

October 1, 2016

Company name: Mebuki Financial Group, Inc.  
Representative: Kazuyoshi Terakado, President  
(Code number: 7167 First Section,  
Tokyo Stock Exchange)

## **Foundation of “Mebuki Financial Group, Inc.” and Formulation of Medium-term Management Plan**

“Mebuki Financial Group, Inc.” (President: Kazuyoshi Terakado) was established today as a wholly-owning parent company of The Joyo Bank, Ltd. (President: Kazuyoshi Terakado)(“Joyo”) and The Ashikaga Bank, Ltd. (President: Masanao Matsushita)(“Ashikaga”).

In addition, Mebuki Financial Group, Inc. formulated the Medium-term Management Plan starting from October 2016 through March 2019 and we hereby inform you as follows:

### **Description**

#### **1. Overview of Mebuki Financial Group, Inc.**

(1) Company name: Mebuki Financial Group, Inc.

(2) Representatives: Director, President: Kazuyoshi Terakado (Director, President of Joyo)  
Director, Executive Vice President: Masanao Matsushita (Director, President of Ashikaga)

(3) Location of headquarters: 7-2, Yaesu 2-chome, Chuo-ku, Tokyo

(4) Location of head office:

Mito Office: 5-5, Minami-machi 2-chome, Mito, Ibaraki

Utsunomiya Office: 1-25, Sakura 4-chome, Utsunomiya, Tochigi

(5) Nature of Business: Management and operation of banks and other companies that Mebuki Financial Group, Inc. may have as subsidiaries under the Banking Act and any and all businesses incidental or related thereto

(6) Amount of capital: 117.4 billion yen

(7) Stock Exchange: First Section of Tokyo Stock Exchange

## 2. Directors

Title	Name	Responsibilities (Department in charge)	Other
Director and President	Kazuyoshi Terakado	General Matters	(currently, President of Joyo)
Director and Executive Vice President	Masanao Matsushita	General Matters	(currently, President of Ashikaga)
Director	Eiji Murashima	In charge of Corporate Management (Basel Office)	(currently, Managing Director of Joyo)
Director	Kiyoshi Kato	In charge of Regional Revitalization (Regional Revitalization Department)	(currently, Executive Managing Director of Ashikaga)
Director	Ritsuo Sasajima	In charge of Corporate Planning (Corporate Planning Department)	(currently, Managing Director of Joyo)
Director	Kazuyuki Shimizu	In charge of Corporate Management (Corporate Management Department)	(currently, Managing Director of Ashikaga)
Director	Hidebumi Nishino	In charge of Regional Revitalization	(currently, Managing Executive Officer of Joyo)
Director (Audit and Supervisory Committee Member)	Yoshiaki Terakado		(former, Corporate Auditor of Joyo)
Director (Audit and Supervisory Committee Member)	Kunihiro Ono		(former, Director of Ashikaga)
Director (Audit and Supervisory Committee Member)	Ryuzaburo Kikuchi		(former, Outside Director of Joyo)
Director (Audit and Supervisory Committee Member)	Toru Nagasawa		(currently, a representative lawyer of Nagasawa Law Offices)
Director (Audit and Supervisory Committee Member)	Takashi Shimizu		(currently, a professor of Graduate School of Accountancy, Waseda University)

(Note) Ryuzaburo Kikuchi, Toru Nagasawa and Takashi Shimizu, each as a Director (Audit and Supervisory Committee Member), are Directors who are Outside Directors as defined in Article 2, item (xv) of the Companies Act.

## 3. The Medium-term Management Plan

With regard to the Medium-term Management Plan, please see attachment “Foundation of Mebuki Financial Group, Inc. and Formulation of Medium-term Management Plan” (Japanese version only).

End

### **Inquiries regarding this matter:**

Corporate Planning Department Sasaki & Mimura Tel: 029-300-2605

# **First Medium-Term Group Business Plan**

(Plan Period: October 1, 2016 to March 31, 2019)

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# **I. Founding of Mebuki Financial Group**

# 1. Background and objectives of business integration

Responding to changes in the external environment, we will pursue continued growth along with our customers and the region, making the most of the large market shares and strengths of both banks in a large economic zone of Ibaraki and Tochigi Prefectures combined, with growing high-speed infrastructure networks.

<p>Changes in the external environment</p>	<ul style="list-style-type: none"> <li>● Transportation infrastructure is growing in the region, including the Kita-Kanto Expressway, Ken-O Expressway, Bullet train, Tsukuba Express, Ibaraki Airport, and Port of Ibaraki.</li> <li>● Financial institutions are engaged in fierce competition amid concerns about contracting regional economies due to demographic changes including a shrinking population, low birth rate, aging and the financing surplus.</li> <li>● Industrial and social structures are changing due to increasing economic globalization and technical innovations in IT and other fields.</li> <li>● With entrants from other industries and the rise of FinTech, the competitive environment is changing as the scope of financial services becomes broader.</li> </ul>		
	Strengths of Joyo Bank	Strengths of Ashikaga Bank	Main benefits of business integration
<p>Region and business base (Ibaraki and Tochigi)</p>	<ul style="list-style-type: none"> <li>■ Population: About 3 million people</li> <li>■ No. 1 in Japan in number and area of factory locations</li> <li>■ No. 2 in agricultural production</li> <li>■ Balance of primary, secondary, and tertiary industries</li> <li>■ Transportation network linking the region with the Tokyo area</li> <li>■ Airports and harbors</li> </ul>	<ul style="list-style-type: none"> <li>■ Population: About 2 million people</li> <li>■ No. 7 in Japan in number of factory locations; No. 3 in area of factory locations</li> <li>■ Wealth of tourism resources</li> <li>■ Balance of primary, secondary, and tertiary industries</li> <li>■ Transportation network linking the region with the Tokyo area</li> </ul>	<ul style="list-style-type: none"> <li>• High potential as a leading region for business location, in a very large economic zone that is also near growth areas</li> <li>• Potential for broad business base expansion opportunities through local and regional revitalization</li> </ul>
	<ul style="list-style-type: none"> <li>■ Project to create a new east-west industrial axis in northern Kanto (Metropolitan Area Regional Plan)</li> </ul>		
<p>Channels</p>	<ul style="list-style-type: none"> <li>■ Impressive regional market share with 145 branches in Ibaraki</li> <li>■ 10 branches in Fukushima, 8 in Tochigi, 6 in Chiba, 3 in Saitama, and 1 in Miyagi</li> <li>■ 5 branches in Tokyo, 1 in Osaka, and 3 overseas offices</li> <li>■ Strong relationships with local governments</li> <li>■ Trade contacts with leading Tokyo corporations</li> </ul>	<ul style="list-style-type: none"> <li>■ Impressive regional market share with 111 branches in Tochigi</li> <li>■ 17 branches in Saitama, 15 in Gunma, 8 in Ibaraki, and 1 in Fukushima</li> <li>■ 1 office in Tokyo and 1 overseas office</li> <li>■ Strong relationships with local governments</li> </ul>	<ul style="list-style-type: none"> <li>• Formation of a wide area network with a total of 332 branches (336 including offices abroad), covering not only Ibaraki and Tochigi, but also Miyagi, Fukushima, Chiba, Saitama, Gunma, Tokyo and Osaka</li> </ul>
<p>Products and services</p>	<ul style="list-style-type: none"> <li>■ The only one-stop financial service provider in both regions</li> <li>■ Support system for manufacturing companies, agribusiness, etc. and startup support system</li> </ul>	<ul style="list-style-type: none"> <li>■ Consulting services with attention to detail</li> <li>■ Support system for the automotive and aircraft industry, agribusiness, tourism, etc.</li> </ul>	<ul style="list-style-type: none"> <li>• Expansion of comprehensive, high-quality financial services that meet the needs of our customers</li> <li>• Sharing of expertise in specialized areas</li> </ul>
<p>Operations</p>	<ul style="list-style-type: none"> <li>■ Advanced marketing methods (online marketing, etc.)</li> </ul>	<ul style="list-style-type: none"> <li>■ Low-cost operations</li> </ul>	<ul style="list-style-type: none"> <li>• More advanced marketing through data enhancement</li> <li>• Operational efficiencies</li> </ul>
<p>Finances</p>	<ul style="list-style-type: none"> <li>■ High level of equity capital</li> </ul>	<ul style="list-style-type: none"> <li>■ Low expense ratio</li> </ul>	<ul style="list-style-type: none"> <li>• Strategic use of capital</li> <li>• Cost savings through common, joint, and integrated administrative systems</li> </ul>

## 2. Ideals reflected in the holding company's name and logo

Name:

Mebuki Financial Group, Inc.

(Japanese name: 株式会社 めぶきフィナンシャルグループ)

Note: Ashikaga Holdings Co., Ltd. has changed its name to the above.

Ideals  
reflected in  
the name

The Japanese word *mebuki*, or "green shoots," conveys an image of new leaves budding on tree branches.

This word is used in the group's name to express its approach of drawing on the knowledge and creativity of each of its companies to create fresh ideas and new value. The name Mebuki expresses our wish to create new energy and value in local communities and pursue sustainable growth along with these communities.

Logo



[Brand logo design concept]

The brand's distinctive logo design shows three fresh young leaves sprouting, expressing an image of vibrant life and growth. The Mebuki Financial Group is symbolically portrayed as firmly rooted in the community, constantly creating new value and developing a promising future.

[Colors in the logo]

The main color is "assuring blue," a distinctive shade which represents wisdom and trust. This is combined with "growing green," a youthful color which represents growth and the future.

### 3. Profile of the holding company

#### Location of headquarters (registered address)

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7-2, Yaesu 2-chome, Chuo-ku, Tokyo

Note: The headquarters of Ashikaga Holdings Co., Ltd. has moved to the above address. The locations of the headquarters of subsidiary banks Joyo Bank and Ashikaga Bank are unchanged.

#### Head office locations

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[Mito Head Office]

5-5, Minami-machi 2-chome, Mito, Ibaraki Prefecture

[Utsunomiya Head Office]

1-25, Sakura 4-chome, Utsunomiya, Tochigi Prefecture

Note: The head office functions of Mebuki Financial Group, Inc. are performed by full-time officers and employees, as well as concurrent officers and employees of Joyo Bank and Ashikaga Bank, and located in Mito (Ibaraki Prefecture) and Utsunomiya (Tochigi Prefecture).

#### Representatives

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President

Kazuyoshi Terakado (currently President of Joyo Bank)

Executive Vice President

Masanao Matsushita (currently President of Ashikaga Bank)

The Holding Company has appointed 12 directors, including its representative directors. Three are outside directors.

#### Capital

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117.4 billion yen

#### Number of directors and employees:

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135 (12 directors and 123 employees)

#### Integration date (share exchange)

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October 1, 2016

#### Fiscal year

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April 1 to March 31

#### Stock exchange listing

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Tokyo Stock Exchange

Note: The trading name was changed from Ashikaga Holdings to Mebuki Financial Group.



## 4. Size and market of the new group

### Size of Mebuki Financial Group

**Total assets:** 15,324.2 billion yen      **Securities:** 4,033.6 billion yen

**Net assets:** 909.1 billion yen      **Employees:** 6,607 people

**Balance of deposits:** 13,298.4 billion yen      **Branches:** (as of June 30, 2016; including sub-branches) 332 locations

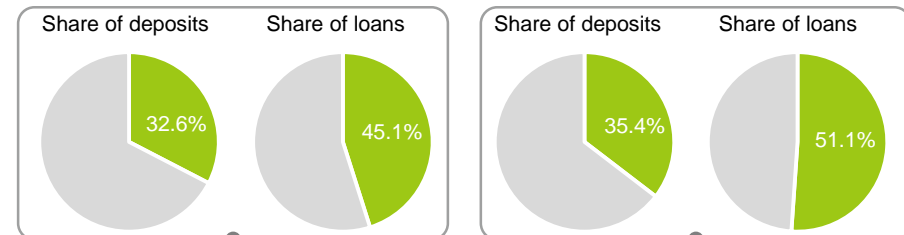
**Outstanding loans:** 10,144.7 billion yen

(Information as of March 31, 2016; consolidated totals for both banks)

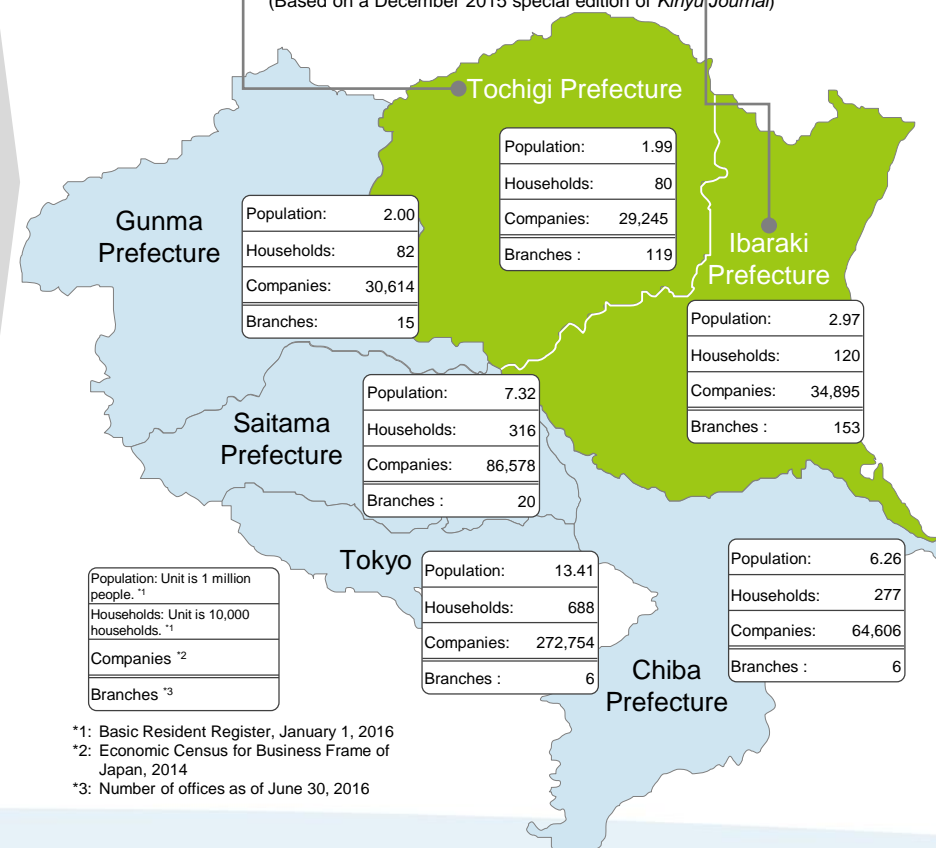
Rank	Name of bank	Total assets (trillion yen)
1	The Bank of Yokohama, Ltd. and HIGASHI NIPPON BANK, Ltd. (two banks)	17.5
2	Fukuoka Financial Group, Inc. (three banks)	16.4
3	Mebuki Financial Group, Inc. (two banks)	15.3
4	The Chiba Bank, Ltd.	13.3
5	Hokuhoku Financial Group, Inc.	11.6
6	THE SHIZUOKA BANK, LTD.	11.1
7	Yamaguchi Financial Group, Inc.	10.4
8	The Jojo Bank, Ltd.	9.3
9	THE NISHINIPPON CITY BANK, LTD.	9.1
10	Kyushu Financial Group, Inc.	8.9
...		
21	Ashikaga Holdings Co., Ltd	6.1

(As of March 31, 2016)

### Impressive share of its core market, Ibaraki and Tochigi Prefectures, near the greater Tokyo region



(Based on a December 2015 special edition of *Kinyu Journal*)



\*1: Basic Resident Register, January 1, 2016

\*2: Economic Census for Business Frame of Japan, 2014

\*3: Number of offices as of June 30, 2016

## 5. Member companies of the new group

### Customers

Offering high-quality comprehensive financial services



#### Banking business

Branches including headquarters	150
Sub-branches	29
Overseas representative offices	3

Branches including headquarters	104
Sub-branches	49
Overseas representative offices	1

#### Leasing business

The Joyo Lease Co., Ltd.

