

(Held on June 5, 2025)

Key questions and answers from IR small meetings



Part 1: Small meeting with the CEO (speaker: Hisashi Shibata, President and CEO)

Q1	How will you apply the capital accumulated from higher future profits created by rising yen interest rates in your growth strategies? Will you be able to put all capital to full use while improving RORA?
A1	<ul style="list-style-type: none">• During the latter three years of the Medium-term Business Plan, we plan to proceed with strategies that will achieve our revised ROE target of 8.5%.• With regard to the numerator, profit, we will likely achieve our target while improving RORA through organic growth as our top line grows thanks to rising interest rates and as Group company earnings expand. But with regard to the denominator of capital, as you point out, we need to consider increases accompanying growth in profit. During these three years, we need to boost capital efficiency by controlling capital while remaining ready to provide more returns to shareholders.• Beyond those efforts, investments in inorganic growth will be essential to moving closer to the subsequent ROE target of 8.5% or better. While we're not ready yet to present the specifics, we've prepared a long list of prospective mergers and acquisitions to enhance Group functions. We're planning to proceed with M&As while paying attention to returns on invested capital and the balance of the level of capital over time, looking at companies across a wide range of industries without limiting ourselves to the financial field. We'd also like to proceed with balanced investments in areas like IT and human capital, in addition to inorganic investments, to broaden our business domains.• We plan strategic revisions of the Medium-term Business Plan. We also plan to continue discussing whether we can make full use of capital. As we target ever higher ROE, we believe it will be essential to employ new approaches, rather than relying on those from the past.
Q2	What strategies will you use to secure highly sticky deposits?
A2	<ul style="list-style-type: none">• Securing highly sticky deposits has become an issue that needs to be considered across the regional banking industry, whose businesses are based in local communities. While this isn't a new approach, since the customer base, centered on regional SMEs, is a regional bank's greatest strength, we need to renew our focus on securing settlement accounts and employment-related transactions, like direct deposits of salary for customer firms.• For individual deposits, an engagement with funds settlement is important. In addition to credit cards and similar services, we plan to increase stable deposits by providing greater convenience through partnerships with QR code payment services and in other ways.• In addition, to provide BaaS using an open accounting system, we're proceeding with IT investments that will link APIs with regional infrastructure operators and major businesses. We intend to launch these and other schemes to attract more deposits.

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Q3	What growth strategies do you envision after the approach of recording gains on the sale of stock associated with reducing strategic shareholdings has run its course?
A3	<ul style="list-style-type: none">• For the time being, we expect to record gains on sale of about 15–20 billion yen per year by reducing strategic shareholdings. Since the shares we hold entail considerable unrealized gains, we consider it unrealistic right now to consume all of them by FY2030, the final year of the reduction plans. But since generating earnings from gains on sale of stock shouldn't be our main line of business, we need to find other clusters to generate earnings equivalent to such gains on sale. Just as we built earnings pillars like structured finance and asset formation loans under past low interest rate conditions, while securing gains on sale of stock, how well we're able to build businesses that bear fruit during the period of the second or third Medium-term Business Plan after the current one will prove crucial for future growth.
Q4	How will the establishment of a Balance Sheet Management Consortium intended to improve risk management based on the core deposit model benefit the Shizuoka Financial Group?
A4	<ul style="list-style-type: none">• We introduced a new core deposit model in September 2024. In May of the following year, we established a Balance Sheet Management Consortium. We expect this to lead to a more detailed analysis of core deposits by allowing the sharing of a wide range of deposit data from across the country by member regional banks, from Hokkaido in the north to Okinawa in the south. Right now, we've independently calculated the average maturity on core deposits as 6.4 years. We're interested in seeing how this will change as we use more detailed data for calculations.
Q5	Have the Trump administration's tariffs impacted your customers or led to any changes in management plans since the briefing in May?
A5	<ul style="list-style-type: none">• We interviewed about 4,000 business customers at the time of the large meeting in May. By the end of May, this number had risen to more than 4,800 customers. There's been no major change in the situation. No customers have experienced any impact to their cash flows for the time being.• At the same time, concern does seem to growing bit by bit. For example, some borrowers have established commitment lines to prepare for any eventuality. Some exporters are finding it takes longer to reach deals with overseas clients as trade discussions are postponed.

