

August 7, 2023 – Financial Results for the First Three Months of FY2023 ending March 31, 2024 Main Questions and Answers

[Loans and Bills Discounted / Yield of Loans and Bills Discounted]

Q. Can the Bank sustain the loan interest rates improve and lending volume growth in the current interest rate environment?

A. The pass-through of fixed-rate loans relative to increases in the market rate has increased, and we believe that increases in market rates will continue to improve net interest income. At present, there is a strong desire for capital investment, and in the future, it is expected that there will be the development of the new runway and surrounding areas at Narita Airport and the establishment of new logistics-related and manufacturing bases in conjunction with the full opening of Ken-O Expressway in Chiba prefecture. In addition, there is demand for working capital, which had been shrinking due to the COVID-19, so the momentum for loan growth will remain unchanged.

Q. What is the background for the rise in the pass-through rate of the business fixed- loan yields to 77.1% and how sustainable is it?

A. As a result of tenacious negotiations for the renewal of interest rates on fixed-rate loans, the pass-through rate, which was assumed to be around 40% in our plan, has recently risen to nearly 80%. There are no special or seasonal factors, and we consider it to be sustainable in a rising interest rate environment in the future.

Q. Is there a risk that a rise in interest rates in medium-term will worsen the momentum of growth in real estate-related loans, such as apartment loans?

A. In the first quarter, the amount of loans executed for real estate rentals increased by more than 30% compared to the previous year, and current demand is favorable. Although rising interest rates may have a certain impact, the population in Chiba Prefecture is not expected to decline significantly and the trend of increasing household numbers is expected to continue, so we expect active real estate investment to continue in the future.

Q. What is the percentage contribution of (1) the rising of the pass-through rate and (2) high-spread projects to the improvement in yields on domestic loans? Please also tell us about the specific projects and the future outlook in (2).

A. The contribution of factor (1) accounts for the majority. Factor (2) focuses on high-spread projects such as LBO loans, non-recourse loans, and structured finance with alliance banks. As for loans outside Chiba prefecture, while the volume of loans has been growing, the rise in yields due to such high-spread projects has also contributed significantly to net interest income. However, since prefectural loans have a greater impact on net interest income, focusing on factor (1) will lead to an increase in net interest income in the future.

Q. Regarding the pass-through rate for renewal of interest rates on fixed-rate loans, what is the size of the loans covered and the ratio of apartment loans? Are there any differences in the pass-through rates between apartment loans and others?

A. Over three years, fixed-rate loans with renewal dates will amount to around 3 trillion yen, and the quarterly amount will be roughly 250 billion yen. Among them, the ratio of loans to the real estate rental business is about 70%. There is hardly any difference in the pass-through rates of business lending and real estate lending.

[Net Fees and Commissions]

Q. In the plan for fees and commissions in the Mid-Term Plan, it was planned to increase profits related to financial products, but is there a need to reconsider the earnings outlook, including the way it will govern in the future?

A. For financial products, the Bank will strengthen its policy of focusing on recurring revenue by thoroughly implementing a customer-oriented sales system using the new proposal-tool "Okane No Basket (Money Basket)" at the branch counter introduced in

May. Corporate business fees are performing well, and it is possible that items other than those related to financial products will be covered depending on future progress related to financial products.

Q. Are cashless-related fees progressing as planned?

A. If the impact of the transfer of operations from the Chibagin JCB, which is scheduled in August is deducted, it is progressing around 20% against the full-year forecast, and it is in line with the plan.

[Securities Management]

Q. Regarding investing in yen bonds, I would like you to tell us about your future stance, such as the amount, maturity, and purchasing pace.

A. In the current fiscal year, interest rates are expected to rise, and the Bank has accumulated mainly JGBs with asset swaps. At this time, the Bank continues to invest mainly in floating-rate bonds and is cautious about fixed-rate bond investment. In later half of first half of the fiscal year, the Bank plans to purchase 50 billion yen per month by combining fixed and variable bonds. If the yield on the five-year bond to be purchased reaches over 0.25% level, we will allocate more than half of the purchase to fixed bonds. The pace of purchases will be adjusted, taking into account in financial positions trends and other factors.

Q. If yen bonds were purchased at about 50 billion yen per month, what would the net increase in the balance be?

A. In current fiscal year, the repayment amount will be 50 billion yen for the first half and 100 billion yen for the full year. If the Bank purchases 50 billion yen per month and 150 billion yen from July to September, the net increase from the end of June will be approximately 100 billion yen. Even If the Bank purchases 50 billion yen per month throughout the year and the net increase after deducting redemption amounts to about 500 billion yen, it will be able to fully cover the funding situation by allocating a portion

of BOJ accounts balance of about 4 trillion yen. However, the pace at which yen bonds will be purchased in the second half of the fiscal year will be planned based on the future interest rate outlook.

Q. Is the loans to the Ministry of Finance and the special-interest component of BOJ accounts transferred to yen bonds investments?

A. The question of whether to transfer will basically be decided by economic rationality, but based on the market outlook, the Bank will invest in yen bonds to the extent that unrealized gains/losses can be controlled. The Bank does not currently intend to purchase the securities for held-to-maturity purposes as the Bank places importance on liquidity so that it can replace stocks as needed. In addition, the outstanding amount of loans to the Ministry of Finance is only around 200 billion yen, and we do not expect it to decrease significantly.

[Gains/losses Related to Stocks, etc]

Q. The reason for the recording of 3.6 billion yen in the first quarter in gains/losses related to stocks, etc. What is the possibility of an upside in the plan?

A. In the full-year forecast of 5 billion yen for gains/losses related to stocks, etc, the Bank posted 3.6 billion yen gain on the sale in the first quarter due to the strong stock market. The Bank has sufficient available-for-sale securities and will consider upward revision of gains from the original plan while monitoring market trends and progress in results.

[Capital Policy / Shareholder Returns]

Q. What is your stance on share buybacks?

A. We are faced with the need for careful judgment, but we maintain the policy of returning profits set forth in the current Mid-term Plan and will flexibly return profits to shareholders so that we can meet the expectations of shareholders.

[Business Improvement Order]

Q. Is there any impact on the morale of staff? What message has management communicated to staff?

A. President conveyed the importance of customer confidence and the thorough implementation of customer-oriented business management to all group officers and staff, and communicated to them that management and staff would work together in order to be reborn as a bank that is trusted by everyone.

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