

IR Meeting: Financial Results for FY2017
Main Questions and Answers

Q. Net fees and commissions income is virtually flat year-on-year in this year's earnings projections. What is the outlook?

A. The plan for this year was set at a conservative level for the minimum target that should be cleared, and we will strive to extend this further. There is considerable scope to strengthen asset management service fees by pushing for growth in the customer base. We also believe it will be possible to further increase solution-related fees from corporate customers with syndicated loans and other measures by strengthening our joint operations with Musashino Bank. We will strengthen our links with TSUBASA Alliance banks as well, to enable the maintenance of the growth trend.

Q. Regarding the borrower attributes for loans to the real estate leasing sector, what type of customers are "Regular employees"?

A. "Regular employees" refer to high income salaried workers and others with annual wages of 10 million yen or more. Monitoring by the risk management department has been strengthened and confirms that these are clients without problems.

Q. How will you achieve the consolidated profit target of 60 billion yen in the final year of the medium term management plan?

A. When formulating the medium term management plan, we assumed a moderate rise in market interest rates. Although the current situation is somewhat different, we have built up profit from various measures and reduced cost through improved work efficiencies, so we are aiming to increase the profit level.

Q. The rate of loan growth continues to exceed the rate of deposit growth. What is the outlook for the future?

A. We forecast loan growth to continue for the near term. Loans at branches outside Chiba Prefecture are growing, while the credit department is conducting strict examination of projects at the same time as monitoring in the risk management department is becoming more thorough. Most projects are closely reviewed through circular memos to the Credit Division, and the Credit Division has also strengthened its guidance even in relation to decisions that fall within the discretion of branches, so there is no issue.

Q. What is the meaning and purpose of introducing the Chief Officer system?

A. We think the collection of a variety of information by clarifying the responsibilities of directors and specifying this within the bank and the group will create a structure that enables faster implementation of all measures.

Q. Apart from the real estate leasing sector, what other specific sectors are likely to generate growth?

A. Branches outside Chiba Prefecture, particularly in the Tokyo Metropolitan Area, are strengthening initiatives for the evaluation of business and actively responding to the financing needs of SMEs in a wide range of industries. Even in Chiba Prefecture, there is abundant loan demand for capital investments in areas such as hotel constructions ahead of the Olympics, large warehouses backed by the expansion of online sales, and medical facilities. We believe we can maintain a firm pace of increase.

Q. What is the specific plan concerning the revision to the number and functions of domestic branches?

A. In addition to the fact that 26 branches are already not conducting lending based on business viability, 6 branches have effectively been eliminated as branches within branches. Furthermore, the introduction of a lunch break at 2 branches from April this year has enabled the reallocation of personnel. We plan for further improvement in efficiencies with measures such as the merger of about 10 branches and change in the functions of about 20 branches, as well as the introduction of a lunch break at about 30 branches.

Q. Regarding the personnel strategy, will you reallocate proportionally according to factors such as asset management services and the evaluation of business, etc.?

A. We will reallocate to profit centers such as planning and promotion departments at the headquarters as well as the persons in charge of corporate sales and asset management services at branches. We also aim to increase our share of transactions in Chiba Prefecture by proceeding with strategic reallocation to group companies.

Q. Regarding the level of penetration of asset management, what order of account numbers do you have for products such as deposits and investment trusts?

A. We have about 5 million deposit accounts, of which about 3 million are active. Only about 20% of our target customers are investing in financial products, so there is considerable scope for expansion. We will also use products such as funded investment trusts and the tsumitate (regular savings) NISA, aiming at expanding customer base.

Q. Will you continue to acquire treasury shares even if the impact on the stock price is limited?

A. Regarding shareholder returns, we are aiming to increase ROE, and we want to continue to reduce the number of issued shares through the acquisition of own shares while boosting the dividend per share. Ultimately, we think this will lead to an increase in the stock price, and we will strive to meet expectations.

Q. Regarding the sharing of administrative operations with Daishi Bank, at what pace will this progress in the future and what level of reallocation of personnel will this allow?

A. We plan to share by providing Daishi Bank with items such as our bank's administrative standards and manuals. Keeping an eye on the merger between Daishi Bank and Hokuetsu Bank, we are considering outsourcing our bank's operations to Daishi Bank's administration center. This arrangement has only just started and the timing for full-fledged transfer has not yet been decided, but we will gradually reallocate personnel. There is also considerable interest from TSUBASA Alliance banks other than Daishi Bank, and we will strengthen our ties through measures such as the regular meeting of the Banks' Presidents.

Q. Given the slowdown in loans to the real estate leasing sector in terms of both flows and stock, will it be possible to maintain strength in overall lending?

A. Temporary trends that were due to inheritance tax savings measures and other factors have settled down, but there is solid demand for real estate leasing, and this will remain the core of our bank's lending growth. There has already been a widening to other business sectors, and finances utilizing the alliances have also increased. We believe it is feasible to increase the average balance by about 4.5%. The expansion of the retail network within the Tokyo Metropolitan Area is already showing an effect, and we can expect further increases with the strengthening of the joint operations with Musashino Bank, such as the establishment of the office in Hamamatsucho.

- Q. Given factors such as the conservative downgrade implemented in the previous period, there is also scope for further revisions to the loan portfolio in the future, so will net credit costs increase?
- A. Nothing is being put off in relation to revisions to the loan portfolio. The number of default cases has been low recently, and there is no major change in the trend of net credit costs.

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