

Shizuoka Financial Group

1st Medium-term Business Plan (FY2023-FY2027)



Xover

Crossover

- Clearing the way to a new era



April 17th, 2023
Hisashi Shibata
President & CEO

Shizuoka Financial Group, Inc.

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2. Outline of the 1st Medium-term Business Plan	5
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History of the Shizuoka Financial Group

The results of the previous medium-term business plan form the foundation of latest one

9th Medium-term Business Plan
(2005-2007) Challenges for Creation and Change - 3C Plan

10th Medium-term Business Plan
(2008-2010) Dream TEN - New challenges

11th Medium-term Business Plan
(2011-2013) MIRAI - Future

12th Medium-term Business Plan
(2014-2016) TOBIRA - Open a Gate for the Next

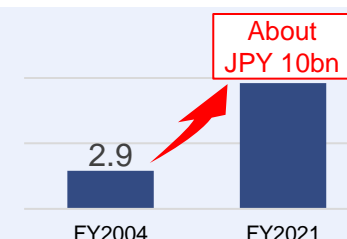
13th Medium-term Business Plan
(2017-2019) TSUNAGU

14th Medium-term Business Plan **COLORs** ~多彩~
(2020-2022)

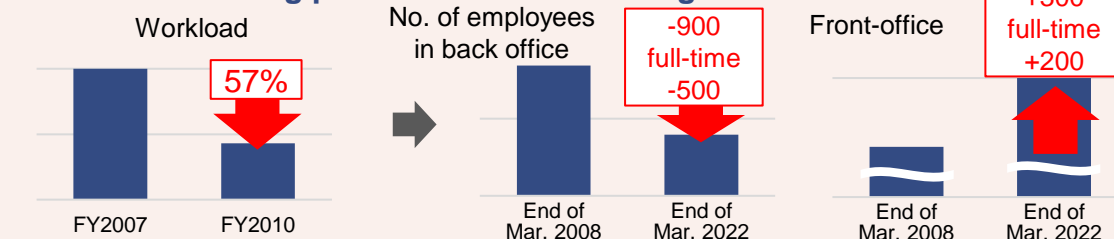
- **Building networks with companies in different industries and venture firms**
 - Invested in **about 500 venture firms** ➡ Foundation of our venture-related business
- **Improved system development productivity by launching the Next-Generation System**
 - It became possible to handle **1.5 times** as many development projects at the same time and cost
- **Formed alliances with two regional banks**
(Yamanashi Chuo Bank and Bank of Nagoya)

• **Develop group management**

- Aim to strengthen group cooperation and reinforce the independence of each group company since FY2005
- Increased group companies' total ordinary profit to **10 billion yen**

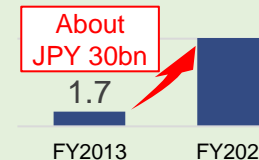


• **Increased gross operating profit by accelerating BPR and reallocating personnel to the Banking Division**



• **Develop new business fields**

- Expanded new business fields such as market credit investment to **30 billion yen**



• **Sales structure reform (optimize the branch network, reallocate human resource in growth field)**

- Reviewed 90% branch function by FY2022
Cut **30 branches** that provided all financial services, and reallocated about **250 personnel**

Established Shizuoka Financial Group
(October 2022)

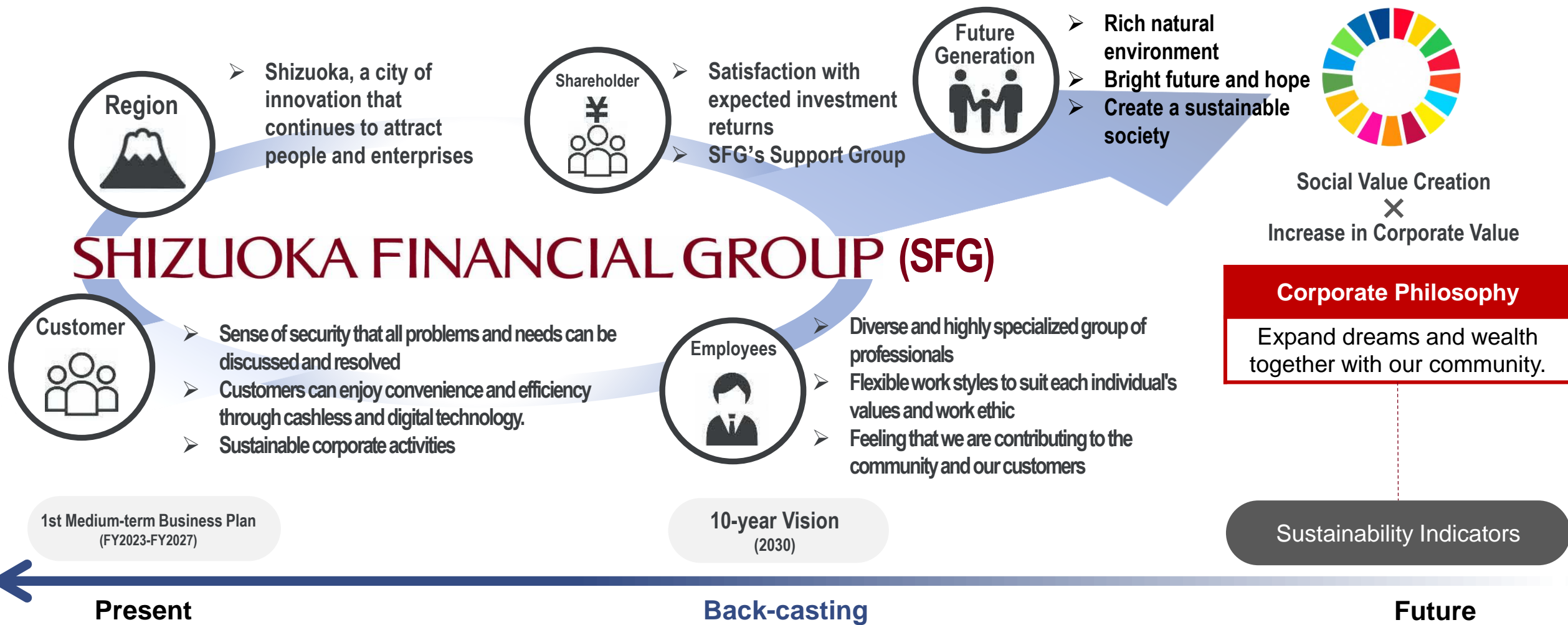
Start of 1st Medium-term Business Plan
(from April 2023)

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Set target state to be achieved in 2030, and develop 1st Medium-term Business Plan with back-casting to achieve it.

Target state to be achieved in 2030 “A state in which all stakeholders are sustainable and their well-being is improved”

- Continuously improving the well-being of stakeholders by solving problems and meeting needs of the community and customers, and increasing corporate value of SFG



Name of The Plan

Xover (Crossover) – Clearing the way to a new era

Term of the Plan

FY2023–2027 (5 years)

[Concepts behind the name]

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

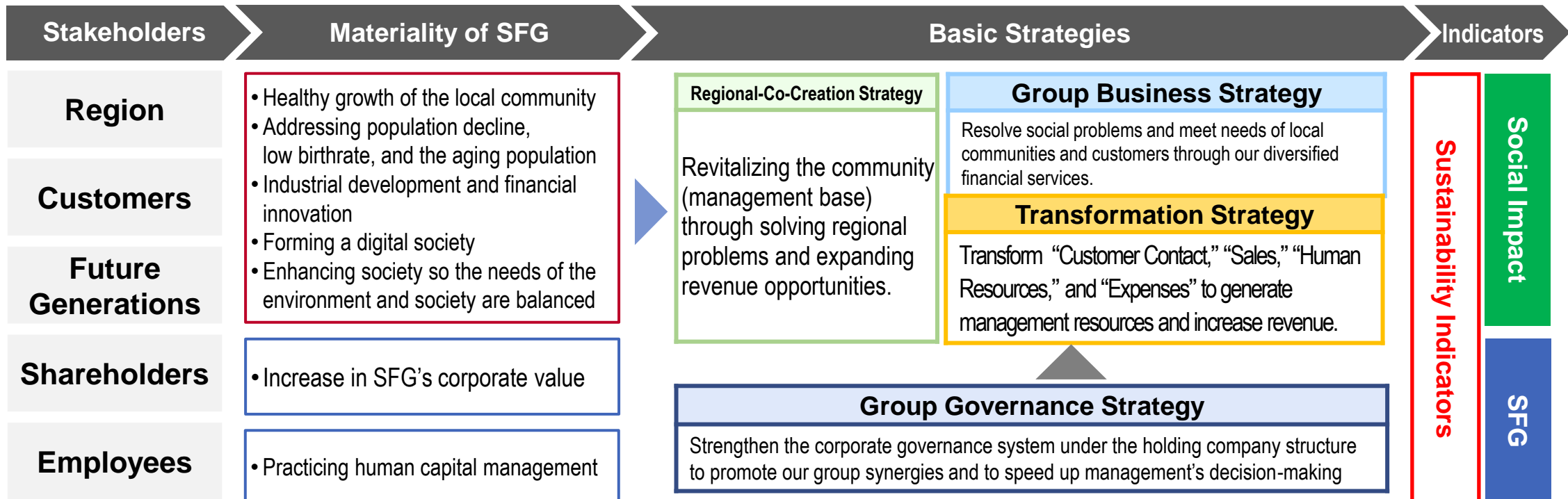
As the first medium-term business plan under the holding company structure, the plan name is filled with our determination to open up a new era in VUCA world by co-creating new value with all stakeholders.

10-year Vision

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

1st Medium-term Business Plan Vision

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



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

			Indicators	Target for FY2027	
SFG	Financial Targets	Profitability	Consolidated ordinary income	More than 90 billion yen	commit
			Consolidated ROE	Approx. 6%	
		Effectiveness	Consolidated OHR	Approx. 55%	
	Soundness	Consolidated CET1 Ratio ^{*1}	13% or more		
	Engagement	Customer satisfaction with Group Transactions ^{*2}	Increase from the Previous Fiscal Year		
		Engagement of Group Employees ^{*3}	4.0 or above		
Carbon Neutrality (Scope 1 and 2)		Achieved (FY2030)			
Social Impact		Rate of Social Change in Shizuoka Prefecture's Population	Continuously Increasing	aim	
		Real Gross Output in Shizuoka Prefecture	Sustainably Developing		
		Percentage Reduction of GHG Emissions in Shizuoka Prefecture	-46% compared to FY2013 (FY2030)		

*1: Basel III finalization basis

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

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

Plan of Figures (1) - Roadmap to Consolidated Ordinary Income Target

Achieve the consolidated ordinary income target by increasing revenue and leveraging management resources, to be generated via “aggressive investment” in the digital transformation (DX) and human capital fields. (Consolidated ordinary income target: JPY 90bn in FY2027, JPY 100bn or more in FY2030)

Basic Strategies to increase revenue

Regional-Co-Creation Strategy (Pages 13-14)

Expand the management base by revitalizing the regional economy.
Expand revenue opportunities by solving regional problems.



Group Business Strategy (Pages 15-17)

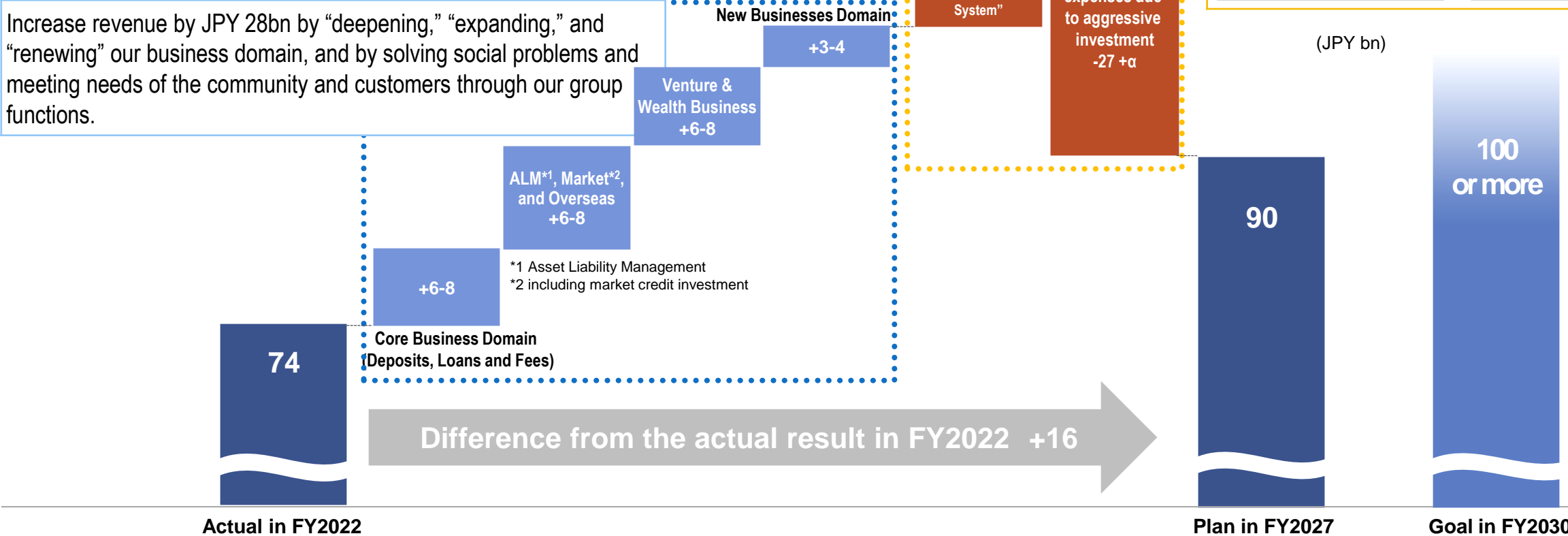
Increase revenue by JPY 28bn by “deepening,” “expanding,” and “renewing” our business domain, and by solving social problems and meeting needs of the community and customers through our group functions.

