



**Shizuoka Financial Group**  
**Summary of FY2023**  
**Interim Financial Results**

November 2023

**Xover**  
— Clearing the way  
to a new era

- |   |            |
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# Summary of FY2023 interim financial results (consolidated)

(JPY bn, %)	FY2023 1H	YoY change*1	
		Increase/ decrease	Increase/ decrease (%)
<b>Gross operating profit</b>	Up in second consecutive period <b>85.1</b>	<b>+3.9</b>	<b>+4.8</b>
Operating expenses (-)	49.9	+1.5	+3.1
Share of profit (loss) of entities accounted for using equity method	1.0	+0.7	+211.3
<b>Net operating profit*2</b>	Up in second consecutive period <b>36.1</b>	<b>+1.9</b>	<b>+5.6</b>
Credit-related costs (-)	2.2	-2.0	-47.4
Gain (loss) on stocks	21.5	+12.2	+130.9
<b>Ordinary profit</b>	Up in second consecutive period <b>55.4</b>	<b>+16.5</b>	<b>+42.4</b>
Extraordinary profit (loss)	-19.3	-19.3	-
Net income before taxes	36.1	-2.8	-7.1
Total income taxes (-)	11.4	+0.7	+6.8
<b>Net income*3</b>	Down for the first time in four periods <b>24.8</b>	<b>-3.5</b>	<b>-12.2</b>
ROE	4.3	-0.8	-

\*1 For FY2022 1H and earlier, consolidated financial results of Shizuoka Bank

\*2 Net operating profit = net operating profit for Shizuoka Bank (nonconsolidated) + consolidated ordinary profit - ordinary profit for Shizuoka Bank (nonconsolidated)

\*3 Net income attributable to owners of the parent

Impact on interim financial results of September 2023 revaluation of fixed assets		
Amount of impact	After deducting impact	Key factors
-	-	
-0.2	50.1	Depreciation expenses on subject assets for one month decreased. • Depreciation expenses: -JPY 0.4bn (for September 2023) • Sized-based tax: JPY 0.2bn
-	-	
+15.0	6.5	Impact minimized via gains on sale of cross-shareholdings, together with early lump-sum recording of future costs, etc.
+15.2	40.2	
-19.2	-0.1	• Gain (loss) on stocks: +JPY 15.0bn • Extraordinary loss: JPY 19.2bn
-4.0	40.1	
+0.4	11.8	
-3.6	28.4	(Projected FY2023 2H depreciation expenses: -JPY 2.6bn)

[Reference:  
Excluding the above  
key factors]

	(JPY bn, %)		
	FY2023 1H	YoY change	Progress (%) (vs. figures announced May 2023)
Consolidated ordinary profit	40.2	+1.3	50.2
Consolidated interim net income	28.4	+0.2	50.7

# Results for major Group companies (1)

## Shizuoka Bank Nonconsolidated

	(JPY bn, %)	FY2023 1H	YoY change	
			Increase/ decrease	Increase/ decrease (%)
<b>Gross operating profit</b>		<b>1</b> 77.4	<b>+3.7</b>	<b>+5.0</b>
Net interest income		62.7	+0.5	+0.7
Fees and commissions		13.3	+2.2	+19.9
Trading income		0.4	-0.5	-56.7
Other operating profit		1.1	+1.6	-326.4
(Income related to JGBs and other bonds)		(2.2)	(+9.5)	(-129.2)
(Foreign exchange trading profit)		(-1.6)	(-8.1)	(-124.6)
Expenses (-)		45.1	+1.1	+2.4
Actual net operating profit *		32.3	+2.6	+8.9
Provision for general allowance for loan losses (-)		-0.8	+0.6	-42.8
<b>Net operating profit</b>		<b>2</b> 33.1	<b>+2.0</b>	<b>+6.5</b>
Nonrecurring profit and loss		19.4	+14.6	+304.9
Bad debt written-off (-)		2.4	-2.9	-54.3
Gain (loss) on stocks		21.5	12.2	+132.4
<b>Ordinary profit</b>		<b>3</b> 52.5	<b>+16.6</b>	<b>+46.3</b>
Extraordinary profit (loss)		-20.7	-20.7	-
Net income before taxes		31.8	-4.0	-11.2
Total income taxes (-)		9.8	+0.7	+8.0
<b>Net income</b>		<b>4</b> 22.0	<b>-4.8</b>	<b>-17.7</b>
Credit-related costs (-)		1.6	-2.3	-59.1

\* Actual net operating profit = net operating profit + provision for general allowance for loan losses

### 1 Gross operating profit

- Net interest income: Up due mainly to increase both in interest on loans in the domestic business segment and in interest and dividends on securities
- Fees and commissions: Fees and commissions related to lending and consulting increased
- Other operating profit: Transitory factors, such as losses on sale of foreign bonds and foreign exchange trading profit recorded in the previous fiscal year, have been eliminated

### 2 Net operating profit

- Up despite increases in non-personnel expenses, thanks to higher gross operating profit

### 3 Ordinary profit

- Up due mainly to gains on sale of strategic shareholdings simultaneously recorded with revaluation of fixed assets, in addition to higher gross operating profit

### 4 Net income

- Down due mainly to early lump-sum recording of future branch-related costs as extraordinary losses

# Results for major Group companies (2)

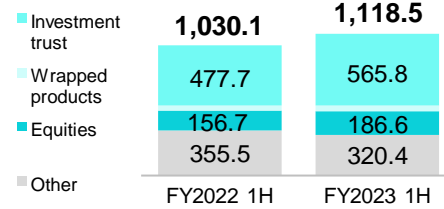
Striving to link autonomous growth to enhancements in Group functions by leveraging the strengths and distinguishing features of each company to deliver solutions to community challenges under the holding-company structure

## Shizugin TM Securities Co. Ltd.

Striving to achieve further enhancements in earnings foundations through growth of stock revenues, such as those from investment trust and wrapped products

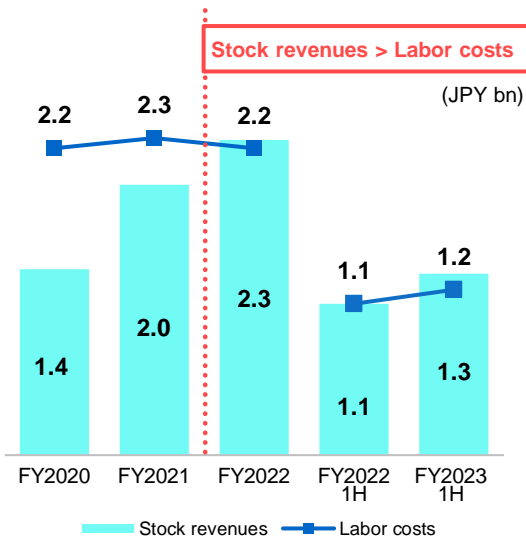
(JPY bn)	FY2023 1H	YoY change
Gross operating profit	3.6	+0.1
Expenses (-)	2.6	+0.2
Ordinary profit	1.0	-0.0
Net income	0.7	-0.0

[Trends in assets under management] (JPY bn)



### Transforming the earnings structure

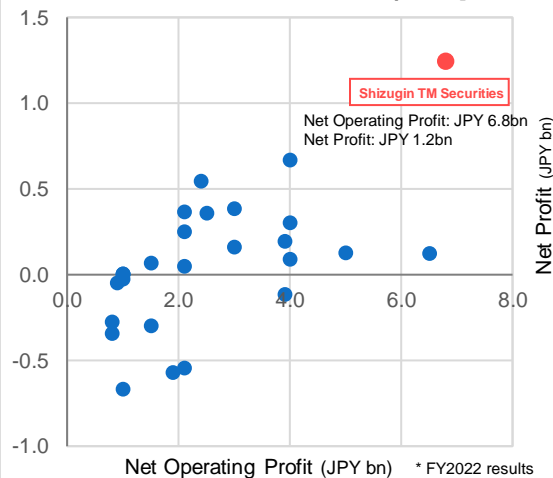
Transforming to an asset management business resistant to market fluctuations that uses trust fees (stock revenues) to cover labor costs



### Compared to other regional bank-affiliated securities companies

Shizugin TM Securities holds the top spot among regional bank-affiliated securities companies in terms of both sales and profit.

[Comparisons of financial results for 27 regional bank-affiliated securities companies]

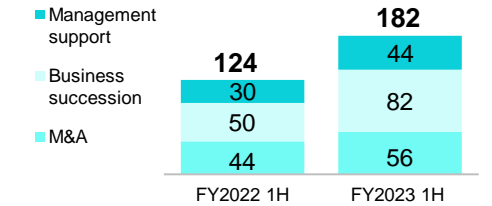


## Shizugin Management Consulting Co. Ltd.

In addition to launching operations related to J-Credits, numbers of new mergers and acquisitions and other projects are increasing. Enhanced midcareer hiring and other efforts increased staffing to about 50.

(JPY bn)	FY2023 1H	YoY change
Gross operating profit	0.7	+0.2
Expenses (-)	0.6	+0.2
Ordinary profit	0.2	-0.0
Net income	0.1	-0.0

[Trends in consulting projects] (Projects)

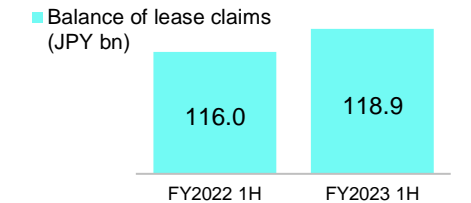


## Shizugin Lease Co. Ltd.

Growing lines of business by enhancing product lines that contribute to finding solutions to community challenges, including launching carbon-offset leases

(JPY bn)	FY2023 1H	YoY change
Gross operating profit	1.6	-0.0
Expenses (-)	0.8	-0.1
Ordinary profit	0.9	+0.1
Net income	0.6	+0.1

[Trend in balance of lease claims]

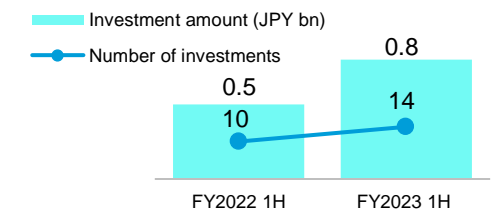


## Shizuoka Capital Co. Ltd.

Focusing on IPO investment through venture-capital funds and on business succession support for community firms

(JPY bn)	FY2023 1H	YoY change
Gross operating profit	0.3	-0.0
Expenses (-)	0.1	+0.0
Ordinary profit	0.1	-0.0
Net income	0.1	-0.0

[Venture-capital investments]



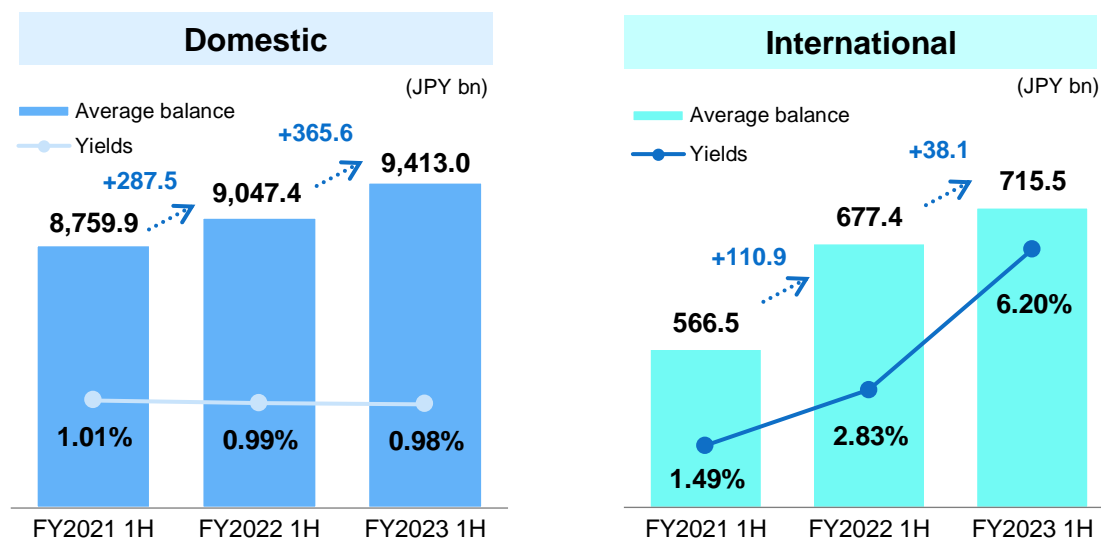
# Net interest income (Shizuoka Bank nonconsolidated)

Steady growth in domestic net interest offset declines in the international segment, maintaining a growth trend for total net interest income.

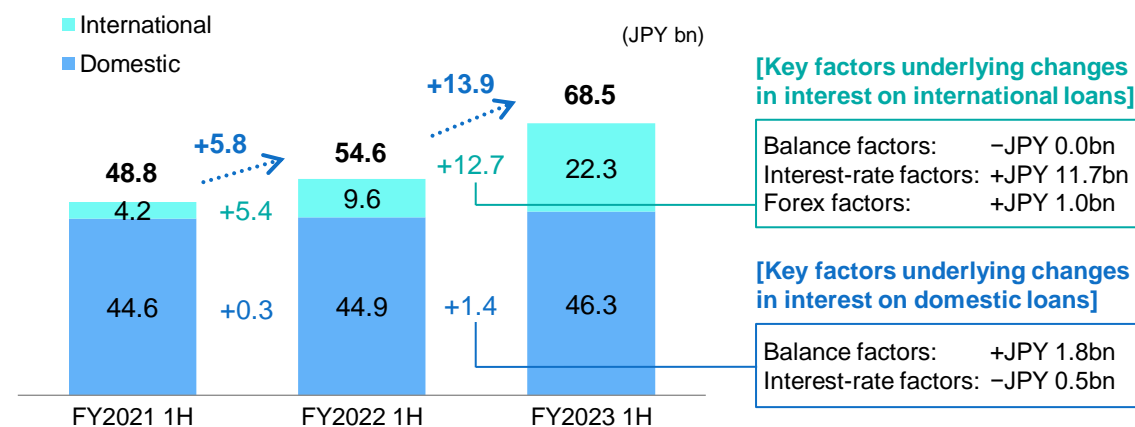
## Breakdown of net interest income

(JPY bn)	FY2021 1H	FY2022 1H	FY2023 1H	YoY change
<b>Net interest income</b>	<b>61.8</b>	<b>62.2</b>	<b>62.7</b>	<b>+0.5</b>
Domestic	56.0	56.4	57.9	+1.5
Interest on loans	44.6	44.9	46.3	+1.4
Interest and dividend on securities	11.2	10.9	11.6	+0.7
(Bonds)	0.9	1.8	4.3	+2.4
(Investment trusts)	2.4	0.7	0.4	-0.3
Funding costs (-)	0.6	0.5	0.6	+0.2
(Interest paid on deposits, etc.) (-)	0.6	0.5	0.4	-0.1
Other	0.8	1.1	0.7	-0.4
International	5.9	5.8	4.7	-1.1
Interest on loans	4.2	9.6	22.3	+12.7
Interest and dividend on securities	4.1	6.4	12.5	+6.1
(Bonds)	2.3	3.8	12.2	+8.3
(Investment trusts)	1.0	0.8	0.0	-0.8
Funding costs (-)	2.6	11.3	37.7	+26.3
(Interest paid on deposits, etc.) (-)	0.6	4.7	19.8	+15.1
Other	0.1	1.1	7.7	+6.6

## Loan balance (average balance) and yields



## Interest on loans



# Loans (Shizuoka Bank nonconsolidated)

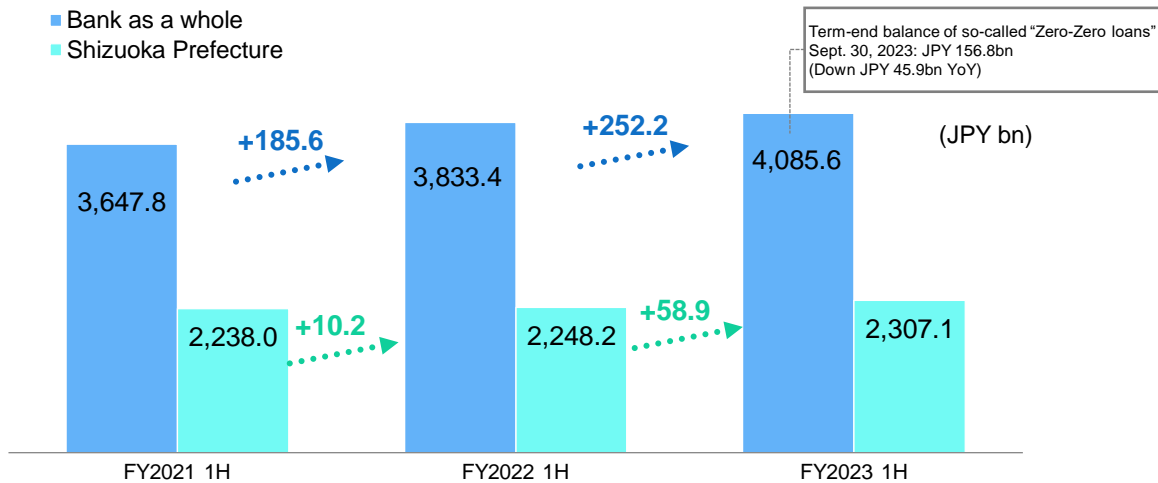
The total loan balance (average balance) increased due to growth mainly in loans to SMEs and retail loans (+4.1% annual).

## Loan balance (average balance)

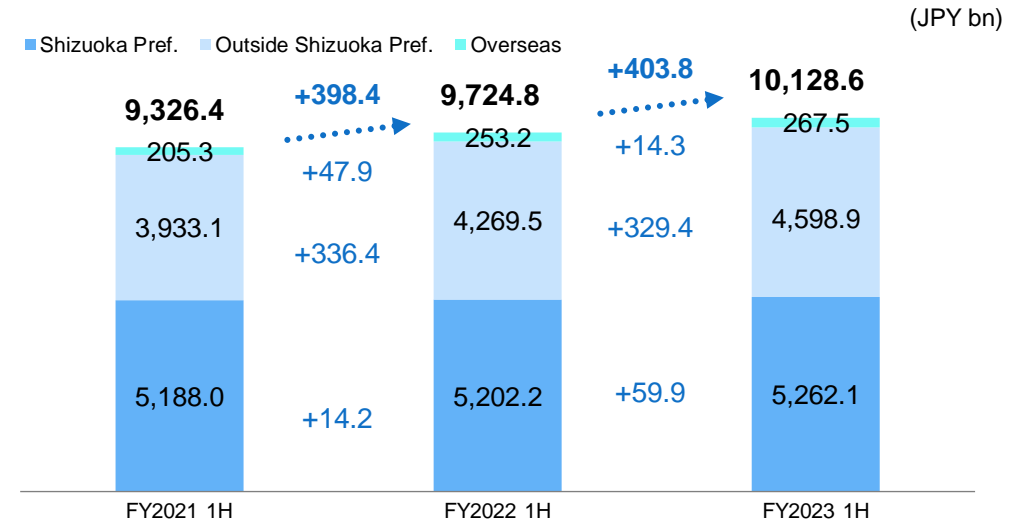
(JPY bn, %)	FY2023 1H	YoY change	Annual rate
Total loan balance	10,128.6	+403.8	+4.1%
Loan balance to SMEs	4,085.6	+252.2	+6.5%
Loan balance to large and medium-sized enterprises	1,870.7	+6.3	+0.3%
Retail loans	3,790.4	+144.0	+3.9%
Loan balance in foreign currency	668.0	+26.8	+4.1%

Balance factors: -JPY 2.0bn  
Forex factors: +JPY 28.8bn

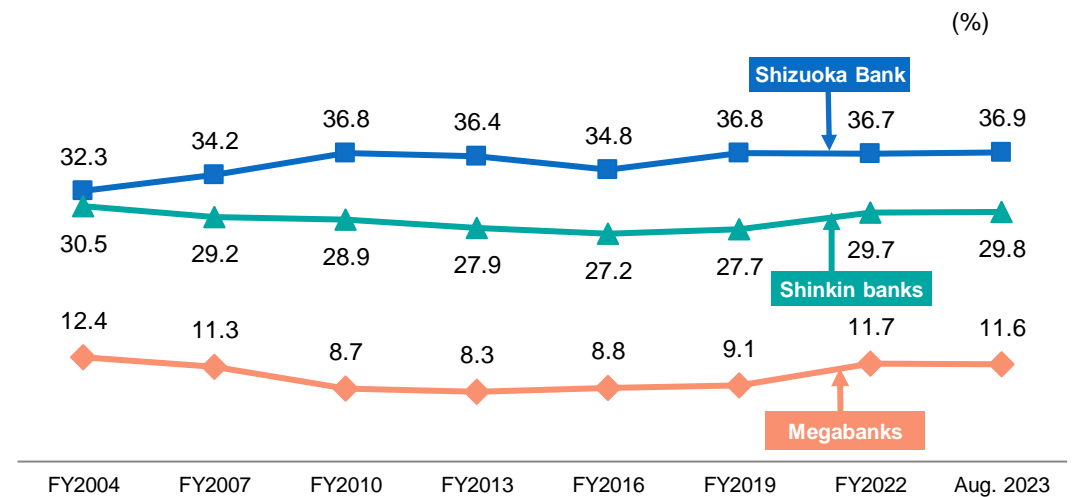
## SMEs loan balance (average balance)



## Loan balance (by region)



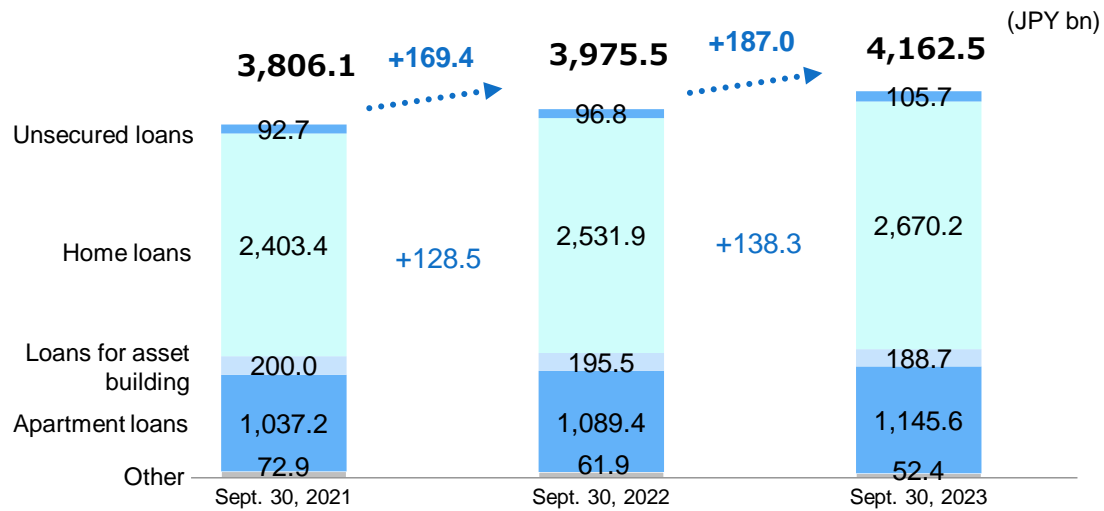
## Share of loans in Shizuoka Prefecture



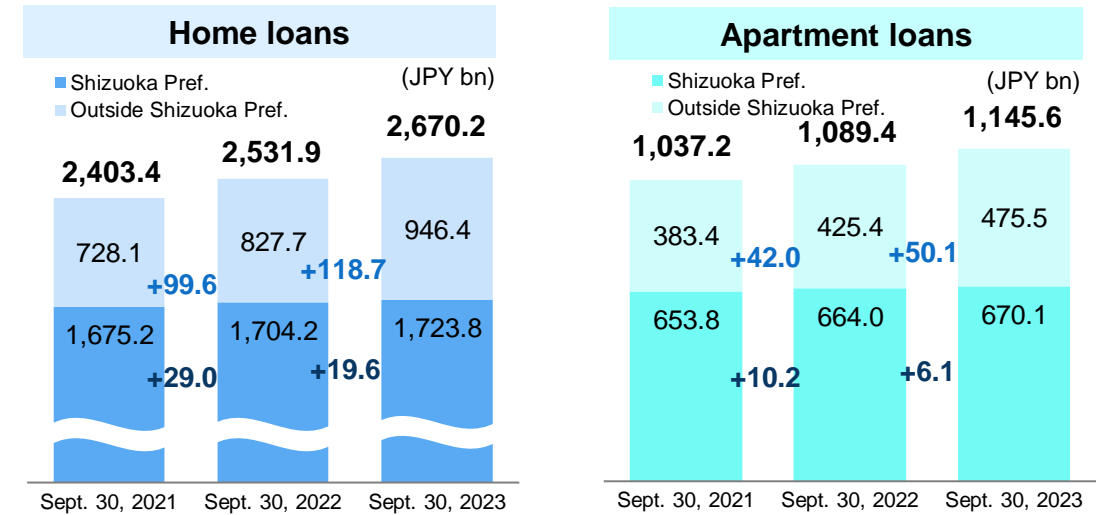
# Home loans, apartment loans, and other (Shizuoka Bank nonconsolidated)

The balance of home loans, apartment loans, and other loans continued to grow. Revenues including loan-related fees and commissions grew by JPY 1.5bn YoY. Opened the new Tachikawa Loan Center to promote residential lending in Tokyo area, responding to robust funding demand.

