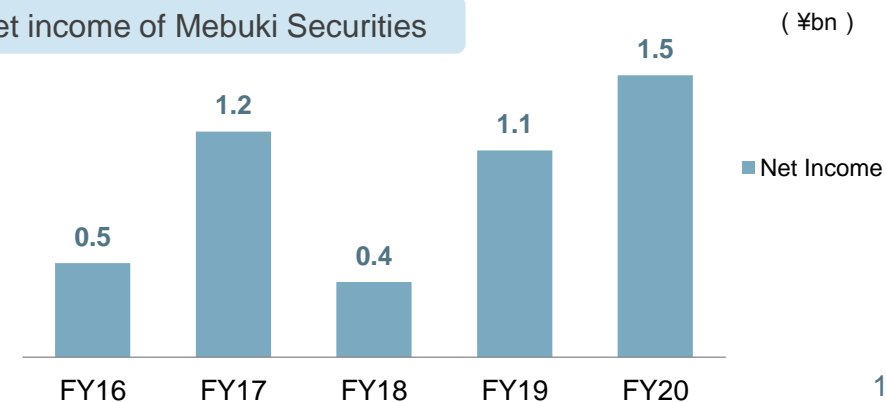


### Strengthening of Cooperation Between Banking and Securities Businesses

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



#### Net income of Mebuki Securities

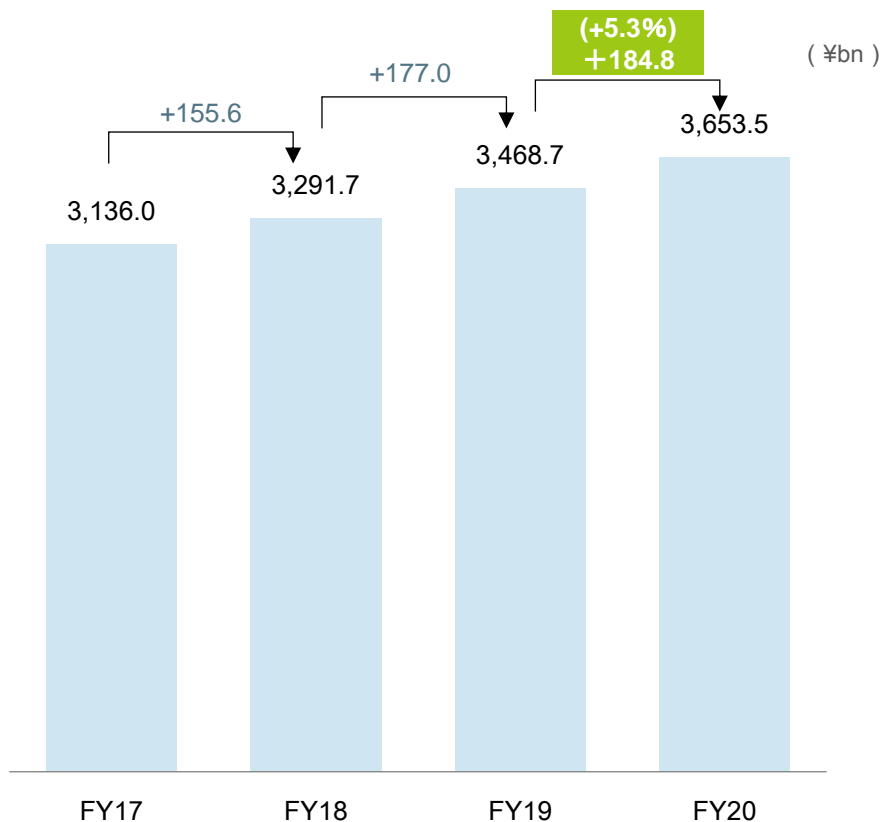


## (2) Create Growth Business Models with Local Regions

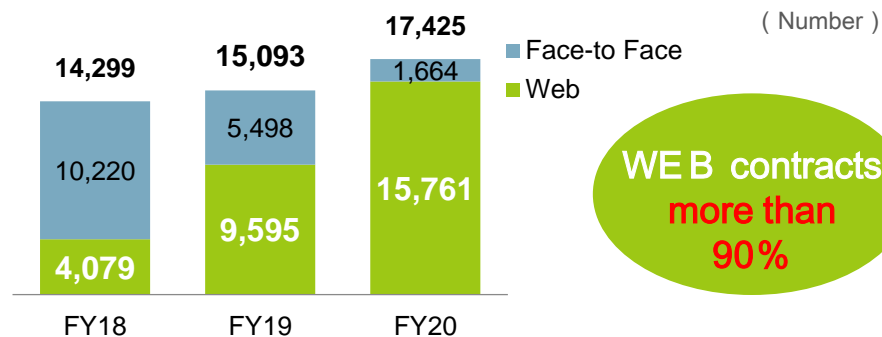
### ② IT services / Data utilization (Promote individual loans by expanding sales channel)

- We enhanced internet advertisements utilizing individual access log data and PR activities to prospective customers based on financial behavior data.
- Car and educational loans with web completion scheme, which allows customers to complete from application to contract, exceeded 90% of the number of all applications to these loans.

### ➤ Housing Loans ( Average Balance )

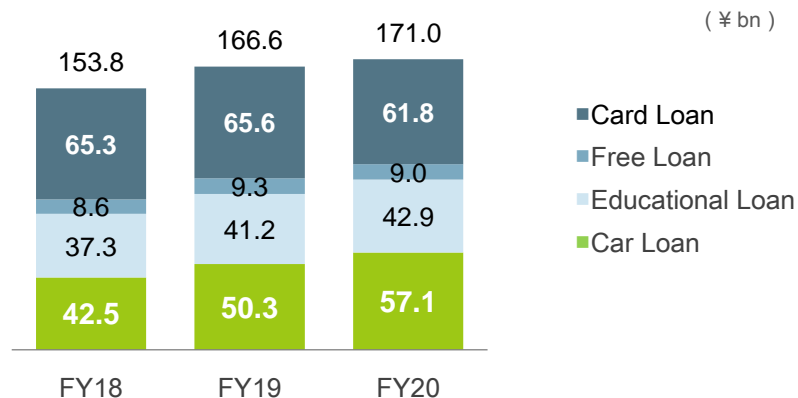


### ➤ Number of Car/Educational Loans Applications



**WEB contracts more than 90%**

### ➤ Unsecured Loans (Average Balance)



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

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

#### Improvement of Customer's Convenience and Business Efficiency

##### Introduce self-counter terminal

- Reduces the burden of filling out forms such as application form of change of address, etc., and also reduces clerical work as the data can be directly processed by the bank's systems.

##### Introduce digital unsecured loan available online (WEB)

- The net conclusion type of unsecured loan enable all procedures, from application to contract, to be carried out via the internet.

