

IR Meeting: Financial Results for the First Half of FY2018

Main Questions and Answers

Q. What is the delinquency rate of apartment loans, or rental real estate loans?

A. The delinquency rate of rental real estate loans as a whole is 0.02%, while the balance of loans to regular employees that are past due three months or more is zero. We conduct screening and control of ongoing credit as all cases are general corporate loans, and believe that we are suppressing credit risk.

Q. Will the yield on loans continue to fall?

A. The level of decline in yield on loans is contracting and the rate of new loans is also bottoming out. We believe that we are on the verge of a level where an increase in loan volumes can strike back the impact of decline in yield. We want to be in a position to quickly raise the stock rate level as well.

Q. Will you be able to achieve the target for consolidated profit of 60 billion yen in the final year of the medium term management plan?

A. This has been challenging, since our initial forecast assumed a gradual rise in market interest rates. Certain levels of results have been achieved by improving work efficiency and strengthening fees and commissions, and we will implement further measures to meet the targets.

Q. What about your approach to dividends and acquisition of treasury shares?

A. We want to increase dividends as much as possible. We have not changed our approach about increasing capital efficiency and boosting ROE, and we will also continue to acquire treasury shares.

Q. In terms of fees and commissions, income in the corporate sector has grown at considerable pace. Will you need to consider new measures to achieve further growth?

A. In addition to customers in Chiba prefecture, there are still customers in areas such as Tokyo with whom we have not been fully effective and there is still scope for growth. We plan to continue growing through further development in areas such as advisory services, staffing and corporate cards.

Q. Would you please advise if you feel that the stock price is struggling to rise even though you are actively acquiring treasury shares?

A. Our policy is to provide solid returns to shareholders, improve capital efficiency and increase ROE. We hope you will appreciate that we will continue the current thinking, regardless of the stock price.

Q. What are the factors leading to the steady increase in the balance of loans based on evaluation of businesses and the number of borrowers? Please advise what types of strategies you are implementing as a bank.

A. We think that increasing the number of new customers is our biggest proposition, and we have the largest number of main bank customers as a regional bank. In addition to strengthening our corporate sales managers by improving work efficiency, we have been successful in areas such as creating a support network with the allocation of knowledgeable personnel in specialized departments at headquarters.

Q. What are the policies for increasing fees and commissions income to achieve the final year targets in the medium term management plan?

A. In addition to existing initiatives, we are considering measures such as increasing the profitability of the card business and strengthening advisory services. Various measures and items including improving work efficiency have produced results, and we will consider every way to revise each measure under the medium term management plan with the aim of meeting the targets.

Q. Are you thinking about increasing the proportion of dividends within the 50% total shareholder return ratio?

A. We want to continue increasing dividends without any cuts to the greatest extent possible. We are aiming for a level that satisfies all investors with dividends alone, even without acquiring treasury shares, by increasing the proportion of dividends bit by bit.

Q. What is the status of the internal credit rating of rental real estate loans?

A. 82% are to customers who are performing. Regarding the loans to customers requiring caution, for inheritance tax measures, there are customers with large loans as well as customers with small amounts of rental income despite owning many assets, so they are actually customers that do not cause a problem.

Q. What measures do you think will contribute to medium term profits?

A. We will utilize the TSUBASA Alliance and tie-ups with other sectors to enter new business fields. In addition, we plan to expand our branch network and customer base in Tokyo through a tie-up with the Musashino Bank in the metropolitan area.

Q. Please tell us what the good points have been in introducing the Group Chief Officer system and what aspects have been improved.

A. It has deepened the ties within the group. At meetings with each company, lateral aspects have been identified in areas of responsibility such as sales and risk management, and there has been multifaceted discussion. In addition, each group company has been supervised by executive officers of the bank, and this has led to a strengthening of their operating measures. Profit will increase for the group as a whole by expanding the leasing share and strengthening card payment businesses for example.

Q. What will you forecast the income contribution from market sectors if gross business profits are expected to decline due to changes in the external environment, etc.?

A. A decline in gross business profits could be inevitable if there were a major change in the external environment such as the Lehman shock. However, our dependence on market sectors is low compared to other banks, so we should be able to secure current levels of income through coverage from other areas.

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