

Shizuoka Financial Group

# Integrated Report 2024



# Corporate Philosophy

Shizuoka Financial Group's Corporate Philosophy expresses the goals of the Group, as a comprehensive financial group founded in the region, to exist and prosper, economically and culturally, alongside and in partnership with regional communities and to contribute to the welfare of the region and these communities.

We are dedicated to contributing to society by steadily putting this Corporate Philosophy into practice as a comprehensive financial group positioned to lead the community into the future.



## *Expand dreams and affluence with our community.*

As a comprehensive regional financial institution, we are committed to providing high quality services and helping people accomplish their dreams both in life and business.

As a company that works together with the community, we strive to develop regional economic and cultural growth.

We pursue the happiness of regional communities, customers, shareholders, and employees through proactive management founded on soundness and in touch with the times.



### **Gratitude**

We value the interaction of our hearts and minds.

### **Creativity and challenge**

We always aim for higher goals.

### **Open-Mindedness**

We always act cheerfully and energetically.

### **Self-Innovation**

We constantly improve our abilities and sensitivities.

### **Pride and Joy**

We perform our roles with passion.

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## Shizuoka Financial Group Integrated Report 2024

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### Editorial policy

Shizuoka Financial Group has prepared this Report to help stakeholders—chiefly investors—better understand the Group's efforts toward continual value creation. The IFRS Foundation's Integrated Reporting Framework was referred to in its compilation.



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# 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 its location at a busy “crossroads” of the nation, Shizuoka Prefecture 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. Shizuoka Prefecture is one of the country’s leading manufacturing areas. The wide variety of industries represented within Shizuoka has led Shizuoka Prefecture being dubbed “the industrial department store.” Corporations active in Shizuoka include world-leading enterprises such as Toyota, Honda, Suzuki, and Yamaha, and Shizuoka Prefecture is renowned for its accumulation of export-oriented manufacturing companies. Many of these companies have set up production subsidiaries overseas, which

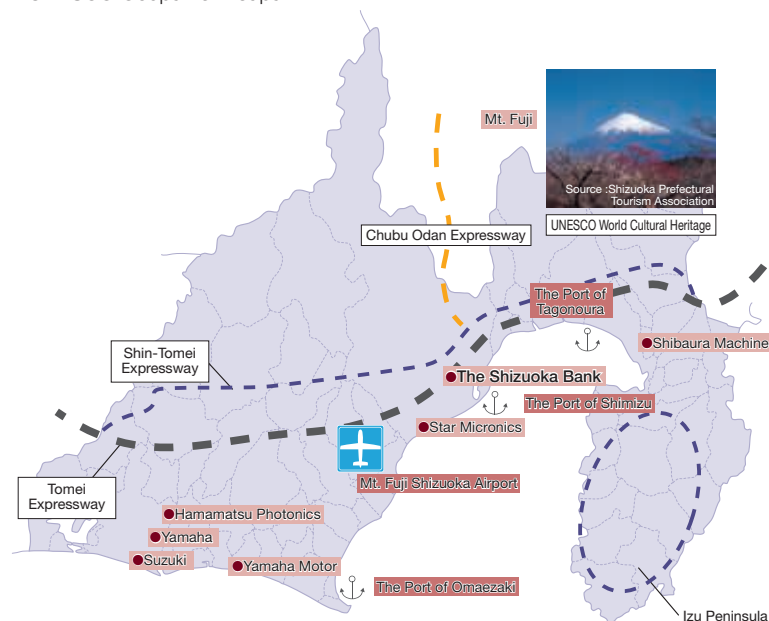
are creating a growing international aspect into the regional economy. We expect that Shizuoka Prefecture will be more internationalized, stimulating the interchange of people and ideas with the major urban centers of Eastern Asia, and act as an important driving force for the regional economy.

In recent years the Prefectural authorities have been operating a number of schemes to encourage the companies in the medical treatment, pharmaceuticals, chemicals, and optical technology industries, and 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 an industrial base of the next-generation.



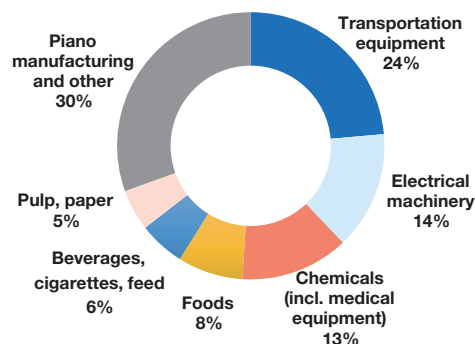
## Economy in Shizuoka Prefecture and Current State

- Positioned as a distribution hub among Tokyo, Nagoya, and Osaka.
- 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.



### Industrial structure in Shizuoka Prefecture

- Amount of shipments of manufactured goods etc.: JPY 17,290.5bn 4<sup>th</sup> largest in Japan (2021)



Source: Survey on industrial statistics by METI

### No. of listed companies with HQs in Shizuoka Prefecture

Listing	No. of companies
TSE Prime	19
TSE Standard	31
TSE Growth	1
<b>Total</b>	<b>51</b>

\*As of the end of Mar. 2024

## Economic scale of Shizuoka Prefecture

- Accounts for 3% share of all-Japan and ranks 10<sup>th</sup> 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 Iraq, Kazakhstan, and Algeria.

### Shizuoka Prefecture indices

	Share of all-Japan		National ranking
Population	3.53m	2.9%	10 <sup>th</sup> of 47 (2023)
No. of households	1.58m	2.7%	10 <sup>th</sup> of 47 (2023)
Nominal prefectural GDP	JPY 17.1tn	3.1%	10 <sup>th</sup> of 47 (FY2020)
Per-capita income	JPY 3,110m	-	6 <sup>th</sup> of 47 (FY2020)
No. of business establishments	190k	3.0%	10 <sup>th</sup> of 47 (2019)
Amount of shipments of manufactured goods, etc.	JPY 17.3tn	5.2%	4 <sup>th</sup> of 47 (2021)
Agricultural output	JPY 213.2bn	2.4%	15 <sup>th</sup> of 47 (2022)
Fishery production volume	150k tons	5.0%	5 <sup>th</sup> of 47 (2022)
No. of industrial locations	47	6.3%	3 <sup>rd</sup> of 47 (2023)
No. of new housing starts	19k	2.4%	10 <sup>th</sup> of 47 (2023)

### Shizuoka Prefecture economic scale

Prefectural GDP (FY2020, Nominal)		
Rank	Prefecture/Region	(US\$ billions)
9	Fukuoka Prefecture	178.1
<b>10</b>	<b>Shizuoka Prefecture</b>	<b>161.3</b>
11	Ibaraki Prefecture	129.9
-	4 prefectures in Shikoku	133.0
-	3 prefectures in Hokuriku	121.0
GDP comparison with countries (2020)		
Rank	Country (Region)	(US\$ billions)
53	Iraq	181.4
54	Kazakhstan	171.1
55	Algeria	164.8
<b>-</b>	<b>Shizuoka Prefecture</b>	<b>161.3</b>
56	Hungary	157.2
57	Ukraine	156.6

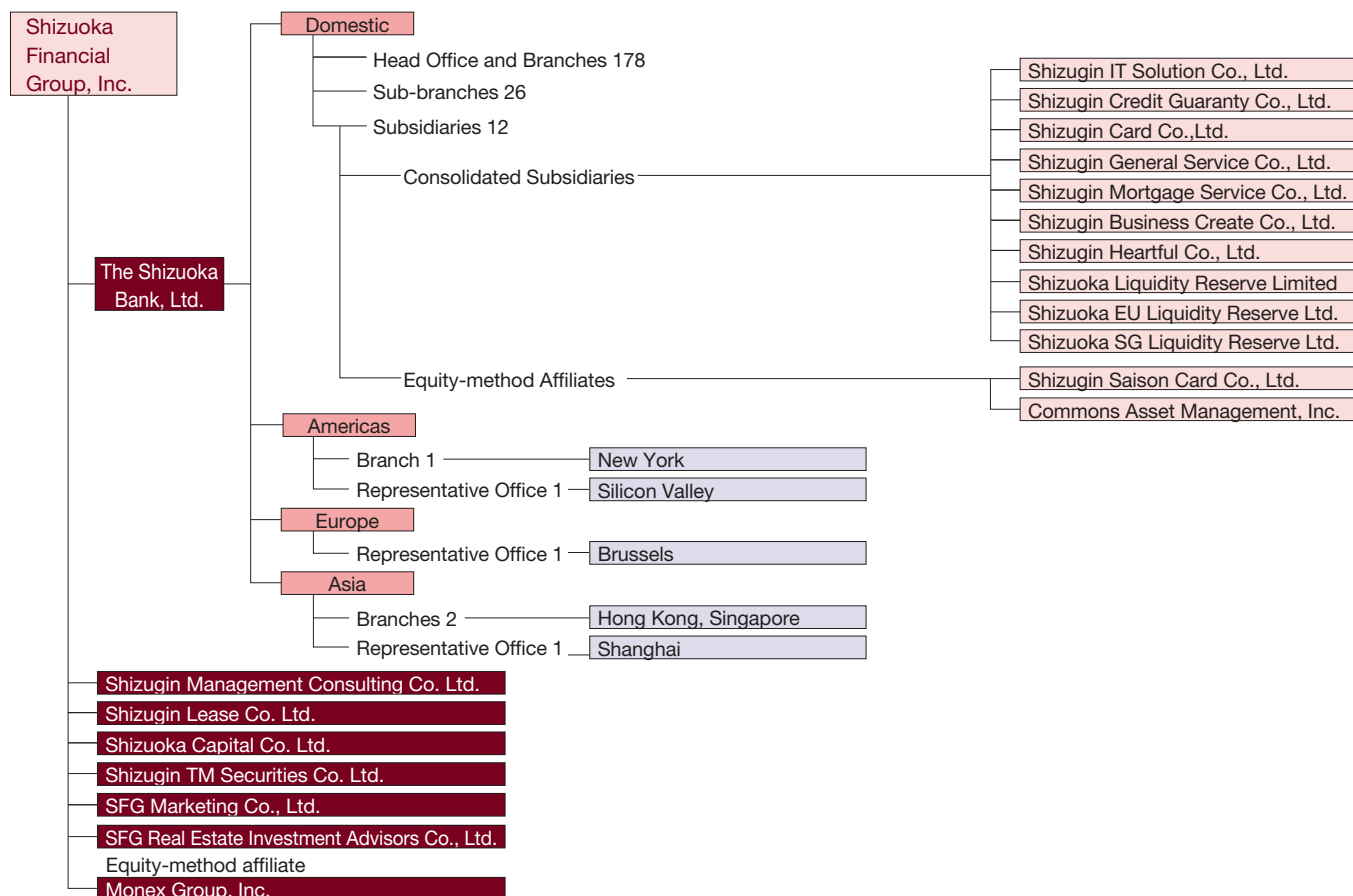
\* Sources: Economic and Social Research Institute (ESRI) Cabinet Office, Government of Japan

# Shizuoka Financial Group at a Glance

## A FIRST-CLASS REGIONAL FINANCIAL GROUP

Shizuoka Financial Group comprises The Shizuoka Bank, Ltd. (the “Bank”) and sixteen group companies, and is one of the largest regional financial groups in Japan. Centered on the Shizuoka Bank with the Head Office, 177 branches and 26 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 locates comparatively nearby. For the overseas operation, the Shizuoka Bank has offices in New York, Silicon Valley, Brussels, Hong Kong, Singapore, and Shanghai.

### The Structure of Shizuoka Financial Group (As of July 1, 2024)



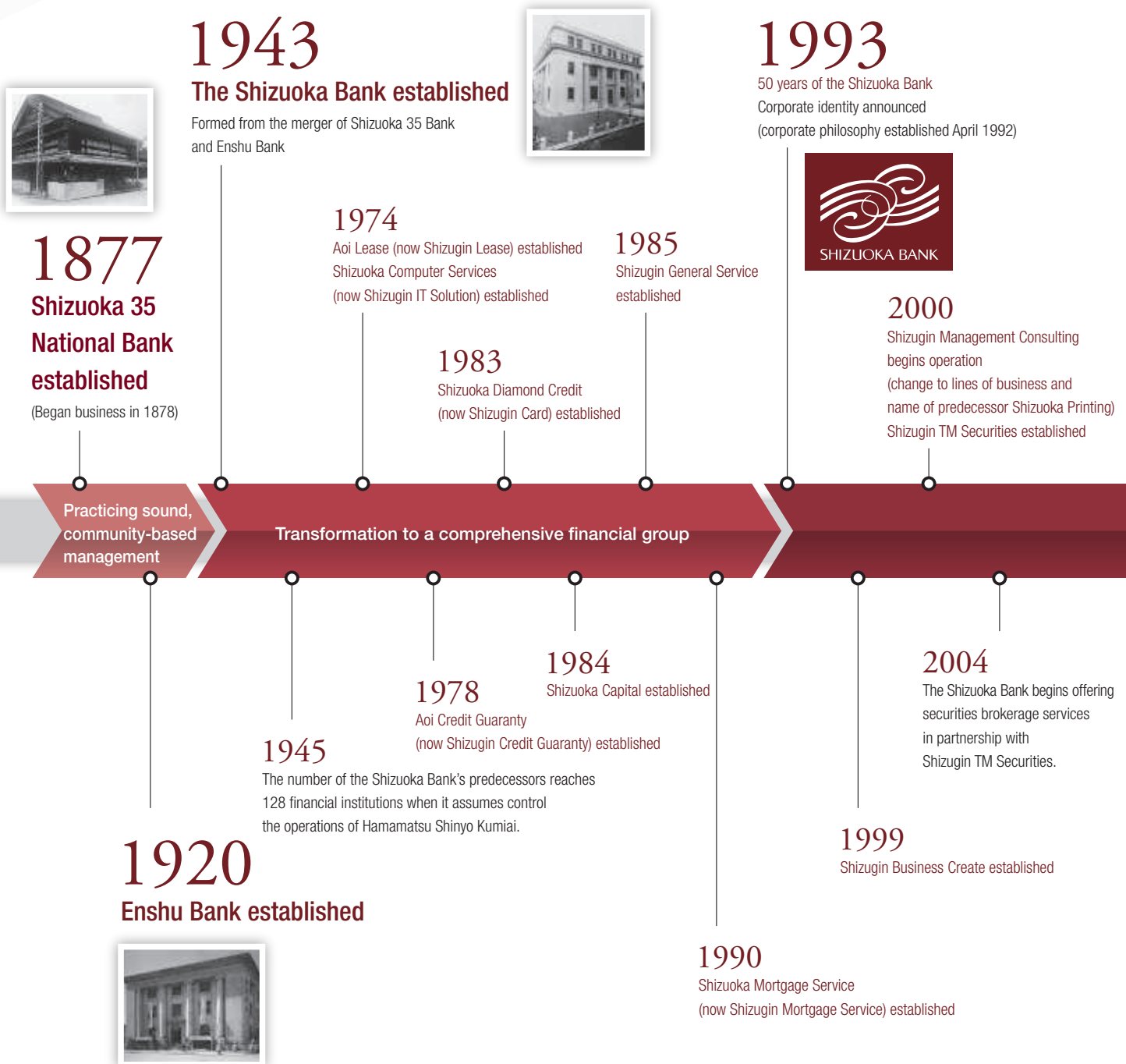
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# Shizuoka Financial Group's history

Shizuoka Financial Group was formed in October 2022 with the Group's transition to a holding company structure. The Shizuoka Bank, a leader in the Group in terms of numbers of customers and transactions, traces its roots back to 128 predecessor financial institutions, the oldest of which was a national bank that in 1878 became the first institution to be authorized to issue banknotes in Shizuoka Prefecture. Shizuoka Financial Group is a regional financial institution group with a 146-year history through 2024.

Building on the trust we have earned within the community, we will improve our capacity, as a comprehensive financial group, to deliver solutions and continue to take on new challenges in order to maximize the value we provide to all stakeholders.





2022

**Shizuoka Financial Group established**

Shizuoka Nagoya Alliance, a comprehensive business alliance with Nagoya Bank, established



2018

The Shizuoka Bank begins serving as an agent for Shizugin Lease

2014

Inter-industry alliance launched for new business creation (capital and business alliance with the Monex Group)



2020

Shizuoka Yamanashi Alliance, a comprehensive business alliance with Yamanashi Chuo Bank, established



2008

First branch specializing in front office operations opened (Toro Branch, Shizuoka Station South Loan Center)

2006

Shizugin Saison Card established

Announced support for Task Force on Climate-Related Financial Disclosures (TCFD)

Enhancement of Group management and broadening of new business areas

Practicing sustainability management

2007

Online branch launched

2019

Shizugin Heartful established

2023

Acquired shares of TJS Co., Ltd., making TJS a wholly owned subsidiary  
SFG Marketing established  
SFG Real Estate Investment Advisors established  
Registered as a TNFD Adopter

2016

Grand Opening of Shizugin Head Office Tower

2011

International network expanded (Memoranda concluded on business alliances with Kasikorn Bank [Thailand], Bank Resona Perdania [Indonesia], ANZ Vietnam [Vietnam], Shinhan Bank [South Korea], and CIMB Niaga [Indonesia])

2021

Next-generation accounting system brought online  
Silicon Valley Representative Office, the first of its kind for a regional bank, opened  
Japan's first positive impact finance agreement for SME concluded  
Sustainable finance goals established

2005

Ninth Medium-term Business Plan (Challenges for Creation and Change - 3C Plan) formulated as the first Group management strategy



## CEO Message



Striving to be a comprehensive financial group that helps create the region's future

Hisashi Shibata  
President & CEO

## Increasingly diverse and complex community challenges amid a return to normal

A year after the lengthy COVID-19 restrictions were lifted, the world has more or less returned to its previous activities. Personal consumption continues to recover as individuals once again venture out. Recovering corporate earnings and other trends have pushed up the Nikkei Average to its highest levels in 34 years. Wage increases have risen to the 5% range, as the government’s aim of a stable virtuous cycle between growth and dividends takes shape.

The trend toward a return to normal of social and economic activities has affected the financial industry. In March of this year, the Bank of Japan shifted gears from its policy of negative interest rates. Japan’s domestic interest rates, which had remained low for years, rose for the first time in 17 years, marking a gradual recovery to positive interest rates.

With the hands of the stopped clock moving once again, actions reflecting a stronger awareness of timelines will be vital. For example, we will speed-up to tackle with the issues, which used to take a decade to solve, by taking even shorter duration, three to five years for instance. We face numerous pressing issues related to the rectification

of deviations that have emerged in the normalization process, including labor shortages and rapid yen depreciation. We also face a number of changes on the road to a new world, including changing demographic structures and digital- and green-transformations.

Confronting these accelerating large-scale waves of change, the issues faced by our region and customers grow increasingly diverse and complex. Nevertheless, the Shizuoka Financial Group’s approach to tackling these issues remains unchanged, based on our Corporate Philosophy: **expanding dreams and affluence with our community**.

Our goal is to be a financial group that helps brighten the region’s future. As a comprehensive financial group creating new value and blazing trails to the future in an era of uncertainty, we strive to realize brighter, more prosperous, sustainable communities with our eyes on the region’s present and future. This sense of resolve is shared by all Group officers and employees.

## First Medium-term Business Plan “Xover: Clearing the Way to a New Era”—Creating social value while increasing corporate value

In considering sustainability as the core of management itself, Shizuoka Financial Group is seeking by FY2030 to realize sustained improvements in the wellbeing of all its stakeholders, in addition to our own corporate value, by providing solutions to the issues and needs facing the region and our customers.

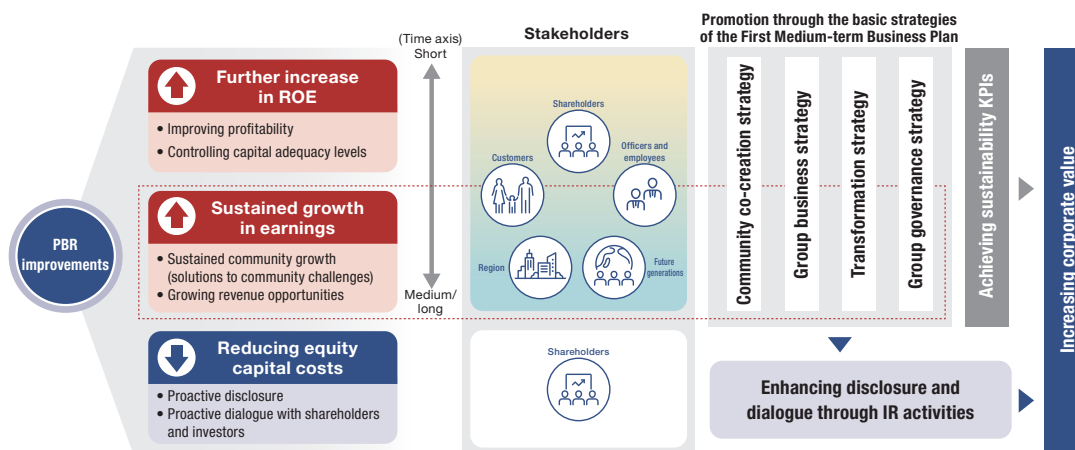
The **First Medium-term Business Plan—Xover: Clearing the Way to a New Era**, formulated by backcasting from this vision for the future, is intended to achieve these aims through steady efforts.

Many managers are currently deliberating on how best to accelerate efforts to increase corporate value and improve their **price/book value**

(PBR) ratio, an indicator of financial value. The First Medium-term Business Plan serves as a roadmap for Shizuoka Financial Group’s efforts to address this issue.

Improving PBR requires gains not just in current earnings, but projected future earnings. The growth of the local economy—the wellsprings of our revenue—is essential to continuous growth as a regional financial institution. Under the holding company structure, Shizuoka Financial Group will meet stakeholder expectations by broadening its lines of business and identifying and offering solutions to community challenges as we strive both to create social value and increase our corporate value.

Fig. 1. Our thinking on increasing corporate value by promoting the First Medium-term Business Plan





The First Medium-term Business Plan differs significantly from previous Medium-term Business Plans in that it targets, based on this outlook, both to create social value and increase our corporate value by promoting medium- to long-term strategies to achieve co-creation with the community while steadily growing earnings over the short term.

We have established new sustainability KPIs to gauge the sustained growth of the community and Shizuoka Financial Group, as well as the extent of progress to our vision for 2030. We will strive to achieve each KPI by finding solutions to the Group's key materiality topics based on four strategies: community co-creation strategy, Group business strategy, transformation strategy, and group governance strategy.

Below, I would like to review the first fiscal year of the First Medium-term Business Plan and our progress on these efforts.

## Looking back on the first fiscal year of the First Medium-term Business Plan—Progress toward sustainability KPIs

### Social impact KPIs

Social impact KPIs represent our social impact on Shizuoka Prefecture, the core region of the Shizuoka Financial Group's business territory. We have established Rate of change in population; Real GDP; and Rate of reduction in greenhouse gas emissions as the three target indicators through which we will seek to strengthen the regional economy to achieve future expected earnings.

To help realize positive social impacts, the First Medium-term Business Plan identifies, as a basic strategy, **community co-creation strategy**, whereby we will aim to create social value while stimulating the community by identifying solutions to the challenges it faces. This involves medium- to long-term initiatives for which it remains

difficult to assess their effects on KPIs in the first fiscal year. Still, in FY2023, we assigned new division general managers responsible for promoting related efforts at individual district companies—the regional coordination sites for the Shizuoka Bank. We pursued thorough efforts to identify activities to better understand community challenges. While the issues identified are diverse and wide-ranging, we are accelerating efforts to implement solutions in one area: support for community decarbonization.

As one of Japan's manufacturing centers, Shizuoka Prefecture is distinguished by its high rate of manufacturing activity. The region's high potential is one of the Shizuoka Financial Group's strengths. At the

Fig. 2. Progress on sustainability KPIs

	KPI	FY2023 plan	FY2023 results	Assessment	Future courses of action and issues		
Creating social value	Social impact KPIs	Rate of change in population in Shizuoka Prefecture	>> Continual increase	>> Increased (+0.015%)	○	Accelerating strategic efforts through more concrete and visible measures under the community co-creation strategy (medium- to long-term efforts)  Enhancing efforts to broaden the use of GHG emissions calculation tools across the region	
		Real GDP in Shizuoka Prefecture	>> Continual growth	>> Growth (FY2022 real economic growth rate: 5.2%)	○		
		Rate of decrease in GHGs in Shizuoka Prefecture	>> Down 46% vs. FY2013 (FY2030)	>> Slower rate of reduction (down 15.8% vs. FY2021)	-		
Increasing corporate value	Engagement KPIs	Customer satisfaction with Group transactions <sup>1</sup>	>> Up YoY	>> - (No previous year figures available)	-	Expanding support options and demonstrating Group synergies Developing businesses that combine social value with business potential  Further promoting cultural reforms Making the most of human capital  Promoting efforts to achieve net zero emissions ourselves as early as possible Efforts to protect local industry and natural capital	
		Group officer and employee engagement <sup>2</sup>	>> 3.8 or higher	>> 3.81	○		
		Carbon neutrality (Scopes 1, 2)	>> Down 73.4% (vs. FY2013)	>> Down 74.1%	○		
	Financial KPIs	Earnings	Consolidated ordinary profit	>> 98.0 billion yen	>> 102.2 billion yen	○	Appropriate balance sheet management reflecting changes in the interest rate environment (yen, foreign currency)  Balancing growth investment and expense level  Control over appropriate capital adequacy level
			Consolidated ROE	>> 5.0%	>> Net asset basis: 4.9% Shareholder equity basis: 6.2%	▲	
		Efficiency	Consolidated OHR	>> 58.3%	>> 56.3%	○	
		Soundness	Consolidated CET1 ratio <sup>3</sup>	>> 17.1% (13.4%)	>> 18.1% (14.2%)	▲	

<sup>1</sup> Measured using net promoter score (NPS), an indicator of customers who would recommend the company, its products, or its services to family, friends, and acquaintances, based on customer surveys

<sup>2</sup> Overall satisfaction measured as the average for the five aspects of rewarding work, job suitability, workplace satisfaction, satisfaction with superiors, and loyalty to the company (score of 1-5)

<sup>3</sup> Figures in parentheses are based on final Basel III standards.

same time, many firms in the region face similar issues as they struggle to adapt to changing environmental conditions. Examples include demands for decarbonization in the supply chain and the shift towards electric vehicles in the auto industry. Our efforts to support appropriate responses to avoid shrinking transaction volumes and technological obsolescence are important means to protect the foundations for future earnings.

Based on this outlook, we have begun distributing, free of charge, Shizuoka GX Support, a tool for calculating GHG emissions. This system helps customers take their first step toward decarbonization management. To connect individual activities to support customers under this framework with region-wide initiatives, we will use this solution to build a regional support platform in cooperation with partners, including local governments and other financial institutions.

In this way, the community co-creation strategy of the First Medium-term Business Plan is intended to stimulate the community while sharing value with diverse stakeholders. We have grouped

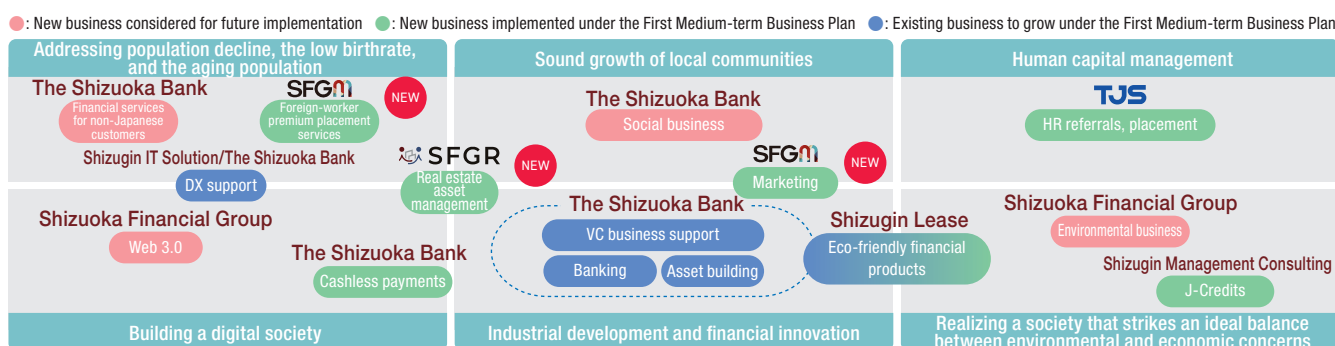
### Engagement KPIs

We have identified the following three target engagement indicators: Customer satisfaction with Group transactions; Group officer and employee engagement; and Achievement of carbon neutrality by Shizuoka Financial Group.

To increase customer satisfaction with Group transactions, which reflects how we are perceived by the community and customers, it is essential to increase specialization not only in the core banking business, but also at non-banking Group companies, while building on the quality of our products and services. As noted earlier, the challenges faced by the community and our customers will likely grow more diverse and complex. Thus, it is vital for Group member companies to work together to maximize Group synergies while enhancing the support options the Group can offer.

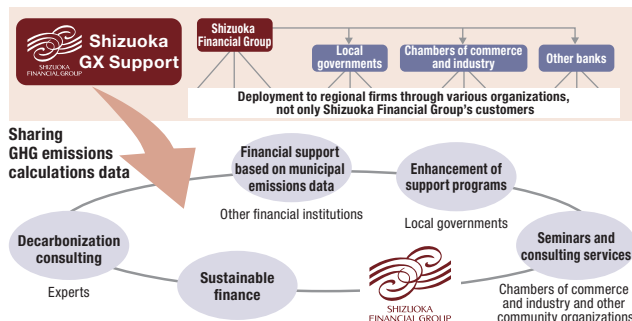
In the area of Group business strategy, as part of another strategy of the First Medium-term Business Plan, not just the bank, but each Group company will actively tackle the challenges of further enhancing its business, expanding its scope, and developing new business domains. The Shizuoka Bank is striving to grow the venture capital business and to enter the merchant service business under its cashless strategy; the lease and consulting subsidiaries are steadily promoting new efforts in eco-friendly services and other areas.

Fig. 4. Illustration of business domain growth grounded in solutions to social issues



various community issues under 12 themes, one of which is support for decarbonization. As a topic for the future, we have identified the need for more concrete and visible measures. We will accelerate this strategy by further expanding practical moves to lead to solutions and value creation in fields beyond the environment.

Fig. 3. Regional decarbonization support using Shizuoka GX Support



We have also established two new companies, SFG Marketing and SFG Real Estate Investment Advisors, to address new business areas that will contribute to solutions to community challenges. SFG Marketing was established in July 2023 to help the region and customers expand their sales channels and to support branding initiatives. In April 2024, it entered the new business of premium placement of foreign workers to help resolve labor shortages in the region. SFG Real Estate Investment Advisors seeks to leverage the Group's strengths—its information network and specialized human resources—to lead customer business expectations and contribute to community growth by attracting new companies and creating employment as it guides regional development projects in cooperation with local customers and communities from an asset management perspective.

Each of the various initiatives under the First Medium-term Business Plan is distinguished by the underlying pillars of social issues. I see my role in the second year of the Medium-term Business Plan to be one of steadily growing our businesses that combine social value with business potential.

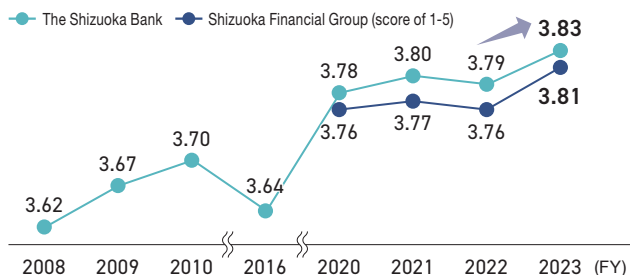
I was delighted to see the indicator of Group officer and employee engagement increase sharply from last year to 3.81 points, above the level targeted.

The First Medium-term Business Plan was formulated by backcasting from our vision of the future. Accordingly, I consider it to be a plan for a major transformation in the mindset of our officers and employees from the short term to the longer term. As Peter Drucker said, "Culture eats strategy for breakfast." No matter how good, a strategy will not be unable to generate results without changes in the corporate culture and the outlook and awareness of those who make up the organizational ranks.

To reform our internal culture, since my appointment as Bank President in 2017, we have implemented various measures step by step and shifted from our previous conservative outlook toward a corporate culture more receptive of taking on new challenges. With the transition to a holding company structure in October 2022, we have steadily shifted to a corporate culture in which the individuality of each and every officer and employee is linked to the Group's competitive strengths. Of course, it is impossible to solve every issue in a single year. We have some way to go in breaking away from our traditional culture dependent on the Bank. Still, the town hall meetings that began last year with officers and employees seem to be generating some results, as we obtain remarkable insights from younger employees, Group company officers and employees, and other participants engaging in free and open exchange of opinions.

Our industry of finance involves intangible products and services. For example, the value customers receive from financial services, such as loans and deposits, can vary considerably depending on the people that provide them. As our business domains expand, we will also require knowledge of fields in which we have no previous experience. Strategic use of rapidly evolving digital technologies and data science,

Fig. 5. Trend in Shizuoka Financial Group's engagement survey results



### Financial targets: Review of capital policies

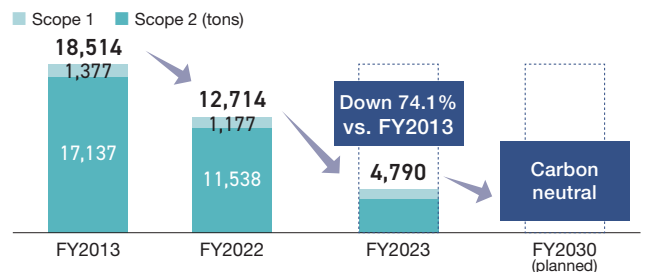
We have identified as financial targets consolidated ordinary profit, consolidated ROE, consolidated OHR, and consolidated CET1 ratio—reflecting the perspectives of earnings, efficiency, and soundness. Each of these indicators is described in detail on the next page. While the first year of the Medium-term Business Plan, FY2023, got off to a good start as we set a new record high at each stage of profits, centered on

including generative AI, requires specialized skills. Accordingly, Shizuoka Financial Group sees human capital management as an important management strategy, and strives to maximize our human capital. I believe differentiation in the financial industry is powered, above all, by people. It is easy to emulate a competing financial product, but not the people who provide it. I would like to ensure that our human capital will become a major force driving our future strategy, by strengthening our investments in human capital, including training and education.

On the topic of carbon neutrality within Shizuoka Financial Group, we have accelerated efforts to achieve carbon neutrality by FY2030 through large-scale reductions achieved by switching Group-wide direct energy use to renewables and other efforts. For the Group to lead the region in achieving carbon neutrality, as I noted above, it will be essential for us to take the lead, to the extent possible, in reaching carbon neutrality ahead of schedule.

In FY2023, we made further progress on efforts in the area of the environment by incorporating into management an awareness of the idea of natural capital and biodiversity—topics increasingly being focused on worldwide. Shizuoka Financial Group's environmental initiatives are intended to protect the region's industry. Shizuoka Prefecture's natural bounty is the basis of various industries. Like decarbonization, efforts to preserve and restore natural capital matter in terms of protecting our customer base and enabling sustained growth. In December 2023, we completed registration with the Taskforce on Nature-related Financial Disclosures as a TNFD Adopter. We plan to achieve a sustainable community by providing financial products and services while enhancing disclosure in line with the TNFD recommendations.

Fig. 6. Trends in Shizuoka Financial Group's GHG emissions



our core businesses, we recognize improving capital efficiency to be an issue of utmost importance, as seen in ROE and the CET1 ratio.

While our strong equity capital is a sign of the Shizuoka Financial Group's soundness, it also runs counter to some market perspectives regarding capital efficiency. At the same time, to fulfil our mission as a regional financial institution supporting social infrastructure, we are

responsible for reliably fulfilling intermediary financial functions in the region even in the face of financial crises or natural disasters. To ensure management stability, a quality we consider just as important as capital efficiency, we strive to achieve sustained growth while maintaining the capital required.

In February 2024, based on this perspective, we reviewed our capital policies and revised our policy on shareholder returns from the initial target announced alongside the First Medium-term Business Plan—to build steadily toward a minimum payout ratio of 40% by FY2027—to one calling for a payout ratio of at least 50%. This expresses our position on increasing dividends to shareholders based on a consideration of dividends received from shareholdings, in light of the fact that, to some degree, high levels of equity capital may correspond to unrealized gains on shareholdings.

In addition to high equity capital, Shizuoka Financial Group owns earnings capabilities backed by stable growth, human resources capable of effectively implementing its strategies, and outstanding regional potential. These and other management resources contribute to our competitive advantages. In accordance with our newly revised capital policies, we will strive to enhance returns to shareholders by drawing on resources of our shareholdings, a part of the solid equity capital serving as the foundations of our stable business performance, and thus make the Group still more attractive.

We also recognize the need to promote growth strategies as an important precondition for increasing corporate value. We will pursue various activities, including aggressive investments, to accelerate these strategies, as well as investments in maximizing human capital to support their implementation. In this way, we expect to increase the corporate value of Shizuoka Financial Group, enable all stakeholders to benefit from gains in our stock price, and achieve management that gives back to the community.



In May 2024, we updated the financial targets of the Medium-term Business Plan, targeting even higher levels of consolidated operating profit, consolidated ROE, and consolidated OHR. These revisions are chiefly revisions to interest rate scenarios reflecting factors like changes in the Bank of Japan's monetary policy. Our goal is to accelerate our strategies by flexibly revising financial targets that serve as guideposts for our growth strategies in response to changing circumstances. We will strive to achieve management that will meet the expectations of the markets through continually increasing ROE to reach an even higher level of PBR.

Fig. 7. Revising capital policies to make an impact



Fig. 8. May 2024 revisions of sustainability KPIs (financial KPIs)

		KPI	FY2027 target	FY2027 target (revised)
Financial targets	Earnings	Consolidated ordinary profit	¥90.0 billion or more	¥100.0 billion or more
		Consolidated ROE (net asset basis)	Approx. 6%	Approx. 6.5%
		Consolidated ROE (shareholder equity basis)	Approx. 7%	Approx. 7.5%
	Efficiency	Consolidated OHR	Approx. 55%	Controlled to approx. 53%

## Conclusion

### ■ To become a group that will help create the future of the region

Up to this point, we have considered our pool of stakeholders to be composed of four key groups: customers, employees, shareholders, and the region itself. The First Medium-term Business Plan adds the new stakeholder category of future generations. The future of any region depends on its financial institutions and their characteristics. This is the message I communicate to our officers and employees. I believe that we as a financial institution play a critical role.

In an internal meeting the other day, I asked if any of the attendees believed that they could change the company or the region. I was glad to see that some had the courage to raise their hands and answer in the affirmative. I want as many of our officers and employees as possible to

have the dedication and desire to change the future of their community and to take on the challenge of realizing their own dreams as a member of Shizuoka Financial Group. The capabilities of an isolated individual are modest. But the capabilities of many individuals who join hands to pursue their dreams and visions for the future are often sufficient to bring those dreams and visions to life.

My mission as a leader, and my responsibility to all stakeholders is to move Shizuoka Financial Group in that direction.

I am grateful for the continuing support and understanding of our stakeholders.





# Three questions for Mr. Shibata

Q

**Why did you become a banker?**

A

I'm a little ashamed to say that my initial motive was nothing lofty like to benefit the community. I was inspired by an accounting seminar I took as a university student. At that time, I was learning how to read corporate information from the balance sheet. I gradually developed an interest in seeing with my own eyes what companies might offer that can't be measured by numbers alone. That led to my interest in becoming a banker. My experiences as a banker in activities like speaking face to face with corporate managers have been valuable assets during my career.

Another factor was that I was very impressed as a student by the behavior of the bank staff in charge of recruitment. I wanted to become as professional as them.

Q

**What has changed the most since you went from being president of a bank to president of a holding company?**

A

Various things have changed, including how I spend my time every day and the people I meet for drinks after work. But I think the biggest change occurred in my perspective as a manager.

The mission of a bank president is to focus on the banking business and provide the customers in the community with better financial services. On the other hand, a holding company president needs the perspective of broadening business areas by filling in the gaps in the Group's functions, thinking of the bank as just one of its many services. The mission of a holding company president is to maximize performance by effectively allocating finite management resources in areas like growth investments and personnel assignments.

We live in a time of dramatic change. I strive to build an environment in which we can demonstrate Group synergies to the utmost while retaining the capacity to change course flexibly when needed.

Q

**Is there anything that really interests you now—any kind of rest and relaxation you would recommend in particular?**

A

I find the best way to relax is to go out with the family, including our five-year-old golden retriever. Dogs are most active around this age. We enjoy going out together for energetic activities like swimming in the river or riding on a gondola lift for skiing. It can be tiring—at the same time, it's somehow energizing.

I also like to walk around the town, although I haven't had much time to do that recently. It's possible some of our readers have seen me around town.

Maintaining good health, physical and mental, is hugely important. While people refresh themselves in various ways, all these ways seem to share two qualities: They're things that you find absorbing and that make you smile.



TOPICS

# Current perspective on capital policies

Revisions of financial targets and shareholder return policies in the First Medium-term Business Plan

In February 2024, Shizuoka Financial Group revised its capital policies (financial targets and shareholder return policies) to target sustained growth in ROE by adding an ROE target based on shareholder equity to the existing target based on net assets and to steadily increase the dividend payout ratio to 50% or higher by FY2027.

## Details of revision of financial targets\* and shareholder return policies

\* Financial targets shown are after the revisions of the First Medium-term Business Plan announced in May 2024.

Before	<ul style="list-style-type: none"> <li>Consolidated ROE of approx. 6.5% by FY2027</li> <li>Steadily increasing the dividend payout ratio to 40% or higher</li> </ul>	➔	After	<ul style="list-style-type: none"> <li>Consolidated ROE of approx. 6.5% by FY2027 (net asset basis)</li> <li><b>Consolidated ROE of approx. 7.5% by FY2027 (shareholder equity basis)</b></li> <li>Steadily increasing the dividend payout ratio to <b>50% or higher</b></li> </ul>
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## Aims of these revisions

<b>Financial targets</b>	The purpose of this revision is to include ROE calculated based on shareholder equity. This is intended to more clearly demonstrate to our stakeholders the approach of steadily increasing ROE by implementing growth strategies, regardless of fluctuations in capital due to fluctuating valuations of stock and other assets.
<b>Policy concerning returns to shareholders</b>	The fundamental policy is to strengthen the appeal of Shizuoka Financial Group shares and to further the prosperity and wellbeing of all stakeholders by increasing dividend payout ratios using dividends generated by shareholdings, one factor in our high capital levels, as a new source of funding for dividends, while considering the Group's optimal capital levels from the two perspectives of capital costs and management risks faced by a regional financial institution.

### Point 1 Analysis of the First Medium-term Business Plan from a capital cost perspective

While the ROIC spread\* at the First Medium-term Business Plan's ROE target of approx. 6.5% would be negative at a capital cost level of 8%, it would move to positive territory if capital fell by ¥300.0 billion. This means capital levels include free cash flow of approximately ¥300.0 billion.

		(%)	FY2022	FY2027
Consolidated	ROIC spread		-0.26	-0.10
	ROIC		0.71	0.64
	WACC		0.97	0.74

- Negative ROIC spread in the final year of the First Medium-term Business Plan (FY2027)
- Progress on the basic strategies of the First Medium-term Business Plan will make the ROIC spread less negative.

If capital fell by ¥300.0 billion:  
The ROIC spread would move to positive territory.  
That is, capital levels include free cash flow of approximately ¥300.0 billion.

		FY2027	FY2030
		+0.04	+0.04
		0.65	0.61
		0.61	0.57

\* ROIC spread: Return on invested capital (ROIC) - weighted average cost of capital (WACC). A positive ROIC spread means earnings exceed the cost of capital.

### Point 2 Analysis of appropriate capital levels from the perspective of management risks to a regional financial institution

In light of the various risks faced by a regional financial institution, we have pegged the level of capital needed to ensure stable management based on our growth strategies at about three percentage points above regulatory levels. We are targeting a consolidated CET1 ratio of 13% or higher for the First Medium-term Business Plan.

#### Our perspective on capital levels (based on full application of the final version of Basel III)

Maintaining a capital ratio of two to three points above regulatory levels would support stable management as a basis for growth strategies.

14.22% (Target) vs 10.5% (Regulatory capital)

March 31, 2024 (actual) vs March 31, 2028 (planned)

#### Risks to a regional financial institution

	Common to all banks	Regional financial institution
Business properties	The majority of banking assets are assets at risk.	Business territory dependent on a specific region
Management risks	Risk events decrease asset value.	A natural disaster or other such event would have a major impact on the region.

**High capital level**  
**High soundness**

Demonstrating stable financial mediation functions  
Maintaining high profit levels and stable dividends even in the face of risk events

## Dividend policy (revised)

We will strive to achieve steady growth of the **dividend payout ratio to 50% or higher** by FY2027. We will use dividends generated by shareholdings, a factor underlying our high level of capital, as a source of funding for dividends, while maintaining the capital needed to ensure stable management. While systematically seeking to reduce strategic shareholdings in accordance with the Corporate Governance Code, we will make decisions concerning shareholdings based on the reasons for holding them and their efficiency as investment assets as well as a keen awareness of capital levels.

### Our approach to dividends

#### Target payout ratio

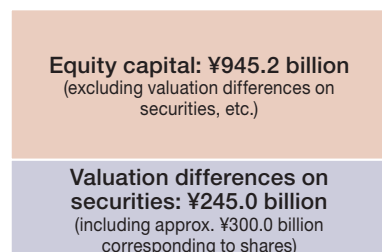
##### Steadily increasing the dividend payout ratio to 50% or higher

- In increasing the payout ratio, we will enhance returns to shareholders by setting amounts of dividends per share **with an eye on factors including dividends** generated by shareholdings (strategic shareholdings and pure investments).
- Annual dividend policies will be announced through IR activities and other channels following a consideration of capital policies.

**Our dividends have never declined since our time as the Shizuoka Bank. We remain dedicated to their steady growth.**

#### Breakdown of consolidated capital (¥1.2033 trillion)

\* FY2023 financial results



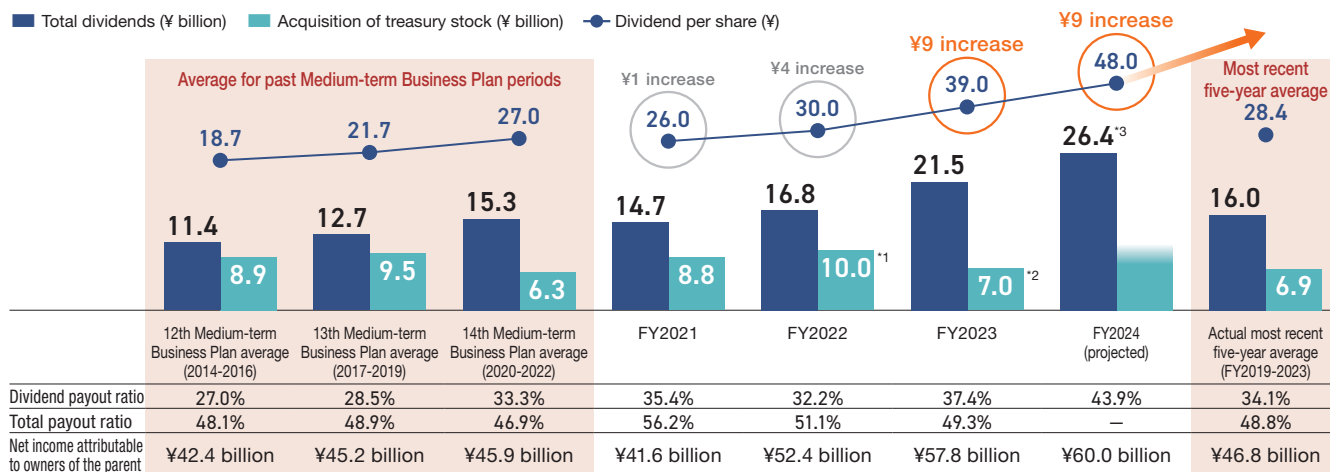
The amount corresponding to shares of valuation differences on securities will provide free cash flow from a capital cost perspective and help ensure stable management as required by regulations.

#### Dividend trends

	FY2024 (announced May 2023)	FY2024 (actual)	FY2025 (announced May 2024)
Interim dividend	¥17	¥17	(Planned) ¥24
Year-end dividend	¥17	¥22	(Planned) ¥24
Annual dividends	¥34	¥39 <span style="color: red;">+¥5</span>	¥48 <span style="color: red;">+¥9</span>
Payout ratio	33.5%	37.4%	43.9%

Dividends generated by shareholdings (after deducting the effective tax rate) are considered to determine Shizuoka Financial Group's dividends.

#### Trends in shareholder returns

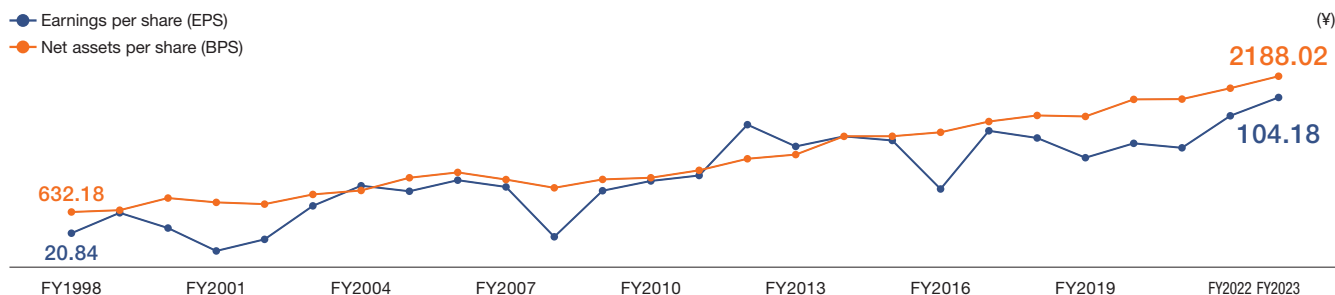


<sup>1</sup> Actual shareholder returns in FY2022 include acquisition of treasury shares already completed (amount: ¥10.0 billion; period: February to May 2023)

<sup>2</sup> Actual acquisition of treasury shares in FY2023 (amount: ¥7.0 billion; period: February to March 2024)

<sup>3</sup> Estimated based on shares issued and outstanding (excluding treasury shares) as of March 31, 2024

#### Trends in EPS and BPS (consolidated)



# CFO Message



**We will create new value through financial strategies for the future to achieve sustainable growth for the region and the Group**

**Hiromitsu Umehara**

Executive Officer & CFO

See also the materials from the May 2024 briefing on financial results.



## 1. Recent business conditions

### ■ Results for FY2023

In FY2023, the inaugural year of the First Medium-term Business Plan, we undertook financial management at a major turning point towards the normalization of Japan's monetary policies.

Gross operating profit grew by 11.2 billion yen year on year, due in large part to an increase of 9.5 billion yen year on year for the Bank on a nonconsolidated basis, centered on profits from fees and commissions.

Ordinary profit grew by 28.3 billion yen year on year driven due to various factors, including a temporary increase in profit based on the equity-method investment balance and gains (loss) on stocks associated with the sale of strategic shareholdings, in addition to higher gross operating profits. Net income grew by 5.4 billion yen year on year in connection with the revaluation of fixed assets and reflecting the early recording as extraordinary loss of future costs associated with branches.

Despite the consequences of certain extraordinary factors, through profit growth centered on core businesses, we were able to achieve record highs at each profit stage and increase ROE to 4.9% on a net asset basis (up 0.2 points year on year) and 6.2% on a shareholder equity basis (up 0.3 points year on year). These results represent a smooth start for the initial year of the First Medium-term Business Plan.

### Results of FY2023 (Consolidated)

(JPY bn, %)

	FY2023	YoY Increase/Decrease
Gross operating profit	171.3	+11.2
Operating expenses (-)	96.5	+0.6
Profit based on the equity-method investment balance	8.1	+7.7
<b>Net operating profit<sup>1</sup></b>	<b>83.1</b>	<b>+17.6</b>
Credit-related costs (-)	5.0	-0.6
Gain (loss) on stocks	23.0	+9.2
<b>Ordinary profit</b>	<b>102.2</b>	<b>+28.3</b>
Extraordinary profit and loss	-22.7	-22.1
Net income before taxes	79.5	+6.2
Corporate taxes (-)	21.7	+0.9
<b>Net income<sup>2</sup></b>	<b>57.8</b>	<b>+5.4</b>

ROE (%)	Net asset basis	4.9	+0.2
	Shareholder equity basis	6.2	+0.3

<sup>1</sup> Net operating profit = Net operating profit of the Bank nonconsolidated + Consolidated ordinary profit – Ordinary profit of the Bank nonconsolidated

<sup>2</sup> Net income attributable to owners of the parent

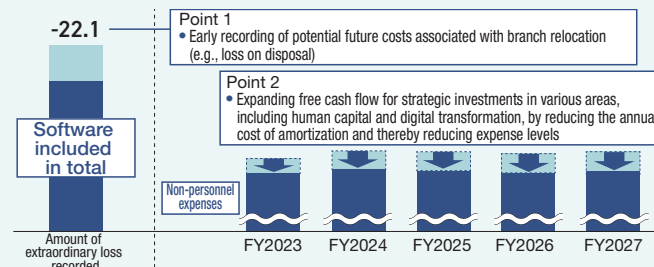
## TOPICS Revaluation of fixed assets

We revised our accounting policies to achieve consistency with future branch strategies (branch network optimization) adopted to reflect the changing business environment. We recorded as an extraordinary loss potential future costs associated with our branches. We will allocate the free cash flow resulting from this move to strategic investments in areas such as AI, digital transformation, and human capital, as we promote efforts toward sustainable growth for the region and the Group.