##### Introduce business management support services available online (WEB)

- We started "Big Advance" handling business matching services via the internet.
- We introduced a new consulting tool "Busikul" (\*)  
(\* ) It provides various materials for business matching to respond to customers' management issues.

##### Introduce branch store visit reservation service

- New "Branch store Visit Reservation Service" is available online to shorten waiting or processing time for customers.

##### Introduce digital loan agreement

- In Dec. 2021, we are scheduled to introduce digital agreement services related to business loans and housing loans.

#### Support for Digitalization of Customers

##### Main Support for Digitalization

- We held online joint seminar co-sponsored by IT Coordination Association, a non-profit organization, to support digitalization of customers and provided free consulting services to participants of the seminar. (Joyo Bank)
- We signed business collaboration agreement with "Digital Serve Co., Ltd "(Mito, Ibaraki) to develop our consulting activities and to support the introduction or development of applications for customers. (Joyo Bank)
- IT coordinators, members of "Solution Business Division", are directly supporting customer's digitalization and business efficiency. (Ashikaga Bank)

#### Effort to increase Dialogue Time with Customers

##### Remote Consultation / Negotiation during COVID-19

- We developed a remote system to increase dialogue time with our customers safely.
- Consulting staff can do their sales activities remotely via the network by utilizing digital devices (mobile PC, smartphone, tablet).

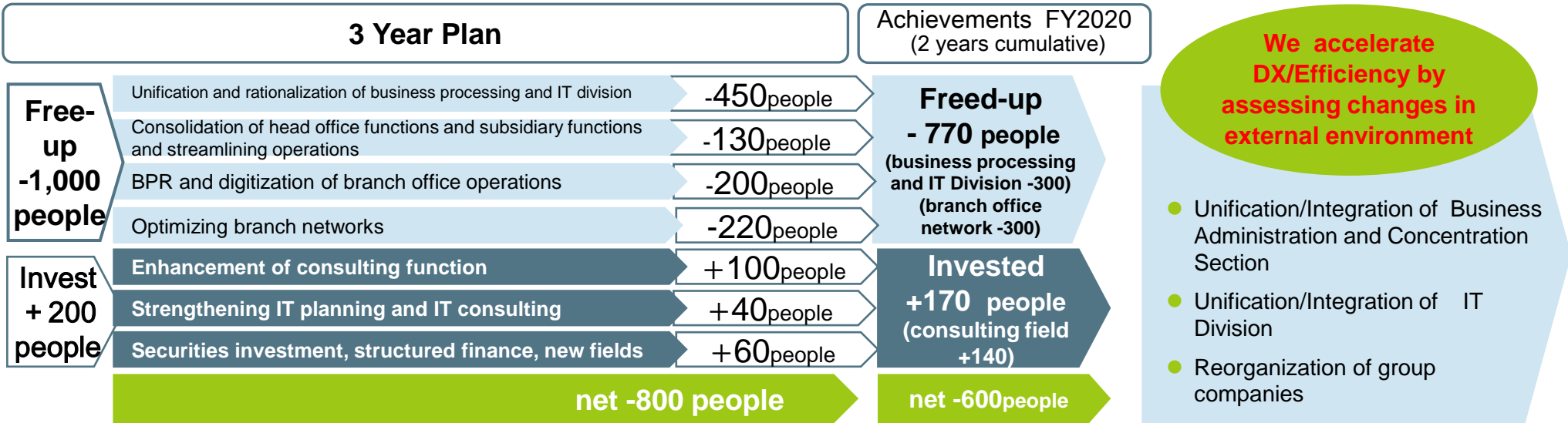


# (3) Structural Reform for Enhanced Productivity

## ① Control of Total Staff

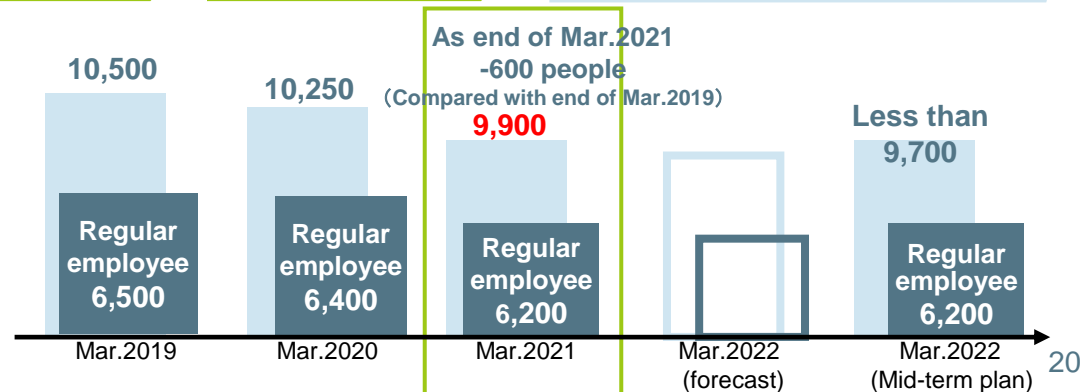
- We realized human resources "Freed-up" of 770 people, by unification of business process and IT division in June,2020 and optimizing branch networks. On the other hand, we invested 170 people in consulting field, controlling net-based 600 people.

### Progress of Measures for Control of Staff



### Change of Total Staff

- By the end of Mar.2021, the number of total staff decreased by 600 people compared with end of Mar.2019. We expect to achieve the plan.
- Also, the number of regular employees decreased by 300 people to 6,200 people. We achieved the plan 1 year early.



### (3) Structural Reform for Enhanced Productivity

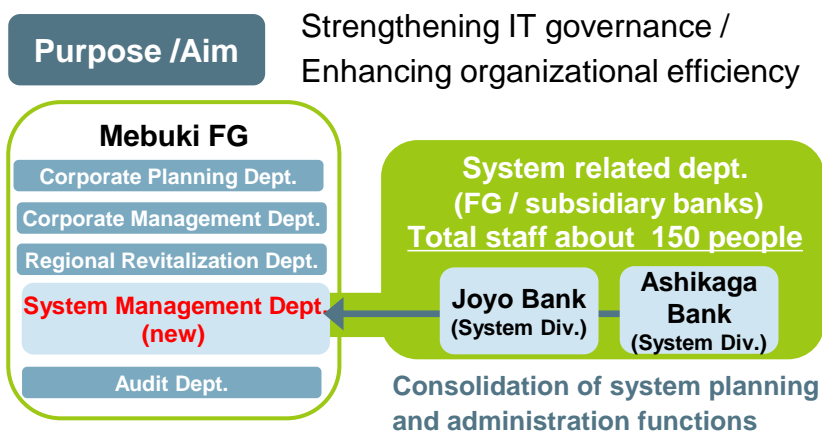
#### ② Reorganization of IT System and Business Administration Departments

- In January 2020, we completed the core system integration<sup>(\*)</sup>. 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 reorganized IT and system related departments in the group (June 2020, realized human resources “Freed-up” of 50 people).
- In April 2021, we reorganized business process management sections in order to improve customer services and organizational efficiency in whole as a Group, enjoying benefits of the core system integration at a maximum level.

