

**SHIZUOKA BANK GROUP
INTEGRATED REPORT**

Economic Overview of Shizuoka Prefecture

Industrial Characteristics

Shizuoka Prefecture is situated midway between the two major consumer markets and industrial centers of Japan — the Nagoya region plus the Osaka-Kyoto region to the west, and the Yokohama-Tokyo region to the east. Because of this location at a busy “crossroads” of the nation, it has historically developed into a significant center of manufacturing industry. The convenient location of Shizuoka Prefecture in transportation terms has caused the growth of a strong industrial base. The prefecture is one of the country’s leading manufacturing areas. The wide variety of industries represented within Shizuoka has led to it being dubbed “the industrial department store.” Corporations active in Shizuoka include world-leading enterprises such as Toyota, Honda, Suzuki, and Yamaha, and the prefecture is renowned for its concentration of export-oriented manufacturing companies. Many of these firms have set up production subsidiaries overseas, which is creating a growing international aspect

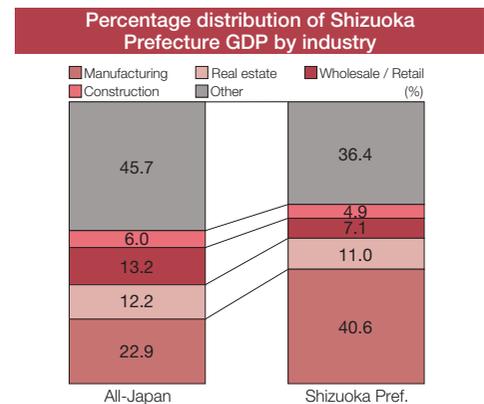
to the regional economy. We expect that Shizuoka prefecture will be more internationalized, stimulating the interchange of people and ideas with the major urban centers of Eastern Asia, and act as an important driving force for the regional economy.

In recent years the prefectural authorities have been operating a number of schemes to encourage companies in the medical treatment, pharmaceuticals, chemicals, and optical technology industries, among others, to set up operations in the so-called “Shizuoka Triangle Research Cluster” (spread across the prefecture’s eastern, central, and western districts) as a means of developing a next-generation industrial base.

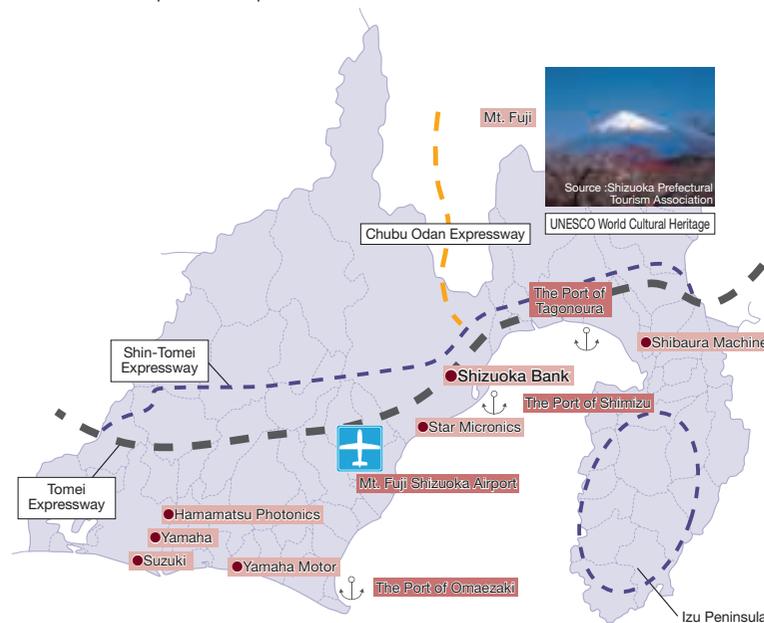


Economy in Shizuoka Prefecture and current state

- Positions as distribution hub between Tokyo and Osaka/Kyoto.
- Represents leading manufacturing prefecture in Japan.
- Owns a lot of export-driven companies handling machinery of transportation and musical instruments and etc.
- Has many representative tourist locations with rich natural resources.
- The Izu Peninsula was certificated as a UNESCO Global Geopark in Apr. 2018. Global Geoparks are natural parks of topographical and geological significance. There are nine UNESCO Geoparks in Japan.



Source: Cabinet Office, Government of Japan, FY2017



Listing	No. of companies
TSE 1st section	24
TSE 2nd section	9
Mothers	1
Jasdaq	16
Total	50

*As of the end of Mar. 2021

Economic scale of Shizuoka Prefecture

- Accounts for 3% share of all-Japan and ranks 10th in the scale of economy in Japan.
- Has greater GDP than total GDP of 4 prefectures in Shikoku or 3 prefectures in Hokuriku.
- Its GDP is ranked next to those in Algeria, Kazakhstan, and Qatar.

	Share of all-Japan		National ranking
Population	3.64m	2.9%	10th of 47 (2019)
No. of households	1.60m	2.7%	10th of 47 (2020)
Nominal prefectural GDP	JPY 17.3tn	3.1%	10th of 47 (FY2017)
Per-capita income	JPY 3.388m	-	4th of 47 (FY2017)
No. of business establishments	190k	3.0%	10th of 47 (2019)
Amount of shipments of manufactured goods, etc.(*)	JPY 17.1tn	5.3%	3rd of 47 (2019)
Agricultural output	JPY 197.9bn	2.2%	17th of 47 (2019)
Fishery production volume	170k tons	5.4%	5th of 47 (2019)
No. of industrial locations(*)	54	6.5%	3rd of 47 (2020)
No. of new housing starts	20k	2.5%	10th of 47 (2020)

*Based on flash reports

Prefectural GDP (FY2017, Nominal)		
Rank	Prefecture/Region	(US\$ billions)
9	Hokkaido Prefecture	175.4
10	Shizuoka Prefecture	155.9
11	Ibaraki Prefecture	124.6
-	4 prefectures in Shikoku	131.6
-	3 prefectures in Hokuriku	113.6
GDP comparison with countries (2017)		
Rank	Country (Region)	(US\$ billions)
54	Algeria	170.2
55	Kazakhstan	166.8
56	Qatar	161.1
-	Shizuoka Prefecture	155.9
57	Venezuela	143.8
58	Hungary	143.0

*Sources: Economic and Social Research Institute (ESRI) Cabinet Office, Government of Japan

Shizuoka Bank Group at a Glance

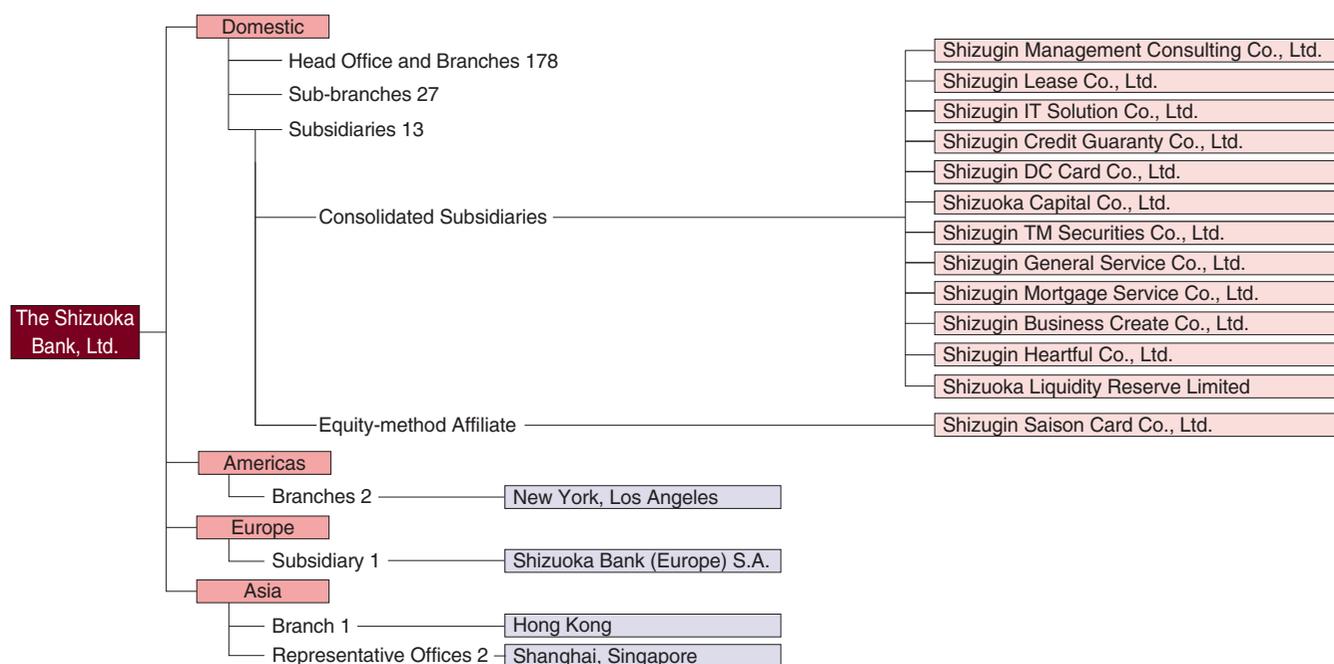
NURTURING THE VISION OF A PROSPEROUS COMMUNITY

True to a corporate philosophy, which aims to “expand dreams and affluence with our community,” the Shizuoka Bank Group makes an ongoing contribution to the development of the region around Shizuoka Prefecture, which forms the core of its business base. This corporate philosophy incorporates not only an economic dimension but also a cultural one: living in harmony with the local communities and the people we serve, sharing prosperity with them as a home-grown local banking group and a member of the regional community, and also helping local people to live more fulfilling lives.

A FIRST-CLASS REGIONAL BANK GROUP

The Shizuoka Bank Group comprises Shizuoka Bank and thirteen Group companies, and is one of the largest regional banking groups in Japan. Centered on Shizuoka Bank with the Head Office, 177 branches and 27 sub-branches, the Group serves the needs of customers not only within Shizuoka Prefecture, its home region, but also in three major economic centers in Japan, namely Tokyo, Osaka, and Nagoya, all of which are comparatively nearby. For overseas operation, the Bank operates in New York, Los Angeles, Brussels, Hong Kong, Shanghai, and Singapore.

The Structure of the Shizuoka Bank Group (As of July 1, 2021)



* Other than the above-mentioned Group companies, Monex Group, Inc. and Commons Asset Management, Inc. are equity-method affiliates of Shizuoka Bank.

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Message from the President



Change to a Problem-solving Corporate Group Assisting Regional Customers with Hands-on Support

First of all, I would like to express my deepest condolences for those who have lost their lives due to coronavirus disease (COVID-19) and my greatest sympathies to all those affected. I pray also for the early recovery of everyone suffering from the virus, and for its rapid containment. I would like to express my profound gratitude to all the healthcare professionals and others who are doing their best to prevent the spread of the virus.

At the same time, I pray for the repose of those souls lost due to the torrential rains that began on July 1, 2021, and offer my greatest sympathies to all those affected. At the Shizuoka Bank Group, we will do everything we can to help those in our local community to make a swift recovery.

The challenging economic environment arising from COVID-19

The Japanese economy faces challenging conditions due to the impact of COVID-19, which has ravaged the globe since last year. The economy of Shizuoka Prefecture has also suffered a substantial impact. Although industry in Shizuoka Prefecture has begun to recover overall, after a year dominated by the COVID-19 crisis, consumption activity has been hampered by measures implemented to prevent infection, and conditions remain difficult especially in industries such as tourism and restaurants. Meanwhile, the automotive industry, one of the prefecture's main industries, faces an increasingly serious semiconductor shortage. The trend towards economic recovery thus remains sluggish.



Turning to the global economy, a high world economic growth rate of 5.5-6.0% is forecast for 2021, led by the United States, where personal consumption is picking up pace due to high vaccination rates and economic countermeasures, as well as China, where the spread of the virus has been contained and corporate activity is strong. In Japan, where the economic recovery has been tardy, despite vaccinations progressing at fever pitch, a combined effort across the public and private sectors to reinvigorate economic activity is required to place the economy on a steady recovery trajectory.

In addition to these economic impacts, the COVID-19 crisis has also brought about a variety of environmental changes in social lives and corporate activity. The irreversible trend towards three types of transformation in particular – digitalization, environmentalism and diversity – has gathered pace under the crisis, bringing about changes to the times we live in. For environmentalism specifically, it is anticipated that the efforts to revise key CO₂ emissions reduction targets will be boosted across the world in the leadup to this November’s COP26 summit, which will discuss the international framework for climate change countermeasures. It is vital to harness the response to these irreversible transformations to driving force for sustainable growth in order to reinvigorate the Japanese and

regional economies. To this end, the Shizuoka Bank Group will engage in autonomous initiatives, enhance disclosure, and strive with all our strength to create a sustainable society by resolving the issues faced by the region and our customers.

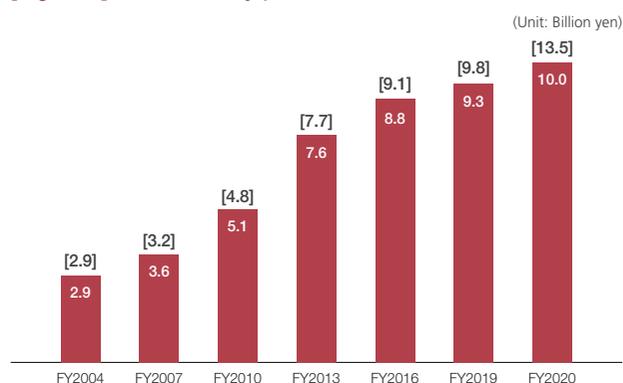
To overcome the changing times in partnership with the region

The Shizuoka Bank Group has a record of taking on transformations in the business environment that signify the changes of the times. From this perspective, our initiatives up until now represent a history of engaging in business model innovation while adapting to changes in the Group’s environment and society.

Looking back on some of these initiatives, amid persistent ultra-low interest rate policies and increasing deregulation, we embarked on strengthening Group management beginning with the 9th Medium-term Business Plan launched in fiscal 2005, under the keywords of collaboration with, and autonomy for, Group companies. Since then, each Group company has enhanced its own specialization. At the same time, we have focused our efforts on providing services that leverage the combined strength of the Group as a whole. As a result, the total ordinary profit of our Group companies has grown from 2.9 billion yen in fiscal 2004 to around 10.0 billion yen in fiscal 2020 (Figure 1).

During the 10th and 11th Medium-term Business Plans, which coincided with crises caused by the 2008 financial crisis and the Great East Japan Earthquake, we focused our efforts on radical business process reform (BPR) to achieve a more resilient business structure for the Group, together with initiatives to support the regional economy. Specifically, we intensively promoted the centralization of clerical operations based on collaboration with Group companies, and reduced the volume of clerical work at branches and the processing time for housing loan-related operations by approximately 60% each. As a result, we have been able to raise the proportion of employees involved in higher value-added front office work, without increasing the total number of officers and employees engaged in banking operations.

[Figure 1] Total ordinary profit of consolidated subsidiaries



* Figures in square brackets are results after adding the share of profit (loss) of entities accounted for using the equity method

Furthermore, under the 12th and 13th Medium-term Business Plans, which were launched at around the same time that negative interest rate policies were introduced, we expanded the Group beyond the extension of our existing businesses and into completely new business domains. Our earnings from these new business domains have grown to a scale of close to 30.0 billion yen, centered on market credit investment and loans for asset building in the Tokyo Metropolitan area. In addition, the cross-industry collaboration initiatives that we have promoted since 2014, beginning with our collaboration with the Monex Group, have led to new businesses and services for the Group, and the establishment of networks with business start-ups that possess leading-edge technologies.

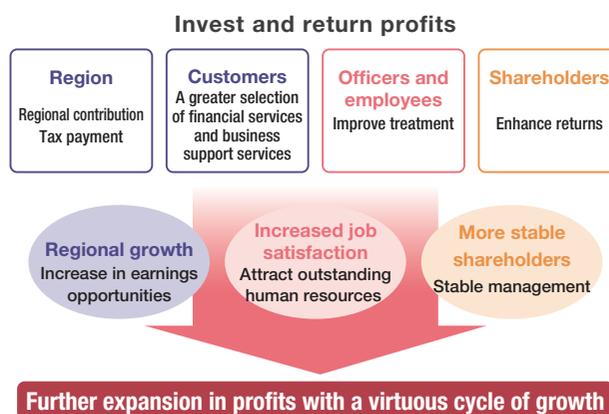
None of these initiatives could be accomplished overnight, but continually taking challenges such as these not only serves to cover the decline in earnings from the Bank's traditional businesses, but also drives growth by cultivating new strengths for the Shizuoka Bank Group.

We are currently engaged in the 14th Medium-term Business Plan "COLORs," which we commenced from fiscal 2020. During the three years of the plan, we are pursuing our 10-year Vision of being a "corporate group committing itself to the future of the region and producing growth of the region" by aiming to "change to a problem-solving corporate group," in order to achieve sustainable growth together with the region in any era or business environment, and to create a new future for the region, ideally adapted to the times. We have also established a quantitative target of 80.0 billion yen in consolidated ordinary profit.

We will aim for an even higher level of profits in ten years. The establishment of this earnings base will allow us to create a virtuous cycle of growth for the Group, while returning profits in both tangible and intangible forms to all our stakeholders, including the region, our customers, shareholders and officers and employees. This will enable us to become, truly, a corporate group that creates a future for the region (see Figure 2).

We are firmly committed to bringing each of the strategies and measures under the 14th Medium-term Business Plan to fruition, so as to complete the Business Plan's overarching theme

[Figure 2] The virtuous cycle we aim to achieve



		Medium-term Business Plan																				
		9th (FY2005-2007)	10th (FY2008-2010)	11th (FY2011-2013)	12th (FY2014-2016)	13th (FY2017-2019)																
Business environment Events		Persistent ultra-low interest rate policies			Negative interest rate policies																	
		Expansion of deregulation																				
			2008 financial crisis	Great East Japan Earthquake	Rise of FinTech and progress of digitalization																	
Shizuoka Bank Group's initiatives		Strengthen Group management (collaboration and autonomy): increased the combined ordinary profit of Group companies to around 10.0 billion yen																				
		Thorough BPR		Development and expansion in new business domains: grown to around 30.0 billion yen, centered on market credit investment and loans for asset building																		
		Volume of clerical work at branches reduced by 57% (from FY2007 to FY2010)	Processing time for housing loans reduced by 63% (from FY2010 to FY2013)																			
	Redeployment of back-office staff to front office at branches	<table border="1"> <thead> <tr> <th>(Employees)</th> <th>End of March 2008</th> <th>End of March 2020</th> <th>Change</th> </tr> </thead> <tbody> <tr> <td>Branch front office</td> <td>2,411</td> <td>2,802</td> <td>+391</td> </tr> <tr> <td>Branch back office</td> <td>1,693</td> <td>853</td> <td>-840</td> </tr> <tr> <td>Total employees</td> <td>5,164</td> <td>4,629</td> <td>-535</td> </tr> </tbody> </table>					(Employees)	End of March 2008	End of March 2020	Change	Branch front office	2,411	2,802	+391	Branch back office	1,693	853	-840	Total employees	5,164	4,629	-535
(Employees)	End of March 2008	End of March 2020	Change																			
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	Note: including dispatched workers, etc.																					

Change to a problem-solving corporate group

In order to transform into a problem-solving corporate group during the three years of the 14th Medium-term Business Plan, it is vital that we find a way out of the traditional “banking-centered” sales style, and work together as a group to establish sales systems to provide diverse solutions. To this end, we have focused our efforts on bringing about a “change of mind” for our officers and employees, including HR interaction between the Bank and Group companies totaling around 100 personnel in fiscal 2020, the first year of the plan. As a result, and due in no small part to our accumulated efforts in the past, we were able to crystallize the results of stronger Group management in our results for fiscal 2020, achieving our profit target on a consolidated basis despite the unprecedented economic environment brought about by the COVID-19 crisis.

We have designated fiscal 2021, the second year of the 14th Medium-term Business Plan, as a year for the “change of action.” In addition to engaging in finance-based support and working as a group to help our customers solve a variety of business issues, we will conduct a full-scale roll-out of our asset management business to support our customers to build their wealth. We have designated the final year of the plan, fiscal 2022, as a year for the “realization of achievement.” We aim to create a situation where our customers routinely consult the Shizuoka Bank Group to solve any problems they may be facing.

[Figure 3]

Aim to “change to a problem-solving corporate group” in the 14th Medium-term Business Plan with a view to realize the picture targeted in the long term (10-year Vision)

Picture targeted in the long term (10-year Vision)

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

14th Medium-term Business Plan “COLORs”

Vision

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

Three Basic Strategies and 10-year Strategy

1. Group Sales Strategy
 2. Innovation Strategy
 3. Business Portfolio Strategy
- + Region-producing Strategy

FY2020

“Change of mind”

- Support customers under the COVID-19 crisis
- Conduct HR interaction among Group companies

FY2021

“Change of action”

- Shift from financial support to business support
- Develop whole asset sales and asset management business

FY2022

“Realization of achievement”

- Customers initially consult Shizuoka Bank Group on any issues and needs

Note: 140 employees have participated in HR interaction among Group companies (as of July 1, 2021)

Progress of the 14th Medium-term Business Plan

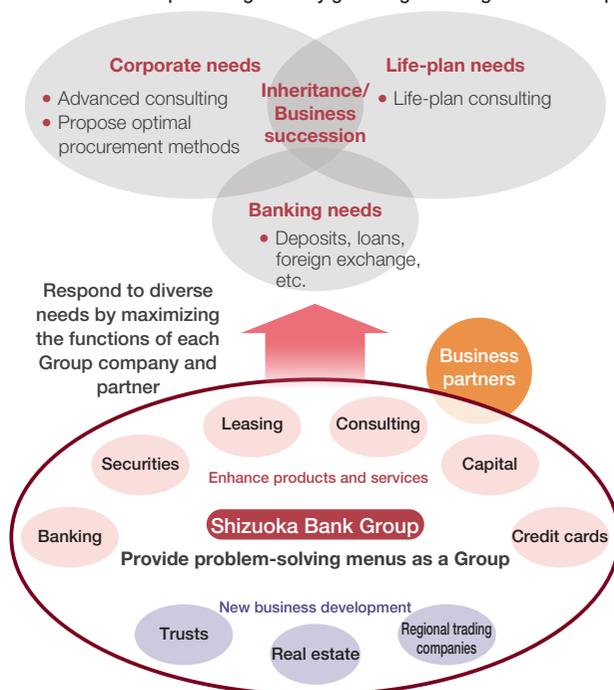
In this section, I would like to explain about the progress of the 14th Medium-term Business Plan (results for fiscal 2020) and the direction of our initiatives in the context of each strategy.

Basic Strategy 1: Group Sales Strategy

Under the first basic strategy, Group Sales Strategy, we consolidated the Group’s collective strengths to meet “banking needs,” such as deposits and loans, “corporate needs” for corporate customers, and “life-plan needs” for individual customers, despite the unprecedented economic environment brought about by the COVID-19 crisis.

[Figure 4] Basic Strategy 1: Group Sales Strategy

Get into a habit of promoting sales by gathering all strength in the Group



Firstly, in terms of “banking needs,” we have designated cash flow support during the COVID-19 crisis as a priority issue and provided 574.9 billion yen in funds up to the end of March 2021.

In fiscal 2021, we will strengthen our support, including subordinated loans, for customers requiring continuing cash flow support. We will also focus our efforts on supporting management improvement, business change and closure for customers facing an adverse business environment due to the COVID-19 crisis. Moreover, we will support the business activities of customers that contribute to sustainable growth for the region, through new financial services incorporating perspectives of the SDGs, such as positive impact finance.

Next, in order to address “corporate needs,” we implemented HR interaction between Shizuoka Bank, Shizugin Lease and Shizugin Management Consulting for a total of around 50 personnel, from the perspective of stronger Group collaboration. This interchange facilitated the joint offering of loans and leases, and other sales activities from multi-faceted perspectives not limited to the loan of funds. In addition, it allowed us to enhance our response to the issue of business succession, which is a social problem in the region. We also launched personnel placement services to solve the personnel shortages facing local companies. We engaged in human resources matching to eliminate personnel imbalances in the region, and



collaborated with external companies to place personnel with diverse knowledge and skills, such as experience working at large companies.

In fiscal 2021, we will progress with DX promotion and digitalization support for our customers through our Group company Shizugin IT Solution, as well as provide new business entry support and business reconstruction support, such as business sector and business line transition, for customers who have been affected by the dramatic changes in the business environment. Moreover, we will proceed with further inter-internalization of business succession and M&A support through collaboration with Shizugin Management Consulting.

We addressed “life-plan needs” by implementing HR interaction between Shizuoka Bank and Shizugin TM Securities for a total of around 50 personnel, in the same way as the corporate field. In this way, we endeavored to strengthen our capabilities to offer asset management products suited to each customer’s life-plan and life stage.

We also enhanced our product lineup for each generation in anticipation of the era of 100-year lifespans. For the generation currently in the process of building their wealth, we began offering packaged products for those new to investing, both through face-to-face sales and remotely. For the retired generation, we were the first regional bank to begin offering trust products with a proxy payment function for appropriate asset management, to prepare for an anticipated increase in dementia sufferers. From April 2021, we also began offering testamentary trust services, to provide a one-stop response covering each stage from asset management to succession.

In fiscal 2021, in addition to expanding HR interaction, it is our policy to utilize the customer total asset information obtained through testamentary trust services to facilitate comprehensive consulting sales, including those targeting potential needs.

■ Basic Strategy 2: Innovation Strategy

Under the second basic strategy, Innovation Strategy, we endeavored to generate earnings opportunities in three main areas: “digital transformation,” “global strategy,” and “strategic investment and cross-industry collaboration.”

[Figure 5] Basic Strategy 2: Innovation Strategy

	Existing business fields	New business fields
Existing methods and expertise		<p>Global strategy Innovation</p> <ul style="list-style-type: none"> • Develop non-Japanese financing projects • Gather the latest information and bring it back to Japan • Harness growth markets
New methods and expertise	<p>Digital transformation Innovation</p> <ul style="list-style-type: none"> • Operations BPR • Smartphone financial services • Utilize information 	<p>Strategic investment and cross-industry collaboration Innovation</p> <ul style="list-style-type: none"> • Monetization of existing partnership schemes • New strategic alliances

Regarding “DX” first of all, the next-generation core system began operation in January 2021, providing a platform for promoting digital transformation. With the declining profitability of the traditional bank business model, we have promoted shift to open system architecture since 2004, incorporating new technologies such as FinTech with the aim of building IT infrastructure that will also enable us to collaborate flexibly with external partners. This effort reached completion with the launch of the next-generation core system, which has also enabled us to

avoid the “2025 cliff” – the retirement of engineers familiar with the previous system. With this, we have become the first major bank in Japan with an open core system. This has been a challenging project, and we were initially plagued by system failures, but the system is now steadily heading towards stable operation.

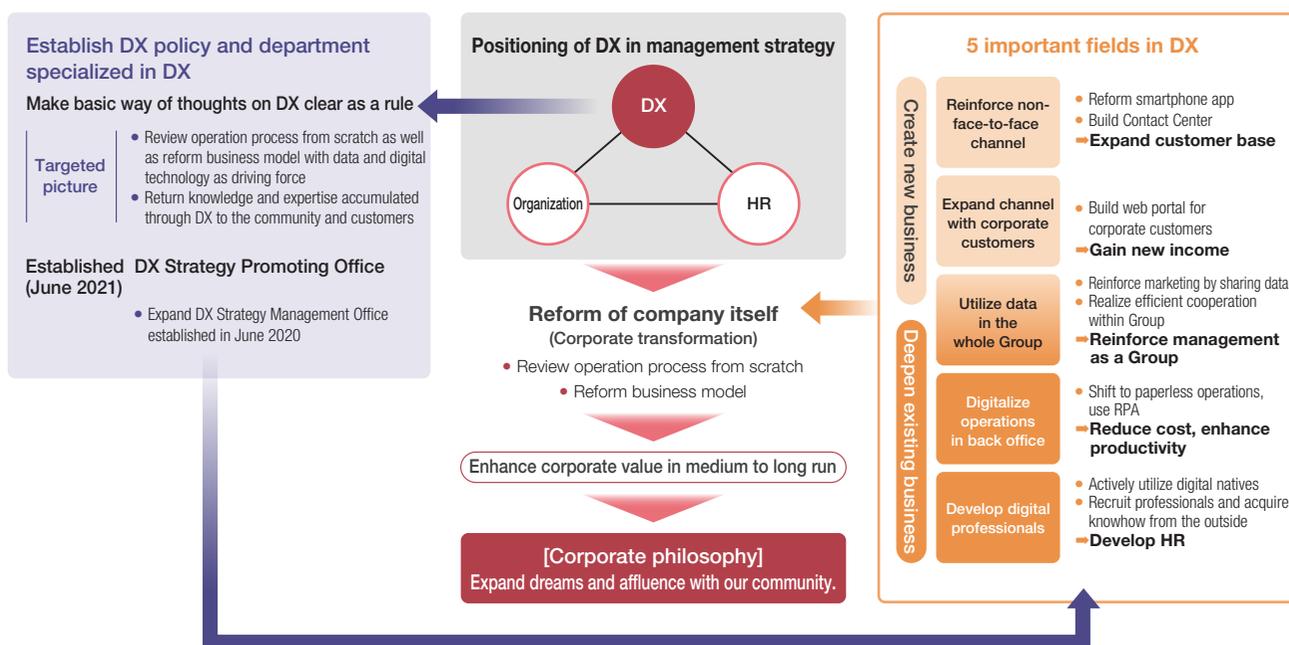
Furthermore, in April 2021, we decided on a policy to transform the Group itself through digital transformation (DX), in a process referred to as corporate transformation. We will proceed to revise our operational processes from scratch, transform the way we operate and our business model from the customer perspective, and respond swiftly to changes in the business environment, driven by data and digital technology. We also plan to return the knowledge and expertise we gain through DX to the region and our customers. We intend to achieve this vision through DX (see Figure 6).

Regarding “global strategy,” we are reviewing the roles of each of our bases, aiming for an ideal overseas network in view of the massive changes that have occurred in the business environment for overseas bases, with continuing environmental changes such as more sophisticated customer needs and increasingly stringent regulation further compounded by the COVID-19 crisis. This review has already been decided internally by the Bank, and we intend to disclose each measure as soon as we have finished coordinating with the relevant supervisory authorities.

Regarding “strategic investment and cross-industry collaboration,” we have begun work on the development of new business partners and the creation of mechanisms to generate innovation in the region. One example is the collaboration with au Jibun Bank, an Internet-only bank, which we began in January 2021. This initiative, in which Shizugin Credit Guaranty provides housing loan guarantee services for loans initiated by au Jibun Bank, represents a horizontal expansion of the collaborative scheme launched in 2018 by Shizugin Credit Guaranty in partnership with ARUHI Corporation, a financial institution specializing in housing loans. This new collaboration is expected to enable us to expand housing loan guarantee services to customers nationwide, without the need to maintain physical branches. We intend to strengthen this collaboration in the future to achieve monetization.

Another example is the development of a regional innovation ecosystem through investment in venture funds. In order to grow sustainably together with the region, the Shizuoka Bank Group must not only protect industry in the region, but also look to create new businesses. In June 2021, we established Start-up Supporting Project Team within the Corporate Planning Department to acquire insight and expertise through investment and personnel dispatch to venture funds. We aim to develop an ecosystem that will return the latest technologies to the region while also leading to the monetization of the business. We plan to expand this business to a scale of several dozen personnel in the future, and develop it into a core source of earnings.

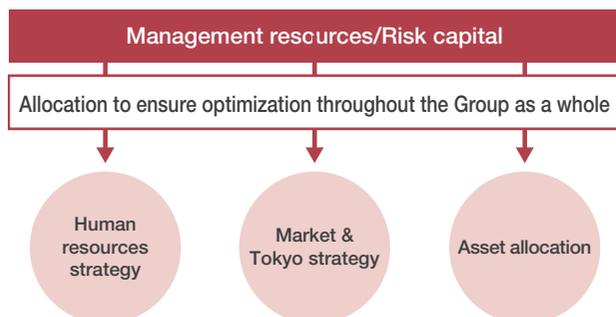
[Figure 6]



■ Basic Strategy 3: Business Portfolio Strategy

Under the third basic strategy, Business Portfolio Strategy, we mainly engaged in the “human resources strategy” and “Market & Tokyo strategy.”

[Figure 7] Basic Strategy 3: Business Portfolio Strategy



Firstly, in the “human resources strategy,” we progressively freed-up personnel mainly through sales structure reform, and redeployed them to fields with high demand and added value. Sales structure reform, which we commenced in fiscal 2018, is an initiative aimed at enhancing customer convenience and satisfaction by providing full banking functions in each area, while also striving to consolidate functions and personnel. By the end of fiscal 2020, we implemented sales structure reform in approximately 80% of our sales area. In fiscal 2020, we also consolidated our housing loan operations from branches to Loan Centers, aiming to achieve stronger face-to-face sales as well as low-cost operations. As a result of these initiatives, we freed-up 72 employees over three years, redeploying these personnel to fields with high demand, while also reducing branch operating costs by 1.2 billion yen.

As I have already mentioned, we also engaged in HR interaction between the Bank and Group companies totaling around 100 personnel, strengthening Group management.

We will proceed further with these initiatives in fiscal 2021, freeing-up 35 more employees and achieving a reduction in branch operating costs through sales structure reform, while appropriately maintaining and increasing the efficiency of branch networks and functions. We will also expand the scope of HR interaction within the Group.

Next, in the “Market & Tokyo strategy,” our initiatives related to market credit investment and loans for asset building continued to contribute significantly to earnings. In market credit investment, earnings rose across all items, with an increase in income and expenditure on loans, fee income and PE income, while we also recorded a gain on sales of private placement REITs due to portfolio rebalancing. At the same time, we maintained a highly sound portfolio through stringent risk management. We intend to continue to replace the assets in our portfolio so as to further enhance profitability.

The business scale of loans for asset building, under a stringent system of management, now amounts to a balance of around 200.0 billion yen, with an interest of 7.0 billion yen per

year. Growth was sluggish in fiscal 2020 with changes in market conditions due to the COVID-19 crisis, but we believe that there is still scope for further growth in the business model. We will strive to increase the loans balance in tandem with consulting sales targeting assets other than real estate, while maintaining a stringent system of management. We also plan to develop our asset management business targeting start-up company proprietors, with whom we have an increasing amount of business.

■ 10-year Strategy: Region-producing Strategy

Under our 10-year strategy, the Region-producing Strategy, in October 2020 we concluded the Shizuoka Yamanashi Alliance, a comprehensive business alliance with The Yamanashi Chuo Bank, as an initiative aimed at realizing our 10-year Vision, the picture targeted in the long term.

The Yamanashi Chuo Bank is based in Yamanashi Prefecture, which has administrative links and a strong affinity with Shizuoka Prefecture. The main aim of this alliance is to “achieve sustainable growth for both bank groups together with the local communities in Shizuoka Prefecture and Yamanashi Prefecture, in any business environment.” While firmly maintaining the independent management of each bank, as well as the customer bases and brands that each has built up in the local region, we aim to utilize management resources in tandem, leading to growth for the region and for the Shizuoka Bank Group. We expect to achieve combined benefits from the alliance of 10.0 billion yen for both banks over a five-year period.

