(June 26, 2026)
Main Questions and Answers from Small Meeting with the CEO
(Speaker: Hisashi Shibata, CEO)

Q1	How do you think the Shizuoka Financial Group can use its balance sheet to increase corporate value and further regional economic development?
A1	・ We received many similar questions in the internal financial results briefing and townhall meeting held in Shizuoka Prefecture the other day for Group officers and employees. Based on the understanding of issues such as the importance of deposits, the need for selective lending, and the meaning of regional co-creation initiatives, I responded to questions emphasizing the importance of being thoroughly in touch with our customers in the community. Behind this is our way of thinking on credit creation in the banking business. ・ In one example, funds loaned to regional businesses recirculate as deposits that generate added value in various ways, including in the form of payments to suppliers and employee salaries. This contributes to regional economic development and helps stabilize our fundraising as a financial institution. ・ Given our somewhat elevated ratio of loans to deposits, we do need alternative ways to raise funds besides deposits—for example, issuing corporate bonds and securitizing loan claims. But we want first of all to pursue our top priority, which is securing highly sticky deposits, and thereby demonstrate credit-creation functions within the regional funds cycle. In this way, we plan to balance contributions to the regional economy with gains in our corporate value.

Q2	What are your thoughts on Shizuoka Financial Gorup's strategy in Aichi Prefecture following the business integration with the Bank of Nagoya?
A2	・ A key factor driving the decision to integrate with the Bank of Nagoya is the high market potential of Aichi Prefecture's roughly 90 trillion yen in deposits. The Bank of Nagoya currently holds about 10% of all deposits in Aichi Prefecture, and we expect an effective integration will result in the growth of this regional share. ・ We also expect to increase profitability by moving ahead with Groupwide ALM management and by investing deposits received in more profitable assets. Right now, of course, we're considering Aichi strategies for Shizuoka Bank itself, which operates three branches in Aichi Prefecture. Going forward, we recognize the need to devise an integrated Aichi strategy alongside the Bank of Nagoya in preparation for the 2028 business integration.

Q3	Will you be able to control JPY fundraising costs to the target of approximately 50% of the policy interest rate in the case of additional interest rate hikes?
A3	・ We expect a slight increase from the previous year in the pass-through rate of fixed deposits to policy interest rates. ・ As competition to attract deposits intensifies, those in the field have recently expressed the view that we need to offer additional interest rate premiums through promotional campaigns and in other ways. Based on the competitive environment after these rate hikes, we want to take a flexible approach in considering the fundraising costs needed to secure the required deposit volumes. ・ Other companies in the banking sector are considering issuing corporate bonds, as we've done. For this reason, it's possible fundraising costs for corporate bonds may end up somewhat higher than initially anticipated. We want to manage the balance sheet by maintaining JPY fundraising costs within 50% of the policy interest rate and by combining the best ways to raise funds at each point in time.

Q4	What synergies do you expect at this time from the business integration with the Bank of Nagoya?
A4	・ Right now, we're working out specific procedures via the integration preparation committee, specialized subcommittees, and other planning groups. We plan to present prospective quantitative results at the time of the final agreement in March of next year. ・ We haven't made any formal decisions at this time, but we see sufficient potential for achieving topline growth through means such as increasing participation loans through shared customer data and other information, which has been difficult under the alliance framework, and investing deposits secured in the Aichi Prefecture market under integrated ALM management. ・ We also see the potential for growth using Group companies. In areas like M&As and business succession, Group company Shizugin Management Consulting could handle transactions that the Bank of Nagoya has referred to external vendors. Likewise, we could use Shizugin Credit Guaranty in the loan-related guaranty business. In the fields of community development and real estate development, since SFG Real Estate Investment Advisors is building networks with regional businesses that offer extensive track records with real estate development in the Nagoya area, we see the potential for expanding business in both Aichi and Shizuoka Prefectures. ・ From a cost-cutting perspective we are proceeding with identification of operation areas that offer the potential for shared services and efficiency improvements. We regard the issue of future integration of systems as something to consider over the medium to long term.

Q5	What measures are you considering to address the flow of deposits from provincial areas to the Tokyo metropolitan area?
A5	・ We've recognized the flow of deposits to the Tokyo metropolitan area as an important issue for some time. When I was the officer responsible for the Tokyo metropolitan area, we opened a number of branches in Kanagawa Prefecture to accept inheritance-related deposits. ・ On a recent visit to North America, I saw with my own eyes how many of the online-only banks that once were so highly extolled are being acquired by banks with brick-and-mortar branches. This reminded me of the importance of fusing the digital and real worlds. Familiar brick-and-mortar branches remain a strong presence even today, even with all the advances in digital technologies. ・ That's why we've incorporated an approach to opening facilities as necessary in the Tokyo metropolitan area in addition to Shizuoka Prefecture into the Second Medium-term Business Plan.