Generation of management resources through aggressive investment

Transformation Strategy (Pages 18-20)

Increase productivity and raise revenue through transformations in four categories.

Touch points	Sales
Human resources	Expenses



Plan of Figures (2) - Profit & loss statement and balance sheet forecasts for FY2027

SHIZUOKA FINANCIAL GROUP

Profit and Loss Statement

(JPY bn)

	FY2022	Plan in FY2027	5-year increase/decrease
Consolidated Gross Operating Profit	160.2	200.0	+39.8
Shizuoka Bank	144.3	172.5	+28.2
Net Interest Income	121.6	144.0	+22.4
Fees and commissions	21.1	22.5	+1.4
Consolidated Non-consolidated Difference (excluding banks)	15.9	27.5	+11.6
Group Company	15.9	23.5	+7.6
New Business	0.0	4.0	+4.0
Consolidated Expenses	96.4	110.0	+13.6
Consolidated Ordinary Income	74.0	90.0	+16.0
Consolidated Net Income	52.4	64.0	+11.6

B/S Changes in major accounts on the balance sheet (Shizuoka Bank non-consolidated)

(JPY bn)

[Asset]	FY2022	Plan in FY2027	5-year increase/decrease
Loans (domestic)	9,584.6	10,950.0	+1,365.4
Loans (JPY)	9,167.9	10,500.0	+1,332.1
Loans (Foreign Currency)	416.7	450.0	+33.3
Loans (Overseas)	230.4	550.0	+319.6
Securities	2,316.8	4,050.0	+1,733.2
Bond (JPY)	1,417.2	2,750.0	+1,332.8
[Liabilities]			
JPY deposits, etc.	10,880.4	12,050.0	+1,169.6
Foreign currency deposits	614.1	750.0	+135.9

Plan of Figures (3) - Group company plans for FY2027

SHIZUOKA FINANCIAL GROUP

Aiming for consolidated ordinary income of 90 billion yen, a consolidated ROE of around 6%, and a CET1 ratio of 13% or higher in FY2027

(JPY bn)

Consolidated

	FY2021	FY2022 Actual (A)	FY2027 Plan (B)	5-year increase/decrease (B - A)
Ordinary profit	54.2	74.0	90.0	+16.0
Profit attributable to owners of the parent	41.6	52.4	64.0	+11.6
ROE	3.8%	4.6%	Approx. 6%	—
OHR	64.2%	60.2%	Approx. 55%	—
CET1 ratio	16.08%	18.42% (14.17%*)	13% or more	—

*Figures in parentheses are estimates assuming full application of the finalization of Basel III.

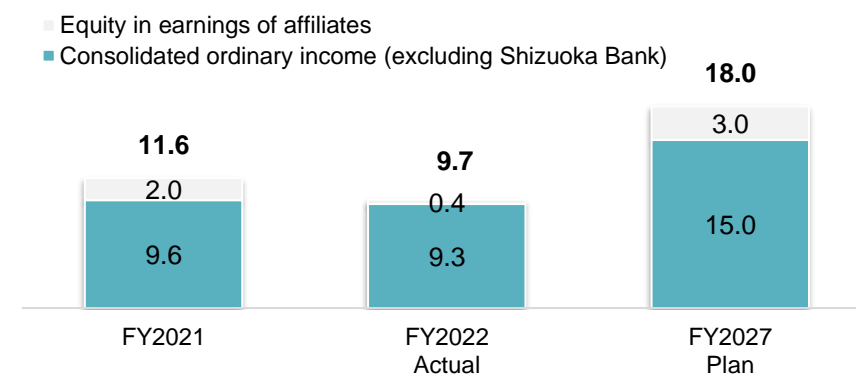
Shizuoka Bank

Gross operating profit	134.7	144.3	172.5	+28.2
Net interest income	124.5	121.6	144.0	+22.4
Fees and commissions	14.8	21.1	22.5	+1.4
Trading income	0.9	1.4	1.0	-0.4
Other operating profit	-5.5	0.2	5.0	+4.8
Expenses (-)	88.2	86.9	92.5	+5.6
Ordinary profit	45.3	67.6	75.0	+7.4
Net income	36.1	46.2	52.0	+5.8
Credit-related costs (-)	5.5	4.8	8.0	+3.2

	Shizugin Management Consulting			Shizugin Lease		
	FY2022 Actual	FY2027 Plan	5-year I/D	FY2022 Actual	FY2027 Plan	5-year I/D
Gross operating profit	1.4	3.2	+1.8	3.4	4.4	+1.0
Expenses (-)	1.0	1.7	+0.7	1.8	1.9	+0.1
Ordinary profit	0.5	1.6	+1.1	1.6	2.5	+0.9

	Shizuoka Capital			Shizugin TM Securities		
	FY2022 Actual	FY2027 Plan	5-year I/D	FY2022 Actual	FY2027 Plan	5-year I/D
Gross operating profit	0.5	0.8	+0.3	6.7	11.1	+4.4
Expenses (-)	0.3	0.4	+0.1	4.9	6.1	+1.2
Ordinary profit	0.3	0.4	+0.1	1.8	5.0	+3.2

[Consolidated ordinary income (excluding Shizuoka Bank) and equity in earnings of affiliates]

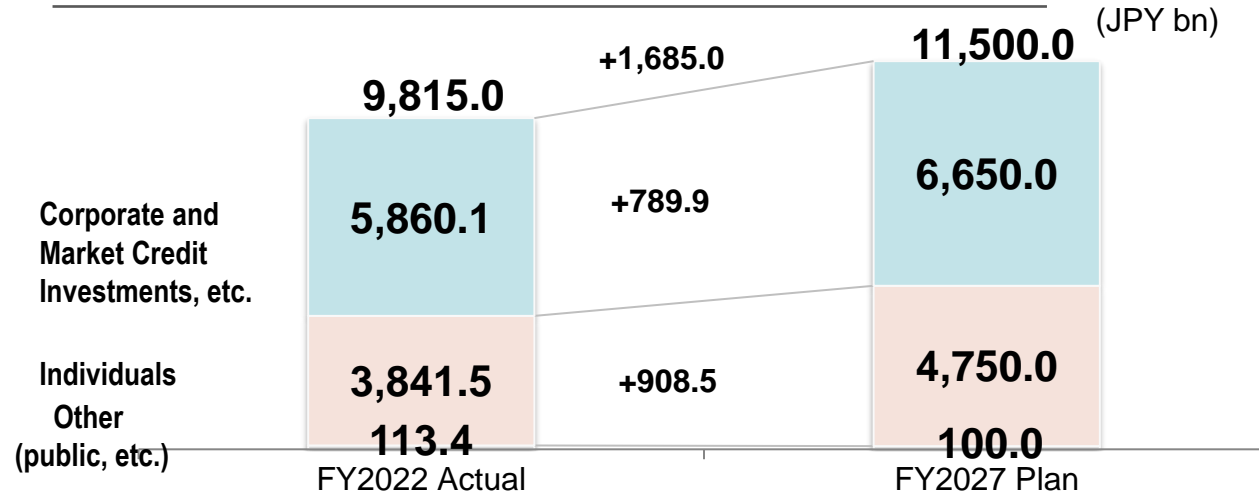


Plan of Figures (4) - Loan Plan and Consolidated Fee Income Plan for FY2027

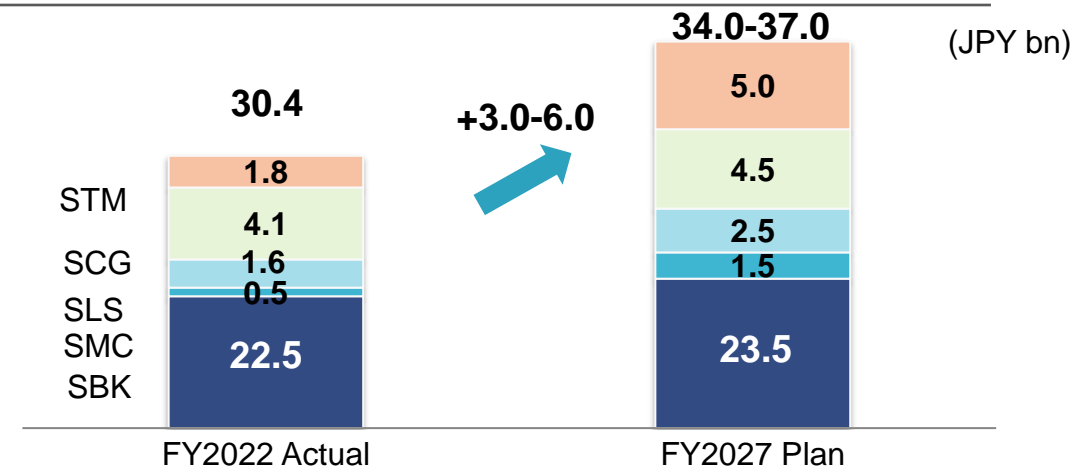
SHIZUOKA FINANCIAL GROUP

SBK: Shizuoka Bank, SMC: Shizugin Management Consulting, SLS: Shizugin Lease, SCG: Shizugin Credit Guaranty, STM: Shizugin TM Securities

Loans and Bills Discounted (Average Balance)



Fees and Commissions Revenue (Consolidated)



	FY2022 (Actual)	FY2027 (Plan)	5-year increase/decrease
Corporate and Market Credit Investment, etc. (Major breakdown)			
Shizuoka Pref.	2,571.3	2,680.0	+108.7
Kanagawa Pref.	421.6	590.0	+168.4
Venture debt	3.6	100.0	+96.4
Market Credit Investments, Overseas	1,008.9	1,450.0	+441.1
Individuals (Major breakdown)			
Housing loans	2,524.3	3,110.0	+585.7
Apartment loans	799.3	1,000.0	+200.7
Loans for asset-building	195.0	320.0	+125.0
Unsecured loans	100.4	130.0	+29.6

	FY2022 (Actual)	FY2027 (Plan)	5-year increase/decrease
Fees from Wholesale	9.1	11.0-12.0	+1.5-2.5
Market Credit Investments, etc.	3.1	2.5	-0.6
Related to Solution Business	1.1	1.5	+0.4
Others (Fees of wholesale loans, etc.)	2.9	4.0	+1.1
SMC	0.5	1.5	+1.0
SLS	1.6	2.5	+0.9
Asset Management	7.5	11.5-12.5	+4.0-5.0
Insurance	5.4	6.0	+0.7
Investment Trusts	0.3	1.5	+1.2
STM	1.8	5.0	+3.2
Others	13.8	11.5-12.5	-1.5-2.5
Fees & Commissions*	8.3	7.0	-1.3
Trading Income	1.4	1.0	-0.4
SCG	4.1	4.5	+0.4

* Exchange fees, consumer loans fees, cashless, etc.

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Regional-Co-Creation Strategy

Development of the regional economy and our own sustainable growth are closely linked because the region is our main business foundation. We will continue to build networks (Regional Platforms) among related parties to handle a diverse range of problems, and revitalize the region by solving them. In the process, we will create business opportunities and generate profits through the Group Business strategy.