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Q6	Your share price has performed relatively well over the most recent half-year. What measures will you take to increase the share price in the future?
A6	<ul style="list-style-type: none">• Looking back on the performance of our share price, we believe the upward revisions in results in Q3 of FY2024 and flexible revisions to dividends have played important roles. We're committed to steadily increasing the dividend payout ratio to 50% or higher by FY2027. We expect dividends to increase as the absolute value of profit grows toward our profit target of 100 billion yen in consolidated net income for the final fiscal year of the Medium-term Business Plan. We consider sustained bottom-line growth to be one way to continue increasing the share price.• We believe our current share price isn't very high when considering the dividend amount if we can achieve the profit target for the final year of our Medium-term Business Plan. Management is confident that steady growth in profits will drive our share price even higher.
Q7	The focus of the Mt. Fuji/Alps Alliance seems to be on efforts to encourage population growth. What initiatives will it take to build sustainable regional banking business models?
A7	<ul style="list-style-type: none">• Over the five years since we formed an alliance with the Yamanashi Chuo Bank in 2020, the two banks have worked to achieve total revenue effects of 10 billion yen. Recent figures (13.7 billion yen) show steady progress. For the next stage in the alliance, we've formed the Mt. Fuji/Alps Alliance by adding Hachijuni Bank. This alliance targets total revenue effects of 20 billion yen for the three banks over five years. We have high expectations for the initiatives to be launched by this alliance.• As we seek to increase populations connected to our region, it's not enough to demonstrate the appeal of one prefecture alone. It's vital that the three adjoining prefectures work together to communicate the appeal of the whole region. First, in June, we plan to announce joint measures by the three banks to encourage relocation to the region. Our policy is to proceed steadily with other measures after that.• Right now, we plan to pursue growth through alliances among financial institutions whose service areas do not overlap instead of mergers, since this mode of partnership is capable of generating results quickly while maintaining the management independence of the partners.

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Q8	How do you plan to strengthen joint efforts among Group companies?
A8	<ul style="list-style-type: none">• In FY2024, SFG Real Estate Investment Advisors and Shizugin TM Securities generated significant contributions to Group company earnings.• We need to strengthen joint efforts among Group companies still further by generating further earnings in the runup to the final fiscal year of the Medium-term Business Plan. While this has been based to date on lines of cooperation between Shizuoka Bank and other Group companies, we expect, looking ahead, to be able to generate further earnings opportunities by strengthening joint efforts among non-bank Group companies.• SFG Real Estate Investment Advisors, which collects information on matters like regional development projects, will serve as one axis in doing so. For example, we believe the involvement of SFG Real Estate Investment Advisors in regional development projects can expand business opportunities in areas like provision of materials by Shizugin Lease and securitization by Shizugin TM Securities. We plan to consider various forms of cooperation flexibly as we move forward.

Q9	How do you express your future vision for the Shizuoka Financial Group to your staff?
A9	<ul style="list-style-type: none">• As a regional financial institution, it's essential that we grow on our own while protecting the region in which we do business. In addition, since in a world of positive interest rates, total asset volume makes a difference in earnings, we believe we must build a structure capable of generating stable revenues while growing the scale of assets and increasing RORA and ROA, which, in turn, will expand the capacity to invest in new growth and to support the region, ultimately helping to safeguard our region.• So far, we've communicated our ambition to grow and protect the region where we do business while generating earnings from growth areas and fields in the three markets of (1) the region centered around Shizuoka; (2) the greater Tokyo market; and (3) the nationwide market for non-branch banking. Beyond that, in discussing the recent revisions to the Medium-term Business Plan, we floated a reconsideration of our concept of region. We intend to communicate internally our ambitions to generate social value while increasing corporate value through comprehensive discussions of what we should protect.