#### Accounting policies consistent with the branch strategy

- Revised method of valuation of branches, etc. (asset grouping)
- Software and other assets added to fixed assets attributable to branches

### Financial accounting results (non-personnel expenses) (JPY bn)



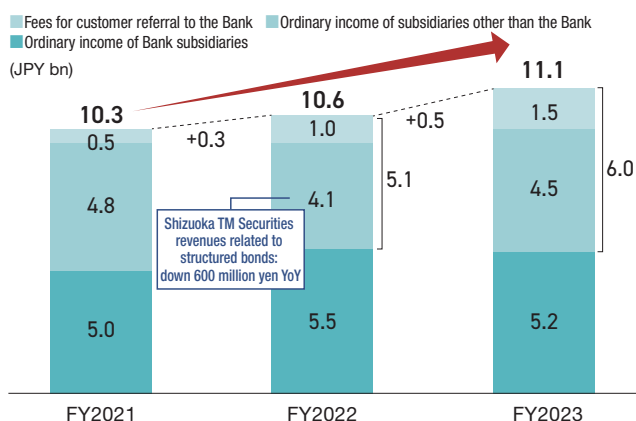
The profit contributions of Group companies other than the Shizuoka Bank are shown in the chart to the right.

These profit contributions indicate effective profit earned from outside Shizuoka Financial Group after adjustments for transactions subject to offsetting in consolidated settlement of accounts.

In FY2023, both profits from fees and commissions at Shizugin Management Consulting and assets under management at Shizugin TM Securities grew steadily, while profit contributions made by our non-bank Group companies, including subsidiaries of the Shizuoka Bank, increased by 500 million yen. The earning capacity of Group companies other than the Shizuoka Bank is steadily growing.

We believe we have made steady progress on enhancing the functions offered by Shizuoka Financial Group based on both the autonomy of and joint efforts among Group companies in various aspects, including improving staffing structures and expanding menus of products and services to contribute solutions to community challenges.

### Trends in profit contributions of Group companies other than the Shizuoka Bank



\* Excluding the Shizuoka Bank (Europe) (liquidated in FY2023 by conversion to a representative office)

Shizuoka Financial Group's value creation

The Group vision and sources of value creation

Efforts toward our vision

Corporate governance

Financial information

## 2. Revising the First Medium-term Business Plan

### Revision of sustainability KPIs (financial targets)

In May 2024, we revised the First Medium-term Business Plan in light of various factors, including interest rate scenarios, based on changes in the Bank of Japan's monetary policies and the US interest rate outlook; a revaluation of fixed assets undertaken in FY2023; and revision of expense levels reflecting growing investments in human capital. Another goal of the revision was to clarify our goals related to the management approach of continually increasing ROE and improving PBR.

Specifically, we revised target sustainability KPIs (financial targets) to 100.0 billion yen or more in consolidated ordinary profit; consolidated ROE to approx. 6.5% on a net asset basis and approx. 7.5% on a shareholder equity basis; and the targeted consolidated OHR to be maintained at approx. 53%.

We expect consolidated net income to increase by 3.0 billion yen vs. the initial planned figure to 67.0 billion yen.

### Revised financial targets

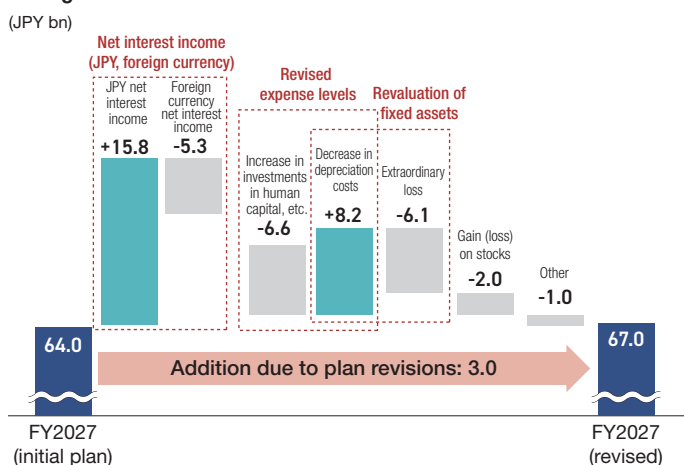
Financial targets	KPI	FY2027 target
		<b>Consolidated ordinary profit</b>
Earnings	<b>Consolidated ROE (net asset basis)</b>	<b>Approx. 6.5%</b>
	<b>Consolidated ROE (shareholder equity basis)</b>	<b>Approx. 7.5%</b>
Efficiency	<b>Consolidated OHR</b>	<b>Controlled to approx. 53%</b>

### Revised scenario of the First Medium-term Business Plan

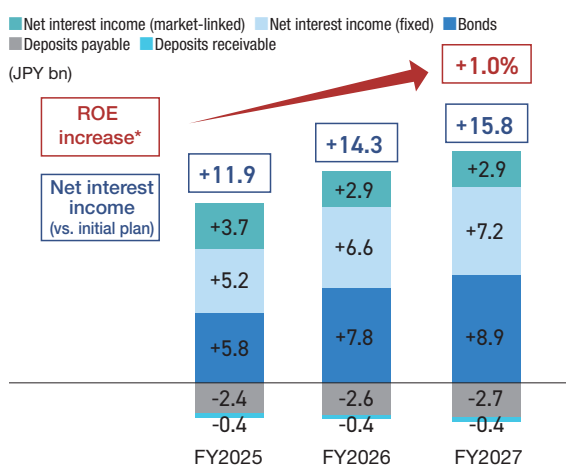
**BoJ policy interest rate unchanged from March 2024**

- Policy interest rate: 0.0%
- Yield on 10-year JGBs: 0.8%
- TIBOR: Remaining at levels post policy interest rate change  
Ref.: 1M 0.19%, 3M 0.25%, 6M 0.25%
- Short-term prime rate: unchanged
- Deposit interest rate: April 2024 level
- Follow rate: 50% of fixed-rate commercial lending

### Changes in consolidated net income



### ROE increase/net interest income



\* Estimated on shareholder equity basis

### Investment and expense controls

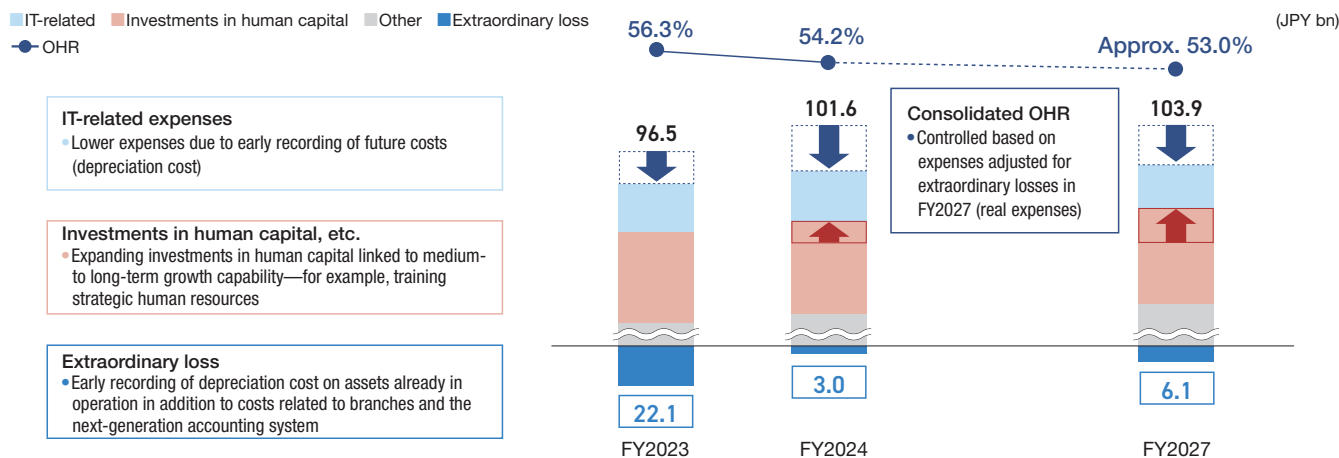
The revised First Medium-term Business Plan projects reduced depreciation costs among IT-related expenses and increased investments in human capital. As a result, it calls for maintaining consolidated OHR at approximately 53%, based on an adjustment of the previous target of approximately 55% to reflect extraordinary losses associated with revaluation of fixed assets.

While the timing and details of IT investment have been partially revised to reflect recent progress, no major changes in the total amount are projected during the course of the Medium-term Business Plan.

Free cash made available by reducing depreciation costs will be used to make aggressive investments to implement our strategies while also investing toward various issues, such as cybersecurity and to accelerate transformation via generative AI.

Investments in human capital are intended to enhance competitive strengths over the medium to long term by allowing us to take the initiative in various areas, including increasing base pay and overall compensation—which will enhance our ability to hire—and investing in training strategic human resources.

### Revisions affecting expense levels and OHR targets



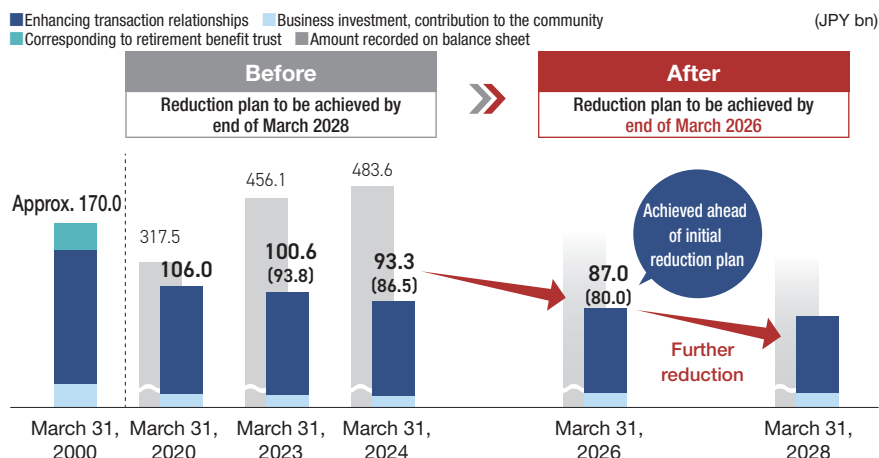
### Policy on reducing strategic shareholdings

In FY2023, strategic shareholdings were reduced by 7.3 billion yen based on acquisition cost. This represents a progress rate of 53.4% toward the First Medium-term Business Plan's planned reduction of 87.0 billion yen (including 80.0 billion yen in listed shares) by March 2028. In light of this progress, in revising the First Medium-term Business Plan in May 2024, we moved the timeline for achieving this planned reduction forward by two years to the end of March 2026. We

will announce subsequent targets by the end of March 2026 as we strive to improve capital efficiency through further progress on reducing strategic shareholdings toward the final year of the Plan.

Our policy on the shareholding portfolio calls for steadily reducing holdings of shares for which no reason for holding them is apparent. We will convert some shares to pure investments with an eye on their future potential and efficiency as investment assets.

### Trends in strategic shareholdings at acquisition cost\* (Figures in parentheses denote listed shares)



**Stock portfolio management policies**

- Approach to strategic shareholdings**  
 In accordance with the Corporate Governance Code, systematically reducing strategic shareholdings for which no reason for holding them is apparent
- Transfer to pure investment shareholdings**  
 Considering holding as investment assets in light of asset-management efficiency
- Approach to the stock portfolio overall**  
 Clarifying the purpose of holdings and holding shares as appropriate while remaining keenly aware of the capital levels necessary for stable management as the basis of growth strategies

\* Excluding shares in Group companies and equity method affiliates

### 3. Outlook for Fiscal Year 2024

In fiscal year 2024, we project a record high in net income for the second year in a row, at 60.0 billion yen (up 2.2 billion yen year on year), despite a decrease of 14.2 billion yen in consolidated ordinary profit to 88.0 billion yen. This reflects the effects in FY2023 of various temporary factors, including higher profits based on the equity method investment balance and changes in account processing associated with the revaluation of fixed assets.

The Group as a united team will move to achieve the targets of the First Medium-term Business Plan by accelerating the efforts made in the first year of the plan.

#### Projected consolidated performance in FY2024

(JPY bn)

	FY2023 result (A)	FY2024 forecast (B)	YoY change (B-A)	
Ordinary profit	102.2	88.0	-14.2	
Profit attributable to owners of the parent	57.8	60.0	+2.2	
ROE	(Net asset basis)	4.9%	5.1%	+0.2pt
	(Shareholder equity basis)	6.2%	6.2%	+0.0pt
OHR	56.3%	54.2%	-2.1pt	
CET1 ratio	18.17% (14.22%)	16.86% (13.76%)	-1.31pt (-0.46pt)	

\* Actual results for FY2023 and forecasts for FY2024 are ratios after the application of the final version of Basel III. Figures in parentheses are estimates assuming full application of the final version of Basel III.

### 4. Dialogue with stakeholders (IR activities)

We believe it is vital to disclose and explain necessary information in a timely and appropriate manner to allow shareholders and other stakeholders to understand our management strategies. Fiscal year 2023 presented numerous opportunities for stakeholder dialogue through various IR activities, including annual briefing sessions on financial results, company information sessions for individual investors, a briefing on the Medium-term Business Plan, and IR Day (Sustainability Management). From these we gathered a broad range of opinions and perspectives. These forums for dialogue provided valuable opportunities to gain insights that will enhance the corporate

value of Shizuoka Financial Group. The perspectives and opinions are discussed at the Board of Directors and shared within the Group through internal IR activities for Group officers and employees. They provide a valuable reference for us in pursuing our management strategies.

We will continue to strive to expand our IR and SR activities, further deepening our communication with shareholders and other stakeholders to boost the Group's corporate value.

I look forward to your continuing support and understanding.

#### IR activities (fiscal year 2023)

##### ● 10 investor briefings

Two briefing sessions on financial results (May, November), one briefing on the Medium-term Business Plan (April), three small meetings led by the Group (July, August, December), two small meetings led by securities firms (January, March), two briefings on specific themes (including IR Day) (December [sustainability management], February [capital policies]), two company information sessions for individual investors (March)

##### ● 104 individual meetings

Sell-side analysts  
Buy-side analysts  
ESG analysts, etc.

##### ● 38 events for overseas investors

Two overseas IR events (May [Europe, North America], November [Asia]), two conferences led by securities firms (December, March)

##### ● Sharing matters discussed at meetings with investors within the organization and responding based on the opinions received

In addition to sharing information with top management via IR activity reports from the CEO to the Board of Directors, activities to raise awareness within the organization include providing access to all employees of videos of briefing sessions on financial results.

##### ● Briefings inside the Group

Twice a year, in June and in December, the CEO holds briefings for the Group based on materials from the briefing sessions on financial results at five venues: the head office and at venues located in the central, eastern, and western regions and in the greater Tokyo area.

### TOPICS Small meeting held with Outside Directors

In June 2024, the Company held its first IR small meeting in which Outside Directors took part. Two Directors (Directors Fujisawa and Tsubouchi) attended this meeting, which featured a lively exchange of questions and answers with sell-side and buy-side analysts, reflecting a wide range of perspectives.

#### Key topics of dialogue with investors and analysts

- The Shizuoka Financial Group's strengths and future issues
- Points on which the Group has been identified as falling short for an extended period
- Performance of Outside Directors
- Progress on internal cultural reforms

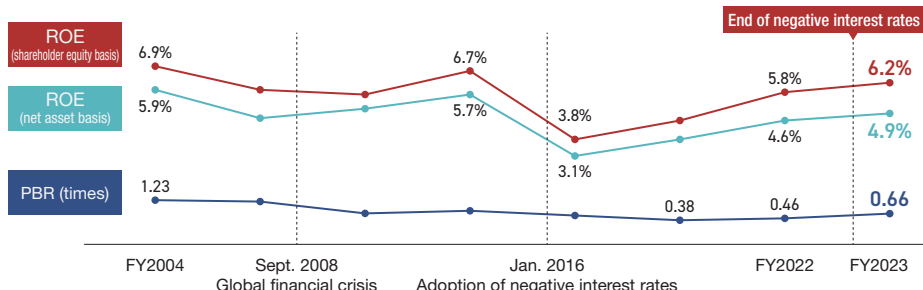


TOPICS

# Initiatives to increase corporate value

Based on the growth strategies of the First Medium-term Business Plan, Shizuoka Financial Group is striving to increase returns on capital and expected growth rates, as well as improving PBR, by enhancing disclosure and proactive communication with shareholders and investors.

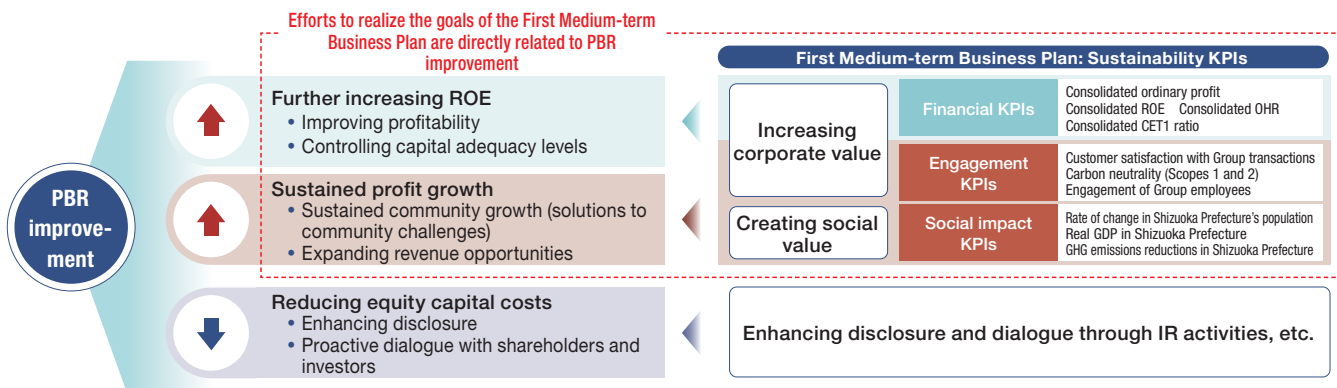
### Current conditions (ROE and PBR trends)



- While PBR remains low in increasingly challenging conditions for the financial industry, the Group has strived to improve ROE through means including reforming its revenue and cost structures.
- In FY2023, in addition to improved ROE achieved through revised capital policies and profit growth, primarily in core businesses, the Group's PBR improved thanks in part to the favorable tailwinds created by the Bank of Japan's monetary policy revisions.

### Approach to improving PBR

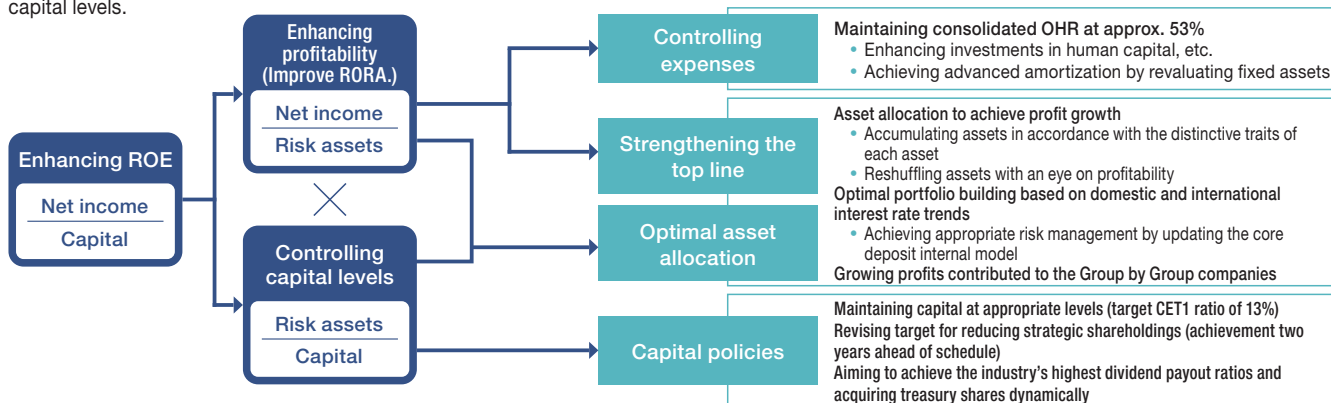
The First Medium-term Business Plan's twin goals of creating social value and increasing corporate value essentially refer to efforts to further improve ROE and ensure sustained growth in profits, which will lead to an improved PBR. The Group will improve PBR by achieving the targets for sustainability KPIs of the First Medium-term Business Plan.



### Efforts to further improve ROE

In addition to updating target profit levels to reflect interest rate conditions and other factors, we revised our ROE targets to levels that allow free cash flow for future growth.

We will further strengthen ROE by strengthening earnings based on a keen awareness of the top line and expenses and by appropriately controlling capital levels.



Group financial data (five years) \* The Shizuoka Bank Group results for FY2019–2021

(JPY mn)

	FY2019	FY2020	FY2021	FY2022	FY2023
<b>Summary of consolidated financial results</b>					
<b>Gross operating profit</b>	<b>147,937</b>	<b>155,985</b>	<b>151,430</b>	<b>160,166</b>	<b>171,323</b>
Net interest income	106,189	113,182	122,224	118,888	127,758
Fees and commissions	30,806	32,208	31,260	37,345	44,358
Trading income	3,047	3,553	3,451	3,723	1,542
Other operating profit	7,893	7,041	-5,505	207	-2,336
(Income related to JGBs and other bonds, included above)	3,877	4,782	-9,648	-7,523	-317
<b>Operating expenses</b>	<b>87,571</b>	<b>93,715</b>	<b>97,629</b>	<b>95,857</b>	<b>96,469</b>
OHR	58.9%	59.5%	64.2%	60.2%	56.3%
<b>Consolidated net income</b>	<b>59,594</b>	<b>62,404</b>	<b>52,750</b>	<b>65,538</b>	<b>83,121</b>
Credit-related costs	10,587	12,987	6,830	5,628	4,994
Gain (loss) on stocks	2,847	8,028	3,572	13,804	23,024
Profit based on the equity method investment balance	505	3,517	1,953	417	8,131
Other temporary gain (loss)	1,451	2,520	1,723	1,062	1,208
<b>Ordinary profit</b>	<b>54,582</b>	<b>63,349</b>	<b>54,219</b>	<b>73,964</b>	<b>102,224</b>
Extraordinary profit (loss)	13	-2,657	4,582	-643	-22,734
Total income taxes	15,805	16,969	17,078	20,868	21,732
<b>Net income attributable to owners of the parent</b>	<b>38,703</b>	<b>43,638</b>	<b>41,635</b>	<b>52,397</b>	<b>57,760</b>

Summary of consolidated balance sheet

(JPY mn)

<b>Total assets</b>	<b>12,542,772</b>	<b>14,075,848</b>	<b>14,918,227</b>	<b>15,654,886</b>	<b>16,141,589</b>
Loans receivable	8,939,666	9,303,121	9,502,197	10,037,128	10,393,864
Securities	1,633,713	1,954,159	2,337,933	2,996,076	3,332,594
<b>Total liabilities</b>	<b>11,549,977</b>	<b>12,970,470</b>	<b>13,829,979</b>	<b>14,506,781</b>	<b>14,938,201</b>
Deposits	9,966,195	11,076,800	11,399,949	11,705,070	11,853,070
NCDs	139,324	69,105	157,266	65,104	99,085
<b>Total net assets</b>	<b>992,794</b>	<b>1,105,378</b>	<b>1,088,247</b>	<b>1,148,105</b>	<b>1,203,387</b>
Shareholders' equity	837,397	868,516	885,735	917,209	945,167
(Retained earnings, included above)	721,793	743,157	769,036	805,354	845,288
Cumulative other comprehensive income	153,789	235,111	200,804	230,622	258,116
Noncontrolling interests	1,245	1,419	1,388	—	16

Financial KPIs, etc.

<b>Common Equity Tier 1 (CET1) ratio (%)</b>	<b>15.59</b>	<b>16.56</b>	<b>16.08</b>	<b>18.42</b>	<b>18.17</b>
<b>Total capital ratio (%)</b>	<b>15.59</b>	<b>16.56</b>	<b>16.08</b>	<b>18.42</b>	<b>18.17</b>
<b>Dividend per share (JPY)</b>	<b>22.0</b>	<b>25.0</b>	<b>26.0</b>	<b>30.0</b>	<b>39.0</b>
<b>Dividend payout ratio (%)</b>	<b>32.6</b>	<b>32.8</b>	<b>35.2</b>	<b>32.1</b>	<b>37.2</b>
<b>Total payout ratio (%)</b>	<b>54.9</b>	<b>32.8</b>	<b>56.2</b>	<b>51.2</b>	<b>49.3</b>
<b>Net assets per share (BPS) (JPY)</b>	<b>1,727.10</b>	<b>1,922.55</b>	<b>1,925.98</b>	<b>2,050.65</b>	<b>2,188.01</b>
<b>Earnings per share (EPS) (JPY)</b>	<b>67.19</b>	<b>76.02</b>	<b>73.27</b>	<b>92.92</b>	<b>104.17</b>
<b>ROE (net asset basis) (%)</b>	<b>3.8</b>	<b>4.1</b>	<b>3.8</b>	<b>4.6</b>	<b>4.9</b>
<b>ROE (shareholder equity basis) (%)</b>	<b>4.6</b>	<b>5.1</b>	<b>4.7</b>	<b>5.8</b>	<b>6.2</b>
<b>Total shares issued and outstanding (including treasury shares) (thousand shares)</b>	<b>605,129</b>	<b>595,129</b>	<b>595,129</b>	<b>595,129</b>	<b>585,129</b>
<b>Stock price (JPY)</b>	<b>657</b>	<b>870</b>	<b>863</b>	<b>951</b>	<b>1,447</b>
<b>Market capitalization* (JPY bn)</b>	<b>397.6</b>	<b>517.8</b>	<b>513.6</b>	<b>566.0</b>	<b>846.7</b>
<b>PBR (times)</b>	<b>0.38</b>	<b>0.45</b>	<b>0.44</b>	<b>0.46</b>	<b>0.66</b>
<b>PER (times)</b>	<b>9.77</b>	<b>11.44</b>	<b>11.77</b>	<b>10.23</b>	<b>13.88</b>

\* Based on ending share price

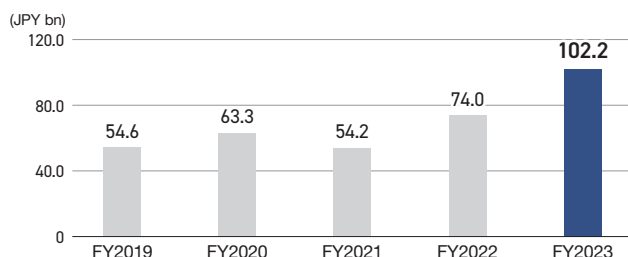
<b>Nikkei Average (JPY)</b>	<b>18,917.01</b>	<b>29,178.80</b>	<b>27,821.43</b>	<b>28,041.48</b>	<b>40,369.44</b>
<b>Exchange rate (USD/JPY)</b>	<b>108.83</b>	<b>110.71</b>	<b>122.39</b>	<b>133.54</b>	<b>151.41</b>



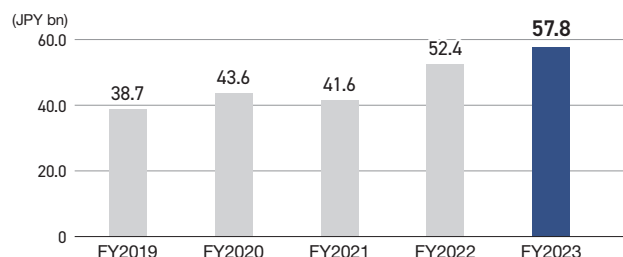
# Financial highlights

## Major items

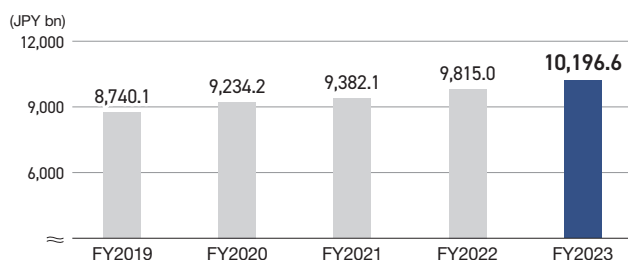
Ordinary profit (consolidated) **102.2** billion yen



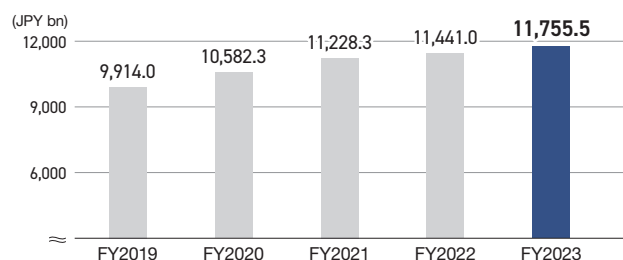
Net income attributable to owners of the parent (consolidated) **57.8** billion yen



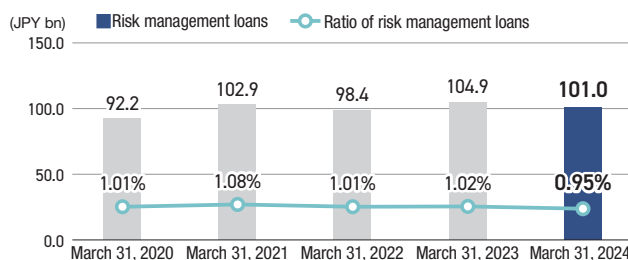
Total loan balance (average balance; the Shizuoka Bank nonconsolidated) **10,196.6** billion yen



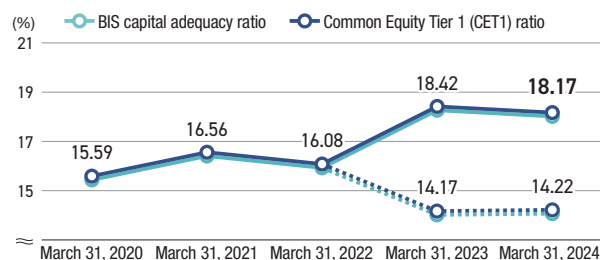
Total deposit balance (average balance; the Shizuoka Bank nonconsolidated) **11,755.5** billion yen



Ratio of risk management loans (the Shizuoka Bank nonconsolidated) **0.95%**



BIS capital adequacy ratio (consolidated) **18.17** (14.22\*) %



\* Estimates reflecting consideration of capital floor adjustment amounts and other factors after full application of final version of Basel III

Credit rating (Moody's) (As of July 1, 2024) **A1**

	Long-term rating	Short-term rating
<b>Shizuoka Financial Group</b>		
R&I	AA-	—
<b>The Shizuoka Bank</b>		
Moody's	A1	P-1
S&P	A-	A-2
R&I	AA-	—

Shareholder return ratio (five-year average) **48.8%**

	FY2019	FY2020	FY2021	FY2022	FY2023	FY2019–2023 (five-year average)
Annual dividend per share	22.0 yen	25.0 yen	26.0 yen	30.0 yen	39.0 yen	—
Dividend payout ratio	32.6%	32.8%	35.4%	32.2%	37.4%	34.1%
Shareholder return ratio	54.9%	32.8%	56.2%	51.1%	49.3%	48.8%

# Non-financial highlights (FY2023 results)

## Environment

Shizuoka Financial Group's greenhouse gas emissions



Reduced **74.1%**  
(vs. FY2013)

Sustainable (of which, environmental) finance executed



**849.1 billion yen** (375.5 billion yen)  
(vs. FY2013)

## Society

Co-creation support in Shizuoka Prefecture based on an open innovation approach



Number of participants in TECH BEAT Shizuoka\*

**39,333 people**

Business discussions

**1,719**

\* Forum for business matching between technology startups and companies in Shizuoka Prefecture (cumulative since FY2019)

Shizuoka Kids' Academy



Held **28 times**  
(Cumulative since FY2016)

Percentage of women in leadership positions\*



**23.1%**

Percentage of men taking childcare leave\*



**118.4%**

\* Shizuoka Financial Group, the Shizuoka Bank, Shizugin Lease, Shizugin TM Securities, Shizugin IT Solution, Shizugin Mortgage Service, Shizugin Business Create

Number of businesses for which revitalization support is complete and number of employees who maintained their jobs or secured new jobs through our business revitalization and succession support



**317 businesses/27,840 employees**  
(Cumulative since FY2005)

Business revitalization support efforts

**61**

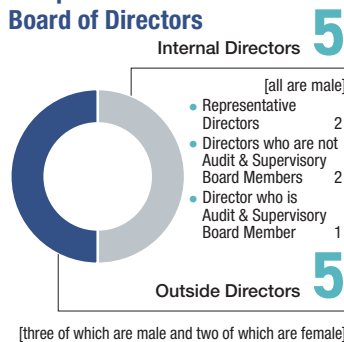
Of which number of cases for which support is complete

**16**

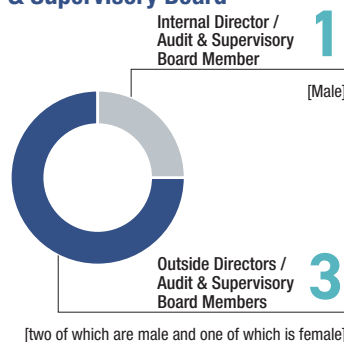
## Governance

(As of July 2024)

Composition of Board of Directors



Composition of Audit & Supervisory Board



## External evaluations, support for external initiatives

Selected to KENKO Investment for Health Stock Selection for the first time



Selected to Next Nadeshiko: Companies Supporting Dual-career and Co-parenting list

Recognized as a firm that supports the careers of both men and women



Shizuoka Financial Group

Recognized as 2024 Certified Health & Productivity Management Outstanding Organization (White 500)

Four companies recognized to have outstanding health management initiatives



Supporting the Valuable 500

We support this international initiative to support the activities of people with disabilities.



The Shizuoka Bank

## Recognition related to supporting women in the workplace



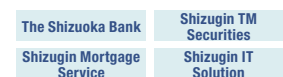
**Platinum Kurumin**  
Four companies recognized to offer levels of support for employees raising children exceeding Kurumin standards



**Platinum Eruboshi**  
Recognized as a company that offers working environments that support women's careers at levels exceeding Eruboshi standards



**Eruboshi (Three Stars)**  
Four companies recognized to offer working environments that support women's careers



# Shizuoka Financial Group's Value Creation Process

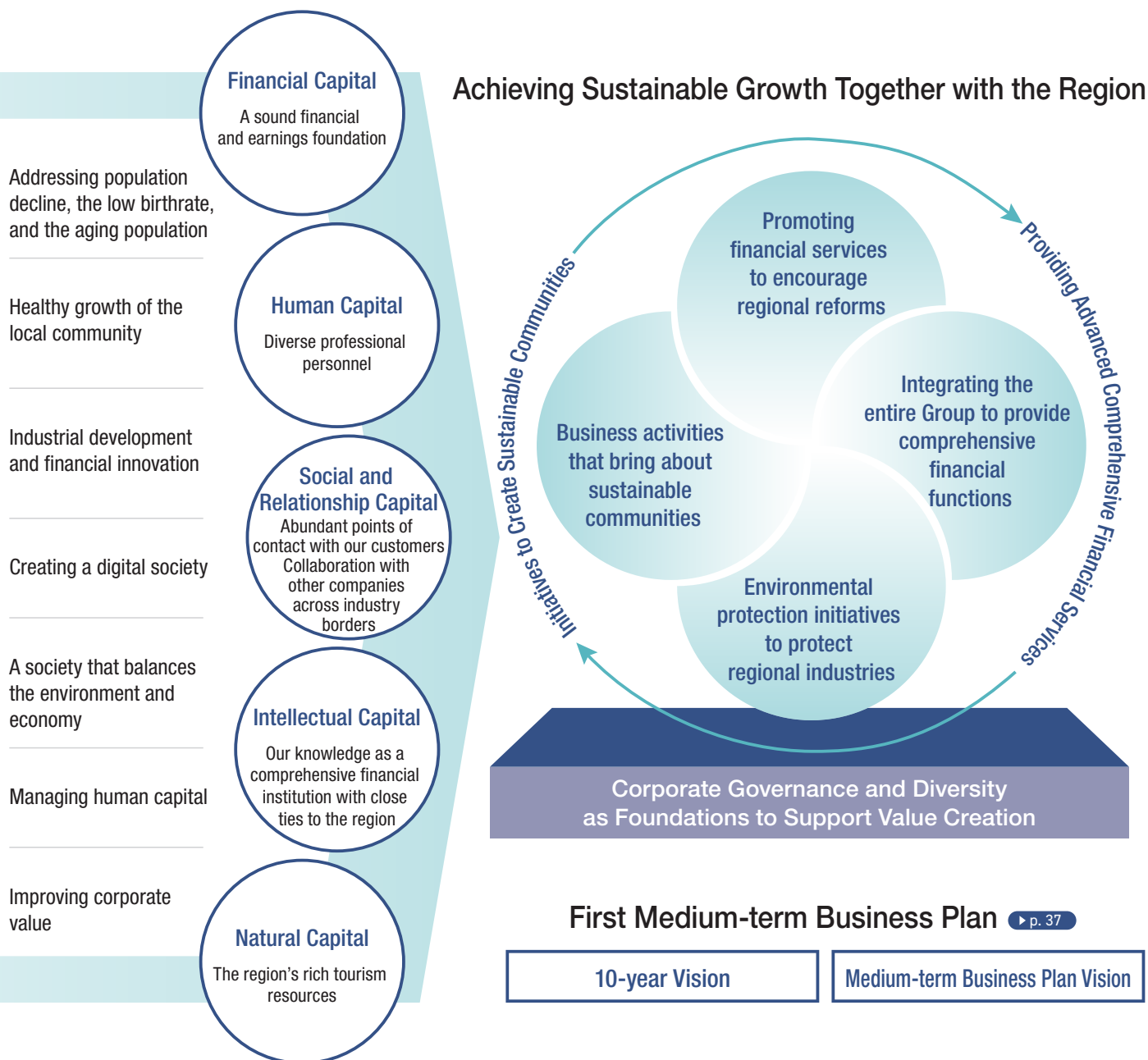
The Group draws on its management capital to deploy corporate activities to find solutions to materiality topics in accordance with our corporate philosophy: *Expand dreams and affluence with our community*. In this way, we seek both to create social value and to improve corporate value by providing diverse value to all our stakeholders.

## Corporate philosophy

Expand dreams and affluence with our community

Identification of materiality topics / Capital utilized  
 ▶ p. 35 / ▶ p. 27

Corporate activities



## Value provided



### Region

- Sustainable development
- Revitalizing the regional economy
- Realizing a decarbonized society
- Developing a region that continues to attract people and enterprises



### Customers

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



### Future Generations

- Creating a sustainable society
- Rich natural environment
- Bright future and hope



### Employees

- Work satisfaction and awareness of growth
- Diverse working styles
- A conviction that we contribute to customers and to communities



### Shareholders

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

## Achieving the Sustainability KPIs

▶ p. 37



# Sources of Competitive Advantages: Capital Used to Create Value

## Social and relationship capital

### Extensive domestic and international networks

Shizuoka Financial Group's network in Japan is centered on Shizuoka Prefecture but encompasses Kanagawa Prefecture and other nearby prefectures, as well as Aichi, Yamanashi, and other prefectures in which allied with financial institutions do business. We currently possess 229 domestic business sites. The Group keeps in touch with customers to provide optimal services suited to the needs of our customers and communities.

The Group's international network, which supports overseas business expansion by our customers, is among the largest of the regional banks, including six overseas sites (three branches and three representative offices), 17 allied financial institutions, and personnel dispatched to Thailand, Vietnam, and Indonesia.

(as of July 1, 2024)



## Human capital

### Diverse and expert human resources

In addition to striving to develop human resources able to propose optimal solutions for the issues that customers face, we are enhancing value creation human resources able to create brand-new social value and digital human resources to apply digital technologies and data strategically. [▶ p. 71](#)

In addition to hiring and developing diverse and expert human resources Group-wide, we are implementing active exchange of human resources with external organizations, for purposes like strengthening ties with the region and taking on new businesses. By absorbing the insights and knowhow gained through such exchanges, we will develop human resources capable of building sustainable communities.

#### Official qualifications held by personnel

#### Value-creating human resources

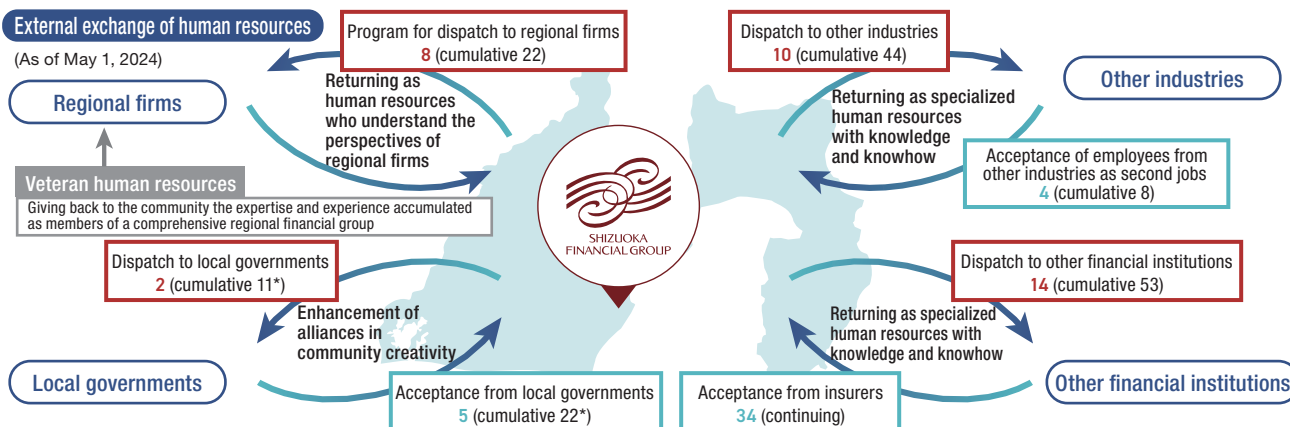
#### Problem-solving human resources

(As of April 1, 2024)

Certified Financial Planners (1st class)	SME Management Consultants	IT Passport holders	Basic Information Technicians	Licensed Social Insurance Consultants	Administrative Scriveners	MBA's
359	76	1,424	211	20	20	13

#### External exchange of human resources

(As of May 1, 2024)

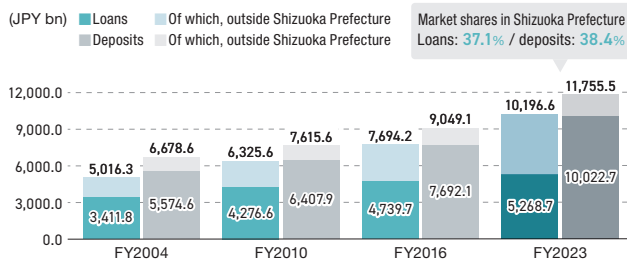
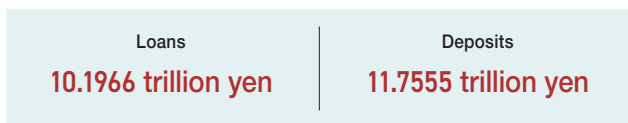


\* Cumulative total since FY2015 (when the Regional Revitalization Department was established)

**Social and relationship capital**

**Strong customer base**

Supported by customer trust earned over many years, the Shizuoka Bank's deposit balance is among the highest of the regional banks. Currently around 40%, its market share in Shizuoka Prefecture continues to grow.



**Financial capital**

**Sound financial standing**

Shizuoka Financial Group's assets and earnings capabilities are among the highest of the regional financial institutions. Finances characterized by remarkable soundness—including a capital adequacy ratio of 18.17% and less than 1% (0.95%) of loans under risk management—have earned high ratings from external ratings agencies.

Ordinary profit (consolidated) <b>102.2 billion yen</b>	Net income attributable to owners of the parent (consolidated) <b>57.8 billion yen</b>	Capital adequacy ratio (consolidated) <b>18.17%</b>	Percentage of loans under risk management (the Shizuoka Bank nonconsolidated) <b>0.95%</b>	
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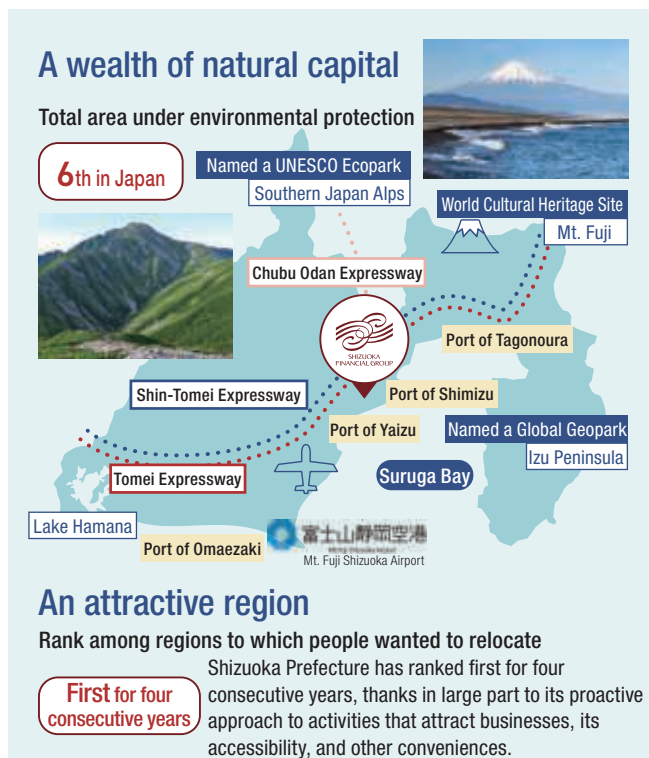
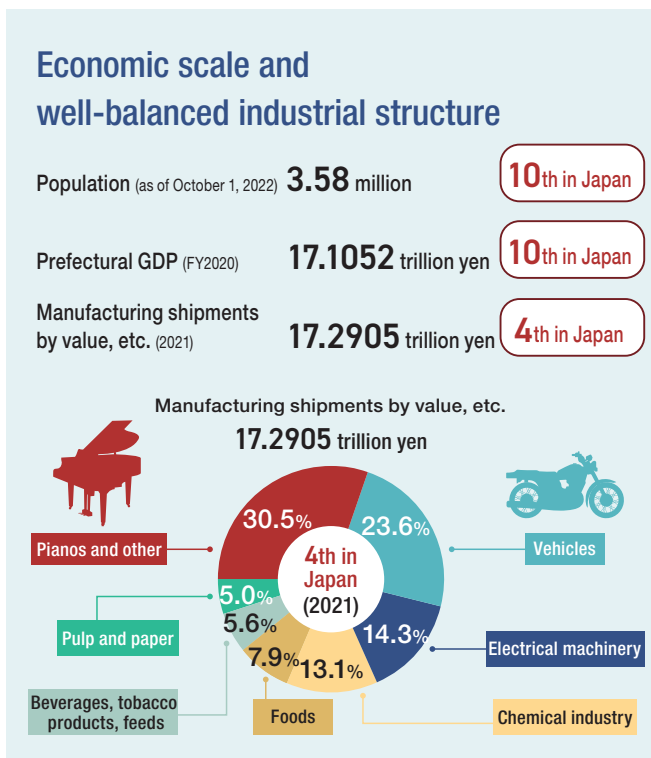
	Shizuoka Financial Group	The Shizuoka Bank
Moody's	–	A1
S&P	–	A-
R&I	AA-	AA-

**Social and relationship capital**

**Natural capital**

**Shizuoka Prefecture's potential**

Located roughly in the center of Japan, the Group's main market area of Shizuoka Prefecture is home to a wealth of natural capital to rival any region of the world, and includes Mt. Fuji. Its potential includes a well-balanced industrial structure, from primary through tertiary industry. As a region with great appeal in Japan, it has led the rankings for four consecutive years as a region people wish to relocate to.



Intellectual capital **Group structure**

Shizuoka Financial Group consists of 23 companies (including equity method affiliates) in businesses such as banking, securities, and leasing. The Group provides a wide range of services to customers across the region. As it continues to expand its range of solutions, whether by taking on the challenges of new business domains, forging alliances with partners in other industries, or strengthening collaboration and synergies among Group companies, it will continue to strive both to create social value and to raise its own corporate value.

**Shizuoka Financial Group**

Existing financial service domains

The Group consists of 23 companies providing diverse solutions in banking, securities, leasing, and other domains.



Expanding into new business domains

Taking on the challenges of new business domains while effectively leveraging the Shizuoka Financial Group's management resources

The Shizuoka Bank

The Shizuoka Bank

Shizugin Lease

Shizugin Management Consulting

TJS

Established to take on challenges in new business domains [▶ p. 57](#)



with a focus on social issues

Startup business

Cashless payments

Environmental businesses

Human resource dispatch

Marketing

Premium placement of foreign workers

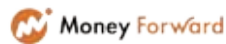
Real estate investment advising

### Alliances with companies in other industries

Partnering with other industries to create new added value

Creating new added value beyond existing financial functions

Asset management/  
asset-building field



Use of advanced technologies (including AI)



Home lending



Community vitalization



Social Value Creation



Improving Corporate Value



# Group collaboration: Message from the President of the Shizuoka Bank

## Co-creating value by intensifying and strengthening Group coordination

Shizuoka Financial Group's First Medium-term Business Plan (FY2023–2027) seeks to achieve, by 2030, a state in which all stakeholders are sustainable and their well-being is improved. Under this plan, the Group is striving both to create social value and to increase its own corporate value by devising and providing solutions to the issues facing the region and our customers. To cocreate new value with all stakeholders, Group companies must enhance both their independence (autonomy) and joint efforts. Given these conditions, the Bank undertakes its various business efforts based on a keen awareness of its role in broadening and promoting its menu of solutions and in serving as a hub where the region, our customers, and Group companies can come together.

In some of our major initiatives in FY2023, the Bank partnered with Shizugin Management Consulting, the city of Fujieda, and local businesses to develop the unique Fujieda forestry carbon credit scheme. This framework, intended to revitalize industry within the community, involves Shizugin Management Consulting and the city of Fujieda helping customers who own forest land to register for the J-Credit program, in addition to promoting the local production and local consumption of energy and lumber materials using carbon credits generated in the city.

We moved forward with various digital transformation initiatives to enhance collaboration and generate synergies among Group companies. The Bank's new S-CRM sales support system has been deployed to ten Group companies, including Shizugin Lease and Shizugin TM Securities, where it allows instant schedule coordination with related sections and Group companies to boost numbers of joint customer visits by Group employees.

In addition, we held town hall meetings to create opportunities for direct dialogue between Shizuoka Financial Group's management and employees. These sought to deepen understanding of basic perspectives and management strategies while fostering the culture and atmosphere essential for mutual sustained growth in the Group and the community and enhancing cooperation among Group members.

The transition to a holding-company structure has clarified the roles of individual Group companies. For example, the Group companies that had been the Bank's subsidiaries now are Group members of equal standing. I believe this has transformed our awareness of independence (autonomy) and joint efforts. Through the ongoing diligent initiatives of individual Group companies to strengthen joint efforts to find solutions to the issues facing our community and customers, while also maximizing Group synergies by enhancing communication, we will accelerate our efforts to implement value creation strategies in more concrete form.

## Taking action based on our raison d'être in the community

In March 2024, the Bank of Japan shifted away from its policy of negative interest rates and chose the path of boosting policy rates. In

this new world of positive interest rates, businesses are expected to help strengthen the economic environment by accelerating investments in growth to transform revenue structures and boost wages on an ongoing basis. However, these changes have raised concerns about the impact on corporate earnings and household budgets of the rising costs associated with higher interest rates and exchange rate fluctuations. We must adapt to these circumstances with all due care while maintaining our focus on the issues that customers face.

As the tide shifts toward economic growth, our essential characteristic as a regional financial institution that exists for the local community remains unaltered. To realize the goals of the First Medium-term Business Plan, I remind staff daily of the need to be reliable advisers for the community and customers and to consider our reason for being as an active corporate member of the community and how our work contributes to society.

By returning to these fundamentals, we will blaze a path to a sustainable future hand in hand with the local community, as we strive wholeheartedly to solve every regional issue and to move closer to our vision for the region and create new social value across the Group.

I would be grateful for your continuing support in the years ahead.



