

The New Year's Seminar with Top Management of Regional Banks
organized by SBI Securities (January 16, 2026)

(Speaker: Hisashi Shibata, CEO)



Q1	With a PBR of more than one, your stock price carries a premium. What's the basis of this premium?
A1	<ul style="list-style-type: none">We believe the stock price reflects, to an extent, the expectations that we will increase ROE further. While the ROE target of the current First Medium-term Business Plan is 8.5%, we don't see this as the ultimate target. We think that such premium originates from the expectation in the market regarding our future growth, and we believe the market will rate us positively if we aim at the inorganic growth needed to achieve an ROE of more than 10% by not just relying on steady growth in group-wide core business earnings.

Q2	Have your perspectives as a CEO changed as your market capitalization went past 1 trillion yen?
A2	<ul style="list-style-type: none">When the market capitalization was less than 1 trillion yen, investors said they didn't include us as an investment target due to the liquidity issue, but since our market capitalization rose above 1 trillion yen, we have more opportunities for dialogue with even more investors. The landscape seems to have changed dramatically. At the same time, I feel an even stronger responsibility to achieve our commitments such as announced profit targets. Currently our market capitalization has risen to about 1.5 trillion yen. Driven by strong expectations from multiple directions, I earnestly recognize my responsibility to achieve our commitments.

Q3	Has the competitive environment for deposits and loans changed since the BoJ raised policy interest rates?
A3	<ul style="list-style-type: none">We haven't seen any major changes in the competitive environment, but it appears that the incremental increases in policy interest rates have started to highlight differences among financial institutions in the corresponding individual financial results through their loan deposit ratios.While a financial institution with high loan deposit ratios, like us, can make up for an increase in deposit interest rates with a subsequent increase in loan interest rates, at a financial institution with low loan deposit ratios it is difficult to make up for an increase in deposit interest rates by increasing loan interest rates. For this reason, there's a possibility that financial institutions whose earnings have worsened could modify their approaches to customer lending in the future. The situation for them is similar in competition to secure deposits. Since they will have difficulty in maintaining their cost advantages, we believe we could have advantages in bidding for businesses such as public deposits.

Q4	Do you receive deposits from other financial institutions in Shizuoka Prefecture, like credit unions and credit cooperatives?
A4	<ul style="list-style-type: none"> We see deposit transactions with other financial institutions to involve comparison of yields, for example with the Shinkin Central Bank and other central financial institutions in the case of a credit union. Regarding transactions with other financial institutions, we'd like to enhance financial corporate business functions to provide financial instruments such as investment trusts jointly developed by Shizugin TM Securities with asset management companies. We've instructed Shizugin TM Securities to focus on management of assets funded by deposits retained in financial institutions other than Shizuoka Bank, and also revised our sales evaluations in accordance with this policy. Our share of deposits in our region is just under 40%, and if we're able to handle customer assets funded by other financial institutions' deposits, then we would be able to secure earnings while maintaining Shizuoka Bank's deposit balances. We believe offering a broad range of investment instruments to customers in this way would have a positive impact on Shizuoka Prefecture's economy as well.

Q5	Has the interest rate composition of your lending portfolio changed since entering a world of positive interest rates?
A5	<ul style="list-style-type: none"> In past periods of rising interest rates, customer interest rate preferences tended to shift from variable to fixed interest rates. But we haven't observed any change from prior to the recent rate hikes, among either corporate or retail customers. We haven't seen any major change in the interest rate composition of our lending portfolio for the time being. Of course, we do see a need to revise the yen bonds portfolio. Managing duration becomes more important in a time of rising interest rates. We need to apply flexible investment policies with an eye on the entire balance sheet, while comparing loan interest rates with bond yields, and we'd like to restructure the portfolio with an emphasis on profitability metrics such as ROA and RORA more than before.

Q6	How do you plan to reduce your strategic shareholdings in light of recent increases in stock prices? And what is your policy on holding shares of Monex Group stock?
A6	<ul style="list-style-type: none"> We recognize the need for steady efforts to reduce strategic shareholdings in an era of rising stock prices, given that we must control equity capital, which tends to increase with rising stock prices, to appropriate levels. We're trying to reduce shareholdings as a percentage of net assets to less than 20% by the end of March 2031. We plan to proceed based on increases and decreases on a current value basis, not acquisition costs. We hold Monex Group stock as shares in affiliates, which is a different position than that of strategic investment. We've been working with the Monex Group on various projects. For example, it introduced us to MynaWallet, in which it's a partial investor, as a partner for joint research on Web 3.0 businesses. That's allowed us to secure knowledge and networks that we couldn't have on our own. We plan to continue to examine the significance of holding shares of its stock by considering various aspects, like the results of the partnership.

