

Mebuki Financial Group, Inc.

# Financial Results for FY2018 (IR Presentation Material)



# Contents

<u>Highlights</u>	2	<u>2. Forecast for FY19 etc.</u>	
<u>1. Financial Results for FY18</u>		Forecast for FY19	20-22
Main Points of FY18 Financial Results	3	Shareholder Return / Capital Adequacy Ratio	23
Change of Core Net Business Income	4	Business measures	24-28
Core Gross Business Profit	5	<u>3. Second Medium-Term Business Plan</u>	
Expenses / OHR	6	1. Summary of Second Medium-Term Group Business Plan	29
Loans and Deposits (Avg. Yield) / Securities Margin	7	(1) Results of First Medium-Term Group Business Plan • Challenges • External Environment	30
Loans	8-11	(2) Summary of Second Medium-Term Group Business Plan	31
Deposits	12	(3) Change of Income during the 2nd Medium-Term Group Business Plan	32
Customer Assets under Custody	13	2. Basic Strategies	33
Fees from Corporate Customers	14	Basic strategy (1) (2) (3)	34-40
Securities	15-16	3. Group Performance Objectives	41
Credit Related Costs / Non-performing Loans	17	Management Objectives	42-43
Group Companies	18	4. Management Philosophy and Value Creation Process	44-46
Integration Synergy	19		

# Highlights

## Results for FY18

---

Consolidated Income exceeded the financial results of FY17 and forecast for FY18. Core net business income of banking subsidiaries, excluding gains on cancellation of private offering investment trusts, increased by net fees and commissions and interest on loans.

➤ Consolidated Income<sup>(\*1)</sup> : ¥46.3bn(+¥3.2bn YoY) (+¥1.3bn from forecast)

(\*1) Attributable to owners of the parent

## Forecast for FY19

---

Forecast FY19 profits will decrease mainly due to decrease of margins and gains on sales of securities and due to increase of system integration expenses.

➤ Consolidated Income<sup>(\*1)</sup> : ¥40.0bn(-¥6.3bn YoY)

(\*1) Attributable to owners of the parent

## Shareholder Returns for FY19

---

➤ Annual Dividends : ¥11.0 per share (unchanged from the previous fiscal year)

➤ Return Policy : The target of Total Return Ratio<sup>(\*2)</sup> from FY19 is 30% or more.

We will continue to consider the dividend.

(\*2) Total Return Ratio = (Total amount of dividends + Total amount of acquisition of own shares) / Net income<sup>(\*1)</sup>

# Main Points of FY18 Financial Results

## Mebuki FG (Consolidated)

(¥bn)

	FY18	YoY	VS Full-year Forecast
Ordinary profit	69.5	+6.0	106.9%
Net income attributable to owners of the parent	(1) 46.3	+3.2	102.9%

### Consolidation adjustment

(2)-(1) -¥17.5bn

Dividends receivable from affiliated companies of Ashikaga bank (-¥12.0bn)  
Adjustments related to securities(-¥4.9bn)  
Interest expenses of subordinated loans, expenses, etc.

## Two banking subsidiaries and group companies

	FY18	YOY	VS Full-year Forecast
Net income	(2) 63.9	+12.5	103.0%

Net Income of group companies other than banking subsidiaries  
¥3.8bn

## Joyo and Ashikaga (Non-consolidated)

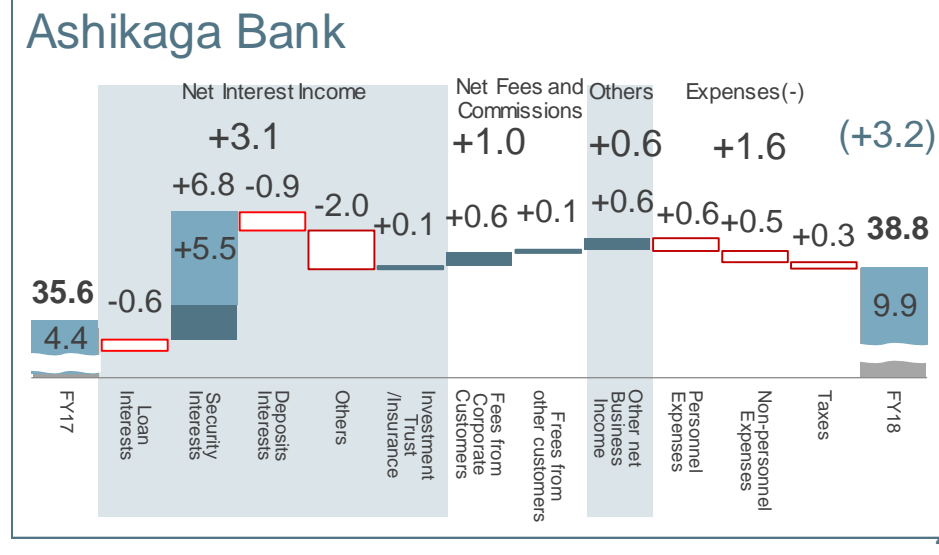
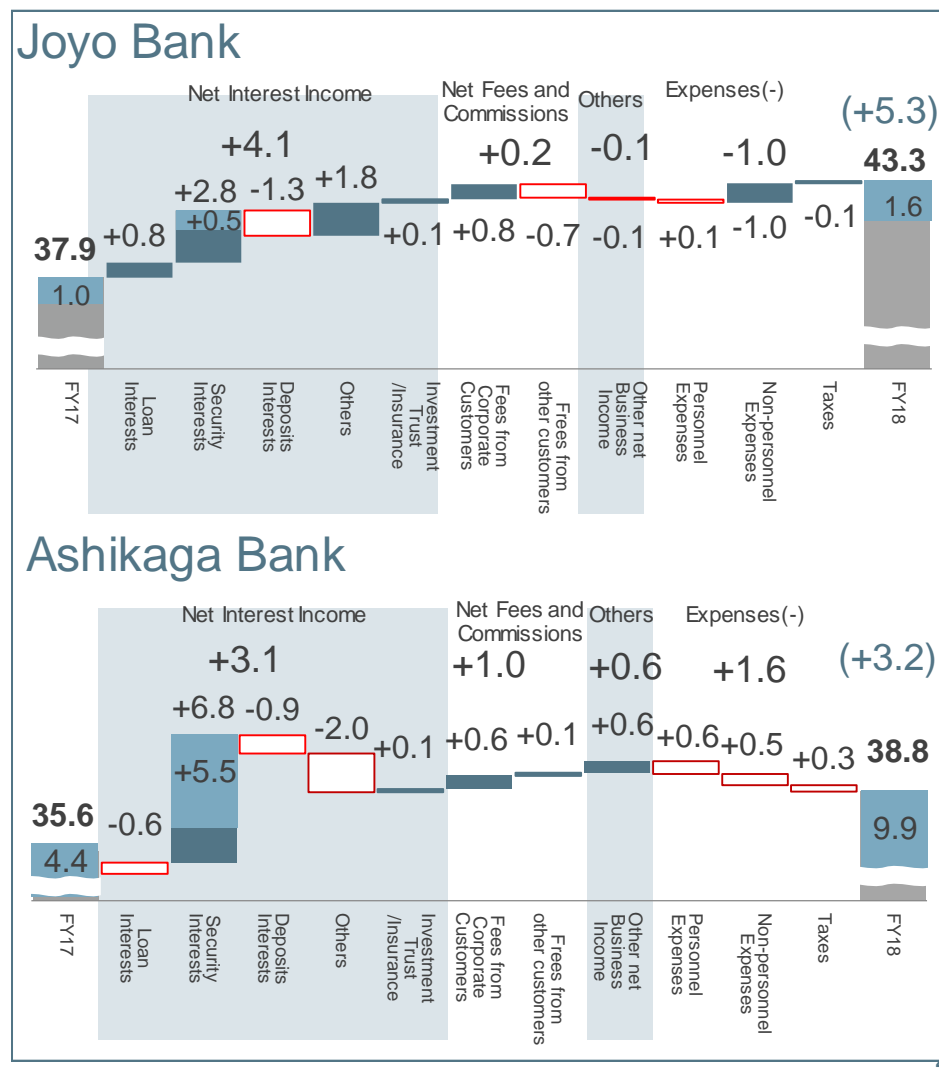
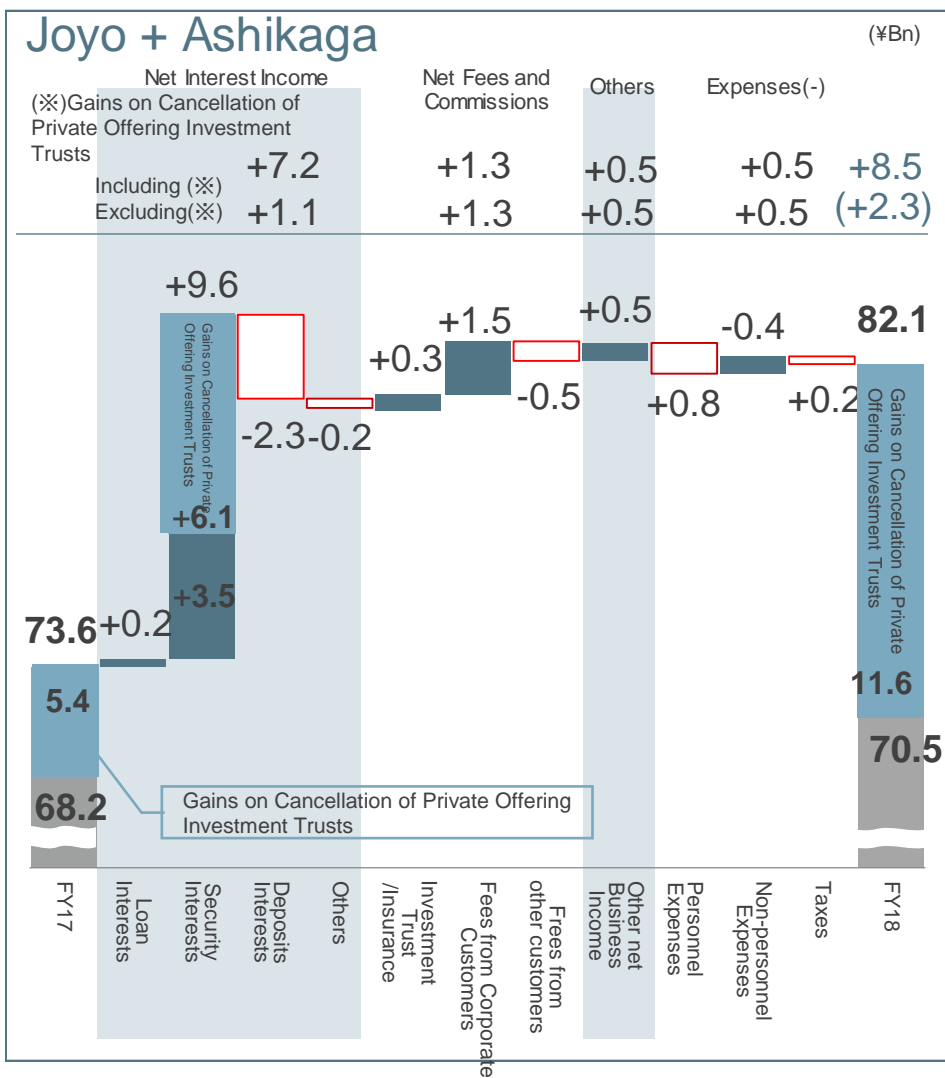
(¥bn)

	J+A		FY18		Ashikaga		vs. Forecast		
	Result	YoY Chg	Result	YoY Chg	Result	YoY Chg	J+A	Joyo	Ashikaga
Gross business profit	185.6	+4.8	101.2	+0.7	84.3	+4.0	102.8%	100.7%	105.4%
(Net Gross business profit)	196.3	+9.1	108.6	+4.2	87.7	+4.8	107.0%	104.9%	109.6%
Net interest income	161.0	+7.2	89.9	+4.1	71.1	+3.1	107.7%	106.4%	109.3%
Net fees and commissions	32.1	+1.3	17.2	+0.2	14.9	+1.0	102.0%	98.3%	106.7%
Net other business income and Net trading income	-7.5	-3.7	-5.8	-3.6	-1.6	-0.1	-	-	-
(o/w gains/losses on bond transactions)	-10.7	-4.2	-7.3	-3.4	-3.3	-0.7	-	-	-
Expenses	114.1	+0.5	65.3	-1.0	48.8	+1.6	99.2%	99.0%	99.6%
o/w Personnel expenses	60.6	+0.8	33.8	+0.1	26.8	+0.6	-	-	-
o/w Non-personnel expenses	46.1	-0.4	27.7	-1.0	18.4	+0.5	-	-	-
Net business income (before general allowance for loan losses)	71.4	+4.2	35.9	+1.8	35.5	+2.4	109.0%	104.1%	114.5%
Core net business income	82.1	+8.5	43.3	+5.3	38.8	+3.2	119.9%	115.5%	125.3%
Net transfer to general allowance for loan losses (a)	-5.2	-3.7	-1.1	-0.8	-4.1	-2.9	-	-	-
<b>Net business income</b>	<b>76.6</b>	<b>+8.0</b>	<b>37.0</b>	<b>+2.6</b>	<b>39.6</b>	<b>+5.4</b>	<b>115.2%</b>	<b>104.3%</b>	<b>127.7%</b>
Net non-recurrent gains/losses	-4.7	-4.3	6.1	+3.6	-10.9	-8.0	-	-	-
o/w Disposal of non-performing loans (b)	14.5	+5.1	5.3	+0.1	9.1	+4.9	-	-	-
o/w Gains/losses related to stocks, etc.	10.7	+0.2	12.4	+2.9	-1.7	-2.7	-	-	-
<b>Ordinary profit</b>	<b>71.8</b>	<b>+3.6</b>	<b>43.2</b>	<b>+6.2</b>	<b>28.6</b>	<b>-2.6</b>	<b>108.8%</b>	<b>112.2%</b>	<b>104.2%</b>
Extraordinary income/losses	8.6	+9.7 (*1)	-2.5	-2.0	11.1	+11.7	-	-	-
Income taxes	20.4	+0.2	11.9	+1.0	8.5	-0.7	-	-	-
<b>Net income</b>	<b>60.0</b>	<b>+13.1</b>	<b>28.7</b>	<b>+3.2</b>	<b>31.2</b>	<b>+9.9</b>	<b>104.3%</b>	<b>108.4%</b>	<b>100.9%</b>
Credit related costs (a)+(b)	9.3	+1.3	4.2	-0.6	5.0	+1.9	186.2%	143.0%	250.9%

(\*1) Dividends receivable from affiliated companies of Ashikaga bank, Impairment loss of branches (total) etc.

# Change of Core Net Business Income

Core net business income on a simple-sum basis of the two banking subsidiaries, excluding gains on cancellation of private offering investment trusts, increased by ¥2.3bn YoY, mainly due to increase of net fee and commissions from corporate customers and loan interest.



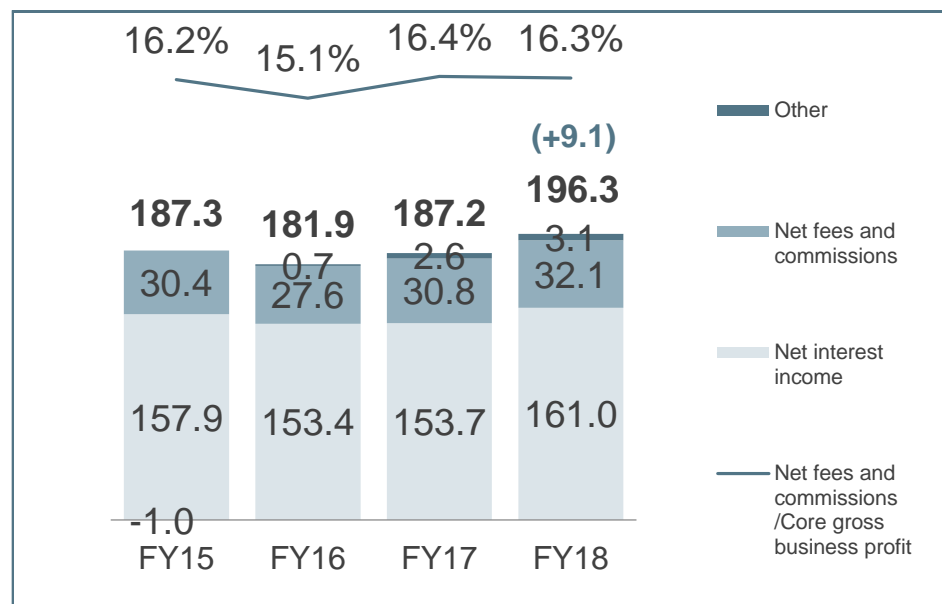
# Core Gross Business Profit

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

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

Core gross business income on a simple-sum basis of the two banking subsidiaries increased by ¥9.1bn YoY (¥2.9bn excluding gains on cancellation of private offering investment trusts), mainly due to increase of net fee and commissions and net interest income from securities.