Sales departments including at headquarters	10
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Ashikaga Credit Guarantee Co., Ltd. (leasing division)

#### Securities business

The Joyo Securities Co., Ltd.

Branches	2
Representative offices	3

#### Other business areas

The Joyo Computer Service Co., Ltd. (outsourced computation services)  
 The Joyo Credit Guarantee Co., Ltd. (credit guarantee services)  
 The Joyo Credit Co., Ltd. (credit card services)  
 The Joyo Business Service Co., Ltd. (outsourced office services)  
 The Joyo Industrial Research Institute, Ltd. (consulting services)  
 The Joyo Equipment Management Co., Ltd. (real estate rental management services)  
 The Joyo Cash Service Co., Ltd. (ATM maintenance and management services)

Ashikaga Credit Guarantee Co., Ltd. (credit guarantee services)  
 Ashigin Research Institute, Ltd. (research and consulting services)  
 Ashigin Card Co., Ltd. (credit card services)

As of September 30, 2016

# 6. Group philosophy and vision



Together with local communities, we will continue to build a more prosperous future by providing high-quality comprehensive financial services.

The ingenuity of the entire group will be combined to contribute to sustainable growth in communities. We will build a better future together with local communities, seeking solutions to challenges that affect these communities by providing high-quality comprehensive financial services.

## Vision of the new group (strategic goals)

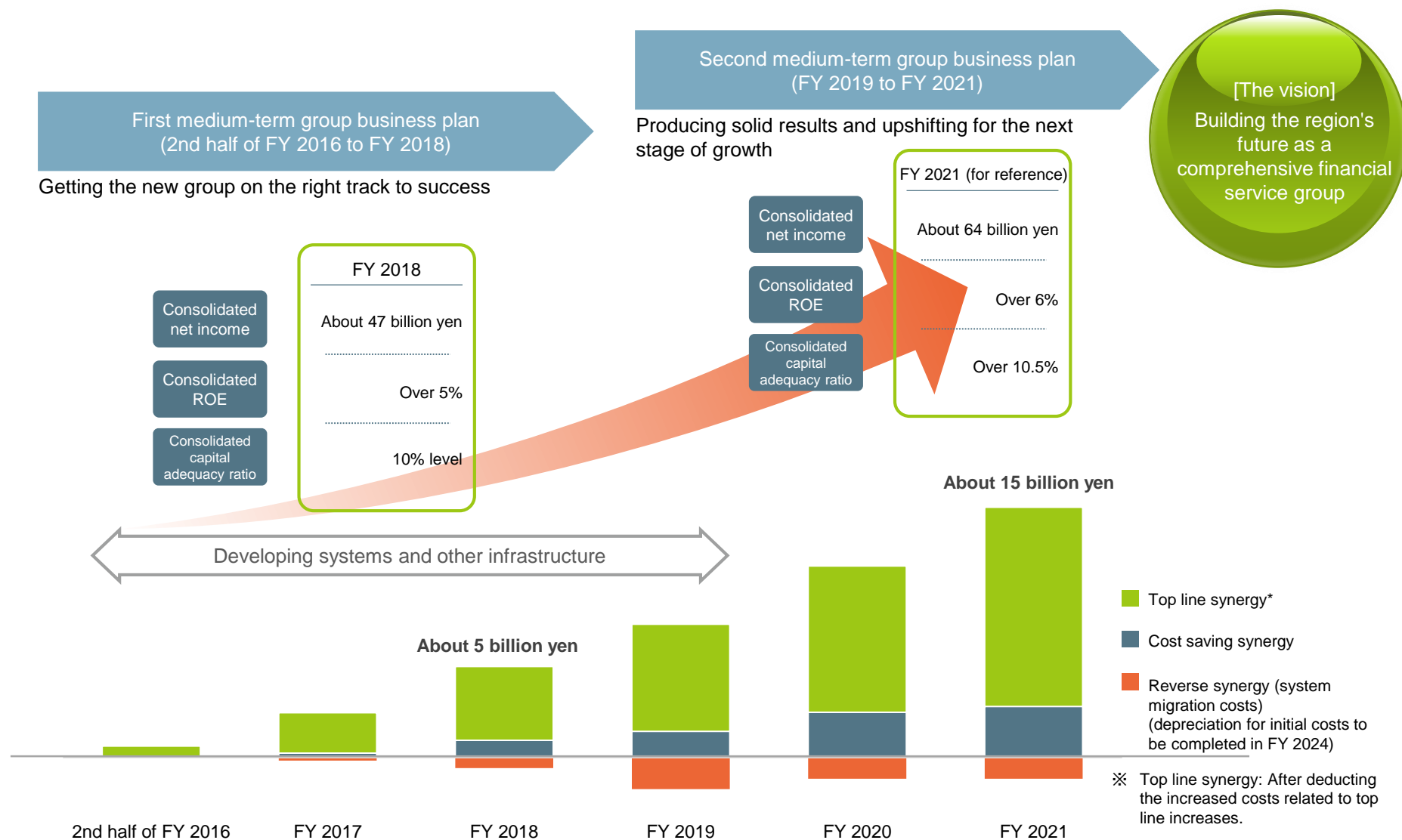
Building the region's future as a comprehensive financial service group

The new financial group will maintain and promote the relationships with customers and local communities as well as the deep understanding of local communities that both banks have developed over the years. At the same time, the group will use its wide-area network to expand its zone of economic interactions, expand the scale and scope of comprehensive financial services that it offers, and grow along with communities by promoting the development of local industries, the revitalization of local economies, and the creation of new markets.

### The group's philosophical structure and basic approach of the new group's activities

Mission	Contributing to local communities by developing and growing together			
Vision	Expanding into more areas of business, more regions, and a greater scale as an open financial group			
Growth drivers	Using our network to promote local economic growth:  We will draw on our wide-area network, which includes major corporations in the Metropolitan area, to increase the flows of commerce, information, and B2B exchanges.	Developing and offering advanced services:  We will develop and promote advanced financial services based on IT and inter-industry collaboration.	Building the revenue base through integration:  Our revenue base will be strengthened by streamlining operations and strategically reallocating business resources.	Training professionals:  Our training will enable employees to respond professionally to complex and diverse financial needs with an understanding of the local communities.
Values	One-stop comprehensive financial services including leasing, securities, researching functions, and IT services			
Underpinnings	Solid trust relationships with local communities Regional financial institutions with the top market shares			

## 7. Targets for realization of the vision



## 8. Increasing value for stakeholders

The new financial group will maintain and promote the relationships with customers and local communities as well as the deep understanding of local communities that both banks have developed over the years. At the same time, the group will use its wide-area network to expand its zone of economic interactions, expand the scale and scope of comprehensive financial services that it offers, and grow along with communities by promoting the development of local industries, revitalization of local economies, and creation of new markets.

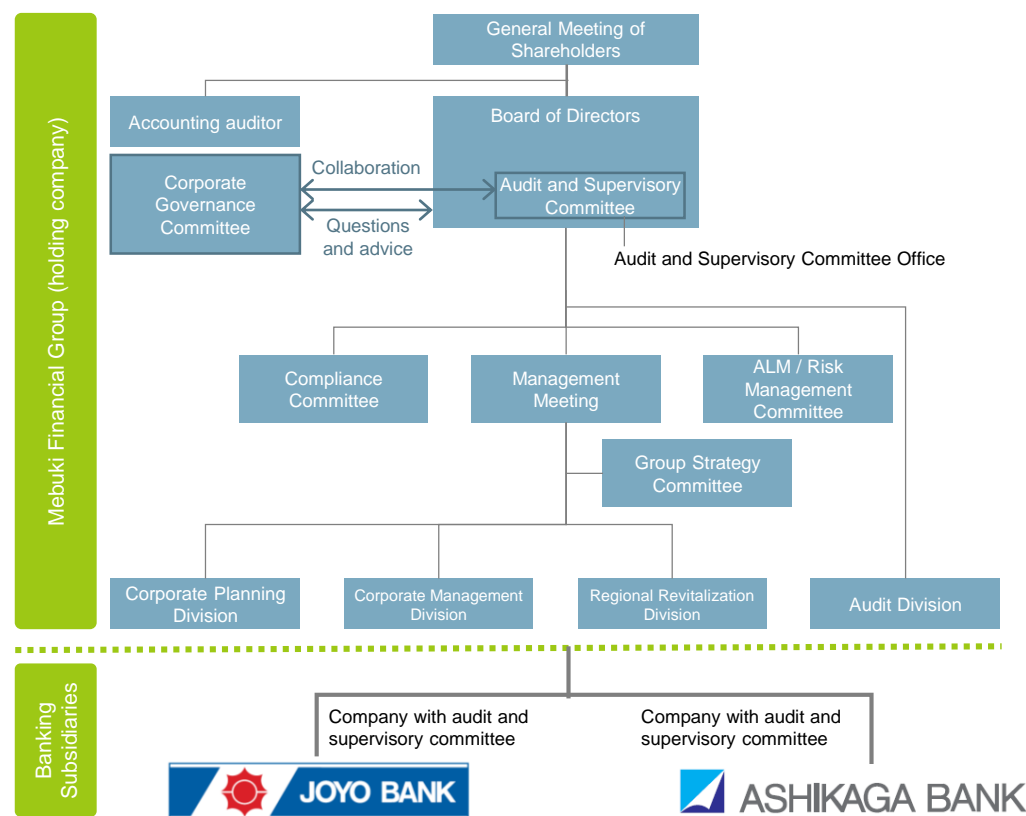
	Value for stakeholders	Business resources as basis for improved value
Corporate customers	<p>In addition to the financial intermediary functions facilitated by both banks:</p> <ul style="list-style-type: none"> <li>● Providing wide range of opportunities for business interactions</li> <li>● Suggestions and catalysts for business creation and growth</li> <li>● Detailed advice and thorough support for realization of growth</li> </ul>	<ul style="list-style-type: none"> <li>● Wider-area network of employees, information, customer base, etc.</li> <li>● Strong connections with customers and communities of Ibaraki and Tochigi</li> <li>● Ample means for raising capital and expertise in comprehensive financial services</li> </ul>
Individual customers	<ul style="list-style-type: none"> <li>● Welcoming and convenient banking environment</li> <li>● Advice and support in every stage of life</li> <li>● Optimal solutions based on long-term relationships</li> </ul>	<ul style="list-style-type: none"> <li>● Impressive network of branch offices and product lineup</li> <li>● Appropriate and timely information for every stage of life</li> <li>● Sophisticated, expert financial concierge services</li> </ul>
Shareholders	<ul style="list-style-type: none"> <li>● Improved corporate value and ROE on the medium to long term</li> <li>● Shareholder returns (stable dividends and shareholder benefit plan)</li> <li>● Prompt and appropriate information disclosure and explanations</li> </ul>	<ul style="list-style-type: none"> <li>● Revenues as a result of synergy</li> <li>● Performance evaluations of holding company directors will reflect ROE</li> <li>● Appropriate corporate governance structure that uses outside directors</li> <li>● Comprehensive investor relations</li> </ul>
Employees	<ul style="list-style-type: none"> <li>● Rewarding work for employees that embodies care about their communities</li> <li>● More opportunities to play active roles</li> <li>● Improved skills and growth through personnel exchanges</li> </ul>	<ul style="list-style-type: none"> <li>● Joint training for penetration of the new group's philosophy</li> <li>● Execution of strategies based on deep understanding of local communities</li> <li>● Mutual personnel exchanges and various types of joint planning</li> </ul>
Local communities	<ul style="list-style-type: none"> <li>● More economic exchange opportunities that can contribute to regional revitalization, e.g. exchanges between Ibaraki and Tochigi, and with other areas near these prefectures</li> <li>● Fitting proposals that will empower communities, including advice on the number of business locations in the region and promoting residence in the region</li> </ul>	<ul style="list-style-type: none"> <li>● Strong connections with local governments and other public institutions in Ibaraki and Tochigi</li> <li>● Ability to coordinate with important partners for economic interactions</li> <li>● Programs to promote the creation of new industries and support for business growth and core company development in the region</li> </ul>

## 9. New group management structure and governance

The integrated holding company will take the lead in intragroup collaboration to map out the new financial group's management policies and strategies and maximize synergy. It will also play a role in improving the overall group's corporate value through corporate management for each company.

- As a company with an audit and supervisory committee, the integrated holding company will appoint multiple outside directors for transparency and fairness in decision-making as well as a high level of audit and supervisory capabilities. By delegating most authority for operational decisions to its board of directors, which will represent the knowledge and expertise of both banks, the holding company will ensure speed and decisiveness in decision-making and business operations.
- Since both banks will need to implement important strategies, each bank will also appoint multiple outside directors. A corporate governance committee, consisting mainly of outside directors of the holding company and the banks, will be established as an advisory organ for the holding company's board of directors. With roles such as nominating director candidates, deliberating directors' compensation, and group governance evaluation, this committee will enhance the effectiveness of corporate governance. Executive sessions composed only of outside directors will also be held as a means of exchanging information and impressions among the outside directors, for the sake of actively incorporating diverse views in the holding company.

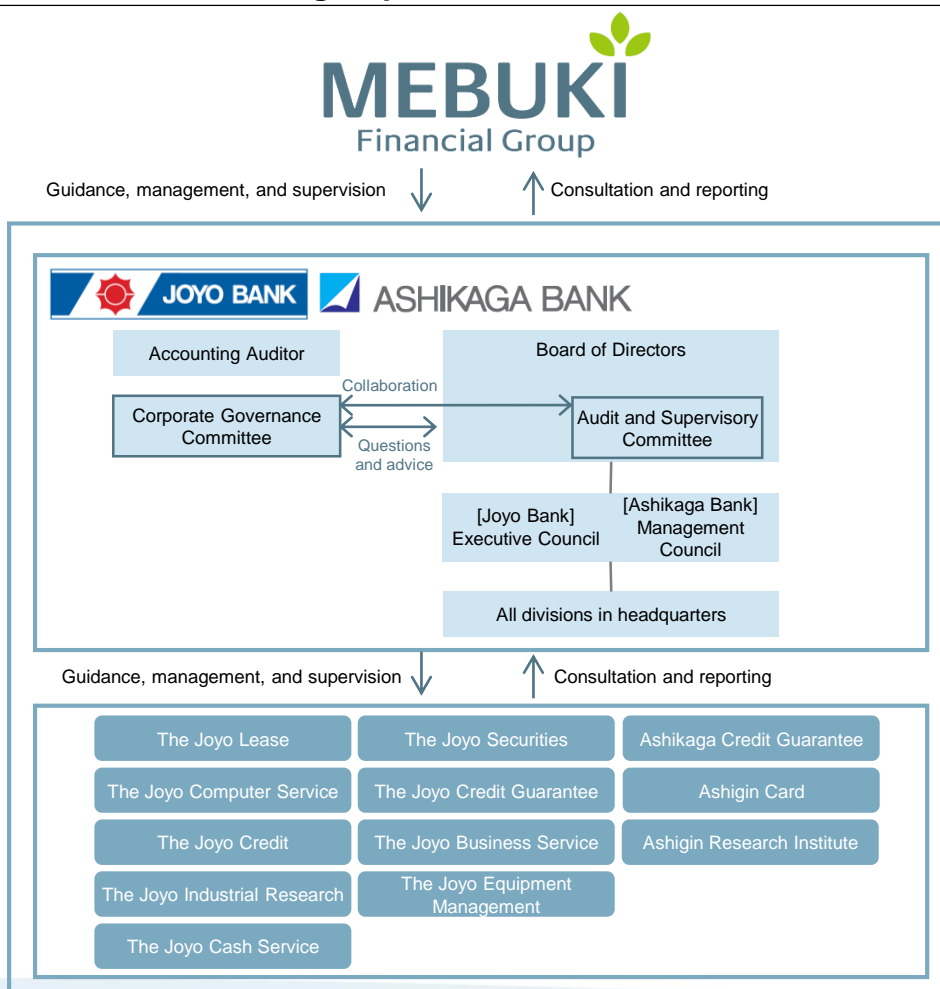
### Management structure of the new group



The holding company will provide business guidance, management, and supervision for the banking subsidiaries, while corporate management for the other subsidiaries will be conducted through the group banks. This approach will ensure appropriate corporate management and governance for the new group as a whole.