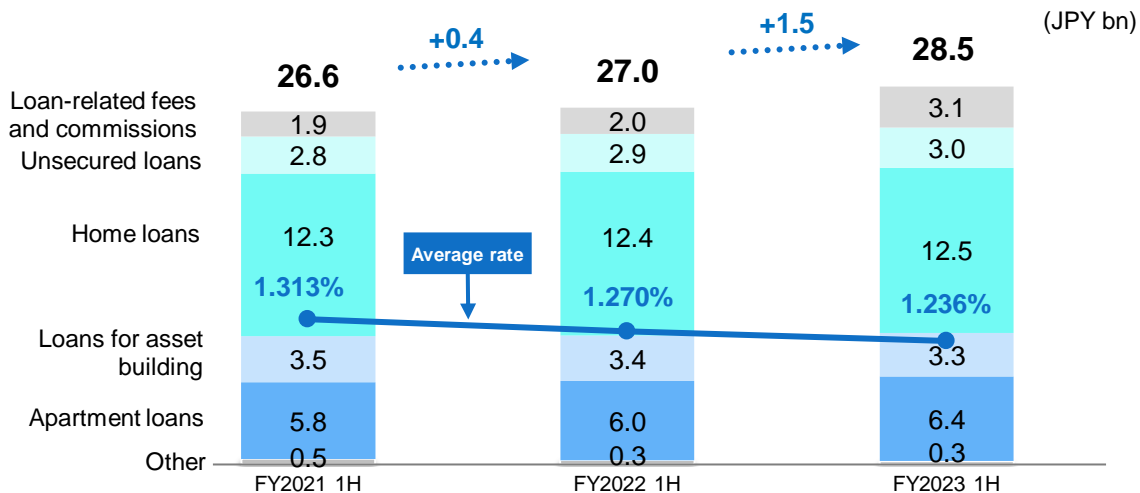
## Term-end balance



## Home loan and apartment loan balances by region (term-end balances)



## Interest amounts, fees, and rates



## Delinquency rate and occupancy rate

Delinquency rate (three months or longer)	Sep. 30, 2021	Sep. 30, 2022	Sep. 30, 2023
Home loans	0.13%	0.10%	0.11%
Apartment loans	0.16%	0.04%	0.03%
Loans for asset building	0.18%	0.43%	0.49%

Rental property occupancy rate	Dec. 31, 2020	Dec. 31, 2021	Dec. 31, 2022
Shizuoka Pref.	92.5%	93.5%	94.0%
Outside Shizuoka Pref.	93.3%	94.1%	95.1%



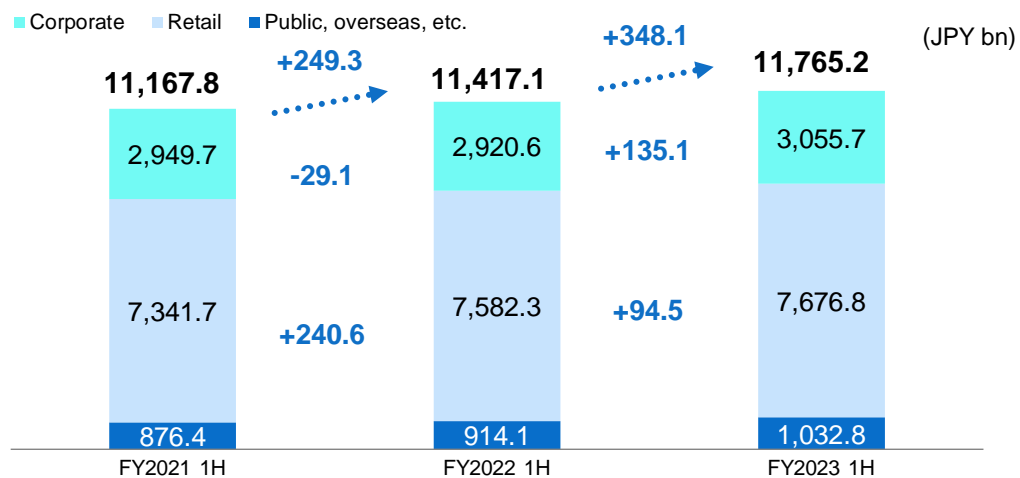
# Deposits (Shizuoka Bank nonconsolidated)

Continued growth in balances of both corporate and retail deposits (average balance) (+3.0% annual)

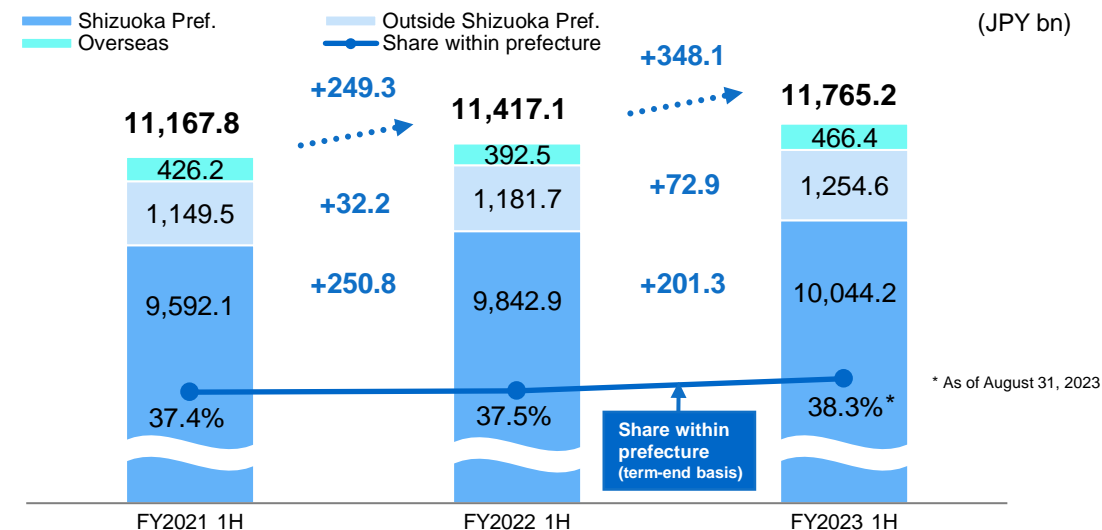
## Trends in deposit balance (average balance)

(JPY bn, %)	FY2023 1H	YoY change	Annual rate
Total deposits	11,765.2	+348.1	+3.0%
Deposits in Shizuoka	10,044.2	+201.3	+2.0%
Corporate deposits	3,055.7	+135.1	+4.6%
Retail deposits	7,676.8	+94.5	+1.2%
Public deposits	354.2	-2.4	-0.6%
NCDs	137.7	+43.9	+46.7%

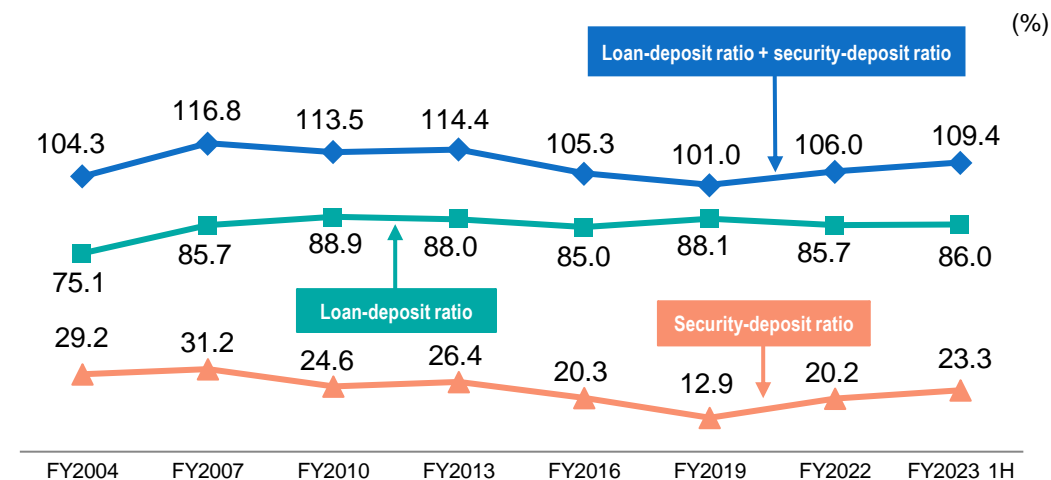
## Deposit balance (average balance)



## Deposit balance (by region)



## Loan-deposit ratio / security-deposit ratio (excluding NCDs)



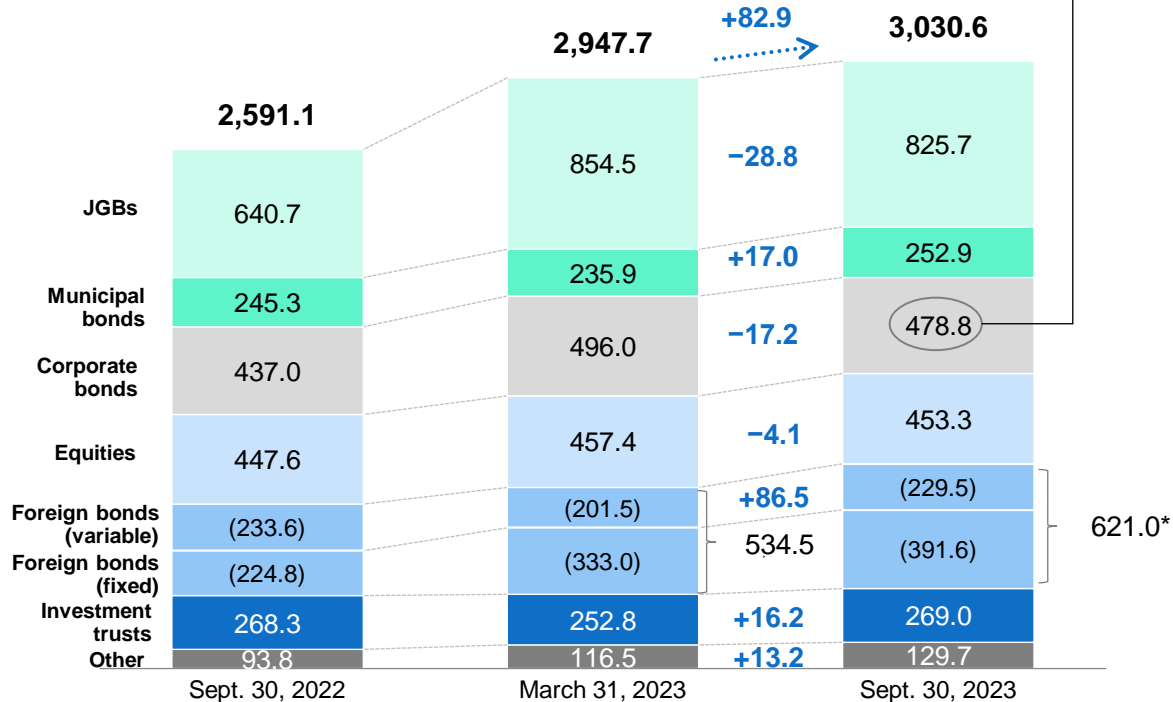
# Securities (Shizuoka Bank nonconsolidated)

Restructured the portfolio to improve overall yields with the goal of securing stable revenues over the medium to long term amid dramatically changing domestic and international market conditions.

Maintained valuation gains of JPY258.5 bn for securities as a whole

## Securities

[Breakdown of bonds]		(JPY bn)
Government-guaranteed bonds:	JPY 31.0bn	
Corporate bonds:	JPY 233.2bn	
(Private placement bonds:	JPY 25.9bn)	
Financial institution bonds:	JPY 173.8bn	
Corporate bonds held to maturity:	JPY 40.9bn	



\* Balance on Sept. 30, 2023 includes JPY 36.6bn transferred from Shizuoka Bank (Europe) S.A.

[Average holding period (excluding bonds hedged against interest-rate fluctuations)]

\* Excluding futures

	Sept. 30, 2022	March 31, 2023	Sept. 30, 2023
JPY bonds	6.40 years	6.12 years	7.34 years
Foreign bonds*	2.65 years	2.48 years	2.52 years

## Gains and losses on securities

(JPY bn)	FY2022 1H	FY2023 1H	YoY change
Interest and dividends on securities	17.2	24.0	+6.8
JPY bonds	1.8	4.3	+2.4
Foreign bonds	3.8	12.2	+8.3
Investment trusts (gains [losses] on cancellation)	1.5 (0.5)	0.4 (-0.5)	-1.1 (-1.0)
Investment funds	3.5	0.8	-2.6
Income related to JGBs and other bonds	-7.3	2.2	+9.5
Gains on sale	7.5	13.1	+5.6
Losses on sale and redemption (-)	14.8	10.9	-3.9
Gains and losses on equities	9.2	21.5	+12.2
Gains on sale	9.3	21.5	+12.2
Losses on sale and amortization (-)	0.0	0.0	-0.0

## Gains and losses on revaluation of securities

(JPY bn)	Sept. 30, 2022	March 31, 2023	Sept. 30, 2023	After hedging	vs. March 31, 2023
Gains and losses on revaluation of securities	+273.7	+325.8	+258.5	+274.8	-67.2
Equities	+319.4	+355.5	+354.9	-	-0.7
Yen bonds	-13.3	-9.9	-49.8	-48.0	-39.8
Foreign bonds	-41.3	-32.5	-64.5	-50.1	-32.1
Investment trusts	-3.9	+0.2	+3.6	-	+3.4
Investment funds, etc	+12.9	+12.5	+14.3	-	+1.9

# Fees and commissions

Fees and commissions and trading income continued to grow, due mainly to consulting fees earned by demonstrating Group functions.

## Fees and commissions

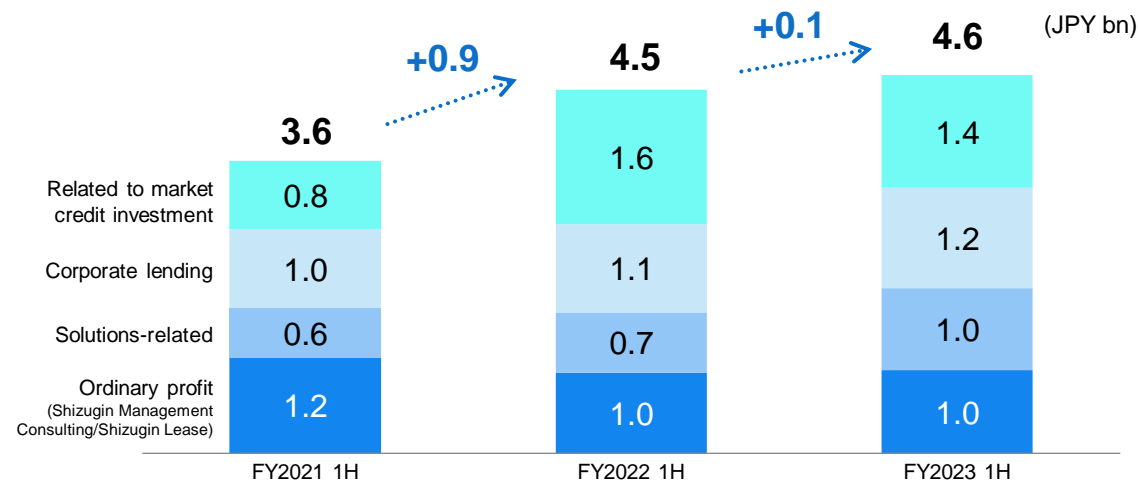
(JPY bn)	FY2021 1H	FY2022 1H	FY2023 1H	YoY change
[Consolidated] Fees and commissions	15.7	19.1	22.2	+3.1
[Shizuoka Bank nonconsolidated] Fees and commissions	7.8	11.0	13.3	+2.2
Fees and commissions income	15.9	17.1	19.0	+1.9
Fees and commissions expenses (-)	8.1	6.1	5.7	-0.3*

\* Including a decrease of JPY 0.5bn due to increased group trust dividends

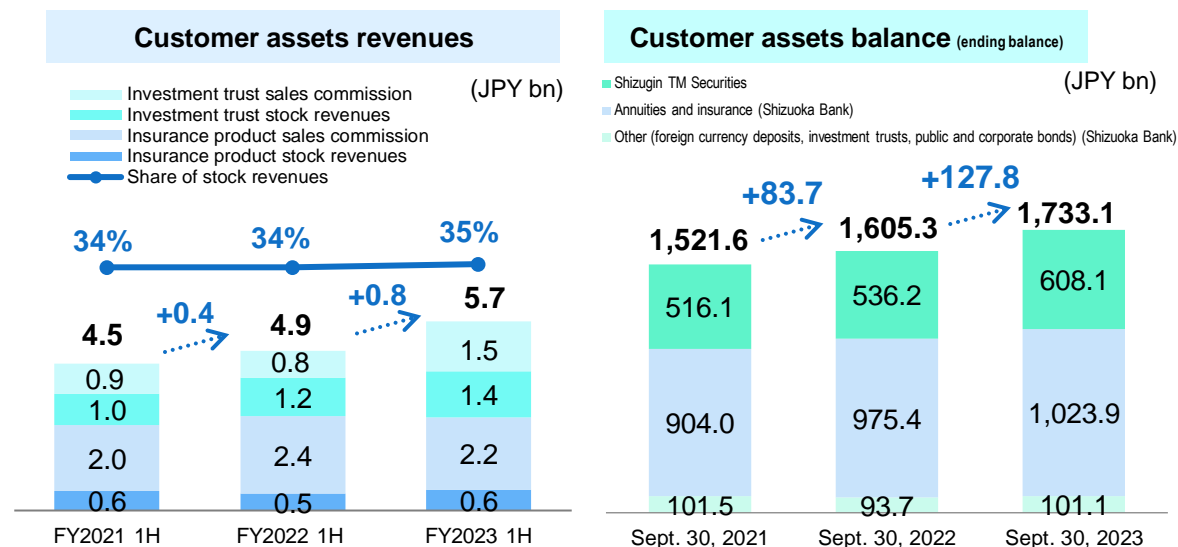
### Major items of fees and commissions (including other incomes)

Wholesale fee income	3.6	4.5	4.6	+0.1
Related to market credit investment	0.8	1.6	1.4	-0.3
Corporate lending (syndicated loans, etc.)	1.0	1.1	1.2	+0.1
Solutions-related (business matching, support for subsidiaries, etc.)	0.6	0.7	1.0	+0.3
Shizugin Management Consulting/Shizugin Lease (ordinary profit)	1.2	1.0	1.0	+0.0
Other lending (home loan fee income, etc.)	2.1	1.8	2.8	+1.0
Fee income on customer assets	4.5	4.9	5.7	+0.8
Shizuoka Bank (insurance, investment trust)	2.7	3.0	2.9	-0.1
Shizugin TM Securities (investment trust)	1.7	1.9	2.8	+0.9
Forex fee income (revenues, expenditures)	2.9	2.6	2.6	-0.1
[Shizuoka Bank nonconsolidated] Trading income	0.5	0.9	0.4	-0.5

## Wholesale fee income (Shizuoka Bank, Shizugin Management Consulting, Shizugin Lease)



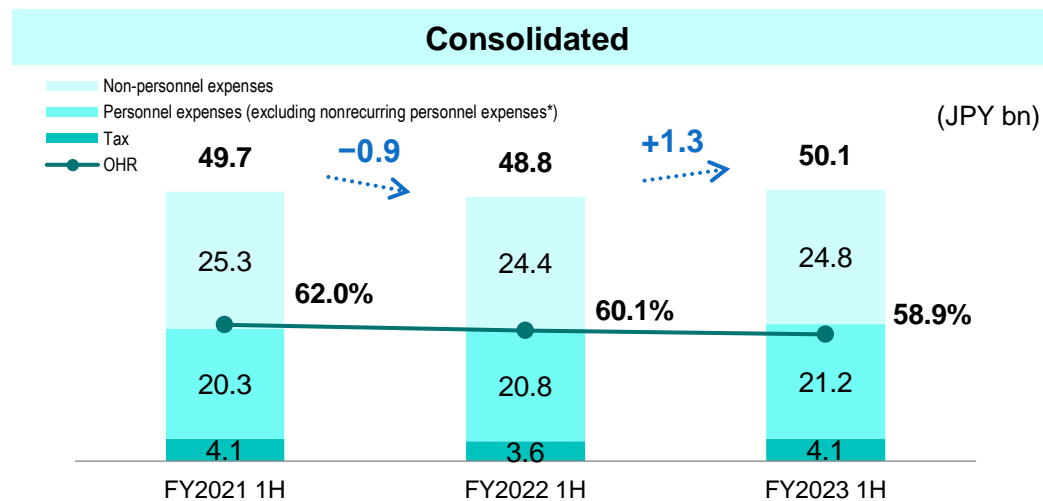
## Revenues/balance on customer assets (Shizuoka Bank, Shizugin TM Securities)



# Expenses

While overall expenses increased, consolidated OHR fell to 58.9% (down 1.2 pts. YoY) thanks to top-line growth.

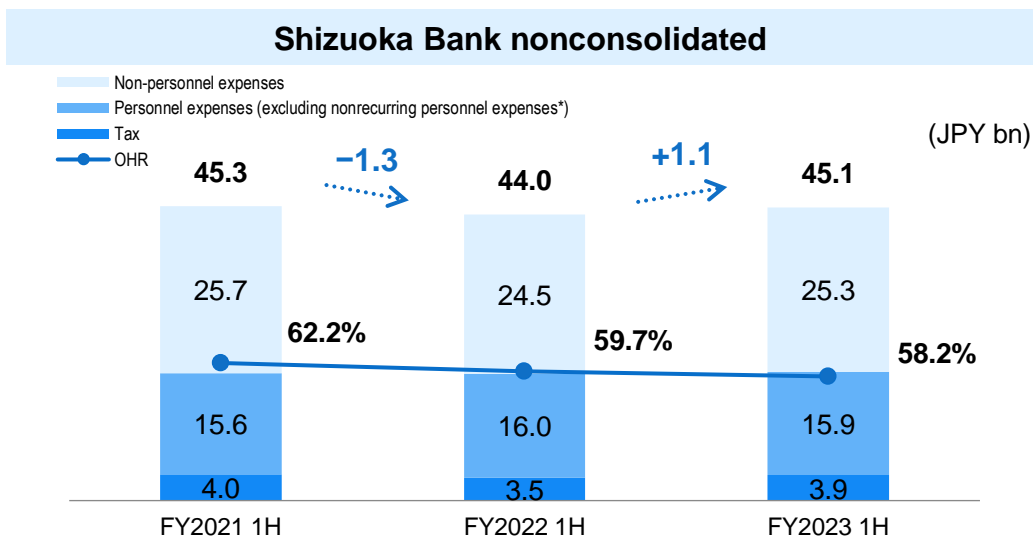
## Expenses and OHR



## Key factors contributing to changes in expenses

**Consolidated**

(JPY bn)	Change	Main change
Non-personnel expenses	+ 0.4	Costs associated with software use: +JPY 0.4bn
Personnel expenses	+ 0.4	Increase in salaries due to increase in base pay: +JPY 0.2bn
Tax	+ 0.5	Shizuoka Bank: +JPY 0.4bn (consumption tax, etc.)
<b>Total</b>	<b>+ 1.3</b>	



**Shizuoka Bank nonconsolidated**

(JPY bn)	Change	Main change
Non-personnel expenses	+ 0.8	Depreciation: -JPY 0.6bn (due to revaluation of fixed assets: -JPY 0.4bn); Costs associated with software use: +JPY 0.4bn; business administration fees paid to SFG: +JPY 0.7bn
Personnel expenses	- 0.1	Salaries, etc.: -JPY 0.1bn
Tax	+ 0.4	Consumption tax: +JPY 0.3bn
<b>Total</b>	<b>+ 1.1</b>	

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

**[Effects of fixed asset revaluation (JPY bn)]**

	Total non-personnel costs	Next-generation accounting system expenses
1H (results)	-0.4	-0.3
2H (projected)	-2.6	-1.6
<b>Total</b>	<b>-3.0</b>	<b>-1.9</b>

# Credit-related costs (Shizuoka Bank nonconsolidated)

Overall credit-related costs decreased YoY and remained low.

