

**Shizuoka Financial Group**  
**Results of 1Q FY2023**

August, 2023

# Results of 1Q FY2023 (Consolidated)

(JPY bn,%)	1Q FY2023	YoY*1	
		Increase/Decrease	Rate of change
<b>Gross operating profit</b>	<b>44.4</b>	<b>+6.5</b>	<b>+17.1</b>
operating expenses (-)	26.2	+0.8	+3.3
Profit based on the equity-method investment balance	0.5	+0.3	+131.9
<b>Net operating profit*2</b>	<b>18.6</b>	<b>+6.1</b>	<b>+48.8</b>
Credit-related costs (-)	1.5	+0.6	+60.1
Gain (loss) on stocks	5.9	-0.9	-13.5
<b>Ordinary profit</b>	<b>23.3</b>	<b>+4.2</b>	<b>+22.2</b>
Extraordinary profit and loss	-0.0	-0.2	-117.6
Net income before taxes	23.3	+4.1	+21.2
Corporate taxes (-)	6.8	+2.1	+43.5
<b>Net income*3</b>	<b>16.5</b>	<b>+2.0</b>	<b>+14.0</b>
ROE	5.6	+0.3	—

## Gross operating profit

**JPY 44.4bn** (First increase in 2 periods) \*1

Increased by JPY 6.5bn, mainly due to increase in gross operating profit of Shizuoka Bank (JPY 6.1bn)

## Net operating profit

**JPY18.6bn** (First increase in 2 periods) \*1

Increased by JPY 6.1bn, due to increase in gross operating profit, and profit based on the equity-method investment balance, etc., despite an increase in operating expenses

## Ordinary profit

**JPY 23.3bn** (Continued increase in 2 periods) \*1  
**Progress rate 29.1%**

Increased by JPY 4.2bn, because of an increase in net operating profit, despite an increase in provision for specific allowance for loan losses and a decrease in gain (loss) on stocks

## Net income

**JPY 16.5bn** (Continued increase in 4 periods) \*1  
**Progress rate 29.4%**

Increased by JPY 2.0bn thanks to an increase in ordinary profit

\*1 Consolidated results of Shizuoka Bank for 1Q fiscal years 2022 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

(JPY bn,%)	1Q FY2023	YoY	
		Increase/ Decrease	Rate of change
<b>Gross operating profit</b> (Core gross operating profit)	41.4 (40.0)	+6.1 (-3.7)	+17.2 (-8.5)
Net interest income	33.1	+1.8	+5.6
Fees and commissions	7.0	+1.0	+17.3
Trading income	0.2	-0.4	-67.4
Other operating profit	1.2	+3.7	-145.2
(Bond-related income such as JGBs)	(1.4)	(+9.8)	(-116.6)
(Foreign exchange trading profit)	(-0.4)	(-6.3)	(-107.5)
Expenses (-)	23.8	+0.6	+2.6
Actual net operating profit	17.6	+5.5	+45.0
<b>Core net business profit excluding gains (losses) on bonds and cancellation of investment trusts</b>	<b>16.2</b>	<b>-4.1</b>	<b>-20.2</b>
Provision for general allowance for loan losses (-)	-0.6	-0.6	-
<b>Net operating profit</b>	<b>18.3</b>	<b>+6.1</b>	<b>+50.2</b>
Nonrecurring profit and loss	4.7	-1.9	-28.5
Bad debt written-off (-)	1.7	+1.0	+152.6
Gain (loss) on stocks	6.0	-0.9	-12.8
<b>Ordinary profit</b>	<b>22.9</b>	<b>+4.2</b>	<b>+22.7</b>
Extraordinary profit and loss	-0.0	-0.2	-117.6
Net income before taxes	22.9	+4.1	+21.7
Corporate taxes (-)	6.0	+1.9	+47.7
<b>Net income</b>	<b>16.9</b>	<b>+2.2</b>	<b>+14.5</b>
Credit-related costs (-)	1.0	+0.4	+53.8

## Major Group Companies other than the Bank

(JPY bn)	Shizugin Management Consulting		Shizugin Lease	
	1Q FY2023	YoY	1Q FY2023	YoY
<b>Gross operating profit</b>	<b>0.3</b>	<b>+0.1</b>	<b>0.8</b>	<b>-0.0</b>
Expenses (-)	<b>0.3</b>	<b>+0.1</b>	<b>0.4</b>	<b>-0.1</b>
<b>Ordinary profit</b>	<b>0.1</b>	<b>+0.0</b>	<b>0.5</b>	<b>+0.1</b>
<b>Net income</b>	<b>0.1</b>	<b>+0.0</b>	<b>0.3</b>	<b>+0.0</b>
	Shizuoka Capital		Shizugin TM Securities	
	1Q FY2023	YoY	1Q FY2023	YoY
<b>Gross operating profit</b>	<b>0.1</b>	<b>+0.0</b>	<b>1.8</b>	<b>+0.1</b>
Expenses (-)	<b>0.1</b>	<b>+0.0</b>	<b>1.3</b>	<b>+0.0</b>
<b>Ordinary profit</b>	<b>0.0</b>	<b>-0.0</b>	<b>0.5</b>	<b>+0.1</b>
<b>Net income</b>	<b>-0.0</b>	<b>-0.0</b>	<b>0.4</b>	<b>+0.1</b>

## Actions by major group companies

### Shizugin Management Consulting Co. Ltd.

The mainstay M&A sector performed solidly. Strengthened our ability to respond to a wide range of client needs by launching new J-credit business and employing dedicated DX consultants.

### Shizugin Lease Co. Ltd.

Profit increased due to a decrease in expenses, mainly credit-related costs. New carbon offset lease product offerings began in June 2023.

### Shizuoka Capital Co. Ltd.

Strengthened the support system for portfolio companies by employing outside specialist personnel. Established an alliance fund (total amount of JPY 0.5bn) with Nagoya Bank at the end of June, 2023.

### Shizugin TM Securities Co. Ltd.

Increased profit due to higher sales volume mainly in mutual funds and wrap products as a result of an improved market environment.

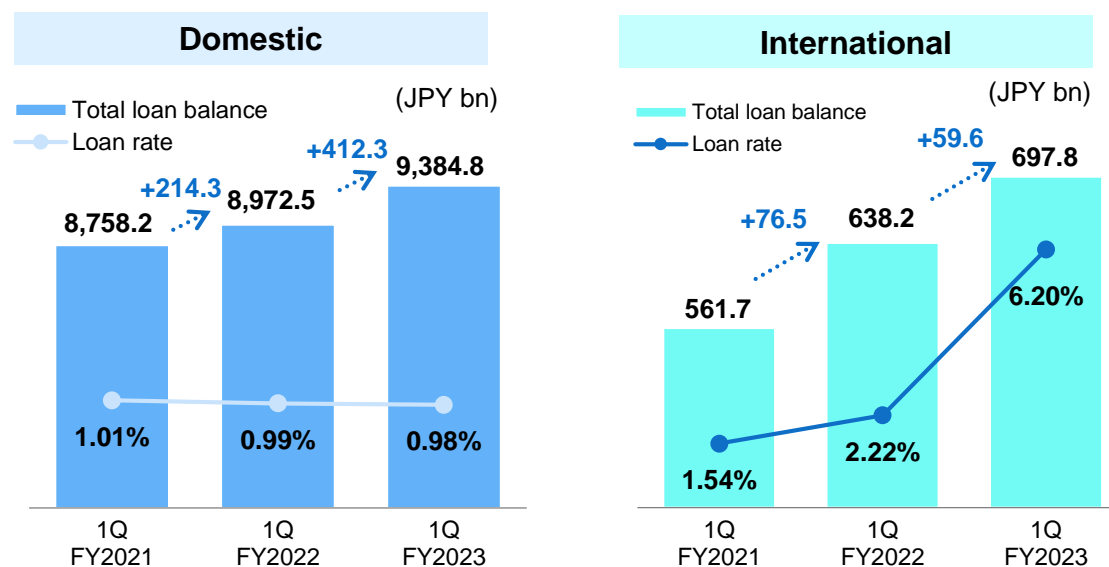
# Net interest income - Shizuoka Bank nonconsolidated

Net interest income increased by 1.8 billion yen due to steady performance in domestic section and an increase in international section

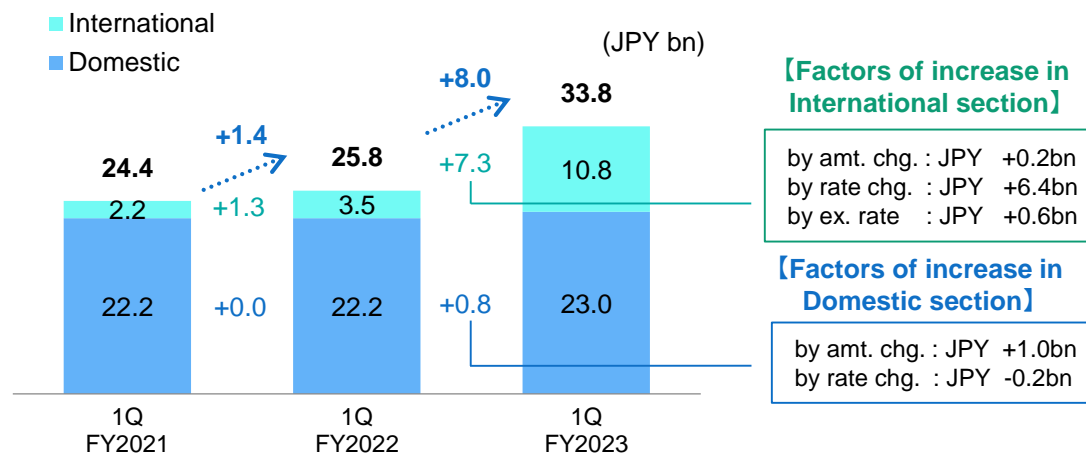
## Breakdown of net interest income

(JPY bn)	1Q FY2021	1Q FY2022	1Q FY2023	YoY
<b>Net interest income</b>	<b>31.1</b>	<b>31.3</b>	<b>33.1</b>	<b>+1.8</b>
Domestic section	28.8	29.3	30.6	+1.4
Interest on loans	22.2	22.2	23.0	+0.8
Interest and dividend on securities	6.6	6.7	7.8	+1.1
(Bond)	0.5	0.9	2.2	+1.3
(Gains on investment trust)	0.5	0.0	0.0	±0.0
Fund-raising expense (-)	0.3	0.2	0.6	+0.3
(Interest paid on deposits etc.) (-)	0.3	0.3	0.2	-0.0
Others	0.3	0.6	0.4	-0.2
International section	2.3	2.1	2.5	+0.4
Interest on loans	2.2	3.5	10.8	+7.3
Interest and dividend on securities	1.5	1.8	5.8	+4.0
(Bond)	1.2	1.4	5.7	+4.3
(Gains on investment trust)	0.2	0.4	0.1	-0.3
Fund-raising expense (-)	1.4	3.6	18.1	+14.5
(Interest paid on deposits etc.) (-)	0.3	1.4	9.6	+8.2
Others	0.1	0.4	4.0	+3.7