## Governance of the new group

- Each bank will collaborate closely with the other as members of the new financial group, while maintaining their unique qualities to deepen the relationships that each has cultivated with local communities. Both banks will pursue business expansion based on the group's management policies and strategies, and will take the lead in drawing on group synergies to promote revitalization of the regional economy.
- Like the holding company, both group banks are companies with an audit and supervisory committee as their organizational design. This transition occurred in June 2016. Each bank appoints outside directors (three per bank) who have specialized knowledge and are familiar with regional affairs.
- For subsidiaries of the banks without direct investment by the holding company, corporate management will be provided by the banks which invest directly in those subsidiaries, and the holding company will provide management as appropriate for the situation. This approach ensures appropriate and efficient corporate management as well as highly effective governance for the overall group.



## 10. Organizational structure of the new group

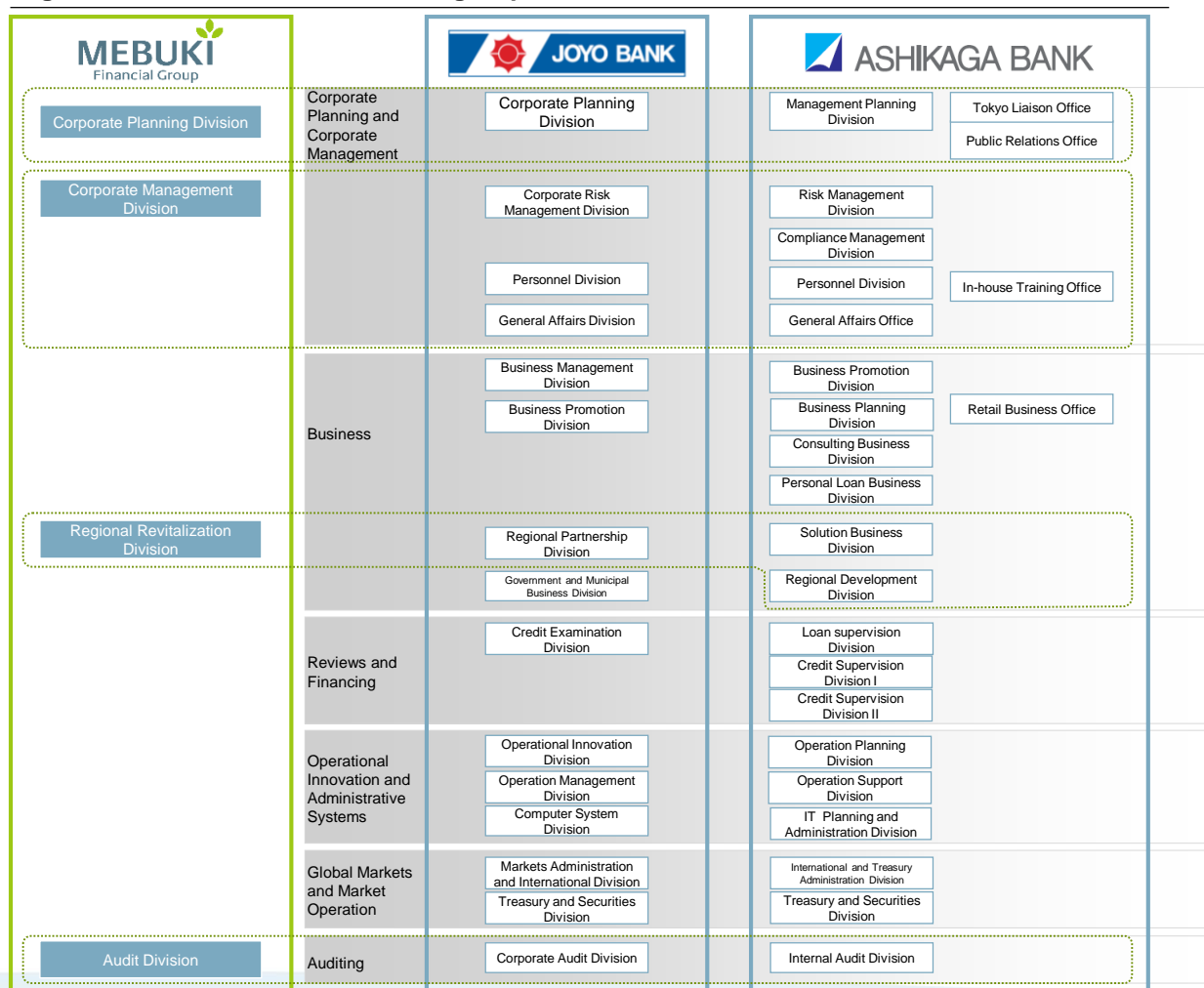
For efficient and effective organizational management in the new group, each unit in the holding company will collaborate appropriately with related units at the banking subsidiaries.

- The corporate management organization and operational management organization of the holding company are responsible for the corporate management of subsidiaries. From a strategic standpoint, their role is to improve the corporate value of subsidiaries and the overall group through activities such as formulating group strategies, allocating human resources and business resources, monitoring business activities, risk management, and internal auditing.

### Functions maintained and performed by four units of the holding company

- Formulating group strategies and setting strategic goals
- Developing business resource and risk allocation policies based on strategies
- Developing capital policies based on strategies and risk-taking policies
- Monitoring and evaluation of subsidiaries' business activities
- Developing the risk management structure and compliance structure of the overall group
- Oversight of the group's financial and tax affairs, and timely and appropriate information disclosure
- Constructive dialogue with shareholders and capital markets
- Taking the lead in intragroup collaboration programs and strategy development aimed at wide-area regional revitalization
- Internal audits (including maintenance and management of internal audit quality for subsidiaries)

### Organizational structure of the new group





# 11. The new group's basic integration strategies

As a key player in regional revitalization, the new financial group will take action to develop local industries and to create and stimulate markets by expanding its comprehensive financial services and making use of its wide-area network. In addition, the new group will implement operational innovations to ensure appropriate allocation and training of personnel and build structures for highly efficient operations and appropriate management, pursuing sustainable growth together with local communities.

## [1] Combined ingenuity for regional revitalization

- Making use of its expanded base and network due to integration, the new group will cooperatively deploy a wide range of support measures based on the industry characteristics of its primary sales bases, and will contribute to regional revitalization and stimulation by bringing together all the ingenuity of the new group.

## [2] Expansion of comprehensive financial services

- By organically integrating its functions, the new group will seek to improve quality and expand scale and scope, providing one-stop services with greater added value in response to diversifying customer needs.
- To pursue a wide range of synergies, the new group will consider ways to share expertise and integrate its operations in securities investment while considering developments in deregulation and other changes.

## [3] Expansion of area and channels

- The entire group will optimize its business resources and seek to further expand its wide-area network in order to provide greater convenience to customers while promoting regional revitalization and stimulation.
- With an enhanced database due to business integration, marketing will be improved in order to strengthen direct channels, including online and ATM marketing, thereby providing timely information and financial services to more customers.

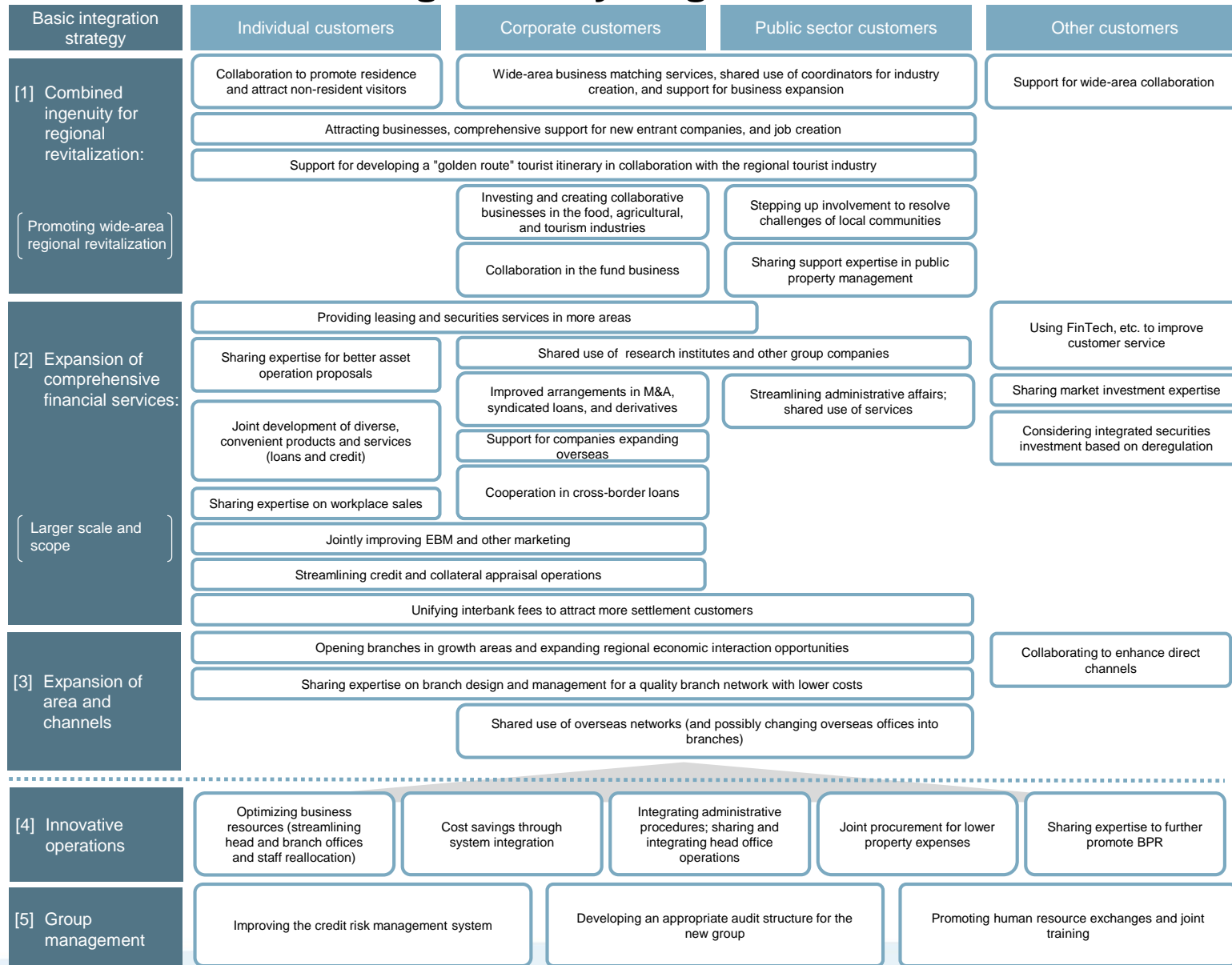
## [4] Innovative operations

- By unifying and integrating its administrative systems, the new group will reduce costs and improve services to customers, strengthening its business resources and contributing to regional revitalization.
- The new group will improve services to customers by investing in systems such as FinTech for new areas and growth fields.

## [5] Development of the new group's corporate management structure

- The new group will implement effective governance to reap the benefits of integration, building management structures that are appropriate for the size and characteristics of both banks.
- The new group will enhance risk management, improve financial intermediary functions, and develop frameworks including an internal audit system for sound operations and efficient achievement of management objectives.

# 12. Overview of integration synergies



Compared with FY2015

## Synergy targets

(FY 2021)

Increase in loan balance due to synergy

+ 700 billion yen

Top line and cost saving synergies

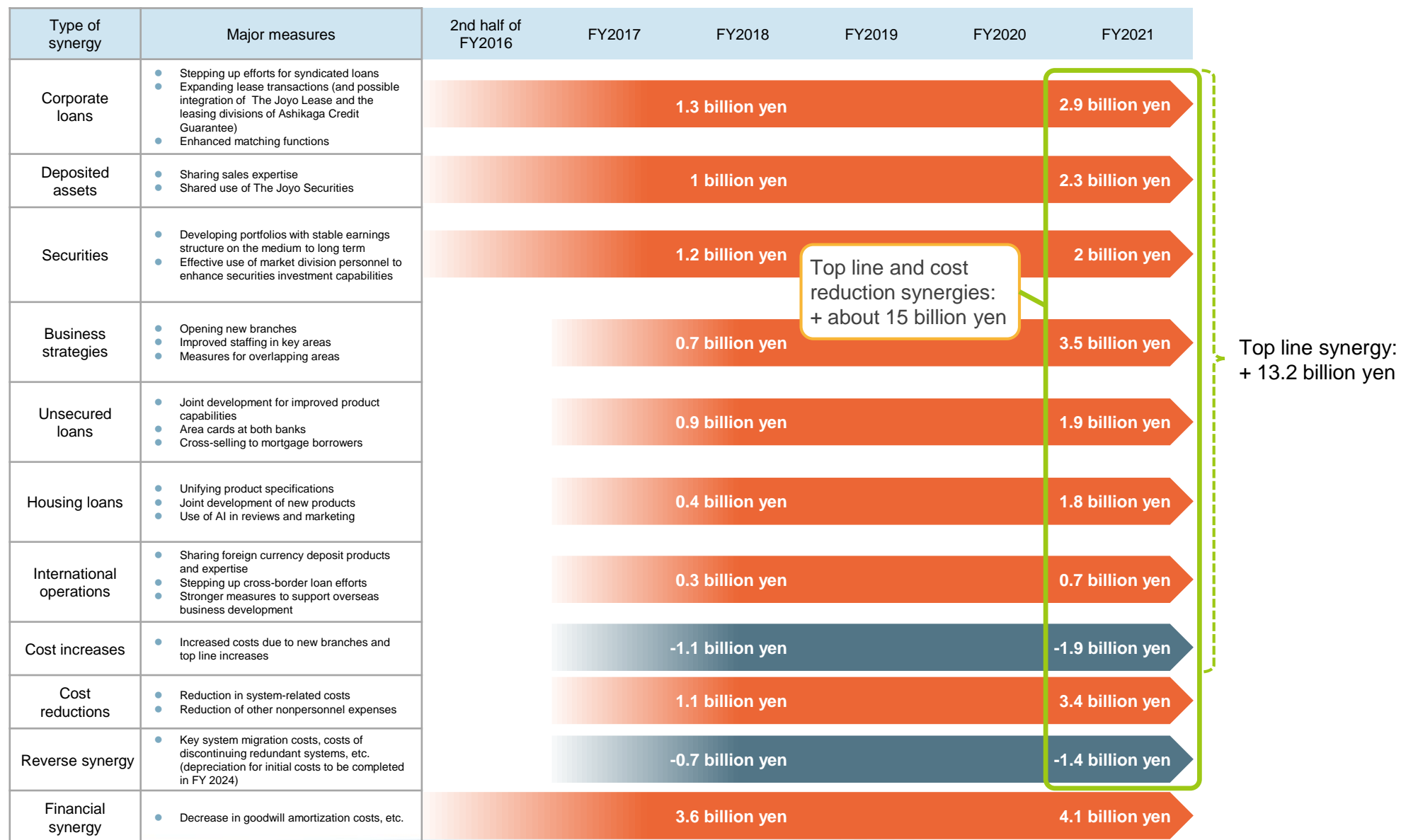
+ About 15 billion yen

Shifting personnel to sales and strategy areas

About 150 employees

Branches: About 15 new branches to be opened (including leasing and securities offices)

# 13. Initiatives and measures related to integration synergies



Note: Figures from "Corporate loans" to "Reverse synergy" are pretax. Figures for "financial synergy" are after tax.