(\*) Ashikaga Bank completed a system transition to the Regional Banks' Partnership System “Chance” as same as Joyo Bank.

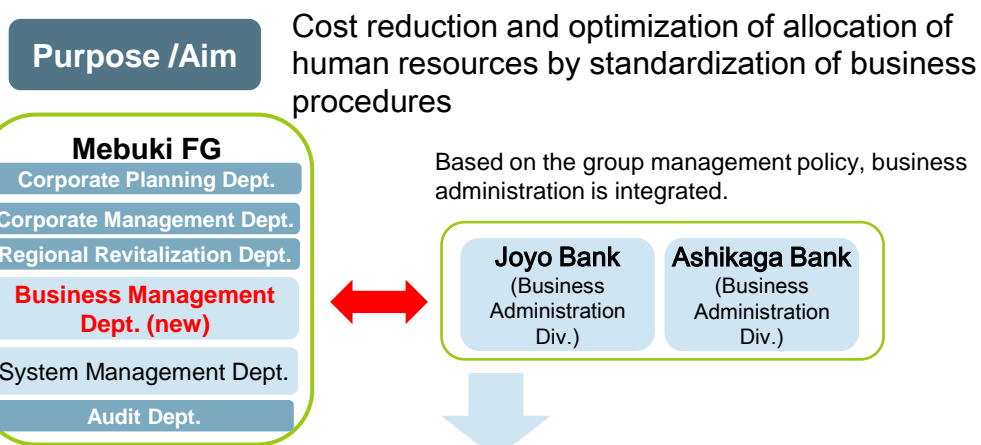
#### Reorganization of IT System departments

- In July 2020, we established a new department in charge of system planning and administration in the FG (holding company).



#### Reorganization of Business Process Management

- In April 2021, we established the Business Management and Planning Department in the FG to lead to standardize and unify the business procedures in the Group.
- We also unified the name of the department in charge of business process planning and managing as the Business Administration Department in the two banks.



Integrated Operations by the IT System and Business Administration Departments in the FG  
( Build a Highly Responsive Management Base )

### (3) Structural Reform for Enhanced Productivity

#### ③ Reorganization of Subsidiaries in the Group

- We reorganized credit guarantee and credit card subsidiaries in the Group to build a highly productive management base.
- We will provide higher quality comprehensive financial services, while optimizing group management resources.

#### ➤ Reorganization of credit guarantee subsidiaries

- In October 2020, Ashikaga Credit Guarantee, a wholly-owned subsidiary of Ashikaga Bank, became a directly- and wholly-owned subsidiary of Mebuki FG. The trade name was changed to Mebuki Credit Guarantee.
- At the same time, we unified guarantee businesses for new loans handled by Joyo Bank and Ashikaga Bank into Mebuki Credit Guarantee.

##### Purpose / Aim

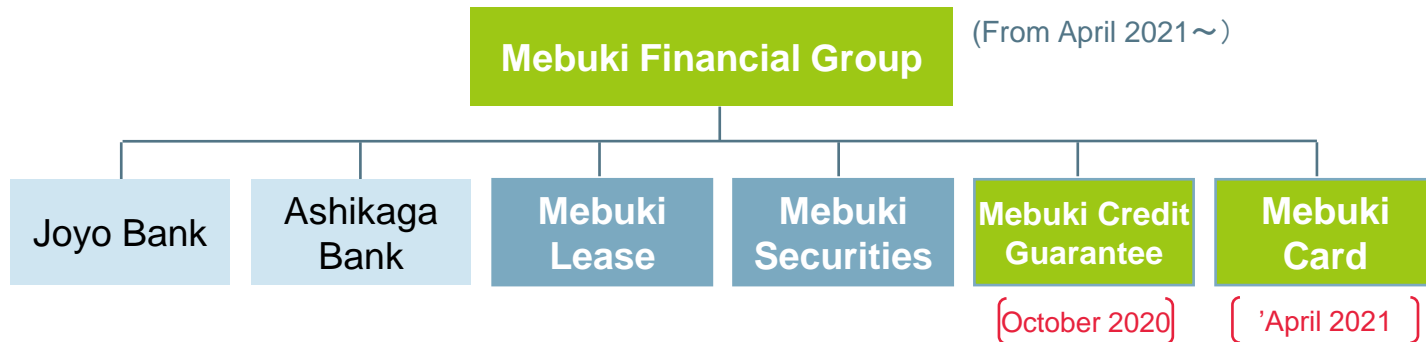
Streamlining and improving of efficiency by unifying business procedures  
Optimal allocation of human resources and cost reduction

#### ➤ Reorganization of credit card subsidiaries

- In April 2021, Ashikaga Card and Joyo Credit merged and became a directly-and wholly-owned subsidiary of Mebuki FG as Mebuki Card.
- We unified the business processes related to issuing and managing credit cards and consolidating business operations.

##### Purpose / Aim

Streamlining, improving of efficiency and cost reduction by unifying overlapping functions  
Benefits of the economy of scale provided by the consolidation



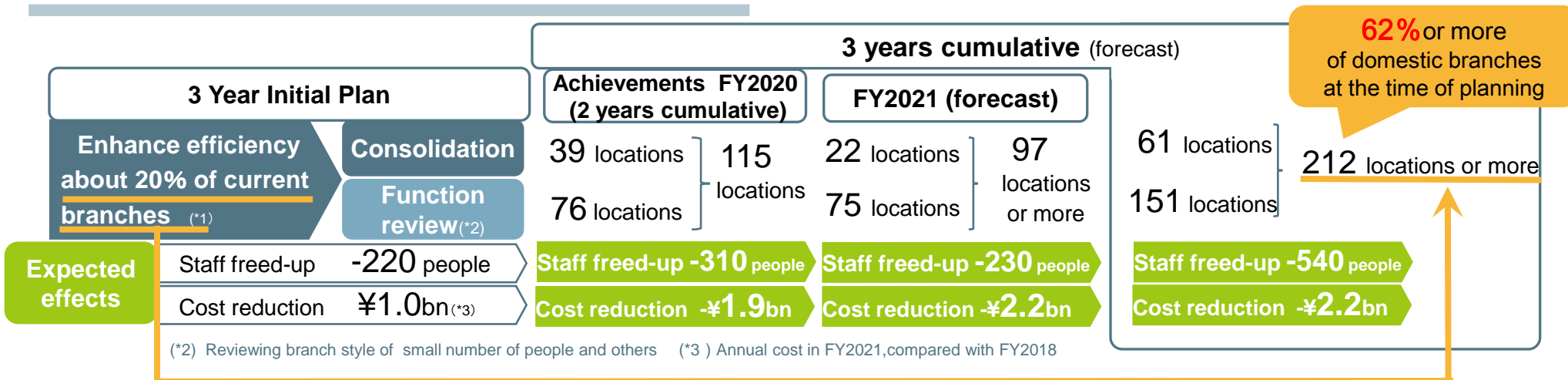
### (3) Structural Reform for Enhanced Productivity

#### ④ 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 promoted efficiency of branch network for 115 locations in FY2020. We will expand size of freed-up staff and cost reduction by additional or accelerated implementation in FY2021.