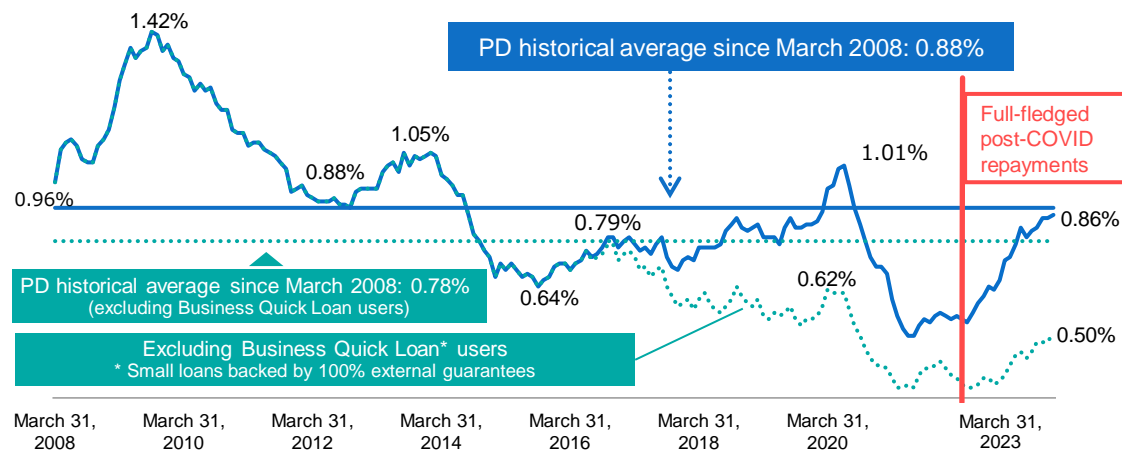
## Breakdown of credit-related costs

(JPY bn)	FY2021 1H	FY2022 1H	FY2023 1H	YoY change
[Consolidated] Credit-related costs	3.7	4.2	2.2	-2.0
[Shizuoka Bank nonconsolidated] Credit-related costs	3.0	3.9	1.6	-2.3
Provision for general allowance for loan losses	2.0	-1.4	-0.8	+0.6
Provision for specific allowance for loan losses	0.9	5.1	2.2	-2.9
Other non-performing loans (NPL) disposal *	0.1	0.2	0.2	+0.0

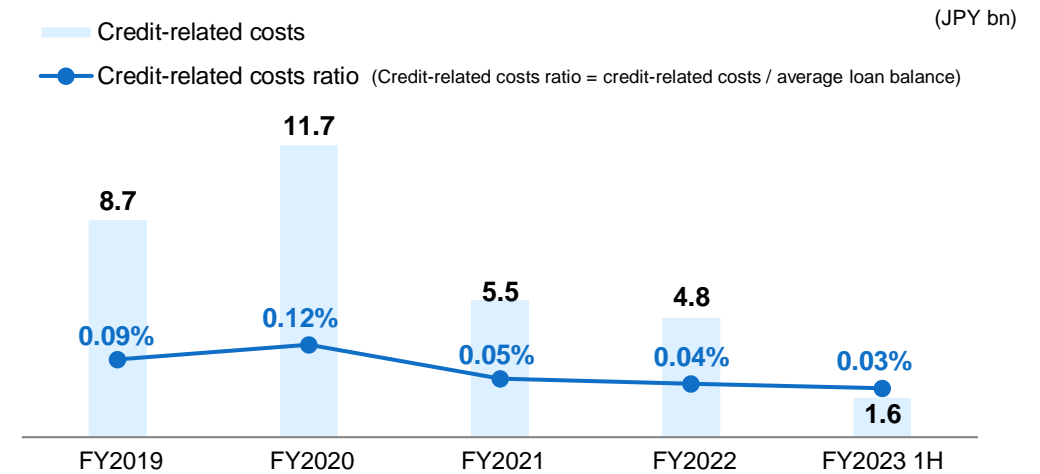
\* Including provision for the estimated future payments to credit guarantee corporations, provision for allowance for accidental losses, and losses on sale of loans

## Probability of default (PD)

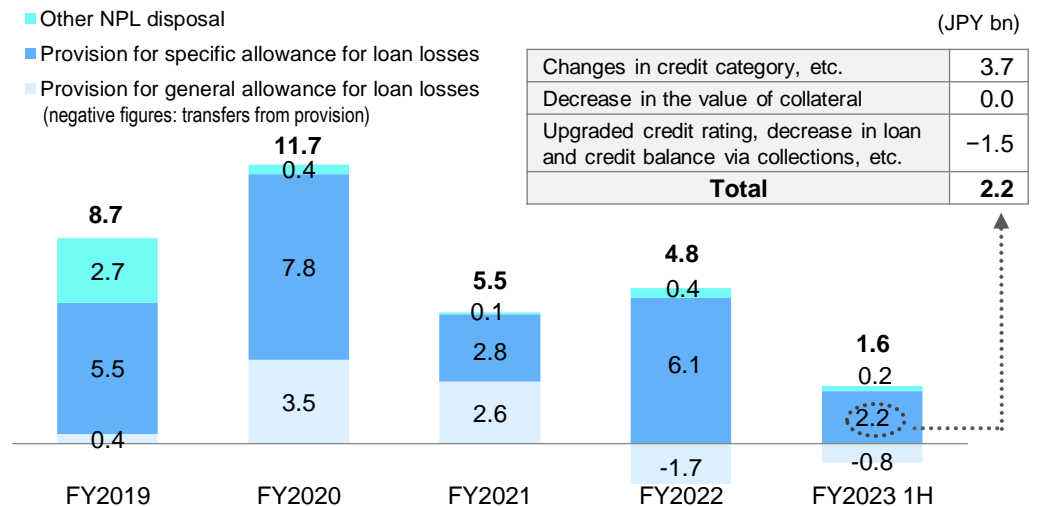
\*PD of performing borrowers and borrowers warranting close monitoring (based on number of borrowers)



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

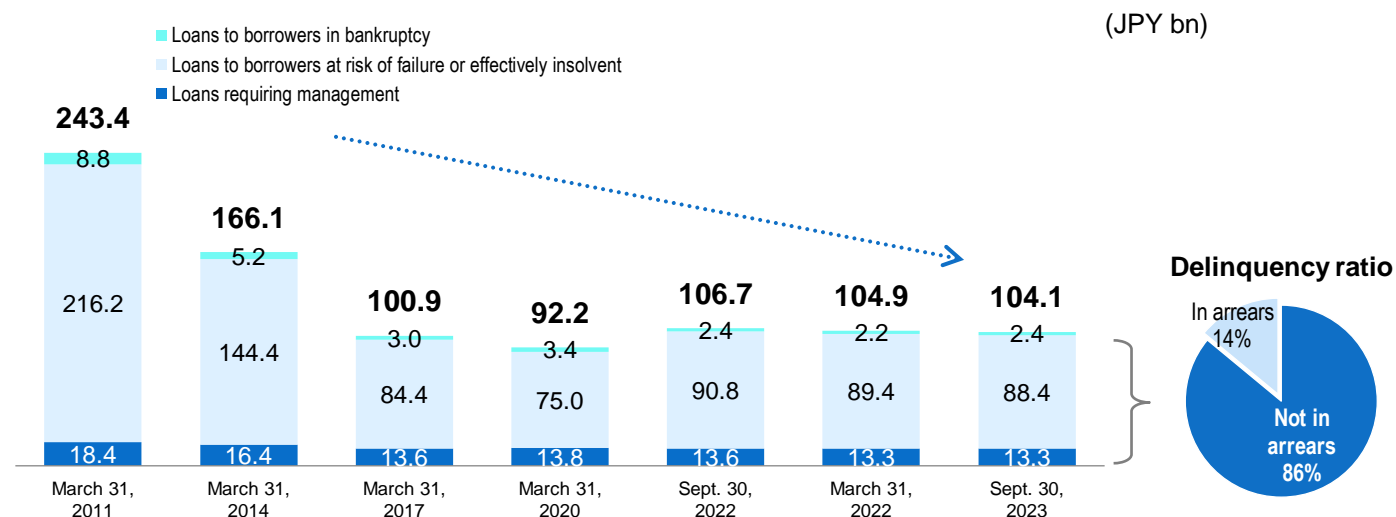


## Provision for allowance for loan losses and other NPL disposal

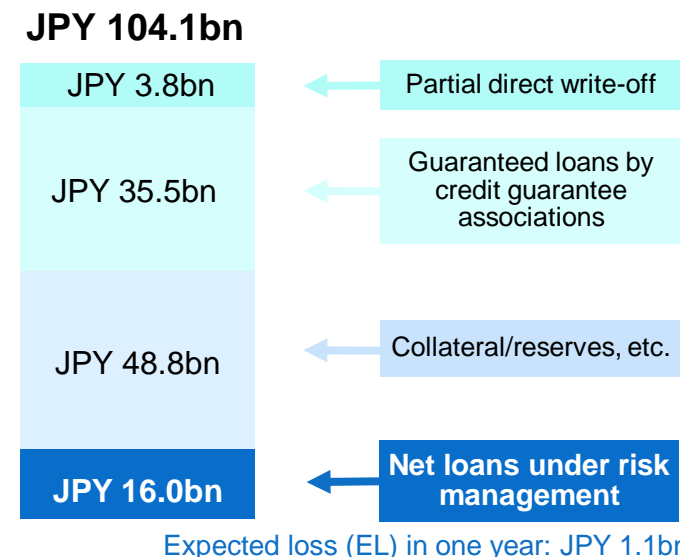


Loans under risk management fell overall from the end of the previous fiscal year. The percentage of loans under risk management remained low.

## Loans under risk management



## Net loans under risk management



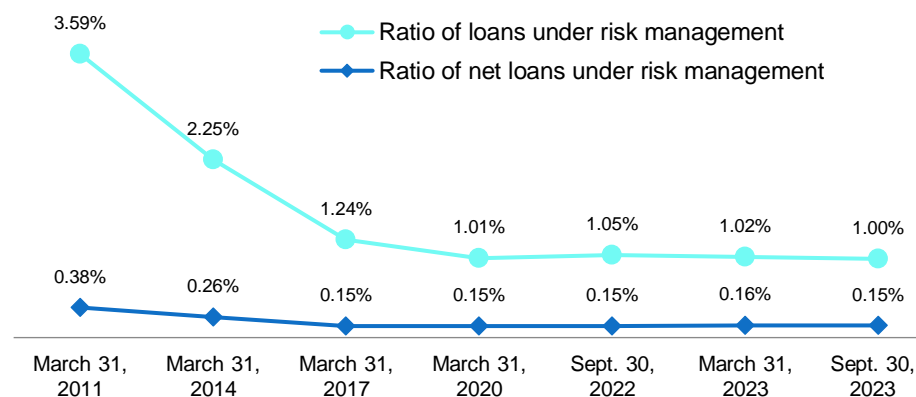
## NPL removal from balance sheet

(JPY bn)	FY2022	FY2023 1H
Newly recognized NPLs	+34.5	+12.2
Removal from balance sheet (NPL to borrowers classified as at risk of failure or in categories of greater risk)	-28.0 (-24.3)	-13.0 (-11.7)
<b>Loans under risk management</b>	<b>104.9</b>	<b>104.1</b>

**[Breakdown of - JPY 11.7bn]**

Collected from borrower / offset against deposits	-1.9
Collateral disposal / subrogated to guarantor	-5.7
Loans sold / direct write-off	-2.7
Reclassified to lower risk categories	-1.5

## Ratio of loans under risk management



# FY2023 forecasts

Financial results forecasts have been revised to reflect the effect on profit/loss of the September 2023 revaluation of fixed assets and other factors. Project ordinary profit of JPY 98.0bn (up JPY 18.0bn from initial plans) and net profit of JPY 56.0bn (unchanged) on a consolidated basis.

(JPY bn)

## Consolidated

	FY2022 results	FY2023 initial forecast (A)	FY2023 revised forecast (B)	Change (B-A)	FY2023 1H results (C)	Progress rate (C/B)
Ordinary profit	74.0	80.0	98.0	+18.0	55.4	56.5%
Net income attributable to owners of the parent	52.4	56.0	56.0	-	24.8	44.2%
ROE	4.6%	5.0%	5.0%	-	4.3%	-
OHR	60.2%	58.3%	58.3%	-	58.9%	-
CET1 ratio	18.42% (14.17%)	17.14% (13.44%)	17.14% (13.44%)	-	17.94% (13.78%)	-

## Shizuoka Bank nonconsolidated

Gross operating profit	144.3	151.0	151.0	-	77.4	51.2%
Net interest income	121.6	125.0	126.0	+1.0	62.7	49.7%
Fees and commissions	21.1	21.5	22.5	+1.0	13.3	58.9%
Trading income	1.4	1.5	1.0	-0.5	0.4	41.0%
Other operating profit	0.2	3.0	1.5	-1.5	1.1	74.2%
Expenses (-)	86.9	89.0	86.0	-3.0	45.1	52.4%
Ordinary profit	67.6	71.0	89.0	+18.0	52.5	58.9%
Net income	46.2	49.0	49.0	-	22.0	44.9%
Credit-related costs (-)	4.8	4.0	4.0	-	1.6	39.3%

# [Reference] Revision of account processing in valuation of fixed assets based on the medium- to long-term branch strategy

To realize the medium- to long-term branch vision in the First Medium-term Business Plan, revising account processing (fixed assets valuation methods) to ensure consistency with the strategy

Suppressing potential future branch-related costs through lump-sum cost recording of decreases in valuation of fixed assets; reducing depreciation burdens in each fiscal year to boost capacity available for strategic investments

## Medium- to long-term branch strategy: Transformation Strategy

Optimizing sales office roles to reflect rapid changes in the business environment, including changes in social structures and advancing digital technologies

Fewer customers visiting branches

Increasing digital transactions

Issues facing customers growing more diverse and complex

Transformation of branch roles through digital transformation (DX) initiatives

## Medium- to long-term branch vision

### Currently

### Future

Branch functions

- Centered on in-person operations, complemented by digital technologies
- Sales offices centered on banking operations

- Shifting daily transactions to digital platforms to allow in-person operations to focus on high value-added sales
- Regional development hubs that combine and integrate multiple Group functions
- Branch functions suited to respective regions and branch roles (improving the branch network to match customer trends)

Network

- Comprehensive functions demonstrated through division of responsibilities among branches in respective areas

	Full banking branches	Other branches
Currently	Approx. 110 branches	Approx. 80 branches
Future	Consolidating personnel and focusing on high value-added sales	Streamlining through use of digital technologies

## Implementing account processing consistent with the branch strategy

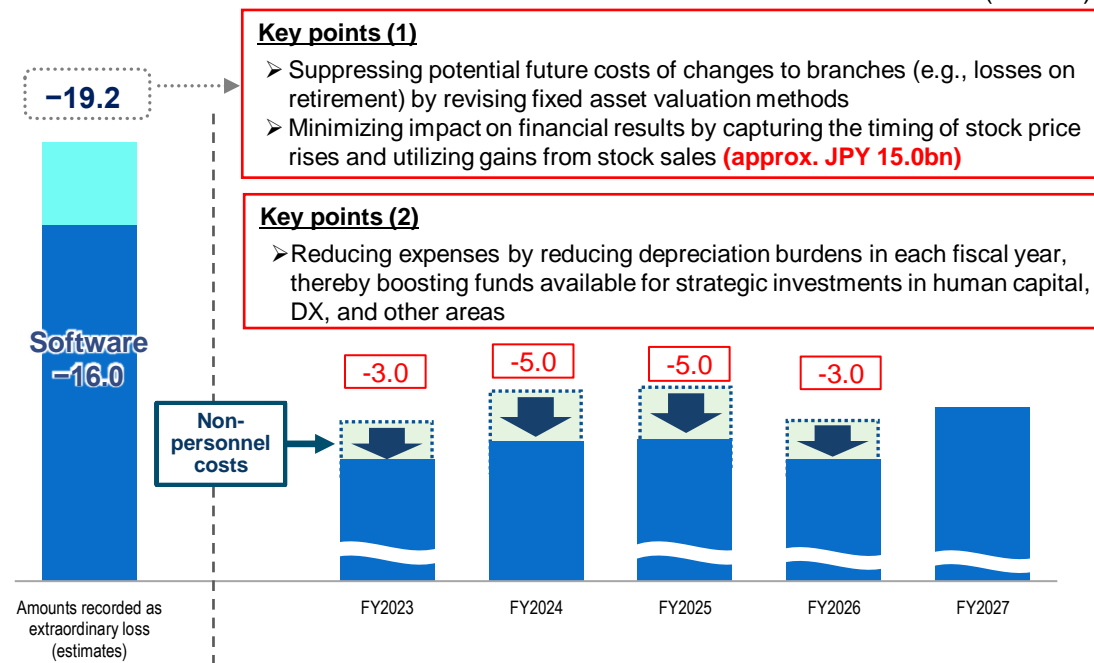
Revising account processing in consideration of the diversifying roles and functions of individual branches and the growing importance of computer systems in branch operations

1 Revising valuation methods for branches and other facilities (asset grouping)

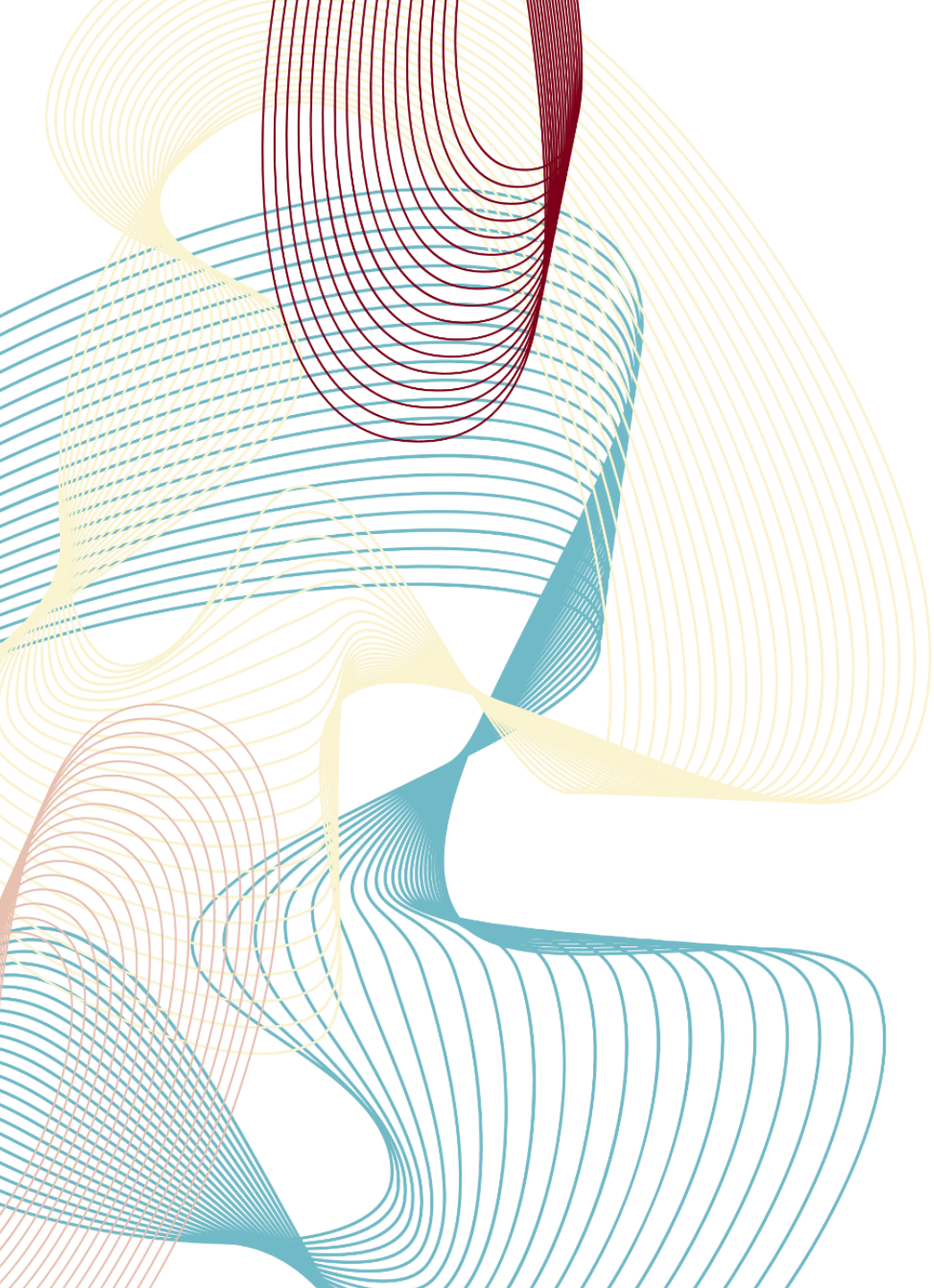
2 Adding software, etc. to fixed assets belonging to branches

## Financial accounting effects

(JPY bn)







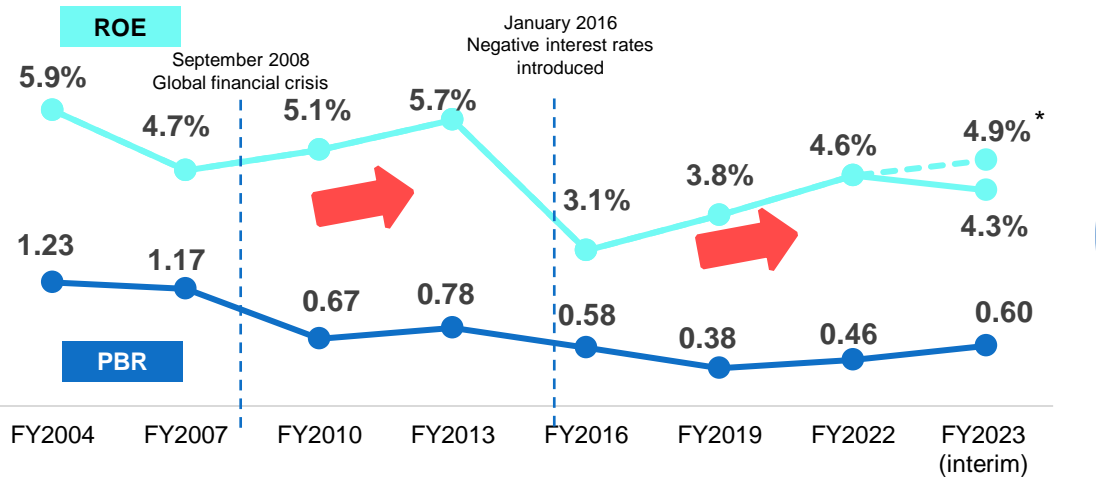
**Progress on First Medium-term  
Business Plan  
(Efforts to Increase Corporate Value)**

# Efforts to raise corporate value – Current conditions

Amid a changing environment in the finance industry, PBR remains low despite efforts to boost ROE by reforming earnings and cost structures and other efforts. Strive for further improvements in ROE while reducing equity capital costs and working toward solutions to community challenges to generate sustained growth in earnings in order to improve PBR.

## ROE and PBR trends (current conditions)

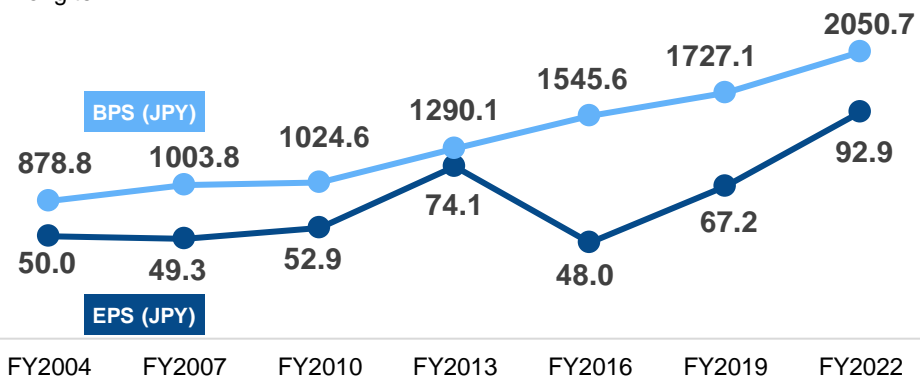
Have focused on consolidating operations, rebuilding sales structures, and developing new revenue drivers in face of headwinds against the finance industry. While ROE indicates an improving trend, PBR remains low.



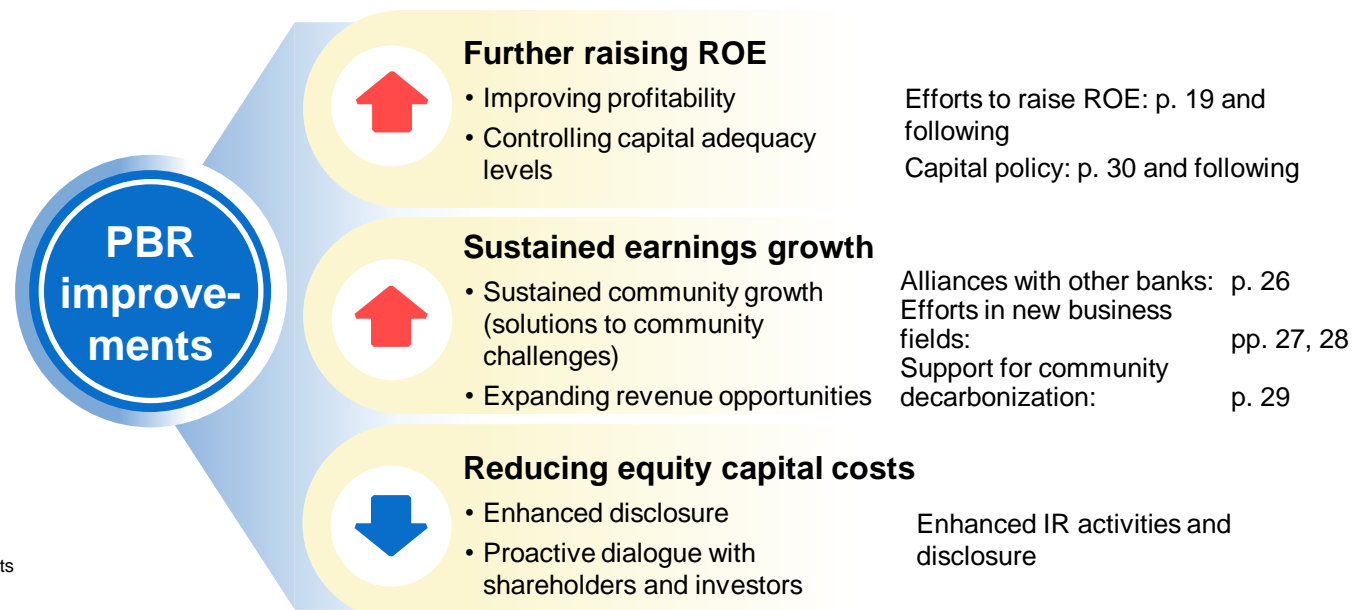
\* After deducting effects of revaluation of fixed assets

## [Reference: BPS and EPS trends]

Implementing management attuned to the need for sustained growth in share prices over the long term



## To improve PBR



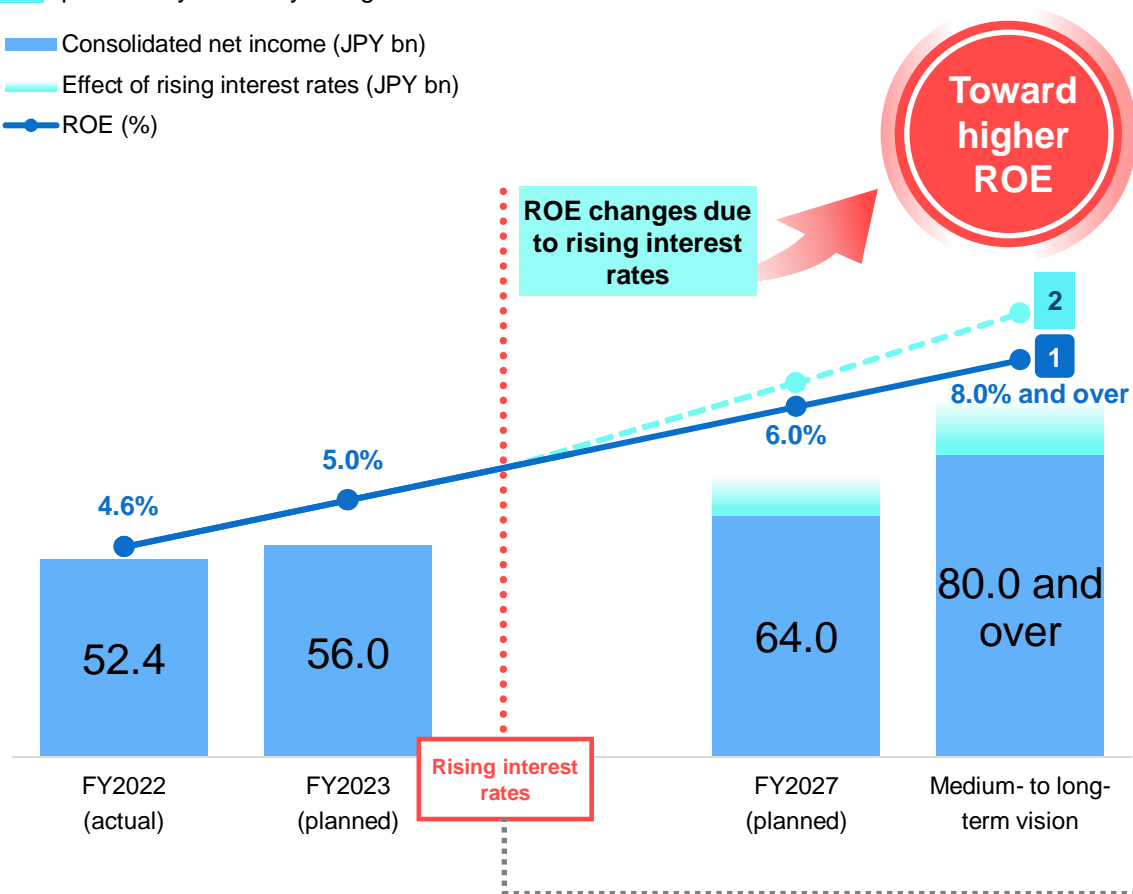
# Efforts to raise ROE (1) – Basic concepts

Strive to control capital level appropriately and raise ROE while improving earning capabilities by enhancing the top line and controlling expenses. Expect further improvements in profitability through the positive effects of medium- to long-term interest rate hikes.

