

**Principal Questions and Answers**  
**Small Meeting for the Three Months Ended June 2025**  
**(July 30, 2025)**

Business Integration

- Q. Is it possible that the timeline for the business integration will be brought forward?
- A. - We are aiming for a final agreement in March of next year. At the present time, we do not anticipate that it will be brought forward, but that does not necessarily mean that it will definitely not happen.
- Q. Discussions are apparently ongoing about top-line synergy via the integration. Could you tell us about their progress?
- A. - The two banks have begun considering what kind of profit level will be required by each one if targeting an ROE of 10% as indicated in our Mid-Term Business Plan, as well as issues such as where, to what extent, and by when those profits need to be accumulated. Along with the alliance-level measures that have been carried out to date, these discussions include measures that can be realized via the integration. Significant top-line growth can be expected through each of us leveraging the networks that our bank has developed in the Kanto region and overseas and the non-interest business areas that are a strength of Daishi Hokuetsu Financial Group.
- We will not make our transition to the TSUBASA system until 2030, and it will take some time to achieve cost synergies, but if we pursue appropriate reallocation of human resources in areas with staff surpluses and staff shortages, we believe that we can realize cost synergies by improving management efficiency in our network of branches, the back office area, etc.
- Q. Could you tell us management's stance on becoming an affiliated company under a holding company following the integration?
- A. - We are considering consolidating outstanding capabilities at the two banks to be affiliated under the holding company, then allocating resources to each bank in a flexible, optimal manner. The plan is to strengthen the holding company's functions by assigning around 100 personnel to departments such as corporate planning, corporate management, and risk management. Following the business integration, the idea is to maximize the synergy effect by dynamically implementing business operations under the leadership of the holding company.

- Q. Could you tell us how negative goodwill will be used?
- A. - Based on our current trial calculations, we expect that there will be a considerable amount of negative goodwill, which we first plan to use to restructure our securities portfolio. If we can dispose of low-yield bonds and the like held by both banks, we believe it will generate a significant surplus. If you simply add up the securities investment balance for the two banks, it totals around 5 trillion yen. Investment policy will therefore be considered by both banks going forward. In addition, we also want to use negative goodwill for forward-looking provisions, system- and branch-related areas, etc.
- Q. Do you expect credit costs to temporarily increase due to factors such as standardizing rating methods in conjunction with the business integration?
- A. - The specific rating methods will be verified in the future, but as I mentioned previously, we are considering forward-looking provisions and the like, and we believe we will be able to handle this by utilizing negative goodwill to prepare for it.

#### Capital Policy

- Q. The timing of the treasury share acquisition was surprising. Was the underlying reason for this due to increase the capital adequacy ratio, or was it intended to boost the share price as a positive surprise?
- A. - The capital adequacy ratio is increasing because risk assets have decreased due to the sale of shares and the like. However, that does not mean we acquired treasury shares based on the increase in the capital adequacy ratio. Our shareholder return policy is a dividend payout ratio of 40%, but we have demonstrated a total shareholder return of over 50% in our capital allocation, and as we continue to discuss the business integration in earnest, we have decided to acquire treasury shares at this time, when we do not have corporate information.
- Q. Could you tell us about any restrictions on the timing of the treasury share acquisition due to the business integration?
- A. - The acquisition framework can be established at any time, but if we have insider information, we cannot purchase treasury shares. Therefore, the acquisition of treasury shares is limited to the period from September of this year, when we will begin due diligence, until March of next year, when the final agreement will be concluded.

- Q. You have announced the present treasury share acquisition, but is it possible that you will acquire more during the current fiscal year?
- A. - As preparation for the progress of the integration, we will establish important facts such as the exchange ratio, and we cannot acquire treasury shares until the relevant facts have been announced.