## Loan balance (average balance) and loan rate



## Interest on loans



# Loans - Shizuoka Bank nonconsolidated

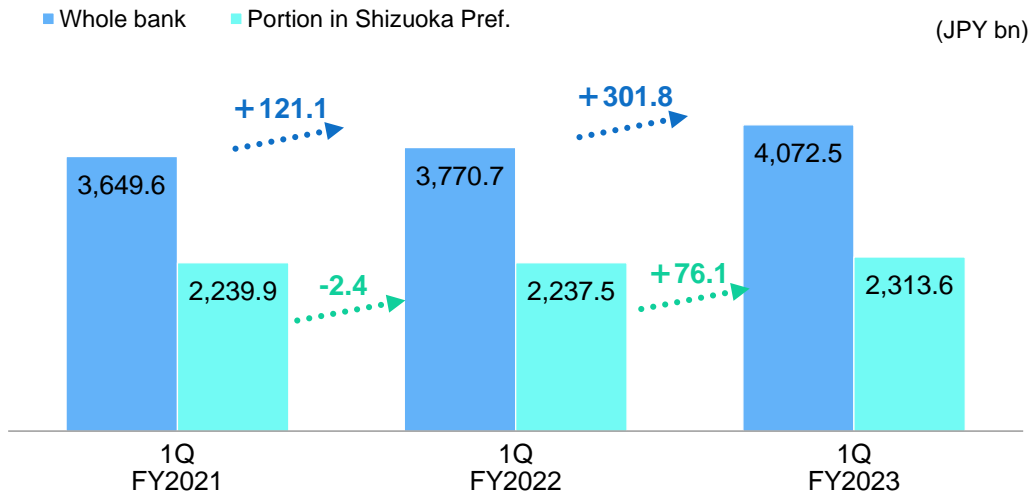
Loan balance (average balance) increased mainly due to an increase in loans for SMEs and Retails (+4.9% annual rate).  
Average balance exceeded JPY 10tn for the first time

## Loan balance (average balance)

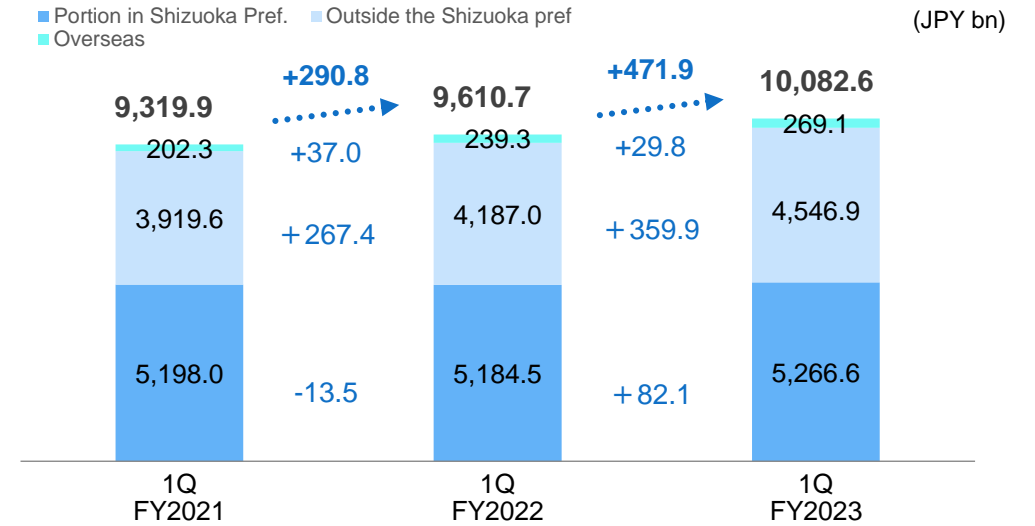
	1Q FY2023	YoY	Annual growth rate
Total loan balance	JPY 10,082.6bn	JPY +471.9bn	+4.9%
Loan balance for SMEs	JPY 4,072.5bn	JPY +301.8bn	+8.0%
Loan balance for large and medium size Enterprises	JPY 1,855.2bn	JPY +12.0bn	+0.6%
Loan for Retails	JPY 3,772.2bn	JPY +141.4bn	+3.8%
Loan balance in foreign currency	JPY 652.5bn	JPY +50.7bn	+8.4%

by amt. chg.: JPY +13.9bn  
by ex. rate: JPY +36.9bn

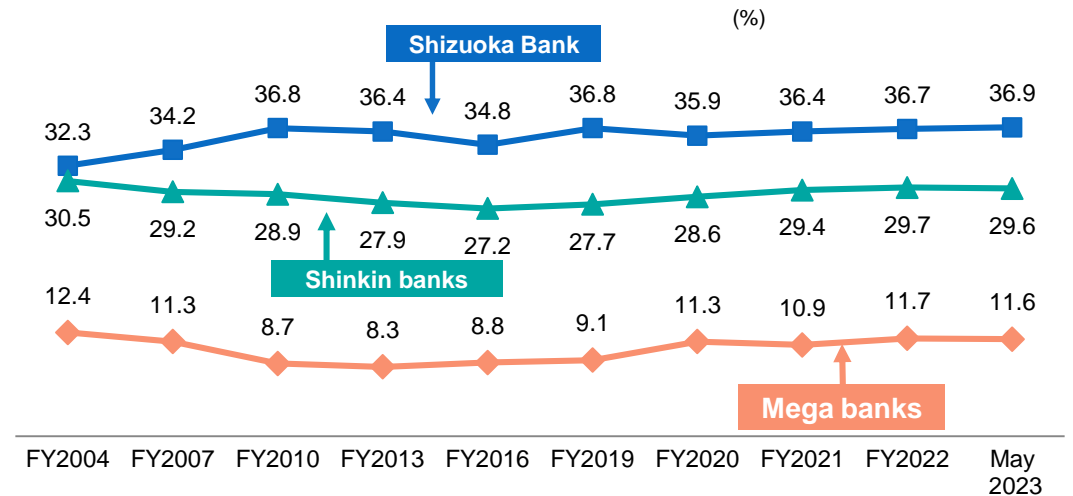
## SMEs loan balance (average balance)



## Loan balance (by region)



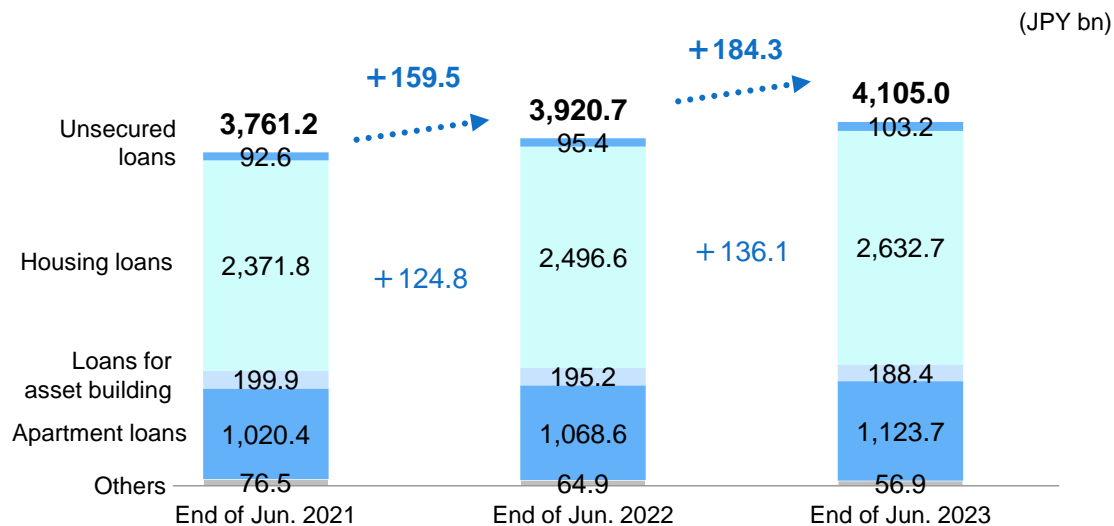
## Share of loans in Shizuoka Prefecture



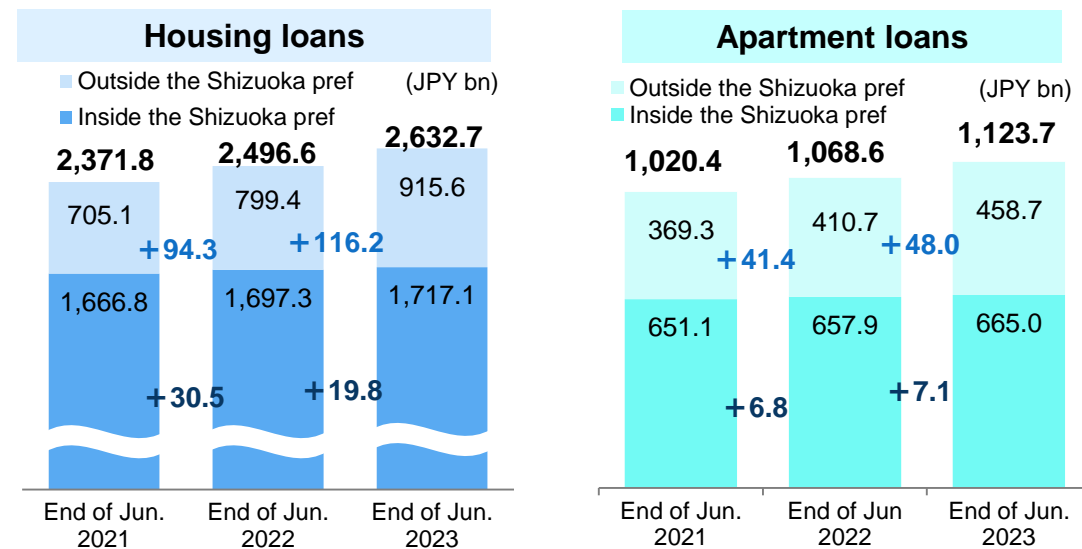
# Housing Loan, apartment loan and other loans - Shizuoka Bank nonconsolidated