## Core Gross Business Profit (Joyo+Ashikaga) (¥bn)



Reference | Gains on Cancellation of Private Offering Investment Trusts among Interests and Dividends on Securities (¥bn)

	FY16	FY17	FY18	YoY Chg
Joyo	1.7	1.0	1.6	+0.6
Ashikaga	3.6	4.4	9.9	+5.5
J + A	5.4	5.4	11.6	+6.1

## Change of Interest Income

### Joyo

	Factor	YoY Chg	Domestic (Chg. in Nil)		Overseas (Chg. in Nil)	
			Chg. in Factors		Chg. in Factors	
Interest on loans and bills discounted	Avg	+1.8	+1.4	(+¥142.3bn)	+0.3	(+¥16.0bn)
	Yield	-0.9	-2.2	(-3.7bp)	+1.2	(+94.0bp)
Interest on deposits (-)		+1.3	-0.1	-	+1.5	-
Interest and dividend on securities	Avg	+1.9	+1.9	(+¥199.4bn)	-0.0	(-¥1.8bn)
	Yield	+0.9	+1.0	(+4.7bp)	-0.1	(-2.4bp)
Market investments and borrowings (-)		-1.8	-0.6	-	-1.2	-
Total		+4.1	+2.9		+1.1	

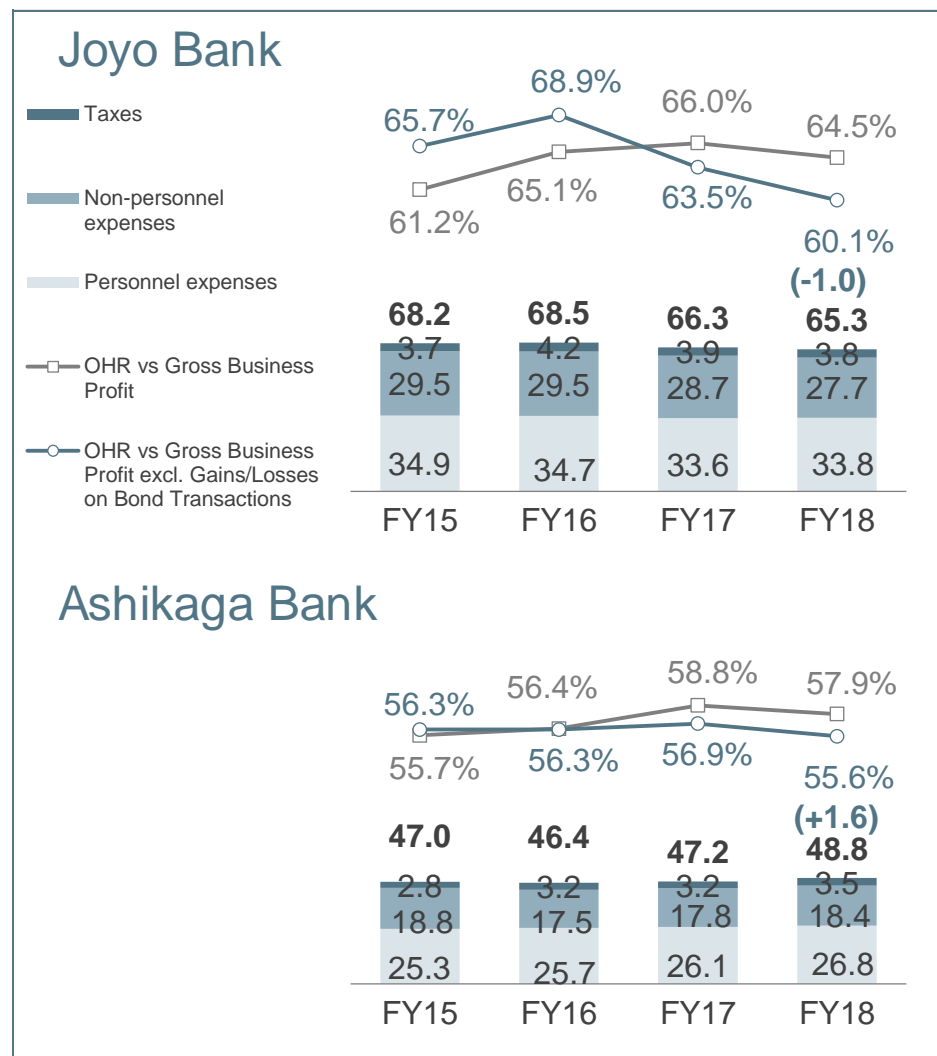
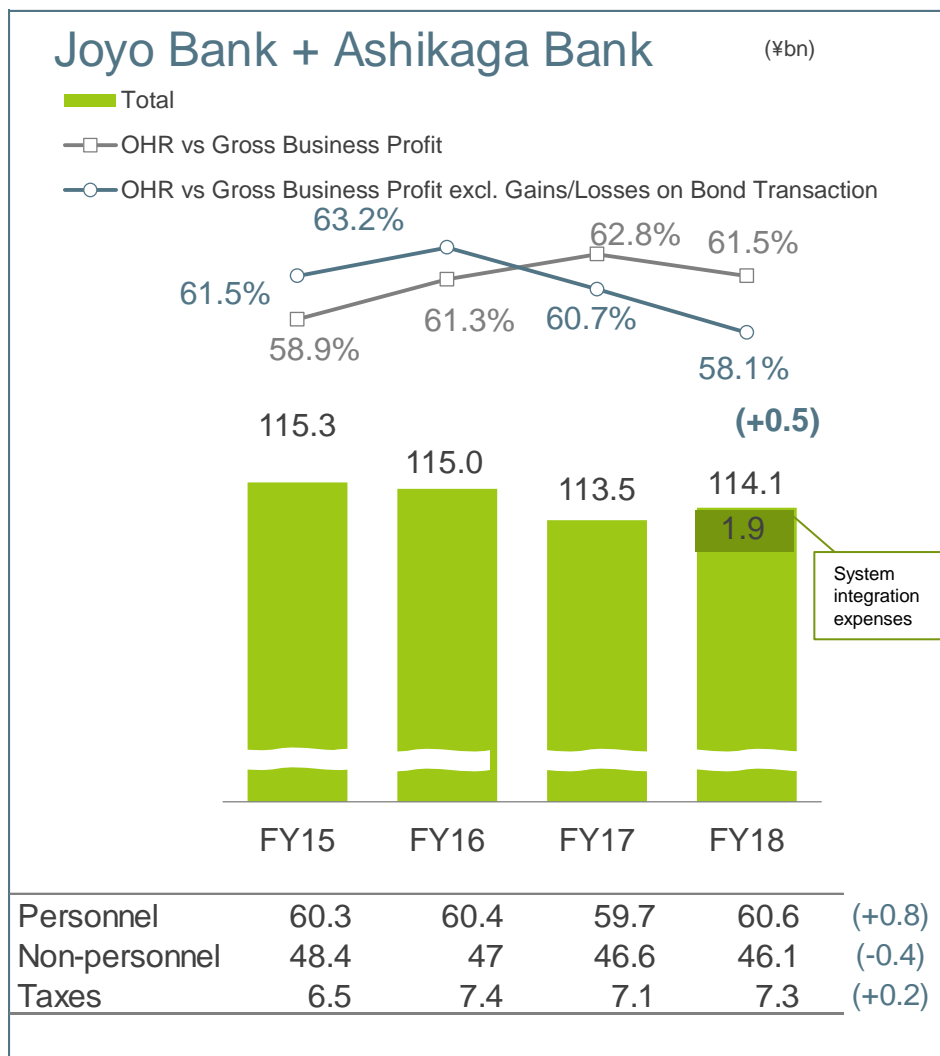
### Ashikaga

	Factor	YoY Chg.	Domestic (Chg. in Nil)		Overseas (Chg. in Nil)	
			Chg. in Factors		Chg. in Factors	
Interest on loans and bills discounted	Avg	+1.9	+1.8	(+¥169.5bn)	+0.1	(+¥4.5bn)
	Yield	-2.5	-2.6	(-6.2bp)	+0.1	(+84.9bp)
Interest on deposits (-)		+0.9	-0.1	-	+1.1	-
Interest and dividend on securities	Avg	-0.4	-1.6	(-¥83.1bn)	+1.2	(+¥43.9bn)
	Yield	+7.2	+6.3	(+56.2bp)	+0.8	(+37.1bp)
Market investments and borrowings (-)		+2.0	-0.0	-	+2.1	-
Total		+3.1	+4.0		-0.8	

# Expenses / OHR

Expenses on a simple-sum basis of the two banking subsidiaries increased by ¥0.5bn YoY, mainly due to increase of system integration expenses.

However, OHR improved due to increase of core gross business income, and fell to 58.1% on core gross business income basis.

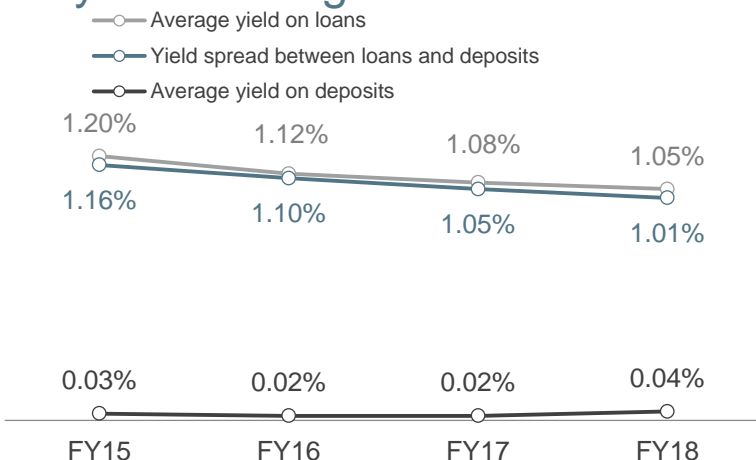


# Loans and Deposits (Avg. Yield) / Securities Margin

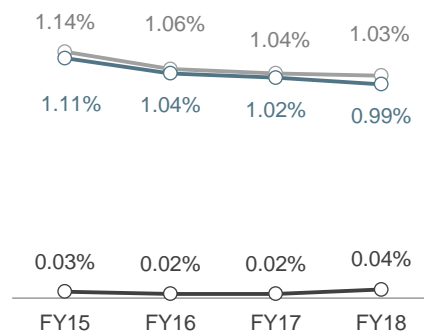
e changes on a year on year basis

## Average Yield on Loan and Deposits (Domestic and International)

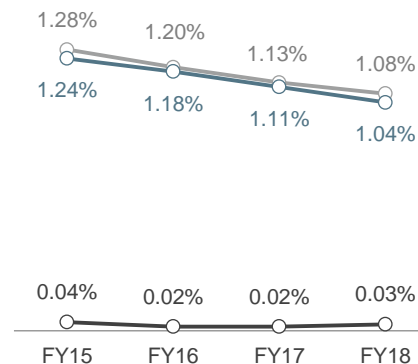
### Joyo + Ashikaga



### Joyo Bank

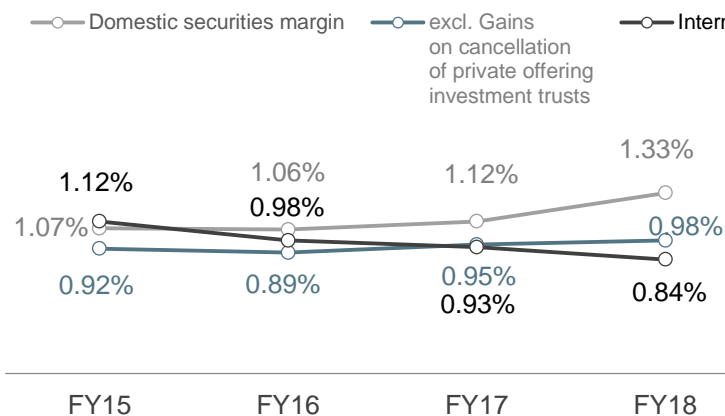


### Ashikaga Bank

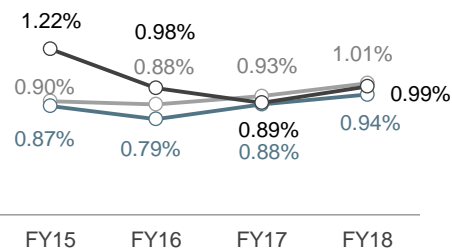


## Securities Margin\* (Domestic and International)

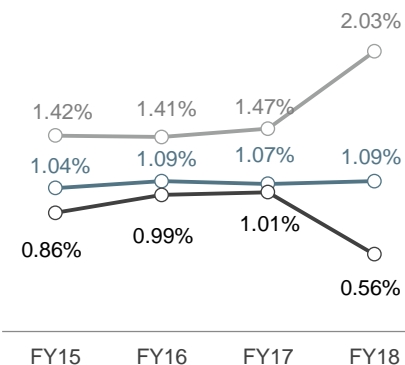
### Joyo + Ashikaga



### Joyo Bank



### Ashikaga Bank



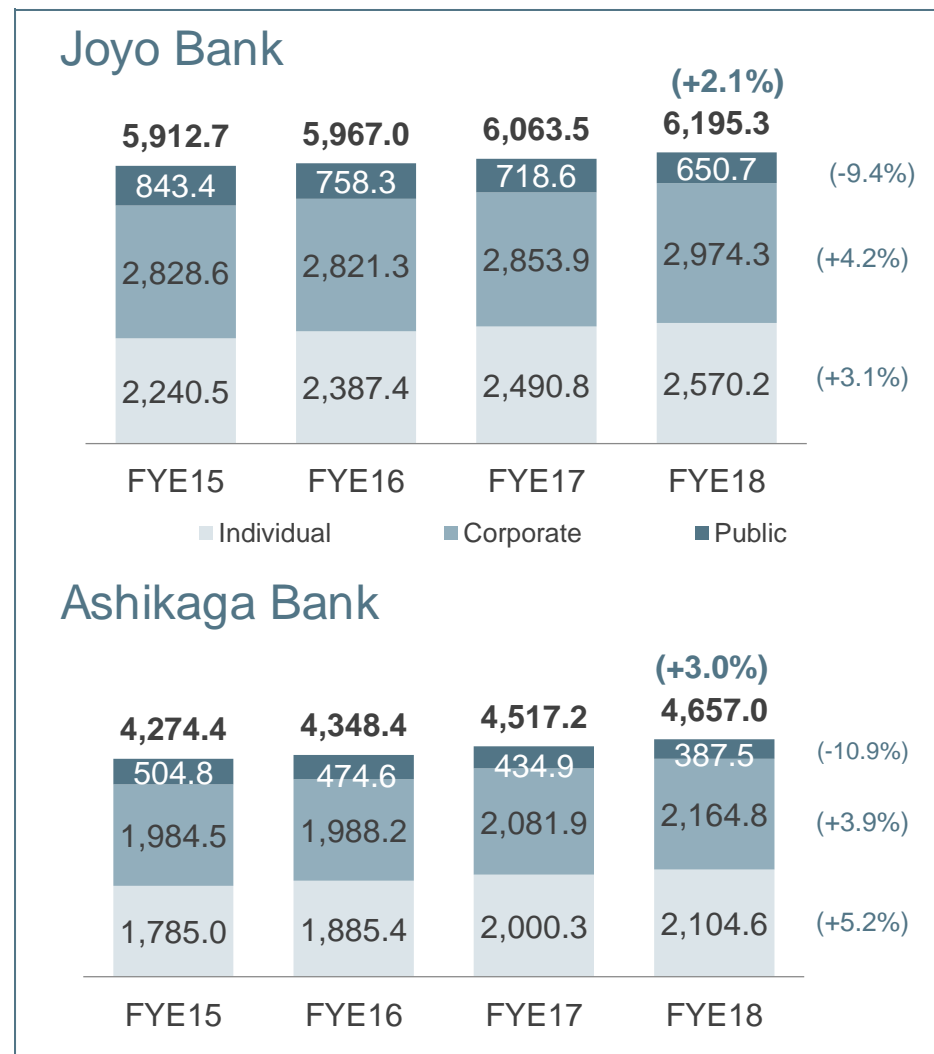
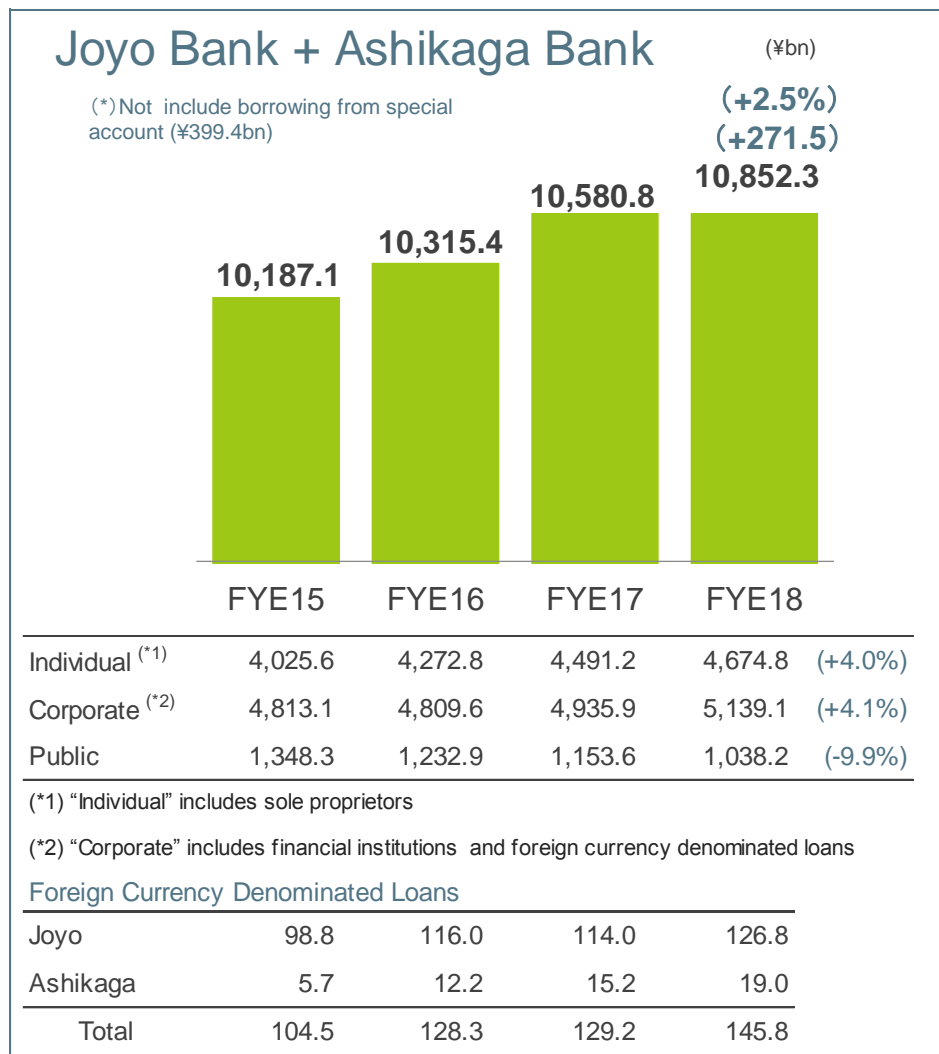
\*Securities Margin=(Securities income-Securities funding costs)/Avg. securities



# Loans (1) Term-end Balance

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

The term-end balance of loans for corporate and individual customers shows an annual rate of growth of 4.0%.  
The annual rate of total balance stays 2.5% due to decrease in loans to the public sector.



# Loans (2) Individual Housing Related / Unsecured

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

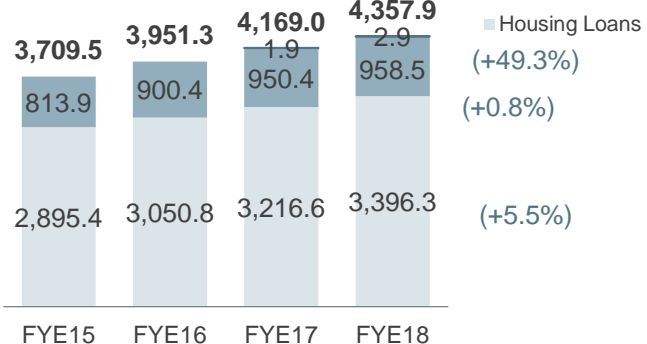
## Housing Related Loans Term-end Balance

(¥bn)

### Joyo + Ashikaga

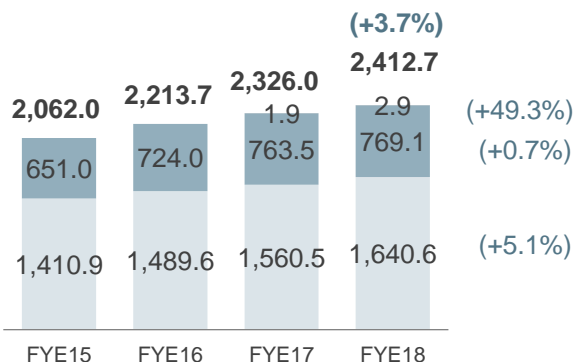
(+4.5%)  
(+188.9)

- Asset building loans (\*)
- Apartment Loans
- Housing Loans



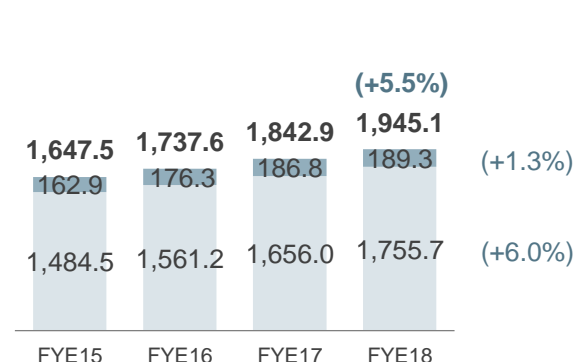
(+49.3%)  
(+0.8%)  
(+5.5%)

### Joyo Bank



(+49.3%)  
(+0.7%)  
(+5.1%)

### Ashikaga Bank



(+1.3%)  
(+6.0%)  
(+5.5%)

(\*) Asset Building Loans: A product intended for individuals (w age earners/ self-employed) w ith a certain amount of income, and designed to meet asset building needs from rent acquired mainly for condominiums in the Tokyo metropolitan area (offered by Jojo only)

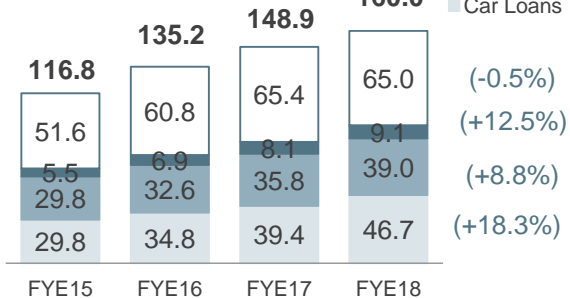
## Unsecured Loans Term-end Balance

(¥bn)

