



Shizuoka Financial Group

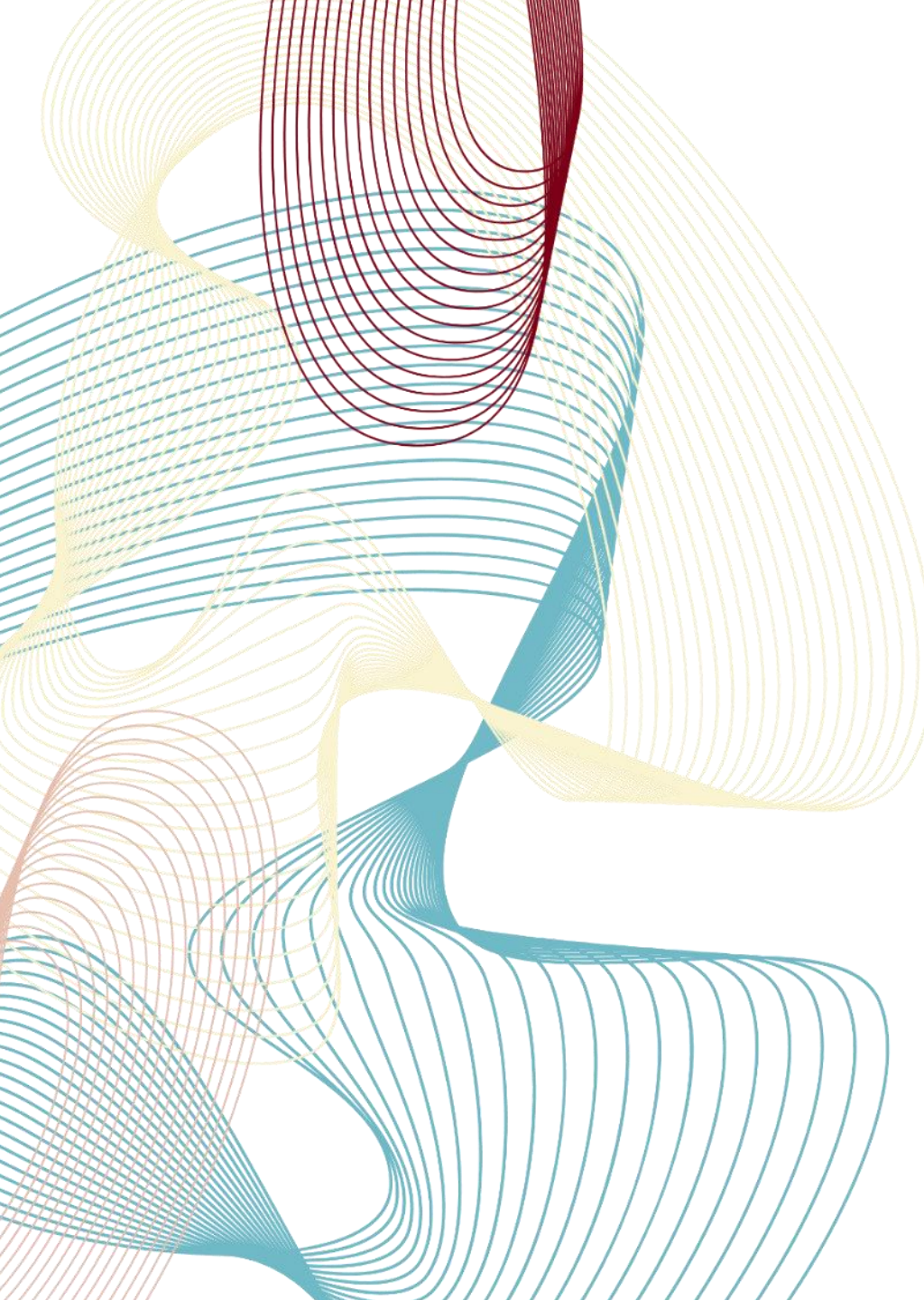
Results of FY2022

May 22nd, 2023

President & CEO Hisashi Shibata

Xover
— Clearing the way
to a new era

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Review of the 14th Medium-term Business Plan

Review of the 14th Medium-term Business Plan (1) – Positioning of the Plan

In the 14th Medium-term Business Plan, under the medium- to long-term vision, we have realized sophistication of the group management, while aggressively challenging to transform our business model for the future growth.

In the 1st Medium-term Business Plan, we keep the 10-year Vision and will create new values, while further developing the existing basis for growth.

Outline of 14th Medium-term Business Plan (FY2020–FY2022)

Outline of 1st Medium-term Business Plan FY2023–FY2027

The logo for COLORs features the word in a multi-colored, sans-serif font. The letters are: C (blue), O (orange), L (dark blue), O (red), R (green), and S (purple).The logo for Xover features the word in a black, serif font. To the right of the 'v' is a stylized 'X' made of four overlapping lines in red, yellow, green, and blue. Below the word is the tagline "Clearing the way to a new era" in a smaller, black, sans-serif font.

10-year Vision A corporate group committing itself to future of region and producing growth of region

➤ Vision

Change to a problem-solving corporate group assisting regional customers with hands-on support

➤ Three Basic Strategies

1. Group Sales Strategy – Find a way out from “banking centered”
2. Innovation Strategy – Pursue new profit opportunities
3. Business Portfolio Strategy – Optimize allocation of management resource

➤10-year Strategy

Region-producing Strategy

➤ Vision

A problem-solving corporate group creating new values leading to the future

➤Four Basic Strategies

1. Regional-Co-Creation Strategy
2. Group Business Strategy
3. Transformation Strategy
4. Group Governance Strategy

Review of the 14th Medium-term Business Plan (2) – Main measures

Based on three basic strategies and 10-year strategy, we steadily implemented measures in the plan, addressing to changes in business environment. We will utilize such achievements in the 1st Medium-term Business Plan.

Main Measures

Group Sales Strategy
- Find a way out from “banking centered”

Enhance solution programs
Strengthen the group comprehensive sales system

Innovation Strategy
- Pursue new profit opportunities

Start operating the next generation account system
Established Silicon Valley Rep. Office
Reorganize overseas bases

Business Portfolio Strategy
- Optimize allocation of management

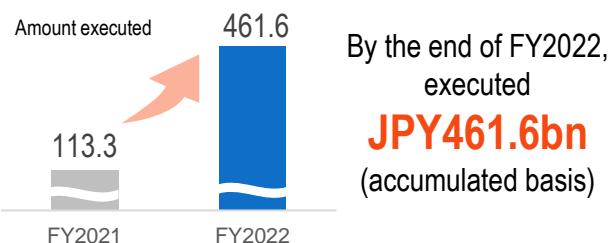
Increase market credit investment earnings
Fundamentally reform personnel system

Region-producing Strategy

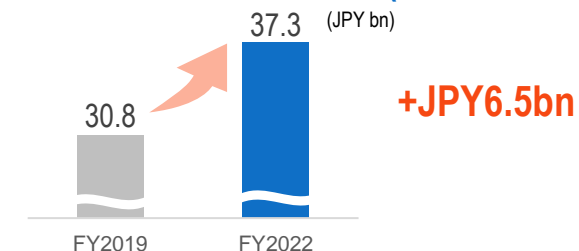
Make alliance with two regional banks (The Yamanashi Chuo Bank and the Bank of Nagoya)
Transition to holding company structure

Results of Related Items

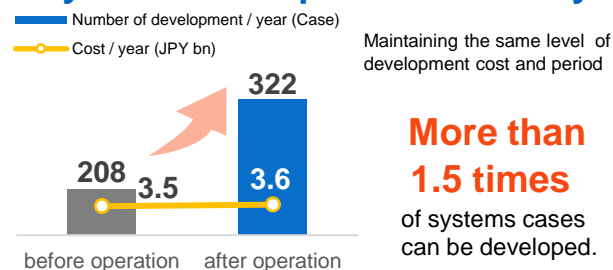
Sustainable Finance



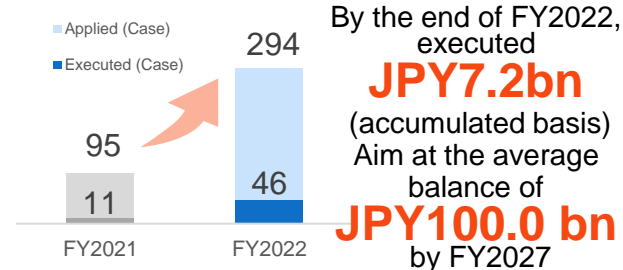
Fees and commissions (Consolidated)



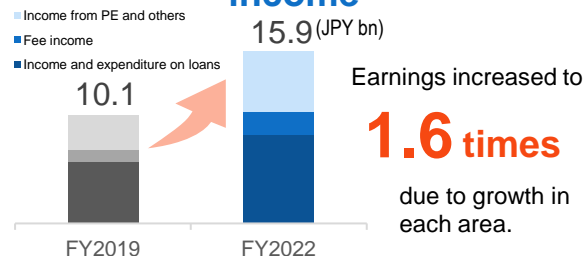
System development efficiency



Execution amount of venture debt



Market credit investment free income

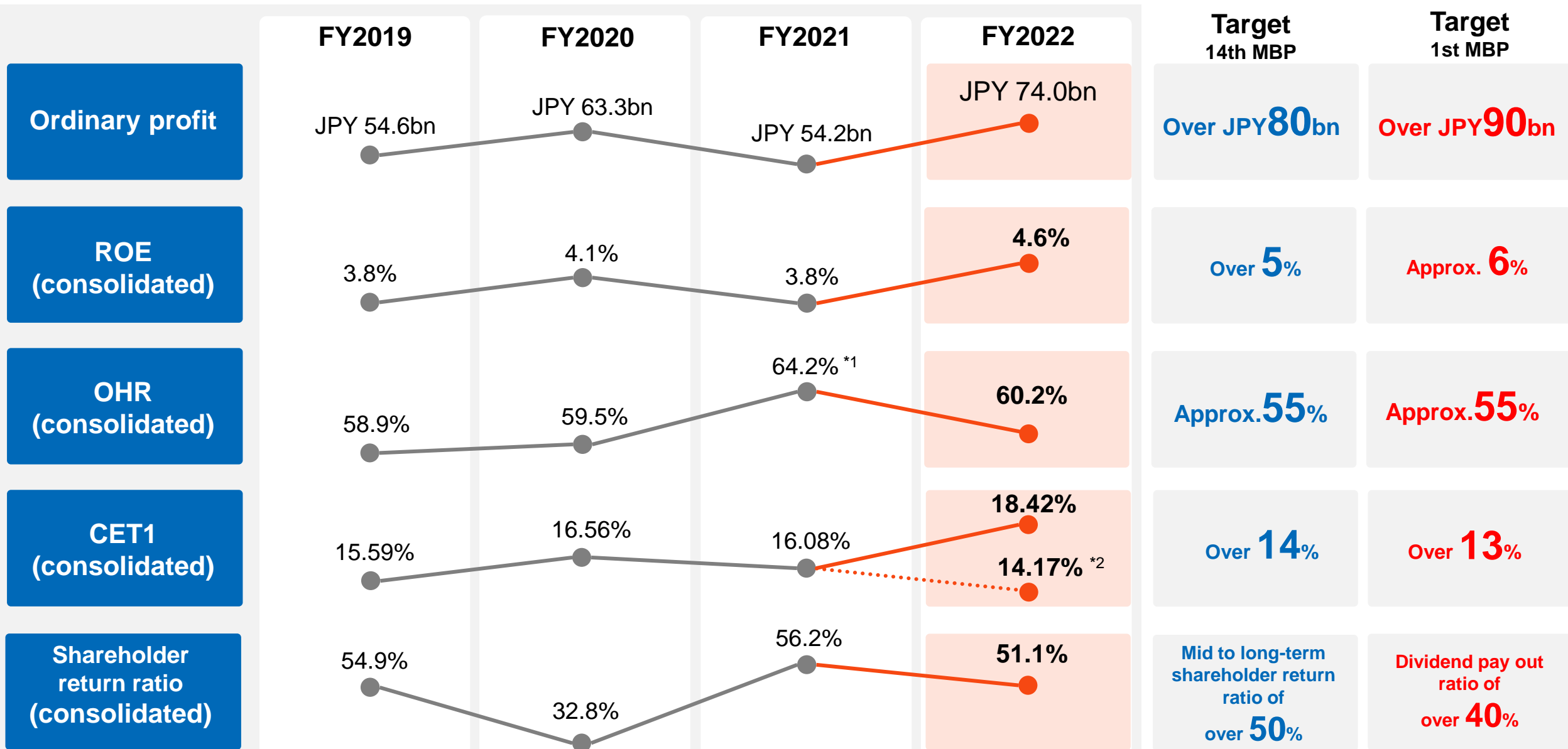


Alliance effect (The Yamanashi Chuo Bank and the Bank of Nagoya)

By the end of FY2022, approx. **JPY12.5bn** earnings effect (in 5-year basis)

Review of the 14th Medium-term Business Plan (3) – Target indexes

Amid rapid and drastic changes in business environment such as the COVID-19 pandemic, we achieved solid growth, steadily implementing business model transformation for future growth.

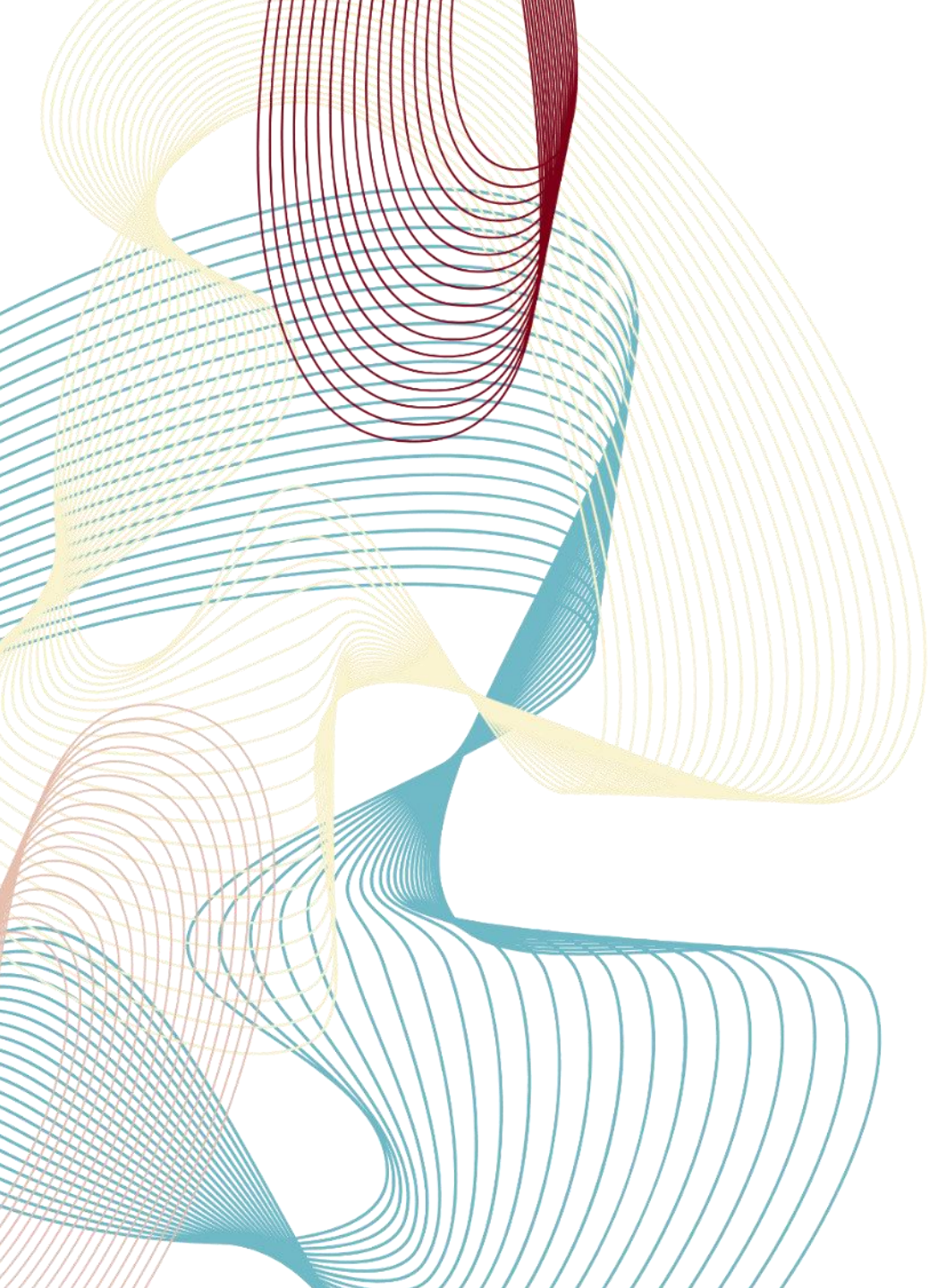


^{*1} Effect of depreciation of the first generation account system ^{*2} Preliminary estimate after the full application of the Basel III finalization

Major items in the 14th Medium-term Business Plan

Transformation into a problem-solving corporate group is steadily progressing under three basic strategies and a 10-year strategy

	FY2020	FY2021	FY2022	
Group Sales Strategy	Corporate <ul style="list-style-type: none"> • Support for cash management (COVID-19) • Entry into HR introduction business 	<ul style="list-style-type: none"> • Started business of IT support • Started to handle ESG leases • Started Positive Impact Financing for SMEs 	<ul style="list-style-type: none"> • Acquire 100% ownership of SCC • Acquire 100% ownership of TJS 	
	Life-planning <ul style="list-style-type: none"> • Started face-to-face wrap services (Shizugin Wrap) 	<ul style="list-style-type: none"> • Started testamentary trusts 	<ul style="list-style-type: none"> • Changed the role and name of the loan center in Shizuoka prefecture (changed to Life Design Station, and in the station, opened Hoken No Madoguchi or established an insurance counter) 	
Innovation Strategy	DX Strategy	<ul style="list-style-type: none"> • Launched Next Generation System • Reinforce non-face-to-face channel (Mobile apps, Contact Center, Portal website for corporate customers) 	<ul style="list-style-type: none"> • Launched New system to assist sales • Started operating platform to analyze and utilize data 	
	Business for venture firms Cross-industry collaboration	<ul style="list-style-type: none"> • au Jibun Bank (guaranty) • Tailor Works (community platform) 	<ul style="list-style-type: none"> • Started venture debt • iYell (housing loan platform) 	<ul style="list-style-type: none"> • Address (utilization of vacant houses) • asoview! (sightseeing)
	Global strategy		<ul style="list-style-type: none"> • Established Silicon Valley Rep. Office • Change Rep. Office Registered in Singapore to a branch 	
Business Portfolio Strategy	Human resource strategy <ul style="list-style-type: none"> • Human interaction Among Group Companies (228 employees to date) • Side-job and second business system started to recruit personnel for sports & art 	<ul style="list-style-type: none"> • New evaluation system (Value, OKR) • Introduction of full flextime system, etc. • High school graduate hiring resumes; para-athlete hiring begins. 	<ul style="list-style-type: none"> • First female executive officer (Shizuoka Bank) and Representative Director (Shizugin Heartful) 	
10-year Strategy	Alliance with regional banks <ul style="list-style-type: none"> • Shizuoka-Yamanashi Alliance 	<ul style="list-style-type: none"> • Established Shizugin TM Securities Yamanashi Head Office 	<ul style="list-style-type: none"> • Co-established business succession fund • Shizuoka-Nagoya Alliance 	
	Initiatives in response to changes in the environment		<ul style="list-style-type: none"> • Industrial Transformation Support PT • Transition to holding company structure 	



Results of FY2022

Results of FY2022 (Consolidated)

(JPY bn,%)	FY2022	YoY*1	
		Increase/Decrease	Rate of change
Gross operating profit	160.2	+8.7	+5.7
operating expenses (-)	95.9	-1.8	-1.8
Profit based on the equity-method investment balance	0.4	-1.5	-78.6
Net operating profit*2	65.5	+12.8	+24.2
Credit-related costs (-)	5.6	-1.2	-17.6
Gain (loss) on stocks	13.8	+10.2	+286.4
Ordinary profit	74.0	+19.7	+36.4
Extraordinary profit and loss	-0.6	-5.2	-114.0
Net income before taxes	73.3	+14.5	+24.6
Corporate taxes (-)	20.9	+3.8	+22.1
Net income*3	52.4	+10.8	+25.8
ROE	4.6	+0.8	—

Gross operating profit

JPY 160.2bn (first increase in 2 periods) *1

Increased by JPY 8.7bn, mainly due to increase in gross operating profit of Shizuoka Bank (JPY 9.7bn)

Net operating profit

JPY 65.5bn (first increase in 2 periods) *1

Increased by JPY 12.8bn, due to increase in gross operating profit, and decrease in provision for general allowance for loan and operating expenses, and other factors

Ordinary profit

JPY 74.0bn (first increase in 2 periods) *1

Increased by JPY 19.7bn, because gain (loss) on stocks increased while provision for specific allowance for loan losses increased

Net income

JPY 52.4bn (first increase in 2 periods) *1

Increased by JPY 10.8bn thanks to an increase in operating profit

*1 Consolidated results of Shizuoka Bank for fiscal years 2021 and before

*2 Net operating profit = Net operating profit of Shizuoka Bank nonconsolidated + Consolidated ordinary profit – Ordinary profit of Shizuoka Bank nonconsolidated

*3 Net income attributable to owners of the parent

Financial results of major group companies

Shizuoka Bank Nonconsolidated

Record high for both ordinary profit and net income

(JPY bn,%)	FY2022	YoY	
		Increase/ Decrease	Rate of change
Gross operating profit	144.3	+9.7	+7.1
(Core gross operating profit)	151.9	+7.6	+5.2
Net interest income	121.6	-2.8	-2.2
Fees and commissions	21.1	+6.3	+42.5
Trading income	1.4	+0.5	+57.3
Other operating profit	0.2	+5.7	+103.2
(Bond-related income such as JGBs)	(-7.5)	(+2.1)	+21.8
(Foreign exchange trading profit)	(7.1)	(+3.3)	+86.0
Expenses (-)	86.9	-1.3	-1.5
Actual net operating profit	57.4	+11.0	+23.6
Core net business profit excluding gains (losses) on bonds and cancellation of investment trusts	63.1	+9.8	+18.3
Provision for general allowance for loan losses (-)	-1.7	-4.4	-167.1
Net operating profit	59.2	+15.3	+35.0
Nonrecurring profit and loss	8.4	+7.0	+470.6
Bad debt written-off (-)	6.5	+3.6	+123.3
Gain (loss) on stocks	13.6	+10.2	+292.4
Ordinary profit	67.6	+22.3	+49.2
Extraordinary profit and loss	-3.2	-7.7	-169.9
Net income before taxes	64.4	+14.6	+29.3
Corporate taxes (-)	18.3	+4.6	+33.5
Net income	46.2	+10.0	+27.8
Credit-related costs (-)	4.8	-0.8	-13.5

Major Group Companies other than the Bank

(JPY bn)	Shizugin Management Consulting		Shizugin Lease	
	FY2022	YoY	FY2022	YoY
Gross operating profit	1.4	+0.2	3.4	+0.1
Expenses (-)	1.0	+0.3	1.8	+0.2
Ordinary profit	0.5	-0.1	1.6	-0.0
Net income	0.3	-0.1	1.1	-0.0
	Shizuoka Capital		Shizugin TM Securities	
	FY2022	YoY	FY2022	YoY
Gross operating profit	0.5	+0.1	6.7	-0.8
Expenses (-)	0.3	+0.0	4.9	-0.2
Ordinary profit	0.3	+0.0	1.8	-0.5
Net income	0.2	+0.0	1.2	-0.4

Actions by major group companies

Shizugin Management Consulting Co. Ltd.

Fee income increased by addressing to needs for M&As, etc. Expanded sales force to enhance consulting programs

Shizugin Lease Co. Ltd.

Maintained upward trend in lease receivables balance by steadily meeting customer needs through group alliance. Secured profits at the same level as the previous year

Shizuoka Capital Co. Ltd.

Managed existing funds and carried out exits. Established "Shizuoka-Yamanashi Mirai Growth Support Fund" with the alliance bank.

Shizugin TM Securities Co. Ltd.

Weak sales of investment trusts and bonds due to concerns over economic slowdown following rate hikes by central banks. Decrease in profit negatively affected by the review of market credit investment policy, though earnings from recurring fee revenues are steadily increasing by building up stocks of wrap accounts.

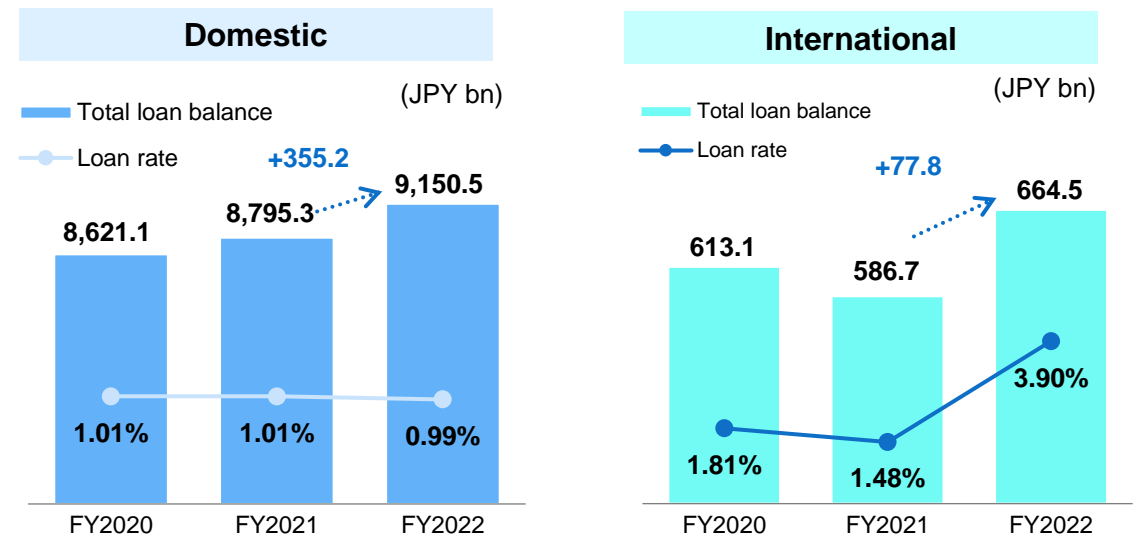
Net interest income - Shizuoka Bank nonconsolidated

Net interest income in domestic section steadily increased while total net interest income decreased mainly due to higher funding costs in international section

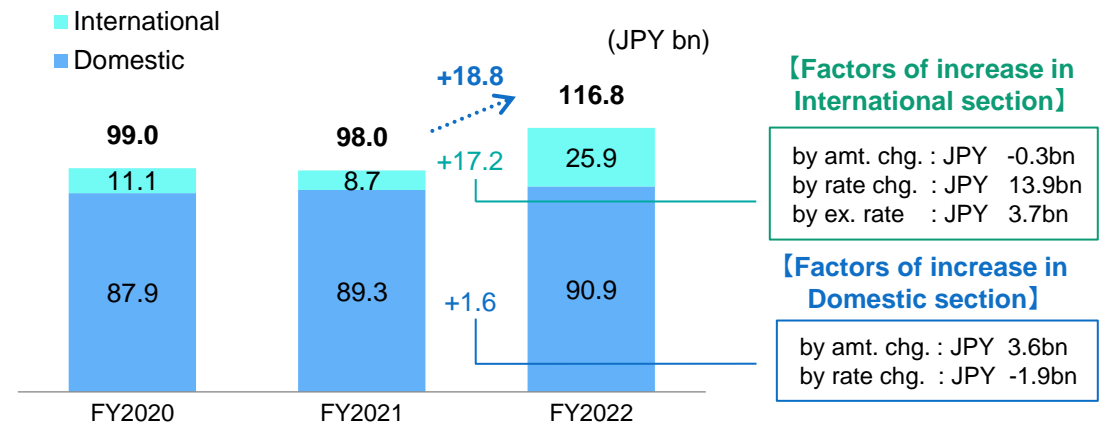
Breakdown of net interest income

(JPY bn)	FY2020	FY2021	FY2022	YoY
Net interest income	114.7	124.5	121.6	-2.8
Domestic section	103.4	110.0	110.7	+0.7
Interest on loans	87.9	89.3	90.9	+1.6
Interest and dividend on securities	15.6	19.0	18.5	-0.5
(Bond)	1.9	2.5	5.2	+2.7
(Gains on investment trust)	2.2	2.5	0.0	-2.5
Fund-raising expense (-)	1.2	1.0	0.8	-0.1
(Interest paid on deposits etc.) (-)	1.1	0.9	0.8	-0.2
Others	1.1	2.7	2.1	-0.6
International section	11.2	14.5	11.0	-3.5
Interest on loans	11.1	8.7	25.9	+17.2
Interest and dividend on securities	7.8	10.8	16.2	+5.4
(Bond)	6.1	4.8	11.8	+7.0
(Gains on investment trust)	0.9	2.6	1.9	-0.7
Fund-raising expense (-)	8.3	5.3	37.1	+31.8
(Interest paid on deposits etc.) (-)	2.4	1.3	17.4	+16.1
Others	0.6	0.3	6.0	+5.7

Loan balance (average balance) and loan rate



Interest on loans



Loans - Shizuoka Bank nonconsolidated

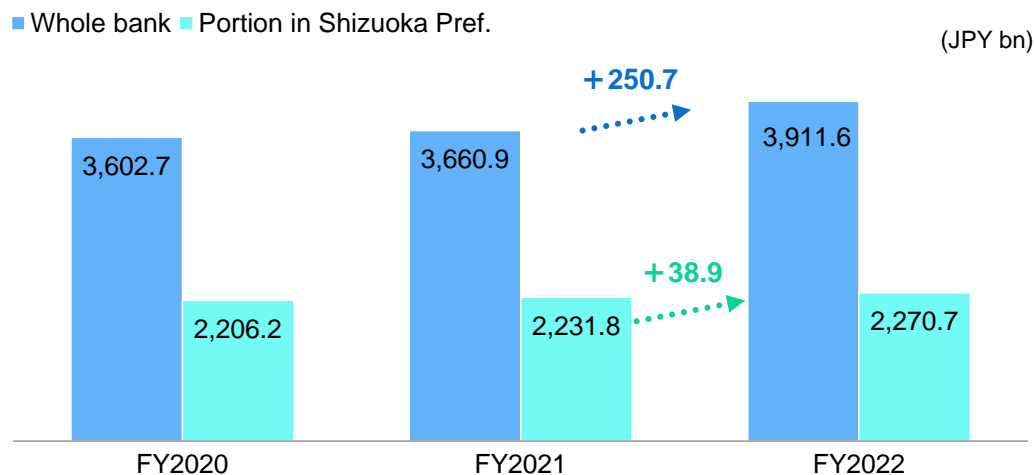
Loan balance (average balance) increased mainly due to an increase in loans for SMEs and Retails (+4.6% annual rate). Term-end balance exceeded JPY 10tn for the first time.