## How to raise ROE and profit levels

- 1 Expect to achieve an ROE of 6% during the period covered by the First Medium-term Business Plan and an ROE of 8% or better over the medium to long term by promoting the Plan's basic strategies.
- 2 Anticipate the rapid achievement of 6% ROE and continuing growth based on improved profitability driven by rising interest rates.

- Consolidated net income (JPY bn)
- Effect of rising interest rates (JPY bn)
- ROE (%)



### Enhancing the top line

- Steady growth of core businesses (loans, deposits, fees) (pp. 7, 9, 11)
- Asset allocation through an awareness of ROA, RORA, and liquidity (p. 20)
  - ✓ Venture capital business (p. 21), market credit investment (p. 22)
  - ✓ Portfolio management (JPY, foreign currency) (pp. 23, 24)

### Cost control

- Growing strategic investments while controlling costs and securing revenues
  - ✓ Revaluation of fixed assets (September 2023) (p. 16)
  - Use of available investment leeway (p. 25)

### Capital policies

- Appropriate control of equity capital levels (p. 31)
- Reducing cross-shareholdings (p. 32)
- Steadily increasing the dividend payout ratio and dynamically acquiring treasury shares (p. 33)

### Effects of rising interest rates

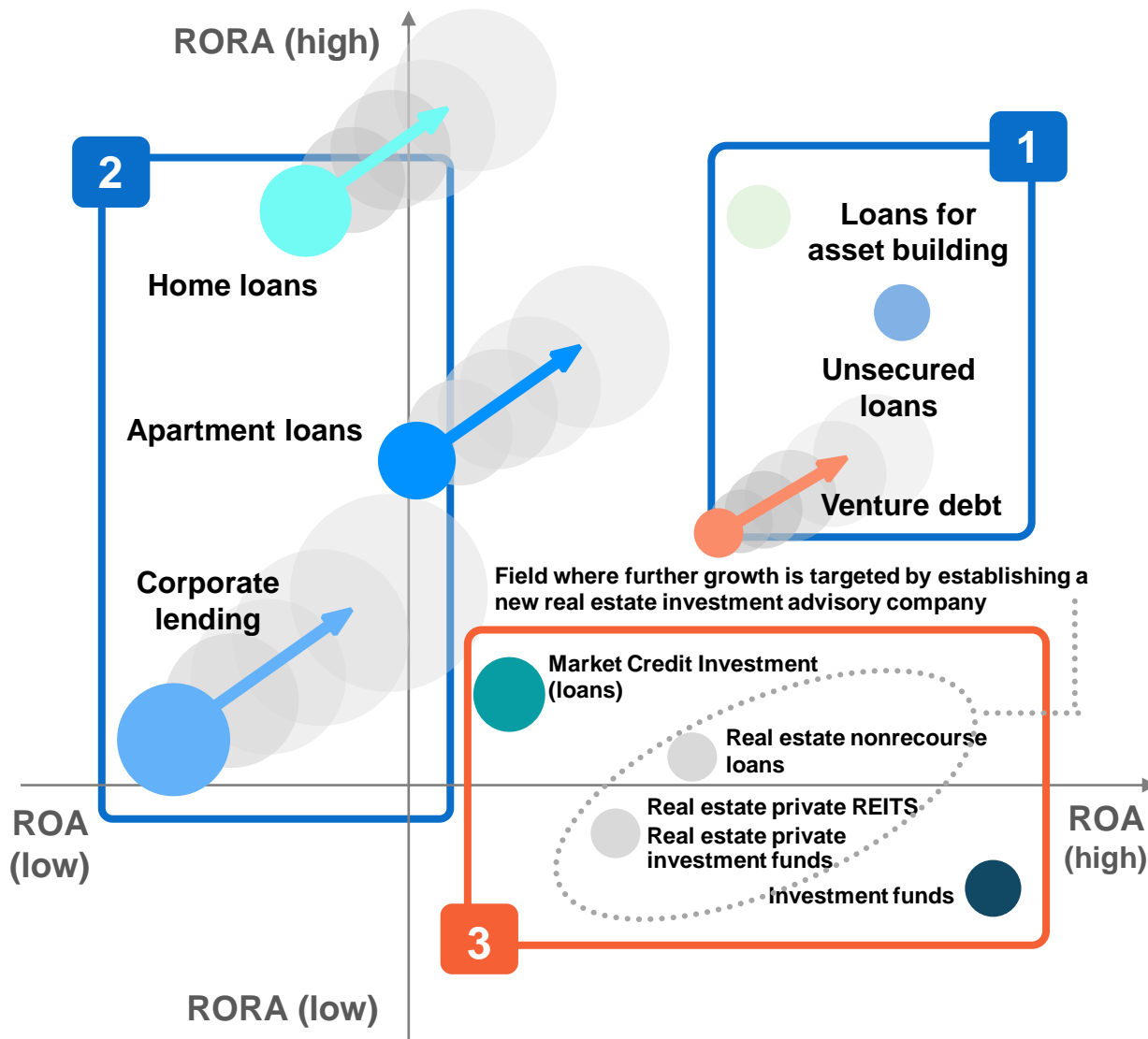
[JPY portfolio management (p. 23)]

- While yields are expected to improve on new loans and newly purchased bonds, our stable fundraising structure will minimize fundraising costs, leading to higher profitability.

# Efforts to raise ROE (2) – Asset allocation

Effectively accumulate risk-weighted assets by executing basic strategies of Medium-term Business Plan through asset allocation management suited to the characteristics of each asset. Secure ROA while striking an ideal balance with the capital adequacy ratio as accumulating assets associated with comparatively high risk-weight is possible due to enhanced equity capital.

## Asset allocation concept



### 1 ROA (high) - RORA (high)

- ✓ Accumulate assets in accordance with market conditions and securing RORA and ROA while monitoring conduct risk.

### 2 ROA (low) - RORA (high)

- ✓ Accumulate balances of strategically important corporate lending and home loans while monitoring their shares of transactions, as revenues should increase with rising JPY interest rates.

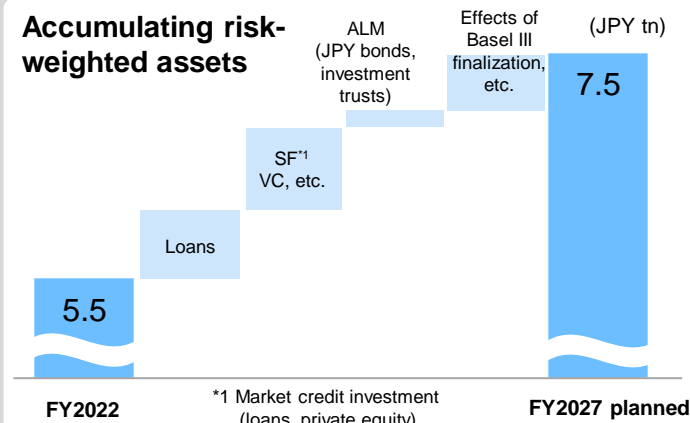
### 3 ROA (high) - RORA (low)

- ✓ Have focused on accumulating assets with high risk-weights in the market credit investment field in order to enhance earnings capabilities using the equity capital achieved to date.
- ✓ Seek to accumulate assets and strengthen profitability while striking an ideal balance with equity capital during the First Medium-term Business Plan.
- ✓ Establish a new real estate investment advisory company in the real estate finance field (p. 27).

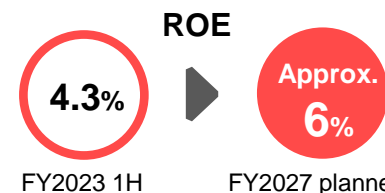
[Reference: Results in the market credit investment segment]  
The balance (total of loans and private equity) has grown to about JPY1 trillion. Revenues have grown to more than JPY15.0 bn/year (p. 22).

## ROE vision

### Accumulating risk-weighted assets



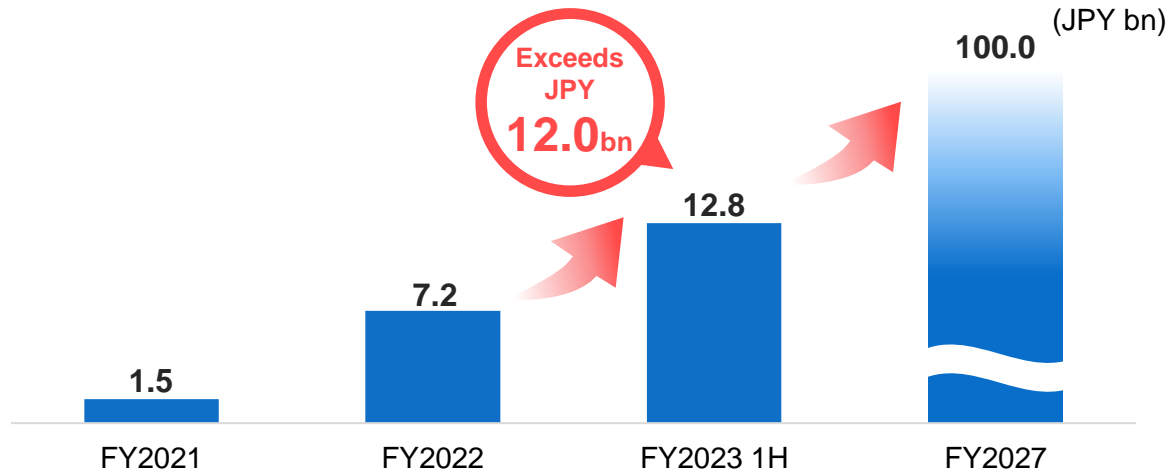
Seeking to achieve an ROE of 6% during the Medium-term Business Plan by accumulating risk-weighted assets based on an awareness of ROA and RORA



# Efforts to raise ROE (3) – Business for venture firms

Cumulative venture debt executed has reached more than JPY 12.0bn. Shizuoka Financial Group's comprehensive functions continue to support startup growth.

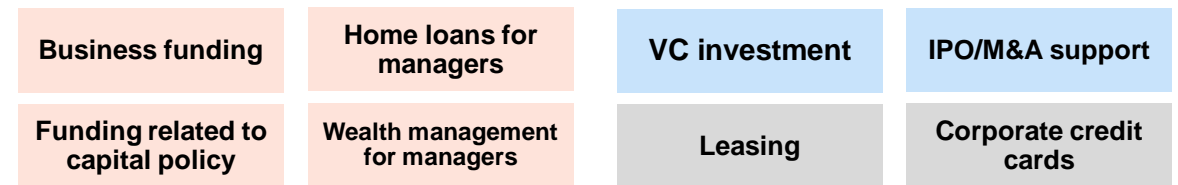
## Venture debt executed



## Groupwide support structure

Leverage the functions of individual Group companies to meet a wide range of needs, including needs related to capital policy, leasing, and wealth management for managers.

### Diverse startup needs



## SHIZUOKA FINANCIAL GROUP

### SHIZUOKA BANK

Leveraging alliances with **Yamanashi Chuo Bank** and **Nagoya Bank** to meet demand for more fundraising contact points

### Shizuoka Capital

**Shizugin Lease**

**Shizugin Saison Card**

## Investment in VC funds

Investing in VC funds from a medium- to long-term perspective diversified by industry and stage

[Examples of industries targeted for investment]

SaaS	Data analysis	Long-term care	Healthcare
Robotics	Fintech	AI	Biotech

**26 funds, 650 startups**

Pledged investment:

**JPY 22.8bn**

(As of September 30, 2023)

### Improvements in the Start-up Support Division

Structural improvements to grow lines of business

#### Sections

FY2022: one section

Front office section

Sept. 30, 2023: **three sections**

Front office section

Monitoring section

VC/planning section

#### Staff

FY2022: 6

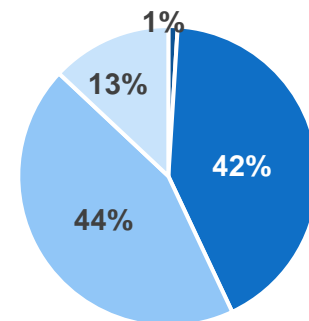


Sept. 30, 2023: 14



### Borrowers by stage

Borrowers across four stages

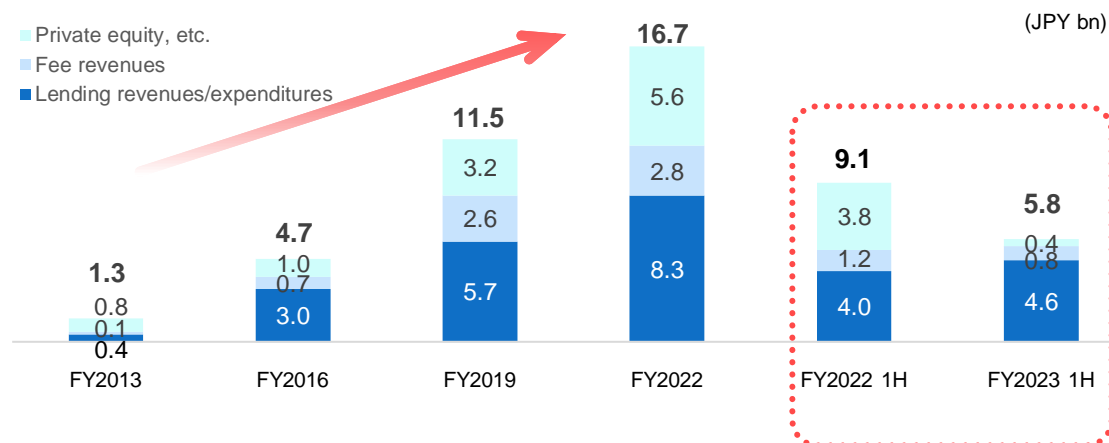


■ Seeding ■ Early  
■ Middle ■ Later

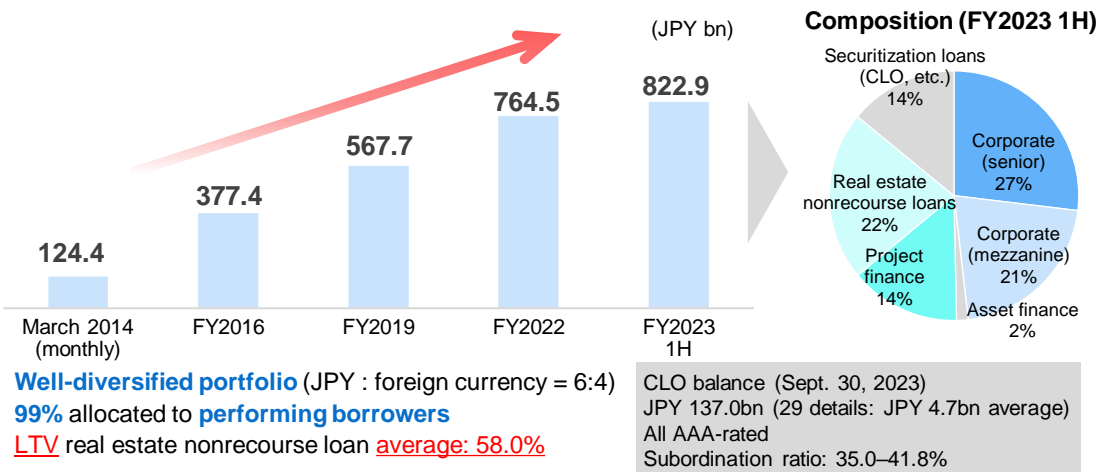
# Efforts to raise ROE (4) – Market Credit Investment

Have grown revenue by developing investment and lending fields based on sound risk and return analysis since launching these efforts in FY2013. Valuation gains on private equity investment are growing steadily, even with the recent decline in returns due to factors such as exit delays caused by reduced IPOs and the rising cost of raising funds in foreign currencies.

## Revenue trend



## Lending balance (average) and composition

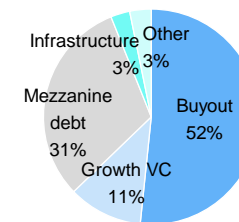


Structured finance lending profitability indicators	FY2022 1H	FY2023 1H	YoY change
Return on assets (ROA)	1.08%	1.08%	+0.00pt
Return on risk-weighted assets (RORA)	1.84%	1.86%	+0.02pt

## Private equity investment

- Building a time-diversified portfolio through continual investment every year
- Building a geographically and strategically diversified portfolio through well-balanced investments in various domestic and foreign funds
- Securing average yields of 8% or more over the most recent five years

Composition (FY2023 1H)



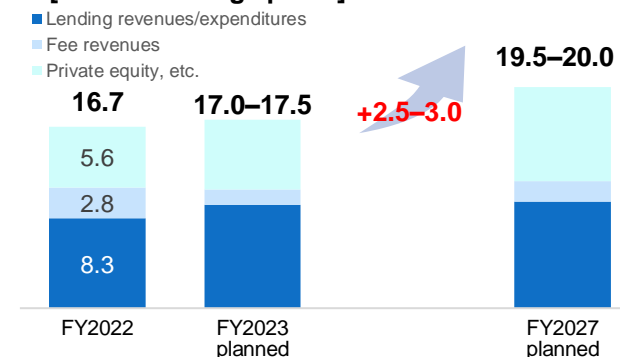
[Private equity investment results (excluding private REITs and real estate investment funds)]

(JPY bn)	FY2013	FY2016	FY2019	FY2022	FY2023 1H
Investment commitment (annual)	4.7	8.9	10.8	21.9	10.6
Investment commitment (total)	14.0	36.7	66.1	129.0	146.2
Domestic	14.0	27.7	45.5	63.2	65.4
Foreign	0.0	9.0	20.6	65.9	80.8
Investment gain/loss (annual)	0.7	0.2	1.7	4.4	0.2
Revaluation gain/loss (term end)	+1.2	+0.5	+3.6	+10.1	+12.1

## Future initiative policies

- Accumulating balances based on an awareness of ROA and RORA
- Securing earnings by arranging LBO loans and real estate nonrecourse loans
- Securing profitability in asset turnover businesses by distribution of structured products and sales of existing assets

[Future earnings plans]



# Efforts to raise ROE (5) – JPY portfolio management

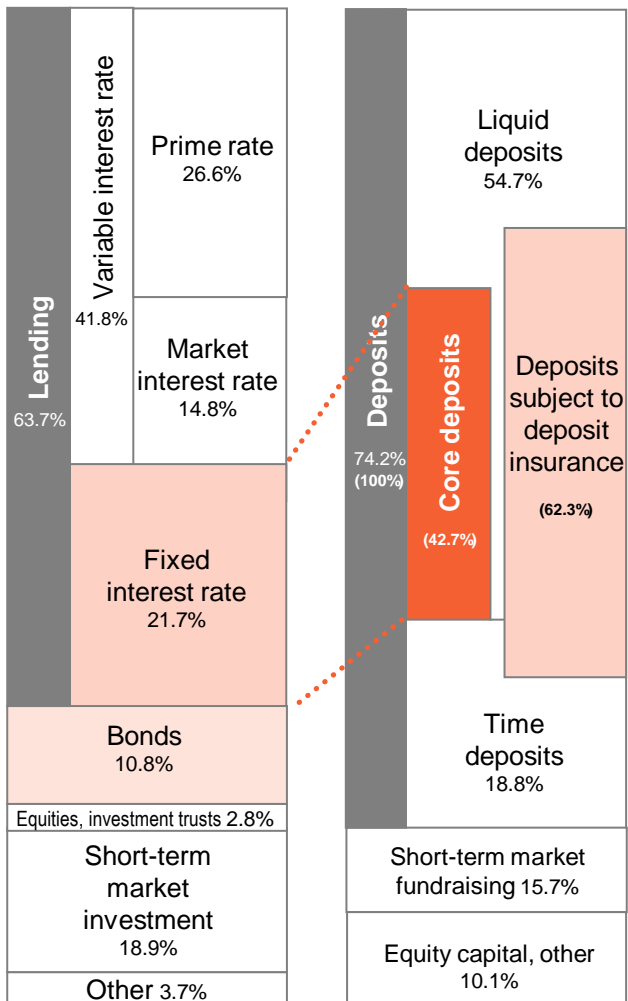
While rising long-term interest rates have a negative effect on short-term valuation gains/losses, they have a positive effect on the JPY balance sheet as a whole, and profitability is projected to increase.

## JPY balance sheet structure (September 2023)

Deposits account for about 70% of funds raised. Core deposits, which are stable and less sensitive to interest rate fluctuations, account for more than 40% of all deposits.

Assets (100%): JPY 14,896.6bn

Liabilities, capital (100%)



### Deposit fundraising structure

- Building a stable fundraising structure centered on small, diversified retail deposits
- More than 60% of all deposits are covered by deposit insurance.

#### By depositor

	March 31, 2020	Sept. 30, 2023
Retail deposits	71.5%	70.0%
Corporate deposits	24.2%	27.0%
Other	4.3%	3.1%

#### By amount

	March 31, 2020	Sept. 30, 2023
Up to JPY 10mn	49.2%	44.3%
JPY 10–100mn	30.3%	33.3%
Above JPY 100mn	20.4%	22.4%

### Changes in revaluation gain/loss on JPY balance sheet (10 BPV)

	Assets (JPY bn)		Liabilities and equity (JPY bn)	
10 BPV	-27.5		+31.2	
Loans	-14.6		+23.2	
Bonds	-13.0		+21.4	
<b>Total assets, liabilities, and equity (10 BPV)</b>				<b>+3.7</b>

\* 10 BPV: Change in valuation gains/losses of assets, liabilities, etc. assuming mark-to-market valuation if interest rates rise by 0.1%. If total 10 BPV for assets, liabilities, and equity is positive, this has a positive effect on valuation gains/losses and future earnings.

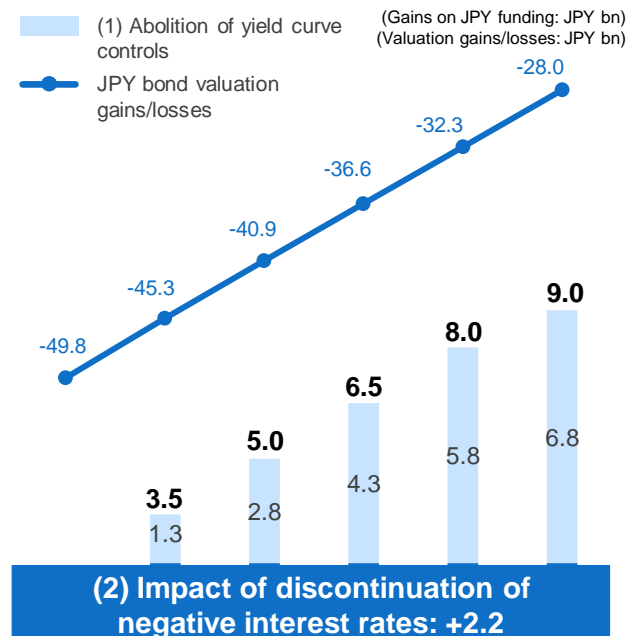
## Long-term and short-term interest rate variation scenarios and impacts

Stage of interest rate hikes	Details, impact
(1) Abolition of yield curve controls (10-year rate 1.0%)	<ul style="list-style-type: none"> <li>Rising yields on new bond investments</li> <li>Rising new rates on marketable fixed rate loans</li> </ul>
(2) Policy interest rate hikes (from negative interest to 0%)	<ul style="list-style-type: none"> <li>Rising yields with each rate update for market rate loans</li> </ul>

### [Impact of interest rate fluctuations on returns on assets]

Assumptions (based on portfolio as of Sept. 30, 2023)

- Updating fixed rate loans to reflect rising market interest rates on each maturity date (excluding retail lending)
- Purchasing the entire amount in bonds reflecting rising market interest rates each time JPY bonds mature



(2) Impact of discontinuation of negative interest rates: +2.2

### Effect on profits of rising interest rates

JPY 9.0bn/year  
(Fifth year after rate hike)

### Increase in ROE (rough estimate)

+0.8%

Sept. 30, 2023    Year 1    Year 2    Year 3    Year 4    Year 5

# Efforts to raise ROE (6) – Foreign currency portfolio management

Secure positive gains on foreign currencies overall by diversifying both investment and funding in foreign currencies in foreign currency portfolio management. Anticipate net interest income to increase in FY2024 and beyond as US policy interest rates are expected to fall.

