Main Questions and Answers from Small Meeting
organized by Analyst Takamiya of Nomura Securities (December 4, 2025)
(Speaker: Hisashi Shibata, CEO)

SHIZUOKA FINANCIAL GROUP

Q1	What are your thoughts on the FY2030 ROE target of 10% at a time when megabanks and other companies are setting higher ROE targets? What strategies do you have in mind to boost ROE?
A1	・ First, in light of several factors, including the recent revisions of projected business results (5.0 billion yen better than previously forecast) and the growth in capital attributable to rising share prices, we indicated a profit target of 105.0 billion yen in consolidated net income for FY2027, the final year of the current Medium-term Business Plan, the level needed to achieve an ROE target of 8.5%. This excludes factors like the capital-boosting effects of the 7.5–8.0 billion yen increase in net interest income associated with the future replacement of yen bonds and growth at Group companies, so actual profit should be higher than even these projections. ・ We have set even higher targets for the second Medium-term Business Plan, and plan to present specific figures around April of next year. Assuming a policy interest rate of 0.75%, we expect to achieve an ROE around 9% on the current trajectory. Achieving growth beyond 10%—not just on a nonconsolidated basis at Shizuoka Bank, but including Group companies—will require steps beyond organic growth, including M&As. The second Medium-term Business Plan will include various new initiatives within the framework of challenging domains. We plan to tackle new growth fields to achieve an ROE of better than 10% over the medium to long term.

Q2	What kinds of internal discussions took place in formulating the policy on balance sheet controls?
A2	・ In general, formulating plans like business plans or medium-term plans involves discussions concerning the structure of the income statement. To prepare our income statement, we're constantly discussing trends emerging in the balance sheet results. In this process, we establish policies for securing earnings while estimating RORA and costs and weighing how to deploy our personnel and budget and other management resources, then we work out actual figures. Another distinguishing feature of Shizuoka Financial Group is regular discussions of risk among employees, including executives, at each front- and middle-office section. These are the foundations for a wide range of discussions on balance sheet controls and other matters.

Q3	Some suspicious cases have emerged in which a newly established foundation serves as a tool to implicitly control voting rights at general meetings of shareholders. How do you plan to handle voting rights? Also, depending on how the foundation fares, is it possible you will invest additional funding?
A3	・ The purpose of the foundation is to contribute to growing prefectural GDP and social population, leading to boost the corporate value of the Shizuoka Financial Group. We plan to accomplish this purpose by increasing dividends as our corporate value increases and co-creating value with our stakeholders, including customers, startups, local governments, and educational institutions. ・ Specifically, within about 30 years, we would like to add 7,000 people to the population of Shizuoka Prefecture and generate new business sales for regional companies of more than 1 trillion yen. Efforts to generate such social impact will result in increasing related lending, investment, and deposits, thereby advancing systemic growth both for the region and for the Group. We have absolutely no intention to affect the resolutions at the general meetings of shareholders by using the foundation as a tool for stable share ownership. The foundation itself will hold no voting rights. ・ Additionally, we understand that the number of treasury stock to be used—four million shares—is not at all negligible. We plan to develop business plans that assume no additional investments while setting specific internal KPIs.

Q4	It's been a few years since you began hiring high school graduates as part of your human capital management initiatives. Are you disclosing recent progress in these initiatives through brand strategy and other means? How would you assess the results of your midcareer hiring?
A4	・ We're continuing to hire high school graduates, some of whom have gone on to earn college degrees while continuing to work. This has contributed to the morale and motivation of the employees themselves and the sections they're assigned to, as well as to our brand image among those involved with the high schools. But we've said relatively little about these efforts externally because we feel discussions of matters like this are better kept within the company. We plan to continue searching for the best way to present this information. ・ The status of midcareer hires has evolved over time. Growing numbers of new hires appear to have joined us because they support and are in agreement with our efforts—not just young people, but those looking for second careers. One concern is an imbalance among the various sections. For example, we're continuing to face challenges in hiring skilled personnel in areas like cybersecurity and other advanced digital domains. Additionally, many prospective hires want to work in the greater Tokyo area, so we need to consider developing employment environments that will meet the needs of prospective hires. We plan to do this by expanding the Tokyo Office and introducing HR systems to support flexible work styles. ・ We're trying to build an optimal HR portfolio while continuing to focus on not just midcareer hiring but also internal HR development.

Q5	Your policy for securing deposits while incurring related costs has changed somewhat. How do you plan to secure retail deposits in the face of intensifying competition for deposits?
A5	・ Our strategy, which is to focus on securing highly sticky deposits, remains unchanged. For retail deposits, we plan to focus on securing accounts customers will use for everyday transactions over the long term. Related efforts include lowering the minimum age to age zero for ECO accounts, for which no passbooks are issued, in addition to promoting accounts opened for various life events—for example, when young people open accounts for salary payments or seniors open accounts for pension payments. Our corporate deposits have grown by about 25.0 billion yen as the result of deliberate efforts since December of last year to capture a share of deposits commensurate with our share of loans made. ・ Past experience with interest rate campaigns and other efforts shows that we can boost deposit balances by offering higher interest. But we consider securing deposits by incurring costs like this to be a supplemental way to raise funds, and we do not plan to make extensive use of this approach to securing deposits. Given the changing competitive environment, we may become more willing to accept and assume certain costs to secure deposits. But, if so, we think it important to keep the costs within appropriate bounds.

