Main Questions and Answers from Small Meeting with the CEO (December 4, 2025)

(Speaker: Hisashi Shibata, CEO)

Q1	How would you assess the FY2030 ROE target of 10% given that megabanks and other regional banks are setting ROE targets in the 11–12% range?
A1	・ As banks increase their ROE targets, the markets are demanding the rapid achievement of double-digit ROE, and we sense the need for strategies that go beyond that, to the 11–12% level. Accordingly, we will need to achieve an ROE of 10% before FY2030. Assuming a policy interest rate of 0.75%, it should be possible to achieve an ROE level of 9% organically, but going beyond that from 9% to 10% is likely to be significantly more difficult. To reach an ROE of 10%, we would likely need inorganic growth through alternative measures, including strengthening joint efforts with alliance banks and expanding earnings in new business domains through M&As.

Q2	How do you assess growth in core business earnings and the current state of the organization to make it more likely you will reach the ROE target of 10%?
A2	・ As we seek to improve ROE, core business earnings, including those from deposits, loans, and securities investments, are steadily expanding. Combined with commissions revenues, our earning capacity is at least on a par with that of other banks. We also expect to record gains on sales of stock associated with reductions in strategic shareholdings. While these revenues persist, we need to sow seeds for future growth, whether through M&As or by strengthening our alliances. We also sense the need to map out a path in the next Medium-term Business Plan toward an ROE of 10% or higher. ・ By allocating in a sound and disciplined manner the investment capacity generated by top-line growth to growth investments, including investments in human capital, IT systems, and AI, we also want to strengthen employee motivation and reduce operational workloads. That will solidify the management foundations for reaching the target ROE.

Q3	Am I correct in thinking that you will maintain this fiscal year's target total payout ratio of more than 70%?
A3	・ To achieve the targets of 8.5% in ROE and a CET1 ratio of approximately 13% by the final fiscal year of the Medium-term Business Plan, we need to continue focusing on efforts to control levels of capital, which means we need to maintain levels close to the total payout ratio shown in these Interim Financial Results. We will focus on boosting profits and strengthening capital controls during the remaining period of the plan as we move toward the set targets.

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Q4	How do you plan to contribute to the community (Shizuoka Prefecture) as a regional financial institution while you aim for ROE of 10% and profits of 100.0 billion yen in consolidated net income?
A4	・ Based on the regional co-creation strategy, which is one of the basic strategies of the current Medium-term Business Plan, Shizuoka Bank branches are pursuing their own initiatives based on the needs of each district. These efforts include providing financial and economic education to customers, participating in community events, and presenting news related to these efforts through the Group's internal network. ・ Some officers and employees expressed doubts about key topics in the Medium-term Business Plan—namely, creating social value and increasing corporate value at the same time. But the concept of regional co-creation has gradually taken root in the field as we continue to pursue various initiatives. We've heard customers commenting on the changes in the Shizuoka Financial Group. As we enter the third year of the Medium-term Business Plan, the cumulative effect of these initiatives seems to have led to the current increase in corporate value. ・ We're deploying different strategies for the three markets of Shizuoka Prefecture, the greater Tokyo area, and the nation, and we plan to use earnings from the greater Tokyo area and nationwide markets to firmly protect our business foundations in Shizuoka.

Q5	Given the recent increases in stock prices, are you considering revising your targets for reducing strategic shareholdings and the criteria for transfer to shares held as pure investments?
A5	・ We're not considering revising the target for reducing strategic shareholdings right now. We plan to strategically apply the valuation gains resulting from higher stock prices to achieve future growth while continuing to target reducing the ratio of strategic shareholdings to consolidated net assets to less than 20% over the medium to long term. ・ Regarding transfers to pure investments, we're making our decisions on holding or selling using RAROC as a KPI. Since this moves with the ROE target to some extent, as we revise that target, we will raise RAROC accordingly.

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Q6	Your PBR recently climbed above one. Have there been any changes in your thinking on increasing corporate value?
A6	・ Using capital for returns to shareholders is an effective option when PBR is less than one. But in a world in which PBR exceeds one, we need to be even more aware of investing to achieve future growth and to consider striking the right balance with shareholder returns. We also see a need for a more fine-grained assessment of the objectives and effects of growth investments, including human capital and IT investments. ・ For now, from a capital control perspective, we need to maintain returns to rectify capital levels. But we also need to work out various measures for the future while we have some leeway in terms of profit and capital.