(\* 1) 337 domestic branches  
(two banks' total, as of end of FY19)

#### Branch Network Optimization



#### 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.)

##### Secure new points of contact with customers

- Introduction of Banking Application
- Utilization of WEB consulting tool

#### Number of Branch Offices

	Result as of FYE18	Forecast As of FYE21	change
Domestic Branch Network	337	315	-22
Real branch offices	313	252	-61
In-store branches (*4)	24	63	+39

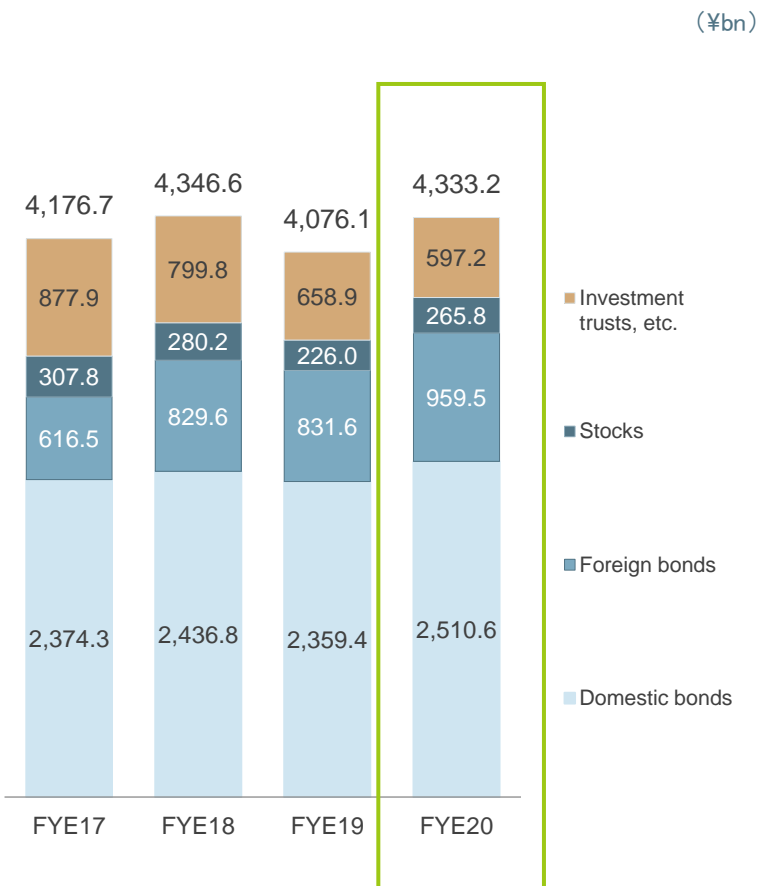
(\*4) Including virtual offices such as specialized money transfer branch, etc.)



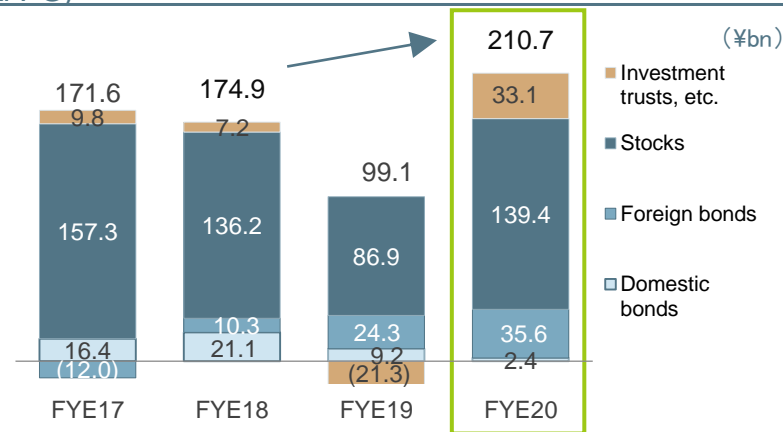
# ~Securities~

- Concerning asset management, we continue to take risks considering market condition.
- While ¥10.6bn of gains on securities were realized in FY20, unrealized valuation gains on securities expanded over the level before the COVID-19 pandemic.

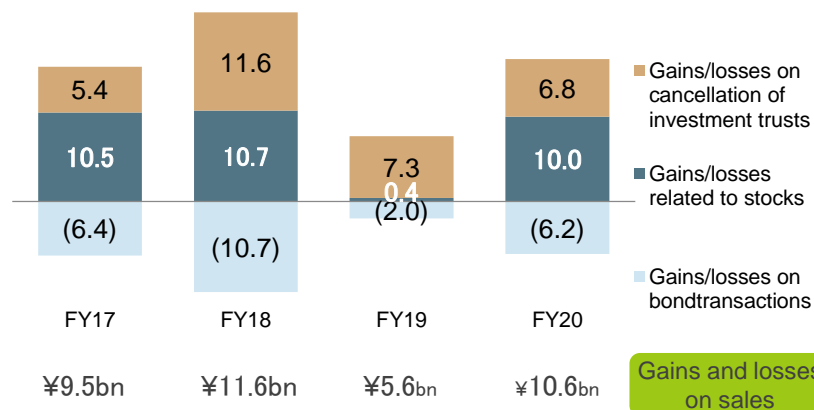
Balance(Carrying amount) (Mebuki FG)



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



Gains and losses on securities<sup>(\*2)</sup> (¥bn)

