

Mebuki Financial Group, Inc.

Financial Results for the First Half of FY2019 (IR Presentation Material)



1. Financial Results for the First Half of FY 2019

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【Reference】

Financial Data for First Half of FY2019 23~27

Summery of Second Medium-Term Group Business Plan

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

1. Financial Results for the First Half of FY 2019

(1) Main Points of 1H19 Financial Results

- Consolidated net income^(*1) is ¥22.5bn and the progress compared to a forecast for 2019 of ¥40.0bn is 56.3%.
- The second medium-term plan started on April 1, and is progressing according to the plan. We expect to achieve our full-year forecast.

(*1) Attributable to owners of the parent

Mebuki FG (Consolidated)

(¥bn)

	1H19	YoY Chg	Progress
Gross business profit	98.7	+4.3	-
Net interest income	76.8	-5.6	-
(o/w gains/losses on cancellation of private offering investment trusts)	(6.1)	(*1) -3.6	-
Net fees and commissions	19.9	-0.0	-
Net trading income	1.1	+0.0	-
Net other business income	0.6	(*1) +9.9	-
Expenses	60.3	+0.2	-
Credit related cost	10.3	+4.2	-
Gains/losses related to stocks	3.3	(*1) -6.4	-
Ordinary profit	31.9	-7.1	55.1%
Extraordinary income/losses	-0.1	+0.1	
Net income (1)	22.5	-4.6	56.3%

(*1) Gains/losses on cancellation of investment trusts + net other business income (mainly gains/losses on bond transactions) + gains/losses related to stocks = -¥0.1bn YoY (almost the same as the previous year)

[Forecast]

	1H	Full year
Net Income attributable to owners of the parent	¥20.0	¥40.0bn

【 Consolidation adjustment 】 (2)-(1) -3.0bn

Adjustments related to securities (-2.5bn)

Interest expenses of subordinated loans, expenses, etc.

Two banking subsidiaries and group companies

(¥bn)

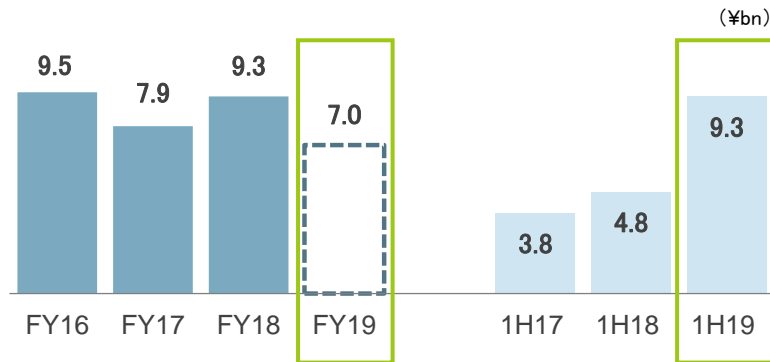
<Joyo and Ashikaga "J + A" (Non-consolidated)>	1H19	YoY Chg	Progress
Gross business profit	96.7	+3.6	54.5%
(Core gross business profit)	96.8	-6.6	54.6%
Net interest income	79.4	-6.1	55.1%
(o/w gains/losses on cancellation of private offering investment trusts)	6.1	-3.6	-
Net fees and commissions	16.3	-0.3	51.9%
Net other business income	0.9	+10.0	54.4%
(o/w gains/losses on bond transactions)	-0.0	+10.3	-
Expenses	58.1	+0.6	48.8%
Net business income (before general allowance for loan losses)	38.5	+2.9	66.4%
Core net business income (excl. gains/losses on cancellation of private offering investment trusts)	38.6	-7.3	66.5%
Net transfer to general allowance for loan losses (a)	0.4	+0.4	204.5%
Net business income	38.1	+2.5	65.9%
Net non-recurrent gains/losses	-5.3	-10.2	
o/w Disposal of non-performing loans (b)	8.9	+4.1	131.3%
o/w Gains/losses related to stocks, etc	4.1	-5.9	51.3%
Ordinary profit	32.8	-7.7	56.0%
Extraordinary income/losses	-0.1	-11.8	12.8%
Net income (J + A)	23.2 (*2)	-16.9	57.5%
Net income (Group total)(2)	25.6 (*2)	-16.4	57.9%
Credit related cost (J + A)	9.3	+4.5	133.4%

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

(2) Topics ① Credit Related Costs

- Result of credit related costs is ¥9.3bn compared to a forecast of ¥7.0bn, mainly due to increase of allowance for loan losses caused by rank down of credit ratings.
- There are no major movements in bankruptcy in the local market. Delinquent loans remains at a low level.

Change of Credit Related Costs



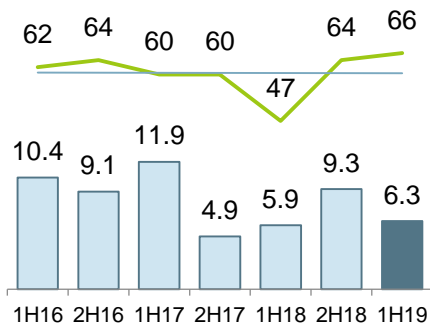
Breakdown of Credit Related Costs

	Forecast FY19	1H19	Progress	YoY
Credit related costs	7.0	9.3	133.4%	+4.5
Net transfer to general allowance for loan losses	2.0	4.0	204.5%	(*1)+3.9
Disposal of non-performing loans (o/w) Transfer to specific allowance for loan losses	6.8	8.9	131.3%	+5.0
	(-)	4.4	(-)	+1.6

(*) Including reversal from major borrowers in 1H18

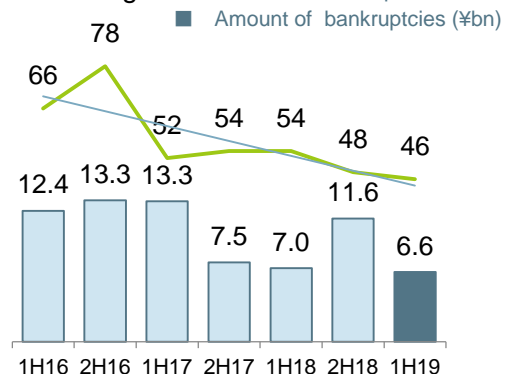
Status of Bankruptcy in Local Market

<Ibaraki>



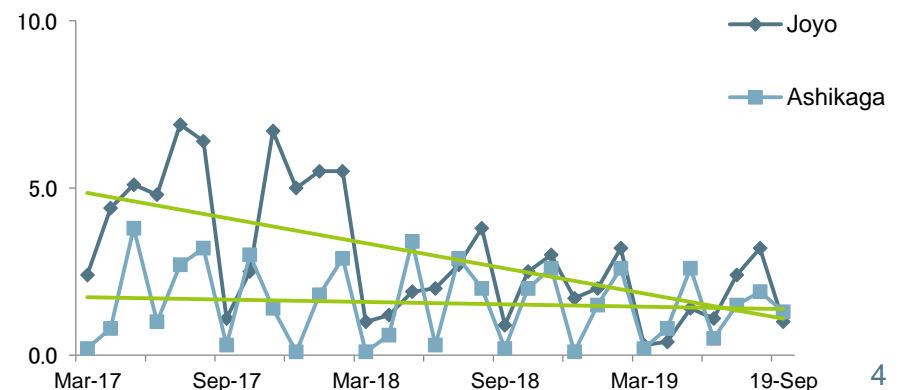
Number of bankruptcies (Total liabilities amounting to 10 million yen or more)
~by Tokyo Chamber of Commerce

<Tochigi>



Status of Delinquent Loans to Businesses

<Monthly change of loans delinquent 1 month or more> (¥bn)



(2)Topics② Net Interest Income (Interest and dividends on securities)

- Net interest income of 1H19 is ¥79.4bn compared to a forecast of ¥143.9bn which is a progress of 55.1% ,exceeding the plan.
- Main reason of substantial decrease is due to decrease of security margins, especially gains/ losses on cancellation of investment trusts.

Net Interest Income

(¥bn)

	1H19	YoY	Progress
Loan- deposit interest margins	52.9	(*1)-0.6	50.2%
Interest on loans	55.8	-0.4	(-)
Interest on deposits	2.9	+0.1	
Security margins	26.4	(*2)-5.4	68.7%
(excluding gains/ losses on cancellation of investment trusts)	20.3	-1.8	52.6%
Interest and dividends on securities	31.2	-4.4	
(o/w gains/ losses on cancellation of investment trusts)	(6.1)	(-3.6)	(-)
Market procurement	4.8	+1.0	
Net interest income	79.4	-6.1	55.1%
(Excluding gains/ losses on cancellation of investment trusts)	73.3	-2.5	(-)

(*1) We strive to retain the 3bp decline of the average yield of domestic loans (excluding borrowing from special account of MoF) compared to 5bp during the previous period.

(*2) The progress of security margins is 68.7% due to the cancellation of investment trusts based on the market environment, and the progress excluding gains/ loss on cancellation of investment trusts is over 50%.

Breakdown of Security Margins

(¥bn)

	1H19	YoY	Progress
Interest and dividends on securities	31.2	-4.4	(-)
JGB	2.7	-0.4	
(Yen-dominated) Local government bonds/ corporate bonds	3.4	+0.0	
Foreign currency bonds	9.4	+1.0	
Stocks	3.7	+0.0	(-)
Investment trusts	5.6	-1.4	
Gains/ losses on cancellation of investment trusts	6.1	-3.6	
Market procurement (-)	4.8	(*3) +1.0	(-)
Security margins	26.4	-5.4	(*4) 68.7%
(Excluding gains/ losses on cancellation of investment trusts)	20.3	-1.8	52.6%

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

(*4) We aim to achieve forecast of security margins to improve portfolio and market procurement based on the market environment.

