

Main Questions and Answers
at the Financial Results Briefing for FY2025 (Large Meeting)
Held on: May 26, 2026

Q. The earnings forecast for FY2026 seems a bit conservative. What is your assessment of the current plan?

A. It is conservative in that it does not assume an increase in the domestic policy rate as a premise for the earnings forecast. We expect total expenses to increase against the backdrop of investments in human capital and large-scale strategic DX investments. Especially for system investments, the earnings forecast reflects an increase in expenses related to cyber security, such as costs for constructing a zero-trust system environment. On the other hand, we will steadily expand our core business profits from customer services, such as the difference of interests between loans and deposits and fees from customers. Since the increase in credit related costs due to the prolonged impact of the situation in the Middle East is not factored in at this point, we intend to manage operations while keeping down-side risks in mind.

Q. The growth of your loan balance is progressing smoothly. How do you plan to control risk-weighted assets (RWA) going forward?

A. Our policy is to continue actively taking risks in our mother market, namely loans to local corporate customers (SMEs) and individual customers. On the other hand, loans to large corporate customers, which have shown significant balance growth in the past, are projected to slow down slightly. This slowdown is against the backdrop that we have come to place greater emphasis on profitability, partly due to resetting our cost of capital to a higher level. In addition, we are currently taking steps to curb low-yield fixed-rate loans to a certain extent, including loans to the public sector. Consequently, we expect that risk-weighted assets for loans will not increase significantly.

Q. Considering liquidity regulations and other factors, up to what level do you think the loan-to-deposit ratio can rise without causing issues? Could you share your target or baseline for the loan-to-deposit ratio?

A. At present, we believe that there is still some capacity in our loan-to-deposit ratio, and the Board of Directors has not established a definitive target level. However, in comparison with other banks, we think that the low 80% range is an appropriate level. Looking at individual subsidiary banks, the ratio stands at around 70% for Joyo Bank and slightly below 80% for Ashikaga Bank, resulting in 73% for Mebuki FG as a whole. Previously, we used to consider applying the brakes slightly when the ratio approached

80% on a non-consolidated bank basis, but we believe that this is an area where managing under a financial group structure provides distinct advantages. For instance, while loans are expanding in the Saitama area, we can utilize various options such as intra-group funding. This allows us to expand the Saitama area as much as possible without worrying about non-consolidated loan-to-deposit ratios, based on the approach that it is sufficient if the ratio for the financial group remains around 80%. At this moment, we have no intention of applying brakes to the rise in the loan-to-deposit ratio.

Q. When domestic policy rates rise, the profitability of deposits improves. Considering deposit profitability, do you think the outlook for RORA will change between loans to local corporate customers, where deposits tend to remain sticky, and structured finance, where deposits are less likely to remain? What is your approach to managing deposit profitability?

A. In our internal management accounting, profit on deposits is recognized through spread management. However, as you pointed out, incorporating the perspective of deposit profitability into the RORA by business segment could potentially alter the visible outcomes, and we understand this possibility. As the loan-to-deposit ratio rises, we intend to re-evaluate and formulate management policies regarding deposit profitability, including how to invest and manage deposit funding, as part of our overall management control framework.

Q. What is the strategic significance of continuing to conduct portfolio rebalancing for yen-denominated bonds while realizing valuation losses? Also, could you explain your future investment policy for yen-denominated bonds?

A. The realization of losses on yen-denominated bonds with yields of 0.4% or less has been almost completed. If the domestic policy rate were to hypothetically rise to 1.5%, yen-denominated bonds with a yield of 0.6% or less would fall into a negative equity spread relative to liquid deposits. The balance of bonds with yields of 0.6% or less stands at over ¥60.0 billion, with unrealized losses amounting to approximately ¥10.0 billion. On the other hand, our combined unrealized gains on stocks and investment trusts exceed ¥200.0 billion, which we consider to be fully within a controllable range. Furthermore, although equities and bonds currently exhibit an inverse correlation, we are also preparing for scenarios where this inverse correlation may break down. Our options include securing gains on sales of stocks early during periods of high stock prices and utilizing them as needed for the proactive maintenance of our bond portfolio. Regarding our investment policy, we are currently controlling duration at approximately

3.5 years, but we are also considering lengthening the duration as the terminal rate phase approaches.