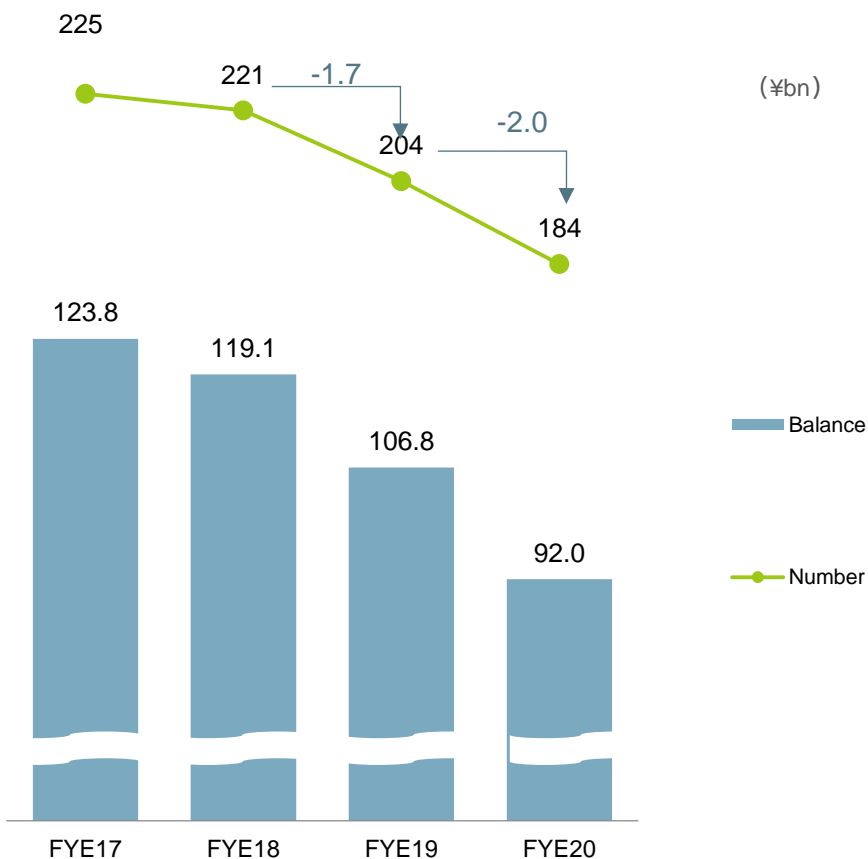


# ~Strategic Shareholdings~

- We continue to reduce strategic shareholdings for compliance with Corporate Governance Cord.

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

(\*) Listed stocks only



### 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, 2021, 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.

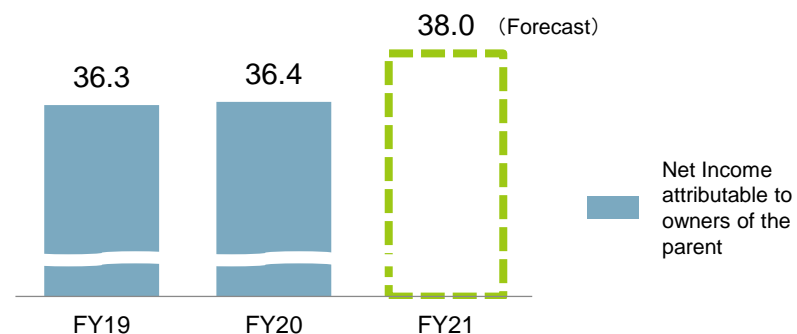
(\*) RORA = (Net interest margin on loans and deposits – Expenses (including credit cost) + Fees and Commissions + Dividends) ÷ Risk-weighted Assets (Loans and Stocks)

### 3. Forecast for FY2021,etc

# (1) Forecast for FY2021

- Taking into account present business environment and market conditions, we expect forecast of FY21 based on predictable assumptions.
- We would immediately announce forecast revisions if COVID-19 situation changes.

Mebuki FG (consolidated)		(¥bn)		
	Forecast for FY21	FY20 Results	YoY	
Ordinary Profit	55.0	54.1	+0.8	
Net Income <small>(Attributable to owners of the parent)</small>	38.0	36.4	+1.5	



(Reference) Subsidiary Banks		(¥bn)		
	Forecast for FY21			
	Total	Joyo	Ashikaga	
Ordinary Profit	53.0	35.5	17.5	
Net Income	36.5	24.5	12.0	

## 【Assumptions of Forecast】

In FY21, we assume that COVID-19 pandemic will gradually end due to progress of vaccination, and economic activities will gradually recover. However, we estimate ¥20.0bn (-¥2.4bn YoY) as a conservative forecast of credit related costs due to corporate customer's performance in specific industries.

## (2) Shareholder Returns, Capital Adequacy Ratio

### Policy of Dividends and Shareholder Returns

- We will target a Total Return Ratio<sup>(\*1)</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.

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

### 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 <sup>(*2)</sup>	10.95%	12.22%	9.45%
FYE20	10.87%	12.18%	9.51%

(\*2) As of March.31,2020, Ashikaga Bank started to calculate risk-weighted asset according to foundation internal rating-based approach (FIRB).

【Reference】

Financial Data for FY2020

Progress of the Second Medium-Term Business Plan

## 【Data】 Breakdown of Banking subsidiaries

( 1 ) P/L for FY20

( ¥ b n )

	J+A	YoY	Joyo	YoY	Ashikaga	YoY
Gross business profit	180.1	-6.1	102.4	-7.7	77.7	+1.6
(Core Gross business profit)	186.4	-1.9	106.3	-4.8	80.0	+2.8
Net interest income	153.0	-0.9	87.7	-3.9	65.3	+2.9
o/w Gains/losses on Cancellation of Private Offering Investment Trusts	6.8	-0.4	4.9	-0.3	1.9	-0.1
Net fees and commissions	31.4	+0.1	17.2	+0.0	14.2	+0.0
Net other business income and Net trading income	-4.4	-5.3	-2.6	-3.8	-1.7	-1.4
(o/w gains/losses on bond transactions)	-6.2	-4.1	-3.9	-2.9	-2.3	-1.2
Expenses	110.1	-4.8	61.7	-2.5	48.4	-2.3
o/w Personnel expenses	59.9	-1.3	33.2	-0.3	26.6	-1.0
o/w Non-personnel expenses	43.4	-3.3	24.7	-2.0	18.6	-1.2
Net business income (before general allowance for loan losses)	69.9	-1.2	40.7	-5.2	29.2	+3.9
Core net business income	76.2	+2.9	44.6	-2.2	31.6	+5.1
Core net Business Income ( exclu. Gains/losses on Cancellation of Investment Trusts )	69.4	+3.3	39.7	-1.9	29.6	+5.3
Net transfer to general allowance for loan losses (a)	2.2	+1.0	1.7	+0.8	0.4	+0.1
Net business income	67.7	-2.3	38.9	-6.0	28.7	+3.7
Net non-recurrent gains/losses	-11.8	+6.1	-2.9	+6.4	-8.8	-0.2
o/w Disposal of non-performing loans (b)	20.2	+2.3	10.3	+1.0	9.8	+1.2
o/w Gains/losses related to stocks, etc	10.0	+9.6	9.1	+8.5	0.9	+1.0
Ordinary profit	55.9	+3.9	36.0	+0.3	19.9	+3.5
Extraordinary income/losses	2.2	+3.8	-1.2	+0.0	3.5	+3.7
Net income	42.1	+6.2	24.5	-0.1	17.6	+6.4
Credit related costs (a)+(b)	22.4	+3.3	12.0	+1.8	10.3	+1.4

