

Main Questions and Answers

at the FY2025 3rd Quarter Financial Results Briefing (Small Meeting)

Held on: February 25, 2026

Q. On February 24, shortly after the announcement of the 3rd quarter financial results on February 6, you announced an upward revision to your earnings forecasts. Could you explain the background and the objective behind this timing?

A. There are two main reasons why we announced the upward revision at this timing. First, at the time of the initial earnings announcement, we were still in the process of scrutinizing the impact of the policy interest rate hike in December last year on our performance for the current fiscal year. Second, in light of potential fluctuations in long-term interest rates following the lower house election, we needed to carefully assess the scale of maintenance required for our securities portfolio and its impact on operations.

We decided to disclose the revision at this time because the outlook for this maintenance became clear and we determined that the probability of the disclosed figures was sufficiently high. Additionally, improved certainty regarding credit costs, based on recent corporate bankruptcy trends, was another factor. While we had the option to delay the announcement until the full-year results, we chose early disclosure to increase opportunities for individual investors and others to consider purchasing our stock.

Q. Given the impact of rising domestic interest rates, it seems that a net income of ¥100 billion may be within reach in a few years. Is there a possibility of an upward revision to the net income target (¥90 billion or more) or the ROE target (9% or more) for FY2027, the final year of the current Medium-Term Group Business Plan?

A. Considering the impact of rising domestic interest rates, we expect net income of ¥90 billion to be achievable as early as next fiscal year, and we believe there is room to revise our Medium-Term Group Business Plan targets upward.

While I will refrain from specifying a timing, management has a strong desire to aim for an ROE of 10% or higher. However, we are not currently discussing a revision of the plan's targets. We intend to formulate and announce the earnings forecast for the next fiscal year after scrutinizing expenses and investment plans. Furthermore, we plan to provide a thorough explanation of the outlook for FY2027 during our IR activities.

Q. According to some media reports, the Financial Services Agency (FSA) is concerned about the increase in real estate lending by regional banks. What is the future outlook for loans to large enterprises in Tokyo and real estate non-recourse loans in structured finance?

A. We position loans to large enterprises in Tokyo as an area where we emphasize RORA (Return on Risk-Weighted Assets). As we intend to focus even more on profitability, we expect future growth in this area to slow down slightly.

For real estate non-recourse loans, we will continue to operate flexibly while balancing profitability and risk, strictly adhering to LTV (Loan-to-Value) standards and conducting stress tests. Conversely, in our risk-taking priority area (loans to local companies), we continue to aim for an annual growth rate of 4% or more. Regarding the local environment, amid progressing inflation, where postponing investment decisions tends to result in higher prices, capital investment demand is currently rising. As of the end of December, our loan-to-deposit ratio was 73%, which is not at a particularly high level, and we have secured sufficient funding capacity. We therefore intend to continue steadily increasing our loan balance, primarily through loans to local corporate clients.

Q. What is the current status of your deposit composition, and how do you view the impact of the future shift from liquid deposits to time deposits, as well as the introduction of new products such as MMFs?

A. Our current deposit composition consists of approximately 70% liquid deposits and 30% time deposits. During the long period of negative interest rates, time deposits were less attractive. However, individual customers' preference for interest rates has increased considerably, and a shift from liquid deposits to time deposits is steadily progressing.

While we cannot rule out the possibility of deposit outflows due to the emergence of financial products like MMFs, our Group has various means of proposing asset management solutions, and our policy is to appropriately guide customers toward those products. We do not view MMFs as a major threat at this time, but we believe it may become necessary to consider competing products in the future.

Q. While an increase in time deposits is a factor that raises funding costs, there is also the view that it increases stable funding at fixed rates. Please tell us about the impact of increased time deposits on ALM (Asset Liability Management) operations.

A. We assume that the shift from liquid deposits to time deposits will continue. However, considering that these can be matched with securities investments (primarily fixed-rate bonds), an increase in fixed-rate funding like time deposits offers the merit of making ALM operations easier to manage. We will continue our promotions to encourage customers to use our accounts as their primary everyday and asset management accounts, including time deposits, in order to build highly sticky relationships.

Q. Recently, the balance of domestic bonds with maturities of 4 to 6 years has been increasing. Regarding the purchase of domestic bonds, will your focus continue to be on fixed-rate bonds in the medium-term zone?

A. Regarding the maintenance of domestic bonds, we targeted bonds with yields of 0.4% or less for sale. From the perspective of controlling duration, we reinvested primarily in maturities within the medium-term zone. We intend to continue controlling duration at current levels and expect that our purchases will remain centered on fixed-rate bonds in the medium-term zone.

Q. How do you evaluate your current stock valuation, such as achieving a PBR above 1x and reaching a market capitalization of ¥1 trillion? Also, have there been any changes within the company?

A. Achieving a PBR above 1x was a major objective. We believe that by flexibly implementing share buybacks, we have been able to push up the PBR in stages. We view the current PER of 15x as a reflection of future expectations. In addition, we believe that the expansion of our market capitalization has enhanced our capacity to take calculated risks. On the front lines, we are pleased to be receiving encouraging feedback from customers. This has also been an opportunity to reaffirm the importance of increasing ROE through our own capabilities and achieving sustainable growth, rather than relying solely on the benefits of rising interest rates. We intend to use this as a catalyst to consider further measures for growth.

Q. As the environment surrounding banks changes significantly, what is your future outlook and ambition as a business leader?

A. While we have not reached the stage of specific discussions regarding the next Medium-Term Group Business Plan, we view this as an opportunity to build our internal

strength. We have large-scale projects ahead, such as systems investment and the reconstruction of the Joyo Bank head office. Leveraging our advantageous location in the northern Kanto region, and moving beyond the traditional framework of banking, we aim to develop operations worthy of a "leading regional bank" that contributes to regional issues, such as serving as a recipient for the decentralization of Tokyo and promoting migration to our region.