Q7	Shizuoka Financial Group originally had abundant capital. As you allocate management resources based on RORA, your surplus capital will increase further. Is there really any reason for a financial institution with abundant capital to seek to increase RORA?
A7	・ In RAF discussions when formulating Medium-term Business Plans, business plans, and other plans, we use RORA to determine the optimal allocation of management resources, considering profitability on a capital basis. We manage RORA mainly on the head-office side, and we don't apply RORA analysis for individual transactions in the sales field. ・ Viewed by asset, since we consider corporate loans, home loans, and apartment loans to be important points of contact with customers to help secure deposits, we plan to boost RORA while focusing on market share growth. In market credit investments, in working with our alliance banks, we plan to boost RORA with a greater focus on profitability—for example, by jointly organizing real estate nonrecourse loans while using distribution and other means to control balances.

Q8	Wouldn't the securitization of claims on home loans currently under consideration lead to a loss of points of contact with customers?
A8	・ We're considering securitizing claims on home loans through schemes that would maintain points of contact between customers and Shizuoka Bank and leave customer relationships unaffected. The details are still under consideration.

Q9	Does the Regional Financial Power Enhancement Plan include any details you expect to be beneficial?
A9	・ We're interested in the approach of incorporating other industries aside from banks. To date, industry reorganization has been centered on management integration among regional banks. This doesn't meant that we are considering specific initiatives, but since Shizuoka Prefecture is home to numerous strong credit unions, the plan could help strengthen future relationships, including joint efforts in certain business fields. We've also heard of plans to enhance subsidies related to IT systems. We expect these as well to have a positive impact on joint efforts with other companies.

Main Questions and Answers from Small Meeting with the CEO (December 4, 2025)

(Speaker: Hisashi Shibata, CEO)

Q10	Will you try to increase ROE while moving the balance of strategic shareholdings closer to zero? Or will you take the more challenging approach of increasing ROE while continuing to hold a degree of strategic shareholdings?
A10	・ We don't expect to reduce strategic shareholdings to zero, and there has been no change in our existing policy of aiming to reach the ROE target while continuing to hold strategic shareholdings to a certain degree. As a regional financial institution, we believe our mission is to protect the community in the event of any environmental changes or risk events. That's why we've committed to a CET1 ratio of approximately 13%, with additional buffer capital of 1.5–2 percentage points to the regulatory value of 10.5%. The component of valuation gains on securities, which corresponds to the buffer, currently exceeds the 3% level, and we know it's too large as such. We will carry out measures as needed to reach the ROE target.

Q11	If you find you need to be selective about lending due to increased difficulty in raising funds from deposits, would you expect the risk of increased credit costs larger than the positive impact of improved profitability and increased commissions revenues on earnings or vice versa?
A11	・ Our most pressing management issue is slowing growth in deposits. We've already entered the phase of selectivity regarding loans. For example, we're working to improve the profitability of low-yield loans in the greater Tokyo area while considering both our relationships with customers and specifics of lending terms upon maturity. We don't expect any impact on credit-related costs at this point. Thoroughly working out fundraising strategies in which deposits will not restrain growth is one of the themes for the next Medium-term Business Plan. We've already embarked on related efforts to the extent possible, and in the next Medium-term Business Plan we will implement medium- to long-term strategies using digital banking, BaaS, and other means.

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Q12	What are your thoughts on the feasibility of BoJ Climate Response Financing Operations and the securitization of claims on home loans as fundraising alternatives to BoJ loans?
A12	・ We expect BoJ Climate Response Financing Operations to be used mainly to obtain financing secured by green bonds. We see no particularly high hurdles to their implementation. Securitizing home loans isn't new. We began studying this two years ago, and have accelerated it recently alongside the growing importance of raising funds. While hurdles remain to implementing securitization schemes, including issues concerning buyers, we plan to consider securitization from a long-term perspective as one strategy of the next Medium-term Business Plan. If our initiative is successful, we can accumulate knowhow that other financial institutions can also use.

Q13	Will you be able to maintain high pass-through rates, as you did with the last interest rate hike, if the policy interest rate rises from 0.5% to 0.75%?
A13	・ A hike in the policy interest rate to 0.75% would represent a considerable increase from the times of zero interest rates, but it wouldn't be high compared to past interest rates in absolute terms. We expect a rate level of 0.75% to be one that customers can absorb based on their earning capacity. Additionally, customers are gradually becoming more understanding of interest rate increases. We've received written agreements from most customers on automatic rate revisions to appropriate levels in the event of interest rate fluctuations, so we aren't worried about a major decrease in the pass-through rate. We were confident we could provide solid support to customers in the community during COVID-19 as well, and our high share of the regional market is another reason we expect to be able to maintain high pass-through rates.