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

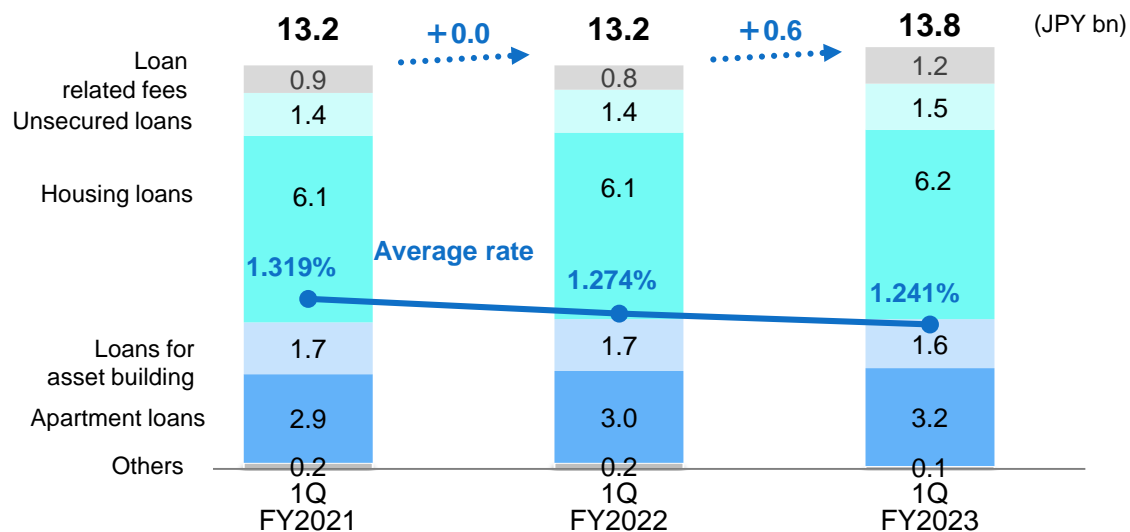
## Term-end balance



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



## Interest amounts, fees and rates



## Delinquency rate and occupancy rate

Delinquency rate (3 months or longer)	End of Jun. 2021	End of Jun. 2022	End of Jun. 2023
Housing loans	0.13%	0.10%	0.13%
Apartment loans	0.03%	0.03%	0.02%
Loans for asset building	0.23%	0.21%	0.34%

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

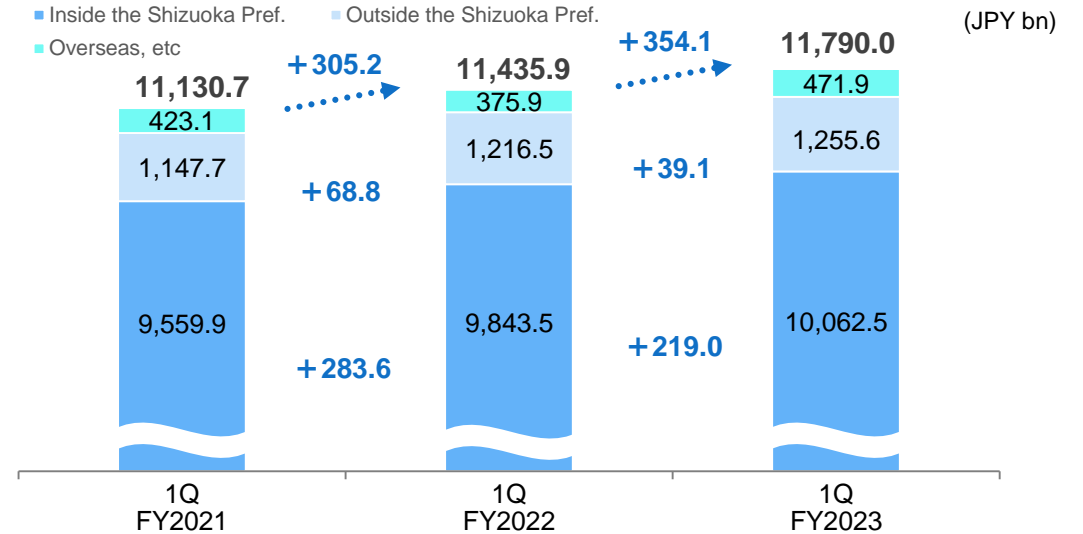
# Deposits - Shizuoka Bank nonconsolidated

Deposit balance (average balance) from corporate and retail maintained an increasing trend (+3.0% annual late)

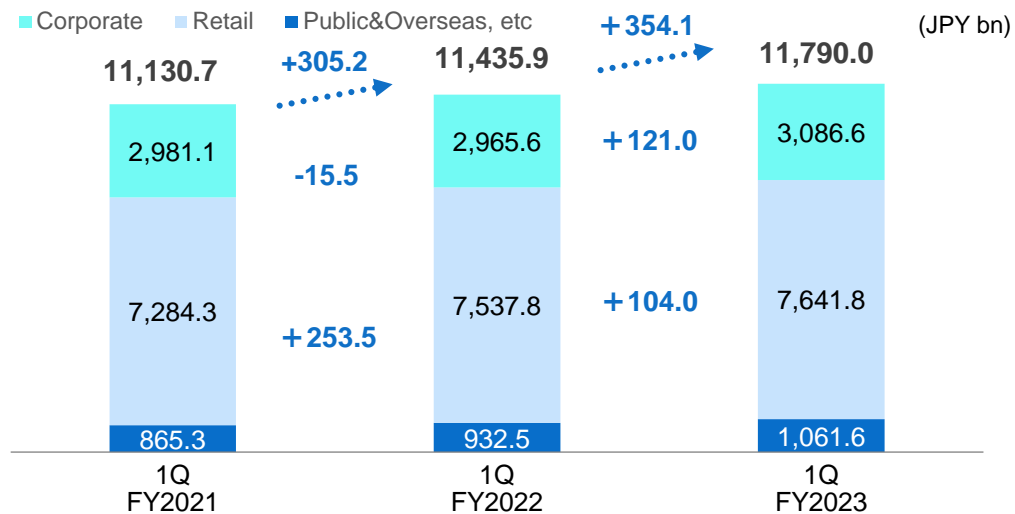
## Deposit balance (average balance)

(JPY bn)	1Q FY2023	YoY	Annual growth rate
Total deposit balance	JPY 11,790.0bn	JPY +354.1bn	+3.0%
Deposit balance in Shizuoka	JPY 10,062.5bn	JPY +219.0bn	+2.2%
Corporate deposit balance	JPY 3,086.6bn	JPY +121.0bn	+4.0%
Retail deposit balance	JPY 7,641.8bn	JPY +104.0bn	+1.3%
Public deposit balance	JPY 385.0bn	JPY +0.7bn	+0.1%
NCD	JPY 124.8bn	JPY +18.6bn	+17.4%

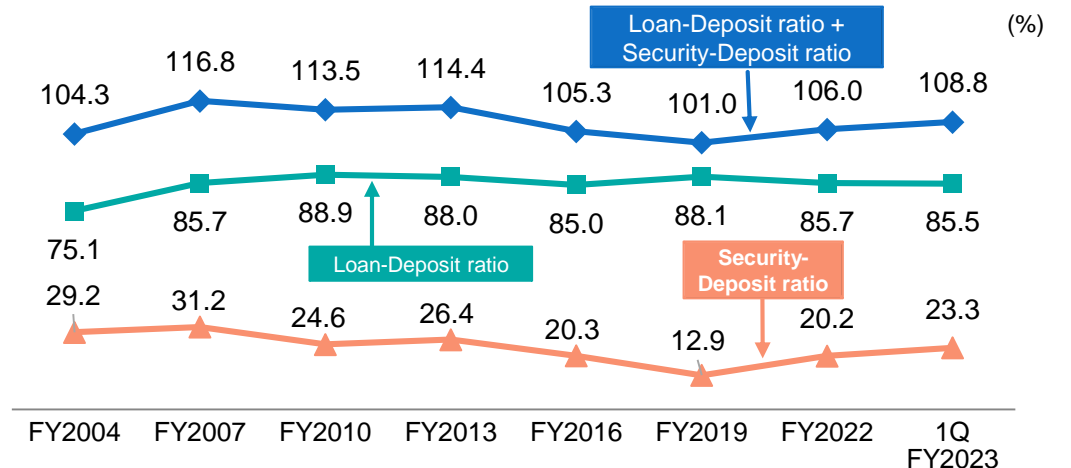
## Deposit balance by region



## Deposit balance (average balance)



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



# Securities (1) – Shizuoka Bank nonconsolidated

Purchase yen-based bonds systematically to build a medium-to long-term portfolio. Maintain a valuation gain of 345.2 billion yen as the whole of securities

## Securities

(JPY bn)	Balance (*)		Unrealized gains and losses		
	End of Jun. 2023	Change from End of Mar. 2023	End of Jun. 2023	After hedging	Change from End of Mar. 2023
	2,793.3	+171.4	+345.2	+347.0	+19.4
Stocks	101.1	-0.8	+383.2	-	+27.6
Yen based bonds	1,704.3	+107.8	-6.9	-12.8	+3.0
(JGBs)	(949.2)	(+93.1)	(+0.1)	(-5.7)	(+1.6)
Foreign bonds	640.4	+73.4	-46.1	-38.4	-13.6
(Fixed rate)	(374.5)	(+33.1)	(-15.2)	(-7.5)	(-6.9)
(Floating rate)	(265.9)	(+40.3)	(-30.9)	-	(-6.7)
Investment trust	237.1	-15.5	+1.9	-	+1.7
Others	110.5	+6.5	+13.1	-	+0.7

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

[Duration] (Excluding interest rate hedged portion)

	End of Mar. 2022	End of Jun. 2022	End of Mar. 2023	End of Jun. 2023
Yen based bonds	6.17 years	6.16 years	6.12 years	7.07 years
Foreign bonds	4.15 years	2.35 years	2.48 years	2.96 years