(Held on June 5, 2025)

Key questions and answers from IR small meetings



Q10	As you focus on growing non-interest returns through Group companies, the asset business, including deposits and lending, will likely become even more important. With this in mind, will you change your strategic capital allocations given limited human resources?
A10	<ul style="list-style-type: none">• As part of the recent revisions of the Medium-term Business Plan, we've revised hiring plans to hire about 270 more people than initially planned, chiefly through midcareer hires. We plan to allocate 150 to 160 as solutions human resources, focusing mainly on core businesses. The rest will be assigned to the relevant sections as value-creation human resources charged with creating new value beyond existing tracks and digital human resources who will apply digital technologies to reform our business models.• However, securing human resources is extremely challenging. It's possible we will consider shifting certain strategic investments from human capital to IT to improve business efficiency, using technologies like generative AI.
Q11	Your social impact KPIs express results only. I think making the process visible could lead to higher expected growth rate. What are your thoughts on this point?
A11	<ul style="list-style-type: none">• We need to look at initiatives to create social value from a medium- to long-term perspective. While it's hard to demonstrate the results of initiatives right away, we recognize the need to make these more visible, including their connection to the KPIs.• Last year, we established a project team for businesses that create social value. Deliberations are underway with the goal of announcing centerpiece measures during the period covered by the current Medium-term Business Plan. We intend to invest management resources in businesses that will generate corporate value while considering how we can contribute to the community in the process of generating profits.
Q12	What are your thoughts on the need to invest in AI, AI human resource development in particular, as part of your digital investments?
A12	<ul style="list-style-type: none">• We're proceeding with generative AI through three stages: increasing literacy, finding applications to existing operations, and finding applications to customer service and personification. To increase literacy, we're increasing opportunities for Group staff to engage with generative AI in various ways, including holding an internal contest to come up with ideas for using generative AI, with 1 million yen in total prizes, and adding generative AI to business smartphones so that all employees become familiar with using generative AI. With regard to finding applications to existing operations, we've initiated measures like using AI in chatbots and system development. We're proceeding to test digital CIO assistant services for applications involving customer service and personification.• We plan to continue investing to find ways to make strategic use of AI as a priority theme. We also plan to focus on internal human resource development and on the hiring of external specialists to expand our use of AI in line with current trends.

(Held on June 5, 2025)

Key questions and answers from IR small meetings



Q13	Your alliances with financial institutions in Asia appear to have declined since COVID-19. Do you plan to resume developing these alliances?
A13	<ul style="list-style-type: none">• We've grown our existing business alliances with Kasikornbank in Thailand and BDO Unibank in the Philippines. In February 2025, we concluded a new agreement concerning a comprehensive business alliance, which has expanded the support we can provide by linking all of our related sections, replacing the one-to-one relationships between the sections in charge—mostly the International Business Department—and partner banks.• In the alliance with BDO Unibank, in the field of tourism promotion, we're introducing BDO Unibank cardholders to tourism businesses in Shizuoka. Some of them have actually visited Shizuoka. We also provide financial services for technical trainees from the Philippines. This is part of our efforts to achieve environments that will make it easier for them to live in Japan. We provide support for companies in Yamanashi Prefecture to advance into the Philippines in partnership with an alliance bank. Through these and other measures, we're enhancing our alliances one step beyond the existing framework.

(Held on June 5, 2025)

Key questions and answers from IR small meetings



Part 2: Small Meeting with Outside Directors

(Speakers: Directors Kazutoshi Inano, Kumi Fujisawa, and Kazuto Tsubouchi)

Q1	<p>What do you need to do to ensure your company will survive the next decade or two?</p> <p>Also, how will you use the bonus of increased earnings from rising yen interest rates to take on the obligation to address the depopulation issue?</p>
A1	<p>(Director Inano)</p> <ul style="list-style-type: none">• While it's not possible right now to make forecasts 10 to 20 years into the future, we believe we will find ways to maintain comparative competitive advantage by anticipating various changes. Important considerations in investing in growth toward this end include studies of mergers and acquisitions and a greater focus on investments in IT and human capital. I can appreciate the executive side's desire to revise the Medium-term Business Plan from a flexible perspective for these purposes.• At the same time, the depopulation issue is already present. If we define our business territory narrowly, as Shizuoka, then the structural issue of outflows of population to the Tokyo and Nagoya areas remains more or less unchanged. From the perspective of solving the depopulation issue, the primary concerns are how we might redefine the Shizuoka Financial Group's territory and what approaches we might choose to take. One option would be to expand to an appropriate scale of the banking business through means including M&As.• There's no need to make a decision right now, but we recognize this topic needs to be discussed and addressed. I think the Board of Directors' discussions on the subject will continue to grow more active, referring to today's dialogue.