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

	FY17	FY18	F Y 19	FY20	YoY	
J+A	Domestics	1.07%	1.03%	0.99%	0.96%	-0.03%
	Overseas	1.99%	2.92%	2.67%	1.29%	-1.37%
	Total	1.08%	1.06%	1.02%	0.96%	-0.05%
Joyo	Domestics	1.02%	1.00%	0.97%	0.93%	-0.03%
	Overseas	2.01%	2.95%	2.69%	1.30%	-1.38%
	Total	1.04%	1.04%	1.01%	0.94%	-0.07%
Ashikaga	Domestics	1.13%	1.07%	1.02%	0.99%	-0.03%
	Overseas	1.82%	2.67%	2.48%	1.19%	-1.29%
	Total	1.13%	1.08%	1.03%	0.99%	-0.04%

## 【Data】 Breakdown of Banking subsidiaries

### ( 3 ) Loans Term-end Balance

		FYE17	FYE18	FYE19	FYE20	YoY
J+A	Individual	4,491.2	4,674.8	4,795.9	4,924.8	+128.8
	Corporate	4,935.9	5,139.1	5,181.3	5,369.6	+188.3
	Public	1,153.6	1,038.2	980.2	983.7	+3.4
	Total	10,580.8	10,852.3	10,957.5	11,278.1	+320.6
Joyo	Individual	2,490.8	2,570.2	2,624.6	2,687.7	+63.1
	Corporate	2,853.9	2,974.3	3,002.6	3,103.0	+100.4
	Public	718.6	650.7	612.8	562.7	-50.0
Total	6,063.5	6,195.3	6,240.1	6,353.6	+113.4	
Ashikaga	Individual	2,000.3	2,104.6	2,171.3	2,237.0	+65.7
	Corporate	2,081.9	2,164.8	2,178.6	2,266.5	+87.9
	Public	434.9	387.5	367.4	420.9	+53.5
	Total	4,517.2	4,657.0	4,717.3	4,924.5	+207.1

### Foreign Currency Denominated Loans

		FYE17	FYE18	FYE19	FYE20	YoY
J+A		129.2	145.8	164.2	162.6	-1.6
Joyo		114.0	126.8	146.8	150.0	+3.1
Ashikaga		15.2	19.0	17.3	12.6	-4.7

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

		FYE17	FYE18	FYE19	FYE21	YoY
J+A	Housing Loans	3,216.6	3,396.3	3,546.5	3,711.7	+165.1
	Apartment Loans	950.4	958.5	933.6	902.3	-31.2
	Asset building loans	1.9	2.9	2.8	2.6	-0.2
	Total	4,169.0	4,357.9	4,483.0	4,616.7	+133.6
Joyo	Housing Loans	1,560.5	1,640.6	1,719.5	1,809.7	+90.1
	Apartment Loans	763.5	769.1	748.6	722.8	-25.8
	Asset building loans	1.9	2.9	2.8	2.6	-0.2
Total	2,326.0	2,412.7	2,471.1	2,535.1	+64.0	
Ashikaga	Housing Loans	1,656.0	1,755.7	1,826.9	1,902.0	+75.0
	Apartment Loans	186.8	189.3	185.0	179.5	-5.4
	Asset building loans	-	-	-	-	-
	Total	1,842.9	1,945.1	2,011.9	2,081.5	+69.6

### ( 5 ) Unsecured Loans Term-end Balance ( ¥ b n )

		FYE17	FYE18	FYE19	FYE20	YoY
J+A	Car Loans	39.4	46.7	52.0	63.3	+11.2
	Educational Loans	35.8	39.0	42.5	43.4	+0.8
	Free Loans	8.1	9.1	9.8	9.1	-0.7
	Card Loans	65.4	65.0	65.4	61.2	-4.1
	Total	148.9	160.0	169.9	177.1	+7.2
Joyo	Car Loans	27.4	32.2	35.2	45.4	+10.2
	Educational Loans	30.0	31.9	34.0	34.3	+0.2
	Free Loans	0.8	2.2	3.5	3.6	+0.0
	Card Loans	27.7	26.5	26.0	23.7	-2.3
Total	86.0	93.0	98.8	107.1	+8.2	
Ashikaga	Car Loans	12.0	14.5	16.8	17.8	+1.0
	Educational Loans	5.7	7.0	8.5	9.1	+0.5
	Free Loans	7.3	6.8	6.2	5.4	-0.7
	Card Loans	37.7	38.4	39.4	37.5	-1.8
	Total	62.8	66.9	71.0	70.0	-0.9

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

		FYE17	FYE18	FYE19	FYE20	YoY
J+A	Large	1,592.2	1,633.7	1,635.4	1,688.2	+52.8
	Medium/SMEs	3,343.6	3,505.4	3,545.9	3,681.3	+135.4
	Total	4,935.9	5,139.1	5,181.3	5,369.6	+188.3
Joyo	Large	1,141.9	1,159.1	1,165.1	1,220.6	+55.4
	Medium/SMEs	1,712.0	1,815.1	1,837.4	1,882.3	+44.9
	Total	2,853.9	2,974.3	3,002.6	3,103.0	+100.4
Ashikaga	Large	450.3	474.5	470.2	467.6	-2.6
	Medium/SMEs	1,631.6	1,690.2	1,708.4	1,798.9	+90.5
	Total	2,081.9	2,164.8	2,178.6	2,266.5	+87.9

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

		FYE17	FYE18	FYE19	FYE20	YoY
J+A	Tokyo	1,815.8	1,908.8	1,967.5	2,021.9	+54.4
	Local	3,120.0	3,230.3	3,213.8	3,347.6	+133.8
	Total	4,935.9	5,139.1	5,181.3	5,369.6	+188.3
Joyo	Tokyo	1,333.8	1,378.3	1,422.6	1,484.1	+61.4
	Local	1,520.1	1,596.0	1,579.9	1,618.9	+38.9
	Total	2,853.9	2,974.3	3,002.6	3,103.0	+100.4
Ashikaga	Tokyo	482.0	530.5	544.8	537.8	-6.9
	Local	1,599.9	1,634.2	1,633.8	1,728.7	+94.9
	Total	2,081.9	2,164.8	2,178.6	2,266.5	+87.9