Loan balance (average balance)

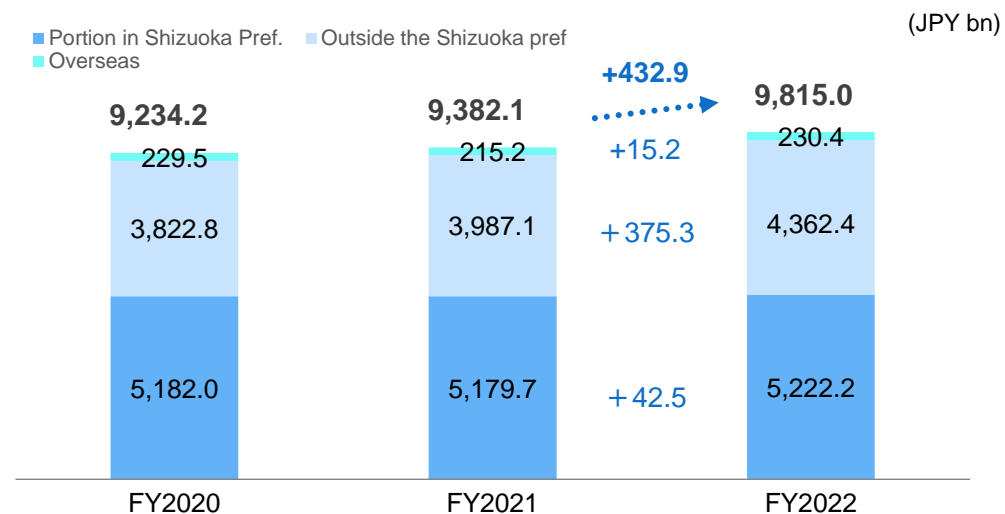
	FY2022	YoY	Annual growth rate
Total loan balance	JPY 9,815.0bn	JPY +432.9bn	+4.6%
Loan balance for SMEs	JPY 3,911.6bn	JPY +250.7bn	+6.8%
Loan balance for large and medium size Enterprises	JPY 1,867.1bn	JPY +38.1bn	+2.0%
Loan for Retails	JPY 3,681.5bn	JPY +138.9bn	+3.9%
Loan balance in foreign currency	JPY 626.4bn	JPY +80.4bn	+14.7%

by amt. chg. :JPY -8.2bn
by ex. rate :JPY +88.5bn

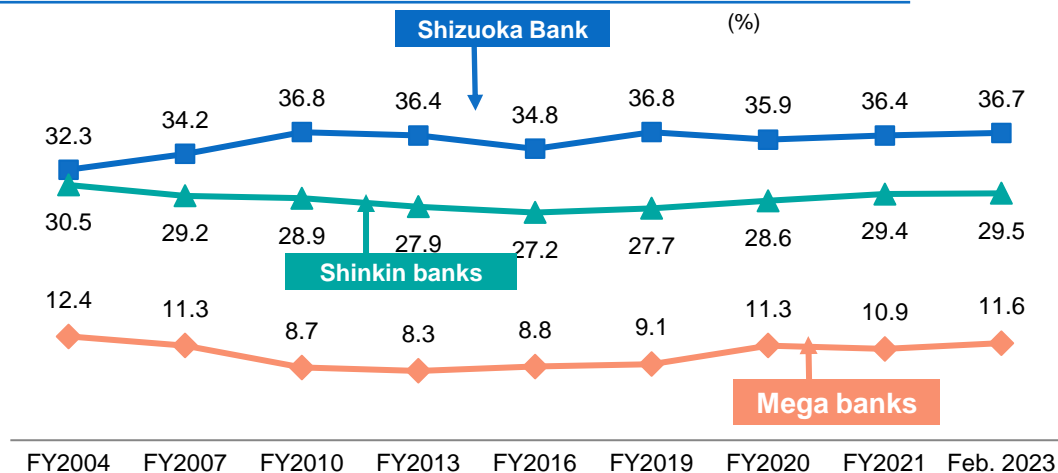
SMEs loan balance (average balance)



Loan balance (by region)



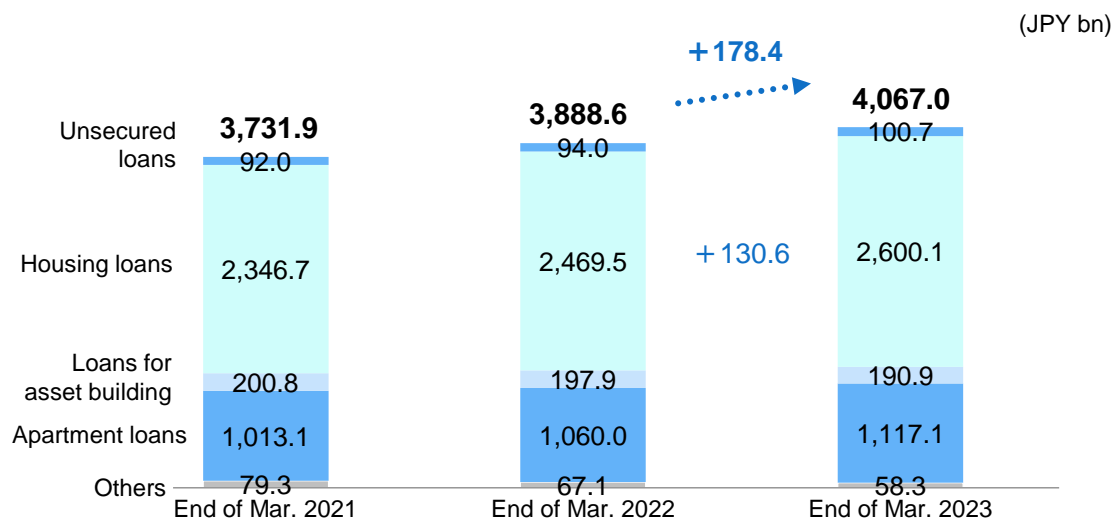
Share of loans in Shizuoka Prefecture



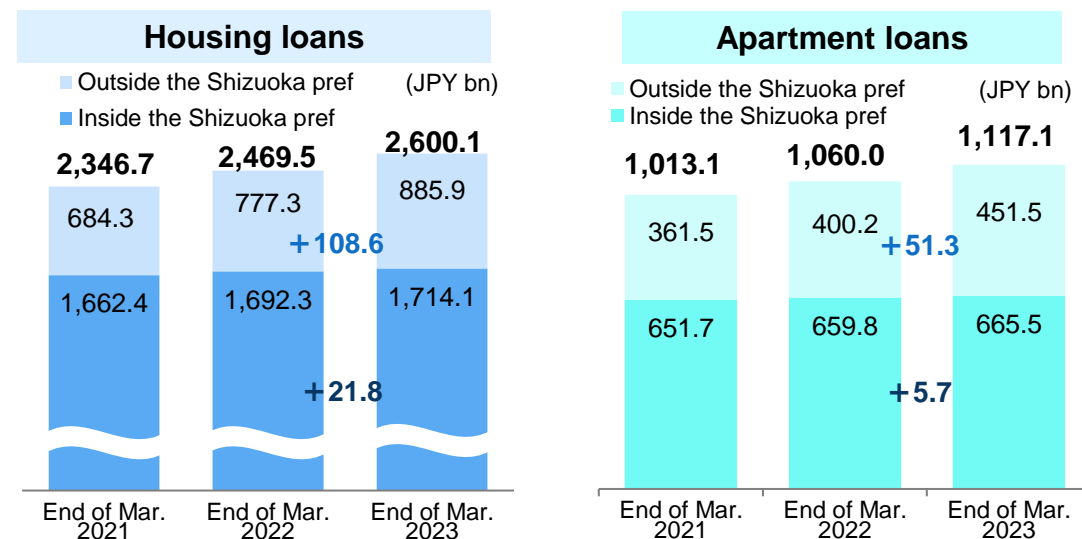
Housing Loan, apartment loan and other loans - Shizuoka Bank nonconsolidated

Balance of housing loan, apartment loan and other loans maintained an increasing trend

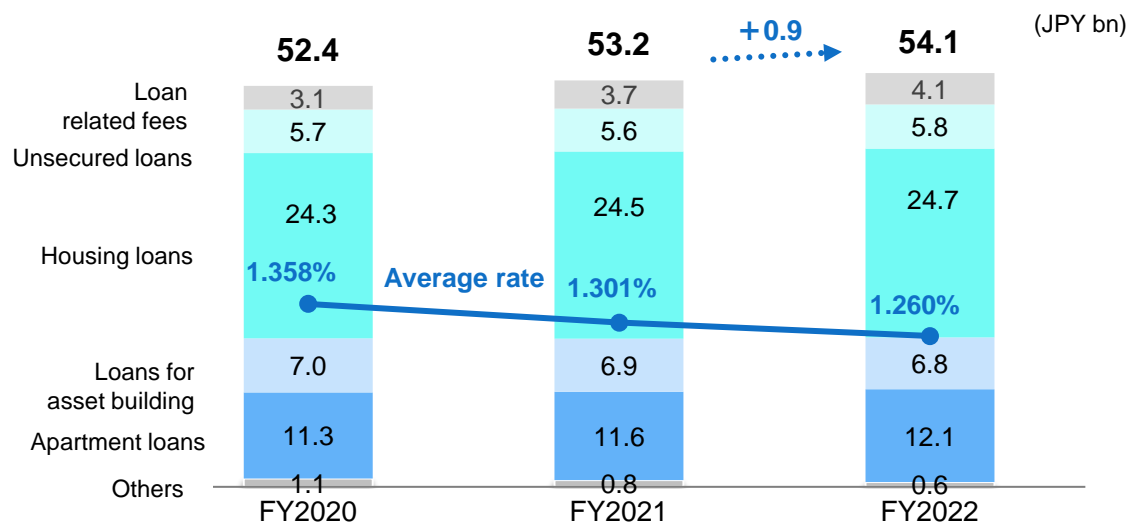
Term-end balance



Housing loan and apartment loan breakdown by region (term-end balance)



Interest amounts, fees and rates



Delinquency rate and occupancy rate

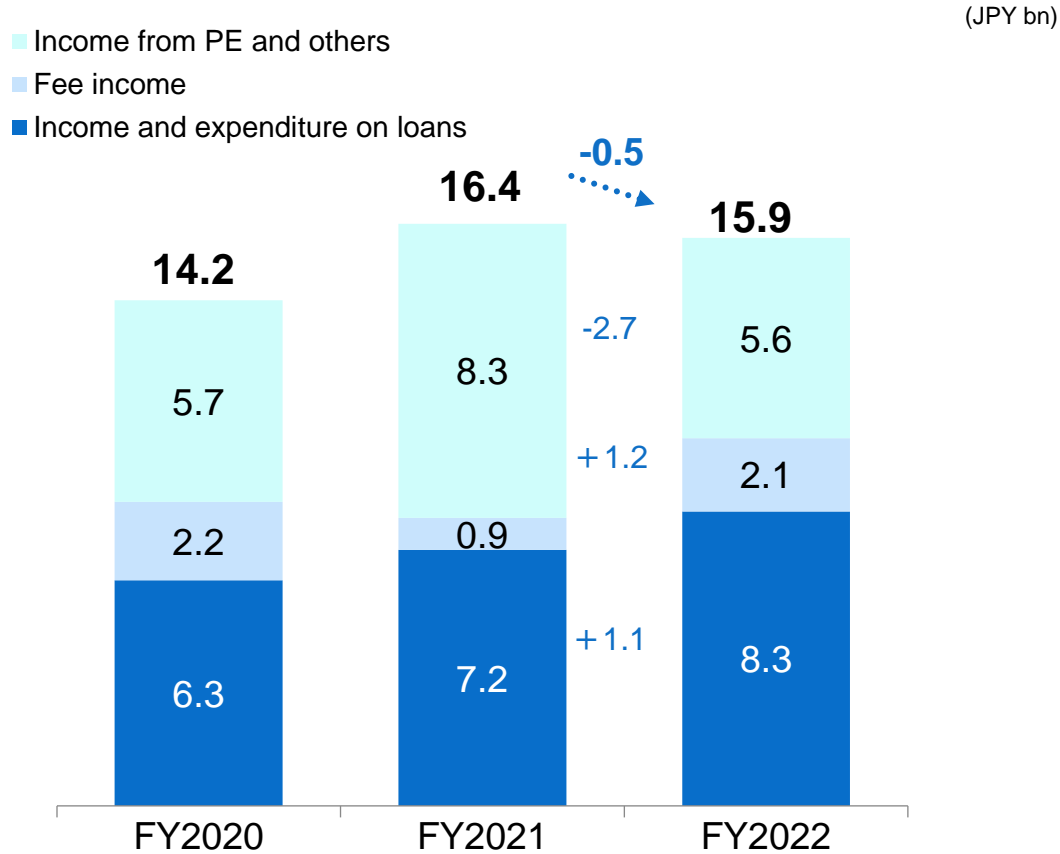
Category	End of Mar. 2021	End of Mar. 2022	End of Mar. 2023
Delinquency rate (3 months or longer)			
Housing loans	0.12%	0.11%	0.14%
Apartment loans	0.03%	0.01%	0.03%
Loans for asset building	0.12%	0.26%	0.14%

Category	Dec. 2019 Survey	Dec. 2020 Survey	Dec. 2021 Survey
Occupancy rate			
Inside Shizuoka Pref.	92.7%	92.5%	93.5%
Outside Shizuoka Pref	93.2%	93.3%	94.1%

Market credit investment - Shizuoka Bank nonconsolidated

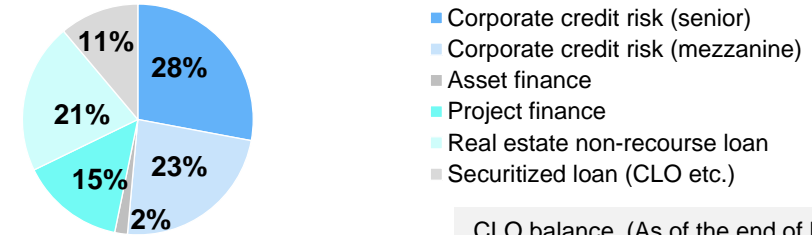
Earnings from capital commitment in PE decreased negatively affected by decrease in IPOs, while income and expenditure on loans and fee income increased

Earnings from market credit investment



Breakdown of SF loan by loan type

(Average balance in FY2022: JPY 764.5bn)



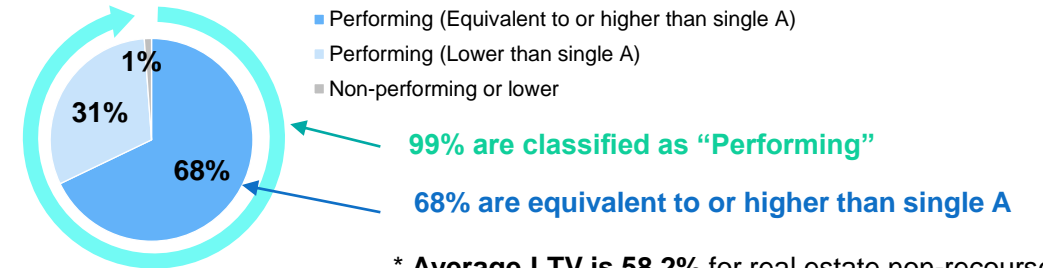
Well-diversified portfolio

(JPY-based : Other-currencies-based = 6 : 4)

CLO balance (As of the end of Mar. 2023)
 JPY 88.9bn (24 contracts, JPY 3.7bn on average)
 All have AAA rating
 Subordination ratio: 35.0 to 41.8%

Breakdown of SF loan by credit rating

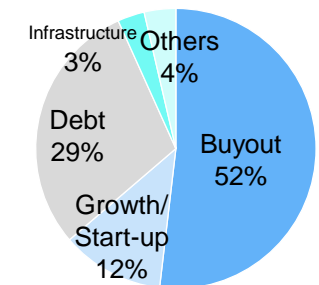
*Excluding real estate non-recourse loan



* **Average LTV is 58.2%** for real estate non-recourse loans

Ratio of capital commitment in PE by investment types

Well-diversified portfolio,
 same as SF loan
 No. of investment : 109
 (Of which 46 are international)



Profitability indicators of SF loan	FY2021	FY2022	YoY
ROA (Return on Assets)	1.08%	1.07%	-0.01pt
RORA (Return on Risk-Weighted assets)	1.95%	1.82%	-0.13pt

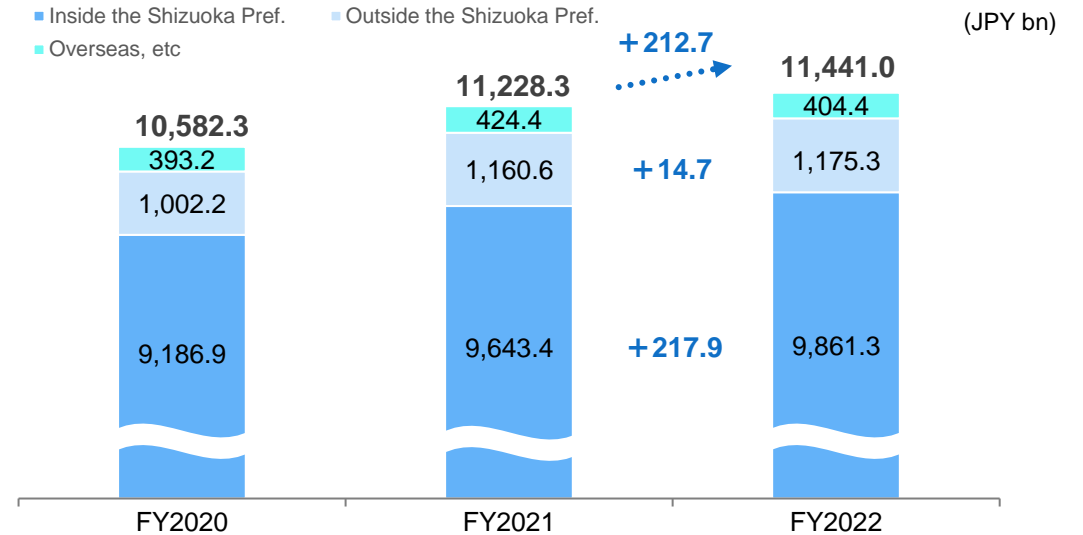
Deposits - Shizuoka Bank nonconsolidated

Deposit balance (average balance) increased mainly due to increase in retail deposit balance (+1.8% annual late)

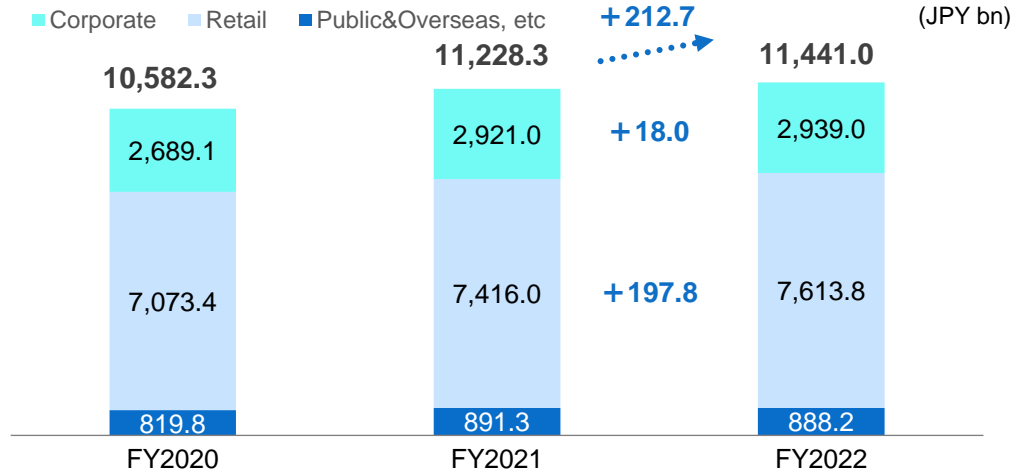
Deposit balance (average balance)

(JPY bn)	FY2022	YoY	Annual growth rate
Total deposit balance	JPY 11,441.0bn	JPY +212.7bn	+ 1.8%
Deposit balance in Shizuoka	JPY 9,861.3bn	JPY +217.9bn	+ 2.2%
Corporate deposit balance	JPY 2,939.0bn	JPY +18.0bn	+0.6%
Retail deposit balance	JPY 7,613.8bn	JPY +197.8bn	+ 2.6%
Public deposit balance	JPY 331.3bn	JPY -12.4bn	-3.6%
NCD	JPY 89.3bn	JPY -52.0bn	-36.7%

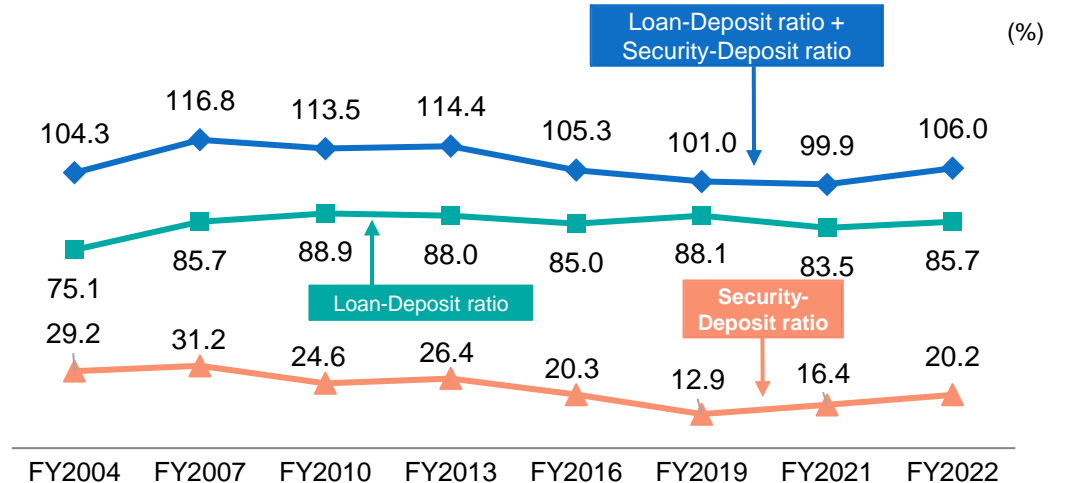
Deposit balance by region



Deposit balance (average balance)



Loan-Deposit ratio/Security-Deposit ratio (excluding NCD)



Securities (1) – Shizuoka Bank nonconsolidated

Restructure foreign bonds flexibly, purchase yen-based bonds systematically to build a medium-to long-term portfolio. Maintain a valuation gain of 325.8 billion yen as the whole of securities.

Securities

	Balance (*1)		Unrealized gains and losses		
	(JPY bn) End of Mar. FY2023	Change from End of Mar. FY2022	End of Mar. FY2023	After hedging	Change from End of Mar. FY2022
	2,621.9	+579.2	+325.8	+323.7	+51.5
Stocks	101.9	-26.6	+355.5	—	+67.5
Yen based bonds	1,596.4	+367.7	-9.9	-14.8	-3.3
(JGBs)	(856.0)	(+251.5)	(-1.5)	(-6.3)	(+2.7)
Foreign bonds	567.0	+135.6	-32.5	-29.7	-14.7
(Fixed rate)	(341.4)	(+141.6)	(-8.3)	(-5.5)	(+0.8)
(Floating rate)	(225.6)	(-6.1)	(-24.1)	—	(-15.4)
Investment trust	252.6	+88.5	+0.2	—	-0.4
Others	104.1	+14.0	+12.5	—	+2.4

*1 Balance is based on acquisition cost excluding unrealized valuation gains/losses

Gains and losses on securities

	(JPY bn)	FY2021	FY2022	YoY
Interest and dividend on securities		29.7	34.7	+4.9
Yen based bonds		2.5	5.2	+2.7
Foreign bonds		4.8	11.8	+7.0
Gains on investment trusts (Gains (losses) on cancellation)		5.1 (2.7)	1.9 (1.9)	-3.2 (-0.9)
Investment funds		6.5	5.0	-1.5
Gains and losses on bonds such as JGBs		-9.6	-7.5	+2.1
Gain on sell of bonds such as JGBs		19.0	19.1	+0.1
Loss on sell and redemption of bonds such as JGBs (-)		28.6	26.6	-2.0
Gains and losses on stocks		3.5	13.6	+10.2
Gain on sales of stocks		4.8	13.7	+9.0
Amortization (-)		1.3	0.1	-1.2

[Duration] (Excluding interest rate hedged portion)

	End of Mar. 2022	End of Sep. 2022	End of Dec. 2022	End of Mar. 2023
Yen based bonds	6.17 years	6.40 years	6.41 years	6.12 years
Foreign bonds*	4.15 years	2.65 years	2.65 years	2.48 years

* Excluding futures transactions

Simulation of the effect of replacing U.S. Bonds*

U.S. Bonds	1H 2022		2nd Half	
	sell	JPY 92.8bn	sell	JPY 64.8bn
buy	JPY 65.5bn	buy	JPY 108.0bn	
gain (loss)	- JPY 10.1bn	gain (loss)	- JPY 2.8bn	

*Excluding asset swap transactions

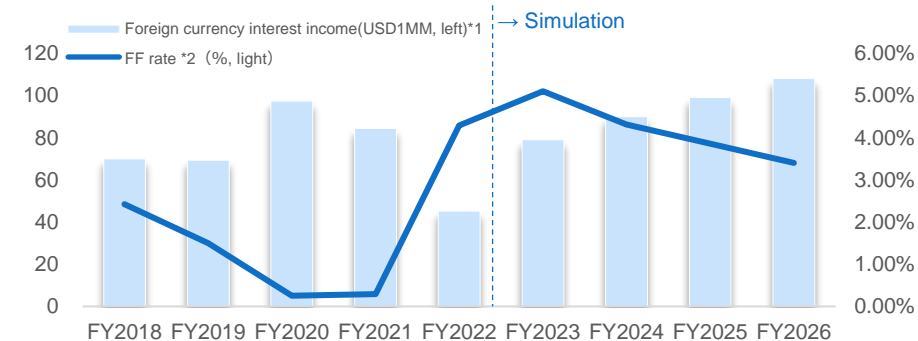
Effect of replacing to high-yield bonds on net interest income and valuation gains/losses

Compared to case without replace

- (1) Net interest income (annualized) **+ JPY 3.7bn**
- (2) Valuation gains/losses as the end of Mar. 2023 **+JPY 13.8bn improved**
(+ JPY 0.9bn considering realized losses)

Forecast of net interest income for the entire foreign currency portfolio (assets and liabilities) *1

- Although there is some negative spread in foreign currency investments, overall foreign currency net interest income is positive due to the diversification of foreign currency investment and procurement methods.
- Foreign currency net interest income is expected to turn to an increase in the first half of FY2023, due to the effect of replacing US\$ bonds in FY2022 and other factors



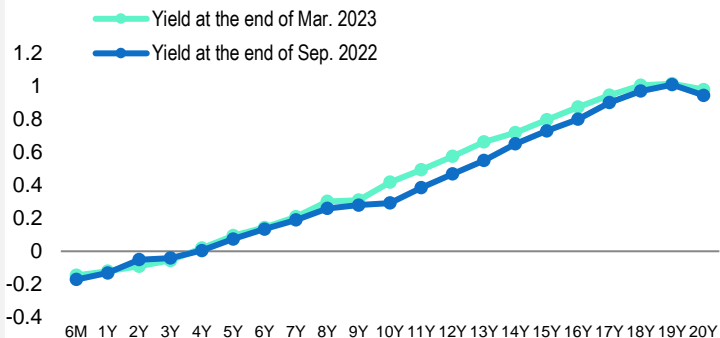
*1 Overall net interest income including loans, securities, deposits, corporate bonds, etc.