Q7	Have the recent increases in inflation and interest rates affected credit costs?
A7	<ul style="list-style-type: none"> • There's been an upward trend in corporate bankruptcies among small businesses, but this isn't necessarily due to inflation or rising interest rates. The impact has been limited because many of these companies had relatively small credit amounts, or their loans were covered by collateral, guarantees, or reserves. We don't see a need to revise annual forecasts of credit costs. <p>Our stress tests show that a 0.25% increase in the JPY interest rate would have an impact of up to roughly 1.2 billion yen on credit costs. Even this is within the range that could be absorbed by the difference between last year's credit costs of 4.4 billion yen and the FY2025 forecast of 6.0 billion yen.</p> <p>But the situation could change if domestic interest rates continue to rise. We've instructed the risk assessment sections to begin examining the inflection points at which credit costs would increase sharply, although this scenario may not become a reality soon.</p>

Q8	What metrics are you monitoring from the preventative perspective for matters like projected credit costs and customer bankruptcies?
A8	<ul style="list-style-type: none"> • We're ascertaining information on customer bankruptcies based on data like numbers of bankruptcies, reasons for failure, loan start dates, and transaction details in monthly reports circulated in house. We also monitor the impact on credit costs while comparing them to the same period last year and the previous month. <p>We also use materials like the bankruptcy information published by research firms to compare the numbers of bankruptcies in Shizuoka Prefecture against national averages. This is to check for any signs or trends in the region's leading industries such as manufacturing. We don't see any cause for concern at this time.</p>

Q9	What macroeconomic risks and risks specific to Shizuoka Financial Group do you see?
A9	<ul style="list-style-type: none"> • Shrinking regional populations are the greatest risk in the macroeconomic environment. Shizuoka Prefecture loses around 2,000 people each month. We're paying close attention to how the population dynamics of our business area will change in the future. The same is true with changes in deposit volumes associated with these population trends. As we expect it to become increasingly difficult to secure deposits in the future, and we consider daily what kinds of strategies are needed for the future. • In overseas markets, where various unexpected developments occur, we're also monitoring constantly the business impacts. But we don't see any developments right now that we expect to have direct impacts. • Risks specific to Shizuoka Financial Group include issues related to human capital—for example, whether our strategies and HR development are in sync. We see the risk of not being able to keep up with the changing times as the greatest risk. For example, while we were formulating the current Medium-term Business Plan, generative AI wasn't where it is now. When we consider the next Medium-term Business Plan, which is being formulated now, we're addressing generative AI as an indispensable element. We recognize that the inability to adapt to such environmental changes and make the necessary changes could significantly impact our businesses.

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Q10	Can you tell us about the medium- to long-term potential of SFG Real Estate Investment Advisors? Are you considering expanding this business into other regions through alliance strategies or in other ways?
A10	<ul style="list-style-type: none"> • SFG Real Estate Investment Advisors is one of the Group companies we're most excited about. The next Medium-term Business Plan will identify community development as a priority theme in the community co-creation field. By establishing this company, we've attracted numerous inquiries about redevelopment projects and putting real estate to effective use from governments and regional firms. It's also attracting attention from other regional banks. Community development based on public-private partnerships, as called for by the Japanese financial authority in the Regional Financial Power Enhancement Plan, is precisely an area we're focusing on. Going forward, we expect room for business development by placing various companies under SFG Real Estate Investment Advisors or collaborating with other Group companies such as Shizugin Lease and Shizugin Management Consulting to expand earnings. • Regarding the possibility of expansion to other regions, we're prioritizing projects within Shizuoka Prefecture, but we've already looked at a number of projects in other regions. There's sufficient potential for business expansion through collaboration with partners such as other financial institutions.

Q11	Your Group includes two credit card companies, Shizugin Card and Shizugin Saison Card. What are your thoughts on the future outlook for the corporate credit card business, including capturing demand for corporate settlements?
A11	<ul style="list-style-type: none"> • We want to pursue various initiatives in this field, but the current structure would make it difficult to adopt a flexible strategy, given our relationship with our partner Mitsubishi UFJ NICOS. But the system integration that had been a bottleneck with the company has been resolved to a certain extent, and based on such, we hope they'll become more receptive to our ideas going forward. • Shizugin Saison Card became a wholly owned subsidiary in July 2025, which made faster decision-making possible. We aim to consider the positioning of our credit card strategy in the next Medium-term Business Plan, and we plan to explore possibilities such as a digital bank project, for securing deposits bundled with settlements for both corporate and retail customers.

Q12	What barriers does Shizuoka Financial Group see between the ROE levels of 9% and 10%?
A12	<ul style="list-style-type: none"> • We can achieve an ROE of 9% through organic growth centered on deposits and loans, even with no increase in interest rates. To rapidly reach an ROE of 10%, we would need to incorporate inorganic growth, including M&As. The next Medium-term Business Plan will consider broadening business domains as needed to achieve growth for both the Group and the region from various perspectives, both financial and nonfinancial.