(Held on June 5, 2025)

Key questions and answers from IR small meetings



Q2	<p>What is the basis for choosing the appropriate scale of the Shizuoka Financial Group as a topic on which more in-depth discussions will be required?</p> <p>Also, while economies of scale are effective in the banking business, I think these measures can have both advantages and disadvantages. What are your thoughts on industry reorganization, including potential mergers?</p>
A2	<p>(Director Inano)</p> <ul style="list-style-type: none">• The Company formulated the Medium-term Business Plan based on clear concepts and is making steady progress while revising it as needed. While a larger scale isn't necessarily better in and of itself, I think it does present positives that the markets would welcome.• At the same time, our recommendation was based on the understanding that it's important to simulate in advance how the Company would respond to the changing rules of the game, whether a series of large-scale mergers or reorganization among regional banks, and to discuss the issue at the Board. <p>(Director Tsubouchi)</p> <ul style="list-style-type: none">• On the point of whether larger scales would provide advantages, I think it would be more disadvantageous than advantageous.• Currently, the scale of a financial institution is measured by its funds holdings. The essential roles of a financial institution are to create and distribute value. These roles assume forms beyond just cash. It seems to me that someday, 10 to 20 years in the future, the scale of an institution's funds holdings will no longer be an important gauge.• I used to work in the telecommunications industry. The telephone's role in the function of communicating voice information has steadily shrunk. It's been replaced by the computer, which, as it happens, can also be used to make telephone calls. Similar developments may emerge in the cash-handling banking business. Ultimately, we may see a world that no longer needs banks to create, distribute, and manage value and credit. If so, banks must respond by building on their strengths and incorporating new features. I believe we will increasingly discuss the topic of appropriate scales from different vantage points.

(Held on June 5, 2025)

Key questions and answers from IR small meetings



Q3	What do you see as the Shizuoka Financial Group's greatest strength? And how can the Group maintain that strength?
A3	<p>(Director Tsubouchi)</p> <ul style="list-style-type: none">• I think its greatest strength is its customer base. If it can properly manage the vast volumes of customer information held and use it to distribute new value, it has little to fear from new entrants from telecommunications or other industries.• At the same time, I think the greatest risk is that of skimming or abusing this customer information. It's vital to thoroughly manage and protect the information held and to make it more valuable. <p>(Director Fujisawa)</p> <ul style="list-style-type: none">• I think its people are its greatest strength. First, the current management team is unusually willing to listen to external viewpoints, including viewpoints expressed by us, outside directors from other business fields. It's the same at the Board of Directors, which facilitates open discussions based on an approach founded on listening to what others have to say, and then stating our own viewpoints. Staff in the field also have the competence to implement what was decided. I think in an environment of dramatic change, like the one we see today, it's vital to implement decisions thoroughly and then to adapt them flexibly via the PDCA cycle. I believe the key to the Group's future strength will be the same as it is today: to develop human resources while passing on this culture. <p>(Director Inano)</p> <ul style="list-style-type: none">• I think the current management team is capable of accurately assessing the positions of competitors, chiefly other regional banks and financial institutions. While there have been cases of misjudgment that involve excessive confidence in one's own management or excessive fear, I'm very impressed by how management discusses various topics and the broad-ranging perspectives these discussions are based on.

(Held on June 5, 2025)