Regional economy is closely linked to our growth



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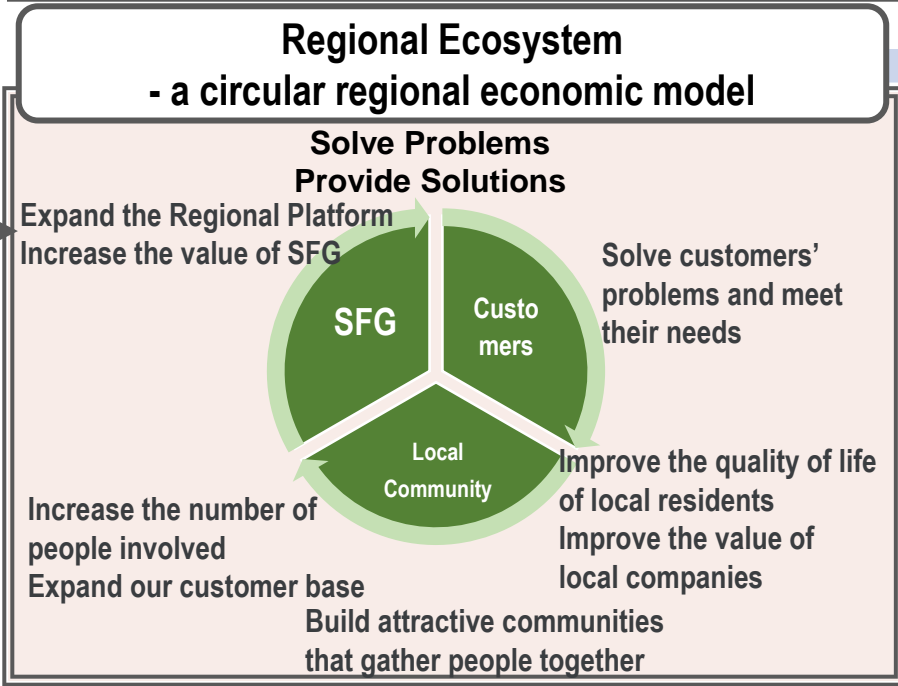
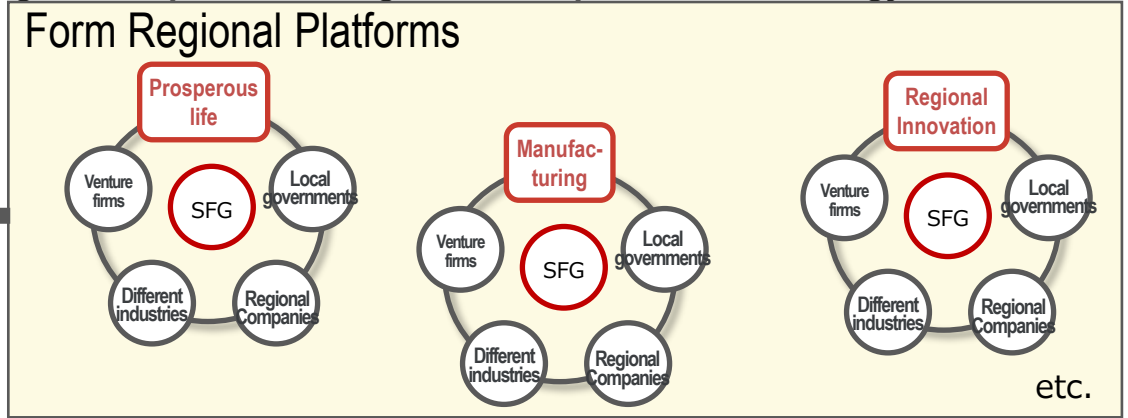
Problems of the region and customers are becoming more complex and diverse.

- Depopulation
- Digitization
- Decarbonization
- ...



Forming several platforms in collaboration with local governments, ventures, and other different industries, by leveraging coordination capabilities (trust), networks, financial strength, and human resources.

- Revitalize the region
- Create new profit opportunities



- Accumulate expertise
- Improve reproducibility
- Expand to other regions

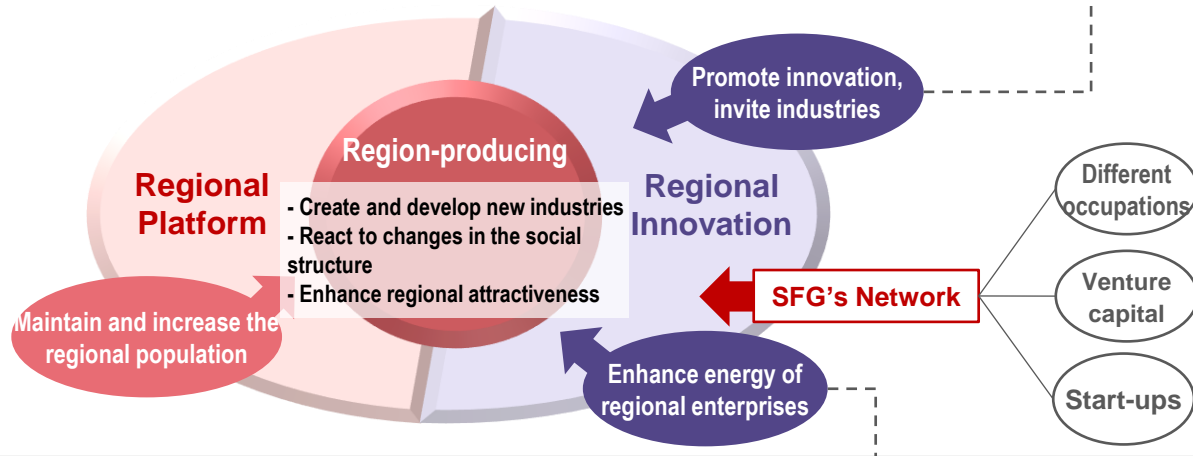
A model case of regional co-creation

Regional-Co-Creation Strategy - Regional innovation eco-system

SHIZUOKA FINANCIAL GROUP

Match local companies with ventures and other different industries by leveraging our coordinating capabilities and networks, which are SFG's strengths. Aim to form an eco-system that continues to generate regional innovation.

Promote Regional Innovation



Hold events through industry-academia-government-finance collaboration, and establish a community to promote the collaboration

"Entrepreneur Awards"

Commend outstanding business plans of entrepreneurs in order to expand employment and to activate the regional economy through support for start-ups and new businesses

"Joint LAB"

Create and promote new business plans with other companies in order to solve local problems through collaboration with them

"Joint U Labo"

Match local companies and venture seeds from local universities to produce global companies.



TECH BEAT Shizuoka

Hold an event that features cutting-edge technologies to match ventures with local companies



Theme	No. of times held
All industries	4
Agriculture and other primary industries	3
Medical	1
Total	8

Attendees (total)	Approx. 34,000
Individual business consultations (total)	Approx. 1,400
No. of ventures (total)	Approx. 400



Largest scale in Japan

Group Business Strategy “Deepen” - Dig deeper into business domains

SHIZUOKA FINANCIAL GROUP

We will deepen, expand, and renew our business domain to solve social problems and meet the needs of the community and customers. In deepening the existing business domain, allocate management resources appropriately by region and field, based on profitability and marketability, in order to increase revenue

Loan balance and interest

Shizuoka

- Strengthen sales to both corporate and individual customers, aiming for 40% share of loans in Shizuoka Prefecture.

Kanagawa, Western Tokyo

- Consider this area as a growing market and expand sales transactions.
- In western Kanagawa, as in Shizuoka, strengthen the market for both corporate and individual customers.
- In central and eastern Kanagawa, focus on real estate-related and consumer loans.

Tokyo, Osaka

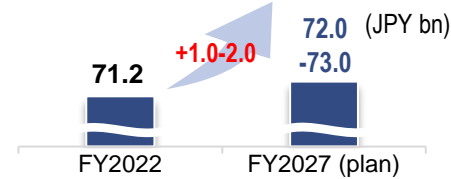
- Increase large-scale and profitable loans.

Yamanashi, Aichi

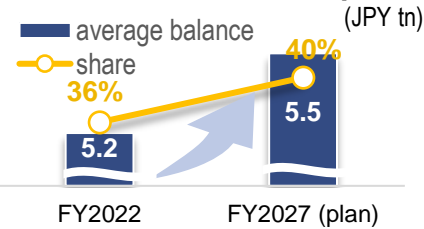
- Promote financing through alliances.

[Interest on loans]

*excluding Tokyo, market credit investments, interest subsidies



[Share of loans in Shizuoka Prefecture]



ALM, Marketable, Market credit investment operations, locally and overseas

ALM, Marketable operations

- Build a long-term investment portfolio that is resilient to market conditions.
- Build a foreign currency portfolio by leveraging a stable foreign currency funding base.

Market credit investment, Private equity (PE)

- Invest considering ROA, RORA
- Estate-related finance: JPY 70.0–90.0 bn/year
- PE: JPY 30.0-35.0bn/year.

Overseas

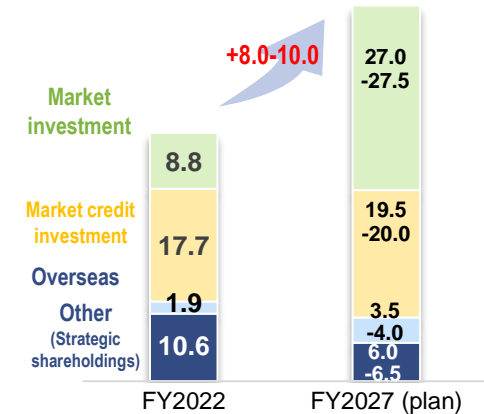
Increase loans and ship finance to non-Japanese companies.

Core business (Loans and deposits, Fees) +JPY6-8bn
ALM, Market, Market credit investment, Overseas +JPY8-10bn

[Profit and loss by division]

*ALM, Market, Market credit investment, Overseas

(JPY bn)



Consolidated fees

Decarbonization, ESG finance, and solutions for companies

- Promote sustainable finance.
- Provide advice and support for decarbonization solutions, including tools to calculate GHG emissions.

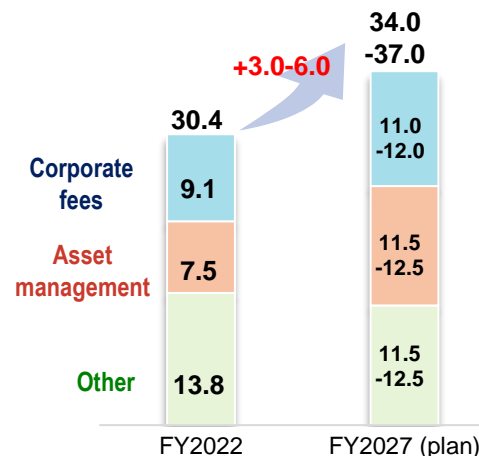
Business succession, M&A

- Support business successions and M&A by leveraging alliances and investing in local companies.

External cooperation

- Provide solutions through partnerships with various firms.
- Expand business fields, such as real estate and asset management.

[Consolidated fees and commissions] (JPY bn)



Group companies

Expand revenue opportunity through independence and collaboration among group companies.

Shizugin TM Securities

- Satisfy asset-building needs through the NISA saving scheme. (tax-advantaged investment account)

Shizugin Management Consulting

- Support business successions and M&A.

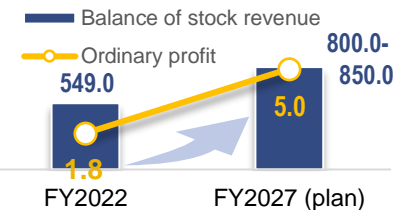
Shizugin Lease

- Support customer financing and increase leases in overseas markets.

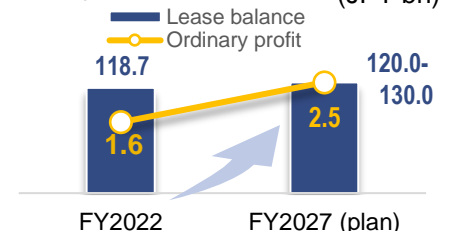
Shizuoka Capital

- Shift from a management-fee business to an investment income business.

[Shizugin TM Securities] (JPY bn)



[Shizugin Lease] (JPY bn)



Group Business Strategy “Expand” - Expand existing business domains

SHIZUOKA FINANCIAL GROUP

We will develop new markets, enhance existing business services, and expand business domains through collaboration with our group companies, allied banks, and other companies in different industries.