We engaged in lively discussions on over 80 occasions during the five months to March 2021, mainly through ten sub-committees responsible for the corporate and life planning fields, regional revitalization and other issues. As the measures thus formulated progressively take shape, they have already provided an earnings boost of 1.1 billion yen.

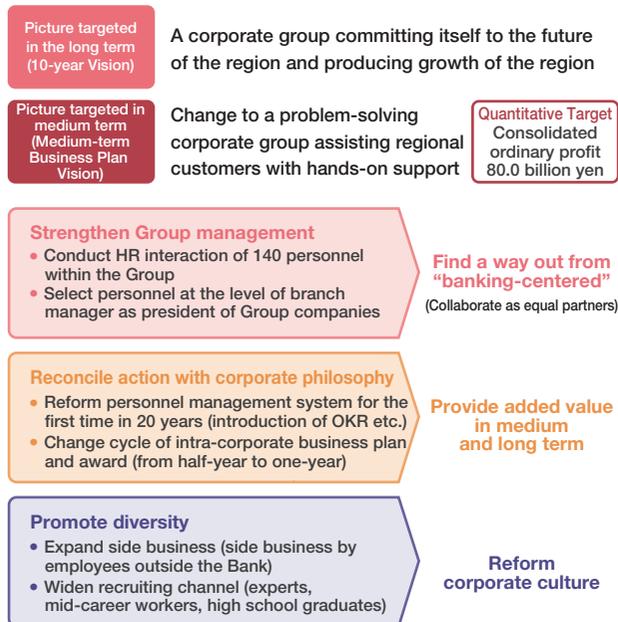
The alliance is progressing smoothly, such as with the opening of the Shizugin TM Securities Yamanashi Head Office inside the Head Office of Yamanashi Chuo Bank in April 2021, and we will continue to swiftly implement a range of measures (see page 33).

Pioneering tomorrow together with the region

With the outlook for the management environment highly uncertain, and conditions in a few years difficult to forecast, we believe it is important to establish our medium- to long-term direction, but also respond flexibly to day-by-day changes in the environment, and continue to engage in challenges with persistence and ingenuity. Circumstances may require a course correction for the strategies initially set forth under our Medium-term Business Plan. With this thought in mind, I take every available opportunity to emphasize to all the Bank’s officers and employees that our greatest risk is to be “left behind by the changing times (to resist change).” I leave myself open to the possibility of change in all except the Group’s corporate

philosophy, “expand dreams and affluence with our community,” and engage in management fully prepared to change what needs to be changed. At present, the Group is taking on a range of challenges to “change to a problem-solving corporate group,” the first step in achieving the picture targeted in the long term under our 14th Medium-term Business Plan: “a corporate group producing growth of the region.”

[Figure 8] For organizational reform



Our first and foremost initiative is to find a way out from “banking-centered” operations. To achieve this, it is vital to enhance the effectiveness of Group management, with the 14 Group companies collaborating as equal partners to aim for the common goal of “solving customers’ problems.” For this purpose, we commenced HR interaction within the Group involving around 100 personnel from the first fiscal year of the Medium-term Business Plan. We also selected two employees at the level of branch manager (in their 40s) to serve as president of Group companies, as part of our efforts to develop human resources to undertake Group management in the future. In addition, we took decisive steps such as appointment of persons in Group companies as executives in other Group companies, to transform into an organization capable of creating new value for the new era.

We are also focusing our efforts on initiatives aimed at reconciling everyday actions with our corporate philosophy. We have embarked on the first reform of the personnel management system in 20 years, extending the business planning and awards cycle from six months to one year, and transitioning the personnel evaluation system from a MBO to OKRs. The purpose of this reform is to enable each individual officer and employee to provide added value to the region and our customers from a medium- to long-term perspective, by practicing our corporate philosophy, rather than simply aiming to achieve short-term goals.

We are also engaged in enhancing diversity to enable us to find the best solution at each point in time, in an era where there is no longer a single, correct solution. For example, we are promoting side-businesses and concurrent service by our officers and employees, both within the Bank and externally, actively utilizing experts and mid-career personnel, recommending the recruitment of high school graduates after a pause of 28 years, and recruiting athletes from sporting groups and organizations in the local region. We have hired a total of 113 mid-career employees (as of July 1, 2021) since 2001. I would like to transform diversity into one of the Group’s strengths, and change our corporate culture to create new value by combining the insights, experience and abilities of our diverse human resources.



Irreversible changes are now underway. A new era awaits: not merely an extension of those that came before. It is likely that the region in which our Group is firmly rooted will also undergo a transformation. It is our regional customers who will play the main part in this, coloring the future and filling the region with hope. We aim to help these customers with hands-on support to achieve each and every one of their dreams, consolidating the Group’s collective strengths and continuing to take challenges, boldly and resolutely, to pioneer the region’s tomorrow.

I would be grateful for your continued understanding and support in the years ahead.

CFO Message

While fulfilling our social mission as a regional financial institution, we will engage in financial management and capital policy to enhance corporate value.

Minoru Yagi
Deputy President & CFO

1. Current Performance and Outlook

Results for fiscal 2020

Fiscal 2020, the first year of the 14th Medium-term Business Plan, brought a downturn in corporate and consumption activities due to the impact of COVID-19. The economy in Shizuoka Prefecture was also severely impacted. In this context, the Shizuoka Bank Group prioritized cash flow support and other hands-on measures to support customers in the region, in order to fulfill its social mission as a regional financial institution.

On a non-consolidated basis, gross operating profit rose by 7.5 billion yen year on year, mainly due to an increase in interest on yen-based loans from the provision of cash flow support, and an increase in interest and dividends on securities. Net operating profit declined due to the recording of provision of general allowance for loan losses and an increase in expenses associated with the launch of the next-generation system, but gain (loss) on stocks increased, based on our policy to cover the expenses associated with the next-generation system through the sale of strategic shareholdings (this policy will continue next fiscal year and beyond). As a result, ordinary profit increased by 5.0 billion yen year on year. Net income grew by only 2.0 billion yen however, as a result of the recognition of impairment of sales branches, etc. We recognized an impairment of sales branches, etc. at this stage, in view of profit levels amid the problems facing regional banks due to the low interest rate environment. We forecast that this will enable us to achieve cost reductions of around 3.0 billion yen from fiscal 2021 onward.

(Unit: Billion yen)

Consolidated	FY2020	Year-on-year change
Ordinary profit	63.3	+8.8
Net profit attributable to owners of the parent	43.6	+4.9

Non-consolidated

Gross operating profit	138.5	+7.5
Including net interest income	114.7	+7.8
Expenses (-)	84.4	+5.3
Provision of general allowance for loan losses (-)	3.5	+3.1
Net operating profit	50.6	-0.9
Special profit and loss	0.9	+6.0
Including gain (loss) on stocks	7.9	+5.3
Ordinary profit	51.5	+5.0
Extraordinary profit and loss	-2.6	-2.6
Including impairment loss (-)	2.9	+2.8
Income before income taxes	48.9	+2.4
Total income taxes (-)	13.4	+0.4
Net income	35.5	+2.0
Credit-related costs (-)	11.7	+3.0

On a consolidated basis, we achieved an increase in both consolidated ordinary profit and net profit attributable to owners of the parent. The combined ordinary income from consolidated subsidiaries reached 10.0 billion yen for the first time ever, while income including share of profit (loss) of entities accounted for using the equity method also increased substantially by 13.5 billion yen, due mainly to an increase in income for the Monex Group. The ratio of consolidated to non-consolidated income was 1.23. The crystallization of our efforts to strengthen Group management was the most important outcome of the results for fiscal 2020.

Results outlook for fiscal 2021

The results forecast for fiscal 2021 has been calculated based on a consideration of anticipated circumstances such as the impact of COVID-19 on the regional economy and our customers.

On a non-consolidated basis, we plan for an increase in income, with an anticipated rise in net interest income due to an increase in loan interest income and interest and dividends on securities, despite the considerable, continuing burden of credit-related costs and expenses associated with the next-generation system.

On a consolidated basis, approximately 6.0 billion yen of the gain on sale of stocks used to cover expenses associated with the next-generation system (11.3 billion yen) will consist of gain on sale of stocks of the Monex Group (recorded in extraordinary profit and loss). Consequently, we plan for a decline at the level of ordinary income, but an increase in net income.

2. Financial Management

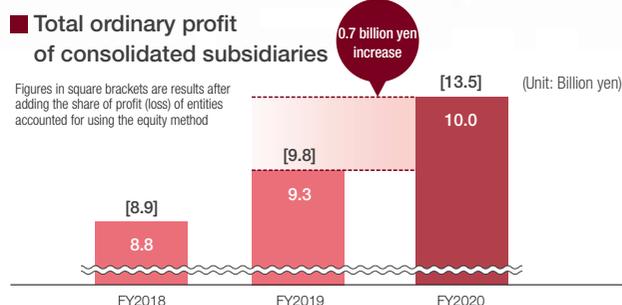
Level of expenses (approach to OHR)

The Shizuoka Bank has consistently targeted an optimum level of consolidated OHR (expenses ratio) of 55% or greater. It is our policy to engage in strategic investment from a medium- to long-term perspective, should consolidated OHR fall below this level. For the time being, we anticipate an increase in expenses due to the launch of the next-generation system. We will continue to work to control expenses as we expand the top line and implement measures to increase operational efficiency,

Credit-related costs

We planned for credit-related costs of 13.0 billion yen in fiscal 2020, taking into account the increase associated with the COVID-19 pandemic. These costs came lower than expected at only 11.7 billion yen. We again plan for credit-related costs of 13.0 billion yen in fiscal 2021, given the possibility that the anticipated impact of COVID-19 may materialize.

Shizuoka Bank calculates the general allowance for loan losses based on long-term average losses, in addition to forecasts of the expected loss for the average remaining life of loans, etc., in order to maintain a stable level of allowance that encompasses business cycles. Moreover, for large borrowers to whom the level of credit exceeds a certain amount, we record a preventative allowance based on future cash flow, in order to prepare for future losses. We also give these borrowers appropriate credit ratings that reflect not only their financial condition but also qualitative information. This allows us to



Results forecast for fiscal 2021

(Unit: Billion yen)

		FY2021 forecast	Year-on-year change
Consolidated	Ordinary profit	62.0	-1.4
	Net profit attributable to owners of the parent	45.5	+1.9
Non-consolidated	Gross operating profit	146.9	+8.4
	Expenses (-)	88.7	+4.3
	Ordinary profit	52.0	+0.5
	Net income	40.0	+4.5
	Credit-related costs (-)	13.0	+1.3

including BPR, as well as proactively investing in DX promotion, etc. with an awareness of this optimum level of OHR.

OHR

	FY2020	FY2021	FY2022
	Results	Forecast	Plan
Consolidated OHR	59.5%	58.2%	Approx. 55%

record an allowance for loan losses that adequately prepares us for the occurrence of losses. Likewise in the case of a specific allowance for loan losses, we reflect any change in a borrower's financial condition in its credit rating whenever needed, and record a suitable allowance as appropriate.

Plans and results for credit-related costs

(Unit: Billion yen)

	FY2020		FY2021
	Plan	Results	Plan
Anticipated normal occurrence	6.0	5.5	5.0
Due to COVID-19	7.0	6.2	8.0
Total	13.0	11.7	13.0

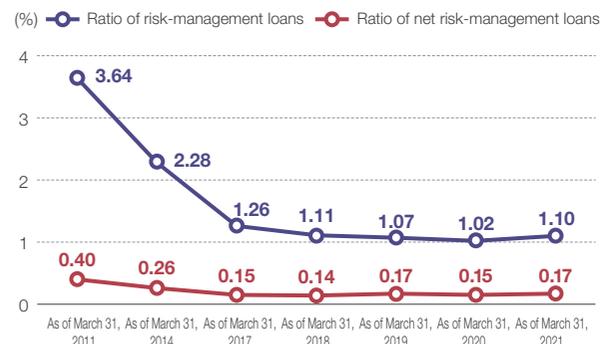
Soundness of the loan asset portfolio

The balance of risk-management loans peaked after the 2008 financial crisis at 242.5 billion yen. This has now dropped to a level of approximately 100.0 billion yen, as a result of our efforts focused on supporting customers to improve management and complete corporate rehabilitation, business change and closure.

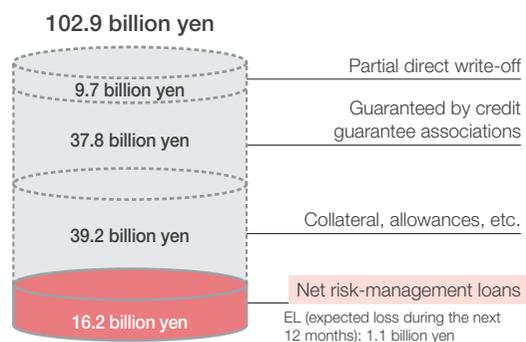
Risk-management loans increased by 10.9 billion yen year on year in fiscal 2020, mainly due to an increase in loans guaranteed by credit guarantee associations to customers with low credit ratings and the decline in credit ratings of customers with lackluster business performance in the context of the COVID-19 crisis. However, the ratio of risk management loans remains at a low level.

The balance of net risk-management loans, after deducting guarantees, collateral, etc., stands at 16.2 billion yen, less than the level of net income. Expected loss (EL) from net risk-management loans within the next 12 months is also low, at 1.1 billion yen, and therefore the soundness of loans receivable is maintained.

Ratio of risk-management loans



Net risk-management loans



3. Capital Policy

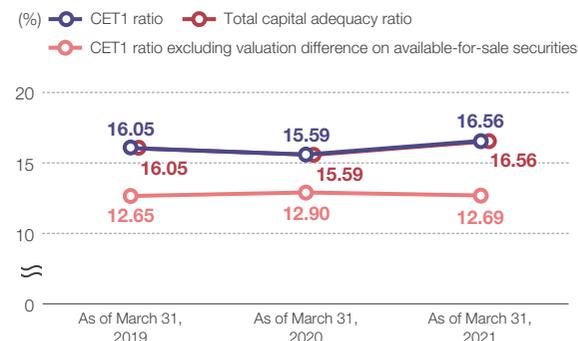
Basic policy

To ensure the soundness of the asset portfolio and maintain the capital adequacy ratio at a high level, we utilize our Risk Appetite Framework (page 40) to control each measure within the levels indicated under the regulations and take appropriate risks, including investment, for sustainable growth, while fulfilling our social mission as a regional financial institution. In this way, we intend to expand earnings and further enhance shareholder returns.

Capital adequacy ratio

In fiscal 2020, the consolidated capital adequacy ratio rose by 0.97 percentage points year on year to 16.56%, due to an increase in shareholders' equity resulting from an increase in the valuation difference on available-for-sale securities,^{*2} despite an increase in loans and other risk assets.^{*1} We consider that a capital adequacy ratio of "14% or greater," the level targeted under the 14th Medium-term Business Plan, is an appropriate level given the probable fluctuation pursuant to the full adoption of Basel III (planned for January 2028). The Bank's shareholders' equity excludes all preferred shares, subordinated bonds, etc.

Capital adequacy ratio



*1 Assets such as loans receivable, securities, etc. without a guaranteed principal amount, where the asset value fluctuates as a result of changes in counterparty credit status, interest rates and foreign exchange rates, etc.

*2 The difference between the carrying amount and fair valuation of securities other than trading securities and shares of subsidiaries and affiliated companies, etc.

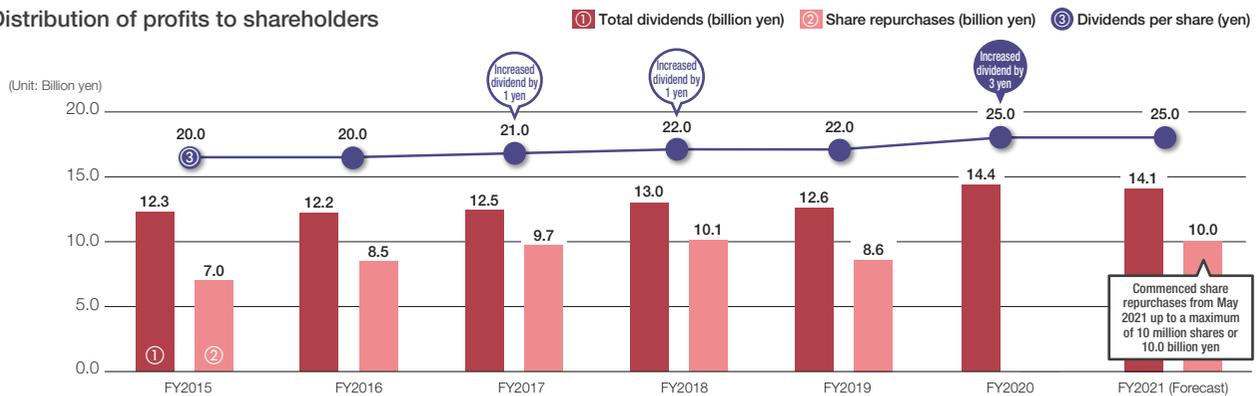
*3 Regulations issued by the Basel Committee on Banking Supervision requiring banks engaged in international business to strengthen their capital, for the purpose of preventing a recurrence of the global financial crisis. The regulations are scheduled to be implemented in stages commencing from March 2023, with full implementation by January 2028.



Shareholder returns policy

Under the 14th Medium-term Business Plan, we target a shareholder return ratio of “50% or more over the medium- to long-term” on a consolidated basis. In fiscal 2020, we curbed the level of shareholder returns, instead prioritizing financial support for our customers during the COVID-19 crisis. After a comprehensive consideration of factors including the level of profits we have attained, the level of shareholders’ equity, and the outlook for the COVID-19 crisis, we have determined to increase dividends by 3 yen per share. We have also commenced share repurchases (up to a maximum of 10.0 billion yen) from May 2021. The Bank has never decreased its dividends. We aim to continue to achieve our targeted shareholder returns through stable dividends and flexible share repurchases.

■ Distribution of profits to shareholders



Dividend payout ratio	25.6%	41.5%	24.9%	27.6%	32.6%	32.8%	30.9%
Shareholder return ratio	40.2%	70.6%	44.3%	49.1%	54.9%	32.8%	52.9%
Profit attributable to owners of the parent	47.9 billion yen	29.3 billion yen	50.1 billion yen	46.9 billion yen	38.7 billion yen	43.6 billion yen	45.5 billion yen

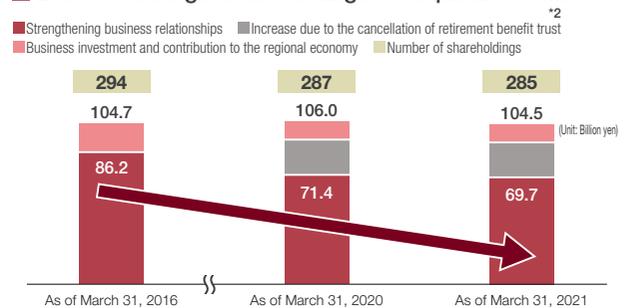
Policy on the maintenance and elimination of strategic shareholdings

The Shizuoka Bank has established a Policy on Strategic Shareholdings, setting forth its basic policy to reduce strategic shareholdings. 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.”

Both the balance of strategic shareholdings at acquisition cost and the number of shareholdings are steadily decreasing. We plan to continue to implement measures to shrink these shareholdings based on a consideration of the purposes they serve, using some of the gain on sales as funding for expenses related to the next-generation system.

We will continue to strive to enhance dialogue with all our shareholders and other stakeholders, and implement financial management and capital policy to achieve sustainable growth and increase corporate value for the Shizuoka Bank Group. I look forward to your continued understanding and support in these efforts.

■ Level of strategic shareholdings at acquisition cost**



*1 Excluding shares of Group companies and equity method affiliates

*2 Increase due to return of shares in DAIICHI SANKYO COMPANY, LIMITED and NIKON CORPORATION pursuant to cancellation of retirement benefit trust

Dialogue between CEO and Outside Director



Katsunori Nakanishi
Chairman & CEO

From Corporate Value to Social Value

– Our vision for the future of the Shizuoka Bank Group –

The Bank's Chairman & CEO Mr. Katsunori Nakanishi talks with Ms. Kumi Fujisawa, who has served as Outside Director since June 2013, about the Group's vision for the future while reflecting on the challenges for change that the Bank has taken on thus far.

Aiming to be a future-oriented organization

Fujisawa: My first connection with Shizuoka Bank was as a member of the Advisory Board. That was a decade ago. What was your original motivation for forming the Advisory Board?

Nakanishi: Shizuoka Bank traditionally had a reputation for being very strict in screening loan applications, which was the flip side of sound management. The Bank was often referred to as “Shibugin,” a pun in Japanese meaning “tightfisted bank.” I wanted to change that image, so I established the Advisory Board in 2008, when I was President, with the aim of reflecting external opinions in the Bank's management.

Fujisawa: I've heard about the “Shibugin” episode before (laughs). When I was on the Advisory Board, I was the only member with no connection with Shizuoka Prefecture, and the only female member. You invited me to join back in the era before “diversity” became a focus of attention.

Nakanishi: I started thinking about diversity from around 2000, when I was General Manager of the Corporate Administration Department. As General Manager, I implemented a substantial overhaul of the personnel management system, creating a mechanism for appointing female managers and branch managers with as little as 13 years



Kumi Fujisawa
Director

at the Bank (at age 35). I also abolished titles like Assistant Manager and Deputy Branch Manager, to achieve a flatter organizational structure.

Fujisawa: I suppose that marked the end of an era. What aspects of that era did you want to put an end to the most?

Nakanishi: I wanted to change the business model dependent on loan interest, and the ingrained assumption of a seniority system within the organization. I felt strongly about these issues.

Fujisawa: It's easy to say, but organizations don't change unless they are led by decisions from the top. I imagine that change was met with resistance from successive generations of predecessors.

Nakanishi: There is always a risk when you begin something new. So, of course, I was given advice by those concerned about this risk. But it's not possible to gain new profits without ascertaining and taking the necessary risks. It was from this perspective that I began establishing systems to measure a variety of risks – credit risk, market risk and operational risk – during my next assignment after General Manager of the Corporate Administration Department, as General Manager of the Corporate Planning Department. Later, when I was appointed President in 2005, the systems for risk measurement were already in place, and I was able to make management decisions about the risk-taking necessary for growth.

Fujisawa: One of the advanced skills required of senior managers is the ability to comprehend where risk lies and to what extent, based on their grasp of the situation and experience. It is only because of this that they can choose to take risks. Most people wouldn't have this comprehension, and would be too scared to assume risk.

Nakanishi: For example, in the real estate loans business, some risks can be taken, but some cannot. However, making this decision based just on the category of real estate would lead to misjudgment. In regard to how to assess risks, it is also vital that front office divisions, including the credit department, discuss the matter fully with risk management divisions. In this sense, I have worked to convey within the Bank an understanding of the importance of the process of creating mechanisms inside the organization where interests conflict, determining whether or not to proceed with a proposal through thorough discussion, rather than relying on the logic presented by one side, and clarifying responsibility for the resulting conclusion.

Nakanishi: When I was working as General Manager of the Corporate Planning Department, there were regulations on the division of duties carried out by each headquarters department, but I formulated missions for all 48 groups, to clarify their purpose for existing. Even today, when a new section is established, we clarify its mission, together with the division of duties.



Fujisawa: It seems that your initiatives over the past two decades have now come to fruition. I get a real sense of the way that you have promoted a range of different initiatives with a consciousness of the future.

Nakanishi: Only an irresponsible leader would not work to address future issues. Of course, it's important for senior management to ensure that officers and employees implement their decisions. Any initiative that comes to an end as soon as the senior manager leaves is not really future-oriented. In this sense, I have consciously taken my time to promote initiatives until they become part of the organizational culture.

Anticipating social change, and envisaging the role of the company

Fujisawa: I've been an Outside Director of the Bank for eight years, and during that time I've seen various changes, and more changes are occurring right now. I'm fortunate to be able to participate in management during a time like this.

Nakanishi: After serving as President for 12 years, my role changed to Chairman four years ago. I feel that many things have changed during this time, including the nature of corporate value in society, the environment surrounding the Bank, and the profit structure. The same can be said of the digitalization driven by the COVID-19 crisis, and the trend towards carbon-neutral status. When I was President, it was still the era of "shareholder capitalism." We were expected to engage in CSR-style corporate activities, contributing to society from within the profits that we made. Times have changed, and it is now the era of "stakeholder capitalism," where companies are required to strive to be needed by society.

Fujisawa: I feel the same way. In that sense, positive impact finance, where Shizuoka Bank loans to small and medium-sized enterprises (SMEs) aiming for multicultural coexistence, is a real-world application of stakeholder capitalism.

Nakanishi: In order to strive for carbon-neutral status, it is not only necessary for us to work to reduce paper and electricity usage across the Shizuoka Bank Group: the same perspective is also required for the finance that we provide as a bank.

Fujisawa: I really hope to see these initiatives aimed at achieving carbon-neutral status used in proactive strategy.

Nakanishi: Amid the shift in capitalism from corporate value to social value, companies are faced with the significant challenge of showing their social value through initiatives to resolve social issues and the like, while also making a profit.

Fujisawa: Expectations are high for the present executive division, headed by President Shibata. Right now, the Bank is in the process of implementing strategy that involves the transformation of organizational culture. I know that you made a range of bold reforms in your time as President.

Nakanishi: I believe that it is vital when starting something new not to be constrained by the legacy of the past. Twenty years ago, as General Manager of the Corporate Administration Department, I overhauled the personnel management system, but systems like this start to become outdated from the moment they are changed.

Fujisawa: The roles of banks change together with changes in society. Moreover, it is necessary to change personnel management systems to realize these new roles. In this sense, leaders are also required to possess the ability to see ahead and anticipate future changes in society.

Nakanishi: I want the Bank's current senior management, officers and employees to firmly ascertain for themselves which aspects of the past legacy should be changed. We are engaged in a radical reform of the personnel management system from April this year. As part of this reform, we are transitioning the personnel evaluation system from a job-style goals management system to more advanced job-style OKRs. This should be further altered as appropriate after it begins operation. The risk of not changing, not engaging, is much, much greater. There is nothing that, once decided, can no longer be changed.

Fujisawa: That's true. I think that approach has taken root pretty well among the Bank's executives. Young personnel are also very eager to take on challenges. I get the feeling that it is middle management that is suffering, still unable to change.

Nakanishi: Since my time as President, I've always said that all information, except insider information and personal information, should be shared openly. I think that everyone should be able to talk without needing permission, even about matters such as strategy.

Fujisawa: Why is that?

Nakanishi: It's necessary to put a lot of information in the open, to increase and confirm our own knowledge, or to gain new knowledge. If we don't provide a lot of information, then there won't be a lot of information in aggregate. The same can be said regarding the quality of information. To provide better information, and more of it, it is vital to raise one's own level. In other words, it all begins with being open.

Fujisawa: I see. So that's the idea behind the Bank's organizational culture, where all employees are linked through business-use smartphones, and are able to exchange various information across different sections of the organization.

Nakanishi: I think I declared a while ago that "Shizugin's going to change!" At the time, there were already indications of change. That's just my feeling of course.

Fujisawa: And it was because of that feeling that you decided to pass on the baton of leadership? Is that right?

Nakanishi: That's just how it was.

How the Board of Directors changed

Fujisawa: I think it was in around 2015. The Bank was working on a project to develop the next-generation core system, and a number of different things were happening at once, such as vendor changes, delays in the timing of the system's launch and cost increases. I remember that there were some stern questions and opinions expressed at a meeting of the Board of Directors by an Outside Director at the time. You listened very earnestly to these opinions. I feel that from that time onward, all of Shizuoka Bank's corporate officers became conscious of the idea that the Bank must accept critical opinions from outside, and change for the better.

Nakanishi: Personally, I can tolerate that that level of criticism (laughs).

Fujisawa: I was quite nervous, I mean, how could anyone speak so bluntly to the President? But when I saw how you reacted, and felt the atmosphere of the discussion change, it boosted my faith in Shizuoka Bank. I thought that there is something really outstanding about this Bank.

Nakanishi: After that meeting, I explained to the other Directors that "that stern opinion was the result of problems arising in the context of our lack of a shared awareness. A proper discussion can take place only after we understand the Outside Directors' backgrounds and ways of thinking, such as the different perspectives of market-in and product-out approaches, for instance."

Fujisawa: When I saw the way you responded, it struck me that this was truly "leading by example." Not all corporate leaders are able to take that attitude.

Nakanishi: Perhaps it was around the time when the Bank was in the process of corporate change. At some point since then, I started to reduce the number of occasions to attend the meetings concerning the next-generation core system. As a matter of course, at the end of each meeting, I would be asked for my opinion as President. It was the next generation, however, who would actually use the system, and I felt that the decisions should really be left to those members. If they did not solve the problems themselves, then the solutions would not connect to the future.

Fujisawa: Yes, that's really the way to train and develop people.

Towards the separation of supervision and execution

Nakanishi: I think that the Board of Directors should be a forum for discussing the Bank's future direction and vision. At present however, the Board must debate final decisions on business execution, as well as decisions on the direction of governance. From that perspective, I think that the time has come for us to earnestly consider the transition to a company with committees.

Fujisawa: You have been talking about the need to transition to a company with committees ever since I was first appointed as an Outside Director, and I have observed that you have been gradually taking steps to enable that transition. Aren't the preparations already complete?

Nakanishi: The difference between Directors and Executive Officers is not one of ability but of role. One represents all stakeholders, while the other represents internal divisions, presiding over the execution of business. We need to clarify this distinction, and I really feel that the time to separate the two roles has arrived.

Fujisawa: I feel the same way. I would like to see the Board of Directors become a forum for discussing overall strategy and governance. At the same time however, we cannot discuss strategy without understanding the situation on the ground. In that sense, I am fortunate to learn about the Bank's day-to-day operations through forums such as the Committee of





Administrative Supervision, F*F (a proposal body composed of female staff) and the Diversity Promotion Committee.

Nakanishi: Diversity is an important theme.

Fujisawa: I understand that it is one of the next themes that need to be tackled. Much can be expected of diversity, but it also brings anxiety.

Nakanishi: There are many different kinds of diversity, including the perspective of gender equality and age-group diversity. Even gathering human resources who have their own opinions without being able to read the room also constitutes a sort of diversity. It's no good thinking that bringing-up children is women's work. Men should help to look after children. If they experience it, then they will understand how hard it is.

Fujisawa: I feel that too. Some things are not possible to understand until you experience them yourself.

Nakanishi: I'm also optimistic regarding diversity. I think that Scandinavia is the most advanced region in this respect, but even there, the grandparents of the millennial generation experienced a male-dominated society. Fifty years ago, Scandinavia was the same as Japan, and it managed to transform itself, so I think that Japan will change too. Education and law reform will be necessary going forward.

Fujisawa: I think that the success of Scandinavia was primarily a result of the introduction of a quota system. It couldn't be in place perpetually, but it would be effective if it were introduced

at the start. I hope that Shizuoka Bank considers a quota. At the risk of repeating myself, I believe that diversity is vital for the future of Shizuoka Bank.

Forming profit clusters

Nakanishi: The next-generation core system began operation in January this year. We have responded as a Group to all the incidents that have arisen during the process from development to actual operation. I think that the sense of unity and solidarity that we achieved in our commitment to successfully complete the project, with Group companies leading from the front, represents a great asset for the Group.

Fujisawa: I believe that you have worked towards greater autonomy for Group companies for some time.

Nakanishi: That's right. As Group companies have become more autonomous, they have become able to reliably earn profits themselves. As a result, this has created a synergistic effect, with the combined ordinary profit of Group companies reaching 10.0 billion yen in fiscal 2020. We also engage in personnel exchange between Group companies, including the Bank itself.

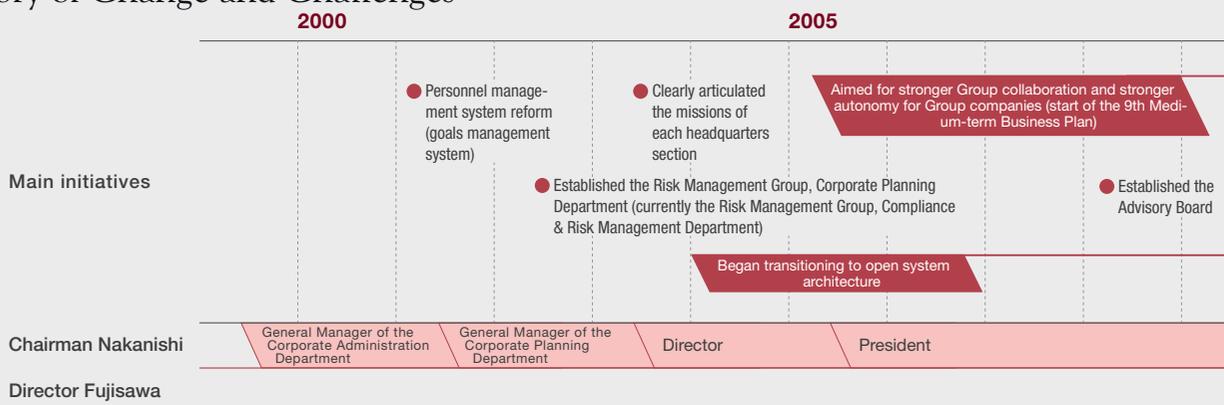
Fujisawa: With each company achieving autonomy and being able to earn profits, they become able to help each other. At the same time however, a sort of centrifugal force may cause them to fly off on their own. How we create a new, centripetal force to keep the Group together – a cultural core – is vital.

Nakanishi: This is a "great reset."

Fujisawa: It would be great if we achieved it, but to do that, it will be necessary to bring about a significant change in the consciousness of the Bank's staff, as well as the employees of Group companies.

Nakanishi: As I mentioned previously, we are in the midst of a transition from the era of corporate value to the era of social value. However, the arrival of the era of social value doesn't mean that we don't have to worry about turning a profit any more. Actually, it means that we will have to generate more profit to drive growth. It is the task of the present executive

A History of Change and Challenges



division to achieve this.

Fujisawa: That's right. Is that why you suggest changing the way that the Group makes money?

Nakanishi: The interest margin between loans and deposits shrank after the 2008 financial crisis. In this context, we began by lowering our expenses by promoting more efficient operations through BPR. Next, we needed to create a chunk of profits to a certain extent, or so-called profit cluster, so we pushed ahead with businesses such as market credit investment in the Tokyo metropolitan area, and cross-industry collaboration. It's also important that we develop and grow clusters at Group companies. This is the strategy that I envisaged.

Fujisawa: I see. The idea of profit clusters sounds much more fitting when it includes Group companies as well. I didn't understand at first, but after many years I have come to see clearly that each measure that the Bank implements is introduced in accordance with changes in society.

For an alliance with a global impact

Nakanishi: Lastly, would you share your hopes for Shizuoka Bank and what you want to achieve as an Outside Director?

Fujisawa: I am hopeful of the Shizuoka Yamanashi Alliance. For over a century, Shizuoka Bank has constantly considered and implemented its vision for a regional bank. We have now differentiated those things that should be changed, and those that should be left as they are, and it is at this point that we have launched the Shizuoka Yamanashi Alliance. I am looking forward to seeing the Alliance develop into an initiative that has not only a national, but a global impact.