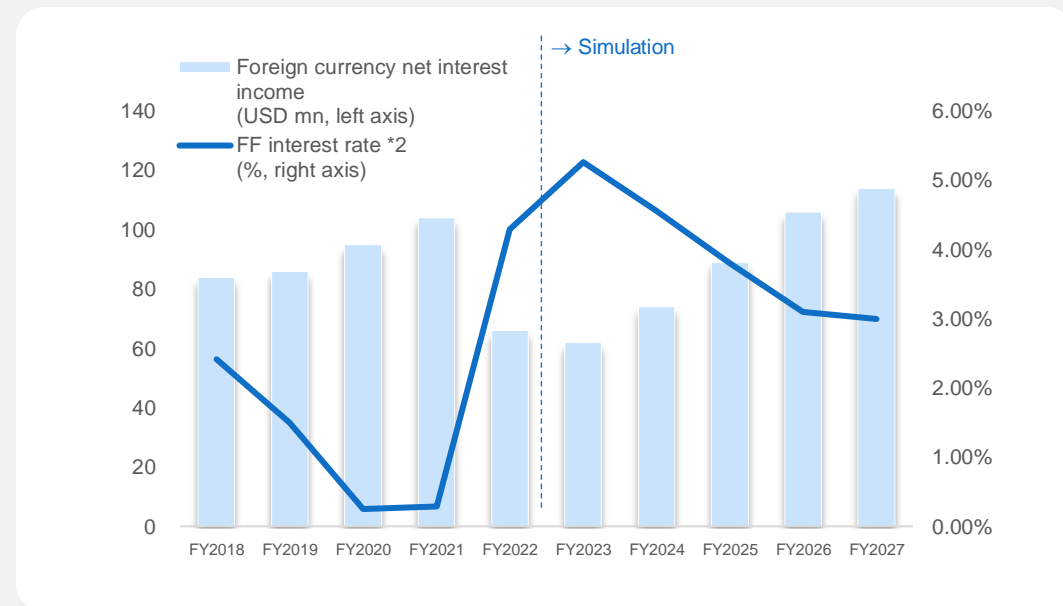
## Foreign currency (USD) portfolio composition

- ✓ Securing margins by diversifying fundraising methods
- ✓ All lending is at variable rates, resulting in a portfolio resistant to interest rate fluctuations.

Assets		Liabilities	
Lending 42%	Variable interest rate	Short-term market fundraising 64%	<b>[Distinguishing characteristics of foreign currency portfolio management]</b>
Market investment 14%		Medium-/long-term market fundraising 15%	
Bonds 40%		Customer deposits, etc. 21%	
Other 4%	Fixed interest rate		
		<b>1. Medium-/long-term market fundraising</b> Focusing on diversification by fundraising method, term, and region Borrowing, bonds: BoJ borrowing, retail foreign currency bonds, etc. Secured fundraising: Currency swaps through long-term conversion to JPY	
		<b>2. Customer deposits, etc.</b> Focusing on retention in addition to diversification by region, industry, and other characteristics	
		<b>3. Lending</b> In addition to focusing on yields, maintaining a structure in which all lending is at variable interest rates Securing steady spreads independent of interest rate fluctuations	
		<b>4. Bonds</b> Holding bonds easily convertible to funds, with a majority consisting of highly liquid assets such as foreign treasuries	

## Projected net interest income\*1 on the foreign currency portfolio (assets and liabilities)

- Thanks to sustained efforts since FY2022 to improve yields on the asset side, including repurchases of USD bonds, future growth is projected after YoY declines through FY2023, when FF interest should peak.



\*1 Total net interest income including lending, securities, deposits, bonds, etc.

\*2 FF interest rates based on market participant projections

(Estimated based on portfolio as of Sept. 30, 2023)

## Results of USD bond repurchase operations

	FY2022 1H	FY2022 2H	FY2023 1H
Sold:	JPY 92.8bn	JPY 64.8bn	JPY 33.5bn
Repurchased:	JPY 65.5bn	JPY 108.0bn	JPY 142.1bn
Gain/loss on sale:	-JPY 10.1bn	-JPY 2.8bn	+JPY 0.2bn

\* Not including asset swaps

Net interest income and valuation gain/loss improved through repurchase toward high-yield bonds

### Comparison to case assuming no repurchasing

(1) Net interest income (annualized)  
**Improved by JPY 4.2bn**

(2) Valuation gain/loss as of Sept. 2023:  
**Improved by JPY 22.4bn**

(Improved by JPY 9.6bn after accounting for realized losses)

### Effect on profits of interest rate fluctuations

JPY **6.8**bn/year  
(Fifth year after fluctuation)

### Increase in ROE (rough estimate)

**+0.5** %

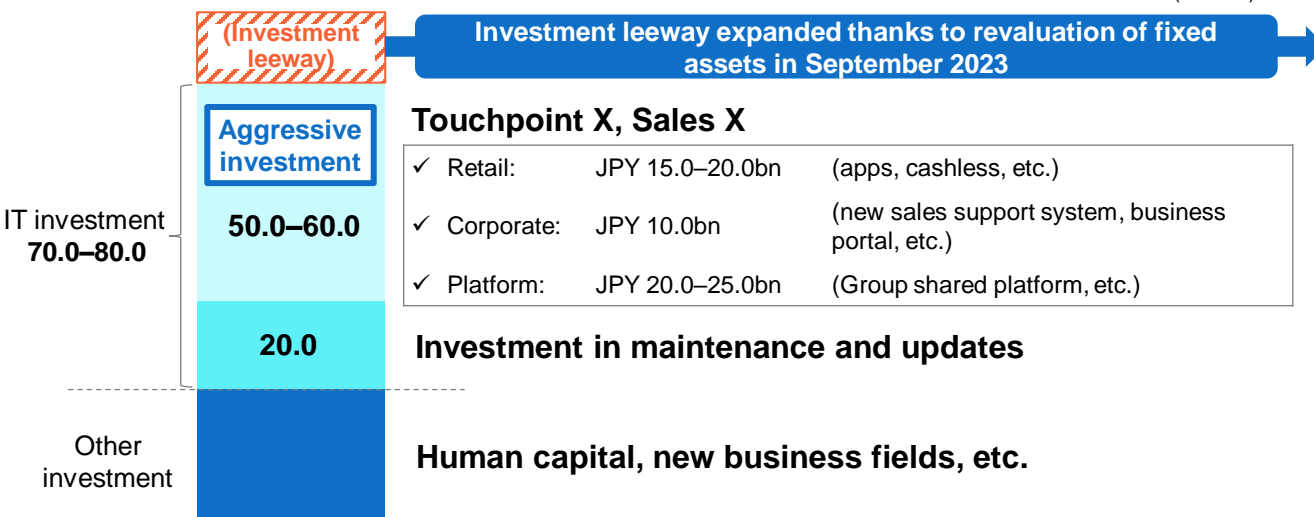


# Efforts to raise ROE (7) – Cost controls

The transformation strategy of the First Medium-term Business Plan calls for achieving sustained growth for the region and the Shizuoka Financial Group through strategic investments in areas such as human capital and new business fields, in addition to aggressive IT investment.

## Courses of action for investment under the First Medium-term Business Plan

(JPY bn)



### Fields of investment

### Effects, courses of action

Expanding investment in AI and digital transformation (DX)

- Further expanding Touchpoint X and Sales X initiatives (e.g., use of generative AI)

Expanding investment in human capital

- Maximizing human capital to support strategic implementation through means such as increasing compensation and investing in HR development

Investment in highly profitable nonfinancial fields

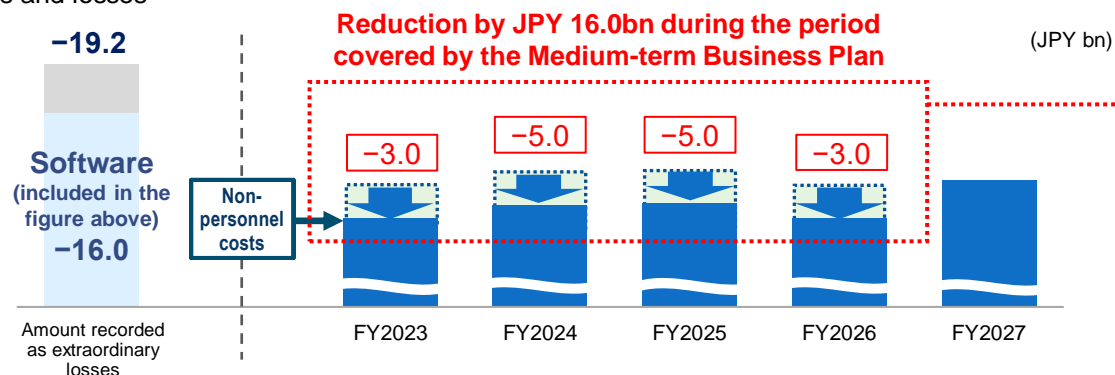
- Also considering M&A activities to help realize profits quickly and impact society

Investment in community innovation

- HR development and industrial development in the region
- Promoting cooperation with businesses in the region

## Effects of revaluation of fixed assets

Aggressive financial strategy of accelerating strategic investment while minimizing possible future costs and losses



### Accelerating strategic investment

- ✓ Promoting new investment while increasing the likelihood of achieving profit plans by lowering costs through reducing the annual burden of write-offs
- ✓ Keeping consolidated OHR at an appropriate level (Planned for approx. 55% in FY2027)

# Medium-/long-term growth strategy (1) – Alliance strategy with regional banks

Realizing sustained growth for each region and partner group through joint efforts with alliance partner banks on solutions to various regional challenges

## Shizuoka Yamanashi Alliance (established in Oct. 2020)



Focusing on economic development in both prefectures and on projects to contribute to mutual use of management resources

Revised the initial KPI (JPY 10.0bn in total for both banks, cumulative over five years) to **JPY 12.0bn** (total for both banks, cumulative over five years) in the third year of this alliance, assuming that the initial KPI is likely to be achieved by the end of five-year timeframe.

### Life planning

Shizugin TM Securities Yamanashi Head Office  
Customer assets balance: **JPY 24.6bn**

(As of Sept. 30, 2023)

Offering jointly developed products (insurance, investment trust)

Three-bank cooperation

### Finance

Lending field **JPY 122.4bn**

Joint lending included above

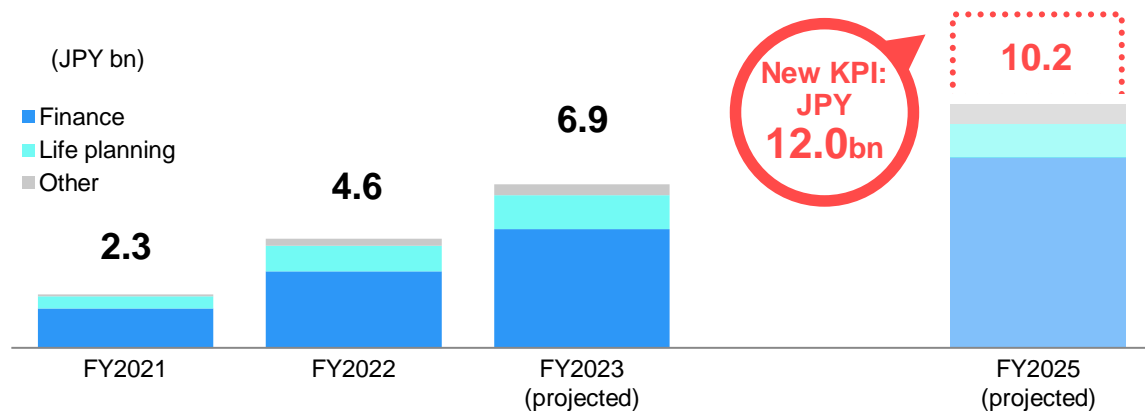
**JPY 37.4bn**

Business-succession M&A projects

**First deal concluded**

### Sales-channel development support

24 individual meetings, 128 business matching cases



### Future outlook

- **Highly likely to achieve initial KPI** mainly due to life planning and finance businesses
- **Moving to the next stage of the alliance by focusing on solutions to social challenges**, chiefly through measures to help **increase related populations**, an issue confronting both regions.

## Shizuoka Nagoya Alliance (established in Apr. 2022)



Aim to achieve revenue effects of **JPY 10.0bn** or more (total for both banks, cumulative over five years) through solutions to customers' challenges, chiefly by **supporting business partners in structural reform of regional industries**.

### Asset-building support

**Shizugin TM Securities Nagoya Head Office opens**

(On Second floor of Bank of Nagoya's Head Office)

15 staff members (including five staff members seconded from Bank of Nagoya)

**Supports asset building for Bank of Nagoya's customers**



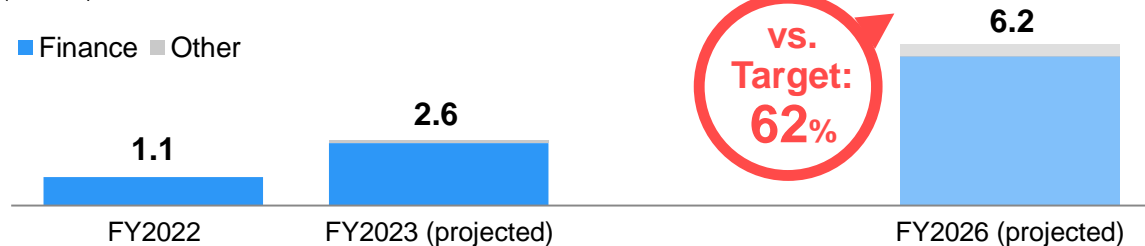
### Supporting industrial reforms

Establishing the **Shizuoka Nagoya Alliance Fund** to support industrial reforms

(June 2023)

(JPY bn)

■ Finance ■ Other



### Finance

Lending field **JPY 33.1bn**

Joint lending included above

**JPY 10.0bn**

### Future outlook

- **Have achieved significant results** in the finance field, and planning to **expand it to life planning and other fields of business partnerships**.
- Will provide appropriate support for reforms to regional businesses through **enhancements** based on the main theme of **measures to help support industrial reforms**, including use of the **Alliance Fund**.

# Medium-/long-term growth strategy (2) – Efforts to advance into new business fields

Have established SFG Real Estate Investment Advisors, Inc., a new company intended to balance solutions to community challenges and business potential.

## Four key points in tackling new business fields

- 1 Realizing sustainable communities
- 2 Business development for structural changes in society
- 3 Pursuing profitability and growth
- 4 Putting management resources to effective use

Challenges confronting the region and customers

IT, digital transformation (DX)  
Labor shortage

Growing sales channels  
Branding

Community development  
Redevelopment

### Synergies with TJS

Target solutions related to IT, DX, and HR with TJS, a major player in the software development and staffing business with over 40 years of experience.

TJS



Software development × IT support for customers  
Staffing business × HR referrals

### SFG Marketing

Tackle solutions in areas such as marketing support, by combining the customer base and payments data of Shizuoka Financial Group with the Dentsu Group's expertise

SFGm

Advertising promotion  
Digital marketing support  
Adding businesses to deliver solutions to social challenges

## Establishment of SFG Real Estate Investment Advisors Co., Ltd.

(launch slated for April 2024)

NEW

- Establish this new company in the asset management business for private real estate investment funds.
- Through active participation in regional development projects in cooperation with local governments, business partners, and other entities, the new company will contribute to regional growth over the long term by attracting businesses and creating jobs.

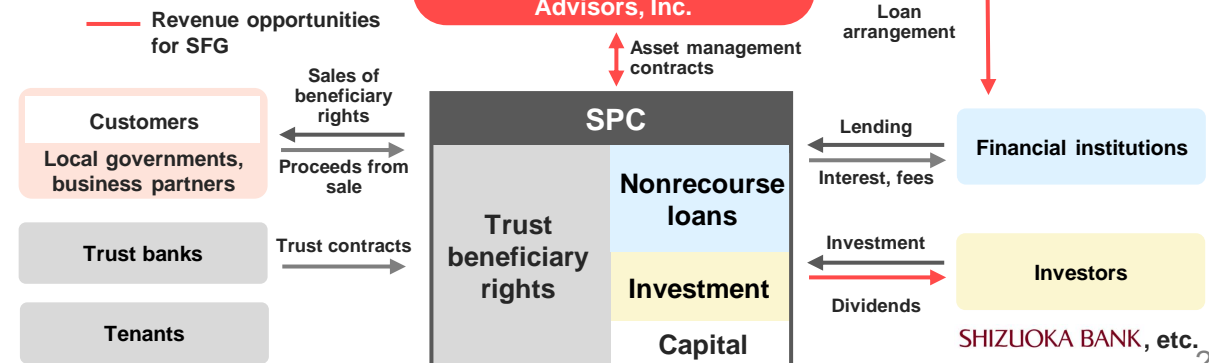
SFG's information on the region and insights into its needs and its expertise and human resources in the real estate finance business



### Vision

Balancing related population growth (community co-creation) and business potential

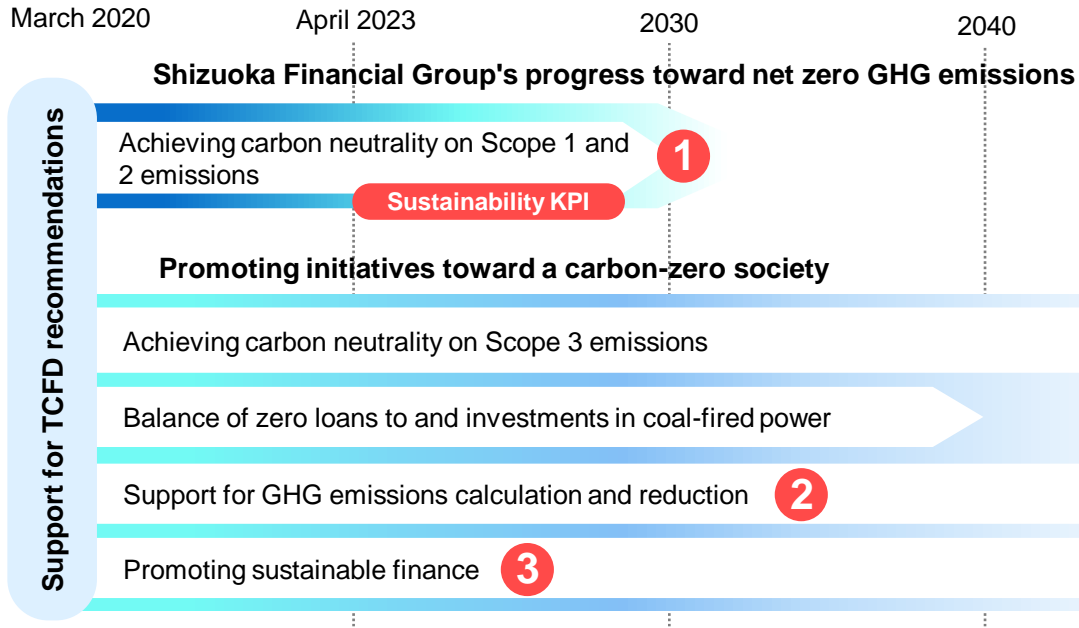
### Business model



# Medium-/long-term growth strategy (4) – Regional decarbonization initiatives

Enhancing support for decarbonization initiatives by partnering with local governments and providing funding to enable the region's smooth transition to a carbon-zero society

Shizuoka Financial Group will seek to achieve carbon neutrality (Scopes 1, 2) by FY2030.

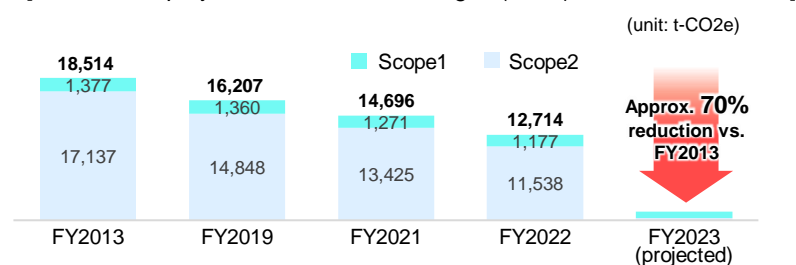


## Shizuoka Financial Group's initiatives

### Switching Group electricity use to renewables (began in June 2023) **1**

Drawing on Shizuoka Green Denki (CO2-free electricity) and renewable energy from Shizugin Solar Park as well as FIT and non-FIT non-fossil-fuel certificates being awarded, **reduction of approx. 70%** vs. FY2013 by FY2023 is expected.

[Results and projections of Greenhouse gas (GHG) emissions reduction]



(Began operation in October 2023)

## Initiatives in the community

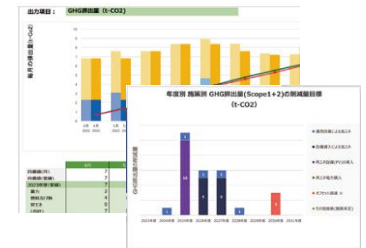
### Cooperative agreements with local governments **2**

Have concluded cooperative agreements with the **cities of Hamamatsu and Iwata**, which are striving to reduce their GHG emissions; the **city of Kosai**, which has declared its intention to be a carbon-zero city; and the **city of Gotemba**, which is striving to build a community characterized by a virtuous circle between regional decarbonization and economic growth to achieve carbon neutrality and sustainable development in the region.



### Introduction of cloud-based GHG emissions calculation service (Shizuoka GX Support) **2**

- This cloud-based service allows users to quantify their GHG emissions simply by entering data on subjects such as volumes of gasoline and electricity used.
- Sharing the data with local governments and other entities will help support decarbonization efforts by local firms.