### Joyo + Ashikaga

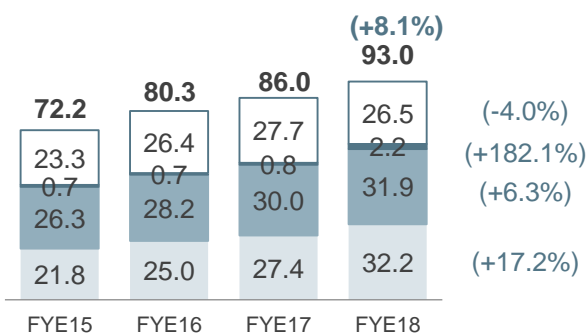
(+7.4%)  
(+11.1)

- Card Loans
- Free Loans
- Educational Loans
- Car Loans



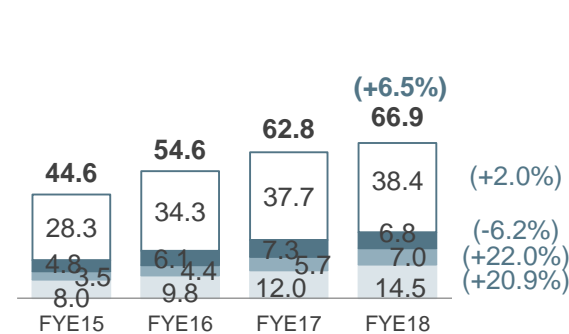
(-0.5%)  
(+12.5%)  
(+8.8%)  
(+18.3%)

### Joyo



(-4.0%)  
(+182.1%)  
(+6.3%)  
(+17.2%)

### Ashikaga



(+2.0%)  
(-6.2%)  
(+22.0%)  
(+20.9%)

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

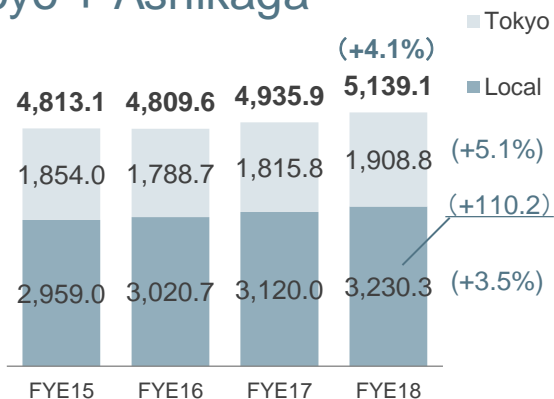
# Loans (3) Corporate by Area / Company Size

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

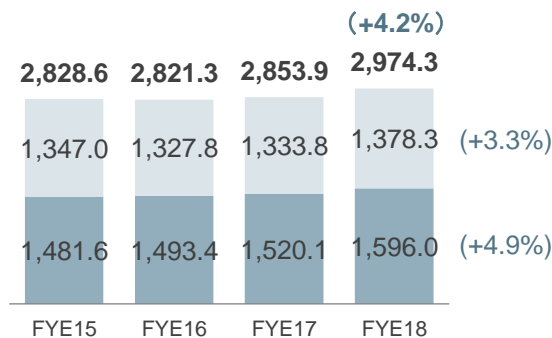
## Term-end Balance by Area

(¥bn)

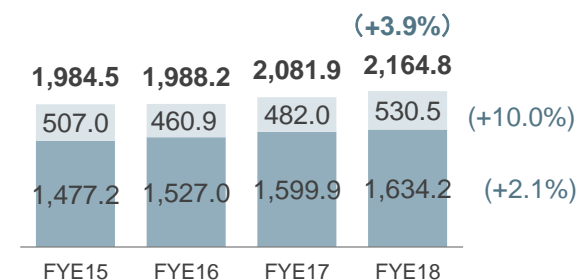
### Joyo + Ashikaga (\*)



### Joyo



### Ashikaga (\*)

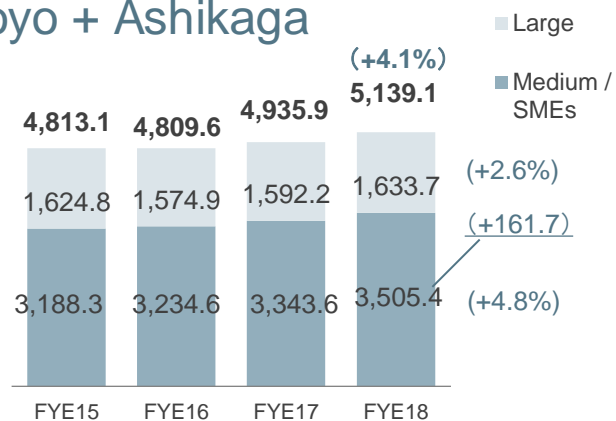


(\*) Ratio of changes (Tokyo/ local) excluding effect of ¥23bn transfer of local to Tokyo in FY18 is 4.2% / 3.8% for Joyo+Ashikaga and 3.8%/5.3% for Ashikaga.

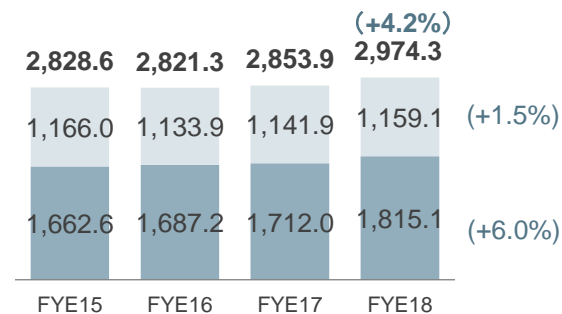
## Term-end Balance by Company Size

(¥bn)

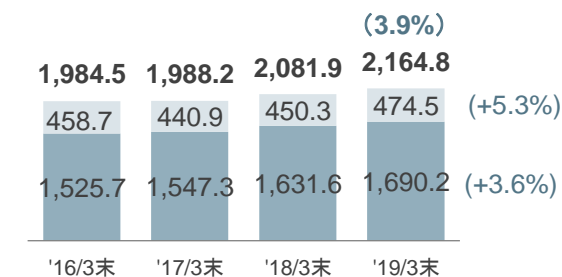
### Joyo + Ashikaga



### Joyo



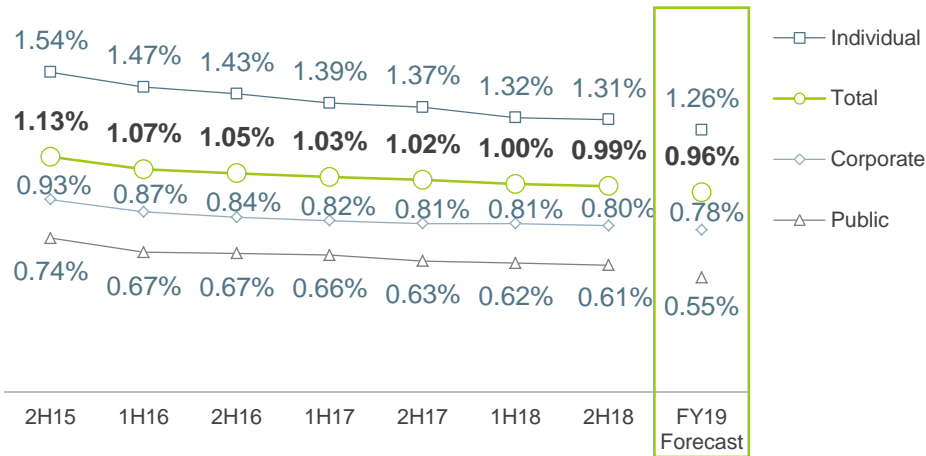
### Ashikaga



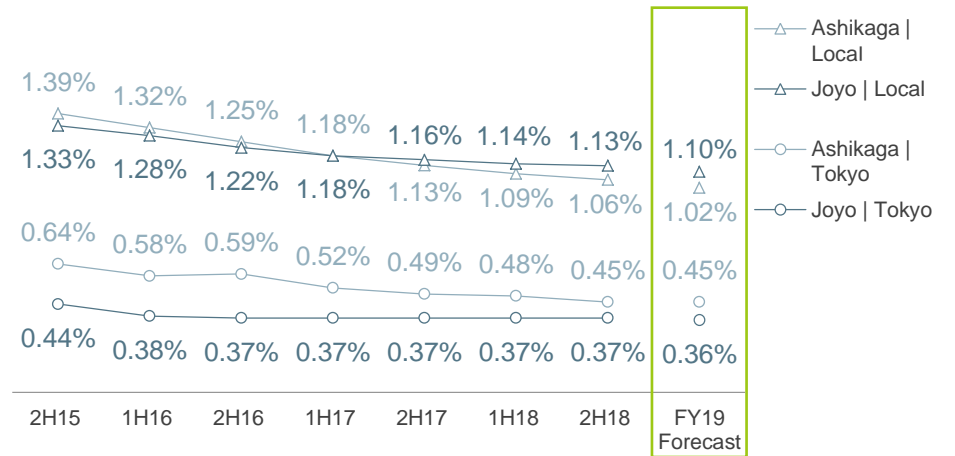
# Loans (4) Average Yield

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

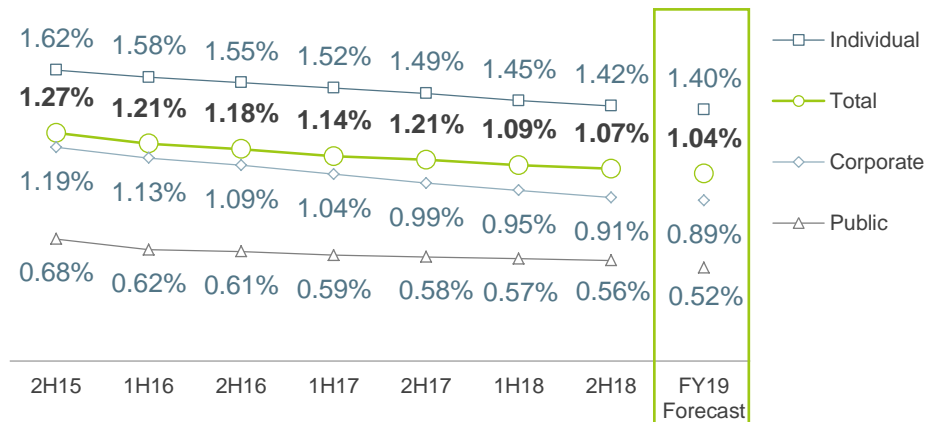
## By Borrower Type (Domestic) Joyo



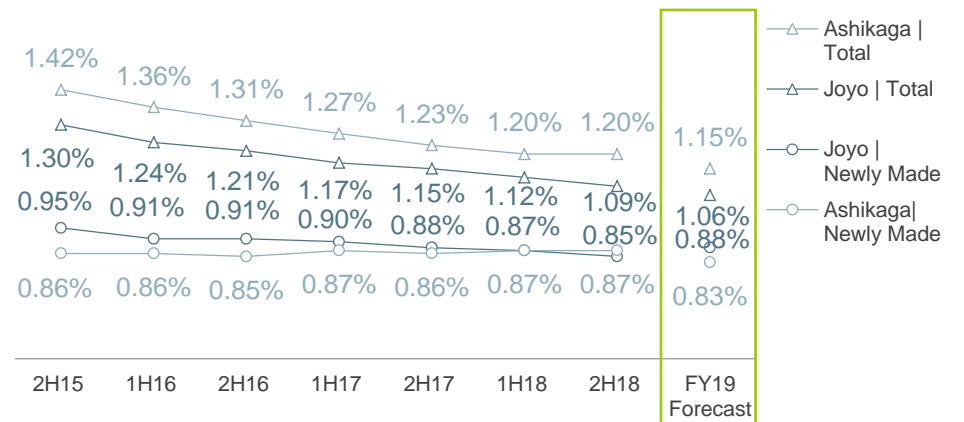
## Corporate Loans (by Area)



## By Borrower Type (Domestic) Ashikaga



## Housing Loans

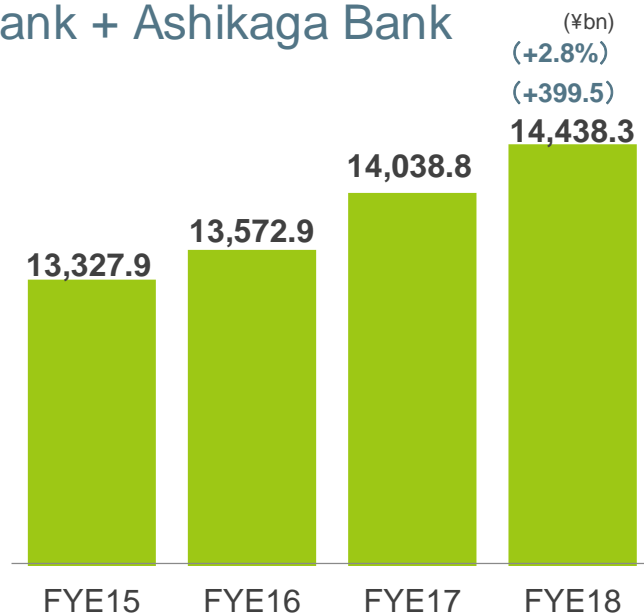


# Deposits Term-end Balance

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

Deposits of individual and corporate customers have been on the increase  
(Individual customers : +2.5%, Corporate customers : +5.2%)

## Joyo Bank + Ashikaga Bank



	FYE15	FYE16	FYE17	FYE18	Change (%)
Individual	9,502.6	9,762.1	10,103.6	10,362.7	+2.5%
Corporate <sup>(*)</sup>	3,020.8	3,062.8	3,158.8	3,325.5	+5.2%
Public	804.4	748.0	776.3	750.1	-3.3%

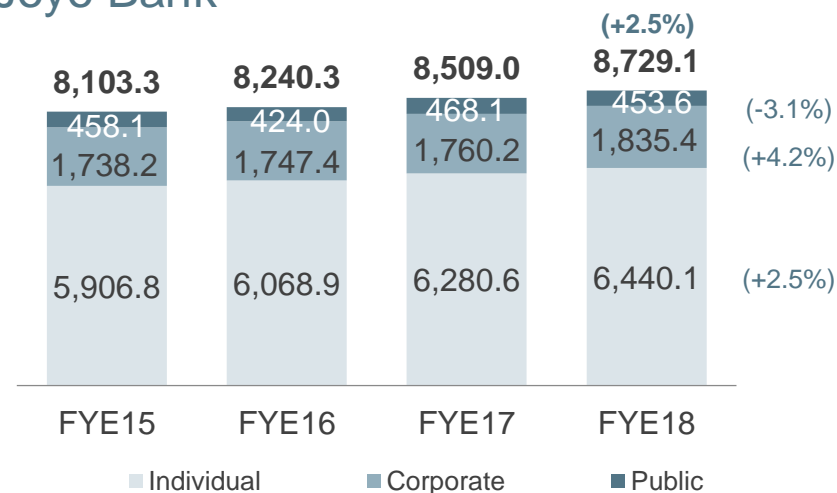
(\*)"Corporate" includes financial institutions.

### o/w Foreign Currency Deposit<sup>(\*)</sup>

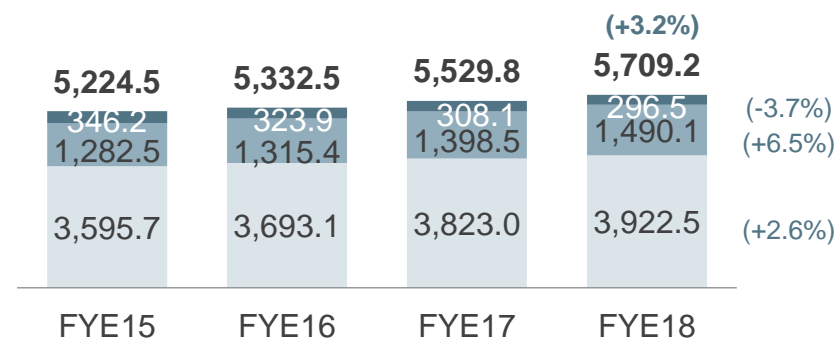
	FYE15	FYE16	FYE17	FYE18
Joyo	111.4	140.7	199.1	222.6
Ashikaga	16.3	24.8	76.0	83.3
<b>Total</b>	<b>127.7</b>	<b>165.6</b>	<b>275.2</b>	<b>306.0</b>

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

## Joyo Bank



## Ashikaga Bank

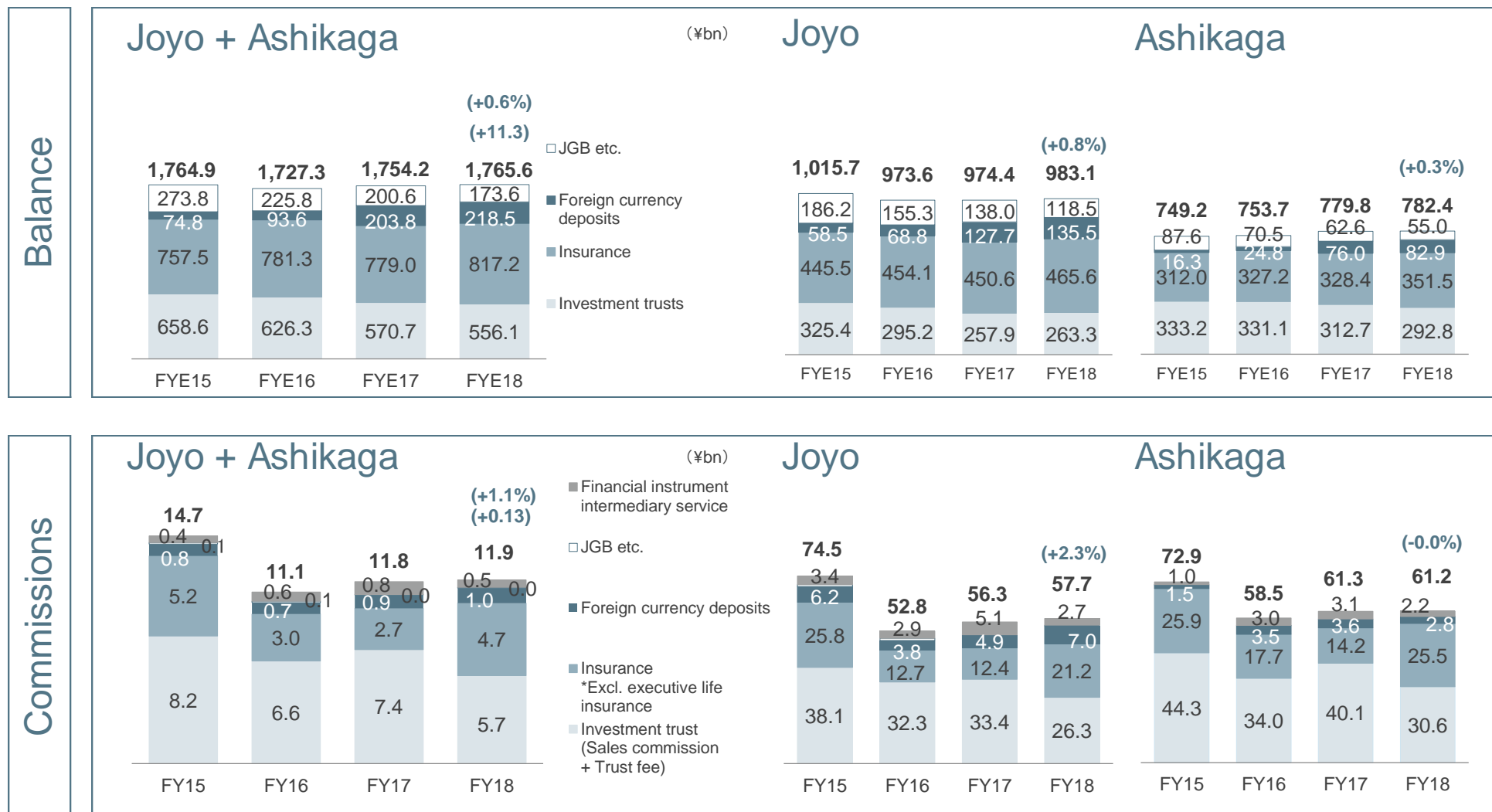


# Customer Assets under Custody

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

The amount remained at the same level as the previous year.