Nakanishi: At the Management Meeting held to decide on the Alliance, I told the Executive Officers and senior members to "engage in the Alliance with a sense of excitement." I think that first of all, the important thing is for both Shizuoka Bank and Yamanashi Chuo Bank to ensure the thorough success of the Alliance.

Fujisawa: A few years ago, when you were President, you proclaimed your vision to be "the world's premier regional

bank." I think that this Alliance really embodies that vision. How do we enrich and revitalize regional economies, in the context of a range of common global issues, and based on stakeholder capitalism? I'm really looking forward to seeing the figure that Shizuoka Bank cuts around the world as it advances, arm in arm with Yamanashi Chuo Bank.

Nakanishi: President Shibata has firmly assumed the leadership here, carrying out repeated discussions, and it's starting to produce results. He's working very hard on this initiative.

Fujisawa: Another role that I would like to fulfill as an Outside Director is to maintain a more objective perspective. This is especially important as I feel a great attachment to Shizuoka Bank now. I have been entrusted with the task of continuing to exercise the unsympathetic perspective of an outsider.

Nakanishi: Looking ahead, we have to think about how Shizuoka Bank will change over the next ten or twenty years. Amid numerous challenges to be tackled for the future, management direction must be decided in response to these challenges. I look forward to hearing the frank and honest opinions of our Outside Directors, with their experience of initiatives in various industries and companies, to enable the Bank to have real social value.

Fujisawa: I feel really fortunate to be engaged with Shizuoka Bank in this time of great historical change. I'll do my best to utilize my external perspective for the good of the Bank.



2010

2015

2020

2021

Began pioneering new business domains (market credit investment, loans for asset building, etc.)

Began collaboration with companies in other industries

Began development of the next-generation core system

● Personnel management system reform (OKRs)

Shizuoka Yamanashi Alliance

Began operation of the next-generation core system

Chairman

Advisory Board

Outside Director

Shizuoka Bank Group's Value Creation Process

Corporate Philosophy **Expand dreams and affluence with our community.**

Input

Activity

Financial Capital

A sound financial and earnings foundation

- BIS capital adequacy ratio: 16.56%
- Credit ratings: A1 (Moody's), A- (Standard & Poor's)

Human Capital

Diverse professional personnel

- Group employees: 6,541
- Small and medium enterprise management consultants: 64
- 1st grade Certified Skilled Professionals of Financial Planning: 295

Social and Relationship Capital

Abundant points of contact with our customers

- Within Shizuoka Prefecture: 173 bases
- Outside Shizuoka Prefecture: 32 bases

Collaboration with companies over the boundaries of industries

- TECH BEAT Shizuoka participants: 20 thousand people

Intellectual Capital

Our knowledge as a comprehensive financial institution with close ties to the region

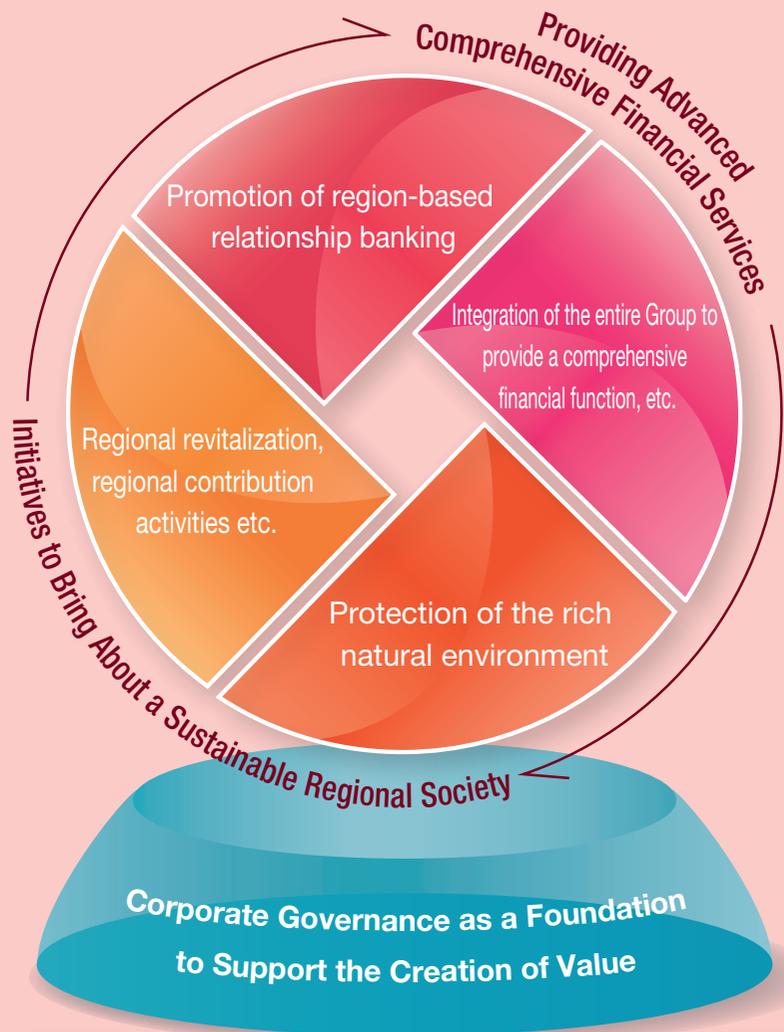
- We have a track record of providing support for our customers' business expansion enhancing the Group's functions beyond the bounds of traditional banking
- Total ordinary profit of Group companies: 10.0billion yen

Natural Capital

The region's rich tourism resources

- Most sought-after prefecture for relocation within Japan (according to a 2021 survey by the certified NPO Hometown Return Support Center)
- Accommodation facilities using hot springs: No.1 in Japan

Achieving Sustainable Growth Together with the Region



Outcome

Region

- Sustainable development
- Revitalization of the regional economy
- Realizing a decarbonized society

Customers

- Problem solving, optimal solutions
- High convenience
- Unshakable trust

Shareholders

- Enhancement of medium- to long-term corporate value
- Highly transparent disclosure of information, including non-financial information
- Proactive discussion

Employees

- Work satisfaction and awareness of growth
- Diverse working styles
- Work-life balance

Vision



Attractive Region

- Attractive place to live in
- Attractive place to work in
- Attractive place to visit



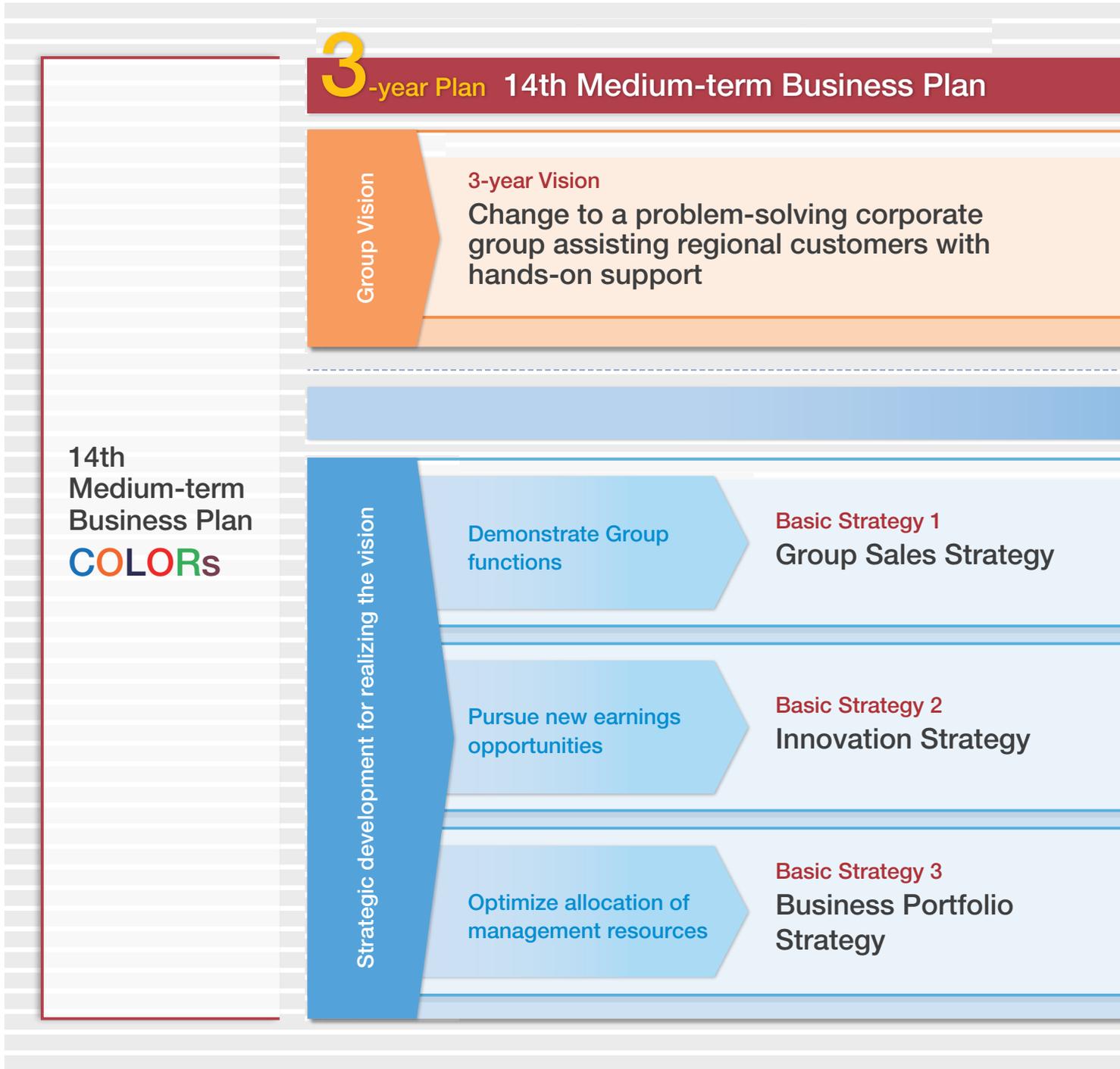
Attractive Shizuoka Bank Group

- Sustainable business model
- Corporate culture that encourages employees to be proud of their region and their company



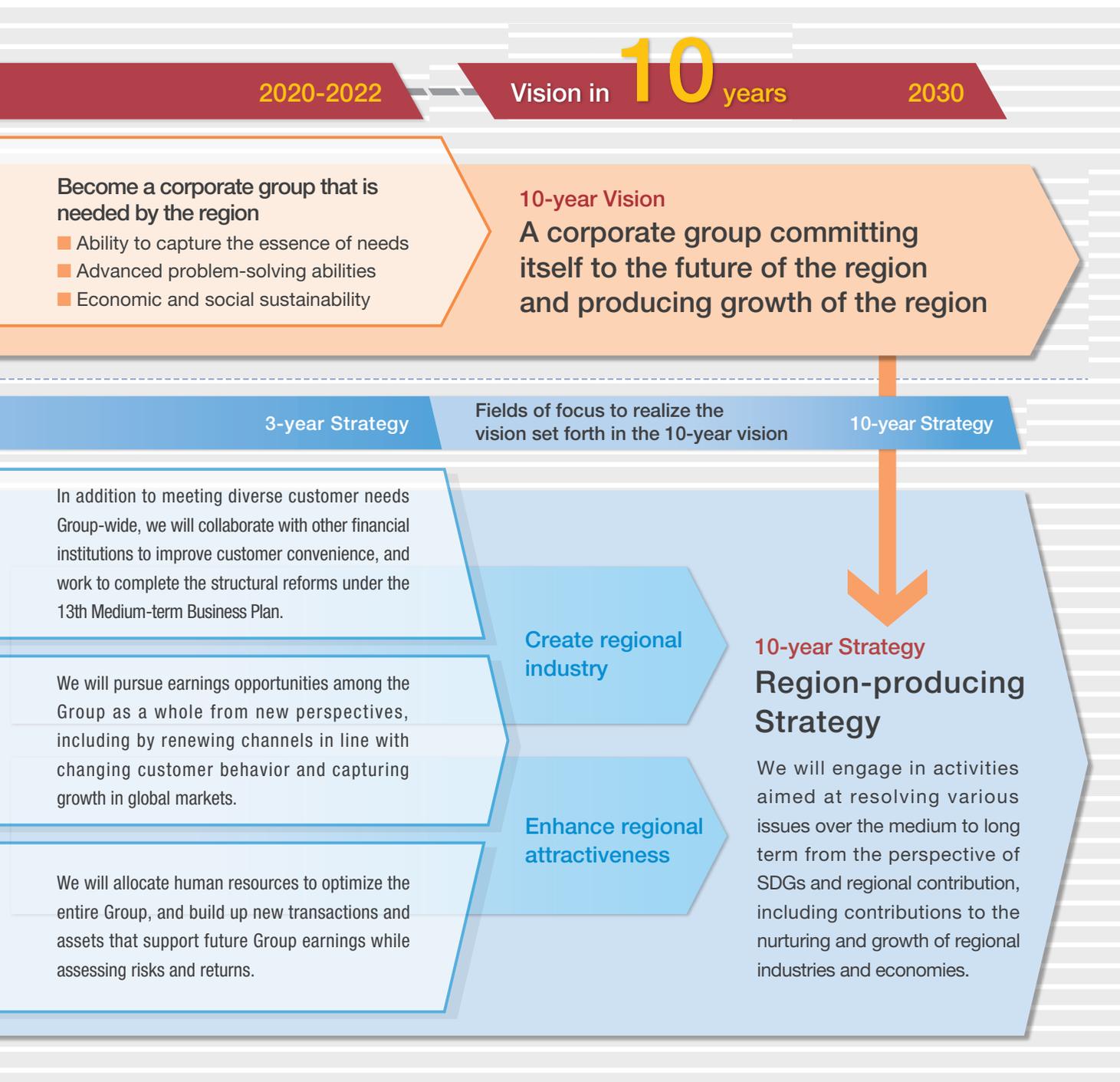


Aspirations behind the name
We aim to find a way out of the traditional “banking-centered” sales style, and realize a new style where everyone in Shizuoka Bank Group works together in providing solutions to diversified needs of the region and customers from various angles.
The name also incorporates our desire to further strengthen initiatives towards diversity and SDGs.



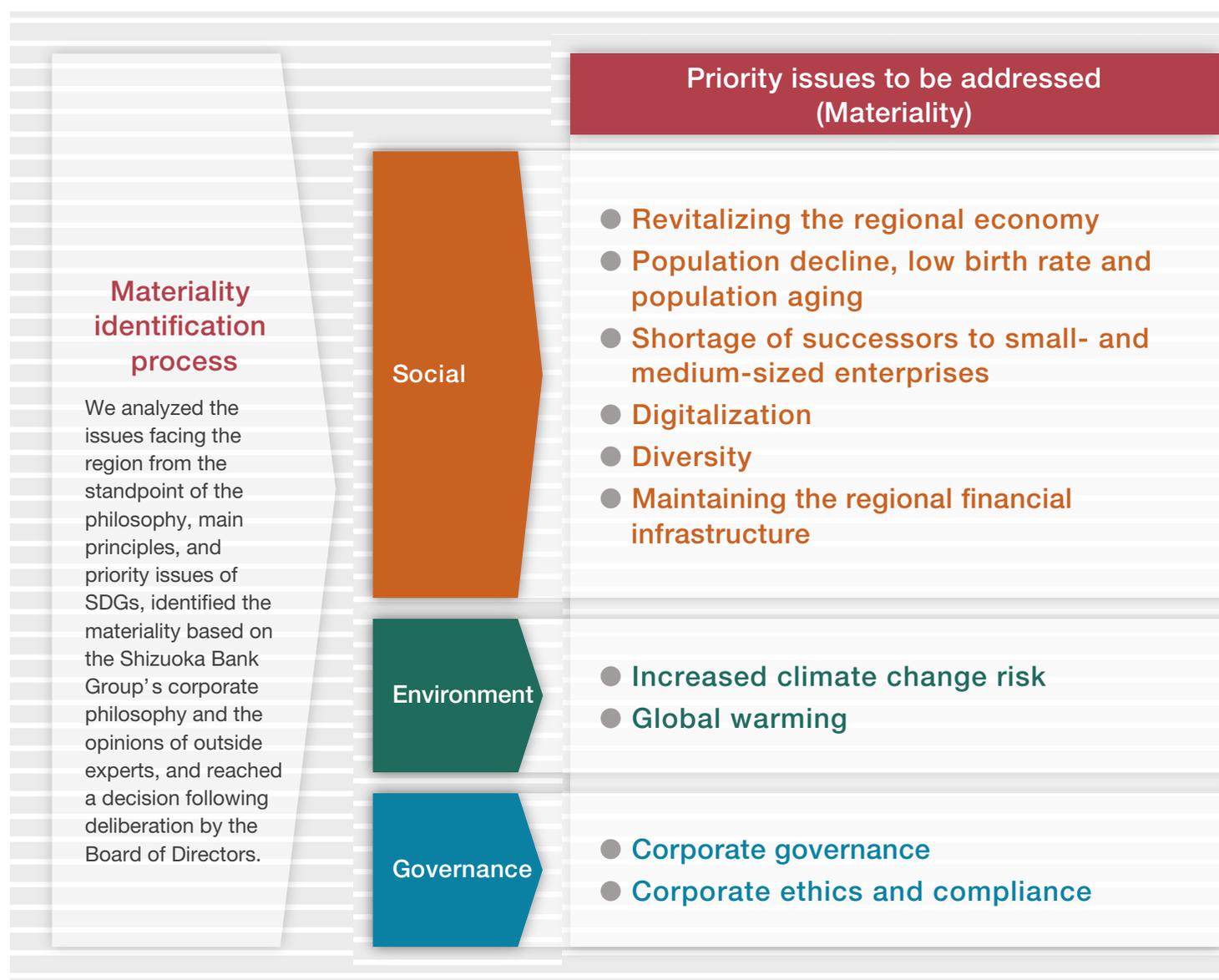
Target performance indicators (consolidated basis)

		Fiscal 2022 plan
Profitability	Ordinary income	¥80.0 billion or more
	ROE	5% or more
Financial soundness	Common equity Tier 1 ratio	14% or more
Other	OHR	Around 55%
	Shareholder return	50% or more over the medium to long term



Realizing Sustainability Management

When formulating the 14th Medium-term Business Plan, the Shizuoka Bank Group identified the priority issues (materiality) that must be addressed in order to realize a sustainable society and maintain and enhance corporate value, and reflects these in our management strategy.



SUSTAINABLE DEVELOPMENT GOALS



Sustainable Development Goals (SDGs)

The Sustainable Development Goals (SDGs) were adopted unanimously at the UN summit in September 2015.

A set of 17 goals and 169 targets were set as development goals to be achieved by 2030 by the international community including developed countries.

SDGs are universal goals applicable to all countries for resolving social issues, such as poverty and hunger, and other issues, including the environment, gender equality, energy, and the working environment. SDGs need to be addressed by a global partnership involving all stakeholders, including governments, civil society, and the private sector.

Related SDGs



Main initiatives in the 14th Medium-term Business Plan

Basic Strategy 1

- Respond to diverse customer needs through the financial functions of the Shizuoka Bank Group
- Support for business succession and asset succession
- Provide services based on the concept of financial Gerontology
- Review branch functions in response to customer needs

Basic Strategy 2

- Device-free financial services
- Technological innovation through investment in venture companies

Basic Strategy 3

- Diverse working styles, participation and advancement of women, diversified human resources, respect for human rights

10-year Strategy

- Returning of networks with startup companies to the region
- Enhance regional attractiveness by utilizing regional platforms

- Promotion of environmentally friendly financial services
- ESG investment and utilization of green bonds
- Response to climate change

- Advanced corporate governance
- Strengthened measures against money laundering

Providing Comprehensive Financial Services as an Integrated Group

An Introduction to the Shizugin Group

Sixteen highly-specialized group companies (including three equity-method affiliates) provide comprehensive financial services to customers in the region



TOPICS

● Shizugin TM Securities
Newly Opened the Yamanashi Head Office
 (April 2021)
 As part of the Shizuoka Yamanashi Alliance, the company established its Yamanashi Head Office inside the Head Office of Yamanashi Chuo Bank. The company will respond to a broad range of asset management needs by providing a full selection of products and services to Yamanashi Chuo Bank customers.

● Shizugin IT Solution
Launched IT Solutions Provision Services
 (July 2021)
 The company launched the IT solutions provision services aimed at supporting digitalization and digital transformation that will contribute to enhancing the profitability and productivity of customers in the region.

Information Technology

- Shizugin IT Solution

Overseas Subsidiaries

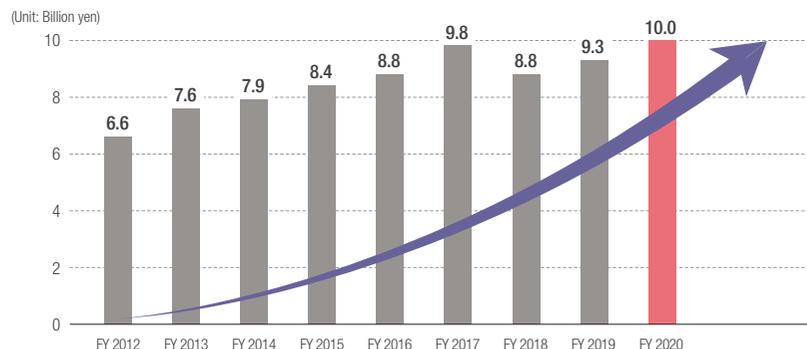
- Shizuoka Bank (Europe) S.A.
- Shizuoka Liquidity Reserve Limited

Other Equity-method Affiliates

- Monex Group
- Commons Asset Management

Performance of Group Companies

Our group companies have strengthened their collaboration with the Bank and responded to diverse customer needs. As a result, the combined ordinary profit of our 13 consolidated subsidiaries is one of the greatest among regional banks.



Performance of Group Companies (13 Consolidated Subsidiaries) for FY 2020 (Billion Yen)

Company Name	Business	Ordinary Profit	YoY
Shizugin Management Consulting Co., Ltd.	Corporate and financial management advisory services Bill collection services	0.6	-0.1
Shizugin Lease Co., Ltd.	Leasing	1.5	-0.0
Shizugin IT Solution Co., Ltd.	Computer system development and operation	0.3	-0.0
Shizugin Credit Guaranty Co., Ltd.	Guarantee of housing loans, etc.	3.5	+0.8
Shizugin DC Card Co., Ltd.	Credit card and guarantee of consumer loans	1.0	+0.1
Shizuoka Capital Co., Ltd.	Public-offering assistance Support for corporate rehabilitation	0.3	-0.0
Shizugin TM Securities Co., Ltd.	Securities	2.7	+0.7
Shizuoka Bank (Europe) S.A.	Finance and securities-related matters	-0.1	-0.1
Shizuoka Liquidity Reserve Limited	Purchase of monetary receivables	0.1	-0.7
Shizugin General Service Co., Ltd.	Fee-based job placement service, general administration	0.0	+0.0
Shizugin Mortgage Service Co., Ltd.	Appraisal of real estate for loan collateral Operation center for loans	0.1	-0.0
Shizugin Business Create Co., Ltd.	Operation center for remittance and bill collection Part-time employee management	0.0	+0.0
Shizugin Heartful Co., Ltd.	Making, printing, and binding of various documents	0.0	+0.0
Total (13 Companies)		10.0	+0.7

● Shizuoka Capital Initiatives to Support Venture Companies and Corporate Rehabilitation

The company established the 8th Shizuoka Capital Investment Limited Partnership in April 2020, for the purpose of supporting venture companies, and the 6th Shizuoka Small and Medium-sized Enterprises Support Investment Limited Partnership in January 2021, for the purpose of supporting the rehabilitation of small and medium-sized enterprises.

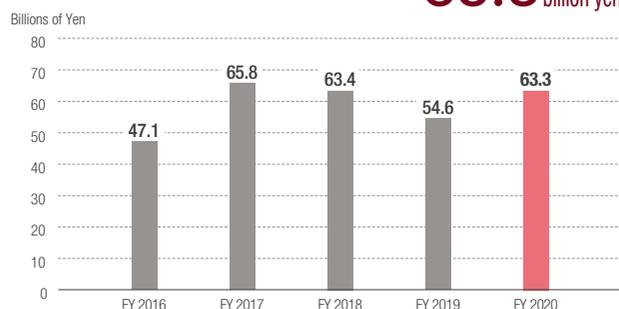
● Shizugin Credit Guaranty External Guaranty Initiatives

The company launched initiatives to guarantee housing loans provided by ARUHI Corporation from July 2018, and au Jibun Bank Corporation from January 2021, aiming to pioneer new business domains beyond credit guarantees for Shizuoka Bank's housing loans.

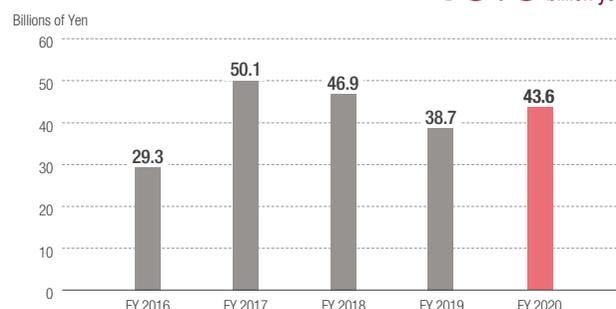
Financial Highlights

Main Items

Ordinary profit (consolidated) **63.3** billion yen



Net profit attributable to owners of the parent **43.6** billion yen



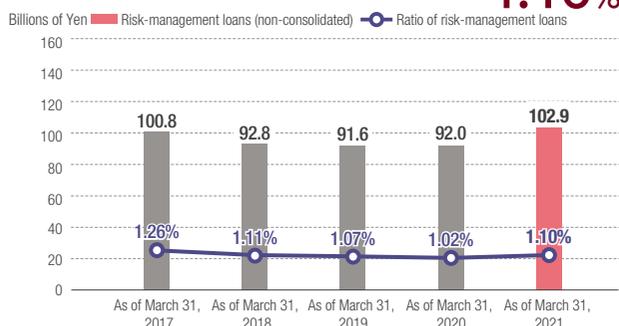
Balance of total loans (average balance, non-consolidated) **9,234.2** billion yen



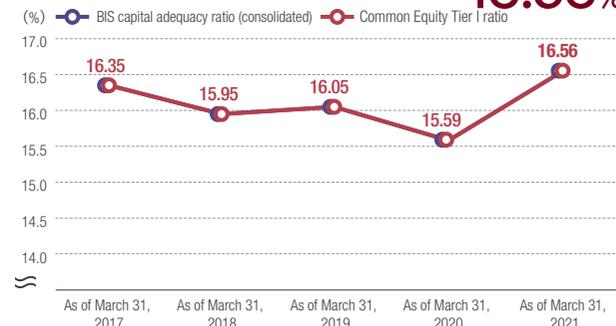
Total deposits (average balance, non-consolidated) **10,582.3** billion yen



Ratio of risk-management loans (non-consolidated) **1.10%**



BIS capital adequacy ratio (consolidated) **16.56%**



Credit Ratings (Moody's) (As of July 1, 2021) **A1**

	Long-term rating	Short-term rating
Moody's	A1	P-1
Standard & Poor's	A-	A-2
Rating and Investment Information, Inc.	AA-	-

Shareholder return ratio (10-year average, consolidated) **48.2%**

Important Items	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2011-FY 2020 (10-year average)
Dividend per share	20.0 yen	21.0 yen	22.0 yen	22.0 yen	25.0 yen	-
Dividend payout ratio	41.5%	24.9%	27.6%	32.6%	32.8%	25.7%
Shareholder return ratio	70.6%	44.3%	49.1%	54.9%	32.8%	48.2%

Non-Financial Highlights (results for fiscal year 2020)

Environment



12.4%

reduction in CO₂ emissions by the Shizuoka Bank Group
(FY 2019 results, compared to FY 2013)



66%

of accounts opened are ECO Accounts*

*Includes Online General Accounts opened without a passbook, and WebWallet Internet branch accounts



50.3%

reduction in paper documents at corporate headquarters

(compared to FY 2011)

Social



Created environments where business could continue even in the COVID-19 crisis

TECH BEAT Shizuoka*

17,195 views

Held online business talks

413 times

*Forum for business matching between technology start-ups and companies within Shizuoka Prefecture



Hosted Shizuoka Kids' Academy

18 times

(Total since FY 2016)



Completed **242** cases of corporate rehabilitation support initiatives and helped

25,023 people

secure continued employment or re-employment through corporate rehabilitation and business succession support

(Total since FY 2005)

■ Corporate rehabilitation support initiatives: **58**
Number completed: **12**



16.9%

ratio of women in leadership positions

External Recognition

Certification under the Act on Promotion of Women's Participation and Advancement in the Workplace



"Eruboshi"
Certified as an outstanding company for initiatives related to the participation and advancement of women

Certification under the Act on Advancement of Measures to Support Raising Next-Generation Children



"Platinum Kurumin"
Certified as a company engaged in initiatives towards a high level of support for parenting

Certified Health & Productivity Management Organization Recognition Program



2021
健康経営優良法人
Health and productivity

Certified Health & Productivity Management Organization (large enterprise category)

Governance

(As of July 2021)

Composition of the Board of Directors



Directors from within the Company: 6
[6 males]

Representative Directors:	3
Executive Directors:	2
Non-executive Directors:	1



Outside Directors:

4

[3 male, 1 female]

Composition of the Audit & Supervisory Board



Audit & Supervisory Board Members from within the Company: 2

[2 males]

Outside Audit & Supervisory Board Members:

3

[2 males, 1 female]

Initiatives for SDGs

Services

Region-based relationship banking



- Solutions for Various management Issues
- Smooth Supply of Funds to Companies in the Region
- Meet needs of corporate customers
- Support for overseas business development → P45
- Regional revitalization
 - Coordinate among industry, government, academia, etc. and facilitate the development of businesses that contribute to regional development
 - Hosting the Shizuoka Kids Academy, an event for elementary school children in the region, where they can learn about local history, culture and industries
- Support for business restructuring and turn-around
 - Support business restructuring and turn-around of customers through building business plans, alliances with external agencies, and utilizing business regeneration fund
 - Around 240 companies completed business turn-around since 2005 and secured local employment for 25,000 people, maintaining a vibrant local economy.



Life-plan support for our customers

- Proposals personally tailored to each individual customer
 - We provide a full range of products and services to meet customers' financial needs for each life event, such as starting work, getting married, giving birth or buying their own home
- Inheritance solutions and asset succession support
 - We present a range of services related to inheritance and advancements, allowing customers wishing for a smooth succession to spend their old age in security

Environment

Shizuoka Bank Group protects rich and comfortable natural environment in our hometown and contributes to realization of sustainable society not only by considering the environment in our own corporate activities but also by actively addressing environmental issues through our core business centering on finance in local community.

Shizuoka Bank Group Environmental Policy

1. Compliance with relevant laws and regulations: We comply with laws and regulations related to the environment. We also take a sincere approach to the requirements from domestic and international

guidelines for realization of sustainable society, reflecting it in our corporate activities.

2. Reduction of environmental impact: We strive to reduce our environmental impact by introducing new technologies and renewable energy and promoting energy and resource conservation.
3. Development of products and services: We contribute to realization of sustainable society together with our business partners by developing environmentally friendly products and services.
4. Recognition of climate change risks: We recognize that the impact of climate change will continue to be a management risk for the Shizuoka Bank Group in the future and strive to enhance our risk management and information disclosure. We also set specific environmental targets and work to achieve them.
5. Enlightening activities: We engage in environmental conservation activities as a company, raising awareness of environmental issues among each and every executive and employee of the Shizuoka Bank Group and leading to actions that contribute to realization of sustainable society.
6. Governance: We report to management on the status of our initiatives for environmental conservation and climate change and verify their effectiveness. In addition, we strive to enhance our efforts through repeated communication with each stakeholder.

Positive Impact Finance



The Shizuoka Bank, with the cooperation of the Shizuoka Economic Research Institute, has established a framework for small and medium-sized enterprises (SMEs) to evaluate the spillover effect of corporate activities on the regional economy, and contribution to resolving unique regional issues. In January 2021, we concluded the first ever positive impact finance contract with an SME in Japan.

We will continue to fulfill our responsibilities as a regional financial institution, striving for sustainable development in the region.

*What is positive impact finance?

In positive impact finance, we engage in a comprehensive analysis of the impacts of corporate activities on each facet of the environment, society and economy, and fund initiatives aimed at enhancing positive impacts and reducing negative impacts.

We use degree of contribution to the achievement of the SDGs as our performance indicator, and disclose information on these initiatives.

Investment and Loan Policy for Specific Sectors



In April 2021, we established the "Investment and Loan Policy for Specific Sectors" in order to make prudent decisions on investments and loans that are likely to contribute to negative impacts on the environment and society, and to reduce or avoid such impacts.

The Policy clarifies our resolution that we in principle do not invest in and loan to coal-fired power generation that are considered to have high environmental effect, and our policy against cluster bombs, inhumane weapons manufacturing, palm oil plantation development, and deforestation.

Investment and Loan Policy for Specific Sectors (excerpt*) Coal-fired power generation

Initiatives for environmental protection, climate change, and sustainable energy are positioned as some of the most important social missions of financial institutions.

Shizuoka Bank Group actively supports renewable energy projects while not investing in and loaning to new coal-fired power generation in principle.

Addressing environmental issues through financial operations



We support our customers' environmental protection initiatives in various ways by utilizing our comprehensive financial functions.

- Consulting on gaining certification for environmental management systems
- ECO Account
 - A part of reduced costs by not issuing a bank book is donated to groups that promote environmental protection.
- "Fujisan"* Time Deposit * Fujisan = Mt. Fuji
 - All interest on the deposit is donated to groups that promote environmental protection.)

Reducing the environmental impact of the Shizuoka Bank Group



As a part of the environmental protection activities, we are working to reduce CO2 emissions in order to mitigate global warming.

- Reduction of energy consumption
- Reduction of paper usage
- Recycling of paper
- Zero emissions
- Green purchasing
 - Prioritize purchase of environmentally conscious products for use as novelties
- Introduction of advanced energy-saving facilitiesw
- Introduction of eco-friendly cars

Reinforcing employee efforts to tackle environmental issues in the community and at home



We are reinforcing our employees' efforts to tackle environmental issues in the community and at home by conducting an awareness survey on the mitigation of global warming and disseminating information on the environment.

- Small Kindness Movement
 - Voluntary activities, including tree planting, forest maintenance, and clean-ups. Administrative offices are established within a group company to facilitate employees' vigorous involvement.
- Shizugin Furusato* Environmental Protection Fund Charitable Trust
 - Financial support is provided through the Trust to individuals and groups in Shizuoka Pref. that promote environmental protection.

*Furusato = hometown

Response to Climate Change (Initiatives to Support the TCFD Recommendation)



In March 2020, the Shizuoka Bank announced its support for the TCFD* Recommendations. While proceeding with analyses of climate change scenarios and enhancing our information disclosure, we will work together as a Group to help the region transition smoothly to a decarbonized society.

The four measures advocated by the TCFD Recommendations are as described on the right.