# 14. Initiatives, events, and promotions for Day 180 of the new group

Action item			Summary	Schedule
Measures	Channels	Lowering transfer fee between both banks to inter-branch rate	<ul style="list-style-type: none"> <li>The transfer fee between the two banks will be lowered to the inter-bank rate for teller transactions, ATM transactions (card, cash), and online banking transactions.</li> </ul>	From October 2016
		Shared use of ATMs for deposits	<ul style="list-style-type: none"> <li>Customers who have a card from either bank will be able to deposit money using the other bank's ATMs.</li> </ul>	From October 2016
	Group companies	Securities	<ul style="list-style-type: none"> <li>About 13 branches with full-time financial consultants (FC) of Ashikaga Bank will begin intermediary services for products carried by Joyo Securities.</li> </ul>	From October 2016
		Leasing	<ul style="list-style-type: none"> <li>Ashikaga Bank will begin offering auto leases from The Joyo Lease.</li> </ul>	From October 2016
	Deposited assets	Joint fund	<ul style="list-style-type: none"> <li>To commemorate the business integration, we will launch an investment trust with stock of companies with ties to Ibaraki Prefecture and Tochigi Prefecture, to be sold at both banks.</li> </ul>	November 22, 2016
Events	Regional revitalization	Projects to support local products	<ul style="list-style-type: none"> <li>We will conduct a test marketing event with consumer evaluators to promote improvement and development of special products using local resources (Taste Improvement Product Fair in Mito).</li> <li>We will host business discussion events as a way of helping makers of specialty products using local resources expand sales to food businesses, while also supporting buyers in product purchasing (Tasty Connections Food Festival in Utsunomiya).</li> </ul>	October 12, 2016  November 22, 2016
		Business contest	<ul style="list-style-type: none"> <li>We will hold business plan contests and business planning seminars to support business expansion and honor local business plans for innovative and creative excellence.</li> </ul>	From December 2016
		Forum of manufacturing firms	<ul style="list-style-type: none"> <li>To support local manufacturing firms, we will hold a forum for manufacturing companies, co-sponsored by Joyo Bank and Ashikaga Bank, with invited participants from Germany and Taiwan.</li> </ul>	February 22, 2017
Campaigns	Individual customers	Campaign for deposited assets	<ul style="list-style-type: none"> <li>We will award gifts of prefectural products by lottery to customers who have invested or deposited at least 200,000 yen in investment trusts, foreign currency deposits, or yen time deposits. (To support and publicize local businesses in each prefecture, the gifts of prefectural products will be from Tochigi Prefecture for customers of Joyo Bank, and from Ibaraki Prefecture for customers of Ashikaga Bank.)</li> </ul>	From October 2016
		Discounted rates for car loans and educational loans	<ul style="list-style-type: none"> <li>We will offer discounted interest rates for car loans and educational loans.</li> </ul>	From October 2016
	Corporate customers	Campaign to sign up new corporate internet banking customers	<ul style="list-style-type: none"> <li>Customers who sign up for corporate internet banking will get a discount on the signup fee and monthly fees for three months.</li> </ul>	From October 2016
		Think tank seminars	<ul style="list-style-type: none"> <li>Regional information and corporate trends, etc. will be communicated at seminars by the research institutes of both banks. Members of either research institutes can participate in the other's seminars at the member rate. The goal is to attract new members and expand economic exchange.</li> </ul>	From October 2016

## **II. Basic Integration strategies**

# **1. Combined ingenuity for regional revitalization**

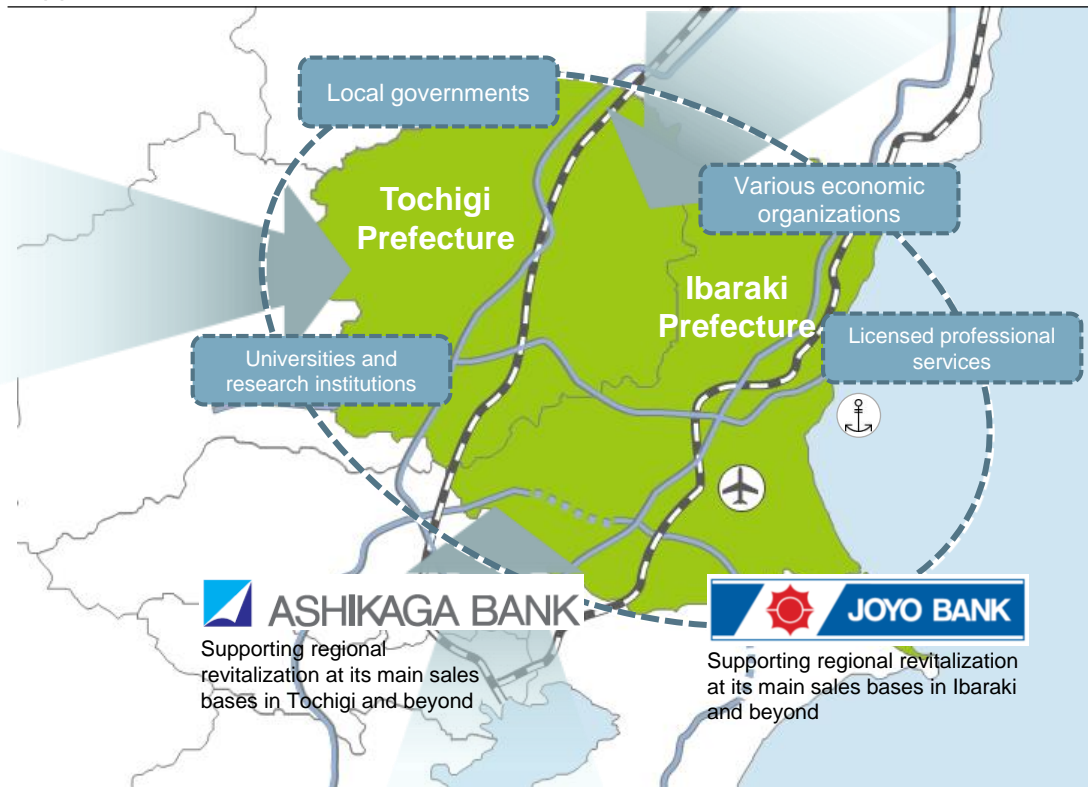
## (1) Support for wide-area collaboration

We will use our networks in Ibaraki, Tochigi, and the Tokyo area to provide the kind of support for wide-area regional collaboration that is not available from one bank alone.

Human resources will be allocated in the following four areas as a priority: [1] promoting utilization of the wide-area network; [2] industry development and business creation; [3] support for regional branding; and [4] collaboration with local governments.

The banks will also draw on the new group's expertise and networks, including the 30,000 main customers of the two banks, to support higher added value through consulting services aimed at increasing sales and profitability for our customers.

### Support for wide-area collaboration



### Focused activities

#### Promoting utilization of the wide-area network

- Improved coordination capabilities
- Wider-area of business matching
- Collaboration with external experts

#### Industry development and business creation

- Joint planning to support industry development and business creation
- Use of technology coordinators
- Supporting expansion into the Tokyo market or overseas
- Attracting and retaining businesses
- Business contests

#### Support for regional branding

- Investing and creating collaborative businesses in the food, agricultural, and tourism industries
- Supporting new product development using local resources

#### Collaboration with local governments

- Revitalization of local shopping streets
- Proposing ways to promote relocation and residence

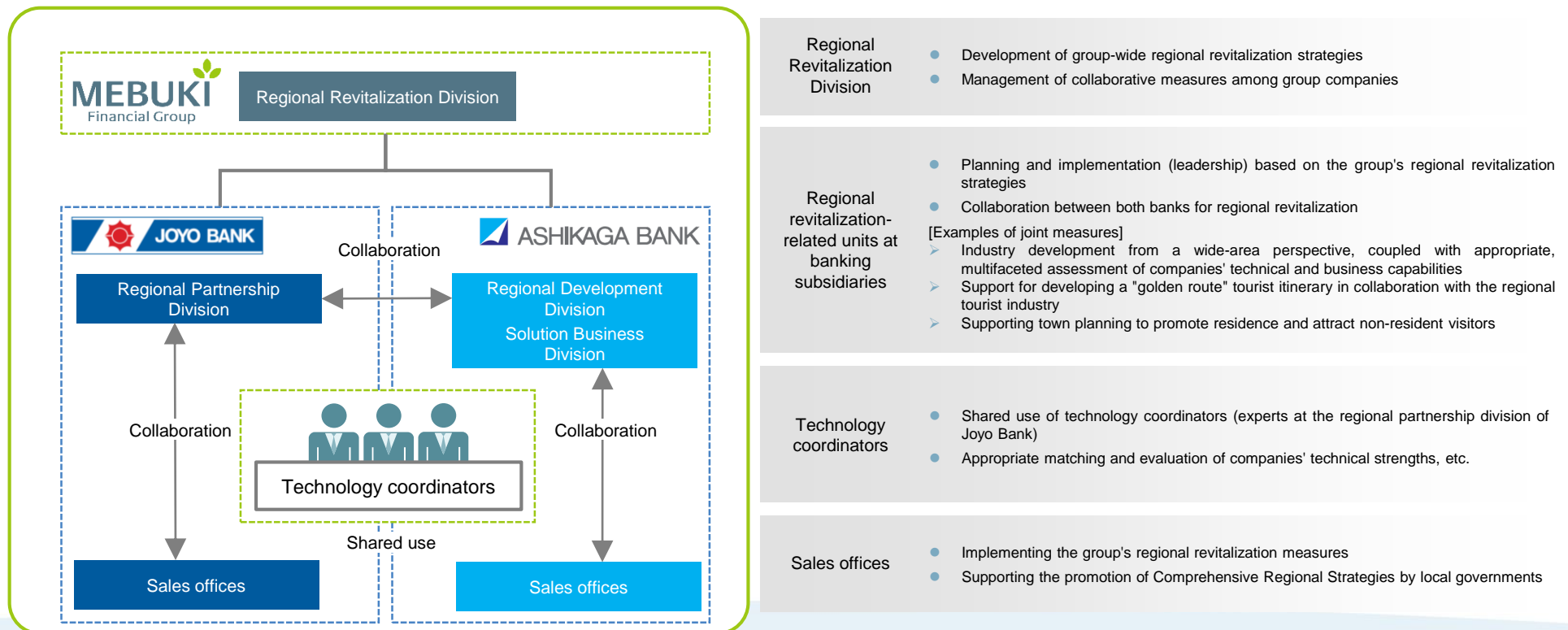
Resolving  
challenges of  
local  
communities

## (2) The new Regional Revitalization Division

The new group will draw together the group's ingenuity for regional revitalization, linking regions, businesses, technologies, and services with the kind of outstanding coordination capabilities that can only result from the integration of leading regional banks. With expanded bases and networks due to this integration, the group will pursue regional revitalization through the accumulated and shared resources of both banks, identifying regional resources and technologies that have untapped potential and cooperatively developing a wide range of support measures based on the characteristics of local industries.

The Regional Revitalization Division will be established at the holding company to play this role. The Division will consolidate the ingenuity of group companies and the region to develop plans and proposals concerning wide-area regional revitalization, promote collaboration among group companies, and oversee group-wide initiatives for regional revitalization.

The new group's organizational structures related to regional revitalization





## **2. Expansion of comprehensive financial services**

# (1) Providing one-stop financial services

Drawing together the new group's capabilities to expand comprehensive financial services

Through organic integration of the group's banking, leasing, securities, IT, and researching functions, we will seek to improve quality and expand scale and scope, providing one-stop financial services with greater added value in response to diversifying customer needs.



## (2) Specific measures for one-stop financial services

Leasing and securities operations will be expanded to ensure that we can provide outstanding, enhanced comprehensive financial services through combined group capabilities. During the first medium-term period, we will consider transitioning the related leasing and securities companies into directly owned subsidiaries of the holding company.

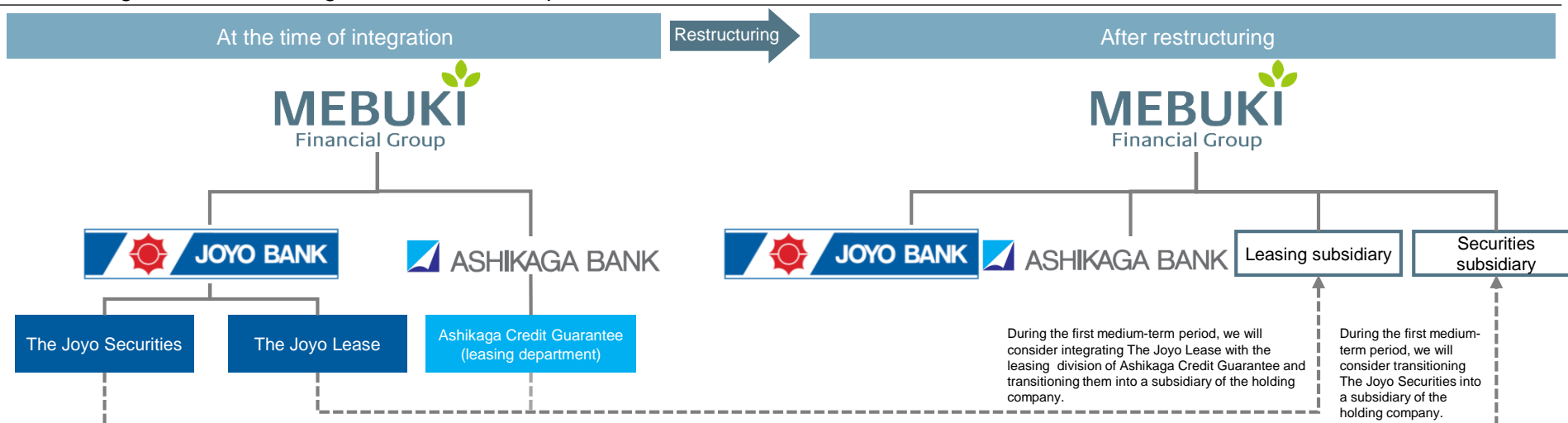
### Expansion of leasing

- [1] New leasing offices  
Three offices may be added.
- [2] Schedule
  - October 2016: Conclusion of leasing intermediation agreements with Ashikaga Bank and The Joyo Lease (October 2016) and commencement of auto lease intermediary services
  - 2017: Integration of The Joyo Lease and the leasing division of Ashikaga Credit Guarantee, and establishment of new sales offices