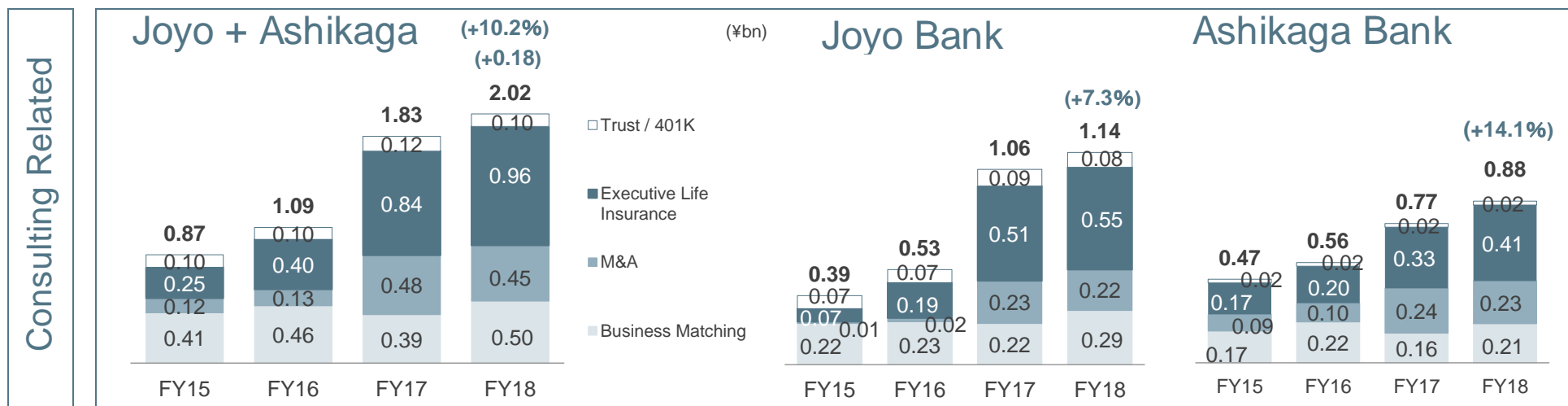
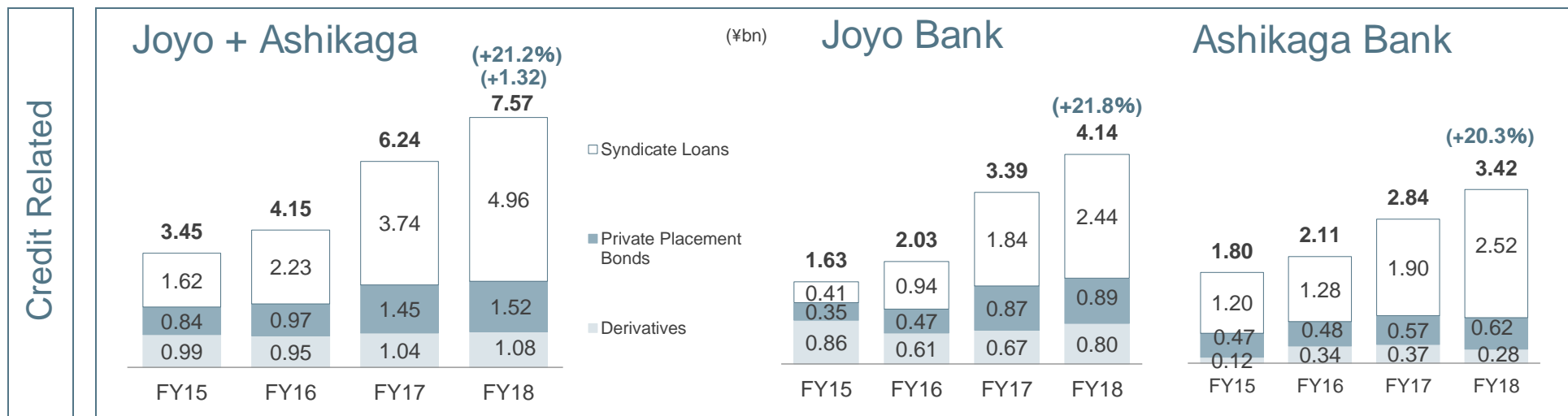
Commissions increased year on year due to increase of insurance fees in spite of decrease of investment trusts.



# Fees from Corporate Customers

Credit related fees increased by +21.2% YoY due to increase in syndicate loans and private placement bonds.

Consulting related fees increased by +10.2% due to increase in fees of business matching.

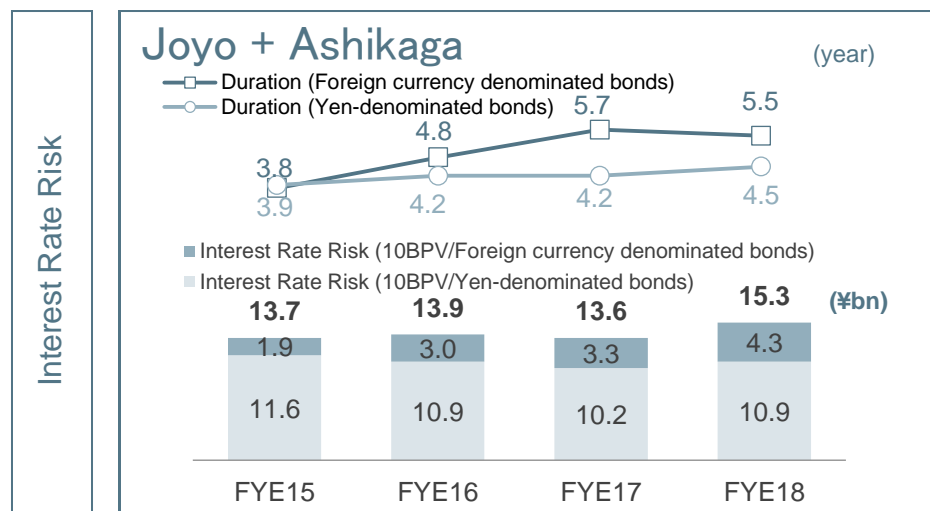
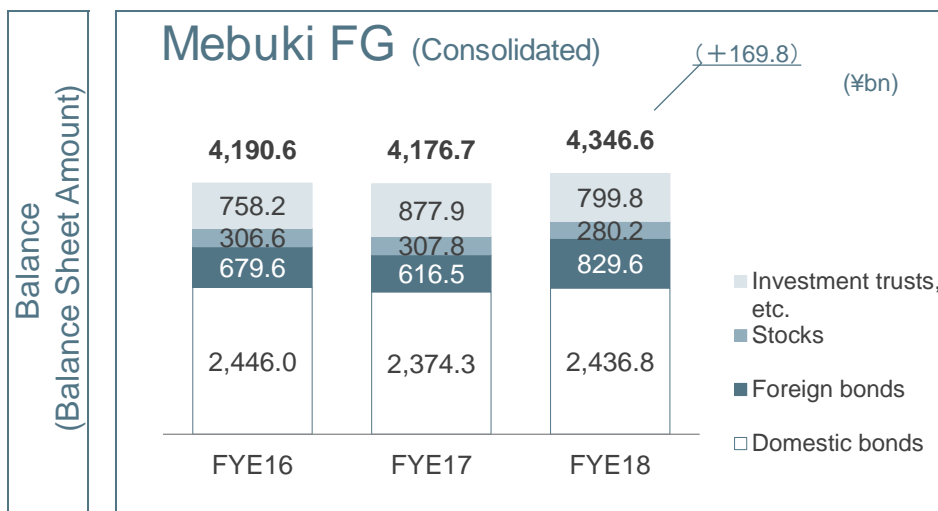


# Securities (1)

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

While government bond balances declined due to redemption, domestic bond balances increased through purchasing of municipal bonds.

Regarding foreign bonds, reduced US Treasury bonds based on the outlook of US policy interest rates, and increased the balance of mainly European bonds.



**Foreign Bonds / Investment Trusts** (¥bn)

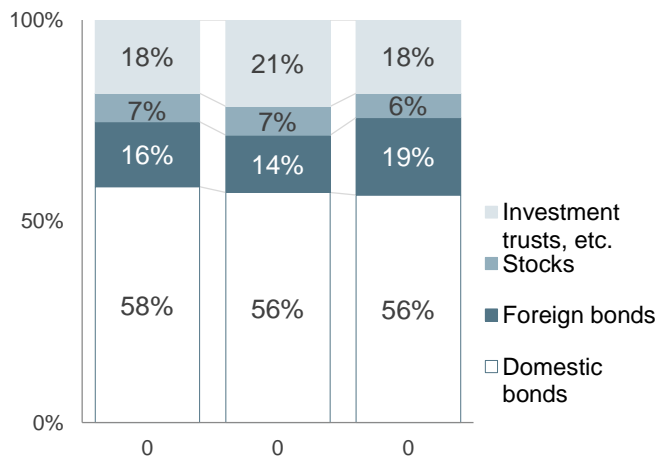
Book value as of Mar. 31 2019		J + A	Joyo	Ashi-kaga	Details
Foreign Bonds		816.3	502.8	313.5	-
	o/w Gov. Bond, Gov. Guaranteed Bonds, etc.	385.9	284.5	101.4	o/w ¥217.4bn European government bonds
	o/w Corporate Bond	333.7	121.5	212.1	Bonds rated A or above account for more than 90% of total
	o/w Ginnie Mae	23.3	23.3	-	RMBS issued by U.S governmental public corporations
	Others	73.4	73.4	-	Floating bonds centering on CLO (only highest tranches)
Investment Trusts etc.		780.0	443.9	336.0	-
	o/w Equity-related	216.6	176.8	39.7	ETF (long ¥157.6bn, bear funds ¥59.0bn)
	o/w REIT	71.4	54.5	16.9	o/w ¥55.8bn national REIT
	Others	491.8	212.6	279.2	o/w ¥363.2bn foreign bond funds, ¥110.5bn alterative funds



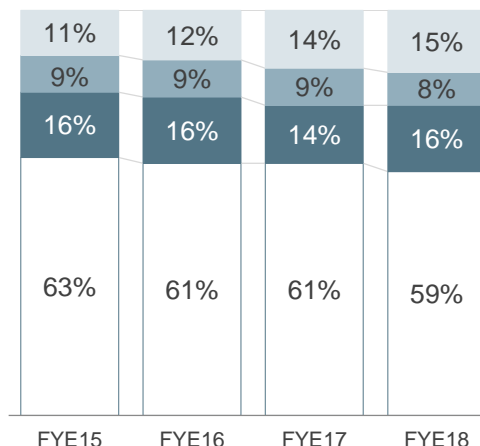
# Securities (2)

Portfolio Allocation  
(Balance Sheet Amount Basis)

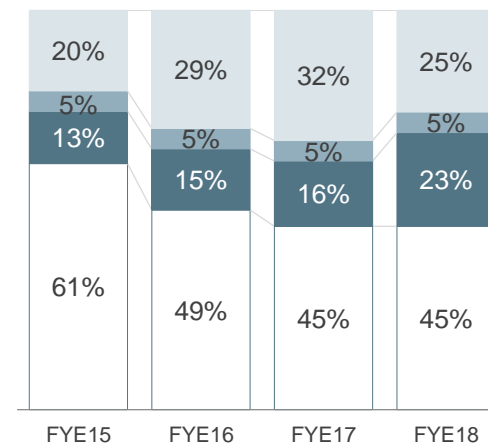
## Mebuki FG (Consolidated)



## Joyo Bank (Non-Consolidated)

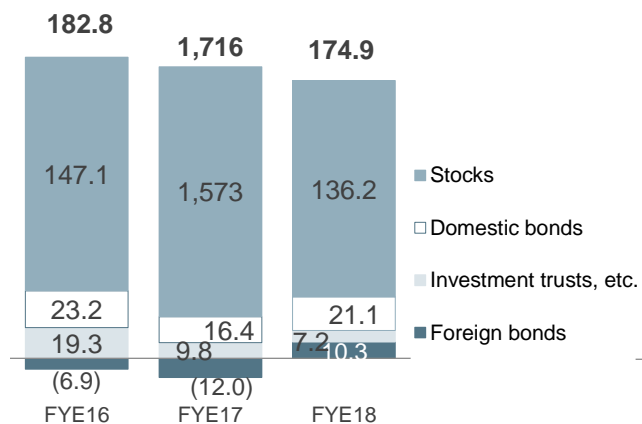


## Ashikaga Bank (Non-Consolidated) (¥bn)

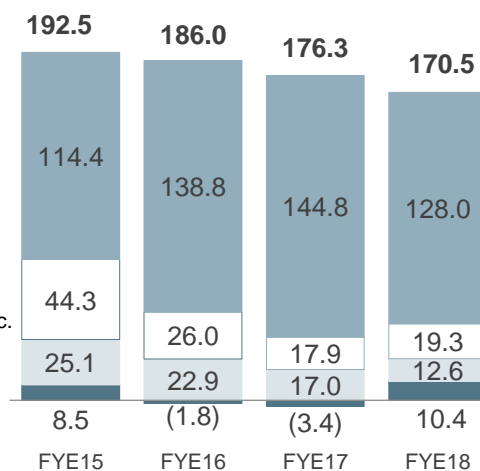


Unrealized Valuation Gains/Losses  
on Available for Sale Securities

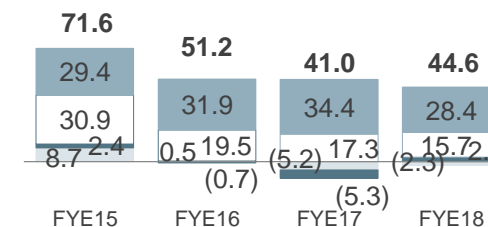
## Mebuki FG (Consolidated)



## Joyo Bank (Non-Consolidated)



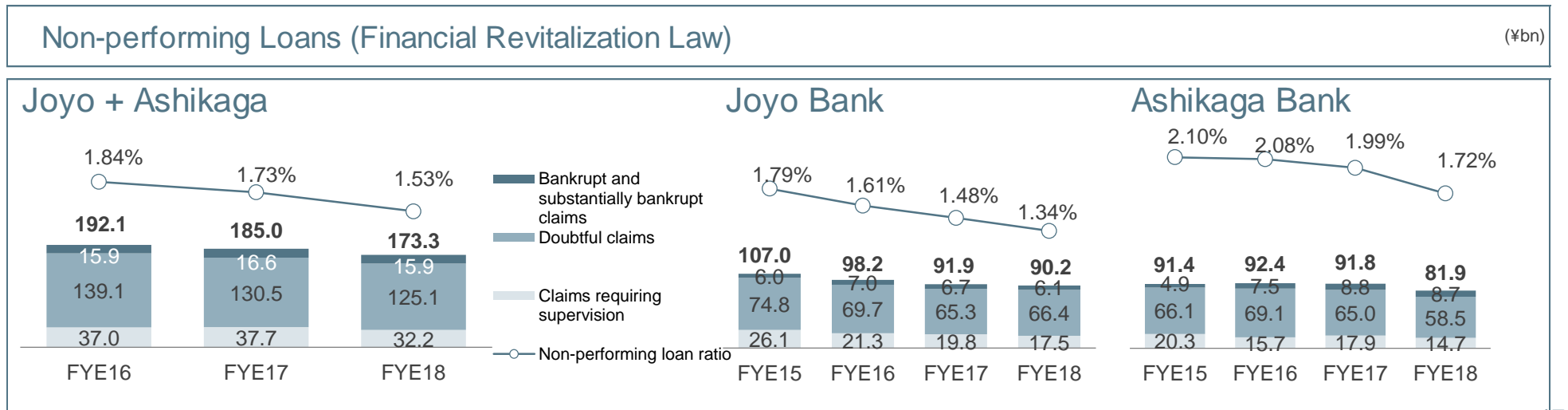
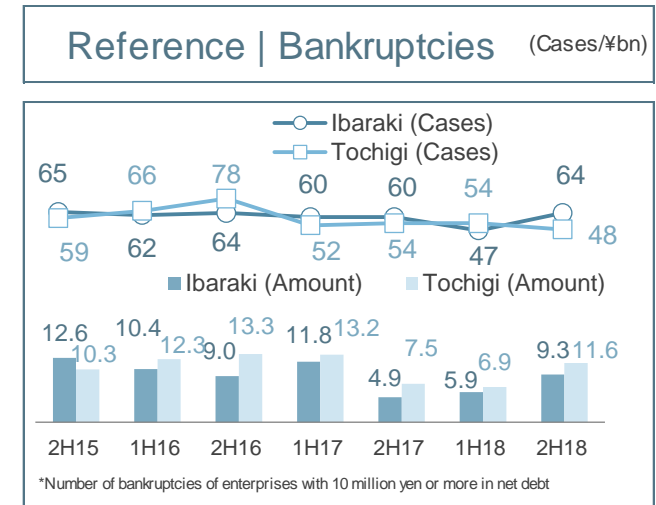
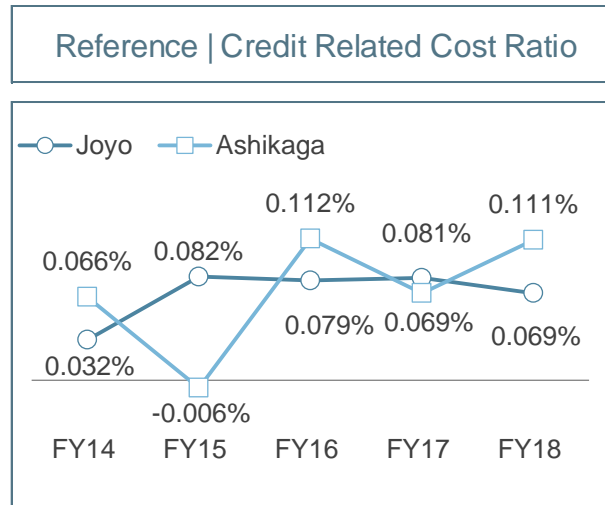
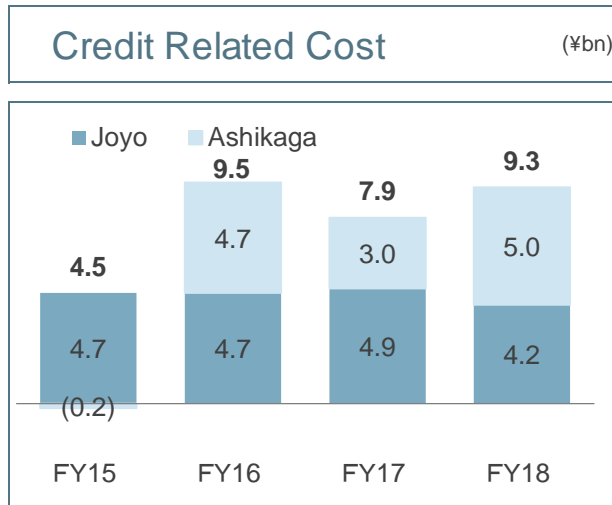
## Ashikaga Bank (Non-Consolidated) (¥bn)



# Credit Related Costs / Non-performing Loans

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

Credit related costs (total) increased by ¥1.3bn YoY due to credit deterioration



# Group Companies

(¥Mil)

Company Name	Main Business Activities	Ordinary		Ordinary		Net	
		Income	YoY	Profit	YoY	Income	YoY
Mebuki Lease	Leasing of machinery and equipment, claim acquisition	28,301	+3,064	693	-52	451	-106
Mebuki Securities	Dealing of securities, mediation, commission and substitution of trading of securities	2,422	-1,402	688	-1,082	470	-748
Sales	The Joyo Computer Service	1,463	+59	140	+19	91	+13
	The Joyo Industrial Research Institute	577	-2	47	-6	30	-5
Business operation	The Joyo Credit Guarantee	3,944	-18	1,281	-312	842	-195
	The Joyo Credit	1,262	+43	246	+27	161	+18
	The Joyo Business Service	735	-28	2	-1	0	+0
	The Joyo Cash Service	786	-242	0	-3	-6	-7
	The Joyo Equipment Management	993	+21	331	+37	216	+33
Total		9,764	-167	2,049	-239	1,336	-142
Ashikaga Credit Guarantee	Credit guarantee of housing loans	3,677	+158	2,175	+536	1,415	+427
Ashigin Research Institute	Consulting, investigation and research	654	+65	84	+34	80	+33
Ashigin Card	Credit card services	1,464	-36	202	-51	134	-31
Total		5,796	+187	2,461	+519	1,630	+429
		46,284	+1,681	5,892	-853	3,888	-568

\* The Joyo Cash Service dissolved on March 31, 2019 to promote efficiency of the management of the group.