## Providing green financial services Group-wide

### Promoting sustainable finance **3**

Target for FY2030: **JPY 2tn** (Shizuoka Bank)  
(including **JPY 1tn** in environmental finance)

Progress rate: **30.7%**  
(including **28.9%** on environmental finance)

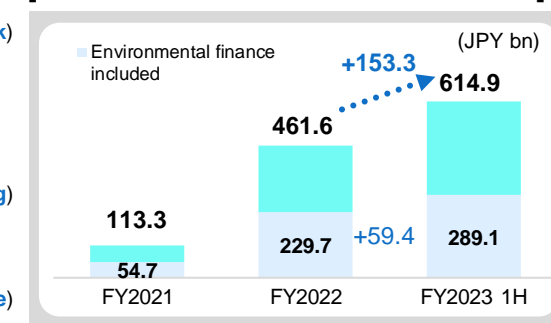
### Efforts to support J-Credit generation (Shizugin Management Consulting)

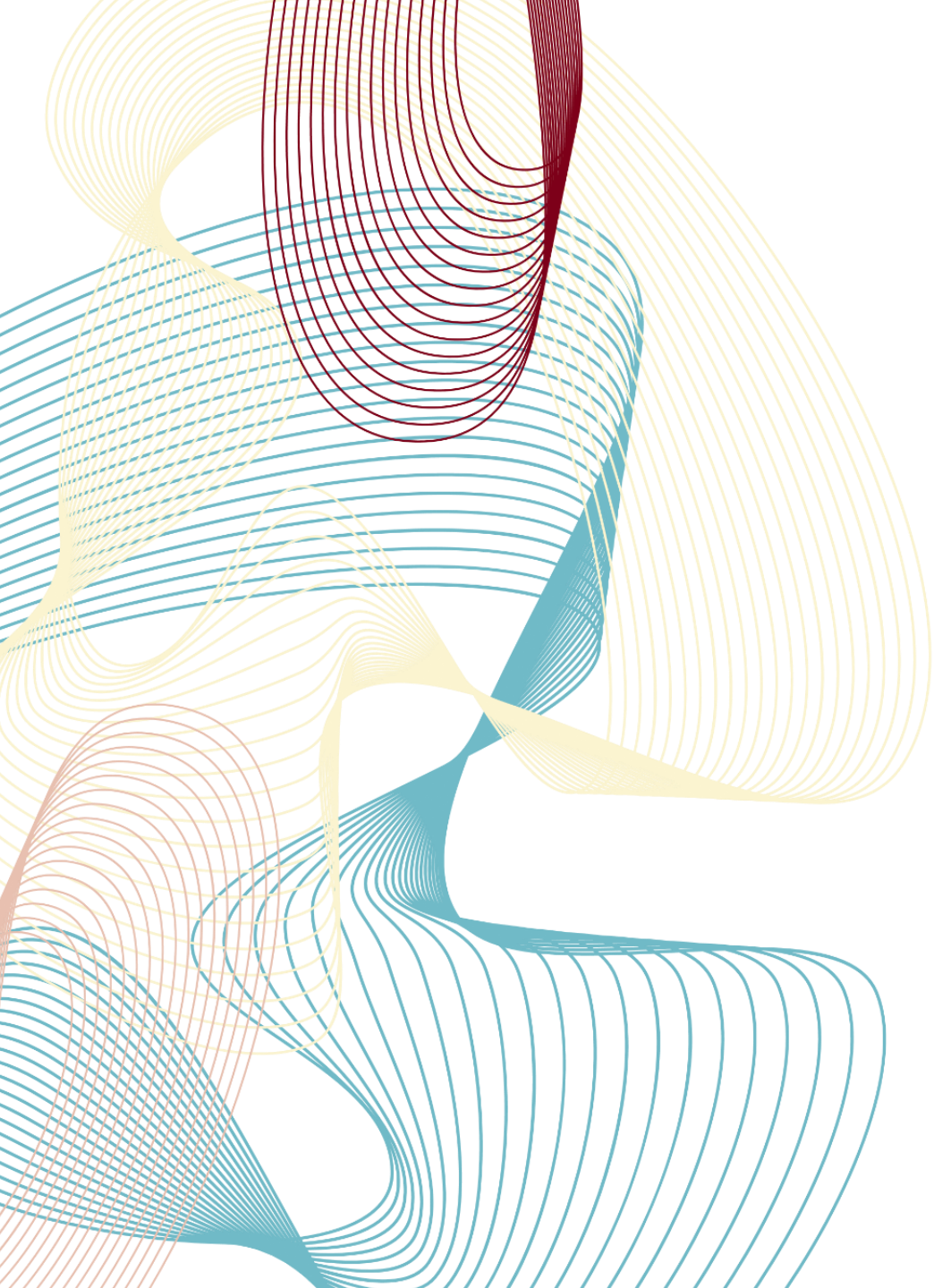
- First project expected to be certified during FY2023

### Offering carbon offset auto leases (Shizugin Lease)

- Launched in June 2023; contracts concluded on 82 vehicles by the end of September

### [Sustainable finance execution amounts]





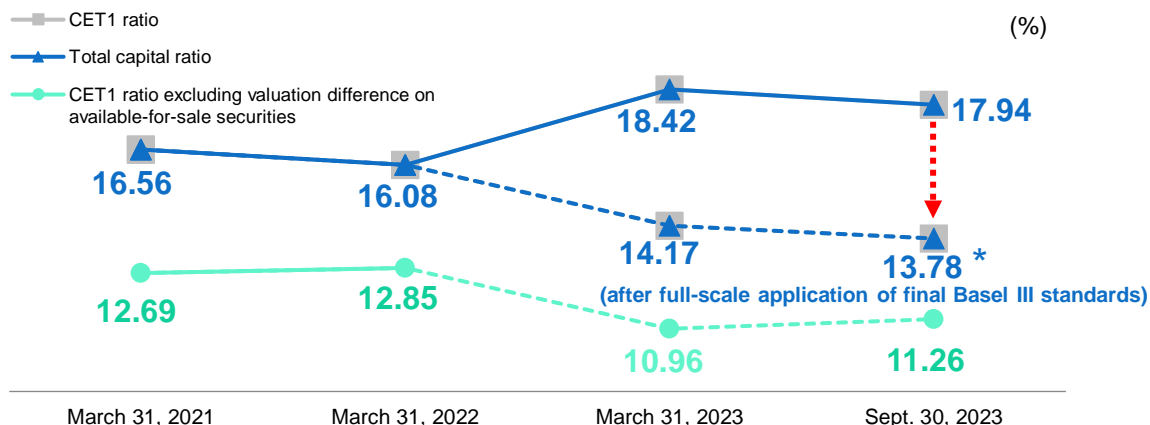
# Capital Policies

# Capital adequacy ratio

The total capital ratio and the Common Equity Tier 1 (CET1) ratio stand at 17.94% (down 0.48 pt. from the end of March 2023).

Factors contributing to reduction in risk-weighted assets had significant impact upon the initial application of the final Basel III standards. As of September 30, 2023, the ratio is estimated to be around 13.78% following the full-scale application of the final Basel III standards.

## Capital adequacy ratio



\* Preliminary estimate after full-scale application of final Basel III standards, accounting for capital floor adjustments and other factors.

## Trends in capital, risk-weighted assets, etc.

[Basel III]	(JPY bn)	March 31, 2021	March 31, 2022	March 31, 2023	Sept. 30, 2023	vs. March 31, 2023
<b>Total capital*</b>		<b>990.4</b>	<b>965.4</b>	<b>1,006.1</b>	<b>981.6</b>	<b>-24.5</b>
CET1		990.4	965.4	1,006.1	981.6	-24.5
Excluding valuation difference on available-for-sale securities		759.2	771.6	778.2	801.7	+23.5
Other Tier 1		-	-	-	-	-
Tier 2		-	-	-	-	-
<b>Risk-weighted assets</b>		<b>5,979.7</b>	<b>6,001.2</b>	<b>5,459.3</b>	<b>5,471.2</b>	<b>+11.9</b>
Credit risk-weighted assets		5,658.0	5,672.1	5,283.6	5,287.7	+4.1
Amount corresponding to market risk		19.4	20.2	0.6	1.6	+1.1
Amount corresponding to operational risk		302.3	309.0	175.1	181.9	+6.7

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

## Reference: Impact of Basel III finalization

### [Major impacts]

#### (1) Decline in LGD<sup>\*1</sup> value on credit to corporations (set by financial authorities)

March 2022	March 2023	⇒ Reduces risk-weighted assets.
45%	40%	

#### (2) Removal of scaling factor<sup>\*2</sup> (discontinued by financial authorities)

March 2022	March 2023	⇒ Reduces risk-weighted assets.
1.06 times	(Discontinued)	

\*1 Loss given default (1-amount recovered)

\*2 Multiplied by credit risk-weighted assets under the internal ratings-based approach

#### (3) Step-by-step application of capital floor<sup>\*3</sup> ⇒ Increases risk-weighted assets.

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

⇒ Floor not applied in initial application; to be raised in stages through March 2028. This is projected to increase risk-weighted assets.

\*3 Minimum level of risk-weighted assets

## Interest rate risk in the banking book (IRRBB) (Consolidated basis, end of Sept. 2023)

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

Decrease in economic value	Tier 1	Results of materiality test (*)
<b>JPY 58.0bn</b>	<b>JPY 981.6bn</b>	<b>5.9% ≤ 15%</b>

\* Financial Services Agency supervision guidelines require ΔEVE to be 15% of Tier 1 capital or less.

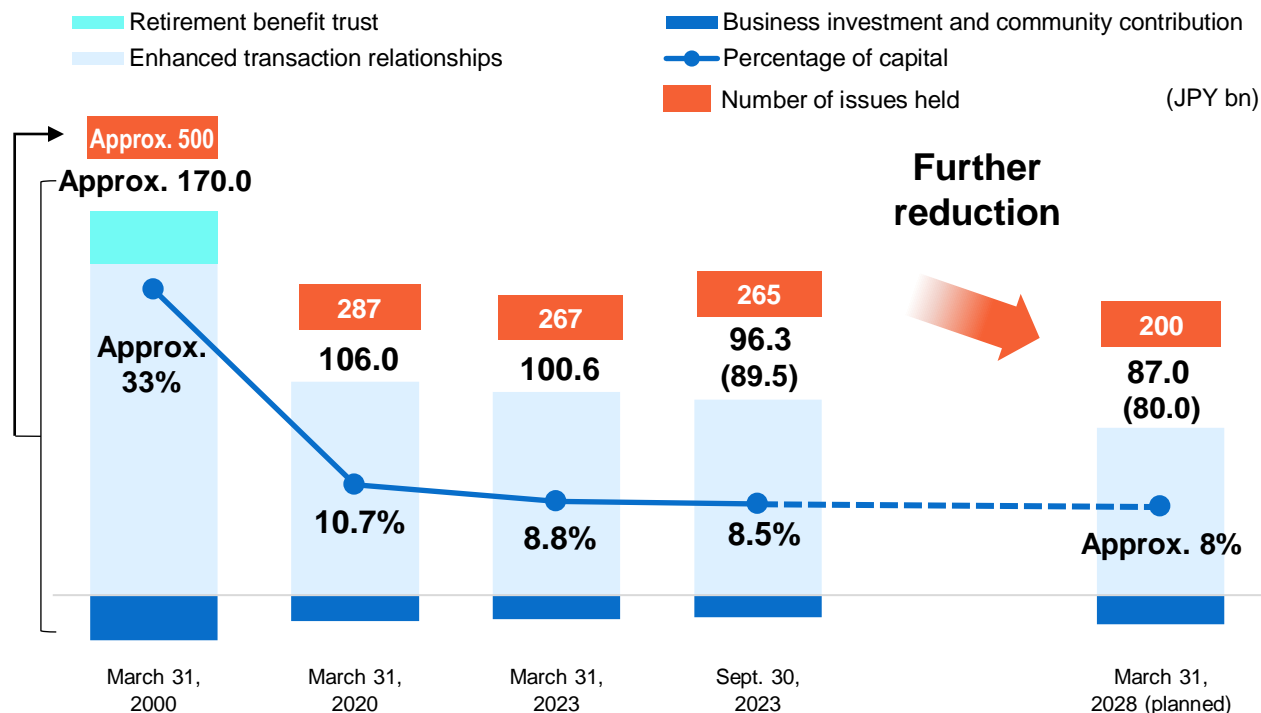
- Δ Net interest income (NII): JPY 9.4bn**

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

# Strategic shareholdings

Reduced strategic shareholdings by JPY4.3 bn vs. the First Medium-term Business Plan's target of a JPY 13.6bn reduction (for 31.6% progress vs. the target) In FY2023 1H. Will continue to sell stocks in line with our basic policy of reducing strategic shareholdings, and apply the gains from such sales to strategic investments.

## Acquisition cost of cross-shareholdings\*1 (Figures in parentheses are for listed shares.)



\* Excluding shares in Group companies and equity method affiliates

## [Status of cross-shareholding reductions]

Period	Results under 14th Mid-Term Business Plan (FY2020–2022)	Target under First Medium-term Business Plan (FY2023–2027)	FY2023 1H (results)	Progress
Amount of reductions (based on acquisition cost)	5.4	13.6	4.3	31.6%
Amount of sale	38.3	–	23.6	–
Gain/loss on sale	28.7	–	20.1	–

## Stocks whose issuers agree with sales

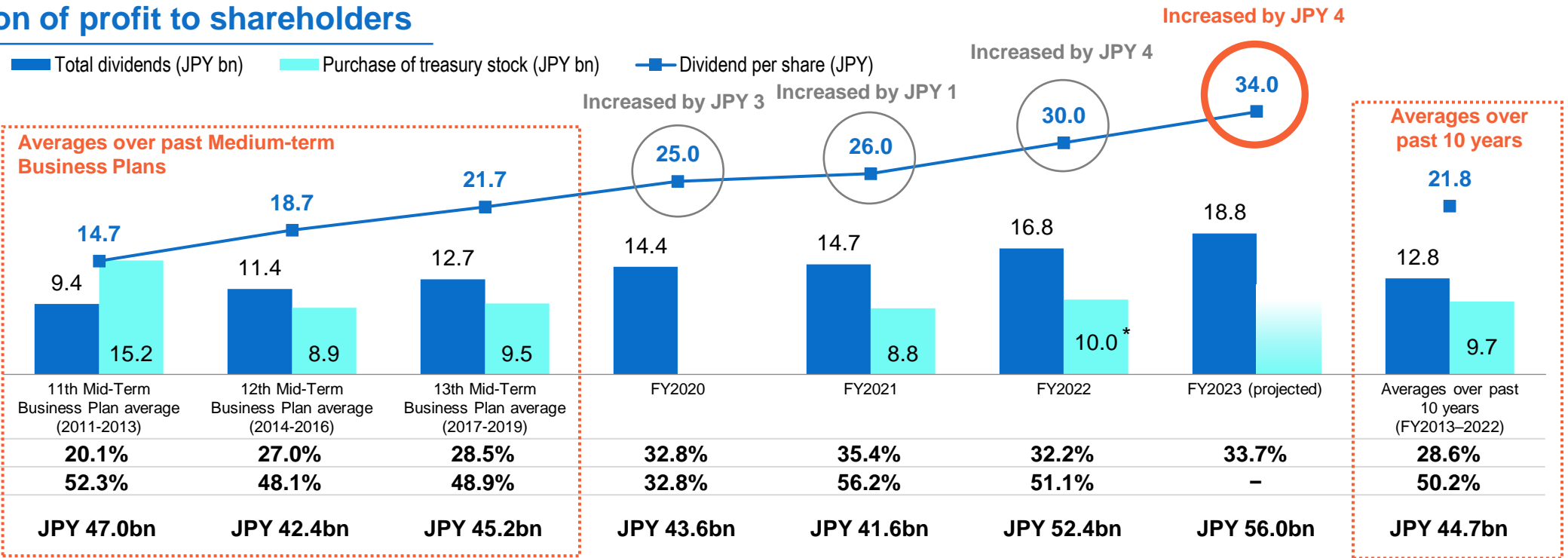
(Issuers, JPY bn)	March 31, 2023	Sept. 30, 2023	Change
Issuers	27	27	–
Amount subject to agreement on sale	48.6	55.7	+7.1
Based on acquisition cost	12.1	13.4	+1.3
Revaluation gain/loss	36.6	42.4	+5.8

- Gains from sales will be applied to make strategic investments in **human capital, digital transformation (DX), new businesses, etc.**
- The decrease in risk-weighted assets accompanying the sale of stock will be **reinvested in fields that promise high returns**, such as venture capital and private equity.

# Shareholder returns

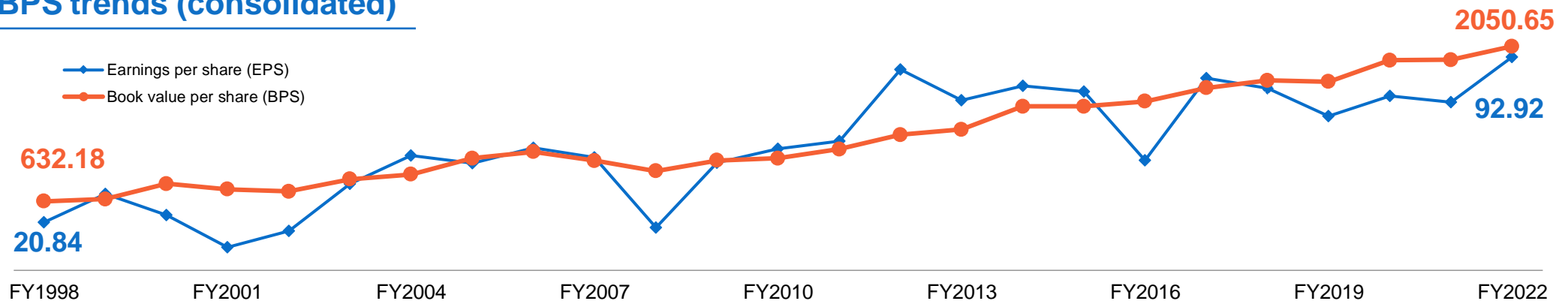
Seek to progressively increase the dividend payout ratio to 40% or more by FY2027, as well as purchase treasury stock dynamically with an eye on market conditions, including our share price. Strive to achieve sustained growth in ROE as well as EPS and BPS while monitoring the total payout ratio.

## Distribution of profit to shareholders

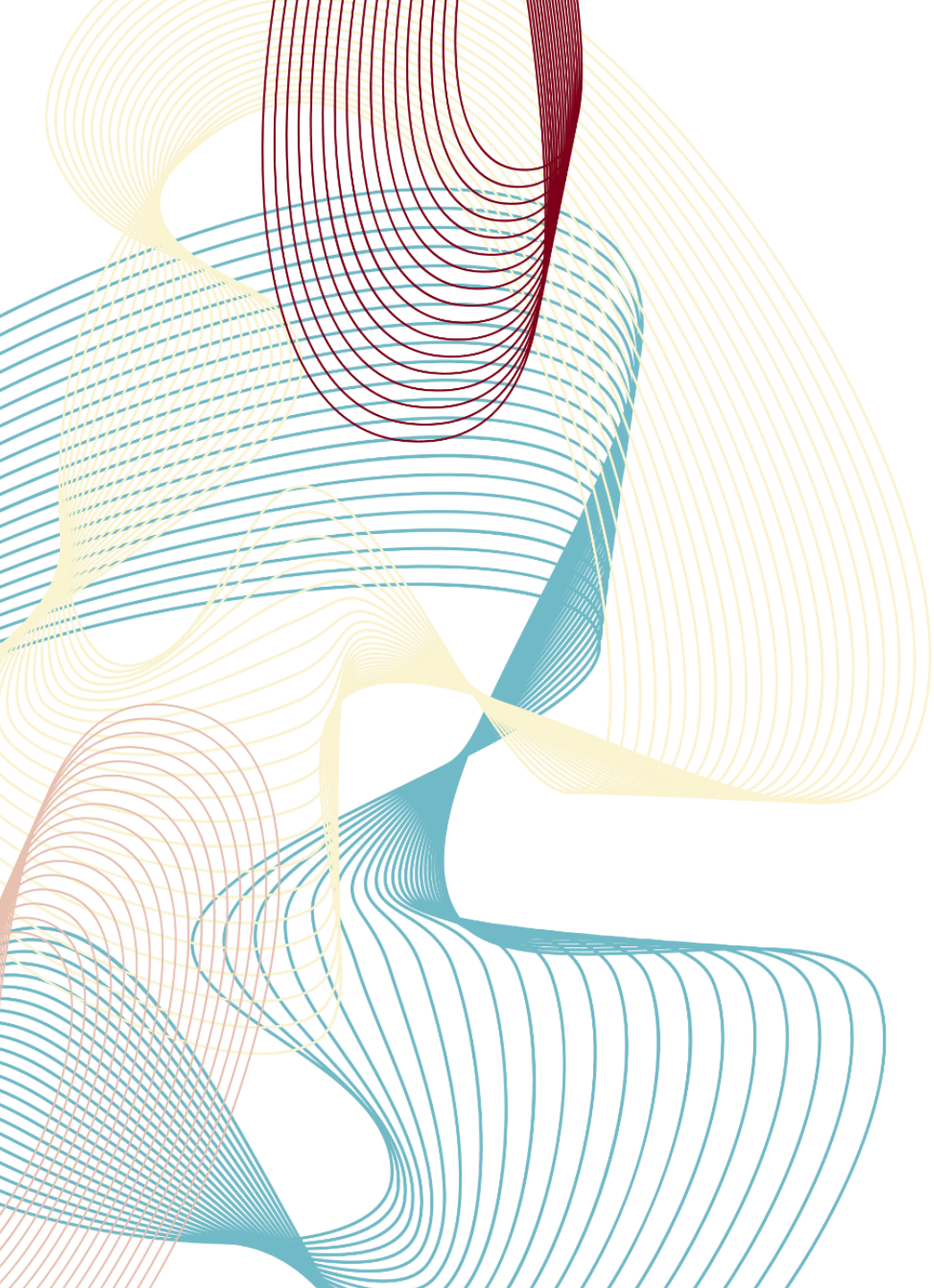


\* Returns to shareholders in FY2022 include purchases of treasury stock already completed (amount: JPY10.0 bn; period: Feb.-May 2023). (JPY)

## EPS/BPS trends (consolidated)







## Reference Materials



## April

- Launch of "Xover: Clearing the way to a new era"; First Medium-term Business Plan (**Shizuoka FG**)

**Xover**  
— Clearing the way to a new era

- "Fujisan de noru" auto leasing service launched (**Shizugin Lease**)



- First **joint lending scheme** with the Japan Finance Corporation executed to promote Sustainable Development Goals (SDGs) (**Shizuoka Bank**)

- Launch of **Shizuoka Bank Mikatano Works** service to support digitalization of corporate and owner-operator businesses (**Shizuoka Bank**)



- **Increase in starting salaries** announced (**Shizuoka FG**)

## May

- **Community attraction discovery project** implemented (**Shizuoka Bank**)



- **Jibun Nenkai Kaigo Plus** individual annuity insurance jointly developed with alliance partner banks introduced (**Shizuoka Bank**)



- Shizugin Lease concludes **partnership agreement** with three firms within the community on a sales partnership for the resale of used vehicles (**Shizugin Lease**)

- **Increase in base pay** announced for all Group employees and executives (**Shizuoka FG**)

## June

- **Tachikawa Loan Center** opened (**Shizuoka Bank**)



- **Specialized community co-creation strategy managers** assigned to each regional company (East, Central, West) (**Shizuoka Bank**)

- **Shizuoka Nagoya Alliance Fund** established (**Shizuoka Capital**)

- **Carbon offset auto lease** introduced (**Shizugin Lease**)



- Start of feasibility testing of the **Metaterrace** online metaverse branch (**Shizuoka Bank**)



Region-Co-  
Creation  
strategy  
×  
Group  
Business  
strategy

Transformation  
strategy



## July

- **SFG Marketing**, first new company under the holding-company structure, established



- Carbon neutrality partnership agreement concluded with **city of Hamamatsu (Shizuoka FG)**
- Selected by the Ministry of the Environment for the **FY2023 ESG Regional Finance Promotion Program (Shizuoka Bank)**
- **TECH BEAT Shizuoka 2023** held (**Shizuoka Bank**)



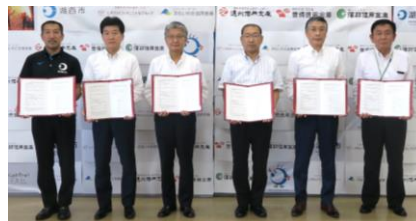
- Business partnership agreement concluded with **Money Forward Kessai (Shizuoka Capital)**
- Joint research and development on use of **generative AI** launched with PKSHA Workplace (**Shizuoka Bank**)

Region-Co-  
Creation  
strategy  
×  
Group  
Business  
strategy

Transformation  
strategy

## August

- Agreement on mutual cooperation and joint efforts to promote carbon neutrality concluded with **city of Kosai (Shizuoka FG)**



- **Memorandum on advancement of auto-industry support** concluded with seven regional banks (**Shizuoka Bank**)

- **JCB brand corporate cards** introduced (**Shizugin Card**)

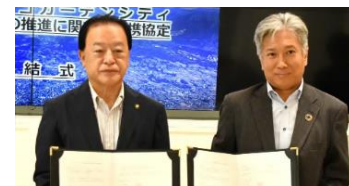


Standard card      Gold card      Platinum card

- **Shizugin Busikul** introduced (**Shizuoka Bank**)

## September

- Cooperative agreement on efforts to promote cyclical co-creation eco-garden city at the eastern base of Mt. Fuji concluded with the **city of Gotemba (Shizuoka FG)**



- Partnership agreement concluded with W Tokyo on efforts to promote community cocreation projects (**Shizuoka Bank**)



- New Shizugin Web Overdraft and e-delivery features introduced on corporate portal site (**Shizuoka Bank**)

- October 2023 entrance ceremony and FY2024 preliminary job offer ceremony held (**Shizuoka FG**)

## October

- Shizugin TM Securities Nagoya Head Office opened (**Shizugin TM Securities**)



- Shizuoka GX Support service introduced (**Shizuoka Bank**)

- Shizugin Solar Park began operation (**Shizuoka Bank**)

- Three-prefecture Future Fund service introduced to invest in firms based in Shizuoka, Aichi, and Yamanashi prefectures (**Shizugin TM Securities**)



- Business partnership agreement concluded with CIMB Bank Berhad (Malaysia) (**Shizuoka Bank**)

- Start of participation in Tokyo Stock Exchange Carbon Credit Market (**Shizugin Lease**)

\* **Shizuoka Bank** plans to participate in December 2023



Strive to improve employee engagement and well-being through efforts to expand HR system reforms throughout the organization.

## Efforts to expand HR system reforms

### Introducing My Sustainability Books

Produced and distributed to employees “My Sustainability Books –Xover: Clearing the way to a new era” to link the actions of each employee to management strategies. Used mainly as a tool in one-on-one meetings, each employee will complete the book over the medium term (five years) in communication with supervisors.



### Holding townhall meetings

Hold townhall meetings to allow direct communication between management and employees and deepen understanding of the corporate philosophy and management strategies.






### Establishing a new sustainability training program

Have established a new sustainability training program for all employees to help them understand the concepts of the medium-term management plan and how to make effective use of their My Sustainability Book.



## External evaluations and support for external initiatives

### Certification related to participation and advancement of women

<p><b>Platina Kurumin</b></p>  <p>The following four companies are certified as companies that provide stronger childcare support than required under the Kurumin program:</p> <ul style="list-style-type: none"> <li>Shizuoka Bank</li> <li>Shizugin Business Create</li> <li>Shizugin TM Securities</li> <li>Shizugin IT Solution</li> </ul>	<p><b>Platina Eruboshi</b></p>  <p>The following company is certified as having a workplace environment that empowers women to a degree exceeding the requirements of the Eruboshi program:</p> <ul style="list-style-type: none"> <li>Shizugin Business Create</li> </ul>	<p><b>Eruboshi (3 stars)</b></p>  <p>The following four companies are certified as having workplace environments that empower women:</p> <ul style="list-style-type: none"> <li>Shizuoka Bank</li> <li>Shizugin Mortgage Service</li> <li>Shizugin TM Securities</li> <li>Shizugin IT Solution</li> </ul>
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### Certified as 2023 Health & Productivity Management Outstanding Organization

The following three companies are certified as outstanding health management organizations:




健康経営優良法人  
Health and productivity

- SFG
- Shizuoka Bank
- Shizugin IT Solution

### Supporting The Valuable 500

The following company supports The Valuable 500, an international initiative that seeks to promote the inclusion of people with disabilities:



- Shizuoka Bank

# Initiatives in Human Capital Management (2) – Organizational culture reforms

Help create a sustainable society by transforming our organizational culture to one in which diverse values and individuality meet to find solutions to problems from a perspective of innovation.

## 13th Mid-Term Business Plan

## 14th Mid-Term Business Plan

## SFG First Medium-Term Business Plan

- ✓ Adopted flexible dress code.
- ✓ Expanded flextime and remote work (to all Bank staff).
- ✓ Enabling second jobs and side businesses in stages.