Q6	Do you expect the business integration with the Bank of Nagoya to generate greater synergies than those seen in other integration projects among regional banks? Are you considering targeting the leading position in the regional banking sector with respect to ROE, market capitalization, or other parameters?
A6	・ If the Bank of Nagoya draws on our strengths in Group functions, we believe we should be able to increase consolidated earnings by strengthening deposits in the high-potential market of Aichi Prefecture and advancing Groupwide ALM management. This isn't the time to discuss specific targets, but we'd like the profits from the two companies post-integration to be multiplicative, not merely cumulative. ・ Regarding KPIs, we plan to continue to meet market expectations after the integration, but we aren't necessarily setting them with other companies in mind. We're confident we'll be able to increase corporate value, including profits and market capitalization. We'll determine specific targets once the integration ratio is determined. ROE is an important indicator, of course, but we'd like to focus on increasing EPS as we aim to continue increasing our share price.

Q7	What do you perceive as the causes of your relatively low NSFR within the organization?
A7	・ The major factor is the gap between the pace of growth in deposits and loans in Kanagawa Prefecture, a driver of our growth in loans for the past few years. In absolute terms, our ratio of loans to deposits is higher than that of other companies. There's a shared understanding within the organization that the low NSFR level is an issue that needs to be addressed. ・ FY2026 will feature a concentration of repayments of existing Bank of Japan loans. We plan to secure means of fundraising other than deposits including corporate bonds and loan securitization to supplement liquidity.

Q8	Given the state of the ratio of loans to deposits, it's possible the deposit costs for the industry as a whole won't rise excessively if megabanks do not engage in interest rate competition to secure deposits. What are your thoughts?
A8	・ With ratios of loans to deposits at roughly 50–60% the megabanks have more investment capacity than we do. But we believe there's a shared understanding in the banking sector of the importance of deposits. The megabanks are deploying the strategy of securing deposits from a customer contact approach, as seen in Olive and Emutt, not based on interest rates. For this reason, it's possible the pass-through rate of liquid deposits might not increase that much. However, we do see a need to continue to closely monitor interest rate trends for fixed deposits and public sector deposits. For public sector deposits in particular, interest rates are higher in Shizuoka Prefecture than in the metropolitan areas. Competition for deposits is more intense in provincial cities. For this reason, we will need to monitor trends, including trends in interest rates.

Q9	What directions are you considering within the organization to transform the earnings structure by combining AI with your data, knowhow, and other resources?
A9	・ This fiscal year, with a focus on business transformation to free time for sales and to reduce head-office workloads, we're proceeding with efforts to implement around 50 selected measures as AI use cases. ・ Given the gradual progress we've made on data organization as a preliminary phase in preparation for AI, we plan to advance to the phase of accelerating AI use by migrating to zero-trust security to connect AI to our various systems. ・ We expect further growth in our share of manufacturing-industry transactions following the business integration with the Bank of Nagoya. At some point, we may consider deploying physical AI and other solutions in the area of supporting customers.

Q10	Don't you think that the business integration with the Bank of Nagoya might delay IT systems development or investments in growth?
A10	・ We want to avoid any delays and to make steady progress toward the targets of the Second Medium-term Business Plan, including doubling the speed of IT systems development and AI deployment. I'm not in a position to comment on the Bank of Nagoya's planned investments in IT systems right now, but in general they have depended on shared systems. That's in contrast to our development of a proprietary backbone system. So we believe we have more human resources devoted to IT systems development than they do. We want to continue examining what form the IT systems should take after the integration.

(June 26, 2026)
Main Questions and Answers from Small Meeting with the CEO
(Speaker: Hisashi Shibata, CEO)

Q11	The Bank of Nagoya is also subject to the standards that apply to internationally active banks. Are there any plans to review the management policies for its Nantong Branch following the business integration?
A11	・ The Bank of Nagoya was the first Japanese regional bank to open a branch in Nantong, China, and we understand that it is one of the few regional banks able to offer RMB loans in that region. Although no specific decisions have yet been made concerning facility operation after the business integration, we will review policies with reference to matters such as this background and the importance of its status as a bank subject to the standards for internationally active banks.