# Integration Synergy Results and Forecast

Synergy effect exceeded the forecast for FY18 of ¥5.3bn to ¥8.5bn, representing completion of 159%.

## Synergy Effects on the Statement of Income \*before Tax

Amount (Completion)

FY18 Forecast ¥5.3bn

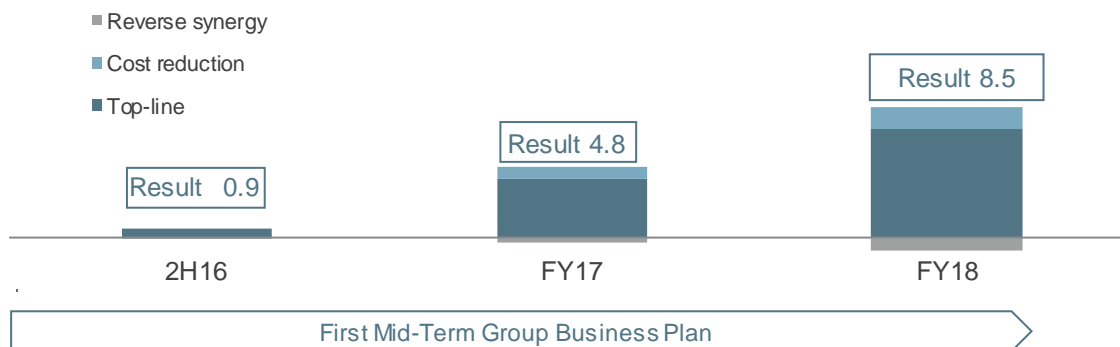
FY18 Result ¥8.5bn (Completion 159%)

## FY18 (Result / Forecast)

(¥bn)

\*Figures are on a single year basis

(¥bn)



Items	FY18 Forecast	FY18 Result	Completion	Details
Loans				• Sales promotion based on wide area network → Co-financing, Syndicate loans, Customer referral, and Lending to growth industries
Corporate services	2.02	3.02	149.7%	(Medical and nursing care) • Utilization of Mebuki Lease • Share know-how for non-face-to-face sales (Unsecured loans) • Joint development of online application housing loans, Joint sales of housing loans for women
Financial assets under custody	1.04	0.67	64.9%	• Share sales promotion know-how • Utilization of Mebuki Securities
Securities	1.23	1.69	137.6%	• Investment in new areas and diversification of funding method based on both banking subsidiaries' investment experience • Joint investment • Enhancement of investment and controlling method through sharing of analysis method (Monitoring, etc.)
Others (Channel / international)	0.74	2.55	343.3%	• New branch openings • Enhance staff in important regions • Promote cross-border loans • Utilize Joyo's know-how of dual currency deposit service (Ashikaga) • Foreign currency deposit campaigns
Cost reductions	1.14	1.55	135.2%	• Joint cost reduction and cost effectiveness evaluation • Strengthen price negotiation power through information sharing • Share know-how to improve branch operation efficiency • Integrate operation center in Tokyo • Joint issuance of bills/check paper and bank cards
Cost Increases / Reverse synergy	-0.85	-0.97	—	• Lower transfer fee between both banks to the inter-branch rate • System migration expenses
<b>Total</b>	<b>5.33</b>	<b>8.53</b>	<b>159.9%</b>	

# Forecast for FY2019 (1)

Forecast FY19 will decrease in profits mainly due to decrease of security margins and due to increase of system integration expenses.

Consolidated Ordinary Profit ¥58.0 bn ( -¥11.5bn YoY) Consolidated Net Income\* ¥40.0 bn ( -¥6.3 bn YoY)

\*Attributable to owners of the parent

## Mebuki FG (Consolidated)

## (¥bn) Joyo (Non-consolidated)

## Ashikaga (Non-consolidated)

	FY18 Results	FY19 Forecast	YoY Chg.
Ordinary Profit	69.5	58.0	-11.5
Net Income (Attributable to owners of the parent)	46.3	40.0	-6.3

	FY18 Results	FY19 Forecast	YoY Chg.	FY18 Results	FY19 Forecast	YoY Chg.
Ordinary Profit	43.2	39.5	-3.7	28.6	19.0	-9.6
Net Income	28.7	27.5	-1.2	31.2	13.0	-18.2

(\*) Dividend income of ¥12.0bn from a subsidiary is recognized in extraordinary income.

## J + A (Non-consolidated)

## (¥bn) Non-banking Subsidiaries

## Consolidation Adjustment

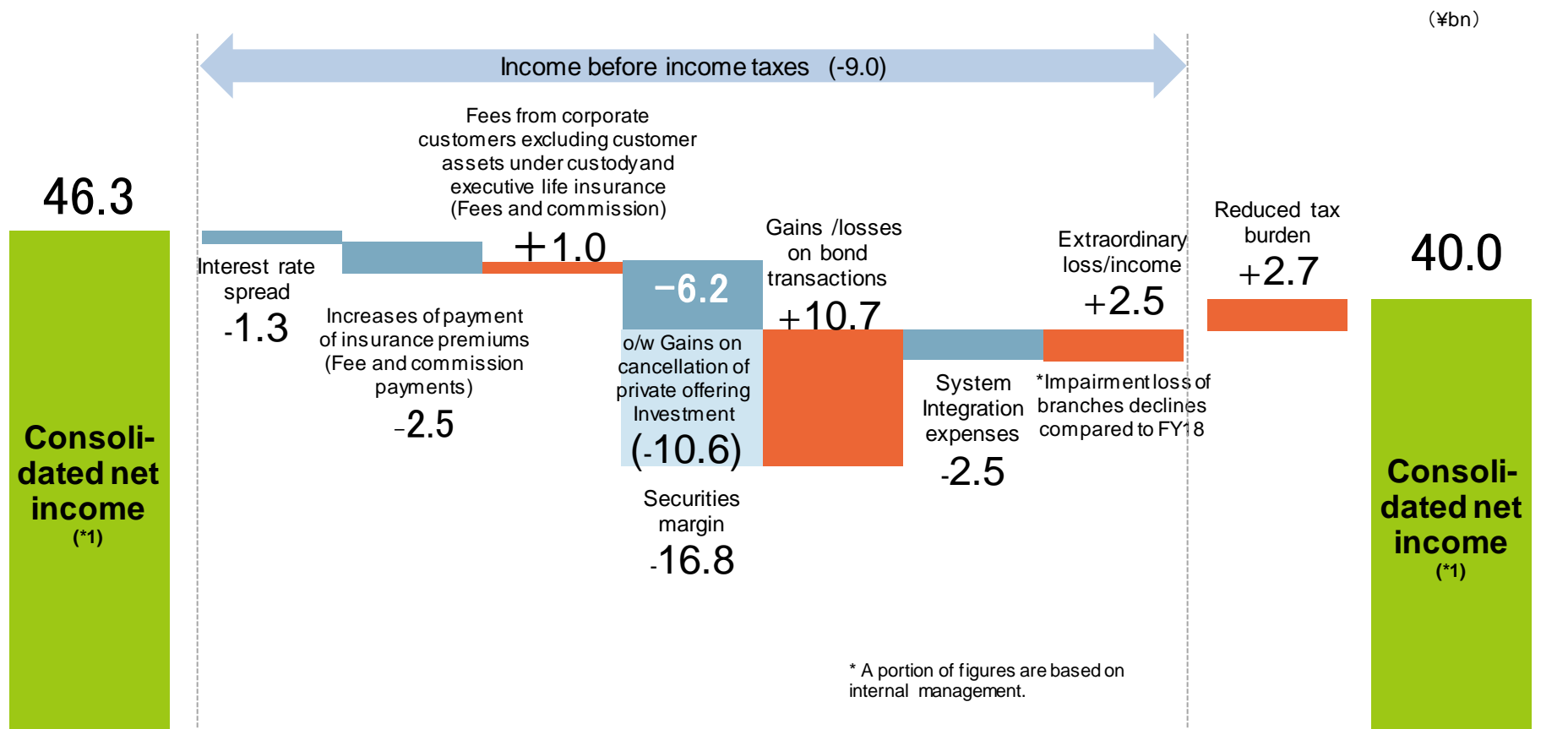
	FY18 Results	FY19 Forecast	YoY Chg.	FY18 Results	FY19 Forecast	YoY Chg.
Ordinary Profit	71.8	58.5	-13.3	-	-	-
Net Income	60.0	40.5	-19.5	3.8	3.8	+0.0

<b>-¥4.3bn</b>	
Adjustment related to securities	-¥3.0bn
Interest expenses of subordinated loans, etc.	-¥1.3bn

# Forecast for FY2019 (2) (Factors for change of consolidated net income<sup>\*1</sup>)

**Consolidated net income<sup>(\*)</sup> (FY19)**  
**¥40.0bn (vs.FY18-¥6.3bn)**

(\*) Attributable to owners of the parent



**FY18**

Increases of payment of insurance premiums

Securities Margin

**FY19(planned)**

Payment of premiums of insurance for housing loans ¥-0.7bn / Fee of executive life insurance ¥-0.9bn etc.

Interest on Yen-dominated bonds ¥-1bn; (Redemptions in FY19 ¥400bn) / Interest on foreign currency bonds (including funding costs) ¥-2bn / Share dividends and investment trust distributions ¥-2.4bn / Income from foreign currency swap ¥-0.8bn etc.

# Forecast for FY2019 (3) Joyo + Ashikaga

	(¥bn)										
	FY18 Result			FY19 Forecast			YoY				
	J + A	Joyo	Ashikaga	J + A	Joyo	Ashikaga	J + A		Joyo	Ashikaga	
						Chg.	%	Chg.	Chg.		
Gross business profit	185.6	101.2	84.3	177.2	102.8	74.4	-8.4	-4.5%	+1.5	-9.9	
Net interest income	161.0	89.9	71.1	143.9	84.8	59.1	-17.1	-10.6%	-5.1	-11.9	
Net fees and commissions	32.1	17.2	14.9	31.4	17.0	14.4	-0.7	-2.2%	-0.2	-0.5	
Net other business income and Net trading income	-7.5	-5.8	-1.6	1.8	1.0	0.8	+9.4	-	+6.8	+2.5	
(o/w gains/losses on bond transactions)	-10.7	-7.3	-3.3	0.0	0.0	0.0	+10.7	-	+7.3	+3.3	
Expenses	114.1	65.3	48.8	119.0	66.0	53.0	+4.8	+4.2%	+0.6	+4.2	
o/w Personnel expenses	60.6	33.8	26.8	62.2	34.0	28.2	+1.6	+2.6%	+0.1	+1.4	
o/w Non-personnel expenses	46.1	27.7	18.4	48.9	27.6	21.3	+2.7	+5.9%	-0.1	+2.8	
Net business income (before general allowance for loan losses)	71.4	35.9	35.5	58.1	36.8	21.3	-13.3	-18.6%	+0.8	-14.1	
Core net business income	82.1	43.3	38.8	58.1	36.8	21.3	-24.0	-29.2%	-6.5	-17.5	
Net transfer to general allowance for loan losses (a)	-5.2	-1.1	-4.1	0.2	0.2	0.0	+5.4	-	+1.3	+4.1	
<b>Net business income</b>	<b>76.6</b>	<b>37.0</b>	<b>39.6</b>	<b>57.9</b>	<b>36.6</b>	<b>21.3</b>	<b>-18.7</b>	<b>-24.4%</b>	<b>-0.4</b>	<b>-18.2</b>	
Net non-recurrent gains/losses	-4.7	6.1	-10.9	0.5	2.8	-2.2	+5.2	-	-3.3	+8.6	
o/w Disposal of non-performing loans (b)	14.5	5.3	9.1	6.8	3.3	3.5	-7.7	-53.2%	-2.0	-5.6	
o/w Gains/losses related to stocks, etc	10.7	12.4	-1.7	8.0	6.5	1.5	-2.7	-25.3%	-5.9	+3.2	
<b>Ordinary profit</b>	<b>71.8</b>	<b>43.2</b>	<b>28.6</b>	<b>58.5</b>	<b>39.5</b>	<b>19.0</b>	<b>-13.3</b>	<b>-18.5%</b>	<b>-3.7</b>	<b>-9.6</b>	
Extraordinary income/losses	8.6	-2.5	11.1*	-0.8	-0.3	-0.5	-9.4	-	+2.2	-11.7	
<b>Net income</b>	<b>60.0</b>	<b>28.7</b>	<b>31.2</b>	<b>40.5</b>	<b>27.5</b>	<b>13.0</b>	<b>-19.5</b>	<b>-32.5%</b>	<b>-1.2</b>	<b>-18.2</b>	
Credit related costs (a)+(b)	9.3	4.2	5.0	7.0	3.5	3.5	-2.3	-24.8%	-0.7	-1.5	

Breakdown	(¥bn)
<b>Net interest income</b>	<b>-17.1</b>
Interest on loans and discounts (Domestic)	-1.8
Interest on loans and discounts (International)	+1.1
Interest on deposits (-)	+0.5
Net income from securities	-15.9
o/w Domestic bonds	-1.0
o/w Foreign bonds / Funding costs	-2.0
o/w Investment trusts	-2.4
o/w Gains on cancellation of private offering investment trusts	-10.6
<b>Net other business income</b>	<b>-0.7</b>
o/w Customer assets under custody	+0.5
o/w Fees from corporate customers (excluding Fee of executive life)	+0.2
o/w Fee of executive life insurance	-0.9
o/w Payment of premiums or Group housing insurance	-0.7
Figures in brackets are based on internal management	

\* Dividend income of ¥12.0bn from a subsidiary is recognized in extraordinary income.

# Shareholder Return Policy / Capital Adequacy Ratio

## Shareholder Return Policy

We changed the shareholder return policy as described below.

● 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 Attributable to Owners of the Parent

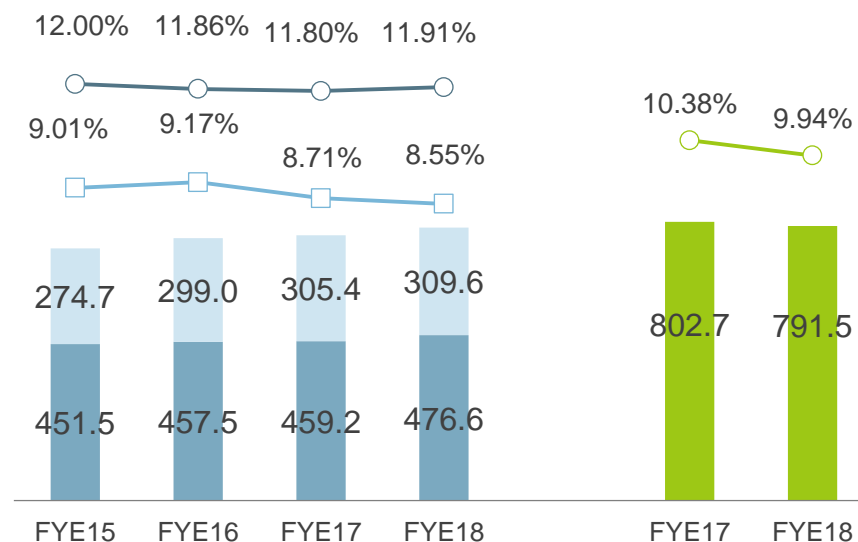
## Dividends per share

Forecast of dividends for FY19 is ¥11.0 per share.

	Annual					
	Interim		Term-end			
FY18	¥11.0		¥5.5		¥5.5	
FY19	¥11.0	Scheduled	¥5.5	Scheduled	¥5.5	Scheduled

## Capital Adequacy Ratio

- Joyo (consolidated) Capital adequacy ratio
- Joyo (consolidated) Capital (JPY Bn)
- Mebuki FG (Consolidated) Capital adequacy ratio
- Ashikaga (consolidated) Capital (JPY Bn)
- Mebuki FG (consolidated) Capital (JPY Bn)



\*Calculation method of risk weighted assets

- Mebuki FG The fundamental internal rating based approach
- Joyo The fundamental internal rating based approach
- Ashikaga The standardized approach



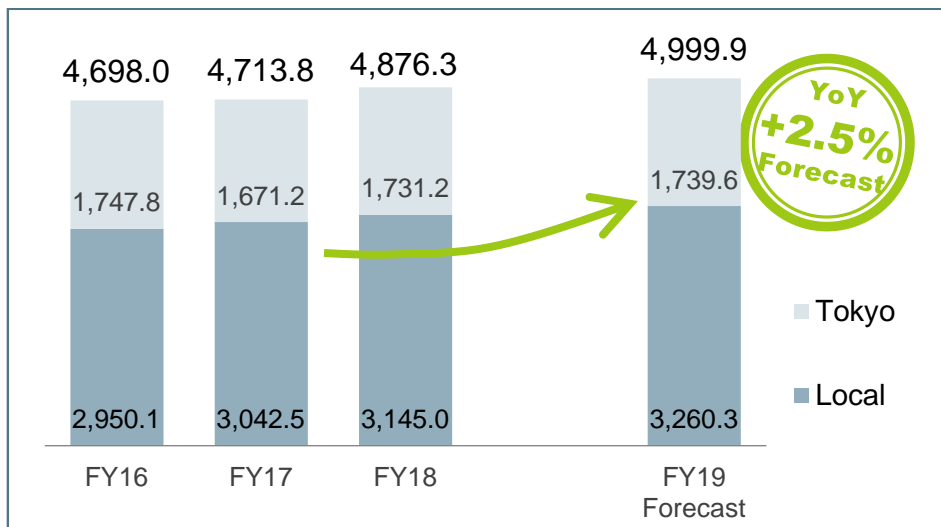
# (Reference) Business measures

# Enhancement of Loans / Wide-area Business Matching

Measures for Corporate Customers

Utilizing network of 30 thousands main customers of both banks, Wide-area Business Matching is carried out