Venture Business, Wealth Business
+JPY6.0-8.0bn

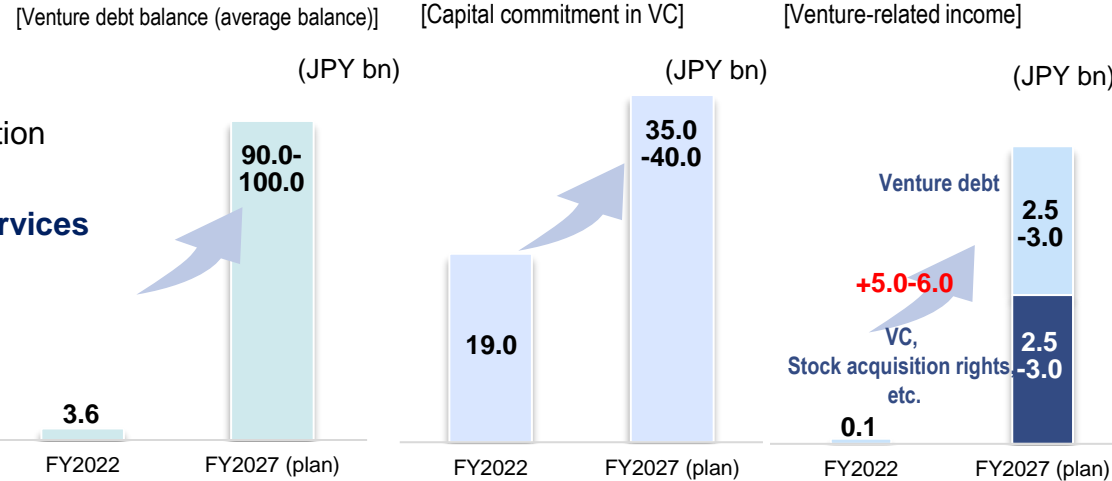
Venture Business

Develop new markets

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

Enhance existing business services

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



Loans for Asset Building

New loan types

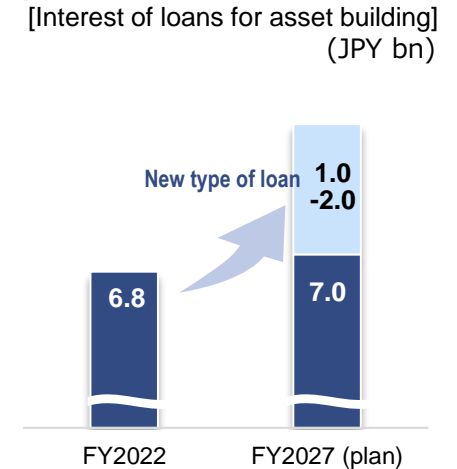
Develop new markets by introducing different loans for new properties.

Loans for asset building

Secure stable earnings by appropriately capturing needs.

Develop whole-asset sales

Promote cross-selling of assets in custody in collaboration with PB personnel.



Guarantee Services

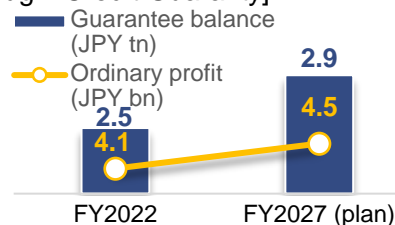
Expand market

Provide guarantee services to online banks.

Expand Service

Expand guarantee services other than mortgage loan receivables.
(Rent obligations, etc.)

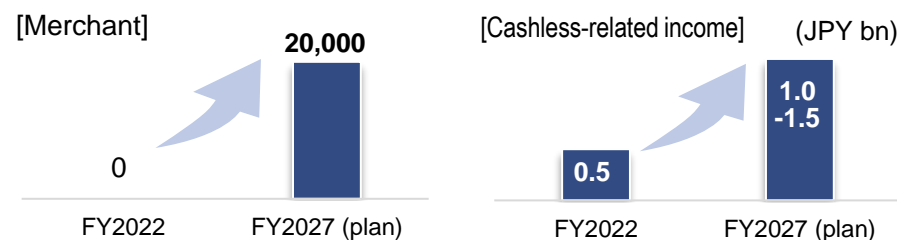
[Shizugin Credit Guaranty]



Cashless

Enter merchant business for credit and debit cards.
Introduce new services.

Establish a new revenue base by obtaining licenses for VISA and Mastercard, and signing a franchise agreement with JCB.



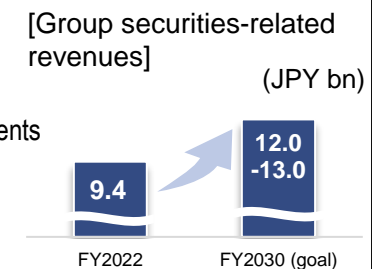
Cross-industry Collaboration (Group securities strategy)

Monex Group

Offering products that are difficult to handle at Shizugin TM Securities in a non-face-to-face approach
Collaboration with Monex PB on services for the wealthy and ultra-wealthy
Wrap products to meet small capital needs

Commons Asset Management

Jointly design products that can differentiate from other companies, such as impact investments and startups, to capture the new NISA.



Group Business Strategy "Renew" - Dive into new business domains

SHIZUOKA FIN

New Business Domains
+JPY3.0-4.0bn

We will take on the challenges of businesses that are not bound by the financial industry as well as unprecedented businesses, leading to discontinuous growth, with regard to businesses that contribute to the community's sustainable growth.

Main Point

Solve the community's and customers' problems

Realize a sustainable society

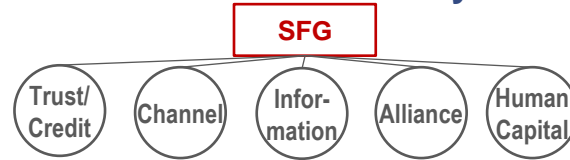
Realize both of the following



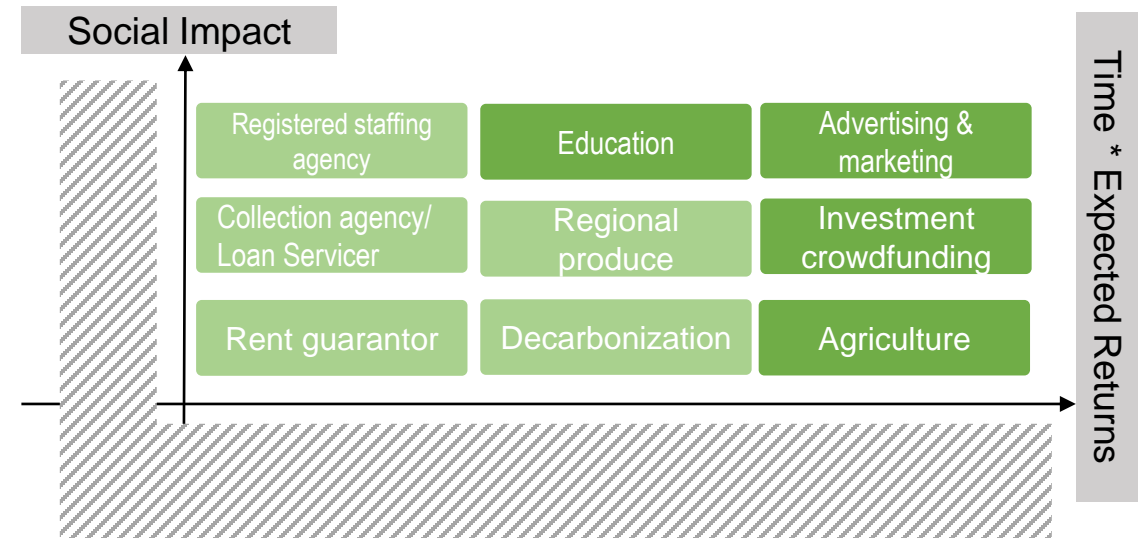
Develop business that captures changes in the social structure



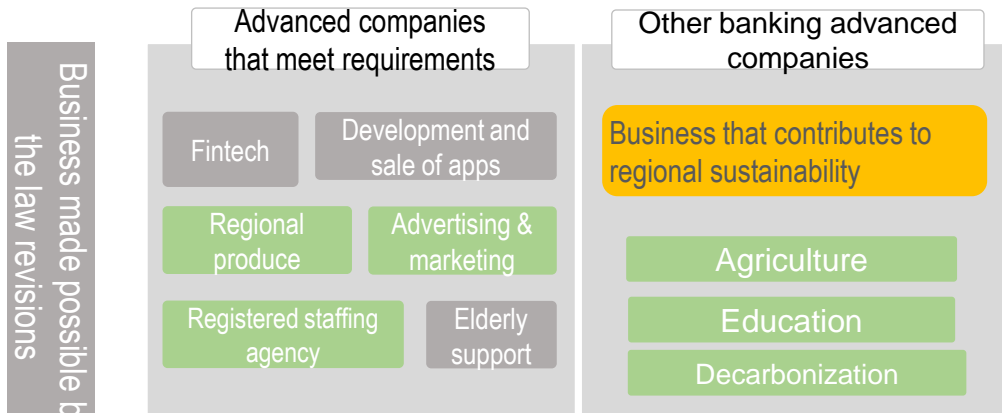
Leverage management resources efficiently



Examples of new business domains



[Deregulation of the business scope according to revision of the Order for Enforcement of the Banking Act in Nov. 2021]



< TOPICS >

Acquire 100% ownership of TJS Co., Ltd. (Feb. 2023)

TJS's Business



SFG's Customer Support Menu



Solve community problems



Business made possible by the law revisions

We need to optimize management resources, such as the branch network and human resource allocation (into an optimal form) for our sustainable growth. We will transform in four categories in order to reallocate management resources and to increase revenue by leveraging digital technology and data, etc.

Concept behind the strategy

Management Resources

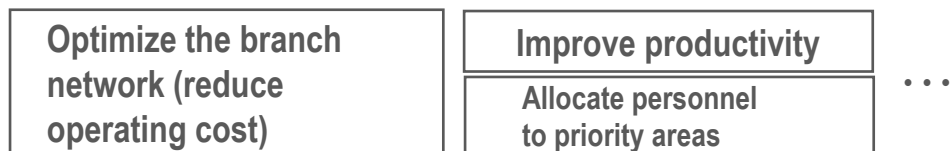


Need to **optimize management resources**, such as the branch network and human resource allocation to deal with rapid market change



Transform

Develop digital infrastructure and implement the transformation strategy by leveraging the advantage gained by the Next-Generation System



Reallocate management resources and **increase revenue**. Establish a low-cost operating structure.

Four Categories of Transformation (X)

Touch Points (Customer Contact) X ⇒ Reduce branch operating costs through digitalizing daily transactions and optimizing the branch network.

✓ Digitalize daily transactions

The “digital” touch point becomes the main contact point with customers, complemented by “real” branches.

✓ Optimize the branch network

	Full banking function	Other
FY2022	About 110 branches	About 80 branches
FY2027	Consolidate personnel and specialize in high-value-added sales	Reduce “others” rate using digital technology

Sales X ⇒ Improve sales efficiency and increase revenue by sales time generation and using digital technology and data.

✓ Sales time generation

- Leverage sales tools and transform workstyles to generate operating time

✓ Improve the productivity of sales activities and “knowledge sharing”

- Enhance data-driven marketing
- Share information and skills among SFG group companies

Human Resource X ⇒ Accelerate each basic strategy by reallocating personnel to priority areas through digitalization and human resource development

✓ Reallocate personnel

- Reallocate personnel working in back-offices and existing business areas (Page 19)

✓ Diverse and highly specialized human resources

- Develop human resources capable of creating value in the digital field and venture related business, etc.

Expenses X ⇒ Aggressively invest and transform the cost structure

✓ Transform the cost structure

Reduce costs in existing business and invest in growth areas (Page 20)

Transformation Strategy - Reallocating Personnel to Priority Areas, Utilizing Data

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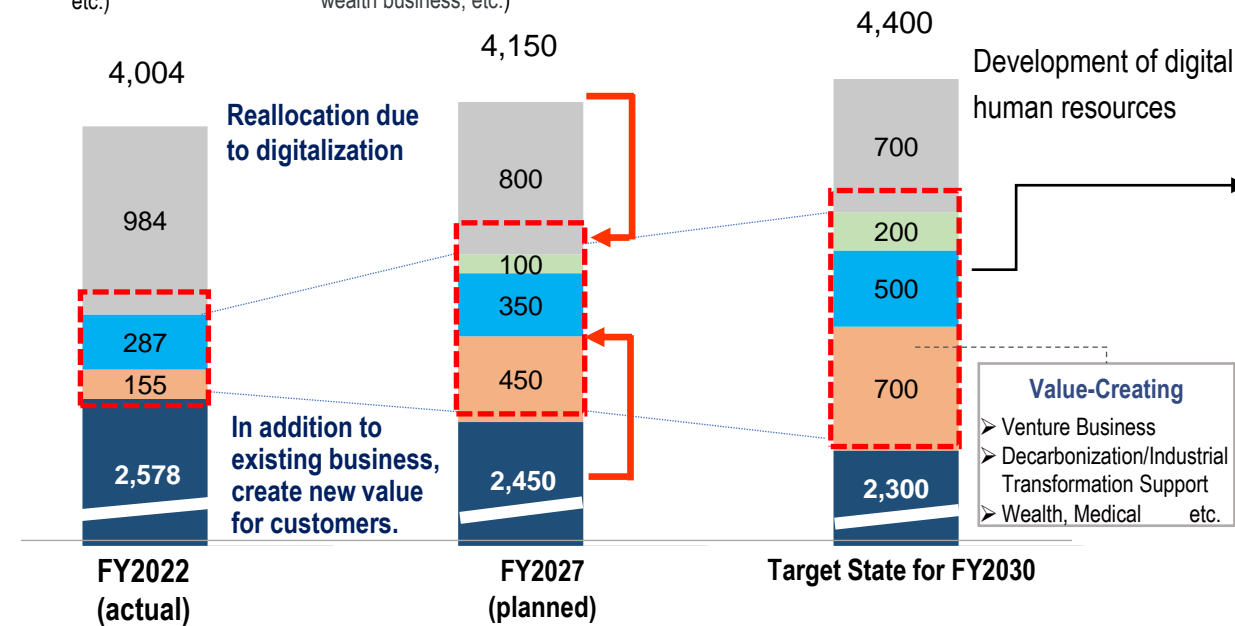
We will accelerate each basic strategy by reallocating personnel to priority areas through digitalization and human resource development. Improve our services by leveraging various data which we obtain and see as important management resources.