*Task Force on Climate related Financial Disclosures



Governance	<p>We recognize that the impact of climate change is a business risk for the Shizuoka Bank Group, and revised our environmental policy to clarify our intention to contribute to realizing a sustainable society through our main business in April 2021.</p> <p>The progress of climate change countermeasures, established under our Medium-term Business Plan and operational plans, is regularly reported to management, and their effectiveness evaluated.</p>
Strategy	<ul style="list-style-type: none"> ■ Opportunities: Support customers' capital investment and use of leasing to decrease GHG emissions, and actively support the review of business operations through consulting and funding, to transition to a decarbonized society. ■ Physical Risks: Analyze scenario of climate change based on recent natural disaster resulting from climate change, and grasp impact to the Bank's finance; consider implementing a system to analyze the impact of climate change on loan collateral in FY2021. ■ Transition Risks: Analyze and grasp risks resulting from transition to decarbonized society in policies on climate change, regulation, and innovation considering that ratio of carbon-related loan to total loan is 1.2%.
Risk management	<ul style="list-style-type: none"> ■ Judge whether or not to extend such loan that may affect environment and society based on Credit Policy. ■ In April 2021, we established our Investment and Loan Policy for Specific Sectors, including the principle not to fund coal-powered electricity generation, which has a high environmental impact.
Indicators and goals	<ul style="list-style-type: none"> ■ Environment-related loans in FY2020 totaled JPY 35.6bn (compared to the target of JPY 30.0bn); we will consider establishing long-term targets such as financing amounts and numbers, to achieve a decarbonized society across the region. ■ Aim to reduce the balance of investment and loans to coal-powered electricity generation to zero by around FY2040 (the balance stood at JPY 17.9bn, or 0.15% of total loans, as of the end of March 2021). ■ Aim to reduce GHG emissions by 26% compared to FY2013 levels in FY2030;* CO2 emissions in FY2019 were 15,489t (down 12.4% since FY2013). <p style="text-align: right;">*To be revised depending on circumstances</p>

Social

Diversity



- Empowering woman in the workplace
 - Promote women with a goal of increasing the ratio of women in the leadership positions (section chief or higher) to more than 22% by the end of FY2023
- Support for working parents
 - Well-developed childcare leave system and shorter working hours system during childcare
 - A work-from-home system
- Promotion of participation by persons with disabilities
 - Employment rate of persons with disabilities satisfying the statutory rate (2.3%)
 - Founded Shizugin Heartful Co., Ltd. (in October 2019), to provide proactive support for persons with disabilities to gain autonomy and participate in society
- Joined [The Valuable 500] 

Countermeasures against financial crime

- Compensation system for victims of financial crimes
 - Compensation for losses attributable to counterfeit or unauthorized use of stolen cards
 - Compensation for losses attributable to unauthorized withdrawals using stolen bankbooks
 - Compensation for losses attributable to unauthorized withdrawals using online banking services
- Various security measures
 - Cash card security measures
 - PIN Code Reset Service on ATMs, issuing of IC cash cards which are difficult to counterfeit
 - Online security measures
 - Implementation of strict personal identification, countermeasure against phishing and spyware
 - Sophisticated authentication by the use of one-time password

Development of human resources in the region



- Financial education
 - Organizing bank visits and providing presentations for elementary, junior high, and high school students
- Holding a financial quiz competition for high school students
- Acceptance of internships

Promotion of culture and sports

- Holding of concerts featuring leading artists from Japan and abroad
- Holding of performances of rakugo, the traditional Japanese performing art of comic storytelling
- Sponsorship of children's soccer competitions and baseball competitions

Countermeasures against large-scale disasters



- Establishment of a system for ensuring business continuity
 - A business continuity plan (BCP) has been established for continuation or early recovery of critical operations in the event of a large-scale disaster or the outbreak of an infectious disease posing a high risk. The BCP is reviewed and updated on a continuous basis.
 - Measures are taken to protect buildings from earthquakes, and private power generation systems, emergency communication equipment, and other materials and equipment for disaster countermeasures are installed.
 - The Emergency Countermeasures Office is located at the headquarters to enable us to assist people in the region in the event of a disaster.
- Countermeasures against tsunami
 - When rebuilding a branch in an area that may be affected by a tsunami, the new building will be designed such that the roof is higher than the expected height of the tsunami.
 - A staircase is installed enabling direct access from outside the branch to the roof so that anyone can use it as a safe haven in the event of a disaster.

Raising awareness about human rights



- Provision of education and training about human rights to new employees and employees at various levels

Governance

Further Strengthening of Corporate Governance

→ P36

Thorough Enforcement of Compliance and Risk Management

→ P38

Countermeasures to Prevent Money Laundering and Provision of Funds to Terrorists

→ P40

PICK UP

Shizuoka Yamanashi Alliance

Concluded the Shizuoka Yamanashi Alliance, a comprehensive business alliance with The Yamanashi Chuo Bank, Ltd., on October 28, 2020.



- Under the Alliance, premised on the independent management of each bank, and the maintenance of their respective customer bases, corporate brands, and branch networks, we will promote measures with a sense of speed centering on the following five initiatives.
 - Collaborate to contribute to economic development in both prefectures (including the expansion of sales channels of customers of the two banks and support for business expansion, etc.)
 - Earn revenue through the mutual utilization of management resources, such as group company functions
 - Reduce costs by sharing various systems and back-office operations
 - Share branches in overlapping areas and mutually utilize branch offices to expand sales areas
 - Develop human resources through initiatives such as dispatching trainees, personnel exchange, joint employee training, etc.
- The two banks aim to achieve combined benefits from the alliance (over a five-year period) of 10.0 billion yen or more.

Personnel interaction

To promote mutual understanding of the corporate cultures of the two groups and to enhance the effectiveness of alliance measures, we conduct personnel interaction in a variety of fields such as finance (2 people), innovation (1 person), and life planning (16 people).

Moreover, we provide opportunity for interaction of young employees and of prospective employees, and games between sports clubs of both groups in order to stimulate communication between employees of both groups.

Yamanashi Head Office of Shizugin TM Securities

Shizugin TM Securities has opened its Yamanashi Head Office in the building of Head Office of Yamanashi Chuo Bank on April 20, 2021.

This has enabled Shizuoka Bank Group to develop new markets and Yamanashi Chuo Bank to meet a wider range of needs for asset building and asset management by providing the securities functions of Shizuoka Bank Group to Yamanashi Chuo Bank.



Jointly host events for individual business talks for customers

The two banks jointly hold individual business meetings which local companies in Shizuoka and Yamanashi prefectures join as buyers.

We are working to further revitalize the local economy by supporting customers of both groups develop sales channels and to increase consumption of locally produced products.



静岡・山梨
アライアンス

Shizuoka・Yamanashi Alliance

Further Strengthening of Corporate Governance

The Shizuoka Bank Group is strengthening its management systems to enhance corporate value.

Corporate Governance Policies

The Shizuoka Bank Group continuously strives to reinforce its system of corporate governance, in order to achieve sustained growth and enhance corporate value. For this purpose, it has established the following corporate governance policies.

1	The Shizuoka Bank establishes a suitable date to hold general meetings of shareholders and publishes notices of these meetings (including English translations) on the Shizuoka Bank website. By continually implementing initiatives such as these aimed at a more vigorous general meeting of shareholders and the smooth exercise of shareholders' voting rights, we will secure the rights and equality of shareholders.
2	So that the Shizuoka Bank can continue to be a financial institution that is trusted and chosen by all stakeholders, including shareholders, region, customers and employees, we will strive for balance in corporate management by addressing diverse viewpoints, including economic, social and environmental perspectives, and work towards enhancing sustainability.
3	The Shizuoka Bank will engage in appropriate disclosure based on the Banking Act, Financial Instruments and Exchange Act and other laws and regulations, as well as securities listing regulations of Japanese stock exchanges. In addition, we will strive to disclose information voluntarily, including non-financial information, to ensure the soundness and transparency of management.
4	In addition to appointing several independent officers and drawing on the functions of the Nomination & Remuneration Committee (an optional committee consisting of a majority of outside directors), the Advisory Board (a management advisory committee consisting mainly of external specialists) and the Committee of Administrative Supervision (a committee to reinforce supervision of the execution of duties, with members including all outside directors), the Shizuoka Bank strives to strengthen its corporate government system through continuing consideration of optimal systems for the Bank, including the evaluation of other modes of governance apart from that of a company with an Audit & Supervisory Board.
5	The Shizuoka Bank engages in constructive dialogue with shareholders through proactive investor relations activities, in order to contribute to the sustained growth and enhanced corporate value over the medium to long term.

Establishment of the corporate governance system

FY2006	Established the Basic Policy Regarding the Design of Internal Control Systems
FY2007	Introduced performance-linked compensation and stock compensation-type stock options
FY2008	Established the Advisory Board (optional organizational body)
FY2013	Established the Committee of Administrative Supervision (optional organizational body) Appointed one outside director
FY2015	Appointed two outside directors Introduced a directors' retirement benefit system based on a points system linked to share price Established a Remuneration Committee (optional organizational body) Hosted the first discussion meeting for independent officers Began effectiveness evaluations of the Board of Directors as a whole Hosted the first discussion meeting between representative directors and independent officers
FY2020	Appointed three outside directors Introduced a restricted share-based compensation system Introduced mandate contracts for executive officers
FY2021	Established the Nomination & Remuneration Committee (optional organizational body) Appointed four outside directors (out of ten directors)

Framework

Board of Directors

The Board of Directors consisting of 10 directors (including 4 outside directors who are independent officers as stipulated by the Tokyo Stock Exchange Inc.) is responsible for management-level decision-making and supervision. The Board of Directors decides on important management strategies, such as medium-term business plans and operational plans, and basic policies relating to compliance and risk management. It also oversees the execution of operations.

Audit & Supervisory Board

The Shizuoka Bank has adopted the Audit & Supervisory Board Member system of governance. The Audit & Supervisory Board consists of 5 Audit & Supervisory Board members (including 3 outside Audit & Supervisory Board members who are independent officers). Audit & Supervisory Board members audit directors' performance of their duties based on the auditing standards for Audit & Supervisory Board members.

Optional Organizational Bodies

Committee of Administrative Supervision

The Committee of Administrative Supervision has been established to reinforce supervision of execution of operations by the Board of Directors. This committee, consisting mainly of directors who are not involved in execution of operations and are selected by the Board of Directors, monitors the situation of the execution of

Composition of the Board of Directors and Audit & Supervisory Board

	Officers from within the Bank	Outside officers
Directors: 10	Representative directors: 3 Executive directors: 2 Non-executive director: 1 (6males)	4 (3 male, 1 female)
Audit & Supervisory Board members: 5	2 (2 males)	4 (3 males, 1 female)

operations by the executive departments, and requests improvement if necessary.

Advisory Board (management advisory committee)

In response to enquiries by the President, the Advisory Board deliberates on the validity and appropriateness of important matters of corporate governance, including matters pertaining to all aspects of management, and any issues related to management.

Nomination & Remuneration Committee

The Bank has established a Nomination & Remuneration Committee where outside directors compose of a majority of members, with outside Audit & Supervisory Board members participating as observers.

The Nomination & Remuneration Committee responds to enquiries on matters such as the nomination of officers, and discusses matters such as the development of senior management, in order to further enhance objectivity and transparency in the selection and development of senior management.

Moreover, from the perspective of further enhancing transparency in the determination of officers' compensation, and to increase the fairness and acceptability of the compensation decision process, the Nomination & Remuneration Committee also sets standards for

compensation, and deliberates on matters including the allocation of performance-linked compensation, as an optional body to determine compensation, authorized by the Board of Directors.

Enhancing the Effectiveness of Corporate Governance

Leveraging the Expertise of Outside Officers

In order to fully draw on the expertise of outside directors and outside Audit & Supervisory Board members, and have lively discussion at Board of Directors meetings, the Bank provides opportunities for these outside officers to receive briefings on the businesses of the Shizuoka Bank Group, its medium-term business plan and operational plans, at the time they assume office.

Materials to be used at meetings of the Board of Directors are distributed to participants, and they are briefed by the responsible unit prior to each meeting.

Discussion meetings for independent officers have been held several times every year since fiscal 2015.

In addition, based on opinions expressed at discussion meetings for independent officers*, the Bank is striving to enhance the provision of information to independent officers and invigorate communication with independent officers, by creating opportunities for the exchange of opinions between independent officers and officers and employees from within the Bank.

Discussion meetings involving independent officers in recent years

(FY2019)

Discussion meeting for independent officers*	2
Discussion meeting with representative directors	1
Discussion meeting with general managers of business units (area officers)	1
Discussion meeting with executive officers and general managers of offices and branches	1

(FY2020)

Discussion meeting for independent officers*	3
Discussion meeting with representative directors	2
Discussion meeting with female employees	1

*Discussion meeting involving only independent officers

Evaluation of the Effectiveness of the Board of Directors as a Whole

A questionnaire survey on the effectiveness of the Board of Directors as a whole has been conducted in December each year since fiscal 2015, targeting directors and Audit & Supervisory Board members. The Board of Directors conducts discussions and evaluations based on the results of the survey.

Evaluation of the survey results for fiscal 2020 showed that, subsequent to the previous evaluation, the Board of Directors engaged in discussions concerning the selection and development of senior management in relation to succession planning, and established the Nomination & Remuneration Committee involving all outside officers in October 2020. In addition, efforts were made to enhance the opportunities for communication between independent officers and those responsible for business execution on site, and training opportunities for officers, and it was judged that the Board of Directors was operated appropriately and its effectiveness was ensured. It was determined that, in

the future, the Board of Directors should work to reinvigorate discussion aimed at clarifying the Group's management perspective and appropriate risk-taking, and enhance the provision of information to outside officers from business execution departments, including those on site, in order to further improve effectiveness.

Overview of the results of the evaluation of the effectiveness of the Board of Directors as a whole for fiscal 2020

Achievements	<ul style="list-style-type: none"> Established the Nomination & Remuneration Committee involving all outside officers Held discussion meetings between independent officers and those responsible for business execution on site Held corporate governance study sessions for officers, led by external instructors
Future initiatives	<ul style="list-style-type: none"> Reinvigorate discussion aimed at clarifying the Group's management perspective and appropriate risk-taking Enhance the provision of information to outside officers from business execution departments, including those on site

Directors' Compensation

Basic Policies

- The compensation system shall be designed to include appropriate incentives and encourage morale and desire for enhanced performance, the motivation to increase corporate value, and shareholder-oriented management, to achieve sustainable and stable growth for the Shizuoka Bank Group.
- The compensation system shall function to control risk-taking within appropriate bounds, as well as maintain and enhance sound management practices, in view of the Shizuoka Bank Group's responsibility to engage in appropriate management and administration as a highly public institution.
- The fairness and objectiveness in the process for determining compensation, etc. shall be ensured, under appropriate supervision from the Board of Directors, including the involvement of the Nomination & Remuneration Committee, while respecting the resolutions of the General Meeting of Shareholders.

In addition to fixed monetary compensation, directors' compensation comprises performance-linked compensation, stock compensation-type stock options and a directors' retirement benefit based on a points system linked to share price. This system of compensation encourages morale and desire for enhanced performance, the motivation to increase corporate value, and shareholder-oriented management.

The upper limits of each component of compensation were determined by resolutions of the 101st, 109th, and 114th Annual General Meetings of Shareholders held in June 2007, June 2015, and June 2020, respectively. The Board of Directors is entrusted to allocate each component of compensation by the general meeting of shareholders that adopted each component.

Restricted share-based compensation and the points for directors' retirement benefits based on a points system linked to share price are allocated by resolution of the Board of Directors.

By resolution of the Board of Directors, the Nomination & Remuneration Committee is entrusted to

allocate fixed monetary compensation and performance-linked compensation.

Upper limits of each component of compensation

(Total for all directors)

Compensation component	Upper limit
Fixed monetary compensation	No more than ¥300 million
Performance-linked compensation	An amount corresponding to the level of net income, not exceeding ¥140 million
Restricted share-based compensation system	No more than ¥50 million per year
Directors' retirement benefits based on a points system linked to share price	No more than 50,000 points per year (each point is worth one share)

Compensation apart from fixed monetary compensation

Performance-linked compensation

The Bank has introduced a system of performance-linked compensation, indexed to net income attributable to owners of the parent, aimed at encouraging morale and desire for enhanced performance among directors (excluding outside directors and part-time directors).

Restricted share-based compensation system

The Bank has introduced* a restricted share-based compensation system that grants no more than 50 million yen and 50,000 shares of common stock per annum with certain transfer restrictions attached, with the aim of providing incentives to directors (excluding outside directors and part-time directors) to work on the sustainable enhancement of corporate value, and to promote the further sharing of value with shareholders.

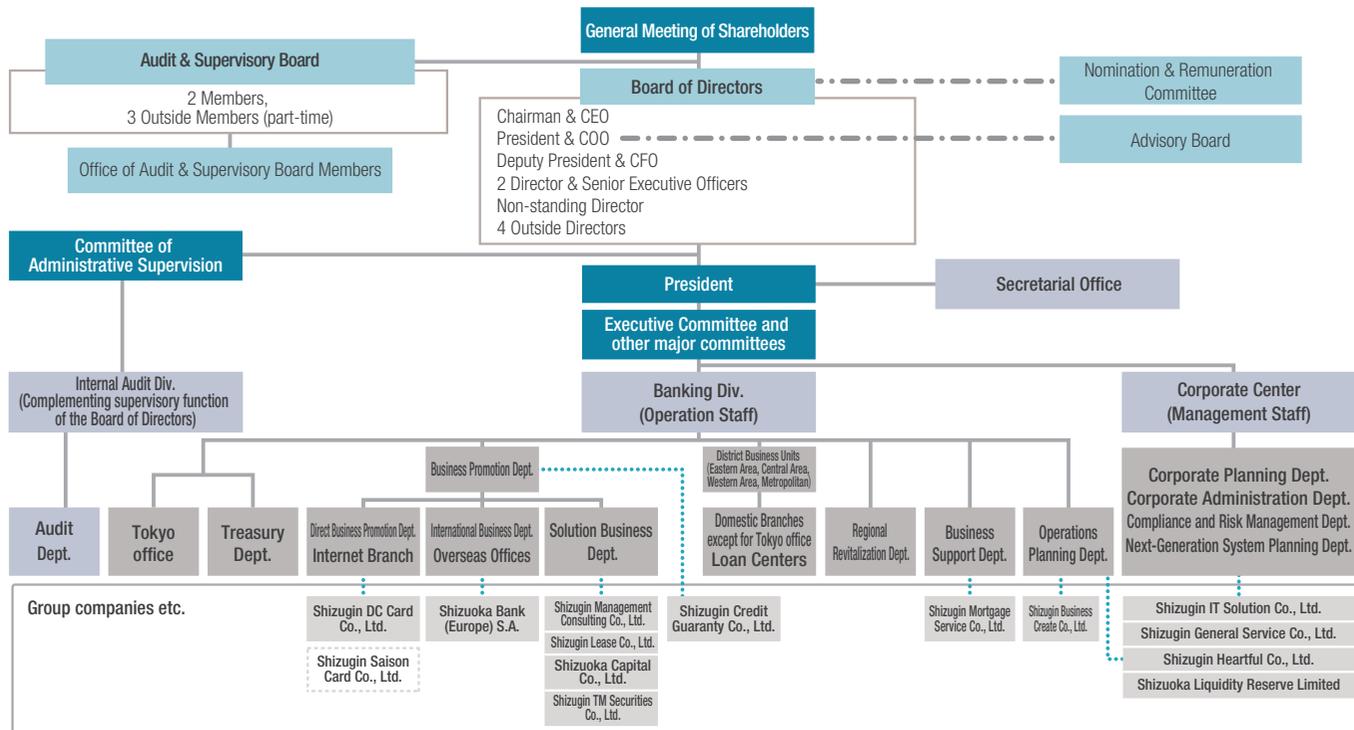
*In accordance with the introduction of this system, the existing system of stock compensation-type stock options was abolished with the exception of those stock options that have already been granted.

Directors' retirement benefits based on a points system linked to share price

The Bank has introduced a system of directors' retirement benefits based on a points system linked to share price, where retiring directors receive a monetary amount linked to the share price, with the aim of further strengthening the incentive for directors to increase corporate value during their terms of office. Directors (except for outside directors and part-time directors) are allotted a specific number of points each year. On retiring, directors receive an amount in cash equivalent to their accumulated points multiplied by the average share closing price of Shizuoka Bank during the six-month period immediately prior to retirement.

Shizuoka Bank Group's Corporate Governance System

(as of July 1, 2021)



Executive Committee and other major committees: Executive Committee, Compliance Committee, Committee for Integrated Risk and Budget Management, and Credit Committee

*The Nomination & Remuneration Committee, the Advisory Board, and the Committee of Administrative Supervision are not committees pursuant to the Companies Act but optional organizational bodies.

*Dotted lines in the figure indicate supervision over operations of the Shizuoka Bank Group companies (contacts for consultation, support, etc.)

*Measures to ensure appropriateness of operations of the Shizuoka Bank Group include the following: the Group Representative Management Liaison Meeting consisting of representatives of the Shizuoka Bank and its Group companies which is held periodically; the full-time Audit & Supervisory Board Members of the Shizuoka Bank serving as part-time audit & supervisory board members of Group companies; and the general managers of the Bank's departments that supervise Group companies, the General Manager of the Corporate Planning Dept., and the General Manager of the Human Resources Development Dept. serving as part-time directors of Group companies.

*Shizugin Saison Card Co., Ltd. is an equity-method affiliate. Likewise, Monex Group, Inc. and Commons Asset Management, Inc. are also equity-method affiliates.

Thorough Enforcement of Compliance and Risk Management

The Shizuoka Bank Group is engaged in initiatives to further strengthen its compliance and integrated risk management systems, in order to respond accurately and appropriately to changes in the business environment, as well as factors such as the diversification and increasing complexity of operations.

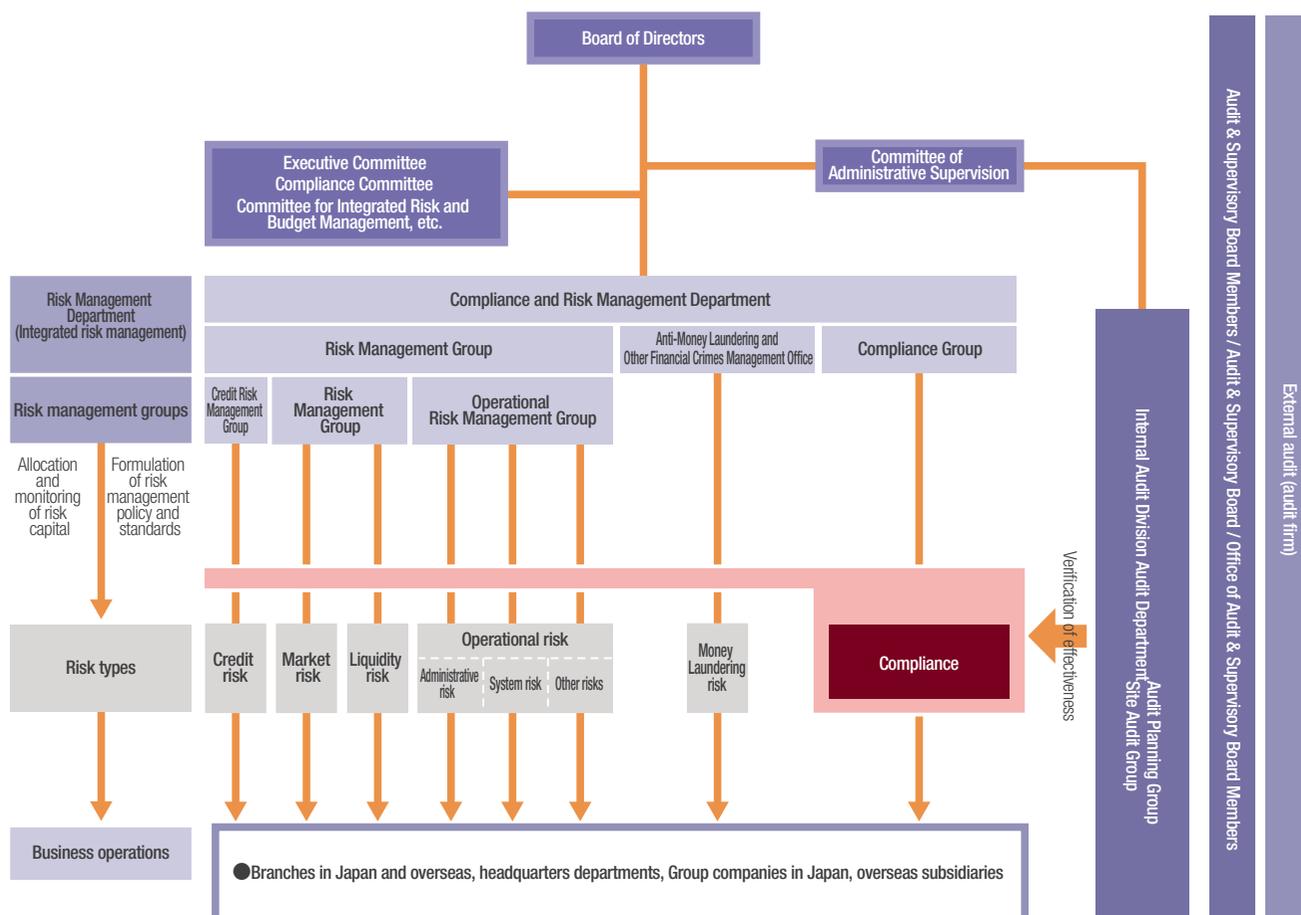
Basic Compliance Policy

As a member of the local community, the Shizuoka Bank Group complies with laws, regulations, and social norms and embraces a spirit of fair play. To achieve a harmonious relationship with the community for further

development, the Bank has established an Ethical Charter, which sets out the Bank's basic compliance policy.

Ethical Charter	
Gaining Trust	We are constantly aware of the importance of the Bank's social responsibility and public mission. As a banking group, we strive to build unshakable trust through sound business management.
Compliance with Laws, Regulations and Rules	In the conduct of our business, we comply with laws, regulations, and Company rules and, on the basis of honesty and fairness, we adhere to social norms as a member of society.
Social Etiquette and Fair Play	As executives and employee of the Shizuoka Bank Group, we contribute to the development of the local community by fostering a strong social etiquette and a spirit of fair play.
Breaking Contact with Anti-Social Forces	The Shizuoka Bank Group adamantly rejects the unreasonable demands made by anti-social forces and groups that offend public order and morals and absolutely refuses to deal with such groups.
Active Communication	We actively communicate with stakeholders and cooperate with them to build a strong compliance system.

Shizuoka Bank Group's Compliance and Risk Management Systems



Compliance System

At the Shizuoka Bank Group, the Board of Directors formulates the Compliance Program, an annual action plan.

The Compliance Committee, chaired by the President and consisting of directors and other executives, meets monthly to deliberate on important compliance-related matters and assess the operation of the compliance system across the Shizuoka Bank Group, including the progress toward achievement of the goals of the Compliance Program. The committee reviews and revises the Compliance System as deemed necessary.

The Compliance Department monitors the functioning of the compliance system through integrated management of compliance-related information to prevent possible compliance violations and strengthen the compliance system. Compliance Officers and officers responsible for the management of risk-bearing products assigned to the Compliance Department provide guidance to the Bank's branch offices and conduct monitoring, through on-site checks.

Compliance managers and compliance promoters are assigned to all branches of the Bank, headquarters departments, and Group companies where they conduct compliance inspections and draft reports on day-to-day business operations. The Audit Department of the Internal Audit Division verifies the appropriateness and effectiveness of the compliance system.

Cultivating Compliance-centered Corporate Culture

Management is actively involved in compliance activities to enhance awareness of all employees of the Shizuoka Bank Group concerning compliance. For example, directors directly give instructions about compliance, taking the opportunity of branch managers' meetings and visits to branch offices.

The Bank's measures to foster and raise compliance awareness include the following:

Shizugin Compliance Book

The Bank has established standards of conduct vis-à-vis laws and regulations that must be observed in the execution of day-to-day business activities. The Shizugin Compliance Book, which is on the enterprise network for reference by all officers and employees of the Shizuoka Bank Group, provides clear explanations concerning the relevant laws and regulations.

"Opinion Box" Internal Reporting System

For early detection and remediation of compliance-related issues, such as violation of laws and regulations, the Bank has established the "Opinion Box," an internal reporting system via which all executives and employees of the Shizuoka Bank Group can directly report, so as to enhance the self-corrective function.

Reports can be made to the Executive in charge of compliance, the Compliance Management Department, and attorneys' offices by phone, in writing, by email, or

through groupware regardless of whether anonymous or not. The name of the person making a report will not be disclosed without his or her consent. In order to encourage use of the Opinion Box, it is stipulated that under no circumstances are executives or employees permitted to seek to identify the person reporting and no one who reports shall be treated unfavorably.

Compliance Education and Training

The Bank conducts ongoing educational activities for the practice of compliance, such as training for executives and employees and the holding of monthly study groups at branches.

Countermeasures to Prevent Money Laundering and Provision of Funds to Terrorists

The importance of countermeasures to combat money laundering and the provision of funds to terrorists is increasing in recent years, as an issue that Japan and the international community must tackle. The Shizuoka Bank regards these issues not only in terms of compliance, but also in terms of coping with the risks, which may develop into management issues. As such, the Shizuoka Bank Group is making a concerted effort to enhance the effectiveness of such countermeasures, with initiatives to strengthen its preparedness such as the establishment of the Anti-Money Laundering and Other Financial Crimes Management Office in April 2018.

Shizuoka Bank's control systems

Category	Department	Role
First line of defense (sales division)	Branches, loan centers etc.	Proper understanding and accurate executing of policy and procedures
Second line of defense (management departments)	Anti-Money Laundering and Other Financial Crimes Management Office, Department responsible at headquarters	Monitoring and support of the first line of defense (sales division)
Third line of defense (Internal Audit Division)	Audit Department	Verification of the effectiveness of countermeasures to combat money laundering and the provision of funds to terrorists

The control system established by the Shizuoka Bank is based on the idea of "three lines of defense" indicated in the "Guidelines for Anti-Money Laundering and Combating the Financing of Terrorism" established by the Financial Services Agency.

The Shizuoka Bank will continue to cooperate with related government departments and agencies to strengthen countermeasures to combat money laundering and the provision of funds to terrorists, aiming to eliminate criminal organizations and activities from the Bank's finances, and continuing to provide safe and convenient financial services.

Risk Appetite Framework (RAF)

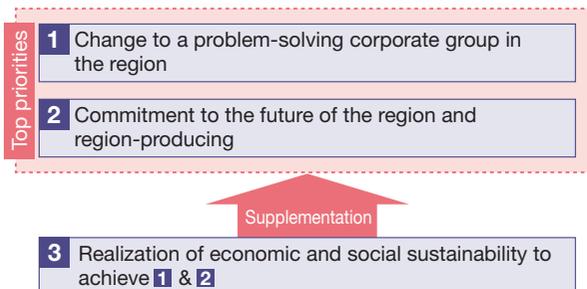
The Shizuoka Bank Group has clarified the risk appetite (types and amount of risks that the Group is willing to take) in order to realize its corporate philosophy and management targets, and uses RAF as a method of corporate administration and risk management.

The specific process is shown in the table on the right. The aim is to use RAF to realize optimum risk return and achieve the medium- to long-term growth of the Shizuoka Bank Group.



14th Medium-term Business Plan Group Risk Appetite Basic Policy

- ① By prioritizing the use of management resources and risk-taking with regard to initiatives in the region that is our management base, and strategically allocating resources with a focus on human resources in particular, we will transform into a corporate group that can provide diversified solutions and enhance our presence in the region.
- ② To continue to exist as a corporate group that is needed by the region, we will complement our earnings by taking risks to increase earnings through risk capital allocation (investments and loans in growth areas and fields).



Integrated Risk Management Systems

The Shizuoka Bank Group has established a basic framework, including definitions of risk, an organizational structure for risk management, and specific risk control procedures based on the Basic Risk Management Regulations, which lay down the fundamental principles that underlie our approach to risk management.

To ensure an appropriate balance between raising earnings levels and financial sustainability, the Bank's risk management is based on the allocation of risk capital as an integral part of its integrated risk management system.

The allocation of risk capital is a mechanism to ensure the soundness of management by keeping risk

within a manageable range. Shizuoka Bank defines core shareholder's equity as capital for allocation and allocates it to all departments involved in business execution. Even if market risk, credit risk and other risks were to materialize, the resulting losses would be controlled within the bounds of shareholders' equity.

Credit Risk Management System

The Credit Risk Management Group of the Compliance and Risk Management Department is responsible for overall management of credit risk relating to the Shizuoka Bank Group's operations both in Japan and overseas in order to maintain and enhance the soundness of the Group's loan asset portfolio. In the Bank's internal rating system, including its borrower credit rating system, which is the foundation stone of its credit risk management, the Credit Risk Management Group of the Risk Management Department is responsible for the design of the system and supervision of its operation; the Ratings Assessment Group of the Credit Department is responsible for the day-to-day operation of the credit rating system; and the Risk Management Group of the Risk Management Department is responsible for verification of the appropriateness of the system. Mutual checks and balances among these three units facilitate greater precision and proper functioning of the Bank's internal ratings system.

The Credit Risk Management Group uses statistical methods to quantify latent credit risk in the Bank's loan portfolio. In this way, the Bank accurately assesses the amount of future risk, monitors the concentration of loans to particular large borrowers or specific industries, and thus controls the portfolio to avoid excessive credit risk.

The Audit Department, which is organizationally independent of the Banking Division, the Credit Department, and the Risk Management Department, audits the appropriateness and effectiveness of the design and operation of the credit risk management system.

Market Risk Management System

In market transactions, the Shizuoka Bank Group limits the amount of risk capital allocated and sets various restrictions, such as on gains or losses from valuation of investment securities, and on the amount of exposure or loss depending upon the risk profile of each transaction or financial instrument. In this way, the Group keeps market risk within certain defined levels.

For banking account transactions, centering on deposits, loans, and investment securities, the Business Strategy Planning and ALM Group of the Corporate Planning Department formulates the hedging policies based on current risk conditions and on the outlook for interest rates so as to keep risk volume within a certain range, and these policies are deliberated at the Committee for Integrated Risk and Budget Management.

The organization of the market operations is strictly separated into departments conducting transactions (front office: Treasury Department, etc.), administrative and control departments (back office: Treasury & International Operations Center of the Operations Planning Department), and an independent risk management department (middle office: Risk Management Group of the Compliance and Risk Management Department) for mutual checks and balances. Moreover, the Audit Department, which is independent of the departments responsible for executing transactions, verifies the effectiveness of the mutual checks and balances between these three departments.

Liquidity Risk Management System

The Shizuoka Bank Group has separate yen and foreign currency-denominated financing management departments (Fund & Foreign Exchange Group of the Treasury Department, Treasury & International Operations Center of the Operations Planning Department, etc.), and a liquidity risk management department (Risk Management Group of the Compliance and Risk Management Department) that is entirely independent of the financing management departments. In this way, the Bank has put in place a system that provides mutual checks and balances. The Fund & Foreign Exchange Group of the Treasury Department, which is one of the financing management departments, controls fundraising requirements within procurable levels to avoid excessive fundraising. We conduct stable fund management activities, paying close attention to market conditions. Moreover, the liquidity risk management department monitors the status of financing management departments and assesses the stability of the assets-liabilities structure.

To handle unforeseen circumstances, we proactively prepared an emergency cash flow management system, assuming four stages of emergency: “Stage 1 (preventive stage)”; “Stage 2 (attention required stage)”; “Stage 3 (liquidity concern stage)”; and “Stage 4 (insufficient liquidity stage)”. We predefined countermeasures and authorized persons for each stage, thereby forming a structure capable of swiftly responding to issues should they arise.