2. Progress of the Second Medium-Term Business Plan

【Plan period: April 2019 to March 2022】

(1) Progress of Business Objectives①

* The outline of second medium-term business plan is shown on P27 (reference).

Business Objectives

(*)Attributable to owners of the parent

- Net income^(*) and Core OHR (banking subsidiaries' total) progressed favorably according to plan.
- We aim to achieve the objectives of FY21 to increase net income and to execute capital policies.

(1)Progress of Business Objectives

	FY18 Result	FY19 planned	1H19	Progress	FY21 planned
ROE (Consolidated)	5.1%	—	—	-	5.0% or more
Net income ^(*)	¥46.3bn	¥40.0bn	¥22.5bn	56.3%	around ¥47.0bn
Core OHR (banking subsidiaries total) ^{(*)1}	57.1%	64.8%	58.2%	—	around 60%

Main Quantitative Target

(*)1 excluding system integration expenses

- Profit for customer services progressed favorably according to forecast for FY19. Results for FY19 are expected to exceed ¥ 1.0bn.
- Average balance of loans increased ¥157.1bn in 1H19, progressing steadily toward target of increase for 3 years of ¥600bn.

* See the next page for detailed information about 'Profit for customer services'

(2)Progress of main quantitative target

	FY18 Results(1)	FY19 planned	1H19	Progress	FY21 Planned(2)	(2)-(1)
Profit for customer services ^{(*)2}	¥29.2bn	¥21.2bn	¥12.8bn	60.4%	around¥30.5bn	around ¥1.5bn
(excluding system integration expenses) ^{(*)2}	¥31.1bn	¥25.4bn	¥14.5bn	57.1%	around¥33.5bn	around ¥2.5bn
Average balance of loans (total) ^{(*)3}	¥10,644.9bn	—	¥10,802.0bn	+¥157.1bn	around¥11,250bn	around ¥600bn
Average balance of deposits (total) ^{(*)4}	¥14,530.9bn	—	¥14,822.0bn	+¥291.1bn (YoY for FY18)	around¥15,030bn	around ¥500bn

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

(*)3 Excluding borrowing from special account of MoF

(*)4 Including negotiable certificates of deposit

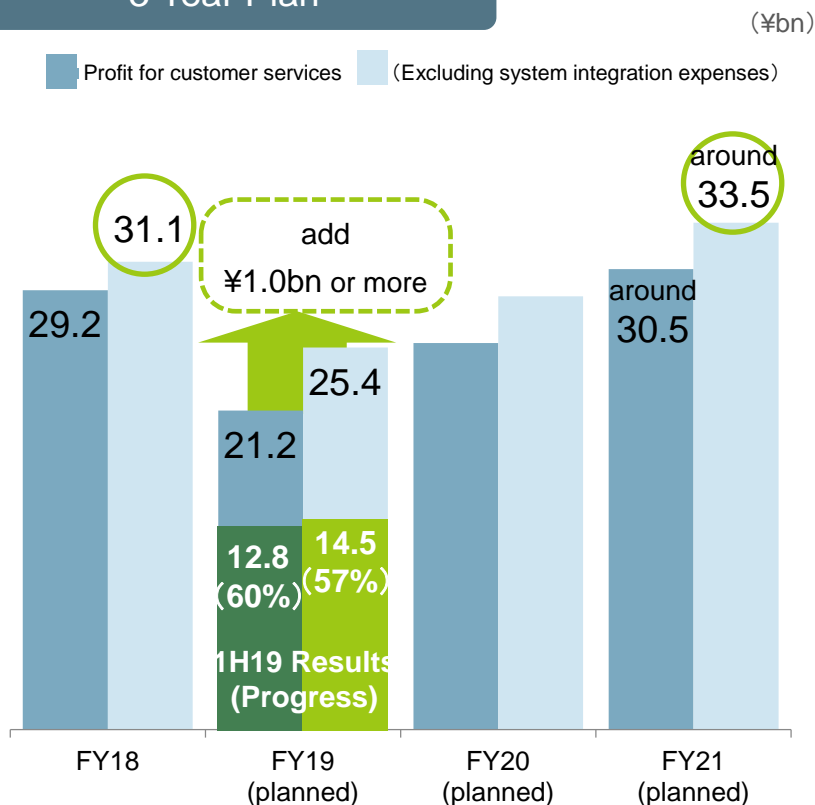
(1) Progress of Business Objectives②

Profit for Customer Services

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

- “Profit for customer services(*)” was set forth as an indicator for expanding top line through creating business models and reducing costs by promoting structural reform based on the second mid-term Business Plan.
- For the 3 years of the medium-term plan, we will make efforts to increase profit for customer services by ¥1.5bn or more, or ¥2.5bn or more excluding system integration expenses.

3 Year Plan



Result of 1H19

- Result of 1H19 is ¥12.8bn on the high level of 60% progress compared to a forecast for FY19, pulled by net fees and commissions and cost reductions.
- Based on present circumstances, profit for customer services is expected to exceed forecast for FY19 by ¥1.0bn or more.

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

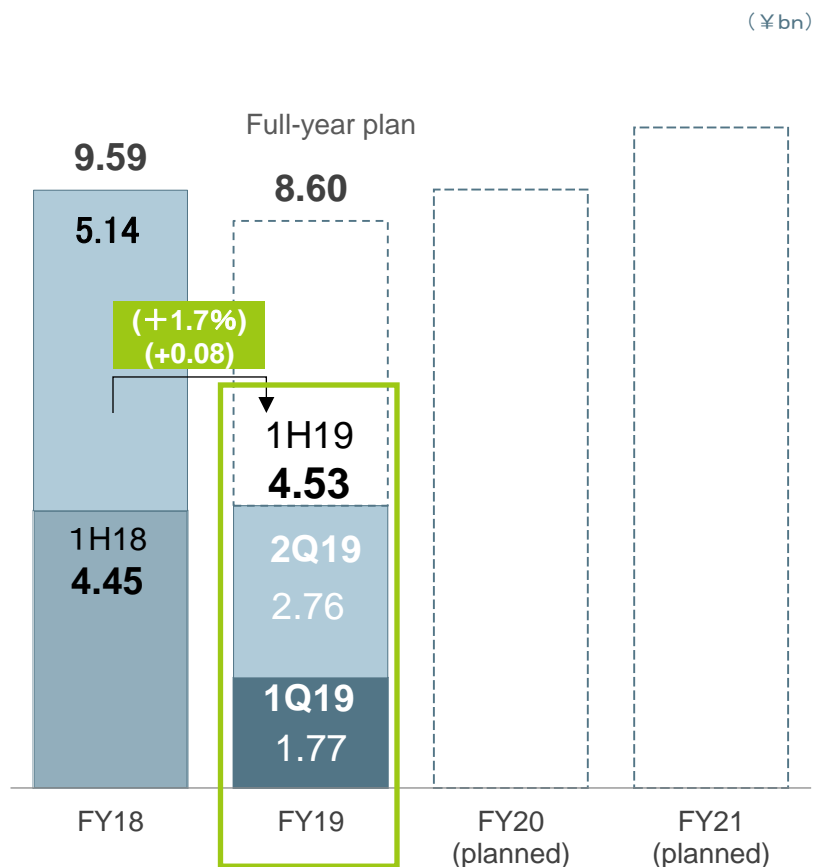
	FY19 planned	1H19 Results	Progress
Top line of customer services(1)	140.3	71.0	50.5%
Loan- deposit interest margins	107.0	53.5	50.0%
Net fees and commissions	33.3	17.4	52.3%
Expenses (2)	119.0	58.1	48.8%
(Excluding system integration expenses) (3)	114.8	56.4	49.1%
Profit for customer services(1)-(2)	21.2	12.8	60.4%
(Excluding system integration expenses)(2)-(3)	25.4	14.5	57.1%

(2) Create Growth Business Models with Local Regions

① Enhancement of consulting services (Business support)

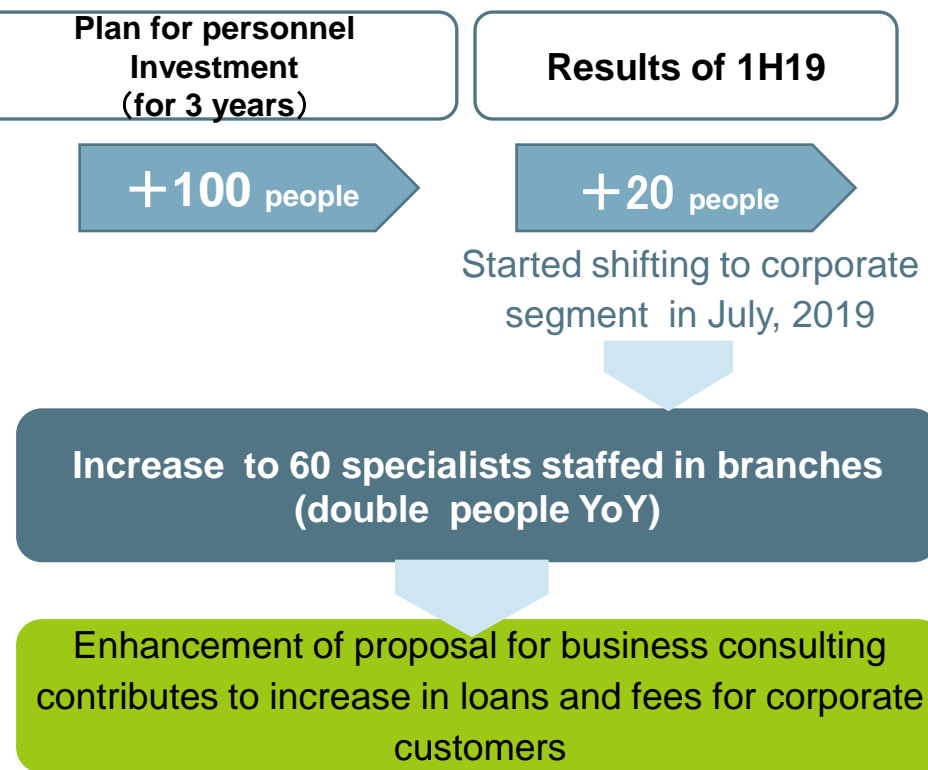
- Plan to shift 100 people (total) over three years to consulting business for individual and corporate customers.
- We started by shifting 20 people to corporate segment in July, 2019. Fees from corporate customers increased in 1H19, and we expect to achieve the plan for FY19.

