Q1	Regarding the structure of the revisions of the performance forecasts, do you expect your approach—reflecting upswings in core business earnings in upward revisions to bottom-line earnings—to remain more or less the same?
A1	・ We expect any upswings in our base of core business earnings, including higher net interest income associated with policy interest rate hikes, to lead to upward revisions in final profit. For matters like temporary earnings and increases in valuation gains on stock as seen in this fiscal year, our outlook may vary with the circumstances, but we basically intend to reflect in our final profits any growth in earnings we recognize to be attributable to actual performance, as opposed to chance.

Q2	What topics do you see as especially important for future balance sheet controls?
A2	・ For future balance sheet management, operations to replace low-yield assets with higher-yield ones will be important. We also regard the stability of fundraising to support such operations to be of the utmost importance. ・ For the yen balance sheet, how we secure highly sticky deposits is especially important. In addition to short term sales efforts, we need to formulate strategies from new perspectives by refining our insights in areas like digital banking and stablecoin based on longer-term perspectives. We also plan to consider various options for raising funds other than BOJ loans. As part of these efforts, we plan to master the skills needed to enable asset replacement while making assets more fluid. ・ For the foreign currency balance sheet, while we have traditionally used yen to purchase some dollar assets, as both the yen and the dollar are expected to see steeper movements, we plan to implement asset-management policies more thoroughly based on fundraising—for example, through foreign currency investments premised on raising foreign currency in ways other than yen investments.

Q3	What upside factors are not included in the current estimate of 105.0 billion yen in consolidated net income for the final year of the Medium-term Business Plan?
A3	・ First, based on the yield improvement effects of reshuffling the yen bonds portfolio in the second half of FY2025, as described today, we expect an upside of a future increase of about 7.5–8.0 billion yen in net interest income. ・ We also expect Group company profits to grow beyond the Medium-term Business Plan's initial profit target. While our share of profit of entities accounted for using the equity method for the Monex Group has been down from last year due to recent investments in overseas firms, its strengths in its main businesses have led to steady results. We expect our share of the profit to increase going forward. ・ We've also been considering various strategic investments, like M&As. Once concluded, these could emerge as upside factors in their fields. We understand that some consider our business plans to be conservative. We believe we can expect additional possible improvement in each business field.

Q4	How will you control growth in capital and increase ROE as rising stock prices drive growth in unrealized gains on shareholdings?
A4	・ Recent high stock prices reflect the impact of certain stocks driven by trends related to semiconductors and other fields. We don't necessarily expect unrealized gains to remain in their current state. Still, we see the need to prioritize reducing shareholdings to restrain the impact on equity capital. ・ One option is to maintain measures like bond swapping when, as in this fiscal year, unrealized gains are higher than anticipated. But for now, we need to enhance returns to shareholders based on the idea of controlling capital to appropriate levels. We will continue considering various options this fiscal year while taking into consideration matters like projected levels of profits and capital.

Q5	What obstacles do you currently face in planning the securitization of claims on home loans? Roughly when do you plan to implement such measures?
A5	・ Home loans are critical transactions that help form our retail customer base. Due to their low yields amid severe competition for securing transactions, they are not typically considered valuable investment assets. For this reason, we're considering moving some off the balance sheet to build a highly profitable balance sheet. While there are no specific obstacles, we need to consider such measures carefully from various perspectives. We want to implement our plan within the coming year.

Q6	How do you position the Global South as referred to in the Challenge business domain of the Second Medium-term Business Plan?
A6	・ We have no plans to significantly increase our exposure to the Global South at this stage. ・ For our next growth stage, we're beginning to examine the Global South, including India, as it becomes an increasingly important presence. We see growth trends for startups from India and their related businesses. ・ The Second Medium-term Business Plan seeks to broaden the scope of our search for business opportunities. We consider the Global South part of this effort.

Q7	What is your current outlook on the capital policies in the Second Medium-term Business Plan?
A7	・ Capital policies in the Second Medium-term Business Plan remain under discussion. I can't describe them in detail at this stage, but we don't expect major changes in thinking from the current Medium-term Business Plan. We want to set the ROE target above the current 8.5% and consider in greater depth matters like the earnings environment and how to achieve milestones in our roadmap.

Q8	How will you make strategic use of increasing gains on sales of strategic shareholdings in the next fiscal year and beyond?
A8	・ While we're examining M&As as a part of our strategic investment considerations, we're unable to provide specific details at this time. Some priority fields in which we're very interested include leasing, settlement, and trusts, but we're also broadening the scope of consideration beyond these fields. ・ Aside from M&As, we sense a need to further promote investments in human capital and AI. With "AI-native" set as a keyword, we want to build a world where we implement and make full use of AI for business. We want to invest actively in fields that will serve as the foundations for these businesses.

Q9	What factors drove net interest income higher than initially expected despite the absence of any change in policy interest rates?
A9	・ One factor was that we secured lending balances and yields beyond initial forecasts, which were too conservative. We also recognize effects of various additional factors other than the initially expected asset allocation, like higher pass-through rates than in the past and the effects of actively shifting toward high-yield loan assets.