*2 FF rate forecast by market participants (Estimate based on portfolio as of end of Nov. 2022)

Securities (2) - Effect of rising long-term yen interest rates

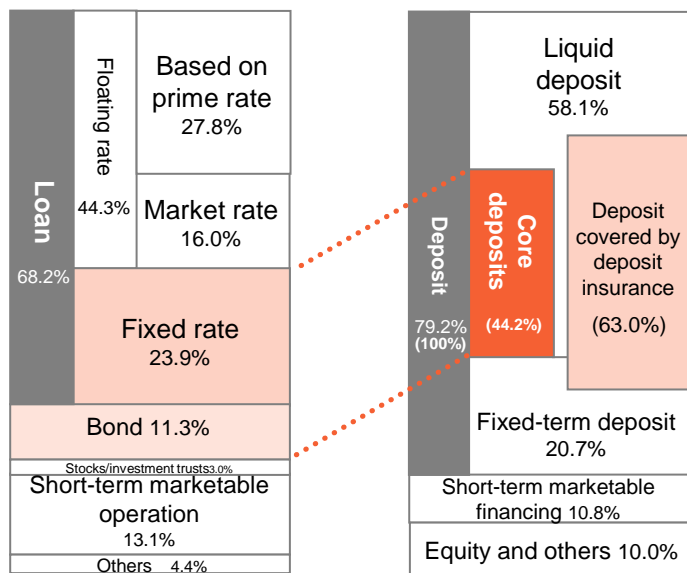
As an appropriate level of the stickiness of deposits is detected, a rise in the long-term yen interest rate gives a positive impact to in the yen-based balance sheet as a whole.

Modification of Yield Curve Control by BOJ



[Yen Based Portfolio Structure Mar. 2023]

Asset (100%) JPY 13,740.0bn Liability and Equity (100%)



(1) Short-term Impact

- Although net valuation gains/losses on yen based bonds will deteriorate, interest margin will be secured due to the balance with core deposits, which are stable and less sensitive to interest rates.

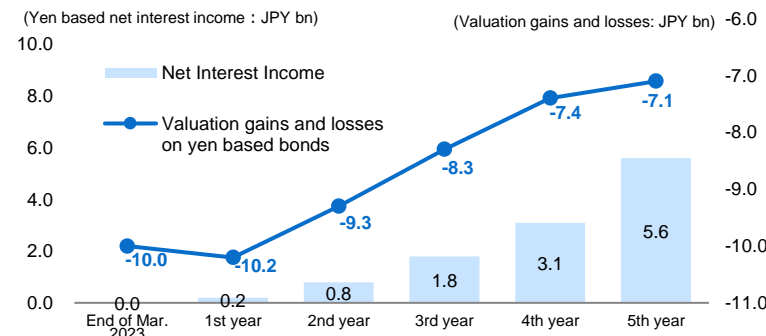
Valuation gain or loss (JPY bn)

	Gain (loss) on valuation of securities				
		Stocks	Yen based bonds	Foreign bonds	Investment trusts/Others
End of Mar. 2022	+274.2	+288.0	-6.6	-17.8	+10.6
End of Mar. 2023	+325.8	+355.5	-9.9	-32.5	+12.7
Change from End of Mar. 2022	+51.5	+67.5	-3.3	-14.7	+2.1

(2) Medium- to Long-Term Impact

- Yen based net interest income will increase due to interest rate changes on loans and bonds.
- Valuation gains and losses on yen based bonds will also improve due to shorter remaining maturities.

[Prerequisite] (calculated based on the portfolio at the end of March 2023)
 - At maturity of fixed-rate loans, 50% of the amount is renewed to reflect increases in market interest rates (excluding consumer loans)
 - When the yen based bond maturity date arrives, the same amount is purchased to reflect the full market interest rate increase.

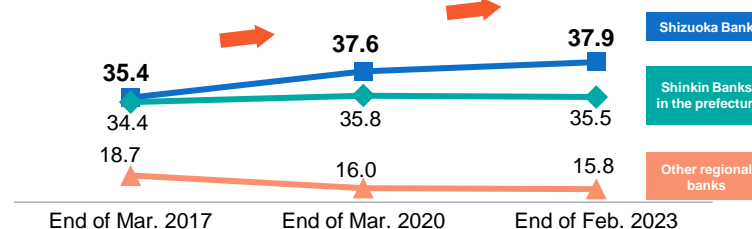


Change in yen-based balance sheet valuation gains and losses (10bpv)

Assets		Liabilities and Shareholders' equity	
10bpv	-24.2	10bpv	+31.7
Loans	-15.3	Deposits	+23.6
Bonds	-8.9	Core deposits	+21.7
Total assets, liabilities and shareholders' equity (10bpv)			+7.5

*10bpv: Regarding assets, liabilities etc., change in unrealized valuation gains/losses in the case of interest rate parallel shift of +0.1% under the assumption of MTM. If 10bpv of total of assets and liabilities/shareholders' equity is positive, it means positive impact on unrealized valuation gains/losses and future income

Deposit share in Shizuoka prefecture (%)



Deposit raising structure

- Built stable deposit raising base, mainly small retail deposits
- Deposit share in Shizuoka prefecture steadily increased.

By depositor

	End of Mar. 2020	End of Sep. 2022
Retail deposit	71.5%	70.5%
Corporate deposit	24.2%	26.2%
Others	4.3%	3.3%

By amount

	End of Mar. 2020	End of Sep. 2022
Up to JPY10mn	49.2%	45.8%
JPY10mn - JPY100mn	30.3%	32.7%
Over JPY100mn	20.4%	21.5%

Fees and commissions, trading income

Fees and commissions increased mainly due to an increase in corporate-related income and fee income on retail customer assets.

Fees and commissions, Trading income

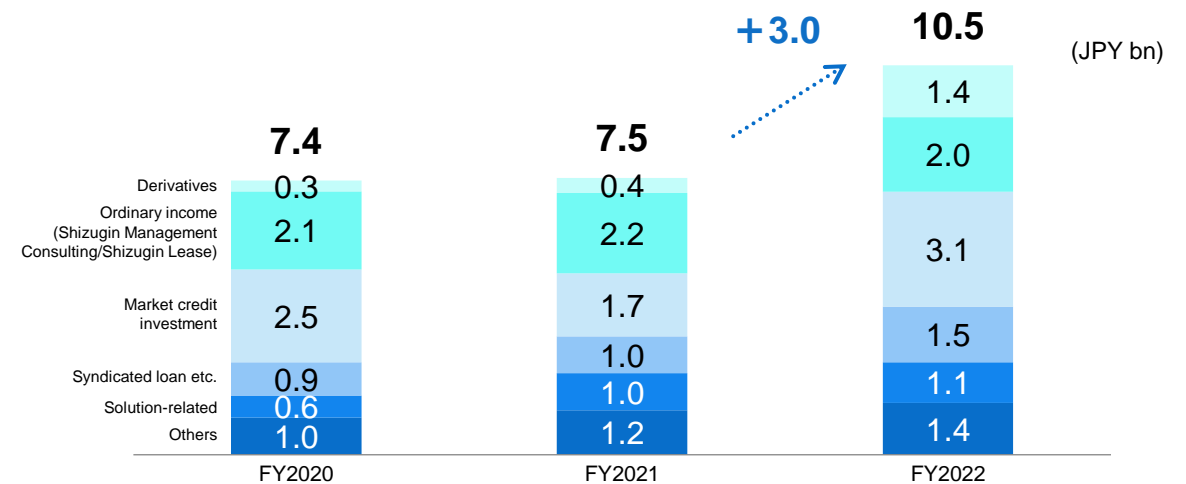
(JPY bn)	FY2020	FY2021	FY2022	vs. previous FY
[Consolidated] Fees and commissions	32.2	31.3	37.3	+6.1
[Shizuoka Bank nonconsolidated] Fees and commissions	15.9	14.8	21.1	+6.3
Fees and commissions incomes	31.3	30.9	34.8	+3.9
Fees and commissions expenses (-)	15.4	16.0	13.6	-2.4

*Including the effect of changes in account, +JPY2.8bn

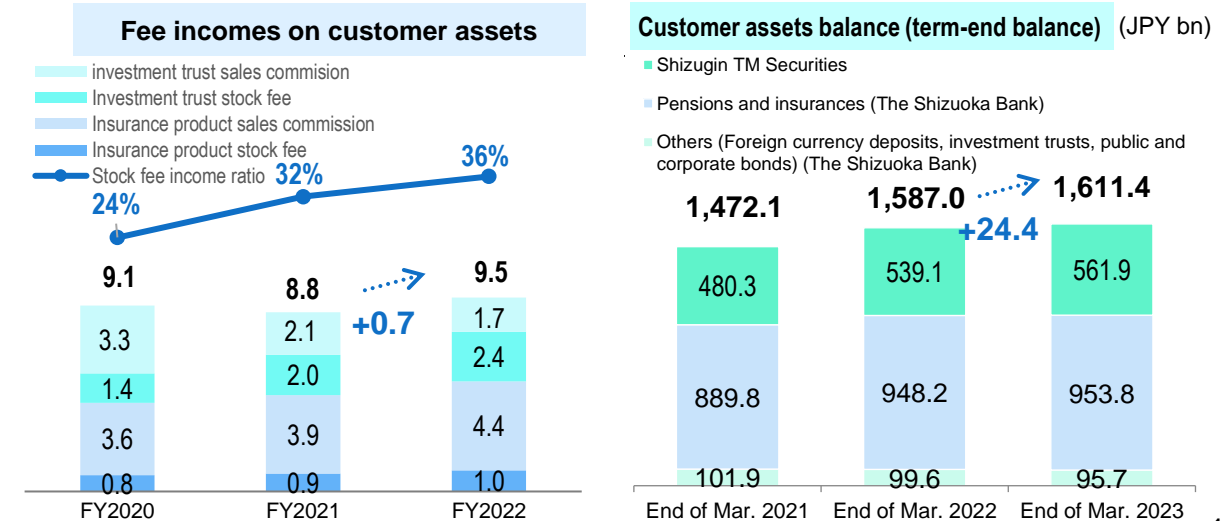
Major items of Shizuoka Bank (branch sales division)

Fee incomes from wholesale	5.0	5.0	7.1	+2.1
Related to market credit investment	2.5	1.7	3.1	+1.3
Syndicated loan, etc.	0.9	1.0	1.5	+0.5
Solution-related (Business matching, support for subsidy, etc.)	0.6	1.0	1.1	+0.1
Others (covenants loan, etc.)	1.0	1.2	1.4	+0.2
Other fees on loans	3.5	4.0	3.8	-0.2
Fee incomes on customer assets	4.6	5.0	5.7	+0.7
Investment trust	0.2	0.3	0.3	-0.0
Insurance products	4.4	4.7	5.4	+0.7
Net profit on exchange	5.9	5.6	5.3	-0.3
[Shizuoka Bank nonconsolidated] Trading income	0.9	0.9	1.4	+0.5
Derivatives	0.3	0.4	1.4	+0.9

Fee incomes from wholesale (Shizuoka Bank/Shizugin Management Consulting/Shizugin Lease)

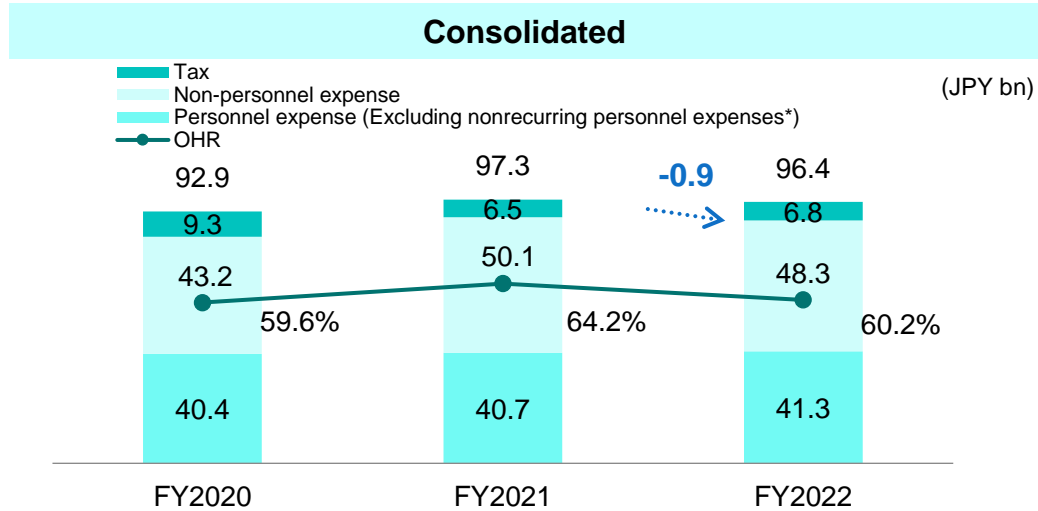


Fee income on and balance of customer assets (Shizuoka Bank/Shizugin TM Securities)

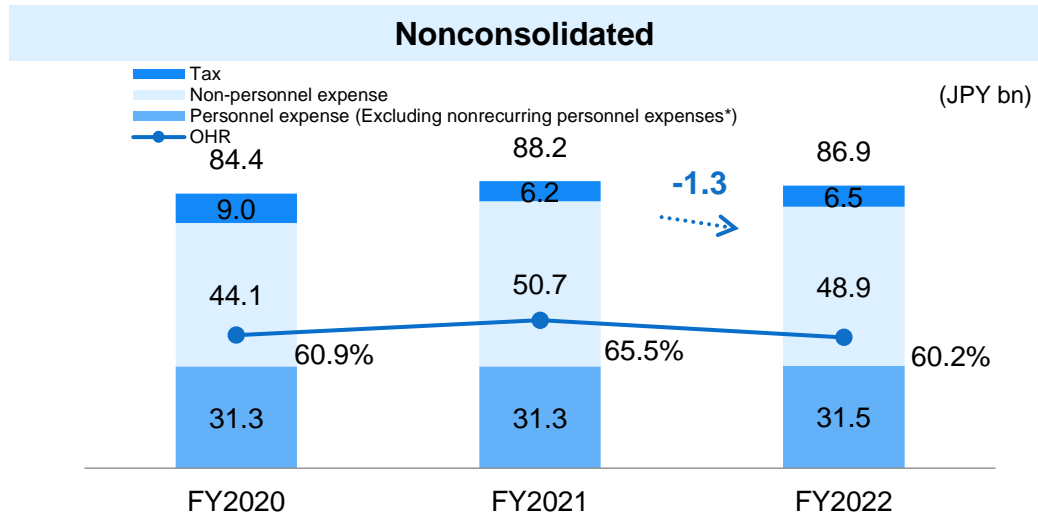


Expenses in FY2022 decreased from FY2021

Expenses and OHR



*Amortization of actuarial gains and losses in retirement benefit cost, and others



*Amortization of actuarial gains and losses in retirement benefit cost, and others

Main factors for change of expenses

Consolidated

	YoY	Main factors
Tax	JPY +0.4bn	Shizuoka Bank JPY +0.3bn
Non-personnel expenses	JPY -1.8bn	Deposit insurance premium JPY -1.5bn
Personnel expenses	JPY +0.6bn	Shizuoka Bank JPY +0.2bn SFG JPY +0.4bn
Total	JPY -0.9bn	

Nonconsolidated

	YoY	Main factors
Tax	JPY +0.3bn	Consumption tax JPY +0.1bn Size based business tax JPY +0.2bn
Non-personnel expenses	JPY -1.8bn	Deposit insurance premium JPY -1.5bn
Personnel expenses	JPY +0.2bn	Salaries, etc. JPY +0.2bn
Total	JPY -1.3bn	

(Reference)

Next-Generation-System-related (Estimated full-year amount)	JPY 10.3bn (decrease of JPY1.3bn from FY2021)
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Credit-related costs - Shizuoka Bank nonconsolidated

Overall credit costs decreased YoY and remained at a low level

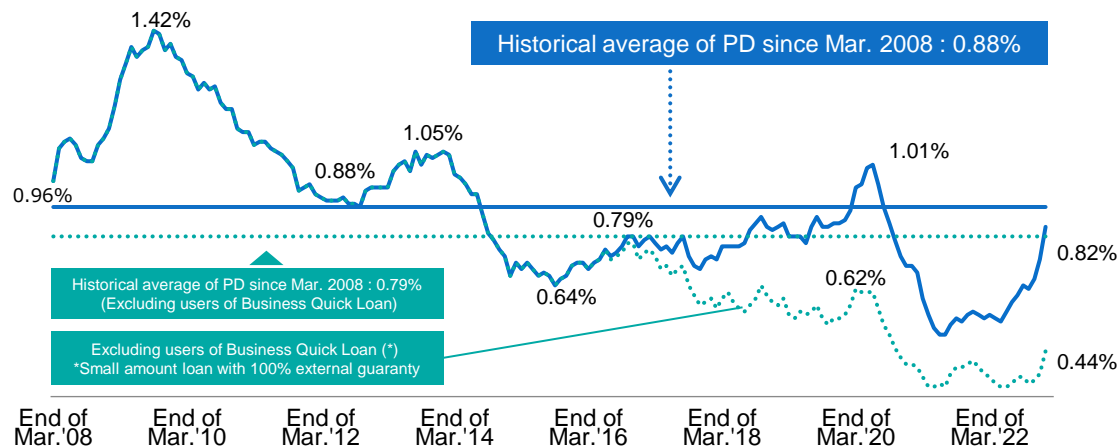
Breakdown of credit-related costs

(JPY bn)	FY2020	FY2021	FY2022	YoY
[Consolidated] Credit-related Costs	13.0	6.8	5.6	-1.2
[Nonconsolidated] Credit-related Costs	11.7	5.5	4.8	-0.8
Provision for general allowance for loan losses	3.5	2.6	-1.7	-4.4
Provision for specific allowance for loan losses	7.8	2.8	6.1	+3.4
Other non-performing loans (NPL) disposal *	0.4	0.1	0.4	+0.2

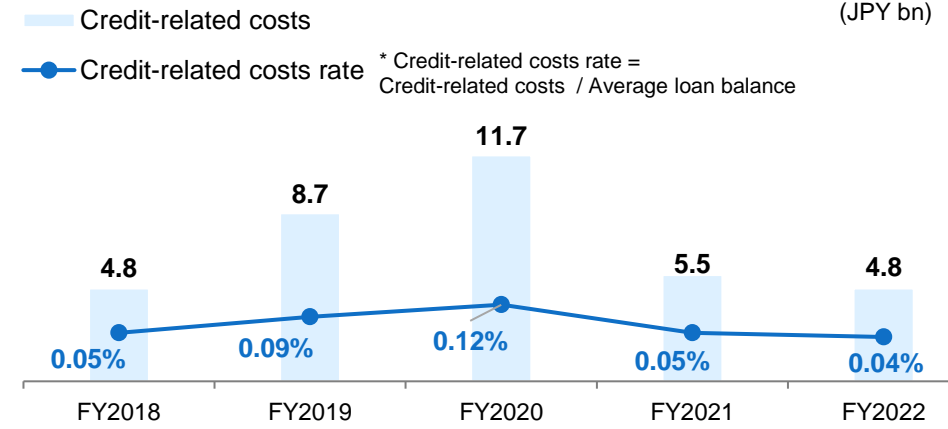
* Including provision for the estimated future payments to credit guarantee corporations, provision for allowance for accidental losses, and losses on sell of loans

Probability of default (PD)

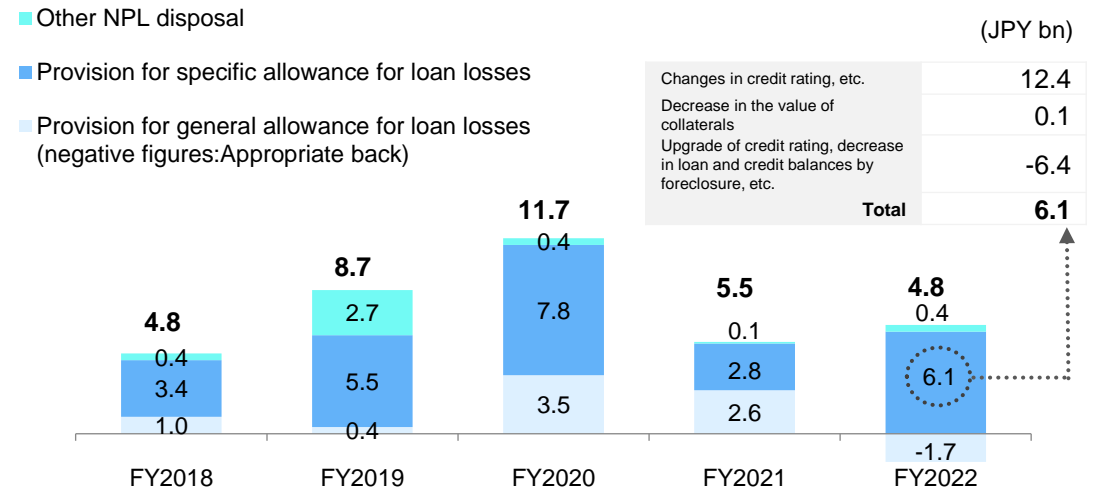
*PD of sound borrowers and borrowers needing careful monitoring (On the basis of no. of borrowers)



Credit-related costs and credit-related cost ratio

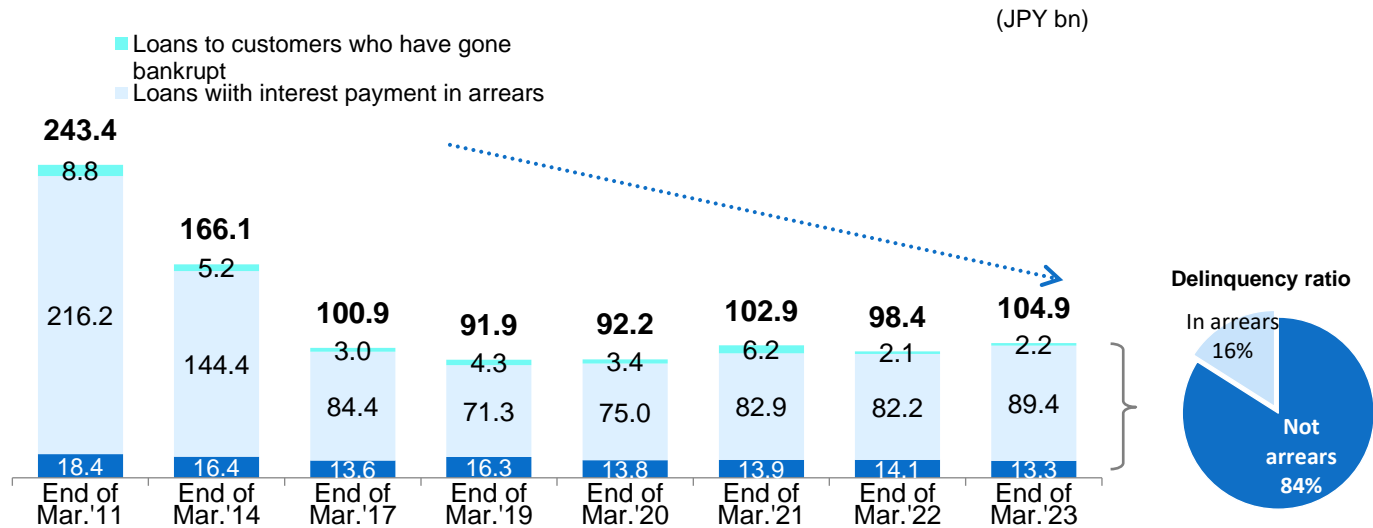


Provision for allowance for loan losses and other NPL disposal

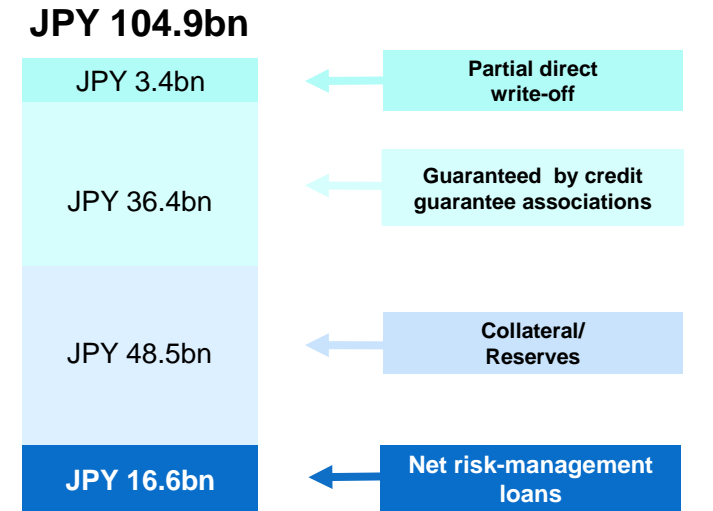


Overall risk-management loans increased compared to End of Mar. 2022, while net risk-management loans remained at a low level

Trends in risk-management loans



Net risk-management loans



EL (Expected loss in 1 year from now on) : JPY 1.1bn

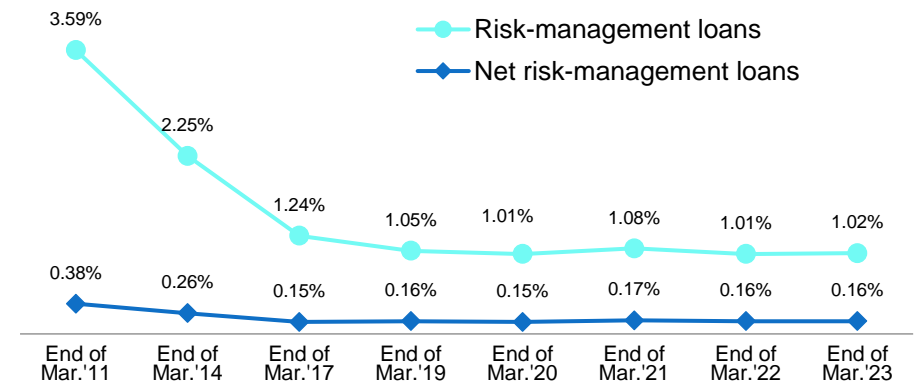
NPL removal from the balance sheet

(JPY bn)	FY2021	FY2022
New recognition of NPLs	+29.5	+34.5
Removal from the balance sheet (NPL to borrowers classified as "at risk of failure" or riskier categories)	-34.0 (-30.7)	-28.0 (-24.3)
Risk-management loans	98.4	104.9

[Breakdown of JPY -24.3bn]

Collected from borrower/ set off against deposit account	-5.8
Collateral disposal/ subrogated to guarantor	-7.8
Reclassified to better categories	-4.7
Loans sold-off	-5.9

The ratio of risk-management loans



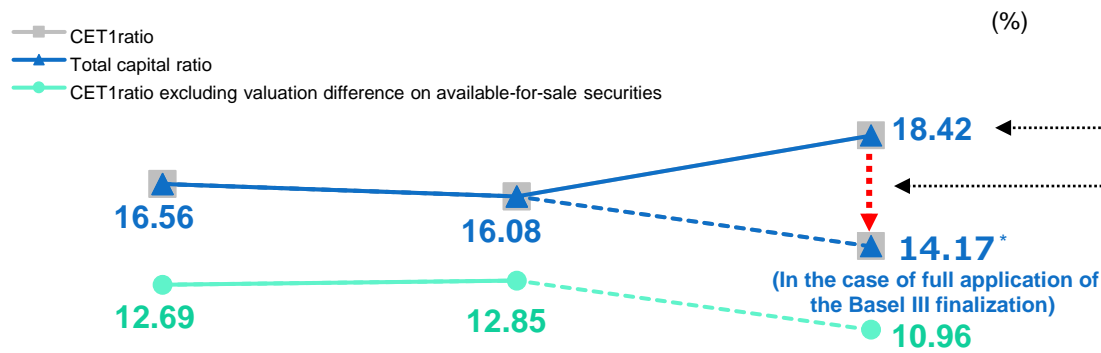
* Reconcile risk-management loans with loans based on the Financial Reconstruction Act according to revision of Order for Enforcement of the Banking Act since the end of Mar. 2022. Adopt the standard retroactively to the past.

Capital adequacy ratio - Consolidated

In the first year of application of the Basel III finalization, the effect of decreasing factors of risk assets will be considerable, and the total capital ratio and CET1 (Common equity Tier 1) ratio will be 18.42% (up 2.34pt)

The ratio obtained from the trial calculation assuming complete application of Basel III finalization is 14.17%

Capital adequacy ratio (Consolidated basis)



*Preliminary estimate after full application of the Basel III finalization when taking the capital floor, etc. into account (tentatively calculated with the affected value at the end of September 2022)

Changes in capital and risk-adjusted assets (Consolidated basis)

[Basel III]	End of Mar. '21	End of Mar. '22	End of Mar. '23	Change from the end of Mar. '22
Total capital*	990.4	965.4	1,006.1	+40.8
CET1	990.4	965.4	1,006.1	+40.8
Excluding valuation difference on available-for-sale securities	759.2	771.6	778.2	+6.5
Other Tier 1	—	—	—	—
Tier 2	—	—	—	—
Risk-adjusted assets	5,979.7	6,001.2	5,459.3	-542.0
Total credit-risk adjusted assets	5,658.0	5,672.1	5,283.6	-388.5
Amount corresponding to market risk	19.4	20.2	0.6	-19.6
Amount corresponding to operational risk	302.3	309.0	175.2	-133.9

*Capital does not include preferred shares, subordinated debts, etc.