» Fees from Corporate customers



» Organization for Consulting Services

- Plan to shift 100 people (total) over three years to consulting business for individual and corporate customers

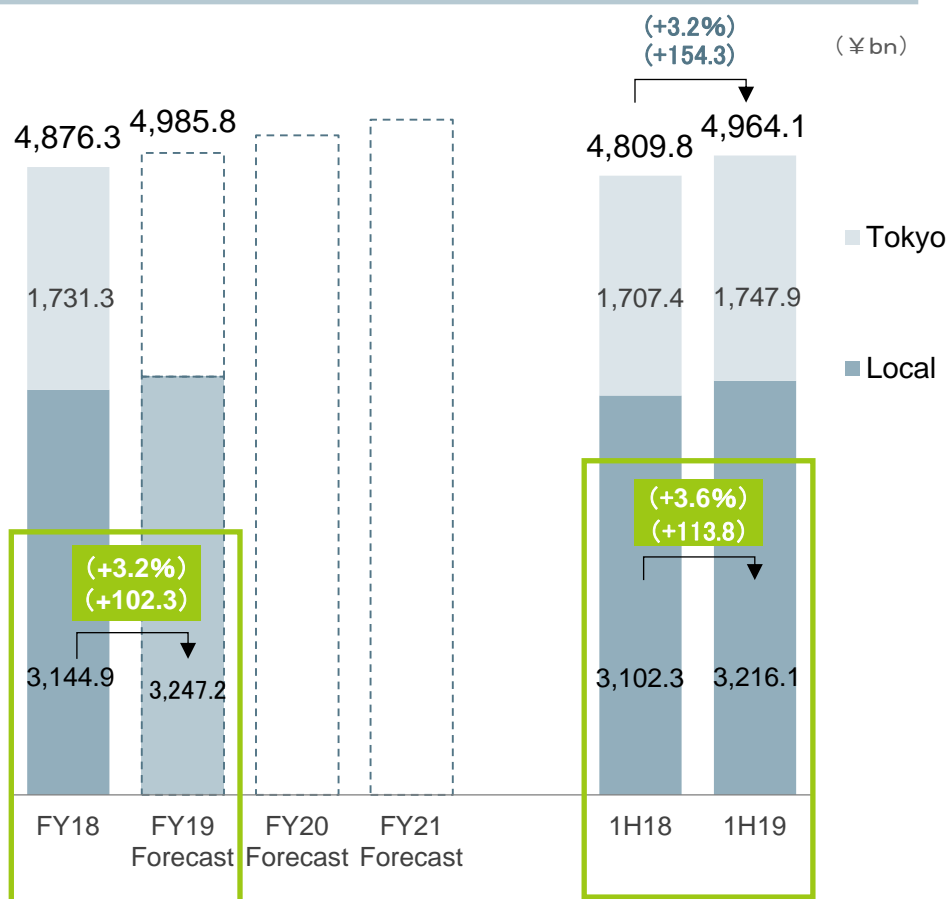


(2) Create Growth Business Models with Local Regions

① Enhancement of consulting services (Business support)

- Increase in loans to local corporate customers is planned to be ¥102.3 bn on a fiscal year base (2018~2019).
- Since loans increased by 113.8bn YoY in 1H19 ,exceeding forecast for FY19,we expect to achieve the forecast.

Corporate Loans (Average balance)



Expansion of Loan Services

Loans with special agreement of debt forgiveness for earthquake disaster

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

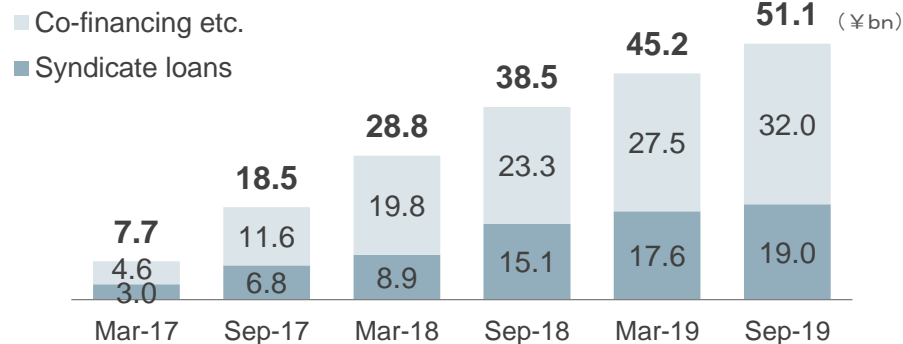
1H19 Results (accumulated) 30 loans / ¥5.3bn

Start SDGs private placement bonds

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

1H19 Results (accumulated) 43 bonds / ¥4.2bn

Co-financing (Accumulated amount of loans made)

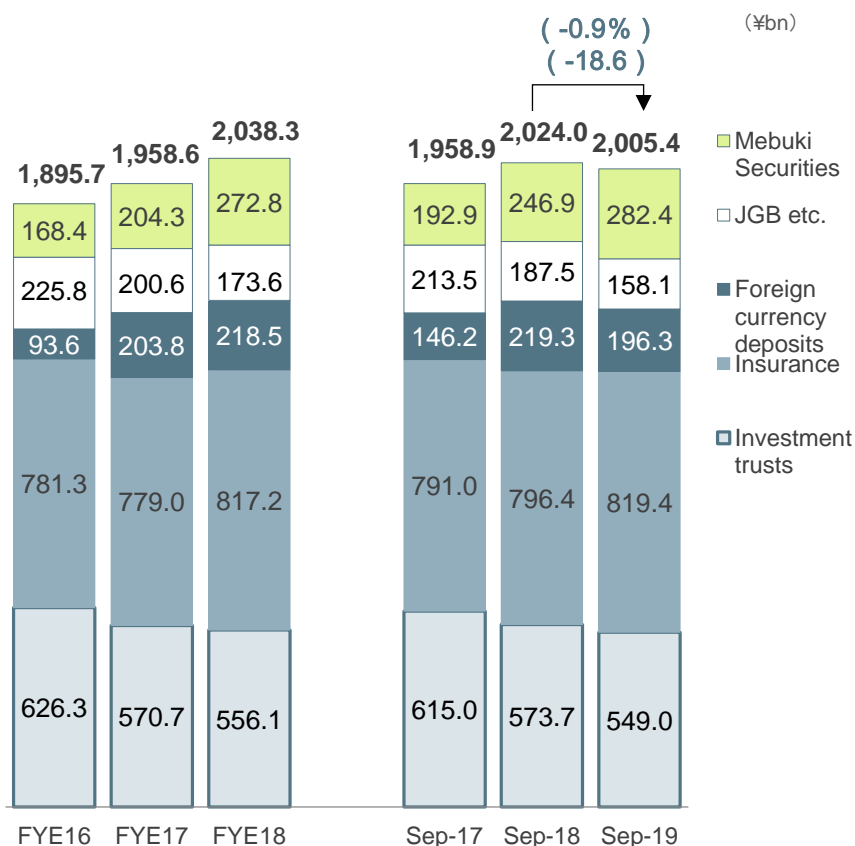


(2) Create Growth Business Models with Local Regions

① Enhancement of Consulting Services (Support for asset building)

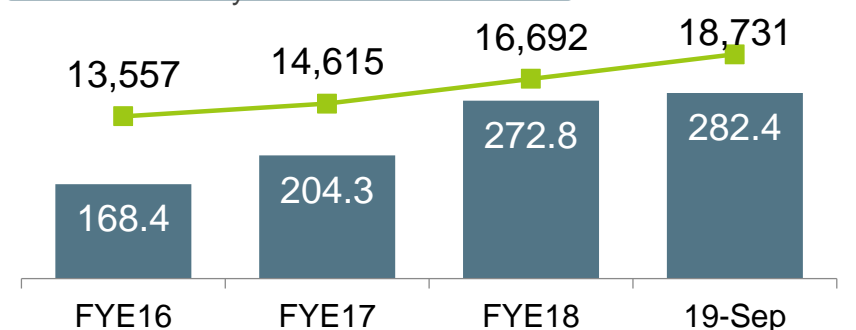
- Results of commissions is ¥6.7bn toward full-year plan of ¥ 14.3bn. Sales of investment trusts is slow due to uncertain market conditions.
- We will strengthen comprehensive proposals of insurance using external skill and cooperation between banking and securities to recover investment trusts.