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Q13	Have you identified any KPIs for inorganic investment? What areas are you focusing on?
A13	<ul style="list-style-type: none"> We decide whether to make investments based chiefly on whether they would contribute to achieving target ROE. On this point, we will include even investments that might not contribute directly at the time of acquisition if they could lead to future growth with the injection of our business expertise or management resources. In addition to contributions to higher ROE, it's important to secure human capital who are highly familiar with the business fields we've identified as priorities. In addition to new business domains like Web 3.0, we're focusing on opportunities that could enhance existing Group functions, like leasing, consulting, the asset management business, and buyout funds.

Q14	What's your PMI structure for inorganic investments?
A14	<ul style="list-style-type: none"> We see the PMI structure to be a very important topic. With regard to migrating to the holding company structure, we established the Business Development Dept. as a dedicated section, which studies matters like new businesses and M&As, and we think it will need further staffing in the future. We plan to address matters that can't be handled using our own management resources alone by deploying outside consultants and other resources. Another important factor is what human resources to assign as managers following an acquisition.

Q15	In light of the Regional Financial Power Enhancement Plan, what are your thoughts about merging with another regional financial institution or using its systems for future collaboration?
A15	<ul style="list-style-type: none"> Before the Regional Financial Power Enhancement Plan was announced, we participated in an exchange of opinions with the financial authority on various topics. The plan incorporates content that suggests some of the plan is based on Shizuoka Financial Group's initiatives. On the topic of mergers, while integration could be encouraged between banks or between credit unions on matters like system integration and sharing, we believe integration between different forms of financial institutions, like banks and credit unions, continues to face high hurdles regarding matters like legal systems and procedures. As for IT systems, since there are some areas in which we could pool cybersecurity and other costs, we'd like to proceed with forming IT system relationships in various fields under the next Medium-term Business Plan. Regarding cooperation among financial institutions, it is important that such projects have the support of all stakeholders, and we would not rule out any possibilities.

Q16	As PBR increases, will there be any change in your thinking on shareholder returns, including your policy on purchase of treasury shares and dividend allocations?
A16	<ul style="list-style-type: none"> When PBR was less than one, as long as there were no major investments, it was enough to implement continual purchase of treasury shares to increase short-term ROE while gradually increasing the dividend payout ratio. Now that PBR exceeds one, we have to be more conscious of investing in growth to help increase future ROE. Right now, we have no plans to change our policy, which is to gradually increase the dividend payout ratio to 50% or higher. But we don't expect to continue similar increases in the dividend payout ratio once it has reached the 50% level. With each fiscal year, we plan to take a flexible approach to considering how to allocate capital available for investment to areas like investment in growth and shareholder returns.

Q17	Are efforts like the changes made in your HR systems and compensation strengthening your capacity to hire human resources? Have there been any notable changes in employee engagement indicators, like separation rates?
A17	<ul style="list-style-type: none"> We believe our HR efforts to date in areas like revising the HR evaluation system, enhancing benefits programs, and introducing an RS trust for employees have steadily improved employee motivation and engagement. We've found that we can hire a reasonable number of graduates every year. Since our labor expense plans include base pay increases, we don't expect any major changes right now in matters like hiring or separation rates. In the FY2025 1H IR Presentation held in November 2025, we said we wanted to hire around 200 strategic human resources to realize our strategies specified in the current Medium-term Business Plan. We're also considering alternatives—for example, applying AI to head office work to free our human resources to engage in more productive tasks. We plan to formulate the future HR portfolio while incorporating these and other measures into the next Medium-term Business Plan.

Q18	Some companies have been able to significantly reduce their head office staffing requirements by upgrading IT systems and reassigning staff from the head office to the front office. What do you plan to accomplish in your future DX and AI initiatives?
A18	<ul style="list-style-type: none"> I can't comment on the efforts of other companies, but it looks like many financial institutions are currently moving ahead with DX and BPR in parallel. We tackled BPR in the early stages of promoting Group management. That made it possible to increase earnings and lending balances without increasing employee numbers. We've already completed our business flow improvements through BPR, so we're well prepared for moving ahead with business efficiency improvements using AI. We see this as an advantage. The absolute value of the impact in areas like staff reductions may be less than at other banks, but we are confident that we've generated sufficient efficiency improvements by applying AI.

Q19	The environment for financial institutions appears to be moving in a positive direction. Do you have any specific ideas or ambitions for the future as a CEO?
A19	<ul style="list-style-type: none">• There still are many areas where we'd like to broaden our businesses. For example, for some businesses, we believe we can grow using the Regional Financial Power Enhancement Plan. We'd like to consider how we could approach the real estate market, in which current regulations bar traditional banking businesses. We can't disclose certain aspects of our vision for the future right now, but I encourage you to look forward to future disclosures regarding initiatives and management directions.• With rising interest rates, the business environment for financial institutions is said to be moving in a positive direction. But new issues are emerging related to matters like the environment for securing deposits and the quality of securities management. We expect competition to intensify going forward, with each financial institution adopting its own strategies. My dream is to lead the way even in this changing business environment and to become the world's leading regional bank—which was the intention of my predecessor, Mr. Nakanishi.