Reallocating Personnel to Priority Areas

Accelerate each basic strategy by reallocating personnel to priority areas.

[Human Resource Portfolio] (Including personnel working in side-jobs and second businesses)

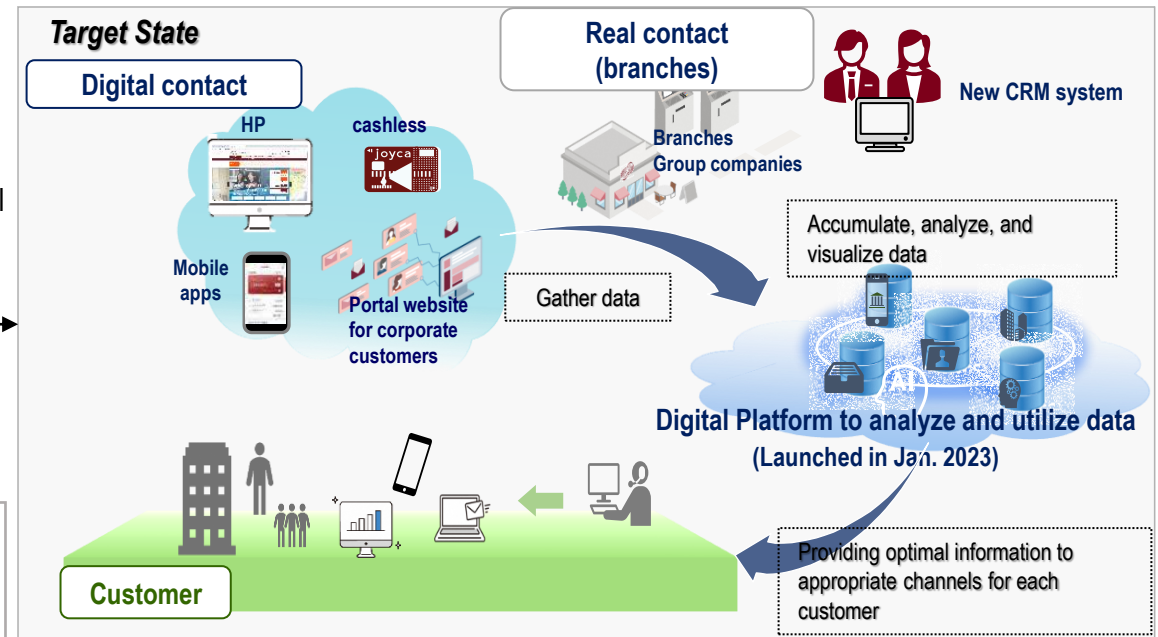
■ Problem-solving (existing businesses, etc.)
 ■ Value-Creating (venture business and wealth business, etc.)
 ■ Digitalization
 ■ New Businesses
 ■ Middle, Back



Digitalization Productivity improvement → Accelerate each basic strategy by reallocating personnel to priority areas. (Digital/ IT, Value-Creating, New Businesses)

Sales Using Data

Transform operations and improve services by leveraging the various data we obtain.



Higher accuracy in sales activities

Knowledge sharing

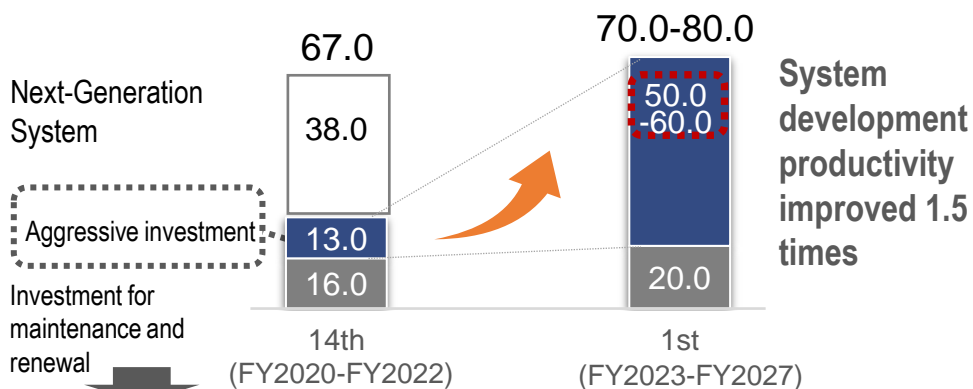
- ✓ Predict customer needs based on accumulated data. → Strengthen sales to customers with strong needs.
- ✓ Share information in real time among group companies → Strengthen sales as a group and speed up decision making

Transformation Strategy - Transformation of investment and expenses structure

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During the previous Medium-term Business Plan, we launched the Next-Generation System and improved system development productivity. We will invest aggressively and develop digital infrastructure in the 1st Medium-term Business Plan. Through Transformation Strategy, we will transform the cost structure and invest aggressively in new business fields and human capital management.

System-Related Investment



Developed digital infrastructure needed for implementing the Transformation Strategy by improving system development productivity through the Next-Generation System

Touch Point X

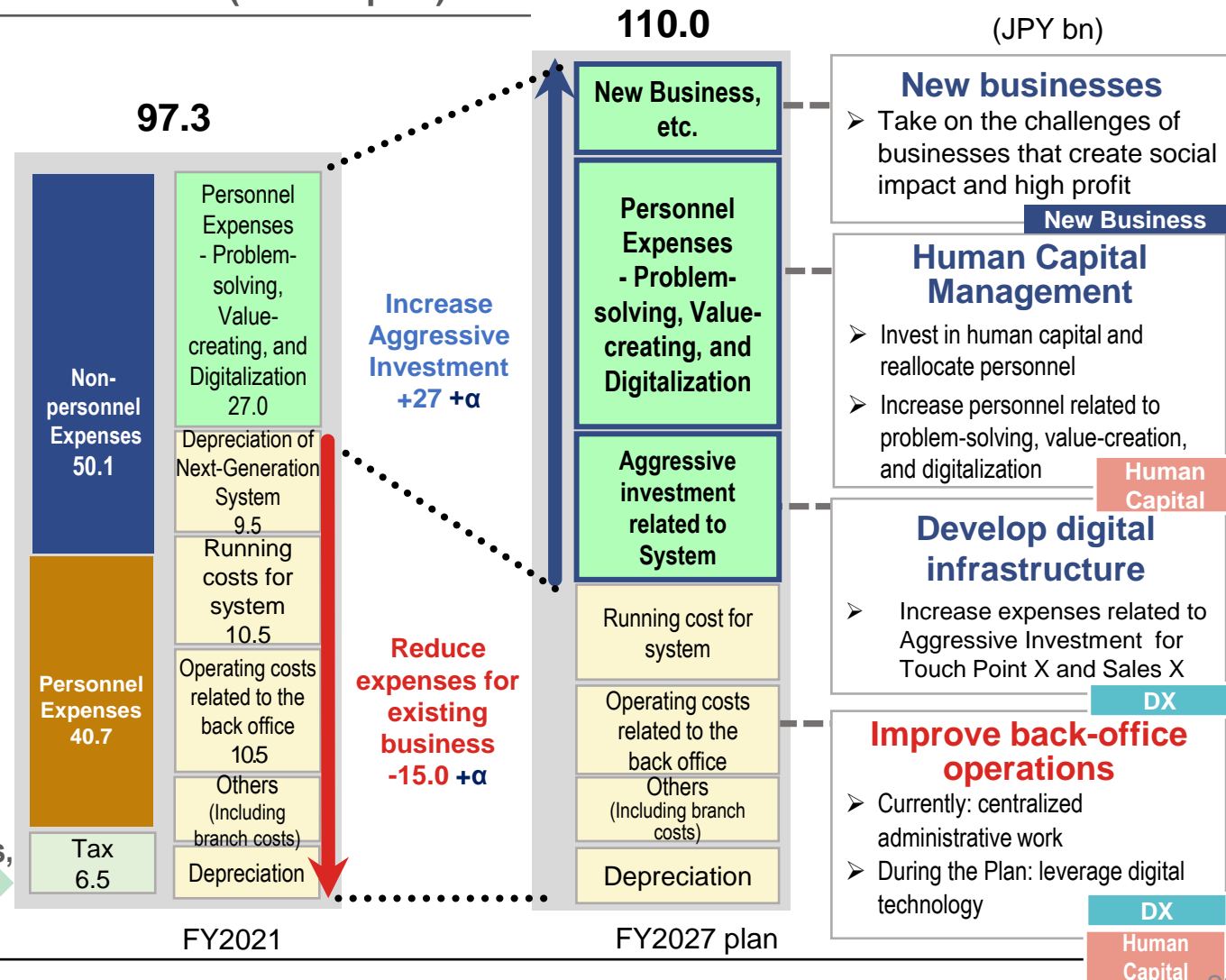
- Digitalization of daily transactions

Sales X

- Sales time generation
- Improving sales accuracy
- Knowledge sharing

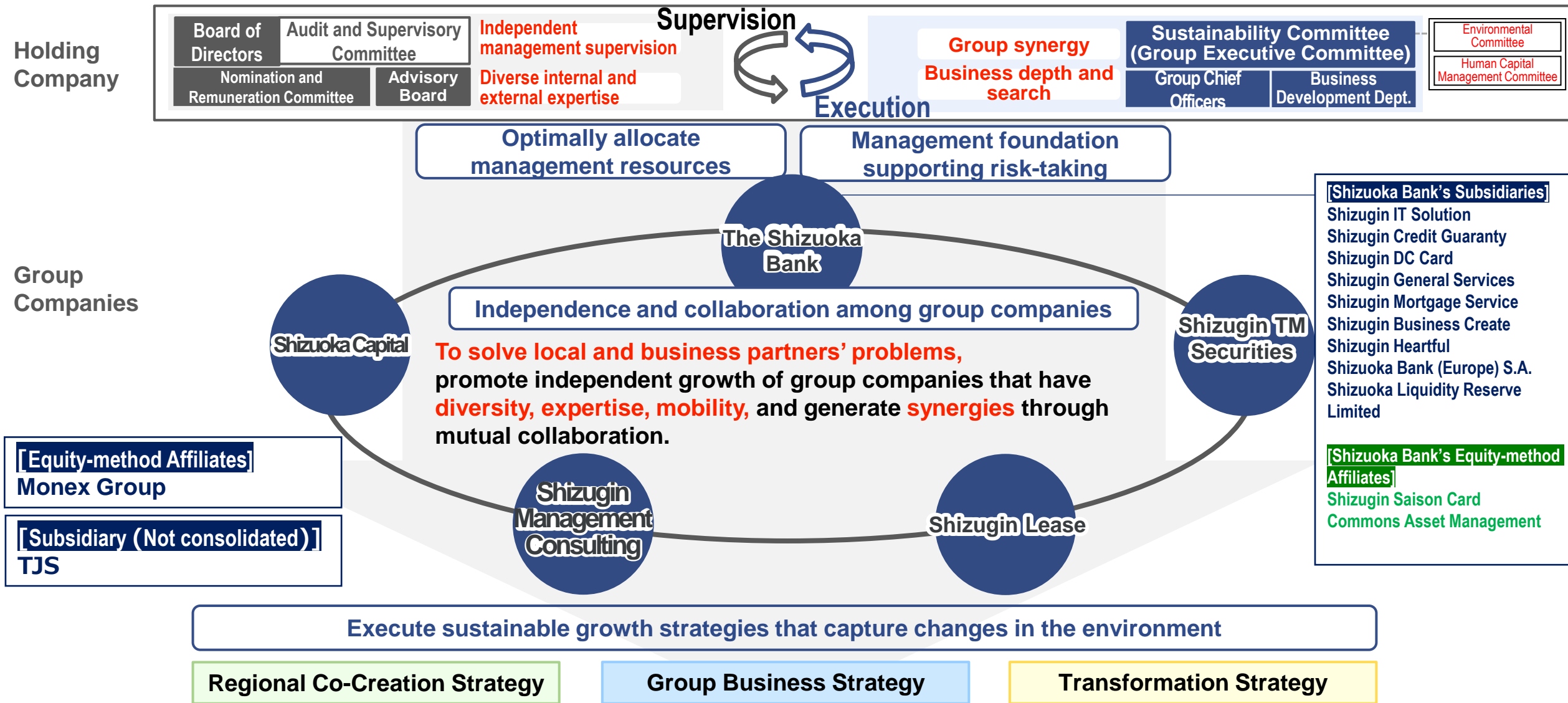
Estimated cost reductions of JPY 15bn or more due to the effect of implementing the strategy and the decrease in existing system expenses, as well as depreciation of the Next-Generation System