Q14	What's your assessment of progress toward the KPIs for investments in human capital and ROI?
A14	・ We recently announced new projections for gross operating profit/employee in the final year of the Medium-term Business Plan. We plan to announce progress periodically at appropriate times, for example in future announcements of financial results. ・ Our HR strategy calls for adding 205 employees in the runup to the final year of the Medium-term Business Plan. To do so, we will need to pay attention not just to hiring new employees, but to reducing the loss of employees. We're focusing on matching of allocated human resources and engagement survey results as KPIs for doing so. To be sure we assign the right human resources to the right posts, we're asking the HR section to pay close attention to whether human resources are utilizing their acquired skills in their duties based on human resource matching. The ideal would be matching levels as close as possible to 100%. We plan to use engagement survey results as criteria for evaluating sections and Group companies, and we will assign human resources appropriately while ascertaining employee motivation.

Main Questions and Answers from Small Meeting with the CEO (December 4, 2025)

(Speaker: Hisashi Shibata, CEO)

Q15	What are you trying to achieve through the aggressive IT investments of 50–60 billion yen during the period of the Medium-term Business Plan?
A15	・ We plan to make IT investments mainly to improve the customer experience and business processes. As an example related to customer experience, in addition to the current Shizugin App that focuses on banking functions, we're considering implementing the new Wallet+ app as a tool for communicating with local customers by adding coupons and other unique elements. ・ Regarding business process reforms, we're trying to make use of data in close partnership with Resona Holdings and BrainPad. While moving forward with data utilization would lead to a loss of compatibility when changing business operations, we have started with a focus on operational concentration and BPR, then entered the data utilization phase after improving business operations, which helps generate a good flow.

Q16	What is your thinking on policies for managing the foreign currency portfolio as the yen portfolio becomes more profitable amid rising yen interest rates?
A16	・ Profit margins so far have been higher on foreign currency investments than yen investments. For that reason we've raised funds in foreign currency from yen investments and invested them into foreign bonds and other investments. Should it become harder to secure yen deposits as yen interest rates rise, it would no longer be advantageous to invest in foreign currency bonds. For this reason, in the next Medium-term Business Plan, we plan to approach the management of our foreign currency portfolio by screening fundraising methods more rigorously than we have to date—for example, by assuming that funds for investing in foreign currency would be raised via a method other than yen investments.

Q17	Given the current room you have for investments, what is the likelihood of large-scale investments or M&As on the scale of tens to hundreds of billions of yen?
A17	・ While I am unable at this point to describe in detail matters such as the subject fields or scales of new investments and M&As, we would like to disclose such information in greater detail in the near future. ・ Under our CxO system in the next Medium-term Business Plan, we plan to have the CIO and CDXO act to develop new business reforms and new business ideas, unconstrained by existing initiatives. These efforts will add to the efforts undertaken by the CINO, who is responsible for M&As and other new business development. The CFO, CRO, and CIAO will support these efforts.

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Q18	The foundation you plan to establish will use as working capital 300–400 million yen in dividends per year from contributions of treasury stock. What will you be able to realize in return? Also, did this project result from an alliance with another company?
A18	・ The recently announced foundation establishment was not a result of the Mt. Fuji/Alps Alliance, but we recognize it as a field in which the alliance has made cooperation easier through activities such as holding events like TECH BEAT Shizuoka and tackling solutions to shared regional challenges. The foundation will aim to have a social impact with social population growth of 7,000 people in Shizuoka Prefecture and new business sales of more than 1 trillion yen for regional companies over medium to long term, by creating and supporting about 120 new businesses and regional solution projects per year. This will lead to a virtuous cycle in which regional stimulation increases our corporate value.

Q19	Are you considering making strategic investments in regional financial institutions in response to the expansion of funding programs under the Regional Financial Power Enhancement Plan?
A19	・ There's been no change in our position, which is not to rule out the possibility of strategic investments in regional financial institutions if the investments would have positive results for all stakeholders. This applies whether or not funding programs are available under the Regional Financial Power Enhancement Plan. We will take a positive approach toward adopting frameworks for inter-industry cooperation with credit unions and other partners and applying for subsidies for IT-related collaboration or other schemes that would be available under that plan.