With regard to market liquidity risk, the liquidity risk management department routinely monitors the status of highly liquid asset holdings that can be easily monetized. The front office addresses market liquidity risk by selecting investment assets based on their liquidity and setting limits on specific stocks and holding periods.

Operational Risk Management System

Each risk category is managed by a dedicated unit of the Bank, while the Operational Risk Management Group of the Compliance and Risk Management Department is responsible for overseeing and managing operational risk throughout the Shizuoka Bank Group. In line with our basic policies on operational risk

management, we are taking steps to strengthen our operational risk management system through a range of measures including the compilation and analysis of internal loss data and the implementation of a risk control self-assessment. The Audit Department, which is organizationally independent from any of the units that it audits, verifies the effectiveness of the risk management system through on-site inspection, etc.

Administrative Risk Management

The Shizuoka Bank Group has established the Administrative Risk Management Rules that include the Group’s basic policy for administrative risk management and executes operations in accordance with the rules. For administrative incidents that occur, we take preventive steps by according priority to measures for incidents involving higher risk to reduce administrative risk. In response to diversification of operations and increasing transaction volumes, we are promoting the shifting of the administrative function at our branches to a shared services center and the introduction of IT systems to enhance efficiency and thus avert operational risk.

System Risk Management

The Shizuoka Bank Group positions IT systems as a part of information assets. We have established the Basic Policy for Information Asset Security Measures (Security Policy) that includes our basic policy for dealing with system risk. We are implementing various security measures based on the Standards for Information Asset Security Measures (Security Standards) to ensure secure operation of the IT systems.

Prompt and Appropriate Disclosure

To ensure prompt and appropriate provision of corporate information to the Bank’s stakeholders, the Bank conducts comprehensive information disclosure in accordance with the Banking Law and the Financial Instruments and Exchange Act and the securities listing regulations of the Japanese stock exchanges. The Bank also conducts voluntary proactive disclosure by appropriately disclosing information in a consistent, transparent and impartial manner.

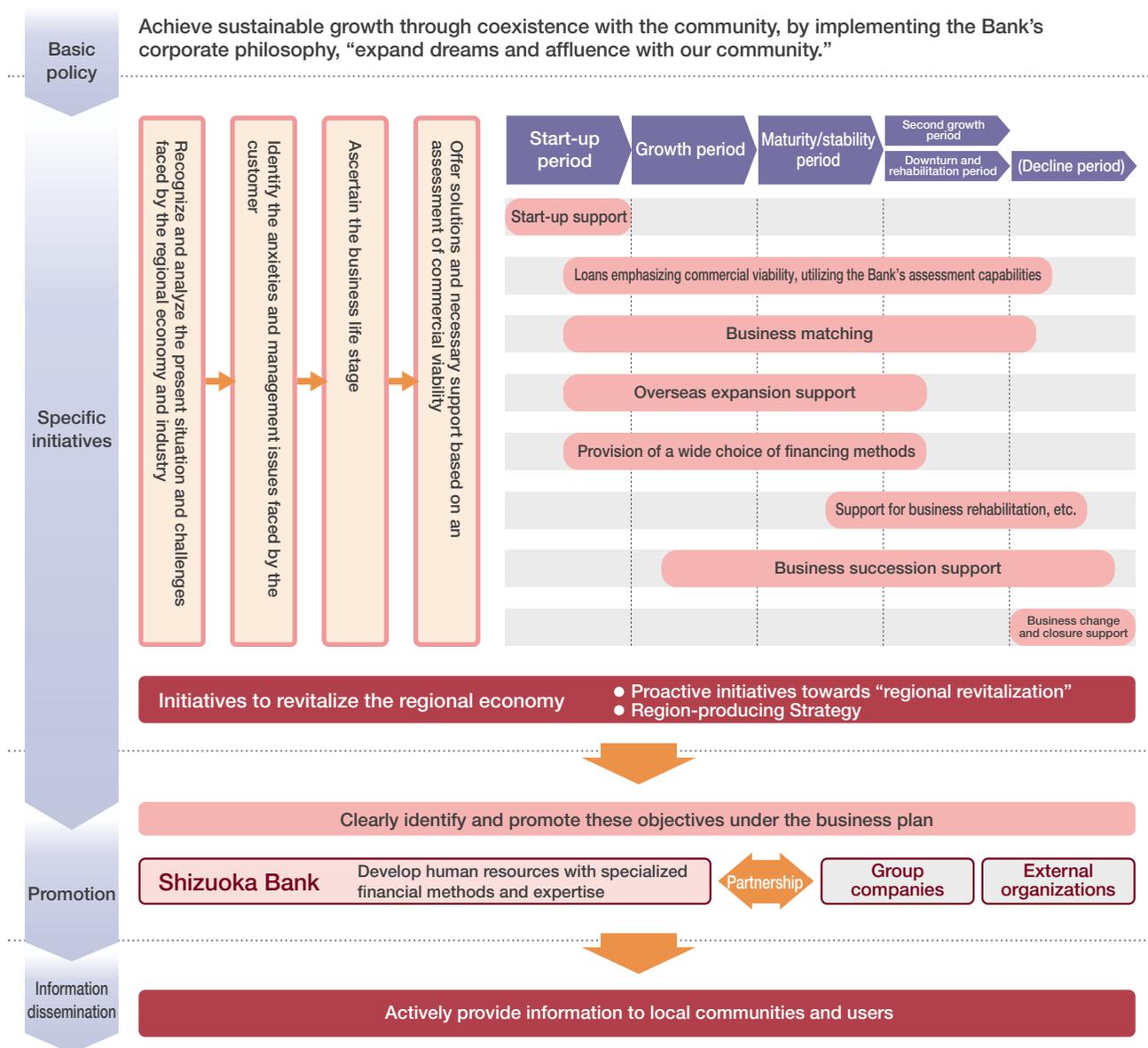
The Information Disclosure Regulations, which set out the policy, procedures, and systems, on information disclosure (Information Disclosure Policy), have been determined by the Board of Directors. In accordance with the Information Disclosure Regulations, the Corporate Planning Department centrally manages various information generated by each group, and the information is disclosed after implementing the predetermined approval procedure according to the specified authorization classification. To maintain prompt and appropriate disclosure, when necessary, the Corporate Planning Department confers with the Compliance Department and the auditing firm, while the Internal Audit Division periodically verifies the appropriateness and effectiveness of the systems and operational administration concerning disclosure.

Region-based Relationship Banking

Basic Policy

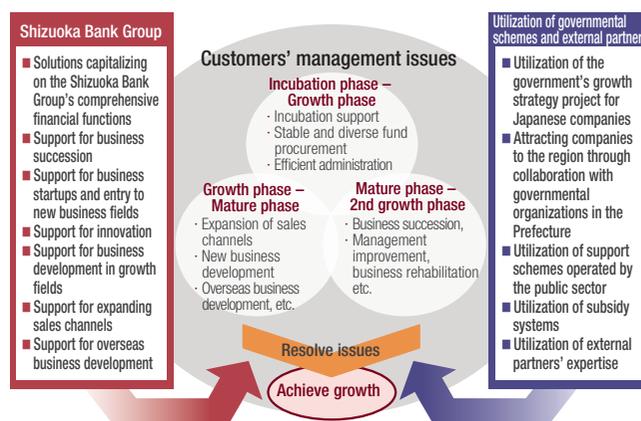
Region-based relationship banking is a business model whereby financial institutions cultivate long-term relationships with customers and offer financial services based on their grasp of customer needs obtained through the relationships.

The Shizuoka Bank Group's basic policy on region-based relationship banking is to "achieve sustained growth in tandem with the region by adhering to the Bank's corporate philosophy, 'expand dreams and affluence with our community.'" By putting this corporate philosophy into practice under the medium-term business plan and annual plans, we are promoting region-based relationship banking and aim to achieve sustained growth by cultivating mutually beneficial relationships with our customers in the region through the provision of value-added services attuned to their needs.



Solutions for Various Management Issues

The Shizuoka Bank will support vitalization of the regional economy and development of customers' businesses over the medium to long term by offering high-value-added solution services and financing attuned to the development phase. When providing support, we utilize an extensive network encompassing Group companies and external partners to offer management support and resolve management issues facing customers engaged in business operations.



Smooth Supply of Funds to Companies in the Region

The Bank works on activation of regional economy by assisting increase in business value of companies and solo proprietors who support regional economy and by stably providing funds for business.

The bank continues assisting increase in business value by supporting growth of customers and providing

appropriate solutions to management issues, as well as providing funds for business to even more customers by promoting loans without overly depending on collateral or guarantee based on proper evaluation of sustainability and prospects.

Meet needs of corporate customers

Support for Companies Amid the COVID-19 Crisis

Shizuoka Bank is working with customers that have been impacted by the spread of COVID-19, providing attentive support in response to their specific needs and challenges, not limited to cash flow support. As the COVID-19 crisis persists long term, we have built systems to respond flexibly to customers' increasingly diverse needs, establishing specialized teams to provide effective partnership-style support.

Cash flow support

In addition to providing a total of 17,444 COVID-19-related loans amounting to 574.9 billion yen as of the end of March 2021, we provide priority support for customers' cash flow through the flexible adjustment of borrowing conditions.

Management Improvement Support in Anticipation of the Post-COVID-19 Era

Shizuoka Bank established a Business Management Support Group in 2003. It is actively engaged in supporting customers' management improvement, over and beyond cash flow support. In fiscal 2020, with many customers seriously impacted by the spread of COVID-19, the Bank engaged in management improvement support for 752 customers (excluding sound borrowers), supported planning and monitoring for 644 customers, while the borrower risk category improved for 26 customers. In addition, we increased the number of responsible personnel in the Business Management

Support Group from five to eleven, and strengthened our support structure to further engage in partnership-style management improvement support in anticipation of the era of coexistence with COVID-19 and the post-COVID-19 era.

Through these management improvement support initiatives, the Business Management Support Group utilizes the expertise it has acquired over many years of service to provide comprehensive support for customers' business continuity.

Business Succession and M&A

With the increasing age of business proprietors, smooth business succession has become a social issue. In this context, we make maximum use of the Shizuoka Bank Group's problem-solving abilities, including our consulting and funding functions, to support business succession for our customers.

We not only understand proprietors' intentions and the direction of future business development, but also matters outside the immediate scope of the business such as the family structure and situation, working with Shizugin Management Consulting, tax accountants and other external specialists to support our customers as they carry out business succession within the same family or M&A.

Through the management of business succession funds, we also support the capital policy of our customers, in ways such as aggregating shareholdings dispersed within and outside families, and responding to demand for the temporary holding of shares.

Human Resources Solution Business

Shizuoka Bank is engaged in the human resources solution business, having obtained a license for fee-based job placement services in July 2020.

We regard personnel-related consultation as an optimal chance to connect with the real management issues faced by our customers. By delving deeper into commercial viability assessment and recruitment needs, we are able to provide our customers with a diverse range of solutions not limited to personnel placement.

An increasing number of proprietors and senior managers are expected to retire through business succession and the further expansion of M&A activities

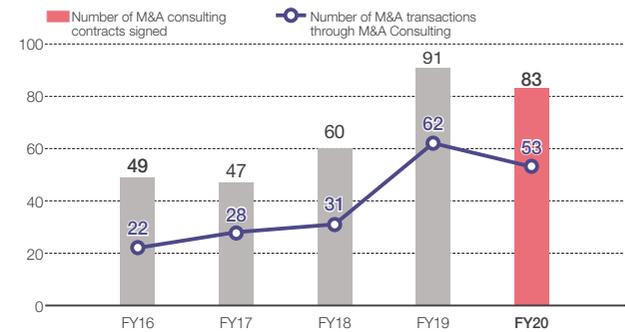
Advanced Technology / Business Matching TECH BEAT Shizuoka

In July 2019, jointly with the Shizuoka Prefectural government, the Bank held a large-scale trade show TECH BEAT Shizuoka, with the aim of promoting collaboration between companies in Shizuoka Prefecture and start-up companies in the Tokyo Metropolitan area, and linking this collaboration to the vitalization of industries in the prefecture and the creation of new industries. The event was a great success, with the

participation of 14 prefectural companies and 48 start-up companies, and attracted approximately 3,300 visitors leading to some 328 business talks during the event.

M&A consulting

Collaboration with Shizugin Management Consulting Co., Ltd.



* Regarding the "number of M&A transactions through M&A Consulting," where separate contracts are concluded with both the acquiring company and the company being acquired, these are counted as two contracts.

"Shizuginship" for Young Managers

Shizuginship is a membership service that the Bank launched in April 2007. It provides a learning and networking opportunity for young managers who will be the next generation of business leaders.

In addition to lectures, seminars and other events, Shizuginship members can access useful information through the dedicated website.

in the future. At the same time, a progressive transformation of industry structures is anticipated due to the development of the IoT, AI and energy technologies, particularly in the automotive industry. In this context, the Bank will work to connect personnel in the local region. By creating a human resources circulation model centered on Shizuoka, with integrated personnel placement services that link job-seekers and companies' recruitment information, we aim to achieve regional revitalization through greater mobility of human resources and job creation.

Since then, we have held the second event online in July 2021, "TECH BEAT Shizuoka for Agri" focusing on the agriculture sector, and "TECH BEAT Shizuoka for Medical Startups" focusing on the medical and health industry sectors. We have held five events in total, attracting a high degree of interest with approximately 20,000 participants (viewers) and 940 business talks.

Again in fiscal 2021, we will support the further growth of companies within Shizuoka Prefecture by introducing the latest technology of startup companies through TECH BEAT Shizuoka, and promoting open innovation.

Support for Overseas Business Development

Support for Overseas Business Development

To support customers in the development of their overseas business, the Shizuoka Bank Group has six overseas offices: two in the U.S. (New York and Los Angeles), one in Europe (Brussels), and three in Asia (Hong Kong, Singapore, and Shanghai).

Support Systems within Japan

Staff responsible for forex solutions, featuring bank personnel with overseas service experience, are stationed in the Bank's International Department, which is engaged in the planning and supervision of support for overseas business development.

Staff responsible for forex solutions cooperate with domestic branches to respond to diverse customer needs, for example providing information on the overseas investment environment, support for expanding sales channels, and financing for overseas businesses.

In addition, they provide information on a broad range of issues, not limited to finance, for customers entering overseas markets for the first time, including lifestyle, accommodation and education for Japanese staff stationed overseas.

Support Systems Overseas

To support customers in the development of their overseas business, the Shizuoka Bank Group has six overseas offices: two in the U.S. (New York and Los Angeles), one in Europe (Brussels), and three in Asia (Hong Kong, Singapore, and Shanghai).

In Asia where robust economic growth is continuing, in addition to the Bank's own offices, we have established a network covering the region through business alliances with local financial institutions, providing hands-on support from overseas expansion to local business development.

Many of our customers are developing their businesses in Thailand, Vietnam and Indonesia. The Bank has dispatched its staff to these countries to provide customers proactive support in local business expansion. Moreover, we host Seiyukai events for customers of Shizuoka Bank, providing an opportunity for our customers to network and exchange information.

Support menu for overseas business development

•Consultation on overseas business development

The Bank provides the latest information and fine-tuned services to meet diverse customer needs, including overseas business development, transactions with foreign companies, and foreign investment.

•Support for export and import transactions

Capitalizing on its experience and overseas network, the Bank facilitates customers' transactions.

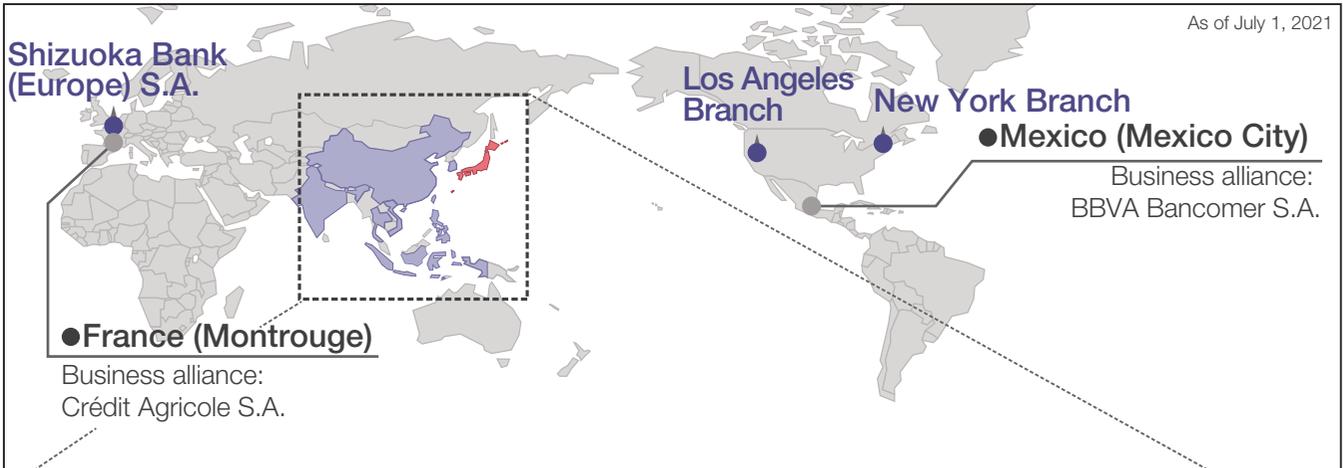
•Financing services

The Bank provides advice on a range of financing schemes for customers' local subsidiaries overseas, including cross-border loans from domestic branches, and stand-by letters of credit to facilitate loans in local currency from our partner financial institutions.

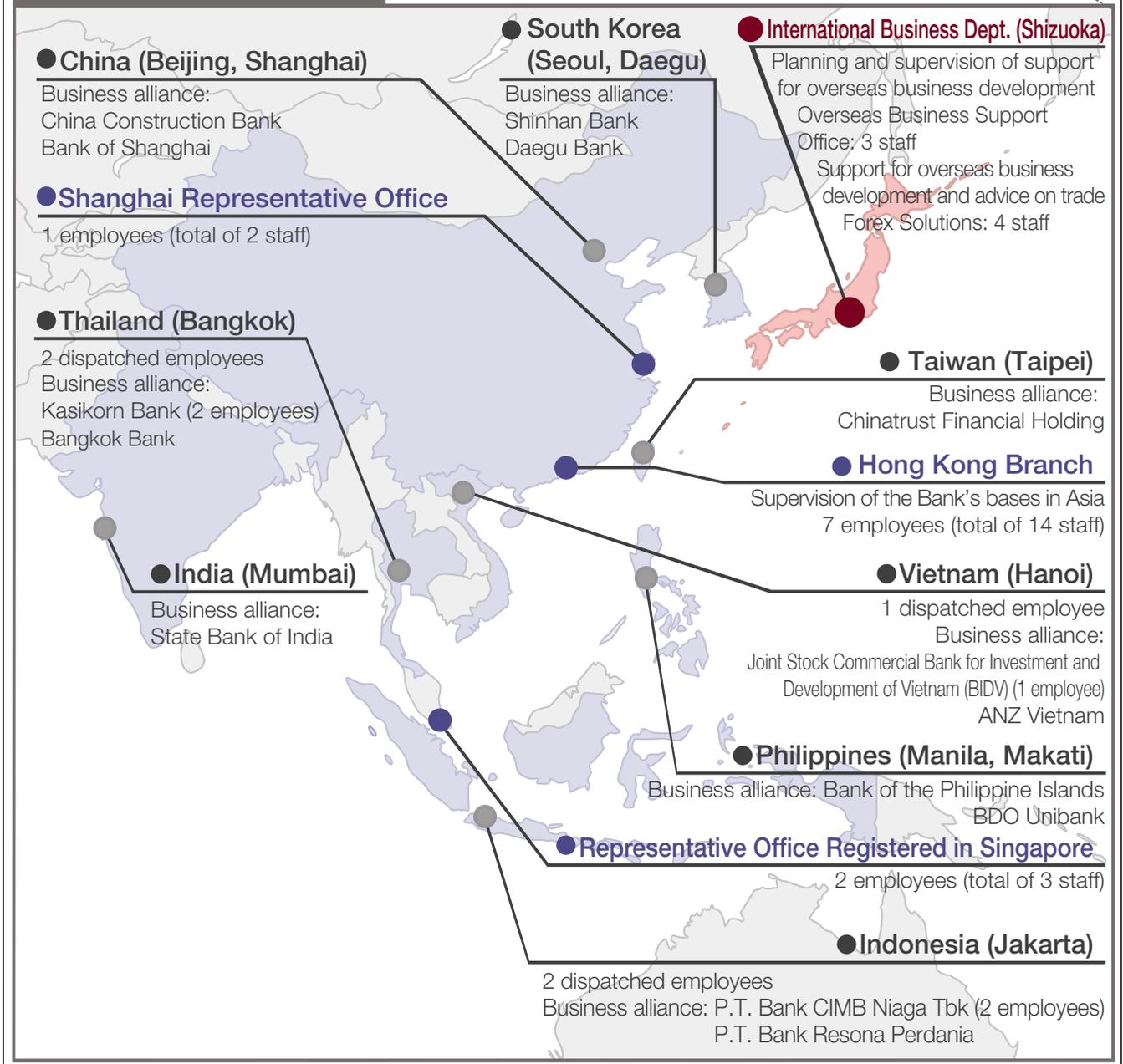
•Guidance on foreign exchange, including overseas remittance and forex risk hedging

Shizuoka Bank Group's Overseas Network (6 Overseas Offices, 16 Partner Financial Institutions)

As of July 1, 2021



Network in Asia



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of The Shizuoka Bank Ltd.:

Opinion

We have audited the consolidated financial statements of The Shizuoka Bank Ltd. and its consolidated subsidiaries (the "Group"), which comprise the consolidated balance sheet as of March 31, 2021, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, all expressed in Japanese yen.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 2 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. The matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

Determination of amounts of loans written-off and allowance for loan losses	
Key Audit Matter Description	How the Key Audit Matter Was Addressed in the Audit
<p>As disclosed in Note 3, "SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Allowance for loan losses" to the consolidated financial statements, the Group determines the allowance for loan losses in accordance with its write-off and allowance standards. In addition, the quality of loans is assessed by the branches and the Credit Supervision Department, with a subsequent audit performed by the Credit Examination Department, which is independent of these branches and departments, in accordance with the Group's policy and rules for self-assessment of asset quality. The Group recorded the allowance for loan losses in the amount of ¥53,901 million for loans and bills discounted in the amount of ¥9,303,121 million on the consolidated balance sheet as of March 31, 2021.</p> <p>The Group determines the category of borrowers comprehensively considering the information of each borrower, including financial information, future forecasts, loan contract terms, transaction histories and other qualitative information. Among these, future forecasts include business plans developed by the borrowers such as budgets, medium-term management plans and business improvement plans.</p> <p>For loans to borrowers for which the allowance for loan losses is determined using the "DCF" method, the Group records the allowance for loan losses by estimating the cash flows from collection of principals and interests of the loans based on the borrowers' business plans. As a result, the Group's assessment of the borrowers' business plans could have a significant impact on the allowance for loan losses.</p> <p>As disclosed in Note 4, "SIGNIFICANT ACCOUNTING ESTIMATE (Recording of allowance for loan losses)" to the consolidated financial statements, the borrowers' business plans involve uncertainty since they include assumptions related to future forecasts such as sales projections, estimated cost reduction and expected repayment of loans. Especially, the sales projections are estimated based on assumptions regarding the impact of COVID-19 as well as market growth potential and price trends in the industry where the Group</p>	<p>Our audit procedures performed included the following, among others:</p> <ul style="list-style-type: none"> ● We made inquiries and inspected related documents to test the effectiveness of controls related to the Group's assessment of the reasonableness of the significant assumptions used in the borrowers' business plans based on the analysis of business plans and their progress. ● We tested the significant assumptions used in the business plans of specific borrowers by evaluating the sufficiency and reliability of information used by the Group and performing the following procedures using information from external and other sources: <ul style="list-style-type: none"> ➢ We evaluated the reasonableness of the sales projections used in the borrowers' business plans by comparing them with historical sales, recent status of customer orders received including the impact of COVID-19 and the market environment. ➢ We determined whether the estimated cost reduction used in the business plans were consistent with the sales projections and whether targets and methods for cost reduction were clearly defined. ➢ We determined whether the expected repayment of loans used in the business plans was supported by reasonable estimates of the cash flows which were consistent with the sales projections and the estimated cost reduction. ➢ We evaluated the need to revise the business plans by comparing them with the historical results and testing the Group's causal factor analysis for borrowers showing high divergence.

operates. Therefore, such estimates involve high level of uncertainties and judgment made by the Group.	
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Based on the above, we identified the significant assumptions used in the business plans of specific borrowers, such as sales projections, as a key audit matter.	
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Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are

inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit & Supervisory Board members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Audit & Supervisory Board members and the Audit & Supervisory Board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Deloitte Touche Tohmatsu LLC

June 4, 2021

Consolidated Balance Sheet

THE SHIZUOKA BANK, LTD. and Consolidated Subsidiaries March 31, 2021

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	2021	2020	2021
Assets:			
Cash and due from banks (Notes 13 and 31)	¥ 2,097,487	¥ 1,384,218	\$ 18,945,786
Call loans and bills bought (Note 31)	150,926	169,388	1,363,260
Monetary claims bought	31,524	35,820	284,748
Trading assets (Notes 5 and 31)	18,464	14,429	166,780
Money held in trust (Note 6)	104,100	4,000	940,294
Securities (Notes 7, 13, and 31)	1,954,159	1,633,713	17,651,158
Loans and bills discounted (Notes 8, 13, 14, and 31)	9,303,121	8,939,666	84,031,449
Foreign exchanges (Note 9)	14,474	11,921	130,743
Lease receivables and investment assets (Note 29)	83,747	82,181	756,459
Other assets (Notes 10 and 13)	192,273	139,205	1,736,729
Tangible fixed assets (Note 11)	57,611	63,025	520,385
Intangible fixed assets (Note 11)	50,051	46,457	452,091
Asset for retirement benefits (Note 19)	13,057	7,883	117,939
Deferred tax assets (Note 28)	3,159	3,074	28,540
Customers' liabilities for acceptances and guarantees (Note 12)	55,644	52,928	502,613
Allowance for loan losses (Note 31)	(53,901)	(45,087)	(486,870)
Allowance for investment losses	(54)	(55)	(494)
Total Assets	¥14,075,848	¥12,542,772	\$ 127,141,616
Liabilities and Equity:			
Liabilities:			
Deposits (Notes 13, 15, and 31)	¥11,145,906	¥10,105,519	\$ 100,676,597
Call money and bills sold (Note 31)	102,210	131,103	923,229
Payables under repurchase agreements (Notes 13 and 31)	357,952	333,380	3,233,242
Payables under securities lending transactions (Note 31)	143,311		1,294,474
Trading liabilities (Note 5)	3,016	4,113	27,248
Borrowed money (Notes 13, 16, and 31)	890,515	671,333	8,043,680
Foreign exchanges (Note 9)	609	623	5,509
Bonds payable (Note 17)	33,783	33,914	305,150
Bonds with stock acquisition rights (Note 17)	33,213	32,649	300,000
Borrowed money from trust account	214	229	1,938
Other liabilities (Note 18)	119,631	111,646	1,080,583
Liability for retirement benefits (Note 19)	3,423	19,515	30,924
Provision for directors' retirement benefits	357	401	3,231
Provision for losses from reimbursement of inactive accounts	786	1,225	7,099
Provision for contingent losses	1,369	1,447	12,367
Provision for point program	460	420	4,157
Reserves under special laws	11	11	105
Deferred tax liabilities (Note 28)	78,052	49,513	705,014
Acceptances and guarantees (Note 12)	55,644	52,928	502,613
Total Liabilities	12,970,470	11,549,977	117,157,169
Equity: (Notes 20, 21, 22, and 36)			
Capital stock, authorized, 2,414,596 thousand shares; issued, 595,129 thousand shares in 2021 and 605,129 thousand shares in 2020	90,845	90,845	820,573
Capital surplus	54,884	54,884	495,746
Subscription rights to shares	330	361	2,989
Retained earnings	743,157	721,793	6,712,652
Treasury stock-at cost, 21,086 thousand shares in 2021 and 31,226 thousand shares in 2020	(20,371)	(30,125)	(184,006)
Accumulated other comprehensive income:	235,111	153,789	2,123,670
Valuation difference on available-for-sale securities	231,196	154,363	2,088,309
Deferred gains or losses on hedges	(98)	407	(893)
Foreign currency translation adjustments	1,212	(1,103)	10,954
Defined retirement benefit plans	2,800	121	25,298
Total	1,103,958	991,549	9,971,625
Noncontrolling Interests	1,419	1,245	12,821
Total Equity	1,105,378	992,794	9,984,447
Total Liabilities and Equity	¥14,075,848	¥12,542,772	\$ 127,141,616

See notes to consolidated financial statements.

Consolidated Statement of Income

THE SHIZUOKA BANK, LTD. and Consolidated Subsidiaries Year ended March 31, 2021

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	2021	2020	2021
Income:			
Interest Income:			
Interest on loans and discounts	¥ 99,171	¥105,585	\$ 895,777
Interest and dividends on securities	21,860	24,118	197,460
Other interest income	1,247	5,151	11,267
Subtotal	122,279	134,856	1,104,505
Fees and Commissions	71,955	68,599	649,943
Trading Income	3,553	3,047	32,093
Other Operating Income (Note 23)	12,504	9,833	112,952
Other Income (Note 24)	21,396	13,359	193,262
Total Income	231,689	229,696	2,092,758
Expenses:			
Interest Expense:			
Interest on deposits	3,409	13,311	30,800
Interest on borrowings and rediscounts	932	5,181	8,423
Other interest expense	4,754	10,173	42,943
Subtotal	9,096	28,666	82,167
Fees and Commission Payments	39,746	37,793	359,018
Other Operating Expenses (Note 25)	5,463	1,939	49,353
General and Administrative Expenses (Note 26)	93,715	87,571	846,495
Other Expenses (Note 27)	22,974	19,129	207,516
Total Expenses	170,997	175,100	1,544,552
Income before income taxes	60,691	54,596	548,205
Income Taxes: (Note 28)			
Current	21,209	16,571	191,580
Deferred	(4,240)	(765)	(38,300)
Total income taxes	16,969	15,805	153,279
Net Income	43,722	38,791	394,926
Net Income Attributable to Noncontrolling Interests	83	88	757
Net Income Attributable to Owners of the Parent	¥ 43,638	¥ 38,703	\$ 394,168

	Yen		U.S. Dollars (Note 2)
	2021	2020	2021
Per Share: (Note 35)			
Basic net income	¥76.02	¥67.19	\$0.68
Diluted net income	73.31	65.40	0.66
Cash dividends applicable to the year	25.00	22.00	0.22

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

THE SHIZUOKA BANK, LTD. and Consolidated Subsidiaries Year ended March 31, 2021

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	2021	2020	2021
Net Income	¥ 43,722	¥ 38,791	\$ 394,926
Other Comprehensive Income (Loss): (Note 34)			
Valuation difference on available-for-sale securities	76,975	(39,243)	695,292
Deferred gains or losses on hedges	(501)	(263)	(4,530)
Foreign currency translation adjustments	2,064	(956)	18,650
Defined retirement benefit plans	2,678	(782)	24,197
Share of other comprehensive income in associates	196	(243)	1,772
Total other comprehensive income (loss)	81,414	(41,488)	735,383
Comprehensive Income (Loss)	125,136	(2,697)	1,130,310
Total Comprehensive Income (Loss) Attributable To:			
Owners of the parent	¥124,960	¥ (2,587)	\$1,128,718
Noncontrolling Interests	176	(109)	1,591

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

THE SHIZUOKA BANK, LTD. and Consolidated Subsidiaries Year ended March 31, 2021

	Thousands				Millions of Yen									
	Number of Shares of Common Stock Outstanding	Capital Stock	Capital Surplus	Subscription Rights to Shares	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income					Total	Noncontrolling Interests	Total Equity
							Valuation Difference on Available -for-Sale Securities	Deferred Gains or Losses on Hedges	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans				
Balance, April 1, 2019	615,129	¥90,845	¥54,884	¥323	¥705,966	¥(31,642)	¥193,428	¥671	¥75	¥904	¥1,015,457	¥1,357	¥1,016,815	
Cash dividends, ¥22.00 per share					(12,735)						(12,735)		(12,735)	
Net income attributable to owners of the parent					38,703						38,703		38,703	
Purchase of treasury stock (10,000 thousand shares)						(8,623)					(8,623)		(8,623)	
Disposal of treasury stock (0 thousand shares)					(0)	0					0		0	
Retirement of treasury stock (10,000 thousand shares)	(10,000)				(10,139)	10,139								
Net changes other than shareholders' equity				38			(39,065)	(264)	(1,179)	(782)	(41,252)	(112)	(41,364)	
Balance, March 31, 2020	605,129	¥90,845	¥54,884	¥361	¥721,793	¥(30,125)	¥154,363	¥407	¥(1,103)	¥121	¥991,549	¥1,245	¥992,794	
Balance, April 1, 2020	605,129	¥90,845	¥54,884	¥361	¥721,793	¥(30,125)	¥154,363	¥407	¥(1,103)	¥121	¥991,549	¥1,245	¥992,794	
Cash dividends, ¥22.00 per share					(12,627)						(12,627)		(12,627)	
Net income attributable to owners of the parent					43,638						43,638		43,638	
Purchase of treasury stock (1 thousand shares)						(0)					(0)		(0)	
Disposal of treasury stock (141 thousand shares)					(27)	136					108		108	
Retirement of treasury stock (10,000 thousand shares)	(10,000)				(9,619)	9,619								
Net changes other than shareholders' equity				(30)			76,833	(506)	2,316	2,678	81,291	173	81,464	
Balance, March 31, 2021	595,129	¥90,845	¥54,884	¥330	¥743,157	¥(20,371)	¥231,196	¥(98)	¥1,212	¥2,800	¥1,103,958	¥1,419	¥1,105,378	

	Thousands of U.S. Dollars (Note 2)												
	Capital Stock	Capital Surplus	Subscription Rights to Shares	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income					Total	Noncontrolling Interests	Total Equity
						Valuation Difference on Available -for-Sale Securities	Deferred Gains or Losses on Hedges	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans				
Balance, April 1, 2020	\$820,573	\$495,746	\$3,266	\$6,519,680	\$(272,114)	\$1,394,306	\$3,678	\$(9,966)	\$1,101	\$8,956,274	\$11,252	\$8,967,527	
Cash dividends, \$0.19 per share				(114,058)							(114,058)		(114,058)
Net income attributable to owners of the parent				394,168							394,168		394,168
Purchase of treasury stock					(7)						(7)		(7)
Disposal of treasury stock				(252)	1,229						976		976
Retirement of treasury stock				(86,885)	86,885								
Net changes other than shareholders' equity			(277)			694,002	(4,571)	20,921	24,197	734,272	1,569	735,841	
Balance, March 31, 2021	\$820,573	\$495,746	\$2,989	\$6,712,652	\$(184,006)	\$2,088,309	\$(893)	\$10,954	\$25,298	\$9,971,625	\$12,821	\$9,984,447	

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

THE SHIZUOKA BANK, LTD. and Consolidated Subsidiaries Year ended March 31, 2021

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	2021	2020	2021
I. Operating Activities:			
Income before income taxes	¥ 60,691	¥ 54,596	\$ 548,205
Adjustments for:			
Income taxes paid	(16,342)	(15,240)	(147,611)
Depreciation and amortization	13,411	11,852	121,144
Impairment losses	2,853	52	25,778
Equity in (earnings) losses of affiliated companies	(3,517)	(505)	(31,768)
Increase (decrease) in allowance for loan losses	8,814	3,252	79,614
Increase (decrease) in allowance for investment losses	(1)	0	(10)
Increase (decrease) in asset and liability for retirement benefits	(21,265)	(2,094)	(192,084)
Increase (decrease) in provision for directors' retirement benefits	(43)	52	(395)
Increase (decrease) in provision for reimbursement of inactive accounts	(439)	245	(3,965)
Increase (decrease) in provision for contingent losses	(78)	198	(711)
Increase (decrease) in provision for point program	39	66	360
Interest income	(122,279)	(134,856)	(1,104,505)
Interest expense	9,096	28,666	82,167
Losses (gains) on securities	(13,460)	(7,107)	(121,587)
Losses (gains) on money held in trust	(51)	(45)	(465)
Losses (gains) on sale of fixed assets	453	315	4,098
Net decrease (increase) in trading assets	(4,034)	22,039	(36,440)
Net increase (decrease) in trading liabilities	(1,096)	(1,915)	(9,907)
Net decrease (increase) in loans and bills discounted	(351,362)	(420,349)	(3,173,719)
Net increase (decrease) in deposits	1,025,853	199,257	9,266,134
Net increase (decrease) in borrowed money	216,443	390,234	1,955,050
Net decrease (increase) in due from banks (excluding deposits paid to Bank of Japan)	49,537	81,029	447,450
Net decrease (increase) in call loans	19,362	100,252	174,894
Net decrease (increase) in monetary claims bought	4,296	4,511	38,805
Net increase (decrease) in call money	(37,280)	(34,407)	(336,736)
Net increase (decrease) in payables under repurchase agreements	18,356	207,152	165,805
Net increase (decrease) in payables under securities lending transactions	143,311		1,294,474
Net decrease (increase) in foreign exchanges (assets)	(2,534)	(4,363)	(22,894)
Net increase (decrease) in foreign exchanges (liabilities)	(13)	81	(124)
Net decrease (increase) in lease receivables and investment assets	(1,966)	(11,878)	(17,764)
Increase (decrease) in straight bonds-issuance and redemption	(844)	(1,036)	(7,630)
Net increase (decrease) in borrowed money from trust account	(15)	(13)	(137)
Interest and dividends received	123,636	141,489	1,116,760
Interest paid	(11,753)	(29,349)	(106,169)
Other-net	2,526	(2,261)	22,817
Total Adjustments	1,049,611	525,325	9,480,727
Net Cash Provided by (Used in) Operating Activities	1,110,303	579,922	10,028,933
II. Investing Activities:			
Purchases of securities	(1,269,099)	(1,382,860)	(11,463,273)
Proceeds from sales of securities	879,374	922,345	7,943,045
Proceeds from redemptions of securities	163,428	166,176	1,476,189
Increase in money held in trust	(100,100)	(100)	(904,164)
Purchases of tangible fixed assets	(4,197)	(2,650)	(37,915)
Purchases of intangible fixed assets	(12,655)	(12,092)	(114,308)
Proceeds from sales of tangible fixed assets	850	508	7,683
Proceeds from sales of shares of affiliated companies accounted for by the equity method	2,200	1,274	19,872
Net Cash Provided by (Used in) Investing Activities	(340,197)	(307,397)	(3,072,871)
III. Financing Activities:			
Dividends paid	(12,605)	(12,719)	(113,858)
Dividends paid to noncontrolling interests	(2)	(2)	(22)
Purchases of treasury stock	(0)	(8,623)	(7)
Proceeds from sales of treasury stock	0	0	1
Net Cash Provided by (Used in) Financing Activities	(12,608)	(21,345)	(113,886)
IV. Foreign Currency Translation Adjustments on Cash and Cash Equivalents	1	(8)	9
V. Net Increase (Decrease) in Cash and Cash Equivalents	757,498	251,170	6,842,185
VI. Cash and Cash Equivalents, Beginning of Year	1,159,840	908,669	10,476,386
VII. Cash and Cash Equivalents, End of Year	¥1,917,339	¥1,159,840	\$17,318,571

See notes to consolidated financial statements.