Cost Structure (FY2027 plan)



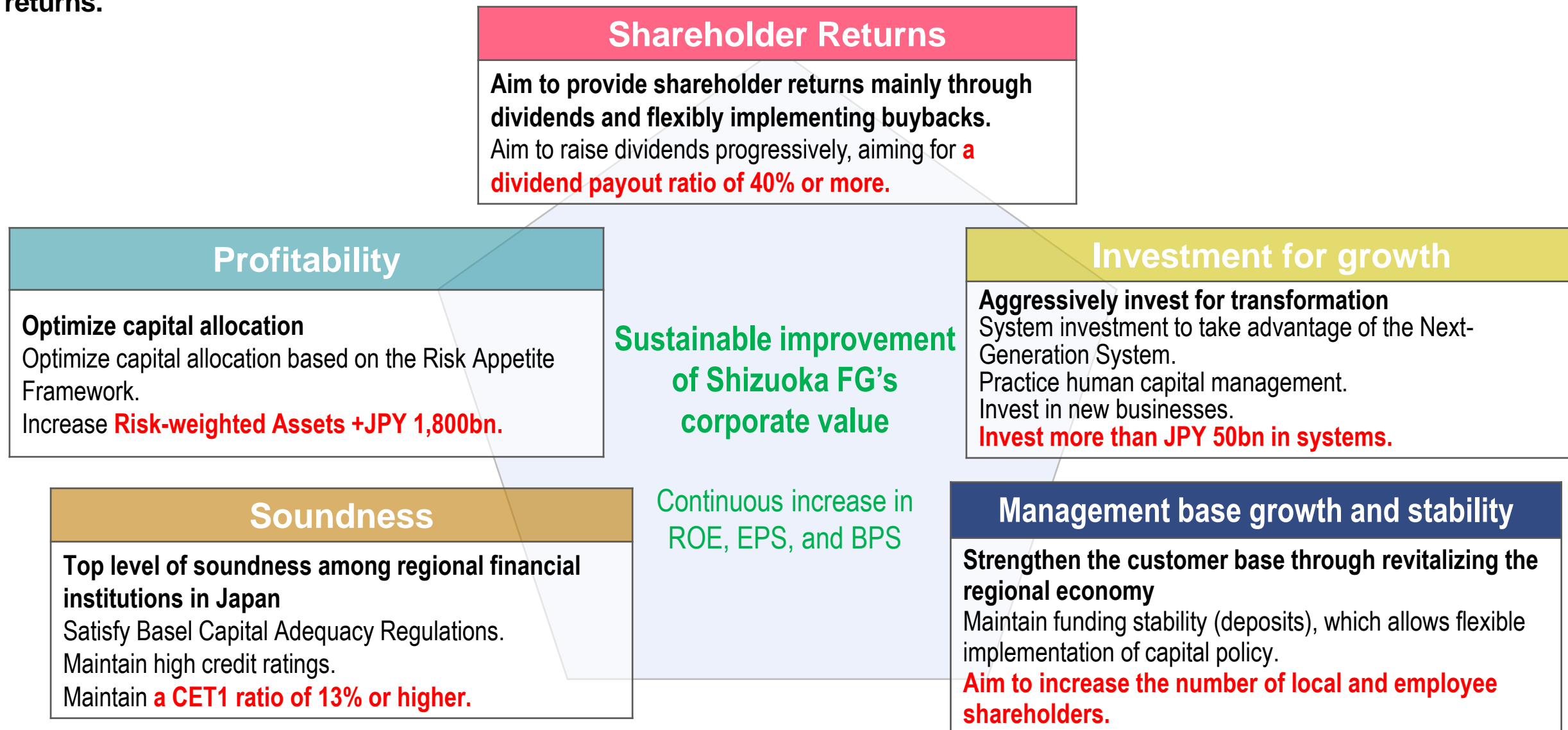
Group Governance Strategy

The holding company will create synergies among group companies that promote and enhance business activities by optimally allocating management resources, such as personnel and the branch network. We will create social value and increase corporate value at the same time.



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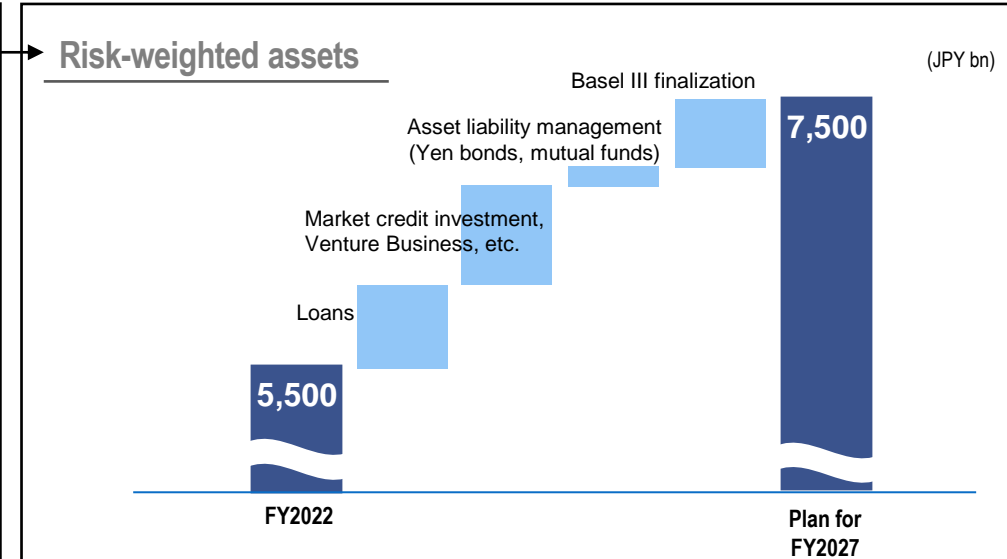
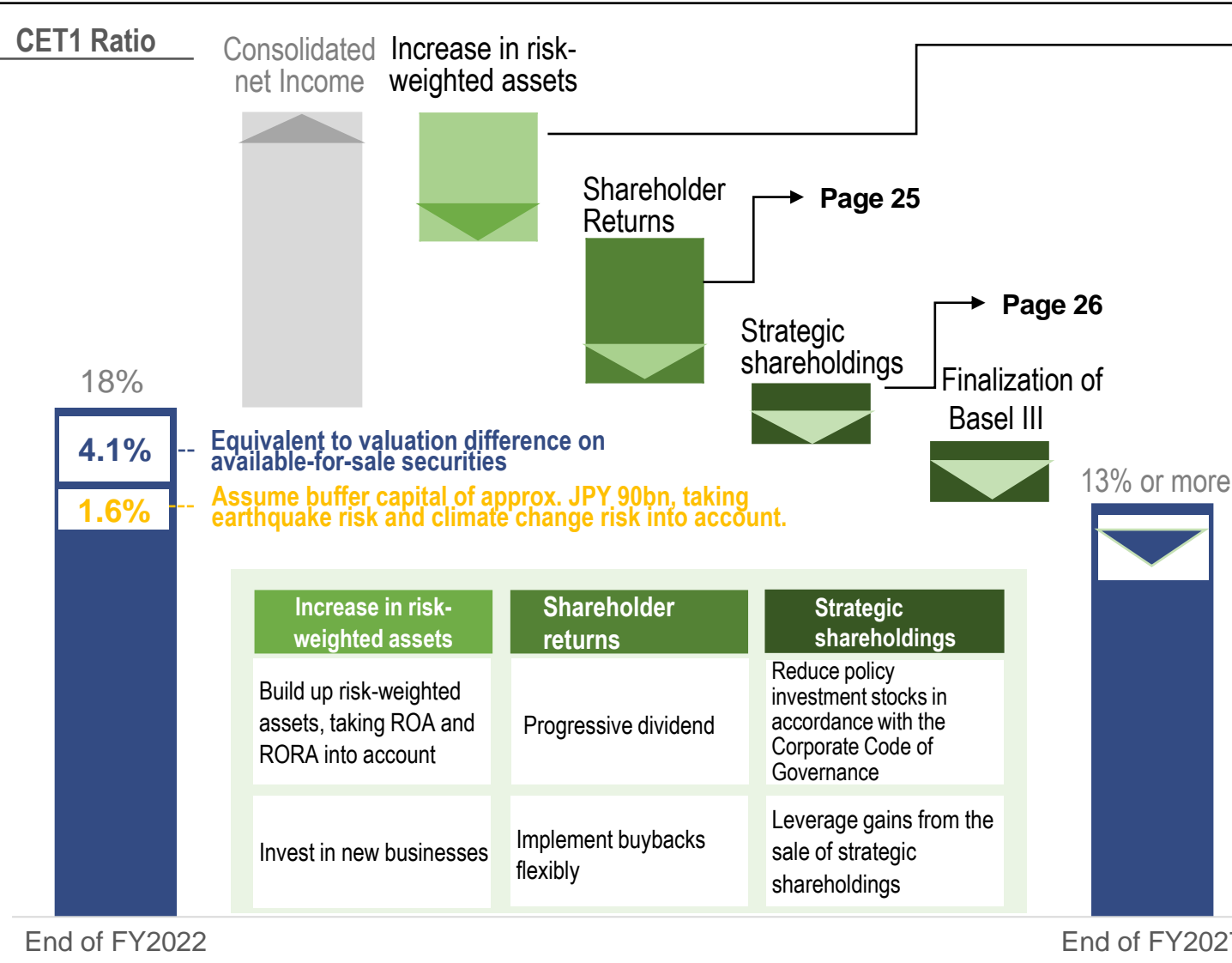
Achieve sustainable improvement of SFG's corporate value by pursuing profitability through the soundness, growth, and stability of the management base. This improvement will lead to further investment for growth and shareholder returns.



Capital Allocation

We intend to control CET1 ratio above 13% by accumulating risk-weighted assets and providing shareholders returns.

In accumulating risk-weighted assets, we aim to achieve 6% ROE by improving capital efficiency, taking ROA and RORA into account.



ROE Changes

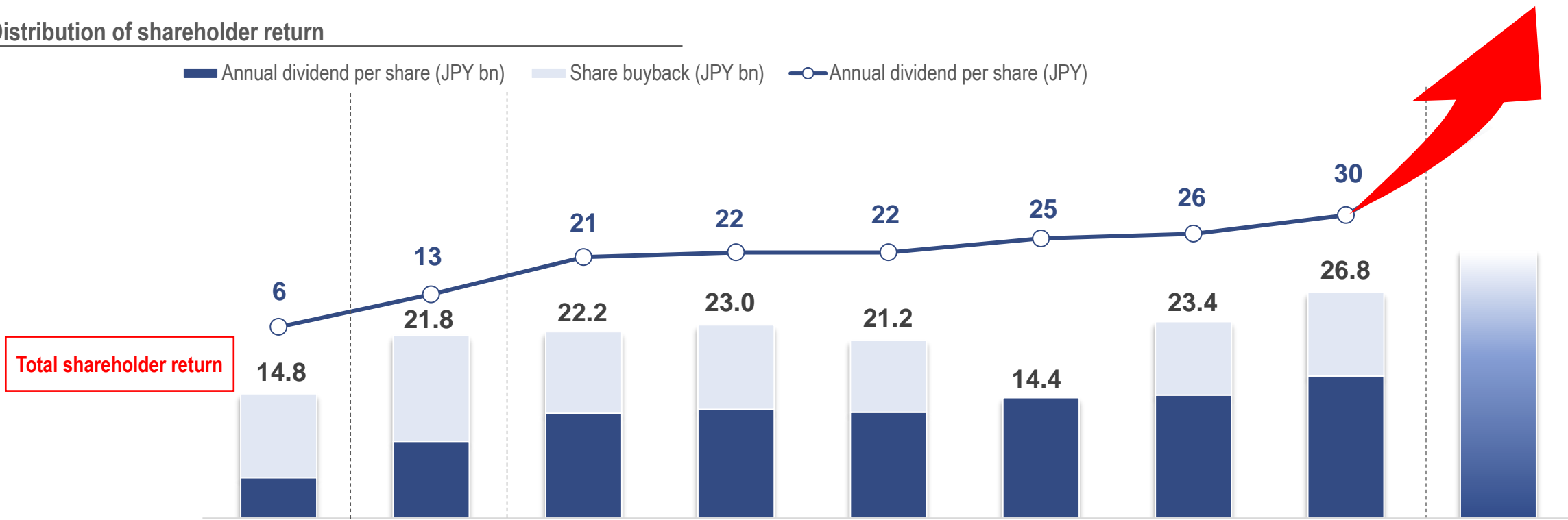
	FY2022	FY2027
Consolidated net income	JPY 52.4bn	JPY 64.0bn
Capital	JPY 1,000bn	JPY 1,000-1,100bn
ROE	4.6%	Approx. 6%