Q6	What fields do you plan to target in investing for inorganic growth?
A6	・ It's possible Group companies other than the Bank will grow their businesses via M&As by combining companies within their industry. We are also considering M&As to add functions to the Group such as settlement, investment trust, and debt collection, and are continuing to examine our options while narrowing a long list of potential investments. We're selecting investments based on their potential to contribute to the ROE targets of 8.5% and, thereafter, 10% or better.

Q7	How do you plan to promote the growth of Group companies without relying on Shizuoka Bank? Do you include such perspective in the criteria for evaluating Group company management?
A7	・ In migrating to the holding company structure, we positioned Group companies capable of securing external earnings to be equivalent in status to the Bank itself and Group companies that handle subordinate internal operations within the Bank as sub-subsidiaries. ・ Even now, if a sub-subsidiary were to seek to secure earnings from outside the Group, we would consider making it a subsidiary. For example, Shizugin IT Solution, which operates in the IT segment, could be made a subsidiary if it were to secure earnings through external sales of IT systems or digital transformation (DX) services within the region. In addition, when Shizugin TM Securities, which is already a subsidiary, sells financial instruments to its customers, we encourage it to make every effort to use funds from deposits with other financial institutions, not those from deposits with Shizuoka Bank. ・ In accordance with several keywords—autonomy and joint efforts, centripetal and centrifugal forces—the Shizuoka Financial Group management is seeking to guide each Group company to achieve its own autonomous (independent) growth, even as Group companies participate in joint efforts centered on the holding company. ・ For evaluation purposes, we have not set specific targets for actual earnings independent of the Bank. But in reviewing annual results for each company in light of its mission, we've taken the approach of duly accounting for matters like the content and quality of initiatives involving autonomy and joint efforts.

Q8	Have the efforts to select presidents for Group companies from the younger generation had a positive impact?
A8	・ Those chosen from branch managers to serve as presidents of Group companies have begun to return to Shizuoka Bank after their terms of office. We believe their exposure to corporate management perspectives has added to their abilities as high-performing managers. ・ Group company presidents must explain the status of management at their companies and business results at various events, such as Executive Committee and Board of Directors meetings attended by members including Outside Directors. We want to continue allocating young managers to Group company presidents as part of HR development because we believe doing so presents valuable opportunities to foster management awareness and a sense of responsibility.

Q9	Have any Group companies expressed grass-roots views on investment for inorganic growth?
A9	・ We're examining inorganic growth investments to be made by Group companies in two cases: investments proposed by the holding company, based on long lists we have prepared; and cases in which the investment ideas come from those working on the frontlines at Group companies. We are screening proposals from Group companies in the same way we do proposals from within the Bank. While none has yet to reach the stage of realization, we've recently begun discussing a proposal involving leasing that originated from those working on the front lines. ・ Most proposals for joint ventures or partnerships involving Group companies originate from those actually working on the front lines. We believe we're establishing foundations that will lead to autonomous growth for Group companies.

Q10	Can you maintain your customer contact points if you implement the securitization of claims on the home loans currently under consideration?
A10	・ The specifics remain under consideration. We recognize that home loans are critical for building the retail customer base. We're considering implementing securitization only if doing so won't affect our relationship with our customers.

Q11	What's your outlook on the policy on shareholder returns going forward, since rising share prices tend to generate the need for additional capital controls? Is it possible that you would increase the dividend payout ratio level to above 50%?
A11	・ We recognize the need to provide returns to shareholders at total payout ratios higher than before to control capital to the levels needed to meet our ROE target. We plan to boost dividends steadily to a dividend payout ratio of 50% or better by FY2027. We're in the middle of internal discussions on policies beyond FY2027 and we plan to say more about these plans when we present the second Medium-term Business Plan. ・ In a world in which PBRs exceed one, in addition to boosting shareholder returns, investing to achieve future growth will become increasingly important. For this reason, we need to explain in concrete terms how our investments will contribute to higher ROE. To maintain a virtuous cycle in which our initiatives, including investments, strengthen corporate value, we plan to begin by keeping equity capital at appropriate levels through dynamic acquisition of treasury stock to achieve the current ROE target.

Q12	What is the objective of securitizing claims on home loans? Do you plan to make changes in how you handle home loans?
A12	・ We launched an internal study on securitizing home loans about two years ago, with the goal of increasing ROA by replacing investment assets on the balance sheet with higher-yield assets. These discussions accelerated with the changing fundraising environment amid rising yen interest rates. We plan to pursue securitization as part of a strategy related to balance sheet control. It's possible we could employ other means if they would enable stable long-term fundraising. Securitizing home loans has the strategic distinction of contributing to both asset allocation and balance sheet control. ・ Home loans are critical transactions in part because they create points of contact with retail customers. For this reason, and since deposits are growing increasingly important, our aggressive pursuit of home loans will remain unchanged. Particularly in Kanagawa Prefecture, a driver of loan balance growth, home loans continue to increase steadily. We want to maintain an annual growth rate of around 10% while increasing staffing and other resources.

Q13	I would expect a changing approach to risk on the investment side as interest rates rise. Has your understanding of this issue changed within the Group?
A13	・ Our thinking on the balance sheet controls we presented here is linked with the next Medium-term Business Plan. We're formulating our plan while maintaining an awareness not just of investors, but the officers and employees who will implement the plan. For example, even as we continue to increase the balance of corporate, consumer, and other loans that serve as points of contact with our customers, we're making it clear that market credit investments will place a greater emphasis on profitability. ・ We believe we've been able to address this issue from a position of broad agreement, and there have been no specific objections in internal discussions to this point from the sales sections.