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Q4	While some positive changes have been apparent since 3Q FY2024, your medium- to long-term ROE target remains lower than for other regional banks. What explains this?
A4	<p>(Director Fujisawa)</p> <ul style="list-style-type: none">• I think the positive changes to date come from management's approach of engaging in thoroughgoing discussions and the willingness to adjust course based on dialogue with the markets. I've been a director for nearly 10 years. It seems to me that we've spent more time discussing how to increase corporate value over the past year than ever before.• Regarding ROE, I believe if we wanted to, we could announce levels equal to other companies. But the figures we announce are reliably realistic and based on precise analysis. While this may be why we have a reputation for being a stingy bank, I think it's also an expression of our resolve to keep our promises. While there may be room for more discussion of the specifics of our growth track, I think we're presenting a conservative ROE levels. <p>(Director Tsubouchi)</p> <ul style="list-style-type: none">• I agree that precise analysis leads to accurate figures. The current figures are certainly ones under which we can fully achieve our targets. I also think there's room for cutting costs to increase ROE still further in the future. One issue is the lack of sufficient urgency on digital transformation and deployment to branches. I'd like to see a virtuous circle of improving efficiency by cutting costs to powerfully raise the level of overall profits and putting the funds made available for use in investments in subsidiaries and elsewhere. While current profit levels haven't yet reached that stage, I think it will soon be time to make more qualitative changes as well. <p>(Director Inano)</p> <ul style="list-style-type: none">• Transformation strategy, identified as one theme in future revisions of the Medium-term Business Plan, is an important strategy that impacts management as a whole. It's especially important with regard to points of contact with customers. I'd like to see management discussions lead to clear strategies that will help increase the top line. While this also applies to revisions of the Medium-term Business Plan, the Shizuoka Financial Group's management is highly capable in the areas of long-term planning and self-correction. Rather than merely sticking to their decisions once they're made, it's flexible enough to review and revise them repeatedly. I hope to see further progress as a result.

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Q5	<p>From the perspective of expanding business domains, are there any businesses you believe you will be able to create precisely because of your base in Shizuoka?</p> <p>For example, can you support a digital transformation of manufacturing, since Shizuoka is a manufacturing center?</p>
A5	<p>(Director Fujisawa)</p> <ul style="list-style-type: none">• The digital transformation of manufacturing is an area in which our region lags somewhat behind other regions in Japan. I think there's potential for promoting this centered on Shizuoka, in light of the region's strengths in manufacturing. A regional bank able to ascertain the state of the entire supply chain, including company sizes and groups, can demonstrate leadership, perhaps in partnership with other regional banks, in promoting digital and business transformation down to the level of SMEs, which might lie out of sight of the national government or major manufacturers.• Moreover, since the Shizuoka Financial Group invests actively in startups, it can connect with promising firms, whether in Japan or overseas, to secure future earnings opportunities. While this poses certain issues, like the need to secure human resources with strengths in AI, I believe the digital transformation of manufacturing is an area with significant promise, both in Japan and overseas. I look forward to seeing future initiatives in this area.

Q6	<p>Director Fujisawa, you've been named as a candidate outside director at other global firms. How do you balance these responsibilities?</p> <p>Also, do you believe such concurrent postings generate synergies?</p>
A6	<p>(Director Fujisawa)</p> <ul style="list-style-type: none">• I think there's a great potential for synergies there. Finance is related to various industries. It provides the opportunity to get an in-depth look at the entire region as a whole, centered on SMEs, beneath the view of major manufacturers. For example, I can propose to the management of a major manufacturer insights from my service as an outside director with the Shizuoka Financial Group, or put perspectives from a global firm to use in the Group's management.• When I first took office as an outside officer at Shizuoka Bank, I was captivated by its vision of being the best regional bank in the world. Even though it was a regional bank, it sought to cooperate with various companies to open Japan's businesses to the world. It's working to resume this effort now, by valuing Shizuoka, without limiting itself to the region alone. I want to contribute to the Shizuoka Financial Group from the perspective of how it can contribute to the world as a business enterprise. I'm excited about the dynamic role I can play in both types of companies. For this reason, I welcome an even busier schedule. By broadening my own perspectives, I think I can contribute even more to the Shizuoka Financial Group.

(Held on June 5, 2025)

Key questions and answers from IR small meetings



Q7	What points should market participants consider in evaluating the realization of your regional co-creation strategy over time?
A7	<p>(Director Tsubouchi)</p> <ul style="list-style-type: none">• For the past few years, I've paid close attention to the differences between consolidated and nonconsolidated figures. I think we can say the Group has achieved steady growth in this area, from the viewpoint of how Group companies and new business fields are contributing to its core business, centered on banking. You can judge results from different points of view, but I would encourage you to pay close attention to this point. <p>(Director Fujisawa)</p> <ul style="list-style-type: none">• I agree. One of the goals of shifting to a holding company structure was to expand Group company business domains to provide features that were lacking in the region and to create new regional growth engines. Already, two new companies have been established in marketing and real estate investment advising. The key will be how well individual companies, including existing Group companies, perform their own functions and contribute to profits. <p>(Director Inano)</p> <ul style="list-style-type: none">• I'd like to add to the points made by the other two directors—that, in addition to profits, it will be important to monitor how Group companies grow in terms of human resource transfers, hiring, and similar areas and how their relationships with Shizuoka Bank change. Human resources are expected to become much more fluid in the future, driven by factors like the scope and placement of new graduate and midcareer hires and the exchange of human resources between the Bank and Group companies. I think this point will be another useful perspective in evaluating the Group.