Q10	The change in administrations has led to further inflation and a lower yen. It's been suggested that the terminal rate could be higher than the initially anticipated level of 1.0–1.5%. Do you expect further rate hikes to have any negative effects on financial institutions?
A10	・ Regarding credit-related costs, we estimate the increase from a 0.25% hike in the yen interest rate will be more than 1.0 billion yen. Even if the policy rate were to rise to about 1.0%, we believe the impact would be limited given the scale of our term profit/loss. But I don't have an answer at this time regarding the potential impact if the policy rate were to rise above 1.5%. ・ As interest rates rise, we clearly recognize the need to be more aware of risk management sensitivity. We believe we will need to perform multifaceted simulations of matters like the impact on equity capital and bond and stock operations.

Q11	What are your thoughts on the future pass-through rate as the competitive environment for deposits changes? How will you add to your advantages in securing deposits through progress in areas like app development and digitalization?
A11	・ While the pass-through rate has recently held at around 40%, going forward, we will also consider securing deposits that pay more than the interest rate, including promotional time deposits, to supplement highly sticky deposits. We expect a certain increase in the cost of securing deposits as core business earnings increase. ・ We expect declining customer branch visits as financial services available on smartphones become more convenient. Enhancing our contact with customers will become even more important. We plan to release Wallet+, a new smartphone app. We'd also like to consider various digital deposit strategies while exploring digital banking and other possibilities.

Q12	What are your thoughts on the credit cycle's current state and future outlook?
A12	・ Our main base, Shizuoka Prefecture, has an industrial structure with a relatively large number of export industries, and the current yen weakening tends to have positive effects on business results in the prefecture. For this reason, we consider the economic environment to be comparatively calm. A negative impact is possible if the yen were to fall to an extremely low exchange rate of more than 165 yen to the dollar, for example, because industries like papermaking that cater to domestic demand might not be able to shift high prices of raw materials to selling prices. But no market downturn will occur in the region as a whole. We don't expect any major changes in demand for funds, although we do need to provide attentive support based on the state of individual industries.

Q13	As rising stock prices contribute to a higher CET1 ratio, can we assume that you have adopted a policy of dynamically timing treasury stock purchases rather than sticking to the current trend of purchasing treasury stock once every year or half-year?
A13	・ We don't time revisions to shareholder returns, including purchases of treasury stock, exclusively with semiannual settlement of accounts. We will appropriately revise business forecasts and returns to shareholders at the stage at which the future outlook becomes clear, while taking into consideration matters like progress with profit plans and capital conditions. Our policy will remain unchanged. ・ In this fiscal year, we recognize the need to consider matters like the scale of treasury stock purchases, given the share dilution effects accompanying the announced establishment of a foundation.

Q14	For future balance sheet control, to what degree will you tolerate an increase in the pass-through rate? Will you accumulate yen bonds as planned as the environment for securing deposits becomes more challenging?
A14	・ We expect the pass-through rate to rise slightly from the current level of around 40%. But rather than envisioning in our budget management a tolerable maximum rate to which it will be allowed to increase, we intend to employ additional management as part of the cost required to secure the deposits essential to our growth. ・ Regarding the balance of yen bonds held, rather than sticking to initial plans, we need to build on the balance while taking into consideration matters like the scale of deposits secured and the rate of growth in lending, in addition to interest rate trends. To some degree, we need to hold yen bonds from a liquidity perspective. We will control balances with a balanced consideration of overall deposits, loans, and bonds.

Q15	What overall scale of AI-related investments do you expect to make under the Second Medium-term Business Plan? How will you incorporate AI governance?
A15	・ We will need some time before disclosing the scale of AI-related investment because we want to do this along with announcement of strategies when we release the Second Medium-term Business Plan. On AI governance, we've established an AI policy to provide the guardrails needed for the proactive use of AI. We're developing approaches to related human-resource training and other matters, and we will announce our AI policy to the public by the end of December.

Q16	What explains the inclusion of markets like India and Africa in the Challenge business domain of the Second Medium-term Business Plan?
A16	・ Numerous companies from our region do business in India. In the VC business field, which is one of our focus areas, Indian startups are drawing attention. Another background factor is that SFG Marketing, a subsidiary, has long had various ties to India, whether by partnering with Indian firms in the foreign worker premium placement service business or attracting people from that nation to Shizuoka. ・ Africa is a region that companies that have entered the Indian market are considering as their next target market. We consider it to be a region where we need to gather insights for the future. We've also included Africa among our strategic keywords because it's a region where impact investment is a focus.

Q17	The loan deposit ratio and security deposit ratio are increasing. Have you set maximum limits on the total of the two?
A17	・ While keeping the loan deposit ratio to less than 100%—to about 90% to the extent possible—we're trying to maintain these ratios so that the total of the loan deposit ratio and the security deposit ratio will exceed 100%. This has made it possible to immediately return funds from sale to the market in dynamic trades of securities. We haven't set a maximum for the total of the loan deposit ratio and the security deposit ratio, but our policy is to control each to normal levels.

Q18	In a world of positive interest rates, wouldn't efforts to shift funds from deposits to other financial assets become more active? Does your structure make it possible to secure earnings by supplementing deposits with Group customer asset revenues?
A18	・ Shizuoka Bank and Shizugin TM Securities, a securities subsidiary, are working together on customer assets. Previously Shizugin TM Securities sold financial instruments using mainly deposits with Shizuoka Bank as sources for investment funding; more recently, we've tried to secure customer assets based on deposits with other banks to maximize the balance of customer assets held by the Group. ・ We're currently developing a system within the Group that the banking and securities sales staff can use as a tool for total assets sales to better grasp customer asset holdings, and we aim to expand our business opportunities while accurately assessing the status of customer assets.