## Gains and losses on securities

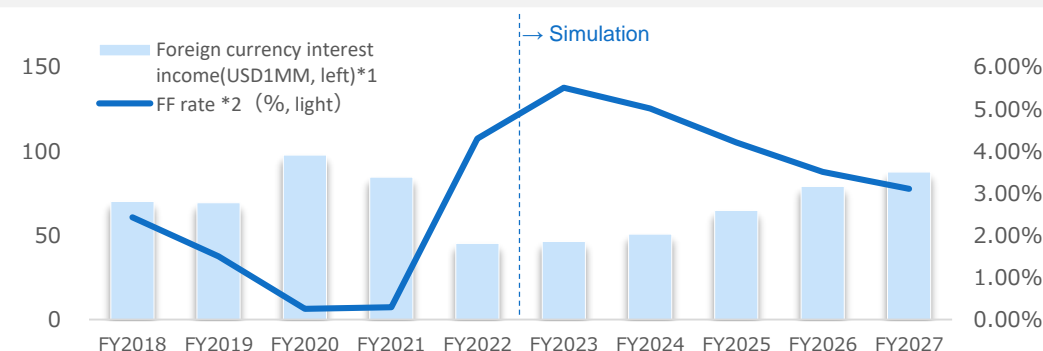
(JPY bn)	1Q FY2022	1Q FY2023	YoY
Interest and dividend on securities	8.4	13.6	+5.2
Yen based bonds	0.9	2.2	+1.3
Foreign bonds	1.4	5.7	+4.3
Gains on investment trusts (Gains (losses) on cancellation)	0.4 (0.3)	0.1 (0.1)	-0.3 (-0.2)
Gains and losses on bonds such as JGBs	-8.4	1.4	+9.8
Gain on sell of bonds such as JGBs	4.4	4.0	-0.4
Loss on sell and redemption of bonds such as JGBs (-)	12.8	2.6	-10.2
Gains and losses on stocks	6.9	6.0	-0.9
Gain on sales of stocks	7.0	6.0	-1.0
Amortization (-)	0.1	0.0	-0.1

## Foreign Currency Portfolio Structure (USD-based)

Asset	liability	
Loans 40%	Deposits 22%	<b>1. Deposits</b> Focus on accumulating as well as dispersing regions, industries, etc.
	Medium to long-term marketable financing 23%	<b>2. Medium to long-term marketable financing</b> Focus on diversification of funding methods, terms and regions. Borrowings and bonds: Borrowings from the BOJ, retail foreign bonds, etc. Secured funding: Currency swaps in long-term exchange for yen
Bonds 36%	Short-term marketable financing 55%	<b>3. Loans</b> All loans consist of floating-rate in addition to yield-oriented. Even if interest rates fluctuate, the loan can maintain a constant spread.
		<b>4. Bonds</b> The majority of assets are foreign government bonds and other assets with particularly high liquidity. Hold bonds that can be easily converted to cash. Funding is obtained through short-term market funding, mainly through bond repos.
Marketable operation 20%		
Others 4%		

## 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.
- Due to the improvement in yields on the asset side, such as the replacement operation of US dollar bonds conducted in FY2022, we expect to maintain the same level of profit as the previous year in FY2023, when the FF interest rate is expected to peak, and thereafter, the profit is expected to turn to increase.



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

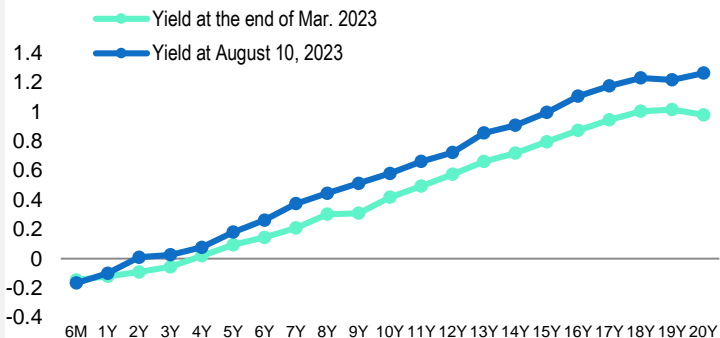
\*2 FF rate forecast by market participants (Estimate based on portfolio as of end of Jun. 2023)



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

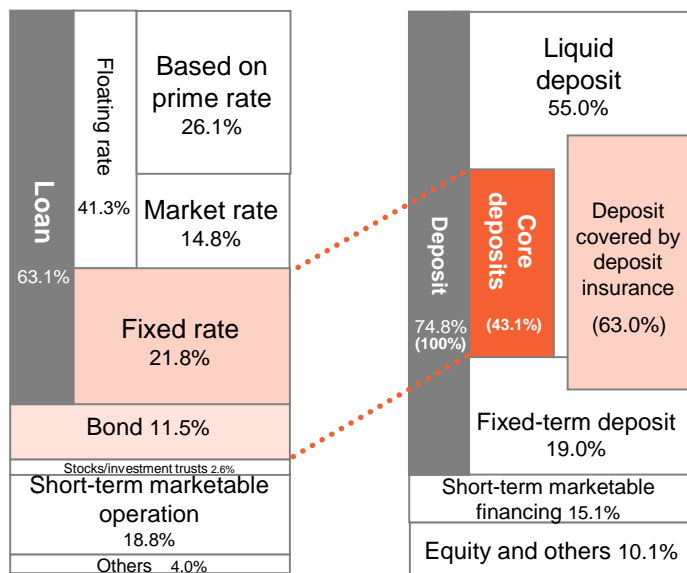
As an appropriate level of the stickiness of deposits is detected, a rise in the long-term yen interest rate gives a positive impact to in the yen-based balance sheet as a whole

## Modification of Yield Curve Control by BOJ



## [Yen Based Portfolio Structure Jun. 2023]

Asset (100%) JPY 14,928.8bn Liability and Equity (100%)



## (1) Short-term Impact

- Although net valuation gains/losses on yen based bonds held are expected to deteriorate when interest rates rise in the future, 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

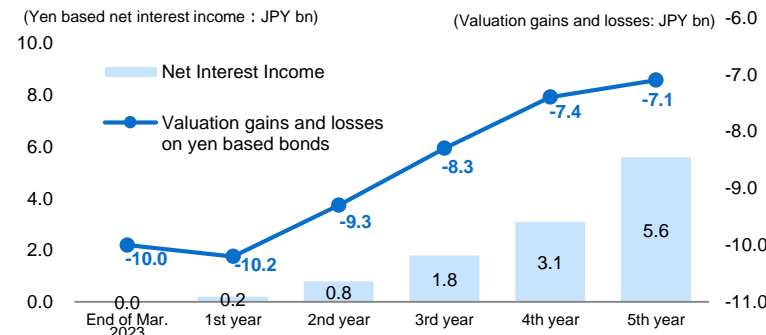
(JPY bn)

	Gain (loss) on valuation of securities				
		Stocks	Yen based bonds	Foreign bonds	Investment trusts/Others
End of Jun. 2022	+279.5	+303.9	-11.0	-21.7	+8.3
End of Jun. 2023	+345.2	+383.2	-6.9	-46.1	+15.0
Change from End of Jun. 2022	+65.6	+79.3	+4.0	-24.4	+6.7

## (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	-27.0	10bpv	+31.4
Loans	-15.8	Deposits	+23.6
Bonds	-11.2	Core deposits	+21.7
<b>Total assets, liabilities and shareholders' equity (10bpv)</b>		<b>+4.4</b>	

\*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 raising structure

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

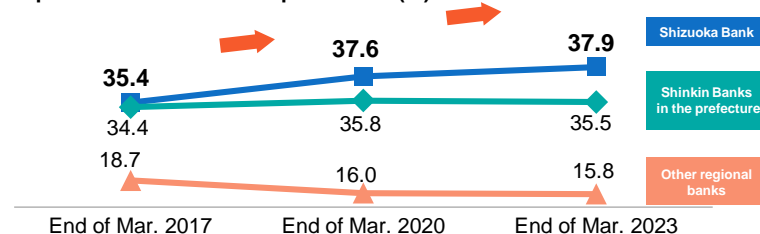
### By depositor

	End of Mar. 2020	End of Mar. 2023
<b>Retail deposit</b>	<b>71.5%</b>	<b>69.3%</b>
Corporate deposit	24.2%	26.2%
Others	4.3%	4.5%

### By amount

	End of Mar. 2020	End of Mar. 2022
<b>Up to JPY10mn</b>	<b>49.2%</b>	<b>44.5%</b>
JPY10mn - JPY100mn	30.3%	32.5%
Over JPY100mn	20.4%	23.0%

## Deposit share in Shizuoka prefecture (%)



# Fees and commissions

Fees and commissions maintained an increasing trend

## Fees and commissions

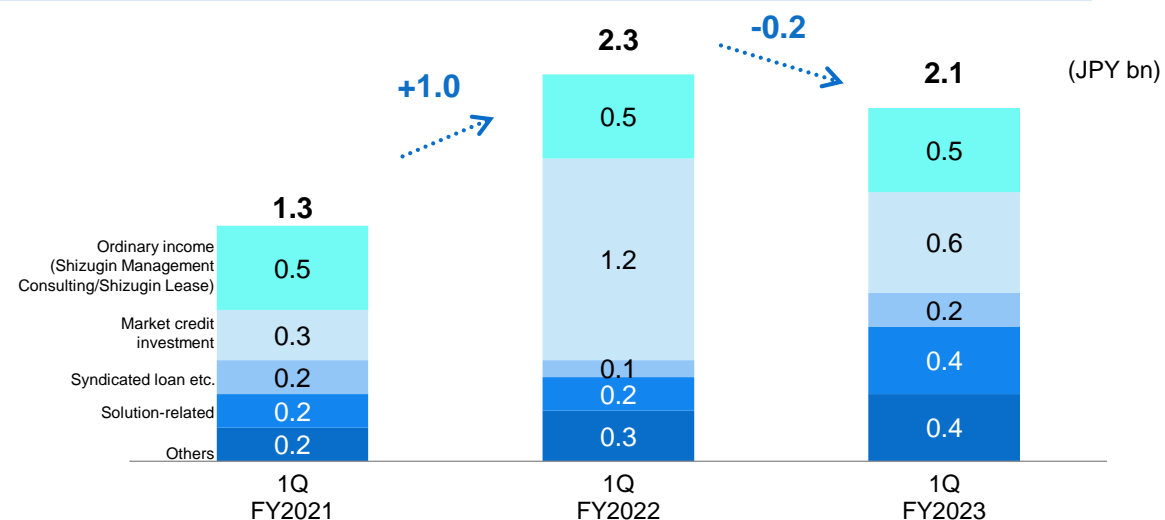
(JPY bn)	1Q FY2021	1Q FY2022	1Q FY2023	vs. previous FY
[Consolidated] Fees and commissions	7.6	9.8	11.3	+1.5
[Shizuoka Bank nonconsolidated] Fees and commissions	3.7	5.9	7.0	+1.0
Fees and commissions incomes	7.4	8.3	8.9	+0.6
Fees and commissions expenses (-)	3.7	2.4	1.9	-0.4*

\*Decrease due to increase in dividends from group credit life insurance: -JPY0.5bn