**Minoru Yagi**  
President

# Group collaboration: Case studies

## The Shizuoka Bank and Shizugin Management Consulting

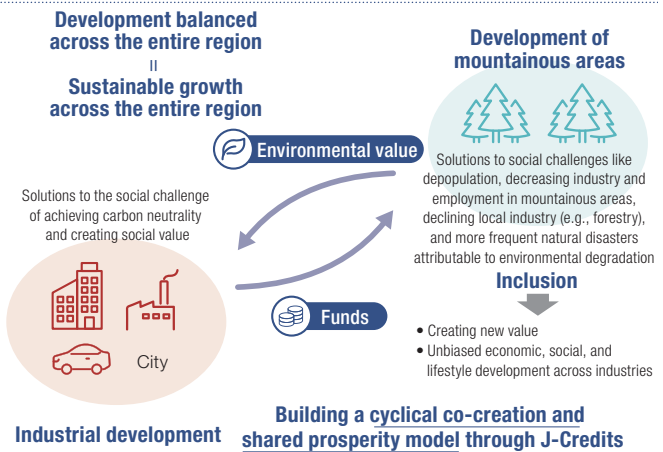
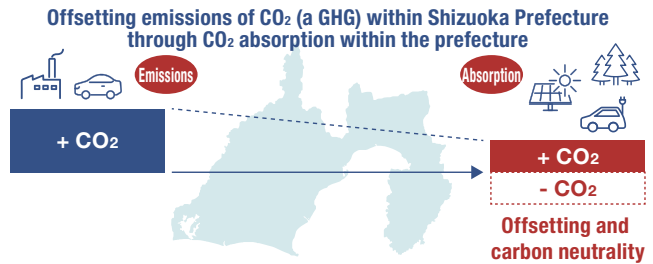
### Development of Fujieda forestry carbon credits through public-private partnership

In partnership with the city of Fujieda and Tokai Gas, Shizugin Management Consulting is working on a public-private partnership initiative to establish a community cyclical model in that city. Goals include promoting use of the J-Credit system and putting forestry resources to effective use. This project is intended to promote both sustainable economic activity and measures to combat global warming through the sound maintenance and management of the abundant forestry resources of the mountainous areas that cover about 50% of Fujieda's land area.

As part of this project, the Fujieda forestry carbon credit scheme has been established with the Shizuoka Bank customers Watanabe Ringyo K.K. and TM Home Corporation to register the first J-Credit project in the city. This involves providing consistent support from the study phase through the completion of registration, as well as trading forestry GHG offset credits held by both companies, to realize local production and local consumption of carbon credits, energy, and lumber.

Through these and other efforts, Shizugin Management Consulting supports customers to generate J-Credits with the goal of achieving carbon neutrality through local production and local consumption by using emissions offsets for CO<sub>2</sub> within Shizuoka Prefecture based on CO<sub>2</sub> absorption within the prefecture.

### Concept of the local production, local consumption carbon neutrality model



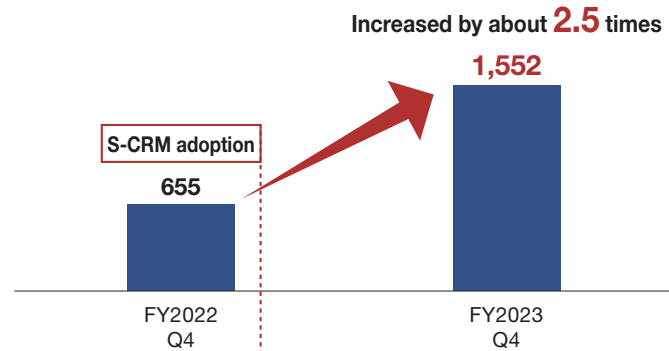
## The Shizuoka Bank and other Group companies

### Adopting the S-CRM sales support system

The S-CRM sales support system has been deployed to ten Group companies to achieve more efficient and advanced sales activities and management operations. Its adoption by Group companies is intended not just to maximize Group synergies by enhancing sharing and coordination of information and accelerating business activities, but to make sales activities more efficient by boosting productivity and making it possible to create and offer high-value-added proposals.

The number of joint customer visits among Group companies has increased by about two and a half times compared to before the adoption of the system. Adopting the system will also lead to more effective sales, based on the capacity to propose solutions suited to customer needs, through joint efforts between the Shizuoka Bank and Shizugin TM Securities, Shizugin Lease, and other Group companies.

### Change the number of joint customer visits (by Bank staff and staff of Group companies\*)



\* Total for Shizugin TM Securities and Shizugin Lease

# Group collaboration Roundtable discussion at Shizugin TM Securities

Strengthening trust by sharing insights among the Group companies

Since the transition to a holding company structure, various initiatives to enhance collaboration and synergies in the Group have been underway with the aim of providing solutions to issues facing the community and customers. Shizugin TM Securities and the Shizuoka Bank, both with extensive points of contact with customers, are pursuing various joint efforts, such as the team account manager system to advance cooperation between the banking and securities businesses. At this roundtable discussion, Shizugin TM Securities' President Minoru Oishi and Shizugin TM Securities employees talked openly about how their Group joint efforts changed their awareness as well as some issues to be addressed.

## | From passive to proactive

**Oishi:** What impressions do you have about how things have changed since the transition to a holding company structure?

**Sano:** Before, it always felt like we were essentially a subsidiary of the Shizuoka Bank. Sometimes it was hard to be forthright when speaking with people from the Bank. But as we became a coequal Group member to the Bank with the transition to a holding company structure, we are more conscious of our status as professionals. We can exchange opinions more proactively than before. This has narrowed the gulf between staff members. It's gratifying to see even upper-ranking personnel like branch managers thinking more seriously about our company—for example by thinking of ways they can partner with us to propose solutions to their customers.

**Tanahashi:** I was working at a sales office at the time of the transition to a holding company structure, so I didn't have much of a feel for how things changed in our systems or awareness during the first half-year or so. But I gradually noticed I was engaging more with Bank staff. At the same time, it became easier to consult with Bank staff about the transactions I used to handle and think about on my own, while, of course, making sure of strict compliance with the firewall regulations. As the interactions with the Bank staff have evolved in this way, I feel I've gotten a clearer sense of my own status as a member of the Group.

**Oishi:** So becoming a member of the group on equal footing with the Bank has been quite meaningful with regard to strengthening cooperation between banking and securities. I agree with you both.

Before, some of our employees may have thought of themselves as working on the Bank's behalf as a subsidiary, but now we have more opportunities to take an active approach to our



Shizugin TM Securities President and Representative Director **Minoru Oishi**  
Shimizu Branch General Manager **Kaori Sano**  
HR Development Department **Fuka Tanahashi**

jobs. Proposing optimal portfolios to customers and providing them with ongoing follow-up support, through joint efforts as members of a comprehensive financial group, should prompt more customers to choose Shizuoka Financial Group.

**Tanahashi:** We've also been able to participate in your briefings on financial results to learn more about the current state of the company and the issues it currently faces and also joined town hall meetings to discuss matters with management and colleagues from Group companies, including President Shibata. These opportunities have steadily deepened our understanding of the Group. In my case, until about a year ago, I never really thought about how my own work might impact the Group or the community. The environmental changes of the transition to a holding company structure have created opportunities for me to grow as a professional.

**Sano:** In my case as well, I used to believe that since things like the company vision and business goals were decided by top management, our job was just to work as hard as we could to achieve the goals they set. In many cases, when taking action, individual employees used to do what they thought the best just from their own perspective. Now you present things like the company vision and current conditions in briefings on financial results and at other times, and we can ask questions directly on the spot. This has had a major impact on employee motivation and engagement. Direct dialogue makes it clear how much the company values its employees. It allows us to move forward in the same direction. The larger an organization grows, the fewer the opportunities for direct contact with management is. That tends to generate a sense of remoteness. It's wonderful how Shizuoka Financial Group provides opportunities for direct interactions with management as soon as we join the company.

**Oishi:** When I was working as a manager of a branch office of the Shizuoka Bank, I was invited to a customer's briefing on financial results. The president at the customer company asked for my views as a branch general manager of its main bank. That's when I realized how important it is, for company growth, to have all our employees understand the company's financial results and share the awareness



of its strengths and issues. That's why I began holding briefings on financial results for all employees. In particular, I want to make sure there's sufficient time for questions and answers so that we can listen to as many views as possible. I want to continue to create as many opportunities as possible for interactions with employees.

## | Enhancing corporate cooperation is a key topic

**Sano:** One change which I think has had a major impact is the adoption of the team account manager system in the first half of FY2023. This system focuses mainly on wealthy and relatively affluent customers (including business owners). It clearly indicates the account managers on both the Bank side and Securities side so they can work together to identify asset conditions and consider what solutions to propose. Previously, the Bank and Securities staff would approach these customers from their own perspectives. Now, they share their insights on what would be the best portfolio for the customer and develop proposals based on this knowledge. Before, we tended to adopt a passive approach—waiting to see what happened with Bank sales activities. That way of looking at things has completely disappeared.

**Oishi:** I agree. I think the team account manager system has deepened cooperation among account managers and helped shape business operations more centered on the customers. But these efforts still have some ways to go in the corporate sector. You can't meet the whole range of customer expectations through asset management proposals alone. In providing comprehensive financial services, it's critical, first, to understand the customer. Next, you need to consider support measures after sharing insights among Group companies on topics like capital policies and business succession. Before, we tended to leave these things to the Bank or other parties, focusing ourselves on asset management. Going forward, we'll need to ascertain carefully the total assets of both individual and corporate customers; consider the issues facing the customers as a Group; and devise solutions with a sense of urgency. This will require changes in our awareness and outlook and systems. In this sense, working with not just the Shizuoka Bank but other Group companies like Shizugin Management Consulting and Shizuoka Capital will be also essential.

About two years ago, Shizugin TM Securities reformed its revenue structure to boost stock assets. Achieving this goal requires stronger Group cooperation and steady synchronized progress on the three areas of growing market share, growing business territories, and developing new businesses.

**Sano:** Something that made a big impression on me on the topic of strengthening corporate joint efforts was the experience of working with the Bank over a period of more than three months to consider and propose the optimal portfolio for a regional company that had both a wealth of internal reserves and a high equity ratio. Ultimately, this led to a comprehensive proposal for realizing maximum returns for the customer through a combination of a wide range of financial instruments, including the involvement of securities companies and other partners from outside Shizuoka Financial Group. I found it really satisfying to feel we'd played a role in helping the customer in this way.

**Tanahashi:** I think the new S-CRM sales-support system will be important for the implementation of high-value-added solutions on a



Group-wide basis, like the one Ms. Sano describes. This system was adopted in January 2024 at Group companies that have direct contact with customers. It's currently undergoing ongoing improvements to meet legal and regulatory requirements, but I think features like immediate information sharing through schedule sharing and circulars have made our operations significantly more agile.

## | The next step

**Oishi:** Let's conclude this roundtable discussion with a look at our future aspirations.

**Tanahashi:** As somebody responsible for hiring new graduates, I want the Group to grow into one that inspires students to want to work at Shizugin TM Securities or to become members of Shizuoka Financial Group. To do so, I'd like to strengthen teamwork among hiring staff at individual Group companies and to communicate a wide range of information to help people better understand and sympathize with the Group. I also want to improve my own knowledge and skills so that I can provide attentive support to students considering their career plans.

**Sano:** I'd like to focus on continuing to grow market share. Currently, our share of the market in Shizuoka Prefecture is about 10 percent. That seems a little low for a securities firm in Shizuoka Financial Group. My own personal goal is to increase this share to 50 percent. To do so, I'd like to strive to improve the skills of individual staff members and help as many customers as possible get a true sense of the Group's comprehensive capabilities. I want us to grow to be not just the leading securities firm in the region, but the only one our customers rely on. I'm committed to doing everything I can do to contribute to our growth into the Group that regional customers can depend on and count on.

**Oishi:** This year will mark the 25th anniversary of our founding in 2000. Our business territory has grown steadily to include locations not just in Shizuoka, but Kanagawa, Yamanashi, and Aichi prefectures. We've emerged as a leader among regional bank-affiliated securities companies in terms of revenue and assets. Our focus on stock assets over the past two years has led steadily to a sales structure based on the customer's perspective. To establish a solid position in the region as a member of Shizuoka Financial Group, I'd like us to move forward to accelerate various measures to achieve the First Medium-term Business Plan's ordinary profit target, which is 5 billion yen in FY2027. I'd also like all members of the organization to strive daily to merge their strengths to demonstrate an overwhelming presence as a securities company affiliated with a regional bank, thereby powering our next phase of growth.

# Our approach to seeking solutions to materiality topics

Seeking both to create social value and increase corporate value, Shizuoka Financial Group has identified several materiality topics with implications for the themes of society, economy, and environment. We intend to exert a positive impact on society by providing solutions that address these topics.

## Materiality topics identified

Based on the opportunities and risks associated with the materiality topics identified, we will effectively deploy a wide range of measures that lead to solutions, while adapting appropriately to internal and external environmental changes. We will also identify outputs and outcomes corresponding to

Materiality		Major opportunities and risks		Key initiatives in FY2023	Changes in the external environment and awareness of issues
Society	Addressing population decline, low birthrates, and the aging population	Opportunity	Solutions to boost related populations and promote new value creation	<ul style="list-style-type: none"> <li>Developing measures to stimulate tourism</li> <li>Considering the loan guaranty business for non-Japanese customers</li> <li>Promoting measures to address relocation and vacant homes</li> </ul>	<ul style="list-style-type: none"> <li>Evolving social expectations for social value creation and progress of other players' initiatives</li> <li>Continuation of various trends, including shrinking and aging populations and low birthrates and the material emergence of issues like those associated with revisions of overtime regulations in 2024</li> <li>Need to create industrial reform and innovation through industry-government-academia-banking partnerships to maintain and improve regional economic vitality</li> </ul>
		Risk	Declining regional economy due to labor shortages		
	Healthy growth of the local community	Opportunity	Growing the demand and base for asset building and asset management businesses	<ul style="list-style-type: none"> <li>Promoting the NISA and iDeCo businesses</li> <li>Offering financial and economic training and education</li> <li>Consulting on life planning through joint Bank-Securities efforts</li> </ul>	
		Risk	Decreased competitive strength due to diversification of customer needs and progress of digital channels		
Economy	Industrial development and financial innovation	Opportunity	More opportunities for and growth in solutions associated with increasingly diverse and complex corporate challenges	<ul style="list-style-type: none"> <li>Holding TECH BEAT Shizuoka</li> <li>Growing VC debt and equity investment</li> <li>Support for corporate revitalization and industrial reform</li> </ul>	
		Risk	Declining business performance due to inadequacies or delays in adapting to structural changes within society		
	Creating a digital society	Opportunity	More opportunities for and growth in digital solutions through advances in digitalization	<ul style="list-style-type: none"> <li>Promoting Shizugin merchant services (i.e., cashless payments)</li> <li>Applying generative AI within the organization Supporting SME digitalization</li> </ul>	
		Risk	Declining business performance due to slow pace of adaptation and impaired competitive strength		
Environment	Society that balances the environment and economy	Opportunity	Greater demand for and growth in new solutions related to decarbonization and biodiversity	<ul style="list-style-type: none"> <li>Deploying Shizuoka GX Support services in the region</li> <li>Efforts to create a decarbonized society through partnerships with local governments</li> <li>Permeation and promotion of environmental finance</li> </ul>	
		Risk	Declining business performance and trust among stakeholders due to natural disasters or stricter regulatory environment		
Employees	Managing human capital	Opportunity	Organizational culture reforms to develop diverse human resources and create new value	<ul style="list-style-type: none"> <li>Holding town hall meetings</li> <li>Holding sustainability training</li> <li>Various health management efforts</li> <li>Adopting restricted stock (RS) trusts</li> <li>Use of an internal startup system</li> </ul>	
		Risk	Declining business performance due to inability to retain human resources and weak employee motivation		
Shareholders	Improving corporate value	Opportunity	Increasing shareholder returns and numbers of local shareholders by implementing strategies to strengthen corporate value	<ul style="list-style-type: none"> <li>Further enhancement of shareholder returns (Acquisition of treasury stock, Revision of dividend payout ratio targets)</li> </ul>	
		Risk	Falling share price, declining stakeholder trust		

## Materiality Identification Procedure

### 1. Identifying issues to address

Selecting issues for local communities and Shizuoka Financial Group from multifaceted perspectives (social, economic, and environmental)

### 2. Evaluating and screening issues

Evaluating opportunities and risks for both local communities and Shizuoka Financial Group and narrowing down issues from the perspective of creating social value and enhancing corporate value

### 3. Determining materiality topics

Identifying materiality topics and grouping into themes

each materiality topic and ascertain the progress on sustainability KPIs to impact society as we seek to achieve our missions of creating social value and strengthening corporate value through plan-do-check-act (PDCA) cycles.

Key measures in FY2024	Outputs (examples)	Outcomes	Impacts
Accelerating efforts to implement, in more concrete form, value creation strategies	<ul style="list-style-type: none"> <li>Number of regional tourism plans</li> <li>Community development consulting business contracts</li> <li>Number of HR solutions</li> </ul>	<p>Growth in related population in Shizuoka Prefecture</p> <p>Growth in residents relocating to Shizuoka Prefecture</p>	<p><b>Rate of change in Shizuoka Prefecture's social population (continual increase)</b></p>
	<ul style="list-style-type: none"> <li>Number of NISA accounts opened</li> <li>Ratio of value added group life insurance sets</li> <li>Number completing financial and economic training and education</li> </ul>		
Priority areas	<ul style="list-style-type: none"> <li>Number of TECHBEAT Shizuoka attendees</li> <li>Number of close support cases for positive impact finance customers</li> <li>Number of cases of corporate revitalization support</li> </ul>	<p>Increasing the number of companies in Shizuoka Prefecture</p>	<p><b>Shizuoka Prefecture GDP (continual growth)</b></p>
Solutions to regional challenges	<ul style="list-style-type: none"> <li>Number of stores adopting Shizugin merchant services</li> <li>Number of applications for generative AI within the organization</li> <li>Number of SME digitalization support cases</li> </ul>	<p>Increasing the corporate growth rate</p>	
Deposit and lending businesses	<ul style="list-style-type: none"> <li>Number of new customers for GHG emissions calculation services</li> <li>Figures for executed environmental finance and leasing transactions</li> </ul>	<p>Promoting carbon neutrality</p>	<p><b>Rate of reduction of GHG emissions in Shizuoka Prefecture (down 46% vs. FY2013)</b></p> <p>* FY2030</p>
VC business	<ul style="list-style-type: none"> <li>Number of human resources capable of providing solutions and creating value</li> </ul>	<p>Group employee engagement</p>	<p><b>Employee wellbeing (engagement indicator)</b></p>
Global	<ul style="list-style-type: none"> <li>Topline growth</li> <li>Controlling expense levels</li> </ul>	<p>Growing profits</p>	<p><b>Financial targets (Earnings, efficiency, soundness)</b></p>
New businesses, capital alliances, M&As			
Digital, apps			

## Achieving the sustainability KPIs

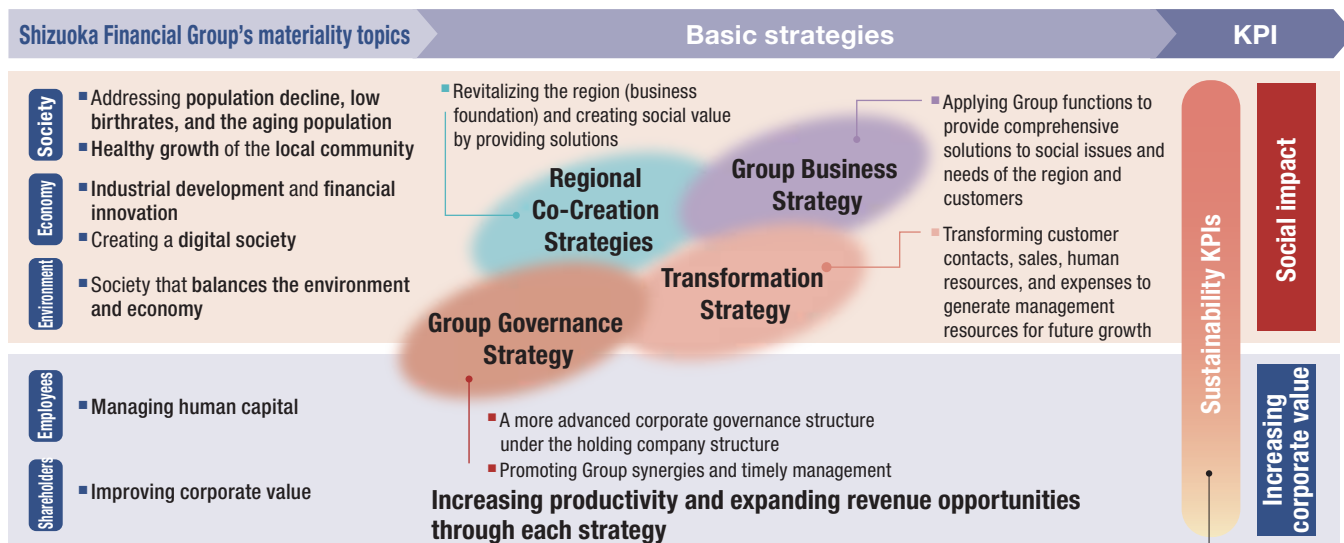
# Management strategies for value creation: First Medium-term Business Plan

First Medium-term Business Plan [Period covered: FY2023–2027]



10-year vision

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



## Progress on sustainability KPIs

### Sustainability KPIs

		KPI	FY2027 targets		
Creating social value	Social impact KPIs	Aim	Rate of change in population in Shizuoka Prefecture	» Continual <b>increase</b>	
			Real GDP in Shizuoka Prefecture	» <b>Continual growth</b>	
			Rate of decrease in GHGs in Shizuoka Prefecture	» <b>Down 46%</b> vs. FY2013 (FY2030)	
Increasing corporate value	Engagement KPIs	Commit	Customer satisfaction with Group transactions <sup>1</sup>	» <b>Up YoY</b>	
			Group officer and employee engagement <sup>2</sup>	» <b>4.0 or higher</b>	
			Carbon neutrality (Scopes 1, 2)	» <b>Achieved</b> (FY2030)	
	Financial KPIs		Earnings	Consolidated ordinary profit	» <b>100.0 billion yen or more</b>
			Efficiency	Consolidated ROE	» <b>Approx. 6.5%</b> (net asset basis) <b>Approx. 7.5%</b> (shareholder equity basis)
			Soundness	Consolidated OHR	» <b>Controlled to approx. 53%</b>
				Consolidated CET1 ratio <sup>3</sup>	» <b>13% or more</b>

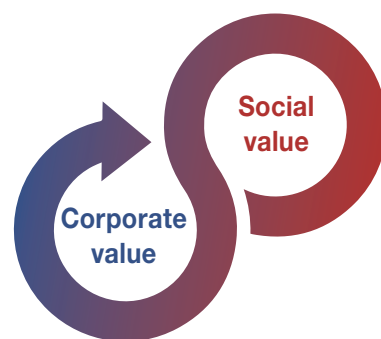
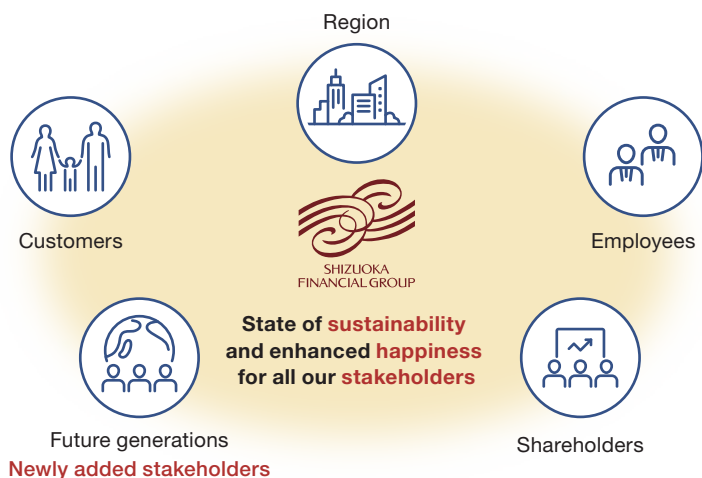
<sup>1</sup> Measured using net promoter score (NPS), an indicator of customers who would recommend the company, its products, or its services to family, friends, and acquaintances, based on customer surveys  
<sup>2</sup> Overall satisfaction measured as the average for the five aspects of rewarding work, job suitability, workplace satisfaction, satisfaction with superiors, and loyalty to the company (score of 1–5)  
<sup>3</sup> Figures in parentheses are based on final Basel III standards.

*Xover (Crossover): Clearing the way to a new era*—our First Medium-Term Business Plan—takes the approach of working backwards from a clear vision of an ideal future and developing a plan to achieve that vision. This Medium-Term Business Plan, the first under the holding company structure, seeks to establish, in uncertain times, a prosperous and sustainable regional society by co-creating new value with all stakeholders.

## Medium-term Business Plan Vision

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

#### Vision for 2030



Balancing the creation of social value and the enhancement of corporate value

#### Evaluation of FY2023 results

In general, steady progress was made in FY2023 toward the financial targets. We will strive to achieve continuous growth by deploying medium- to long-term growth strategies toward regional co-creation while also maintaining short-term earnings.

FY2023 results		Future courses of action and issues
» <b>Increased</b> (+0.015%)	○	Accelerating strategic efforts through more concrete and visible measures under the community co-creation strategy (medium- to long-term efforts)
» <b>Growth</b> (FY2022 real economic growth rate: 5.2%)	○	
» <b>Slower rate of reduction</b> (down 15.8% vs. FY2021)	—	
» - (No Group-wide previous year figures available)	—	Expanding support options and demonstrating Group synergies; developing businesses that combine social value with business potential
» <b>3.81</b>	○	Further promoting cultural reforms; making the most of human capital
» <b>Down 74.1%</b> (vs. FY2023)	○	Promoting efforts to achieve net zero emissions ourselves as early as possible; efforts to protect local industry and natural capital
» <b>102.2 billion yen</b>	○	Appropriate balance sheet management reflecting changes in the interest rate environment (yen, foreign currency)
» Net asset basis: <b>4.9%</b> Shareholder equity basis: <b>6.2%</b>	▲	
» <b>56.3%</b>	○	Balancing growth investment and expense level
» <b>18.1%</b> (14.2%)	▲	Control over appropriate capital adequacy level



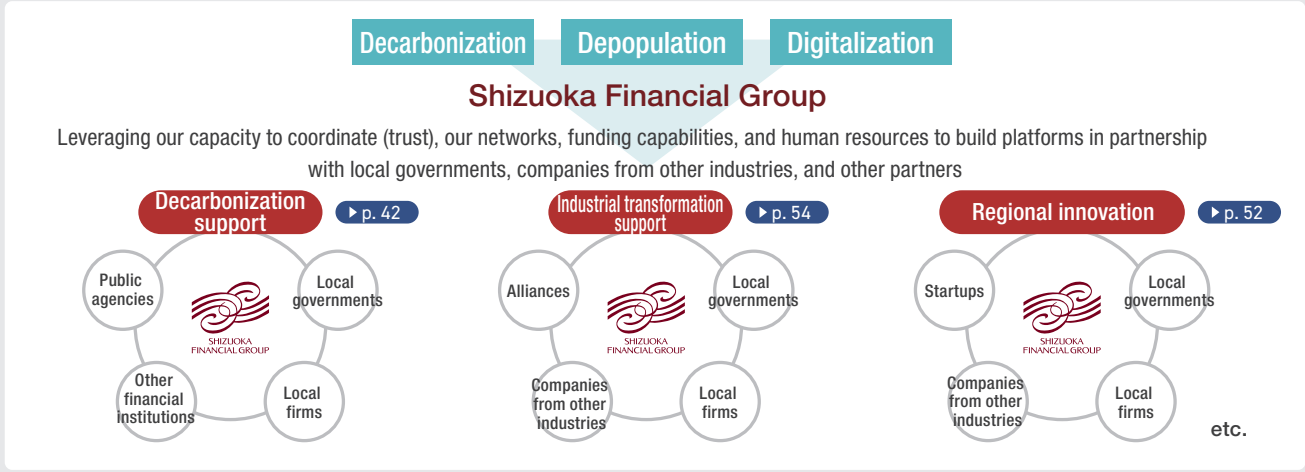
# Combining Regional Co-Creation Strategies and Group Business Strategy



## Regional Co-Creation Strategies

Cooperating with various stakeholders to find medium- to long-term solutions to regional and industrial challenges that cannot be resolved by Shizuoka Financial Group alone

### Revitalizing the region by building platforms to address its issues



## Group Business Strategy

Working to address customer issues with a sense of urgency by offering a wide range of solutions and by demonstrating expertise

### Providing comprehensive solutions to social issues and needs of the region and customers through more in-depth, broader, and newer business domains

#### More in-depth

Exploring further potential of existing businesses

Increasing profitability by allocating management resources reflecting profitability and market potential within each region and field

#### Broader

Expanding existing business domains

Growing business domains through market development and service expansion based on cooperation, alliances, etc.

Promoting business strategies tailored to the distinct traits of each region, customer attributes, and markets

● Formulating priority strategies for individual areas



**Shizuoka Prefecture**

- Support and business development in all directions

**Kanagawa Prefecture (western prefecture)**

- Support and business development in all directions

**Kanagawa Prefecture (other than the western prefecture), western Tokyo**

- Life planning business centered on real estate



**Aichi Prefecture**

- Industrial transformation support
- Life planning business

**Osaka**

- Pursuit of large-scale, high-revenue projects

**Tokyo**

- Pursuit of large-scale, high-revenue projects



**Hideyuki Murayama**  
Senior Executive Officer  
Central Area Business Unit  
The Shizuoka Bank

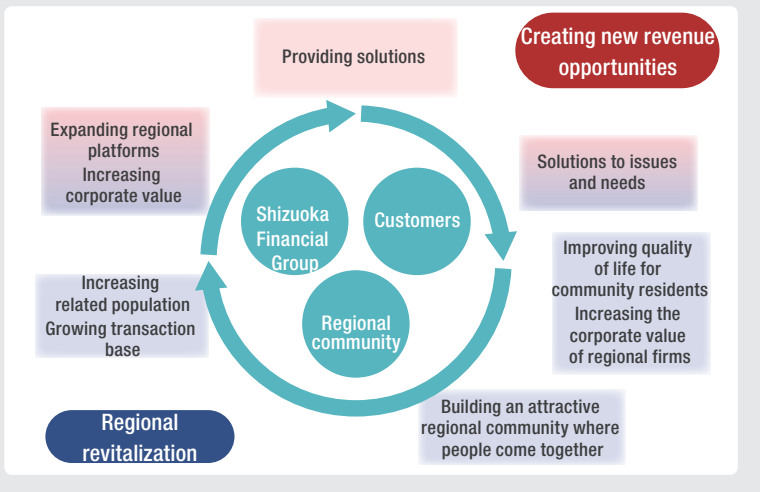


**Eiji Ishii**  
Senior Executive Officer  
Eastern Area Business Unit  
The Shizuoka Bank



**Hirohisa Nasuda**  
Senior Executive Officer  
Metropolitan Business Unit  
The Shizuoka Bank

### Regional ecosystem (cyclical regional economic model)



### TOPICS

#### Appointment of general managers in charge of regional co-creation strategies

Enhancing the structure for implementing regional co-creation strategies

General managers in charge of regional co-creation strategies have been appointed as the personnel responsible for regional co-creation strategies at the three regional companies in Shizuoka Prefecture (eastern, central, and western) to enhance the promotion structure while deepening cooperation with related parties in the region in accordance with actual local conditions.

### Deploying the Group Business Strategy

to address business opportunities through platform building

Leveraging regional co-creation strategies for providing solutions to issues and needs, identified through sales activities, that cannot be solved alone

#### Newer

#### Tackling the challenges of new business domains

Tackling the challenges of brand new businesses and those in non-financial sectors to contribute to regional sustainability



Regional co-creation strategies

▶ p. 41



Life planning support

▶ p. 47



Responding to corporate needs

▶ p. 43



Startup support and community innovations

▶ p. 51



Promoting cashless payments in the region

▶ p. 45



Alliances with regional banks

▶ p. 53



Responding to globalization

▶ p. 46



New business fields

▶ p. 57

# Regional co-creation strategies

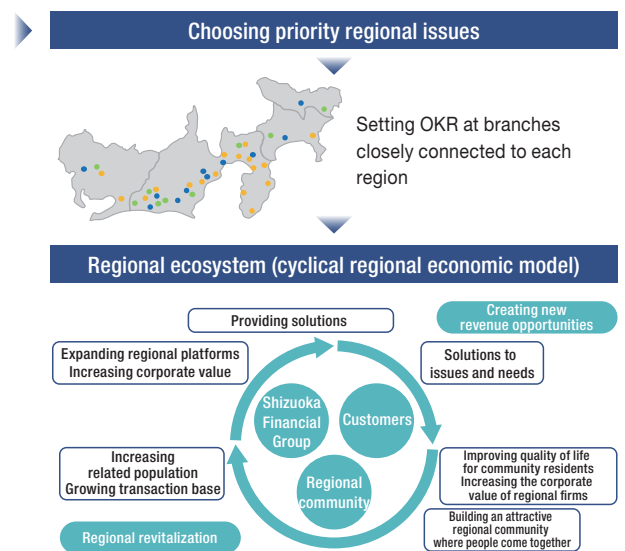
- Vision** Revitalizing the region and creating new value by providing solutions to social challenges
- Topics** Building solutions platforms in each region  
Giving more concrete form to strategy and making it visible

## Initiatives to provide solutions to regional issues

Based on materiality topics, we have established 12 initiative themes under regional co-creation strategies. In FY2023, we chose priority regional topics to make these initiatives more effective.

Since regional issues are becoming increasingly diverse and priorities vary by districts, we have set objectives (O) and key results (KR) at branches, reflecting their close ties to the community. In addition, for issues that cannot be solved by Shizuoka Financial Group alone, we are accelerating efforts to move closer to solutions through serving as a regional hub, leveraging the Group's networks through means such as cooperation with partners including local firms, local governments, and companies from other industries.

	Materiality topic	The 12 themes of the initiatives
Society	Addressing population decline, low birthrates, and the aging population	Deploying community development
		Regional revitalization using local resources
	Healthy growth of the local community	Creating a related population
		Increasing regional financial literacy
Economy	Industrial development and financial innovation	Individualized consulting
		Supporting transition reflecting changing industrial structures
		Enhancing the business-succesion and M&A businesses
	Creating a digital society	Building regional innovation ecosystems
		Supporting digital transformation of local firms and local governments
		Promoting cashless payments in the region
Environment	Society that balances the environment and economy	Building a region with a balance between decarbonization and business needs
		Promoting eco-friendly financial services



## TOPICS Structurally mapping issues to achieve sustained social population growth in Shizuoka Prefecture, a special impact indicator

This structural mapping is intended to create opportunities for all employees to think, with a sense of involvement, of how Shizuoka Financial Group's activities are related to the major topic of social population growth and what efforts we should make. This structural map was prepared based on interviews with various stakeholders, with the support of Ridilover Inc., a company that works to solve social issues. We are proceeding with clarification of issues and targets to be addressed by Shizuoka Financial Group as well as consideration and proposal of solution options through discussions based on this structured map and roadmaps during OKR setting for departments and branches as well as individual employees.

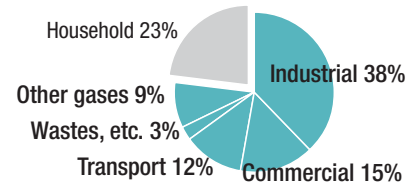


## Development of the Hamamatsu model: The first step in integrated regional decarbonization initiatives

To create a prototype for solutions to issues targeted under regional co-creation strategies and to develop a regional ecosystem, we are partnering with local government and local financial institutions to build a region with a balance between decarbonization and business needs, a theme under the materiality topic of a society that balances the environment and economy. The aim is to achieve the social impact indicator of a 46% reduction in GHG emissions in Shizuoka Prefecture vs. FY2013 (by FY2030).

### 1 Breakdown of GHG emissions in Shizuoka Prefecture by sector (FY2021)

More than 80% of total GHG emissions in Shizuoka Prefecture are generated by corporate activities. Efforts to reduce the GHG emissions of local firms are essential to decarbonization in Shizuoka Prefecture.



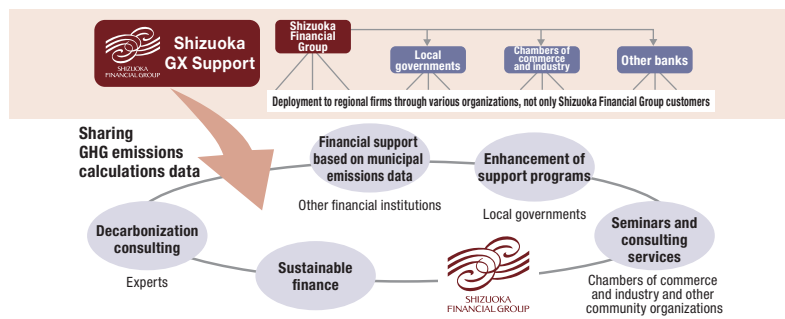
### 2 Engagement (interviewing) activities ▶ p. 81

We are pursuing fact-finding activities through interviews with local firms to ascertain the state of efforts to move closer to decarbonization and to provide appropriate support.

### 3 Development and deployment to local firms (in the city of Hamamatsu) of the Shizuoka GX Support GHG emissions calculation tool

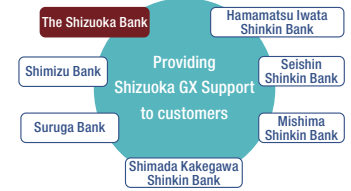
To accelerate support for regional decarbonization, it is essential to promote comprehensive support that links localized support efforts for individual firms to horizontal initiatives across the region through cooperation with related agencies. As one example, Shizuoka Financial Group has concluded a partnership agreement with the city of Hamamatsu intended to realize carbon neutrality by supporting decarbonization of local firms.

Decarbonization efforts of local firms are based on the three steps of learning, measurement, and reduction. To support the measurement step, we have developed the Shizuoka GX Support GHG emissions calculation tool, which we provide to local firms free of charge, in partnership with partners including other financial institutions. Calculated emissions data are used in Group efforts to support customer decarbonization and provided to Hamamatsu for promoting the city's decarbonization efforts. In this way, we strive to decarbonize the region by working together with various related parties in the community.



#### Collaboration across financial-institution boundaries

Deploying Shizuoka GX Support at local firms through various organizations, including local governments, other financial institutions, and chambers of commerce and industry



### 4 Cooperation and model development with local governments

In addition to the city of Hamamatsu, we have also concluded cooperative agreements with four other cities, aiming to realize carbon neutrality and promote sustainable development. We will continue to promote decarbonization support across the region by expanding these efforts to include even more partners in the future.

#### Local governments with which cooperative agreements have been concluded



**Shizuoka Financial Group's vision**  
To provide comprehensive support reflecting local characteristics in addition to side-by-side support

**Local governments' vision**  
To develop communitywide efforts in which various stakeholders work together to achieve decarbonization

**Building a region based on a balance between decarbonization and business needs**  
**Achieving target reduction of GHG emissions in Shizuoka Prefecture**

# Responding to corporate needs

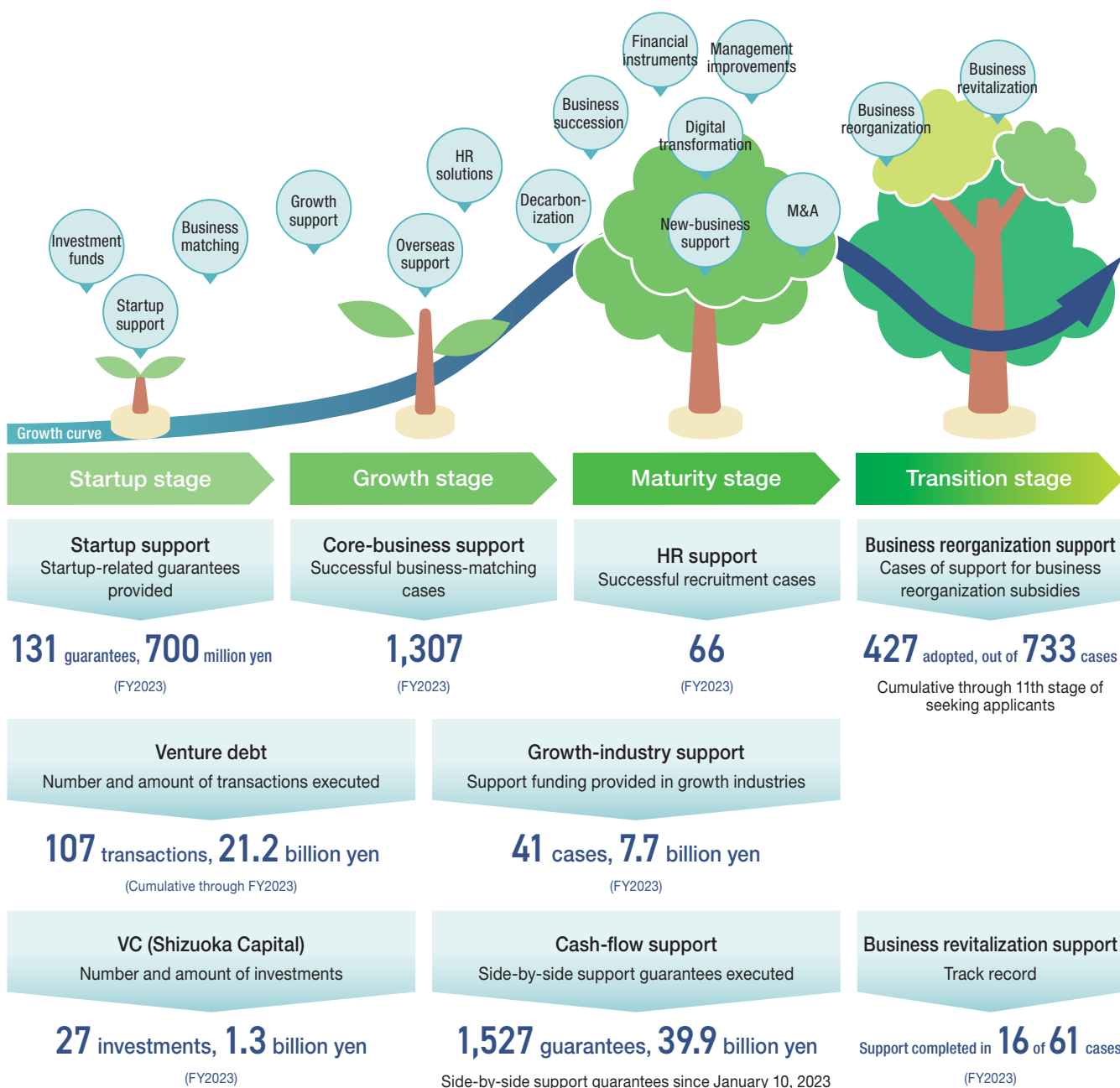
**Vision** Sustained regional growth based on support for the sustained growth of our customers

**Topics** Solutions to regional issues through side-by-side support for customers on a Group-wide basis and cooperation with partners both inside and outside the Group

## Support in accordance with stages on the corporate life cycle

### Side-by-side support

We support the sustained growth of our customers as a partner by offering, on a Group-wide basis, a range of service options to meet increasingly diverse and complex issues. We also contribute to the continuous growth of the region through proactive cooperation with partners outside the Group, aiming for solutions to decarbonization and other issues faced by the region.

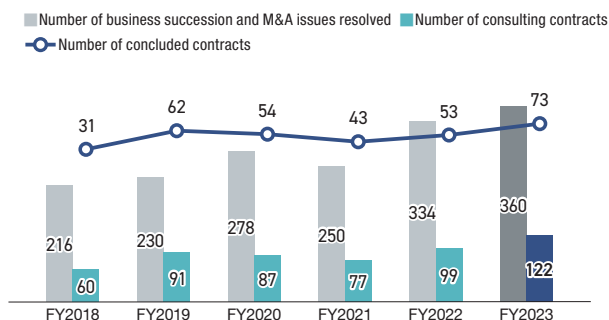


## Business succession and M&A

With the increasing age of business proprietors, smooth business succession has become a social issue. In this context, we make maximum use of the 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 the Bank and Shizugin Management Consulting playing a

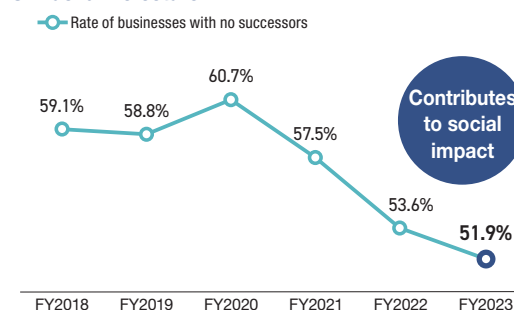
### Number of business succession and M&A issues resolved\*\*



central role, and in partnership with tax accountants and other external specialists to support our customers as they carry out business succession within the same family or M&As.

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

### Trend in rate of businesses with no successors in Shizuoka Prefecture



(Teikoku Databank special research project: Survey of trend in rate of businesses with no successors in Shizuoka Prefecture [2023])

## Business improvement support

The Shizuoka Bank established the Corporate Management Support Group in 2003, and has been actively working to provide customers with support for business improvement, not limited to financial support.

As the start of repayment of COVID-19-related loans and the ending of subsidized interest periods peaked, in FY2023 we worked to support 800 customers (excluding performing customers) for business improvement, assisted 711 customers in formulating and monitoring plans, and upgraded the credit ratings of 26 customers.

Looking ahead, we will support customers in areas such as formulating practical, comprehensive business restructuring plans through business improvement support initiatives in addition to focusing on providing management improvement support in an accompaniment style that is close to our customers.

### Achievements of business improvement support

	FY2022	FY2023
Percentage of business improvement support	7.1%	7.3%
Number of customers supported for business improvement A*	804	800
Number of borrowers at beginning of period	11,338	10,947
Percentage of revitalization plans formulated (B÷A)	87.4%	88.9%
Number of customers with revitalization plans B	703	711
Number of customers supported for business improvement A*	804	800
Percentage of credit ratings upgraded (C÷A)	2.5%	3.3%
Number of customers with upgraded credit rating C	20	26
Number of customers supported for business improvement A*	804	800

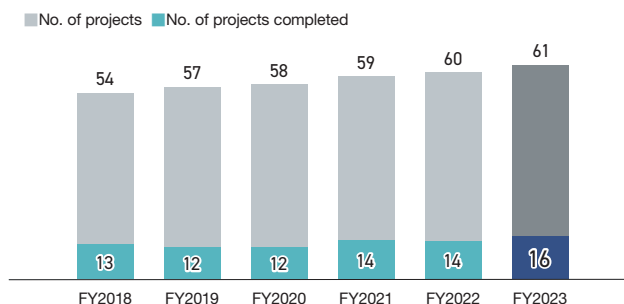
\* Excluding performing customers

## Support for business restructuring and turnaround

Customers that have a significant impact on the local economy and require prompt and drastic support are selected for support, and we are working to provide smooth business revitalization support, mainly through the Bank, Shizugin Management Consulting, and Shizuoka Capital, in partnership with outside experts such as the Shizuoka Prefecture SME Revitalization Council and outside consulting firms.

In FY2023, we supported 61 companies and completed supports for 16 companies by utilizing the most appropriate scheme for each target company, such as business revitalization funds and M&As.

As social and economic activities normalize post-COVID-19, we are striving to maintain and increase businesses and employment in the region by ascertaining signs of change in customers and supporting business improvements and turnarounds with an eye to the future.



Has completed business restructuring for about 310 firms since FY2005

Saves job opportunities for about 28,000 people and maintains economic power in the local community

# Promoting cashless payments in the region

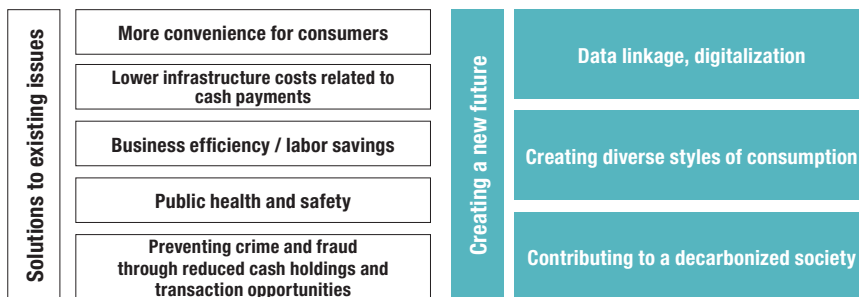
**Vision** Improving business efficiency and growing sales opportunities for businesses while making the region more convenient for consumers

**Topics** Building a regional payment network to link businesses and consumers in the region  
Using data to improve services further

## Efforts to promote cashless payments

Aiming to expand simple, intuitive payments and realize a digital society of seamless data linkage, the Japanese government has set a target for 2025 of 40% of payments being cashless. The Group is promoting cashless payments to improve business efficiency and increase sales opportunities for businesses in the region while also making the region more convenient for consumers.

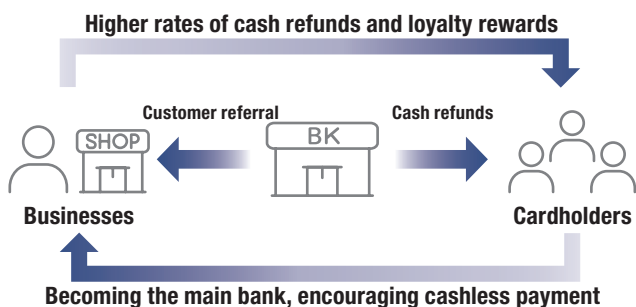
## Social significance of promoting cashless payments



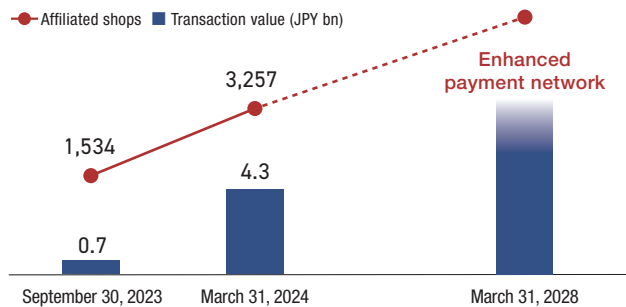
## Building a regional payment network

By encouraging consumers to visit affiliated shops in the region through providing benefits such as higher rates of cash refunds and loyalty rewards, the Group is making progress on building a regional payment network to serve as the main bank for debit and credit cards and accounts while also promoting consumption in the region. The aim is to share social value in ways that benefit businesses, consumers, and Shizuoka Financial Group.

### Regional payment network illustration



### Trend in number of affiliated shops and transaction value

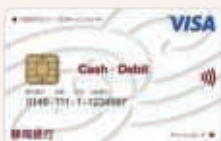


## TOPICS Enhancing the card lineup

**The Shizuoka Bank is enhancing its card lineup to promote cashless payments in the region, which will bring greater convenience for customers and broaden the base of cashless-payment users.**

**Introduction of debit cards [corporate, individual]**  
The Bank has begun offering debit cards to enable instant payments for both individual customers who feel uneasy about cashless payments and corporate customers seeking more efficient settlement and accounting operations.

**Launching JCB credit cards**  
To increase customer convenience further, the Bank has begun offering the joyca J credit cards from JCB in addition to its existing line of cards under the DC brand.



Ordinary individual card (integrated)



Individual gold card (integrated)



Ordinary individual card (non-integrated)



Individual gold card (non-integrated)

# Responding to globalization

## Vision

Using our international network to enhance our wide-ranging support structure and earning capability

## Topics

Enhancing international business support for customers and securing growth opportunities in global markets

### Enhancing the international business support structure

To promote more concrete development of international strategy, the Shizuoka Bank's International Business Department has been reorganized into a structure consisting of two departments and one project team: the International Business Department, International Finance Department, and the Asia Strategy Project Team.

#### Before

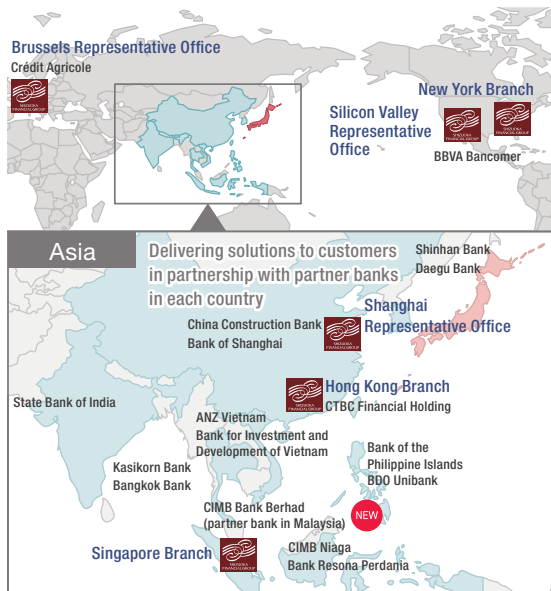


#### After



### International business support menu

#### Shizuoka Financial Group's international network (6 overseas sites, 17 partner financial institutions)



#### Supports for overseas expansion and business development overall

We provide timely information and attentive services to meet increasingly diverse customer needs in areas such as overseas advancement, overseas transactions, overseas investment, and developing overseas sales channels.

#### Trade (export/import) transaction supports

We leverage our extensive track record and international network to support sales-channel development and customer trade transactions.

#### Fundraising services

We are ready to support customers concerning their overseas subsidiaries' fundraising needs, based on a wide range of solutions such as cross-border loans from their branches and lending in local currency through standby letters of credit to partner financial institutions.

#### Foreign-exchange supports through means such as international remittances and forex risk hedging

#### • Business alliance agreement concluded with CIMB Bank Berhad in Malaysia

To develop a comprehensive financial support in Malaysia, we have concluded a business alliance agreement with CIMB Bank, Malaysia's second largest bank by assets. CIMB Bank manages the CIMB Group, a financial group that includes CIMB Niaga, the Shizuoka Bank's partner bank in Indonesia. We are considering cooperation with other companies in the CIMB Group and will continue to enhance our international support structure.

#### • Joint exhibition with five local firms at World Tea Expo 2024, the largest tea trade show in North America



To raise awareness and increase consumption of high quality Shizuoka tea, we exhibited in a joint booth with five customer firms and the Shizuoka Tea Export Promotion Council.