Impact of Basel III finalization

[Major impact]

(1) Reduction in LGD*1 value on credit given to corporations set by the financial authorities

March 2022	March 2023	
45%	40%	⇒ a factor to decrease risk-weighted assets

(2) Removal of scaling factor*2 (removal by the financial authorities)

March 2022	March 2023	
1.06 times	(removed)	⇒ a factor to decrease risk-weighted assets

*1 Loss Given Default (1-amount recovered)

*2 A factor to be multiplied to credit risk-weighted assets amount when using the internal ratings-based approach

(3) Step-by-step application of capital floor*3 ⇒ a factor to increase risk-weighted assets

March 2023	March 2024	March 2025	March 2026	March 2027	March 2028
50%	55%	60%	65%	70%	72.5%

⇒ Capital floor will not be applicable in the year ending March 2023. Capital floor will be gradually raised toward the year ending March 2028, which will increase risk-weighted assets

Interest rate risk in the banking book (IRRBB)

(Consolidated basis, End of Mar. 2023)

■ Results of materiality test: Δ EVE (Economic Value of Equity)
(Decrease in economic value of equity due to interest rate shock within IRRBB)

Decrease in economic value	Tier 1	Results of materiality test*
JPY 36.1bn	JPY 1,006.1bn	3.6% ≤ 15%

*Financial Services Agency supervision guidelines require Δ EVE to be less than 15% of Tier 1 capital

■ Δ NII (Net Interest Income) : **JPY 9.3bn**
(Decrease in net interest income due to interest shock within IRRBB)



Towards the Achievement of the 1st Medium-term Business Plan

*Please see details of the first medium-term business plan briefing session held on April 17, 2023 at the website of the Shizuoka Financial Group. (Check with the QR code on the right)



Outline of the 1st Medium-term Business Plan

Name of the Plan



Concepts behind the name

“Crossover” means a mixture of different fields or elements. In addition, “X” means unknown or multiplication in Japan.

As the first medium-term business plan under the holding company structure, the plan name is filled with our determination to open up a new era in VUCA world by co-creating new value with all stakeholders.

Term of the Plan

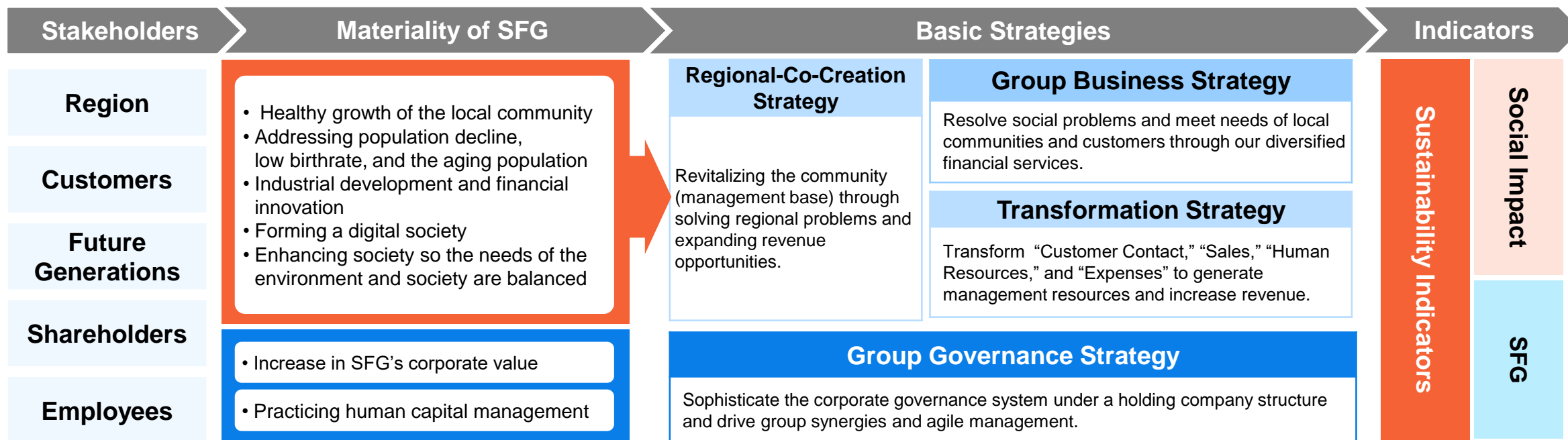
FY2023–2027 (5 years)

10-year Vision

A corporate group committing itself to future of region and producing growth of region

1st Medium-term Business Plan Vision

A problem-solving corporate group creating new value for the future



Sustainability Indicators

Sustainability Indicators consist of financial targets, engagement indicators, and social impact indicators. We set financial targets and engagement indicators with the aim of raising our corporate value as a public-listed company, and social impact indicators in order to create social value as a regional financial institution.

		Indicators	Target for FY2027
SFG	Financial Targets	Profitability	More than 90.0 billion yen
		Effectiveness	Approx. 6%
		Soundness	Approx. 55%
Social Value Creation	Social Impact	Consolidated ordinary income	13% or more
		Consolidated ROE	4.0 or above
		Consolidated OHR	Achieved (FY2030)
Social Value Creation	Social Impact	Consolidated CET1 Ratio ^{*1}	Continuously Increasing
		Customer satisfaction with Group Transactions ^{*2}	Sustainably Developing
		Engagement of Group Employees ^{*3}	-46% compared to FY2013 (FY2030)
Social Value Creation	Social Impact	Carbon Neutrality (Scope 1 and 2)	
		Rate of Social Change in Shizuoka Prefecture's Population	
		Real Gross Output in Shizuoka Prefecture (GDP)	
Social Value Creation	Social Impact	Percentage Reduction of GHG Emissions in Shizuoka Prefecture	

commit

aim

*1: Basel III finalization basis *2: Measured by "NPS" through customer surveys. NPS: Net Promoter Score [Degree of willingness to recommend the product, service, or company itself to family, friends, or others.]

*3: Overall employees' satisfaction which is measured as averaged score of the five factors: fulfillment at work, adaptation to work, satisfaction with workplace, satisfaction with superiors, and loyalty to company (on a scale of 1 to 5).

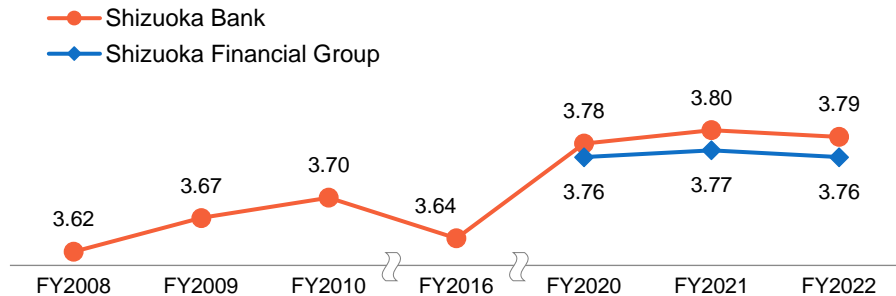
Implementation of Human Capital Management (1) – Whole Picture

We interface management strategies with HR strategies and eliminate gaps from the targets through four actions.

Organic linkage between management strategies and HR strategies



Change in Employee Engagement Survey Results

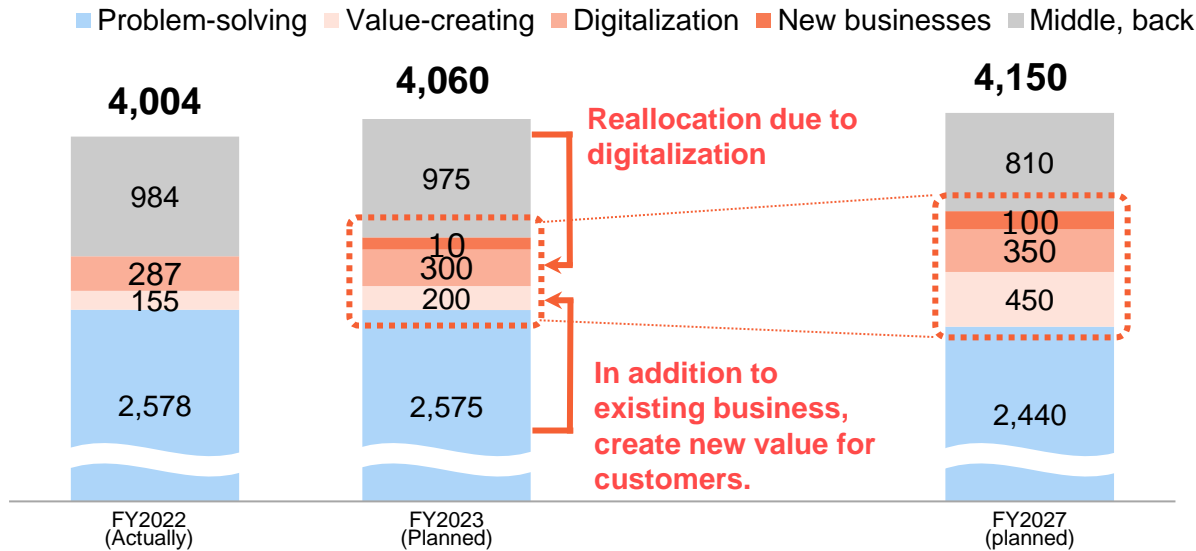


Roadmap towards the achievement of the targets

Targets	10-year Vision	Corporate Philosophy	Medium-term Business Plan
Actions to Lessen the Gaps	Problems / Gaps Optimize the human resources portfolio (Redeployment to meet change in business). The gap between the picture we target and the personnel assessment system Conservative corporate culture The spread and institutionalization of each personnel scheme to group employees		Actions <ol style="list-style-type: none"> Diversification of recruitment and expansion and reinforcement of HR development (P27) Change in the personnel evaluation system and leadership training (Reference material: P41) Creation of corporate culture to accelerate changes (Reference material: P42) Increase in employee engagement (Reference material: P43)
	KPI Employee engagement survey result		FY2027: 4.0 or more

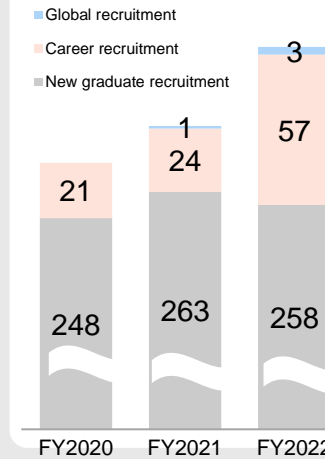
Build a human resources portfolio for realizing management strategy through boosting development of internal human resources and utilizing diverse recruitment channels.

HR Portfolio's Target



Diversification of ways to secure human resources

Change in the recruitment portfolio



Diversify human resources through side jobs and second jobs

Acceptance of side-business persons

6 persons in total by FY2022

Mercari
(member of the personnel system reform PJ)

Tourism-related companies
(Regional revitalization)

Concept art production company
(recruitment promotion through YouTube)

Dispatch to companies that offer side jobs and second jobs

26 persons in total by FY2022

HR tech companies
(CS promotion of SaaS tools)

Real estate tech companies
(Drafting plans for adopting SaaS tools)

Business consulting service
Real estate appraisal service



Confirmation of HR definition

Value-creating Human Resources

Human resources that realize the creation of regional value by leveraging expertise and networks

Development area

IT/DX support, medical care and health, decarbonization, wealth business, venture firm establishment,

Professional expertise acquisition

(External training, research at graduate schools, etc.)

Practical skill acquisition

(Dispatch to external enterprises, side business, etc.)

Establishment of a new certification system

HR development policy toward the targets

Digital Human Resources

that can use cutting-edge technology

Professional expertise acquisition

Trainees outside the bank

46 persons in FY2022

Practical skill acquisition

Side-jobs at relevant divisions of the headquarters

10 persons in FY2022

IT literacy improvement of the whole group

As of the end of March 2023

IT passport acquirers: about 1,000 persons

Problem-solving Human Resources

that can co-create and solve issues in cooperation with customers

Professional expertise acquisition

Improvement/expansion of internal training

Business succession, Corporate rehabilitation, M&A, Staffing, etc.

In-house qualification certification system

Certification requirement 4 ranks

Publicly qualified

+

Business skill check

Diamond

Platinum

Gold

Silver

Cross-industry collaboration / Business for venture firms

Since FY2014, we have accelerated activities through cross-industry collaboration. In the 14th Medium-term Business Plan, we have used the network, expanded investment in venture capital, and started venture debt activities. In the 1st Medium-term Business Plan, we aim to accelerate venture business to make it a revenue pillar.

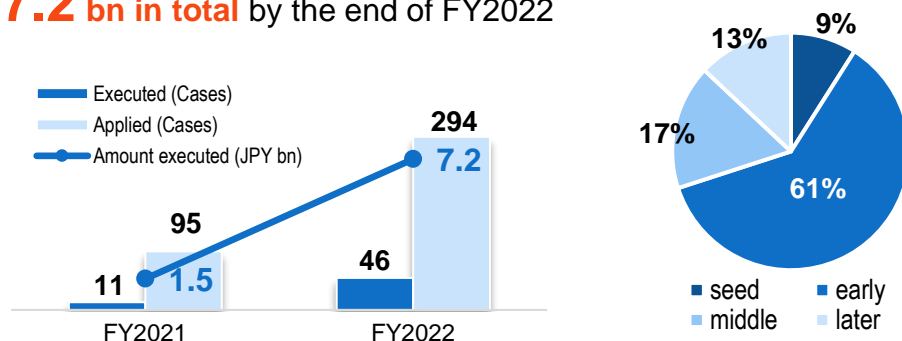
Activities in the 14th Medium-term Business Plan

Business partner	Details of collaboration	Collaboration and Investment Income
Monex Group	Wrap products, VC investment, etc.	Collaboration results by the end of FY2022 About JPY 9.5 bn (about JPY 1.7 bn in FY2022)
Monex Forward	Smartphone app development / VC investment	
Commons Asset Management	Fund OTC sales/ fund investment	
Hokennomadoguchi (Insurance Window)	Store parallel establishment	
ARUHI / au Jibun Bank	Housing loan guarantee/ RMBS	

Investment in **522 start-ups** through investment of **about JPY 19.0 bn** in **21 funds** at the end of FY2022.

Start-up business category in which investment has been made	
For corporations / SaaS	115
Financial service (Fin Tech)	66
Medical care / nursing care / biotechnology	64
AI / data analysis	34
Manufacturing / robotics / IoT	31
Others	212
Total	522 start-ups

JPY 7.2 bn in total by the end of FY2022



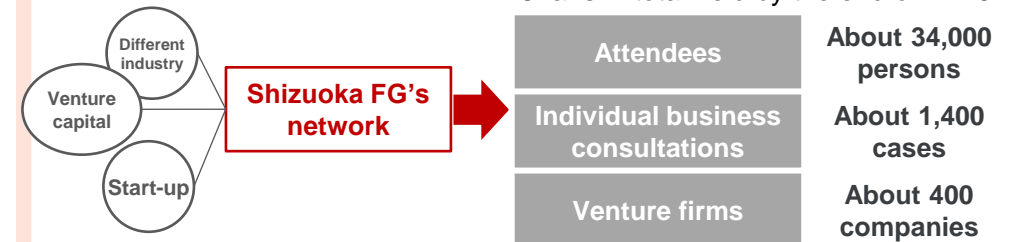
Activities in the 1st Medium-term Business Plan

Regional-Co-Creation Strategy

TECH BEAT Shizuoka



Cutting-edge technology fairs that match start-ups and regional companies
 8 fairs in total held by the end of FY2022



Tourism and community development

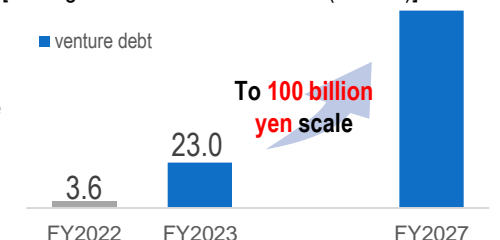
Development by combining a view of strategic partners (vitalization of tourism business) and address (use of empty houses, etc.)

Group Business Strategy

[Average balance of venture debt (JPY bn)]

Develop new markets

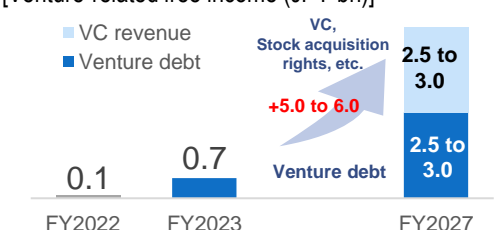
Expand sourcing channels for venture debt.
 Invest and finance in collaboration with allied banks



Enhance existing business services

Propose post-IPO asset management and operations.
 Answer capital needs of the board members.
 Develop new services in collaboration with ventures.

[Venture-related free income (JPY bn)]



Cross-industry collaboration

Venture Investment

Venture Debt

Alliance Strategy with Local Banks

Demonstrate synergy effects through cooperating with alliance partner banks in various fields thereby aiming at regional sustainable development.

Shizuoka Yamanashi Alliance (from October 2020年)



We aim to produce revenue effects of **10 billion yen or more (5 years in total/two banks in total)** with a focus on regional revitalization, market finance (structured finance, etc.), and life-planning (Shizugin TM Securities).

Results in FY2022

About **JPY 2.31 bn**
Single-year comparison with the target **113.6%**

5-year conversion (estimation)



Main Results (by FY2022)

Field of Life-planning

Shizugin TM Securities (Yamanashi Head Office)
Amount of sales of customer asset: **Approx. JPY 35.4 bn**
Balance of customer asset: **Approx. JPY 26.5 bn**
Exchange of human resources (20 persons) to strengthen cooperation

Business Succession Fund

(May 2022)
Establish "Shizuoka-Yamanashi Mirai Growth Support Fund"
3 cases / JPY 0.1 bn

Field of Finance

Extend real estate non-recourse loans
16 loans / JPY 74.5 bn
Jointly arrange syndicated loans
18 loans / JPY 28.4 bn

Support to expand sales channels

Events for individual business talks for customers:
21 times
Contracts of business matching completed:
120 cases (Contract Rate: 16.0%)

Execute the Deep Tech Venture Co-financing through the Debt Guarantee Program

Working capital for upfront investment in MaaS business



Extend the syndicated loan related to regional revitalization in the Alliance

Capital to build shared second-house in Yamanashi Pref.



Shizuoka Nagoya Alliance (from April 2022)

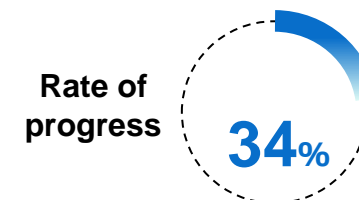


We aim to produce revenue effects of **10 billion yen or more (5 years in total/two banks in total)** by emphasizing support to business partners with regard to structural reform of regional industries, endeavoring to solve clients' problems, expanding topline growth and reducing cost.

Results in FY2022

About **JPY 1.13 bn**
Single-year comparison with the target **103.0%**

5-year conversion (estimation)



Main Results (by FY2022)

Initiatives that contribute to supporting industrial reform

Organize the automotive supply chain Exchange of human resource in the field of corporate revitalization (**2 persons**)

Jointly organize various events

Web seminar on response to COVID-19 in China
—Forecast on Chinese Economy and Its Problems after the Lockdown—
Web seminar on response to EV and on explanation of parts and structures

Development of joint products Start handling the variable insurance product "Tsumitate Kajutsu (a savings account) (November) (Shizuoka, Nagoya and Yamanashi Cho)

Field of Finance

Jointly arrange syndicated loans
8 loans / JPY 7.6 bn
Joint investment in venture funds
2 investments / JPY 2.6 bn

Hydrogen Web seminar
—Appeal as Next-generation Fuel—
Invoice response seminar

Agreement conclusion by three banks at the time of occurrence of disasters

- The Shizuoka Bank, the Bank of Nagoya and the Yamanashi Chuo Bank concluded the "Mutual Support Agreement on Deposit Refund at the Time of Occurrence of Large Disasters."
- A mutual support/cooperation system has been established so that each bank may stably provide financial functions even when large disasters occur.

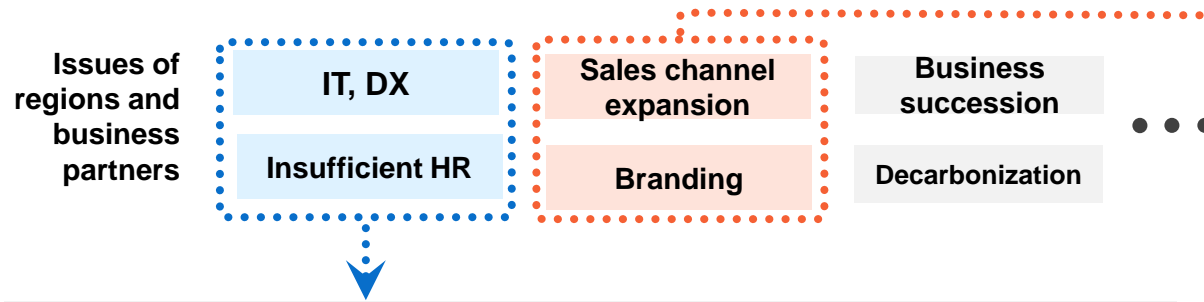


Expansion of Problem-solving Domains – New business field

Establish new company “SFG Marketing Co., Ltd., which offers new value that leads to solving issues of regions and business partners.

Four challenge points toward new business domains

- 1 Realize a sustainable society
- 2 Develop business that captures changes in the social structure
- 3 Pursue profitability and growth
- 4 Leverage management resources efficiently



Establishment of SFG Marketing

Scheduled to be established on July 3, 2023

Take on the challenge of solving social issues in regions from various angles, including marketing support, by leveraging highly accurate attribute and payment data that are strengths of SFG, and the data analysis foundation that SFG has prepared as well as knowledge and know-how of marketing that the Dentsu Group possesses.



<Assumed business domain>

Marketing support to regions and business partners

- Support to expand sales channels
- Branding support
- Support to make marketing strategies

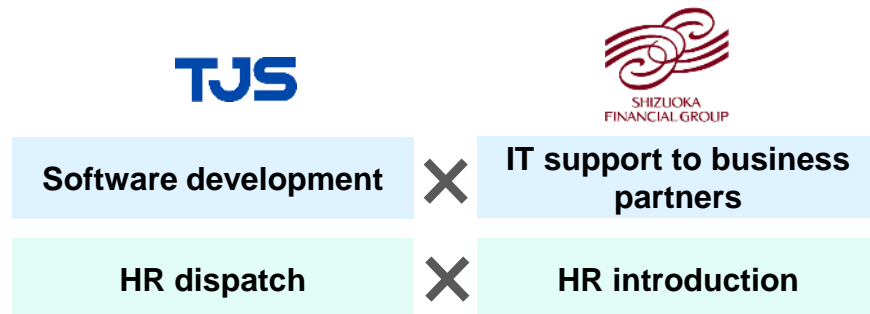
Additional business implementation to solve social issues

- Creation of communities where foreigners can work without difficulty
- Regional super applications
- Social business, etc.

Acquisition of 100% ownership of TJS

February 1, 2023

By combining software development business and staffing business for more than 40 years of TJS with SFG's business domains, we aim to demonstrate synergy effects to solve problems related to IT, DX and HR.



Establishment of an in-house venture system (from September 2021)

Establishment of an in-house venture system with the aim of creating corporate culture to challenge in new business domains

- 59 applications in FY2021

By assigning winners to relevant divisions, we started examination towards commercialization.

- Themes under investigation
- Entrusted business at whistle-blowing windows of external companies
 - Financial service for foreign employees

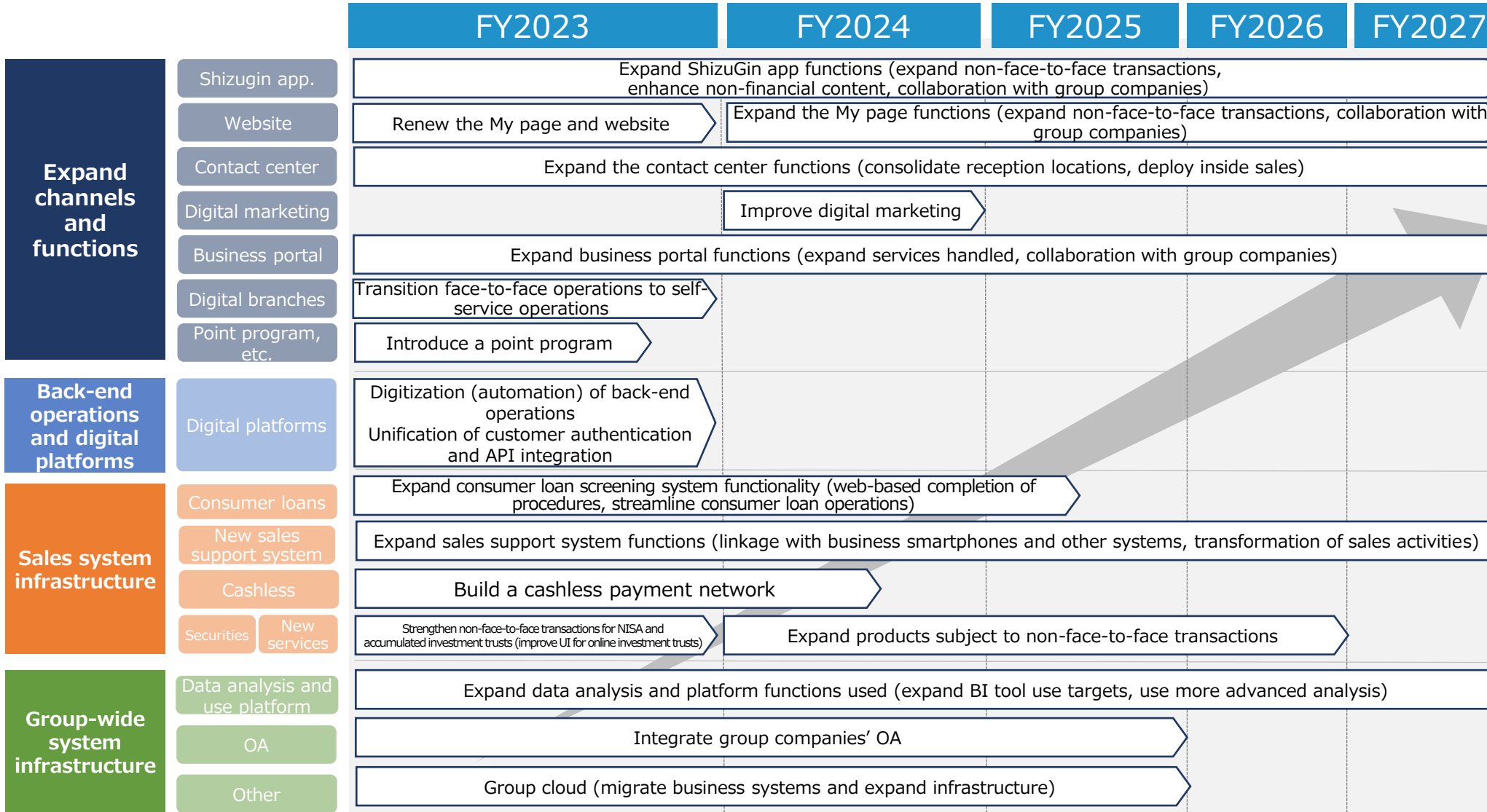


NEW

System Investments

Planning to invest 80 billion yen in systems over 5 years in the 1st Medium-term Business Plan.

Identify priorities and at the same time steadily make progress on touchpoints and sales transformation to realize the basic strategy.