(Held on June 5, 2025)

Key questions and answers from IR small meetings



Q8	The range of personal investments available today is much more diverse than they were in the era of positive interest rates. How do you see bank asset strategies, which are funded by deposits, changing under these conditions?
A8	<p>(Director Inano)</p> <ul style="list-style-type: none">• While deposits will increase along with interest rates, since they will tend to drift away once they've reaped the temporary benefits of higher rates, that method alone isn't enough. To continue to secure highly sticky deposits, we need to strengthen ties to our customers. I think one of the Shizuoka Financial Groups strengths is the range of services it offers to regional businesses; it doesn't simply provide financial instruments. What's important is connecting this strength to results.• Also, across the entire industry, including the megabanks, I think branches are key to securing individual deposits. That's why the transformation strategy in the upcoming revisions to the Medium-term Business Plan will be especially important, given that it determines the quality of this approach. I think reconsidering the sales approach at branches from the perspective of securing deposits will prove to be an important topic. <p>(Director Fujisawa)</p> <ul style="list-style-type: none">• There remain many things that a bank can do to meet its customers' needs. While it can't neglect efforts to secure highly sticky deposits, it needs to consider new approaches above and beyond existing frameworks. All companies that have direct contact with customers are connected through funds settlement. Today, such firms can also offer financial services. For this reason, potential approaches include providing BaaS services to business customers and providing services in partnership with startups.• One underlying reason identified by the Financial Service Agency for its ambitions to grow the asset management business further is to promote startups and regional vitalization around Japan via circulating funds. We should take an active approach to proposing related schemes and rules. I see the current times as highly exciting, filled with opportunities for a regional bank capable of moving quickly.

(Held on June 5, 2025)

Key questions and answers from IR small meetings



Q9	As you strive to achieve an ROE of 10%, it seems like efforts to accelerate profit growth by providing added value to customers will be essential. To what degree do you believe the concept of improving earnings by providing added value has permeated among officers and employees?
A9	<p>(Director Tsubouchi)</p> <ul style="list-style-type: none">• We share videos on positive case studies of meeting customer needs through joint efforts among Group companies within the organization. I think the view that the ideal is to earn returns by combining the various functions of Group companies to offer optimal services to customers is gaining traction.• I was a little concerned that discussions involving considering new businesses might focus solely on social contributions to the community while ignoring profitability. It turns out our discussions are based on the clear understanding that a business that isn't profitable is unsustainable. In this way, these discussions are on a sound footing. <p>(Director Fujisawa)</p> <ul style="list-style-type: none">• While I can't say the Company is completely free of any focus on numerical results, the awareness of the need to provide effective solutions and new value to customers has gained a lot of ground among officers and employees, thanks to past awareness-promoting activities. We as outside directors also check on profitability from a rigorous perspective. I think the communication and checking functions within the organization are working well in this aspect.• Still, I'm sure some officers and employees have a strong sense that they need to improve numerical results. As such, we need to continue reforming the corporate culture and building related systems. I'm grateful to have been asked to consider questions like those from the analysts here today. We plan to communicate the gist of these questions to officers and employees for use in internal discussions. <p>(Director Inano)</p> <ul style="list-style-type: none">• Obviously, the goals of the branches and individual employees will be based on profit targets, as long as we have profit targets. While this constrains thoughts and behavior, it's important to build a framework based on another axis of value creation. During discussions in a recent meeting with candidates for future core positions, I was impressed when several people spoke about meeting both financial and social targets. Today, a wide range of initiatives is on the rise. Leaving aside whether specific actions will lead to results, it seems to me that management's approaches are being communicated steadily and understood clearly in the minds of the future generation.