### Expansion of securities

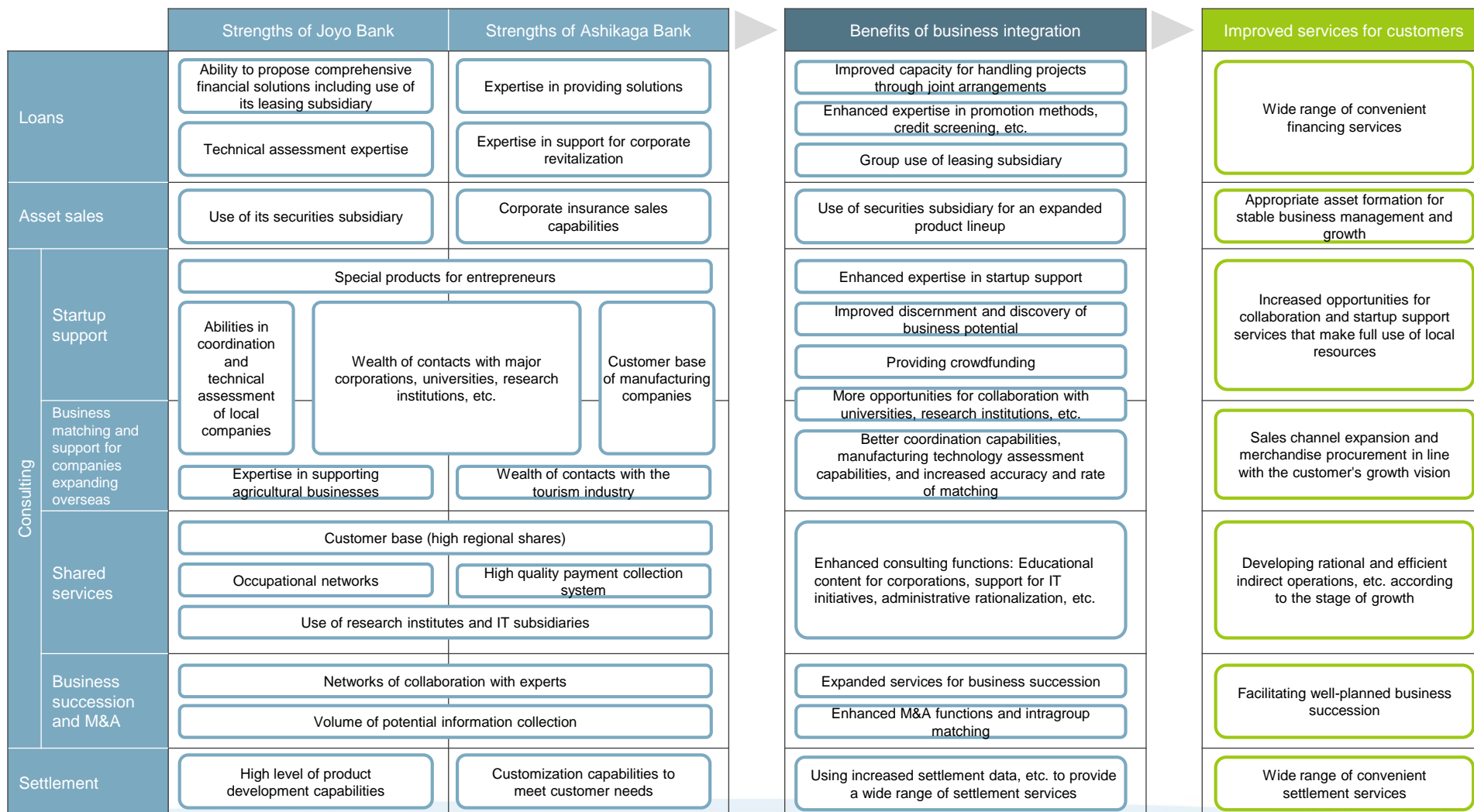
- [1] New securities offices  
Two offices may be added.
- [2] Schedule
  - October 2016: About 13 branches with full-time financial consultants (FC) of Ashikaga Bank will begin intermediary services with The Joyo Securities.
  - April 2017: Expansion to all branches

### Transitioning the related leasing and securities companies into subsidiaries



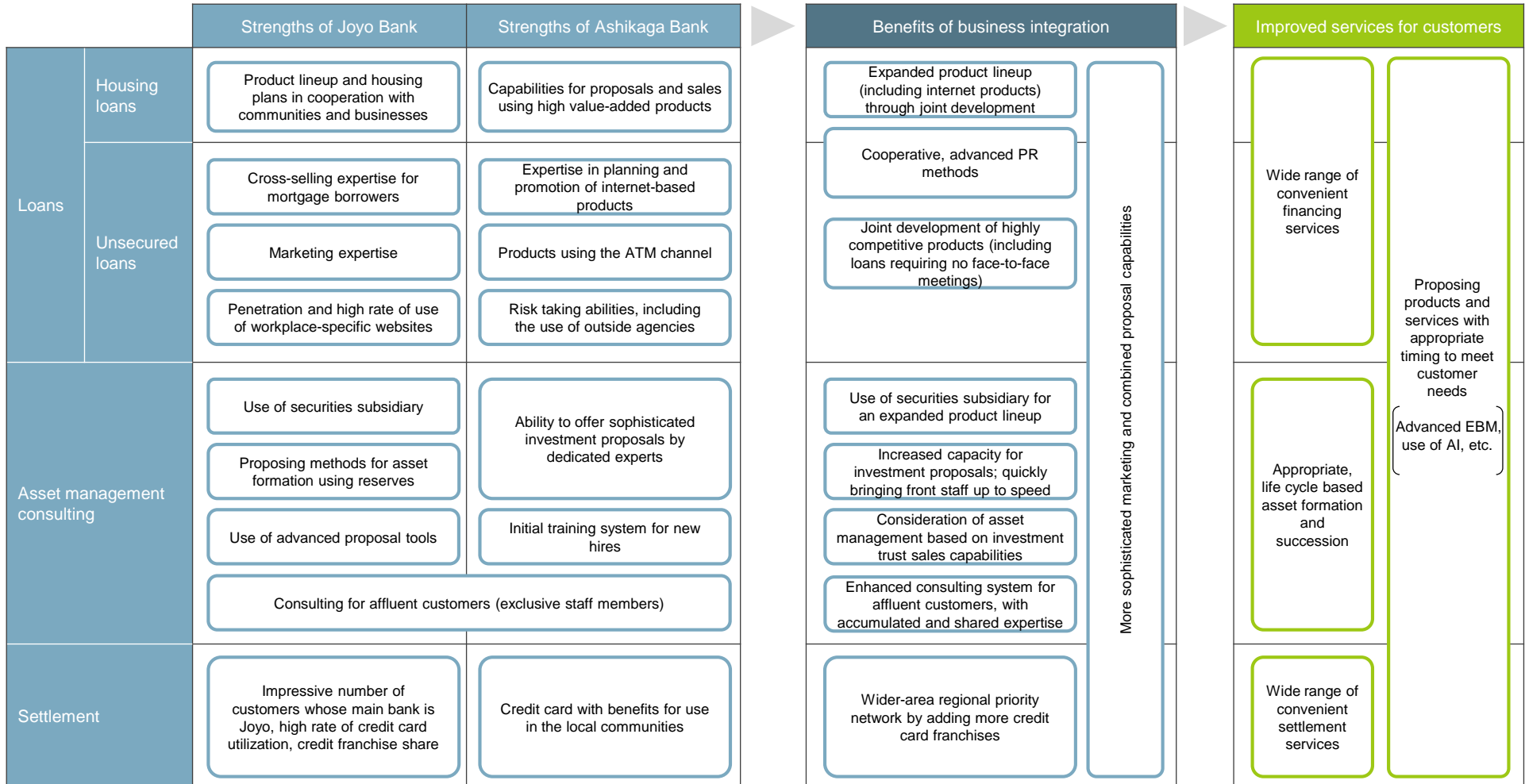
### (3) Expanding comprehensive financial services for corporate customers

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



## (4) Expanding comprehensive financial services for individual customers

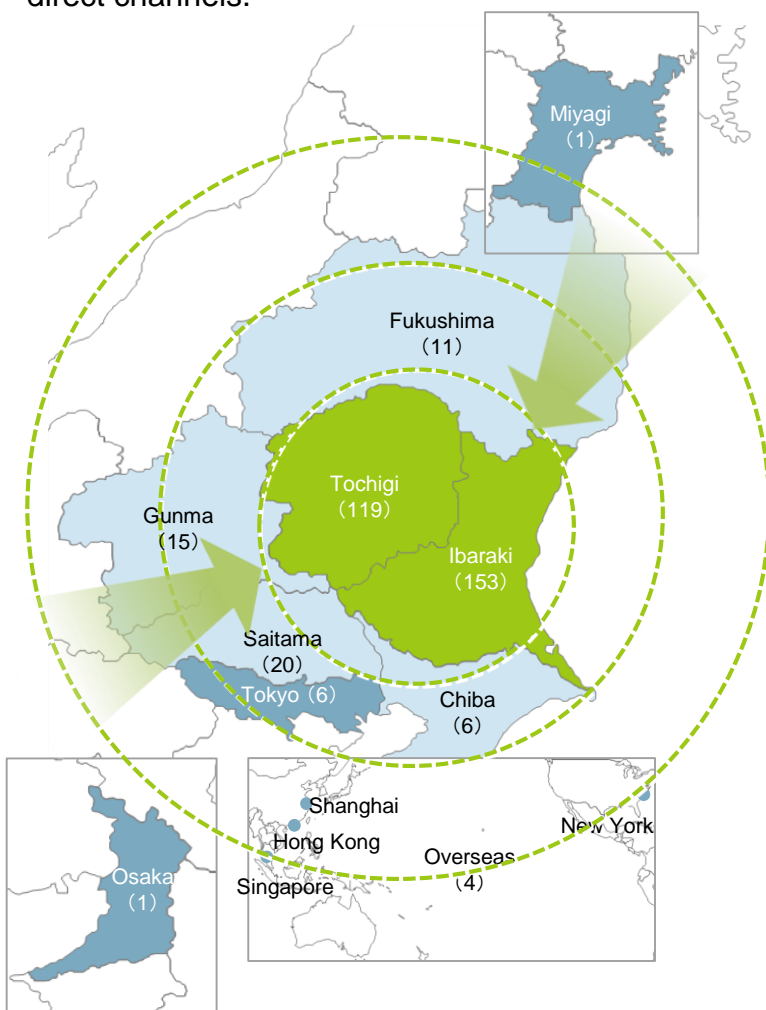
We will propose and provide appropriate products and services for individual customers through accurate and timely identification of their wide-ranging needs at each stage of life, based on improvements including more advanced event-based marketing (EBM) and the use of AI.



### **3. Expansion of area and channels**

# (1) Summary of measures related to expansion of area and channels

We will endeavor to expand the customer base and broaden and stimulate the economic interaction zone (corporate interactions in flows of commerce, information, and funds) by optimizing business resources, developing a wide-area network, and strengthening direct channels.



(Total of 336 bases including overseas locations; as of June 30, 2016)

## Optimizing business resources

- Streamlining the head office and sales offices
- Reallocating employees to enhance consulting functions and improve service quality

Reallocating about 150 employees

## Developing a wide-area network

- Utilizing personnel and other resources freed up by reallocation
- Opening new branches in growth areas to expand economic interaction opportunities
- Opening branches to expand group functions
- Using the agency bank system
- Shared use of overseas networks

Opening about 15 new branches (including leasing and securities branches)

## Strengthening direct channels

- Cooperatively enhancing marketing with EBM and other techniques, and providing timely information and financial services
- Sharing informational expertise in the use of online and telemarketing channels to improve the supply of information and meet customers' needs
- Cooperatively using online, ATM, and other non-face-to-face channels to improve products and services

Increasing customer contacts

Expanding the customer base;  
broadening and stimulating the economic interaction zone

## (2) Approach to new branches and key areas

We will endeavor to optimize group-wide business resources and further develop wide-area networks for customer convenience and regional revitalization and stimulation.

We will use the human resources freed up by business integration to strengthen market exploration and development and to promote and stimulate economic interactions between the explored areas and the core market.

### Potential areas for new branches

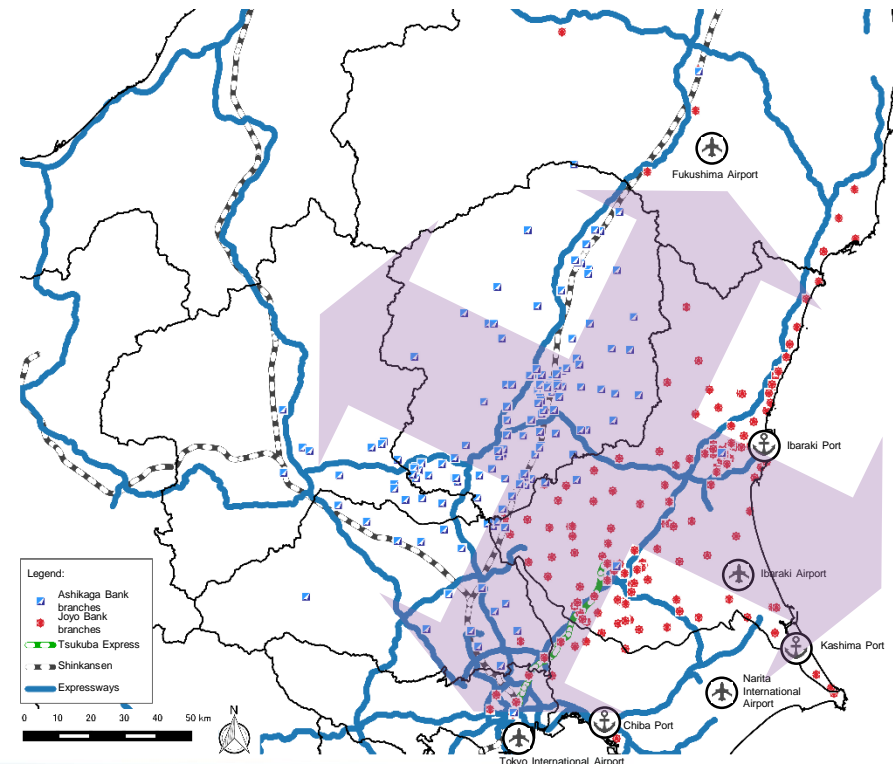
Perspectives for consideration	Criteria for new branch candidate areas
Capturing growth potential → <u>Increasing profit</u>	Increasing population (low degree of population decline) Increasing number of business establishments
Branch network expansion → <u>Strengthening the business base</u>	Adjacent to existing branches (nearby) Along the railway lines where existing branches are located

#### (Anticipated areas)

Northwestern Chiba, southern Saitama, northern and southern Tokyo, and areas along the Tsukuba Express line

- \* Northwestern Chiba and southern Saitama:  
Candidate areas will be examined in terms of future population, outlook of deposits and lending, and network formation.
- \* Northern and southern Tokyo:  
Candidate areas will be examined in terms of market size and relationships with the core market.

### Priority areas for new branches: Network to promote economic interaction from north to south and east to west





## Reference: Summary of business strategies

Through business integration of the two banks, we will increase comprehensive financial services, expand our area and channels, and consolidate the new group's ingenuity for the sake of regional revitalization and stimulation. In this way, together with local communities, we will build a better future as a key player in regional revitalization.

Based on increasing comprehensive financial services and expanding area and channels, we will draw together the new group's ingenuity to pursue market creation through the identification of regional resources and technologies that have untapped potential, as well as expansion of business and financial interactions between regions.