# Life planning support

**Vision**

Serving as the best consulting partner for our customers for an era of 100-year lifespans

**Topics**

Expanding our wide range of service options to meet increasingly diverse customer needs  
Proposing optimal solutions for each individual's future, based on customer-oriented business operations policies

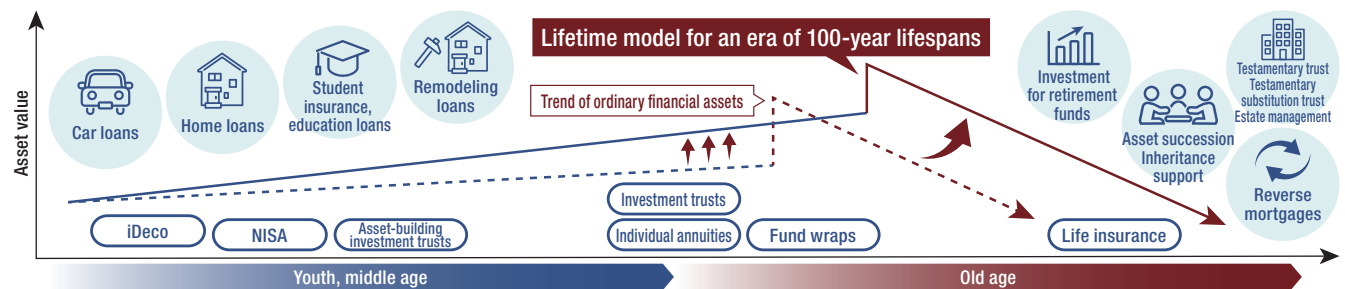
## Total asset management sales

The entire Group is making progress on adoption of total asset management tools (life planning simulation and portfolio-building tools) to realize a one-stop consulting structure able to meet various life planning needs. We also are developing training structures to equip employees with total asset management skills and building an environment that makes it easy for customers to consult with us through both in-person and contactless channels, to offer optimal solutions that closely reflect customer needs so that they can live in comfort in an era of 100-year lifespans.



## Providing optimal solutions to suit customer life stages

### Illustration of lifetime assets needed in an era of 100-year lifespans



### Tools used in total asset management

Life-event sheet	Household budget app	Wealth Advisor	Life Design System (LDS)	My Inheritance Plan Sheet	Shizugin Inheritance Guide
Used to propose solutions suited to customer life events	Makes income and expenditures visible	Tool to provide information related to asset building	Diverse simulations matching answers to questions	Proposals matching details of the household and assets	Provides opportunities to think about inheritance

## ▶ Readiness for an era of 100-year lifespans

In preparation for the coming age of 100-year lifespans, the Group is enhancing various services to be able to meet a wide range of customer needs from asset building in youth through asset succession in old age.

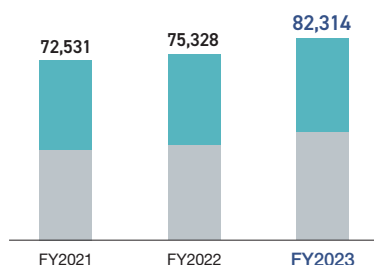
### Services for customers in the asset-building stage

In this time of superlongevity, asset building for an era of 100-year lifespans and subsequent extension of asset lives are pressing issues. Shizuoka Financial Group is working to enhance various products and services to provide financial support to help customers plan for comfortable living and alleviate economic uncertainty.

Following revision of the Nippon Individual Savings Account (NISA) system in January 2024, we are providing supports for customer asset building through various means including joint promotional campaigns by the Shizuoka Bank and Shizugin TM Securities and updating Shizugin Net Toshin to provide even more convenience.

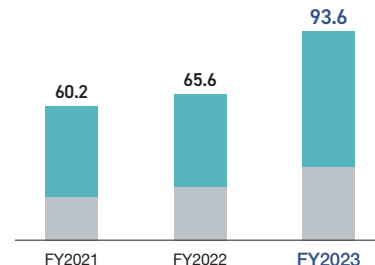
#### NISA accounts opened

\* Figures for FY2021–2022 represent totals of standard NISA, junior NISA, and savings NISA.



#### NISA balance (JPY bn)

■ Bank ■ Securities



### TOPICS

### Community financial and economic education initiatives



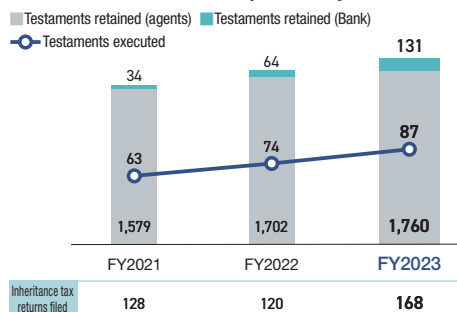
Aiming for the healthy growth of the local community through increasing community financial literacy, we are providing financial and economic education for all residents, children through adults. ▶ Financial and economic education for future generations (p. 92)



### Services for seniors

Our services especially for seniors got their start with the Shizuoka Bank's acceptance of testamentary trusts beginning in FY2021. We are developing a lineup of products and services related to post-inheritance procedures and further enhancing consulting functions. In addition, to meet needs in areas other than financial instruments we are aiming to build a structure capable of providing attentive proposals suited to individual customers in areas such as products and services related to homes, lifestyles, end of life, future cognitive conditions, and asset management.

#### Inheritance-related services provided by the Shizuoka Bank



### Wealth management services

The Shizuoka Bank has established the Wealth Management Office to identify accurate information such as the state of customer assets and issues specific to wealthy customers and provide optimal consulting services for solutions to such issues. In addition to financial support provided by highly knowledgeable and experienced specialized staff in areas such as real estate purchasing and inheritance, the Office also proposes solutions tailored to each customer, including those in non-financial areas such as health and social contributions. It aims to contribute to the sustainable growth of the region's economy and culture by connecting customer assets and aims with the future.

#### Services provided

##### Asset management consulting

- Portfolio building
- Preparing asset reports
- Establishment of asset management companies
- Tax solutions

##### Financial arrangements

- Providing various financial schemes (e.g., investment real estate, home purchases)

##### Succession consulting




- Designing plans fully made to order
- Providing solutions in partnership with partners inside and outside the Group

##### Concierge services

- Health
- Social contributions
- Interests (art, sports, etc.)

## ▶ Group-wide total asset management sales

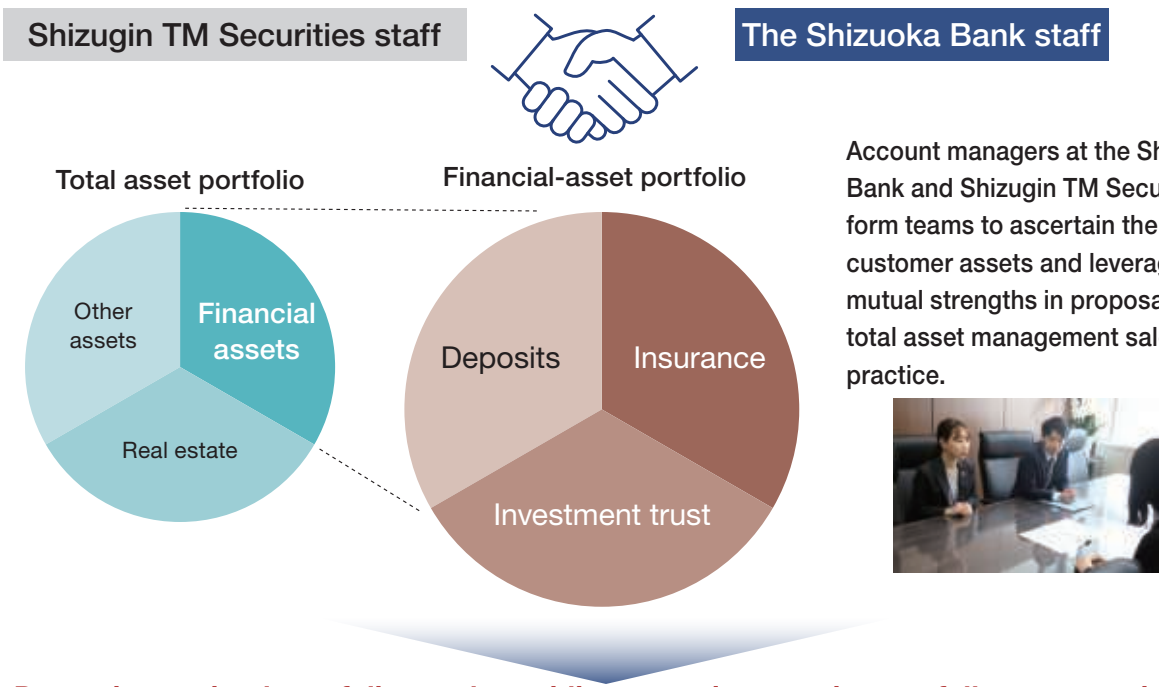
To provide optimal solutions for growing customer assets, Shizuoka Financial Group makes roles clear inside the Group for each level of risk tolerance and financial literacy as well as channels to offer products and services.

<p><b>The Shizuoka Bank</b></p> 	<p><b>Coordinating optimal proposals from a range of diverse means of asset management, based on customer needs and conditions</b></p> <ul style="list-style-type: none"> <li>• The Bank sells solutions for beginning investors and to meet demand for low-risk investments</li> <li>• Encouraging greater financial literacy and providing the convenience of online services</li> </ul>
<p><b>Shizugin TM Securities</b></p> 	<p><b>Meeting the needs of customers seeking further asset growth</b></p> <ul style="list-style-type: none"> <li>• Meeting needs related to management of aggregated assets through specialized solutions suited to risk tolerance levels based on ascertaining matters such as investment experience, finance knowledge, and investment objectives</li> </ul>
<p><b>Monex Group</b></p> 	<p><b>Meeting the needs of customers who wish to trade online through an extensive product lineup and highly convenient services</b></p> <ul style="list-style-type: none"> <li>• Contactless provision of products difficult for Shizugin TM Securities to offer (such as forex and crypto)</li> <li>• Meeting customer needs for wrap products (On Compass, On Compass+)</li> </ul>

### Adoption of the team account manager system

The team account manager system was adopted in April 2023 to put total asset management sales into practice. In this system, which is focused mainly on wealthy and relatively affluent customers, account managers at the Shizuoka Bank and Shizugin TM Securities form teams in which they work together to ascertain the state of customer assets and propose the best portfolios to grow them, while providing continual follow-up services.

By providing services that will satisfy customers, we aim to be the comprehensive financial group they will choose.



**Proposing optimal portfolios and providing attentive, continuous follow-up services through the team structure**

## ▶ Customer-oriented initiatives

### Customer-oriented business operations

In accordance with the Principles of Customer-Oriented Business Operations released by the Financial Services Agency, Shizuoka Financial Group has established the Policy on Customer-Oriented Business Operations and other policies including those related to specific initiatives. To put customer-oriented business operations into practice, we are establishing specific numerical indicators, checking and analyzing conditions through the plan-do-check-act (PDCA) cycle, and utilizing the results in customer service and customer-oriented business operations.

#### FY2023 initiative policies

##### 1 Total asset management sales initiatives through Bank-Securities cooperation to pursue the best returns for customers

Account managers with the Shizuoka Bank and Shizugin TM Securities will work together to propose and follow up on solutions for individual customers to ensure total asset management sales in pursuit of best returns for customers.

##### 2 Enhancing proposals and product lineups to support customer investments distributed over the medium to long term

In anticipation of revisions to the NISA system, we will enhance and revise proposals and product lineups to support customer investments distributed over the medium to long term.

##### 3 Building on follow-up structures and enhancing information provision through customer seminars

The Shizuoka Bank will regularly review its follow-up structure, while Shizugin TM Securities will firmly establish customer contact rules to boost customer satisfaction.

##### 4 HR development to provide optimal consulting proposals

We will strive to assign specialized staff and develop human resources with skill sets suited to the times to ensure we can propose optimal solutions for customer issues and needs.

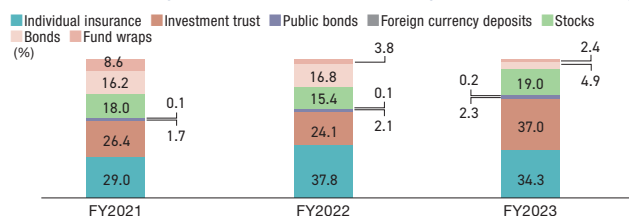
##### 5 Enhancing personnel evaluation systems to practice customer-oriented business operations

We will enhance systems for evaluation of efforts to move closer to customer solutions by individual personnel and ensure consistency between the everyday actions of our employees and the Group management philosophy.

#### Trends in key numerical indicators

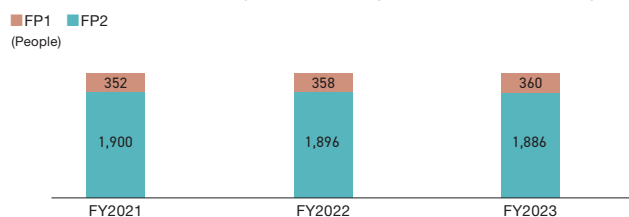
■ In response to wide-ranging customer needs in areas like asset building and asset management, the Shizuoka Bank and Shizugin TM Securities work together to leverage their individual strengths to provide high quality consulting services, thereby helping customers plan for comfortable lives and alleviating economic uncertainties.

##### Sales of asset management products by product type (Shizuoka Financial Group)



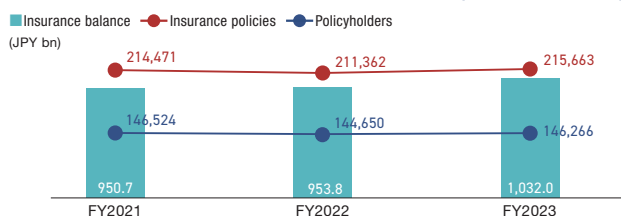
■ The Shizuoka Bank and Shizugin TM Securities encourage employees to take the Financial Planning exam, an official qualification exam that tests skills related to finding and implementing solutions to customer issues. The Bank has also established an internal qualification program intended to improve employee consulting skills, as we strive to train consultants in the corporate and individual sectors.

##### Holders of Financial Planning qualifications (Shizuoka Financial Group)



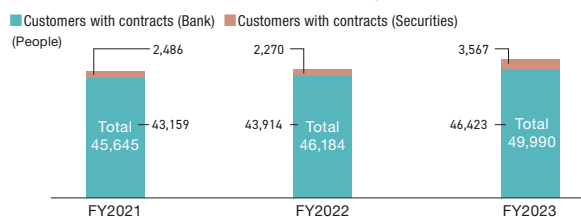
■ The Shizuoka Bank proposes insurance products to meet customer needs for preserving assets for their families or heirs, giving gifts before inheritance, receiving annuities, and preparing for medical, long-term care, and other needs. In proposing such products, it uses important information sheets to compare insurance products with other financial instruments in line with customer objectives.

##### Balance of insurance products and insurance policies (the Shizuoka Bank)



■ We propose asset-building solutions for customers who wish to build assets over the medium to long term from a small start, while informing them about asset- and currency-distribution effects as well as distribution over time through installments. The Shizuoka Bank has also enhanced its product lineup in online transactions, developing a structure able to meet the needs of customers who desire contactless transactions.

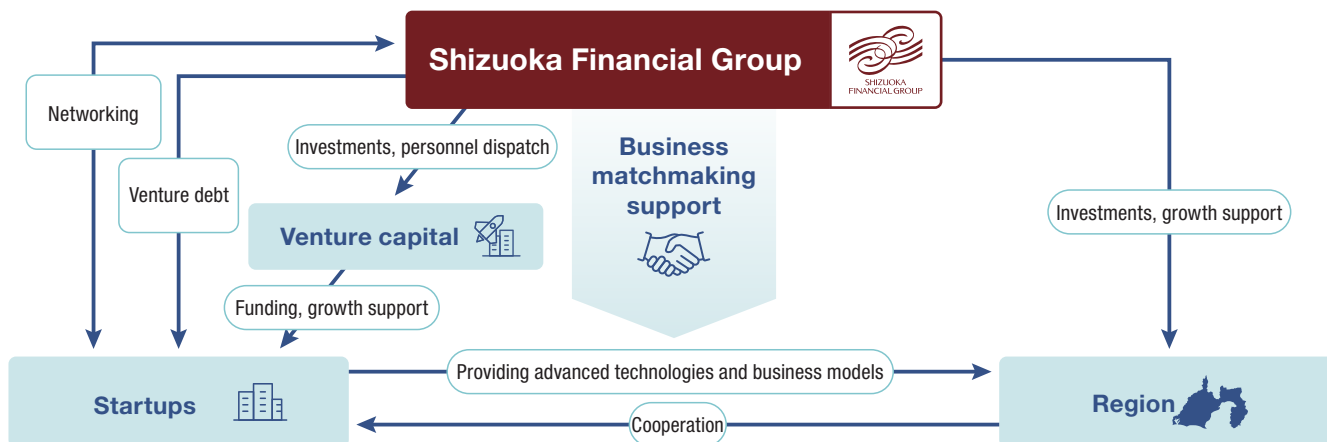
##### Customers with installment trust contracts (Shizuoka Financial Group)



# Startup support and community innovations

**Vision** Applying our knowledge and networks in venture business to stimulate the regional economy

**Topics** Supporting startups through investments, financing, and in other ways  
Building an ecosystem to nurture startups by providing advanced technologies and business models for the region



## Startup initiatives

The Shizuoka Bank established the Start-up Supporting Project Team in 2021. In October 2022, we revised the organizational structure to establish the Start-up Business Support Department. In FY2023, we identified the new mission of deploying knowledge and networks accumulated in the startup business to contribute solutions to materiality topics in the region as part of efforts to provide multifaceted supports for startups.

In addition to venture debt, our main initiatives in this area include building an ecosystem to nurture regional startups through means including joint efforts, partnerships, and personnel exchanges between startups and local customers. Through FY2023, we executed 107 venture debt transactions involving a total of 21.15 billion yen, including loans with stock acquisition rights.

We will strive to enhance the region's entrepreneurial culture and stimulate its economy by putting to use the knowledge gained in providing supports to startups.

We are also investing in venture capital as a part of efforts to

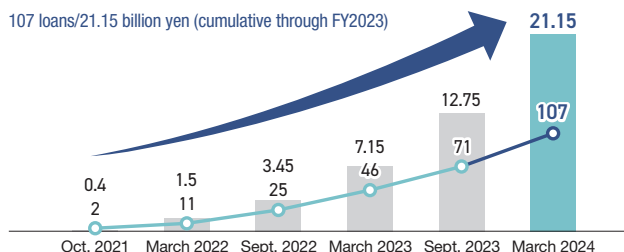
network with startups.

In FY2023, we approved nine new investments in venture capital, resulting in a cumulative investment of 24.3 billion yen in 31 funds.

By dispatching personnel to the startups in which we invest and sharing the expertise such personnel provide, we will build startup networks and develop human resources with skills useful for startups.

### Venture debt trend

■ Total loans (cumulative, in billions of yen) ● Total number of loans (cumulative)  
107 loans/21.15 billion yen (cumulative through FY2023)



## TOPICS Shizugin Startup FES event for startups

Held on March 13, 2024, the Shizugin Startup FES event for startups is intended to build a structure in which the Shizuoka Bank can serve as a VC hub.

This event, which provides an opportunity to meet, establish relationships, and engage in dialogue for startup managers and the Shizuoka Bank's customers, welcomed a total of 182 participants from 112 startups and venture capitalists.

In addition to presentations by representatives of venture capitalists investing in startups, the event featured an introduction to TECH BEAT Shizuoka and other activities intended to raise awareness of Shizuoka Financial Group's activities related to startups.

We plan to continue expanding our presence in the VC field by holding similar events at regular intervals.



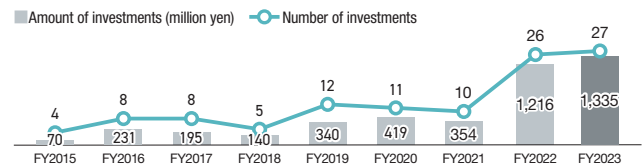
## Promoting investment in startups

Through joint efforts with the Shizuoka Bank and in other ways, Shizuoka Capital supports pre-IPO startups and the creation of new regional industries.

The Japanese government's Five-year Startup Support Plan announced in 2022 and various support measures by local governments in Shizuoka Prefecture, as well as the movement toward establishing corporate venture capital (CVC) initiatives by firms in the region, are some examples of recent public- and private-sector supports for startups. The numbers and amount of investments by Shizuoka Capital are both growing steadily.

It also contributes panelists to pitch events in which startups present their plans to potential investors, and provides a wide range of supports for business growth through means ranging from interactions with those considering entrepreneurial initiatives to drafting business ideas and raising funds.

### Trends in numbers and amount of investments



### • Startup Growth Shizuoka startup support program launched

In March 2024, we launched the Startup Growth Shizuoka program to support startups. This program is operated jointly with LtG Startup Studio (which is operated by Kawata Construction Co., Ltd.). Shizuoka Capital will consider investing up to 10 million yen in startups chosen in LtG Startup Studio's business contest as well as respond to requests for consultation on matters like business planning and fund raising.



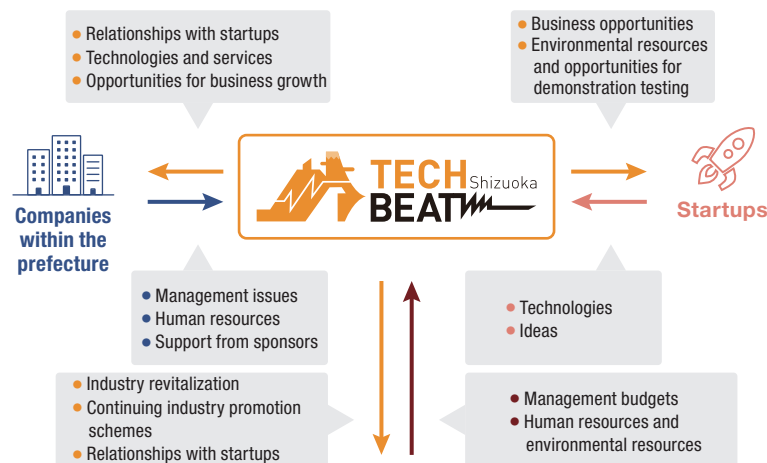
### • Chubu Startup Pitch held

Chubu Startup Pitch, an event where startups operating in the Chubu region of Japan can present proposals for investment offline, was held jointly with Chubu Startup Runway in July 2023. This third Chubu Startup Pitch featured a pitch contest in which 10 startups participated as well as a panel discussion by entrepreneurs with IPO experience. A total of 80 people took part, from startups, venture capitalists, financial institutions, and local government.



## TECH BEAT Shizuoka

TECH BEAT Shizuoka is an open innovation program aimed at revitalizing industry within Shizuoka Prefecture and creating new businesses through joint efforts between businesses in the prefecture and startup firms with leading-edge technologies. The prefectural government and the Bank act as the project's secretariats. The project organizes business matching events like individual business talks and various seminars on leading-edge technologies to provide forums for problem-solving through encounters between businesses in Shizuoka Prefecture and startup firms. It is also involved in the operation of the TECH BEAT Shizuoka online business platform.



### Local financial institutions and administrative bodies



### • TECH BEAT Shizuoka 2023

TECH BEAT Shizuoka 2023, an event for all industries, was held July 19–21, 2023. This year's event was extended from two to three days and held in conjunction with Shizuoka Prefecture's Culture City of East Asia 2023 Shizuoka initiative. Featuring a wide range of content interweaving advanced technologies and culture, the event welcomed approximately 6,000 attendees and hosted lively business talks involving a record high of 102 startup firms over the course of the three days.



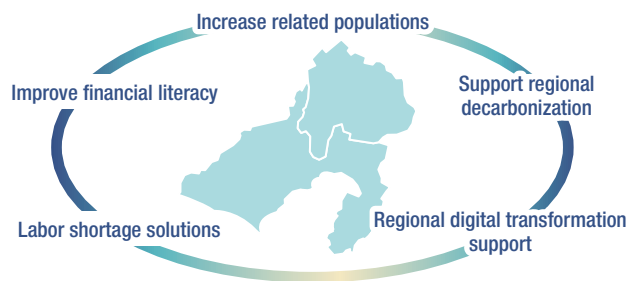
# Alliances with regional banks



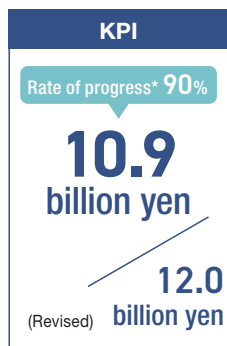
The Bank agreed to establish the Shizuoka Yamanashi Alliance, which was comprehensive business alliance with Yamanashi Chuo Bank on October 28, 2020. Targeting economic development in Shizuoka and Yamanashi Prefectures through partnerships primarily in the area of regional revitalization, both bank groups are pursuing a wide range of cooperative measures, including joint efforts in the field of securities at the Yamanashi head office of Shizugin TM Securities and holding individual business meetings with clients of both groups.

## Vision behind the Shizuoka Yamanashi Alliance

Since its establishment in October 2020, this alliance has implemented various cooperative initiatives in 10 subcommittees to support economic development in both prefectures. Sharing resources such as the solutions and expertise possessed by each bank has led to the prospect of achieving the initial KPI of a cumulative total of 10.0 billion yen for both banks over five years, and this KPI has been revised upward to 12.0 billion yen. The alliance will enhance efforts to find solutions to the regional challenges facing both prefectures, like increasing related population, improving financial literacy, and supporting regional decarbonization.



## Initiatives to date



\* As of March 31, 2024



### Community development

- Holding individual business-discussion meetings
- Support for J-Credit generation
- Seminars to encourage relocation to local communities



### Life planning

- Opening the Yamanashi head office of Shizugin TM Securities
- Joint product development (insurance, investment trusts)
- Holding asset-building seminars



### Finance

- Cooperative finance (real estate, startups, syndicated loans)
- Jointly organizing a business-succession fund



### Other

- Fundraising support for overseas subsidiaries
- Joint administrative procedures

### Third anniversary event features discussions on increasing related population

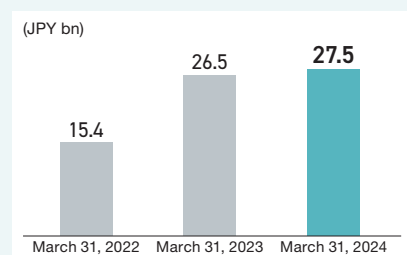
A third anniversary event for the Shizuoka Yamanashi Alliance was held in February 2024. This event, which brought together about 70 younger employees from both banks, deepened their interactions through discussions on the subject of increasing the related populations. Future efforts will involve implementing practical measures.



### Securities business alliance <Yamanashi Chuo Bank>

The Yamanashi head office of Shizugin TM Securities, which opened in April 2021, provides products and services with high value to customers referred from Yamanashi Chuo Bank. Its assets under management are growing steadily, and stood at 27.5 billion yen as of the end of March 2024.

#### Yamanashi head office's assets under management





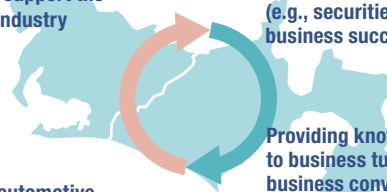
The Bank agreed to establish the Shizuoka Nagoya Alliance, which was comprehensive business alliance with the Bank of Nagoya on April 27, 2022. Both bank groups have positioned their response to the structural transformation of the automobile industry and other regional industries as their most important theme and will leverage their management resources to achieve sustainable growth for the region and themselves.

## Vision of the Shizuoka Nagoya Alliance

Since its establishment in April 2022, this alliance has advanced partnerships in a wide range of areas, such as establishing a joint fund to support industrial transformation centered on automotive industries and opening the Nagoya head office of Shizugin TM Securities. It also has implemented joint projects centered on the structured finance field, growing its revenue results to 7.8 billion yen when converted to a five-year basis (KPI: cumulative total of 10.0 billion yen for both banks over five years). The alliance will enhance joint efforts using funds and via M&A activities across prefectural borders and in the business revitalization field as it strengthens its efforts to support industrial transformation within the region.

**Providing knowledge and knowhow to support the automotive industry**

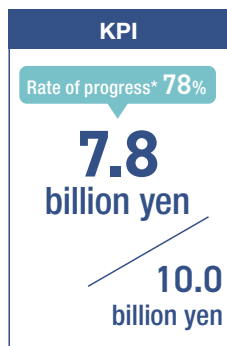
**Providing the functions of group companies (e.g., securities, M&A, business succession)**



**Drawing on automotive supply-chain networks**

**Providing knowhow related to business turnarounds, business conversion and discontinuation, startups, and innovation**

## Initiatives to date



\* As of March 31, 2024

### First investment executed by Shizuoka-Nagoya Alliance Fund

In March 2024, the Shizuoka-Nagoya Alliance Fund, established to revitalize local industries and maintain and create jobs by solving issues of our customers, executed its first investment.

Having since made this initial investment, we will continue to foster close supports for customers to serve as a model for industrial-transformation support, by deepening ties with the Bank of Nagoya centered on the Industrial Transformation Advisory Project Team, which supports solutions to industrial structural changes in the region, and Shizuoka Capital.

### Supporting Industrial Reform

Through joint efforts between the Bank's Industrial Transformation Advisory Project Team and the Bank of Nagoya's Automotive Supply Chain Assistance Office, we are accelerating efforts to support regional industries by organizing supply chains, co-hosting various seminars, and sharing knowhow through the exchange of human resources in the field of business revitalization.

### Offering free use of each alliance bank's ATMs

Since April 1, 2024, customers of the Shizuoka Bank and the Bank of Nagoya have enjoyed the convenience of free access to ATMs operated by either bank.

### Securities business alliance <Bank of Nagoya>

The Nagoya head office of Shizugin TM Securities, which opened inside the Bank of Nagoya's head office in October 2023, has welcomed five staff members seconded from the Bank of Nagoya. It supports customer asset building through a wide range of services.



### Staff member seconded to the Bank of Nagoya

At the Bank of Nagoya, I am in charge of customer relations at a sales branch, working for various solutions-oriented sales that target solutions for the issues faced by the customer, mainly on the corporate side.

Despite differences in the organization or region, the issues faced by the customer and the services needed from a bank share many commonalities. This has given me a good feel for the need for industrial transformation support, which is one of the Alliance's main themes, and for the importance of the roles played by regional financial institutions. I want to apply my experience working at branches of both banks to support industrial reforms in both Shizuoka and Aichi prefectures and to strengthen the Alliance.



**Tomohiro Nagata**  
Corporate Sales  
Bank branch  
in Nagoya City





## The Chief Innovation Officer on being a member of the Group that contributes to the world through innovations

**Takayoshi Otsuka**

Chief Innovation Officer (CINO)  
Shizuoka Financial Group

### Q Why is innovation so essential today?

Innovation is essential because a look at current world developments shows that the future will not merely be an extension of the current trajectory. While topics that affect all of humanity, like global environmental issues, become increasingly severe, the ties between nations are weakening, and uncertainty is growing. Although technological progress has made our world much more convenient, one also senses that people's jobs are gradually being replaced by AI. A look at our region shows simultaneous depopulation and ageing of society and, while economic activity heads toward contracted equilibrium, progress is also underway in the dramatic transformation of industrial structures, as seen in the shift toward electric vehicles.

What will Shizuoka Financial Group be in the future?  
As readers will no doubt be aware, the profitability of

traditional businesses like deposits, lending, and settlement operations remains under pressure from more intense competition and other factors. As values become increasingly diverse and complex against the backdrop of structural changes in society, we cannot expect the way we have done things to date to continue to hold sway.

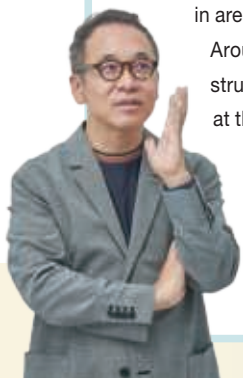
Based on this understanding of the issues, the Group has advanced a variety of initiatives in pursuit of growth potential in nontraditional fields. We will need to accelerate such efforts from this point forward to remain an essential presence in society. This is why we need to innovate, to deliver new value to customers and society.



### Q What efforts has the Group made to date to grow its business domains?

The Group has long been oriented toward blue ocean initiatives in areas where the competition was not very active. Around 10 years ago, we made our full-scale entry into structured finance, something rare among regional banks at that time. Another example is our development of the niche market of asset-building loans. We have also actively promoted alliances with other industries, introduced new products, and attempted to innovate in business processes, although not all these initiatives have been particularly successful.

Since our new start under the holding company structure in October 2022, we have sought to expand and enhance Group functions in ways such as making existing companies wholly owned subsidiaries and establishing new companies. We made TJS Co., Ltd. a wholly owned subsidiary in February 2023, and then we established SFG Marketing Co., Ltd. in July and SFG Real Estate Investment Advisors Co., Ltd. in November of the same year. See pp. 57-58 for more information on each company's businesses.



## What directions do you expect new business development to take?



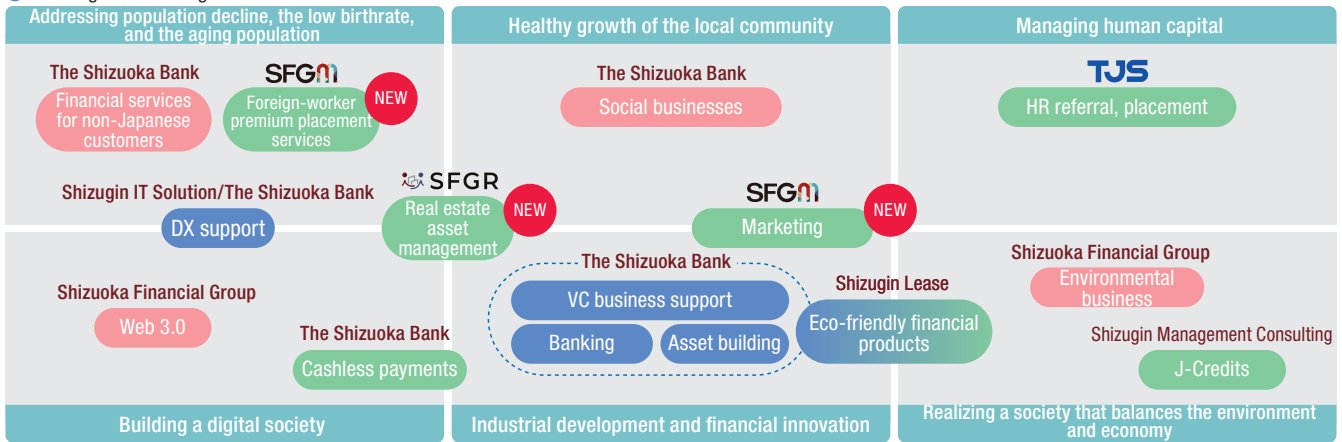
The Group considers the goal of expansion of its business domains to be to create new social value and increase corporate value through solutions to the issues faced by the customer and the community. In this way, the starting point is based on social issues.

The chart below organizes the materiality issues identified in the First Medium-term Business Plan by business domain. Those in blue are existing businesses, concentrated in traditional financial businesses. Those in green are businesses launched recently. As you can see, they show an expansion into non-financial areas. The fields in red are ones we're thinking

about entering in the future. They include some that cannot succeed based solely on the skills and expertise we currently possess. We plan to realize these new businesses through open innovation to leverage external resources to create new value.

Shizuoka Financial Group will continue to strengthen its financial businesses, naturally. But the business areas in which financial institutions can take part have been growing along with deregulation in recent years. Individual financial institutions are free to choose whether to stick to their existing business areas or to transform themselves to move toward solutions to a wide range of social issues. Of course, we have chosen the latter course.

- : New businesses considered for future implementation
- : New businesses implemented under the First Medium-term Business Plan
- : Existing businesses grown under the First Medium-term Business Plan



## Do you plan to focus on any other activities as CINO?

I want the Group to be one characterized by successive innovations throughout the organization. While we are changing, an overly conservative tendency regarding risk avoidance persists. In the past, such a cautious approach had positive results. But taking on successive new challenges with a sense of urgency will require a shift toward a structure that accepts and effectively manages risks and uncertainty. I'm talking about organizational innovations. I believe our efforts to date to encourage employees to demonstrate their autonomy and creativity, including liberalization of work styles such as apparel

and working hours and establishing the in-house startup program, have generated results. I would like to grow these initiatives even more.

I believe a time is coming in which a region's future potential will depend in large part on its financial institutions. It is my strong desire that Shizuoka Financial Group remaining a group residents regarded as a valuable member of their community.



# New business fields

- Vision** Realizing continuous growth of both the region and Shizuoka Financial Group, through solutions to regional challenges
- Topics** Making the region more attractive and vital by taking on the challenges of new business fields

## Pioneering new business fields

With the revisions to the Banking Act, we are now able to handle a diverse range of businesses outside the financial field that contribute to the sustainability of the region. We will leverage the management resources of the Group to address labor shortages, expand sales channels, and meet the challenges posed by other issues facing the community and our customers, as well as venture into business fields previously closed to us under laws and regulations. In this way, we aim to boost the appeal of the region and contribute to its revitalization and growth.



## SFG Marketing

SFG Marketing, a joint venture established in July 2023 with the Dentsu Group, provides a wide range of marketing support to customers, local governments, and others, to attract people, resources, funds, and information to the region and stimulate the local economy. Through services that extend above and beyond traditional financial businesses, it will help to make the region more attractive and broaden customer business domains.



Lines of business	<ul style="list-style-type: none"> <li>Marketing support for the region and customers</li> <li>Advertising media sales</li> <li>Advertising agency services</li> <li>Premium placement services</li> </ul>
Shareholders	Shizuoka Financial Group, Inc. 80% Dentsu Group Inc. 20%

Issues facing businesses	Support examples
<ul style="list-style-type: none"> <li>They sense the need for marketing but are unsure where to start.</li> <li>They need to raise awareness of their products or services.</li> <li>They want to use their own technological strengths to take on new businesses</li> </ul>	<ul style="list-style-type: none"> <li>Producing and airing TV commercials to raise company name awareness</li> <li>Package design for new products and webpage production</li> <li>Branding of products and services (holding workshops)</li> <li>Planning marketing measures using data on consumer activities</li> </ul>
<ul style="list-style-type: none"> <li>They find it difficult to grow their businesses due to the labor shortage</li> </ul>	<ul style="list-style-type: none"> <li>Placement services to connect reliable foreign workers with employers they can trust</li> </ul>

## Launching premium placement services for foreign workers

In April 2024, SFG Marketing obtained a premium job placement service license and began offering services to refer foreign workers who want to work in Japan to customers in the region.

To help solve the labor shortage, which represents one of the region's pressing issues, these services refer human resources from Southeast Asia, where there is strong demand for employment in Japan, focusing chiefly on those who have qualified for the Specified Skilled Worker visa status, who have certain specialized and technical abilities and can be expected to play important roles with employers immediately. Through such activities, SFG Marketing is seeking to make the region one where foreign workers can work in comfort, thereby making the region one that foreign workers will choose amid intensifying competition among regions to secure human resources and contributing to a multicultural society.



## SFG Real Estate Investment Advisors

SFG Real Estate Investment Advisors was established in November 2023 to undertake asset management for private real estate investment funds, as one way to address important regional issues such as the healthy growth of local communities, population decline, low birthrate, and the aging population. It will take on the challenges of doing business with high capital efficiency by drawing on the real estate finance knowhow, insights, and human resources accumulated to date by the Shizuoka Bank.

Through activities like regional revitalization projects in partnership with local governments and aligning efforts to contribute to customer business growth, it strives to achieve continual growth while co-creating new value together with customers in the region.



Lines of business	<ul style="list-style-type: none"> <li>Investment advising on establishment and operation of private real estate investment funds</li> <li>Consulting for financial institutions</li> <li>Other associated businesses</li> </ul>
Shareholders	Shizuoka Financial Group, Inc. 100%

### SFG's strengths Knowhow and human resources accumulated in real estate finance, SFG's collected information on the region and its needs



### Vision for this business Balancing increasing related population (community co-creation) with business potential



Takahiro Watanabe President

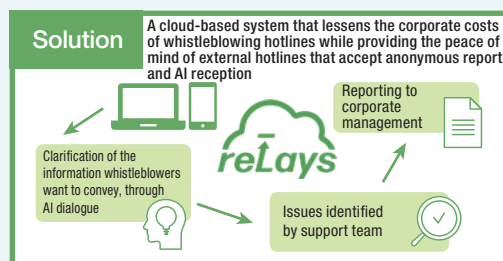
SFG Real Estate Investment Advisors was established in November 2023 and began full-scale business activities in April 2024. We will take on the challenges of highly capital-efficient asset management by effectively drawing on the knowhow, insights, and other knowledge of real estate finance accumulated to date by the Shizuoka Bank. We will also actively participate in regional revitalization projects in partnership with local governments as well as initiatives to help customers grow their businesses, providing the region with information and networks it has lacked until now and attracting domestic and international funding for projects that will be symbolic of the region. Through these initiatives, we will aim to grow SFG Real Estate Investment Advisors into a company that people in the region know they can call on for solutions. We would appreciate your support.

### TOPICS

## Commercialization of the first in-house startup: Drawing on capital and support from venture capital funds

In April 2024, reLays Co., Ltd., the first company to be launched under the in-house startup program, was established to provide a whistleblowing hotline platform for corporate customers, based on the idea of making the whistleblowing hotline a more familiar presence to employees. Using natural language processing technologies, the web-based platform connects employees' thoughts to management by bridging communication gaps that arise when employees find it difficult to express or convey their concerns.

Line of business	Outsourcing of whistleblowing hotlines	Shareholder	Global Catalyst Partners Japan 100%
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In 2022, as a succession of corporate scandals emerged as concerns, the Whistleblower Protection Act was amended to broaden its scope to include SMEs. While whistleblowing hotlines are an effective way to prevent scandals, employees tend to hesitate to use them because they are perceived as being difficult to use. Another issue they involve is a shortage of personnel to accept and respond to anonymous reports. I conceived of reLays as a way to take on this social challenge by relaying information between management and employees. We have been able to launch this new business thanks to the help of numerous parties. We will strive to build this business in line with our dream of launching a company that will transform society from the Shizuoka Financial Group's in-house startup program.

Kosuke Wada President



reLays Co., Ltd. website

# Transformation Strategy

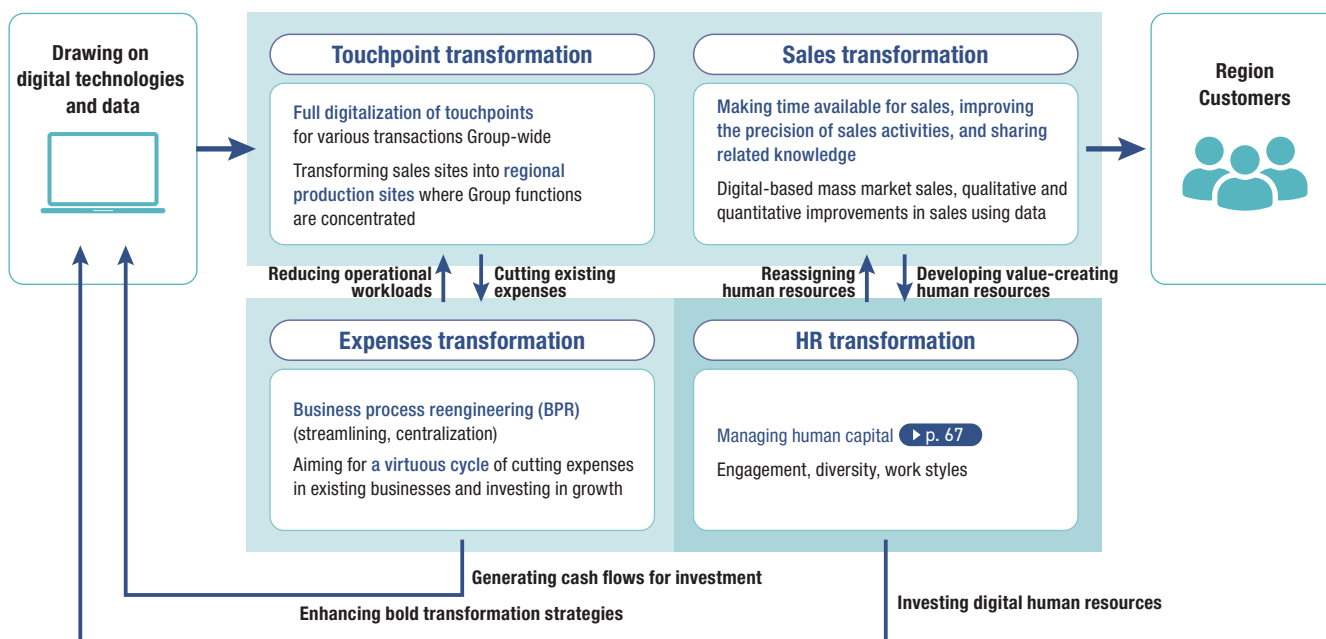
**Vision**

Full digitalization of everyday transactions while providing made-to-order solutions in person

**Topics**

Business reforms through strategic use of tools such as digital technologies and data

Providing services with high value to numerous customers by using digital technology to transform sales styles and other matters



## Deploying aggressive and defensive investments in IT, to realize management strategies



**Motoya Suzuki**  
Group Chief Information Officer  
(CIO)

Advances in digitalization are proceeding at a bewildering pace. Given the risk of being left behind amid these trends—a major management risk—Shizuoka Financial Group is proceeding with proactive IT investment to adopt advanced technologies.

The new S-CRM sales support system introduced in January 2023 aims not only to standardize and advance sales activities but also to evolve continuously into a system that makes it possible to propose optimal solutions to individual customers, through linkage to data usage via AI and the S-hare data analysis and usage platform.

We are also currently upgrading the Shizugin App and website to act as touchpoints where customers can use a wide range of content daily from their smartphones or other devices.

We are also developing an environment in which all employees can apply generative AI, and we have started to take on the challenge of feasibility testing to identify future uses while promoting its use and permeation in everyday operations. Under the Group’s cloud-first\* policy, we will carry out aggressive IT investment to address the increasingly diverse issues facing customers and society as well as defensive IT investment to ensure security and peace of mind in ways such as addressing increasingly malicious cyber attacks, all in line with the First Medium-term Business Plan.

\* A policy of considering use of public clouds first in all Group systems

**TOPICS**

**Considering use of a digital CIO**

We are taking on the challenge of realization (personification) of a digital Group Chief Information Officer (CIO), a creative dialogue partner using generative AI for more advanced and efficient IT planning operations that require a high level of specialization and experience. We plan to use the digital CIO in activities like reviewing proposals for adoption of computer systems and to broaden applications to formulating IT strategies, including making IT resources more appropriate, and other specialized domains.

### In-person customers

Raising concerns with a branch



Visitation sites



Branch counters

### Enhancing contactless channels

We are developing channels using digital technologies and expanding their functions, aiming to provide customers with safe, reliable, highly convenient services



Expanding the range of transactions that do not require branch visits, so customers can use their smartphones as bank branches

**Enabling transactions at any time and place**



Comprehensive website upgrade  
Expanding fully paperless loan procedures (Shizugin Business Portal)

**Clear visual design**

**Easy access to the information sought**

**For secure customer transactions: Joint development of algorithms to detect improprieties**

The Shizuoka Bank and ACSION, Ltd. have developed algorithms to detect improprieties. These entered full-scale use in December 2023. In the future, both companies will continue working together to prevent financial crime through more advanced countermeasures against improper accounts.

### Information aggregation

### New S-CRM sales support system

Adopting this new system has increased productivity and made it possible to shift the free time generated through its use to more value-added sales activities. We are also proposing optimal solutions leveraging the comprehensive capabilities of Shizuoka Financial Group, through instant information sharing and stronger joint efforts among Group companies.

Making more time available for sales and shifting efforts to more value-added sales

**Productivity improvement**  
Standardization and advancement of sales activities  
Leveling and streamlining administrative operations



Optimal solutions leveraging the Group's comprehensive capabilities

**S-CRM adopted at 10 Group companies**  
**Maximizing synergies with Group companies**  
Instant information sharing

### More advanced data usage

We are using data to carry out high value added sales Group-wide and to advance and accelerate business and sales administration.

#### Efforts toward more advanced data usage

**NEW**  
**Partnership with Resona Bank, Ltd. and BrainPad Inc. (The Shizuoka Bank)**  
We have concluded agreements on side-by-side support with both companies to accelerate efforts in data usage fields in ways such as expanding analytical themes as well as organizational reforms and HR development.

**NEW**  
**Establishing the Data Science Coordination Office (The Shizuoka Bank)**  
We established the Data Science Coordination Office to bring together data, human resources, and knowledge within the Group (April 2024).

#### Priority domains for data usage

**Sales administration, sales-promotion administration**  
More advanced administrative operations  
Faster decision-making on strategies, etc.

**Digital marketing**  
Faster collection, sorting, and analysis of data to be utilized

**More advanced marketing**  
**Proposing and providing information on products and services at optimal timing**  
**(Encouraging customer awareness)**

Marketing automation



## TOPICS Drawing on generative AI

Shizuoka Financial Group is drawing on generative AI to increase productivity and improve business efficiency. In March 2024, we established an environment in which all Group employees can use generative AI in their everyday tasks. In the future, in addition to efforts toward more advanced use of generative AI like linkage with internal data and usage in specialized domains, we will strive toward even greater advancement and acceleration of operations by improving Group employee's literacy and skills, to provide optimal services to customers.

### Status of drawing on generative AI

#### Now

- More efficient reconciliation operations
- Document correction and summarization
- Drafting internal documents
- Ideation

Improving Group employee's literacy and skills

#### Future courses of action

- More advanced usage of generative AI
- Linkage to internal data
- Usage in specialized domains
- Expansion of applicable operations

### Effects of usage

More efficient operations

Creating new businesses



**Katsunori Nakanishi**

Chairman  
Shizuoka Financial Group

**Naomi Ushio**

Director  
Shizuoka Financial Group

**Yuki Suzuki**

Human Capital Management Committee Secretariat  
Manager (at the time of this discussion)  
Shizuoka Financial Group

## Changing the future of the organization through human capital management: A discussion with the Chairman and an Outside Director

Human capital management is a key to realizing Shizuoka Financial Group's First Medium-term Business Plan. Chairman Katsunori Nakanishi and Outside Director Naomi Ushio talked about what the Group hopes to achieve through its human capital management efforts.

(Facilitator: Human Capital Management Committee Secretariat manager [at the time of this discussion] Yuki Suzuki)

### The first HR system reforms in about 20 years

**Suzuki:** Shizuoka Financial Group sees human capital management as a central part of its First Medium-term Business Plan. The Group hopes to achieve the goals of that plan by implementing its basic strategy on human capital management in various ways, including investing in and training human resources and transforming the organizational culture. Mr. Nakanishi, you served as General Manager of the Corporate Administration Department before you were appointed President of the Shizuoka Bank and Chairman. How do you see human resources from an HR or managerial perspective?

**Nakanishi:** I was General Manager of the Corporate Administration Department around 25 years ago, when we used the job skills qualification program and evaluated performance of employees based

on the degree of actual work skills. Then, I decided we should adopt a system of job grades in which employee treatment was determined based on the actual positions occupied, and renovated the HR evaluation system into one based on management by objectives. These changes were intended to allow the evaluation of personnel based not just on past achievement, but on the capability to meet requirements for expected roles. What's important is to clarify the roles we expect individual employees to play and draw out their potential to maximize their performance.

**Suzuki:** Ms. Ushio, you've contributed in various ways, including establishing the Diversity Promotion Committee, which preceded the Human Capital Management Committee, and doing surveys on the state of diversity within the organization. What are your thoughts on the Shizuoka Financial Group's human capital management?

**Ushio:** It used to be common practice to hire lots of new employees and manage their careers based on a seniority system. At the time, the ideal type of human resources was a generalist, or someone who could handle various given tasks efficiently. But now and for the future we'll need to develop human resources capable of creating new value, rather than focusing only on how they handle their immediate duties. How well employees can set goals for topics like applying their individual abilities to help reach team goals and take action to achieve them matters. It's also vital to seek out new challenges. Given these conditions, I'm convinced Shizuoka Financial Group is becoming a group in which diverse human resources can thrive.

**Nakanishi:** I upgraded the HR system in 2001 as General Manager of the Corporate Administration Department. On the first day the new system was in place, I told Corporate Administration Department personnel that I wanted them to change the system steadily, since it was certain to start becoming obsolete from that day. That's because the business environment changes constantly. The ideal system therefore has to be able to change with it. The system of management by objectives sought to link the organization with its individuals through the accumulation of individual goals to become numerical targets for the organization. The system was suited to a time when the issues to address could be more or less specified. Today, these issues are becoming extremely diverse.

**Ushio:** The human capital management needed these days lays the foundations not just for human resources who serve as a kind of raw material by working efficiently to generate results, but human capital that demonstrates individual abilities to the utmost. In this sense, the transition to a holding company structure makes it possible for employees to pursue new challenges in an even broader range of fields. If everyone begins to consider Shizuoka Financial Group as an entity that exists to deliver solutions to regional challenges by thinking out of the box, we'll start to see these challenges from various different perspectives and eventually begin to form a roadmap toward the solutions to these challenges.