### WSI (July 2019 and thereafter)

Shifting our perspective from internal rules to a **focus on customers and the community**; establishing autonomous work styles

### WSI 2.0 (April 2021 and thereafter)

Creating innovative ideas and new attitudes by promoting **diversity, recognizing different values, and bringing out the best in each individual**

- ✓ Introduced full flextime system.
- ✓ Expanded work systems related to diversity (relearning, life events, etc.).
- ✓ Extended the age limit for veteran human resources.

- ✓ Enhanced leave and work systems for childcare support
- ✓ Further expansion of diversity-related leave and work programs
- ✓ Introduced same-sex partnership program (March 2023 and thereafter)

### WSI 3.0 (October 2022 and thereafter)

- Pursuing the **wellbeing** of executives, employees, and their families
- Respecting and maximizing diversity

### WSI 3.1

(March 2023 and thereafter)

## Culture and Wellbeing Innovation 1.0

(April 2023 and thereafter)

- **Maintaining the corporate culture and tradition** of being close to the community and to our customers while simultaneously **reforming the company's internal culture**
- Improving **health and wellbeing** (mutual growth of individuals and the organization by enhancing health management and acceptance of diversity)

- ✓ Holding townhall meetings between management and employees
- ✓ Eliminating use of titles among executives and employees
- ✓ Launching trials of the Health Keeper System (by visually impaired employees who work as in-house physiotherapist employees)
- ✓ Expanding eligibility for using personal-injury and sick-leave programs, etc.



Enhance disclosure and promote initiatives to make the region carbon free and to strengthen the sustainability of both the region and the Group.

## Initiatives in response to TCFD recommendations

- Our responses to TCFD recommendations in four areas are outlined below.


Governance	<ul style="list-style-type: none"> <li>■ Establish Group Policy on the Environment</li> <li>■ Operate structures established for dynamic promotion of environmental management and oversight by the Board of Directors (Established deliberation and reporting structures based on the Environmental Committee)</li> </ul>				
Strategy	<ul style="list-style-type: none"> <li>■ <b>Set a target rate for GHG emissions reductions in Shizuoka Prefecture as a part of the impact metrics under the First Medium-term Business Plan (targeting a 46% reduction [vs. FY2013] by 2030)</b></li> <li>■ <b>Conclude partnership agreements with local governments (cities of Hamamatsu, Iwata, Kosai, and Gotemba) p. 29</b></li> <li>■ <b>Begin offering Shizuoka GX Support (October 2023) p. 29</b></li> <li>■ Engage in dialogue with customers on decarbonization</li> <li>■ Promote sustainable finance                         <ul style="list-style-type: none"> <li>• <b>Selected by the Ministry of the Environment for the ESG Regional Finance Promotion Program for the second year in succession</b></li> <li>• ESG Finance Awards Japan winner for two consecutive years (Silver Award in FY2021 and Gold Award in FY2022)</li> </ul> </li> </ul>				
Risk management	<ul style="list-style-type: none"> <li>■ Establish policies on investments in and loans to specified sectors                         <ul style="list-style-type: none"> <li>• No new investments in or lending to coal-fired power generation in principle</li> </ul> </li> <li>■ Conduct analysis of risk and scenario on climate change</li> </ul> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="background-color: #d9ead3;">Transition risks</td> <td>                     Subject industries: Automotive and components, paper, electric power                      Results of analysis: Total increase of up to approx. JPY 18.8bn in credit-related costs by 2050                 </td> </tr> <tr> <td style="background-color: #d9ead3;">Physical risks</td> <td>                     Scope: Risks such as physical damage to SMEs and borrowers                      Results of analysis: Total increase of up to approx. JPY 14.8bn in credit-related costs by 2050                 </td> </tr> </table>	Transition risks	Subject industries: Automotive and components, paper, electric power Results of analysis: Total increase of up to approx. JPY 18.8bn in credit-related costs by 2050	Physical risks	Scope: Risks such as physical damage to SMEs and borrowers Results of analysis: Total increase of up to approx. JPY 14.8bn in credit-related costs by 2050
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Risk management	<ul style="list-style-type: none"> <li>■ Calculate balances and percentages of loans to four carbon-related asset sectors</li> </ul> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="background-color: #d9ead3;">Sector</th> <th style="background-color: #d9ead3;">Energy</th> <th style="background-color: #d9ead3;">Transport</th> <th style="background-color: #d9ead3;">Materials/buildings</th> <th style="background-color: #d9ead3;">Agriculture, food, forestry products</th> <th style="background-color: #d9ead3;">Total</th> </tr> </thead> <tbody> <tr> <td style="background-color: #d9ead3;">Percentage</td> <td>2.33%</td> <td>8.05%</td> <td>14.09%</td> <td>4.30%</td> <td>28.77%</td> </tr> <tr> <td style="background-color: #d9ead3;">Balance (JPY bn)</td> <td>234.2</td> <td>810.0</td> <td>1,417.8</td> <td>433.0</td> <td>2,895.0</td> </tr> </tbody> </table>	Sector	Energy	Transport	Materials/buildings	Agriculture, food, forestry products	Total	Percentage	2.33%	8.05%	14.09%	4.30%	28.77%	Balance (JPY bn)	234.2	810.0	1,417.8	433.0	2,895.0
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Targets and metrics	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="background-color: #0070c0; color: white; text-align: center; vertical-align: middle;">Targets</td> <td> <ul style="list-style-type: none"> <li>■ <b>SFG's Greenhouse Gas (GHG) Emissions Reduction Targets</b> <ul style="list-style-type: none"> <li>• Achieve carbon neutrality by FY2030 (Scopes 1 and 2)</li> </ul> </li> <li>■ <b>Sustainable Finance, Environmental Finance</b> <ul style="list-style-type: none"> <li>• Cumulative total of JPY 2tn by FY2030 (including JPY 1tn in environmental finance)</li> </ul> </li> <li>■ <b>Outstanding investments and loans for coal-fired power generation</b> <ul style="list-style-type: none"> <li>• Zero by or around FY 2040</li> </ul> </li> </ul> </td> </tr> </table> <ul style="list-style-type: none"> <li>■ Results and forecast of decreases in GHG emissions (unit: t-CO2)                         <ul style="list-style-type: none"> <li>• <b>Switch all Company electricity contracts to renewables (June 2023)</b></li> <li>• Operation of Shizugin Solar Park</li> </ul> </li> <li>■ Participate in PCAF and estimate GHG emissions of the investees and borrowers</li> <li>■ Endorse and participate in GX League basic concept</li> <li>■ Respond to the CDP climate questionnaire (FY2022 rating: B-)</li> </ul>	Targets	<ul style="list-style-type: none"> <li>■ <b>SFG's Greenhouse Gas (GHG) Emissions Reduction Targets</b> <ul style="list-style-type: none"> <li>• Achieve carbon neutrality by FY2030 (Scopes 1 and 2)</li> </ul> </li> <li>■ <b>Sustainable Finance, Environmental Finance</b> <ul style="list-style-type: none"> <li>• Cumulative total of JPY 2tn by FY2030 (including JPY 1tn in environmental finance)</li> </ul> </li> <li>■ <b>Outstanding investments and loans for coal-fired power generation</b> <ul style="list-style-type: none"> <li>• Zero by or around FY 2040</li> </ul> </li> </ul>																
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## Environment

Efforts to achieve carbon neutrality by FY2030 <b>Steadily convert electricity at all Group companies to renewable power</b>	Since June 2023
Adopt impact metrics under the First Medium-term Business Plan. <b>Target decrease in GHG emissions in Shizuoka Prefecture: down 46% vs. FY2013 (FY2030)</b>	April 2023
ESG Finance Awards Japan winner in two consecutive years (Silver Award in FY2021 and Gold Award in FY2022)	February 2023
Earn a "B-" (management level) rating from the CDP	December 2022
Establish targets for sustainable finance (JPY 2tn by FY2030). <b>Cumulative results through FY2023 1H: JPY 614.9bn (cumulative progress rate: 30.7%)</b>	October 2021

## Society

<b>Establish the Shizuoka Financial Group Human Rights Policy</b>	March 2023
Sign Japan Impact-driven Financing Initiative.	November 2021
Join The Valuable 500.* 	February 2021
Hold TECH BEAT Shizuoka (nine times in total)	Since 2018

\* An international initiative intended to promote inclusion for people with disabilities

## Governance

Transform to a holding company structure (adopt the structure of a company with an audit and supervisory committee)	October 2022
Introduce the Group Chief Officer system	October 2022
Disclose Board of Directors Skills Matrix (indicating areas in which each member is expected to play an important role)	December 2021

# Region-based Relationship Banking

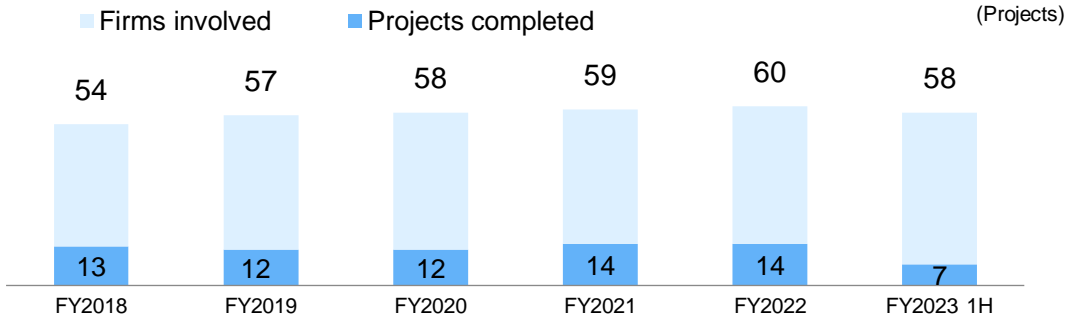
## Provide support from various perspectives, reflecting customer growth stages

### Support for improving management and revitalizing businesses



Provide support for revitalization by developing business plans, partnering with external agencies, and drawing on business regeneration funds.

#### Trends in number of projects

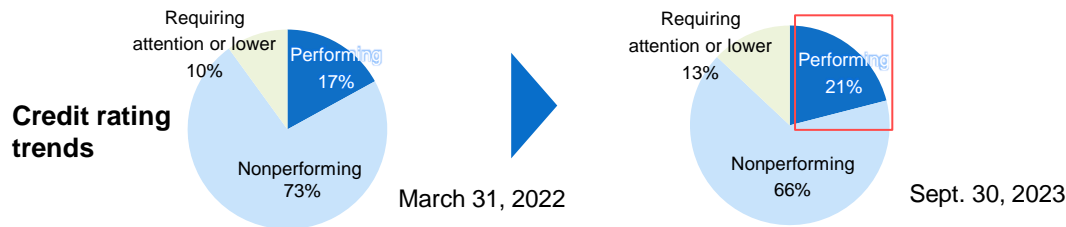


Some 300 firms have completed business revitalization efforts since FY2005.



Preserve jobs for about 27,000 people and maintain the economic power of the local community.

Among customers provided support by the Business Support Division in response to COVID-19 (approx. 700 customers), ratio of performing borrowers increased and that of requiring attention or lower remained almost unchanged.



### Efforts of the Industrial Transformation Support Project Team

- Create supply chain diagrams and begin proposing support initiatives through gathering information, research, and analysis
- Launch the **Shizuoka Nagoya Alliance Fund** to support industrial reforms with Bank of Nagoya
- Conclude **memorandum on advancement of auto-industry support** with six regional banks: Ashikaga, Gunma, Nagoya, Hiroshima, Yamagata, and Yokohama

### Support for entrepreneurship and new businesses



#### Shizugin Entrepreneur Awards

- These awards seek to expand employment and stimulate the economy in the region through support for new companies and new businesses.
- The theme for FY2022 (the ninth awards) was Taking on New Challenges Creates a Prosperous Future for the Local Community. (Awards were presented to five winners chosen from 80 entries in April 2023.)
- The nine awards to date have drawn 1,229 entries, with 64 winners.
- Follow-up of past award winners shows that this program contributes to local economic development through the following improvements achieved since the awards were granted:



Sales

+JPY 5.8bn

Employees

+419

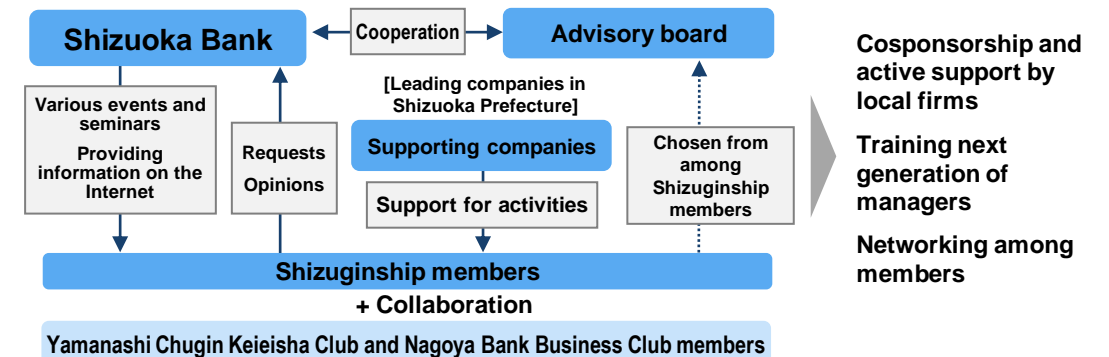
#### “Shizuginship”; next-generation management courses



- This membership-based service seeks to enhance the management capabilities of the next generation young business leaders and contribute to business and economic development in Shizuoka Prefecture.
- It is undertaken in partnership with the Yamanashi Chugin Keieisha Club and the Bank of Nagoya Business Club.

#### Structure of Shizuginship

Members: 667 corporate and 978 individual members as of the end of September 2023  
Participants in activities in FY2023: 426 persons in total





# Regional Revitalization

Promote new industrial development as an entity facilitating joint efforts among industry, government, and the academy by helping create businesses that will contribute to the progress of the region

## Shizuoka Kids Academy



Seek to develop human resources in the region by encouraging local children to learn about the appeal of their hometowns while enjoying themselves, helping them feel a stronger attachment to their hometowns, and encouraging them to remain in and work for the region in the future.

<Activities in FY2023>

Date	Event	Participants
September	@ Kadode Ooigawa: 100-year food and tea experience (Cosponsored by JA Ooigawa and Kadode Ooigawa K.K.)	32
October	@ Kanogawa Kamishima Park: Kanogawa hands-on learning experience (Cosponsored by JM K.K.)	68



## Partnership agreement concluded with W Tokyo Inc.

Concluded a partnership agreement with W Tokyo Inc., which operates the Tokyo Girls Collection platform, to promote community co-creation projects in September 2023

## Activities to build the future together with the younger generation



Contribute to fostering civic pride among the young and to build a sustainable and vibrant community



## Joint Shizuoka-Yamanashi Manufacturing Meeting held



- In July 2023, with the industrial support agencies of both prefectures, meetings were held between small and medium-sized manufacturing firms in Shizuoka and Yamanashi prefectures and manufacturers from the nearby prefectures of the Kanto region and the Chukyo region as part of Shizuoka-Yamanashi Alliance initiative.
- Totals of 86 client firms and 199 subcontractors took part both in person and online, resulting in 470 business discussions.



## Regional Bank Food Selection 2023 Event held



- In October 2023, this large-scale trade show was held for food products businesses at Tokyo Big Sight, together with 51 regional banks from across Japan.
- The event welcomed 874 participant companies and 6,782 food buyers over two days.



## Individual business discussion meetings held

As part of Shizuoka-Yamanashi Alliance initiative intended to grow mutual trade and interaction between the two prefectures, held business discussion meetings for suppliers hoping to trade with supermarkets, food product wholesalers, and other businesses in Shizuoka and Yamanashi prefectures.

<Meetings held (January 2021–September 2023)>

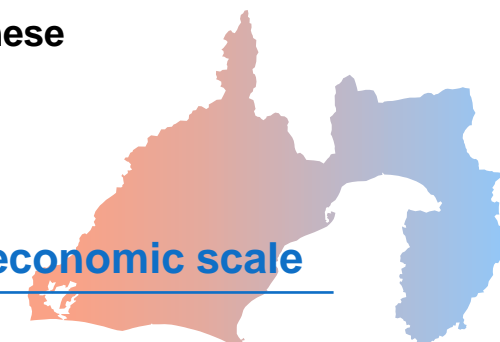
	Total	From Shizuoka Bank	From Yamanashi Chuo Bank
Meetings held	26	—	—
Applications	830	535	251
Participants	594	354	211
Business discussions	843	535	279



\* Including those cosponsored with partners other than Yamanashi Chuo Bank

# Economy of Shizuoka Prefecture – Economic scale

Accounting for 3% of Japan's national economy, the Shizuoka Prefecture economy ranks 10th among Japanese prefectures. Its prefectural GDP exceeds the combined GDPs of the four prefectures of Shikoku or the three Hokuriku prefectures and rivals the national GDPs of Algeria and Hungary.



## Shizuoka Prefecture KPIs

		Nationwide share	Nationwide rank
Population	3.53 mn	2.9%	10/47 (2023)
Households	1.58 million	2.7%	10/47 (2023)
Prefectural GDP (nominal)	JPY 17.1tn	3.1%	10/47 (FY2020)
Prefectural GDP per capita	JPY 3,110k	–	6/47 (FY2020)
Business locations	190,000	3.0%	10/47 (2019)
Shipments of manufactured goods, etc. by value	JPY 17.3tn	5.2%	4/47 (2021)
Agricultural production	JPY 208.4bn	2.4%	15/47 (2021)
Fisheries production	210,000 t	6.5%	4/47 (2022)
Factory locations	52	5.6%	4/47 (2022)
New housing starts	20,000	2.3%	10/47 (2022)

## Shizuoka Prefecture's economic scale

### Prefectural GDP (FY2019, nominal)

Rank	Prefecture, region	(USD bn)
9	Fukuoka	183.5
<b>10</b>	<b>Shizuoka</b>	<b>164.4</b>
11	Ibaraki	129.7
–	Four prefectures of Shikoku	136.6
–	Three prefectures of Hokuriku	123.2

### Comparison to national GDPs (2019)

Rank	Country, region	(USD bn)
54	Kazakhstan	181.7
55	Qatar	176.4
56	Algeria	171.7
–	<b>Shizuoka Prefecture</b>	<b>164.4</b>
57	Hungary	164.0
58	Ukraine	154.0

# Shizuoka Prefecture's Attractions (1) – Nature, tourism

Positioned at a transportation hub between Tokyo, Nagoya, and Osaka. Chubu Odan Expressway enables convenient north-south transport. One of Japan's leading sightseeing destinations, thanks to its natural attractions that include Mt. Fuji, the southern Japan Alps, and Lake Hamana.

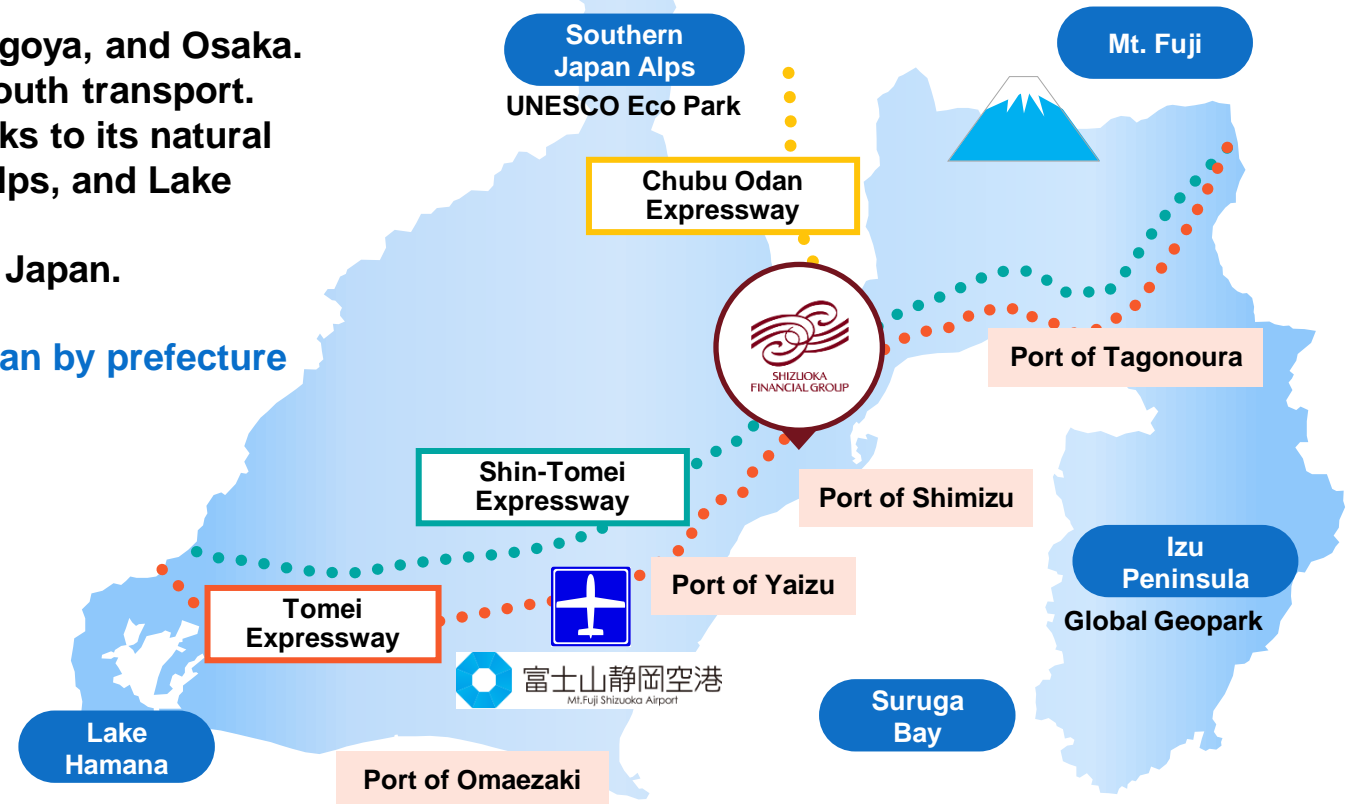
Rank highly among desired relocation destinations in Japan.

## Rankings of desired relocation destinations in Japan by prefecture

Ranked highest in 2022 survey (for third consecutive year)  
Popular as a relocation destination among all generations

Ranking of desired relocation destinations			
2019	2020	2021	2022
3	1	1	1

Source: Survey by the nonprofit Center for Support to Return to Hometown



### Lake Hamana

- The 10th largest lake in Japan
- Renowned for recreation and the cultivation of eels and other aquaculture



Source: Hamamatsu and Lake Hamana Bureau of Tourism website

### UNESCO World Heritage Sites in Shizuoka Prefecture

**Mt. Fuji** (added June 2013)  
Included in the World Heritage List as "Fujisan, sacred place and source of artistic inspiration"



**Nirayama Reverberatory Furnaces** (added July 2015)  
Included in 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)  
The ninth certified Global Geopark in Japan



# Shizuoka Prefecture's Attractions (2) – Industry, economy

One of the leading manufacturing prefectures in Japan, Shizuoka Prefecture features a well-balanced industrial structure that includes vehicles, pharmaceuticals and medical devices, and musical instruments.

The health and medicine industry has a hub in the eastern prefecture, and various advanced industry hubs exist within the prefecture.

It ranks highly among relocation destinations for headquarters and factories in Japan every year.

## Headquarters relocation to Shizuoka Prefecture

Number of certifications under the regional facility enhancement tax program:

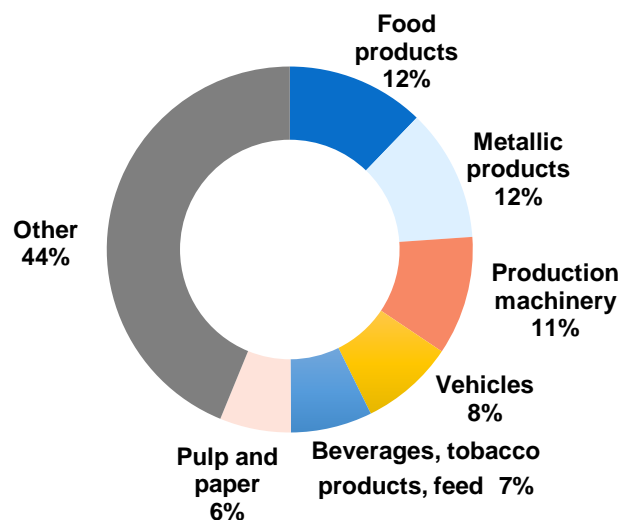
82 (cumulative through end of FY2022)

**Top nationwide for four consecutive years**

## Shizuoka Prefecture's industrial composition

Shipments of manufactured goods, etc. by value:  
JPY 17,290.5bn

**Fourth highest in Japan (2021)**



Source: Ministry of Economy, Trade and Industry, Economic Census

## Plant locations in Shizuoka Prefecture

It ranks highly among numbers of factory locations in Japan every year.