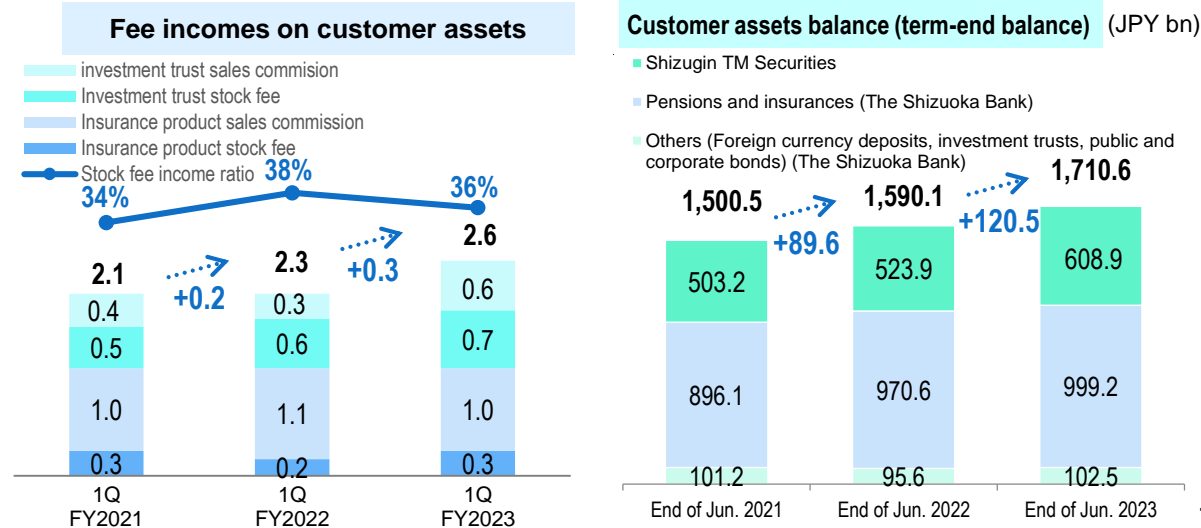
## Major items of Shizuoka Bank

Fee incomes from wholesale	0.8	1.8	1.6	-0.2
Related to market credit investment	0.3	1.2	0.6	-0.5
Syndicated loan, etc.	0.2	0.1	0.2	+0.1
Solution-related (Business matching, support for subsidy, etc.)	0.2	0.2	0.4	+0.1
Others (covenants loan, etc.)	0.2	0.3	0.4	+0.1
Other fees on loans	1.0	0.8	1.3	+0.5
Fee incomes on customer assets	1.2	1.4	1.3	-0.1
Investment trust	0.1	0.1	0.1	-0.0
Insurance products	1.2	1.3	1.2	-0.1
Net profit on exchange	1.5	1.3	1.3	-0.0

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



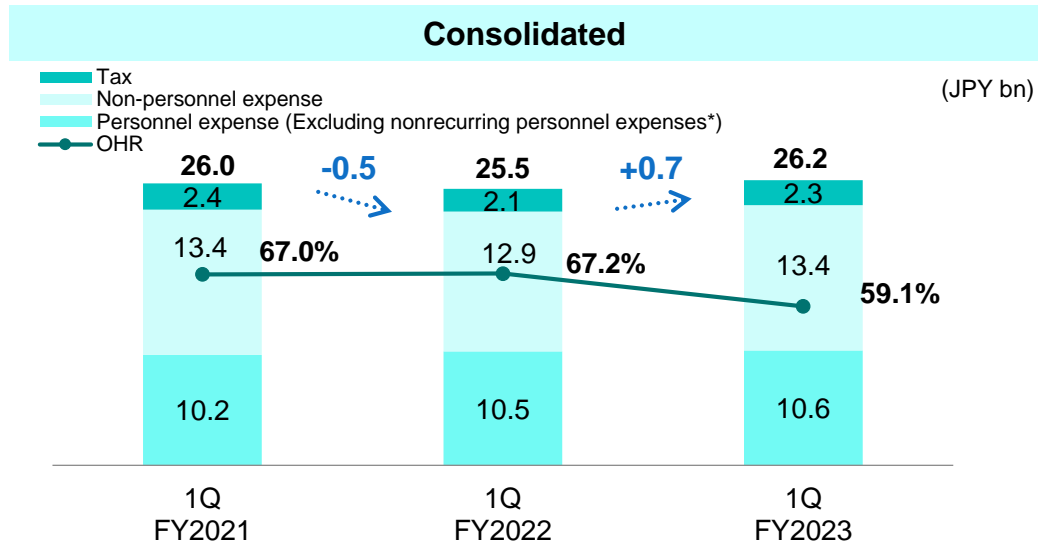
## Fee income on and balance of customer assets (Shizuoka Bank/Shizugin TM Securities)



# Expenses

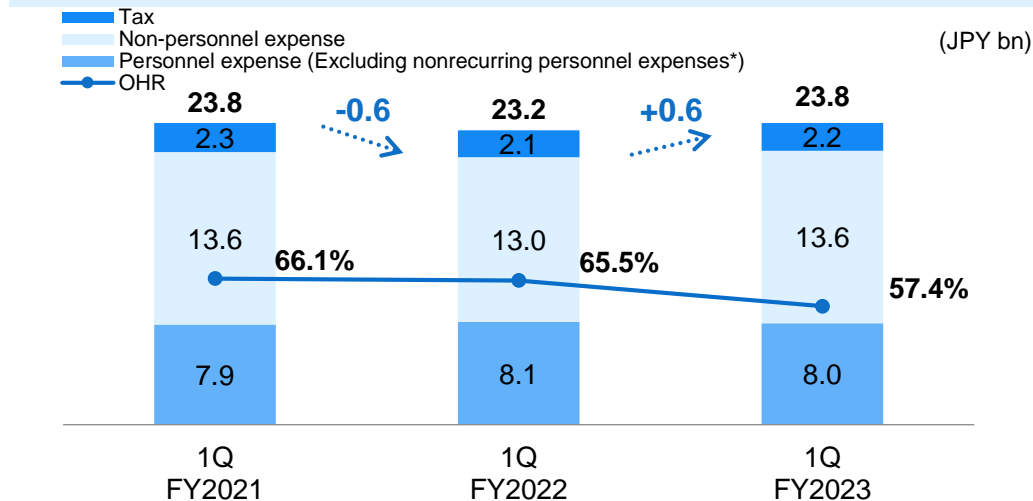
Despite an increase in Non-personnel expenses, mainly system-related costs, consolidated OHR declined to 59.1% (-8.1 pt YoY)

## Expenses and OHR



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

## Shizuoka Bank Nonconsolidated



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

## Main factors for change of expenses

**Consolidated**

	YoY	Main factors
Tax	JPY +0.1bn	Shizuoka Bank JPY +0.1bn
Non-personnel expenses	JPY +0.5bn	Software Utilization Cost JPY +0.3bn
Personnel expenses	JPY +0.1bn	Shizuoka Bank JPY -0.1bn SFG JPY +0.2bn
<b>Total</b>	<b>JPY +0.7bn</b>	

**Nonconsolidated**

	YoY	Main factors
Tax	JPY +0.1bn	Size based business tax JPY +0.1bn
Non-personnel expenses	JPY +0.6bn	Software Utilization Cost JPY +0.3bn
Personnel expenses	JPY -0.1bn	Salaries, etc. JPY -0.1bn
<b>Total</b>	<b>JPY +0.6bn</b>	

**(Reference)**

Next-Generation-System-related (Estimated full-year amount)	JPY 3.0bn (decrease of JPY0.2bn from 1Q FY2022)
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# Credit-related costs - Shizuoka Bank nonconsolidated

Overall credit costs increased YoY and remained at a low level

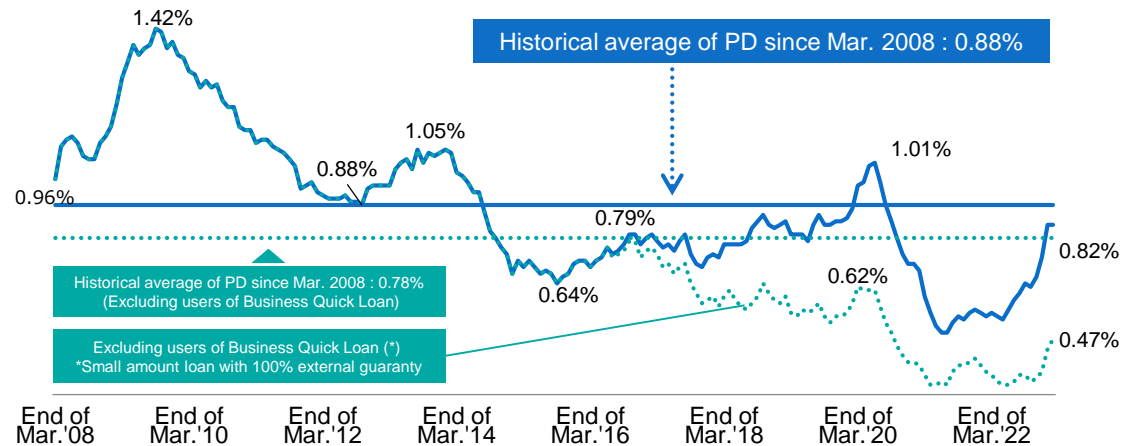
## Breakdown of credit-related costs

(JPY bn)	1Q FY2021	1Q FY2022	1Q FY2023	YoY
[Consolidated] Credit-related Costs	1.4	0.9	1.5	+0.6
[Nonconsolidated] Credit-related Costs	1.1	0.7	1.0	+0.4
Provision for general allowance for loan losses	0.1	-0.0	-0.6	-0.6
Provision for specific allowance for loan losses	1.0	0.6	1.6	+1.0
Other non-performing loans (NPL) disposal *	0.0	0.1	0.1	-0.0

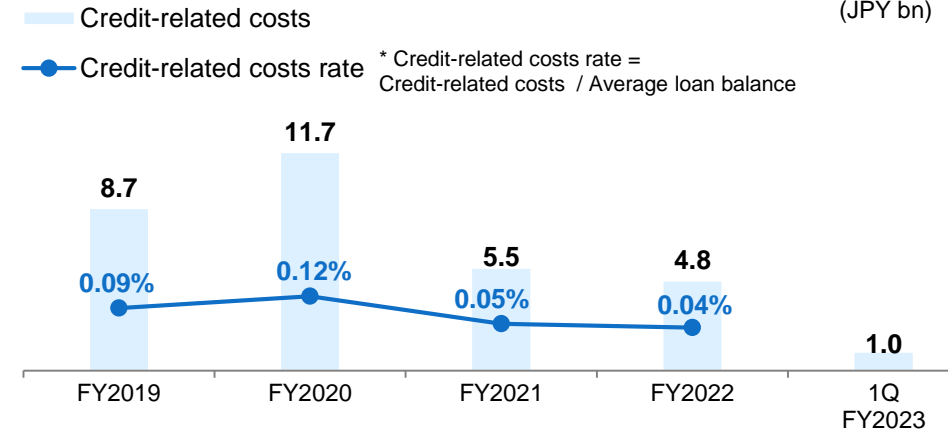
\* Including provision for the estimated future payments to credit guarantee corporations, provision for allowance for accidental losses, and losses on sell of loans