Q. The earnings forecast for FY2026 projects a decrease in interest on Bank of Japan (BOJ) deposits. Is it correct to assume that this is primarily due to a decline in the deposit balance following the maturity of the BOJ's Common Collateral Operations? Also, what is the expected redemption pace for the BOJ's Common Collateral Operations going forward?

A. Due to the impact of the maturity of the BOJ's Common Collateral Operations and a shift toward asset allocation with a greater focus on profitability, we expect the average balance of BOJ deposits in FY2026 to be halved compared to FY2025. Furthermore, this balance is projected to continue decreasing into FY2027.

Q. Regarding capital allocation among the three options—risk-taking (loans and investments), growth investments, and shareholder returns—is there a specific order of priority?

A. While securing a dividend payout ratio at the 40% level, our policy is to prioritize actively pursuing risk-taking (loans and investments) and inorganic growth investments whenever profitable revenue opportunities arise. As for share acquisitions, we will implement them dynamically in cases where the RORA of additional risk-taking fails to reach expected levels, when effective investment opportunities are limited because the expected return (IRR) on growth investments falls below the cost of capital, or when we judge that share acquisitions will contribute to maximizing investor returns after taking into account stock price levels and capital adequacy conditions.

Q. In relation to capital management, if no inorganic growth investments are executed, can we expect a level of shareholder returns close to that of peer banks, some of which have demonstrated a total return ratio in the 80% range?

A. Our fundamental stance is to actively consider and execute additional risk-taking (loans and investments) and inorganic growth investments, including regional bank consolidation. On that basis, we recognize that we have approximately ¥30.0 billion in surplus capital in the process of targeting a capital adequacy ratio in the mid-11% range. If this surplus capital were to be allocated entirely to share acquisitions, the total return ratio for the current fiscal year would reach approximately 70%. However, at this

point, we would like to broadly explore various utilization methods, including opportunities for regional bank consolidation as well as acquisitions in industries outside of banking. Nevertheless, risk-taking and growth investments are premised on raising RORA or ensuring that the expected return exceeds the cost of capital. Our shared internal understanding is that while we will actively consider risk-taking and growth investment opportunities if they exist, there is no need to force unreasonable investments.

Q. What drove the decision to further reinforce group synergies at this timing? Also, what are your insights regarding challenges identified during the creating phase (the past 10 years), and do you have specific numerical targets for the deepening phase (going forward)?

A. The primary catalyst was being stimulated by the strong determination to 'generate synergies' demonstrated in the management integrations of other banks, which prompted us to re-examine whether our current progress was sufficient. In the first 3 to 5 years following our business integration, we generated cost-control synergies by integrating systems, group companies, and risk management departments. On the other hand, the Board of Directors, including external directors, recognizes that a key challenge is that sales synergies have not yet been fully realized. Going forward, we plan to enhance collaboration in M&A and asset succession services for wealthy individual customers. Taking asset succession services as an example, Ashikaga Bank has acquired a trust license and handles everything in-house up to will execution, whereas Joyo Bank currently outsources these services to business partners. We believe that the testamentary trust business holds hidden revenue sources beyond direct fee income, such as securing contact with heirs to prevent deposit outflows and redirecting inherited assets back into asset management products. By handling this within the group, we will capture that revenue. Taking the 10th anniversary of business integration as a turning point, we intend to thoroughly re-examine the respective strengths of both subsidiary banks, allocate resources appropriately, and operate as an integrated financial group. At present, we have not disclosed specific numerical targets, but we plan to regularly share our track record during future IR presentations.

Q. In terms of the current market capitalization ranking among regional banks, Mebuki FG ranks 5th, positioned within the second group. Do you have the ambition to target the top three institutions in the first group?

A. Of course, we have the ambition to target the first group. We recognize that market capitalization is the most significant benchmark by which we are evaluated by the market. However, we also understand that our current market capitalization is the cumulative result of various factors, including regional characteristics and history. Therefore, we will make every possible effort to steadily move upward step by step. First and foremost, we will focus on achieving an ROE of 10% or more by reinforcing group synergies, and upon achieving that, we will explore new growth opportunities.