Q12	The Shizuoka Financial Group doesn't appear to have been very aggressive in doing business in Aichi Prefecture, where interest rate competition is fierce. What was the reason for revising your Aichi strategy?
A12	・ We used to operate a few more branches in Aichi Prefecture, but we've gradually reduced the number to the current three. However, since 2022 when we established an alliance with the Bank of Nagoya, we have strengthened mutual understanding and trust through business matchmaking with customer firms, centered on manufacturing, business succession, and M&As. ・ We had multiple reasons for deciding on the business integration with the Bank of Nagoya. They include a sense of the potential for further growth in the fee-based businesses ongoing since the alliance and the capacity to access the Aichi Prefecture market, which offers high potential in the form of its approximately 90 trillion yen in savings and deposits, even as the population in our home market of Shizuoka Prefecture declines. Additionally, we plan to increase our presence in the Tokyo metropolitan area by focusing on lending to corporate borrowers while continuing to offer home loans and apartment loans. We will consider the zone from the Tokyo metropolitan area to the Chukyo region centered around Nagoya to be our business territory.

Q13	Government bonds, MMFs, and other instruments are growing more prominent. Depositors have increasingly diverse options for their investments. Do you see any risk that securing deposits through interest rate premiums will become more difficult?
A13	・ According to Bank of Japan funds flow statistics, the balance of individual financial assets in March 2026 was approximately 2,400 trillion yen, buoyed sharply by recent high stock prices. The Japanese government has set the target of increasing investment assets to 40% of household financial assets. We've also experienced the effects of the recent growth in government bond sales to consumers. In some ways, there's a sense of a clear shift from savings to investment. In response, it's important to enter markets with large savings volumes, and the business integration with the Bank of Nagoya is part of efforts to access such high potential markets. ・ Over the medium to long term, we want to broaden ways to secure deposits through a choice of channels, including ones we currently lack, like digital banks.

Q14	As labor shortages emerge, chiefly in provincial cities, driven by factors like Japan's shrinking population and the concentration of populations in the Tokyo metropolitan area, what are your thoughts on the appropriate workforce of the future, including replacement by AI?
A14	・ Under the Second Medium-term Business Plan, we plan to keep the number of employees as of the end of the plan period at around the same level as at the start of the period. We want to free up human resources by having AI take up various tasks, mainly in the middle- and back-office sections, and then reassigning the human resources to the three domains of co-creation, growth, and challenges. ・ But since the numbers of personnel needed will vary with progress with AI and changes in the structure of the Group following mergers or acquisitions and other actions, we will revise what we view as optimal through annual plans. ・ Right now, we don't expect the Group's total number of personnel to decline. But from a medium- to long-term perspective, we recognize the need to consider and discuss matters such as the ideal scope and scale of our branch network and what personnel structure this will require based on population trends in Shizuoka Prefecture. We will need to consider various topics, including the roles of branches and services they offer.

Q15	What factors do you think are contributing to the steady improvements in Group employee engagement?
A15	・ While engagement survey results do show some ups and downs, since the transition to a holding company structure—which expanded the range of the Group's businesses—and since the start of the period covered by the First Medium-term Business Plan, employee engagement has increased centered on the sections that secured opportunities for new activities. The trend has been somewhat flat since then, but with the recent start of the Second Medium-term Business Plan, it's picked up once again. We believe one reason is that the new Medium-term Business Plan clearly describes our goals, which has strengthened a sense of purpose among employees. ・ Additionally, we recently implemented a system that provides employees with share-based compensation through an RS trust. This also seems to have had a major impact. ・ We're also focusing on the career matching concept, an internal indicator of how well the skills, experiences, and aspirations of our human resources match their actual job assignments when they return to the Shizuoka Financial Group after being dispatched to external employers. We see this as a key factor in determining job satisfaction, which we intend to keep improving.

Q16	The Japanese government has announced the policy of investing 370 trillion yen in 17 strategic fields. Which of these fields does Shizuoka Financial Group view as promising?
A16	・ Of the 17 strategic fields identified by the government, four areas of particular focus in Shizuoka Prefecture are (1) optoelectronics; (2) pharmaceuticals, health, and medicine; (3) use of marine resources; and (4) content (anime, plastic models). ・ Shizuoka Prefecture has a policy of focusing on these areas in its regional future strategy, and plans to take the initiative in securing the budget and promoting industrial development in these fields. We want to work with the prefecture to nurture global enterprises.