Balance (Bank Total + Mebuki Securities)



Strengthening of Cooperation Between Banking and Securities Businesses

Contracts and Balance of customer assets under custody of Mebuki Securities



Commissions (Bank Total + Mebuki Securities)

(¥bn)

	FY19 Planned	1H19 Results	Progress	YoY
Investment trusts	6.5	2.6	40%	-0.4
Insurance	4.3	2.3	53%	+0.3
Mebuki securities ^(*1)	2.5	1.2	51%	+0.0
Others ^(*2)	1.0	0.3	30%	-0.1
Total	14.3	6.7	46%	-0.2

(*1) Mebuki securities + Financial instrument intermediary service

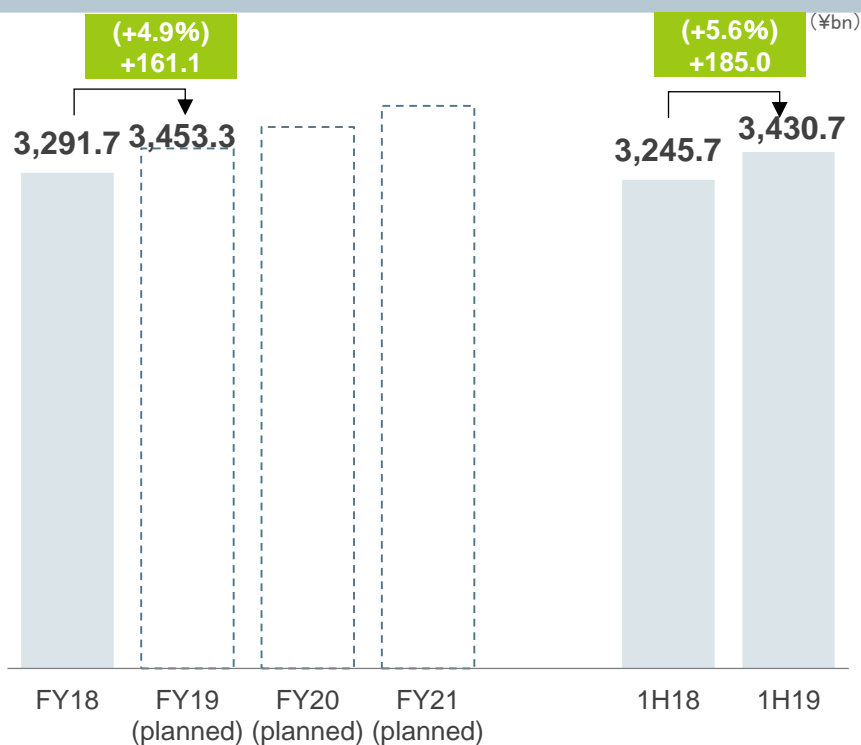
(*2) Foreign currency deposits + bonds, etc.

(2) Create Growth Business Models with Local Regions

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

- Since we strengthen housing loans' sales for home vendors using IT to improve operations, results of average balance and amount of acquisition in 1H19 exceed full-year plans.
- We expect to achieve the plan of average balance of unsecured loans due to increase in the number of unsecured loan applications via the internet.

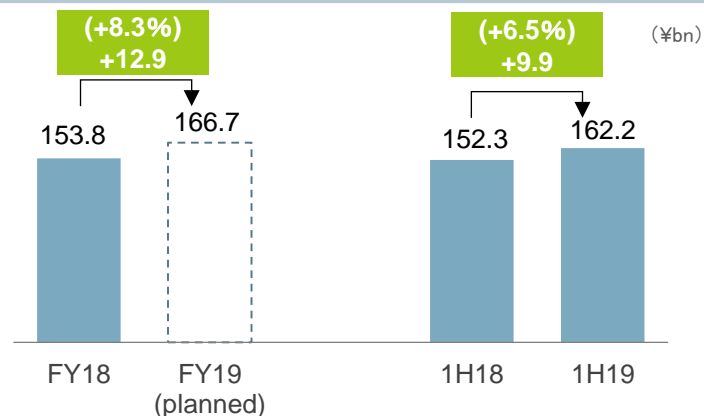
➤ Housing Loans (Average balance)



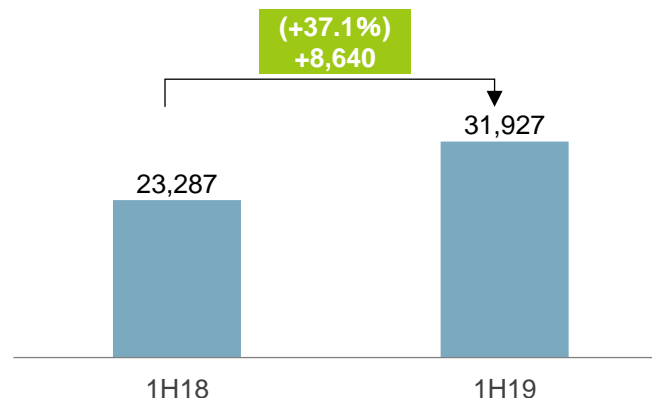
Amount of acquisition
Half-year Results
Full-year plan
(Progress)

	(1H18)	(1H19)
Amount of acquisition	¥179.2bn	¥186.8bn
Full-year plan	¥360.6bn	¥351.0bn
(Progress)	(49.6%)	(53.2%)

➤ Unsecured Loans^(*) (Average Balance)



➤ Number of Unsecured Loan Applications via the internet



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

(2) Create Growth Business Models with Local Regions

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

- In June 2019, we established a new organization to control IT and digitization in the group head office.
- We will work to enhance IT services / Data utilization within the group and improve customer convenience and services.

Enhancement of Support for IT and Digitization

Establishment of “IT and Digitization Strategy Group”

- In June 2019, we established a new organization to control IT and digitization in the group head office. In addition, we will work to strengthen IT investment efficiency.

Training specialists in IT field

- We, two banks jointly, are providing IT training programs in collaboration with outside vendors.
- The themes are “data utilization”, “IT services creation” and include new application planning based on utility.



(IT services creation workshop)

IT services / Data utilization within the group

Development and introduction of business use smartphone applications (enhancement of efficiency and functionality)

- In April 2019, we introduced business use smartphone applications for improving efficiency of sales staffs' activities (application for receipt and company car).
- Utilized for issuing digital receipts for keeping customers' bankbooks or cash and for management of company cars utilizing GPS function.
- In addition to improvement of efficiency, we will enhance functionality of sales staffs' activities by data storage and analysis.

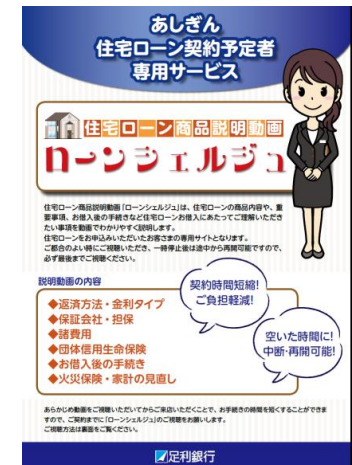


(Image of business use smartphone application)

Utilization for Improvement of Customer Services

Introduction of video service for explanation about important items related to housing loans

- In June 2019, introduced “Loan Concierge” video service for explanation about important items related to housing loans.
- By viewing this video before making a contract, customers can reduce the time needed to visit branches (customers can view the video at any time).



Development/Trial of financial alert function [credit cost reduction(control)]

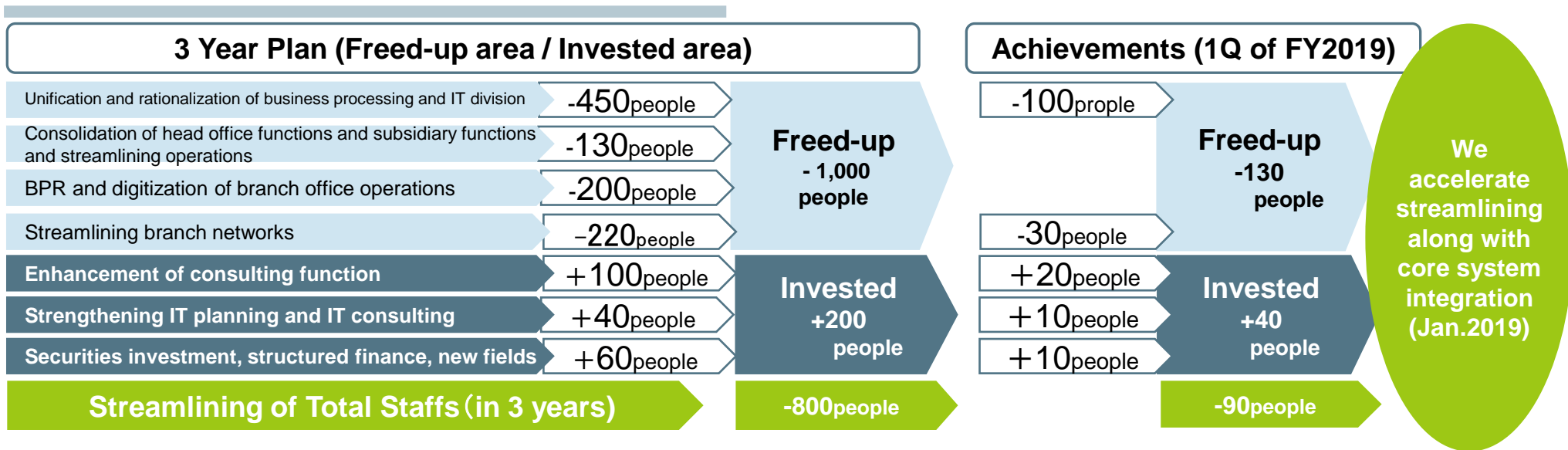
- In July 2019, “financial alert “ function began on a trial base, aiming for accuracy improvement in understanding actual financial situation of customers.
- Its alert will be displayed in the loan business support system, when it is assumed that a customer's financial position is worsening, based on long-term trend financial analysis and combined analysis of CF/BS/ PL.