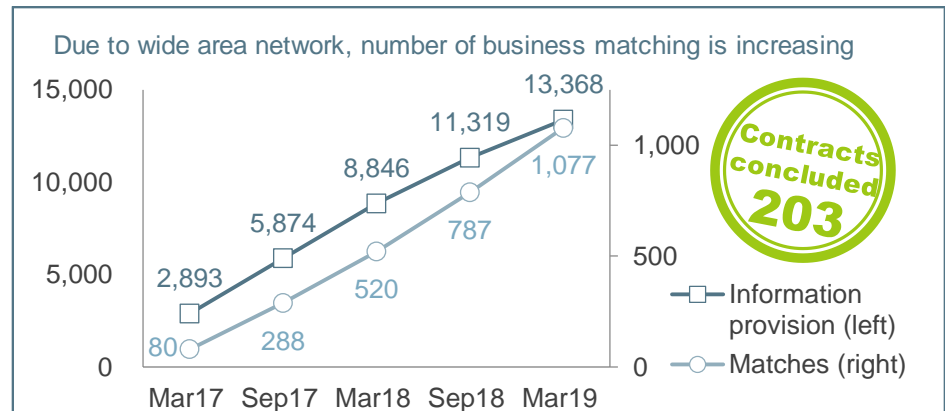
Enhancement of loans to corporate customers (Avg.) (¥bn)



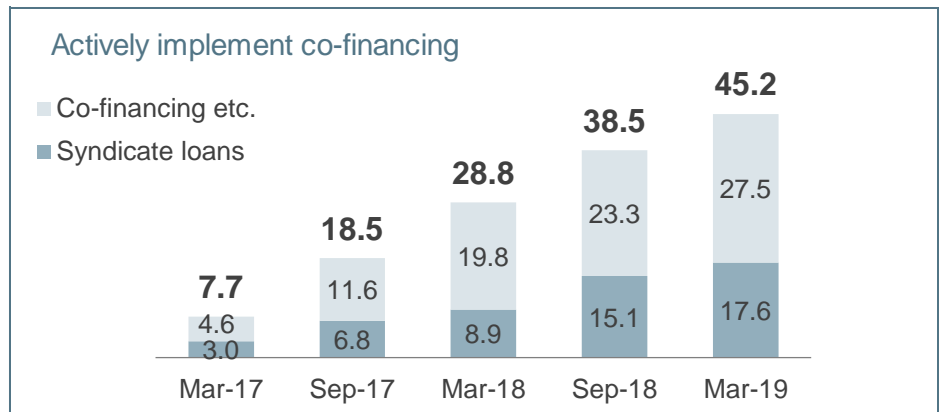
## Measures for loans to corporate customers

- Wide-area business matching based on accurate and fresh information
- Enhance co-finance and cooperation between the two banks
- Enhance consulting capabilities related to business assessment, business succession, and so forth
- Sales promotion based on refined customer segment
- Broadening target, enhance structured finance, cross-border loans
- Actively meet financial needs of growth industries

Wide-area Business Matching (accumulative number)



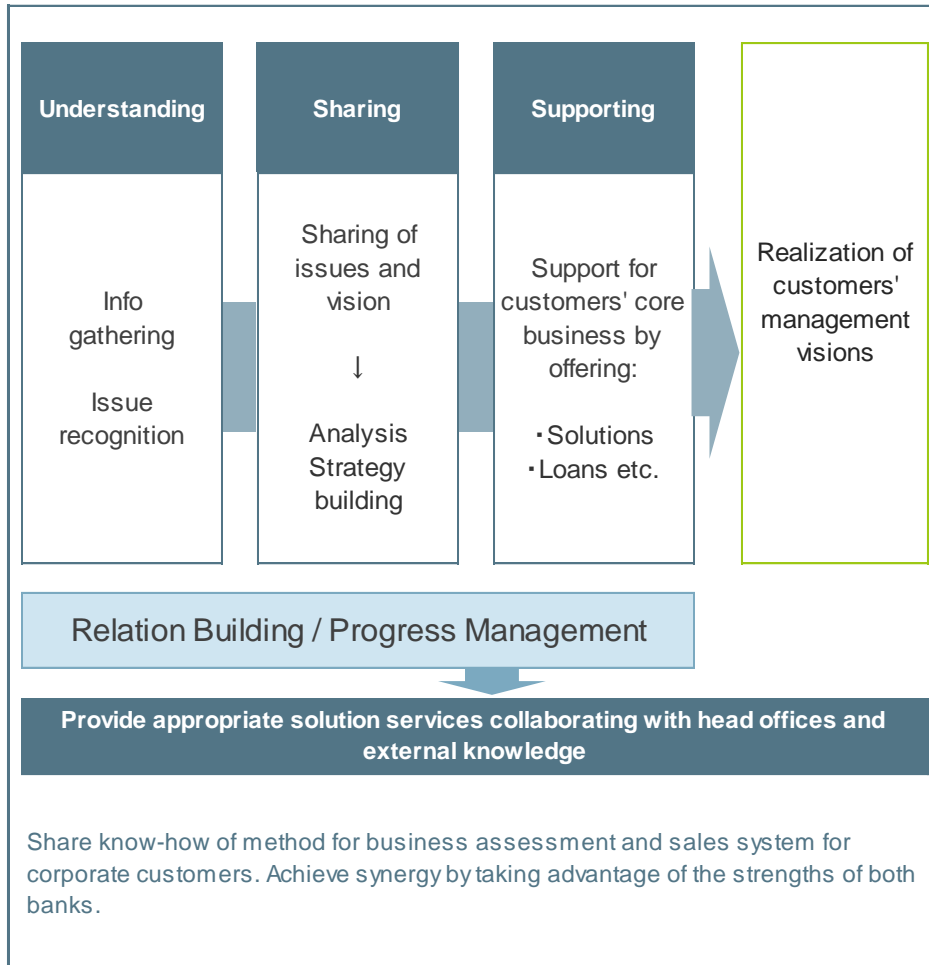
Co-financing (Accumulated amount of loans made) (¥bn)



# Enhancement Consulting Services for Customer's Growth

Through appropriate consulting services, provide various solutions and variety of services

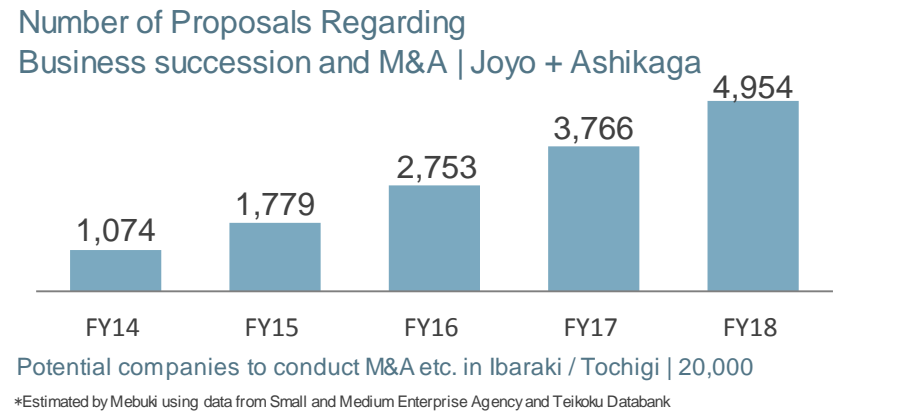
## Business Assessment



## Business Succession / M&A

Depending on whether or not successors exist, examine direction of customers' business successions and offer solutions

Contribute to sustainable development of local economies through supporting customers' smooth business/asset succession and sustainment of employment

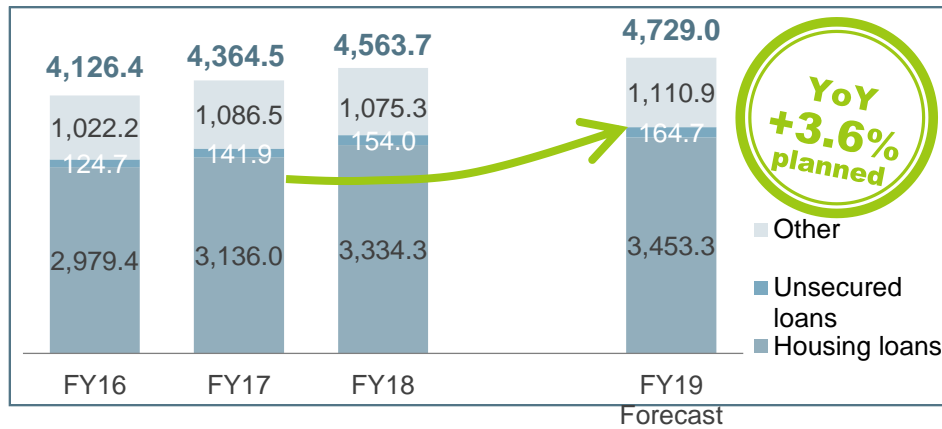


# Loans | Increase Housing / Unsecured Loans

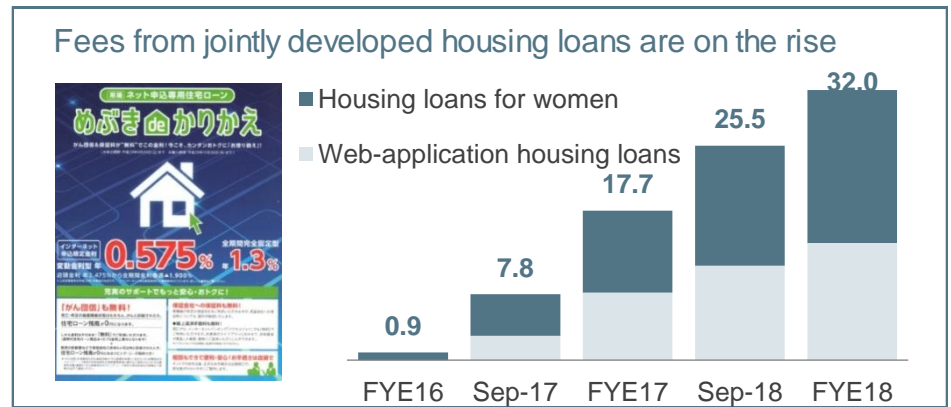
Measures for Corporate Customers

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

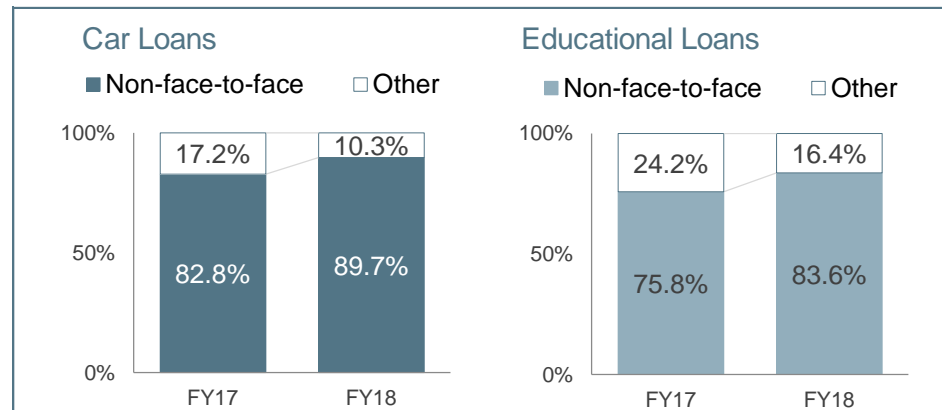
Increase Loans to Individual Customers (J + A) (Avg.) (¥bn)



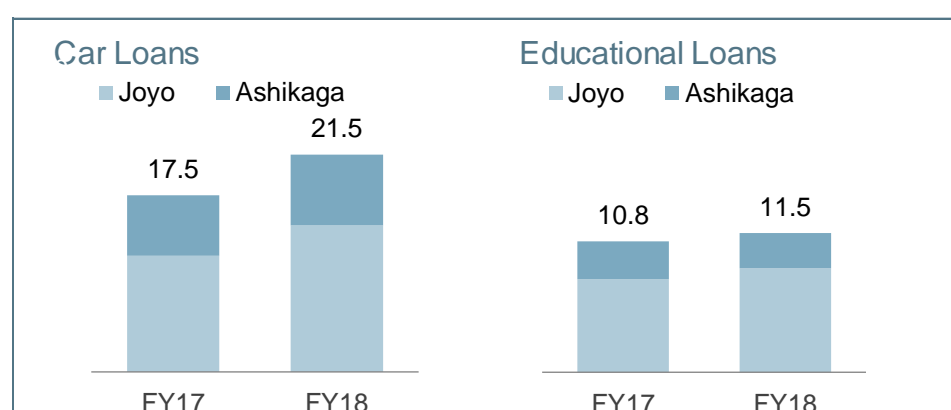
Jointly Developed Housing Loans (J + A) (balance) (¥bn)



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



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

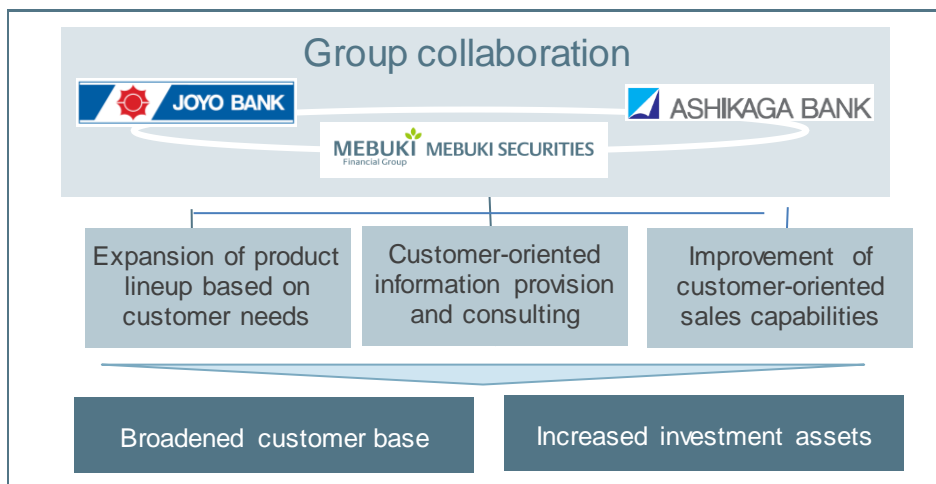


# Asset Management Consultation Services

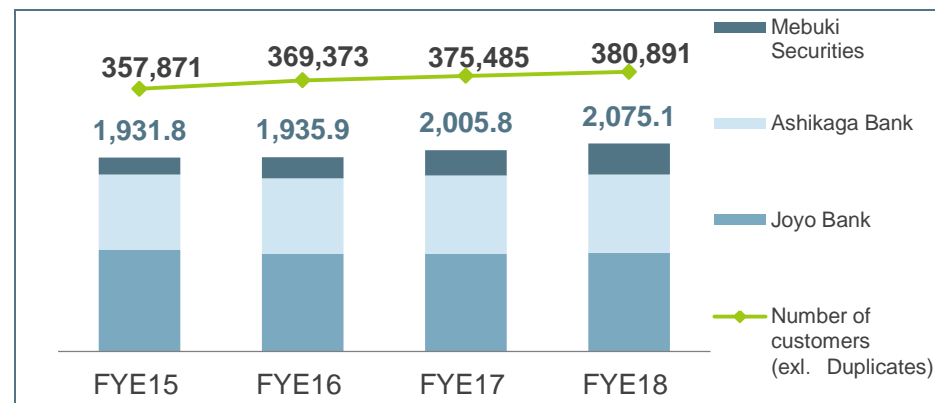
Measures for Corporate Customers

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

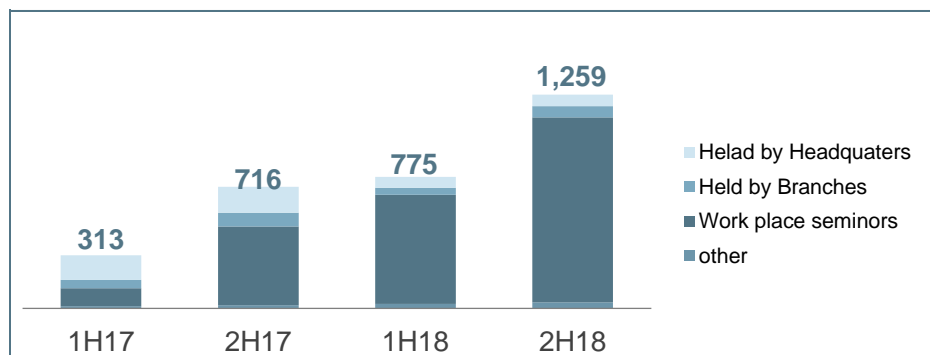
## Customer-oriented Measures



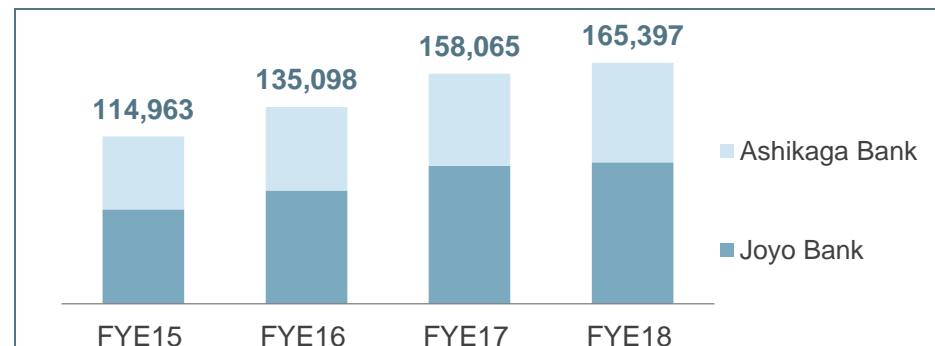
## Customer Assets under Custody of Group Companies (¥bn)



## Seminar frequently held for customers (number)



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



# 1. Summary of Second Medium-Term Group Business Plan

# (1) Results of First Medium-Term Group Business Plan - Challenges - External Environment

## First Medium-Term Group Business Plan

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

Second Medium-Term

Group Plan

### Integration

#### Position

Getting the new group on the right track to success

#### Basic Integration Strategies

- (1) Combination of ingenuity for regional revitalization
- (2) Expansion of comprehensive financial services
- (3) Expansion of area and channels
- (4) Innovation of operations
- (5) Development of the new group's corporate management structure

#### Business Objectives and Results

<FY2018>	Targets	Results
ROE	5% or more	5.1%
Net Income	Approx. ¥47 bn	¥46.3bn
Capital Adequacy Ratio	10% level	9.94%
OHR(combined value for banks)	Approx. 60% <sup>(*)</sup>	58.1%

(\*) Based on core net business profit

#### Results and Achievement

- Cost reduction by sharing expertise and strengthening securities investments (Cover top-line down-turn risk of loan interest income and fees & commissions)
- Strengthen comprehensive financial services provision system (Making lease and securities companies into FG subsidiaries)

#### Challenges and Issues

- Development and expansion of business areas in response to the shrinking of traditional banking business
- Service level improvement through digitization and data utilization
- Productivity improvement through structural reform

#### Keywords

- Structural reforms to improve productivity (business and organizational reforms)
- Utilization of IT services and data (IT investment strengthening)
- Enhancement of consulting services

#### Group's Strengths

Wide-area network with core market, Ibaraki and Tochigi prefectures, and strong customer base

Comprehensive financial services including leasing, securities subsidiaries

#### Group's Weaknesses

High-cost structure mainly consisting of network maintenance

#### External Environment

Structural problems in local communities

Diversity of customer needs, customer contact points

Other industries entering into financial services

Long lasting low interest rate

Uncertainty in the global economy

Cyber attack, Information leaks

## (2) Summary of Second Medium-Term Group Business Plan

- In the second mid-term 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 (Apr. 2019~Mar. 2022)