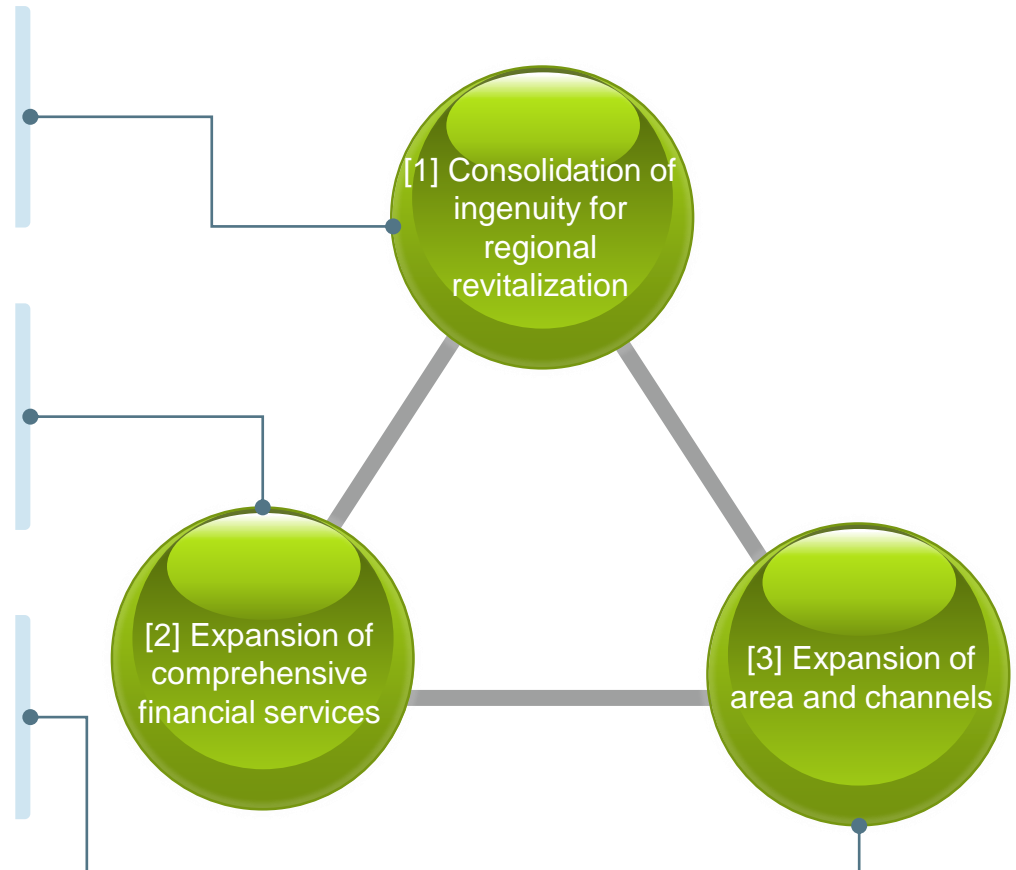
- ⇒ Development of support for wide-area regional collaboration; stronger matching through the shared use of coordinators; joint fund establishment, etc.

We will respond accurately to increasingly advanced customer needs and expand comprehensive financial services to provide value to our customers by sharing the strengths of both banks and consolidating the new group's ingenuity.

- ⇒ Enhancement of consulting functions; expanded opportunities for leasing and securities offerings; involvement with FinTech; more advanced marketing; considering integrated operation of securities based on deregulation, etc.

By strengthening and expanding networks and contact points with enlarging core markets and growth regions, we will pursue expansion and diversification in industrial development, creation of new businesses, and expansion of financial service business areas.

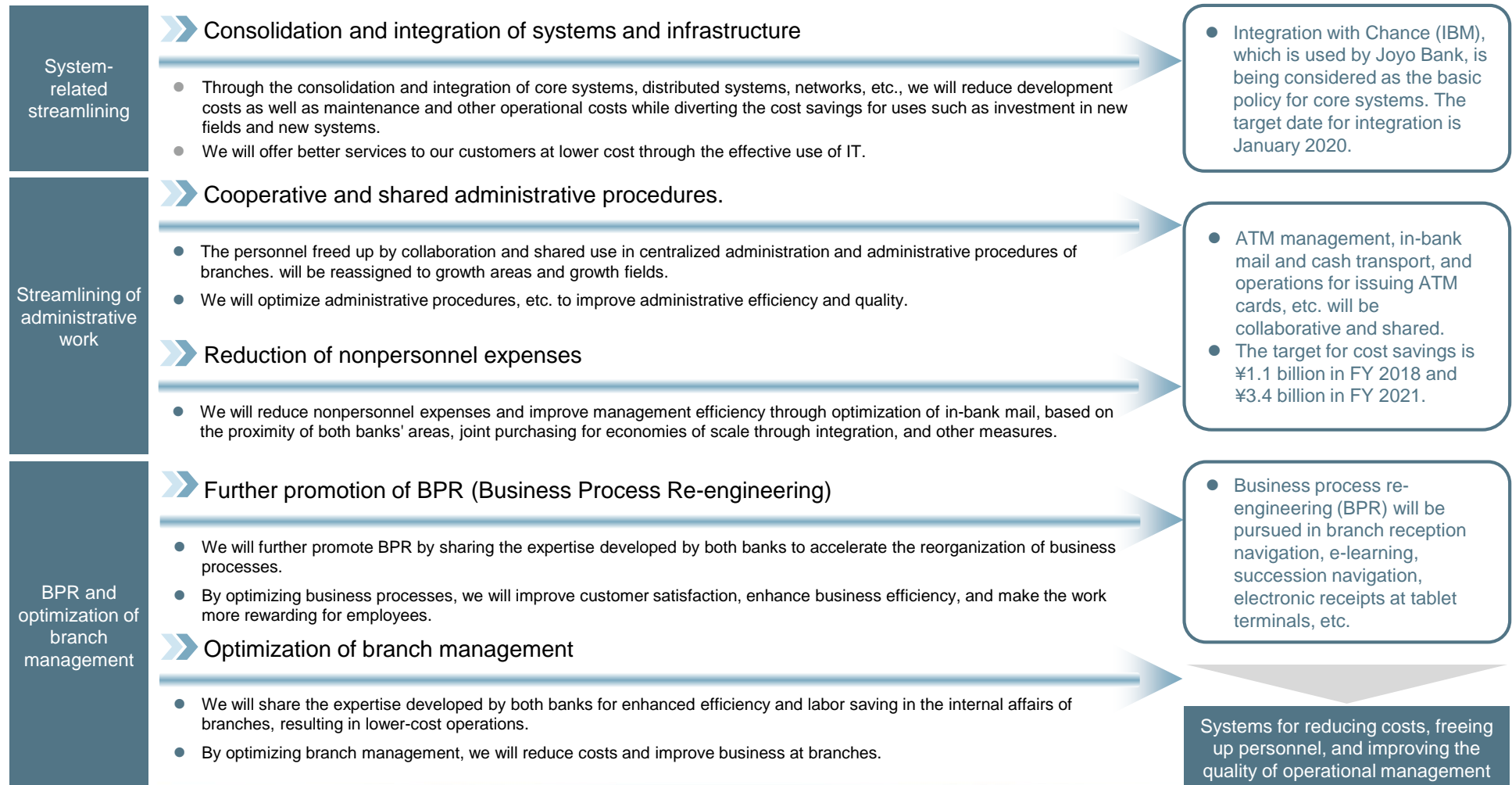
- ⇒ Optimization of business resources, further wide-area network development, enhancement of direct channels, etc.



## **4. Innovative operations and development of the new group's corporate management structure**

# (1) Summary of operational strategies

We will promote integration, joint use, and collaboration in administrative work and systems to reduce costs and free up personnel. By shifting the resulting business resources to growth areas and sharing expertise, we will construct a high quality business operation system.



## (2) Summary of corporate management strategies

Along with regional revitalization and stimulation, we will exploit the economies of scale due to integration to develop an effective governance system and establish an appropriate corporate management system suited to one of Japan's leading groups of regional financial institutions.

Ensuring an effective governance system to attain integration objectives

Ensuring advanced audit and supervisory functions, quick and decisive decision-making functions and business execution functions

- The holding company is organized as a company with an Audit and Supervisory Committee to ensure transparency and fairness in decision-making by the Board of Directors as well as advanced audit and supervisory functions, establishing a system that is capable of quick and decisive decision-making and business execution.
- Since both banks will need to implement important strategies, multiple outside directors who have specialized knowledge and are familiar with the local community will be appointed, and a Corporate Governance Committee, consisting mainly of outside directors of the holding company and the banks, will be established as a means of actively incorporating the diverse views of outside directors.
- A group strategy committee will be established at the holding company to gather the knowledge and expertise of both banks, plan strategies for responding promptly and accurately to changes in the surrounding environment based on local circumstances, and facilitate the penetration of such strategies within the new group.

Establishing and enhancing an appropriate risk management system

Establishing and enhancing an appropriate risk management system

- In pursuing integration of various risk management systems at the banks based on business integration, the new group will establish an appropriate, effective, and efficient risk management system in light of the scale and characteristics of both banks.
- The credit risk management system of the overall group will be enhanced through such means as transitioning to the basic internal rating methods of the holding company and Ashikaga Bank, endeavoring to further facilitate financial intermediary functions.

Establishing an appropriate internal audit system, etc. for the new group

Establishing an appropriate internal audit system.

- A proper and efficient internal audit system, which will contribute to sound corporate management and the efficient attainment of management objectives at the new group, will be established through cooperation and appropriate organizational allocation by the internal audit units of the holding company and subsidiary banks.
- We will seek to develop an appropriate internal governance system that includes a capable internal audit system with close collaboration between the Audit and Supervisory Committee and internal audit units.

### (3) Risk management system

We will use unified measures to determine various risks arising from the business operations of subsidiaries and establish an appropriate risk management system to help improve corporate value while ensuring sound management of the overall group.

- **Organization and structures:**

At the holding company, the Board of Directors and the Asset/Liability Management (ALM) and Risk Management Committee will receive periodic reports on risk status from the Corporate Management Division and provide the necessary instructions. The ALM and Risk Management Committee will consist of all executive directors, general managers and managers of Corporate Planning Division and Corporate Management Division, and the general manager of the Basel Unit of the Corporate Management Division. Directors who are full-time members of the Audit and Supervisory Committee and the managers and executive manager of the Audit Division will also attend committee meetings to ensure an appropriate framework for auditing and supervision.

- **Comprehensive risk management:**

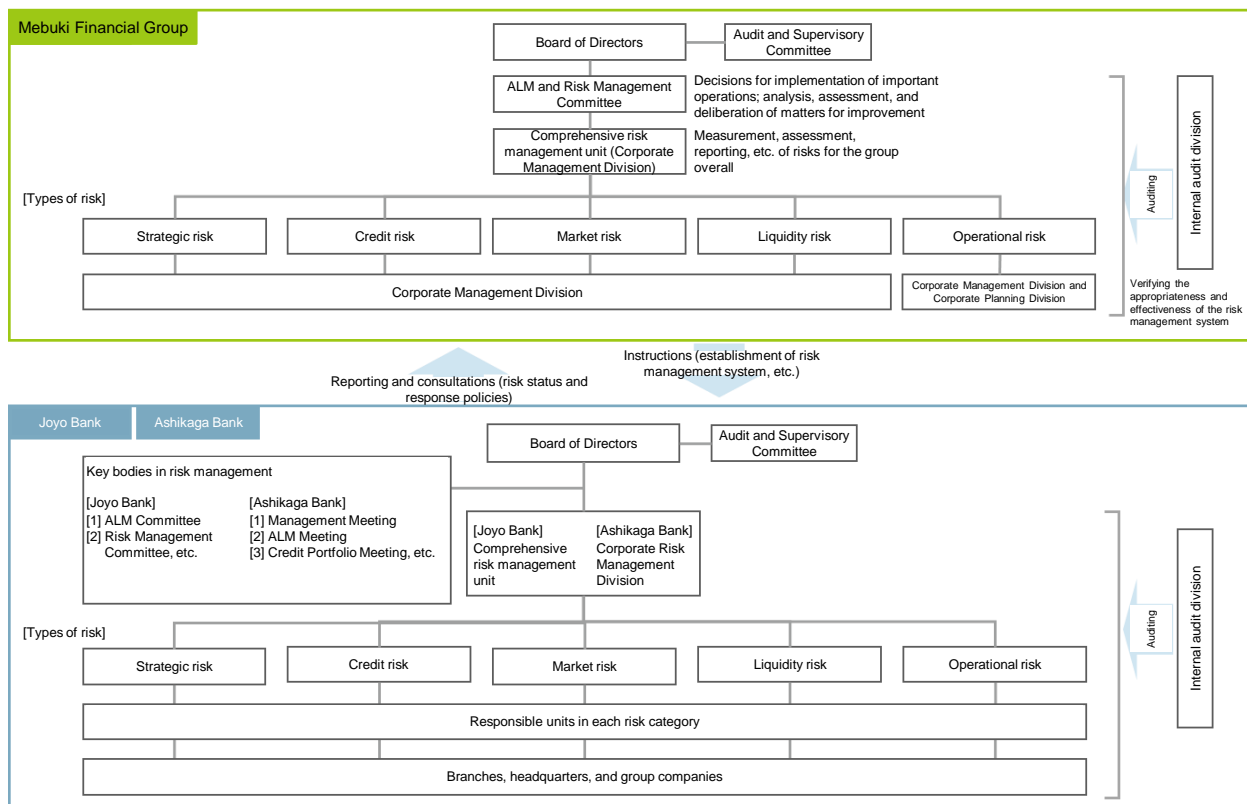
Risk assessments in each risk category of the new group will be analyzed from a comprehensive standpoint and compared against the group's consolidated capital in order to maintain a suitable capital adequacy ratio. The categories for risk measurement, assessment, and monitoring will be unified across the group, and standardization will also be pursued with regard to the risk measurement methods and parameters of subsidiary companies.

- **Credit risk management:**

The rating system developed by Joyo Bank under the FIRB approach will be introduced at Ashikaga Bank as well, and the group banks will implement credit risk management under a shared rating and self-assessment system. (The new system is to be implemented in the first half of FY 2017.)

- **Market risk management, liquidity risk management, and operational risk management:**

In the management of other types of risk as well, the expertise of both banks will be shared and utilized to develop a risk management framework that is suitable for the new group's equity capital.



### **III. Group performance targets**

# **1. Targets for Mebuki Financial Group**

**First Medium-Term Group Business Plan  
(Plan period: October 1, 2016 to March 31, 2019)**

# (1) Mebuki FG business objective indicators

## Preconditions for objectives

- In FY 2015, the impact of the consumption tax increase had mostly subsided, and company earnings were positive, and these factors seemed to signal an improved business climate. However, concerns about an economic slowdown in China and other developing countries, as well as a downturn in business confidence on the part of companies due to the strong yen and lower share prices after the start of the year, generally took the wind out of the economy's sails.
- In the future, an economic recovery in the domestic economy is anticipated over the medium to long term as a result of the effect of the negative interest rate policy introduced by the Bank of Japan in February 2016, as well as the demand for equipment investment in anticipation of the Tokyo Olympics and Paralympics in 2020. However, the risk of a downturn in the overseas business climate due to the decision by Great Britain to leave the EU and other factors, as well as declining consumer confidence and the possibility that the result of various policies may not meet expectations, means that there is still a risk that the domestic economy may be pushed downward.
- Based on this perception of the economic environment, a common economic scenario was established at both banks and used as the precondition for business planning.