Vision

- Complete all financial transactions for both corporations and individuals through digital contact points
- Strengthen acquisition of customer transactions through non-face-to-face channels
- Provide group functions to solve customers' issues at one location

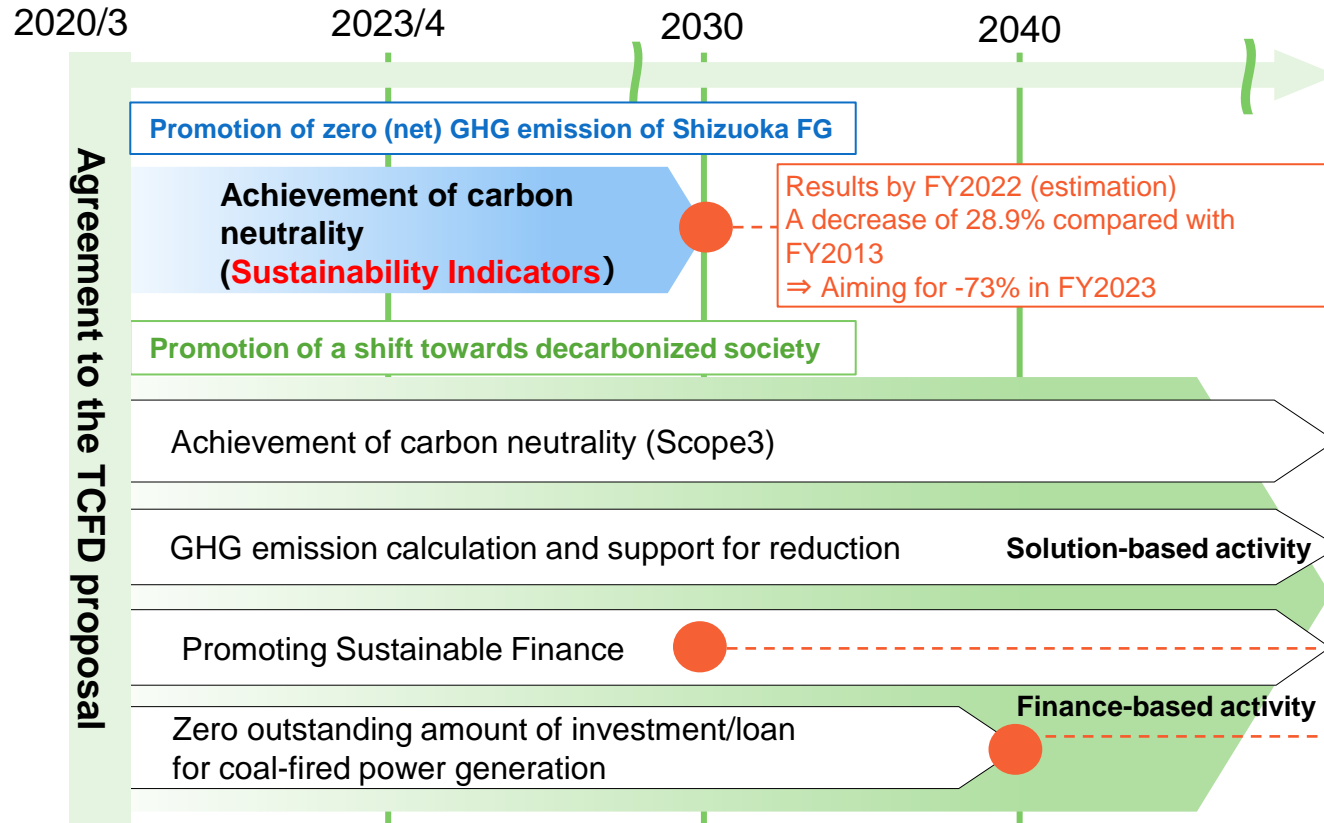
- Promote business BPR through digitization of back-end operations
- Seamless system integration

- Generate sales time through automation and streamlining of operations
- Maximize results by improving the accuracy of sales activities
- Lead the region's shift to being cashless

- Use data collected through various channels strategically
- Improve efficiency of management and operational productivity throughout the group

Roadmap towards the Achievement of Carbon Neutrality

We aim to be carbon neutral (Scope 1 and 2) by FY2030. In addition, the Group will work together to provide funding and consulting services to help the region make a smooth transition to a decarbonized society, and will proactively disclose information based on TCFD recommendations.



Main activities

Promotion of zero (net) GHG emission of Shizuoka FG (P45)

We aim to achieve carbon neutrality (Scope1 and 2) in FY2030 through a shift of electricity consumed to renewable energy by means of PPA introduction and through energy saving including electricity saving and LED introduction.
*Plan to switch all of the company's contracted electricity to renewable energy sources from FY2023

Promotion of activities towards a shift to decarbonized society (P46)

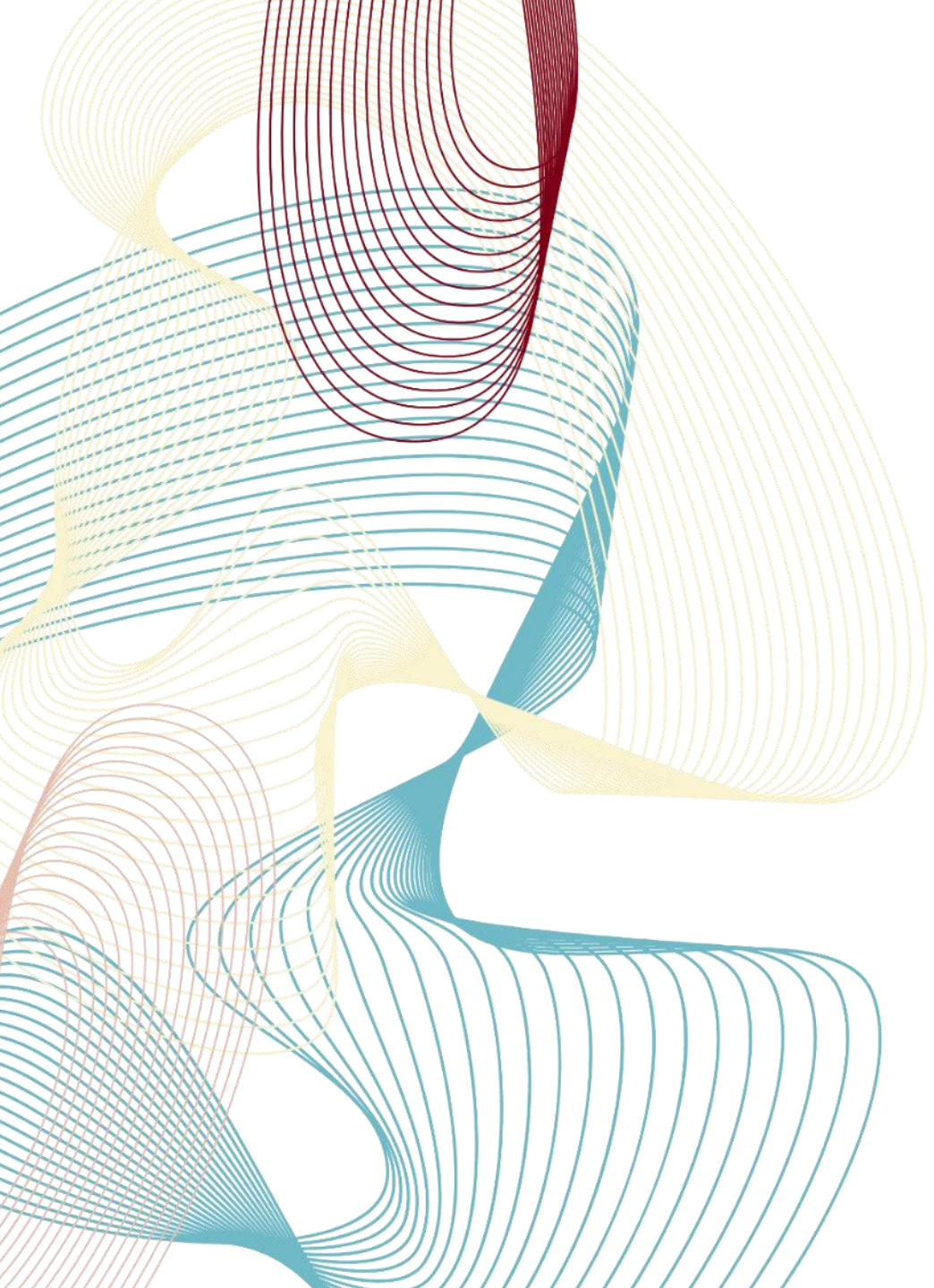
We aim to achieve carbon neutrality (Scope3) by supporting business partners from the viewpoints of solution and finance, towards a regional smooth shift to decarbonized society.

- **Scope 3 (Investments and Loans) estimates (PCAF Standard)**
- **GHG emission calculation and support for reduction**
- **Promoting Sustainable Finance**
Target on a cumulative basis by FY2030: JPY 2.0tn (of that, finance related to environment 1.0tn)
- **Zero outstanding amount of investment/loan for coal-fired power generation**
Should be zero in or around FY2040 (as of the end of March 2023: JPY 15.9bn)

We received the Golden Prize (Minister of the Environment Prize) in the ESG Finance Awards Japan.

Received the Gold Prize in the Indirect Financing category for its Positive Impact Finance initiative for SMEs and development and promotion of the SDGs Support Guarantee Program in collaboration with the Shizuoka Credit Guarantee Corporation.



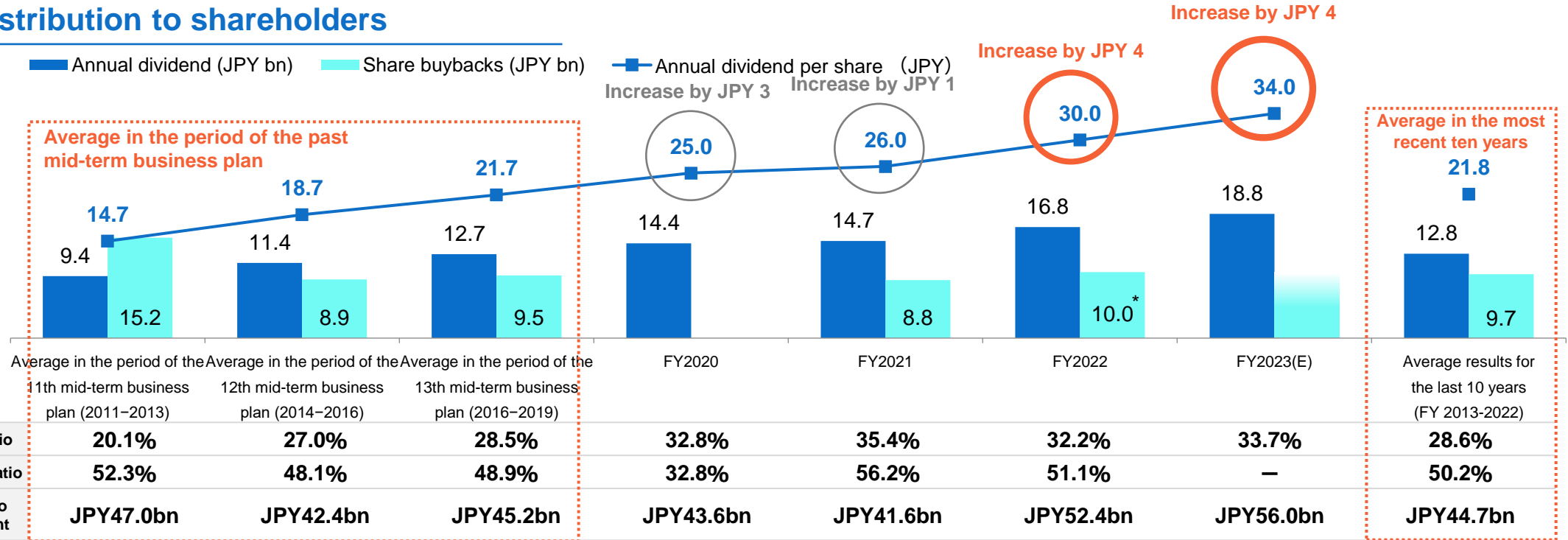


Capital Policy

Shareholder return

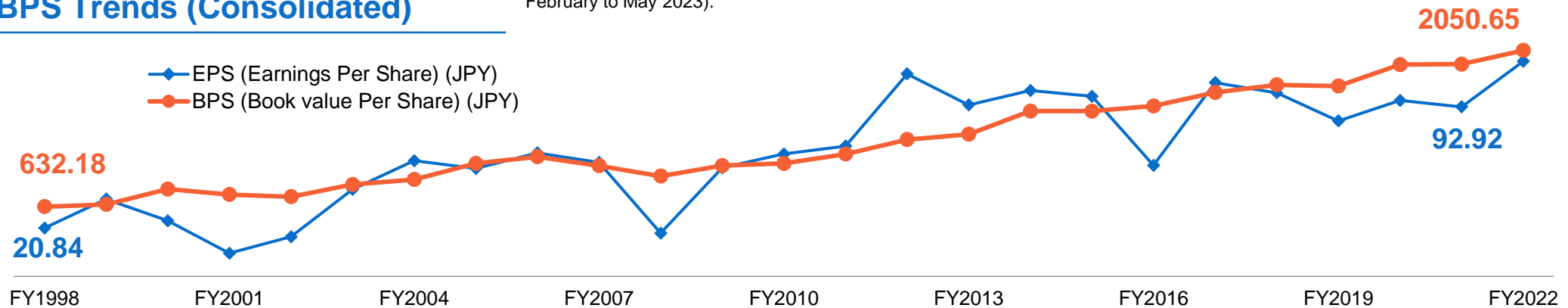
We aim to raise the dividend payout ratio progressively to 40% or more by FY2027, and flexibly implement share buybacks based on market conditions, including stock prices. In addition, we intend to continuously improve ROE, EPS, and BPS while keeping shareholder return in mind.

Profit distribution to shareholders



*Shareholder returns for FY2022 include implemented share buybacks (amount: 10.0 billion yen, period: February to May 2023).

EPS/BPS Trends (Consolidated)

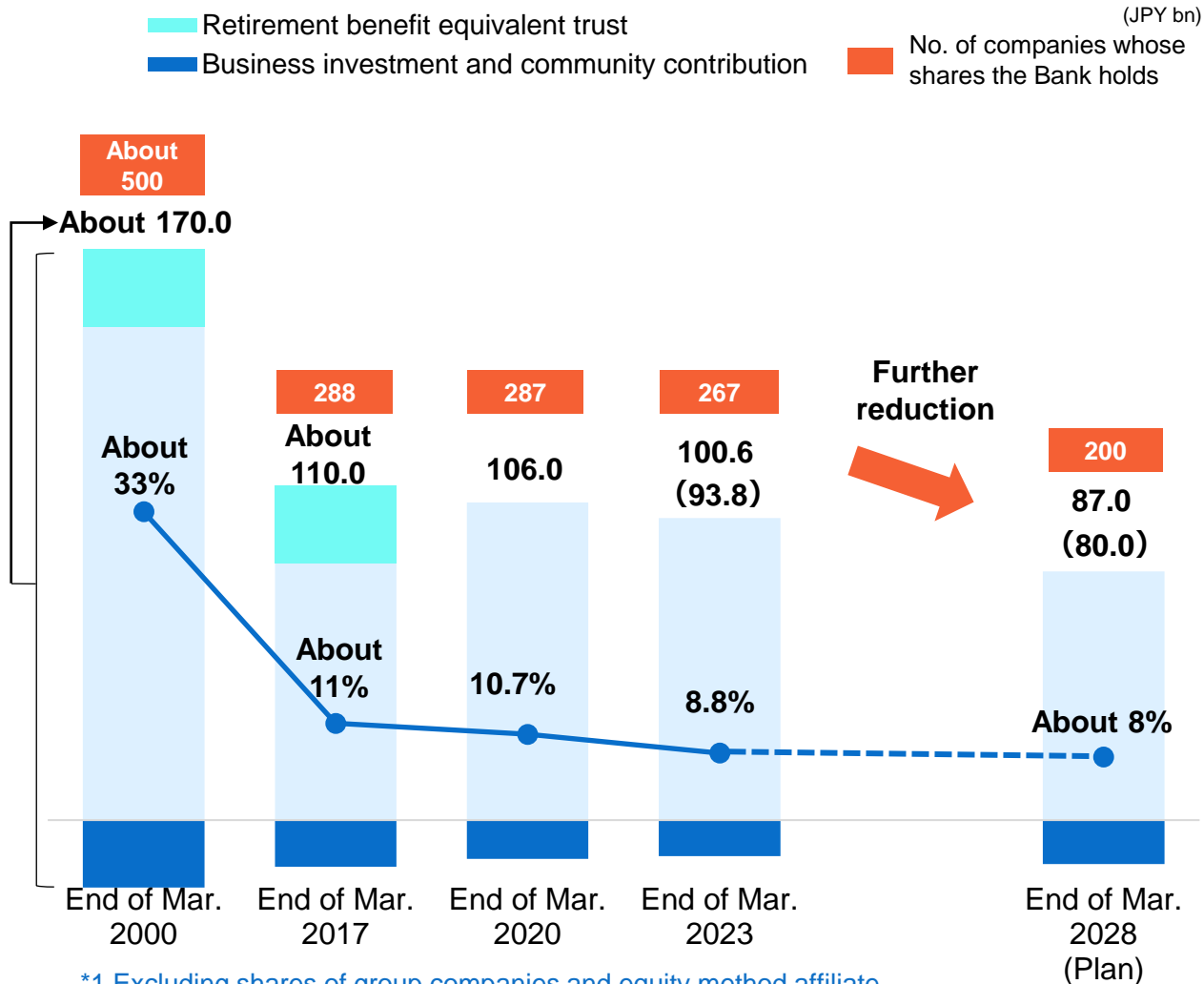


Strategic shareholdings

Make it a rule to reduce strategic shareholdings, and select stocks to sell and continuously sell shares in every fiscal year

Acquisition cost of strategic shareholdings*1

Figures in parentheses indicate listed shares.



*1 Excluding shares of group companies and equity method affiliate

Results of sales

Results of sales (JPY bn)	Amount of sales		Profit (loss) on sales*2
	Amount of sales	Acquisition cost basis	
FY2020	8.9	1.6	7.3
FY2021*3	12.4 (8.2)	3.8 (2.3)	8.7 (6.0)
FY2022	16.9	4.2	12.7

*2 Excluding amortization

*3 Figures in parentheses indicate sales of shares of Monex Group, Inc.

The amount agreed to sell (27 companies)

The amount agreed to sell (27 companies) (JPY bn)	Amount of sales		Valuation profit and loss
	Amount of sales	Acquisition cost basis	
End of Mar. 2023	48.6	12.1	36.6

Profits from the sale will be used to invest in systems and human resources.

Projected performance in FY2023

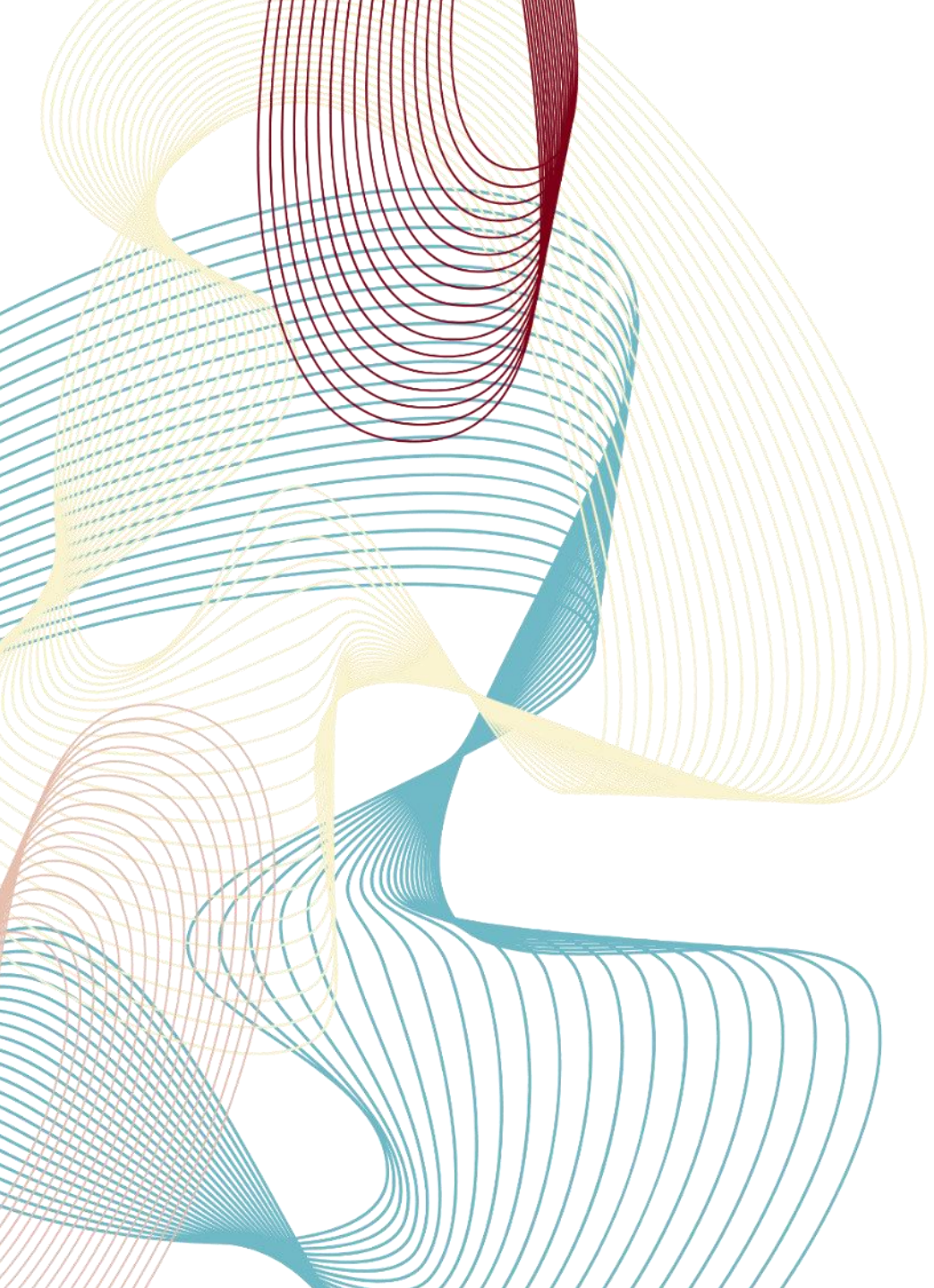
We expect ordinary profit of 80 billion yen and profit attributable to owners of the parent of 56 billion yen in FY2023.

(JPY bn)

	FY2020	FY2021	FY2022 (A)	FY2023 (Projected) (B)	
				YoY (B - A)	
Ordinary profit	63.3	54.2	74.0	80.0	+6.0
Profit attributable to owners of the parent	43.6	41.6	52.4	56.0	+3.6
ROE	4.1%	3.8%	4.6%	5.0%	+0.4pt
OHR	59.5%	64.2%	60.2%	58.3%	-1.9pt
CET1 ratio *	16.56%	16.08%	18.42% (14.17%)	17.14% (13.44%)	-1.28pt (-0.73pt)

*Actual results for FY2022 and forecast for FY2023 are ratios after the application of the finalization of Basel III.
Figures in parentheses are estimates assuming full application of the finalization of Basel III.

Shizuoka Bank Nonconsolidated	Gross operating profit	138.5	134.7	144.3	151.0	+6.7
	Net interest income	114.7	124.5	121.6	125.0	+3.4
	Fees and commissions	15.9	14.8	21.1	21.5	+0.4
	Trading income	0.9	0.9	1.4	1.5	+0.1
	Other operating profit	7.0	-5.5	0.2	3.0	+2.8
	Expenses (-)	84.4	88.2	86.9	89.0	+2.1
Ordinary profit	51.5	45.3	67.6	71.0	+3.4	
Net income	35.5	36.1	46.2	49.0	+2.8	
Credit related costs (-)	11.7	5.5	4.8	4.0	-0.8	

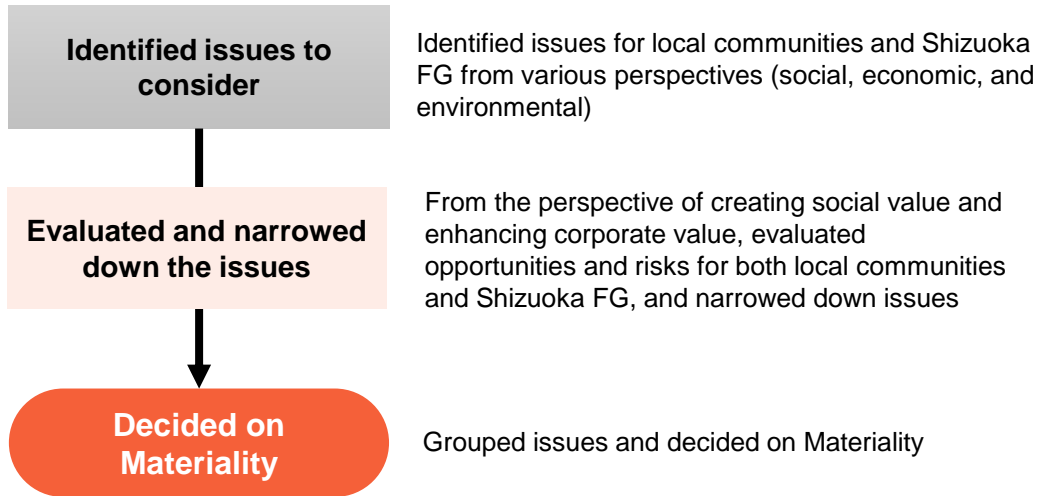


Reference (1) (ESG/SDGs)

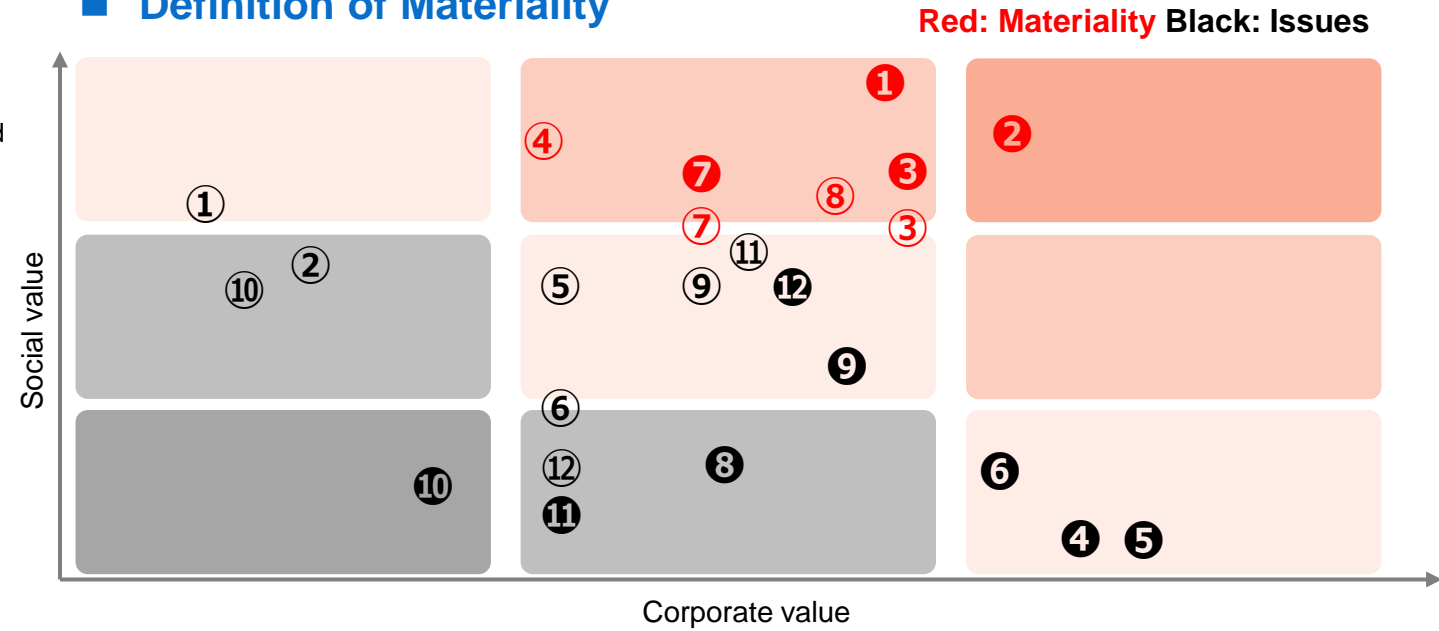
Sustainability Management (1) - Identify the materiality

After identifying issues for the local community and Shizuoka FG, evaluate them from the perspective of creating social value and improving corporate value, then identify the materiality