#### Goals

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

#### Position

Achieve full-scale growth / Transitional period to next growth

#### Basic strategy

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

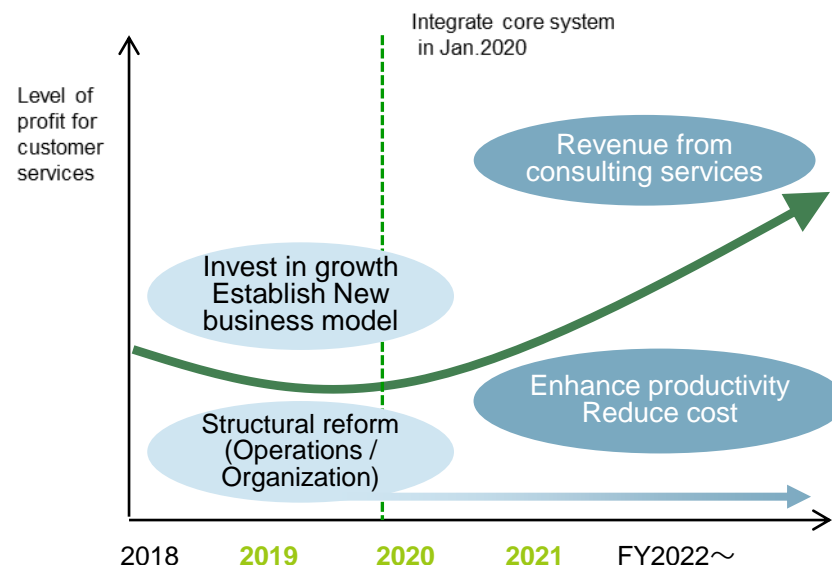
#### Business Objectives

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

(\*1 excluding system integration expenses)

(\*2 earning forecast for FY2018)

#### Position of 2nd group business plan



#### Value provided to stakeholders

##### Customer / Area

Support for realization of growth and solutions

##### Shareholders

Improved corporate value through sustainable growth

##### Employee

Improvement of job satisfaction



# (3) Change of Income during the 2<sup>nd</sup> Medium-Term Group Business Plan (FY2018→FY2021)

**Consolidated Net Income** <sup>(\*)</sup> **¥47.0bn** (+¥2.0bn compared to the FY2018 forecast)

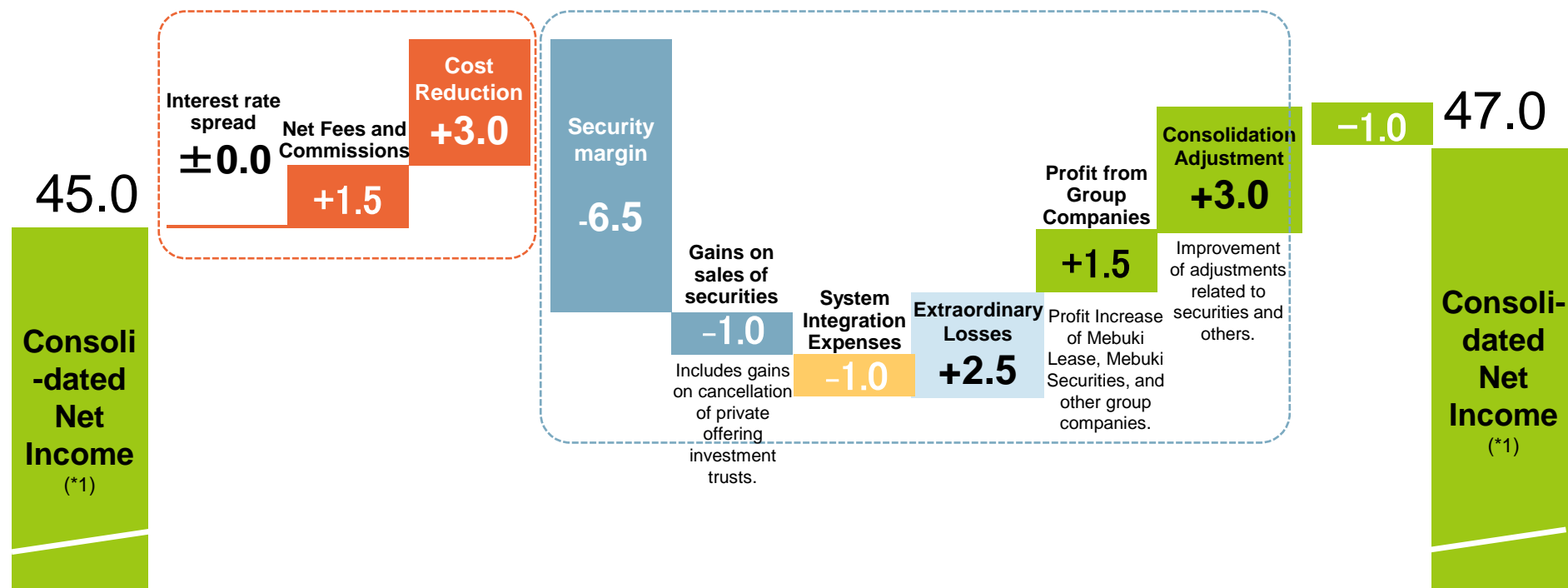
(\*) Net income attributable to owners of the parent

(¥bn)

**Income from channels · customers**  
+¥4.5 (Income before taxes)

**Other than channels · customers**  
-¥1.5 (income before taxes)

**Tax increase due to income increase** -¥1.0



FY2018 Forecast

FY2021 Target

<b>Interest rate spread</b>	Foreign currency denominated loans +2.0 / Yen-denominated loans -2.0
<b>Net Fees and Commissions</b>	Fees from Corporate Customers +2.0 / Customer Assets under Custody +1.0 / Insurance and others -1.5
<b>Cost Reduction</b>	Personnel Expenses -1.5 / Non-personnel Expenses -1.5

<b>Security margin</b>	Yen-denominated bonds -4.5 / Foreign currency denominated bonds -2.0
<b>Gains on sales of securities</b>	Gains on cancellation of private offering investment trusts -10.0 / Stocks -2.0 / Bonds +11.0
<b>Extraordinary Losses</b>	Elimination of Impaired loss of branches of FY2018

## 2. Basic Strategies

# 【Basic strategy(1)】 Create growth business models with local regions

## Strategic goals

- While providing consulting services and utilizing IT services and data, we will support customers grow and resolve problems. Through utilizing resources owned by the group to expand our business areas, we will create growth business models with local regions.

### 【Basic strategy 1】

Enhancement of consulting services for customer growth

#### <Tactic 1-1> Support needed for business support and problem resolution

- Expansion of business support menu
- Strengthen business succession and M & A initiatives
- Strengthen middle risk and business improvement support
- Promotion of business evaluation

#### <Tactic 1-2> Strengthening problem-solving sales for wealthy customers

- Asset management through integrated banking and securities business
- Dealing with inheritance related needs
- Strengthening services based on financial gerontology

#### <Tactic 1-3> Support for customer asset formation

- Improvement of convenience and enhancement of proposals by utilization of AI, etc.
- Expand the customer base for asset management businesses (enhancement of educational activities)

#### <Tactic 1-4> Regional revitalization efforts

### 【Basic strategy 2】

IT services / Data utilization and IT investment enhancement

#### <Tactic 1-5> Expansion of services for digitalization

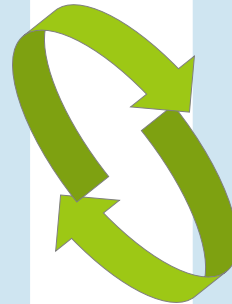
- Improve customer productivity and support digitization
- Expansion of smartphone and web services to improve convenience
- Dealing with a cashless / digital society
- Enhance data analysis and marketing functions
- Efficiency improvement of public funds business

### 【Basic strategy 3】

Develop and expand business areas

#### <Tactic 1-6> Diversification of profit opportunities by expansion of business areas

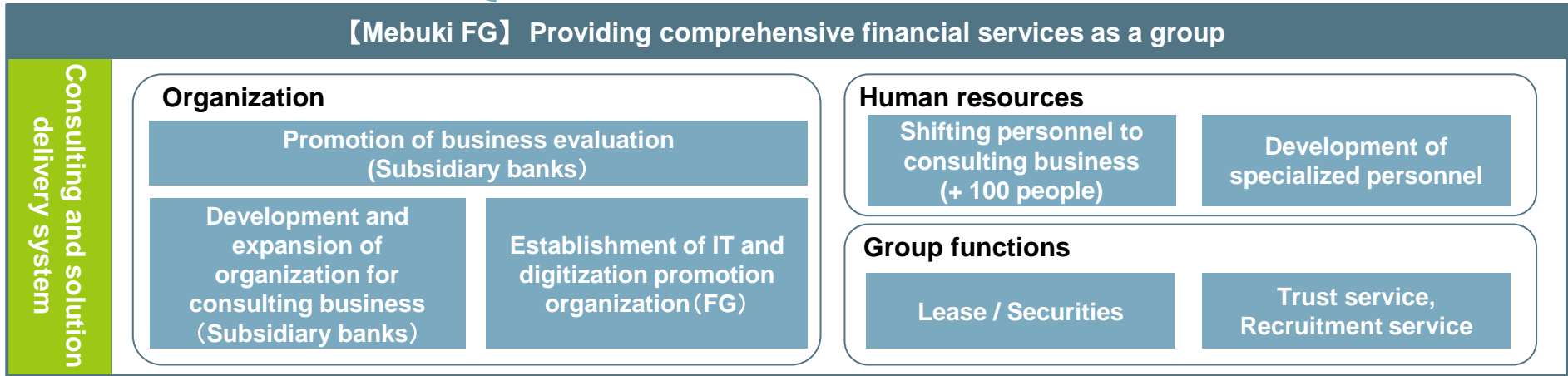
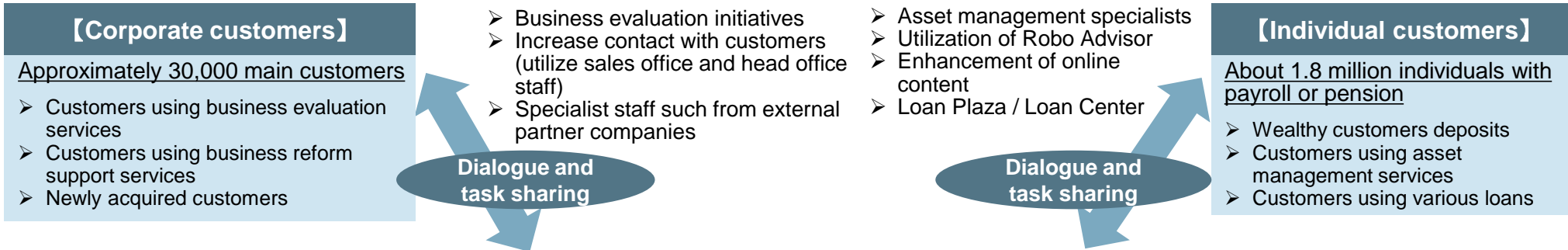
- Strengthening equity investment, structured finance
- Expansion of trust services
- Strengthening investment securities capabilities



# 【Basic strategy(1)】 Create growth business models with local regions ~ Enhance consulting services for customer growth ~

■ With regard to issues and objectives shared through dialogue with customers, we will strengthen our consulting function to provide services and solutions in a one-stop manner according to the life stages and industry characteristics of each customer.

## 【Business model to grow with the region】



**To realize**

- 【Corporate customers】／【Community】
- Solutions ● Performance improvement
  - Employment creation ● Local revitalization, etc.

- 【Individual customers】
- Asset management ● Asset succession
  - Securing safety and security, etc.

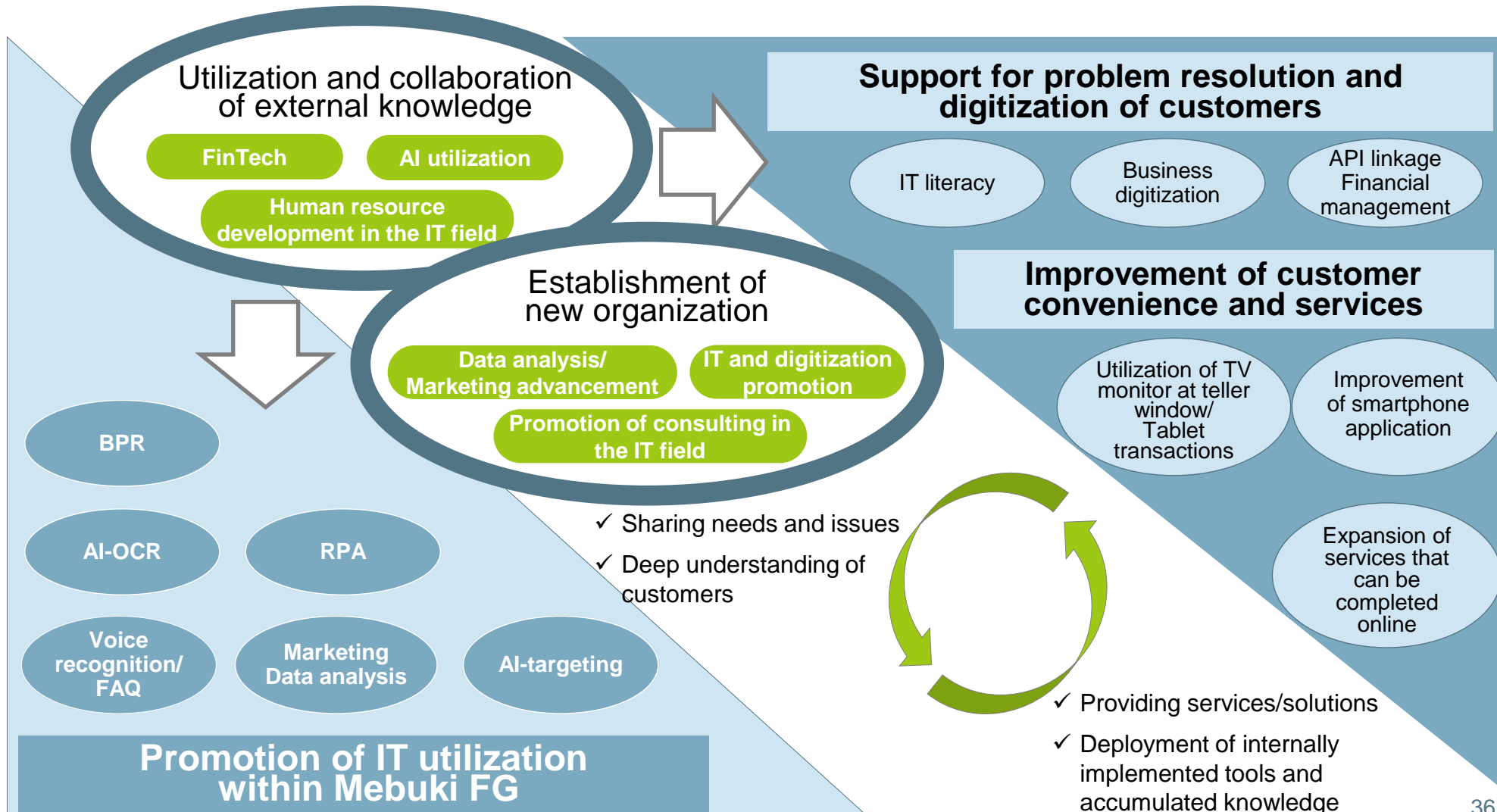
**To realize**

- 【Mebuki FG】
- Increase in service revenue ● Expansion of loan-deposit transactions
  - Increase in customer assets under custody, etc.
- Improvement of corporate value
  - Improvement of job satisfaction

# 【Basic strategy(1)】 Create growth business models with local regions

## ~ IT services / Data utilization and Strengthening IT investment ~

- Through improving the level of IT services and promoting utilization within the Group, the use of external knowledge and collaboration, and the establishment of a new shared organization in the group, we will provide customers with tools and know-how that have been put into practical use.



# 【Basic strategy(2)】 Structural reform for enhanced productivity

## Strategic goals

- By optimizing channels and networks, and consolidating and streamlining group organizations such as business processing and IT division, we will shift the allocation of resources such as branches, personnel, and investment from existing fields to new revenue fields, and will lead to build a highly productive management base.
- At the same time, we will work to upgrade the group-wide business management system and strengthen the group governance system.

### 【Individual strategy①】

Building a highly productive management base

- <Tactic 2-1> Channels and network optimization
- <Tactic 2-2> Streamline business processing and IT divisions

- Branch network optimization, enhancement of non-face-to-face channels
- BPR promotion utilizing digital technology, RPA, etc.
- Integrating administrative procedures, streamlining of operations based on integration of core systems

## Customer contact / Management base

### Customers / Local Communities

Cultivation of optimal channels according to customers' needs and location, etc. (multiple channels)

<Customer contact >

JOYO BANK

ASHIKAGA BANK

MEBUKI MEBUKI SECURITIES  
Financial Group

MEBUKI MEBUKI LEASE  
Financial Group

Think Tank / Consulting / IT Solution / Credit Card / Credit Guarantee (Subsidiaries)

Effective allocation of management resources(Unified and shared management base)

<Management base (organization and function of headquarters) >

Common platform

Bank core system / business process

Business processing and IT management

Management system related to risk and AML

Head office planning and management functions

Strategic planning function for sales and securities investment

IT development and management functions

Group governance function

### 【Individual strategy②】

Advance group management and governance

- <Tactic 2-3> Advancement and optimization of group management
- <Tactic 2-4> Strengthening group governance system

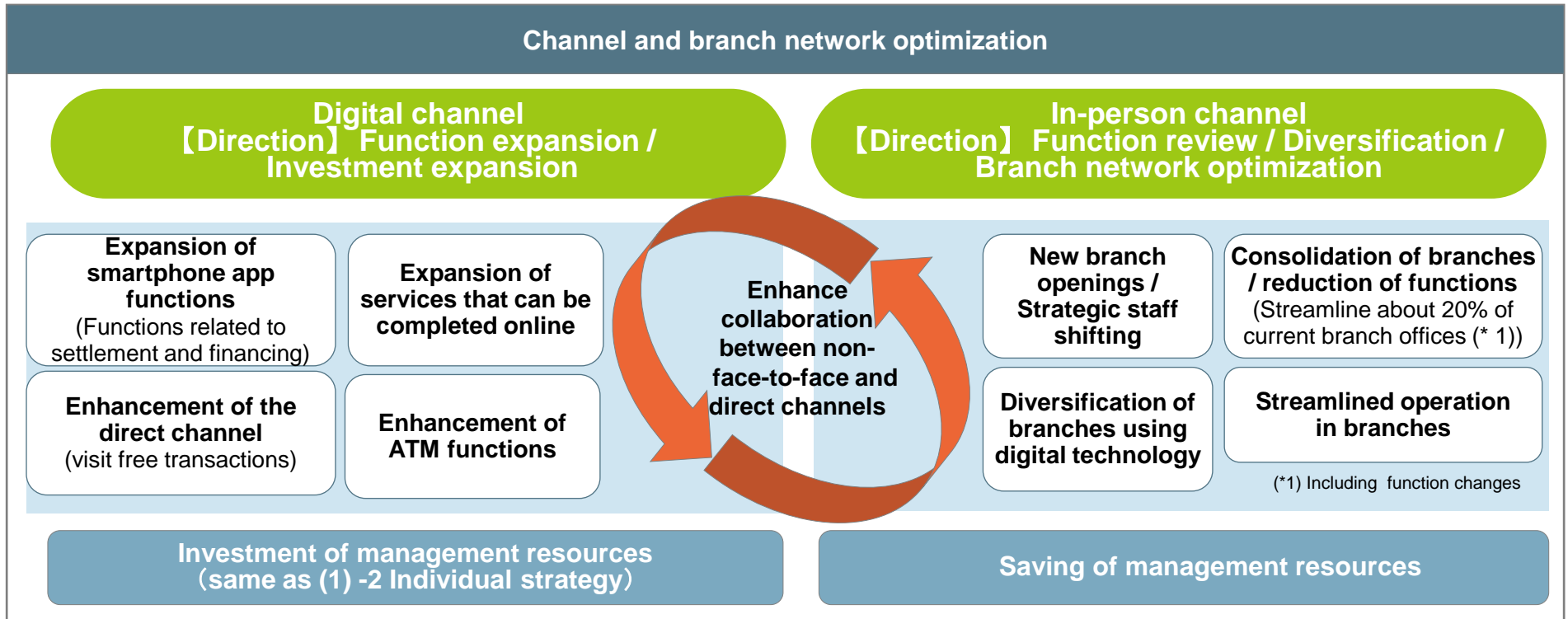
- Standardization and integration of head office function and duplicate subsidiaries
- Introduction of RAF, strengthening AML / CFT measures
- Strengthen supervisory function of the board of directors
- Corporate activities in line with ESG / SDGs

# 【Basic strategy(2)】 Structural reform for enhanced productivity

## ~ Building a highly productive management base ~

- We review the functions and roles of digital channels and manned branches in light of customer needs, customer contact diversification, and advances in IT digital technology, improve customer convenience and simplicity, and strengthen consulting functions.