#### Lending

- Q. The balance of loans to large enterprises has increased by 13% year-on-year, which is a significant rise. Could you tell us about the nature of this increase and the future forecast?
- A. - The balance is growing overall without being skewed toward any particular industry, but we have noted a slight increase in fixed-interest transactions. We are controlling loans to large enterprises by changing the rules as a matter of policy while considering the ALM at the time. Since April, we have been requiring that fixed-rate loans secure profitability at least equal to national government bonds with the same maturity based on RORA, but the number of such transactions is continuing to grow. Regarding terms, fixed-interest loans of five and seven years are increasing. However, since we have begun exploring the timing for purchasing national government bonds and the competitive environment for acquiring deposits is also becoming more challenging, we are considering increasing our profitability expectations. It is therefore possible that the growth rate will decrease from its current level.
- Q. Unsecured consumer loans have grown significantly. Is this influenced by the macro environment, such as inflation and regional economic trends?
- A. - The fact that we are actively pursuing data utilization and digital marketing while also using external digital resources that we were previously unable to handle is having a greater impact than the macro environment on growth in unsecured consumer loans. Recently, demand for operating capital from SMEs has been growing, so we believe that inflation, including rising material and commodity prices, is having an impact to some extent.

- Q. The loan balance at overseas branches has grown significantly. Is this mainly caused by the macro environment?
- A. - Many customers at our New York branch are the local U.S. corporations of large enterprises, such as trading firms and manufacturers, who deal with our Tokyo and Osaka branches. At least until last year, there was vigorous economic activity and investment in the U.S. against the backdrop of the strong U.S. economy, and since capital needs were high as well, there was surely a macro-level impact. Including ours, there are only three regional Japanese banks in New York. The other Japanese banks there are megabanks and government-affiliated financial institutions. Compared to the situation in Japan, we believe this puts us in an extremely advantageous position, and profitability is favorable as well.

### Deposits

- Q. Could you tell us the future forecast regarding the growth of the deposit balance?
- A. - We are deliberately implementing measures for both individuals and corporations, but we believe it will take some time for the effects of individual deposit policies to become apparent. Furthermore, it is difficult to oppose macro factors such as population decline and the younger generation's shift toward online banks, so recently we have been focusing our efforts on acquiring corporate deposits via face-to-face interactions. With a main emphasis on high-volume, large enterprises in Tokyo, we are controlling the level and adding interest while considering market interest rates. Acquiring deposits is not easy, but unless we maintain a growth rate of around 2% to 3% as indicated in the Mid-Term Business Plan, we will not be able to meet strong loan demand, and growth will come to a halt. We are therefore prioritizing efforts to acquire deposits.
- In addition, equipment funding via loans to SMEs had been delayed due to issues such as the uncertainty around the U.S. tariffs and rising construction costs, but we assume this will commence now that the U.S. tariffs have been set at 15%. Therefore, we believe that lending growth will continue at its current pace, making deposit acquisition even more important.
  - We believe products such as online accounts for SMEs offered by megabanks pose a threat. We are now considering enhancing our corporate portal's functions and developing apps and the like for corporations. Given the move toward abolishing promissory notes and checks, we will implement various measures with the conscious aim of concentrating on payment-centered deposits.

- Q. For individual deposits, could you tell us about the impact of money circulating in investment products such as NISA?
- A. - There is certainly some money circulating in investment products such as NISA savings plans, but if you look at our bank's situation, the decrease in deposited funds is having a greater impact than the transfer of funds to investment products. Population decline is a reality, but even when you factor in demographics, the younger generation is less inclined to open accounts. Measures to address this have begun, but we believe they are not yet sufficient, and we recognize that this will be a major challenge in the future.
- Q. The yield on domestic loans rose by 25 bp, but is the 16 bp rise in the yield on deposits, etc. also as expected?
- A. - When competing with other banks to acquire deposits from large enterprises in the Tokyo and Kanagawa region, we sometimes set individual interest rates for them, but we deem the scope of the increase to be within the expected range. At present, we have no plans to roll out this kind of strategy in our home market, but if deposit growth does not keep up with strong loan demand, we believe it will be necessary to consider it.
- Regarding the yield on loans, there are some areas where the scope of the increase in interest rates is small, such as loans based on the short-term prime rate, but their impact is limited, and the overall scope of the increase is broadly in line with expectations.