(3) Structural Reform for Enhanced Productivity

① Control of Total Staff

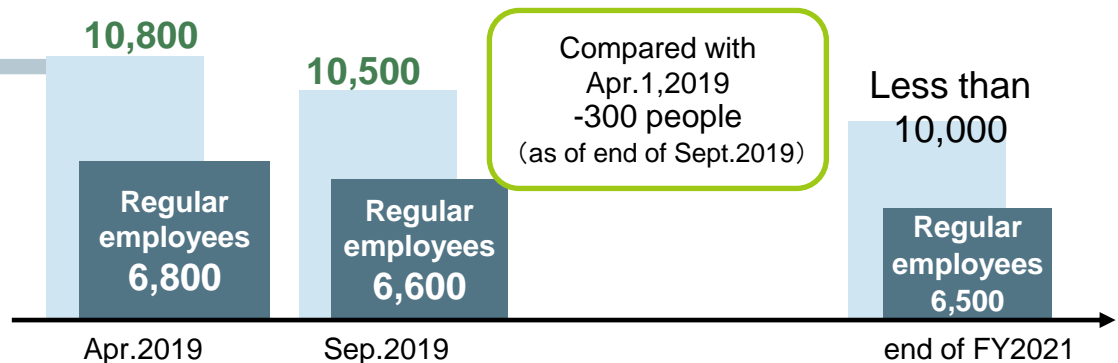
- We are planning personnel reduction of 800 people over the next 3 years.
As of end of Sep. 2019 -300 people (compared with Apr.1, 2019)
- We will accelerate human resources “Freed-up” and “Invested” along with core system integration

Progress of Control of Staff



Change of Total Staff

- 800 people through natural attrition during medium-term plan period. By taking above-mentioned measures, we will displace and control total staff.



(3) Structural Reform for Enhanced Productivity

② Control of Branch Network

- We will streamline branch network (20% of branches ^(*1)) over the next 3 years and we are planning to streamline 31 branches by the end of FY2019.
- We will promote efficiency of branch network at a pace exceeding initial plan.

Branch Network Streamline

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

3 Year Plan

Streamline about 20% of current branches ^(*1)

Expected effects

Staff "freed-up" -200 people

Cost reduction ¥1bn per year

Results and plan of FY2019

Executed
By Oct. 2019

Consolidation 3 branches ▪ 8 sub-branches

Function review^(*2) 8 branches ▪ 8 sub-branch

Jan.2020 (planned)

Consolidation 3 branches ▪ 1 sub-branch

Staff "freed-up" -70 people

Cost reduction ¥0.2bn per year (effective from FY2020)

Increased number of efficiently operated branches to that of the initial plan

(* 2) No change in location of branch but improve operations

Efficiency of Branch Style

- We will enhance branch style of small number of people (Retail Station, etc.) by utilizing digital technology (installing bank counters with tablet terminals and ATMs with tax payment system)



(Retail Station at Joyo Bank)

Expansion of Business Areas

- In November 2019 established Shinagawa Sales office.
- Through the creation and expansion of economic exchanges in our business network, we will contribute to the development of regional industrial companies.



(Ashikaga Bank, Shinagawa Sales Office) 15

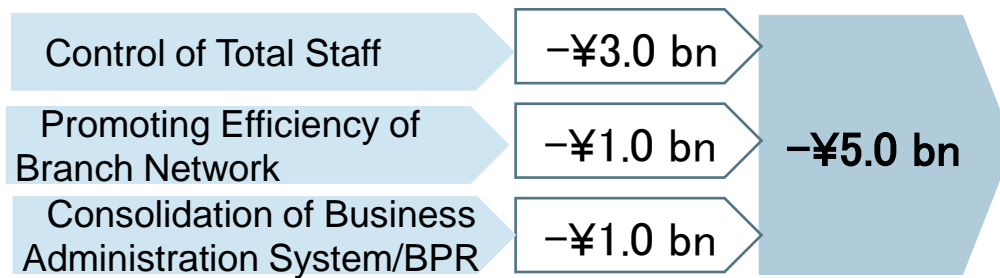
(3) Structural Reform for Enhanced Productivity

③ Cost Control

- Cost reduction of ¥5.0 bn ^(*) per year expected for FY20 and after.
- We forecast a decrease of ¥1.6 bn in total expenses for FY 19 compared to the initial plan, by early achievement of structural reform.

(* 1) Annual base, expenses after FY2022 – FY2018 (excluding core system integration costs)

Cost Reduction by Structural Reform ^(*)

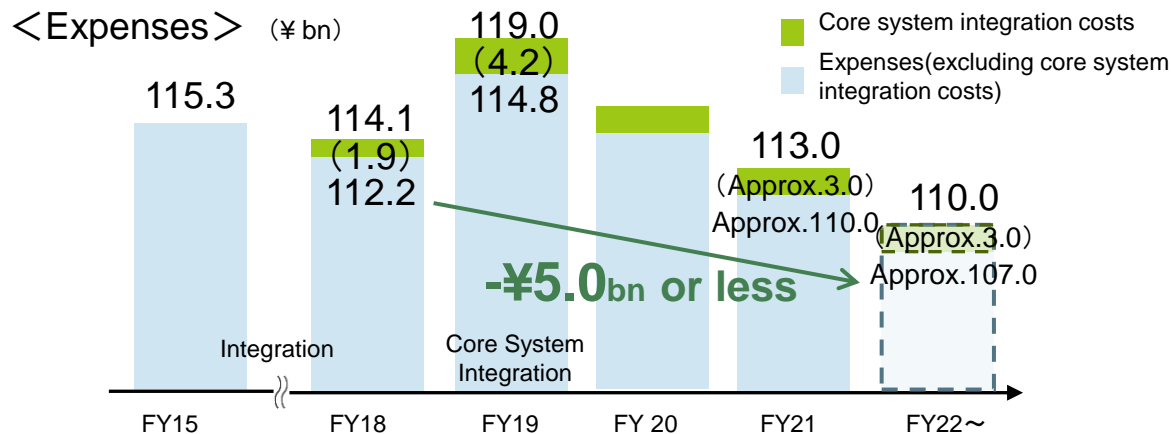


Forecast in FY2019

(¥ bn)

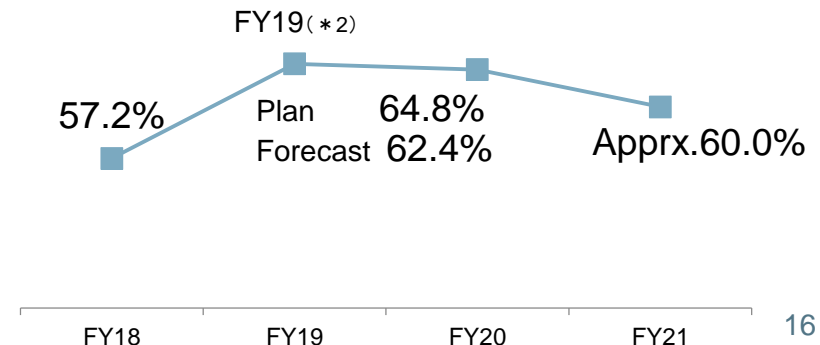
	FY19 Planned	FY19 forecast	Difference
Expenses (excluding core system integration costs)	119.0 114.8	117.4 113.2	-1.6 -1.6
Personnel expenses	62.2	62.0	-0.2
Non-personnel expenses	48.9	47.8	-1.1
Core OHR (excluding system integration costs)	64.8%	62.4%	-2.3%p

Second Medium-term Plan (two banks' total)



<Core OHR (excluding core system integration costs)>

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



3. Forecast for FY2019,etc

(1) Forecast for FY2019

- 1H19 results of both Mebuki FG (consolidated) and its two banking subsidiaries are progressing favorably (over 50% progress).
- Forecast for FY19 remains unchanged from that announced on May 13, 2019.