Materiality Identification Procedure



Definition of Materiality



Issues to consider

Issues in Shizuoka Prefecture

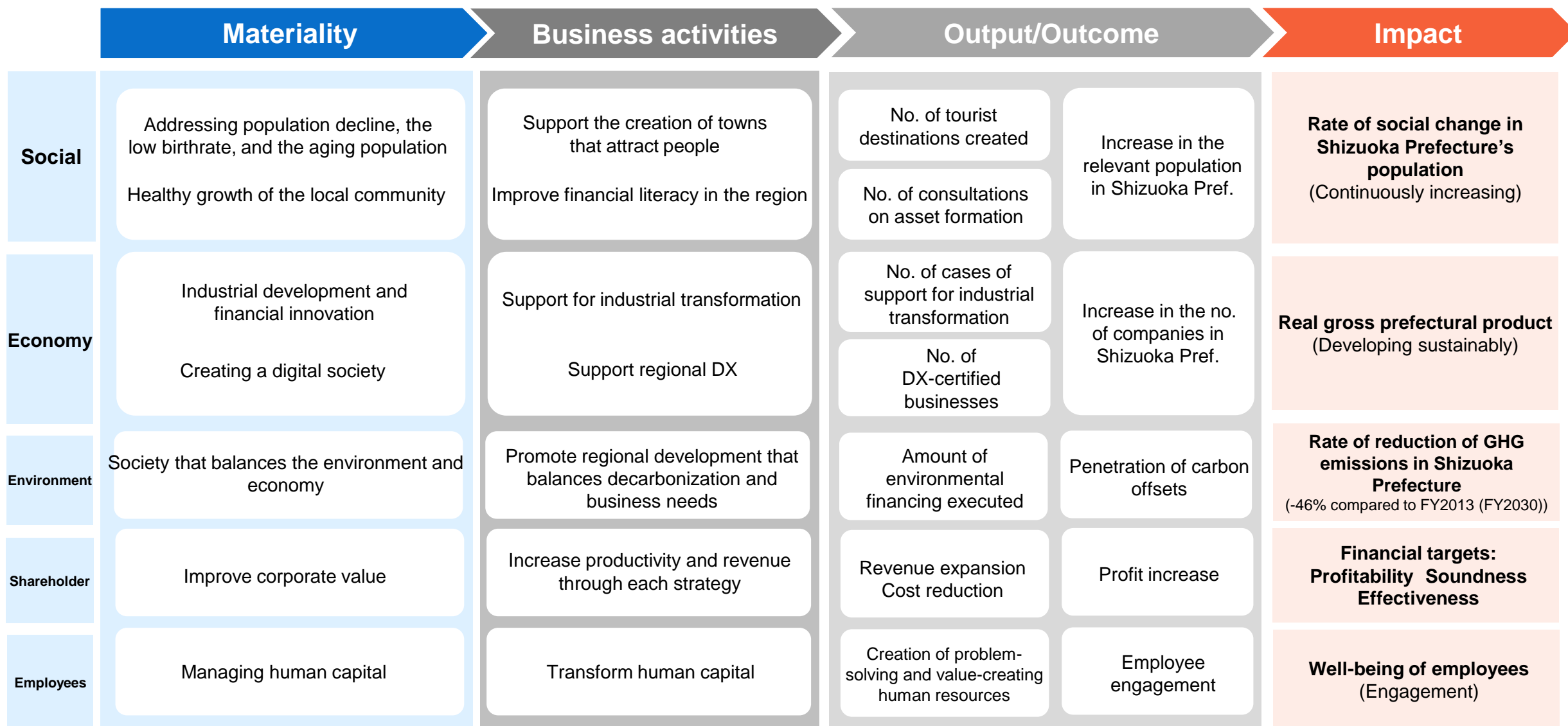
- ① Creating safe communities that protect lives★
- ② Improving medical care and welfare to live with peace of mind★
- ③ Creating a digital society
- ④ Forming a society where the environment and the economy are compatible
- ⑤ Forming a society where children can learn and grow in good health★
- ⑥ Developing people with talent and virtue
- ⑦ Realizing a society where everyone can play an active role★
- ⑧ Developing wealth-creating industries★
- ⑨ Proposing a variety of lifestyles
- ⑩ Enhancing transportation networks to increase the region's value
- ⑪ Enhancing and disseminating the attractiveness of "Fuji no Kuni"
- ⑫ Expanding exchanges with people around the world

Issues for SFG

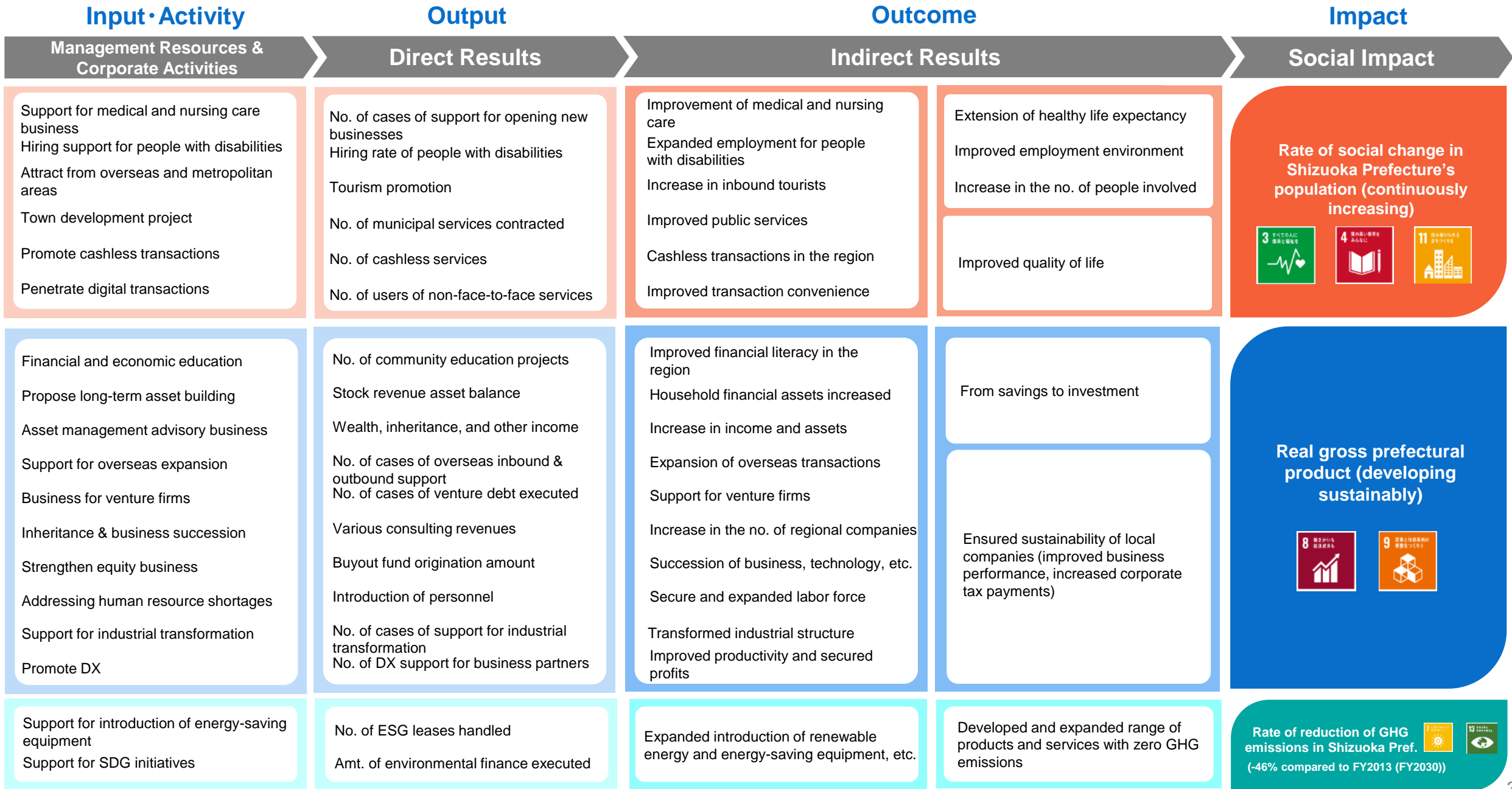
- ① Addressing population decline, the low birthrate, and the aging population
- ② Industrial development and financial innovation
- ③ Healthy growth of the local community
- ④ Expanding group business areas (addressing the deteriorating profitability of existing businesses)
- ⑤ Challenge for new business (revision of the Banking Act)
- ⑥ DX realization and modernization
- ⑦ DE&I penetration
- ⑧ Transformation of the corporate culture
- ⑨ Providing customer-driven products and services
- ⑩ Enhancing group governance (group independence and collaboration)
- ⑪ Dealing with complex and advanced security
- ⑫ Developing environmentally friendly products and services

Sustainability Management (2) - Overall picture

Identify seven key issues (materiality) under the theme of society, economy, and environment and create social impact through solving local issues



Sustainability Management (3) - Social Impact Roadmap



Rate of social change in Shizuoka Prefecture's population (continuously increasing)



Real gross prefectural product (developing sustainably)



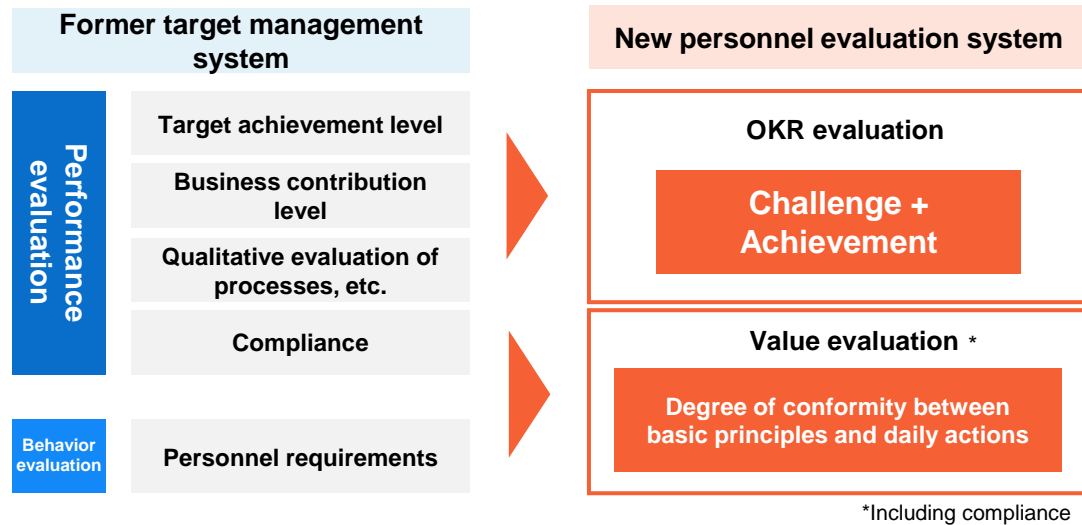
Rate of reduction of GHG emissions in Shizuoka Pref. (-46% compared to FY2013 (FY2030))



Introduced OKR into the personnel evaluation system to join management strategy and employee behavior. In addition, systematized training for leaders to lead organizational change.

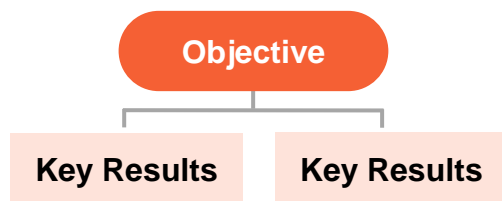
Renewal of personnel evaluation system

Introduced a new personnel evaluation system to join management strategies and employee behavior. The new system incorporates OKR, which joins each employee's dreams and actions with the organization's vision, and Value, a set of values to be embodied in daily actions to bring about management strategies and basic philosophy.



OKR Evaluation

The evaluation system is not based solely on performance targets and is composed of Objective and Key Results.



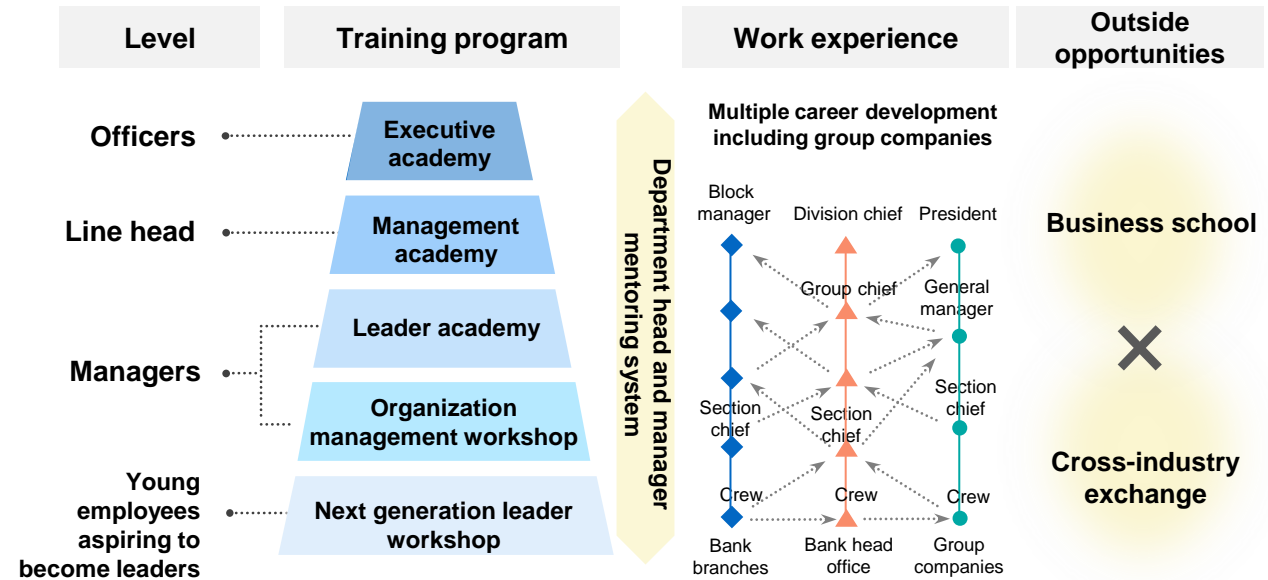
Value Evaluation

New value standards for behavior required of employees to bring about management strategies and basic principles

- Go Wild!
- Be Innovative!
- Do Collaboration!

Systematization of leadership education

Systematize leadership education combining training programs and outside opportunities to strategically develop human resources who can lead reform



Executive academy

Examples of lecturers and themes

- Mr. Shunsuke Takahashi (Liberal arts)
- Mr. Hiroyuki Morikawa (Digital society)
- Mr. Kunio Ito (Human capital management)

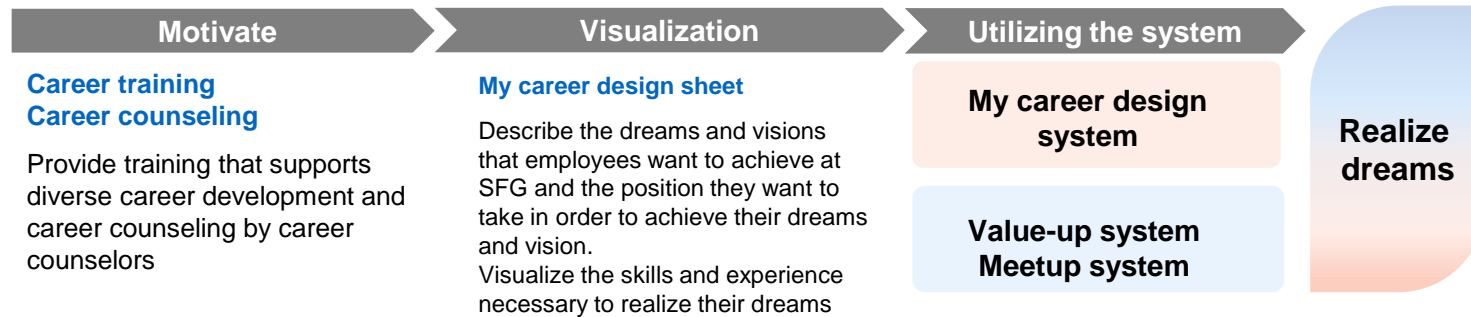
Number of training program participants

Fiscal Year	Participants
FY2020	129
FY2021	165
FY2022	237

Aim to foster a corporate culture that accelerates change by promoting DE&I for autonomous career development and maximizing human resource value

Support for autonomous career development

Systematize support for autonomous career development and help each employee achieve his or her dreams



My career design system Number of users: **348**

Dispatch to external companies and internal training (84 persons)
 Acquire expertise on business succession, digital technology, etc. through dispatch to external companies and training in specialized divisions

Post challenge/Side job (104 persons)
 Enable to challenge for a post in a department of your choice or have a side job within the company

Dispatch to local companies (19 persons)
 Deepen understanding of management issues faced by local companies and develop human resources capable of providing optimal solutions

Transfer system between group companies (103 persons)
 Regardless of employment status, transfers between companies are possible

Value-up system Number of users: **116**

A system that financially supports the development of skills necessary to achieve your dreams

Support cases

- Business schools (Graduate School of Management, GLOBIS University, etc.)
- Language schools (Berlitz, etc.)
- Qualification preparation schools (certified tax accountant, real estate appraiser)
- Programming schools

Meetup system Number of users: **52**

A system that supports the expenses to participate in cross-industrial exchange meetings and local events for the purpose of developing human networks and broadening vision

Support cases

- Cross-industrial exchange meetings
- Local events
- Study sessions and study tours

*Note: Cumulative numbers of participants for FY2019 to FY2022.

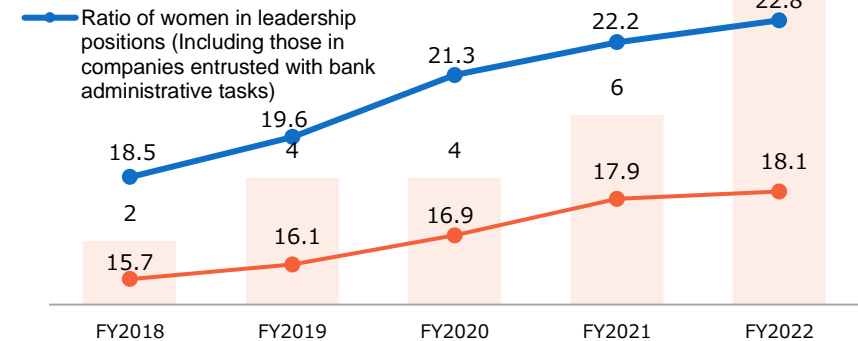
Accelerate DE&I to maximize human resource value

Aim to build an environment where diverse individuals respect each other and can demonstrate their abilities through the promotion of DE&I

Initiatives to promote women's participation in the workforce

Number of female directors in the entire group companies

Ratio of women in leadership positions



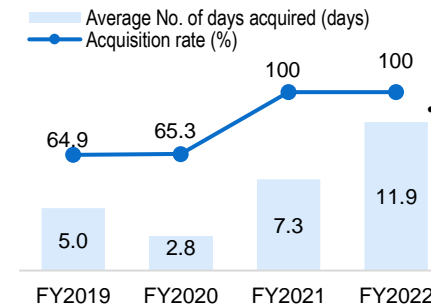
KPI

Ratio of women in leadership positions

March 31 2024: **22% or more**

March 31, 2031: **40% or more**

Maintain an acquisition rate of 100% for male employees taking parental leave



- Establish childcare-related systems to promote and strengthen participation in childcare without gender differences

- By eliminating hesitancy to take up childcare leave and correcting unconscious bias in balancing family and work, we maintain an acquisition rate of 100% for male employees taking parental leave

Aim to improve employee engagement and well-being through efforts to spread HR system reforms

Spread of new approaches to the HR system

Introduce My Sustainability Book

Created My Sustainability Book and distributed to all employees with the aim of linking the actions of each employee to management strategy. Mainly used as a tool for 1-on-1 meetings and each employee will complete the book over the medium term (5 years) in communication with supervisors.



Hold Town Meetings

Hold town meetings for direct dialog between management and employees to deepen understanding of corporate philosophy and management strategy.

Establish new sustainability training program

Newly establish sustainability training for all employees to help them understand the concept of medium-term management plan and how to effectively use My Sustainability Book.

Satisfaction and understanding of the HR system

Satisfaction with the HR evaluation system in the Employee Engagement Survey has improved since FY2021, when the HR system was reformed.

		(Shizuoka Bank)	FY2020	FY2021	FY2022	YoY
Evaluation item	HR system is able to fairly evaluate performance and attitude of employees based on facts		2.94	3.12	3.20	+0.08
	SFG operates its HR system that fairly evaluates employees to practice Corporate Philosophy		3.10	3.13	3.18	+0.05

Introduced OKR

External evaluations and participation in external organizations

Certification related to participation and advancement of women

“Platina Kurumin”



Four companies are certified as companies that provide a higher level of childcare support than Kurumin

- Shizuoka Bank
- Shizugin Business Create
- Shizugin TM Securities
- Shizugin IT Solution

“Platina Eruboshi”



One company is certified as having a workplace environment for the empowerment of women that is better than that of Eruboshi

- Shizugin Business Create

“Eruboshi” (3 stars)



Four companies are certified as having a workplace environment conducive to the empowerment of women

- Shizuoka Bank
- Shizugin Mortgage Service
- Shizugin TM Securities
- Shizugin IT Solution

Certified as 2023 Health & Productivity Management Outstanding Organization

健康経営銘柄
Health and Productivity
SFG

- Shizuoka Bank
- Shizugin IT Solution

Joined The Valuable 500

* An international initiative aimed at promoting disability inclusion in business

The Valuable 500

- Shizuoka Bank

Initiatives in Human Capital Management (4) - Transformation of Organizational Culture

Help to create a sustainable society by transforming organizational culture to one in which diverse values and personalities are combined to solve problems with new ideas.

13th Mid-Term Business Plan

- ✓ Enhanced flexibility in the dress code
- ✓ Expanded flextime and telework (to all staff)
- ✓ Developed side businesses step by step

WSI (July 2019-)

Shift **viewpoint from “internal rule” to “customers, community,”** establishing an autonomous style of work.

WSI 2.0 (April 2021-)

Create **innovative ideas and new feelings** by **promoting diversity, recognizing the value of each person, and bringing the best of their personalities.**

- ✓ Introduced a full flextime system
- ✓ Expanded work systems for diversity (relearning, life events, etc.)
- ✓ Extended the age limit for employing veterans

- ✓ Enhanced leave and work systems for childcare support
- ✓ Expanded diversity-related leave and work programs
- ✓ Introduced same-gender partnership system (in March 2023)

WSI 3.1

(March 2023-)

WSI 3.0 (October 2022-)

- Pursuit of the **wellbeing** of executives, employees, and their families.
- Respect and maximize diversity.

14th Mid-Term Business Plan

SFG 1st Medium-Term Business Plan

Culture & Wellbeing Innovation 1.0

(April 2023-)

- **Maintain the corporate culture and tradition** of being close to the community and customers, while simultaneously **reforming the company's internal culture.**
- Improve **health and wellbeing** (deepening health management, mutual growth of individuals and organizations through acceptance of diversity).

- ✓ Hold town meetings between management and employees
- ✓ Eliminate titles among executives and employees
- ✓ Start the Health Keeper System Trial (In-house physiotherapist for the visually impaired)
- ✓ Expand eligibility for using the personal injury and sick leave system, etc.

Enhance disclosure and promote initiatives to decarbonize the region

Initiatives related to TCFD Recommendation

- Below are the Bank's responses to 4 recommendations by TCFD

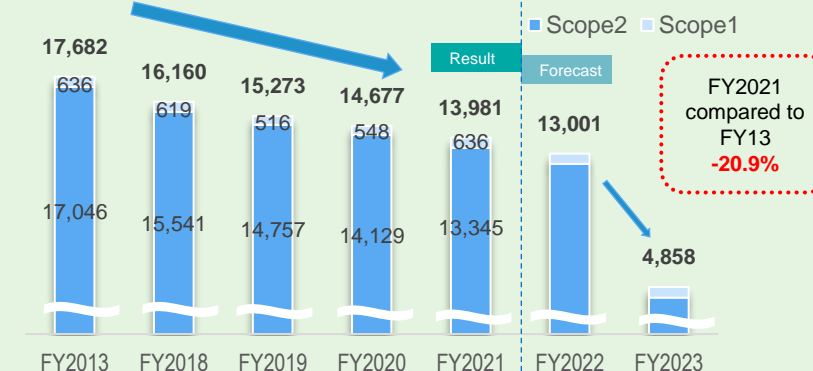
Governance	<ul style="list-style-type: none"> Established Group Policy on Environment (Oct. 2022) Established Environmental Committee (Oct. 2022)
Strategy	<ul style="list-style-type: none"> Conducted interview with customers on decarbonization (second round, covering about 2,300 companies) Promoting sustainable finance <ul style="list-style-type: none"> Selected by the Ministry of the Environment for the ESG Regional Finance Promotion Program (Jul. 2022) Received the Gold Award of ESG Finance Award Japan (Feb. 2023) Signed Partnership Agreement with Suzuyo Shoji Co., Ltd. and Shizuoka Gas Co., Ltd. (Sep. 2022) Funded Japan Green Investment Corp. for Carbon Neutrality (Oct. 2022) Set Shizuoka Prefecture GHG emissions reduction rate target as an impact indicator in the first Medium-term Business Plan
Risk management	<ul style="list-style-type: none"> Establish policy on investment in and loan to specified sectors (Apr. 2021) <ul style="list-style-type: none"> Do not newly invest in and extend loan to coal fired power generation in principle Conduct risk and scenario analysis on climate change Calculate the percentage of loans to the four carbon-related asset sectors

Indicators and targets

Targets

- SFG's Greenhouse Gas (GHG) Emissions Reduction Targets**
 - Achieve carbon neutrality by FY2030 (Scope 1 and 2)
- Sustainable Finance, Environmental Finance**
 - Cumulative total of JPY 2tn by FY2030 (including JPY 1tn in environmental finance)
- Outstanding investments and loans for coal-fired power generation**
 - Should be zero in or around FY 2040

- Results in decrease in GHG emission (t-CO₂)**



Note: Plan to switch all of the company's contracted electricity to renewable energy sources from FY2023.

- Participate in PCAF and estimate GHG emissions of the investees and borrowers**
- Endorse the basic concept of GX League and participate in the league**
- Obtained a "B-" rating in the CDP climate questionnaire (December 2022)**

Addressing Climate Change (2) - Support for Decarbonization

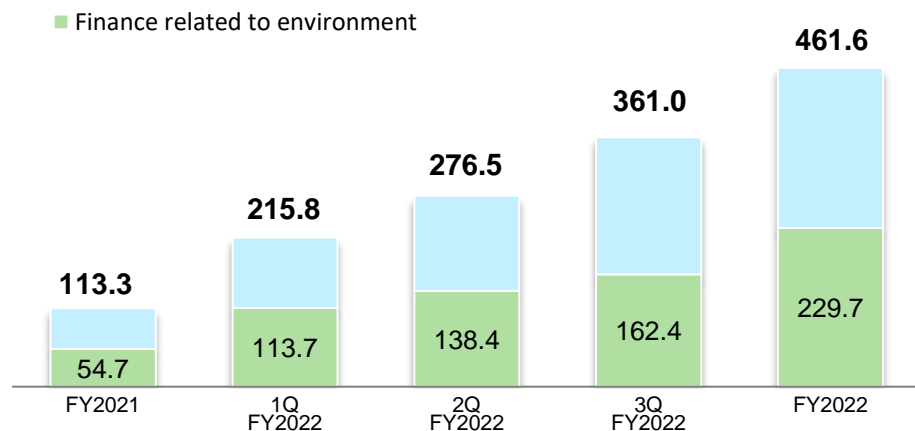
Develop support for customers with a focus on sustainable finance

Promoting Sustainable Finance

- Target by FY2030 **JPY 2tn** (Finance related to environment **JPY 1tn**)
Progress: **23.0%** (**22.9%** is for environment-related financing)

[Cumulative amount of sustainable finance executed]

(JPY bn)



SDGs Support Guarantee Program

- A guarantee program developed in cooperation with the Shizuoka Credit Guarantee Corporation to support companies engaging in the SDGs.
- Started in April 2022, ahead of other banks
- The number of guarantees approved exceeded approx. 3,200**
(End of Mar. 2023) (Approx. JPY 102.0bn)

Establish IMM system

- Visualize the regional impact and establish an Impact Measurement and Management (IMM) system, and selected by the Ministry of the Environment for the ESG Regional Finance Promotion Program
- Work to visualize and measure the economic ripple effects of identified impacts to further spread and promote sustainable finance

Scope 3 (Category 15 (Investments and Loans))

- Joined PCAF in November 2022. Calculated GHG emissions of corporate financing clients in accordance with PCAF standards
Carbon intensity: t-CO₂e/mn yen, Emissions: t-CO₂e

Industry	Carbon intensity	Emissions (Scope 1 & 2)	Industry	Carbon intensity	Emissions (Scope 1 & 2)
Beverages	0.33	2,919	Petroleum and gas	9.80	2,737,911
Agriculture	6.73	47,461	Coal	3.32	12,659
Packaged foods and meat	0.82	219,806	Electric power	11.99	246,061
Paper & forest products	2.28	594,780	Metals and mining	12.24	4,550,676
Air cargo	—	0	Chemical products	3.32	269,714
Passenger transport	4.75	15,080	Building materials	0.11	1,017
Maritime transport	9.81	170,359	Capital properties (Buildings, etc.)	0.34	71,341
Rail transport	1.12	28,271	Property management and development	0.02	199,539
Truck service	2.73	416,065	Other	0.67	2,216,874
Automotive and components	0.20	121,704	Total		11,922,235

Future Policies

- Consider appropriate support based on sophistication of calculations and results
 - Establish an efficient and accurate calculation system
 - In addition to loan balances, we will identify and analyze key sectors in addressing climate change based on GHG emissions and carbon intensity, and consider ways to support them.
- Strengthen support for business partners by further promoting sustainable finance

Addressing Climate Change (3) - Risk management

Recognize the risks associated with climate change and reflect them in strategies for decarbonization initiatives

Risks related to climate change

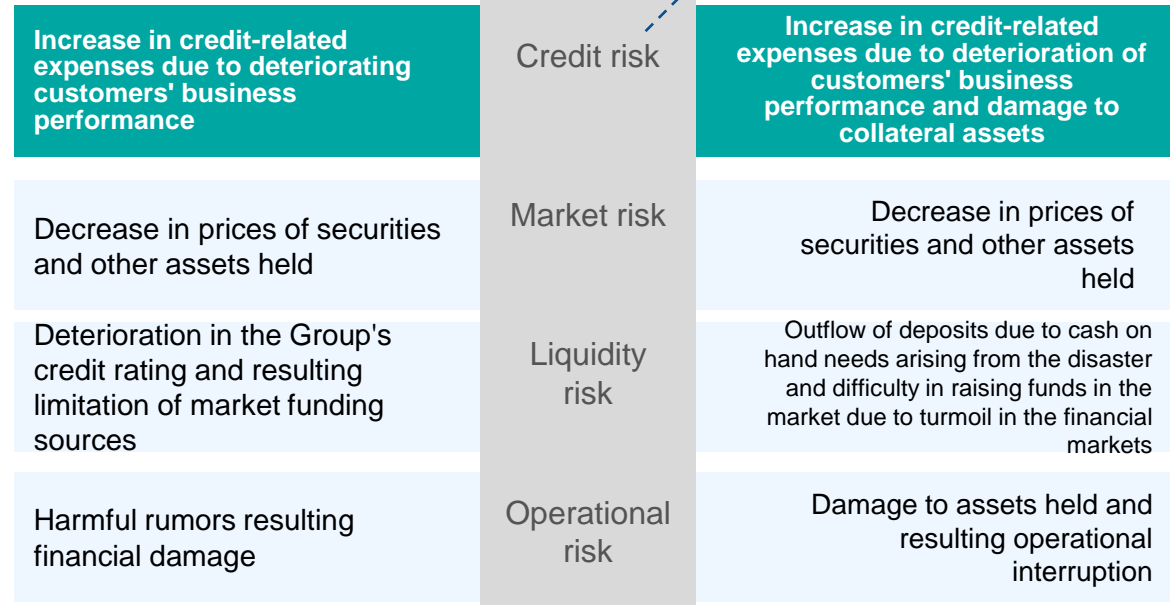
- Classify risks due to climate change based on TCFD recommendations
- Assume examples of transition and physical risks for each risk category as shown in the table below, and work to manage them appropriately

Transition risk

Risk due to damage from wind, flooding, etc.