## Probability of default (PD)

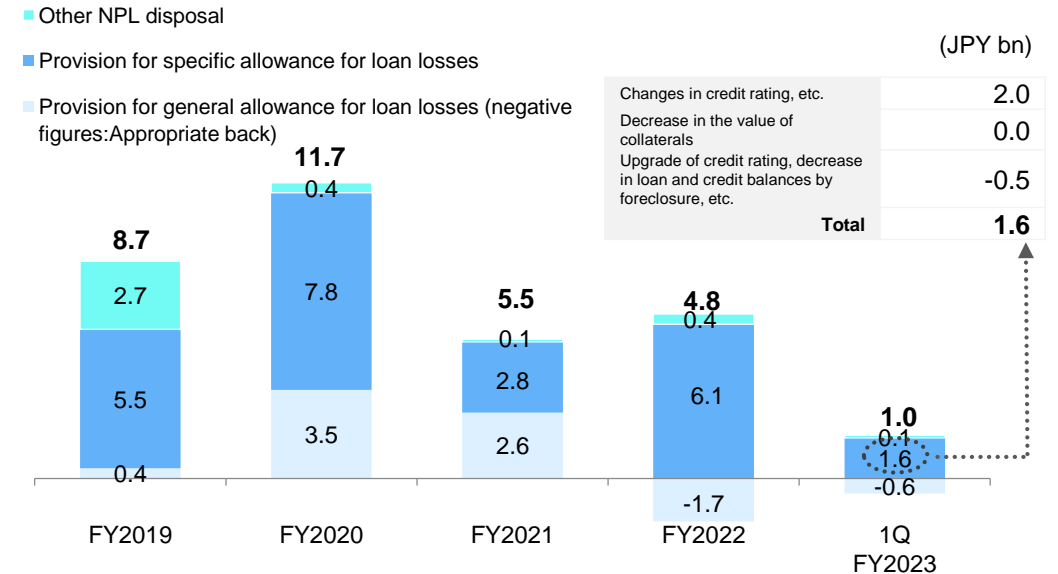
\*PD of sound borrowers and borrowers needing careful monitoring (On the basis of no. of borrowers)



## Credit-related costs and credit-related cost ratio

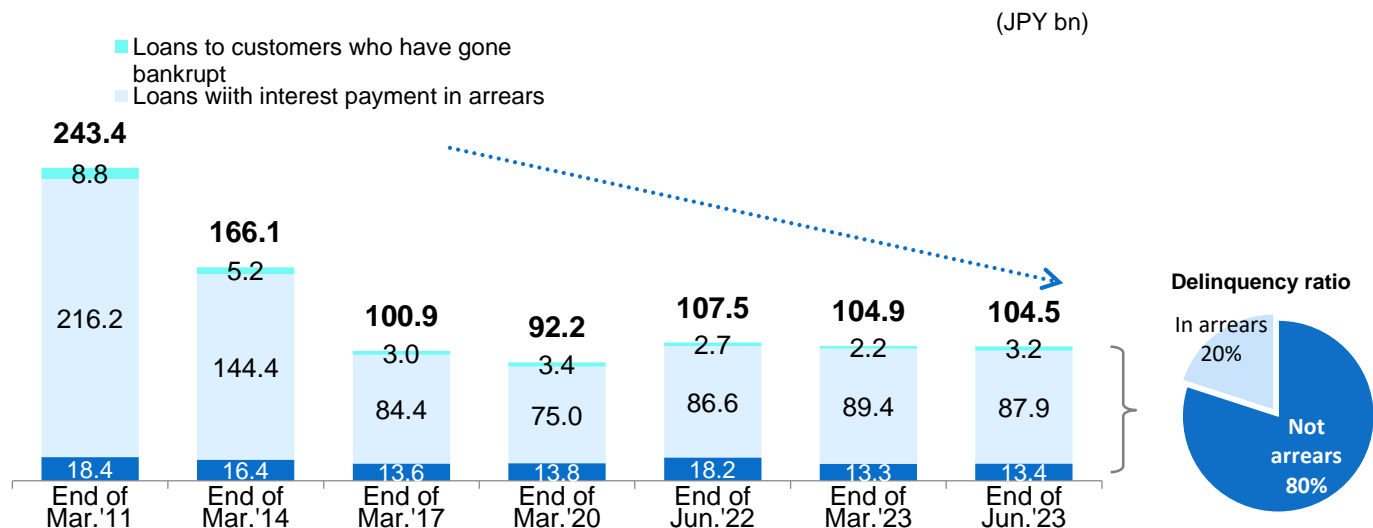


## Provision for allowance for loan losses and other NPL disposal

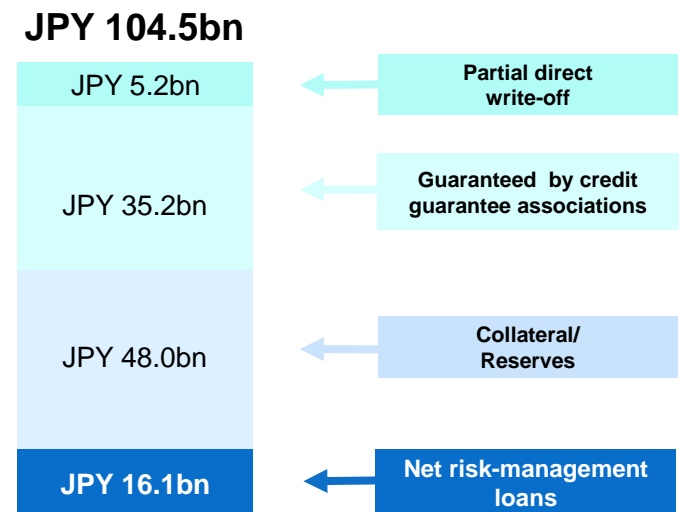


Overall risk-management loans decreased YoY, and the risk-management loan ratio remained at a low level

## 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

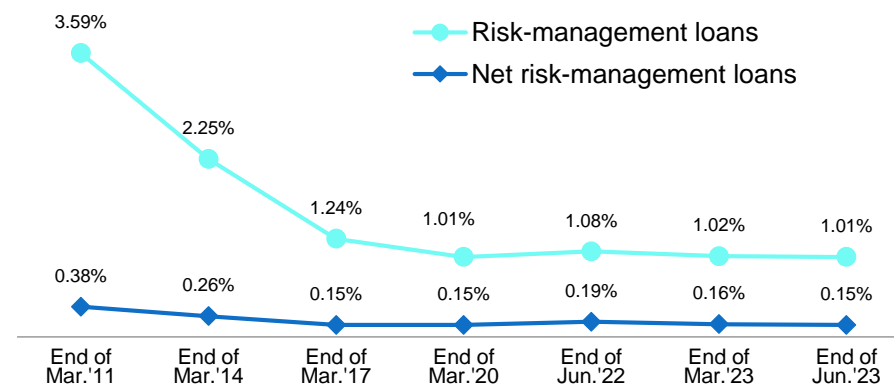
(JPY bn)	FY2022	1Q FY2023
New recognition of NPLs	+34.5	+5.9
Removal from the balance sheet (NPL to borrowers classified as "at risk of failure" or riskier categories)	-28.0 (-24.3)	-6.2 (-5.2)
<b>Risk-management loans</b>	<b>104.9</b>	<b>104.5</b>

**[Breakdown of JPY -5.2bn]**

Collected from borrower/ set off against deposit account	-0.8
Collateral disposal/ subrogated to guarantor	-3.6
Reclassified to better categories	0.0
Loans sold-off	-0.8

## The ratio of risk-management loans

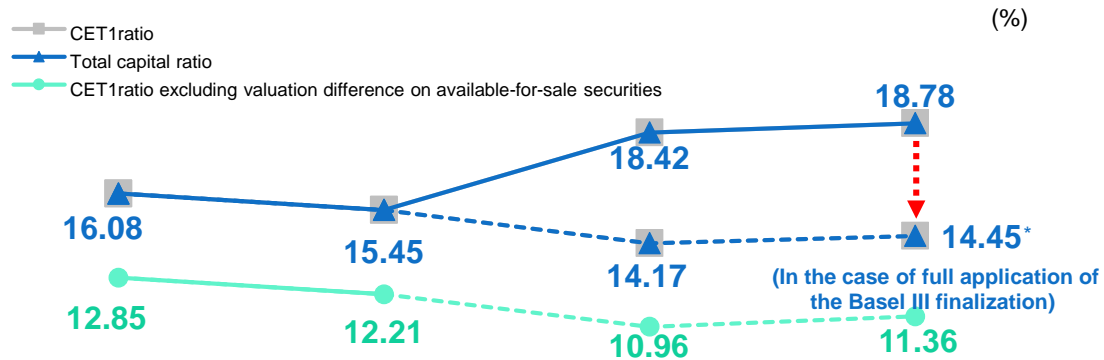


# Capital adequacy ratio - Consolidated

The total capital ratio and CET1 (Common equity Tier 1) ratio will be 18.78% (up 0.36pt) as of the end of June 2023.