Mebuki FG (consolidated)

	Forecast for FY2019	1H19 Results	Progress
Ordinary Profit	58.0	31.9	55.1%
Net Income <small>(Attributable to owners of the parent)</small>	40.0	22.5	56.3%

Total of Two banking subsidiaries

	Forecast for FY2019	1H19 Results	Progress
Ordinary Profit	58.5	32.8	56.0%
Net Income	40.5	23.2	57.5%

Banking subsidiaries (non consolidated)

Joyo

	Forecast for FY2019	1H19 Results	Progress
Ordinary Profit	39.5	22.9	58.0%
Net Income	27.5	16.3	59.2%

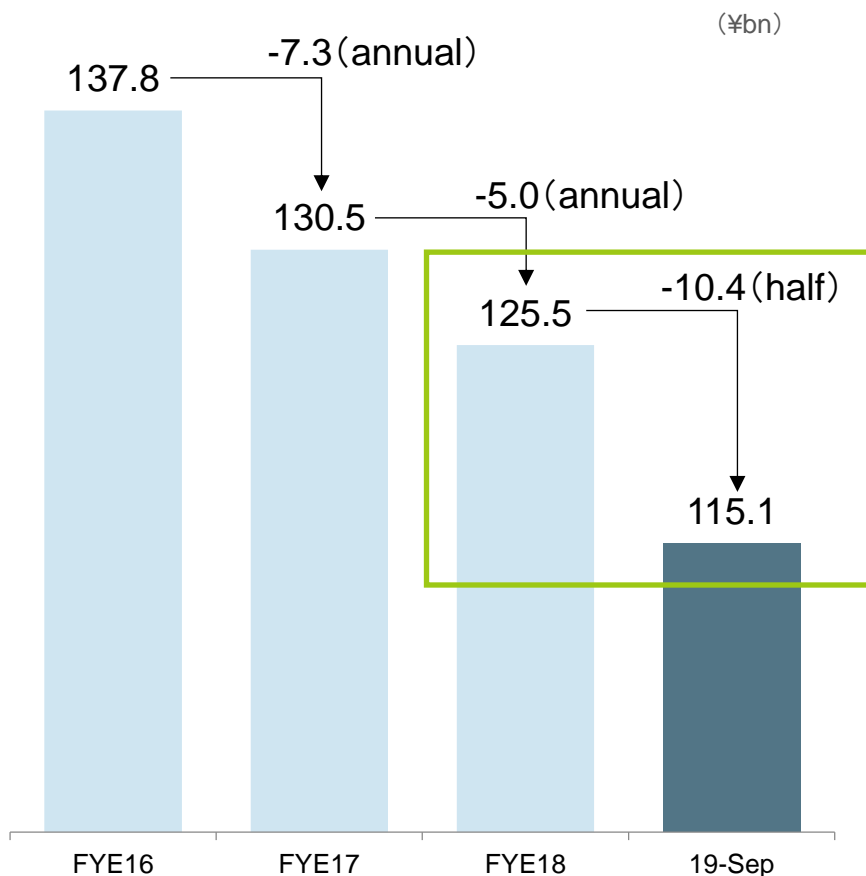
Ashikaga

	Forecast for FY2019	1H19 Results	Progress
Ordinary Profit	19.0	9.8	51.9%
Net Income	13.0	6.9	53.7%

(2) Strategic Shareholdings

- Strategic shareholdings decreased by ¥10.4 bn YoY. We accelerate sales of strategic shareholdings to reduce balance.
- The number and percentage of shares owned by financial institutions mainly declined.

Changes in Balance*



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

Major Shareholders

Mar.31, 2017

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

Nov.12, 2019

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

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

(*) Shareholding ratio is calculated using the total number of shares excluding treasury stock. Figures less than the second decimal place are disregarded. The number of Nomura Financial Partners Co., Ltd. is that after disposal through the off-hours trading (ToSTNeT-3) system of the Tokyo Stock Exchange on Nov.12, 2019. Other shareholder's numbers are those recorded in the 19 shareholders registry on September.30, 2019.

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

- We repurchased of 13.9mil shares of our own shares at around ¥4.0bn on Nov.12, 2019.
- Forecast for FY2019 payout ratio is 32.2% and total return ratio is 42.4%.

Dividends, Shareholder Returns

Dividends

(1) Dividends per share

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

Shares Repurchase

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

【 Amount 】 ¥3,999,976,400

【 Number 】 13,937,200

【 Date 】 2019/11/12

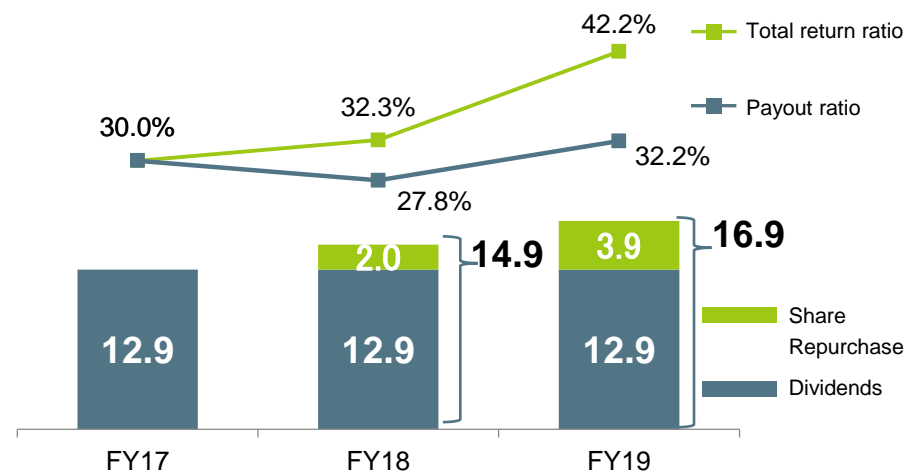
Shareholder Return Policy

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

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

Results of Returns

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



Capital Adequacy Ratio

(3) Capital adequacy ratio

	Mebuki FG (Consolidated)	Joyo (Consolidated)	Ashikaga (Consolidated)
FYE18	10.38%	11.80%	8.71%
Sep-18	10.24%	12.18%	8.79%
FYE18	9.94%	11.91%	8.55%
Sep-19	10.26%	12.51%	8.66%

SDGs Initiatives

Sustainable Development Goals (SDGs)

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

Our group SDGs Initiatives

SDGs Goal

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

SDGs Private Placement Bonds

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



Private Placement Bonds with donation service (Cumulative total)

Number issued	Amount issued
554	¥47.2 billion

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

Support children to become independent

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



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

Discover regional industries and support the creation of new businesses

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



Mebuki Regional Revitalization Fund

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

¥1.87 billion / 10 projects

Development of new market and expansion of economic exchange

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



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

Environment-related loans

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



Loans for solar power generation

Number of contracts	Contract amount
101	¥10.5 billion

(1Q of FY2019 (two banks total))

Environmental conservation activities

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



【Reference】

Financial Data for First Half of FY2019

Progress of the Second Medium-Term Business Plan

【Data】 Breakdown of Banking subsidiaries

(1) P/L

	(¥ b n)					
	J+A	YoY	Joyo	YoY	Ashikaga	YoY
Gross business profit	96.7	+3.6	57.8	+9.5	38.8	-5.9
(Net Gross business profit)	96.8	-6.6	57.0	+1.3	39.7	-8.0
Net interest income	79.4	-6.1	47.1	+1.2	32.2	-7.3
o/w Gains/losses on Cancellation of Private Offering Investment Trusts	6.1	-3.6	4.0	+2.8	2.0	-6.5
Net fees and commissions	16.3	-0.3	9.2	+0.0	7.1	-0.3
Net other business income and Net trading income	0.9	+10.0	1.5	+8.3	-0.5	+1.7
(o/w gains/losses on bond transactions)	0.0	+10.3	0.8	+8.1	-0.9	+2.1
Expenses	58.1	+0.6	32.7	-0.4	25.3	+1.1
o/w Personnel expenses	30.6	+0.1	16.8	-0.1	13.7	+0.3
o/w Non-personnel expenses	23.4	+0.7	13.6	-0.2	9.8	+0.9
Net business income (before general allowance for loan losses)	38.5	+2.9	25.1	+10.0	13.4	-7.1
Core net business income	38.6	-7.3	24.2	+1.8	14.4	-9.2
Core net Business Income (exclu. Gains/losses on Cancellation of Private Offering Investment)	32.5	-3.7	20.2	-0.9	12.3	-2.7
Net transfer to general allowance for loan losses (a)	0.4	+0.4	0.5	+0.5	-0.1	-0.1
Net business income	38.1	+2.5	24.5	+9.4	13.5	-6.9
Net non-recurrent gains/losses	-5.3	-10.2	-1.6	-12.1	-3.6	+1.9
o/w Disposal of non-performing loans (b)	8.9	+4.1	4.8	+2.7	4.1	+1.3
o/w Gains/losses related to stocks, etc	4.1	-5.9	3.7	-9.2	0.4	+3.3
Ordinary profit	32.8	-7.7	22.9	-2.6	9.8	-5.1
Extraordinary income/losses	-0.1	-11.8	-0.1	+0.0	0.0	-11.8
Net income	23.2	-16.9	16.3	-1.6	6.9	-15.2
Credit related costs (a)+(b)	9.3	+4.5	5.3	+3.2	3.9	+1.2

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

		F Y 16	F Y 17	F Y 18	1H19	YoY	1H18
J+A	Domestic	1.12%	1.07%	1.03%	1.00%	-0.03%	1.03%
	Overseas	1.42%	1.99%	2.92%	2.93%	0.10%	2.83%
	Total	1.12%	1.08%	1.06%	1.03%	-0.03%	1.06%
Joyo	Domestic	1.06%	1.02%	1.00%	0.97%	-0.03%	1.00%
	Overseas	1.45%	2.01%	2.95%	2.97%	0.10%	2.87%
	Total	1.06%	1.04%	1.04%	1.02%	-0.02%	1.04%
Ashikaga	Domestic	1.20%	1.13%	1.07%	1.03%	-0.05%	1.08%
	Overseas	1.11%	1.82%	2.67%	2.68%	0.10%	2.58%
	Total	1.20%	1.13%	1.08%	1.04%	-0.05%	1.09%

【Data】 Breakdown of Banking subsidiaries

(3) Loans Term-end Balance (¥ b n)