Shareholder Return Policy

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

Distribution of shareholder return

■ Annual dividend per share (JPY bn) ■ Share buyback (JPY bn) ○ Annual dividend per share (JPY)



Total shareholder return

FY	1997	2007	2017	2018	2019	2020	2021	2022	2027 (Target)
Dividend payout ratio (%)	29.3	26.3	24.9	27.6	32.6	32.6	35.2	32.2	40% or more
Shareholder return ratio (%)	90.3	62.6	44.3	49.1	54.9	32.9	56.3	51.1*	—
Total number of shares (bn)	0.80	0.71	0.65	0.62	0.61	0.60	0.60	0.60	→ Decreased by 200 million (approx. one quarter) shares from 1997
EPS (JPY)	20.4	49.3	83.7	79.3	67.2	76.0	73.3	92.9	→ Increased by 4.5 times from 1997
BPS (JPY)	587.6	1,003.8	1,669.0	1,738.5	1,727.1	1,922.6	1,926.0	2,050.7	→ Increased by 3.5 times from 1997

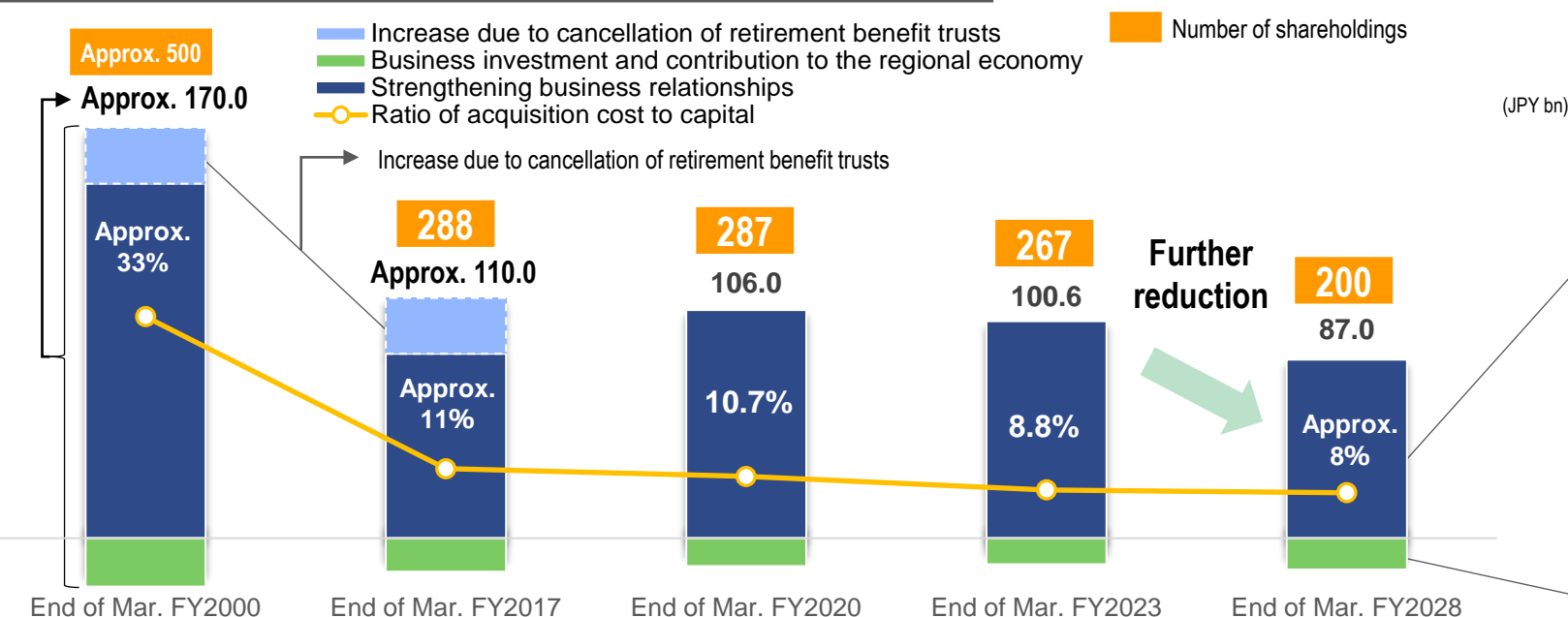
* including buyback JPY10bn

Reduction of Strategic Shareholdings

We plan to reduce the number of strategic investment shares in accordance with the Corporate Code of Governance. During the 1st Medium-term Business Plan, we will invest in strategic fields such as DX, human capital, and new businesses by leveraging gains from the sale of strategic shareholdings.

Level of strategic shareholdings at acquisition cost *1

*1 Excluding shares of Group companies and equity method affiliates



Policy on Strategic Shareholdings (CGC Principles 1-4)
 (Excerpt from the Corporate Governance Report, p.1)

The basic policy on strategic shareholdings is to reduce the number of shares. The Bank will only maintain those shareholdings deemed meaningful from the three perspectives of “business investment,” “strengthening business relationships,” and “contribution to the regional economy.”

Business investment and contribution to the regional economy

Investments that are necessary for management strategy or that contribute to the local community will be scrutinized on a case-by-case basis, and new acquisitions will also be considered. If new acquisitions are made, sales will be increased in proportion to the new acquisitions, with the aim of achieving the reduction target on an acquisition cost basis.

[Effects of past strategic investments]

- Collaboration with companies in other industries
- Network as a foundation for venture business

Decrease in risk-weighted assets resulting from the sale of the strategic shareholdings, and reinvestment in profitable areas such as venture capital, PE, etc.

Policy on Use of Gain on Sales of Policy Investment Stocks

14th Medium-term Business Plan (2020-2022)

- Allocated to Next-Generation System expenses.

Improve system development productivity by renewing software (applications) that was developed more than 30 years ago. Establish system infrastructure that can easily incorporate advanced technology through open hardware, etc.

1st Medium-term Business Plan (2023-2027)

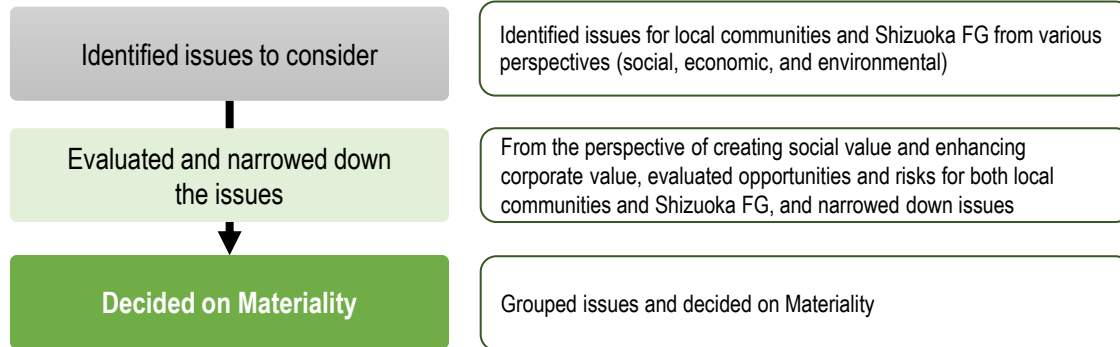
- Allocate to Next-Generation System expenses.
- **Invest in strategic fields such as DX, human capital, and new businesses.**

Increase revenue by investing in systems for the next 10 years based on progress in and superiority of the system infrastructure.

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Identified issues facing both local communities and SFG, evaluated them from the perspective of creating social value and enhancing corporate value, and decided on Materiality.

Materiality Identification Procedure



* Shizuoka Prefecture New Vision, Late-Stage Action Plan: 12 Policies to embody the Basic Philosophy
 ★ Issues common to Shizuoka, Kanagawa, Yamanashi and Aichi Prefectures

Issues to consider

Issues in Shizuoka Prefecture*

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

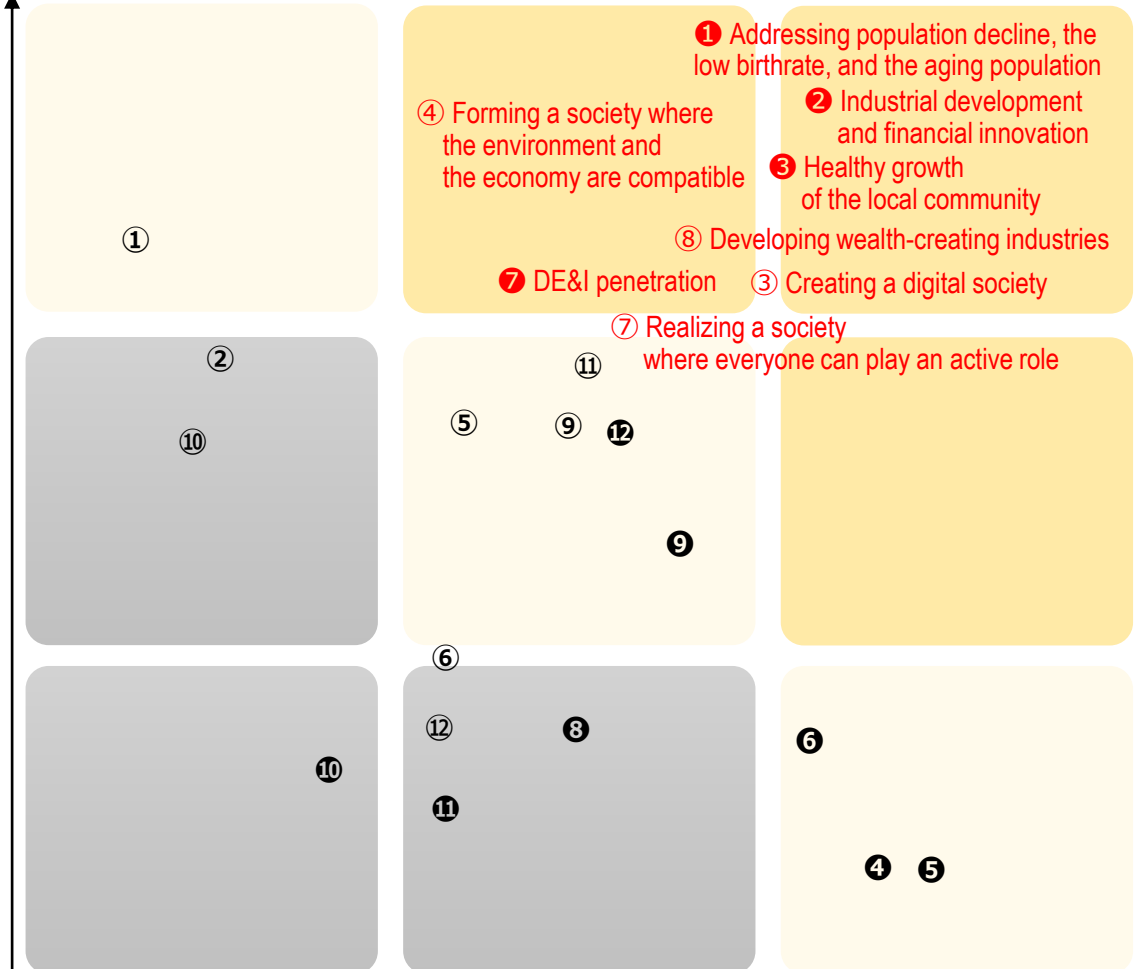
Issues within SFG

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

Definition of Materiality

Social value

Red: Materiality Black: Issues



Sustainability Management (2)