**Nakanishi:** The FY2021 HR system reforms, our first in about two decades, adopted the OKR system as the Shizuoka Bank's HR system. This laid the groundwork for the awareness of issues you referred to. To use finance as an example, until now, the goal has been to lend funds by identifying the risks involved. This led to a focus on shared interests with stakeholders. Today, this has changed to an approach that emphasizes addressing related risks side by side with borrowers in light of the roles they play in the region and based on an awareness of the broader range of diverse stakeholders.

## Inspiring the best among our human capital

**Suzuki:** The OKR HR evaluation system was introduced to evaluate individual action and initiative. It involves setting objectives (O), which identify dreams and the vision to be realized on the stakeholders' behalf, and identifying key results (KR), evaluating not just achievement, but initiative.

**Nakanishi:** OKR is a challenging HR system when it comes to ensuring

fairness. Evaluation perspectives and social impact differ between branches and the head office. We also need to evaluate human resources fairly in light of various factors, including career-building perspectives. Another challenge is the inability to mold personnel into a definite pattern that fits in the organization under the OKR system. As a system that rewards initiative, unless we broaden the organization to encompass its human capital, those who don't find a place within the organization will go elsewhere. With the OKR system, I repeatedly remind management and the Corporate Administration Department about the need to understand this fact and to create an organization capable of accommodating our human capital.

**Ushio:** I, too, believe this is a key point. We need to consider whether OKR allows individuals to feel they can grow within the organization by each demonstrating their own potential. I think it would be a key value for Shizuoka Financial Group to continue to offer such opportunities.

**Nakanishi:** I think we'll be able to tell whether the OKR system is successful by seeing if it generates human capital who seeks out challenges beyond the organizational framework.

**Ushio:** I agree. For example, it's possible an employee who has launched a major project might leave for another organization once the project gets on track. Or he or she might get assigned to a management position at a new company. Alternatively, he or she might grow further in the next position and generate new innovation in cooperation with Shizuoka Financial Group. We should look at situations like that as examples of evolution. In an organization in which they can experience a true sense of growth, some human resources might want to continue on their current track while others might want to leave at a certain time, perhaps to return and join us again later. A virtuous cycle like that would perhaps be ideal.

## Catalyzing a chemical reaction by promoting diversity

**Nakanishi:** I consider diversity, particularly diversity in values, to be a key point of our HR system reforms. It's hard for even the most capable and skilled human resources to consider their own value objectively. But in a diverse organization, one might notice that those capabilities are valuable from a different perspective. That's why I consider it important to identify individual value by promoting diversity.

**Ushio:** I agree. An important question is how to build a system or organization that should catalyze such development. For this purpose, I think it's essential to have an organizational culture in which people see failure as a learning opportunity, not as something entirely negative.

**Suzuki:** The three Values defined as part of the HR system reforms—Go Wild, Be Innovative, and Do Collaboration—are intended to transform the organizational culture in that way. We've chosen these as evaluation standards to be embodied in everyday activities to reach various goals, like the goals of the Group's corporate philosophy and the vision of the First Medium-term Business Plan. We're promoting them across the organization by incorporating them into the HR evaluation framework.



Go Wild!	Set ambitious targets for reform and keep learning by pursuing challenges and from failure.
Be Innovative!	Seek to grow at all times and to pursue disruptive innovations by repeatedly seeking out knowledge.
Do Collaboration!	Continue to generate added value through joint efforts and the free exchange of opinions within a flat organization.

**Ushio:** That reminds me, didn't you produce T-shirts and water bottles with these Values printed on them? That initiative helped spread the Values through the organization. When everyone in the organization wants to achieve the Values, rather than seeing them as simple assignments, they become a major driving force within the organization.



**Nakanishi:** I think the system for evaluations based on OKR and Values is well-designed. But even more important is how well the system functions. One-on-one meetings to encourage independent growth through dialogue between superiors and subordinates and town hall meetings with management are also vital. Recently, we've seen younger employees increasingly express their own views through such opportunities.

**Ushio:** Ideally, these things would become commonplace.

**Suzuki:** I've been involved in town hall meetings on the operations side. I've seen how many younger employees are willing to confront management directly with their own opinions. We've received not only positive feedback like, "I'm glad to get to talk to management directly," or "I was able to convey the views of those who work in the field," but a wide range of opinions or even criticism about the actual state of affairs at the workplaces and the issues they face—something like, "There's a gap between the head office and those of us in the field," or "This is what it's really like out there."

**Nakanishi:** Group President Shibata, Bank President Yagi, and other

Group company presidents are working hard in this area. Another way of looking at town hall meetings is to see them as valuable opportunities for management to communicate its views directly to employees. If management speaks candidly, employees will understand.

**Ushio:** Agreed. For things like promoting diversity and reforming organizational culture, the words of top management carry a lot of weight. It's important that they continue to communicate in their own words on these topics. Continuing to hold town hall meetings at various levels will give the Group the power to generate positive change.

**Suzuki:** In FY2023, we held town hall meetings centered on younger employees, who have fewer opportunities to interact with management. In FY2024, we want to broaden these to include all employees.

## Organizational growth through independent learning

**Nakanishi:** From now on, employees who can learn on their own and pursue challenges will be even more important. Shizuoka Financial Group has a My Career Design program in which employees can take the initiative to identify new challenges on their own—for example, by requesting to be seconded to an outside firm to gain knowledge and knowhow or to transfer to a highly specialized Group company.

**Suzuki:** The My Career Design program supports independent and diverse career development in several ways, including dispatch to firms in other industries or in the community, side jobs with other sections in the company, or transfers between Group companies. In FY2022, we launched an in-house startup program intended to foster an organizational culture and behavior characterized by a thorough awareness of the attitude of autonomy, initiative, and learning from failure.

**Ushio:** The in-house startup program is extremely important and will unearth valuable human resources. That's because we can be prone to pigeonhole human resources as reserved or best suited for standardized operations. Things aren't so simple.

**Suzuki:** Presumably most of us got a true feel for how the culture of Shizuoka Financial Group has changed as increasingly many employees, regardless of age or experience, have launched initiatives, based on a wide range of ideas on topics from new external business plans to in-house business reforms, a tendency which has taken solid root. I've also heard the positive comment that thinking about business plans itself helps identify solutions to the challenges facing customers in their daily duties.

**Nakanishi:** In looking over the in-house startup program, I sense new possibilities for individual employees. I'm grateful for this opportunity. It shows the potential of Shizuoka Financial Group.

**Ushio:** In performing everyday duties, people often tend to stick to the established way of doing things, without making much progress. But fostering a culture of free and unconstrained expression of ideas will change the organization in positive ways. This in turn can generate new value, as unique individuals interact and consider topics like personal interests and community information. People who may have seemed

background characters before can stand up to propose exciting new plans.

**Suzuki:** To support employees who seek to grow on their own, we also offer the Value-up program, which provides the financial support employees need to develop the skills for their future career plans. This includes earning MBAs in Japan or attending graduate school or business school or the Meet-up program, which helps cover the costs of participating in activities like community development events with local government, exchanges with companies in other industries, and study meetings with customers.

**Nakanishi:** I believe studying the liberal arts or other not immediately applicable fields is also important. For example, we provide support for the costs of attending seminars intended to deepen one's knowledge of wine.

**Ushio:** Those who have recurrent education desires should be highly satisfied with such opportunities. At a time of considerable uncertainty, it's important to leverage task diversity, or internal diversity, in areas like ability, experience, and values that aren't apparent from the outside. Rather than relying on individual superstars, it's important to cultivate individual talents into organizational talents and inspire teams or the entire organization to demonstrate creativity. Studying the liberal arts can be extremely effective in laying the groundwork for creating new value.

## Value-creating human resources and problem-solving human resources

**Nakanishi:** In connection with this subject, in a time of high uncertainty it's essential to develop both value-creating human resources and problem-solving human resources in a systematic way. The idea is not just to generate new value as a Group, but to pursue and identify solutions to existing issues. As shown in a vision for the Group's human capital portfolio identified by the First Medium-term Business Plan, these are two different types of human resources we must develop in different ways.

**Value-creating human resources:** Human resources capable of generating new value for the region by drawing on specialized knowledge, networks, and other resources

**Problem-solving human resources:** Human resources capable of identifying or devising solutions to the issues customers face alongside the customers

**Suzuki:** We've established a system for granting certification of value-creating human resources and problem-solving human resources as well as targets (numbers certified) by the final year of the First Medium-term Business Plan (FY2027). In FY2024, in addition to current efforts to develop problem-solving human resources, we've established programs to develop value-creating human resources, like regional innovation coordinators, accelerators, and digital coordinators.

**Nakanishi:** Value-creating human resources should learn a particular process of thought and action often found among successful entrepreneurs, called "effectuation." We truly see the need for training and education on creating new businesses while adapting to an uncertain future.

**Ushio:** The thinking process of effectuation is clearly important in an era of dramatic change, when traditional approaches in the business world increasingly prove inadequate.

**Nakanishi:** To develop value-creating human resources, it's vital to grow and broaden the abilities and networks of individual human resources. On the other hand, problem-solving human resources, whose key skills involve solving immediate issues and improving their own abilities to do so, are also extremely important. The challenge here is that it's impossible to incorporate both forms of human resources into the same training structures and standardized career-development support programs.

**Ushio:** It's true that it's not a good idea to determine training methods based solely on the company's own thinking. One approach is to vary training methods and programs by type of human capital. Some human resources might shift from a problem-solutions type to one of value creation in the process of their career development. Sometimes someone who thought they preferred simply to follow orders before participating in some project and having experience in identifying and solving problems might find what they actually want to do.

**Nakanishi:** That's a crucial insight. We need to handle the HR development structure to allow people to change their career plans flexibly as they notice new possibilities along the way. We need to provide opportunities to amass various experiences, unconstrained by the company's fixed notions.

## Pursuing the challenge of changing the organizational culture and the atmosphere within the company

**Suzuki:** Before, the Group promoted work style innovations intended



to realize flexible work styles. This evolved in FY2023 to culture and wellbeing innovations, with a focus on transforming organizational culture and the atmosphere within the company, as mentioned earlier. The idea is to strengthen employee engagement and wellbeing. I'd like to hear from both of you regarding your thoughts on these initiatives.

**Nakanishi:** To change the company's organizational culture and company atmosphere, we must continue to take action in addressing specific cases. When I became President of the Shizuoka Bank, there was one aspect in particular of the culture or atmosphere I wanted to change: Back then, due to our highly selective approach to lending based on our stability-oriented management, we were regarded as a stingy bank. This had resulted from a way of thinking of the preceding presidents about what industries the bank should fund in its efforts to contribute to regional growth—an attitude that was consistent with the conservative drift of the times. When I took over, I sensed a strong need to change our thinking and approach, with an eye on future changes in industrial structures. So, I encouraged Bank employees to adopt an organizational culture that starts with a standpoint of approving all loans and considering how they can be made to work, rather than rejecting loan applications due to some obstacles or minor concerns about the borrower. Today we've shifted to an organizational culture in which we start with, in principle, accepting a customer's request and then work with them to find solutions to any issues.

**Ushio:** That's wonderful.

**Nakanishi:** I got to change the organizational culture or atmosphere with regard to our stance toward our jobs. Now, we are working to refine each employee's outlook and awareness, and eventually the broader culture and atmosphere, based on the Group's reason for being. I'm glad to see we are making steady progress toward the next stage.

**Ushio:** You're also making steady progress on promoting the role of women in the workplace. Don't you feel, however, that an unconscious gender bias persists within the organization?

**Nakanishi:** I sense a strong drive, movement, and efforts toward eliminating unconscious bias. But from time to time, it does emerge even in everyday conversations. We have some ways to go to eliminating it entirely.

**Suzuki:** I think unconscious bias involves more than just gender. One example is bias against employees who suggest innovations or new challenges, assuming that such efforts are pointless. We need to eliminate all kinds of unconscious bias, including that type of bias.



**Ushio:** I think behind such assumptions lies an organizational or corporate culture that says it's enough simply to follow orders and fears failure above all else. This is one reason you used to be known as a stingy bank, and it does not surprise me that some employees stick to an approach of acting cautiously to avoid any loss of trust.

But to create new value, we need to start by expressing our heartfelt thoughts and feelings. Then, it's essential to work out more precise solutions and prepare them for proposing as business opportunities. I look forward to seeing these serve as starting points for Shizuoka Financial Group involving the community in visualizing innovation and putting it into practice.

**Suzuki:** SFG Real Estate Investment Advisors, which was established based on an idea from a midcareer hire, is one example, isn't it?

**Nakanishi:** The midcareer hire who came up with the idea for SFG Real Estate Investment Advisors has been appointed its president. He had a clear dream and vision as called for under the OKR system. He wanted to establish a real-estate investment advisory firm that would be involved actively in development projects by local governments, business, and others in the region, to contribute solutions for the region's sustained growth in various ways, including attracting businesses and creating jobs. Earlier, we spoke of developing value-creating human resources and problem-solving human resources, but attracting human resources from outside the organization, like midcareer hires, and cooperating with outsiders can be described as another essential element of creating new value.

**Ushio:** I would like to see the seeds of new businesses nurtured inside individual human resources, and efforts to give concrete form to solutions to potential issues faced by the region broaden into various fields. Employees around them can see clearly how the organization evaluates human resources who blaze new trails, and I think it's important for the organization to support such human resources, nurture the seedlings of new ideas so that they can grow, and build up successful advanced case studies.

## Toward stakeholder wellbeing

**Nakanishi:** I believe there are a very large number of issues that need to be addressed in promoting human capital management. We need to continue identifying precisely what is going well and what is not alongside drastically transforming the organizational culture and atmosphere in the directions we want to take them. In doing so, evaluation based on OKR and Value, as well as one-on-one dialogue between superiors and subordinates, is very important.

**Suzuki:** In evaluation through OKR and Value, the fairness of and satisfaction with evaluation are improving steadily through an approach based on negotiation, in which employees and their superiors (evaluators) seek to agree on evaluation proposals, and on calibration, in which division general managers and heads of branches in the same bloc or area come together to ensure their evaluations are mutually consistent. In addition, we are striving to better align individual actions with management strategies through regular one-on-one meetings between superiors and subordinates.

**Nakanishi:** We've been conscious of fairness in evaluation since the era of the previous system of management by objectives. At that time, fairness in objectives and results was checked with consideration for matters like regional characteristics and branch size. Since not only achievement but also initiative is subject to evaluation under the OKR system, it's essential to coordinate the perspectives of evaluators through calibration.

**Ushio:** While this can be said of any organization, a sense of unfairness in HR evaluations can lead to serious dissatisfaction, since it's related to matters like promotions and pay.

**Suzuki:** Since, as Mr. Nakanishi noted, the system evaluates based not only results but also initiative, we continually remind managers that close observation by superiors of the actions of individual subordinates and encouraging initiative and growth in one-on-one meetings are also very important elements.

**Ushio:** I believe we need to do more to increase numbers of women managers. What is your approach to promoting women managers?

**Suzuki:** We're providing support for women's careers and leadership training. We actively assign and promote women managers as part of efforts to boost the percentage of leadership positions held by women to 40% or more by FY2030. At the same time, in actual promotions, we must consider whether a given candidate is suitable for a managerial post. Actually, there are numerous cases in which women choose not to apply for such positions due to various concerns, including concerns about their abilities to balance workplace duties with childcare responsibilities.

**Ushio:** That concerns me. In qualitative evaluations, evaluators need to communicate effectively with the employees being evaluated to guide them in the directions they need to go, and sometimes even provide encouragement. It's not that we promote employees because they are women, but, if women cannot demonstrate their abilities as fully as men due to traditional practices or unconscious bias, such conditions need to be corrected. In this sense, enhancing health management is also essential to support working women.

**Nakanishi:** Shizuoka Financial Group was chosen for the 2024 KENKO

Investment for Health Stock Selection.

**Ushio:** That's really wonderful. As a Director, it makes me proud. Promoting women and health management are two sides of the same coin. The Ministry of Economy, Trade and Industry estimates health issues specific to women are responsible for economic losses amounting to some 3.4 trillion yen throughout society as a whole. Many working women experience difficulties related to health issues. Among young women in particular, it's not rare to be hesitant or reluctant to advance in their careers for this reason. I think the Group needs to take an interest in this issue and strengthen the corresponding support.

**Suzuki:** Shizuoka Financial Group has begun taking real-world steps in this area, including incorporating training on women's health issues in training sessions for newly appointed managers. Male managers who have undergone the training have commented positively, for example saying they were glad for the chance to learn about a subject on which they had little knowledge.

**Ushio:** I think it concerns matters that people do not speak about, even if they feel them inside.

**Suzuki:** While it may take some time, we want to make Shizuoka Financial Group one that is attentive to such internal concerns and in which employees understand and affirm one another.

**Ushio:** I hope that women's health issues will be more deeply understood as society grows increasingly tolerant and mutually supportive. For this reason, too, it's very important for individual companies to support women's health issues. Shizuoka Prefecture is ranked low at 42nd out of the 47 prefectures in Japan on the gender gap indicator (in economic matters). In light of its gentle climate and natural bounty, I hope that Shizuoka Prefecture too will realize gender equality and become a place where anybody can live a truly enriched, happy life. This is an issue common to the entire region, and I think Shizuoka Financial Group can play a major role by taking the initiative toward solutions.



# Initiatives to Implement Human Capital Management

To continue to embody our corporate philosophy in the face of dramatic changes that affect local communities and customers, it is important to change the awareness and behavior of each and every officer and employee who supports the Group. In the 1st Medium-term Business Plan, we promote initiatives to achieve the Co-Growth of Individuals and Organizations and strive to Create Social Value and Improve Corporate Value at the Same Time.

## Shizuoka Financial Group's efforts toward human capital management



- Now**
- Gaps between corporate philosophy and employee actions
  - Inconsistency between HR portfolio and strategy
  - Some personnel persist in uniform workstyles with no concern for health.
  - Conservative corporate culture intolerant of failure persists.

### Structure for promoting human capital management

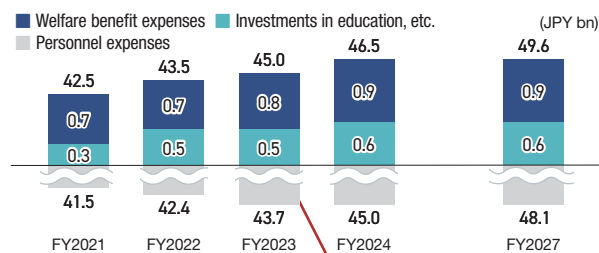
We are implementing various initiatives through the Human Capital Management Committee, which deliberates on topics and strategies related to realizing human capital management under the holding-company structure, and its working groups established to deliberate on three important themes of human capital management: HR development, DE&I, and wellbeing.



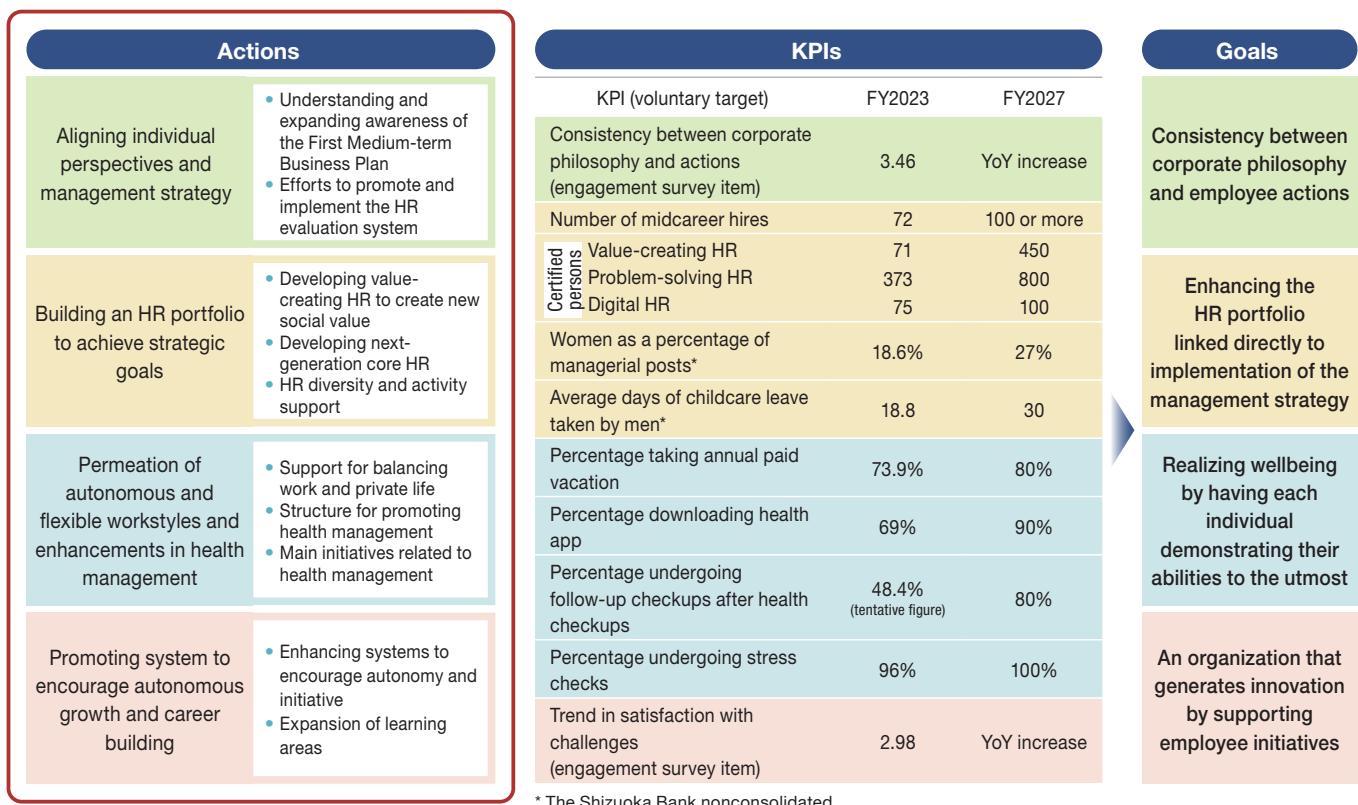
## Expanding investments in human capital

Seeking to achieve a virtuous cycle between increasing the value of employees as human resources on the one hand and creating social value and increasing corporate value on the other, the First Medium-term Business Plan that took effect in April 2023 calls for realizing the dreams and wellbeing of every employee through proactive investments in HR development, DE&I, benefits, health management, and other aspects of human capital, not limited to pay alone.

### Trends in investments in human capital



Base pay and other compensation increased by 6.5% (including 3.0% in base pay)

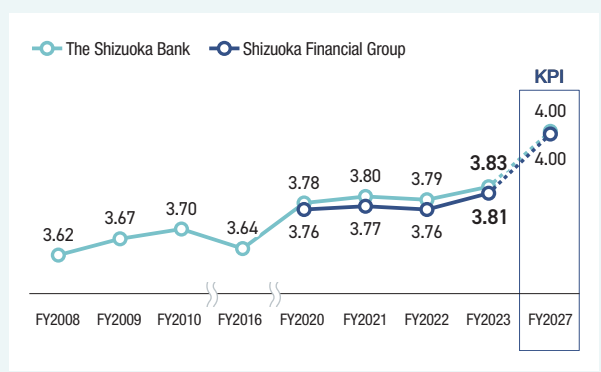


\* The Shizuoka Bank nonconsolidated

### Increasing engagement

The First Medium-term Business Plan identifies as a KPI increasing the average engagement survey score to 4.0 or higher by 2027. Various initiatives are underway to reach this goal.

Issues have been identified, studied, and reflected in various measures based on the results of annual engagement surveys. In FY2023, we analyzed each Group company and set individual KPIs to achieve the ideal vision.



### Examples of issues identified in engagement surveys

(items that grew worse YoY and items associated with low scores)

	Item	FY2022	FY2023	YoY change
Items whose scores improved but remain low	An awareness of value has been established.	2.79	2.88	+0.09
	The current atmosphere reflects the idea that one's own actions can change the organization.	2.87	2.98	+0.12
Items whose scores grew worse	The workstyles being promoted are flexible and contribute to wellbeing.	3.59	3.48	-0.11
	There are too many tasks I can't handle given my current knowledge and experience.	2.79	2.89	+0.10

# Aligning individual perspectives and management strategy

- Vision** Dreams and wellbeing of every employee are aligned with the corporate philosophy and management strategy
- Topics** Understanding and expanding awareness of the First Medium-term Business Plan; efforts to promote and implement the HR evaluation system



## Understanding and expanding awareness of the First Medium-term Business Plan

The following measures have been taken to ensure that all employees understand the ideas underlying the First Medium-term Business Plan and to generate broader awareness within the organization.

### Town hall meetings

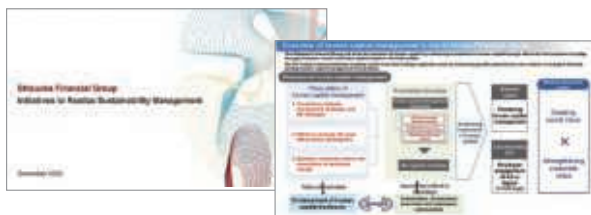
Town hall meetings provide opportunities for direct dialogue between management and employees and facilitate understanding of Group policies. In FY2023, all town hall meetings were held in person, with a total of 298 people participating.



### Sustainability training

Training programs improve understanding of purpose-driven management, and the sustainability transformation management concepts embodied by the First Medium-term Business Plan. My Sustainability Books are used to support the alignment of the dreams and wellbeing of every employee with management strategy. A total of 14,691 people took part in this three-step training program for all Shizuoka Financial Group employees, whose goal was to deepen understanding of the ideas underlying the Medium-term Business Plan and how My Sustainability Books might be used.

Another training program addressed the topics of human capital management and environmental initiatives, drawing on materials created for IR Day events for investors.



### Introduction of My Sustainability Book: Xover

This booklet was introduced to help employees learn about the thinking and background of the First Medium-term Business Plan, understand our corporate philosophy and management strategy, and connect their own dreams with their everyday activities. It is also used in one-on-one meetings.



### Impact roadmap

To permeate throughout the organization the First Medium-term Business Plan's vision on creating social value and increasing corporate value, we are formulating impact roadmaps that depict the ties between everyday operations and social impact for each business area.

Initiatives	Outputs	Outcomes	Impacts
<ul style="list-style-type: none"> <li>Establishing a sustainable business model</li> <li>Strengthening the business model</li> <li>Supporting business expansion and the growth of the business</li> <li>Strengthening the business model</li> <li>Supporting business expansion and the growth of the business</li> </ul>	<ul style="list-style-type: none"> <li>Revenue and profit growth</li> <li>Market share expansion</li> <li>Customer satisfaction</li> <li>Employee satisfaction</li> <li>Productivity improvement</li> <li>Operational efficiency</li> <li>Environmental performance</li> </ul>	<ul style="list-style-type: none"> <li>Enhanced quality of products and services</li> <li>Increased productivity and efficiency</li> <li>Enhanced corporate reputation</li> <li>Higher quality of life</li> </ul>	<ul style="list-style-type: none"> <li>Realization of the vision of the First Medium-term Business Plan</li> <li>Creation of social value and increasing corporate value</li> <li>Realization of the vision of the First Medium-term Business Plan</li> <li>Creation of social value and increasing corporate value</li> </ul>
<ul style="list-style-type: none"> <li>Human capital management</li> <li>Environmental initiatives</li> <li>Supporting business expansion and the growth of the business</li> <li>Strengthening the business model</li> <li>Supporting business expansion and the growth of the business</li> </ul>	<ul style="list-style-type: none"> <li>Human capital management</li> <li>Environmental performance</li> <li>Productivity improvement</li> <li>Operational efficiency</li> <li>Environmental performance</li> </ul>	<ul style="list-style-type: none"> <li>Enhanced quality of products and services</li> <li>Increased productivity and efficiency</li> <li>Enhanced corporate reputation</li> <li>Higher quality of life</li> </ul>	<ul style="list-style-type: none"> <li>Realization of the vision of the First Medium-term Business Plan</li> <li>Creation of social value and increasing corporate value</li> <li>Realization of the vision of the First Medium-term Business Plan</li> <li>Creation of social value and increasing corporate value</li> </ul>

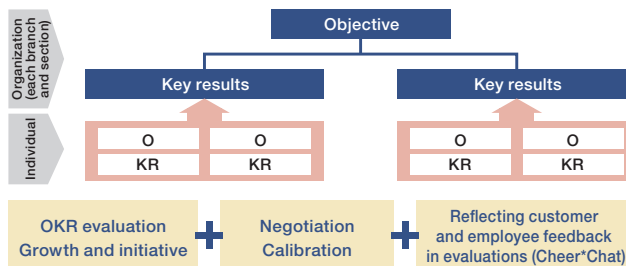
## Efforts to promote and implement the HR evaluation system

We have pursued various initiatives in stages in line with the wide-ranging transformation of the HR evaluation system. We also conduct annual evaluation training on a continual basis to deepen employee understanding of the HR evaluation system using the OKR approach and contribute to its firm establishment.

### OKR evaluation (HR evaluation system)

We adopted the OKR evaluation system to evaluate contributions to all stakeholders and as well as the extent to which the organization's vision has been embodied. This system's operation is illustrated at right.

Beginning in FY2024, we have set branch and section OKRs on efforts to address regional issues identified based on a regional co-creation strategy, thereby seeking to achieve consistency between the corporate philosophy and management strategy on one hand and individuals' daily actions, HR evaluation, and branch and section initiatives on the other. We will accelerate efforts toward realization of the regional co-creation strategy by all employees.



To reflect multifaceted views from differing perspectives, the HR evaluation process involves negotiations between the employees being evaluated and the evaluators, calibration among branches and sections in certain regional divisions, and feedback from customers and other employees. The details are reported, explained, and thoroughly shared and linked to activity reforms by individual employees.

### Three Values

We identified three Values as evaluation criteria to be embodied in everyday activities to achieve the goals of the corporate philosophy and Group Vision. We are seeking to encourage actions in line with the Values based on open communication among employees.

Go Wild!	Be Innovative!	Do Collaboration!
Set ambitious targets for reform and keep learning by pursuing challenges and from failure	Seek to grow at all times and to pursue disruptive innovations by repeatedly seeking out knowledge	Continue to generate added value through joint efforts and the free exchange of opinions within a flat organization

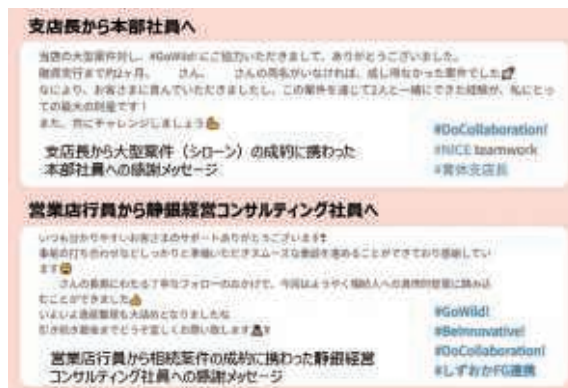
### One-on-one meetings

We introduced one-on-one meetings to promote autonomous growth while aligning employee actions with management strategy through regular communication between superiors and subordinates. In FY2022 we introduced multidirectional one-on-one meetings to further encourage autonomous growth through new insights not restricted to sections affiliated with particular employees and superior-subordinate relationships while also providing opportunities for dialogue above and beyond affiliation and rank boundaries (to view things from new perspectives).

### The (Cheer\*Chat) internal social media platform

We introduced Cheer\*Chat, an internal social media platform where employees can exchange words of appreciation and praise on a daily basis to foster a culture of mutual acknowledgement. It uses hashtags to spread the Value standards for evaluating everyday activities and managing subordinates. In FY2023, to enhance Group-wide joint efforts, we made this available to employees across all Group companies, not just the Shizuoka Bank.

Example of Cheer\*Chat messages





# Building the human resource portfolio required to implement strategy

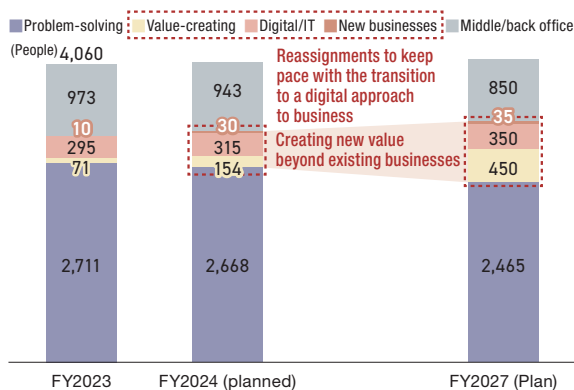
## Vision

Building a human resource portfolio to implement the strategic goals of the First Medium-term Business Plan

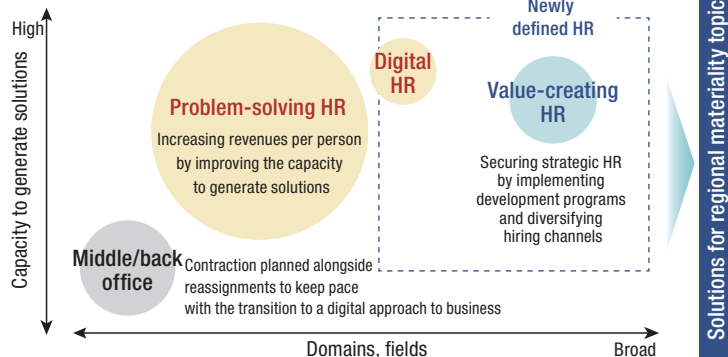
## Topics

Developing the human resources needed to implement strategy; supporting talented and diverse human resources by expanding hiring channels; leveraging diverse human resources to develop core next generation HR that will lead the organization

### Vision of our human resource portfolio



### HR diagram



## Now

Value-creating HR **71** persons      Problem-solving HR **373** persons      Digital HR **75** persons



### Measures to enhance the portfolio

- Developing value-creating HR to create new social value
- Supporting talented and diverse human resources by expanding hiring channels
- Leveraging diverse human resources to develop core next generation HR that will lead the organization

### Appropriate HR assignment

## Target

Value-creating HR **450** persons      Problem-solving HR **800** persons      Digital HR **100** persons

### Clarifying HR requirements for realizing the goals of the First Medium-term Business Plan

To expand HR development domains in line with management strategies and materiality issues, requirements for value-creating human resources and digital human resources have been defined to add to those for existing development targets of problem-solving human resources. Decisions related to assignment to these three types of strategic human resources will be made based on skills in multifaceted ways, including certification programs suited to individual areas of activity. The goal is to enhance the HR portfolio and to develop the capacity to contribute immediate solutions to materiality issues.

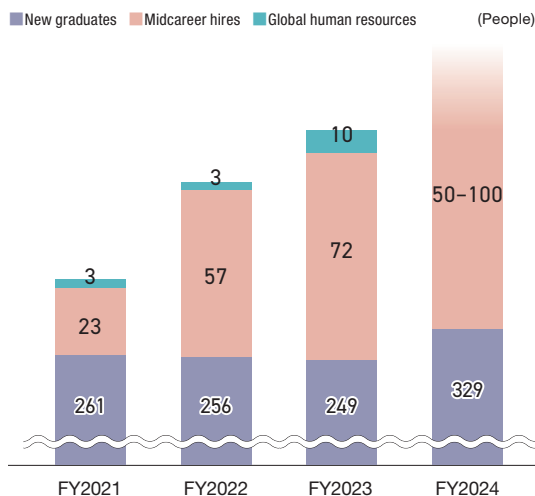
Medium-term Business Plan strategy	Regional co-creation strategy	Group business strategy	Transformation strategy
HR definitions	Value-creating HR HR capable of creating new social value beyond the traditional core businesses Certified in 10 areas, including regional innovation coordinators and accelerators	Problem-solving HR HR capable of delivering solutions centered on existing core businesses	Digital HR HR capable of applying technology to contribute business model reforms and new customer value
	Duties, area	Duties, area	Duties, area
Certification schemes	Value-creating HR New business areas	Problem-solving HR Corporate consultants Life planning consultants	Digital HR Digital specialists Data specialists
	Certification requirements	Certification requirements	Certification requirements
	Certification levels	Certification levels	Certification levels

## HR diversity and support

Shizuoka Financial Group seeks to diversify its HR portfolio over the medium to long term by taking advantage of more diverse hiring channels. Promoting diversity, equity, and inclusion (DE&I) initiatives and working from a basis of mutual respect and cooperation will generate new ideas and sensitivities. Leveraging the diverse experiences, career histories, and values of individual executives and employees, we will contribute to the progress of regional society, to the Group's sustained growth, and to growth in corporate value.

### Promoting HR diversity

#### Trends in hiring channels (holding company)



#### Securing diversity through hiring and promotion of core HR, etc.

▶ See page 73 for percentage of managerial positions accounted for by women

Item (The Shizuoka Bank)	FY2023	KPI
Foreign hires as a percentage of those in managerial positions	5.6%	10% (by March 30, 2027)
Annual hires	10 (eight in FY2024)	Several per year
Midcareer hires as a percentage of those in managerial positions	63.7%	70% (by March 30, 2027)
Annual hires	35	50 per year

#### Diversification of hiring channels

Midcareer hires	High school and technical school graduates	Trade school graduates
Global hires	Sports and arts hires	Para-athlete hires
Hiring as a second job	Tests of alumni network* hiring	

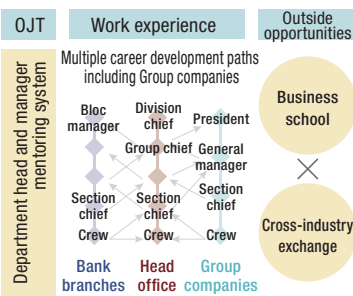
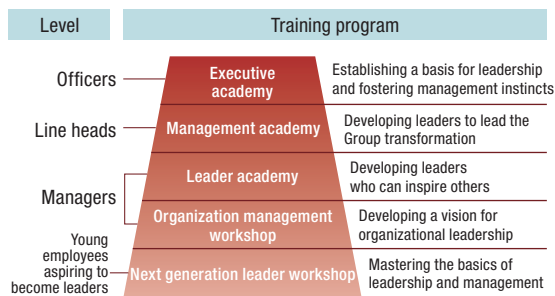
\* Community of former employees

## Leveraging diverse human resources to develop the next generation of core organizational leaders

To systematically develop the next generation of core human resources, we are implementing leader training in stages and strengthening social networks as well as a mindset open to different perspectives and knowledge from external opportunities. We will develop future management leaders for Group companies through leadership training across Shizuoka Financial Group.

### Succession program (systematic leadership training)

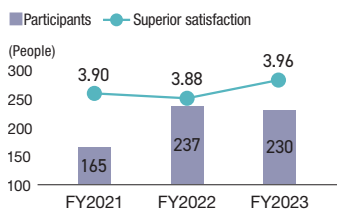
We are seeking to improve leadership qualities by providing diverse experiences in various ways, including multilateral career transfers and assignments across the Group instead of the traditional Bank-centered unilateral career plans.



#### Main curriculum provided for as outside opportunities

- Nikkei Executive Governance Program
- Waseda University Top Management Program, Senior Management Course
- Nomura School of Advanced Management (management strategy course for women leaders, digital strategy training for managers)
- Keio MCC Business Core Program
- Joint WithS training with five regional firms
- WiL1Day Design Thinking Workshop, Boot Camp, etc.

### Number of leadership program participants and satisfaction of superiors



### Manager mentor (coach)



**Kaori Higashijima**  
Shizugin Heartful President

In my role as coach, I tried to support growth by honing individual strengths, listening, putting myself in the place of others, and providing appropriate advice. Repeated dialogue helped me learn many things. I recognized once again the importance of a leader's style and preparedness.

Today, standing on the DE&I frontlines as a representative of Shizugin Heartful, I see many cases that require flexible thinking and human abilities, in addition to the skills required for reliable business execution. I'd like to continue learning alongside my colleagues by pursuing new challenges, without fear of change, while maintaining a sense of gratitude.

### Initiatives to encourage engagement among women

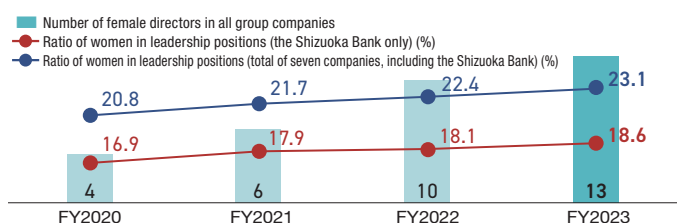
To empower and promote the roles played by women, the Shizuoka Bank seeks to achieve a ratio of at least 27% of women in leadership positions (managers at the section manager level and above) by the end of March 2027 and 40% by the end of March 2031. We will focus on supporting female employees for building career and developing skills required for managerial positions, and actively assign and appoint women to these positions. As of April 2024, the Group had 13 women officers, including representative directors of Group companies.

<b>Now</b>	Women as a percentage of officers in FY2023: <b>5.0%</b>	Women as a percentage of those in leadership positions in FY2023: <b>18.6%</b>	Days of childcare leave taken by men in FY2023: <b>18.7 days</b>
<b>Target</b>	Women as a percentage of officers in FY2027: <b>30%</b>	Women as a percentage of those in leadership positions in FY2027: <b>27%</b>	Days of childcare leave taken by men in FY2027: <b>30 or more days</b>

### Promoting initiatives to advance engagement among women at Group companies (approaches to the General Employer Action Plan)

Shizuoka Financial Group and six Group companies (The Shizuoka Bank, Shizugin TM Securities, Shizugin Mortgage Services, Shizugin IT Solution, Shizugin Business Create, and Shizugin Lease\*) have established general employer action plans and are working on Group-wide measures to promote the advancement of women, with the goal of promoting DE&I.

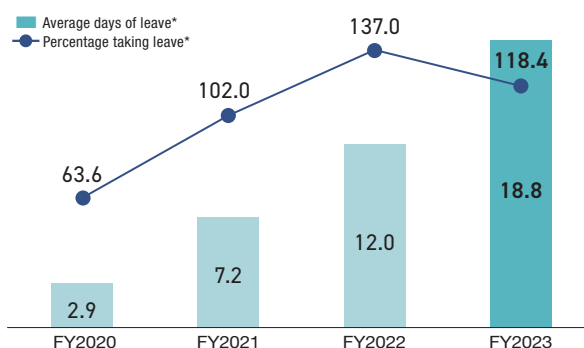
\* Shizugin Lease plans to formulate a plan during FY2024.



### Maintaining a 100% male childcare leave usage rate

In line with the revised Child Care and Family Care Leave Act, we have expanded various childcare programs under the Ikusapo (child care) Program. In addition, to encourage male employees to participate in childcare, we hold seminars on childcare and provide training for all managers in accordance with the revised law. In addition to establishing a system to promote gender-neutral participation in childcare, we are focusing on eliminating resistance to men taking childcare leave and correcting unconscious biases in balancing family and work. The average number of days of childcare leave taken have increased in recent years.

We will continue to strengthen Group-wide efforts to encourage men to take childcare leave and to support men in playing essential roles in childcare.



### Reducing the wage gap between men and women (The Shizuoka Bank)

Currently, the wages of full-time female employees is 80–90% of their male counterparts of equivalent rank. At the Shizuoka Bank, there is no systemic gap among permanent full-time male and female employees of equivalent rank. The Bank adopted a program under which employees may elect to be eligible for job transfers involving relocation in accordance with their workstyle preferences, lifestyles, and other conditions. The key reason for the difference in wages between men and women is the low ratio of women in management positions. We will work to minimize even these wage differences through efforts to advance women to senior positions.

Position classification	Wage gap (percentage of women)	Of which, eligible for transfer with relocation	
		Of which, eligible for transfer with relocation	Of which, no transfer with relocation
Management (full-time)	81.9 (18.6)	89.1 (5.2)	97.3 (42.6)
Non-managerial (full-time)	89.3 (49.4)	88.0 (34.9)	92.9 (77.9)
Other	74.1 (75.4)	- (-)	- (-)
Total	66.3 (35.4)	61.2 (21.0)	77.0 (62.5)

(%)

### Supporting the success of those with disabilities

Shizugin Heartful Co., Ltd. was established in October 2019 to create a work environment in which people with disabilities can work with peace of mind while experiencing both the rewards and fulfillment of work. Shizugin Heartful actively supports the participation of those with disabilities in society.

In FY2023, to enhance further employment of persons with disabilities across the Group, two subsidiaries were added to the list of affiliates accorded exceptional treatment with regard to calculations of the percentage of persons with disabilities among all employees. As of April 2024, the rate (Group total) was 2.63%, exceeding the legally mandated rate (2.5%).

In addition, we endorse the concept of the Valuable 500, an international initiative to promote the success of people with disabilities and have joined this initiative.



In April 2024, we adopted a health keeper program that employed people with cognitive disabilities who were qualified as massage therapists.



# Promoting independent, flexible workstyles and enhancing health management

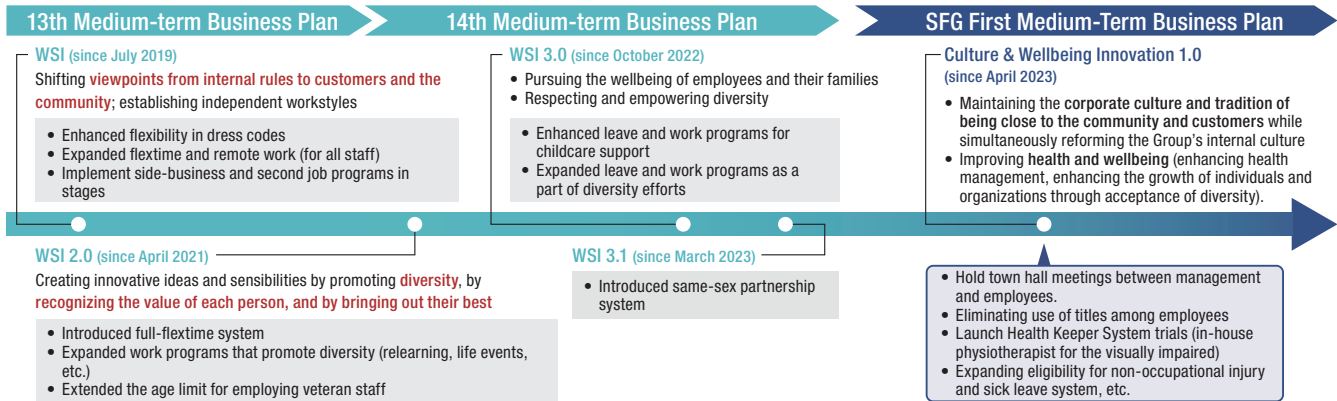
## Vision

Realizing flexible workstyles that allow each and every employee to demonstrate his or her abilities to the fullest

## Topics

Support for balancing work with private life, developing comfortable working environments, and supporting employee health improvements

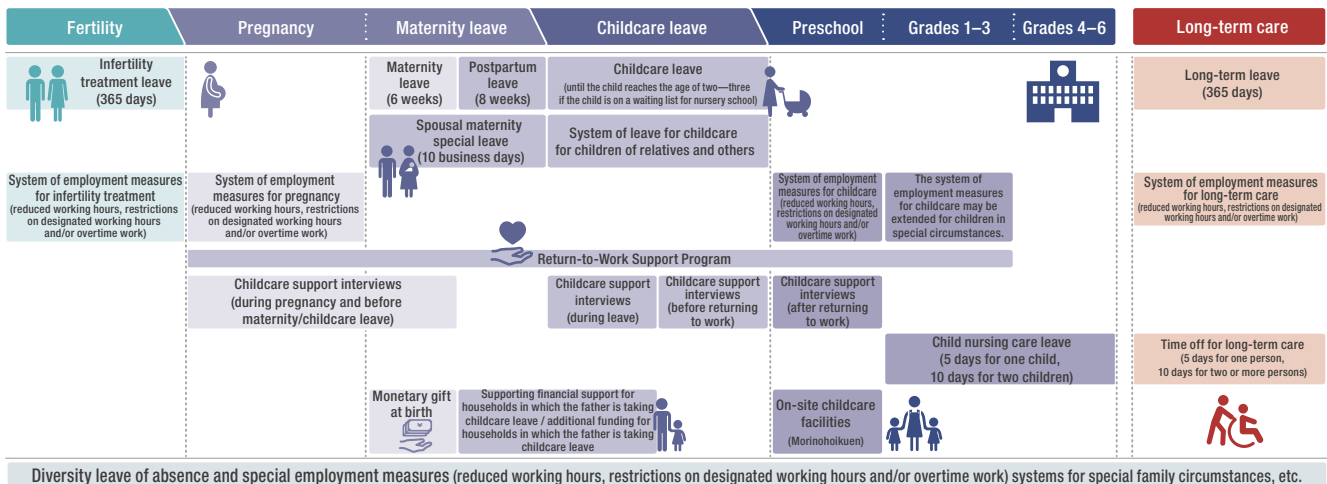
Since July 2019, we have promoted workstyle innovations as part of initiatives to realize flexible workstyles for all employees. This included launching and expanding various programs, including a full flextime system. In April 2023, we expanded this initiative into the Culture & Wellbeing Innovation program, which is a set of measures to improve the engagement and wellbeing of all employees.



## Support for balancing work and private life

### Balancing support measures

To allow all employees to perform at their best, we have developed and expanded and are currently promoting the use of various systems to support a balance between work and private life. Through remote work, satellite work, and a full flex-time system, we are promoting independent workstyles that match the work and personal lives of employees who have limited hours available for work, thereby enhancing their capacity to refine their skills and achieve job satisfaction.



## TOPICS

### Selected to the Next Nadeshiko Work Style Diversity list

The Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange publish the Nadeshiko list of companies offering outstanding measures to support women. In FY2024, as a new element of supporting women in the workplace to help strengthen corporate value, evaluations of the support provided for achieving a sound work-life balance and support for life events, regardless of gender, were added as requirements to be named to the Next Nadeshiko Work Style Diversity list. Shizuoka Financial Group was named to this list.



## Structure for Promoting Health Management

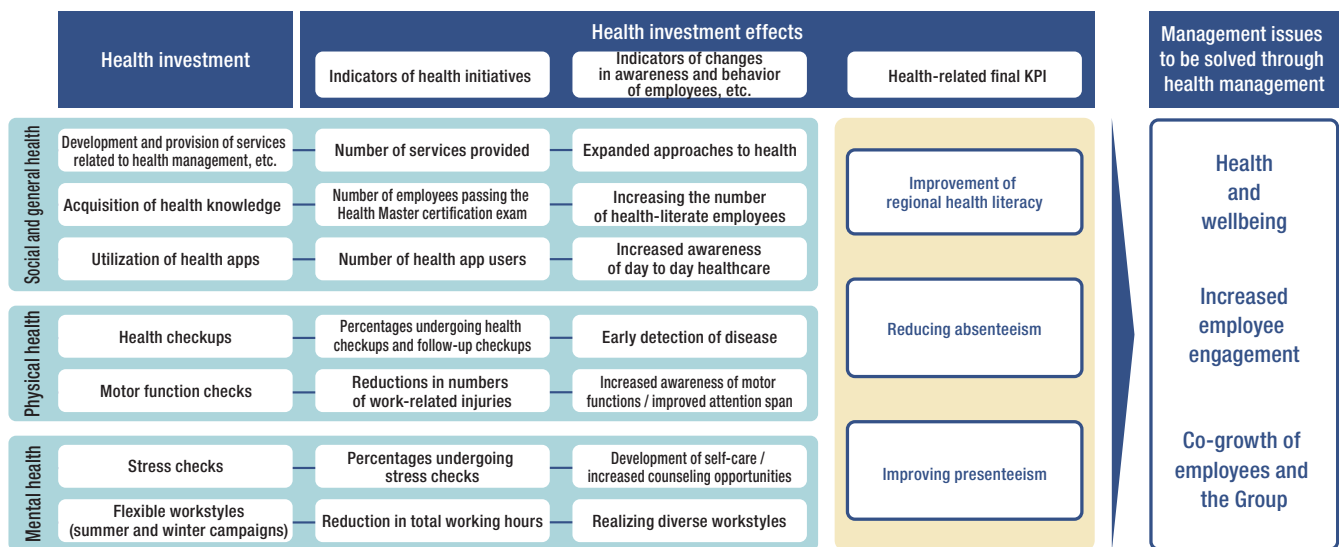
We consider maintaining and promoting employee health to be a central management issue. Under leadership of the health promotion supervisor, we have established the Health and Productivity Management Declaration as a basic health management policy. We are working to create comfortable work environments and to support employee health.

We have formulated a strategy map based on the Guidelines for Administrative Accounting of Investment in Health and Productivity Management set forth by the Ministry of Economy, Trade and Industry (METI). We are currently implementing various investments in health to contribute solutions to business issues.

### Health management promotion structure



### Strategy map



## Major health management initiatives

The Group has established health-related KPIs to advance the wellbeing of all employees and their families and supports measures that improve and maintain physical and mental health so that all can perform at their best.

Now	Percentage downloading health app: <b>69%</b>	Percentage undergoing follow-up checkups after health checkups: <b>48.4%</b> (tentative figure)	Percentage undergoing stress checks: <b>96%</b>
Target	Percentage downloading health app: <b>90%</b>	Percentage undergoing follow-up checkups after health checkups: <b>80%</b>	Percentage undergoing stress checks: <b>100%</b>

### Social and general health (“Well-happi [Well-being! Happy!] Program”) —

We are implementing various initiatives to improve health literacy and promote changes in the health awareness of all employees. This program is designed to raise the health awareness of employees and help develop healthy behavioral habits, thereby energizing the Group’s organization and improving its productivity. To encourage independent health efforts, the system allows employees to use benefit program points awarded for actions that contribute to better health.