		FYE16	FYE17	FYE18	Sep-19	YoY	Sep-18
J+A	Individual	4,272.8	4,491.2	4,674.8	4,747.1	+174.7	4,572.4
	Corporate	4,809.6	4,935.9	5,139.1	5,095.2	+59.4	5,035.7
	Public	1,232.9	1,153.6	1,038.2	957.9	-93.3	1,051.2
	Total	10,315.4	10,580.7	10,852.3	10,800.3	+140.9	10,659.4
Joyo	Individual	2,387.4	2,490.8	2,570.2	2,600.4	+76.3	2,524.0
	Corporate	2,821.3	2,853.9	2,974.3	2,950.3	+33.7	2,916.6
	Public	758.3	718.6	650.7	632.4	-57.4	689.9
	Total	5,967.0	6,063.5	6,195.3	6,183.2	+52.6	6,130.6
Ashikaga	Individual	1,885.4	2,000.3	2,104.6	2,146.7	+98.3	2,048.4
	Corporate	1,988.2	2,081.9	2,164.8	2,144.8	+25.7	2,119.0
	Public	474.6	434.9	387.5	325.4	-35.8	361.3
	Total	4,348.4	4,517.2	4,657.0	4,617.0	+88.2	4,528.7

Foreign Currency Denominated Loans (¥ b n)

		FYE16	FYE17	FYE18	Sep-19	YoY	Sep-18
J+A		128.3	129.2	145.8	154.0	+12.1	141.9
Joyo		116.0	114.0	126.8	136.6	+11.7	124.8
Ashikaga		12.2	15.2	19.0	17.4	+0.4	17.0

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

		FYE16	FYE17	FYE18	Sep-19	YoY	Sep-18
J+A	Car Loans	34.8	39.4	46.7	50.1	+7.8	42.3
	Educational Loans	32.6	35.8	39.0	40.6	+3.4	37.1
	Free Loans	6.9	8.1	9.1	9.7	+1.1	8.6
	Card Loans	60.8	65.4	65.0	65.9	+0.3	65.5
	Total	135.2	148.9	160.0	166.4	+12.7	153.7
Joyo	Car Loans	25.0	27.4	32.2	34.1	+4.5	29.5
	Educational Loans	28.2	30.0	31.9	32.8	+2.0	30.8
	Free Loans	0.7	0.8	2.2	3.1	+1.7	1.4
	Card Loans	26.4	27.7	26.5	26.5	-0.7	27.2
Total	80.3	86.0	93.0	96.7	+7.5	89.1	
Ashikaga	Car Loans	9.8	12.0	14.5	15.9	+3.2	12.7
	Educational Loans	4.4	5.7	7.0	7.7	+1.4	6.3
	Free Loans	6.1	7.3	6.8	6.5	-0.6	7.2
	Card Loans	34.3	37.7	38.4	39.3	+1.0	38.2
	Total	54.6	62.8	66.9	69.6	+5.1	64.5

(4) Loans Individual Housing Related Loans Term-end Balance (¥ b n)

		FYE16	FYE17	FYE18	Sep-19	YoY	Sep-18
J+A	Housing Loans	3,050.8	3,216.6	3,396.3	3,479.6	+185.7	3,293.9
	Apartment Loans	900.4	950.4	958.5	945.2	-12.4	957.6
	Asset building loans	-	1.9	2.9	2.9	+0.1	2.7
	Total	3,951.3	4,169.0	4,357.9	4,427.8	+173.4	4,254.3
Joyo	Housing Loans	1,489.6	1,560.5	1,640.6	1,681.3	+90.9	1,590.3
	Apartment Loans	724.0	763.5	769.1	758.3	-11.8	770.1
	Asset building loans	-	1.9	2.9	2.9	+0.1	2.7
	Total	2,213.7	2,326.0	2,412.7	2,442.5	+79.2	2,363.3
Ashikaga	Housing Loans	1,561.3	1,656.0	1,755.7	1,798.3	+94.7	1,703.5
	Apartment Loans	176.3	186.8	189.3	186.9	-0.5	187.4
	Asset building loans	-	-	-	-	-	-
	Total	1,737.6	1,842.9	1,945.1	1,985.2	+94.1	1,891.0

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

		FYE16	FYE17	FYE18	Sep-19	YoY	Sep-18
J+A	Tokyo	1,788.7	1,815.8	1,908.8	1,911.5	+30.0	1,881.4
	Local	3,020.7	3,120.0	3,230.3	3,183.6	+29.3	3,154.2
	Total	4,809.6	4,935.9	5,139.1	5,095.2	+59.4	5,035.7
Joyo	Tokyo	1,327.8	1,333.8	1,378.3	1,389.4	+26.2	1,363.2
	Local	1,493.4	1,520.1	1,596.0	1,560.8	+7.4	1,553.4
	Total	2,821.3	2,853.9	2,974.3	2,950.3	+33.7	2,916.6
Ashikaga	Tokyo	460.9	482.0	530.5	522.0	+3.8	518.2
	Local	1,527.3	1,599.9	1,634.2	1,622.8	+21.9	1,600.8
	Total	1,988.2	2,081.9	2,164.8	2,144.8	+25.7	2,119.0

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

		FYE16	FYE17	FYE18	Sep-19	YoY	Sep-18
J+A	Large	1,574.9	1,592.2	1,633.7	1,606.2	+2.0	1,604.1
	Medium/SMEs	3,234.6	3,343.6	3,505.4	3,488.9	+57.4	3,431.5
	Total	4,809.6	4,935.9	5,139.1	5,095.2	+59.4	5,035.7
Joyo	Large	1,133.9	1,141.9	1,159.1	1,145.6	+0.1	1,145.5
	Medium/SMEs	1,687.2	1,712.0	1,815.1	1,804.6	+33.5	1,771.1
	Total	2,821.3	2,853.9	2,974.3	2,950.3	+33.7	2,916.6
Ashikaga	Large	440.9	450.3	474.5	460.5	+1.9	458.6
	Medium/SMEs	1,547.3	1,631.6	1,690.2	1,684.2	+23.8	1,660.4
	Total	1,988.2	2,081.9	2,164.8	2,144.8	+25.7	2,119.0

【Data】 Breakdown of Banking subsidiaries

(8) Deposits Term-end Balance

(¥ b n)

		FYE16	FYE17	FYE18	19-Sep	YoY	18-Sep
J+A	Individual	9,762.1	10,103.6	10,362.7	10,447.9	+202.9	10,244.9
	Corporate	3,062.8	3,158.8	3,325.5	3,355.1	+111.2	3,243.9
	Public	748.0	776.3	750.1	554.8	-62.5	617.4
	Total	13,572.9	14,038.8	14,438.3	14,357.9	+251.5	14,106.3
Joyo	Individual	6,068.9	6,280.6	6,440.1	6,497.8	+125.1	6,372.6
	Corporate	1,747.4	1,760.2	1,835.4	1,870.2	+77.0	1,793.1
	Public	424.0	468.1	453.6	321.4	-69.9	391.4
	Total	8,240.3	8,509.0	8,729.1	8,689.5	+132.2	8,557.2
Ashikaga	Individual	3,693.1	3,823.0	3,922.5	3,950.1	+77.8	3,872.2
	Corporate	1,315.4	1,398.5	1,490.1	1,484.9	+34.1	1,450.7
	Public	323.9	308.1	296.5	233.3	+7.4	225.9
	Total	5,332.5	5,529.8	5,709.2	5,668.4	+119.3	5,549.0

Foreign Currency Deposit

(¥ b n)

		FYE16	FYE17	FYE18	19-Sep	YoY	18-Sep
J+A		165.6	275.2	306.0	247.5	-64.4	311.9
Joyo		140.7	199.1	222.6	201.9	-23.1	225.1
Ashikaga		24.8	76.0	83.3	45.5	-41.2	86.8

(9) Customer Assets under Custody Balance

(¥ b n)

		FYE16	FYE17	FYE18	19-Sep	YoY	18-Sep
Group total	Investment trusts	626.3	570.7	556.1	549.0	-24.7	573.7
	Insurance	781.3	779.0	817.2	819.4	+23.0	796.4
	Foreign currency	93.6	203.8	218.5	196.3	-23.0	219.3
	JGB etc.	225.8	200.6	173.6	158.1	-29.3	187.5
	Mebuki Securities	168.4	204.3	272.8	282.4	+35.4	246.9
	Total	1,895.7	1,958.6	2,038.3	2,005.4	-18.6	2,024.0
Joyo	Investment trusts	295.2	257.9	263.3	255.9	-13.3	269.3
	Insurance	454.1	450.6	465.6	471.8	+14.5	457.2
	Foreign currency	68.8	127.7	135.5	148.4	+15.8	132.5
	JGB etc.	155.3	138.0	118.5	107.9	-20.8	128.7
	Total	973.6	974.4	983.1	984.0	-3.8	987.9
Ashikaga	Investment trusts	331.1	312.7	292.8	293.1	-11.3	304.4
	Insurance	327.2	328.4	351.5	347.6	+8.5	339.1
	Foreign currency	24.8	76.0	82.9	47.8	-38.9	86.8
	JGB etc.	70.5	62.6	55.0	50.2	-8.5	58.8
	Total	753.7	779.8	782.4	738.9	-50.2	789.1

(10) Customer Assets under Custody Commissions

(¥ b n)