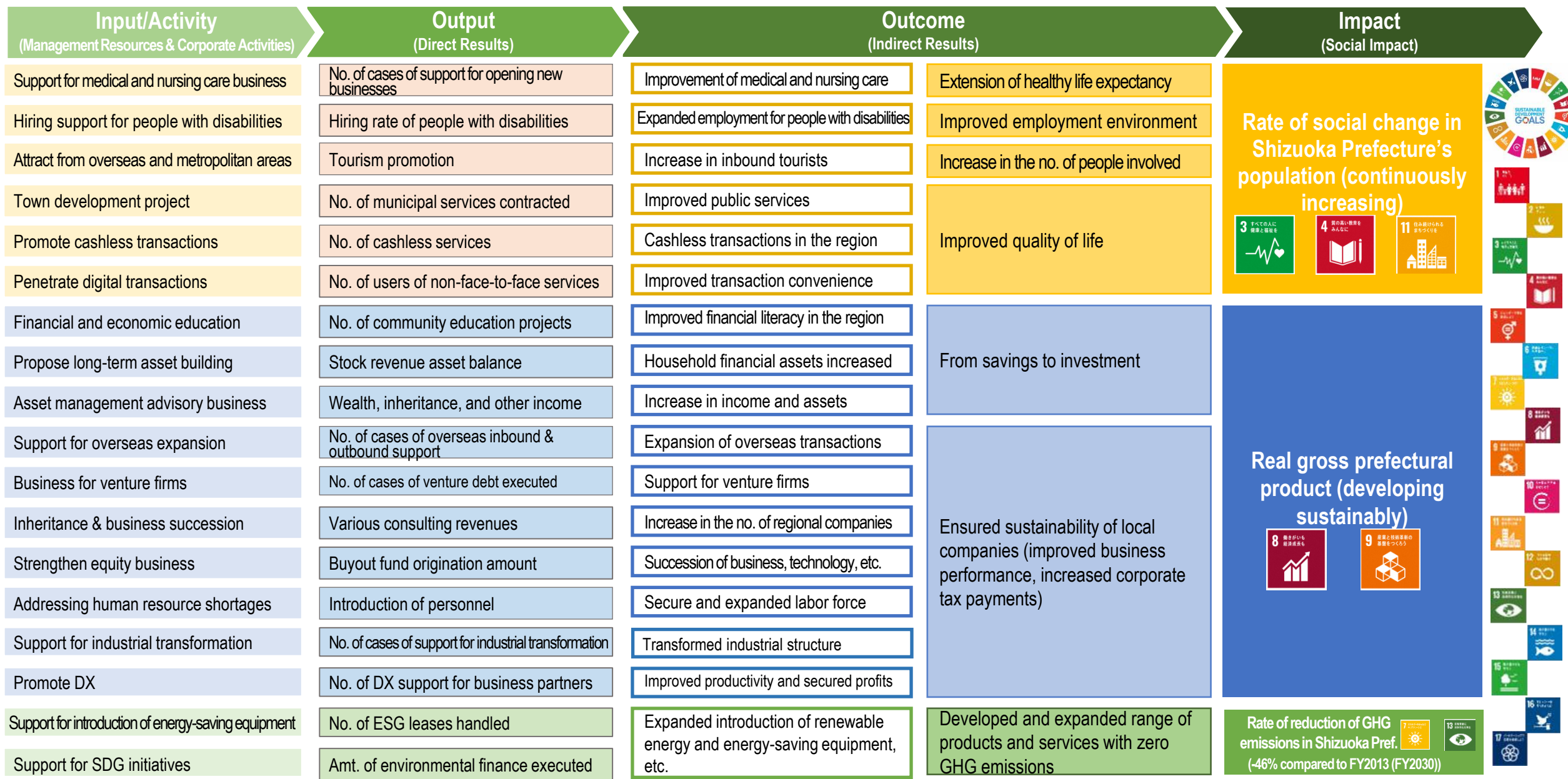
- Creating social impact by resolving Materiality

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Identified seven Materiality in social, economic, and environmental themes to create social value and increase corporate value.
Created social impact through the resolution of local issues.

	Materiality	Business activities	Output/Outcome	Impact	
Social	Addressing population decline, the low birthrate, and the aging population	Support the creation of towns that attract people	No. of tourist destinations created	Rate of social change in Shizuoka Prefecture's population (Continuously increasing)	
	Healthy growth of the local community	Improve financial literacy in the region	No. of consultations on asset formation		
Economy	Industrial development and financial innovation	Support customer transformation toward a change in industrial structure	No. of cases of support for industrial transformation	Real gross prefectural product (Developing sustainably)	
	Creating a digital society	Support regional DX	No. of DX-certified businesses		
Environment	Society that balances the environment and economy	Promote regional development that balances decarbonization and business needs	Amount of environmental financing executed	Rate of reduction of GHG emissions in Shizuoka Prefecture (-46% compared to FY2013 (FY2030))	
Shareholder	Improve corporate value	Increase productivity and revenue through each strategy	Revenue expansion Cost reduction	Profit increase	Financial targets: Profitability Soundness Effectiveness
Employees	Managing human capital	Transform human capital	Creation of problem-solving and value-creating human resources	Employee engagement	Well-being of employees (Engagement)

Sustainability Management (3) - Social Impact Roadmap



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

Real gross prefectural product (developing sustainably)

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



Strategies by Region in the “Group Business Strategy”

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



Kanagawa (Western part) Kanagawa (Other), Western Tokyo

- Same strategy as Shizuoka - Life planning business with a focus on real estate

- Increase major customers by promoting to general corporations and expanding market share

- Reinforcement of capturing real estate-related market needs
- Developing a life-planning business with loans as the starting point

Environment Sustainable finance (loans, leases, etc.) Economics Real estate related business Economics Wealth

Tokyo, Osaka - Pursue large-scale, highly profitable projects

- Increase major customers by expanding market share of wholesale transactions

Economics Venture business
Economics Asset-building business
Economics Cutting-edge financial services

ALM, markets, overseas - Revenue growth

- Capture profit opportunities through appropriate risk-taking

Economics Non-Japanese Loans Ship Finance
Economics Market Credit Investment
Economics Market Management
Economics ALM Strategy Operation

Aichi - Life Plan Business Alliance

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

Society Industrial Transformation Support
Economics Life-planning Business

Yamanashi - Alliance

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

Economics Expansion of Group Businesses (Securities, Leases, Guarantees, etc.)
Society Regional Development and Tourism Revitalization

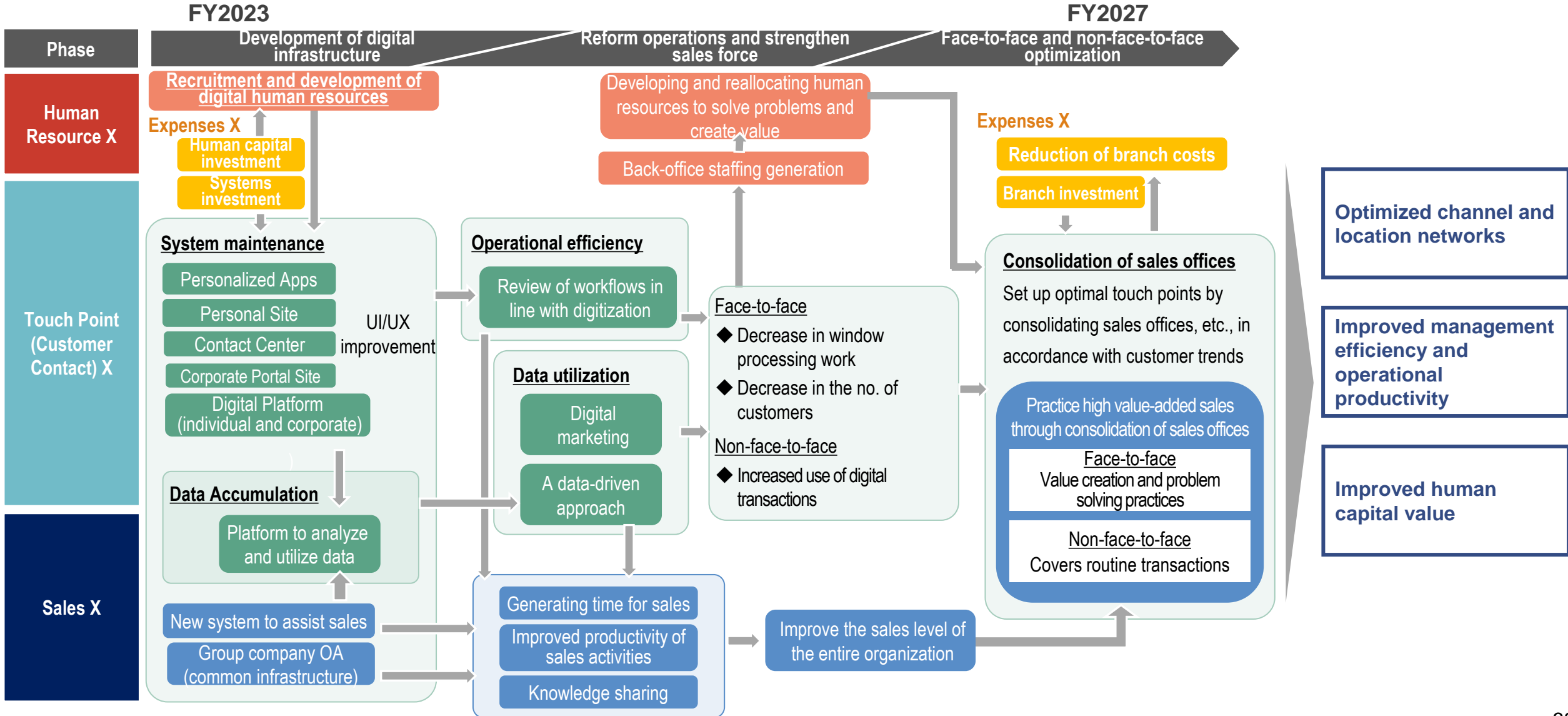
Shizuoka - All-round support and business development

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

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

Goal through the "Transformation Strategy"

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



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

13th Mid-Term Business Plan

14th Mid-Term Business Plan

SFG 1st Medium-Term Business Plan

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

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

WSI 2.0 (April 2021-)

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

WSI 3.0 (October 2022-)

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

Culture & Wellbeing Innovation 1.0 (April 2023-)

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

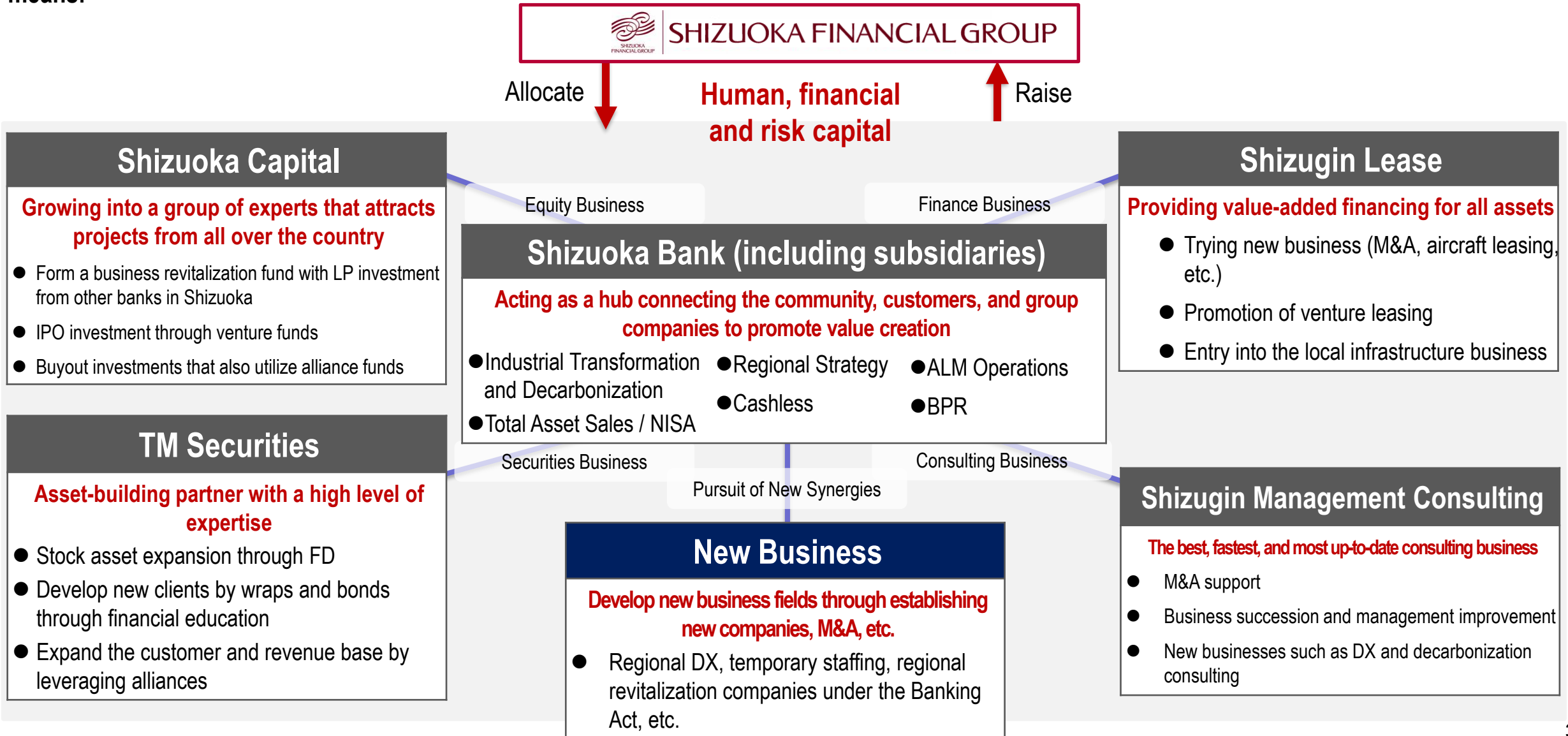
WSI (July 2019-)

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

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

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

Realize group strategies through optimally allocating management resources across the entire group. In addition, **respond flexibly to changes in the business environment and create profit opportunities** by developing new business fields through establishing new companies, M&A, and other means.



**This document includes statements concerning future business results.
These statements do not guarantee future business results, but contain risks and uncertainties.
Please note that future business results may differ from targets for reasons such as changes in the business environment.**

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