### Physical Health —

To change habits that affect health, we are working to improve the rate of eligible employees undergoing secondary health checkups and receiving specific health guidance as part of health programs undertaken jointly with the health insurance society.

### Cafeteria plan linked to health promotion —

We promote independent and sustained health promotion by employees by awarding points that can be used under the cafeteria plan. This plan offers various benefit options to those who download and sign up for the health management app, engage in exercise and other healthy activities, quit smoking, or hold health qualifications. These points can be used to purchase goods and lodgings from participating customer businesses. In this way, we seek to link employee health promotion activities to supporting our customers.

### Mental Health —

We are working to enhance our mental healthcare system through consultations by occupational health staff, stress checks, and support for employees returning to work after leaves of absence.

## Benefits programs

We undertake the following measures to maintain and promote the health of all employees and their families.

### Vaccinations

We subsidize the cost of influenza vaccinations to protect employees from infectious diseases.

### Various welfare facilities

To promote the health of employees and their families, to foster cultural education, and to help employees make effective use of leisure time, we have concluded contracts with various athletic facilities, museums, resorts, and other facilities.

### Various leave systems

We support employees in their efforts to achieve individual wellbeing through a well-developed leave system that includes leave for physical examinations and volunteer leave to reward and support social and community contribution activities.

### Eco-Bicycle Support Program

By subsidizing the cost of purchasing a bicycle, this program encourages employees to switch from commuting by car or bus to commuting by bicycle. It is intended to improve health, reduce CO<sub>2</sub> emissions and other environmental impacts, and maintain a mode of transportation in the event of a disaster.

### Long-service award ceremony

We hold a long-service award ceremony and provide special long-service leave to reward employees for 25 years of continuous work. After the ceremony, the employees' families are invited to a small concert to commemorate their years of service and to a reception as an opportunity to express our appreciation.

## Initiatives for financial wellness

The Group is working to help employees who are responsible for creating value to achieve financial wellness\* through financial support in the form of assistance with asset building, illness and injury support, and other programs. \* Financial security and the capacity to make choices to enjoy life

### Employee Stock Ownership Plan

We increased the ESOP subsidy from 100 yen to 150 yen for each contribution of 1,000 yen per unit to contribute to and foster awareness of the social value of the community and the corporate value of the Group by sharing stock value, and to support asset-building by Group employees. We seek to enhance employee motivation and to contribute to the community and customers by fostering a sense of Group unity, further promoting Group management, and advancing the wellbeing of our employees.

### Student loan repayment support program

In April 2020, we introduced a student loan repayment support program to make work more satisfying for employees while reducing the burden of student loans, a prominent societal issue, through funding that helps younger employees repay student loans based on their years of service.

### RS investment trust

The Group has adopted an RS investment trust as a program to award shares to all Group employees. This program encourages employees to act from a shareholder's perspective, allowing them to enjoy the benefits of rising share prices and dividends in building their own assets.

### Other examples of practical initiatives

- Additions to assets managed in the defined-contribution (401k) pension plan and holding financial wellness training
- New-household support fund of 30,000 yen/month over five years after marriage for employees living in rental homes
- Investment education in tiered training programs
- Special salary of 80% of base salary for a fixed period after the end of the payment period for injury and illness allowance (from health insurance); additional benefits from the health insurance society during time off work due to a non-occupational injury or illness

## TOPICS

### Recognized in the 2024 KENKO Investment for Health Stock Selection and 2024 Outstanding Organizations of KENKO Investment for Health (White 500)

The Group was selected for the first time to the KENKO Investment for Health Stock Selection program for companies making outstanding health management efforts by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange. We were also chosen to the White 500 under the Outstanding Organizations of KENKO Investment for Health program.



### Trends in health management attitude survey results

Evaluation item	FY2022	FY2023	Change
Shizuoka Financial Group actively promotes good health and health management	3.36	3.79	+0.43
The Group provides education to employees to increase their health literacy	3.28	3.52	+0.24
The Group pursues initiatives to address issues concerning employees working long hours or suffering from mental health conditions.	3.38	3.54	+0.16

## Promoting systems to encourage independent growth and career development

**Vision** Realizing the dreams of individual employees through work within Shizuoka Financial Group

**Topics** Enhancing systems to promote independent growth and career development  
Fostering an organizational culture that encourages the pursuit of challenges without fear of failure

### Enhancing systems to promote autonomy and initiative

Supporting employees as they realize their dreams, through systemic assistance for independent career development



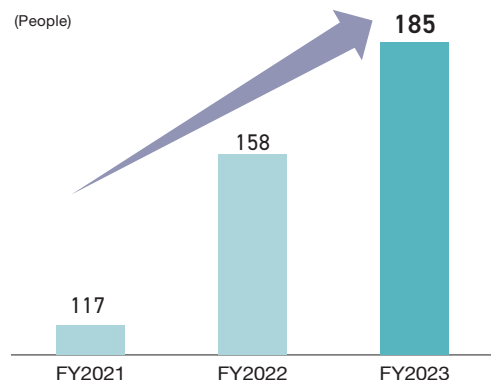
### My Career Design System

We support the independent career design and diverse career development of each and every employee. Since FY2023, we have promoted diverse career development to cultivate value-creating human resources who create new social value.

We enhance the content of the My Career Design System each year. Applicants for the system are increasing from year to year.

My Career Design System	
Dispatch to regional companies	IT & DX programs
External dispatch / internal trainees	System for transfer among Group companies
Post challenge / intra-company side jobs	Side jobs / second businesses
Value creation program	

### Trends in applicants for the My Career Design System



### Activities of a system user



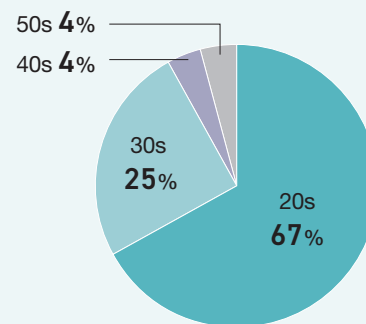
#### Hideaki Takato

Start-up Support Dept.  
(dispatched to Money Forward  
Venture Partners)

I've long been interested in the venture capital business. When this system went looking for applicants to be dispatched to VC firms, I jumped at the chance. At the company where I was dispatched, I acquired the expertise needed to invest in startups and built a new network within the industry.

After returning to Shizuoka Financial Group, I plan to apply these experiences to promote the VC business. I want to use the knowledge I've learned to give back to the community by nurturing startups that will create new value here and help increase the Group's corporate value.

### Applicants by age range



Applicants in FY2023: 185

## Value-up Program and Meet-up Program

We have introduced the Value-up Program, which provides the motivated employees with financial supports for skill development initiatives they plan themselves, and the Meet-up Program, which provides partial supports for the cost of participating in cross-industrial exchange meetings, regional events, study groups with customers, and other events organized by governments, local companies, and other organizations.

### Details of support (examples)

**Value-up Program** (accumulated use cases: 168)

Business schools (Globis, Waseda University, etc.), programming schools, qualification schools, language schools, etc.

**Meet-up Program** (accumulated use cases: 71)

Participation in study groups for young managers, events to learn about local history, seminars on the latest wine trends, fishing classes (community revitalization), etc.

## Second in-house startup program held

We have established an in-house startup program to encourage autonomy, initiative, and learning from mistakes. The second program in FY2023 welcomed 60 entrants from Group companies. Of these, the 23 entrants who passed the documentary screening and the first screening session participated in an investment pitch contest in February 2024, in which a grand prize winner and six winners of awards for excellence were selected. Studies are currently underway on the development of 11 startup ideas.



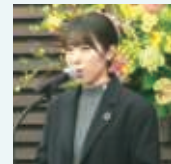
### Grand Prize winner in second in-house startup program

**Kanako Yamamoto**

(joined the Company in FY2023)

**Business idea: Neighbor**

Supporting provision and adoption of digital circulars and online fundraising services for local neighborhood associations



## Expanding learning domains

By providing opportunities for continuing education in new domains like the liberal arts, IT and digital transformation, DE&I, and biodiversity in addition to learning in existing domains, we help employees deepen their knowledge and become more valuable human resources. This will, in turn, enable every member of the organization to grow alongside the organization.

## Shizuoka Financial Group Open College (Liberal Arts)

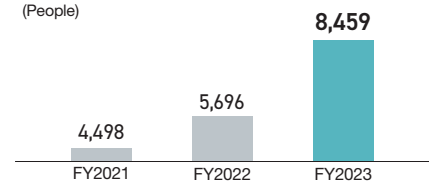
We continually offer seminars to help employees to become more valuable human resources. This program provides flexible learning opportunities through weekday classes as well as streamed class archives for those who miss a session.

### FY2023 instructors (examples)

- Yusuke Narita (economist)
- Kozo Takaoka (former CEO of Nestlé Japan)
- Sputniko! (contemporary artist)
- Yoshiharu Doi (culinary expert)
- Kiyohiko Ikeda (biologist)
- Yoichi Watanabe (war photographer)
- Shinobu Fujisaki (President & CEO, Domdom Food Service)

### Open College participants

(People)

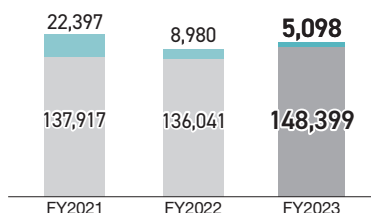


## Changes in training hours, etc.

In addition to traditional in-person training, we offer online training to create an environment in which all employees can advance their careers on their own initiative. We also provide opportunities for recurrent learning and reskilling to meet the demand created by growing awareness of continual learning.

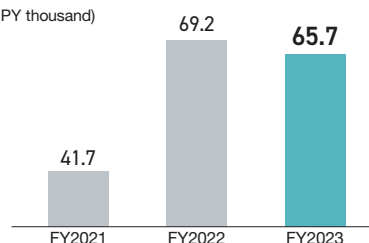
### Trends in training hours

■ Unrelated to system revision ■ Of which, related to system revision



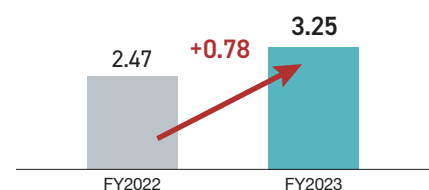
### Trends in training costs per personnel

(JPY thousand)



### Results of attitude survey on recurrent learning

I am learning and relearning multiple subjects





# Environmental Initiatives

## Vision

Contributing to a sustainable society by protecting the region's environment and industries

## Topics

Enhancing promotion of environmental management to respond to climate change and preserve and restore natural capital and biodiversity

# MESSAGE

The importance of responding to climate change continues to grow. Today, businesses are called into question regarding how they contribute to climate change solutions. Clearly, financial institutions are obligated to reduce the greenhouse gases emitted from their own business activities. But they also face calls for sustainable finance to promote decarbonization by customers through lending, finance, and other activities. Local decarbonization through communitywide efforts to respond effectively to climate change is important. As a regional financial institution group, Shizuoka Financial Group must play a central role in local decarbonization efforts.

Shizuoka Financial Group has set and worked to achieve the targets for reducing Scope 1 and Scope 2 GHGs. Since we have reduced emissions at an even faster pace than initially targeted, we are planning to adopt even loftier targets through means such as the use of J-Credits, as necessary. As part of these efforts, measures such as participation in the renewable energy business are likely to contribute to regional decarbonization. I also want the Group to continue to examine how it can address Scope 3 emissions levels.

As noted above, a regional financial institution can play an important role through sustainable finance initiatives to promote decarbonization by the local businesses who are its customers. Shizuoka Financial Group is working toward the target of two trillion yen in sustainable finance in total, including one trillion yen in environmentally sustainable finance, by the end of FY2030. Sustainable financing is wide-ranging; environmental financing, too, is remarkably diverse. It is essential to focus not just on the volume of sustainable finance executed, but on the quality of the related efforts. In doing so, I would like to see various activities strengthened, including Shizuoka GX Support and other hands-on supports provided to customers.

Naturally, responding to environmental issues is not limited to addressing climate change. Promoting recycling is another issue that must be addressed in the local economy. The Group must also clarify what role it should play in addressing biodiversity and other topics that are currently drawing worldwide attention.

The region needs to cooperate to a higher degree in order to address environmental issues. It is therefore vital to enhance joint efforts among local businesses, industries, governments, and the public. Shizuoka Financial Group can be expected to play a wide range of roles as a core financial group in the region. I would like to see it work toward even higher targets in the future as it strengthens joint efforts with stakeholders in the region.



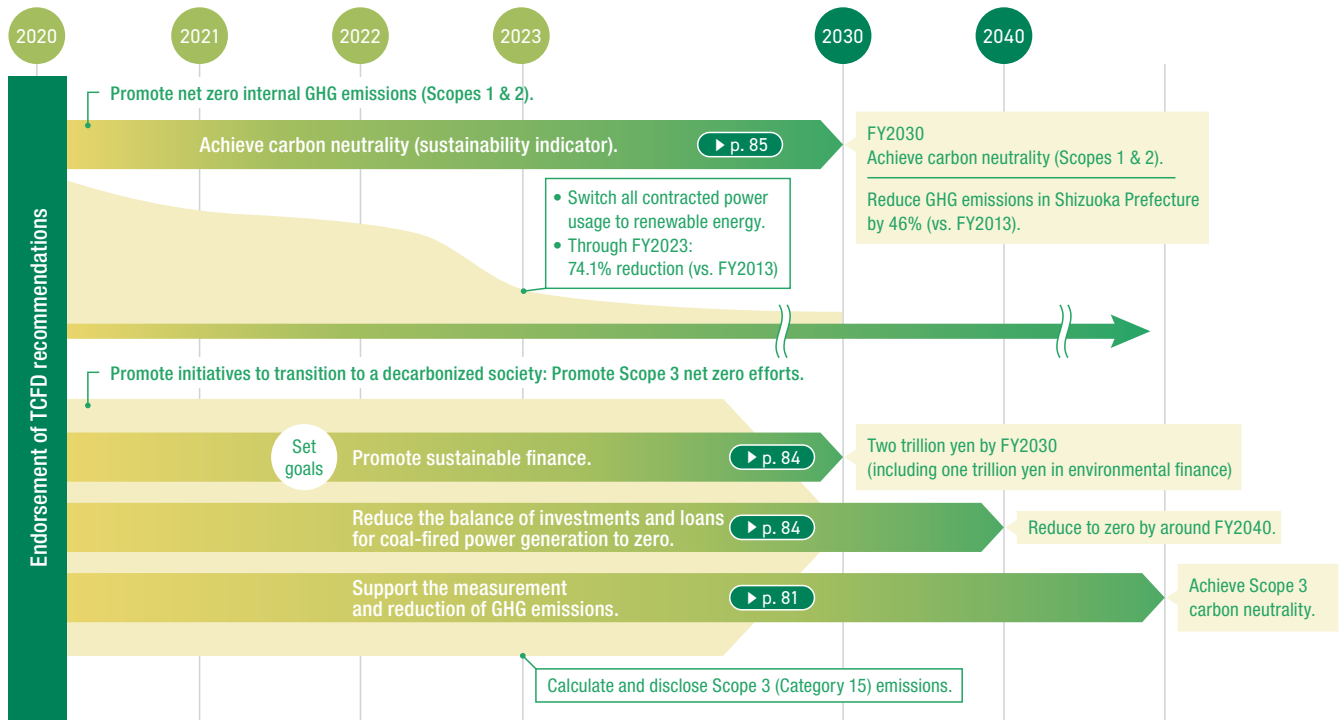
**Motoshige Itoh, Director**

(Member of the Cabinet Secretariat GX Implementation Council)

# Response to climate change (disclosure based on TCFD recommendations)

The Group has formulated a transition plan to achieve carbon neutrality. In addition to accelerating initiatives to transition the Group and the region to a decarbonized society, we are considering new initiatives in line with current trends.

We established sustainability indicators as metrics for our efforts to create social value as a regional financial institution under the First Medium-term Business Plan. The Group will proceed to implement its transition plan and ensure full disclosure based on the TCFD recommendations. Working in concert with the rest of the region, the Group will strive to achieve a decarbonized society.

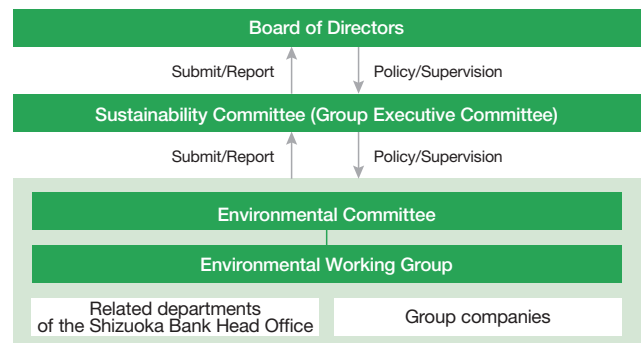


## Governance

### Governance structure for environmental initiatives

With the transition to a holding company structure, we established the Environmental Committee and its subcommittee, the Environmental Working Group, including members from subsidiaries, to realize sustainability management in the Group.

These bodies engage in cross-functional discussion of policies and measures related to environmental management, including responses to climate change and issues related to natural capital and biodiversity. Its findings are submitted through the Sustainability Committee for deliberation by the Board of Directors. In this way, we aim not only to ensure good governance to achieve a decarbonized region and preserve and restore natural capital and biodiversity but also to realize highly effective measures dynamically.



### Shizuoka Financial Group's Environmental Policy





Recognizing climate change as a source of business risks for Shizuoka Financial Group, we have established a Group-wide environmental policy to clarify our mission to help establish a sustainable society through our main businesses.

Each Group company will continue pursuing initiatives that improve the precision of its the measurement of its GHG emissions and reduce GHG emissions while working to establish a sustainable society through its own services.

## ► Strategy

### Supporting regional decarbonization

The First Medium-term Business Plan identifies reducing GHG emissions in Shizuoka Prefecture by 46% (vs. FY2013) as a social impact indicator to be achieved by FY2030. Through its comprehensive financial services, consulting, and other activities, ranging from interviews on decarbonization initiatives to funding and support for calculating and reducing GHG emissions, and a wide range of services beyond financial services, Shizuoka Financial Group strives to support regional firms in their efforts to move closer to the carbon-free ideal.

Major initiatives through FY2023		Future policies	Target indicator
 <p><b>STEP 1</b> Ascertaining current conditions</p>	Engagement (interview activities)	<ul style="list-style-type: none"> <li>Continuing interviews</li> <li>Identifying issues facing regional firms and providing side-by-side support</li> </ul>	<p><b>Reduce GHG emissions in Shizuoka Prefecture by 46% (vs. FY2013) (FY2030)</b></p>
 <p><b>STEP 2</b> Visualization of GHG emissions</p>	Providing Shizuoka GX Support services Joint efforts with local governments	<ul style="list-style-type: none"> <li>Accelerating visualization of GHG emissions across the region</li> <li>Support for reduction efforts</li> </ul>	
 <p><b>STEP 3-1</b> Financial support to reduce emissions</p>	Sustainable finance (e.g., positive impact finance) Formulating shared KPIs	<ul style="list-style-type: none"> <li>Supporting reductions via sustainable finance</li> <li>Generating social impact using shared KPIs</li> </ul>	
 <p><b>STEP 3-2</b> Diverse non-financial support</p>	Support for efforts to generate J-Credits ESG Lease Promotion Project	<ul style="list-style-type: none"> <li>Promoting carbon-free management by providing a diverse range of support</li> </ul>	

### STEP 1 Engagement (interview activities)

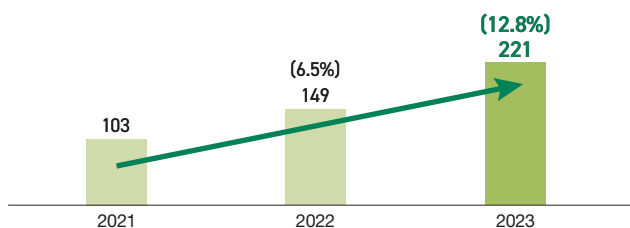
Since FY2021, Shizuoka Financial Group has engaged in group interviews with customer firms in Shizuoka Prefecture about decarbonization initiatives.

In FY2023, we gathered responses from 1,733 firms. Corporate awareness of decarbonization is growing, and number of firms calculating GHG emissions continues to grow year after year. Topics

addressed by customers are shifting toward practical implementation.

Through our wide range of decarbonization solutions, including Shizuoka GX Support services, we will continue to promote regional decarbonization, offering side-by-side support and working with local governments, other financial institutions, and other partners.

### Number of companies calculating CO<sub>2</sub> emissions



Topic	FY2021	FY2023
Unsure where to begin	34%	26%
Unsure how to calculate GHG emissions	9%	16%
No personnel to implement measures	12%	30%
No understanding of subsidies and other support programs	14%	21%
Interest in simulations of various capital investments	7%	12%

### STEP 2 Providing Shizuoka GX Support services: Joint efforts with the community

The Shizuoka Bank offers Shizuoka GX Support services regional firms can use to visualize their GHG emissions. We are also developing a platform to facilitate joint efforts with partners, including local governments and other financial institutions, to achieve the target of the reduction of GHG emissions for Shizuoka Prefecture.

#### Joint efforts with local governments (conclusion of cooperative agreements) p. 42



Cooperative agreement with the city of Kosai (with the participation of five financial institutions based in the city)



### STEP 3-1 Promoting sustainable finance

Shizuoka Financial Group provides financial services that help build a sustainable region. In October 2021, to strengthen such initiatives, we established sustainable finance targets. We are striving to support sustainable finance, including positive impact finance, to support customer initiatives to tackle environmental and social issues through their business activities. [▶ p. 84](#)



### STEP 3-1 Formulating shared KPIs and generating social impact

In the FY2023 ESG Regional Finance Promotion Project led by the Ministry of the Environment, we identified commonalities in the Shizuoka Prefecture General Plan, Social impact indicators of Shizuoka Financial Group, and international sustainability indicators to formulate shared KPIs that would strike an ideal balance between increasing corporate value and creating social value. (See the Ministry of the Environment's Practical Guide to ESG Regional Finance for more information.)

For the future, we aim to realize sustained economic and social growth by generating positive social impact through means such as proposing shared KPIs to customers participating in positive impact finance and applying knowledge from the Impact Consortium, which we recently joined.

[Ministry of the Environment's Practical Guide to ESG Regional Finance ▶](#)



### STEP 3-2 Support for efforts to generate J-Credits

Achieving carbon neutrality through local production and local consumption, with GHG emissions generated in Shizuoka Prefecture offset within the prefecture, Shizugin Management Consulting strives to support the generation of J-Credits.\* Three programs supported in this way were registered under the J-Credit program in March 2024, and are projected to generate J-Credits produced within Shizuoka Prefecture during FY2024.

By expanding these initiatives and building a cyclical model in which progress in mountainous regions contributes to industrial development, we plan to promote efforts to realize a society based on co-creation and coexistence. [▶ p. 32](#)

\* System of certification by the Japanese government of GHG emissions reductions and absorption as credits. Certified credits can be purchased by businesses and other organizations emitting CO<sub>2</sub> for use as carbon offsets.

#### About the J-Credit registered projects

We have supported J-Credit registration for projects in three forestry areas inside Shizuoka Prefecture: the southern Japan Alps (Aoi Ward, city of Shizuoka); the Tenryu forest (Tenryu Ward, city of Hamamatsu); and the Setonoya district (in the city of Fujieda). Through these and other activities, we are striving to create a regional society based on co-creation and coexistence by helping to restore and preserve forests and the biodiversity these forests support.



### STEP 3-2 ESG Lease Promotion Project

Shizugin Lease supports customer decarbonization efforts through its recognition as a designated lease company under the Ministry of the Environment's ESG Lease Promotion Project.\*

\* Project that reduces leasing costs paid by customers who lease equipment contributing to decarbonization through subsidies provided to the lease company

#### Case study

By leasing highly eco-friendly construction machinery, a customer in the construction business reduced CO<sub>2</sub> emissions, improved fuel efficiency, and extended the time for which the equipment could be used in the event of an emergency.

#### Contracts concluded in FY2023

Contracts: 56

Total contract amount:

523 million yen



## TOPICS

### Gold Award in indirect finance category of the ESG Finance Awards Japan for two consecutive years

In February 2024, for the second year in a row, we won the Gold Award (Minister of the Environment Award)—the highest prize—in the indirect finance category of the Fifth ESG Finance Awards Japan, held by the Ministry of the Environment to promote and expand ESG financing and improve related quality aspects.

#### Reasons for award

- Generating positive impact for the community and generating a virtuous cycle through positive impact finance initiatives and joint programs with the Shizuoka Prefecture Credit Guarantee Corporation
- Building a regional ecosystem through joint efforts between local governments and regional financial institutions by providing the Shizuoka GX Support GHG emissions calculation tool free of charge



## Scenario analysis

We implement scenario analysis to grasp the potential impact of climate change on the Group (i.e., the impact of the risks related to climate change on our credit portfolio).

The Group evaluates climate change risks in terms of transition risks and physical risks and estimates the scale of each risk in its scenario analysis. In fiscal year 2023, we broadened the topics considered in analyses of transition risks to include the mining, metals, and land transport industries. Our analysis of physical risks targets SMEs and home loan customers in Shizuoka and Kanagawa Prefectures and Tokyo.

The risks associated with climate change for Shizuoka Financial Group, as identified by scenario analysis, are presented below.

### Transition risks

(Added in FY2023)

Industry	Electric power	Papermaking	Manufacture of motor vehicles, parts, and accessories	Mining and metals	Land transport
Scenarios used	<ul style="list-style-type: none"> <li>IEA Net Zero by 2050 (NZE2050)</li> <li>NGFS Net Zero 2050</li> </ul>		<ul style="list-style-type: none"> <li>IEA/ETP2017 Beyond 2°C</li> <li>NGFS Net Zero 2050</li> </ul>		NGFS Net Zero 2050
Method	Analyzing changes in credit costs based on the scenarios, using data on carbon taxes and other projections to anticipate changes in profit/loss and financial position through 2050				
Results	Increase in credit costs of up to approximately JPY23.0 bn in total by 2050				

### Physical risks

Scope	Calculations of credit costs related to risks associated with building damage and business continuity for SMEs in Shizuoka Prefecture, Kanagawa Prefecture, and Tokyo	Calculations of building damage costs and credit costs for mortgage borrowers in Shizuoka Prefecture, Kanagawa Prefecture, and Tokyo
Balance of loans subject to analysis	JPY3.8960 tn	JPY2.7373 tn
Scenario	RCP 8.5 in the IPCC WG AR6 (4°C Scenario)	
Method	Analyzing the risk of inundation in the event of flooding by overlaying business site information and collateral location information on hazard maps	
Results	Increase in credit costs of up to approximately JPY18.0 bn in total by 2050	

## Offering environmental products

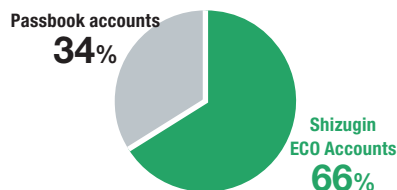
We offer passbook-free Shizugin ECO Accounts to support environmental conservation through financial services. For customers who wish to contribute to environmental conservation and regional revitalization through their investments, we offer investment trusts and other vehicles that incorporate an ESG perspective for all investment assets.

### Shizugin ECO Accounts

We provide two products—Online General Accounts opened without a passbook and WebWallet Internet branch accounts—as Shizugin ECO Accounts.

In FY2023, 66% of new accounts opened were ECO Accounts.

#### Proportion of Shizugin ECO Accounts among new accounts opened (FY2023)



### Global ESG Balanced Fund (“Blue Earth”) Investment Trust

This product offered by the Shizuoka Bank and Shizugin TM Securities incorporates ESG perspectives into all investment assets to contribute to environmental conservation and regional revitalization. We have also launched an initiative to donate a portion of the trust fees for this product to Shizuoka Prefecture.



## ► Risk management

### Climate change risk management

Shizuoka Financial Group classifies risks associated with climate change based on the TCFD recommendations. We anticipate transition risks and physical risks for each risk category, as indicated in the table below.

We will appropriately manage and review these risks while considering the impact of climate change, based on the characteristics of each risk.

Risk category	Transition risk	Timeline	Physical risk	Timeline
Credit risks	The risk of an increase in credit costs for the Group due to degraded customer business performance arising from policy changes, regulatory changes, technological advances, or other changes in the business environment	Short and mid-long term <sup>1</sup>	The risk of an increase in credit costs for the Group due to degraded business performance resulting from damage to customer assets or the destruction of social infrastructure due to storms and flood damage or similar incidents or due to damage to assets held as collateral by the Group	Short and mid-long term <sup>2</sup>
Market risks	The risk of a decline in the price of strategic shareholdings, funds, and other assets held by the Group arising from policy changes, regulatory changes, technological advances, or other changes within the business environment		<ul style="list-style-type: none"> <li>The risk of lowered prices of strategic shareholdings, funds, and other assets held by the Group arising from deteriorating customer business performance due to storms and flood damage or similar incidents</li> <li>The risk of a decline in the price of securities and other assets held by the Group due to market participants adopting a pessimistic view of economic growth in the wake of storms and flood damage or similar incidents</li> </ul>	
Liquidity risks	The risk of deterioration in Group credit ratings due to the perception that it has not responded adequately to transition risks, resulting in limited access to market funding		<ul style="list-style-type: none"> <li>The risk of an outflow of deposits due to the immediate cash needs of customers affected by storms and flood damage or similar incidents</li> <li>The risk that large-scale, widespread storms, flood damage, or similar incidents would disrupt financial markets, increasing the difficulty of obtaining funds from the market</li> </ul>	
Operational risks	The risk of losses from litigation brought against the Group by stakeholders and damage to its reputation resulting from its inability to respond appropriately to decarbonization		The risk of damage to buildings and other assets held by the Group due to storms and flood damage or similar incidents, and the consequent risk of suspension of business operations	

<sup>1</sup> Short term: Impact of energy price fluctuations on customer business performance; mid-long term: Impact of carbon taxes, regulatory changes, etc. on customer business performance

<sup>2</sup> Short and mid-long term: Damage to values of collateral and changes in customer business performance due to expansion in the scale and frequency of floods

### Investment and loan policy

We refer to our credit policy in determining whether to undertake investments and loans that could potentially affect the environment and society.

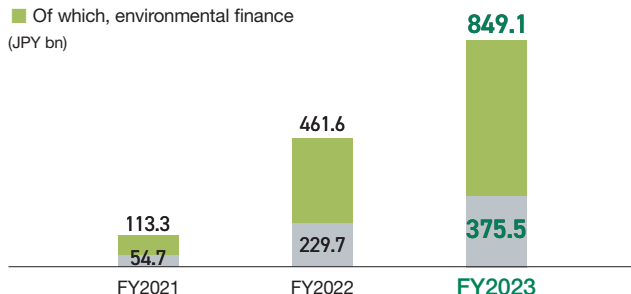
We have established our investment and loan policy for specific sectors. This policy states that we, in principle, do not fund coal-fired power generation, due to the environmental impact, as part of strengthened efforts to achieve sustainable growth and decarbonization within the region.

## ► Indicators and goals

### Sustainable finance of two trillion yen (cumulative amount executed through FY2030)

We have set the target of executing a cumulative total of two trillion yen in sustainable finance by FY2030. As of FY2023, we executed a cumulative total of 849.1 billion yen in sustainable finance.

■ Of which, environmental finance (JPY bn)



### Balance of zero investments in and loans for coal-fired power generation (by around FY2040)

We have set a target of reducing the balance of investments in and loans for coal-fired power generation to zero by around FY2040. The balance of such investments and loans was 15.7 billion yen, or 0.11% of total outstanding credit, at the end of March 2024.

### Achieving carbon neutrality by FY2030 (Scopes 1 and 2)

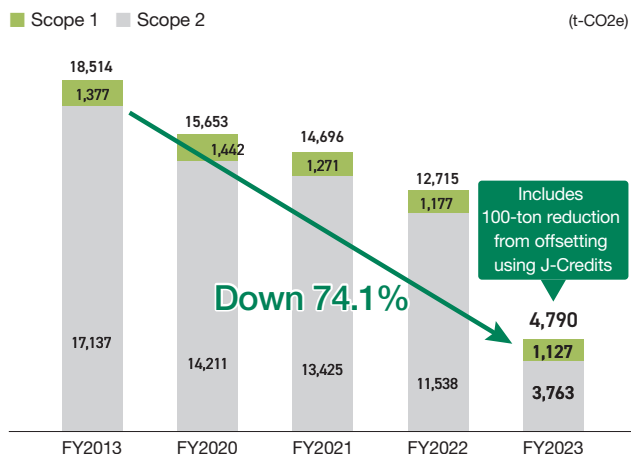
The Group has set the target of carbon neutrality (Scopes 1 and 2) by FY2030 to accelerate efforts to achieve a regional carbon-zero society.

To achieve our sustainability target under the First Medium-term Business Plan of reducing GHG emissions in Shizuoka Prefecture by 46% (compared to FY 2013) by FY2030, we are leading the region in energy conservation measures and renewable energy initiatives.

In FY2023, our GHG emissions were down by 74.1% compared with FY2013 to 4,790 tons. Contributing initiatives included switching to renewables for all power directly contracted for by the Shizuoka Bank.

In FY2024, we project a reduction of about 90% compared with FY2013 due to measures such as offsets based on J-Credits, in addition to the full-year contribution of electricity from renewables.

### Trend in Shizuoka Financial Group's GHG emissions



### Efforts to reduce GHG emissions (use of renewable energy)

Shizuoka Financial Group aggressively uses renewable energy generated in the region.

In October 2023, Shizugin Solar Park, set up under an off-site corporate PPA agreement concluded with Chubu Electric Power Miraiz Co., began operation.

In March 2024, we concluded an agreement with TEPCO Energy Partner on use by eight branches, including the Fujinomiya Branch, of all effective renewable energy from a compact hydroelectric power plant operated by Tokyo Electric Power Company (securing naming

rights to the facility as the Shizugin Aqua Energy Park Load Ieyasu Hydroelectric Plant).



Shizugin Solar Park



Shizugin Aqua Energy Park

### Scope 3 (Categories 1–14)

We recognize the importance in efforts to achieve a carbon-zero society of reducing GHG emissions from other companies related to our business activities (Scope 3), in addition to GHG emissions from the Group's own business activities (Scopes 1 and 2). Accordingly, we have measured emissions in each category of Scope 3.

Items measured		FY2022	FY2023
Category 1	Purchased goods and services	30,426	33,873
Category 2	Capital goods	23,022	24,054
Category 3	Fuel- and energy-related activities	2,031	2,413
Category 4	Upstream transportation and distribution	Included in Category 1	Included in Category 1
Category 5	Waste generated in operations	99	66
Category 6	Business travel	560	776
Category 7	Employee commuting	1,469	1,489

\*1 Categories 8–12 and Category 14 do not apply and are excluded.

\*2 Measurements for Category 13 do not include Shizugin Lease.

Measurements are for the entire Group (excluding overseas representative offices and overseas subsidiaries).

Items measured		FY2022	FY2023
Category 8	Upstream leased assets		
Category 9	Downstream transportation and distribution		
Category 10	Processing of sold products	Not included <sup>*1</sup>	Not included <sup>*1</sup>
Category 11	Use of sold products		
Category 12	End-of-life treatment of sold products		
Category 13	Downstream leased assets	0 <sup>*2</sup>	0 <sup>*2</sup>
Category 14	Franchises	Not included <sup>*1</sup>	Not included <sup>*1</sup>

## Scope 3 (Category 15)

We estimated GHG emissions associated with the Shizuoka Bank's transactions (Scope 3, Category 15), based on Partnership for Carbon Accounting Financials (PCAF) standards<sup>1</sup>. In FY2023, we expanded the scope of these measurements to include business lending (corporate and individual) by the Bank. For borrowers who are listed companies that have disclosed their emissions, emissions have been calculated based on disclosed figures from each borrower.

### Estimation results (classified by the 18 industry sectors used by the TCFD)<sup>2</sup>

Carbon intensity: t-CO2e/¥ million; emissions: t-CO2e

Industry sector	Carbon intensity	Emissions <sup>3</sup>	Industry sector	Carbon intensity	Emissions <sup>3</sup>
Beverages	0.29	7,319	Oil and gas	2.38	623,965
Agriculture	8.01	41,138	Coal	3.95	3,971
Packaged food and meats	3.08	781,814	Electric utilities	8.07	305,972
Paper and forest products	4.32	747,081	Metals and mining	10.02	3,555,713
Air freight	—	0	Chemicals	2.54	324,498
Passenger air transportation	5.60	46,603	Construction materials	13.61	40,194
Maritime transportation	7.90	224,613	Capital goods (e.g., buildings)	2.30	38,774
Rail transportation	0.85	23,173	Real estate management and development	0.07	26,275
Trucking services	1.51	333,782	Other	0.33	1,610,793
Automobiles and components	0.22	204,712	<b>Total<sup>4</sup></b>		<b>8,940,390</b>

### Formula

$$\text{Carbon intensity} = \sum \left( \text{GHG emissions by each corporate customer}^5 \right) \div \sum \left( \text{Net sales of each corporate customer} \right)$$

$$\text{Emissions} = \sum \left( \text{GHG emissions by each corporate customer}^5 \times \frac{\text{Attribution coefficient}}{\text{(loan balance/corporate customer's total financing)}} \right)$$

<sup>1</sup> The measurement protocol for Scope 3, Category 15, published by the PCAF (an international partnership that developed the world's first standard method for GHG emissions measurement in the investment and loans portfolios of financial institutions)

<sup>2</sup> The results of measurement may vary considerably in the future due to factors including increasing numbers of companies that measure and disclose emissions in response to growing support for decarbonization initiatives as well as changes in measurement standards and industry-sector classifications.

<sup>3</sup> Including Scope 1 and 2 emissions from business loan customers

<sup>4</sup> Not including customers for which the data required to form estimates could not be collected because their fiscal years had not yet ended or for other reasons (coverage: 95.0%)

<sup>5</sup> Calculated based on information such as the net sales of corporate customers and the emissions coefficients provided by PCAF, with the exception of listed companies that have disclosed their emissions, for which emissions have been calculated based on the figures published by the relevant companies.

## Independent validation of GHG emissions calculations

To increase the reliability of its GHG emissions calculations, Shizuoka Financial Group has secured independent validation of emissions calculations since FY2022 by the Japan Quality Assurance Organization.

(Scope of independent validation: same as the scope of Scope 1, 2, and 3 emissions on pp. 85–86)

## Carbon-related assets

We ascertain the balance of loans related to carbon-related assets to gain a quantitative understanding of climate change risks.

The table below shows balances of carbon-related assets associated with corporate loans by the Bank and their proportion of total loans.

Sector	Energy	Transportation	Materials and Buildings	Agriculture, Food, and Forest Products	Total
Proportion	1.74%	7.85%	14.03%	4.32%	27.94%
Balance of loans (¥ billion)	182.2	820.5	1,465.4	450.8	2,918.9

Notes:

Energy includes oil and gas, coal, and electric utilities.

Transportation includes air freight, passenger air transportation, maritime transportation, rail transportation, trucking services, and automobiles and components.

Materials and buildings includes metals and mining, chemicals, construction materials, capital goods (e.g., buildings), and real estate management and development.

Agriculture, food, and forest products includes beverages, agriculture, packaged food and meats, and paper and forest products.



# Natural capital and biodiversity initiatives

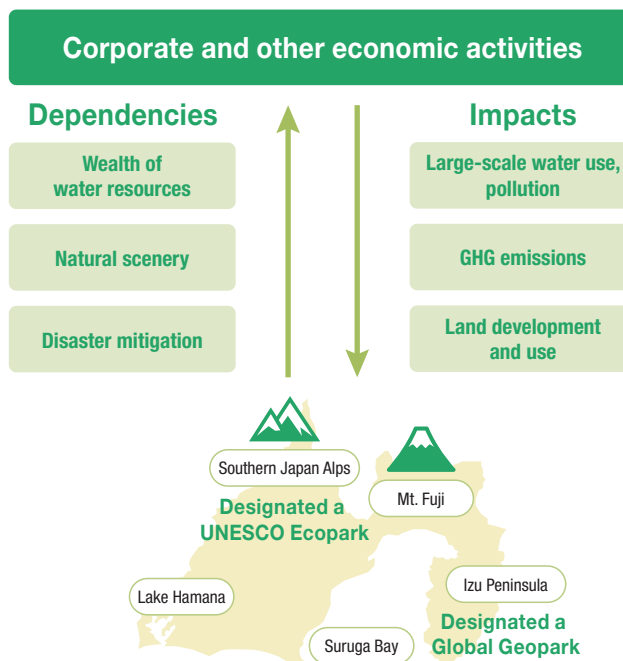
Our lives and business activities are supported by natural capital—air, soil, plants, wildlife, water— and by the ecosystem services generated by combinations of this natural capital.

The loss of natural capital and associated ecosystem services and biodiversity is rapidly advancing. We recognize that such loss, together with climate change, constitutes a serious threat to our lives and business activities. Accordingly, we must take nature-positive actions to halt this loss of biodiversity and adopt a path toward recovery.

Shizuoka Prefecture, the main market area of Shizuoka Financial Group, is home to an abundance of natural blessings, including the UNESCO Global Geopark of the Izu Peninsula, Mt. Fuji, the highest peak in Japan, the UNESCO Ecopark of the Southern Japan Alps, and the abundant water resources of Lake Hamana and Suruga Bay. This natural environment serves as the foundation of the region’s industry.

In addition to responding to climate change, Shizuoka Financial Group will strive to preserve and restore the natural capital and biodiversity that serve as the foundations of regional industry, through provision of its products and services centered on regional finance.

## Relationship between nature and the economy



### Joining the Fujinokuni Biodiversity Strategy Promotion Partnership

In October 2023, Shizuoka Financial Group and the Shizuoka Bank joined the Fujinokuni Biodiversity Strategy Promotion Partnership, a partnership established by Shizuoka Prefecture. Related activities in FY2023 included participation in Partnership seminars and holding joint seminars with the prefecture.



A joint seminar held with Shizuoka Prefecture



Fujinokuni Biodiversity Strategy Promotion Partnership

### Registered as a TNFD Adopter



In December 2023, Shizuoka Financial Group was registered as a TNFD Adopter—an organization adopting the recommendations published in September 2023 by the Taskforce on Nature-related Financial Disclosures (TNFD). Henceforth, we will strive to further enhance disclosure in line with the TNFD’s recommendations.

## ► Governance

Shizuoka Financial Group Environmental Policy has set clear policies for safeguarding and restoring biodiversity, conserving our shared natural capital, and responding to climate change.

Efforts to conserve and restore biodiversity and our natural capital, alongside our response to climate change, are subject to cross-functional deliberations within the Environmental Committee, a body that includes members from Shizuoka Financial Group and

its subsidiaries, as well as its subcommittee, the Environmental Working Group. The topics examined in deliberations are periodically submitted for further discussion to the Board of Directors through the Sustainability Committee (Group Executive Committee), to ensure a sound governance structure for addressing environmental issues while allowing agile implementation of highly effective measures.

## ► Strategy

### Analysis of relationships between individual sectors and natural capital

To identify nature-related risks and opportunities, we analyzed dependencies and impacts on nature for each business sector involved in the Shizuoka Bank's loan transactions using the ENCORE<sup>1</sup> tool in line with the LEAP Approach<sup>2</sup> under the TNFD disclosure framework.

Results show that dependencies on habitat and water and impacts on habitat, plants and wildlife, and water were high across the loan portfolio as a whole.

Based on the results of this analysis, we will strive to identify nature-related risks and opportunities while raising the level of analysis through means including incorporating geological information.

<sup>1</sup> A tool for ascertaining the scale of dependencies and impacts on nature based on various factors, including sector and geological information

<sup>2</sup> An integrated approach to assessment and management of nature-related topics through four phases (locate, evaluate, assess, prepare), formulated by the TNFD

#### Dependency on nature, by sector

Sector	Air	Habitat	Land	Minerals	Ocean	Soil	Plants and wildlife	Water
Energy		High					High	High
Materials (e.g., chemicals, steel, paper)		High					High	High
Capital goods (e.g., construction, machinery, trading companies)		High					High	High
Commercial and specialized services		High					High	High
Transport		High					High	High
Vehicles and auto parts		High					High	High
Durable goods, apparel		High					High	High
Consumer services		High					High	High
Retail		High					High	High
Retail of foods and daily necessities		High					High	High
Foods, beverages, and tobacco products		High					High	High
Household and personal goods		High					High	High
Healthcare devices and services		High					High	High
Pharmaceuticals		High					High	High
Banking		High					High	High
Financial services		High					High	High
Insurance		High					High	High
Software and services		High					High	High
Technology hardware		High					High	High
Semiconductors		High					High	High
Telecommunications services		High					High	High
Media and entertainment		High					High	High
Public works		High					High	High
Real estate		High					High	High

#### Impacts on nature, by sector

Sector	Air	Habitat	Land	Minerals	Ocean	Soil	Plants and wildlife	Water
Energy		High					High	High
Materials (e.g., chemicals, steel, paper)		High					High	High
Capital goods (e.g., construction, machinery, trading companies)		High					High	High
Commercial and specialized services		High					High	High
Transport		High					High	High
Vehicles and auto parts		High					High	High
Durable goods, apparel		High					High	High
Consumer services		High					High	High
Retail		High					High	High
Retail of foods and daily necessities		High					High	High
Foods, beverages, and tobacco products		High					High	High
Household and personal goods		High					High	High
Healthcare devices and services		High					High	High
Pharmaceuticals		High					High	High
Banking		High					High	High
Financial services		High					High	High
Insurance		High					High	High
Software and services		High					High	High
Technology hardware		High					High	High
Semiconductors		High					High	High
Telecommunications services		High					High	High
Media and entertainment		High					High	High
Public works		High					High	High
Real estate		High					High	High

### Points of contact between our facilities and nature

To assess linkages between Shizuoka Financial Group's facilities and aspects of nature, we analyzed, on a trial basis, the distribution of the Shizuoka Bank's business facilities across key biodiversity fields such as nature-conservation areas based on basic land use plans. Among other findings, the results showed that some business facilities were located in such areas. In addition, analysis of their distribution in areas subject to high physical water risks showed that no domestic business facilities were located in such areas. (The analysis map at right is for illustrative purposes only.)

We will continue to identify and assess priority areas in accordance with TNFD recommendations.

#### Nature-related risk analysis based on distribution of business facilities in Japan\*



\* Using adjusted water-stress data from the World Resources Institute's Aqueeduct platform (<https://www.wri.org/applications/aqueeduct>)

Lessening environmental impact

**ZEB certification  
(The Shizuoka Bank Shijimizuka Branch)**

In December 2023, the Shizuoka Bank earned ZEB Ready certification (for a building that reduces annual primary energy consumption by 50% or more), as recommended by the Ministry of the Environment, for its remodeled Shijimizuka Branch.



**Recognized by the city of Hamamatsu  
as a business achieving carbon neutrality**

We were awarded the highest rating of two stars\* in the first Hamamatsu City Carbon Neutrality Achievement Recognition Program, conducted by the city of Hamamatsu in January 2024.

\* Two stars: Achieved effectively zero CO<sub>2</sub> emissions from energy.



Enhancing employee environmental efforts in their communities and households

**Shizugin Furusato Environmental Protection Fund**

Through the Shizugin Furusato Environmental Protection Fund, we provide grants to individuals, organizations, and others playing active roles in environmental conservation in Shizuoka Prefecture.

In FY2023, we provided a total of 2.81 million yen in grants to 26 recipients. Since the Fund's establishment in 1993 we have provided a total of 90.01 million yen in grants to 717 recipients.

**FY2023 grant recipients**

East district	Kaiso Oshiba Kyokai (promoting awareness of the roles of seaweed) and six others
Central district	Okitsugawa Hozen Shimin Kaigi (water-quality preservation and related nature conservation) and 10 others
West district	Maisaka no Shizen wo Mamoru Kai (removing invasive weeds and collecting wastes drifted ashore) and seven others

**Small Kindness Movement**

The Small Kindness Movement seeks to nurture the seeds of empathy within people's hearts by encouraging small acts of kindness under the slogan, *Creating a culture of small kindnesses*.

The Shizuoka Prefecture Head Office of the Small Kindness Movement was founded in February 1997. It strives to make the community a better place to live by building a society of mutual consideration. Since its founding, the Group has been actively involved

in this movement's activities. For example, the Shizuoka Bank officers have served as representatives, while the Group company Shizugin General Service has hosted its secretariat.

The number of members as of the end of FY2023 totaled 30,116, including corporate, organizational, school, and individual members. Of these, 6,204 were members of Shizuoka Financial Group, as numerous Group employees participate in its activities.

**Rural development  
(forest improvement)**

We engage in these activities as a Shizuoka Future Forest Supporter under an agreement with Shizuoka Prefecture and in cooperation with nonprofits and other organizations participating in a prefecture-wide forest-development campaign organized by the prefecture.

In FY2023, 883 members (including 403 from Shizuoka Financial Group) helped to improve forests by planting 707 trees in 27 locations.

In addition, we participated in initiatives to preserve terraced rice paddies as a terraced paddy owner by planting and harvesting rice at two locations within the prefecture. The harvested rice was donated to child welfare facilities and other beneficiaries to help children.



**February 24, 2024  
The Shizuoka Bank Fujinomiya Branch  
Location: Minna no Hiroba  
Activity: Making shiitake culture stumps**

**Cleanup activities**

In FY2023, a total of 4,852 participants (including 2,285 from Shizuoka Financial Group) took part in these activities at 151 locations in Shizuoka Prefecture.

As part of these activities, participants contributed to welfare facilities through means including washing windows and caring for planters as requested by each facility. They also donated items needed by facility users and caregivers, such as wheelchairs.



**February 3, 2024  
The Shizuoka Bank Numazu Branch  
Location: Near Numazu Chuo Park  
Activity: Cleanup**

\* Numbers of locations and members are cumulative totals.

# Initiatives Related to Human Rights

## Establishment of the Human Rights Policy

Interest in and expectations related to corporate responsibility in the area of human rights have grown in Japan and abroad. We have established Shizuoka Financial Group's Human Rights Policy in accordance with the Universal Declaration of Human Rights, Guiding Principles on Business and Human Rights, the ILO Declaration, and other international standards on respect for human rights, including prohibition of forced labor by children.

\*The full text of the Human Rights Policy is available on our website.

## Human rights governance structure

Under Shizuoka Financial Group's Human Rights Policy, cross-functional discussions of policies and measures related to respect for human rights take place in line with individual themes on human rights within the Environmental Committee, the Human Capital Management Committee, and the Human Rights Working Group, a subsidiary organization of these committees. After submittal to the Sustainability Committee (Group Executive Committee), the content of deliberations is submitted to the Board of Directors for deliberation and review as necessary, and then regularly reported through other channels. This is aimed at taking proactive measures while establishing an effective governance structure for protecting human rights.

## Promoting awareness of respect for human rights among employees

Aiming for an organization in which all employees recognize one another as business partners and respect each other's human rights, Shizuoka Financial Group strives to ensure that all members of the organization are aware of and fully respect human rights through means such as enhancing tiered training curricula and disseminating related seminars via the open college program.

## LGBTQ initiatives

We implement LGBTQ initiatives to prevent harassment, discrimination, and other human rights violations that affect sexual minorities. We are committed to fostering a corporate culture in which a respect for diversity prevails. We strive to be a warm, open, friendly, mutually affirming corporate group for all people.

### Major initiatives

- Same-sex partnership program
- Distribution of LGBTQ ally badges (upon request)
- Creation of a handbook (including information on how to respond to customers)
- Establishment of internal and external consultation offices
- Improvements at branches and other facilities (conversion of multipurpose restrooms to all-gender restrooms [inclusive signage], etc.)
- Sponsorships of various regional initiatives and events (Tokyo Rainbow Pride, Hamamatsu Rainbow Pride)



LGBTQ ally badge etc.



All-gender restroom sign

## Eliminating harassment

To enhance the happiness and satisfaction of employees, we are strengthening our efforts to eradicate harassment. We also provide training for all managers and hold annual workplace-based study sessions. Supervisors and subordinates discuss gaps in mutual awareness and other topics to build a favorable work environment and improve communication.

## Joint efforts with customers and suppliers

Shizuoka Financial Group's Human Rights Policy calls for appropriate cooperation with customers and suppliers when human rights are violated or the risk of such violations through the Group's products and services as credit transactions or transactional relationships with suppliers.

The Shizuoka Bank monitors violations of human rights and the risk of such violations in its credit transactions. Results of monitoring showed no loans to businesses were involved in violations of human rights, forced labor, or similar acts.

We also monitored violations of human rights and risks of such violations in transactions with important subcontractors on the Group. Results of this monitoring showed no subcontractors were involved in violations of human rights, forced labor, or similar acts.

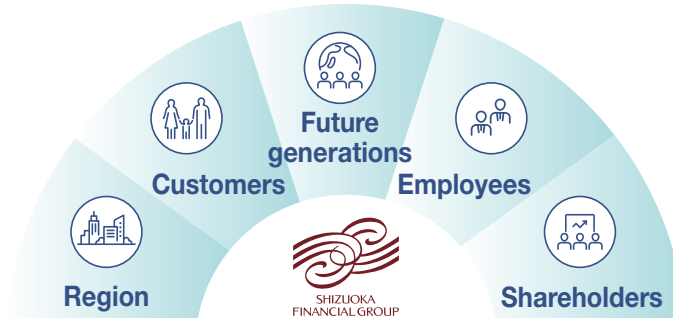
We are committed to help establishing a society characterized by respect for the human rights of all based on joint efforts with customers and suppliers.