## Mebuki FG business objective indicators

- The disappearance of gains on sales of stocks and bonds and the effect of negative interest rates will be covered by the incorporation of the synergistic effect, and consolidated net income are expected to be approximately 47 billion yen for FY 2018 and 64 billion yen for FY 2021.
- The consolidated ROE is expected to be 5% or more for each fiscal year. The target for FY 2021 is 6% or more.
- The consolidated capital adequacy ratio is expected to be in the mid-10% level. The target for FY 2021 is 10.5% or greater.
- The goal for OHR is appropriate control of the increase in investment expenses resulting from the merger, and the target for FY 2021 is the upper 50% level.

Business objective indicator	FY 2018	(Reference) FY 2021
Consolidated net income (as compared to FY 2015*)	Approximately 47 billion yen (- 6.5 billion yen)	Approximately 64 billion yen (+ 10.5 billion yen)
Consolidated ROE	5% or more	6% or more
Consolidated capital adequacy ratio	mid-10% level	10.5% or more
OHR (combined value for banks)	Approximately 60%	Upper 50% level

\* Comparison with FY 2015: Comparison with FY 2015 "Joyo Bank Ltd. + Ashikaga Holdings consolidated earnings"



## (2) Mebuki FG performance targets plan

[Mebuki FG consolidated ((1) + (2))]

(billion yen)

	Actual performance (Joyo Bank consolidated + Ashikaga Holdings consolidated)	Planned		FY 2021 - FY 2015
		First medium-term group business plan (latter FY 2016 - )	Reference: next period plan	
	FY 2015	FY 2018	FY 2021	
Consolidated net income	53.5	46.6	64.1	10.6
Consolidated ROE		5.1%	6.2%	
Consolidated capital adequacy ratio		10.4%	10.5%	

[Total for both banks / Profit and Loss Statement and  
major indicators]

(billion yen)

		Actual performance	Planned		FY 2021 - FY 2015
			First medium-term group business plan (latter FY 2016 - )	Reference: next period plan	
		FY 2015	FY 2018	FY 2021	
PL Total for both banks (non-consolidated)	Gross business profit	195.8	193.6	214.2	18.4
	Core gross business profit	187.4	192.0	211.6	24.3
	Net interest income	158.0	152.0	166.0	8.0
	Net fees and commissions	30.4	36.5	41.8	11.4
	Other / net trading income	-1.1	3.6	3.9	4.9
	Gains (losses) on bonds	8.4	1.6	2.6	-5.9
	Expenses	115.2	119.0	118.9	3.7
	Net business income	80.6	74.6	95.3	14.7
	(Core net business income)	72.0	73.1	92.7	20.7
	Credit-related costs	4.6	7.7	8.6	4.0
	Gains (losses) on stocks and other securities	7.2	1.0	2.0	-5.2
	Other	-0.7	-1.8	-0.2	0.5
	Ordinary profit	82.5	66.2	88.5	6.0
	Non-consolidated net income	58.6	45.7	61.1	2.5
	Consolidated net income(1) *	61.2	50.1	66.8	5.6
Guideline	OHR	58.9%	61.5%	55.5%	-3.3%
	Ratio of fees and commissions, etc. to gross business profit	15.0%	20.7%	21.3%	6.3%

[Combined non-consolidated BS of both banks at  
average balance]

(billion yen)

	Actual performance	Planned		FY 2021 - FY 2015
		First medium-term group business plan (latter FY 2016 - )	Reference: next period plan	
	FY 2015	FY 2018	FY 2021	
(After partial direct write-offs)				
Average balance of loans and bills discounted	9,981.3	11,113.9	12,486.7	2,505.4
( // local companies)	2,911.2	3,269.9	3,777.8	866.7
( // unsecured loans)	109.8	175.7	242.5	132.7
( // foreign currency and non-resident yen loans)	109.3	200.1	261.0	151.7
Yield	1.204%	1.061%	1.079%	-0.125%
Securities	3,712.3	3,709.1	3,703.2	-9.1
Yield	1.235%	1.271%	1.366%	0.131%
Total assets	15,011.7	15,925.4	16,986.7	1,975.0
Yield	1.126%	1.042%	1.095%	-0.031%
Deposits / NCD	13,281.3	14,058.2	15,049.6	1,768.3
Yield	0.036%	0.031%	0.042%	0.006%
Total debt / equity	15,011.7	15,925.4	16,986.7	1,975.0
Yield	0.074%	0.087%	0.118%	0.044%

Consolidated adjustment with Mebuki FG (2) *	-7.7	-3.6	-2.7
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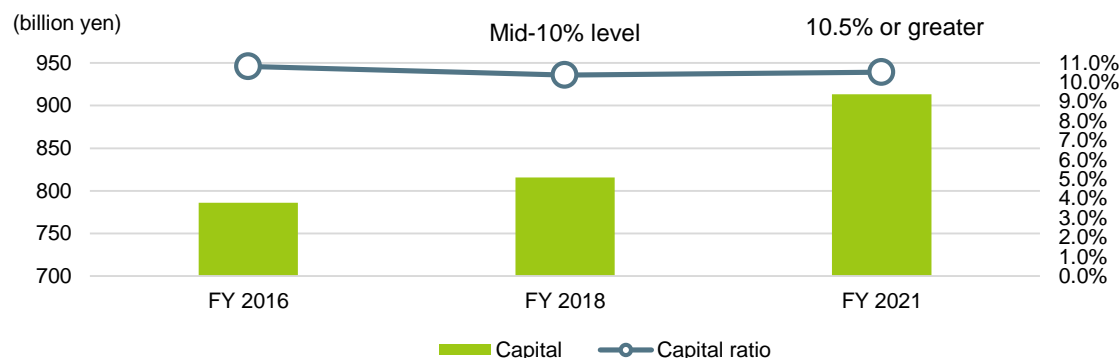
\* (1) Consolidated net income is noted as "Joyo Bank consolidated net income + Ashikaga Bank consolidated net income".

\* (2) Major enumerated items: negative goodwill for FY 2016 (estimate as of March 31, 2016), and FG interest cost, amortization of PPA etc. for other fiscal years.

### (3) Mebuki FG capital policy / dividend policy

#### Capital policy

- The capital adequacy ratio will be maintained at the mid-10% level. The target for FY 2021 will be 10.5% or greater.



#### Dividend policy

- Stable dividends will be provided based on a consideration of the need to ensure a balance between securing the capital for growth as a new group and returning profits to shareholders.
- The year-end dividend planned for FY 2016 will be 6.5 yen, a figure that includes a 1 yen commemorative dividend for the new group.

FY 2015		FY 2016	
Entity	Dividend policy	Interim dividend <sup>(Note)</sup>	Year-end dividend
Joyo Bank	12 yen per share + 1 yen commemorative dividend	Joyo Bank 6.00 yen	Mebuki Financial Group 6.50 yen
Ashikaga Holdings	9 yen per share + 1 yen commemorative dividend	Ashikaga Holdings 5.50 yen	(FY 2016 year-end dividend includes 1 yen commemorative dividend)

(Note) The interim dividend for FY 2016 will be provided separately to shareholders by Joyo Bank and Ashikaga Holdings at the end of September 2016.  
As a result of the share exchange, shareholders of Joyo Bank who held shares prior to September 30, 2016 will hold Mebuki FG shares that are equivalent to the number of Joyo Bank shares x 1.17. Converted based on the former Joyo Bank shares, this will be a dividend for 2016 equivalent to 13.6 yen per share (6 yen interim dividend + 6.5 yen year-end dividend x 1.17)

#### Shareholder special benefits

- In order to contribute to recovery and growth on the part of both customers and the region, local specialties and tourism will be provided as complimentary gifts. The goal of the new group will be to provide a return to shareholders through the stimulation of the local economy.

No. of shares held	Approximate monetary value of gift	Current no. of items *
1,000 shares - less than 5,000 shares	2,500 yen	123
5,000 shares - less than 10,000 shares	4,000 yen	95
10,000 shares or more	6,000 yen	98

\* Products by Ashikaga Bank business partners, primarily in Tochigi Prefecture, will be added as items.

## **2. Joyo Bank / Ashikaga Bank plan (including synergy)**



# (1) Overview of Joyo Bank medium-term business plan

[13th medium-term business plan - Planning period: October 1, 2016 - March 31, 2019]

## Goal

**“Best partner bank” that co-creates new value**

Create a brighter future and new value through various collaborations with the local community and share passion

## [Basic strategies]

### ◆ Work to improve corporate management

- Reconstruct revenue management structure
- Implement advanced risk management (symptom management)
- Ensure thorough understanding of the importance of compliance

### ◆ Conduct ongoing and enhanced training of personnel who can accommodate various customer needs, in order to increase sales capabilities and earnings potential

- Improve personnel capabilities and increase organizational capacity and earnings potential (foster professional groups, promote diversity and expand opportunities for activity, promote work-life balance, increase productivity)

### ◆ Use IT in branches and external sales services to build an efficient and effective business structure

### ◆ Provide seamless channels that can accommodate changes in customer behavior

- Make effective use of IT to perform a fundamental review of business processes in order to free up branch employee's time
- Improve consulting capabilities by devising new outside sales styles and using customer data analysis
- Offer non-face-to-face contracting customer services to improve customer convenience
- Create seamless channels by quickly and efficiently resolving common consultations through utilization of AI, robo-advisors etc., by making effective use of online branches, and by conducting promotions through social media
- Provide advanced customer behavior analysis (using Big Data) to foresee changing customer needs in advance

### ◆ Take collaborative capabilities to a new level

- Deploy mechanisms laterally to other regions in pursuit of the advantages of scale provided by operating in a larger area
- Achieve project implementation through a consortium that combines multiple functions in order to accommodate CCRC, DMO and other new frameworks
- Make effective use of tourist promotion, public properties and other local resources in order to accommodate the increased nonresident population
- Promote industrial development by expanding collaboration and developing evolved solutions to meet increasingly advanced company needs

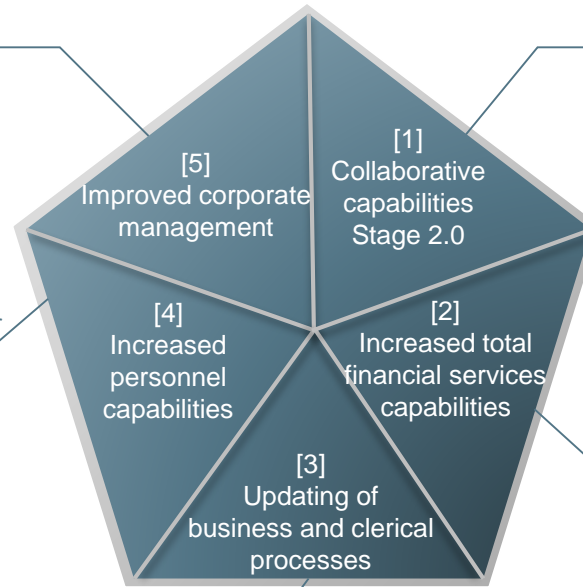
- ◆ Provide thorough customer-oriented consulting in order to expand the customer base and develop new business transactions
- ◆ Increase market investment capabilities as earnings capacity that will increase the ability to provide comprehensive financial services

#### [Corporate]

- Provide the consulting needed for growth and problem resolution, based on company characteristics and distribution channels
- Increase one-stop financial services such as leasing and securities
- Expand partnerships and partners in order to support overseas expansion

#### [Retail]

- Promote cross-selling and “deep cultivation” of transactions as a starting point for housing loan business
- Actively incorporate functions and services provided by outside entities
- Do fiduciary duty (thorough offering of investment opportunities in accordance with stage of life and customer attributes)



## (2) Joyo Bank performance targets

### Business objective indicators

- Revenue structure reform (increased ratio of fees and commissions) and lending structure reform (increased lendings to local companies and unsecured loans) will be promoted in order to increase the top line.
- Efforts will also be promoted to firmly establish the achievements of the cost reduction project pursued in the previous midterm plan, and to further reform the cost structure.
- Subsidiary earnings will be expanded through mutual use of lease functions and securities functions by Joyo Bank and Ashikaga Bank.

	FY 2018	(Reference) FY 2021
Core net business profit " comparison with FY 2015 (Net business profit)	Approximately 40 billion yen + approximately 4.5 billion yen (approximately 41 billion yen)	Approximately 49 billion yen + approximately 13.4 billion yen (51 billion yen or more)
Net income	Approximately 24 billion yen	32 billion yen or more
OHR	Approximately 60%	Approximately 57%
Capital adequacy ratio	Approximately 11%	Approximately 11%

(Below, consolidation assumes existing consolidated subsidiaries)

Consolidated net income	Approximately 28 billion yen	37 billion yen or more
Consolidated ROE	Secure mid 5% level through FY 2021	
Consolidated capital adequacy ratio	Mid 11% level	12% or more

### PL / major indicators

(billion yen)

	Actual performance	Planned		FY 2021 - FY 2015
		13th medium-term business plan (latter FY 2016 - )	Reference: next period plan	
	FY 2015	FY 2018	FY 2021	
Gross business profit	111.5	110.0	119.8	8.3
Core gross business profit	103.9	109.0	117.8	13.9
Net interest income	89.9	86.2	91.6	1.8
Loan-deposit difference (including foreign currency)	63.9	65.6	72.2	8.3
Securities, etc.	26.0	20.7	19.4	-6.5
Net fees and commissions	15.5	19.8	22.9	7.4
Other / net trading income	-1.5	2.9	3.2	4.7
Gains (losses) on bonds	7.6	1.0	2.0	-5.6
Expenses (▲)	68.2	68.9	68.7	0.5
Net business income	43.3	41.1	51.0	7.8
(Core net business income)	35.6	40.1	49.0	13.4
Credit-related costs (▲)	4.8	5.4	5.9	1.1
Gains (losses) on stocks and other securities	4.7	1.0	2.0	-2.7
Other	-0.5	-1.9	-0.3	0.2
Ordinary profit	42.7	34.8	46.8	4.1
Non-consolidated net income	27.8	24.0	32.2	4.4
Consolidated net income	31.0	27.8	37.1	6.0

### Combined non-consolidated BS at average balance

(billion yen)

	Actual performance	Planned		FY 2021 - FY 2015
		13th medium-term business plan (latter FY 2016 - )	Reference: next period plan	
	FY 2015	FY 2018	FY 2021	
Average balance of loans and bills discounted	5,808.3	6,583.9	7,295.7	1,487.4
( " local companies)	1,475.6	1,650.9	1,918.3	442.8
( " unsecured loans)	69.4	98.1	127.1	57.7
( " foreign currency and non-resident yen loans)	100.0	180.0	228.0	128.0
Yield	1.144%	1.032%	1.046%	-0.098%
Securities	2,564.2	2,347.3	2,174.5	-389.7
Yield	1.128%	1.124%	1.163%	0.035%
Total assets	8,970.7	9,540.7	10,030.8	1,060.1
Yield	1.087%	0.995%	1.019%	-0.068%
Deposits / NCD	7,877.7	8,420.0	9,065.0	1,187.3
Yield	0.032%	0.028%	0.046%	0.014%
Total debt / equity	8,970.7	9,540.7	10,030.8	1,060.1
Yield	0.085%	0.091%	0.106%	0.020%

### (3) Overview of Ashikaga Bank medium-term business plan

[Medium-term business plan “Ashigin Way” Planning period: April 1, 2016 - March 31, 2019]

Goal

**Strengthen core capabilities and use the benefits of business integration to contribute to regional revitalization**

A bank whose core strength is to be the main bank in the region, one that grows together with the region.