Risks associated with changes in the business environment, including changes in policies, regulations, and technological developments, as well as risks due to delays in decarbonization efforts.

Due to damage caused by wind, flood, etc.



Future Policies

- Manage appropriately based on the characteristics of various risks and take into account the impact of climate change.

Carbon-related assets

- Calculate the percentage of loans to the four carbon-related asset sectors in the Bank's loan balance

Energy	Transport	Materials/Building	Agriculture/Food /Forest Products	Total
2.33%	8.05%	14.09%	4.30%	28.77%

Scenario Analysis

- Conduct scenario analysis for credit risk to visualize the amount of risk
- For transition risk, conduct in-depth analysis of automotive industry and enhance the analysis by adding electric power industry to the scope
- For physical risk, newly add small and medium and small sized enterprises and mortgage borrowers in Kanagawa Prefecture and Tokyo to the scope of the analysis

■ Transition risk (Initiatives in FY2022)

Target Sector	Paper pulp	Manufacture of motor vehicles and their accessories	Electricity Energy
Scenario	<ul style="list-style-type: none"> IEA net zero by 2050 (NZE2050) IEA/ETP 2017 Beyond 2°C NGFs Net Zero 2050 		
Method	Analyze changes in credit costs based on scenarios, using carbon tax and other forecast data to project changes in profit/loss and financial position by 2050		
Analysis Result	Increase in credit-related expenses up to approximately JPY18.8bn in total by 2050		

■ Physical risk (Initiatives in FY2022)

Scope of coverage	Calculation of credit-related expenses for building damage and business continuity risk for small and medium-sized businesses in Shizuoka, Kanagawa, and Tokyo	Calculation of building damage and credit-related expenses for mortgage borrowers in Shizuoka, Kanagawa, and Tokyo
Loan balances subject to analysis	JPY2,525.0bn	JPY2,502.5bn
Scenario	RCP8.5 in the IPCC WG II AR6 (4°C Scenario)	
Analysis Result	Increase in credit-related expenses up to approximately JPY14.8bn in total by 2050	

Initiatives for ESG

Environment

Raise up reduction target of decrease in GHG emission (aim at achieving carbon neutrality in FY2030)	2022/4
Establish target on Sustainable Finance (JPY 2tn in total by FY2030) Cumulative results through FY2022 : JPY461.6 bn (Progress rate to annual target: 23.0%)	2021/10
Join PCAF (Partnership for Carbon Accounting Financials) Join GX (Green Transformation) League	2022/11
Receive a "B-" rating in the results of the 2022 Climate Change Report by CDP	2022/12
Winner of two awards at the ESG Finance Awards Japan in two consecutive years (Silver Award in FY2021 and Gold Award in FY2022)	2023/2

Social

Establish Industrial Transformation Support Project Team	2022/4
Sign Japan Impact driven Financing Initiative	2021/11
Join The Valuable 500 * 	2021/2
Has held TECH BEAT Shizuoka (Total 8 times)	Since 2018
Established the Shizuoka Financial Group Human Rights Policy	2023/3

* An international initiative aimed at promoting disability inclusion in business

Governance

Disclose Board of Directors Skills Matrix, field where each member is expected to play an important role	2021/12
Transition to holding company structure (Adopted the structure of a company with an audit committee)	2022/10
Introduced the Group Chief Officer system	2022/10

ESG/SDGs (1) – Contribute to the region

Conduct diverse community contribution activities in line with our basic philosophy of expanding dreams and affluence together with the community
Proactively respond to disaster prevention and disaster mitigation in the region amid the possibility of a major earthquake in the Nankai Trough

Promotion of local culture and sports

Regularly hold concerts by domestic and foreign first class artists and events of Rakugo, Japanese traditional storytelling performance, for people in the region



Facilitate promotion of children sports by supporting tournaments of soccer and baseball for boys and girls



Education of finance and economy

- Actively work on education of finance and economy by providing people with opportunity to learn banks' role in economy and society through study tour in the Bank and lecture by the Bank's staff
- Hold Shizuoka Prefectural tournament of "Economics Koshien," a competition on economic and financial knowledge by high school students
- Hold a program where high school students, enterprise managers, and the Bank's staff seek attractiveness of Shizuoka as part of activity to develop human resources in the community



Business continuity in emergency

- Create outline of measures against emergency as a business continuity plan
- Establish a system where the Bank can instantly resume operation in emergency by introducing base isolation, installing standby generators, and preparing backup of systems
- Build a system to support people in the region in emergency by utilizing a special room in the headquarters



[Equipment for videoconference (in a special room for emergency)]

Agreement with NTT DOCOMO on service offering during a disaster

- Arrange battery chargers for mobile phones which can be used during a disaster in some branches and headquarters
- Use the Bank's headquarters as a site of NTT DOCOMO during a disaster



Measures against tsunami

- Deploy life jackets for customers and employees in branches in areas where people should immediately evacuate when tsunami occurs
- Prepare shelters against tsunami which work by floating in branches in areas where altitude is not high enough
- Take measures against tsunami when reconstructing branches on the coast

- Structure to prevent collapse by tsunami, rooftop higher than expected height of tsunami
- Outdoor upstairs to rooftop



[Life jackets]



[Outdoor upstairs to rooftop] 49



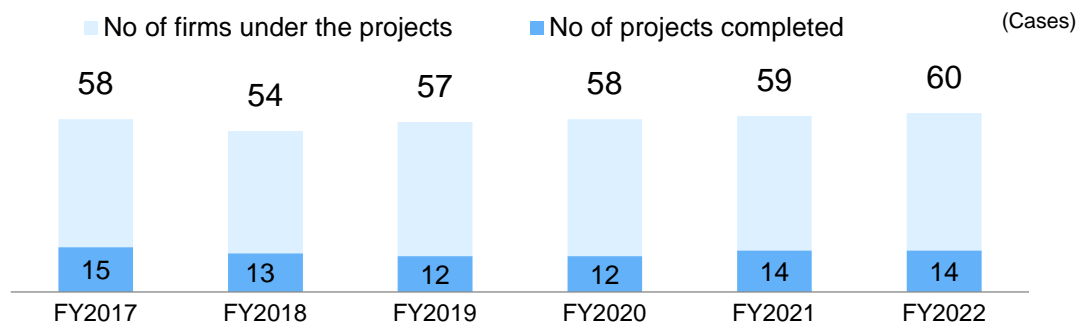
Provide support from various perspectives depending on the growth stage of customers

Support for business restructuring and turn around



Support restructuring through building business plans, alliances with external agencies, and utilizing business regeneration fund

Changes in the number of projects



Has completed business restructuring for about 300 firms since FY2005



Saves labor opportunities for opportunities for labor for about 27,000 people and maintain economic power in the local community

Credit ratings of customers supported by the Business Support Division in relation to Covid 19 have turned to increase for performing customers and remained unchanged for those requiring attention or lower.



Collaboration on non competitive fields with other financial institutions within Shizuoka Pref.

- Established the Industrial Transformation Support Project Team in April 2022 to strengthen the business support system that contributes to sustainable growth of local industries.
- Gathering information, researching and analyzing the automotive supply chain to create a supply chain tree diagram.

Support for entrepreneurship and new businesses



<Shizugin Entrepreneur Awards>

- Holding the event in order to expand employment and to activate economy in the region through support for foundation and new businesses
- The theme for FY2022 (9th) is New Challenges Create a Prosperous Future for the Local Community (80 entries, 5 award winners was awarded in April 2023).
- Held 9 rounds in total so far, resulting in 1,229 applicants, 64 winners
- Achieved following results compared to the point of winning through continued support to winners in the past rounds, contributing to development of local economy



Revenue + JPY 6.6 bn

No. of employees + 433

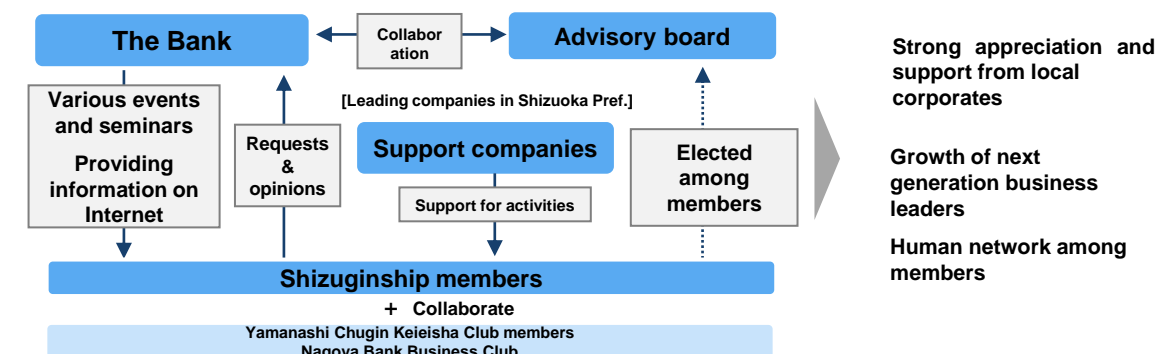
“Shizuginship” training club for the next generation managers



- Membership-based service which aims at enhancing ability of next-generation business leaders and contributing to development of the corporations and economy in Shizuoka Pref.
- Cooperation with “Yamanashi Chu-gin Keieisha Club” and “Nagoya Bank Business Club”

Structure of Shizuginship

No. of members: At the end of Mar. 2023 / 682 corporates, 1,001 people
No. of participants in activities in FY2022: Total 1,179 persons



ESG/SDGs (3) – Regional revitalization

Promote regional industry development by working as a coordinator among industry, government, academia and etc., and contributing to embodying businesses which help the development of the region

Shizuoka Kids Academy



Aim at developing human resources for regional areas by encouraging local children to learn about their home towns in a fun way, fostering a greater attachment to their home towns and encouraging them to live locally in the future

<Activities in FY2022>

Period	Details of the event	No. of Participants
May, Aug.	@Okushizu Agricultural Experience	37
Jun.	@Inatori Omotenashi Experience, etc.	44
Sep.	@Miho Aquaculture Experience	43
	With Agricultural production	130
Oct.–Jan.	Kids Academy “Tokugawa Ieyasu Project”	51



Shizugin Idea Competition “Joint LAB.”

- Aim at creating new businesses that will lead to the sustainable regional communities through collaboration among local businesses and organizations and the Bank
- Held the 1st round in FY2019, attracting 43 applications and resulting in ties up with 3 applicants in Aug. 2020

- The themes of the 2nd round are “Sustainability” and “Diversity & Inclusion”
- Number of Applications: 67
- Announced ideas for collaborative projects with three partners in Dec. 2022 after the first and second round of selection, and presentation



8th meeting to discuss regional revitalization



- Held the meeting to share advanced initiatives on regional revitalization within the community and to foster awareness on regional revitalization in Oct. 2022
- Staff in local government in Yamanashi Pref. and Yamanashi Chuo Bank participated the event this year based on the Shizuoka Yamanashi Alliance. Approx. 600 people participated online.

[Lectures]

- Hamamatsu City Flower Green Promotion Foundation
Director Ms. Konami Tsukamoto
- Mayor of Minami Alps City in Yamanashi Pref.
Mr. Kazumoto Kanemaru
- Mayor of Numazu City
Mr. Shuichi Yorishige



Events for individual business talks



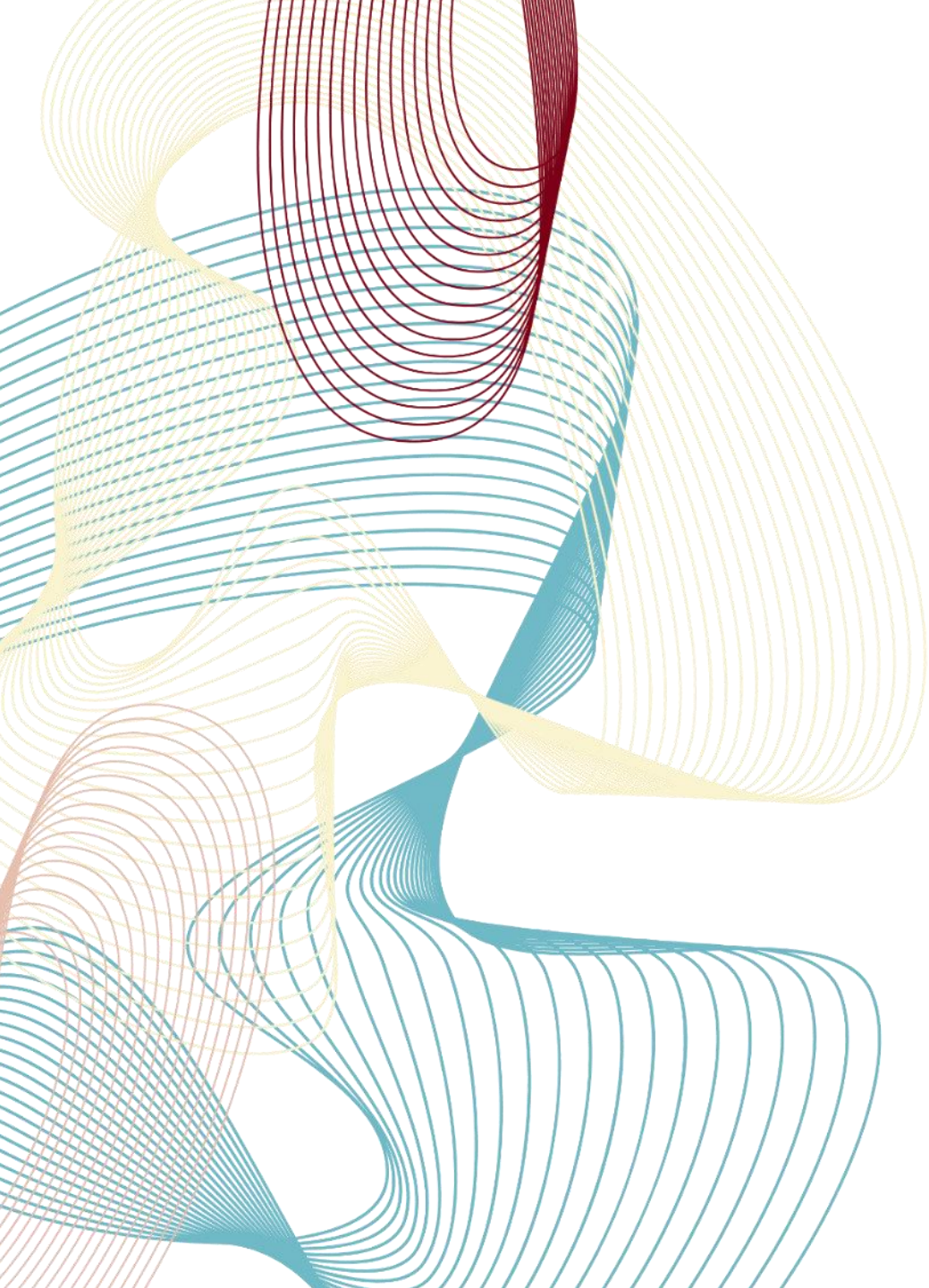
Held event for business talks to attract suppliers hoping to start business with grocery store and pharmacy in both Shizuoka and Yamanashi Pref. in order to expand business and to activate interaction between the two prefectures as part of Shizuoka Yamanashi Alliance

<Results (Jan. 2021–Mar. 2023)>

	Total	Shizuoka Bank	Yamanashi Chuo Bank
No. of events	24	—	—
No. of application	789	513	249
No. of participants	570	343	203
No. of business talks	819	524	271



*Includes projects not related to Yamanashi Chuo Bank

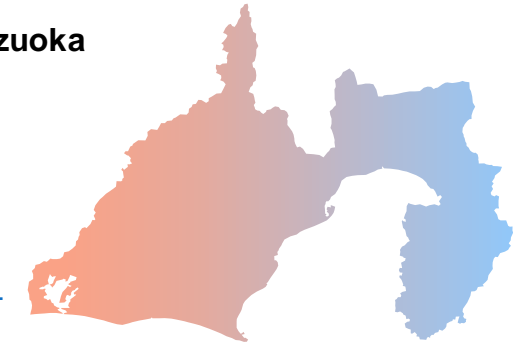


Reference (2)

Economy in Shizuoka Prefecture – Economic scale

The economy has a 3% share of the national economy and ranks 10th by prefecture, and its gross prefectural product in Shizuoka Prefecture is higher than that of the four prefectures in Shikoku and three prefectures in Hokuriku in Japan.

In comparison with the gross domestic product of other countries in the world, on par with Algeria and Hungary.



Shizuoka Prefecture economic scale

Prefectural GDP (FY2019, Nominal)

Rank	Prefecture/Region	(USD bn)
9	Fukuoka Prefecture	183.5
10	Shizuoka Prefecture	164.4
11	Ibaraki Prefecture	129.7
–	4 prefectures in Shikoku	136.6
–	3 prefectures in Hokuriku	123.2

GDP comparison with countries (2019)

Rank	Country (Region)	(USD bn)
54	Kazakhstan	181.7
55	Qatar	176.4
56	Algeria	171.7
–	Shizuoka Prefecture	164.4
57	Hungary	164.0
58	Ukraine	153.9

Shizuoka Prefecture indices

		Share of all-Japan	National ranking
Population	3.58mil	2.9%	10th of 47 (2022)
No. of households	1.62mil	2.7%	10th of 47 (2022)
Nominal prefectural GDP	JPY 17.8tn	3.1%	10th of 47 (FY2019)
Per-capita income	JPY 3.407mil	—	3rd of 47 (FY2019)
No. of business establishments	190K	3.0%	10th of 47 (2019)
Amount of shipments of manufactured goods, etc.	JPY 16.5tn	5.4%	3rd of 47 (2020)
Agricultural output	JPY 208.4bn	2.4%	15th of 47 (2021)
Fishery production volume	250k tons	7.7%	3rd of 47 (2021)
No. of industrial locations	49	5.7%	4th of 47 (2021)
No. of new housing starts	21K	2.5%	10th of 47 (2021)

Attractiveness of Shizuoka Pref. (1) – Nature, Sightseeing

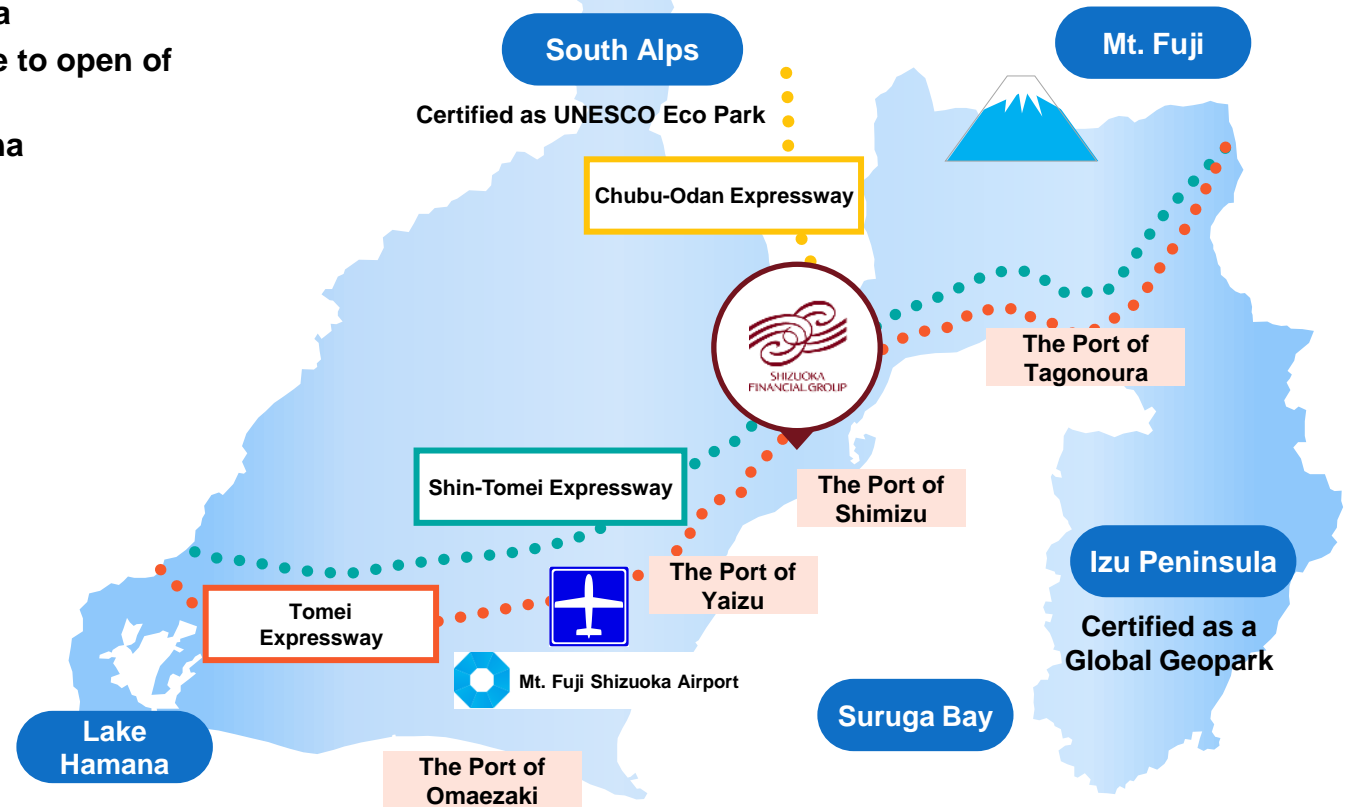
- Position as distribution hub between Tokyo and Nagoya/Osaka
- More convenient in transportation in north-south direction due to open of Chubu Odan Expressway
- Own rich nature such as Mt. Fuji, South Alps, and Lake Hamana
- One of the best Japanese sightseeing spots with nature
- Rank high in survey of place to hope to relocate in Japan

Ranking of place to hope to relocate by prefecture

Top in 2022 survey (3 consecutive years)
Popular to all generation

Ranking of place to hope to relocate			
2019	2020	2021	2022
3rd	1st	1st	1st

Source: Research by NPO "Center for Support to Return to Hometown"



Lake Hamana

- 10th largest lake in Japan
- Famous for marine sports and farming of eels and young sardines



Source: Website of public interest incorporated foundation "Bureau of Tourism in Hamamatsu and Lake Hamana"

UNESCO World Heritage Site in Shizuoka Prefecture

Mt. Fuji (Registered in Jun. 2013)
Inscribed on the World Heritage List as "Fujisan, sacred place and source of artistic inspiration"



Nirayama Reverberatory Furnaces
(Registered in Jul. 2015)
Inscribed on the World Heritage List as "Sites of Japan's Meiji Industrial Revolution: Iron and Steel, Shipbuilding and Coal Mining"



Source: Shizuoka Prefectural Tourism Association website

Izu Peninsula

Certified as a Global Geopark by UNESCO
(April 2018)

Ninth region in Japan to be certified



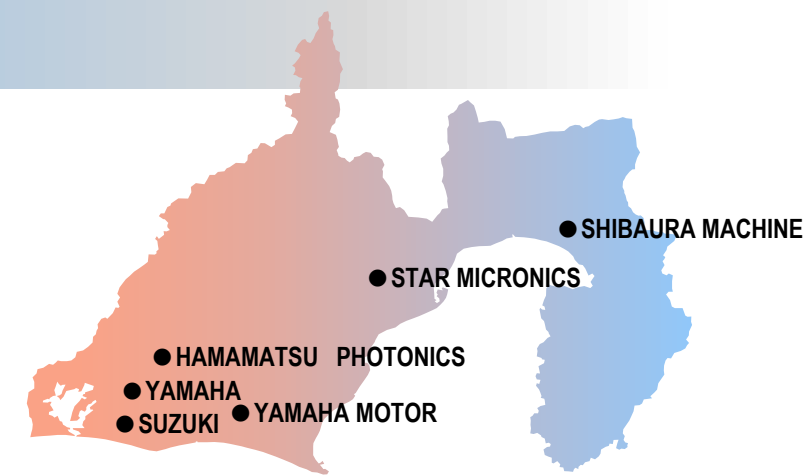
Attractiveness of Shizuoka Pref. (2) – Industry, Economy

Leading “Manufacturing Prefecture” in Japan

- Well-balanced industrial structure with transportation machine, medicines and medical devices, music instrument, etc.

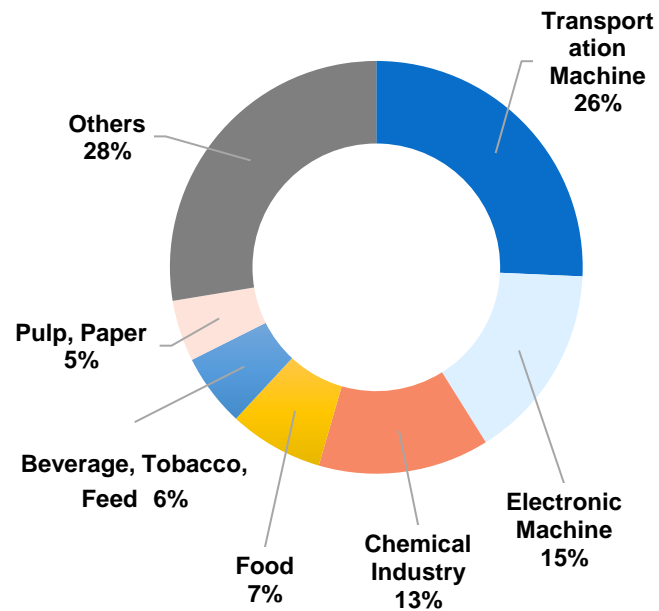
Medical health industry agglomerates mainly in eastern part of the Pref. and various advanced industry agglomerates in the whole Pref.

Rank high in no. of industrial location every year



Industrial structure

Amount of shipments of manufactured goods etc.
: JPY 16,451.3bn **3rd largest in Japan** (2020)



Source: Economic Census by METI

No. of industrial location

Rank high in Japan every year

FY	2017	2018	2019	2020	2021
No.	97	67	78	54	49
Ranking	1st	4th	2nd	3rd	4th

Source: Factory Location Trends Survey by METI

Medical health industry

Production amount of medicines and medical devices:
approx. JPY 1tn → 2nd in Japan (2021)

Category	Production amount (JPY bn)	Ranking
Medicines	699.8	3rd
Medical devices	339.1	1st
Total	1,038.9	2nd

Source: “Statistics of Production by Pharmaceutical Industry” by MHLW and Pharmaceutical Affairs Office in Shizuoka Pref.

Listed companies with headquarters within the Pref.

*As of the end of Mar. 2023

Listing	No. of companies
TSE Prime	20
TSE Standard	30
TSE Growth	1
Total	51

Agglomeration of advanced industry

Next generation cars, Light quantum technology, Marine biotechnology, and Cellulose nanofiber (CNF) etc.



Source: website of center for next generation cars Hamamatsu

Strategies by Region in the “Group Business Strategy”

Formulate strategies for each region and market, and optimally allocate management resources. Restructure strategy flexibly based on appropriate profitability analysis and verification.



<p>Kanagawa (Western part) - Same strategy as Shizuoka</p> <ul style="list-style-type: none"> Increase major customers by promoting to general corporations and expanding market share <p>Environment Sustainable finance (loans, leases, etc.)</p>	<p>Kanagawa (Other), Western Tokyo - Life planning business with a focus on real estate</p> <ul style="list-style-type: none"> Reinforcement of capturing real estate-related market needs Developing a life-planning business with loans as the starting point <p>Economies Real estate related business</p>	<p>Tokyo, Osaka - Pursue large-scale, highly profitable projects</p> <ul style="list-style-type: none"> Increase major customers by expanding market share of wholesale transactions <p>Economies Wealth</p>
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Aichi - Life Plan Business Alliance

- Collaboration with the Bank of Nagoya to support industrial transformation
- Developing a life-planning business with loans as the starting point

Society Industrial Transformation Support

Economies Life-planning Business

Yamanashi - Alliance

- Group business growth through alliances
- Revitalization of Shizuoka and Yamanashi prefectures as one economic zone

Economies Expansion of Group Businesses (Securities, Leases, Guarantees, etc.)