TOPICS

# Providing value to stakeholders

We strive to provide value to stakeholders in various ways, including support for cultural and athletic activities within the community, financial and economic education, and efforts to maintain the structures that ensure business continuity. Our goal is to establish a prosperous, sustainable, and harmonious community.

Shizuoka Financial Group's stakeholders



## Region, customers Creating a prosperous community through cultural promotion efforts

### Shizugin Euphonia Concerts

These concerts provide those in the community with opportunities to enjoy performances by some of the finest artists in Japan and abroad.

The revenues from these events are donated to the Shizugin Furusato Environmental Protection Fund.



76th concert: Maki Mori and Ken Nishikiori (held in September 2023 in the city of Shizuoka)

### Shizugin Culture Forum Shizugin Yose

These performances of traditional Japanese rakugo storytelling bring smiles to the faces of community residents.



28th event: Shota Shunputei and Taihei Hayashiya (held in August 2023 in the city of Hamamatsu)

### Pomp and Circumstance illuminated concert

This concert is held inside the Shizuoka Bank's Hamamatsu Branch, designated a cultural landmark by the city of Hamamatsu, while the branch building itself is illuminated.



Hamamatsu Shugakusha Senior High School Brass Band (October 2023)

### Mt. Fuji Philharmonic Orchestra

As an official partner, we support the activities of this leading orchestra in Shizuoka Prefecture.



The Shizuoka Bank Presents Classical Pops Concert (May 2024)

Financial and economic education

We are striving to strengthen financial literacy for the region's future generations through financial and economic education intended to instill accurate financial knowledge and the capacity to make sound financial judgments.

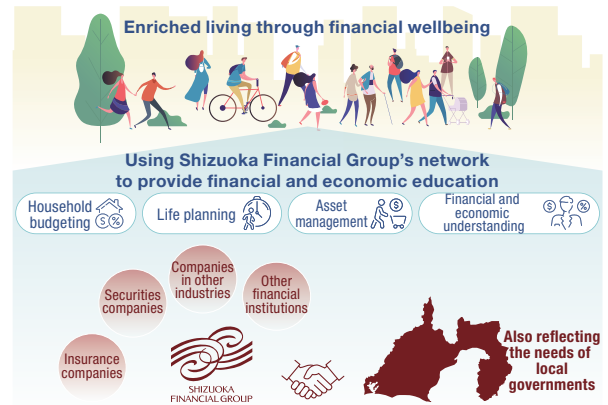
We seek to provide opportunities to learn about the relationships among finance, the economy, and our lives, by meeting the needs of local schools through visiting classes and Bank tours and holding financial courses at Tokoha University and Shizuoka Sangyo University.



Visiting class



University financial course



Shizuoka Kids' Academy

Shizuoka Kids' Academy seeks to help local children learn about the appeal of their communities and how fun industry can be, to foster a sense of belonging and help them grow into human resources who will power the region's future.

FY2023 initiatives

At Kadode Ooigawa

Enjoying tea and "100-year foods" with parents

- Date** September 9, 2023
- Location** Kadode Ooigawa
- Participants** 32 (elementary school children from Shizuoka Prefecture and their families)

Named a supporter of 100-Year Foods by the Agency for Cultural Affairs



At Kanogawakamishima Park

Learning about the Kanogawa River

- Date** October 7, 2023
- Location** Kanogawa-kamishima Park
- Participants** 68 (elementary school children from Shizuoka Prefecture and their families)



Shizuoka Tournament of the Economics Koshien, national financial and economics quiz competition for high school students

In the Shizuoka Tournament of Economics Koshien, high school students apply their knowledge of finance and economics to compete.

In the FY2023 event, the 13th tournament, 40 students in 20 teams from high schools in Shizuoka Prefecture competed. The winner, the Hamamatsu Gakugei Senior High School team, won the right to advance to the all-Japan tournament.



Shizugin Cup (soccer and baseball) and All-Japan Youth Grass Soccer Tournament

We sponsor the Shizugin Cup Shizuoka Prefecture U11 Soccer Tournament, in which more than 300 teams of children under 11 years of age compete enthusiastically for the prefecture championship, and the All-Japan Youth Grass Soccer Tournament for elementary school students from across Japan.

Since FY2015, we have also sponsored the Shizugin Cup Shizuoka Prefecture Youth Baseball Tournament.



Community and employees

Building a resilient social infrastructure for the region

Maintaining a business continuity system

Due to its public nature, business continuity is essential to the banking business. Shizuoka Financial Group has established emergency response guidelines as a business continuity plan (BCP) to support the continuation and rapid recovery of critical operations in the event of a large-scale disaster or the outbreak of a highly infectious disease. The emergency response guidelines are reviewed and updated on a continual basis to ensure readiness for any emergency.

We also take measures to protect buildings from earthquakes and install private power generation systems, emergency communications equipment, and other materials and equipment for implementing disaster countermeasures. In addition, we maintain a system for backing up computer systems to enable the rapid resumption of operations, even in the event of an emergency.

Other measures include regular drills on diverse and practical topics like BCP drills and trial operations of the backup center.

Aseismic facilities at Shizugin Head Office Tower



Seismic isolators

These convert severe short-wavelength vibrations into gentler, long-wavelength vibrations.



Dampers

These absorb energy to lessen the building's shaking.

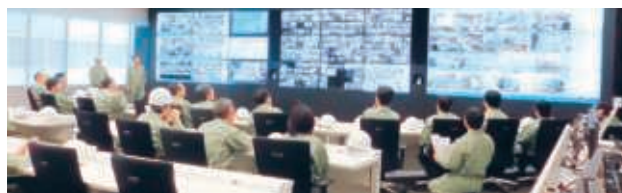


Cross-linear bearings

These have extremely low horizontal resistance to help protect the building from ground vibrations.

Emergency Countermeasures Office established at Shizugin Head Office Tower

The Emergency Countermeasures Office at Shizugin Head Office Tower is equipped with multiple means of communication and large-screen monitors to make it possible to support people in the region in the event of unforeseen catastrophes, including large-scale disasters or system failures.



Disaster drill

Holding disaster prevention seminars with the community and with customers

In July 2023, we were chosen as a sponsor of the Cabinet Office's Disaster Preparedness Collaboration Project. As part of these activities, we held disaster prevention seminars for community members and customers, in addition to our employees.

In addition, in joint disaster drills with NTT Docomo, we sought to strengthen joint efforts with the community in various ways, including checking on provision of financial services in the event of an emergency using Kururia mobile branch facilities and checking on the ability to support people affected by a disaster together with NTT Docomo.

In April 2023, the Shizuoka Bank became the first member of the

Mizunokakehashi Network System. With the participation of Yamanashi Chuo Bank and the Bank of Nagoya, with whom we have concluded comprehensive alliances, we are broadening the range of mutual assistance above and beyond regional boundaries.



Disaster prevention seminar



Joint disaster drill with NTT Docomo

Countermeasures against tsunamis

When rebuilding a branch in an area exposed to the risk of tsunamis, if no tsunami evacuation centers have been established in the vicinity, we design the new building so that it can earn tsunami-evacuation building designation. This means that the building can accept nearby residents and passersby, in addition to customers in the branch, as evacuees when a tsunami warning is issued. Branches located relatively close to the seashore are furnished with life jackets for both customers and personnel.



The Matsuzaki Branch, built new in July 2018, has been designated a tsunami-evacuation building by the town of Matsuzaki.



Exterior stairs to the roof

### Shizuginship courses to train the next generation of managers

Shizuginship, a membership-based service launched in April 2007, provides learning and networking opportunities for the next generation of managers.

In addition to lectures, seminars, field trips, and other events, Shizuginship encourages business development by members through means including access to useful information through a dedicated website.

#### Members

658 companies, 969 individuals (as of March 31, 2024)

#### Participants

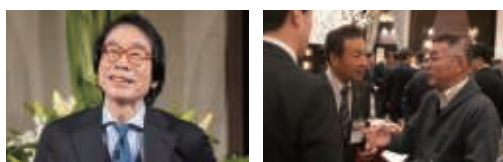
Total of 1,189 members participated in 54 events held in FY2023

#### Past activities

- Overall forum 1 time
- Seminars (lectures) 22 times
- Seminars (study groups) 19 times
- MBA programs 6 times
- Field trips (Japan and overseas) 2 times
- Special event to explore Shizuoka's appeal 1 course, 4 times

### Major activities in FY2023

#### Overall forum



- Theme** Human capital management to generate corporate value
- Lecturer** Kunio Ito, Director of Hitotsubashi University CFO Education and Research Center

#### Seminars: Lectures by leaders in various fields



- Theme** Speculative design: Innovation beyond diversity
- Lecturer** Sputniko! Artist President, Cradle Inc.



- Theme** Digital transformation and innovation: The starting points for sustainability management
- Lecturer** Kozo Takaoka, former CEO of Nestlé Japan

#### Overseas field trip (first in five years)

Indonesia Study Tour



#### Special event to explore Shizuoka's appeal

In this event, junior and senior high school students from Shizuoka Prefecture joined with Shizuginship members to tackle a shared mission.



#### MBA executive program

Intended to train top management, this is the highest-level program provided by Shizuginship. The six-day curriculum is taught by lecturers invited from the Keio Marunouchi City Campus (MCC).

- Management strategy and innovation
- Leadership and decision-making
- Accounting information and management
- Business strategy and finance
- Marketing strategy
- Group presentations

### Toward a prosperous community

#### Taking on the challenge of building sustainable communities with high school students

In May 2024, we launched the Gotemba Mirai Project 2024 powered by TGC as an initiative in cooperation with the city of Gotemba and W Tokyo Co., Ltd., a production company of Tokyo Girls Collection (TGC), to vitalize the Gotemba area and support solutions to social issues. While fostering civic pride among high school students in Gotemba, which is currently facing an exodus of younger people, this project seeks to promote an interest in the community's future and independent thinking and action.



#### Supporting solutions to community issues through digital transformation

In July 2024, the Shizuoka Bank joined eight other regional financial institutions in participating in the DX Consortium for Community Solutions organized by UB Ventures.

The goal of participating in this consortium is to contribute to solutions for local firms struggling with a shortage of labor by serving as a bridge between firms and startups working to identify solutions to community issues, while sharing such issues through broad-based joint efforts above and beyond the region.



#### Contributing to local communities

Shizuoka Financial Group makes donations through health management initiatives

Some of the points awarded by the Karomama Plus health support app distributed to Group employees were used to make donations to organizations involved in activities related to community welfare, the environment, and other areas.



#### Marking the 50th anniversary of Shizugin IT solution's founding

In April 2024, to mark the 50th anniversary of its founding, Shizugin IT Solution made a donation to the Volunteers Association of Shizuoka Prefecture, which works with government and other partners to tackle various challenges facing the community.





# Strengthening Corporate Governance

The Group is strengthening its corporate governance system both to create social value and to improve corporate value.

## Basic approach to corporate governance and history of our corporate governance initiatives

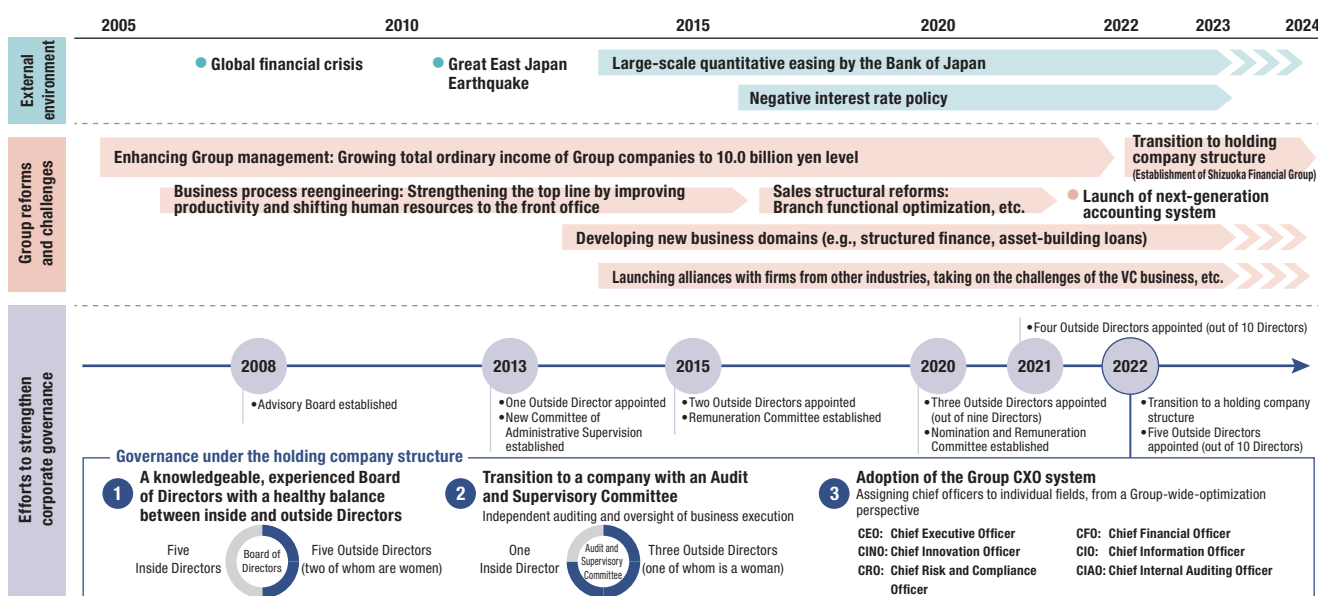
Shizuoka Financial Group seeks to build a Group-wide resilient corporate governance system that will enable sustainable growth while contributing to the wellbeing of all stakeholders, including communities, customers, future generations, employees, and shareholders.

We seek to strengthen corporate governance from both the aggressive and defensive perspectives, based on the concept of the separation of supervision and execution functions. The goal is to build a corporate governance system as demanded by stakeholders.

### Corporate Governance Policies

1	The Group establishes a suitable date to hold general meetings of shareholders and publishes notices of these meetings (including English translations) on the Group's website. By continually implementing initiatives such as these aimed at more vigorous general meetings of shareholders and the smooth exercise of shareholders' voting rights, we will secure the rights and equality of shareholders.
2	To ensure that the Group can continue to be a financial institution trusted and chosen by all stakeholders, including shareholders, regions, 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 Group will engage in appropriate disclosures based on the Banking Act, Financial Instruments and Exchange Act and other laws and regulations, as well as the 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 our management.
4	In accordance with the Basic Policy Regarding the Design of Internal Control Systems resolved by the Board of Directors based on the Companies Act, we will design a system to ensure that the execution of duties by directors complies with laws, regulations, and the Articles of Incorporation, and other systems to ensure the propriety of our operations and those of our group companies. In addition to incorporating the supervision and advice from an independent perspective by outside directors on the Board of Directors, etc., into corporate governance, we will improve the management supervisory functions of the entire group and seek to improve corporate value on a sustainable basis by leveraging the functions of the Audit and Supervisory Committee and the Nomination and Remuneration Committee.
5	The Group engages in constructive dialogue with shareholders through proactive investor relations activities, in order to contribute to sustained growth and enhanced corporate value over the medium to long term.

### History of corporate governance initiatives



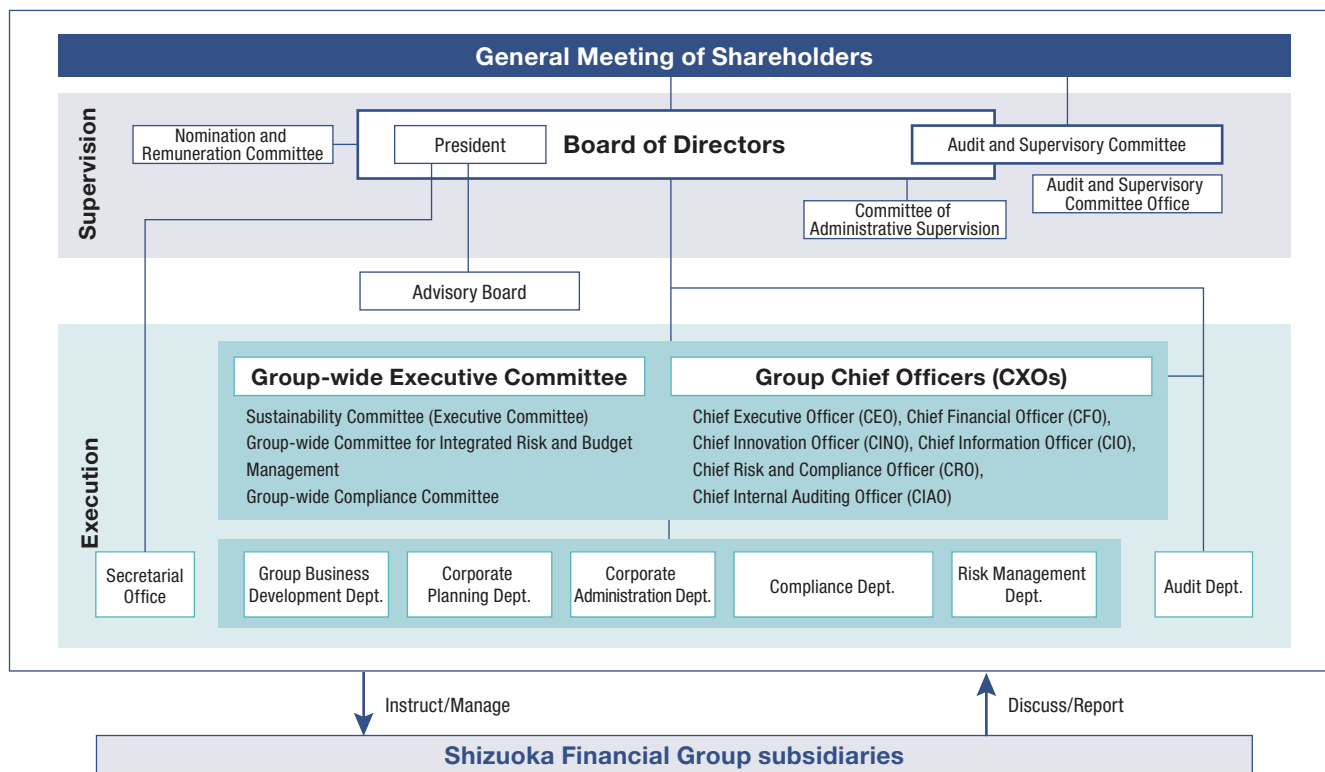
Note: Initiatives by the Shizuoka Bank before Shizuoka Financial Group was established in 2022

# Overview of the corporate governance organization under the holding company structure

## Organization of the Group's management structure

We have established and operate a corporate governance system whose goal is to enhance Group corporate value in a sustainable manner with management centered at the Group. Through the Board of Directors, the Audit & Supervisory Committee, and the Nomination & Remuneration Committee, each with an appropriate composition of members, including Outside Directors, we have built a system that makes all possible use of the independent management supervisory function.

We are also striving to strengthen group management in executive divisions by establishing a Group-wide Executive Committee, including the Sustainability Committee (Group Executive Committee), the Group-wide Committee for Integrated Risk and Budget Management, and the Group-wide Compliance Committee, as well as appointing Group Chief Officers (CXOs) in each executive field.



### Board of Directors

The Board of Directors consists of 10 directors, including five outside directors (all of whom are independent officers). As an organ responsible for enhancing independence from the business execution perspective and supervising Group-wide management, it determines management strategies, including medium-term business plans and the general features of internal controls, and supervises business execution across the Group.

### Nomination & Remuneration Committee

The Nomination & Remuneration Committee is composed of the Company's two representative directors and five outside directors. It responds to inquiries from the Board of Directors on matters like the nomination of officers and the officer compensation system, to ensure objectivity in the supervision of the Group's senior management team. As an organ authorized by the Board of Directors to make compensation decisions, it deliberates on the allocation of fixed monetary compensation and performance-linked compensation.

### Committee of Administrative Supervision

The Committee of Administrative Supervision has been established to reinforce the supervision of business execution by the Board of Directors. It is composed of the Chairperson of the Board of Directors, outside directors, Audit & Supervisory Committee members, and the Group Chief Internal Audit Officer (CIAO). Its activities include monitoring the status of business execution.

### Audit & Supervisory Committee

The Audit & Supervisory Committee is composed of one full-time Audit & Supervisory Committee member and three outside directors (all of whom are independent officers). The Committee is chaired by an outside director and works with the Internal Audit Division to ensure a structure that enables independent and detailed auditing.

### Advisory Board (Management Advisory Committee)

The Advisory Board, established under the President (CEO) as a management advisory committee and composed primarily of external experts, seeks to ensure objectivity and reflect advanced views from outside the organization in execution of management.

### Composition of the Board of Directors for management oversight

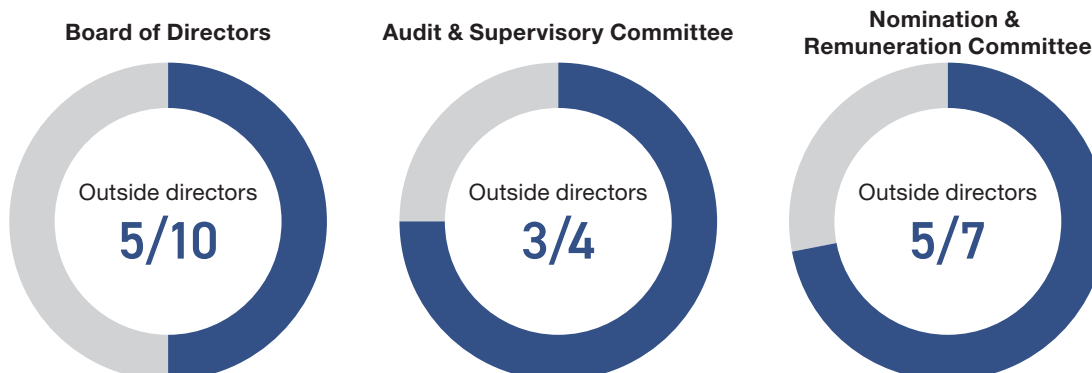
In addition to providing sound financial intermediary functions to the community, Shizuoka Financial Group seeks to strengthen group management and develop new businesses that will contribute to the region’s growth, based on a flexible, powerful governance structure that serves as the foundations for sustained growth.

The Board of Directors is charged with the mission of overseeing the business execution of operations based on the diverse expertise of the entire group to contribute to the sustainable growth of stakeholders and the Group. The Board of Directors as a whole ensures an appropriate balance in its scope and size by allowing directors and auditors to fulfill their roles from management, social, economic, and business perspectives through a comprehensive approach that reflects knowledge amassed from professional and other backgrounds.

		Management		Society, Economy		Business	
		Supervision of management as a listed company	Leading a comprehensive financial group	Vision for regional society and economy	Response to societal change	Financial intermediation functions	New businesses (development, composition)
Katsunori Nakanishi	Representative Director (Chairman)	●	●	●		●	●
Hisashi Shibata	Representative Director (President) CEO		●	●		●	
Minoru Yagi	Director Executive Officer		●	●		●	
Yutaka Fukushima	Director Executive Officer			●		●	
Koichi Kiyokawa	Director (Audit & Supervisory Committee Member)			●		●	
Kumi Fujisawa	Outside Director	●		●	● Innovation		●
Kazutoshi Inano	Outside Director	●	●	●		●	●
Motoshige Itoh	Outside Director (Audit & Supervisory Committee Member)	●			● Environment		
Kazuto Tsubouchi	Outside Director (Audit & Supervisory Committee Member)	●			● IT		●
Naomi Ushio	Outside Director (Audit & Supervisory Committee Member)	●			● Diversity		

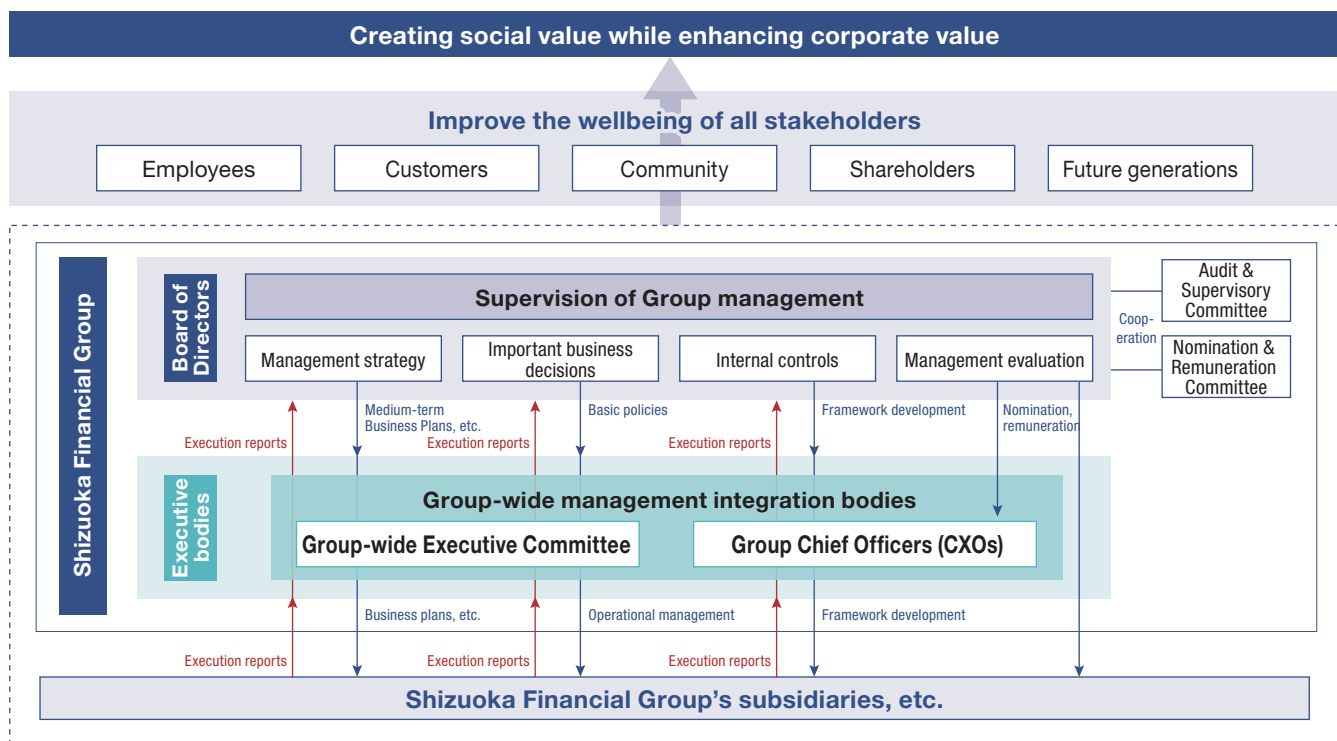
### Building a supervisory structure to ensure the independence of outside directors

Each of the Group’s supervisory organs (the Board of Directors, the Audit & Supervisory Committee, and the Nomination & Remuneration Committee) has an appropriate number of outside directors appointed to enable flexible business execution while adapting to the business environment under appropriate management supervision.



## Roles of the Board of Directors, Group-wide Executive Committee, and Group Chief Officers (CXOs)

The Group seeks to enhance corporate value on a sustainable basis while establishing appropriate relationships with stakeholders. The Board of Directors supervises Group management from the perspectives of management strategy, important business decisions, internal controls, and management evaluations. The Group-wide Executive Committee and Group Chief Officers (CXOs), under the supervision of the Board of Directors, monitor business execution across the entire group, including subsidiaries, to appropriately allocate management resources and generate group synergies.



### Role of the Group-wide Executive Committee

#### Sustainability Committee (Group Executive Committee)

In addition to deliberating on agenda items to be submitted to the Board of Directors, the Sustainability Committee makes decisions on matters related to business execution other than those for which the Board of Directors has delegated authority to other bodies. The Sustainability Committee also carries out necessary intercompany coordination related to business execution by Group companies.

#### Group-wide Committee for Integrated Risk and Budget Management

The Group-wide Committee for Integrated Risk and Budget Management deliberates on the Group's basic policy for integrated risk management, the status of risk management, the status of progress on comprehensive budget plans, and the overall management of assets and liabilities, as well as how the Group will respond to such matters.

#### Group-wide Compliance Committee

The Group-wide Compliance Committee oversees and manages all aspects of compliance within the Group, including the basic compliance policy (Ethical Charter) to be submitted to the Board of Directors for approval, amendments to the compliance policy, and the implementation and evaluation of specific measures.

### Roles of Group Chief Officers (CXOs)

<b>Group Chief Executive Officer (CEO)</b>	The CEO is responsible for management of the entire Group, directs formulation of Group management policies to maximize value for all stakeholders, and oversees all aspects of the Group's management.
<b>Group Chief Financial Officer (CFO)</b>	The CFO is responsible for the usage of the entire Group's management resources to achieve its management strategies and oversees all aspects of group management strategy to enhance Group profitability, growth potential, and financial soundness.
<b>Group Chief Innovation Officer (CINO)</b>	The CINO is responsible for new businesses and innovation to drive the Group's growth, and oversees and promotes new business development from the perspectives of increasing the Group's social performance, growth potential, and profitability, as well as increasing corporate value.
<b>Group Chief Information Officer (CIO)</b>	The CIO is responsible for the development and operation of IT strategy and systems-management frameworks for the entire Group, and oversees and controls business execution across the Group from an information-systems management perspective.
<b>Group Chief Risk and Compliance Officer (CRO)</b>	The CRO is responsible for the development and operation of compliance and risk management frameworks for the entire Group, and oversees and controls business execution across the Group from the perspectives of compliance and risk management.
<b>Group Chief Internal Audit Officer (CIAO)</b>	The CIAO is responsible for the development and operation of auditing frameworks for the entire Group, keeps business execution in check, and audits related efforts across the Group from a standpoint independent of the executive side.

## Efforts to improve the Board of Directors' oversight functions

In FY2023, to improve the oversight functions of the Board of Directors, the Board formulated guidelines for its oversight functions and management based on recurring deliberations. It is also seeking to make ongoing improvements by discussing matters like evaluations of the Board's effectiveness and related issues.

### Continual improvements to improve the Board's effectiveness

	The Shizuoka Bank	Shizuoka Financial Group	
	FY2021	FY2022	FY2023
Initiatives	<ol style="list-style-type: none"> <li>1. Ensure opportunities for discussion within and outside the Board of Directors before the resolution of important matters.</li> <li>2. Allow certain outside officers to participate in internal committees as observers.</li> </ol>	<ol style="list-style-type: none"> <li>1. Promote the participation of presidents of subsidiaries in deliberations on medium-term business plans and other business plans.</li> <li>2. Monitor via reports on Group-wide business results by Group Chief Officers (CXOs).</li> </ol>	<ol style="list-style-type: none"> <li>1. Hold overnight study sessions for the Board, with the participation of CXOs, subsidiary presidents, and others.</li> <li>2. Secure opportunities for exchange of opinions between outside directors and subsidiary presidents.</li> <li>3. Formulate guidelines on Board oversight functions and management (through repeated deliberations by the Board).</li> </ol>
Issues	<ol style="list-style-type: none"> <li>1. Stimulate discussion of Group management perspectives.</li> <li>2. Enhance the information provided to outside directors concerning business sites.</li> </ol>	<ol style="list-style-type: none"> <li>1. Expand opportunities for outside directors to better understand the businesses of subsidiaries, etc.</li> <li>2. Expand opportunities for outside directors to communicate with CXOs and other executive officers.</li> </ol>	<ol style="list-style-type: none"> <li>1. Demonstrate oversight functions through appropriate communication among the Board, CXOs, and subsidiary presidents.</li> </ol>

### Oversight and management based on the Board of Directors guidelines

**Deliberations that permit sufficient time to address important management themes**  
Deliberations that permit sufficient time for multifaceted discussions leveraging Directors' expertise as required to respond to proposals and reported matters

**Narrowing down agenda items**  
Delegating authority to the Group-wide Executive Committee, CXOs, and subsidiaries to focus the Board agenda on important matters concerning Group management such as management strategies, governance, and Group systems

**Systematization of reports on business results**

- Group-wide reports by CXOs on business results in their areas of responsibility
- Reporting of subsidiary business results regularly and in light of their importance

**Demonstrating oversight functions on important matters and themes of Group management**  
Ensuring effective monitoring of Group business execution

**Examples of management themes discussed in FY2023**

- Establishing new companies to solve issues in the region
- Envisioning new businesses to solve issues in the region
- Vision of Board of Directors oversight and management (guidelines)
- Evaluation of the effectiveness of the Board
- Matters related to management conscious of capital costs and share price
- Matters related to the Group Employee Engagement Survey
- Status of and policies for initiatives to address climate change
- Execution plans (business plans, internal auditing plans, etc.)

Authority is delegated to executive sections under an appropriate oversight structure, to enable the Board to deliberate on an agenda focused on matters of high importance to Group management. In addition, to ensure effective monitoring of Group business execution, a structure has been established and is being put into use for reporting to the Board in various ways, including Group-wide reports on business results by Group Chief Officers (CXOs) on their individual areas of responsibility. Through these efforts, the Board has sufficient time to deliberate on important management themes by leveraging its multifaceted expertise.

### Holding overnight study sessions for the Board

Overnight study sessions are held for various purposes, including enhancing discussions of important themes, promoting studies of advanced management topics, and stimulating communication among Directors and Group core management (including CXOs and subsidiary presidents).

\* Held for one night in August 2023

Themes of Board overnight study sessions	1. Shizuoka Financial Group Board of Directors oversight styles
	Directors discussed how the Board should perform its oversight functions from the perspectives of management strategy, internal controls, and important business decisions.
	2. Social implementation of generative AI and the changing value judgments demanded of corporate management
	Joined by outside experts, participants took part in a demonstration of generative AI and exchanged opinions on matters such as its potential and risks.
3. Focal points of management toward regional co-creation in light of trends in regional industries	
	Participants listened to a briefing by the Shizuoka Economic Research Institute on industrial trends in Shizuoka Prefecture and discussed the focal points of managing regional co-creation.

### Demonstrating the oversight functions of outside directors (environmental improvements)

To promote further demonstration of the oversight functions of outside directors in Group management, we made environmental improvements by providing opportunities for provision of information and exchange of opinions outside of the Board of Directors.

- Exchange of opinions with subsidiary presidents (Shizuoka Capital, Shizugin Management Consulting, Shizugin TM Securities)**  
Exchange of opinions on matters such as courses of action and state of progress in subsidiary strategy and organizational structures
- Exchange of opinions with new business development sections (Chief Innovation Officer [CINO], Group Business Development Dept.)**  
Exchange of opinions with the responsible CXO and section on courses of action for expanding new business domains and innovation, reflecting enhancement of the organizational structure for new business development
- Exchange of opinions among independent officers**  
Achieving a shared understanding of the issues among independent officers to contribute to further improvements in the environment for oversight by independent outside directors

## Structure of directors' compensation to enhance corporate value

### Basic policy on directors' compensation

1. The framework of compensation for directors shall be appropriately established to function as a sound incentive based on our aim to be a sustainable corporate group that can maximize value for all the Group's stakeholders.

2. Directors' compensation shall reflect the roles and responsibilities that each director must fulfill, as well as their results, to maintain and enhance the sound management of the Group based on directors' duty to accurately engage in Group-wide management.

3. 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 and advice of the Nomination & Remuneration Committee, while respecting the resolutions of the General Meeting of Shareholders.

In addition to fixed monetary compensation, compensation for directors (excluding directors who are Audit & Supervisory Committee members) is composed of performance-linked compensation, officer compensation based on a points system linked to share price, and restricted share-based compensation. This system of compensation encourages morale and desire for enhanced performance, the motivation to increase corporate value, and shareholder-oriented management. Compensation for outside directors and directors who are Audit & Supervisory Committee members consists of fixed monetary compensation only, to ensure their neutrality and independence.

Decisions on the allocation of each form of compensation for directors (excluding directors who are Audit & Supervisory Committee members) were delegated to the Board of Directors by the First Annual General Meeting of Shareholders held on June 16, 2023. The Nomination & Remuneration Committee is entrusted to allocate fixed monetary compensation and performance-linked compensation by a resolution of the Board of Directors.

The allocation of compensation (fixed monetary compensation only) for directors who are Audit & Supervisory Committee members is determined through discussion among such directors and is limited to no more than ¥90 million per year.

### Composition of compensation for directors (excluding directors who are Audit & Supervisory Committee members)

	Basic compensation (cash)	Performance-linked compensation, etc. (cash)		Non-monetary compensation (stock)
	Fixed monetary compensation	Performance-linked compensation	Officer compensation based on a points system linked to share price	Restricted share-based compensation
	<b>Directors (excluding Audit &amp; Supervisory Committee members)</b>	<b>Directors (excluding outside directors and Audit &amp; Supervisory Committee members)</b>		
Upper limit <sup>1</sup>	No more than ¥210 million per year	An amount corresponding to the level of net income attributable to owners of the parent, from ¥0 to ¥140 million	No more than 50,000 points per year (each point is worth one share)	No more than ¥50 million and no more than 50,000 shares per year
Proportion <sup>2</sup>	60%	20%	10%	10%

<sup>1</sup> Total for all eligible directors

<sup>2</sup> Amounts of officer compensation based on points system linked to share price and restricted share-based compensation are calculated with reference to historical share price levels, etc. The proportions of each type of compensation vary depending on the performance-linked compensation paid and the Company's share price.

### Performance-linked compensation

We have introduced performance-linked compensation indexed to net income attributable to owners of the parent to encourage morale and the desire for enhanced consolidated performance among directors (excluding outside directors and directors who are Audit & Supervisory Committee members) and to better reflect Group business performance in compensation.

### Restricted share-based compensation

We have introduced restricted share-based compensation aimed at raising awareness of enhancing corporate value and shareholder-oriented management among directors (excluding outside directors and directors who are Audit & Supervisory Committee members). Under this system, shares of Company common stock, subject to a designated period of transfer restrictions, are granted to eligible directors after the elapse of a prespecified period of time after they cease to serve as either directors or executive officers of Shizuoka Financial Group as a result of retirement or resignation.

### Officer compensation based on points system linked to share price

We have introduced compensation for directors (excluding outside directors and directors who are Audit & Supervisory Committee members) based on a points system linked to share price, with the goal of further strengthening incentives for directors to increase corporate value and further deepening shareholder-oriented management during their terms of office. Under this system, eligible directors are allotted a specific number of points each year and receive a cash amount equivalent to their accumulated points multiplied by the average closing share price of Shizuoka Financial Group's stock during the six-month period immediately before retirement.

# Thorough Compliance and Risk Management

We strive to strengthen our compliance and integrated risk management systems at all times to respond appropriately and effectively to changing business conditions and the growing diversity and complexity of our businesses.

## Practicing steady risk management and positive compliance



As Japan shifts to an era of positive interest rates, market risk management and credit risk management will grow more important. At the same time, the importance of efforts to achieve operational resilience, including responding to cyber risks, continues to grow. Our approach is one of cross-functional risk management across the Group under the holding company's integrated risk management framework.

A lack of integrity is one fundamental cause of corporate misdeeds. We will aim to foster an open workplace culture that values communication and to enhance our organizational self-corrective capabilities by seeing compliance positively as doing what's right rather than simply not doing what's wrong.

**Yasuhiro Ogawa**  
Group Chief Risk and Compliance Officer (CRO)

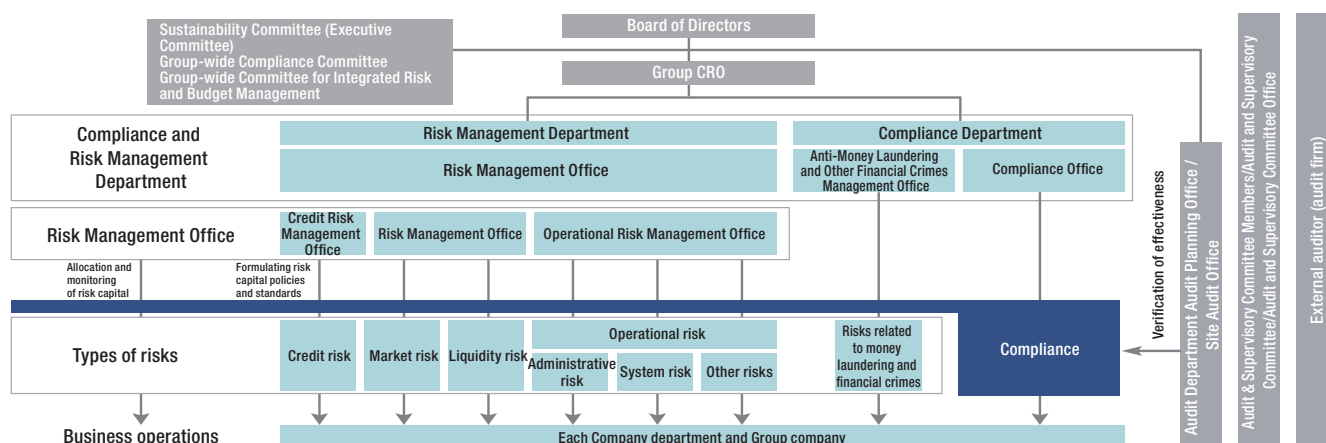
## Basic Compliance Policy

As a member of the community, Shizuoka Financial Group complies with laws, regulations, and social norms and embraces a spirit of fair play. We have established our Ethical Charter as our basic compliance policy, to grow in harmony with the community.

### Ethical Charter

Gaining Trust	Compliance with Laws, Regulations and Rules	Social Etiquette and Fair Play	Breaking Contact with Anti-Social Forces	Active Communication
We are constantly aware of the importance of the Group's social responsibility and public mission. As a financial group, we strive to build unshakable trust through sound business management.	In the conduct of our business, we comply with laws, regulations, and rules, and on the basis of honesty and fairness, we adhere to social norms as a member of society.	As executives and employees of the Group, we contribute to the development of the local community by fostering a strong social etiquette and a spirit of fair play.	The 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.	We actively communicate with stakeholders and cooperate with them to build a strong compliance system.

### Shizuoka Financial Group's Compliance and Risk Management Systems



# Compliance system

## Compliance system

Shizuoka Financial Group formulates an annual Compliance Program as its practical action plan to ensure compliance.

Chaired by the Group Chief Compliance and Risk Officer (CRO), who has overall responsibility for compliance, the Group-wide Compliance Committee with a membership consisting of directors and other executives meets monthly to deliberate on important compliance matters across the Group and assess the status and activities of the Group's compliance system, including the implementation of compliance programs. The committee reviews and revises the system as necessary.

The Compliance Department monitors the functioning of the compliance system through the integrated management of compliance information with the goal of preventing potential violations and maintaining and strengthening the compliance system across the Group. Compliance Officers and Customer Protection Supervisors assigned to the Compliance Department guide and monitor Group companies in various ways, including on-site inspections.

Each Group company promotes compliance by formulating and implementing compliance programs, and reports to its Compliance Committee on the status of compliance.

## Cultivating a corporate culture focused on compliance

Shizuoka Financial Group has appointed a Group CRO as the individual assigned overall responsibility for compliance across the Group. Management takes an energetic and proactive approach to compliance issues and activities to strengthen awareness of compliance Group-wide.

Efforts also seek to foster a culture in which employees take action on their own to have a positive impact on compliance and to further strengthen the compliance structure through Group synergies.

### •Opinion Box whistleblowing system

For early detection and remediation of legal and regulatory violations and other compliance issues, Shizuoka Financial Group has established the Opinion Box internal reporting system. This system allows all executives and employees, including those who have departed the Group within the past year, to submit reports, thereby enhancing self-corrective functions. Reports can be submitted to the Group CRO, the Compliance Management Department, and attorneys' offices by phone, in writing, by email, via a Web form, or through groupware (intranet), anonymously or signed.

These reports are handled by public interest whistleblowing system personnel who are legally bound to maintain the confidentiality of those submitting the reports. The names of the whistleblowers are not disclosed without their consent. To encourage use of the Opinion Box system, rules expressly forbid any attempts by executives or employees to seek to identify whistleblowers or to subject them to unfavorable treatment.

The Compliance Department seeks to strengthen the understanding of this system on an ongoing basis through training and other means. All employees are provided opportunities to get a feel for posting comments to the Opinion Box system through simulated posting exercises every six months.

The Opinion Box system provides opportunities to post various opinions on the workplace and on business activities.

### •Measures to prevent money laundering, funding of terrorism, proliferation financing, and violations of economic sanctions

The importance of countermeasures to combat money laundering and funding of terrorism has grown in recent years as a key issue Japan and the international community must tackle. Shizuoka Financial Group believes this concerns not merely compliance, but the management risks capable of posing business issues. As a basic policy, having positioned the elimination of money laundering as an important social responsibility, the Group makes every effort at all times to prevent money laundering through joint efforts involving all related Group companies and sections under management guidance and proactive engagement.

The Group's control systems are based on the concept of three lines of defense, as described in the Financial Services Agency's Guidelines for Anti-Money Laundering and Combating the Financing of Terrorism. The Group will continue to work with government departments and agencies to strengthen countermeasures to money laundering and other financial crimes with the goal of eradicating criminal organizations and activities and continuing to provide secure and convenient financial services.

#### The Shizuoka Bank's Control Systems

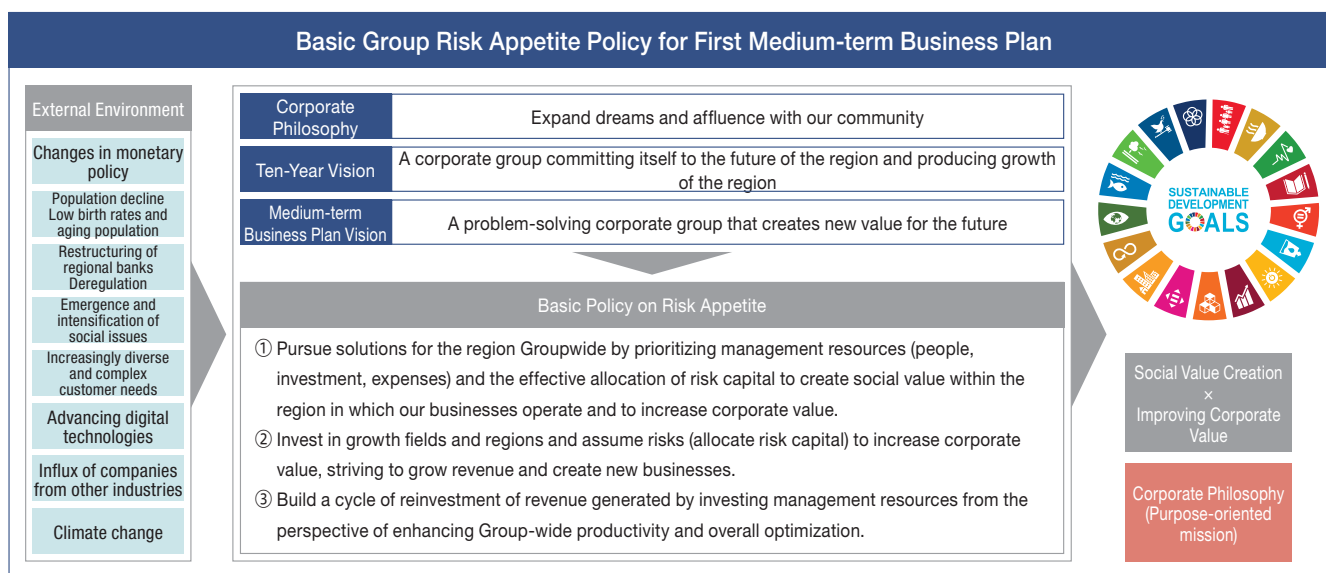
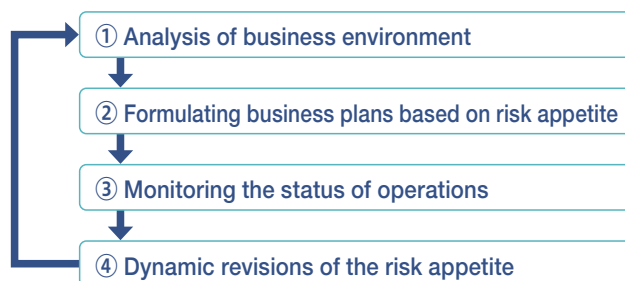
Category	Department	Role
First line of defense (sales divisions)	Branches, loan centers, etc.	Proper understanding and proper execution of policy and procedures
Second line of defense (management departments)	Anti-Money Laundering and Other Financial Crimes Management Office, headquarters departments assigned responsibility	Monitoring and supporting the first line of defense (sales divisions)
Third line of defense (internal audit division)	Audit Department	Verification of the effectiveness of measures to combat money laundering and funding of terrorism



## Risk appetite framework (RAF)

The Group has established a clear risk appetite (i.e., types and scope of risks the Group is willing to assume) to realize its corporate philosophy and management targets. It deploys a risk appetite framework (RAF) as a corporate business and risk management tool.

The specific process is illustrated at right. The goal is to use the RAF to realize optimum risk returns with the Group’s medium- to long-term growth in mind.



## Risk management framework

Each Group company manages the risks to which it is exposed in accordance with policies set by the holding company, while the holding company handles the integrated management of Group-wide risks.

Specifically, each Group company establishes its own risk management organizations, roles, and assignments to implement autonomous risk management, reporting the status of these risks to the holding company. The holding company controls risks across the Group by ensuring that Group companies understand risk management policies and by undertaking monitoring and guidance through the risk management coordination section. The Group Chief Risk Officer (CRO) regularly reports to the Board of Directors on the status of these risks.

### Integrated risk management system

The 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 set forth the fundamental principles that underlie our approach to risk management. A management system that allocates risk capital is core to the Group’s integrated risk management system and ensures an appropriate balance between strengthening earnings and financial soundness.

The mechanism that allocates risk capital ensures sound management by maintaining risk within a manageable range. The Group defines core shareholder equity as capital for allocation, which it allocates to each department of the Shizuoka Bank (our core Group company) involved in business execution and to other Group companies. Even in the event of the actual emergence of market, credit, or other risks, the system keeps losses within the bounds of shareholder equity.

## Credit risk management system

The Credit Risk Management Office of the Compliance and Risk Management Department is responsible for the overall management of credit risk both in Japan and overseas, to maintain and enhance the soundness of the loan asset portfolio. Under the Group's internal rating system, which includes its borrower credit rating system, the Credit Risk Management Office is responsible for designing and supervising the deployment of the system; the planning offices of the credit management departments of Group companies are responsible for day-to-day operations; and the Risk Management Office is responsible for verifying the propriety of the system. Mutual checks and balances among these three

units facilitate the proper function of the Group's internal ratings system.

The Credit Risk Management Office draws on statistical procedures to quantify the credit risks posed by the Group's loan portfolio. In this way, the Group guides the portfolio to avoid excessive credit risk, accurately assessing future risk amounts and monitoring for concentrations of loans with large borrowers or specific industries.

The Audit Department, which is organizationally independent of the banking division, credit management departments, and risk management departments, audits the propriety and effectiveness of the design and operation of the credit risk management system.

## Market risk management system

In market transactions, we strive to keep market risk within a defined range by setting restrictions on matters such as the amount of risk capital allocated, valuation gains and losses, position amounts, and sensitivity.

For deposits, loans, investment securities, and other banking account transactions, the Business Strategy Office within the Corporate Planning Department formulates hedging policies based on considerations such as current risk conditions and interest rate outlook, to keep the volume of market risk within a defined range. These policies are reviewed by the Group Integrated Risk and Budget Management Committee.

The Shizuoka Bank's market operations are structured to rigorously partition administrative and control sections from the sections that engage in these transactions, and the Bank also operates an independent risk management section to ensure mutual checks and balances function as intended. The Audit Department, which is independent of the sections involved in business execution, verifies the effectiveness of these mutual checks and balances among the administrative, execution, and risk management sections.

## Liquidity risk management system

By establishing separate departments to manage yen and foreign currency cash flow (e.g., the Fund & Foreign Exchange Group of the Treasury Department, the Business Strategy Planning and ALM Group of the Corporate Planning Department, and the Treasury and International Operations Center of Treasury and International Operations Department of the Shizuoka Bank), and an independent liquidity risk management department (the Risk Management Group of the Compliance and Risk Management Department), the Group ensures systemic mutual checks and balances. As part of this system of checks and balances, the Fund & Foreign Exchange Group of the Bank's Treasury Department keeps fundraising requirements to within procurable levels while striving to ensure stable cash flow management, closely monitoring market conditions. The Risk Management Group of the Compliance and Risk Management Department monitors various related aspects, including the operational

status of cash flow management sections and assessments of assets-liabilities stability.

To ensure preparedness for unforeseen circumstances, we have established an emergency cash flow management system divided into four emergency stages: Stage 1 (prevention); Stage 2 (attention required); Stage 3 (liquidity concerns); and Stage 4 (insufficient liquidity). We have predefined countermeasures and delegated authority to specific individuals for each stage to allow prompt response to any potential issues.

For market liquidity risks, the liquidity risk management department monitors the status of holding highly liquid assets that can be monetized readily. The market divisions of the Shizuoka Bank and other Group companies address market liquidity risk in various ways, including considering liquidity when choosing investment assets and setting limits on specific issues and holding periods.

## Operational risk management system

Operational risk is classified by cause. Each risk category is managed by a specialized 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 Group. We are currently moving to strengthen our operational risk management system through various measures, including compiling and analyzing internal loss data and implementing risk control self-assessments. The Audit Department, which is organizationally independent of all units it audits, verifies the effectiveness of the risk management system through on-site inspections and other means. Some typical operational risk management systems are outlined below.