Cash and due from banks in the consolidated balance sheets at March 31, 2021 and 2020, are reconciled with cash and cash equivalents in the consolidated statements of cash flows as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	2021	2020	2021
Cash and due from banks	¥2,097,487	¥1,384,218	\$18,945,786
Due from banks other than the Bank of Japan	(180,148)	(224,378)	(1,627,214)
Cash and cash equivalents, end of year	¥1,917,339	¥1,159,840	\$17,318,571

Notes to Consolidated Financial Statements

THE SHIZUOKA BANK, LTD. and Consolidated Subsidiaries Year ended March 31, 2021

1. BASIS OF PRESENTATION

The accompanying consolidated financial statements have been prepared from the accounts maintained by The Shizuoka Bank, Ltd. (the "Bank") and its subsidiaries (the "Group") in accordance with the provisions set forth in the Companies Act of Japan (the "Companies Act"), the Japanese Financial Instruments and Exchange Act, the Banking Act of Japan, and the Accounting Guideline for Banks in Japan stated by the Japanese Bankers' Association, and in accordance with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards (IFRS).

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form that is more familiar to readers outside Japan.

2. JAPANESE YEN AND U.S. DOLLAR AMOUNTS

As permitted by the Japanese Financial Instruments and Exchange Act, Japanese yen amounts less than one million and U.S. dollars amounts less than one thousand have been omitted. As a result, the totals shown in the accompanying consolidated financial statements and the notes (both in yen and U.S. dollars) thereto do not necessarily agree with the sum of the individual account balances.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Bank is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥110.71 to \$1, the approximate rate of exchange at March 31, 2021. Such translation should not be construed as a representation that Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidation:

The accompanying consolidated financial statements as of March 31, 2021, include the accounts of the Bank, its 13 significant subsidiaries, and three companies accounted for by the equity method.

Under the control and influence concepts, those companies in which the Bank, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

For investments in the remaining unconsolidated subsidiaries and associated companies, if the equity method of accounting had been applied, the effect on the accompanying consolidated financial statements would not be material.

The difference between the cost of an acquisition and the fair value of net assets of the acquired subsidiary at the date of acquisition is charged to income when incurred.

All significant intercompany accounts and transactions have been eliminated in consolidation. All material unrealized profits resulting from intercompany transactions are eliminated.

Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements:

The accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should, in principle, be unified for the preparation of the consolidated financial statements. However, financial statements prepared by foreign subsidiaries in accordance with either IFRS or generally accepted accounting principles in the United States of America tentatively may be used for the consolidation process, except for the following items that should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been recorded in equity through other comprehensive income; (c) expensing capitalized development costs of R&D; and (d) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting; and (e) recording a gain or loss through profit or loss on the sale of an investment in an equity instrument for the difference between the acquisition cost and selling price, and recording impairment loss through profit or loss for other-than-temporary declines in the fair value of an investment in an equity instrument, where a foreign subsidiary elects to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument.

Trading-purpose transactions:

"Transactions for trading purposes" (the purpose of seeking to capture gains arising from short-term fluctuations in interest rates, currency exchange rates or market prices of securities, and other market-related indices or from gaps among markets) are included in "Trading assets" and "Trading liabilities" on a trade-date basis.

Trading securities and monetary claims purchased for trading purposes recorded in these accounts are stated at market value, and trading-related financial derivatives are stated at the amounts that would be settled if they were terminated at the end of the fiscal year.

Profits and losses on transactions for trading purposes are shown as "Trading income (expense)" on a trade-date basis.

Securities:

Held-to-maturity debt securities, which are expected to be held-to-maturity with the positive intent and ability to hold to maturity, are stated at amortized cost computed using the straight-line method. Available-for-sale securities, which are not classified as either trading account securities or held-to-maturity debt securities, are stated at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.

Available-for-sale securities whose fair value cannot be reliably determined are stated at cost, determined by the moving-average method.

For other-than-temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

Tangible fixed assets:

Tangible fixed assets are stated at cost, less accumulated depreciation. Depreciation of tangible fixed assets owned by the Bank is computed mainly using the declining-balance method over the estimated useful lives, while the straight-line method is applied to structures acquired on or after April 1, 2016.

The range of useful lives is principally from three to 50 years for buildings and from two to 20 years for equipment.

Depreciation of tangible fixed assets owned by consolidated subsidiaries is principally computed using the declining-balance method over the estimated useful lives of the assets.

Lease assets under lease transactions, in which ownership of the lease property is not deemed to be transferred to the lessee, are depreciated by the straight-line method over the lease term.

The residual value is zero or the guaranteed value if specified in the lease contracts.

Impairment loss:

The Group reviews its long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

Software:

The Bank and its consolidated subsidiaries in Japan amortize internal-use software development costs using the straight-line method over the useful life (five years).

Allowance for loan losses:

The amount of the allowance for loan losses is determined based on management's judgment and assessment system. This system reflects the past experience of credit losses; possible future credit losses; business experience of credit losses; possible future credit losses; business and economic conditions; the character, quality, and performance of the portfolio; and other pertinent indicators.

The bank implemented a self-assessment system to monitor the quality of its assets. The quality of all loans is assessed by branches and the Credit Supervision Department, in accordance with a subsequent audit by the Credit Examination Department, in accordance with the Bank's policy and rules for self-assessment of asset quality.

The Bank has established a credit rating system under which its borrowers are classified into five categories. The credit rating system is used for self-assessment of asset quality. All borrowers are classified into five categories for self-assessment purposes – "normal," "caution," "possible bankruptcy," "virtual bankruptcy," and "legal bankruptcy."

Legal bankruptcy:

Borrowers who are legally or formally bankrupt, such as bankruptcy or special liquidation.

Virtual bankruptcy:

Borrowers virtually in the same situation as legal bankruptcy.

Possible bankruptcy:

Borrowers who are not currently bankrupt, but are likely to fall into bankruptcy in the future.

Caution:

Borrowers who have problems with lending conditions or reimburse performance, have sluggish or unstable business conditions.

Management required:

Borrowers in "caution" whose loans require management (being with restricted loans and loans overdue for more than three months).

Normal:

Borrowers who are recognized as having good business conditions and no particular financial problems.

- (a) For loans to borrowers classified as legal bankruptcy or virtual bankruptcy, the Bank fully provides the net amount of loans and estimated collectible amounts by collateral or guarantees. Regarding loans to borrowers classified as possible bankruptcy, a specific reserve is provided to the necessary extent for the net amount of loans and estimated collectible amounts by collateral or guarantees.
- (b) For the borrower with certain loan amounts classified as possible bankruptcy or being with restructured loans, if cash flows from collection of principals and interests can be reasonably estimated, the Bank provides the difference between the present value of these cash flows discounted at the initial contractual rates and the book values of loans (the "DCF" method). For other loans, a general allowance is provided based on anticipation of the expected loss for the average remaining life of loans, etc. The loss ratio over a certain period in the past, and the expected loss amount is calculated by adjusting the loss ratio considering future projections.
- (c) For the borrower with certain loan amounts classified as caution or management required, the Bank provides the difference between the present value of these cash flows discounted at the initial contractual rates and the book values of loans (the "DCF" method) if cash flows from collection of principals and interests can be reasonably estimated.
- (d) For loans to borrowers classified as normal, caution and management required, a general allowance is provided based on anticipation of the expected loss for the average remaining life of loans, etc. The loss ratio is calculated based on the average value of the actual loan loss ratio over a certain period in the past, and the expected loss amount is calculated by adjusting the loss ratio considering future projections.

Grouping in calculating loss ratio

In calculating loss ratio, borrowers are divided into consumer loan borrowers and business-lending borrowers. Business-lending borrowers are classified into two categories of normal (upper normal and lower normal), three categories of caution (upper caution, lower caution, and management required), and one category of legal bankruptcy, for a total of seven categories.

A certain period of time in which the expected loss amount is expected in the future

Allowance for loan losses is recorded based on anticipation of the expected loss ratio for the period corresponding to the average remaining period of receivables (the average remaining period is seven years for consumer loan borrowers, among business loan borrowers of (d) above, about three to five years for "normal," about three years for "caution," and about four years for "management required" and "possible bankruptcy" of (b) above).

Revision of expected loss ratio due to future prospects, etc.

In the current consolidated fiscal year, the expected loss ratio has been revised for "management required," but the impact on allowance for loan losses is minor.

The consolidated subsidiaries provide based on anticipation of the expected loss for loan losses at the amount deemed necessary to cover such losses, principally based on past experience.

Allowance for investment losses:

The allowance for investment losses is provided at a necessary amount based on the estimated possible losses on investments.

Retirement and pension plans:

The Bank and certain consolidated subsidiaries have lump-sum retirement benefit plans, a contributory funded defined benefit pension plan, and a noncontributory funded pension plan.

The projected benefit obligations are attributed to periods on a straight-line basis. Actuarial gains and losses are amortized on a straight-line basis over 10 years within the average remaining service period. Past service costs are recognized in the applicable year.

Provision for losses from reimbursement of inactive accounts:

The provision for losses from reimbursement of inactive accounts, which are derecognized as liabilities under certain conditions, is provided for possible losses on future claims of withdrawal based on historical reimbursement experience.

Provision for retirement benefits to directors:

The provision for retirement benefits to directors is provided for the payments that have occurred up to the end of the fiscal year to pay for retirement benefits to directors.

Provision for contingent losses:

The provision for contingent losses is provided for the estimated future payments to credit guarantee corporations due to the implementation of a loss-sharing system.

Provision for point program:

The provision for the point program is provided for the reasonably estimated future usage of points given to credit card customers.

Reserves under special laws:

Reserves under special laws are reserves for financial product transaction liabilities in accordance with Section 1, Article 46-5 of the Japanese Financial Instruments and Exchange Act.

Asset retirement obligations:

An asset retirement obligation is recorded for a legal obligation imposed either by law or contract that results from the acquisition, construction, development, and normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of the asset retirement obligation can be made.

Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an adjustment to the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

Leases:

Lessor

For financing leases in which the Bank is lessor, sales and cost of sales are accounted for when lease payments are paid.

Stock options:

The accounting standard for stock options requires companies to measure the cost of employee stock options based on the fair value at the date of grant and recognize compensation expense over the vesting period as consideration for receiving goods or services. The standard also requires companies to account for stock options granted to nonemployees based on the fair value of either the stock options or the goods or services received. In the balance sheet, the stock options are presented as stock acquisition rights as a separate component of equity until exercised. The standard covers equity-settled, share-based payment transactions, but does not cover cash-settled, share-based payment transactions. In addition, the standard allows unlisted companies to measure options at their intrinsic value if they cannot reliably estimate fair value.

Translation of foreign currencies:

Assets and liabilities, which are payable or receivable in foreign currencies, are converted into Japanese yen at the rates prevailing at each balance sheet date.

The financial statements of the consolidated subsidiaries outside Japan are translated into Japanese yen at the current exchange rate at each balance sheet date, except for equity, which is translated at the historical exchange rate.

Differences arising from such translation are shown as "Foreign currency translation adjustments" in a separate component of equity.

Income taxes:

The Bank and its consolidated subsidiaries in Japan allocate income taxes based on the asset and liability method.

Deferred income taxes are recorded to reflect the impact of temporary differences between assets and liabilities recognized for financial reporting purposes and such amounts recognized for tax purposes. These deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

Derivatives and hedging activities:

All derivative transactions, except those entered into for hedging purposes, are recognized as either assets or liabilities and measured at fair value, with gains or losses on derivative transactions recognized in the consolidated statement of income.

For derivative transactions used for hedging purposes, the methods of hedge accounting are as follows:

(a) Transactions to hedge against interest rate risk
Transactions to hedge against interest rate risk affecting the financial assets and liabilities of the Bank are accounted for using deferral hedge accounting as stipulated in the Japanese Institute of Certified Public Accountants (JICPA) Industry Committee Practical Guideline No. 24, October 8, 2020, "Accounting and Auditing Treatments on the Application of Accounting Standards for Financial Instruments in the Banking Industry." Regarding the effectiveness of a hedging relationship under fair value hedging, a portfolio of hedged items, such as deposits or loans with common maturities, is matched with a group of hedging instruments, such as interest rate swaps, which offset the effect of fair value fluctuations of the hedged items by identified maturities, and are designated as a hedge of the portfolio. The effectiveness of the fair value hedge is assessed by each group. Also, the effectiveness of a cash flow hedge is assessed on the basis of the correlation between the base interest rate index of the hedged cash flow and that of the hedging instrument.

Special hedging treatment is applied for interest rate swaps.
(b) Transactions to hedge against foreign exchange fluctuation risk
Deferral hedge accounting is applied to hedges against foreign exchange fluctuation risks associated with foreign currency-denominated monetary assets and liabilities, stipulated in the JICPA Industry Committee Practical Guideline No. 25, October 8, 2020, "Accounting and Auditing Treatments of Accounting Treatments on Foreign Currency Transactions in the Banking Industry."

The effectiveness of currency swap transactions, exchange swap transactions, and similar transactions hedging foreign exchange risks of monetary assets and liabilities denominated in foreign currencies is assessed by comparison of the foreign currency position of the hedged monetary assets and liabilities and the hedging instruments.

In order to hedge the foreign exchange risk of foreign currency-denominated available-for-sale securities (except bonds), the Bank applies the "general method," using market value hedges in accordance with certain conditions, namely the stipulation in advance of which foreign currency-denominated securities are to be hedged, and the existence in foreign currency of a spot-forward liability in excess of the acquisition cost of the relevant foreign currency-denominated securities.

Consolidated statement of cash flows:

For the purpose of the consolidated statement of cash flows, cash and cash equivalents represent cash and due from the Bank of Japan.

Per share information:

Basic net income per share is computed by dividing net income attributable to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits. The average number of common shares used in the computation was 574,004 thousand shares for 2021 and 576,006 thousand shares for 2020.

Diluted net income per share reflects the potential dilution that could occur if the outstanding stock options were exercised. Diluted net income per share assumes full exercise of the outstanding stock options at the beginning of the year (or at the time of grant).

Cash dividends per share presented in the accompanying consolidated statement of income are dividends applicable to the respective years, including dividends to be paid after the end of the year.

New Accounting Pronouncements:

- "Accounting Standard for Revenue Recognition" (Accounting Standards Board of Japan (ASBJ) Statement No. 29, March 31, 2020)

- "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, March 26, 2021)

(1) Overview

The above standard and guidance provide comprehensive principles for revenue recognition. Under the standard and guidance, revenue will be recognized based on the following five steps:

- Step 1 : Identify the contract(s) with a customer.
- Step 2 : Identify the performance obligations in the contract.
- Step 3 : Determine the transaction price.
- Step 4 : Allocate the transaction price to the performance obligations under the contracts.
- Step 5 : Recognize revenue when (or as) the performance obligation is satisfied.

(2) Scheduled date of application

The Group will apply the standard and guidance from the beginning of the year ending March 31, 2022.

(3) Impact of the respective accounting standard and implementation guidance

The Group is currently assessing the impact of adopting the above standard and guidance on the consolidated financial statements.

- "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019)

- "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, July 4, 2019)

- "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019)

- "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, March 31, 2020)

(1) Overview

IASB and FASB have established detailed guidance for fair value measurement (IFRS 13 "Fair Value Measurement" by IFRS and Topic 820 "Fair Value Measurement" by FASB). In order to improve the comparability between the international accounting standard and Japanese accounting standard, ASBJ has mainly considered guidance and disclosure on fair value of financial instruments and published the accounting standard and implementation guidance for fair value measurement accordingly. They are applied to financial instruments based on "Accounting Standard for Financial Instruments."

In addition, "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" was revised to include notes regarding the breakdown by level of fair values of financial instruments.

(2) Scheduled date of the application

The Group will adopt them from the beginning of the period ending March 31, 2022.

(3) Impact of the application of the respective accounting standard and implementation guidance

The Group is currently assessing the impact of adopting the above standard and guidance on the consolidated financial statements.

4. SIGNIFICANT ACCOUNTING ESTIMATE (Recording of allowance for loan losses)

(1) Carrying amounts

	Millions of Yen	Thousands of U.S. Dollars
	2021	2021
Allowance for loan losses	¥53,901	\$486,870

(2) Information on the significant accounting estimate

"Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No. 31, March 31, 2020) is adopted in the consolidated financial statements as of March 31, 2021.

The Group omits the disclosure of the information about the previous fiscal year, based on the proviso to Article 11 of the accounting standard.

(a) Calculation method

The calculation method of allowance for loan losses is listed in "Allowance for loan losses" of "3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES".

(b) Main assumptions

There are concerns about the impact on the repayment ability of borrowers due to the effect of the COVID-19 pandemic. However, an allowance for loan losses is calculated on the assumptions that there will be no significant impact on borrower's category of the Group. Regarding the assumptions about the effects of COVID-19, there are no changes compared to the description in "(Additional information)" of "Allowance for loan losses" of Note "3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES" on previous fiscal year's Integrated Report as below.

(Additional information)

There is concern about the impact on the reimbursement ability of borrowers, because of the spread of COVID-19.

However, the allowance for loan losses is calculated on the assumption that there will be no significant impact on borrower's category of the Group. If the situation of COVID-19 and its economic impact vary in the future, the balance of allowance for loan losses may increase, due to the change of borrower's category and the increase of expected loss ratio, and it may make an influence on the consolidated financial statements of the next fiscal year.

Assumptions are made in impact on borrower's category, future forecasts, such as sales forecasts, cost reduction, and borrower's repayment schedules on business plan used for the classification of borrower's category and the estimate of future cash flow based on cash flow estimate method.

(c) Future forecasts, such as sales forecasts, cost reduction, and borrower's repayment schedules on business plan are determined based on the impact of COVID-19 and market growth potential and price trends in the industry to which the borrower belongs.

The impact on the consolidated financial statements for the next fiscal year

If the original assumption for estimates changes because of the change in management environment for borrowers, including the situation of COVID-19, the balance of allowance for loan losses may fluctuate due to the change in borrower's category, cash flow estimates, and expected loss ratio, and it may affect the consolidated financial statements for the next fiscal year.

5. TRADING ASSETS AND LIABILITIES

Trading assets and liabilities at March 31, 2021 and 2020, consisted of the following:

(a) Trading assets

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Trading securities:			
Japanese government bonds	¥ 168	¥ 134	\$ 1,518
Local government bonds	1,933	2,077	17,461
Industrial bonds	344	194	3,115
Foreign securities	243	2,192	2,202
Subtotal	2,689	4,599	24,297
Trading security derivatives:			
Other (Note)		8	
Subtotal		8	
Financial derivatives:			
Other (Note)	3,775	4,822	34,099
Subtotal	3,775	4,822	34,099
Other trading assets:			
Commercial paper	11,999	4,999	108,388
Other (Note)	(0)	0	(5)
Subtotal	11,999	4,999	108,382
Total	¥18,464	¥14,429	\$166,780

(b) Trading liabilities

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Trading security derivatives:			
Other (Note)	¥ 1		\$ 10
Subtotal	1		10
Financial derivatives:			
Other (Note)	¥3,015	¥4,113	\$27,238
Subtotal	3,015	4,113	27,238
Total	¥3,016	¥4,113	\$27,248

Note: Other in assets and liabilities represents unrealized gains and losses, respectively.

6. MONEY HELD IN TRUST

Money held in trust at March 31, 2021 and 2020, consisted of the following:

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2021				
Money held in trust classified as:				
Held-to-maturity	¥4,100	¥0		¥4,100
Money held in trust classified as:				
Available-for-sale	100,000			100,000

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2020				
Money held in trust classified as:				
Held-to-maturity	¥4,000	¥0		¥4,000

	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2021				
Money held in trust classified as:				
Held-to-maturity	\$37,033	\$8		\$37,042
Money held in trust classified as:				
Available-for-sale	903,260			903,260

Note: "Available-for-sales" is jointly managed money trust.

7. SECURITIES

Securities at March 31, 2021 and 2020, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Japanese government bonds	¥ 191,398	¥ 64,218	\$ 1,728,827
Local government bonds	146,882	129,620	1,326,730
Corporate bonds	365,292	361,582	3,299,540
Corporate stocks	447,013	336,698	4,037,698
Other securities	803,573	741,594	7,258,361
Total	¥1,954,159	¥1,633,713	\$17,651,158

As of March 31, 2021 and 2020, securities included equity investments in unconsolidated subsidiaries and affiliated companies that amounted to ¥21,952 million (\$198,284 thousand) and ¥19,962 million, respectively.

In addition to securities, the following table presents details of trading securities and commercial paper classified as trading assets and negotiable certificates of deposit classified as cash and due from banks.

Information regarding each category of the securities classified as trading, available-for-sale, and held-to-maturity at March 31, 2021 and 2020, was as follows:

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2021				
Securities classified as:				
Trading				¥ 14,689
Available-for-sale:				
Equity securities	¥ 99,569	¥323,211	¥ 290	422,490
Debt securities	634,372	2,474	1,525	635,321
Others	783,774	13,305	9,937	787,142
Held-to-maturity	69,066	101	42	69,125

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2020				
Securities classified as:				
Trading				¥ 9,598
Available-for-sale:				
Equity securities	¥101,172	¥214,357	¥ 1,667	313,862
Debt securities	499,207	3,974	524	502,656
Others	720,663	16,479	14,382	722,760
Held-to-maturity	54,214	130	41	54,303

	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2021				
Securities classified as:				
Trading				\$ 132,680
Available-for-sale:				
Equity securities	\$ 899,368	\$2,919,446	\$ 2,621	3,816,192
Debt securities	5,730,035	22,351	13,777	5,738,609
Others	7,079,523	120,184	89,760	7,109,946
Held-to-maturity	623,854	913	380	624,387

Available-for-sale securities sold during the years ended March 31, 2021 and 2020, were as follows:

	Millions of Yen		
	Proceeds from Sales	Total Amount of Gains on Sales	Total Amount of Losses on Sales
Year Ended March 31, 2021			
Equity securities	¥ 9,101	¥ 7,489	
Debt securities	243,727	1,419	¥ 154
Others	649,306	11,968	7,654
Total	¥902,135	¥20,877	¥7,809

Year Ended March 31, 2020	Millions of Yen		
	Proceeds from Sales	Total Amount of Gains on Sales	Total Amount of Losses on Sales
Equity securities	¥ 5,768	¥ 4,787	
Debt securities	259,641	1,262	¥ 12
Others	648,504	7,388	7,484
Total	¥913,915	¥13,438	¥7,496

Year Ended March 31, 2021	Thousands of U.S. Dollars		
	Proceeds from Sales	Total Amount of Gains on Sales	Total Amount of Losses on Sales
Equity securities	\$ 82,209	\$ 67,650	
Debt securities	2,201,492	12,817	\$ 1,394
Others	5,864,930	108,107	69,142
Total	\$8,148,633	\$188,575	\$70,536

Marketable available-for-sale securities whose fair value significantly declines in comparison with their acquisition cost and whose fair value of the securities will not recover to their acquisition cost are written down and accounted for as impairment losses.

The Bank recognizes securities as having significantly declined when their fair value is more than 30% below their acquisition cost.

Impairment losses on marketable available-for-sale equity securities for the years ended March 31, 2021 and 2020, were ¥146 million (\$1,326 thousand) and ¥1,787 million, respectively.

8. LOANS AND BILLS DISCOUNTED

Loans and bills discounted at March 31, 2021 and 2020, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Bills discounted	¥ 14,941	¥ 21,459	\$ 134,958
Loans on bills	132,696	177,707	1,198,595
Loans on deeds	8,172,846	7,657,613	73,822,119
Overdrafts	982,637	1,082,885	8,875,776
Total	¥9,303,121	¥8,939,666	\$84,031,449

Loans under bankruptcy proceedings, past-due loans on which interest payments are waived from borrowers who are financially assisted by the Bank, loans past due for three months or more (except for loans under bankruptcy proceedings and past-due loans), and restructured loans at March 31, 2021 and 2020, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Loans under bankruptcy proceedings	¥ 7,048	¥ 3,840	\$ 63,670
Past-due loans	84,202	76,736	760,571
Loans past due for three months or more	776	558	7,014
Restructured loans	13,091	13,256	118,254
Total	¥105,120	¥94,392	\$949,511

Notes: 1. Loans past due for three months or more include loans for which payments of principal or interest are delinquent by three months or more as calculated from the day following the contracted payment date, but do not include loans under bankruptcy proceedings or past-due loans.

2. Restructured loans include loans for which certain conditions have been relaxed for the benefit of the borrower (through means, such as the reduction or elimination of interest payments, the deferral of principal repayments, or the relinquishment of claims) with the goal of supporting the recovery of borrowers that have fallen into financial difficulty, and thereby promoting the recovery of the loan.

Bills discounted are accounted for as financial transactions in accordance with the JICPA Industry Audit Committee Report No. 24. As of March 31, 2021 and 2020, the Bank had the right by contract or custom to sell or repledge bills discounted and foreign exchange bills bought and their total face values were ¥15,384 million (\$138,966 thousand) and ¥24,491 million, respectively.

9. FOREIGN EXCHANGES

Foreign exchange assets and liabilities at March 31, 2021 and 2020, consisted of the following:

(a) Assets

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Due from foreign banks	¥13,417	¥ 8,223	\$121,190
Foreign exchange bills bought	443	3,031	4,008
Foreign exchange bills receivable	613	666	5,544
Total	¥14,474	¥11,921	\$130,743

(b) Liabilities

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Foreign exchange bills sold	¥253	¥162	\$2,287
Foreign exchange bills payable	356	461	3,222
Total	¥609	¥623	\$5,509

10. OTHER ASSETS

Other assets at March 31, 2021 and 2020, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Accrued income	¥ 10,328	¥ 8,880	\$ 93,289
Derivative products	20,310	20,209	183,456
Guarantee deposits	1,941	2,079	17,533
Others	159,693	108,036	1,442,450
Total	¥192,273	¥139,205	\$1,736,729

11. TANGIBLE FIXED ASSETS AND INTANGIBLE FIXED ASSETS

Tangible fixed assets and intangible fixed assets at March 31, 2021 and 2020, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Tangible fixed assets:			
Buildings	¥ 26,094	¥ 28,797	\$ 235,702
Land	19,921	21,460	179,945
Lease assets	27	29	250
Construction in progress	923	2,554	8,342
Other tangible fixed assets	10,644	10,183	96,144
Subtotal	57,611	63,025	520,385
Intangible fixed assets:			
Software	49,608	46,013	448,092
Other intangible assets	442	444	3,998
Subtotal	50,051	46,457	452,091
Total	¥107,662	¥109,483	\$ 972,477

Tangible fixed assets are stated at cost, less accumulated depreciation of ¥117,456 million (\$1,060,939 thousand) and ¥114,822 million in 2021 and 2020, respectively.

As of March 31, 2021 and 2020, deferred gains for tax purposes of ¥9,365 million (\$84,591 thousand) and ¥9,542 million, respectively, on tangible fixed assets sold and replaced with similar assets have been deducted from the cost of newly acquired tangible fixed assets.

The Group reviewed its long-lived assets for impairment as of March 31, 2021 and 2020. As a result, the Group recognized impairment losses of ¥2,853 million (\$25,778 thousand) and ¥52 million at March 31, 2021 and 2020, respectively, as other expenses for certain branches and an idle property in Shizuoka prefecture, caused by decreasing in a cash flow from operating activities, declining in land price, or the decision to consolidate branches.

The impairment losses were composed of ¥1,292 million (\$11,679 thousand) on land, ¥983 million (\$8,880 thousand) on buildings, and ¥577 million (\$5,219 thousand) on other fixed assets for the year ended March 31, 2021, and ¥52 million mainly on land for the year ended March 31, 2020.

Upon calculating the amount of impairment losses, in principle, based on the complementarity of cash flows, the Group recognizes

each individual branch as cash-generating units divided by certain areas. Idle property is recognized individually.

The impairment losses would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the DCFs from the continued use and eventual disposition of the asset or the net selling price at disposition quoted from a third-party vendor.

The DCFs were calculated using discount rates of 4.0% and the net selling price was calculated by deducting the estimated disposal cost from the evaluation based on the real estate appraisal standards.

12. CUSTOMERS' LIABILITIES FOR ACCEPTANCES AND GUARANTEES

All contingent liabilities for acceptances and guarantees are recorded and reflected in acceptances and guarantees. Customers' liabilities for acceptances and guarantees have been recorded and reflected as assets in the consolidated balance sheet, representing the Bank's right of indemnity from the applicant.

The respective amounts of "Acceptances and Guarantees" and "Customers' Liabilities for Acceptances and Guarantees" are netted in accordance with the appendix forms of "Banking Act Enforcement Regulations" (Ministry of Finance Ordinance No. 10, 1982).

Liabilities for guarantees on corporate bonds included in securities, which were issued by private placement (Article 2, Paragraph 3 of the Financial Instruments and Exchange Act) as of March 31, 2021 and 2020, amounted to ¥28,893 million (\$260,987 thousand) and ¥25,985 million, respectively.

13. ASSETS PLEDGED

Assets pledged as collateral and their relevant liabilities at March 31, 2021 and 2020, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Assets pledged as collateral:			
Trading assets	¥ 7,999		\$ 72,255
Securities	1,009,377	¥769,678	9,117,308
Loans and bills discounted	557,209	613,957	5,033,054
Other assets	42,278		381,883
Relevant liabilities to above assets:			
Deposits	¥ 36,124	¥ 66,420	\$ 326,295
Payables under repurchase agreements	357,952	333,380	3,233,242
Payables under securities lending transactions	143,311		1,294,474
Borrowed money	848,034	629,924	7,659,961

In addition to the above, the Bank has provided ¥23,090 million (\$208,564 thousand) and ¥21,490 million in securities and ¥221 million (\$2,000 thousand) and ¥217 million in due from banks as collateral for foreign exchange settlements and certain other transactions and as security for futures transactions at March 31, 2021 and 2020, respectively.

Guarantee deposits on office space, cash collateral paid for financial instruments, and cash collateral paid to central counterparty are included in other assets in the amount of ¥1,941 million (\$17,533 thousand) and ¥2,079 million at March 31, 2021 and 2020, in the amount of ¥10,181 million (\$91,967 thousand) and ¥6,475 million at March 31, 2021 and 2020, in the amount of ¥60,800 million (\$549,182 thousand) and ¥56,700 million at March 31, 2021 and 2020, respectively.

14. LOAN COMMITMENTS

Overdraft agreements and agreements for loan commitments are agreements under which the Bank pledges to lend funds up to a certain limit when applications for advances of loans are received from customers, provided there are no violations of the terms written in the agreements.