FY	2018	2019	2020	2021	2022
Locations	67	78	54	49	52
National rank	4	2	3	4	4

Source: Ministry of Economy, Trade and Industry, Factory Location Trends Survey

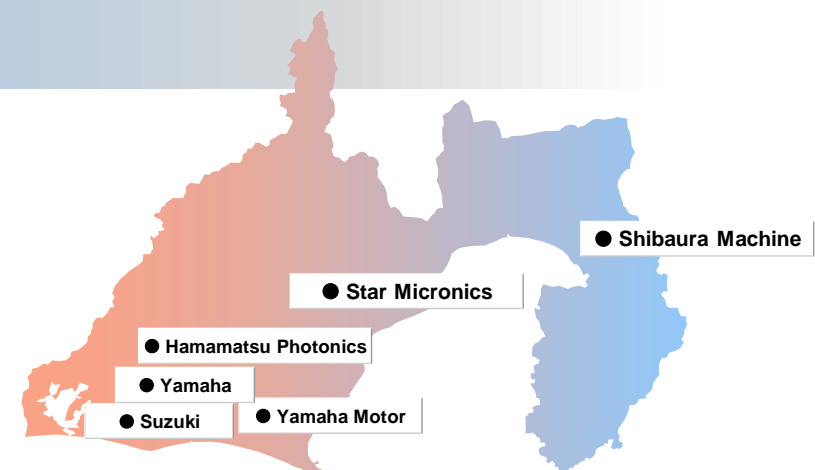
## Shizuoka Prefecture's health and medicine industry

Total production of pharmaceuticals and medical devices by value

**Approx. JPY1 tn: Second highest in Japan (2021)**

Product	Production (JPY bn)	National rank
Pharmaceuticals	699.8	3
Medical devices	339.1	1
<b>Total</b>	<b>1,038.9</b>	<b>2</b>

Source: Ministry of Health, Labour and Welfare and Shizuoka Prefecture Pharmaceutical Affairs Office, Statistics of Production by Pharmaceutical Industry



## Listed companies headquartered in Shizuoka Prefecture (TSE)

\* As of September 30, 2023

Exchange	Companies
TSE Prime	20
TSE Standard	30
TSE Growth	1
<b>Total</b>	<b>51</b>

## An advanced industrial hub

Next-generation vehicles, optical and quantum technologies, marine biotechnologies, cellulose nanofiber (CNF), etc.

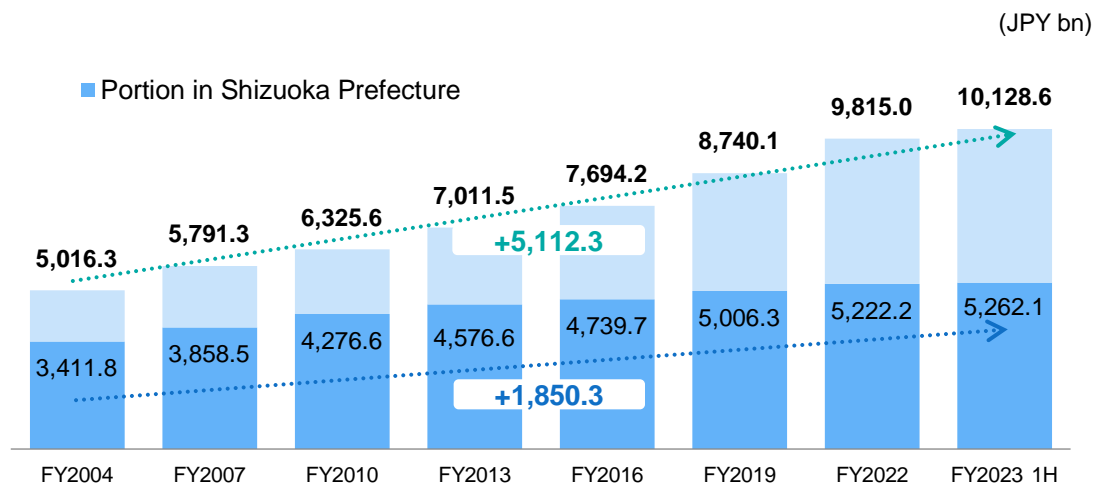


Source: Center for Next Generation Cars Hamamatsu website

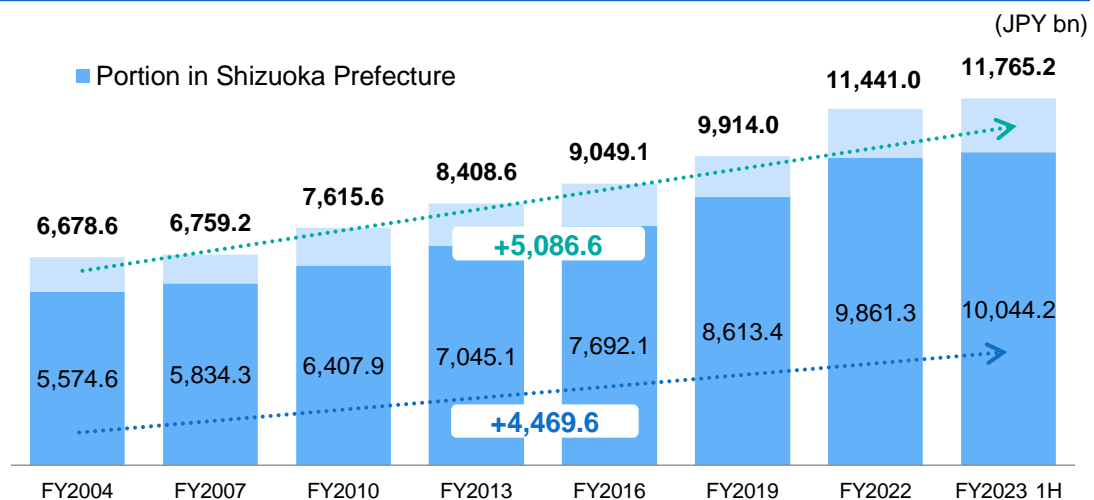
# Trends in loans and deposits

Balances of both loans and deposits have steadily trended up both inside and outside Shizuoka Prefecture since FY2004, and the Bank has one of the highest external credit ratings of any Japanese bank.

## Total loan balance (average)



## Total deposit balance (average)



## One of the highest external credit ratings of any Japanese bank

### Shizuoka Financial Group

Rating and Investment Information (R&I)

**A+ \***

\* The rating is one rank below consolidated subsidiary Shizuoka Bank due to the structural subordination inherent to 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 September 2023)

**A1**

**Shizuoka Bank**, MUFG Bank, Sumitomo Mitsui Banking Corporation, Mizuho Bank, Chiba Bank and seven other banks

**A2**

Resona Bank, Bank of Yokohama, and four other banks (including two regional banks)

**A3**

The Bank of Fukuoka, Joyo Bank, and four other banks (including four regional banks)

Expected loss (EL) for all industries totals JPY 12.4bn, while unexpected loss (UL), or credit risk, for all industries totals JPY 88.9bn.

## Status of business loans to certain industries

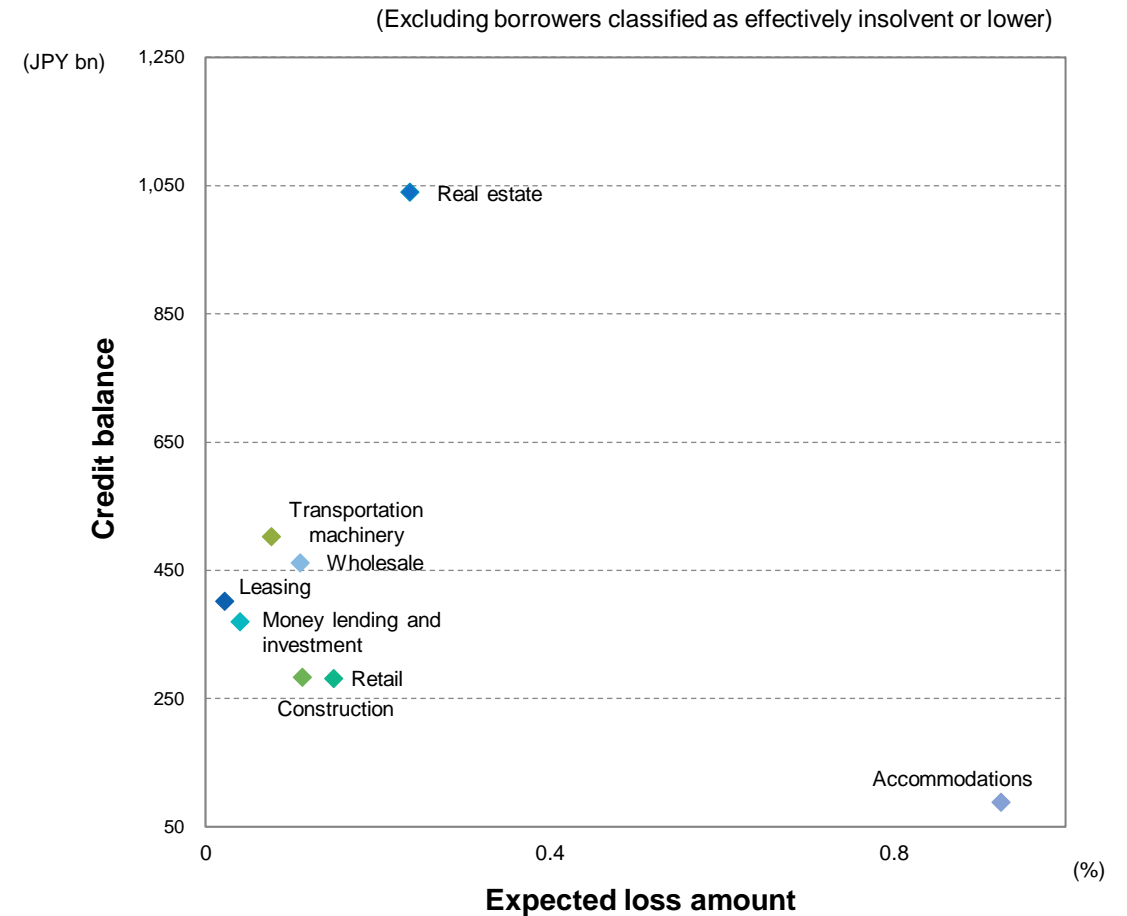
### Credit balance (as of the end of September 2023)

	Balance	Composition ratio	Change from previous FY
All industries	6,781.4	100.0	+146.1
Real estate *1	1,038.7	15.3	+97.1
Transportation machinery	502.6	7.4	-31.7
Wholesale *2	462.2	6.8	+17.3
Leasing	401.9	5.9	+6.2
Money lending and investment	370.5	5.4	+41.6
Construction	283.2	4.1	+3.4
Retail	280.9	4.1	-1.1
Accommodations	88.6	1.3	-0.6

\*1 Excluding apartment loans and loans for asset building

\*2 Excluding general trading companies

### Credit balance vs. expected loss rate\*



\* Expected loss (EL) amount / Credit balance

# Allocation of risk capital

Allocation source	(JPY bn)		Risk capital allocated	Risk capital used	Percentage of risk capital used	
<b>Core capital</b> <b>JPY 801.7bn</b> (End of Sept. 2023)	Credit risk <b>248.0</b>		Loans (credit risk)	164.5	124.0	75%
	Market risk <b>205.1</b>		Treasury division	279.6	135.2	48%
			Subsidiaries of holding company, etc. (excluding Shizuoka Bank)	7.0	2.5	36%
			Subsidiaries of Shizuoka Bank	2.0	0	1%
			Strategic investments	15.0	6.1	40%
	Operational risk <b>25.5</b>		Operational risk	25.5	25.5	100%
Buffer capital, etc. <b>308.1</b>	Subtotal	493.6	293.4	59%		
		Buffer capital, etc.	308.1	-	-	
		<b>Total</b>	<b>801.7</b>	<b>-</b>	<b>-</b>	

- Core capital = CET1 (excluding valuation difference on available-for-sale securities) <fully-loaded basis>
- Risk capital used = <Market risk> | VaR |
  - <Credit risk> (1) | UL | (loan balance includes bad debt written off, CVAs)
  - (2) Basel III capital requirement (designated loan claims, securitization transactions, investment funds, private REITs)
- <Operational risk> Amount corresponding to operational risk
- Buffer capital is set aside for emergencies such as major earthquakes and other unquantifiable risks

## Group companies (excluding Shizuoka Bank)

The total ordinary profit of group companies (excluding Shizuoka Bank) in FY2023 1H was JPY 0.3bn (down JPY 4.6bn YoY).  
The profit without extraordinary factors of Shizuoka Bank (Europe) S.A. was JPY 4.2bn (down JPY 0.7bn YoY).

(JPY bn)

Company name	Main businesses	FY2023 1H ordinary profit	YoY change
Shizugin Management Consulting Co., Ltd.	Corporate and financial management advisory services; bill collection services	0.2	-0.0
Shizugin Lease Co., Ltd.	Leasing	0.9	+0.1
Shizuoka Capital Co., Ltd.	Support for public offering of stock shares; rehabilitation support for SMEs	0.1	-0.0
Shizugin TM Securities Co., Ltd.	Financial instruments brokerage	1.0	-0.0
SFG Marketing Co., Ltd.	Marketing support; advertising agency	-0.0	-0.0
Subsidiaries of Shizuoka Bank			
Shizugin IT Solution Co., Ltd.	Computer system development and operation; data processing services	0.1	-0.1
Shizugin Credit Guaranty Co., Ltd.	Credit guarantees	2.0	-0.1
Shizugin Card Co., Ltd.	Credit card business; credit guarantees	0.4	-0.1
Shizuoka Bank (Europe) S.A.	Banking; finance and securities services	-4.4*	-4.3
Shizuoka Liquidity Reserve Ltd.	Purchase of monetary receivables	0.1	-0.0
Shizugin General Service Co., Ltd.	HR, general affairs, financial operations; fee-based job placement service	-0.0	-0.0
Shizugin Mortgage Service Co., Ltd.	Evaluation and appraisal of real estate loan collateral; operation center for loans	-0.0	-0.1
Shizugin Business Create Co., Ltd.	Operation center for forex remittance, bill collection, etc.	0.0	+0.0
Shizugin Heartful Co., Ltd.	Production, printing, and binding of documents	0.0	+0.0
<b>Total excluding Shizuoka Bank (14 companies)</b>		<b>0.3</b>	<b>-4.6</b>
(Reference) Equity method affiliates			
Shizugin Saison Card Co., Ltd.	Credit cards; prepaid cards; credit guarantees	0.1	-0.0
Monex Group, Inc.	Holding stocks of companies involved in financial instruments brokerage and other businesses	5.5*	+3.4

\* Includes -JPY 3.9bn from transfer of securities to Shizuoka Bank (offset on a consolidated basis)

\* Pretax income



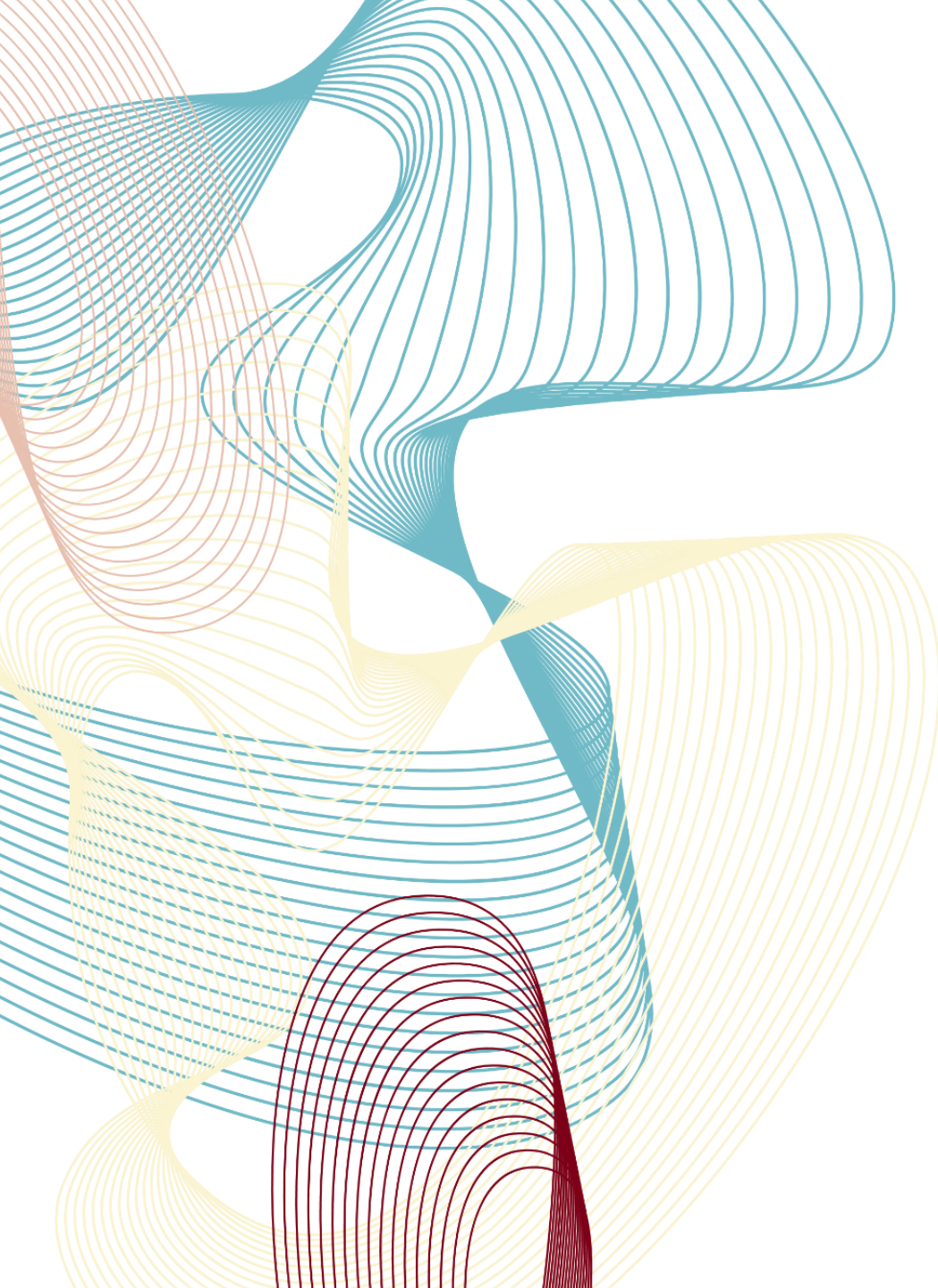
# Shareholder returns – Share buybacks (over time)

Through FY2022, 210 million shares (26.1% of shares outstanding before initial retirement in 1997) have been retired.  
Have retired an additional 10 million shares on May 31, 2023.

\* Consolidated financial statements have been prepared since FY1998.

	Shares bought back (thousand)	Repurchase amount (JPY mn)	Number of shares retired (thousand)	Retirement amount (JPY mn)	Shareholder return ratio (consolidated) (%) <sup>*</sup>
FY1997	7,226	9,997	7,226	9,997	–
FY1998	6,633	9,142	6,633	9,142	84.1
FY1999	8,357	9,143	8,357	9,143	52.6
FY2000	24,954	23,281	24,954	23,281	150.3
FY2001	8,234	8,267	8,234	8,267	170.5
FY2002	29,928	23,107	–	–	222.1
FY2003	10,712	8,566	30,000	23,381	50.2
FY2004	–	–	–	–	16.9
FY2005	–	–	–	–	21.4
FY2006	–	–	–	–	24.3
FY2007	10,000	12,621	10,000	10,130	62.6
FY2008	–	–	–	–	69.7
FY2009	5,000	3,996	5,000	4,638	39.8
FY2010	20,000	14,980	20,000	15,957	65.7
FY2011	20,000	14,575	–	–	63.0
FY2012	10,000	8,239	20,000	14,953	31.5
FY2013	20,000	22,642	–	–	69.3
FY2014	10,000	11,315	–	–	42.4
FY2015	4,767	6,999	–	–	40.2
FY2016	10,000	8,496	20,000	20,578	70.6
FY2017	10,000	9,736	–	–	44.3
FY2018	10,000	10,069	30,000	30,530	49.1
FY2019	10,000	8,623	10,000	10,139	54.9
FY2020	–	–	10,000	9,619	32.9
FY2021	10,000	8,759	–	–	56.2
FY2022	10,000	10,000	–	–	51.1
FY2023 (interim)	–	–	10,000	9,210	–
<b>Cumulative total</b>	<b>255,811</b>	<b>242,557</b>	<b>220,404</b>	<b>208,968</b>	<b>–</b>

EPS (consolidated) <sup>*</sup> (JPY)	BPS (consolidated) <sup>*</sup> (JPY)	DPS (consolidated) <sup>*</sup> (JPY)
20.4	587.6	6.0
20.8	632.2	6.0
33.4	652.8	6.0
24.0	792.0	6.0
10.0	742.5	6.0
17.1	722.3	7.0
37.6	833.4	7.0
50.0	878.8	8.5
46.6	1,024.6	10.0
53.4	1,086.0	13.0
49.3	1,003.8	13.0
18.6	909.2	13.0
46.9	1,005.4	13.0
52.9	1,024.6	13.0
56.3	1,109.7	13.5
87.5	1,242.1	15.0
74.1	1,290.1	15.5
80.3	1,500.2	16.0
77.8	1,500.3	20.0
48.0	1,545.6	20.0
83.7	1,669.0	21.0
79.3	1,738.5	22.0
67.2	1,727.1	22.0
76.0	1,922.6	25.0
73.3	1,926.0	26.0
92.9	2,050.7	30.0
–	–	–
–	–	–



**This document includes statements concerning future business results. These statements do not represent guarantees of future business results and entail various risks and uncertainties. Note that future business results may differ from targets for various reasons, including changes in the business environment.**

Note: Figures in graphs that show year-on-year comparisons are calculated using the figures that appear in the graphs.

### **Contact**

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Shizuoka Financial Group  
Website (IR News)



# Medium-/long-term growth strategy (1) – Alliance strategy with regional banks

Realizing sustained growth for each region and partner group through joint efforts with alliance partner banks on solutions to various regional challenges

## Shizuoka Yamanashi Alliance (established in Oct. 2020)



Focusing on economic development in both prefectures and on projects to contribute to mutual use of management resources

Revised the initial KPI (JPY 10.0bn in total for both banks, cumulative over five years) to **JPY 12.0bn** (total for both banks, cumulative over five years) in the third year of this alliance, assuming that the initial KPI is likely to be achieved by the end of five-year timeframe.

### Life planning

Shizugin TM Securities Yamanashi Head Office  
Customer assets balance: **JPY 24.6bn**

(As of Sept. 30, 2023)

Offering jointly developed products (insurance, investment trust)

Three-bank cooperation

### Finance

Lending field **JPY 122.4bn**

Joint lending included above

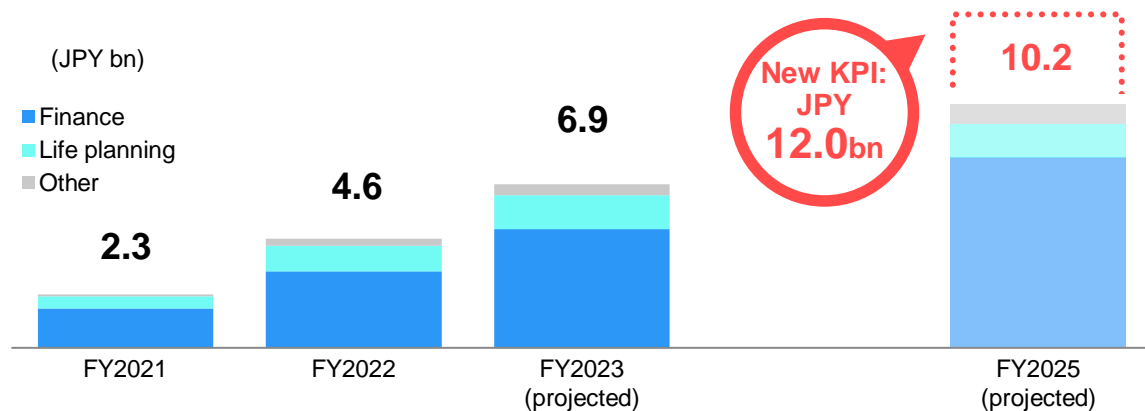
**JPY 37.4bn**

Business-succession M&A projects

**First deal concluded**

### Sales-channel development support

24 individual meetings, 128 business matching cases



### Future outlook

- **Highly likely to achieve initial KPI** mainly due to life planning and finance businesses
- **Moving to the next stage of the alliance by focusing on solutions to social challenges**, chiefly through measures to help **increase related populations**, an issue confronting both regions.

## Shizuoka Nagoya Alliance (established in Apr. 2022)



Aim to achieve revenue effects of **JPY 10.0bn** or more (total for both banks, cumulative over five years) through solutions to customers' challenges, chiefly by **supporting business partners in structural reform of regional industries**.

### Asset-building support

**Shizugin TM Securities Nagoya Head Office opens**

(On Second floor of Bank of Nagoya's Head Office)

15 staff members (including five staff members seconded from Bank of Nagoya)

**Supports asset building for Bank of Nagoya's customers**



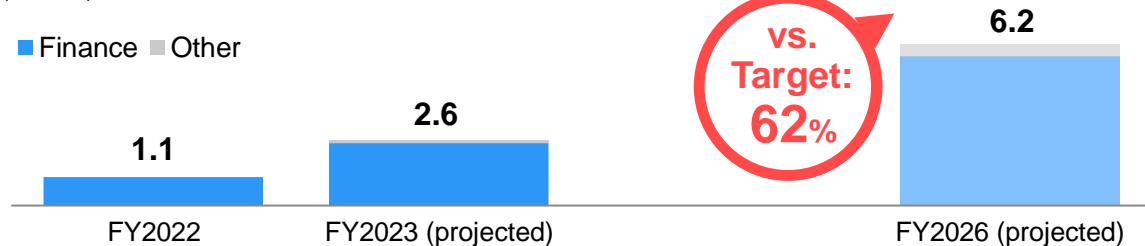
### Supporting industrial reforms

Establishing the **Shizuoka Nagoya Alliance Fund** to support industrial reforms

(June 2023)

(JPY bn)

■ Finance ■ Other



### Future outlook

- **Have achieved significant results** in the finance field, and planning to **expand it to life planning and other fields of business partnerships**.
- Will provide appropriate support for reforms to regional businesses through **enhancements** based on the main theme of **measures to help support industrial reforms**, including use of the **Alliance Fund**.