### Securities

- Q. Regarding securities investment management, the balance of shares and investment trusts has decreased significantly. Could you explain the underlying reasons for this?
- A. - In the first quarter, we conducted frequent operations in line with market trends, and as a result of obtaining gains on sales commensurate with those activities, the balance decreased. However, going forward, we plan to buy back shares and restore the balance.
- In terms of how gains from valuations of pure investment shares will be used, they could be used to cover credit costs that occur unexpectedly or the like, but in the current environment, it is highly likely that stock market prices will deteriorate and gains from valuations will decrease. Since we collect and manage deposits, our goal is to consistently record realized gains.

- Q. You have indicated that you do not plan to do any more than you already have to cut your losses on yen-denominated bonds. Could you explain the underlying reason for this?
- A. - We have already made quite a lot of progress in cutting our losses on yen-denominated bonds, and even if interest rates rise in the future, the amount will no longer impact the level of our capital adequacy ratio. Moreover, given the utilization of negative goodwill, we believe there is no need for further loss-cutting.
- Q. You have decreased the national government bond balance, but could you tell us the interest level and term at which you would purchase more?
- A. - In part due to the loss-cutting we have carried out so far, we are always seriously considering the proper time to buy national government bonds. It is still difficult to buy them at the current level, but we believe that it will be acceptable to do so if the interest rate reaches around 1.7%. At such time, we do not intend to purchase 10-year bonds and are considering a portfolio with an average maturity of around five years.
- Q. According to the plan, you are apparently assuming that there will be losses on cancellations of investment trusts, but in the first quarter, there were gains on cancellations of investment trusts. Going forward, do you plan to sell trusts with unrealized losses? Could you also tell us about your present policy regarding losses on valuations of investment trusts?
- A. - The plan anticipates cancellation losses associated with the sale of investment trusts with unrealized losses, but at present, no sales have been completed. The gains on cancellations of investment trusts in the first quarter were due to the cancellation of domestic bond bear funds in a rising interest environment. Since there is an ownership cost associated with bear funds, we are always considering the proper time to replace them. By the end of June, there was a 15.1-billion-yen valuation loss on investment trusts as a whole, but in terms of value, this is not a significant amount, and at the moment, we are not considering any particularly large operations.

## Other

- Q. Now that the U.S. tariffs have been set at 15%, could you tell us about the reaction among your customers?
- A. - While the level is higher than previous tariffs, it is lower than the initially announced 25%. Accordingly, the reaction of many customers has been relief that it has been kept so low, but there are causes for concern: How will prices be set after factoring in the 15% tariffs? How will consumers react to this? Will automobiles sell as well in the U.S. as they have until now? Moreover, even if you assume that Tier 1 companies will be able to absorb the impact, once you reach Tier 2 and Tier 3, the tariffs are likely to have a considerable impact. We intend to carefully address this issue on a company-by-company basis.
- We are also focusing our efforts on supporting customers applying for subsidies to increase productivity. The Large-Scale Growth Investment Subsidy is a large subsidy that covers one-third of costs, up to a maximum of 5 billion yen. In the third call for applications, we supported applications for seven subsidies, the most for a regional bank. We believe this will contribute significantly to improving the productivity of our customers.
- Q. How did your employees react to the payment of share price-linked compensation?
- A. - In June, we announced the payment of share price-linked compensation as an incentive plan aimed at improving our performance and share price in the medium to long term. Employees are now able to check the expected payment amount in the attendance management system they use every day, and at the moment, the amount is increasing because the share price is rising, which seems to have boosted their motivation. However, the payment will not be issued until the end of the Mid-Term Business Plan, so we aim to further enhance employee awareness of the share price to ensure that they continue to keep it in mind in the future.