		F Y 16	F Y 17	F Y 18	1H19	YoY	1H18
Group Total	Investment trusts(*1)	6.6	7.36	5.69	2.69	-0.4	3.1
	Insurance(*2)	3.04	2.67	4.67	2.34	+0.3	2.0
	Foreign currency deposits	0.73	0.86	0.98	0.36	-0.1	0.5
	JGB etc.	0.09	0.0	0.0	0.03	+0.0	0.0
	Total	12.8	14.82	13.84	6.72	-0.2	6.9
Joyo	Investment trusts(*1)	3.23	3.34	2.63	1.28	-0.1	1.41
	Insurance(*2)	1.27	1.24	2.12	1.43	+0.5	0.94
	Foreign currency deposits	0.38	0.49	0.7	0.27	-0.1	0.32
	JGB etc.	0.08	0.03	0.03	0.02	+0.0	0.0
	Total	5.28	5.63	5.77	3.16	+0.3	2.84
Ashikaga	Investment trusts(*1)	3.4	4.01	3.06	1.4	-0.3	1.69
	Insurance(*2)	1.77	1.42	2.55	0.9	-0.2	1.09
	Foreign currency deposits	0.35	0.36	0.28	0.09	-0.1	0.15
	JGB etc.	0.01	0.0	0.0	0	+0.0	0.0
	Total	5.85	6.13	6.12	2.54	-0.5	3.06

* 1 : Sales commission+ Trust fee

* 2 : *Excl. executive life insurance

(11) Fees from Corporate Customers

(¥ b n)

		F Y 16	F Y 17	F Y 18	1H19	YoY	1H18
J+A	Credit Related	4.15	6.24	7.57	3.80	0.40	3.40
	Consulting Related	1.09	1.83	2.02	0.73	-0.31	1.04
	total	5.24	8.08	9.59	4.53	0.08	4.45
Joyo	Credit Related	2.03	3.39	4.14	1.76	-0.03	1.79
	Consulting Related	0.53	1.06	1.14	0.40	-0.16	0.56
	total	2.56	4.45	5.28	2.16	-0.20	2.36
Ashikaga	Credit Related	2.11	2.84	3.42	2.04	0.43	1.60
	Consulting Related	0.56	0.77	0.88	0.32	-0.14	0.47
	total	2.67	3.61	4.30	2.37	0.28	2.08

【Data】 Breakdown of Banking subsidiaries

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

		FYE16	FYE17	FYE18	19-Sep	YoY
Mebuki FG (Consolidated)	Domestic bonds	2,446.0	2,374.3	2,436.8	2,407.4	-29.4
	Foreign bonds	679.6	616.5	829.6	818.1	-11.5
	Stocks	306.6	307.8	280.2	255.6	-24.5
	Investment trusts,etc.	758.2	877.9	799.8	673.0	-126.7
	Total	4,190.6	4,176.7	4,346.6	4,154.2	-192.3
Joyo	Domestic bonds	1,731.1	1,725.4	1,812.4	1,797.8	-14.6
	Foreign bonds	456.5	393.7	513.2	494.8	-18.3
	Stocks	266.7	263.2	243.4	217.9	-25.5
	Investment trusts,etc.	339.0	420.1	456.7	378.6	-78.0
	Total	2,793.5	2,802.5	3,025.9	2,889.2	-136.6
Ashikaga	Domestic bonds	699.5	634.3	610.9	596.6	-14.2
	Foreign bonds	223.0	222.7	316.3	323.2	+6.8
	Stocks	79.7	80.3	72.4	73.2	+0.8
	Investment trusts,etc.	414.8	453.5	338.7	290.1	-48.6
	Total	1,417.1	1,391.0	1,338.4	1,283.3	-55.1

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

		FYE16	FYE17	FYE18	19-Sep	YoY
J+A	Balance	137.8	130.5	125.5	115.1	-12.4
Joyo	Balance	119.2	113.7	110.7	100.5	-10.5
Ashikaga	Balance	18.6	16.8	14.8	14.6	-1.9

(16) Expenses (¥ b n)

		F Y 16	F Y 17	F Y 18	1H19	YoY	1H18
J+A	Personnel	60.4	59.7	60.6	30.6	+0.1	30.4
	Non-Personnel	47.0	46.6	46.1	23.4	+0.7	22.6
	Taxes	7.4	7.1	7.3	4.0	-0.2	4.2
	Total	115.0	113.5	114.1	58.1	+0.6	57.4
Joyo	Personnel	34.7	33.6	33.8	16.8	-0.1	17.0
	Non-Personnel	29.5	28.7	27.7	13.6	-0.2	13.8
	Taxes	4.2	3.9	3.8	2.2	+0.0	2.2
	Total	68.5	66.3	65.3	32.7	-0.4	33.2
Ashikaga	Personnel	25.7	26.1	26.8	13.7	+0.3	13.4
	Non-Personnel	17.5	17.8	18.4	9.8	+0.9	8.8
	Taxes	3.2	3.2	3.5	1.7	-0.2	1.9
	Total	46.4	47.2	48.8	25.3	+1.1	24.2

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

		FYE16	FYE17	FYE18	19-Sep	YoY
Mebuki FG (Consolidated)	Stocks	147.1	157.3	136.2	122.7	-13.4
	Domestic bonds	23.2	16.4	21.1	23.9	+2.8
	Investment trusts,etc.	19.3	9.8	7.2	19.3	+12.1
	Foreign bonds	-6.9	-12.0	10.3	33.5	+23.1
	Total	182.8	171.6	174.9	199.6	+24.6
Joyo	Stocks	138.8	144.8	128.0	112.7	-15.3
	Domestic bonds	26.0	17.9	19.3	20.1	+0.7
	Investment trusts,etc.	22.9	17.0	12.6	18.6	+6.0
	Foreign bonds	-1.8	-3.4	10.4	19.7	+9.3
	Total	186.0	176.3	170.5	171.3	+0.8
Ashikaga	Stocks	31.9	34.4	28.4	29.6	+1.1
	Domestic bonds	19.5	17.3	15.7	16.4	+0.6
	Investment trusts,etc.	0.5	-5.2	-2.3	2.9	+5.2
	Foreign bonds	-0.7	-5.3	2.8	16.3	+13.4
	Total	51.2	41.0	44.6	65.2	+20.5

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

		FYE16	FYE17	FYE18	19-Sep	YoY
J+A	Domestic bonds	5.6	-6.4	-10.7	-0.0	+10.3
	Stocks	9.7	10.5	10.7	4.1	-5.9
	Gains on Cancellation of Private Offering Investment Trusts	5.4	5.4	11.6	6.1	-3.6
	Total	20.8	9.5	11.6	10.1	+0.6
Joyo	Domestic bonds	5.8	-3.8	-7.3	0.8	+8.1
	Stocks	7.5	9.4	12.4	3.7	-9.2
	Gains on Cancellation of Private Offering Investment Trusts	1.7	1.0	1.6	4.0	+2.8
	Total	15.2	6.6	6.7	8.5	+1.7
Ashikaga	Domestic bonds	-0.2	-2.5	-3.3	-0.9	+2.1
	Stocks	2.1	1.0	-1.7	0.4	+3.3
	Gains on Cancellation of Private Offering Investment Trusts	3.6	4.4	9.9	2.0	-6.5
	Total	5.5	2.8	4.8	1.5	-1.0

(17) Credit related cost (¥ b n)

		FYE16	FYE17	FYE18	Sep-19	YoY	Sep-18
J+A		4.1	7.9	9.3	9.3	+4.5	4.8
Joyo		3.1	4.9	4.2	5.3	+3.2	2.0
Ashikaga		0.9	3.0	5.0	3.9	+1.2	2.7

Summery of Second Medium-Term Group Business Plan

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

Second Medium-Term Group Business Plan

Goals

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

Position

Achieve full-scale growth / Transitional period to next growth

Period

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

Basic strategy

(1) Create growth business models with local regions

- Enhance consulting services

Strengthen business support

Support for asset building

- Proactively utilize and invest in IT

Enhance convenience / BPR

Support for digitalization

Cashless services

(2) Structural reform for enhanced productivity

- Establish common platform

Integrate core system

Common administration

Relocation of branches

- Group governance advancement

Consolidate head office functions

Enhance corporate governance

(3) Developing human resources for value creation

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

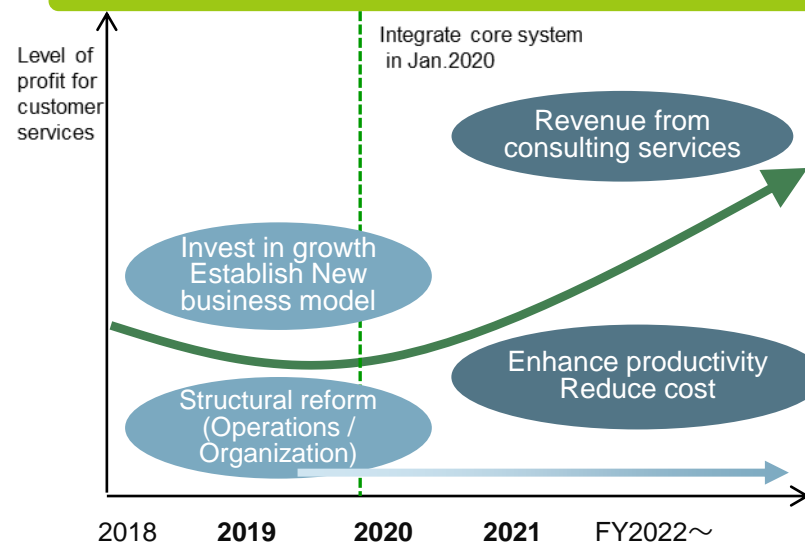
Business Objectives

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

(*1) attributable to owners of the parent

(*2) excluding system integration expenses

Position of 2nd group business plan



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