

Fukuoka Financial Group: Small Meeting (July 28,2025)

Key Q&A

[Minna Bank]

Q The external sale of your system to MUFG Bank has been positively received. Will you continue with outright sales to external customers going forward? Or is a model that generates fee income also a possibility? Also, how much leverage does the successful sale to MUFG Bank give you in negotiations with other companies?

A The external sale of the Minna Bank system is fundamentally a sale of source code, and our transaction with MUFG Bank also followed that model. We are currently in negotiations with a number of overseas financial institutions and others, all under the assumption of an outright sale. The fact that Minna Bank's system was highly regarded by MUFG Bank and resulted in a sale sends a positive message to other potential partners. We will continue to actively highlight the advantages of the Minna Bank system in future sales negotiations.

Q Regarding Minna Bank, you have previously explained that "collaboration with partner companies that have a large customer base" is under negotiation. When do you expect to make an announcement?

A While we cannot provide a concrete timeline at this stage, earnest negotiations are progressing. We should be able to provide you with an update in due course, and we thank you for your patience. Our intention is to provide an explanation, including details about the service, before the end of this fiscal year.

Q Regarding your outlook for making Minna Bank profitable by FY2027, can this be achieved by continuing your current initiatives? Or do you need to revise your plan?

A We are seeing results on both quantitative and qualitative fronts, including the successful sale of the Minna Bank system to an external customer, negotiations for business collaboration with partners that have a large customer base, and improvements in loan approval and delinquency rates. We have a tangible sense of progress towards achieving profitability and do not see a need to revise the plan at this time.

[Acquisition of deposits]

Q There are concerns about the intensifying competition to acquire deposits. While FFG's strategy seems to be to acquire highly stable deposits through digital channels and a strong

customer base, could you explain again what FFG's strengths are in deposit acquisition? Also, regarding your management of deposits, do you prioritize controlling interest rates or increasing the volume of deposits?

- A In addition to Minna Bank, FFG has rolled out various digital channels to serve as customer touchpoints, including banking apps and the BIZSHIP portal for corporate customers. One of FFG's strengths is that these platforms are developed in-house, which allows us to frequently improve features tailored to customer needs. To acquire highly stable deposits, it is important that customers make our accounts their main account. We will therefore offer services that strike a balance between convenience (digital) and benefits (such as point programs). As for deposits, we recognize that both interest rates and volume are important. We believe there is still room for deposit growth through initiatives such as BaaS offerings to regional companies and workplace marketing.

Q Megabanks and online banks are utilizing digital technology to attract deposits. Do you feel that this is having an impact on FFG's deposits?

- A Although we are not seeing any visible outflow of deposits at present, our deposit balances have not been growing that much. We believe that one reason for the sluggish growth is the shift of funds into investment trusts under the new NISA program. At FFG, our investment trust business is also performing well—monthly contributions to installment investment trusts have reached approximately 7 billion yen, and as of the end of March 2025, the balance of investment trusts had grown to about 1.2 trillion yen.

[BaaS]

Q Regional BaaS is a focal centerpiece of your current medium-term management plan. Could you explain the business model, its objectives, and what differentiates it from other banks?

- A The regional BaaS outlined in our 8th Medium-Term Management Plan is a business model in which FFG provides its financial “wallet” functions as a white-label solution to local companies, enabling them to offer financial services under their own brands. The goal is to form a regional economic ecosystem. We believe that the combination of our regional network and system development capabilities will be what differentiates FFG from other banks.

[Use of digital technology]

Q What kind of results are you seeing from the use of digital tools such as banking apps, BIZSHIP, and SFA?

- A As of the end of March 2025, our banking app had been downloaded 1.26 million times, with a monthly active user (MAU) rate of 80%, demonstrating its widespread use by customers. The app's usability and other features have also received high ratings in external reviews. The BIZSHIP portal for corporate customers had over 30,000 users as of the end of March 2025. Its management diagnostic tools are helping to supporting our clients' core operations. As for SFA, it is used by nearly all sales representatives as a sales support tool. It aggregates a wide range of customer information and provides various insights to sales representatives during their daily activities. We have also introduced AI tools, that routinely support various operations, including for me.

[Inorganic strategies]

- Q **Regarding business integration with regional banks, is it correct to understand that your stance of focusing on integration within Kyushu remains unchanged? Also, what types of industries are you considering for collaboration outside the financial sector?**
- A To date, we have pursued integration within the Kyushu region with the Kumamoto Bank, the Shinwa Bank, the Eighteenth Bank, and the Fukuoka Chuo Bank. Our view on the synergies created by geographic proximity remains unchanged. As for expansion into non-financial services, we have so far taken a somewhat in-house approach through initiatives such as digital transformation (DX), a trading company for fabricated metal products, and the establishment of a specialized M&A subsidiary. However, from the perspectives of speed and specialization, we now believe it is important to also collaborate with external partners that possess functions we do not have. The methods for these alliances could include business partnerships or capital investments. We will choose the best approach from among the various options.

[Operation of the Board of Directors]

- Q **Regarding the operation of your Board of Directors, how are opinions from the stock market shared, and what discussions take place among management, including external directors?**
- A The Board of Directors is regularly briefed by myself or the secretariat office on the nature of our dialogue with investors. In those reports, we make a point of candidly conveying investor feedback. For instance, we shared the content of our company briefing in May along with the subsequent dialogue with both the Group Management Conference and the Board of Directors. We shared evaluations and opinions on topics such as shareholder returns, valuation gains and losses on securities, and the progress of Minna Bank, and discussed these in detail. As I

mentioned earlier today, there is a shared understanding within management—including our external directors—that the frequency of our disclosure and communication with investors has been insufficient and needs to be enhanced going forward.

Q Regarding post-merger integration (PMI), what kind of opinions have external directors expressed during meetings of the Board of Directors? Also, looking at the disclosed skills matrix, it seems that none of the external directors are marked as having expertise in “IT/Digital.” Does this pose a problem when conducting specialized discussions?

A External directors have provided comments on whether the synergy effects from our business integrations are being properly realized. They have questioned whether the integrations are being appropriately evaluated based on a clear understanding of sales strategies to increase the top line and cost synergies to improve the bottom line. As for PMI, we regularly report and exchange opinions on matters such as personnel and functional integration, and the division of sales roles in each region. While the digital category in the skills matrix may be unmarked, each external director has connections with digital business in their respective fields and possesses a reasonable level of knowledge, so this is not an issue in holding discussions. Additionally, several leading experts in the digital field serve as external directors at Minna Bank, and their expertise is leveraged across all FFG companies.

Q You have shared the IR schedule for FY2025, but we would like to request that opportunities be arranged for an exchange of opinions between external directors and investors.

A We will give your request our positive consideration.

[Message to the Stock Market]

Q With the return to a world with positive interest rates, regional banks are attracting attention. Even our own fund managers are asking which regional banks are worth it. Among the many regional banks, what makes FFG stand out? What is the most important reason for investors to buy FFG stock?

A The one point we would like investors to focus on is that since our establishment in 2007, we have never let up on our pursuit for growth strategies. With each medium-term plan, we have launched new growth strategies, made growth investments, increased profits, and steadily raised dividends as a result. We have maintained this virtuous cycle for the 18 years since our establishment, continuously taking on challenges for growth—a point of pride that differentiates us from others. I want to assure you that our Long-Term Strategy is designed to continue this positive cycle over the next 10 years as well.

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