

**November 21, 2019 – Financial Results for the Second Quarter
(First Half) of FY2019 Ending March 2020
Main Questions and Answers**

Q. Regarding the next medium-term management plan, I would like to ask about the measures currently being discussed. Can you compensate for the impact on earnings amid the expected increase in depreciation related to the new headquarters building? Will the use of capital change with the finalization of Basel 3?

A. Under the next medium-term management plan, we will position digitalization as one of its pillars and are considering the development of unprecedented financial services, such as responding meticulously to customer needs through channels that enable constant contact with customers. The new headquarters building is scheduled to be completed in September next year, and the building is being promoted in cooperation with the prefecture and city in terms of BCP in consideration of the environment. After construction is completed, the burden of consumption tax and depreciation will be heavier in the short term, but the impact on revenues will be compensated in about three years. From FY2021 onward, the capital ratio is expected to rise along with the finalization of Basel 3, and ultimately it is expected to rise by about 2% from the current level. Going forward, we will accumulate assets while controlling risks, but we do not think it is necessary to increase capital or issue subordinated bonds.

Q. With regard to loans for owners of Leoplace properties, are there any concerns that might cause amid progress in investigating construction defects?

A. There are no concerns about bad debts at this point.

Q. The Chiba-Yokohama Partnership is expected to have a positive impact of ¥20 billion. Can the upside be expected?

A. While we mainly estimate the effects of measures in the corporate sector, we will also strive to realize new measures in addition to them so that the effects exceed ¥20 billion.

Q. I would like to ask about the positioning of gains or losses on cancellation of investment trusts. How much are you planning to book in the future?

A. We will continue to record the same level of revenues. However, it does not intend to take excessive risks.

Q. While syndicated loans with the Bank of Yokohama have produced results, can the TSUBASA and nine-bank collaboration framework be expected to lead to larger-scale syndicated loans?

A. When originating syndicated loans, we have been talking to a wide range of banks, including TSUBASA. For example, in the case of large-scale projects such as 10 billion yen in one shot overseas, it is difficult for us alone, but it is possible to conduct with multiple banks.

Q. What are the number of certified SME management consultants, FP1 class, etc.?

A. 57 SME management consultants, 67 securities analysts, 17 social insurance and labor consultants, 2 tax accountants, 1 certified public accountant, 2 real estate appraisers, and 178 FP1. Many mid-career hires have specialized skills.

Q. Is there a demand for funds for recovery related to typhoons? Are there concerns that this could lead to an increase in credit costs?

A. About 70% of the area and about 30% on a population basis were damaged by the typhoon this time. The damage is small in the northwestern part of the prefecture, where the population is concentrated, and there are no particular concerns about the impact on loans to real estate leasing sector. The roofs of individual houses were damaged, and the power outages caused damage to agricultural and fisheries, mainly in the southern part of the prefecture. Nevertheless, financial institutions in the prefecture have cooperated to provide solid support by financing for recovery efforts.

Q. Are non-performing loans increasing over time among the borrowers subject to the Finance Facilitation Act?

A. The number of borrowers continuously changing their terms is decreasing. Credit costs increased in FY2018, mainly reflecting the window dressing financial results of some customers, but the same case has not occurred recently. We do not believe there is a direct impact of the Finance Facilitation Act.

Q. I would like to ask about the long-term earnings forecast. To absorb the increase in costs related to the new headquarters building, whether to reduce costs or increase gross profit?

A. In the first year of construction, the burden of paying consumption tax will be large, but the amount of depreciation will be absorbed by increasing revenues and cutting costs. The total number of employees has declined by about 200 from 4,300 to 4,100, and productivity has been raised through the centralization of administrative operations and other streamlining measures. In the next medium-term management plan, we aim to achieve around ¥60.0bn of profit attributable to owners of parent, which was the initial target under the current medium-term management plan.

Q. Is there a chance of winning the TSUBASA cashless payment platform even a late starter compared to megabanks? Are there specific plans for cross-industry collaboration?

A. Our share of loans in the prefecture is as high as 40%, and we are making proposals to major clients. We would like to share Visa debit cards over the TSUBASA and provide customers with benefits. Cooperation with other industries will also be actively pursued even more than in the past, with a view to realizing various forms of cooperation.

Q. Will the growth of lending slow due to thorough credit controls?

A. While we have been working to control risks, we will make use of information from external institutions to further thoroughly implement credit management. The Chiba-Yokohama Partnership, and the Chiba-Musashino Alliance will strengthen information sharing within the metropolitan area and maintain the growth of lending.

Q. What are your plans for capital investment in the next medium-term management plan? Under the current medium-term management plan, the amount was reduced from the initial target of ¥15.0bn to ¥9.9bn, and is it likely to remain at the same level going forward?

A. We will promote digitalization while reviewing branch network. We plan to invest in measures to expand revenues, including a renewal of our apps to enable a variety of transactions.

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