#### [Basic strategies]

##### ◆ Concentrated investment to build competitive advantage

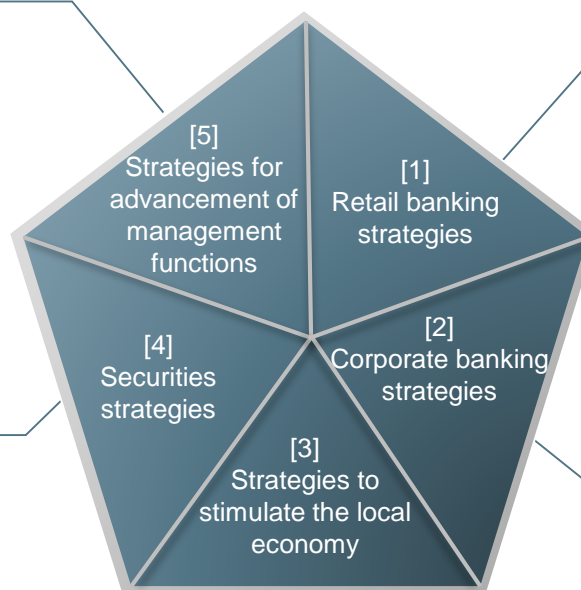
- Improve personnel capabilities (train consulting personnel and management personnel, improve the basic capabilities of young employees, stimulate the organization)
- Improve productivity (build an even lower-cost clerical organization, improve the productivity of sales departments)
- Improve branch and channel functions (promote the creation of omni-channels in order to improve contact with customers)
- Advanced marketing (provide appropriate products and services that accommodate needs and important life events)
- Advanced revenue management (maximization of revenue through advancement of profit margin management)
- Advanced credit management (prevention of default events)

##### ◆ Expansion of securities portfolio through appropriate risk-taking

- Investment strategies (build portfolios that are less affected by market fluctuations, ensure stable revenues by accumulating securities, improve investigation and analysis capabilities through integration in order to expand into new investment categories)
- Procurement strategies (diversification of foreign currency procurement through currency basis swaps, etc.)

##### ◆ Stimulation of the local economy through efforts to nurture local core businesses and increase the number of workplaces in the region, in order to grow together with the region

- Nurture local core businesses based on viability assessment (support for company founding and second stage of development, support for sales channel expansion, support for business succession and M&A, support for corporate revitalization, support for nurturing of growth industries, support for globalization)
- “Regional revitalization” in cooperation with local governments in the region (invitation of companies, discouraging companies from moving out of the region, sixth-order industrialization support, support for stimulation of tourist spots, setting up of regional revitalization funds)
- Involvement in social capital development (support for setting up of PFI for companies in the prefecture, meeting of investment needs for redevelopment)



##### ◆ Relationship-based approach: Increased asset management sales to wealthy and quasi-wealthy customers centering on senior citizens, and building of inheritance business

- Advanced consulting through private banking group
- Evolution of asset management sales, one of the bank's strengths (increased transactions with senior citizens, increased client assets through proposals for diversified investment, increased insurance consulting sales, use of group securities companies)
- Active deployment of asset management sales (one of the bank's strengths) in the Saitama area

##### ◆ Function-based approach: Increased transactions through pursuit of “accessibility” and “convenience”

- Efficient promotion through Internet transactions, EBM and other mechanisms and proposals
- Increased unsecured loans (pursuit of customer convenience and expanded product line)

##### ◆ Relationship-based approach : Assist client core business and business succession based on viability assessment, and increase fee business through consulting

- Properly assess customer project details and growth potential, support business succession and M&A, conduct business matching, use leasing companies in the group, provide support for overseas deployment, offer guidance on improving finances and so on, in order to achieve local company growth

##### ◆ Function-based approach : Efficient sales promotion to SMEs

- Invest in specialized products for SMEs (especially smaller ones)
- Increase efficiency of external sales activities

\* Retail banking strategies and corporate banking strategies are formulated from the standpoint of the relationship-based approach and the function-based approach.

Relationship-based approach : Consulting and viability assessment  
Function-based approach : Pursuit of accessibility and convenience

## (4) Ashikaga Bank performance targets

### Business objective indicators

- Assist client core business and improve management based on viability assessment, strengthen efforts in growth fields, provide advanced consulting and achieve synergies to increase the top line.
- Expand the securities investment portfolio through appropriate risk-taking in order to build stable and sustainable earnings capabilities.
- Meet client needs through the use of lease functions and securities functions.

	FY 2018	(Reference) FY 2021
Core net business profit " comparison with FY 2015 (Net business profit)	Approximately 33 billion yen - approximately 3.5 billion yen (approximately 33.5 billion yen)	Approximately 43.5 billion yen + approximately 7 billion yen (approximately 44 billion yen)
Net income	Approximately 22 billion yen	Approximately 29 billion yen
OHR	Approximately 60%	Approximately 55%
Capital adequacy ratio	8% or more	Mid 8% level
(Below, consolidation assumes existing consolidated subsidiaries)		
Consolidated net income	Approximately 22.5 billion yen	29.5 billion yen or more
Consolidated ROE	Mid 6% level	Mid 7% level
Consolidated capital adequacy ratio	Mid 8% level	Approximately 9%

### PL / major indicators

(billion yen)

	Actual performance	Planned		FY 2021 - FY 2015
		"Ashigin Way"	Reference: next period plan	
	FY 2015	FY 2018	FY 2021	
Gross business profit	84.3	83.6	94.4	10.1
Core gross business profit	83.5	83.0	93.9	10.4
Net interest income	68.1	65.8	74.4	6.3
Loan-deposit difference (including foreign currency)	51.4	47.9	56.1	4.7
Securities, etc.	16.7	17.8	18.3	1.6
Net fees and commissions	14.9	16.6	18.9	4.0
Other / net trading income	0.4	0.6	0.6	0.2
Gains (losses) on bonds	0.8	0.6	0.6	-0.2
Expenses (▲)	47.0	50.1	50.2	3.2
Net business income	37.3	33.5	44.3	7.0
(Core net business income)	36.4	32.9	43.7	7.3
Credit-related costs (▲)	-0.2	2.3	2.7	2.9
Gains (losses) on stocks and other securities	2.5	0.0	0.0	-2.5
Other	-0.2	0.1	0.1	0.3
Ordinary profit	39.8	31.4	41.7	1.9
Non-consolidated net income	30.8	21.7	28.9	-1.9
Consolidated net income	30.1	22.3	29.7	-0.4

### Combined non-consolidated BS at average balance

(billion yen)

	Actual performance	Planned		FY 2021 - FY 2015
		"Ashigin Way"	Reference: next period plan	
	FY 2015	FY 2018	FY 2021	
Average balance of loans and bills discounted	4,173.0	4,530.1	5,191.0	1,018.0
( " local companies)	1,435.6	1,619.1	1,859.5	423.9
( " unsecured loans)	40.4	77.6	115.5	75.1
( " foreign currency and non-resident yen loans)	9.3	20.1	33.0	23.7
Yield	1.287%	1.103%	1.124%	-0.163%
Securities	1,148.1	1,361.7	1,528.7	380.6
Yield	1.474%	1.526%	1.655%	0.181%
Total assets	6,041.0	6,384.7	6,955.9	914.9
Yield	1.185%	1.111%	1.206%	0.021%
Deposits / NCD	5,403.6	5,638.2	5,984.6	581.0
Yield	0.042%	0.036%	0.037%	-0.005%
Total debt / equity	6,041.0	6,384.7	6,955.9	914.9
Yield	0.057%	0.081%	0.136%	0.079%

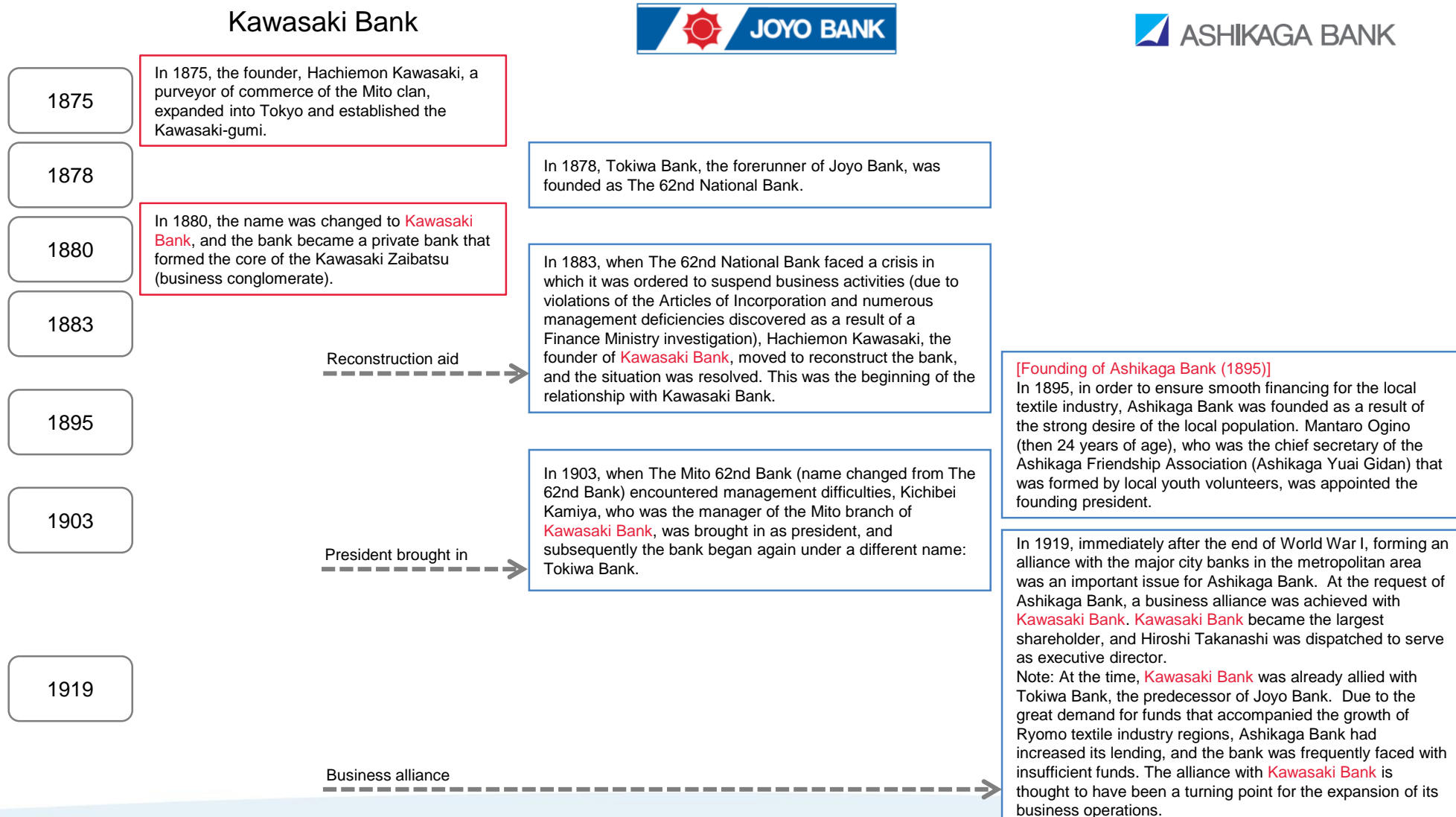




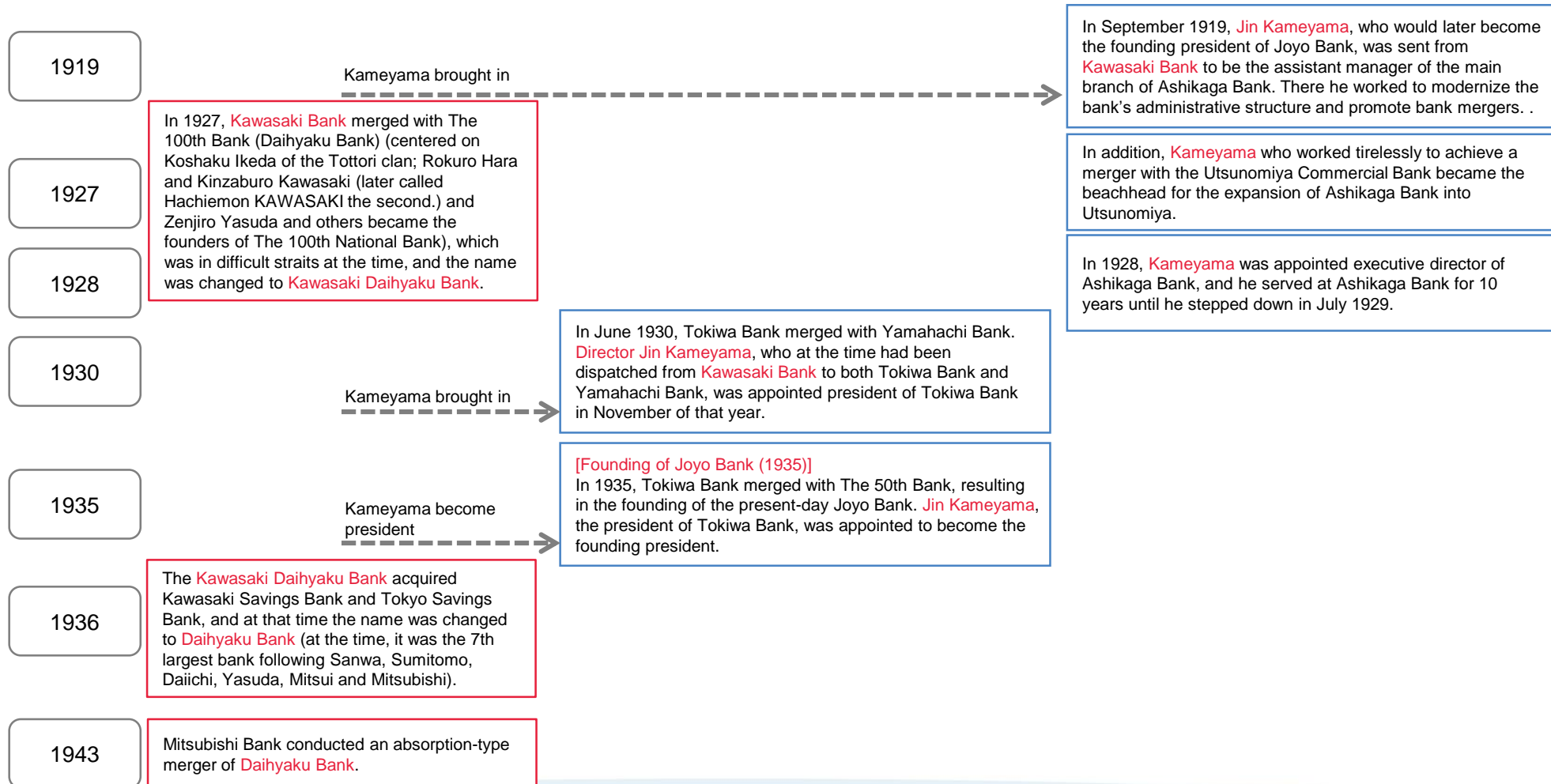
# **Reference: Relationship between Joyo Bank and Ashikaga Bank**

# Reference: Relationship between Joyo Bank and Ashikaga Bank

Since their founding, both banks have had deep ties with one another through Kawasaki Bank and Jin Kameyama (who came from Kawasaki Bank).



## Kawasaki Bank



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**[Note]**

This reference has been prepared for informational purposes only. It is not intended to solicit the purchase of specific negotiable securities and so on.

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