### Channel and branch network optimization



### Effect / Aim

Improving customer convenience and simplicity  
(wider contact with customers using digital channels)

Enhancement of consulting function (increase in consulting time by 100,000 hours a year (\* 2))  
(\* 2) 100 people input × 4.5 hours (per day) × 240 business days = 100,000 hours a year

# 【Basic strategy (2)】 Structural reform for enhanced productivity

~ Shifting management resources by promoting structural reform (people, things, money) ~

## Human resources (total staff)

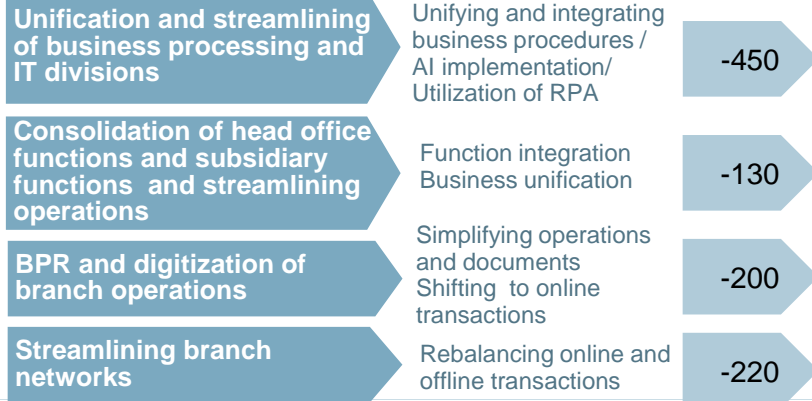
<Save> approx. 1,000 people  
(o/w regular employees 500 people)

<Invest> 200 people

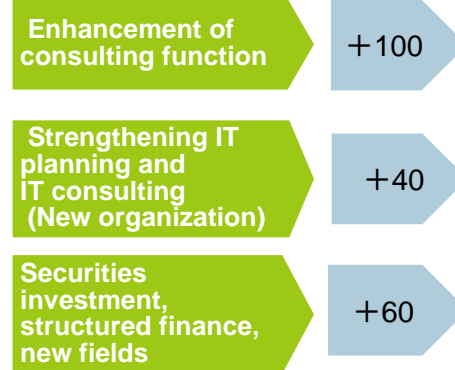
Personnel reduction 800 people  
Promote further adjustment of total personnel by structural reform

### <Human resources "saved">

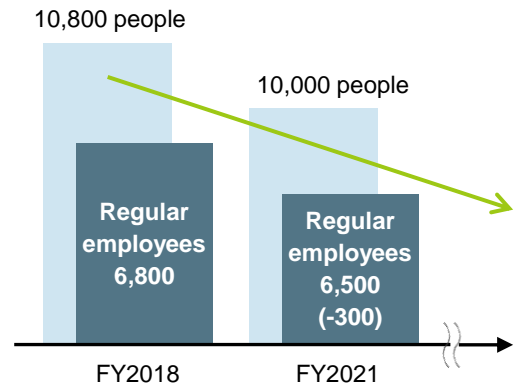
(Reduction of work volume converted into number of personnel)



### <Human resources "invested">

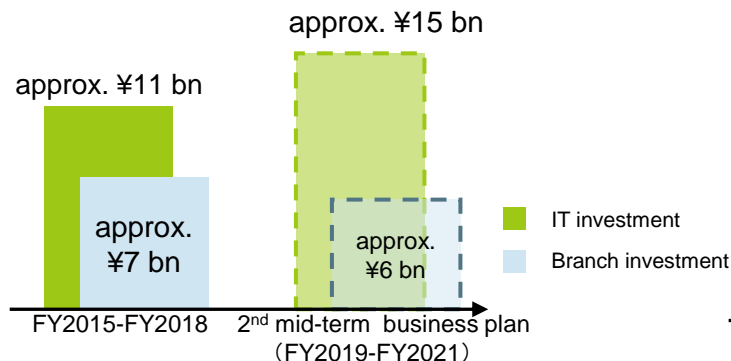


(table 1) Number of personnel (forecast)



## Things (investment amount)

(table 2) Actual and forecast of IT investment and branch investment (2 banks' total)

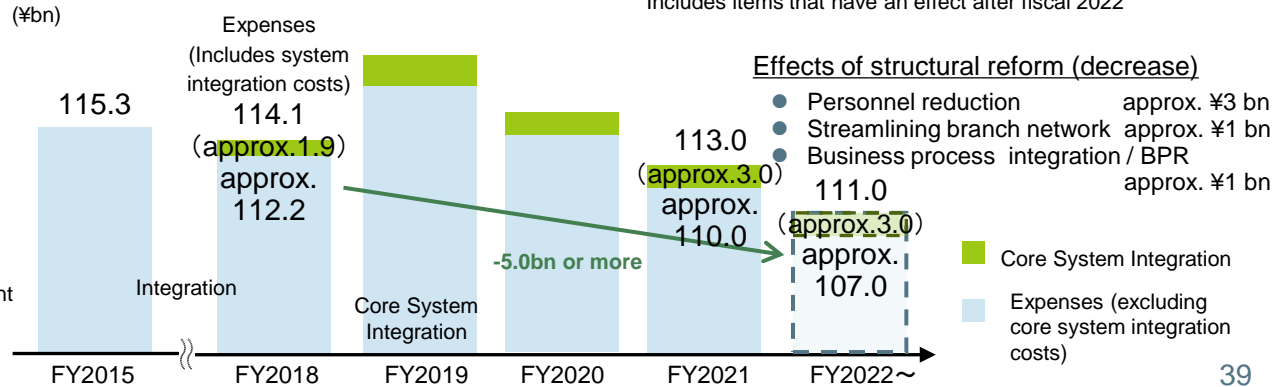


IT investment  
¥15 bn (\*1)

(\*1) 3 years total

## Money (expenses)

(table 3) Actual and forecast of expenses (2 banks total)



Cost reduction by structural reform  
¥5 bn or more (\*2)

(\*2) Single-year reduction compared to fiscal 2018 / Includes items that have an effect after fiscal 2022

### Effects of structural reform (decrease)

- Personnel reduction approx. ¥3 bn
- Streamlining branch network approx. ¥1 bn
- Business process integration / BPR approx. ¥1 bn

- Core System Integration
- Expenses (excluding core system integration costs)

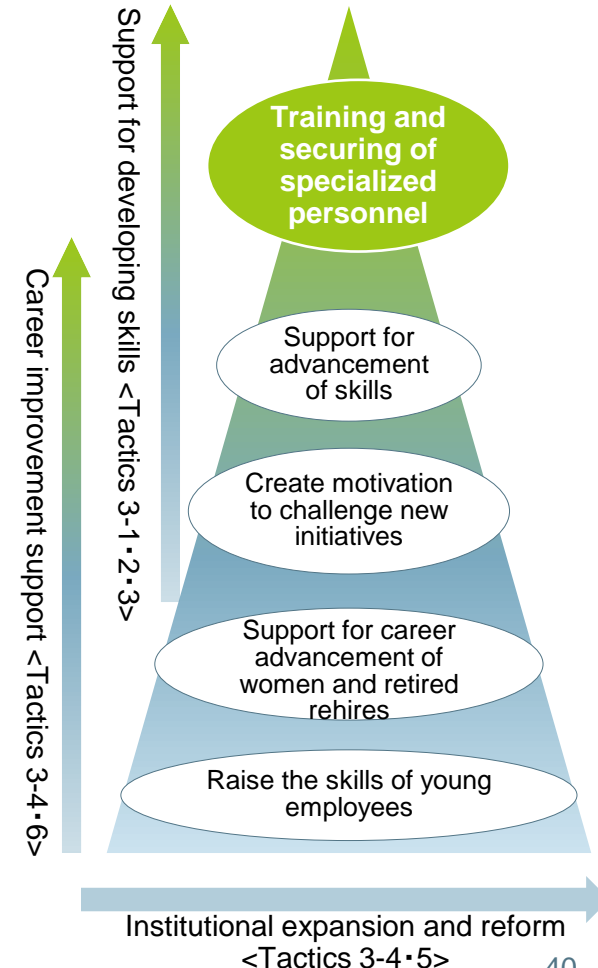


# 【Basic strategy(3)】 Developing human resources for value creation

## Strategic goals

- We will promote the development of specialized human resources by strengthening support for developing skills through the use of external knowledge, and build up a human resources group required for the implementation of the second mid-term plan.
- We will expand various working styles to promote work-life balance, and create a system to realize contribution to customers and the local region through the display of consulting functions, all while leading to higher job satisfaction for employees.

Basic strategy	Main tactics
Training and securing of specialized human resources	<p>&lt;Tactic 3-1&gt; <u>Training and securing of specialists in consulting and IT fields</u></p> <p>&lt;Tactic 3-2&gt; <u>Construction of a training system that utilizes external knowledge, human resources exchange, OJT, etc.</u></p> <ul style="list-style-type: none"> <li>● Establishment of human resources development and training system jointly by the two banks utilizing external dispatch services</li> <li>● Securing highly specialized personnel (ex. mid-career recruitment)</li> </ul> <p>&lt;Tactic 3-3&gt; <u>Introduce and expand a skills certification system that promotes continuous skills improvement</u></p>
Expansion of personnel and training system	<p>&lt;Tactic 3-4&gt; <u>Introduce and expand personnel system to promote motivation improvement</u></p> <ul style="list-style-type: none"> <li>● Visualizing work and career plans and establishment of support system for career formation</li> <li>● Review of course classification in subsidiary banks</li> </ul>
Promotion of working style reform and diversity	<p>&lt;Tactic 3-5&gt; <u>Maintaining a working system and environment to promote work-life balance</u></p> <ul style="list-style-type: none"> <li>● Expansion of work at home, telework, flexible work system</li> <li>● Reduce total working hours by improving productivity</li> </ul> <p>&lt;Tactic 3-6&gt; <u>Strengthen support for career and skills improvement of women and retired rehires</u></p>



- "Higher job satisfaction for employees" through basic strategies (1) (2) (3)

### Higher job satisfaction for employees

Pride in work (feeling of contributing to customers and local region)

Trust in the organization (Working style reform and fostering motivation)

Group unity (Human resources exchange, joint training)

Execution of basic strategy (1) (2) (3)

# 3. Group Performance Objectives

## Management Objectives

- With FG consolidated ROE, consolidated net income, and core OHR (combined value for both banks) as our management objectives, we will achieve the levels shown on the right by carrying out basic strategies.

Business objectives indicator	FY2018	FY2021
Consolidated ROE	5.1%	5.0% or more
Consolidated Net Income	¥46.3bn	about ¥47 bn
Core OHR (combined value for banks) <sup>(*)</sup>	57.1%	around 60%

<sup>(\*)</sup> excluding system integration expenses

## Performance Target Plans

- We will increase the business profit from customer services (\* 2) by strengthening top-line through creation of business models and cost reduction by structural reform.

Business profit for customer service <sup>(*)2</sup>	<b>3</b> years increase approx. <b>¥1.5</b> bn
Business profit for customer service <sup>(*)2</sup> (excluding system integration expenses )	<b>3</b> years increase approx. <b>¥2.5</b> bn

Main performance targets	FY2018	FY2021
Business profit from customer services <sup>(*)2</sup>	¥29.2 bn	about ¥30.5 bn
" (excluding system integration expenses) <sup>(*)2</sup>	¥31.1 bn	about ¥33.5 bn
Average balance of loans and bills discounted <sup>(*)3</sup>	¥10,644.9 bn	about ¥11,250 bn
Average balance of deposits <sup>(*)4</sup>	¥14,530.9 bn	about ¥15,030 bn

<sup>(\*)2</sup> Business profit from customer services = Loan-deposit interest difference + Net fees and commissions for customer services + Net trading income(revenues from derivative transactions for customer) - Expenses

<sup>(\*)3</sup> Excluding loans to special account for Ministry of Finance

<sup>(\*)4</sup> Including NCD

## Preconditions

- Although the domestic economy is expected to continue its moderate recovery trend, uncertainty factors such as overseas conditions may push down the economy, and stock price trends are expected to be centered on the current level.
- Interest rate trends in Japan are not expected to fluctuate significantly from the current level. In the US, both long- and short-term interest rates peaked in the first half of the mid-term plan period, and a gradual decline is expected thereafter.

## Dividend / Shareholder Return Policy

- 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 Attributable to Owners of the Parent

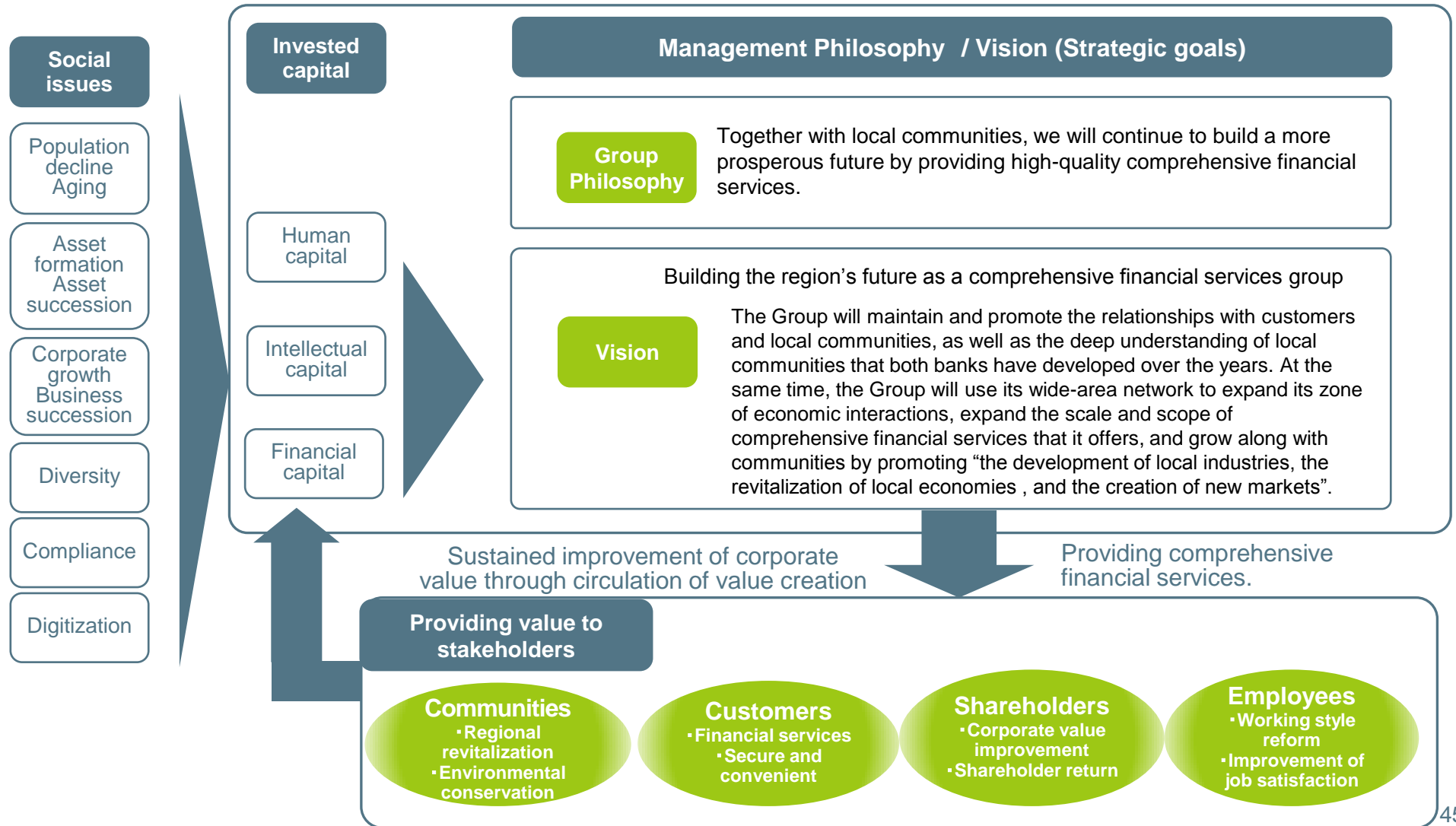
(table1) Shareholder return(Dividend, Acquisition of Own Shares)

	FY17	FY18
Dividend per share	¥11.0	¥11.0
Total Amount of Dividends(1)	¥12.9 bn	¥12.9 bn
Acquisition of Own Shares (2)	—	¥2.0 bn
Net income (3)	¥43.0 bn	¥46.3 bn
Total Return Ratio (1)+(2) / (3)	30.0%	32.3%

## 4. Management Philosophy and Value Creation Process

# Management Philosophy and Value Creation Process

- **Mebuki Financial Group is committed to providing high-quality comprehensive financial services based on the group's philosophy, and contributing to the sustainable growth of local communities by improving its corporate value.**



# Management Philosophy and Value Creation Process

## ~ Efforts for SDGs and ESG ~

- **Mebuki Financial Group will work with all of our stakeholders, including customers, shareholders, employees and business partners, to build a more prosperous communities aim to grow together.**

### Society

**We will work in harmony with local communities to create a more prosperous regional society**

- Support children to become independent (financial education support)
- Local employment support collaborating with local governments (cooperation with Ibaraki and Tochigi prefectures / education loans)
- Business succession support for next-generation leaders and successors
- Diversity Initiatives (promotion of work-style reform / promotion of active participation of women)



### Economy

**We will take initiatives to provide comprehensive financial services and promote the revitalization of the regional economy utilizing a wide-area network.**

- Discover regional industries and support the creation of new businesses (hold business plan contests / support with Mebuki Regional Revitalization Fund)
- Develop new businesses and expand economic exchange (support for manufacturing companies / support for agricultural businesses)
- Business succession, M & A support, and make efforts to resolve the shortage of human resources
- Make initiatives to support local sustainable growth (support to refurbish of traditional homes / promote local creation in cooperation with local governments)



### Environment

**With the aim of maintaining the natural environment, we will engage in initiatives to bountiful and beautiful environment to the future.**

- Dissemination and development of renewable energy through environment related financing for power generation projects using clean energy
- Handle environment-related loans for the introduction of environment-friendly private placement bonds, solar power generation facilities, etc.
- Create environment-friendly branches (installation of solar power generation systems, reduction of energy consumption through switching to LED lights)
- Environmental conservation activities (Joyo Furusato no Mori / Ashigin Forest)



### Governance

**We will work to strengthen and enhance corporate governance in order to secure the trust of our stakeholders. In order to achieve a peaceful and fair society, we will work to cut off relations with antisocial forces and prevent money laundering and terrorism funding.**



## Inquiries

Mebuki Financial Group, Inc. Corporate Planning Department

TEL +81-29-300-2869 | +81-29-300-2603

E-mail [ir@mebuki-fg.co.jp](mailto:ir@mebuki-fg.co.jp)

URL <https://www.mebuki-fg.co.jp/>

This document has been prepared for information purposes only and does not form part of a solicitation to sell or purchase any securities.

Information contained herein may be changed or revised without prior notice.

This document may contain forward-looking statements as to future results of operations. No forward-looking statement can be guaranteed and actual results of operations may differ from those projected.