The balances of loans undisbursed under these agreements at March 31, 2021 and 2020, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Undisbursed loan commitments			
outstanding:			
Loans due within one year	¥1,768,137	¥1,612,615	\$15,970,892
Loans due over one year	121,593	103,218	1,098,307
Total	¥1,889,731	¥1,715,833	\$17,069,200

Many of these agreements terminate without loans being disbursed, and thus the balance of loans as yet undisbursed will not necessarily affect the future cash flow of the Bank or its consolidated subsidiaries. The Bank or its consolidated subsidiaries can refuse to advance loans and reject applications that have been received or can reduce the maximum amounts under the agreements for reasonable reasons, such as changes in the financial situation and preservation of credit. In addition, at the time the agreements are entered into, borrowers may, when necessary, be required to provide collateral, such as real estate or securities, and after the agreements have been signed, the state of the borrower's business and other factors may be assessed regularly in accordance with in-house procedures. Moreover, agreements can be revised, if necessary, and steps, such as the formulation of measures to preserve credit, may be taken.

15. DEPOSITS

Deposits at March 31, 2021 and 2020, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Current deposits	¥ 604,226	¥ 481,731	\$ 5,457,739
Savings deposits	6,541,688	5,630,583	59,088,506
Deposits at notice	31,442	30,487	284,008
Time deposits	3,255,005	3,281,814	29,401,187
Negotiable certificates of deposit	69,105	139,324	624,206
Other	644,437	541,578	5,820,947
Total	¥11,145,906	¥10,105,519	\$100,676,597

16. BORROWED MONEY

At March 31, 2021 and 2020, the weighted-average annual interest rates applicable to borrowed money were 0.02% and 0.25%, respectively.

Borrowed money consists of borrowings from financial institutions. Annual maturities of borrowed money as of March 31, 2021, were as follows:

Years Ending March 31,	Millions of Yen	Thousands of U.S. Dollars
2022	¥667,008	\$6,024,827
2023	7,154	64,625
2024	205,842	1,859,296
2025	7,033	63,534
2026 and thereafter	3,475	31,396
Total	¥890,515	\$8,043,680

17. BONDS PAYABLE

Bonds at March 31, 2021 and 2020, consisted of the following:

	Rate (%)	Millions of Yen		Thousands of U.S. Dollars
		2021	2020	2021
Unsecured convertible bonds with stock acquisition rights, payable in U.S. dollars, due January 2023	three-month U.S. dollar Libor minus 0.5%	¥33,213	¥32,649	\$300,000
The Bank's first bonds payable in U.S. dollars (only for qualified institutional investors)		2,513	3,175	22,702
The Bank's bonds payable in U.S. dollars due December 2023	3.31	31,269	30,738	282,448
Total		¥66,996	¥66,563	\$605,150

The coupon amount of Shizuoka Bank, Ltd.'s first U.S. dollar-denominated bonds (only for qualified institutional investors), which are discounted bonds, is ¥2,699 million (\$24,380 thousand).

Annual maturities of bonds as of March 31, 2021, were as follows:

Years Ending March 31,	Millions of Yen	Thousands of U.S. Dollars
2022		
2023	¥33,213	\$300,000
2024	33,783	305,150
2025		
2026		
Total	¥66,996	\$605,150

The following is a summary of the terms for conversion and redemption of the convertible bonds with stock acquisition rights:

	Conversion Price	Number of Shares of Common Stock (thousand)	Exercise Period
Unsecured convertible bonds with stock acquisition rights, payable in U.S. dollars, due January 2023	\$13.965	21,482	From February 8, 2018 to January 11, 2023

The conversion price is subject to adjustment for certain subsequent events, such as the issuance of common stock or disposal of treasury stock at less than market price, and stock splits.

18. OTHER LIABILITIES

Other liabilities at March 31, 2021 and 2020, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Income taxes payable	¥ 13,328	¥ 8,291	\$ 120,387
Accrued expenses	7,809	9,931	70,537
Unearned income	15,996	15,456	144,492
Derivative products	18,398	12,146	166,187
Cash collateral received for financial products	5,780	11,725	52,212
Other	58,318	54,095	526,764
Total	¥119,631	¥111,646	\$1,080,583

19. RETIREMENT AND PENSION PLANS

The Bank and certain consolidated subsidiaries have severance payment plans for employees. Under most circumstances, employees terminating their employment are entitled to retirement benefits determined based on the rate of pay at the time of termination, years of service, and certain other factors. Such retirement benefits are made in the form of a lump-sum severance payment from the Bank or from certain consolidated subsidiaries in Japan and annuity payments from a trustee.

1. The changes in defined benefit obligation for the years ended March 31, 2021 and 2020, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Balance at beginning of year	¥ 63,869	¥66,261	\$ 576,911
Current service cost	1,721	1,805	15,546
Interest cost	624	649	5,641
Actuarial gains and losses	221	(163)	1,996
Benefits paid	(4,482)	(4,814)	(40,489)
Others	129	132	1,172
Balance at end of year	¥ 62,083	¥63,869	\$ 560,778

2. The changes in plan assets for the years ended March 31, 2021 and 2020, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Balance at beginning of year	¥ 52,237	¥52,534	\$ 471,842
Expected return on plan assets	1,092	1,102	9,865
Actuarial gains and losses	3,482	(1,440)	31,456
Contributions from the employer	1,704	2,965	15,392
Contribution to retirement benefit trusts	16,000		144,521
Benefits paid	(2,927)	(3,055)	(26,444)
Others	128	131	1,159
Balance at end of year	¥ 71,717	¥52,237	\$ 647,793

3. Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Funded defined benefit obligation	¥ 60,427	¥ 44,354	\$ 545,816
Plan assets	(71,717)	(52,237)	(647,793)
Total	(11,289)	(7,883)	(101,976)
Unfunded defined benefit obligation	1,656	19,515	14,962
Net liability (asset) arising from defined benefit obligation	(9,633)	11,632	(87,014)

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Liability for retirement benefits	¥ 3,423	¥19,515	\$ 30,924
Asset for retirement benefits	(13,057)	(7,883)	(117,939)
Net liability (asset) arising from defined benefit obligation	(9,633)	11,632	(87,014)

4. The components of net periodic retirement benefit costs for the years ended March 31, 2021 and 2020, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Service cost	¥ 1,721	¥ 1,805	\$ 15,546
Interest cost	624	649	5,641
Expected return on plan assets	(1,092)	(1,102)	(9,865)
Amortization of prior service cost	558	160	5,044
Others	22	47	202
Net periodic retirement benefit costs	¥ 1,834	¥ 1,560	\$ 16,570

5. Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2021 and 2020, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Actuarial (gains) losses	¥3,820	¥(1,115)	\$34,505
Total	¥3,820	¥(1,115)	\$34,505

6. Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2021 and 2020, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Unrecognized actuarial gains and losses	¥(4,000)	¥(180)	\$(36,138)
Total	¥(4,000)	¥(180)	\$(36,138)

7. Plan assets

(1) Components of plan assets

Plan assets consisted of the following:

	2021	2020
Debt investments	52%	40%
Equity investments	17%	17%
Cash and cash equivalents		1%
General account of life insurance companies	28%	39%
Others	3%	3%
Total	100%	100%

(2) Method of determining the expected rate of return on plan assets
The expected rate of return on plan assets is determined considering the long-term rates of return that are expected currently and in the future from the various components of the plan assets.

8. Assumptions used for the years ended March 31, 2021 and 2020, were set forth as follows:

	2021	2020
Discount rate	Mainly 1.0%	Mainly 1.0%
Expected rate of return on plan assets	0.8%-2.0%	2.0%
Expected rate of salary increase	6.3%	6.3%

9. Defined contribution

The amounts to be contributed by the Bank and certain consolidated subsidiaries for the years ended March 31, 2021 and 2020, were ¥431 million (\$3,893 thousand) and ¥439 million, respectively.

20. EQUITY

Japanese companies are subject to the Companies Act. The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

(a) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. Additionally, for companies that meet certain criteria, such as (1) having a board of directors, (2) having independent auditors, (3) having an audit and supervisory board, and (4) the term of service of the directors being prescribed as one year rather than the normal two-year term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. However, the Bank cannot do so because it does not meet all the above criteria. The Companies Act permits companies to distribute dividends in kind (noncash assets) to shareholders subject to certain limitations and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act and the Banking Act provide certain limitations on the amounts available for dividends or the purchase of treasury stock.

(b) Increases/decreases and transfer of capital stock, reserve, and surplus

The Banking Act requires that an amount equal to 20% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends, until the total of the aggregate amount of the legal reserve and additional paid-in capital equals 100% of capital stock.

The Companies Act also provides that capital stock, legal reserve, additional paid-in capital, other capital surplus, and retained earnings can be transferred among the accounts within equity under certain conditions upon resolution of the shareholders.

(c) Treasury stock and treasury stock acquisition rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders, which is determined using a specific formula.

Under the Companies Act, stock acquisition rights are presented as a separate component of equity.

The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

21. STOCK OPTIONS

The Bank's stock option plans grant options to directors to purchase certain shares of the Bank's common stock in the respective exercise periods.

Stock-based compensation expenses were ¥9 million (\$82 thousand) and ¥38 million for the years ended March 31, 2021 and 2020, respectively.

The stock options outstanding as of March 31, 2021, were as follows:

Stock Options	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
2007 Stock Option	8 directors	67,000 shares	2007.7.27	¥ 1 (\$0.01)	From July 28, 2007 to July 27, 2032
2008 Stock Option	8 directors	66,000 shares	2008.7.18	¥ 1 (\$0.01)	From July 19, 2008 to July 18, 2033
2009 Stock Option	8 directors	89,000 shares	2009.7.24	¥ 1 (\$0.01)	From July 25, 2009 to July 24, 2034
2010 Stock Option	8 directors	100,000 shares	2010.7.23	¥ 1 (\$0.01)	From July 24, 2010 to July 23, 2035
2011 Stock Option	8 directors	100,000 shares	2011.7.22	¥ 1 (\$0.01)	From July 23, 2011 to July 22, 2036
2012 Stock Option	8 directors	100,000 shares	2012.7.24	¥ 1 (\$0.01)	From July 25, 2012 to July 24, 2037
2013 Stock Option	8 directors	88,000 shares	2013.7.23	¥ 1 (\$0.01)	From July 24, 2013 to July 23, 2038
2014 Stock Option	8 directors	92,000 shares	2014.7.22	¥ 1 (\$0.01)	From July 23, 2014 to July 22, 2039
2015 Stock Option	7 directors	37,000 shares	2015.7.21	¥ 1 (\$0.01)	From July 22, 2015 to July 21, 2040
2016 Stock Option	7 directors	50,000 shares	2016.7.19	¥ 1 (\$0.01)	From July 20, 2016 to July 19, 2041
2017 Stock Option	7 directors	50,000 shares	2017.7.18	¥ 1 (\$0.01)	From July 19, 2017 to July 18, 2042
2018 Stock Option	7 directors	50,000 shares	2018.7.17	¥ 1 (\$0.01)	From July 18, 2018 to July 17, 2043
2019 Stock Option	7 directors	50,000 shares	2019.7.16	¥ 1 (\$0.01)	From July 17, 2019 to July 16, 2044

The stock option activity is as follows:

	2007 Stock Option	2008 Stock Option	2009 Stock Option	2010 Stock Option	2011 Stock Option	2012 Stock Option	2013 Stock Option	2014 Stock Option	2015 Stock Option	2016 Stock Option	2017 Stock Option	2018 Stock Option	2019 Stock Option
Year Ended March 31, 2020													
Non-vested													
March 31, 2019—Outstanding												50,000	
Granted													50,000
Vested												50,000	
March 31, 2020—Outstanding													50,000
Vested													
March 31, 2019—Outstanding	13,000	13,000	20,000	27,000	27,000	30,000	22,000	48,000	26,000	36,000	50,000		
Vested												50,000	
Exercised													
March 31, 2020—Outstanding	13,000	13,000	20,000	27,000	27,000	30,000	22,000	48,000	26,000	36,000	50,000	50,000	
Year Ended March 31, 2021													
Non-vested													
March 31, 2020—Outstanding													50,000
Granted													50,000
Vested													
March 31, 2021—Outstanding													
Vested													
March 31, 2020—Outstanding	13,000	13,000	20,000	27,000	27,000	30,000	22,000	48,000	26,000	36,000	50,000	50,000	
Vested													50,000
Exercised									4,000	6,000	12,000	12,300	11,500
March 31, 2021—Outstanding	13,000	13,000	20,000	27,000	27,000	30,000	22,000	48,000	22,000	30,000	38,000	37,700	38,500
Exercise price	¥ 1 (\$ 0.01)												
Average stock price at exercise	¥ (\$)	¥ 690 (\$ 6.23)											
Fair value price at grant date	¥1,153 (\$10.41)	¥1,057 (\$ 9.54)	¥ 875 (\$ 7.90)	¥ 704 (\$ 6.35)	¥ 709 (\$ 6.40)	¥ 743 (\$ 6.71)	¥1,135 (\$10.25)	¥1,079 (\$ 9.74)	¥1,351 (\$12.20)	¥ 730 (\$ 6.59)	¥ 899 (\$ 8.12)	¥ 888 (\$ 8.02)	¥ 733 (\$ 6.62)

22. VALUATION DIFFERENCE ON AVAILABLE-FOR-SALE SECURITIES

The breakdown of “Valuation difference on available-for-sale securities” posted in the consolidated balance sheet is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Valuation difference	¥327,239	¥218,237	\$2,955,821
Deferred tax liabilities	(95,665)	(63,639)	(864,111)
Amounts equivalent to difference on available-for-sale securities	¥231,573	¥154,597	\$2,091,710
Noncontrolling interests adjustment	¥ (391)	¥ (298)	\$ (3,532)
Share of valuation difference on available- for-sale securities in affiliated companies	¥ 14	¥ 65	\$ 132
Valuation difference on available-for-sale securities	¥231,196	¥154,363	\$2,088,309

23. OTHER OPERATING INCOME

Other operating income for the years ended March 31, 2021 and 2020, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Gains on foreign exchange transactions	¥ 1,647	¥3,841	\$ 14,882
Gains on sales of bonds	10,245	5,817	92,547
Gains on financial derivatives	243	162	2,199
Other	367	12	3,322
Total	¥12,504	¥9,833	\$112,952

24. OTHER INCOME

Other income for the years ended March 31, 2021 and 2020, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Gains on sales of stocks and other securities	¥ 8,279	¥ 4,787	\$ 74,781
Equity in earnings of affiliated companies	3,517	505	31,768
Gains on disposal of fixed assets	252	19	2,278
Gains on sales of shares of affiliated companies accounted for by the equity method	649	381	5,870
Other	8,697	7,665	78,562
Total	¥21,396	¥13,359	\$193,262

25. OTHER OPERATING EXPENSES

Other operating expenses for the years ended March 31, 2021 and 2020, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Losses on sales of bonds	¥5,463	¥1,296	\$49,353
Losses on redemption of bonds		643	
Total	¥5,463	¥1,939	\$49,353

26. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the years ended March 31, 2021 and 2020, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Salary	¥32,979	¥33,023	\$297,893
Depreciation expenses	12,487	10,882	112,798
Other	48,247	43,666	435,803
Total	¥93,715	¥87,571	\$846,495

27. OTHER EXPENSES

Other expenses for the years ended March 31, 2021 and 2020, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Provision of allowance for loan losses	¥12,070	¥ 7,476	\$109,026
Losses on written-off claims	521	384	4,709
Losses on sales of stocks and other securities	99		894
Losses on devaluation of stocks and other securities	151	1,940	1,364
Losses on money held in trust		4	
Losses on disposal of fixed assets	706	334	6,377
Impairment losses	2,853	52	25,778
Other	6,572	8,935	59,365
Total	¥22,974	¥19,129	\$207,516

28. INCOME TAXES

The Bank and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 29.8% for the years ended March 31, 2021 and 2020, respectively.

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Deferred tax assets:			
Allowance for loan losses	¥ 14,840	¥ 12,664	\$ 134,045
Provision for retirement benefits	4,795	5,944	43,319
Valuation loss on securities	5,059	6,194	45,698
Other	11,697	9,558	105,657
Less valuation allowance	(5,220)	(6,985)	(47,154)
Deferred tax assets	31,172	27,376	281,566
Deferred tax liabilities:			
Valuation difference on available-for-sale securities	(95,642)	(63,616)	(863,905)
Gain on establishment of employee retirement benefit trust	(5,201)	(5,201)	(46,980)
Securities returned from employee retirement benefit trust	(2,809)	(2,809)	(25,381)
Other	(2,410)	(2,187)	(21,772)
Deferred tax liabilities	(106,064)	(73,815)	(958,040)
Net deferred tax assets/(liabilities)	¥ (74,892)	¥ (46,438)	\$(676,474)

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statement of income for the year ended March 31, 2021, with the corresponding figures for 2020, is as follows:

	2021	2020
Normal effective statutory tax rate	29.9%	29.9%
Change in valuation allowance	(2.8)	(0.7)
Dividends exempted for income tax purposes	(0.7)	(0.8)
Other	1.6	0.5
Actual effective tax rate	28.0%	28.9%

29. LEASES

(1) Financial Lease

(a) Lessor

The net lease investment assets are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Gross lease receivables	¥81,629	¥80,796	\$737,331
Estimated residual values	3,293	3,272	29,747
Unearned interest income	(6,789)	(6,987)	(61,331)
Lease investment assets	¥78,133	¥77,082	\$705,746

Maturities of lease receivables are as follows:

Years Ending March 31,	Millions of Yen		Thousands of U.S. Dollars
	2021	2021	2021
2022	¥1,311		\$11,843
2023	1,132		10,225
2024	1,011		9,137
2025	781		7,063
2026	492		4,445
2027 and thereafter	1,288		11,641
Total	¥6,017		\$54,357

Maturities of lease payment receivables of lease investment assets are as follows:

Years Ending March 31,	Millions of Yen		Thousands of U.S. Dollars
	2021	2021	2021
2022	¥22,046		\$199,138
2023	17,974		162,355
2024	14,404		130,112
2025	10,562		95,404
2026	6,670		60,252
2027 and thereafter	9,971		90,067
Total	¥81,629		\$737,331

(2) Operating Lease

(a) Lessee

The minimum rental commitments under noncancelable operating leases at March 31, 2021 and 2020, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Due within one year	¥ 712	¥ 737	\$ 6,439
Due after one year	841	1,465	7,600
Total	¥1,554	¥2,203	\$14,039

(b) Lessor

The future lease payment receivables under noncancelable operating leases at March 31, 2021 and 2020, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Due within one year	¥ 503	¥ 586	\$4,552
Due after one year	597	753	5,396
Total	¥1,101	¥1,340	\$9,948

30. SEGMENT INFORMATION

An entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

1. Description of Reportable Segments

The Group's reportable segments are those for which separate financial information is available and regular evaluation by the Committee for Integrated Risk and Budget Management is being performed in order to decide how resources are allocated among the Group.

Therefore, the Group's reportable segments consist of the banking operations and leasing operations. Banking operations consist of the banking business centered on deposits, loans, investment securities,

and exchange transactions. Leasing operations consist of lease transactions centered on finance leases.

2. Methods of Measurement of Ordinary Income, Profit (Loss), Assets, Liabilities, and Other Items for Each Reportable Segment

The accounting policies of each reportable segment are consistent with those disclosed in Note 3, "Summary of Significant Accounting Policies."

3. Information about Ordinary Income, Profit (Loss), Assets, Liabilities, and Other Items

Year ended March 31, 2021	Millions of Yen						
	Reportable segment			Other	Total	Reconciliations	Consolidated
	Banking Operations	Leasing Operations	Total				
Ordinary income:							
Ordinary income from external customers	¥ 176,307	¥ 33,186	¥ 209,494	¥ 21,292	¥ 230,787		¥ 230,787
Ordinary income from intersegment transactions	4,201	1,366	5,568	3,969	9,537	¥ (9,537)	
Total	¥ 180,508	¥ 34,553	¥ 215,062	¥ 25,261	¥ 240,324	¥ (9,537)	¥ 230,787
Segment profit	¥ 51,782	¥ 1,498	¥ 53,280	¥ 11,999	¥ 65,280	¥ (1,930)	¥ 63,349
Segment assets	14,035,355	112,696	14,148,052	185,431	14,333,483	(257,635)	14,075,848
Segment liabilities	13,016,628	91,670	13,108,299	35,628	13,143,928	(173,457)	12,970,470
Other:							
Depreciation	12,574	958	13,533	200	13,734	(322)	13,411
Interest income	124,142	8	124,150	218	124,368	(2,089)	122,279
Interest expense	9,209	219	9,428	5	9,433	(336)	9,096
Equity in earnings of affiliated companies				3,517	3,517		3,517
Investments in affiliated companies				19,106	19,106		19,106
Increase in property, plant and equipment and intangible assets	16,688	291	16,979	268	17,248	(396)	16,852

Year Ended March 31, 2020	Millions of Yen						
	Reportable Segment			Other	Total	Reconciliations	Consolidated
	Banking Operations	Leasing Operations	Total				
Ordinary income:							
Ordinary income from external customers	¥ 181,177	¥ 31,151	¥ 212,328	¥ 16,966	¥ 229,295		¥ 229,295
Ordinary income from intersegment transactions	3,761	1,294	5,055	4,655	9,710	¥ (9,710)	
Total	¥ 184,938	¥ 32,445	¥ 217,384	¥ 21,621	¥ 239,006	¥ (9,710)	¥ 229,295
Segment profit	¥ 46,802	¥ 1,522	¥ 48,325	¥ 8,112	¥ 56,437	¥ (1,855)	¥ 54,582
Segment assets	12,514,051	108,975	12,623,027	172,084	12,795,111	(252,339)	12,542,772
Segment liabilities	11,599,225	88,948	11,688,174	34,229	11,722,404	(172,426)	11,549,977
Other:							
Depreciation	10,945	1,007	11,952	191	12,144	(291)	11,852
Interest income	136,594	8	136,603	867	137,470	(2,614)	134,856
Interest expense	29,456	201	29,658	7	29,665	(999)	28,666
Equity in earnings of affiliated companies				505	505		505
Investments in affiliated companies				17,465	17,465		17,465
Increase in property, plant and equipment and intangible assets	14,580	515	15,095	45	15,141	(398)	14,742

Year ended March 31, 2021	Thousands of U.S. Dollars						
	Reportable segment			Other	Total	Reconciliations	Consolidated
	Banking Operations	Leasing Operations	Total				
Ordinary income:							
Ordinary income from external customers	\$ 1,592,514	\$ 299,763	\$ 1,892,278	\$ 192,330	\$ 2,084,608		\$ 2,084,608
Ordinary income from intersegment transactions	37,951	12,344	50,295	35,851	86,146	\$ (86,146)	
Total	\$ 1,630,466	\$ 312,107	\$ 1,942,573	\$ 228,181	\$ 2,170,755	\$ (86,146)	\$ 2,084,608
Segment profit	\$ 467,731	\$ 13,533	\$ 481,264	\$ 108,387	\$ 589,651	\$ (17,439)	\$ 572,212
Segment assets	126,775,859	1,017,944	127,793,803	1,674,932	129,468,736	(2,327,119)	127,141,616
Segment liabilities	117,574,099	828,027	118,402,127	321,817	118,723,945	(1,566,776)	117,157,169
Other:							
Depreciation	113,582	8,661	122,244	1,814	124,059	(2,914)	121,144
Interest income	1,121,330	74	1,121,405	1,969	1,123,374	(18,869)	1,104,505
Interest expense	83,185	1,978	85,163	45	85,209	(3,041)	82,167
Equity in earnings of affiliated companies				31,768	31,768		31,768
Investments in affiliated companies				172,581	172,581		172,581
Increase in property, plant and equipment and intangible assets	150,743	2,630	153,373	2,429	155,802	(3,578)	152,224

Note: "Reconciliations" are mainly eliminations of intersegment transactions.

4. Related information

(1) Information about services

	Millions of Yen					Thousands of U.S. Dollars				
	Lending Operations	Investment Operations	Leasing Operations	Other	Total	Lending Operations	Investment Operations	Leasing Operations	Other	Total
Year ended March 31, 2021	¥98,970	¥40,378	¥33,186	¥58,251	¥230,787	\$893,962	\$364,722	\$299,763	\$526,159	\$2,084,608
Year ended March 31, 2020	¥105,117	¥34,716	¥31,151	¥58,310	¥229,295					

(2) Information about geographical areas

(i) Ordinary income

The domestic share of ordinary income from external customers exceeds 90% of ordinary income in the consolidated statement of income, thus information is not presented.

(ii) Tangible fixed assets

The domestic share of tangible fixed assets exceeds 90% of tangible fixed assets in the consolidated balance sheet, thus information is not presented.

(3) Information about major customers

Ordinary income from a specific customer does not exceed 10% of ordinary income in the consolidated statements of income, thus information is not presented.

5. Information about impairment losses of assets

Impairment losses of assets	Millions of Yen					Thousands of U.S. Dollars						
	Reportable segment				Other	Total	Reportable segment				Other	Total
	Banking Operations	Leasing Operations	Total				Banking Operations	Leasing Operations	Total			
Year ended March 31, 2021	¥2,853		¥2,853			¥2,853	\$25,778		\$25,778			\$25,778
Year ended March 31, 2020	¥52		¥52			¥52						

31. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

1 Qualitative Information of Financial Instruments

(1) Group Policy for Financial Instruments

The Group provides comprehensive financial services, centering on banking, along with leasing and management consulting. Its base of operations is Shizuoka Prefecture.

The Bank, the core business operator of the Group, provides a range of financial instruments, including deposits in Japanese yen, deposits in foreign currencies, Japanese government bonds, investment trusts, and personal pension insurance. It also provides stable financing for customers in the region through loans to individuals and lending operations for small and medium enterprises.

(2) Details of Financial Instruments and Related Risks

The financial assets of the Bank consist primarily of loans and bills discounted to domestic customers and securities, including bonds and equity securities.

The loans and bills discounted are exposed to credit risk arising from potential default by borrowers. As about 60% of the loans and bills discounted are for customers in Shizuoka Prefecture, credit-related losses could occur on a large scale if the regional economic environment changes negatively or if a severe earthquake occurs.

The Group holds securities, such as debt securities (bonds), equity securities, and investment trusts under its investment policy taking into account the safety and liquidity of the investment. These securities are exposed to risks of market price fluctuations associated with the credit standing of issuers and interest rate changes. If the prices of equity securities and other securities held decline, impairment losses or valuation losses could adversely affect the operating results and financial standing of the Group.

Financial liabilities consist primarily of deposits from domestic customers, corporate bonds, and funds raised in the call market. If the Group loses its credit status because of downgrades or other factors or if the market environment deteriorates, conditions for financing could worsen or transactions could be constrained.

The Group enters into derivative transactions for customer needs of hedging exchange rates or interest rates, and for asset and

liability management (ALM) or hedging individual transactions to appropriately manage the market risks of the Group. The Group also conducts trading transactions for the short term.

Derivatives mainly include interest rate swaps, currency swaps, and bond futures and are exposed to market risk that could cause losses in association with changes in interest rate markets and foreign exchange markets, as well as credit risk (counterparty risk), that is, the risk of default on the initial contract due to the bankruptcy of the counterparty or other factors. Between financial assets and financial liabilities, there are interest rate risks associated with mismatches of interest rates and terms.

(3) Risk Management Systems for Financial Instruments

(i) Integrated risk management system

Under the Basic Risk Management Regulations that stipulate the Group's basic risk management policy, the Group has established a basic framework, including an organizational structure for defining and managing risks and specific procedures for risk management.

To ensure a balance between profitability and financial soundness, the Group has introduced a management system based on a risk capital allocation at the core of integrated risk management.

The risk capital allocation is a system for avoiding excessive risk taking by setting risk limits. This system allocates core regulatory capital to each operational department or section and controls risk so that if market risks emerge, losses will be contained within the range of shareholders' equity.

(ii) Credit risk management system

Credit risk is the risk of incurring losses when collecting loans and bills discounted becomes difficult because of the worsening of borrowers' financial conditions.

The Credit Risk Management Group of the Risk Management Department manages all credit risks relating to the Group's operations both in Japan and overseas in order to ensure the soundness of the Group's loan asset portfolio.

The Bank's borrower credit rating system, which is an essential part of its credit risk management, together with other internal rating systems, is operated by the Rating Assessment

Group of the Credit Department (the Credit Planning Group from April 2021), designed and supervised by the Credit Risk Management Group, which is independent from the Credit Department, and verified by the Risk Management Group of the Risk Management Department.

These three units exercise a mutual limitation and checking function with respect to one another, thereby facilitating greater precision and more advanced functions in the Bank's internal ratings system.

In addition, the Audit Department confirms whether credit risk management is operating in accordance with the relevant rules through verification of the self-assessment process.

The Credit Risk Management Group uses statistical methods to quantify latent credit risk across the Bank's entire loan portfolio. This enables the Bank to accurately assess the scale of potential risk, monitors the concentration of loans to particular large-scale borrowers or specific industries, and thus controls the portfolio to avoid excessive credit risk.

The Bank's credit risk management status, with the status of market risk management and liquidity risk management, which is described below, is reported through monthly meetings of the Committee for Integrated Risk and Budget Management, which is chaired by the president and other channels of management.

(iii) Market risk management system

Market risk is the risk of incurring losses in association with changes in the prices of financial assets and liabilities that are caused by changes in interest rates, stock prices, and foreign exchange rates.

The Group controls the degree of market risks within a certain range by setting limits about risk capital allocations, amount of gains or losses, position, and sensitivity, and so on.

The Bank has established ALM hedge criteria for transactions in banking accounts, especially deposits, loans and bills discounted, and investment securities to control the degree of market risk within a certain range. The Business Strategy Planning and ALM Group of the Corporate Planning Department discusses ALM hedge policies based on the situation of interest rate risks and expected interest rates at meetings of the Committee for Integrated Risk and Budget Management.

The Bank has established a system of checks and balances in the market division by strictly separating trading departments and operation departments, and has set up an independent risk management department. The Audit Department, which is independent of departments subject to audit, checks the effectiveness of this system of checks, and balances among the three divisions.

The Bank and the Shizuoka Bank (Europe) S.A. measure the market risks (the estimation of possible losses) of financial assets and liabilities, such as securities and derivatives held in trading portfolios, and loans, securities, deposits, bonds payable, and derivative transactions held in banking portfolios, using Value at Risk (VaR). VaR is utilized for the quantitative analysis to manage market fluctuations.

A historical simulation model (a variance covariance model in 2012) is used for the measurement of VaR. The Bank performs backtesting comparing VaR calculated by the model and actual profit and loss, in order to determine whether the measurement model captures market risks with sufficient accuracy.

Nevertheless, VaR measures possible market risk amounts statistically calculated based on historical data and is unlikely to capture risks under significant market fluctuations not presumed.

The total amounts of market risks as of March 31, 2021 and 2020, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
VaR	¥146,483	¥107,203	\$1,323,123

The assumptions used to measure VaR are as follows:

Observation period: Five years

Confidence interval: 99%

Holding period: 125 days for banking transactions and 10 days for trading transactions

Demand deposits staying long term without withdrawal are estimated as core deposits and are reflected in the market risk measurement.

(iv) Liquidity risk management system

There are two types of liquidity risk: (1) financing risk, that is, the risk of not being able to secure needed funds as a result of worsening market conditions and other factors, or incurring losses due to being forced to raise funds at much higher interest rates than usual and (2) market liquidity risk, which is the risk of not being able to trade financial instruments, such as bonds, because of market turmoil or other factors or incurring losses due to being forced to trade financial instruments at far less favorable prices than usual.

The Bank has established a system of checks and balances by setting up fund management departments for financing in Japanese yen and in foreign currencies, and a liquidity risk management department that is independent of the fund management departments. The Fund & Foreign Exchange Group controls amounts raised in markets within a range of amounts that can be raised and seeks stable financing, considering market circumstances. The Risk Management Group assesses the stability of the asset and liability structure, including the status of the holding of liquid assets and monitors the financing position and the status of the management of the financing departments.

To deal promptly with unforeseeable circumstances, the Group has classified financing management in emergencies into four phases—Phase 1 (prevention), Phase 2 (caution needed), Phase 3 (concern over liquidity), and Phase 4 (lack of liquidity)—and has determined the authorized personnel and countermeasures for each phase in advance.

To manage market liquidity risk, the liquidity risk management department monitors the holding of liquid assets on a timely basis, and the front office chooses assets to be managed after taking into account their liquidity and/or sets limits by name and by term.

(4) Supplementary Explanation of the Fair Values of Financial Instruments

The fair values of financial instruments include values based on market prices, and if there are no market prices, values are reasonably calculated. Fair values could differ if different assumptions are used for calculation.

2. Fair Values of Financial Instruments

The carrying amount, fair values, and differences between them at March 31, 2021 and 2020, consisted of the following:

	Millions of Yen		
	Carrying Amount	Fair Value	Unrealized Gains (Losses)
March 31, 2021			
Cash and due from banks	¥ 2,097,487	¥ 2,097,487	
Call loans and bills bought	150,926	150,926	
Trading assets:			
Trading securities	14,689	14,689	
Securities:			
Held-to-maturity	69,066	69,125	¥ 58
Available-for-sale	1,844,954	1,844,954	
Loans and bills discounted	9,303,121		
Allowance for loan losses	(49,629)		
Subtotal	9,253,491	9,292,243	38,751
Total	¥13,430,616	¥13,469,427	¥38,810
Deposits	¥11,145,906	¥11,146,019	¥ 113
Call money and bills sold	102,210	102,210	
Payables under repurchase agreements	357,952	357,952	
Payables under securities lending transactions	143,311	143,311	
Borrowed money	890,515	890,351	(164)
Total	¥12,639,896	¥12,639,844	¥ (51)
Derivative transactions:			
Nonhedging derivatives	¥ 4,970	¥ 4,970	
Hedging derivatives	(2,300)	(2,300)	
Total	¥ 2,670	¥ 2,670	

	Millions of Yen		
	Carrying Amount	Fair Value	Unrealized Gains (Losses)
March 31, 2020			
Cash and due from banks	¥ 1,384,218	¥ 1,384,218	
Call loans and bills bought	169,388	169,388	
Trading assets:			
Trading securities	9,598	9,598	
Securities:			
Held-to-maturity	54,214	54,303	¥ 89
Available-for-sale	1,539,279	1,539,279	
Loans and bills discounted	8,939,666		
Allowance for loan losses	(40,862)		
Subtotal	8,898,803	8,940,902	42,099
Total	¥12,055,503	¥12,097,692	¥42,188
Deposits	¥10,105,519	¥10,105,609	¥ 90
Call money and bills sold	131,103	131,103	
Payables under repurchase agreements	333,380	333,380	
Borrowed money	671,333	671,476	143
Total	¥11,241,336	¥11,241,570	¥ 233
Derivative transactions:			
Nonhedging derivatives	¥ 2,418	¥ 2,418	
Hedging derivatives	6,361	6,361	
Total	¥ 8,780	¥ 8,780	

	Thousands of U.S. Dollars		
	Carrying Amount	Fair Value	Unrealized Gains (Losses)
March 31, 2021			
Cash and due from banks	\$ 18,945,786	\$ 18,945,786	
Call loans and bills bought	1,363,260	1,363,260	
Trading assets:			
Trading securities	132,680	132,680	
Securities:			
Held-to-maturity	623,854	624,387	\$ 532
Available-for-sale	16,664,748	16,664,748	
Loans and bills discounted	84,031,449		
Allowance for loan losses	(448,286)		
Subtotal	83,583,162	83,933,189	350,026
Total	\$121,313,494	\$121,664,053	\$350,558
Deposits	\$100,676,597	\$100,677,620	\$ 1,023
Call money and bills sold	923,229	923,229	
Payables under repurchase agreements	3,233,242	3,233,242	
Payables under securities lending transactions	1,294,474	1,294,474	
Borrowed money	8,043,680	8,042,193	(1,486)
Total	\$114,171,225	\$114,170,761	\$ (463)
Derivative transactions:			
Nonhedging derivatives	\$ 44,897	\$ 44,897	
Hedging derivatives	(20,777)	(20,777)	
Total	\$ 24,120	\$ 24,120	

- Notes:
1. Allowance for loan losses is deducted from the carrying amount of loans and bills discounted.
 2. Derivative transactions include both derivatives accounted for as trading assets/liabilities and derivatives accounted for as other assets/liabilities. Net assets and liabilities arising from derivative transactions are shown on a net basis and in the case that net amounts are liabilities, they are shown as a negative amount.
 3. Interest rate swaps, for which special hedging treatment is applied, are excluded from derivative transactions as they are evaluated with hedged items on the whole.
 4. Hedged items with special hedging treatment of interest rate swaps are treated as united transactions. For items whose fair value is calculated by discounting future cash flows, deferred and accrued accounts at the calculation date are considered.