Society Regional Development and Tourism Revitalization

Shizuoka - All-round support and business development

- Focus on consulting services that leverage the Group’s collective strengths by developing measures and allocating personnel to resolve issues specific to each region.

<p>Corporate</p> <p>Society Industrial Transformation Support</p> <p>Environment Sustainable Finance and Consulting</p> <p>Economies Venture Business (Regional Innovation)</p> <p>Economies Equity Business</p> <p>Society Business Succession and M&A Business</p>	<p>Life planning</p> <p>Society Cashless</p> <p>Economies Wealth</p> <p>Society Financial and Economic Education</p> <p>Economies Total Asset Sales (inheritance, asset formation, etc.)</p> <p>Economies Business Improvement and Turnaround</p>
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Economies Venture business

Economies Asset-building business

Economies Cutting-edge financial services

ALM, markets, overseas - Revenue growth

- Capture profit opportunities through appropriate risk-taking

Economies Non-Japanese Loans Ship Finance

Economies Market Credit Investment

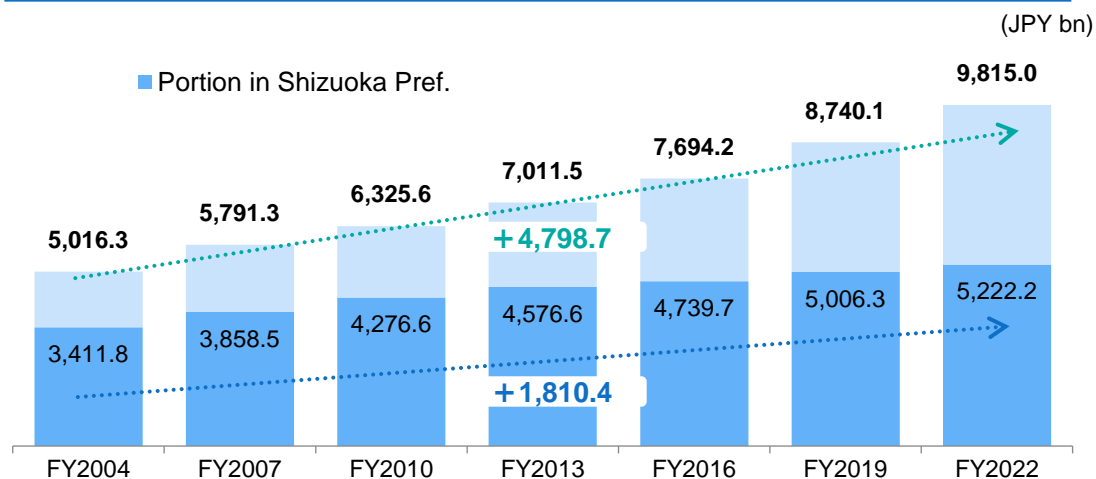
Economies Market Management

Economies ALM Strategy Operation

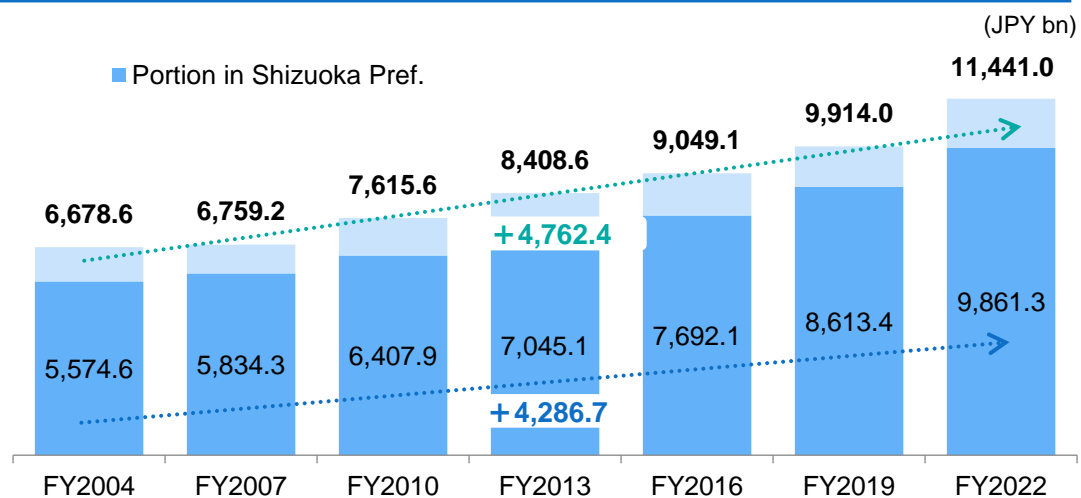
Historical data of loans and deposits

Total Loan and Deposit balance (average balance) has maintained increasing trend both inside and outside Shizuoka pref. since FY2004, and the Bank has received highest level of credit ratings

Total loan balance (average balance)



Deposit balance (average balance)



External ratings

Shizuoka Financial Group

Rating and Investment Information (R&I) **A+***

*The rating is down one notch due to structural subordination inherent in a holding company

Shizuoka Bank

Moody's **A1**

S&P Global Ratings **A-**

Rating and Investment Information (R&I) **AA-**

Moody's Long-Term Ratings (As of the end of Mar. 2023)

A1	Shizuoka Bank , MUFG Bank, and Sumitomo Mitsui Banking Corporation, Mizuho Bank, Chiba Bank and 7 other banks
A2	Resona Bank, Bank of Yokohama, and 4 other banks (including 2 regional banks)
A3	The Bank of Fukuoka, Joyo Bank, and 4 other banks (including 4 regional banks)

Expected Loss (EL) for all industries: JPY 11.3 bn and Unexpected Loss (UL) for all industries: JPY 91.4 bn

Contemporary status of business loans to particular industries

Credit balance (as of the end of Mar. 2023)

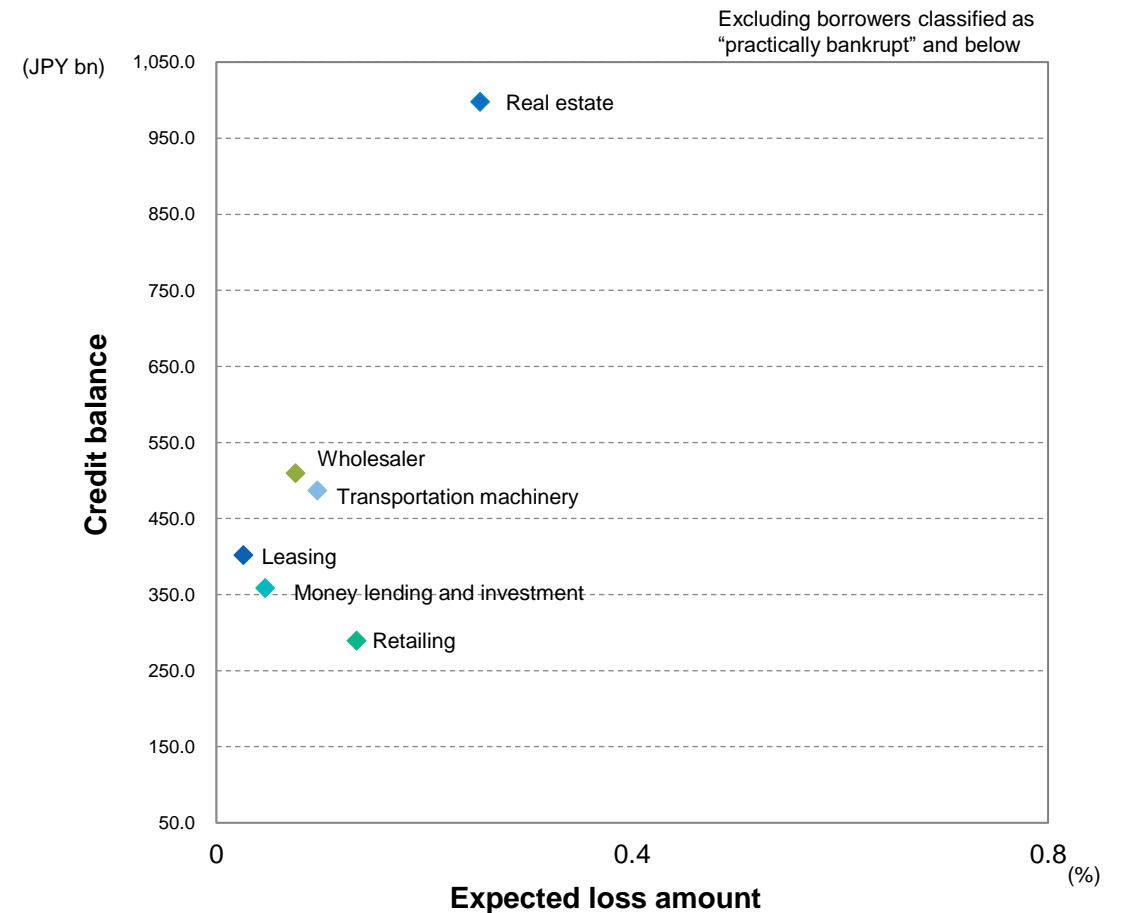
(JPY bn, %)

	Balance	Composition ratio	Change from the end of Mar. '22
All industries	6,732.7	100.0	+408.8
Real estate (*1)	997.9	14.8	+113.6
Transportation machinery	509.4	7.5	-7.6
Wholesaler (*2)	486.8	7.2	+57.1
Leasing	401.7	5.9	+19.7
Money lending and investment	358.6	5.3	+41.2
Retailer	289.3	4.3	+5.7
Construction	293.7	4.3	+17.8
Accommodation	88.7	1.3	+0.9

(*1) excluding apartment loans and loans for asset building

(*2) excluding a general trading companies

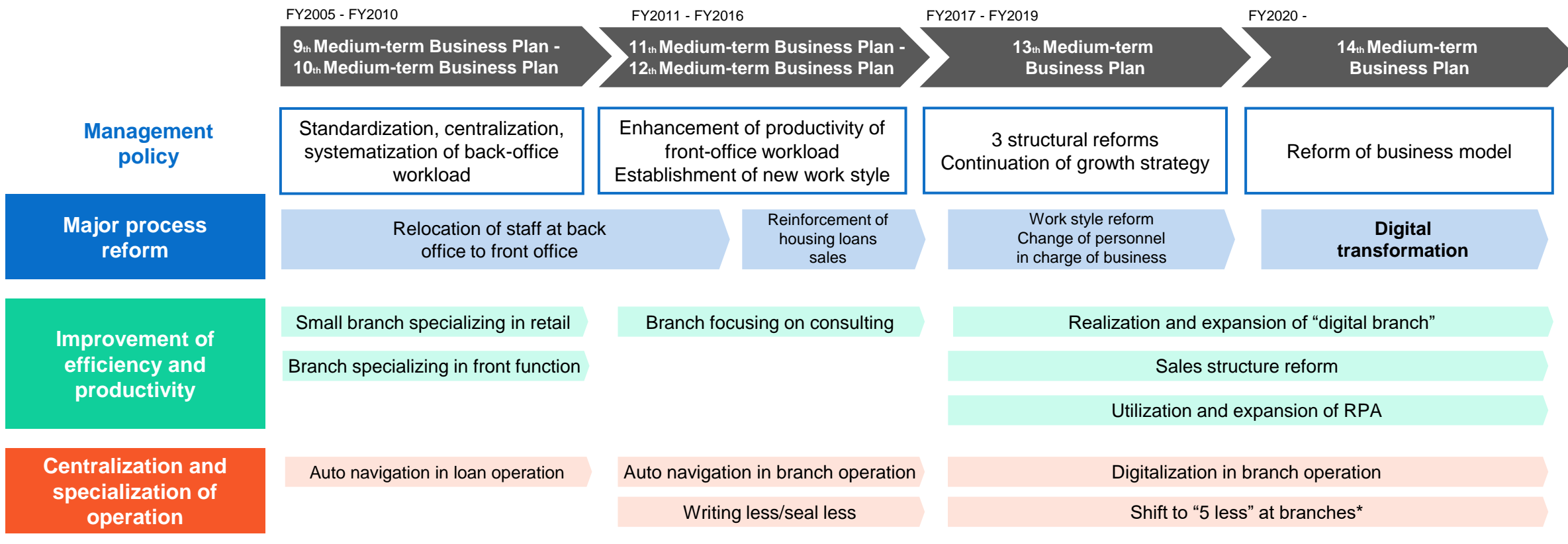
Credit balance vs. expected loss rate*



*Expected loss (EL) amount / Credit balance

Operation process reform

Aim to enhance productivity and to build new sales structure by promoting BPR, RPA, and sales structure reform



Major achievement so far

*Paperless, Seal-less, Cashless, Counter-terminal-less, Counter-less

Back office workload at branches

Reduced by 57%
(Comparison between FY2007 and FY2010)

Time to process workload on housing loans

Reduced by 63%
(Comparison between FY2010 and FY2013)

Relocation of staff at back-office to front-office

Increased front-office employees
while reducing total employees
* Including temporary employees

(person)	End of Mar. 2008	End of Mar. 2022	Increase/Decrease
Front-office at branches	2,411	2,701	+290
Back-office at branches	1,693	792	-901
Shizuoka Bank*	5,164	3,493	-1,671

Expand business as well as enhance productivity

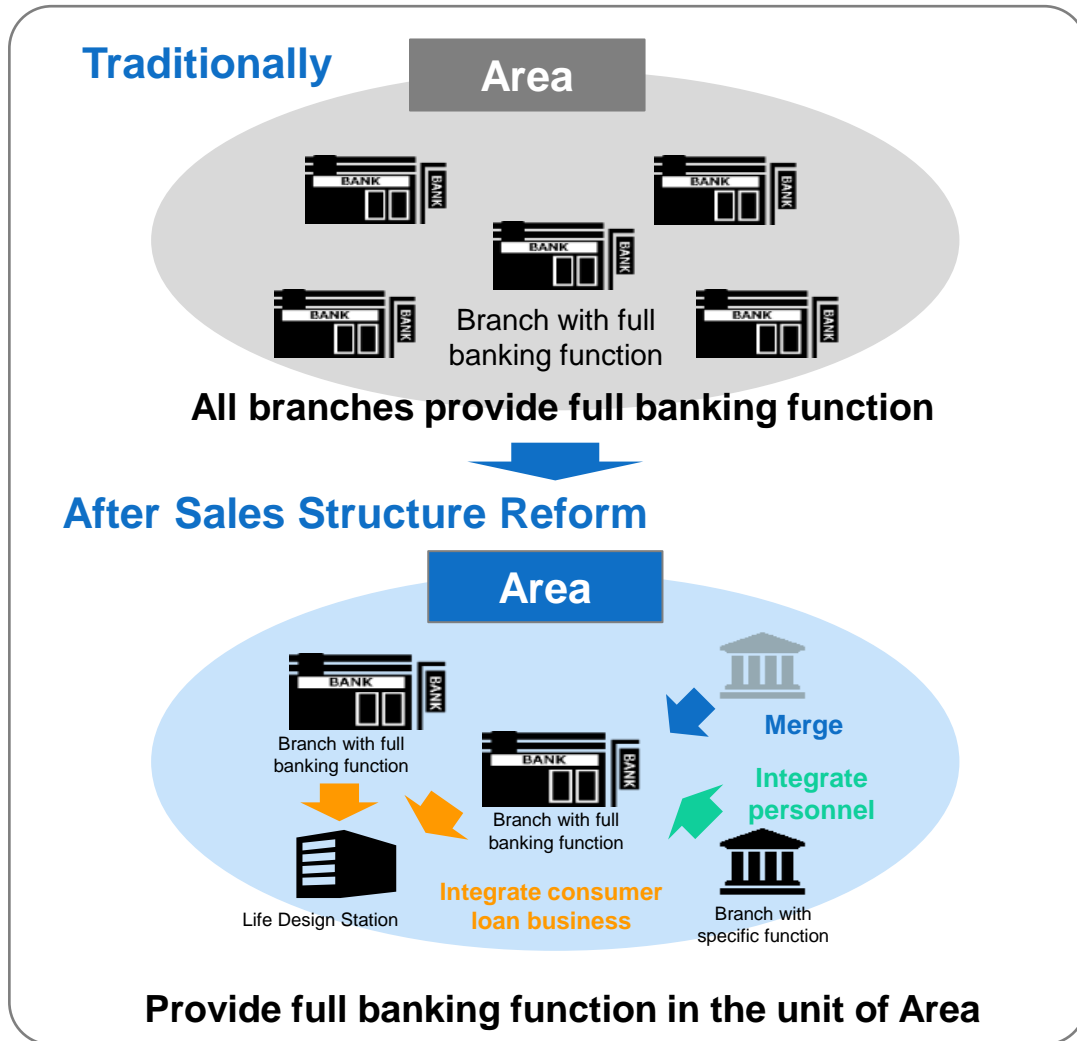


Compared to FY2004

Average balance of loan (FY2022) **x 2.0**
 Consolidated ordinary profit (FY2022) **x 1.5**

Provide high-quality financial services in the unit of Area through sales structure reforms, further enhancing customers' convenience and satisfaction, and conduct a review of ATM network

Sales Structure Reform (FY2018-2022)



Achievements

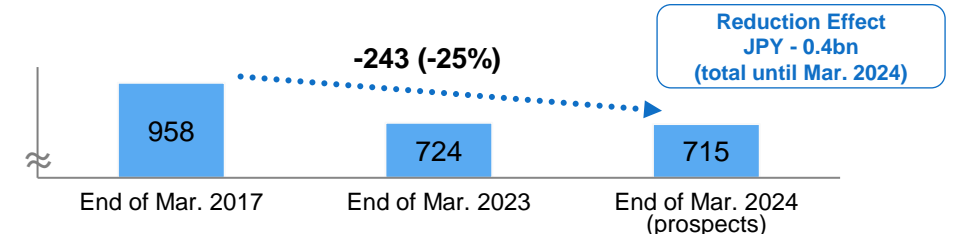
Areas where the reform was conducted
Branches decreased
Review of branch function
Branch closing at noon
Personnel reallocation
Branch-managing cost reduced

Result by FY2022

Approx. 90%
-23 branches
39 branches
35 branches
269 staff
JPY -2.0bn

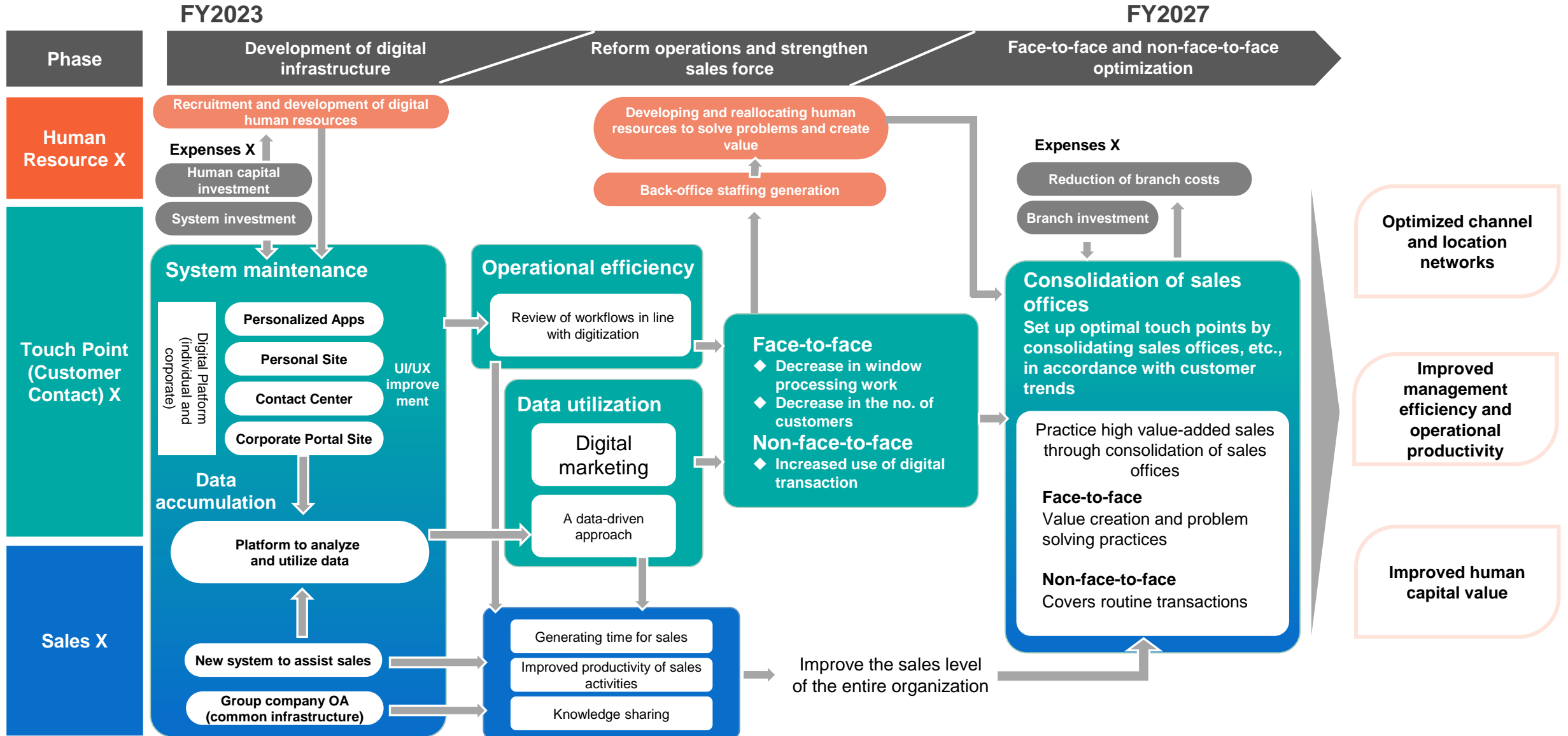
Relocation of stores to public facilities/Review on ATM network

- Relocated and opened the Asaba Branch in the Asaba Shopping Town "PADDY" Continue to exist with lighter branch functions and maintain a network of locations (Nov. 2022)
- Form appropriate ATM network based on situation of utilization [Historical data of no. of ATMs (both inside and outside branches)]



Goal through the “Transformation Strategy”

Aiming to optimize the channel and branch networks, improve productivity, and increase the value of human resources by correlating the transformation of each area



Allocation of risk capital

Allocation source	(JPY bn)		Risk capital allocated	Risk capital used	Ratio of risk capital used		
<div style="border: 1px solid black; padding: 5px; width: fit-content;"> Core capital JPY 778.2bn (End of Mar. 2023 basis) </div>	Credit risk 296.0		Loan (Credit risk)	211.3	128.2	60%	
	Market risk 335.3		Treasury division	408.1	119.5	29%	
			(strategic shareholdings)	(111.5)	(12.5)	(11%)	
	Strategic investments 12.0		Subsidiaries of holding company, etc. (Excluding Shizuoka Bank)	11.9	Subsidiaries of Shizuoka Bank	2.7	56%
			4.1				
			Operational risk 24.2	Strategic investments	12.0	7.4	61%
	Buffer capital, etc. 110.7		Operational risk	24.2	24.2	100%	
	Sub total	667.5	286.0	42%			
	Buffer capital, etc.	110.7	—	—			
	Total	778.2	—	—			

• Core capital = CET1 (excluding valuation difference on available-for-sale securities) <Fully-loaded basis>

• Risk capital amount = <Market risk> | VaR |
 <Credit risk> (1) | UL | (loan balance includes bad debt written off, CVAs)
 (2) Basel III capital requirement amount (designated loan claims, securitization transactions, investment funds, and private placement REIT)
 <Operational risk> Amount equivalent to operational risk

• Buffer capital is kept aside for emergencies such as the anticipated Great Earthquake and other unquantifiable risks

Group companies (Excluding bank)

The total ordinary profit of group companies (excluding Shizuoka Bank) in FY2022 was JPY 9.3bn (down JPY 0.3bn YoY)

Company name	Business	FY2022	
		Ordinary Profit	YoY change
Shizugin Management Consulting Co., Ltd.	Corporate and financial management advisory services Bill collection services	0.5	-0.1
Shizugin Lease Co., Ltd.	Leasing	1.6	-0.0
Shizuoka Capital Co., Ltd.	Public-offering assistance Support for corporate rehabilitation	0.3	+0.0
Shizugin TM Securities Co., Ltd.	Securities	1.8	-0.5
Subsidiaries of Shizuoka Bank			
Shizugin IT Solution Co., Ltd.	Computer system development and operation	0.3	+0.0
Shizugin Credit Guaranty Co., Ltd.	Guarantee of housing loans, etc.	4.1	+0.3
Shizugin DC Card Co., Ltd.	Credit card and guarantee of consumer loans	0.9	-0.0
Shizuoka Bank (Europe) S.A.	Finance and securities-related services	-0.3	-0.2
Shizuoka Liquidity Reserve Ltd.	Purchases of monetary receivables	0.2	+0.2
Shizugin General Service Co., Ltd.	Fee-based job placement service, general administration	0.0	-0.0
Shizugin Mortgage Service Co., Ltd.	Appraisal of real estate for loan collateral Operation center for loans	0.0	+0.0
Shizugin Business Create Co., Ltd.	Operation center for remittance and bill collection Part-time employee management	0.0	+0.0
Shizugin Heartful Co., Ltd.	Making, printing and binding of documents	0.0	-0.4
Total excluding Shizuoka Bank (13 companies)		9.3	-0.3
(Ref.) Affiliates under equity method of accounting			
Shizugin Saison Card Co., Ltd.	Credit card, prepaid card, and guarantee of consumer loans	0.2	+0.1
Monex Group, Inc.	Holding stocks of companies practicing securities and so on	* 4.7	-16.1

*Profit before income tax

Shareholder return – Share buybacks (Time series data)

210 million shares (26.1% of shares outstanding before the initial retirement in 1997) have been retired by FY2022

We plan to cancel 10mil shares on May 31th 2023

	Shares bought back (thousand shares)	Repurchase amount of shares (JPY mil)	Number of shares cancelled (thousand shares)	Cancellation amount (JPY mil)	Shareholder return ratio <Consolidated> (%) (*)	EPS <Consolidated> (Yen)	BPS <Consolidated> (Yen)	DPS <Consolidated> (Yen)
FY1997	7,226	9,997	7,226	9,997	—	20.4	587.6	6.0
FY1998	6,633	9,142	6,633	9,142	84.1	20.8	632.2	6.0
FY1999	8,357	9,143	8,357	9,143	52.6	33.4	652.8	6.0
FY2000	24,954	23,281	24,954	23,281	150.3	24.0	792.0	6.0
FY2001	8,234	8,267	8,234	8,267	170.5	10.0	742.5	6.0
FY2002	29,928	23,107	—	—	222.1	17.1	722.3	7.0
FY2003	10,712	8,566	30,000	23,381	50.2	37.6	833.4	7.0
FY2004	—	—	—	—	16.9	50.0	878.8	8.5
FY2005	—	—	—	—	21.4	46.6	1,024.6	10.0
FY2006	—	—	—	—	24.3	53.4	1,086.0	13.0
FY2007	10,000	12,621	10,000	10,130	62.6	49.3	1,003.8	13.0
FY2008	—	—	—	—	69.7	18.6	909.2	13.0
FY2009	5,000	3,996	5,000	4,638	39.8	46.9	1,005.4	13.0
FY2010	20,000	14,980	20,000	15,957	65.7	52.9	1,024.6	13.0
FY2011	20,000	14,575	—	—	63.0	56.3	1,109.7	13.5
FY2012	10,000	8,239	20,000	14,953	31.5	87.5	1,242.1	15.0
FY2013	20,000	22,642	—	—	69.3	74.1	1,290.1	15.5
FY2014	10,000	11,315	—	—	42.4	80.3	1,500.2	16.0
FY2015	4,767	6,999	—	—	40.2	77.8	1,500.3	20.0
FY2016	10,000	8,496	20,000	20,578	70.6	48.0	1,545.6	20.0
FY2017	10,000	9,736	—	—	44.3	83.7	1,669.0	21.0
FY2018	10,000	10,069	30,000	30,530	49.1	79.3	1,738.5	22.0
FY2019	10,000	8,623	10,000	10,139	54.9	67.2	1,727.1	22.0
FY2020	—	—	10,000	9,619	32.9	76.0	1,922.6	25.0
FY2021	10,000	8,759	—	—	56.2	73.3	1,926.0	26.0
FY2022	10,000	10,000	—	—	51.1	92.9	2,050.7	30.0
Total	255,811	242,557	210,404	199,758	—	—	—	—

*Consolidated financial statements have been prepared since FY1998



This document includes statements concerning future business results. These statements do not guarantee future business results, but contain risks and uncertainties.

Please note that future business results may differ from targets for reasons such as changes in the business environment.

Note: As a rule, financial amounts in this report are rounded to the nearest unit. Figures in the graphs that show year-on-year comparisons are calculated in the tables.

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