In the first year of application of the Basel III finalization, the effect of decreasing factors of risk assets will be considerable, and **the ratio obtained from the trial calculation assuming complete application of Basel III finalization is 14.45%**

## Capital adequacy ratio (Consolidated basis)



\*Preliminary estimate after full application of the Basel III finalization when taking the capital floor, etc. into account

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

	End of Mar. '22	End of Jun. '22	End of Mar. '23	End of Jun. '23	Change from the end of Mar. '23
<b>[Basel III]</b>					
<b>Total capital*</b>	965.4	938.5	1,006.1	1,032.5	+26.4
CET1	965.4	938.5	1,006.1	1,032.5	+26.4
Excluding valuation difference on available-for-sale securities	771.6	742.0	778.2	791.6	+13.5
Other Tier 1	—	—	—	—	—
Tier 2	—	—	—	—	—
<b>Risk-adjusted assets</b>	6,001.2	6,073.5	5,459.3	5,497.9	+38.6
Total credit-risk adjusted assets	5,672.1	5,743.9	5,283.6	5,322.3	+38.7
Amount corresponding to market risk	20.2	20.6	0.6	0.5	-0.1
Amount corresponding to operational risk	309.0	309.0	175.1	175.1	±0.0

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

## (Reference) 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**

\*3 Lower limit of risk-weighted assets

## Interest rate risk in the banking book (IRRBB)

(Consolidated basis, End of Jun. 2023)

### ■ Results of materiality test: $\Delta$ 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 60.9bn	JPY 1,032.5bn	5.8% ≤ 15%

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

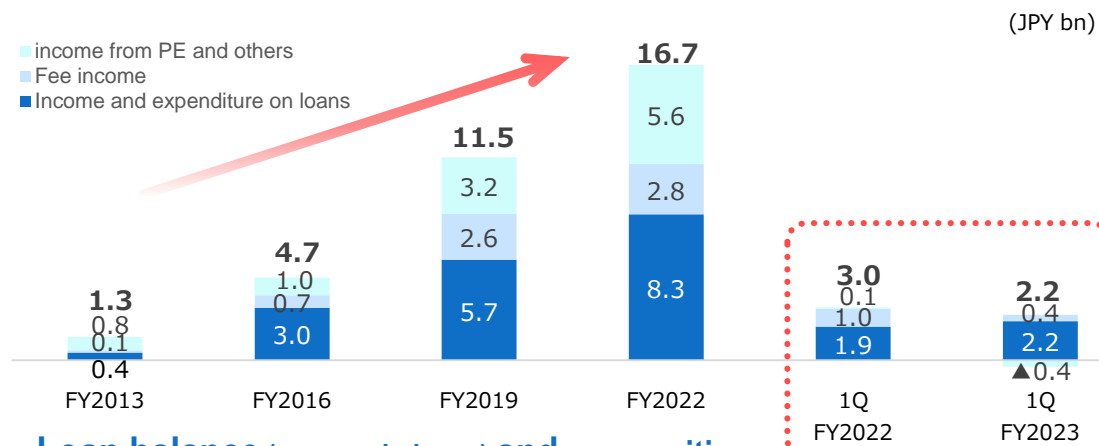
### ■ $\Delta$ NII (Net Interest Income) : JPY 9.7bn

(Decrease in net interest income due to interest shock within IRRBB)

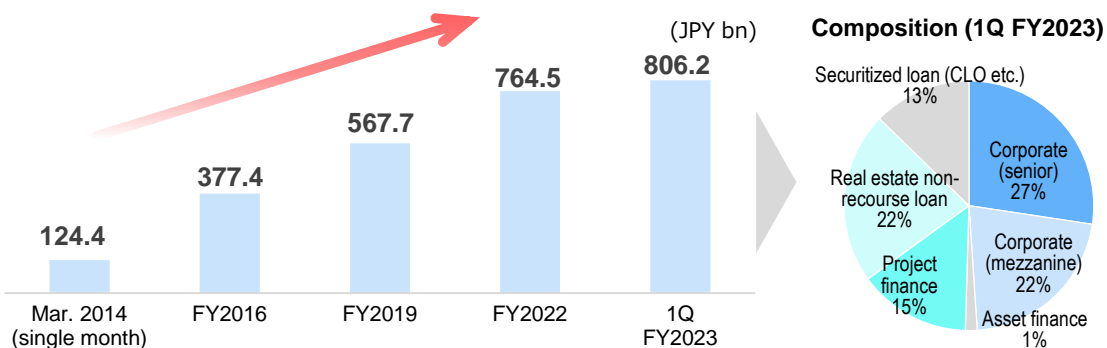
# Market credit investment - Shizuoka Bank nonconsolidated

After the start of operations in FY2013, maintain asset soundness through appropriate risk-return analysis, while developing investment and financing areas and expanding acquisition revenues.

## Earnings from market credit investment



## Loan balance (average balance) and composition



Well-diversified portfolio (JPY : Others = 6 : 4)

99% are classified as "Performing"

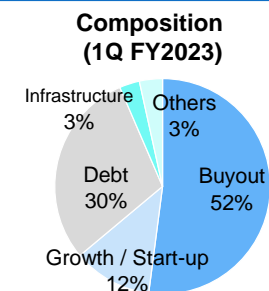
Average LTV is 57.6% for real estate non-recourse loans

CLO balance (As of the end of Jun. 2023)  
JPY 124.5bn (28 contracts, JPY 4.4bn on average)  
All have AAA rating  
Subordination ratio: 35.0 to 41.8%

Profitability indicators of SF loan	1Q FY2022	1Q FY2023	YoY
ROA (Return on Assets)	1.09%	1.09%	-0.00pt
RORA (Return on Risk-Weighted assets)	1.72%	1.88%	+0.16pt

## Private equity investments (PE)

- Continuous annual investment to create a portfolio with functioning time diversification.
- Balanced investments in various types of domestic and foreign funds to create a portfolio with good geographic and strategic diversification.
- Average yield over the last 5 years is more than 8%.



### [ Trends in private equity investments (excluding private REITs and real estate funds) ]

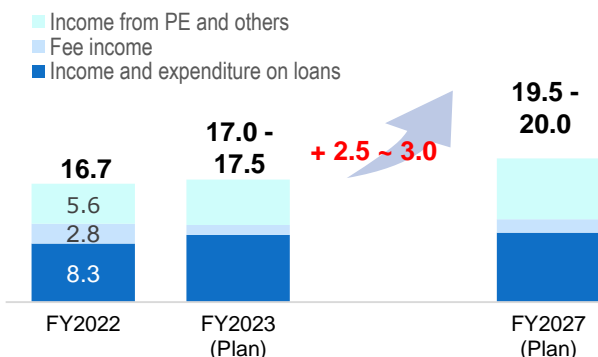
(JPY bn)	FY2013	FY2016	FY2019	FY2022	1Q FY2023
Capital commitment (Annual)	4.7	8.9	10.8	21.9	2.0
Capital commitment (total)	14.0	36.7	66.1	129.1	135.8
Domestic	14.0	27.7	45.5	63.2	62.9
Overseas	0.0	9.0	20.6	65.9	72.9
Investment income/loss (Annual)	0.7	0.2	1.7	4.4	-0.6*
Unrealized gains/losses (End of period)	+1.2	+0.5	+3.6	+10.1	+10.6

\* Earnings are taken in 2 times a year, interim and annual closing

## Policies for future initiatives

- Increase balances considering ROA and RORA.
- Increase revenues from the origination of LBO loans and non-recourse real estate loans.
- Monetize the asset turnover business through the distribution of structured projects and the sale of existing assets.

### [Future Earnings Plan]



# 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)



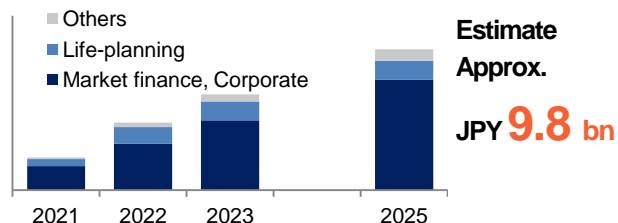
We aim to produce revenue effects of **10 billion yen or more (5 years in total/two banks in total)** with a focus on regional revitalization, market finance (structured finance, etc.), and life-planning (Shizugin TM Securities).

### Results in 1Q FY2023

About **JPY 1.95 bn**

Single-year comparison with the target **89.1%**

### 5-year conversion (estimation)



### Main Results (by 1Q FY2023)

#### Field of Life-planning

Mutual use of management resources

**Shizugin TM Securities (Yamanashi Head Office)**  
 Amount of sales of customer asset: **Approx. JPY 39.3 bn**  
 Balance of customer asset: **Approx. JPY 26.6 bn**  
**Exchange of human resources (20 persons)** to strengthen cooperation

#### Field of Finance

Mutual use of management resources

Extend real estate non-recourse loans  
**18 loans / JPY 85.0 bn**  
 Jointly arrange syndicated loans  
**18 loans / JPY 29.1 bn**

#### Business Succession Fund

Economic growth of both prefectures

**Established "Shizuoka-Yamanashi Mirai Growth Support Fund"**

**3 cases / JPY 0.1 bn**

#### Support to expand sales channels

Economic growth of both prefectures

Events for individual business talks for customers: **22 times**  
 Contracts of business matching completed: **128 cases**

#### 3-bank cooperation

#### Developed joint products

Variable insurance "Tsumitate-Kajitsu" (Nov.2022)  
 Individual annuity insurance "Jibun Nenkin Nursing Care Plus" (Jun.2023)

NEW

#### 3-bank cooperation

#### Disaster Agreement

Established a mutual support system for deposit reimbursement in the event of a major disaster, etc.

## Shizuoka Nagoya Alliance (from April 2022)



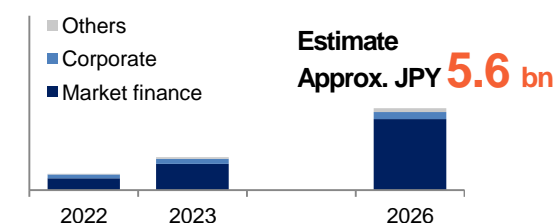
We aim to produce revenue effects of **10 billion yen or more (5 years in total/two banks in total)** by emphasizing support to business partners with regard to structural reform of regional industries, endeavoring to solve clients' problems, expanding topline growth and reducing cost.

### Results in 1Q FY2023

About **JPY 1.15 bn**

Single-year comparison with the target **79.3%**

### 5-year conversion (estimation)



### Main Results (by 1Q FY2023)

#### Initiatives that contribute to supporting industrial reform

#### Supporting industrial reform

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

**Established "Shizuoka-Nagoya Alliance Fund"** **NEW**

- Business transformation support fund jointly invested by the 2 banks
- Strengthening support mainly for car and bike related businesses, etc.