## 【Data】 Breakdown of Banking subsidiaries

### ( 8 ) Deposits Term-end Balance

		FYE17	FYE18	FYE19	FYE20	YoY
J+A	Individual	10,103.6	10,362.7	10,685.0	11,400.1	+715.0
	Corporate	3,158.8	3,325.5	3,364.1	3,887.4	+523.2
	Public	776.3	750.1	737.3	969.9	+232.6
	Total	14,038.8	14,438.3	14,786.5	16,257.4	+1,470.9
Joyo	Individual	6,280.6	6,440.1	6,633.6	7,053.1	+419.5
	Corporate	1,760.2	1,835.4	1,880.3	2,136.5	+256.2
	Public	468.1	453.6	459.2	515.8	+56.6
	Total	8,509.0	8,729.1	8,973.1	9,705.5	+732.4
Ashikaga	Individual	3,823.0	3,922.5	4,051.4	4,346.9	+295.4
	Corporate	1,398.5	1,490.1	1,483.8	1,750.8	+267.0
	Public	308.1	296.5	278.1	454.1	+175.9
	Total	5,529.8	5,709.2	5,813.4	6,551.9	+738.4

### Foreign Currency Deposit

		FYE17	FYE18	FYE19	FYE20	YoY
J+A		275.2	306.0	219.7	180.1	-39.5
Joyo		199.1	222.6	176.4	152.0	-24.4
Ashikaga		76.0	83.3	43.2	28.0	-15.1

### ( 9 ) Customer Assets under Custody Balance

		FYE17	FYE18	FYE19	FYE20	YoY
Group total	Investment trusts	570.7	556.1	463.7	547.7	+83.9
	Insurance	779.0	817.2	812.6	829.0	+16.4
	Foreign currency deposits	203.8	218.5	166.1	146.0	-20.1
	JGB etc.	200.6	173.6	156.2	162.4	+6.1
	Mebuki Securities	204.3	272.8	282.0	343.4	+61.3
	Total	1,958.6	2,038.3	1,880.9	2,028.7	+147.7
	Joyo	Investment trusts	257.9	263.3	214.7	249.8
Insurance		450.6	465.6	471.9	488.5	+16.6
Foreign currency deposits		127.7	135.5	122.9	117.9	-5.0
JGB etc.		138.0	118.5	104.1	108.2	+4.1
Total		974.4	983.1	913.8	964.6	+50.8
Ashikaga	Investment trusts	312.7	292.8	249.0	297.8	+48.8
	Insurance	328.4	351.5	340.6	340.5	-0.1
	Foreign currency deposits	76.0	82.9	43.2	28.0	-15.1
	JGB etc.	62.6	55.0	52.1	54.2	+2.0
	Total	779.8	782.4	685.0	720.6	+35.5

### ( 10 ) Customer Assets under Custody Commissions

		FY17	FY18	FY19	FY20	YoY
Group Total	Investment trusts(*1)	7.36	5.69	5.91	6.22	+0.30
	Insurance(*2)	2.67	4.67	4.26	3.25	-1.01
	Foreign currency deposits	0.86	0.98	0.68	0.55	-0.13
	JGB etc.	0.04	0.04	0.08	0.06	-0.01
	Total	0.82	0.49	0.72	1.13	+0.41
Joyo	Financial instrument intermediary service	3.05	1.94	2.98	3.70	+0.71
	Mebuki Securities	14.82	13.84	14.66	14.93	+0.27
	Total	3.34	2.63	2.83	2.93	+0.09
	Investment trusts(*1)	1.24	2.12	2.61	2.06	-0.54
	Insurance(*2)	0.49	0.70	0.50	0.39	-0.10
Ashikaga	Foreign currency deposits	0.03	0.03	0.05	0.05	-0.00
	JGB etc.	0.51	0.27	0.43	0.75	+0.32
	Financial instrument intermediary service	5.63	5.77	6.44	6.20	-0.24
	Total	4.01	3.06	3.08	3.29	+0.20
	Investment trusts(*1)	1.42	2.55	1.64	1.18	-0.46
Ashikaga	Insurance(*2)	0.36	0.28	0.18	0.15	-0.03
	Foreign currency deposits	0.00	0.00	0.02	0.01	-0.01
	JGB etc.	0.31	0.22	0.29	0.38	+0.09
	Financial instrument intermediary service	6.13	6.12	5.22	5.02	-0.20
	Total					

\* 1 : Sales commission+ Trust fee

\* 2 : Excl. executive life insurance

### ( 11 ) Fees from Corporate Customers

		F Y 17	F Y 18	FY19	FY20	YoY
J+A	Credit Related	6.24	7.57	8.20	7.55	-0.64
	Consulting Related	1.83	2.02	1.44	1.88	+0.44
	total	8.08	9.59	9.65	9.44	-0.20
Joyo	Credit Related	3.39	4.14	4.24	4.03	-0.21
	Consulting Related	1.06	1.14	0.80	1.18	+0.38
	total	4.45	5.28	5.05	5.21	+0.16
Ashikaga	Credit Related	2.84	3.42	3.95	3.52	-0.43
	Consulting Related	0.77	0.88	0.64	0.70	+0.05
	total	3.61	4.30	4.60	4.22	-0.37

## 【Data】 Breakdown of Banking subsidiaries

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

		FYE17	FYE18	FYE19	FYE20	YoY
Mebuki FG (Consolidated)	Domestic bonds	2,374.3	2,436.8	2,359.4	2,510.6	+151.2
	Foreign bonds	616.5	829.6	831.6	959.5	+127.8
	Stocks	307.8	280.2	226.0	265.8	+39.7
	Investment trusts, etc.	877.9	799.8	658.9	597.2	-61.7
	Total	4,176.7	4,346.6	4,076.1	4,333.2	+257.0
Joyo	Domestic bonds	1,725.4	1,812.4	1,746.7	1,822.0	+75.3
	Foreign bonds	393.7	513.2	505.3	595.5	+90.1
	Stocks	263.2	243.4	197.2	233.1	+35.9
	Investment trusts, etc.	420.1	456.7	388.1	373.9	-14.1
	Total	2,802.5	3,025.9	2,837.4	3,024.6	+187.2
Ashikaga	Domestic bonds	634.3	610.9	600.3	679.1	+78.8
	Foreign bonds	222.7	316.3	326.3	364.0	+37.7
	Stocks	80.3	72.4	64.2	39.1	-25.0
	Investment trusts, etc.	453.5	338.7	266.7	219.1	-47.5
	Total	1,391.0	1,338.4	1,257.5	1,301.5	+43.9

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

		FYE17	FYE18	FYE19	FYE20	YoY
Mebuki FG (Consolidated)	Stocks	157.3	136.2	86.9	139.4	+52.5
	Domestic bonds	16.4	21.1	9.2	2.4	-6.7
	Investment trusts, etc.	9.8	7.2	-21.3	33.1	+54.4
	Foreign bonds	-12.0	10.3	24.3	35.6	+11.3
	Total	171.6	174.9	99.1	210.7	+111.6
Joyo	Stocks	144.8	128.0	85.1	127.5	+42.3
	Domestic bonds	17.9	19.3	9.0	3.0	-5.9
	Investment trusts, etc.	17.0	12.6	-8.3	26.0	+34.3
	Foreign bonds	-3.4	10.4	12.8	15.0	+2.2
	Total	176.3	170.5	98.7	171.7	+73.0
Ashikaga	Stocks	34.4	28.4	20.8	25.0	+4.1
	Domestic bonds	17.3	15.7	11.5	8.5	-3.0
	Investment trusts, etc.	-5.2	-2.3	-10.6	8.5	+19.1
	Foreign bonds	-5.3	2.8	13.8	22.4	+8.6
	Total	41.0	44.6	35.6	64.5	+28.8