Methods used for calculating the fair values of financial instruments Assets

(1) Cash and due from banks

Since the fair values of amounts due from banks without maturities approximate their carrying values, the fair values are deemed equal to the carrying values. The terms of all amounts due from banks with maturities are short (within one year) and their fair values approximate their carrying values. The fair values are therefore deemed equal to the carrying values.

(2) Call loans and bills bought

The terms of all assets are short (within one year) and their fair values approximate their carrying values. The fair values are therefore deemed equal to the carrying values.

(3) Trading assets

The fair values of securities, such as bonds held for trading, are determined by reference to quoted market prices on stock exchanges or prices offered by correspondent financial institutions.

(4) Securities

The fair values of shares are determined by reference to quoted market prices on stock exchanges. The fair values of bonds are determined by reference to quoted market prices or prices offered by correspondent financial institutions. Investment trusts are determined by reference to their publicly available unit prices. The fair values of private placement bonds guaranteed by the Bank are determined by the calculation method for loans and bills discounted described in (5) below after adjusting to reflect guarantee commissions received, among other factors.

(5) Loans and bills discounted

As floating rate loans and bills discounted reflect market interest rates over short periods, unless the credit standing of the borrower is significantly different after the loan was made or the bill was drawn, the fair value approximates the carrying value. The fair value is therefore deemed equal to the carrying value.

The fair values of fixed-rate loans and bills discounted are their present values that are estimated for each classification based on their type, internal rating, status of collateral and guarantees, and terms and by discounting the future cash flows of the principal and interest using the rates at which similar new loans would be made or market interest rates, plus credit cost rates in accordance with internal ratings and expense rates. The fair values of fixed-rate loans and bills discounted, whose terms are short (within one year), approximate their carrying values and are therefore deemed equal to the carrying values.

Losses from loans to borrowers in legal bankruptcy, in virtual bankruptcy, and in possible bankruptcy are computed based on estimated recoverable amounts. The fair values of those loans approximate the consolidated balance sheet amounts at the closing date, minus the currently estimated losses and are therefore deemed equal to the amounts.

The fair values of loans and bills discounted for which repayment terms are not set because of their attributes (e.g., loans are limited to the amounts of pledged assets) are assumed to approximate their carrying values, considering the expected repayment periods and interest rate conditions, and are deemed equal to the carrying values.

Liabilities

(1) Deposits

The fair values of demand deposits are deemed equal to the amounts that would be paid (carrying values) if the payments were demanded at the balance sheet date. The fair values of time

deposits and negotiable certificates of deposit, which are classified in accordance with their periods, are their present values that are estimated by discounting the future cash flows, using the rates that would be offered for new deposits to be received.

The fair values of deposits and negotiable certificates of deposit with short deposit terms (within one year) or with variable interest rates approximate their carrying values and are deemed equal to their carrying values.

(2) Call money and bills sold, (3) Payables under repurchase agreements, and (4) Payables under securities lending transactions
The terms of all liabilities are short (within one year) and their fair values approximate their carrying values. The fair values are therefore deemed equal to the carrying values.

(5) Borrowed money

Floating rate-borrowed money reflects market interest rates in short periods, and the credit standing of the Bank and its consolidated subsidiaries has not significantly changed from when the money was borrowed. The fair value of floating rate borrowed money is therefore considered to approximate the carrying value and is deemed equal to the carrying value. The present value of fixed-rate borrowed money, which is classified in accordance with its period, is estimated by discounting future cash flows,

using rates that would be offered to similar borrowings. The fair value of borrowed money whose term is short (within one year) approximates the carrying value and is therefore deemed equal to the carrying value.

(6) Derivatives

Fair value information for derivatives is included in Note 31.

Carrying amount of financial instruments whose fair value cannot be reliably determined at March 31, 2021 and 2020, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Unlisted stocks	¥ 6,623	¥ 6,462	\$ 59,831
Investments in partnerships and others	15,614	17,382	141,036
Total	¥22,238	¥23,844	\$200,867

Notes: 1. Unlisted stocks without market prices, and whose fair values are difficult to determine, are not included in fair value information.
2. The impairment losses on unlisted stocks for the years ended March 31, 2021 and 2020, were ¥4 million (\$38 thousand) and ¥152 million, respectively.
3. Investments in partnerships, whose assets include unlisted stocks and other assets, are not included in fair value disclosures as it is difficult to determine their fair values.

Maturity analysis for financial assets and securities with contractual maturities

March 31, 2021	Millions of Yen					
	Due in One Year or Less	Due after One Year through Three Years	Due after Three Years through Five Years	Due after Five Years through Seven Years	Due after Seven Years through Ten Years	Due after Ten Years
Due from banks	¥2,017,064					
Call loans and bills bought	150,926					
Securities:	44,707	¥ 235,246	¥ 186,683	¥ 53,180	¥ 122,981	¥ 765,691
Held-to-maturity	1,804	2,000	2,700	3,000	3,100	56,310
Available-for-sale	42,903	233,246	183,983	50,180	119,881	709,381
Loans and bills discounted	1,984,236	1,526,503	1,394,020	836,058	1,061,516	2,296,324
Total	¥4,196,935	¥1,761,749	¥1,580,703	¥889,239	¥1,184,497	¥3,062,015

March 31, 2021	Thousands of U.S. Dollars					
	Due in One Year or Less	Due after One Year through Three Years	Due after Three Years through Five Years	Due after Five Years through Seven Years	Due after Seven Years through Ten Years	Due after Ten Years
Due from banks	\$18,219,356					
Call loans and bills bought	1,363,260					
Securities:	403,828	\$ 2,124,890	\$ 1,686,234	\$ 480,361	\$ 1,110,842	\$ 6,916,192
Held-to-maturity	16,297	18,065	24,388	27,097	28,001	508,631
Available-for-sale	387,531	2,106,825	1,661,846	453,264	1,082,841	6,407,560
Loans and bills discounted	17,922,825	13,788,304	12,591,637	7,551,786	9,588,259	20,741,796
Total	\$37,909,271	\$15,913,195	\$14,277,871	\$8,032,148	\$10,699,101	\$27,657,988

Notes: 1. The amount of loans and bills discounted without due dates, which have been excluded is ¥113,211 million (\$1,022,598 thousand).

2. The amount of loans and bills discounted for "possible bankruptcy," "virtual bankruptcy," and "legal bankruptcy," excluding those without due dates, which have been included is ¥91,251 million (\$824,241 thousand).

Maturity analysis for borrowed money and other interest-bearing debt

March 31, 2021	Millions of Yen					
	Due in One Year or Less	Due after One Year through Three Years	Due after Three Years through Five Years	Due after Five Years through Seven Years	Due after Seven Years through Ten Years	Due after Ten Years
Deposits	¥10,783,601	¥327,113	¥28,598	¥2,133	¥4,458	
Call money and bills sold	102,210					
Payables under repurchase agreements	357,952					
Payables under securities lending transactions	143,311					
Borrowed money	667,008	212,997	8,737	1,484	287	
Total	¥12,054,084	¥540,111	¥37,336	¥3,618	¥4,745	

March 31, 2021	Thousands of U.S. Dollars					
	Due in One Year or Less	Due after One Year through Three Years	Due after Three Years through Five Years	Due after Five Years through Seven Years	Due after Seven Years through Ten Years	Due after Ten Years
Deposits	\$ 97,404,039	\$2,954,691	\$258,323	\$19,272	\$40,269	
Call money and bills sold	923,229					
Payables under repurchase agreements	3,233,242					
Payables under securities lending transactions	1,294,474					
Borrowed money	6,024,827	1,923,922	78,923	13,410	2,596	
Total	\$108,879,814	\$4,878,613	\$337,247	\$32,683	\$42,866	

Note: Demand deposits are included in "Due in One Year or Less."

32. DERIVATIVES

Qualitative information on derivatives, such as the nature and the purpose of derivative financial instruments, is included in Note 31.

Derivative transactions to which hedge accounting is not applied at March 31, 2021 and 2020, consisted of the following

	Millions of Yen			
	Contract or Notional Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gains (Losses)
March 31, 2021				
Listed:				
Bond futures	¥ 603		¥ (1)	¥ (1)
Over the counter:				
Interest rate swaps	353,958	¥254,553	1,174	1,174
Currency swaps	81,281	74,105	110	110
Forward contracts	518,797	195,751	3,657	3,657
Currency options	187,736	146,021	0	2,257
Other	4,981	4,711	30	30

	Millions of Yen			
	Contract or Notional Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gains (Losses)
March 31, 2020				
Listed:				
Bond futures	¥ 619		¥ 8	¥ 8
Over the counter:				
Interest rate swaps	483,236	¥370,595	978	978
Currency swaps	91,046	78,131	156	156
Forward contracts	388,245	160,034	1,227	1,227
Currency options	179,877	139,218	1	2,126
Other	4,885	4,549	44	44

	Thousands of U.S. Dollars			
	Contract or Notional Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gains (Losses)
March 31, 2021				
Listed:				
Bond futures	\$ 5,451		\$ (10)	\$ (10)
Over the counter:				
Interest rate swaps	3,197,171	\$2,299,286	10,605	10,605
Currency swaps	734,185	669,367	994	994
Forward contracts	4,686,094	1,768,145	33,032	33,032
Currency options	1,695,747	1,318,954	0	20,388
Other	44,996	42,561	274	274

Note: Derivatives included in the table above were measured at fair value, and the unrealized gains and losses were recognized in income.

Derivative transactions to which hedge accounting is applied at March 31, 2021 and 2020, consisted of the following:

	Hedged Item	Millions of Yen		
		Contract Amount	Contract Amount Due after One Year	Fair Value
March 31, 2021				
Principled treatment:				
Interest rate swaps	Securities classified as available-for-sale and deposits	¥120,953	¥120,731	¥ 1,726
Currency swaps	Loans, deposits, and securities in foreign currencies	108,919	93,020	(3,159)
Forward contracts	Loans, deposits, and securities in foreign currencies	15,941		(9)
Shares forward contract sale	Shares of affiliated companies accounted for by the equity method	8,336		(857)
Special hedging treatment:				
Interest rate swaps	Loans	68,230	43,930	

	Hedged Item	Millions of Yen		
		Contract Amount	Contract Amount Due after One Year	Fair Value
March 31, 2020				
Principled treatment:				
Interest rate swaps	Deposits	¥41,232	¥41,123	¥ 858
Currency swaps	Loans, deposits, and securities in foreign currencies	76,615	66,492	5,661
Forward contracts	Loans, deposits, and securities in foreign currencies	26,623		(158)
Special hedging treatment:				
Interest rate swaps	Loans	59,445	43,018	

	Hedged Item	Thousands of U.S. Dollars		
		Contract Amount	Contract Amount Due after One Year	Fair Value
March 31, 2021				
Principled treatment:				
Interest rate swaps	Securities classified as available-for-sale and deposits	\$1,092,522	\$1,090,522	\$ 15,596
Currency swaps	Loans, deposits, and securities in foreign currencies	983,830	840,218	(28,542)
Forward contracts	Loans, deposits, and securities in foreign currencies	143,992		(86)
Shares forward contract sale	Shares of affiliated companies accounted for by the equity method	75,300		(7,744)
Special hedging treatment:				
Interest rate swaps	Loans	616,303	396,803	

Notes: 1. Principally, deferral hedge accounting is applied as stipulated in JICPA Industry Committee Practical Guideline No. 24, October 8, 2020, and No. 25, October 8, 2020.
2. The fair value of interest rate swaps with special hedging treatment is omitted as interest rate swaps and loans are treated unitary and their values are included in the fair value of loans and bills discounted in Note 31.

The fair values of listed transactions represent the closing price on the Tokyo Financial Exchange and other exchanges at the consolidated balance sheet date. The fair values of over-the-counter transactions are calculated mainly using the discounted present values or option-pricing models.

The contract or notional amounts of derivatives shown in the above table do not represent the amounts exchanged by the parties and do not measure the Bank's exposure to credit or market risk.

33. RELATED-PARTY TRANSACTIONS

Related-party transactions for the years ended March 31, 2021 and 2020, were as follows:

Related-Party Transactions with the Bank

Related Party	Category	Description of Transactions	Thousands of U.S. Dollars		
			Millions of Yen 2021	2020	2021
Makizo Iio	Close relative of a director of Shizuoka Bank	Loans	¥ 207	¥ 70	\$ 1,876
Kiyokawa Building Eiichiro Kiyokawa	Close relative of a director of Shizuoka Bank	Loans	¥ 161		\$ 1,457
Park View Asset Co., Ltd.	Company in which majority voting rights are held by director or close relative of a director of Shizuoka Bank	Loans	¥ 505	¥530	\$ 4,562
Kiyokawa Corporation	Company in which majority voting rights are held by director or close relative of a director of Shizuoka Bank	Loans	¥ 207		\$ 1,874
Kiyokawa Real Estate Co., Ltd.	Company in which majority voting rights are held by director or close relative of a director of Shizuoka Bank	Loans	¥1,300		\$11,742

Note: 1. Related-party transactions stated above are processed under equal conditions to transactions with general customers.
2. Amounts of loans are balances at the end of the fiscal year.

34. OTHER COMPREHENSIVE INCOME (LOSS)

The components of other comprehensive income (loss) for the years ended March 31, 2021 and 2020 were as follows:

	Millions of Yen		Thousands of
	2021	2020	U.S. Dollars
Unrealized gain on available-for-sale securities:			2021
Gains arising during the year	¥122,835	¥(51,106)	\$1,109,525
Reclassification adjustments to profit and loss	(13,833)	(4,153)	(124,953)
Amount before income tax effect	109,001	(55,259)	984,572
Income tax effect	(32,026)	16,016	(289,279)
Total	¥ 76,975	¥(39,243)	\$ 695,292
Deferred gains on derivatives under hedge accounting:			
Gains arising during the year	¥ (3,108)	¥ (3,327)	\$ (28,076)
Reclassification adjustments to profit and loss	2,393	2,952	21,617
Amount before income tax effect	(715)	(375)	(6,458)
Income tax effect	213	112	1,928
Total	¥ (501)	¥ (263)	\$ (4,530)
Foreign currency translation adjustments:			
Gains arising during the year	¥ 1,804	¥ (956)	\$ 16,302
Amount before income tax effect	1,804	(956)	16,302
Income tax effect	259		2,348
Total	¥ 2,064	¥ (956)	\$ 18,650
Defined retirement benefit plans:			
Adjustments arising during the year	¥ 3,261	¥ (1,276)	\$ 29,460
Reclassification adjustments to profit or loss	558	160	5,044
Amount before income tax effect	3,820	(1,115)	34,505
Income tax effect	(1,141)	333	(10,307)
Total	¥ 2,678	¥ (782)	\$ 24,197
Share of other comprehensive income in affiliated companies:			
Gains arising during the year	¥ 196	¥ (243)	\$ 1,772
Amount before income tax effect	196	(243)	1,772
Total	¥ 196	¥ (243)	\$ 1,772
Total other comprehensive income	¥ 81,414	¥(41,488)	\$ 735,383

35. NET INCOME PER SHARE

Basic net income per share (EPS) for the years ended March 31, 2021 and 2020, is computed as follows:

Year ended	Millions of Yen	Thousands of	Yen	U.S. Dollars
	Net income attributable to Owners of the Parent	Shares		
March 31, 2021		Weighted-Average Shares		EPS
Basic EPS:				
Net income available to common shareholders	¥43,638	574,004	¥76.02	\$0.686
Effect of dilutive securities:				
Interest expenses (excluding tax amount)	48			
Stock options		376		
Convertible bonds with stock acquisition rights		21,482		
Diluted EPS:				
Net income for computation	¥43,686	595,863	¥73.31	\$0.662

Year ended	Millions of Yen	Thousands of	Yen
	Net income attributable to Owners of the Parent	Shares	
March 31, 2020		Weighted-Average Shares	EPS
Basic EPS:			
Net income available to common shareholders	¥38,703	576,006	¥67.19
Effect of dilutive securities:			
Interest expenses (excluding tax amount)	400		
Stock options		397	
Convertible bonds with stock acquisition rights		21,420	
Diluted EPS:			
Net income for computation	¥39,103	597,825	¥65.40

36. SUBSEQUENT EVENTS

1. Purchase of Treasury Stock

On May 12, 2021, the Board of Directors resolved the following purchase of treasury stock:

- (1) Type of stock: Common stock
- (2) Number of shares: Up to 10,000,000 Shares
- (3) Aggregate amount of shares: Up to ¥10,000 million (U.S. \$90,326 thousand)
- (4) Purchase period: May 17, 2021 to December 23, 2021

2. Appropriation of Retained Earnings

The following appropriation of retained earnings will be authorized at the ordinary general shareholders' meeting held on June 18, 2021:

	Millions of Yen	Thousands of
		U.S. Dollars
Cash dividends,		
¥14 (\$0.126) per share	¥8,036	\$72,591
Total	¥8,036	\$72,591

Key Consolidated Financial Indicators

Summary of Profits (Losses)

Years ended March 31	Millions of Yen			Percentage Change
	2021	2020	Increase (Decrease)	
Net interest income	¥113,182	¥106,189	¥ 6,993	6.5%
Net fees and commissions	32,208	30,806	1,402	4.5
Net trading income	3,553	3,047	505	16.5
Net other operating income	7,041	7,893	(852)	(10.8)
General and administrative expenses	93,715	87,571	6,144	7.0
Net other ordinary income	1,079	(5,783)	6,862	(118.6)
Ordinary profits	63,349	54,582	8,766	16.0
Income before income taxes	60,691	54,596	6,095	11.1
Income taxes:				
Current	21,209	16,571	4,638	27.9
Deferred	(4,240)	(765)	(3,474)	453.5
Net income	43,722	38,791	4,931	12.7
Net income attributable to noncontrolling interests	83	88	(4)	(4.7)
Net income attributable to owners of the parent	43,638	38,703	4,935	12.7
Comprehensive income	125,136	(2,697)	127,834	(4,739.2)

Breakdown of Net Interest Margin

Year ended March 31	Billions of Yen
	2021
Interest income	¥ 122.2
Average interest-earning assets	11,485.9
Average interest rate of interest-earning assets (%)	1.06
Interest expense (Note)	9.0
Average interest-bearing liabilities	12,011.2
Average interest rate of interest-bearing liabilities (%)	0.07
Net interest income	113.1

Note: Interest expense here excludes interest paid in relation to investment in money held in trust.

Net Other Operating Income

Years ended March 31	Millions of Yen		
	2021	2020	Increase (Decrease)
Gains on foreign exchange transactions	¥ 1,647	¥ 3,841	¥(2,193)
Gains/losses on government bonds	4,782	3,877	904
Gains on sales	10,245	5,817	4,428
Losses on sales	(5,463)	(1,296)	(4,167)
Losses on redemptions		(643)	643
Gains/losses on derivative transactions	243	162	81
Proceeds from derivative transactions	243	162	81
Others	367	12	355
Gains/losses on other business	7,041	7,893	(852)
Other operating income	12,504	9,833	2,671
Other operating expenses	(5,463)	(1,939)	(3,524)

Loans Outstanding by Type of Borrower

March 31	Billions of Yen, % Share			
	2021		2020	
Domestic branches:				
Manufacturing	¥1,557.2	17.16%	¥1,390.5	16.02%
Agriculture and forestry	9.1	0.10	8.6	0.10
Fishery	8.9	0.10	9.7	0.11
Mining and quarrying	13.9	0.15	12.0	0.14
Construction	256.6	2.83	227.5	2.62
Utilities	146.3	1.61	123.7	1.43
Telecommunications	64.5	0.71	69.2	0.80
Transportation and mail service	318.4	3.51	304.7	3.51
Wholesale and retailing	816.6	9.00	813.7	9.37
Finance and insurance	505.9	5.57	479.1	5.52
Real estate, lease, and rental	2,081.4	22.93	1,977.2	22.77
Medical, welfare, lodging, and other services	603.3	6.65	552.4	6.36
Local governments	116.8	1.29	129.5	1.49
Other	2,577.3	28.39	2,583.9	29.76
Subtotal	9,076.9	100.00	8,682.3	100.00
Overseas branches and offshore accounts:				
Governments and official institutions	4.6	2.04	5.1	1.99
Banks and other financial institutions	11.1	4.91	12.7	4.96
Other	210.4	93.05	239.4	93.05
Subtotal	226.2	100.00	257.3	100.00
Total	¥9,303.1		¥8,939.6	

Risk-Monitored Asset Information

March 31	Millions of Yen		
	2021	2020	Increase (decrease)
Loans under bankruptcy proceedings A	¥ 7,048	¥ 3,840	¥ 3,208
% of loans and bills discounted	0.07	0.04	0.03
Past-due loans B	84,202	76,736	7,466
% of loans and bills discounted	0.90	0.85	0.04
Loans past due for three months or more C	776	558	218
% of loans and bills discounted	0.00	0.00	0.00
Restructured loans D	13,091	13,256	(164)
% of loans and bills discounted	0.14	0.14	(0.00)
Risk-monitored loan total E (E=A+B+C+D)	105,120	94,392	10,727
% of loans and bills discounted	1.12	1.05	0.07
Value covered with collateral, guarantees, etc. F	88,937	80,342	8,594
Cover ratio (%) F/E	84.60	85.11	(0.51)

- Notes: 1. Risk-monitored loans are based on Article 19-2 of the Ordinance for Endorsement of the Banking Act. Because these loans are disclosed regardless of the presence or absence of collateral, guarantees, or other coverage, the figures shown do not represent unrecoverable amounts.
2. Loans past due for three months or more include loans for which payments of principal or interest are delinquent by three months or more, as calculated from the day following the contracted payment date, but do not include loans to bankrupt borrowers or past-due loans.
3. Restructured loans include loans for which certain conditions have been relaxed for the benefit of the borrower (through such means as the reduction or elimination of interest payments, the deferral of principal repayments, or the relinquishment of a portion of liabilities) with the goal of supporting the recovery of borrowers that have fallen into financial difficulty and thereby promoting the recovery of the loan.
4. Value covered with collateral, guarantees, etc., includes provisions in the specific reserve for possible loan losses. The covered value was stated on a possible disposal basis.

Allowance for Loan Losses

March 31	Millions of Yen	
	2021	2020
General allowance for loan losses	¥26,806	¥23,115
Specific allowance for loan losses	27,094	21,972
Total	¥53,901	¥45,087
[Loans on written-off claims for the year]	¥ [521]	¥ [384]

Financial Index

Years ended March 31	Consolidated			Nonconsolidated		
	2021	2020	Increase (Decrease)	2021	2020	Increase (Decrease)
Per share (Yen):						
Net income	¥ 76.02	¥ 67.19	¥ 8.83	¥ 61.82	¥ 58.05	¥ 3.77
Net assets	1,922.55	1,727.10	195.45	1,792.22	1,620.29	171.93
Cash dividends	25.00	22.00	3.00	25.00	22.00	3.00
Dividend payout ratio (%)				40.43	37.89	2.54
Return on equity (%) (Note)	4.16	3.85	0.31	3.62	3.54	0.08
Price earnings ratio (%)	11.44	9.77	1.67	14.07	11.31	2.76

Note: The amount of net income returned as a percentage of the average balance of shareholders' equity.

Capital Adequacy Ratio

March 31	Billions of Yen			
	Consolidated		Nonconsolidated	
	2021	2020	2021	2020
1. Total capital ratio (%)	16.56	15.59	14.45	13.76
2. Tier 1 ratio (%)	16.56	15.59	14.45	13.76
3. Common Equity Tier 1 ratio (%)	16.56	15.59	14.45	13.76
4. Total capital	990.4	893.7	905.5	821.1
5. Tier 1 capital	990.4	893.7	905.5	821.1
6. Common Equity Tier 1 capital	990.4	893.7	905.5	821.1
7. Total risk-weighted assets	5,979.6	5,729.6	6,265.7	5,967.4
8. Total capital requirements	478.3	458.3	501.2	477.3
Leverage ratio (%)	7.94	7.01	7.27	6.46

Notes: 1. Capital ratios were calculated both on a consolidated and nonconsolidated basis conforming to the Ministry of Finance guidelines, based on Article 14-2 of the Banking Act.

2. The Group adopted the Foundation Internal Rating-Based Approach to calculate credit risk assets and the Standardized Approach for operational risk, and applies the Market Risk Capital Regulations.

3. In addition, the leverage ratio, which was a complementary indicator of the equity ratio, was calculated both on consolidated and nonconsolidated basis, with the formula shown on the criteria, the 11th notice by Financial Services Agency in 2019, to judge the soundness of the leverage as a complementary indicator of the criteria on whether or not the adequacy of equity capital of the bank is appropriate in light of the circumstances, such as the assets owned by the bank, according to the provision of the article 14-2 of Banking Act.

The Shizuoka Bank

Corporate Data

HEAD OFFICE

10, Gofukucho 1-chome, Aoi-ku,
Shizuoka-shi, Shizuoka 420-8761, Japan

HEADQUARTERS

2-1, Kusanagi-Kita, Shimizu-ku,
Shizuoka-shi, Shizuoka 424-8677, Japan
Phone: (81) 54-345-5411
URL: <https://www.shizuokabank.co.jp/>

NUMBER OF EMPLOYEES

(As of March 31, 2021)
2,776

DATE OF ESTABLISHMENT

March 1, 1943

INTERNATIONAL BUSINESS DEPT. INTERNATIONAL BUSINESS PROMOTION GROUP

Phone: (81) 54-345-5411
Fax: (81) 54-344-0090

OPERATIONS PLANNING DEPT. TREASURY & INTERNATIONAL OPERATIONS CENTER

Phone: (81) 54-345-5700
Fax: (81) 54-349-5501
SWIFT address: SHIZJPT

DOMESTIC NETWORK

(As of July 1, 2021)
Head Office, 177 branches,
27 subbranches

OVERSEAS NETWORK

(As of July 1, 2021)
3 branches,
2 representative offices, and
1 subsidiary

Overseas Service Network

Los Angeles Branch

801 South Figueroa Street, Suite 610,
Los Angeles, CA 90017, U.S.A.
Phone: (1) 213-622-3233
Fax: (1) 213-623-8674

New York Branch

600 Lexington Ave,
4th Floor, New York,
NY 10022, U.S.A.
Phone: (1) 212-319-6260
Fax: (1) 212-319-6270

Hong Kong Branch

Suite 1010, 10th Floor, Chater House,
8 Connaught Road, Central, Hong Kong
S.A.R.,
People's Republic of China
Phone: (852) 2521-6547
Fax: (852) 2845-9257

Representative Office Registered in Singapore

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Singapore 048624
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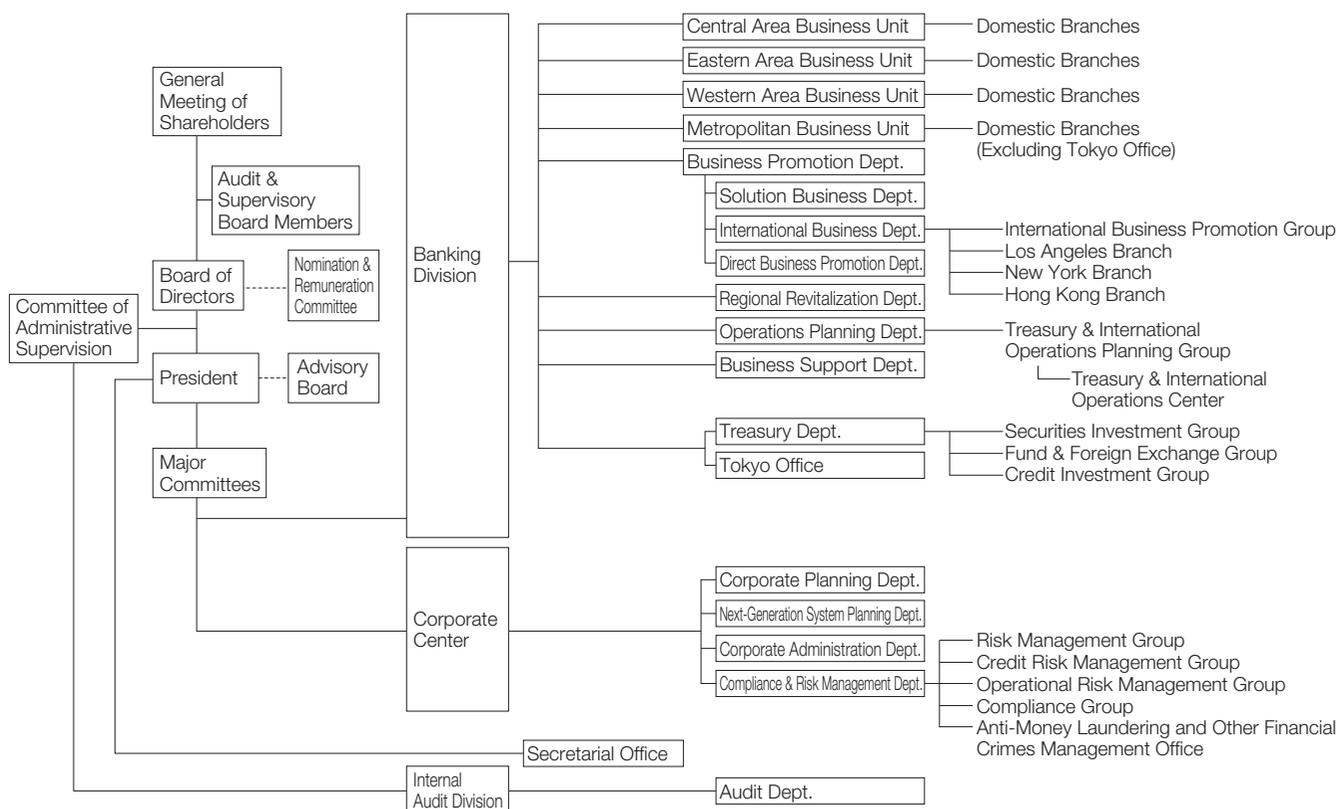
Shanghai Representative Office

Room 1813, Shanghai
International Trade Centre,
2201 Yan-An Road (West),
Chang Ning Qu, Shanghai,
People's Republic of China
Phone: (86) 21-6209-8115
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Shizuoka Bank (Europe) S.A.

Rue Jules Cockx 8-10, Box 9, 1160
Auderghem, Brussels, Belgium
Phone: (32) 2-646-0470
Fax: (32) 2-646-2462

Organization Chart



Board of Directors and Audit & Supervisory Board

Chairman & CEO*¹

Katsunori Nakanishi

President & COO*²

Hisashi Shibata

Deputy president & CFO*³

Minoru Yagi

Director & Senior Executive Officers

Yutaka Fukushima

Koichi Kiyokawa

Directors

Yoshihiro Nagasawa

Kumi Fujisawa

Motoshige Itoh

Kazuto Tsubouchi

Kazutoshi Inano

Audit & Supervisory Board Members

Hiroki Saito

Mitsuru Kobayashi

Yoshihiro Yamashita

Naomi Ushio

Isamu Nakamura

*¹CEO=Chief Executive Officer

*²COO=Chief Operating Officer

*³CFO=Chief Financial Officer

(As of July 1, 2021)

Investor Information

CAPITAL STOCK (As of March 31, 2021)

Common stock..... ¥90,845 million

NUMBER OF SHARES (As of March 31, 2021)

Authorized..... 2,414,596,000 shares

Issued and outstanding 595,129,069 shares

NUMBER OF SHAREHOLDERS (As of March 31, 2021)

22,382

STOCK LISTING

First Section of the Tokyo Stock Exchange

TRANSFER AGENT

Japan Securities Agents, Ltd.

STOCK PRICE, TURNOVER

Annual high/low stock price (five years)

(Yen)

Years ended March 31	2017	2018	2019	2020	2021
High	1,055	1,252	1,153	901	924
Low	655	860	820	532	601

PRINCIPAL SHAREHOLDERS

The 10 largest shareholders of the Bank and their respective shareholdings at March 31, 2021, were as follows:

	Number of Shares in Thousands	Percentage of Total Shares Outstanding
The Master Trust Bank of Japan, Ltd. (trust account)	54,391	9.47%
Nippon Life Insurance Company	29,745	5.18
Meiji Yasuda Life Insurance Company	29,117	5.07
Custody Bank of Japan, Ltd. (trust account)	25,516	4.44
Sumitomo Life Insurance Company	13,070	2.27
MUFJ Bank, Ltd.	11,884	2.07
The Dai-ichi Life Insurance Company, Limited	11,546	2.01
DAIICHI SANKYO COMPANY, LIMITED	9,343	1.62
Custody Bank of Japan, Ltd. (trust account 7)	7,723	1.34
Custody Bank of Japan, Ltd. (trust account 5)	7,365	1.28
Total	199,704	34.78%

The Shizuoka Bank Group

Consolidated Subsidiaries

SHIZUGIN MANAGEMENT CONSULTING CO., LTD.

Corporate and financial management advisory services

Bill collection services

SHIZUGIN LEASE CO., LTD.

Leasing

Shizugin IT Solution Co., LTD.

Computer system development and operation

SHIZUGIN CREDIT GUARANTY CO., LTD.

Guarantee of housing loans, etc.

SHIZUGIN DC CARD CO., LTD.

Credit card and guarantee of consumer loans

SHIZUOKA CAPITAL CO., LTD.

Public-offering assistance
Support for corporate rehabilitation

SHIZUGIN TM SECURITIES CO., LTD.

Securities

SHIZUGIN GENERAL SERVICE CO., LTD.

Fee-based job placement services
General administration

SHIZUGIN MORTGAGE SERVICE CO., LTD.

Appraisal of real estate for loan collateral
Operation center for loans

SHIZUGIN BUSINESS CREATE CO., LTD.

Operation center for remittance and bill collection

Part-time employee management

SHIZUGIN HEARTFUL CO., LTD.

Making, printing, and binding of documents

SHIZUOKA BANK (EUROPE) S.A.

Finance and securities-related services

SHIZUOKA LIQUIDITY RESERVE LIMITED

Purchases of monetary receivables

Affiliates under Equity Method

SHIZUGIN SAISON CARD CO., LTD.

Credit card and prepaid card
Guarantee of consumer loans

* Other than the above-mentioned Group companies, Monex Group, Inc. and Commons Asset Management, Inc. are equity-method affiliates of Shizuoka Bank.

THE SHIZUOKA BANK, LTD.

<https://www.shizuokabank.co.jp/english/>

For more detailed information, please refer to our website.