#### Field of Finance

Mutual use of management resources

#### Supporting industrial reform

Jointly arrange syndicated loans **9 loans / JPY 8.0 bn** (1 loan / JPY 0.9 bn related to industrial reform)  
 Execution of LBO real estate non-recourse loans, etc. **5 loans / JPY 23.1 bn** (1 loan / JPY 5.6 bn related to industrial reform)  
 M&A Deal Mutual Introduction **19 cases** (4 cases related to industrial reform)  
 Mutual introduction of co-financing projects **27cases** (7 cases related to industrial reform)  
 Joint investment in venture funds **2 investments / JPY 2.6 bn**

#### Jointly organize various events

#### Supporting industrial reform

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

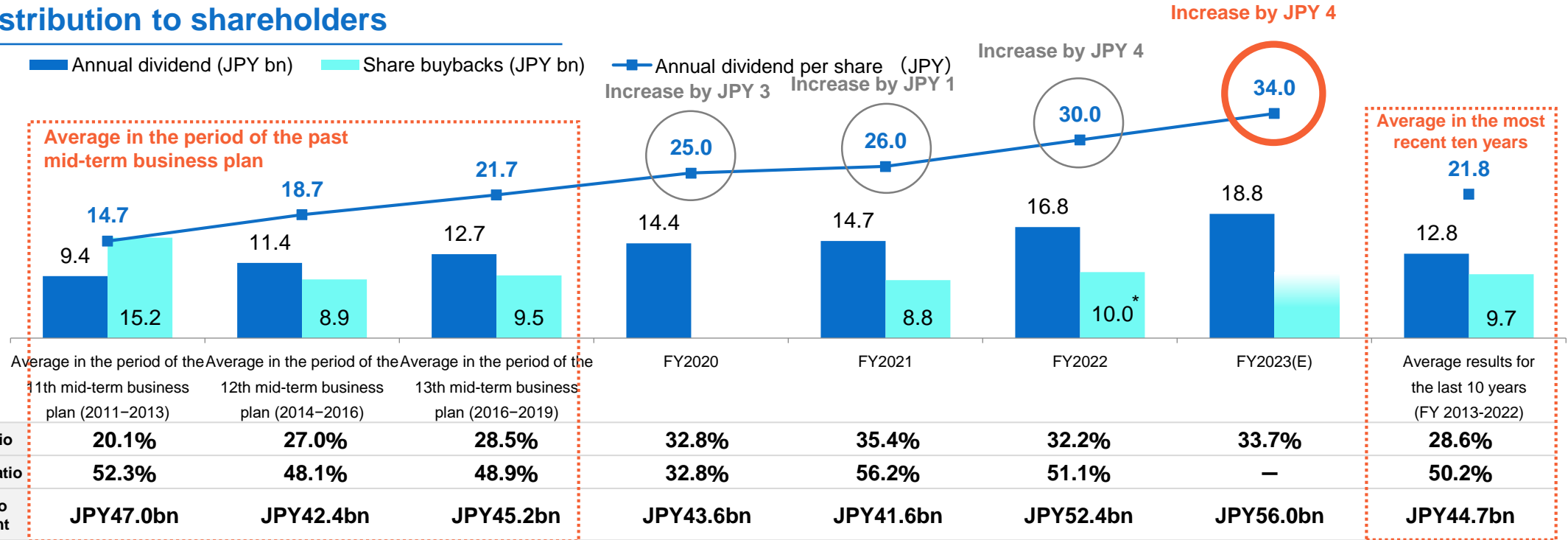
Hydrogen Web seminar  
 —Appeal as Next-generation Fuel—  
 Invoice response seminar



# Shareholder return

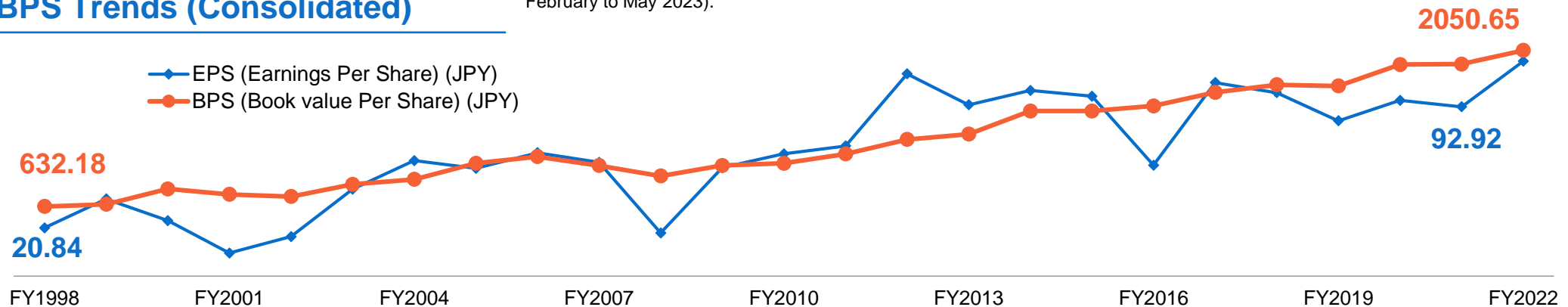
We aim to raise the dividend payout ratio progressively to 40% or more by FY2027, and flexibly implement share buybacks based on market conditions, including stock prices. In addition, we intend to continuously improve ROE, EPS, and BPS while keeping shareholder return in mind.

## 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)

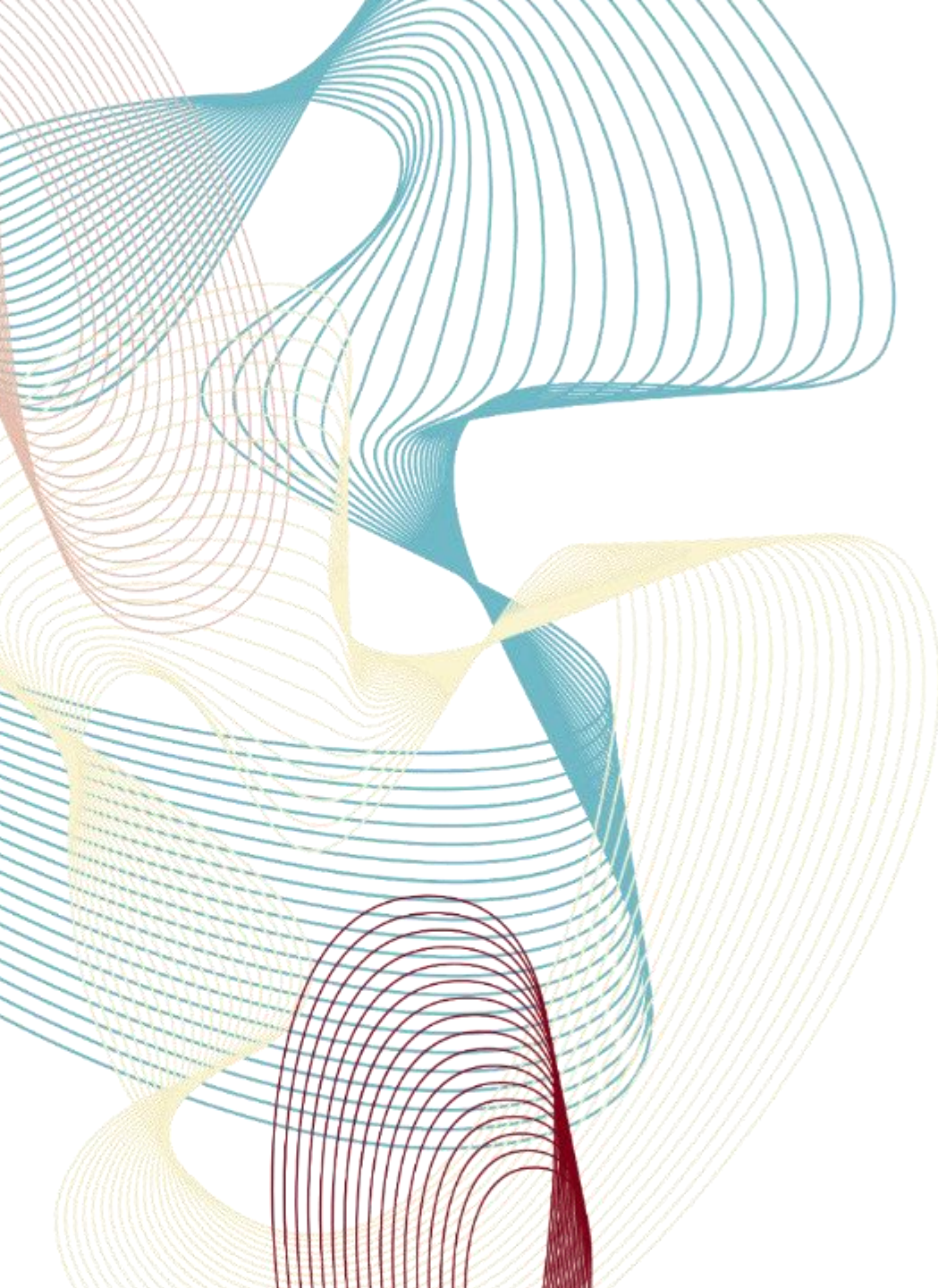


# Projected performance in FY2023

Consolidated ordinary profit and net income for the 1Q of FY2023 were JPY 23.3 bn (progress rate: 29.1%) and JPY 16.5 bn (progress rate: 29.4%), respectively.

(JPY bn)

	FY2021	FY2022 (A)	FY2023 (Projected) (B)	YoY (B - A)		1Q FY2023 (C)	Progress rate (C / B)
<b>Consolidated</b>	<b>Ordinary profit</b>	<b>54.2</b>	<b>74.0</b>	<b>80.0</b>	<b>+6.0</b>	<b>23.3</b>	<b>29.1%</b>
	Profit attributable to owners of the parent	41.6	52.4	56.0	+3.6	16.5	29.4%
	ROE	3.8%	4.6%	5.0%	+0.4pt	5.6%	-
	OHR	64.2%	60.2%	58.3%	-1.9pt	59.1%	-
	CET1 ratio	16.08%	18.42% (14.17%)	17.14% (13.44%)	-1.28pt (-0.73pt)	18.78% (14.45%)	-
<b>Shizuoka Bank Nonconsolidated</b>	Gross operating profit	134.7	144.3	151.0	+6.7	41.4	27.4%
	Net interest income	124.5	121.6	125.0	+3.4	33.1	26.5%
	Fees and commissions	14.8	21.1	21.5	+0.4	7.0	32.4%
	Trading income	0.9	1.4	1.5	+0.1	0.2	14.0%
	Other operating profit	-5.5	0.2	3.0	+2.8	1.2	38.5%
	Expenses (-)	88.2	86.9	89.0	+2.1	23.8	26.7%
	<b>Ordinary profit</b>	<b>45.3</b>	<b>67.6</b>	<b>71.0</b>	<b>+3.4</b>	<b>22.9</b>	<b>32.3%</b>
	<b>Net income</b>	<b>36.1</b>	<b>46.2</b>	<b>49.0</b>	<b>+2.8</b>	<b>16.9</b>	<b>34.5%</b>
	Credit related costs (-)	5.5	4.8	4.0	-0.8	1.0	25.3%



**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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