( 14 ) Strategic shareholdings (Balance)×Listed and Non-listed stocks

		FYE17	FYE18	FYE19	FYE20	YoY
J+A	Balance	130.5	125.5	114.0	98.5	-15.5
Joyo	Balance	113.7	110.7	99.7	84.7	-15.0
Ashikaga	Balance	16.8	14.8	14.3	13.8	-0.5

( 15 ) Gains/Losses on Securities

		FY17	FY18	FY19	FY20	YoY
J+A	Stocks	-6.4	-10.7	-2.0	-6.2	-4.1
	Domestic bonds	10.5	10.7	0.4	10.0	+9.6
	Investment trusts, etc.	5.4	11.6	7.3	6.8	-0.4
	Total	9.5	11.6	5.6	10.6	+4.9
Joyo	Stocks	-3.8	-7.3	-0.9	-3.9	-2.9
	Domestic bonds	9.4	12.4	0.6	9.1	+8.5
	Investment trusts, etc.	1.0	1.6	5.2	4.9	-0.3
	Total	6.6	6.7	4.8	10.1	+5.2
Ashikaga	Stocks	-2.5	-3.3	-1.1	-2.3	-1.2
	Domestic bonds	1.0	-1.7	-0.1	0.9	+1.0
	Investment trusts, etc.	4.4	9.9	2.0	1.9	-0.1
	Total	2.8	4.8	0.8	0.4	-0.3

## 【Data】 Breakdown of Banking subsidiaries

(16) Expenses		( ¥ b n )				
		F Y 17	F Y 18	FY19	FY20	YoY
J+A	Personnel	59.7	60.6	61.2	59.9	-1.3
	Non-Personnel	46.6	46.1	46.7	43.4	-3.3
	Taxes	7.1	7.3	7.0	6.8	-0.1
	Total	113.5	114.1	115.0	110.1	-4.8
Joyo	Personnel	33.6	33.8	33.5	33.2	-0.3
	Non-Personnel	28.7	27.7	26.8	24.7	-2.0
	Taxes	3.9	3.8	3.8	3.7	-0.1
	Total	66.3	65.3	64.2	61.7	-2.5
Ashikaga	Personnel	26.1	26.8	27.6	26.6	-1.0
	Non-Personnel	17.8	18.4	19.9	18.6	-1.2
	Taxes	3.2	3.5	3.1	3.0	-0.0
	Total	47.2	48.8	50.7	48.4	-2.3

( 17 ) Credit related cost						
		F Y 17	F Y 18	FY19	FY20	YoY
J+A		7.9	9.3	19.0	22.4	+3.3
Joyo		4.9	4.2	10.1	12.0	+1.8
Ashikaga		3.0	5.0	8.8	10.3	+1.4

( 18 ) Disclosed Claims under the Financial Revitalization Law		( ¥ b n )				
		FYE17	FYE18	FYE19	FYE20	YoY
Mebuki	Bankrupt claims	16.6	15.9	12.7	10.3	-2.4
	FG Doubtful claims	130.5	125.1	129.0	143.2	+14.1
	(Consolidated) Requiring monitoring claims	37.7	32.2	27.9	27.4	-0.4
	Total	185.0	173.3	169.8	181.0	+11.2
Joyo	Bankrupt claims	6.7	6.1	5.7	5.5	-0.1
	Doubtful claims	65.3	66.4	69.9	78.0	+8.1
	Requiring monitoring claims	19.8	17.5	12.5	13.0	+0.4
	Total	91.9	90.2	88.2	96.7	+8.4
Ashikaga	Bankrupt claims	8.8	8.7	5.8	4.0	-1.7
	Doubtful claims	65.0	58.5	59.0	65.0	+6.0
	Requiring monitoring claims	17.9	14.7	15.4	14.4	-0.9
	Total	91.8	81.9	80.2	83.5	+3.2

( 19 ) Non-accrual delinquent loans ( to Business ) (1 month or more)						
		FYE17	FYE18	FYE19	FYE20	YoY
J+A		1.1	0.5	1.2	2.0	+0.8
Joyo		1.0	0.3	0.3	0.0	-0.3
Ashikaga		0.1	0.2	0.9	2.0	+1.1

# 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

	<FY18 Results>	<FY21 Plans>
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%

### 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

Business Support

Asset Building Support

- Proactively utilize and invest in IT

Improvement of Convenience/ BPR

Support for Digitalization

Cashless

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

- Establish common platform

Unification of business processing

Reorganization of branch network

- Group governance advancement

Reorganization of Group companies

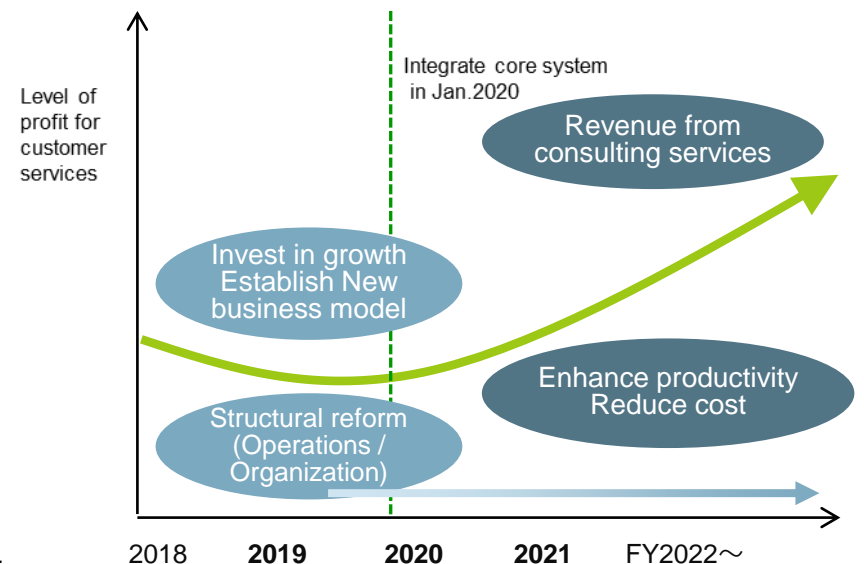
Strengthen of Corporate Governance

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

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

(\*1) Net Income attributable to owners of the parent  
(\*2) excluding system integration expenses

### Position of 2nd group business plan



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