### Administrative Risk Management

In addition to prioritizing preventive measures for high-risk cases based on past incidents, we are responding to increasingly diverse business operations and higher trading volumes in various ways, including improving efficiency based on computerization and centralization of branch operations at a shared-services center.

### System risk management

Recognizing computer systems as key information assets, we seek to ensure secure and reliable operations based on the Basic Policy for Information Asset Security Measures (Security Policy) and the Standards for Information Asset Security Measures (Security Standards).

### •ISO 27001 certification

Shizugin IT Solution, which handles the development, operation, and maintenance of Group computer systems, has earned ISO 27001 Information Security Management System certification, another initiative to safeguard information from hacking, leaks, and other hazards.

# Cybersecurity

## Basic policy

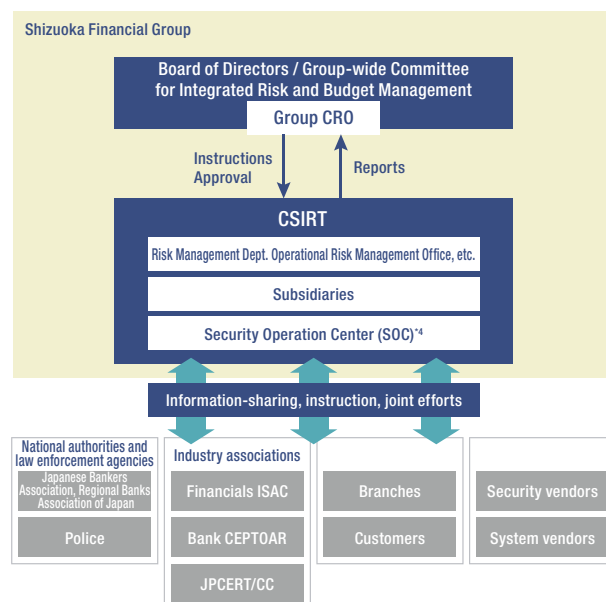
With the progress of digital technologies and other trends, the Internet is increasingly becoming the medium for economic activity and for communications. In response, cyberattacks have emerged as a growing threat. Shizuoka Financial Group has identified addressing the risk of cyberattacks as a key management issue. To respond to cyberattacks that grow increasingly sophisticated, we constantly refine our security measures and strive daily to safeguard the Group from attacks in accordance with the Cybersecurity Management Policy we established.

## Framework for managing cybersecurity

Under the management leadership of the Group CRO, the Computer Security Incident Response Team (CSIRT)<sup>1</sup> collects and communicates information on cybersecurity threats, investigates and responds to detected attacks, and implements various security measures Group-wide.

The CSIRT has concluded an agreement on joint countermeasures with the Headquarters of Shizuoka Prefectural Police; joined the external organizations Financials ISAC Japan<sup>2</sup> and the Nippon CSIRT Association<sup>3</sup>; signed an exclusive contract with a security company; and prepared frameworks to enable rapid response to any cyberattacks. Through joint efforts with such public and private external organizations, we strive to enhance the effectiveness of our cybersecurity management framework.

In April 2024, we established the IT Security Office as a dedicated the Shizuoka Bank's section specializing in cybersecurity. This move is intended to realize timely and appropriate defense against cyberattacks in multifaceted ways, including gathering information on the threat of cyberattacks and promoting research and implementation of security countermeasures.



<sup>1</sup> Organization established to respond to cases related to computer security  
<sup>2</sup> Incorporated organization established to enable cybersecurity information-sharing and cooperation among financial institutions  
<sup>3</sup> Expert organization in which many corporate CSIRTs are members  
<sup>4</sup> Established within Shizugin IT Solution as a specialized organization within the Group having central responsibility for technical security assessments

## Fighting financial crime

In December 2023, we began implementing algorithms that detect improprieties\* with the goal of assuring safe and secure financial services for customers. The system in question identifies improprieties in online transactions. By repeatedly gathering and analyzing data, we seek to make these systems more precise and thereby prevent financial crimes.

We are also striving to communicate relevant information to customers in various ways, including posting to the website any new information on phishing attempts or funds transfer fraud, as well as reminding internet banking users of security concerns.

\* Computer algorithms intended to block improper use of accounts before the funds are received by organized crime in case in which customers are victimized by payment scams

## Training and education

To improve the digital literacy of Group officers and employees, we provide continuous education and awareness-raising activities, including information security seminars and e-learning for all officers and employees, sharing information on the latest security trends, and training on suspicious emails.

The CSIRT plays a central role in our periodic participation in various training sessions and exercises organized by Financials ISAC, the National Center of Incident Readiness and Strategy for Cybersecurity (NISC), and other organizations, as we strive to make our cybersecurity measures still more effective.

# The Internal Audit Structure

To strengthen corporate value while maintaining the propriety and soundness of business operations, we strive to ensure the efficacy of Group internal audits, keeping firmly in mind the vital need to maintain effective approaches to internal audits that reflect the scale and other attributes of operations, laws and regulations, and risks.

## Supporting the Group governance structure from the perspective of internal audits



The goal of internal audits is to improve governance by evaluating and verifying whether the risks that arise in the process of doing business are recognized and controlled properly—in other words, whether internal controls are appropriate and effective—and encouraging improvements as needed.

We steadily implement the First Medium-term Business Plan's basic Group Governance Strategy by focusing on risk communication to facilitate rapid and effective management decision-making, enhance auditing procedures to make internal audits more effective, and foster a sense of risk ownership among the sections (Group officers and employees) audited.

**Toru Atsumi**  
Group Chief Internal Audit Officer (CIAO)

### The operational framework of Group-wide internal audits

The Audit Department undertakes internal audits under the direction of the CIAO and supervision of the Board of Directors. To ensure objective and effective internal audits and keep the executive division in check, this department remains independent of the executive side.

The Board of Directors establishes Internal Audit Rules, including Group internal audits policies, and approves internal audit plans.

The Audit Department undertakes internal audits for the Group to assess its compliance and risk management systems and other aspects related to the propriety and effectiveness of internal controls.

The results of internal audits are reported regularly to the Board of Directors and the Audit & Supervisory Committee, and follow-up is carried out regarding proposals to remedy issues and the status of improvements.

The divisions and personnel responsible for internal audits at Group companies also undertake internal audits and related activities. The CIAO coordinates the management of internal audit activities across the Group.

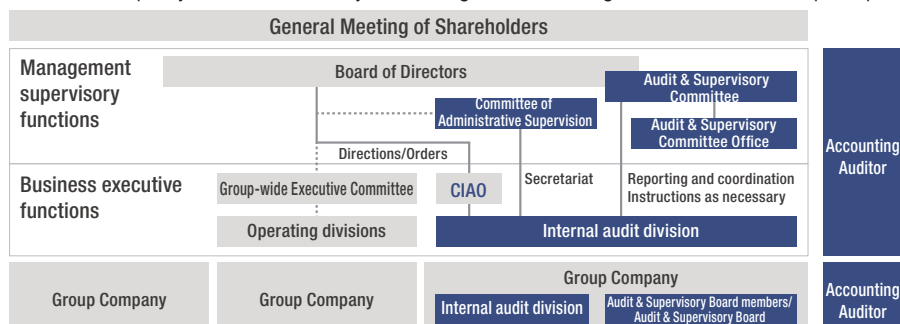
### Coordination between the internal audit division and other bodies

The Audit Department has established periodic opportunities for the exchange of opinions and information with inside and outside directors, inside and outside Audit & Supervisory Committee members, representatives, internal audit divisions of Group companies, and other entities and individuals. In this way, through appropriate advising and other intermediary efforts, it seeks to contribute to Group-wide management.

### Initiatives to improve the quality and sophistication of internal audits

The Audit Department undertakes various initiatives to ensure effective and high-quality internal audits while adapting to changes in management and business conditions.

After evaluating inherent risks in the companies, sections, and operations subject to internal audits, the Audit Department determines the targets, frequencies, depths, and other parameters of each fiscal year's internal audits to allocate auditing resources efficiently. The department works to develop human capital by encouraging personnel to earn international internal audit qualifications and participate in external seminars and other activities. It also strives to enhance the quality of internal audits by contracting with external agencies in areas that require specialized knowledge.



Note: The bodies and divisions indicated in white letters work with one another.

## List of officers



## Representative Director (Chairman)

## Katsunori Nakanishi

April 1976 Joined the Shizuoka Bank, Ltd.  
 July 1992 General Manager of Fujinomiya North Branch  
 June 1994 General Manager of Shintori Branch  
 June 1995 General Manager of Mishima Branch  
 June 1999 Director and General Manager of Corporate Administration Dept.  
 June 2001 Director & Executive Officer, General Manager of Corporate Planning Dept.  
 June 2003 Director & Senior Executive Officer  
 April 2005 Director & Senior Executive Officer, Deputy General Manager of Corporate Center in charge of planning and administration  
 June 2005 President & Chief Executive Officer  
 June 2011 Chairman, Regional Banks Association of Japan (to June 2012)  
 June 2016 Chairman, Regional Banks Association of Japan (to June 2017)  
 June 2017 Representative Director (Chairman) of the Shizuoka Bank, Ltd.  
 October 2022 Representative Director (Chairman) of Shizuoka Financial Group, Inc. (to present)  
 Chairman of Nomination & Remuneration Committee (to present)  
 Member of Committee of Administrative Supervision (to present)



## Representative Director (President) &amp; CEO

## Hisashi Shibata

April 1986 Joined the Shizuoka Bank, Ltd.  
 June 2009 Director and General Manager of Corporate Planning Dept.  
 April 2011 Director and General Manager of Gofukucho Branch  
 June 2011 Executive Officer and General Manager of Gofukucho Branch  
 June 2012 Senior Executive Officer, Deputy General Manager of Banking Division in charge of securities and international business; General Manager of Metropolitan Business Unit and General Manager of Tokyo Branch  
 April 2013 Senior Executive Officer, Deputy General Manager of Banking Division in charge of Metropolitan Division, General Manager of Metropolitan Business Unit and General Manager of Tokyo Branch  
 June 2014 Director & Senior Executive Officer, Deputy General Manager of Banking Division in charge of credit  
 June 2016 Director & Senior Executive Officer, Deputy General Manager of Corporate Center in charge of corporate planning and corporate administration  
 June 2017 President & COO  
 Chairman, Shizuoka Bankers' Association  
 July 2019 Director, Japanese Bankers Association  
 June 2021 Chairman, Regional Banks Association of Japan (to June 2022)  
 October 2022 President, Shizuoka Financial Group, Inc. (to present)  
 Member of Nomination & Remuneration Committee (to present)  
 Director, the Shizuoka Bank, Ltd. (to present)



## Director

## Minoru Yagi

April 1987 Joined the Shizuoka Bank, Ltd.  
 June 2008 General Manager of Shintori Branch  
 January 2010 General Manager of Yaizu Branch  
 April 2011 Director, Senior General Manager of Corporate Planning Dept.  
 June 2012 Executive Officer, General Manager of Corporate Planning Dept.  
 June 2014 Director & Senior Executive Officer, Deputy General Manager of Corporate Center in charge of corporate planning and corporate administration  
 June 2016 Director & Senior Executive Officer, Deputy General Manager of Banking Division in charge of credit  
 June 2017 Director & Senior Managing Executive Officer, General Manager of Corporate Center  
 June 2020 Representative Director & Senior Managing Executive Officer, General Manager of Corporate Center  
 June 2021 Representative Director & Vice President, General Manager of Corporate Center  
 October 2022 Director & Executive Officer, Shizuoka Financial Group, Inc. (to present)  
 President, the Shizuoka Bank, Ltd. (to present)  
 Chairman, Shizuoka Bankers' Association (to present)  
 July 2024 Director, Japanese Bankers Association (to present)



## Director

## Yutaka Fukushima

April 1989 Joined the Shizuoka Bank, Ltd.  
 April 2005 General Manager of Fujikawa Branch  
 June 2006 Deputy General Manager of Corporate Planning Group of Corporate Planning Dept.  
 January 2009 General Manager of Fujinomiya Branch  
 June 2011 Joint General Manager of Credit Dept. (serving concurrently as General Manager of Credit Group II)  
 June 2013 Director and General Manager of Fujichuo Branch  
 June 2015 Executive Officer, General Manager of Gofukucho Branch  
 June 2016 Executive Officer, General Manager of Head Office  
 June 2017 Senior Executive Officer, General Manager of Eastern Area Business Unit  
 June 2021 Director & Senior Executive Officer, General Manager of Banking Division  
 June 2022 Director and Senior Managing Executive Officer, General Manager of Banking Division  
 October 2022 Director & Executive Officer, Shizuoka Financial Group, Inc. (to present)  
 Director and Senior Managing Executive Officer, the Shizuoka Bank, Ltd. (to present)  
 General Manager of Banking Division (to present)



## Director

## Kumi Fujisawa

June 2004 Executive Director, the Investment Trusts Association, Japan  
 November 2004 Director, SophiaBank Limited  
 June 2011 Public Governor, Japan Securities Dealers Association (to present)  
 June 2013 Director, the Shizuoka Bank, Ltd.  
 August 2013 President, SophiaBank Limited  
 June 2014 Director, Toyota Tsusho Corporation  
 May 2016 Director, Creek and River Co., Ltd.  
 March 2018 Director, Japan Professional Football League  
 October 2018 Director, Net Protections Holdings, Inc. (to present)  
 April 2019 Director, Japan Action Tank (to present)  
 March 2020 Director, Jinseki Kogen Gakuen Institution (to present)  
 January 2021 Director, CellSource Co., Ltd. (to present)  
 April 2021 Representative Director, Japan Philanthropic Partners (to present)  
 October 2021 Auditor, Ridlover Inc. (to present)  
 April 2022 Chairperson, Institute for International Socio-Economic Studies, Ltd. (to present)  
 May 2022 Director, Edmilson Funds Asia (to present)  
 October 2022 Director, Shizuoka Financial Group, Inc. (to present)  
 Member of Nomination & Remuneration Committee (to present)  
 Member of Committee of Administrative Supervision (to present)  
 April 2023 Director, University Public Corporation Osaka (to present)



## Director

## Kazutoshi Inano

April 1976 Joined Nomura Securities Co., Ltd. (now NOMURA HOLDINGS, INC.)  
 June 2000 Director, Executive Vice President of Nomura Securities Co., Ltd.  
 April 2002 Director, President of Nomura Asset Management Co., Ltd.  
 April 2003 Director, Deputy President & Co-CEO of Nomura Holdings, Inc.  
 April 2005 Director, Chairperson of the Nomura Trust and Banking Co., Ltd.  
 April 2008 Executive Managing Director, Deputy Chairperson of Nomura Securities Co., Ltd.  
 April 2009 Director, Chairperson, Representative Executive Managing Director of Nomura Asset Management Co., Ltd.  
 Vice Chairperson of Japan Association of Corporate Executives  
 June 2009 Chairman of the Investment Trusts Association  
 August 2009 Chairman of the Securities Analysts Association of Japan  
 June 2011 Chairman of the Board of Directors of Nomura Asset Management Co., Ltd.  
 July 2013 Chairman of Japan Securities Dealers Association  
 May 2017 Chairman of Japan Securities Scholarship Foundation  
 April 2018 Chairman of Japan Foundation for Regional Vitalization  
 June 2021 Director, the Shizuoka Bank, Ltd.  
 October 2022 Director, Shizuoka Financial Group, Inc. (to present)  
 Member of Nomination & Remuneration Committee (to present)  
 Member of Committee of Administrative Supervision (to present)  
 July 2023 Director of Japan Securities Scholarship Foundation (to present)  
 August 2023 Councilor, Ernst & Young ShinNihon LLC (to present)



Director (Audit & Supervisory Committee Member)  
Koichi Kiyokawa

April 1988 Joined the Shizuoka Bank, Ltd.  
June 2006 General Manager of New York Branch  
June 2009 Senior Deputy General Manager of Numazu Branch  
April 2010 General Manager of Fujieda Branch  
April 2012 Joint General Manager of Corporate Administration Dept.  
June 2012 Director and General Manager of Corporate Administration Dept.  
June 2014 Executive Officer, General Manager of Corporate Planning Dept.  
April 2016 Executive Officer, General Manager of Risk Management Dept.  
June 2017 Executive Officer, General Manager of Shimizu Branch  
June 2019 Executive Officer, General Manager of Head Office  
June 2020 Director & Senior Executive Officer  
October 2022 Director (Audit & Supervisory Committee Member), Shizuoka Financial Group, Inc. (to present)  
Member of Committee of Administrative Supervision (to present)  
June 2023 Audit & Supervisory Board Member, the Shizuoka Bank, Ltd. (to present)



Director (Audit & Supervisory Committee Member)  
Motoshige Itoh

September 1978 Assistant Professor, Department of Economics, University of Houston  
April 1996 Professor, Faculty of Economics, the University of Tokyo  
June 2015 Director, East Japan Railway Company (to present)  
Trustee, the Sasakawa Peace Foundation  
April 2016 Professor, Faculty of International Social Sciences, Gakushuin University  
June 2016 Professor Emeritus, the University of Tokyo (to present)  
March 2018 Corporate Auditor, Hagoromo Foods Corporation  
Director, the Japan Foundation for the United Nations University (to present)  
June 2018 Director, the Shizuoka Bank, Ltd.  
Director, Sumitomo Chemical Company, Limited (to present)  
April 2022 Director, JX Nippon Mining & Metals Corporation (to present)  
June 2022 Director, Hagaromo Foods Corporation (to present)  
October 2022 Director (Audit & Supervisory Committee Member), Shizuoka Financial Group, Inc. (to present)  
Member of Nomination & Remuneration Committee (to present)  
Member of Committee of Administrative Supervision (to present)



Director (Audit & Supervisory Committee Member)  
Kazuto Tsubouchi

April 1976 Joined Nippon Telegraph and Telephone Public Corporation (now Nippon Telegraph and Telephone Corporation [NTT])  
December 2000 General Manager, Kanazawa Branch of Nippon Telegraph and Telephone West Corporation  
June 2006 Member of the Board of Directors, Senior Vice President, Managing Director of Accounts and Finance Department of NTT Docomo, Inc.  
June 2012 Member of the Board of Directors, Senior Executive Vice President, Chief Financial Officer of NTT Docomo, Inc.  
July 2015 President, Foundation for MultiMedia Communications  
June 2018 Chairman, Information & Telecommunication Equipment Constructor's Association  
June 2020 Director, the Shizuoka Bank, Ltd.  
Councillor, Information & Telecommunication Equipment Constructor's Association  
October 2022 Director (Audit & Supervisory Committee Member), Shizuoka Financial Group, Inc. (to present)  
Member of Nomination & Remuneration Committee (to present)  
Member of Committee of Administrative Supervision (to present)



Director (Audit & Supervisory Committee Member)  
Naomi Ushio

April 1983 Joined Fuji Television Network, Inc.  
April 1998 Senior Assistant Professor, Meiji University  
April 2009 Professor, School of Information and Communication, Meiji University (to present)  
August 2009 Expert Member, Liaison Conference for the Promotion of Gender Equality, Cabinet Office  
June 2011 Audit & Supervisory Board Member, Seven Bank, Ltd.  
June 2014 Corporate Auditor, JX Holdings, Inc. (now ENEOS Holdings, Inc.)  
April 2016 Vice President, Meiji University  
March 2018 Director, POLA ORBIS HOLDINGS INC. (to present)  
February 2019 Member, 10th Central Council for Education, Ministry of Education, Culture, Sports, Science and Technology  
June 2019 Audit & Supervisory Board Member, the Shizuoka Bank, Ltd.  
June 2020 Corporate Auditor, Hagaromo Foods Corporation  
June 2021 Director, the Dai-ichi Life Insurance Company, Limited (to present)  
October 2022 Director (Audit & Supervisory Committee Member), Shizuoka Financial Group, Inc. (to present)  
Member of Nomination & Remuneration Committee (to present)  
Member of Committee of Administrative Supervision (to present)  
June 2024 Director, Hagaromo Foods Corporation (to present)

## Executive Officers

Executive Officer & CFO  
Hiromitsu Umehara

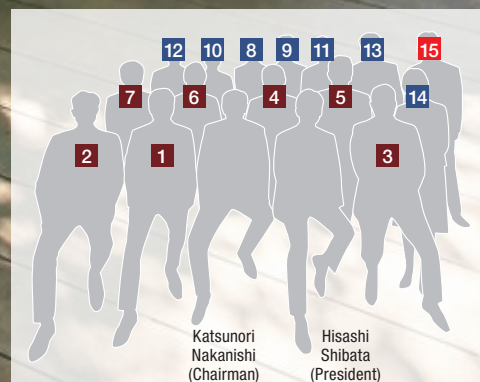
Executive Officer & CINO  
Takayoshi Otsuka

Executive Officer & CIO  
Motoya Suzuki

Executive Officer & CRO  
Yasuhiro Ogawa

Executive Officer & CIAO  
Toru Atsumi

# Overview of Group companies



# Shizuoka Financial Group's subsidiaries

(As of July 1, 2024)

## 1 The Shizuoka Bank, Ltd.

President	1 10 Gofukucho 1-chome, Aoi-ku, Shizuoka City, Shizuoka	4 90,845 million yen
Minoru Yagi	2 +81-54-261-3131	5 100%
	3 March 1, 1943	6 Banking services

## 2 Shizugin Management Consulting Co., Ltd.

President	1 2-1 Kusanagi Kita, Shimizu-ku, Shizuoka City, Shizuoka	5 100%
Atsushi Suzuki	2 +81-54-348-1491	6 Corporate and financial management advisory services, bill collection services
	3 May 2, 1962	
	4 440 million yen	

## 3 Shizugin Lease Co., Ltd.

President	1 1-2 Gofukucho 1-chome, Aoi-ku, Shizuoka City, Shizuoka	4 250 million yen
Kazunobu Wakabayashi	2 +81-54-255-7788	5 100%
	3 March 15, 1974	6 Leasing

## 4 Shizuoka Capital Co., Ltd.

President	1 2-1 Kusanagi Kita, Shimizu-ku, Shizuoka City, Shizuoka	4 100 million yen
Takuji Kuno	2 +81-54-347-2210	5 100%
	3 August 1, 1984	6 Public-offering assistance, support for corporate rehabilitation

## 5 Shizugin TM Securities Co., Ltd.

President	1 1-13 Otemachi, Aoi-ku, Shizuoka City, Shizuoka	4 3,000 million yen
Minoru Oishi	2 +81-54-254-6111	5 100%
	3 December 22, 2000	6 Securities

## 6 SFG Marketing Co., Ltd.

President	1 2-1 Kusanagi Kita, Shimizu-ku, Shizuoka City, Shizuoka	4 100 million yen
Dai Nakagawa	2 —	5 80%
	3 July 3, 2023	6 Marketing support services, advertising agency, premium placement services

## 7 SFG Real Estate Investment Advisors, Co., Ltd.

President	1 11-1 Minamicho, Suruga-ku, Shizuoka City, Shizuoka	4 100 million yen
Takahiro Watanabe	2 +81-54-283-0730	5 100%
	3 November 16, 2023	6 Investment advisory services for private real estate funds, consulting services

## Monex Group, Inc.

Equity method affiliate

1 1-12-32 Akasaka, Minato-ku, Tokyo	
2 +81-3-4323-8698	
3 August 2, 2004	
4 13,143 million yen	* 534,911 voting rights held by Shizuoka Financial Group divided by 2,574,884, the total number of shareholders voting rights, as of June 30, 2024
5 20%*	
6 Holding of shares in companies operating financial instruments brokerage and other businesses	

# The Shizuoka Bank's subsidiaries

## 8 Shizugin IT Solution Co., Ltd.

President	1 1-10 Kusanagi Kita, Shimizu-ku, Shizuoka City, Shizuoka	4 54 million yen
Takahide Yamamoto	2 +81-54-347-1111	5 100%
	3 April 1, 1974	6 Computer system development and operation

## 9 Shizugin Credit Guaranty Co., Ltd.

President	1 2-1 Kusanagi Kita, Shimizu-ku, Shizuoka City, Shizuoka	4 400 million yen
Nobushige Sasaki	2 +81-54-347-6611	5 100%
	3 November 1, 1978	6 Guarantee of housing loans, etc.

## 10 Shizugin Card Co., Ltd.

Representative Director	1 1-13-10 Kusanagi, Shimizu-ku, Shizuoka City, Shizuoka	4 50 million yen
Tomohisa Hirano	2 +81-54-344-1155	5 100%
	3 April 1, 1983	6 Credit card and guarantee of consumer loans

## 11 Shizugin General Service Co., Ltd.

President	1 2-1 Kusanagi Kita, Shimizu-ku, Shizuoka City, Shizuoka	4 30 million yen
Makoto Hanazaki	2 +81-54-347-3700	5 100%
	3 July 1, 1985	6 General administration, premium placement services

## 12 Shizugin Mortgage Service Co., Ltd.

President	1 2-1 Kusanagi Kita, Shimizu-ku, Shizuoka City, Shizuoka	4 50 million yen
Takashi Okayama	2 +81-54-348-6720	5 100%
	3 July 2, 1990	6 Appraisal of real estate for loan collateral, operation center for loans

## Shizuoka Liquidity Reserve Limited

1 PO Box 309, Uglan House, Grand Cayman, KY1-1104, Cayman Islands	4 USD50,000
2 —	5 100%
3 August 12, 2014	6 Purchases of monetary receivables

## Shizuoka EU Liquidity Reserve Limited

1 PO Box 309, Uglan House, Grand Cayman, KY1-1104, Cayman Islands	4 EUR45,000
2 —	5 100%
3 November 30, 2023	6 Purchases of monetary receivables

## 13 Shizugin Business Create Co., Ltd.

President	1 2-1 Kusanagi Kita, Shimizu-ku, Shizuoka City, Shizuoka	5 100%
Hirokazu Shinohara	2 +81-54-348-8800	6 Operation center for remittance and bill collection, part-time employee management
	3 June 28, 1999	
	4 40 million yen	

## 14 Shizugin Heartful Co., Ltd.

Special subsidiary

President	1 2-1 Kusanagi Kita, Shimizu-ku, Shizuoka City, Shizuoka	4 10 million yen
Kaori Higashijima	2 +81-54-348-5810	5 100%
	3 October 1, 2019	6 Making, Printing, and binding of documents

## 15 Shizugin Saison Card Co., Ltd.

Equity method affiliate

President	1 11-1 Minamicho, Suruga-ku, Shizuoka City, Shizuoka	4 50 million yen
Hiroki Taki	2 +81-54-281-5701	5 50%
	3 October 30, 2006	6 Credit-card business, credit guarantee business

## Commons Asset Management Inc.

Equity method affiliate

1 2-5-17 Minamiaoyama, Minato-ku, Tokyo	
2 +81-3-5860-5724	
3 November 6, 2007	
4 100 million yen	* 26 voting rights held by Shizuoka Financial Group divided by 116, the total number of shareholder voting rights, as of June 30, 2024
5 22%*	
6 Asset management, sale of investment trusts	

## Shizuoka SG Liquidity Reserve Limited

1 PO Box 309, Uglan House, Grand Cayman, KY1-1104, Cayman Islands	4 SGD65,000
2 —	5 100%
3 November 30, 2023	6 Purchases of monetary receivables

■ Shizuoka Financial Group subsidiary

■ The Shizuoka Bank subsidiary

■ Shizuoka Financial Group equity method affiliate

■ The Shizuoka Bank equity method affiliate

\* Percentages of voting rights shown are rounded down to the nearest whole number.

1 Address

2 Tel.

3 Date established

4 Capital

5 Percentage of voting rights held

6 Major lines of business



## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of The Shizuoka Financial Group, Inc.:

### <Audit of Consolidated Financial Statements>

#### Opinion

We have audited the consolidated financial statements of The Shizuoka Financial Group, Inc., and its consolidated subsidiaries (the "Group"), which comprise the consolidated balance sheet as of March 31, 2024, 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, 2024, 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 Matters

Key audit matters are those matters that, in our professional judgment, were of the most significance in our audit of the consolidated financial statements of the current period. These matters were 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 these matters.

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
As disclosed in Note 3, "SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Allowance for loan losses" to the consolidated	We performed the following procedures, among others, regarding the reasonableness of the assumptions used, such as future estimates

financial statements, The Shizuoka Bank, Ltd. (the "Bank"), a consolidated subsidiary of the Group that engages in banking business, determines the allowance for loan losses in accordance with its write-off and allowance standards. In addition, the quality of loans is assessed through the determination of the category of borrowers 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 an allowance for loan losses of ¥52,594 million and loans and bills discounted of ¥10,393,864 million on the consolidated balance sheet as of March 31, 2024.

The Bank determines the category of borrowers by comprehensively considering the information of each borrower, including financial information, future forecasts, loan contract terms, transaction histories and other qualitative information.

As a basic strategy in the 1st Medium-Term Business Plan, the Group has established a "Regional Co-Creation Strategy" and commits to solving regional issues. In the area of credit-related matters, the Bank has established a Business Support Department, which will not only support borrowers' financing activities but also actively support borrowers' business improvement.

For borrowers who have developed business improvement plans, borrower's categories are judged by considering future forecasts of the business plans such as budgets, medium-term management plans, and business improvement plans developed by the borrowers.

In particular, in addition to the determination of the borrower's category, for loans to certain large borrowers for which the allowance for loan losses is determined using the Discounted Cash Flow ("DCF") method, the Group records the allowance for loan losses by estimating the cash flows from the collection of principals and

within the business plans of certain large borrowers, in determining the allowance for loan losses as a key audit matter. This is especially relevant where the Bank intensively relies on these assumptions when determining a borrower's category and estimating future cash flows using the DCF method:

- We made inquiries and inspected related documents to test the design and operating effectiveness of controls over the Group's assessment of the reasonableness of the assumptions, such as future estimates within the borrowers' business plans, based on the analysis of business plans and their progress.
- To test the reasonableness of the assumptions, such as future estimates within the business plans of specific borrowers, we evaluated the sufficiency and reliability of the information used by the Group and performed the following procedures using information from external and other sources:
  - We evaluated the reasonableness of the sales projections used in the borrowers' business plans by comparing them with historical sales results, the recent status of customer orders received, and the market environment.
  - We evaluated the reasonableness of the estimated cost reductions used in the business plans, assessing whether they were consistent with the sales projections and whether targets and methods for cost reduction were clearly defined.
  - We evaluated 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 reductions.

<p>interests of the loans based on the borrowers' business plans.</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 reductions, and expected repayment of loans. In particular, the sales projections are estimated based on assumptions regarding changes in the economic environment such as inflation, human resource shortages, potential market growth, and price trends in the industries where borrowers operate. Therefore, such estimates involve a high level of uncertainties and judgments made by the Group.</p> <p>Moreover, business continuity uncertainty exists among some borrowers due to changes in their business environment.</p> <p>Based on the above, we identified the reasonableness of the assumptions used, such as future estimates within the business plans of certain large borrowers, in determining the allowance for loan losses as a key audit matter, specifically where the Bank intensively relies on these assumptions when determining a borrower's category and estimating future cash flows using the DCF method.</p>	<ul style="list-style-type: none"> <li>➤ We evaluated the need to revise the business plans by comparing them with historical results and testing the Group's causal factor analysis for borrowers showing high divergence.</li> <li>➤ For borrowers whose business continuity is so uncertain at the end of the fiscal year that further assessment is required post-fiscal year-end considering any changes in the borrowers' conditions, we assessed whether such changes occurred up to the audit report date as part of our procedures for subsequent events, and evaluated their impact.</li> </ul>
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Assessment of the revised impairment accounting method used for fixed assets	
Key Audit Matter Description	How the Key Audit Matter Was Addressed in the Audit
<p>The Group plans to reform its sales unit network as part of the Transformation Strategy, which is one of the basic strategies within the 1st Medium-term Business Plan. Specifically, its branch functions will be modified by transitioning daily transactions to an online basis, while reallocating sales resources to transactions that add higher value to customers.</p> <p>Additionally, in line with the sales unit network reform, the Bank—a consolidated subsidiary engaged in the commercial banking business—is executing measures to enhance its branch operations through digitalization, such as a sales operational system renewal, which commenced</p>	<p>In order to validate the rationality of the assumptions used in assessing the fixed asset impairment accounting method, our audit procedures are as follows, among others:</p> <p>① Assumptions used for grouping the cash-generating units and allocating the corporate assets</p> <p>We inquired of management regarding the diversification of roles and functions and the significant changes to the systems at individual branches, which could result in a</p>

during this fiscal year, and a new infrastructure implementation.

Considering the diversification of individual branches' roles and functions and the importance of sales operational systems, the Bank has revised its method of impairment accounting for fixed assets.

As a result, in the current fiscal year, the Bank recognized impairment losses on business assets belonging to certain branches that are part of the branch sales department in the amount of ¥22,143 million. This amount includes ¥18,467 million for software and other assets, ¥2,695 million for land, ¥227 million for buildings, and ¥752 million for the other tangible fixed assets. Further details are disclosed in Note 28, "IMPAIRMENT LOSSES" to the consolidated financial statements.

The details of the calculation method for impairment losses and the assumptions used in their calculation were disclosed in Note 4, "SIGNIFICANT ACCOUNTING ESTIMATE (Impairment losses on fixed assets)" to the consolidated financial statements. If the assumptions the Bank used in relation to the revision of the method for impairment accounting for fixed assets, as listed below, are not reasonable, there is a potential risk of material misstatement by recognizing impairment losses at inappropriate amounts or in inappropriate periods.

① Assumptions used for grouping cash-generating units and allocating corporate assets

Given the conditions described below, the Bank revised the method of grouping cash-generating units within the branch sales department from grouping branches by district to grouping each single branch.

- The Bank committed to sales unit network reform in the Medium-term Business Plan, which began this fiscal year.
- A sales operational system renewal has commenced during this fiscal year.
- It is expected that individual branches' roles and functions will be diversified as a result of the digitalization of branch operations through the new infrastructure implementation.

Also, as the importance of the operational system will increase as a result of these measures, the Bank revised the assumptions regarding the

change of the assumption used, and performed the following procedures:

- Changes in facts  
We determined that the Medium-term Business Plan established the keynote for revising the sales unit network reform through the digitalization investment. Additionally, we read the Board of Directors meeting materials and determined that there was a concrete design for the diversification of roles and functions at individual branches through future operational digitalization, and that the relevant system development had been approved.
- Alignment of branch reorganization and business environment  
We assessed the consistency of our understanding of the business environment with factors leading the keynote of branch reorganization in the Medium-term Business Plan, such as a population decrease, low birth rate/aging, and IT development/widespread use of smartphones.
- Changes in management situation  
We read the materials from the Board of Directors and determined that there had been changes in the treatment of branch opening/closing compared to when the Bank originally applied the method of grouping branches by district.  
In light of these changes, we examined the following facts by inspecting the related materials. First, the managerial accounting used for fixed asset impairment analysis has shifted from grouping by certain district-based units to individual branch units. Additionally, software and other assets previously identified as corporate assets and reasonably determined to be used by each department, are now allocated to individual departments. Furthermore, software and other assets belonging to

<p>allocation of software and other assets in impairment accounting for fixed assets. Previously, certain software and other assets were treated as corporate assets, but now they are allocated to individual departments such as branch sales department, overseas branches, and Tokyo sales department when their usage of software and other assets is considered reasonable.</p> <p>Generally, such assumptions should be applied consistently every year, and accordingly, a revision of the assumption needs to be supported by reasonable reasons due to changes in relevant conditions and be timely. This judgment involves management's subjectivity.</p> <p>② Assumptions for the allocation criteria of corporate assets to individual branches</p> <p>After the assumptions for certain software and other assets as corporate assets were revised, the Bank adopted the assumption that software and other assets are allocated to each branch based on headcount.</p> <p>Carrying amounts of corporate assets should be allocated to asset groups with reasonable allocation criteria, which can represent a strong correlation with the close relationship between corporate assets and the future cash flows generated by asset groups. This judgment involves management's subjectivity.</p> <p>Accordingly, we determined that the assessment of the rationality of these assumptions is a key audit matter.</p>	<p>the branch sales department are now allocated to each branch according to the criteria outlined below.</p> <ul style="list-style-type: none"> <li>● Timeliness of the revision <p>We determined that the development of sales operational systems and new infrastructure to drive the branch reorganization within the Medium-term Business Plan was actually implemented in this fiscal year by inspecting the related materials.</p> </li> <li>② Assumptions for the allocation criteria of corporate assets to individual branches <p>We inquired of management regarding their decision-making process and the reasons for selecting the newly adopted allocation criteria. Additionally, given that software and other assets belong to the branch sales department, we inspected the actual data processed along with other allocation criteria related to the roles and functions of an individual branch through digitalization. We conducted a comparative analysis and assessed the rationale based on the impact on the relationships between software, other assets, and the branch's potential for future cash flow generation.</p> </li> </ul>
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## Other Information

Management is responsible for the other information. The Audit and Supervisory Committee is responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the other information. The other information comprises the information included in Integrated Report, but does not include the consolidated financial statements and our auditor's report thereon. Integrated Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

## Responsibilities of Management and the Audit and Supervisory Committee 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.

The Audit and Supervisory Committee is 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 the Audit and Supervisory Committee 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 the Audit and Supervisory Committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with it all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit and Supervisory Committee, 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.

#### **<Fee-Related Information>**

Fees for audit and other services for the year ended March 31, 2024, which were charged by us and our network firms to The Shizuoka Financial Group, Inc., and its subsidiaries were ¥118 million and ¥62 million, respectively.

#### **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*

August 2, 2024

# Consolidated Balance Sheets

The Shizuoka Financial Group, Inc. and Consolidated Subsidiaries March 31, 2024

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	2024	2023	2024
<b>Assets:</b>			
Cash and due from banks (Notes 13 and 32)	¥ 1,562,796	¥ 1,747,165	\$ 10,321,617
Call loans and bills bought (Note 32)	101,876	200,866	672,848
Monetary claims bought	53,743	49,184	354,956
Trading assets (Notes 5 and 32)	11,835	10,895	78,165
Money held in trust (Note 6)	144,200	110,095	952,380
Securities (Notes 7, 13 and 32)	3,332,594	2,996,076	22,010,398
Loans and bills discounted (Notes 8, 13, 14 and 32)	10,393,864	10,037,128	68,647,146
Foreign exchanges (Note 9)	6,283	7,903	41,502
Lease receivables and investment assets (Note 30)	83,899	84,379	554,123
Other assets (Notes 10 and 13)	340,839	258,279	2,251,102
Tangible fixed assets (Note 11)	50,262	54,338	331,961
Intangible fixed assets (Note 11)	22,344	42,199	147,575
Asset for retirement benefits (Note 19)	17,695	13,844	116,873
Deferred tax assets (Note 29)	3,260	3,242	21,532
Customers' liabilities for acceptances and guarantees (Note 12)	68,738	91,672	453,990
Allowance for loan losses (Note 32)	(52,594)	(52,336)	(347,368)
Allowance for investment losses	(50)	(49)	(331)
<b>Total Assets</b>	<b>¥16,141,589</b>	<b>¥15,654,886</b>	<b>\$106,608,476</b>
<b>Liabilities and Equity:</b>			
<b>Liabilities:</b>			
Deposits (Notes 13, 15 and 32)	¥11,952,156	¥11,770,174	\$ 78,939,014
Call money and bills sold (Note 32)	50,146	172,557	331,200
Payables under repurchase agreements (Notes 13 and 32)	517,733	385,270	3,419,416
Payables under securities lending transactions (Note 32)	778,782	466,781	5,143,534
Trading liabilities (Note 5)	4,182	6,319	27,626
Borrowed money (Notes 13, 16 and 32)	1,267,287	1,325,573	8,369,903
Foreign exchanges (Note 9)	1,122	540	7,416
Bonds payable (Note 17)	4,000	44,932	26,418
Borrowed money from trust account	117	141	777
Other liabilities (Note 18)	204,760	157,526	1,352,358
Liability for retirement benefits (Note 19)	3,497	3,879	23,099
Provision for directors' retirement benefits	415	439	2,747
Provision for losses from reimbursement of inactive accounts	706	485	4,662
Provision for contingent losses	1,243	1,324	8,215
Provision for point program	245	288	1,623
Reserves under special laws	14	11	98
Deferred tax liabilities (Note 29)	83,048	78,860	548,499
Acceptances and guarantees (Note 12)	68,738	91,672	453,990
<b>Total Liabilities</b>	<b>14,938,201</b>	<b>14,506,781</b>	<b>98,660,601</b>
<b>Equity: (Notes 20, 21, 22 and 36)</b>			
Capital stock:			
authorized, 2,000,000 thousand shares;			
issued, 585,129 thousand shares in 2024 and	90,000	90,000	594,412
595,129 thousand shares in 2023			
Capital surplus	45,922	55,462	303,299
Subscription rights to shares	86	272	569
Retained earnings	845,288	805,354	5,582,776
Treasury stock—at cost, 35,186 thousand shares in 2024 and	(36,042)	(33,607)	(238,048)
35,390 thousand shares in 2023			
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	258,116	230,622	1,704,754
Deferred gains (losses) on hedges	245,056	227,948	1,618,496
Deferred gains (losses) on hedges	1,238	(1,387)	8,178
Foreign currency translation adjustments	9,063	3,242	59,859
Defined retirement benefit plans	2,758	818	18,218
<b>Total</b>	<b>1,203,370</b>	<b>1,148,105</b>	<b>7,947,764</b>
Noncontrolling interests	16	—	110
<b>Total Equity</b>	<b>1,203,387</b>	<b>1,148,105</b>	<b>7,947,875</b>
<b>Total Liabilities and Equity</b>	<b>¥16,141,589</b>	<b>¥15,654,886</b>	<b>\$106,608,476</b>

See notes to consolidated financial statements.



# Consolidated Statements of Income

The Shizuoka Financial Group, Inc. and Consolidated Subsidiaries Year ended March 31, 2024

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	2024	2023	2024
<b>Income:</b>			
<b>Interest Income:</b>			
Interest on loans and discounts	¥146,514	¥118,641	\$ 967,668
Interest and dividends on securities	52,065	33,592	343,870
Other interest income	7,493	6,374	49,494
Subtotal	206,074	158,608	1,361,033
<b>Fees and Commissions</b>	82,755	76,941	546,568
<b>Trading Income</b>	1,542	3,723	10,189
<b>Other Operating Income</b> (Note 23)	19,188	26,824	126,735
<b>Other Income</b> (Note 24)	36,989	21,474	244,299
Total Income	346,551	287,573	2,288,827
<b>Expenses:</b>			
<b>Interest Expense:</b>			
Interest on deposits	41,129	19,423	271,642
Interest on borrowings and rediscounts	5,450	4,511	36,000
Other interest expense	31,735	15,784	209,597
Subtotal	78,315	39,719	517,240
<b>Fees and Commission Payments</b>	38,397	39,596	253,598
<b>Other Operating Expenses</b> (Note 25)	21,525	26,616	142,169
<b>General and Administrative Expenses</b> (Note 26)	96,469	95,857	637,137
<b>Other Expenses</b> (Notes 27 and 28)	32,353	12,461	213,678
Total Expenses	267,060	214,252	1,763,825
<b>Income before income taxes</b>	79,490	73,320	525,001
<b>Income Taxes:</b> (Note 29)			
Current	27,019	20,060	178,450
Deferred	(5,286)	808	(34,913)
Total income taxes	21,732	20,868	143,536
<b>Net Income</b>	57,757	52,452	381,464
<b>Net Income (Loss) Attributable to Noncontrolling Interests</b>	(3)	54	(21)
Net Income Attributable to Owners of the Parent	¥ 57,760	¥ 52,397	\$ 381,485

	Yen		U.S. Dollars (Note 2)
	2024	2023	2024
<b>Per Share: (Note 36)</b>			
Basic net income	¥104.17	¥92.92	\$ 0.68
Diluted net income	104.15	91.01	0.68
Cash dividends applicable to the year	39.00	30.00	0.25

See notes to consolidated financial statements.

# Consolidated Statements of Comprehensive Income

The Shizuoka Financial Group, Inc. and Consolidated Subsidiaries Year ended March 31, 2024

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	2024	2023	2024
<b>Net Income</b>	¥57,757	¥52,452	\$381,464
<b>Other Comprehensive Income:</b> (Note 34)			
Valuation difference on available-for-sale securities	17,057	34,530	112,658
Deferred gains (losses) on hedges	2,794	(1,612)	18,457
Foreign currency translation adjustments	4,925	(1,552)	32,531
Defined retirement benefit plans	1,939	(1,818)	12,812
Share of other comprehensive income in associates	776	236	5,128
Total other comprehensive income	27,494	29,782	181,588
<b>Comprehensive Income</b>	¥85,251	¥82,234	\$563,053
<b>Total Comprehensive Income Attributable To:</b>			
Owners of the parent	¥85,255	¥82,215	\$563,074
Noncontrolling interests	(3)	19	(21)

See notes to consolidated financial statements.

# Consolidated Statements of Changes in Equity

The Shizuoka Financial Group, Inc. and Consolidated Subsidiaries Year ended March 31, 2024

	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				
<b>Balance at April 1, 2022</b>	595,129	¥90,845	¥54,884	¥318	¥769,036	¥(29,030)	¥193,717	¥223	¥4,226	¥2,637	¥1,086,858	¥1,388	¥1,088,247	
Changes during the period														
Purchase of shares of consolidated subsidiaries			(270)								(270)		(270)	
Cash dividends, ¥28.50 per share					(16,078)						(16,078)		(16,078)	
Net income attributable to owners of the parent					52,397						52,397		52,397	
Purchase of treasury stock (4,546 thousand shares)						(4,705)					(4,705)		(4,705)	
Disposal of treasury stock (137 thousand shares)			2			128					131		131	
Transfer from capital to capital surplus		(845)	845											
Net changes other than shareholders' equity				(45)			34,231	(1,611)	(983)	(1,818)	29,772	(1,388)	28,383	
<b>Balance at March 31, 2023</b>	595,129	¥90,000	¥55,462	¥272	¥805,354	¥(33,607)	¥227,948	¥(1,387)	¥3,242	¥818	¥1,148,105		¥1,148,105	
<b>Balance at April 1, 2023</b>	595,129	¥90,000	¥55,462	¥272	¥805,354	¥(33,607)	¥227,948	¥(1,387)	¥3,242	¥818	¥1,148,105		¥1,148,105	
Changes during the period														
Cash dividends, ¥32.00 per share					(17,827)						(17,827)		(17,827)	
Net income attributable to owners of the parent					57,760						57,760		57,760	
Purchase of treasury stock (10,142 thousand shares)						(12,297)					(12,297)		(12,297)	
Disposal of treasury stock (346 thousand shares)			(7)			330					322		322	
Retirement of treasury stock (10,000 thousand shares)	(10,000)		(9,532)			9,532								
Net changes other than shareholders' equity				(186)			17,107	2,626	5,820	1,939	27,307	¥16	27,324	
<b>Balance at March 31, 2024</b>	585,129	¥90,000	¥45,922	¥86	¥845,288	¥(36,042)	¥245,056	¥1,238	¥9,063	¥2,758	¥1,203,370	¥16	¥1,203,387	

	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				
<b>Balance at April 1, 2023</b>	\$594,412	\$366,306	\$1,802	\$5,319,032	\$ (221,964)	\$1,505,507	\$ (9,166)	\$21,418	\$5,406	\$7,582,755		\$7,582,755	
Changes during the period													
Cash dividends, \$0.21 per share				(117,741)							(117,741)		(117,741)
Net income attributable to owners of the parent				381,485							381,485		381,485
Purchase of treasury stock					(81,220)						(81,220)		(81,220)
Disposal of treasury stock		(52)			2,180						2,128		2,128
Retirement of treasury stock		(62,954)			62,954								
Net changes other than shareholders' equity			(1,233)			112,989	17,345	38,441	12,812	180,355	\$110	180,466	
<b>Balance at March 31, 2024</b>	\$594,412	\$303,299	\$569	\$5,582,776	\$ (238,048)	\$1,618,496	\$8,178	\$59,859	\$18,218	\$7,947,764	\$110	\$7,947,875	

See notes to consolidated financial statements.

Shizuoka Financial Group's value creation

The Group vision and sources of value creation

Efforts toward our vision

Corporate governance

Financial information

# Consolidated Statements of Cash Flows

The Shizuoka Financial Group, Inc. and Consolidated Subsidiaries Year ended March 31, 2024

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	2024	2023	2024
<b>I. Operating Activities:</b>			
Income before income taxes	¥ 79,490	¥ 73,320	\$ 525,001
Adjustments for:			
Income taxes paid	(21,670)	(12,877)	(143,123)
Depreciation and amortization	15,229	17,965	100,586
Impairment losses	22,143	258	146,249
Equity in losses (earnings) of affiliated companies	(8,131)	(417)	(53,704)
Increase (decrease) in allowance for loan losses	258	(1,046)	1,706
Increase (decrease) in allowance for investment losses	0	5	3
Decrease (increase) in asset for retirement benefits	(3,851)	464	(25,435)
Increase (decrease) in liability for retirement benefits	(382)	111	(2,525)
Increase (decrease) in provision for directors' retirement benefits	(23)	56	(155)
Increase (decrease) in provision for reimbursement of inactive accounts	221	(360)	1,459
Increase (decrease) in provision for contingent losses	(80)	68	(531)
Increase (decrease) in provision for point program	(42)	(129)	(282)
Interest income	(206,074)	(158,608)	(1,361,033)
Interest expense	78,315	39,719	517,240
Losses (gains) on securities	(22,707)	(6,281)	(149,972)
Losses (gains) on money held in trust	(99)	(84)	(657)
Losses (gains) on sale of fixed assets	384	385	2,538
Losses (gains) on liquidation of subsidiaries	203	—	1,343
Net decrease (increase) in trading assets	(939)	3,861	(6,207)
Net increase (decrease) in trading liabilities	(2,136)	2,989	(14,109)
Net decrease (increase) in loans and bills discounted	(266,909)	(482,517)	(1,762,824)
Net increase (decrease) in deposits	70,820	171,534	467,740
Net increase (decrease) in borrowed money	(66,846)	(44,972)	(441,494)
Net decrease (increase) in due from banks (excluding deposits paid to Bank of Japan)	59,928	(40,649)	395,800
Net decrease (increase) in call loans	123,193	(128,447)	813,643
Net decrease (increase) in monetary claims bought	(4,559)	(10,832)	(30,110)
Net increase (decrease) in call money	(132,062)	(11,417)	(872,216)
Net increase (decrease) in payables under repurchase agreements	80,960	61,471	534,712
Net increase (decrease) in payables under securities lending transactions	312,001	387,775	2,060,637
Net decrease (increase) in foreign exchanges (assets)	1,830	3,444	12,090
Net increase (decrease) in foreign exchanges (liabilities)	582	(1,861)	3,845
Net decrease (increase) in lease receivables and investment assets	(20)	(2,066)	(135)
Increase (decrease) in straight bonds-issuance and redemption	(44,769)	4,367	(295,687)
Net increase (decrease) in borrowed money from trust account	(24)	(56)	(159)
Interests and dividends received	205,531	156,157	1,357,451
Interests paid	(76,191)	(33,830)	(503,210)
Others-net	(23,520)	(59,991)	(155,342)
Total Adjustments	90,562	(145,811)	598,129
Net Cash Provided by (Used in) Operating Activities	170,053	(72,490)	1,123,131
<b>II. Investing Activities:</b>			
Purchases of securities	(1,505,234)	(2,571,773)	(9,941,447)
Proceeds from sales of securities	1,037,606	1,987,567	6,852,960
Proceeds from redemptions of securities	225,342	174,800	1,488,293
Increase in money held in trust	(39,400)	(5,295)	(260,220)
Purchases of tangible fixed assets	(4,941)	(4,661)	(32,633)
Purchases of intangible fixed assets	(7,136)	(8,104)	(47,130)
Proceeds from sales of tangible fixed assets	265	677	1,752
Net Cash Provided by (Used in) Investing Activities	(293,497)	(426,789)	(1,938,425)
<b>III. Financing Activities:</b>			
Dividends paid	(17,796)	(16,043)	(117,537)
Dividends paid to noncontrolling interests	—	(2)	—
Purchases of treasury stock	(7,002)	(4,705)	(46,245)
Proceeds from sales of treasury stock	0	86	1
Redemption of bonds with stock acquisition rights	—	(39,813)	—
Proceeds from shares issued to noncontrolling interests	20	—	132
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	—	(1,400)	—
Net Cash Provided by (Used in) Financing Activities	(24,778)	(61,878)	(163,649)
<b>IV. Foreign Currency Translation Adjustments on Cash and Cash Equivalents</b>	4	2	27
<b>V. Net Increase (Decrease) in Cash and Cash Equivalents</b>	(148,217)	(561,155)	(978,916)
<b>VI. Cash and Cash Equivalents, Beginning of Year</b>	1,568,687	2,129,843	10,360,529
<b>VII. Cash and Cash Equivalents, End of Year</b>	¥1,420,470	¥1,568,687	\$ 9,381,612

See notes to consolidated financial statements.

Cash and due from banks in the consolidated balance sheets at March 31, 2024 and 2023, are reconciled with cash and cash equivalents in the consolidated statements of cash flows as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Cash and due from banks	¥1,562,796	¥1,747,165	\$10,321,617
Due from banks other than the Bank of Japan	(142,326)	(178,477)	(940,004)
Cash and cash equivalents	¥1,420,470	¥1,568,687	\$ 9,381,612

# Notes to Consolidated Financial Statements

The Shizuoka Financial Group, Inc. and Consolidated Subsidiaries Year ended March 31, 2024

## 1. BASIS OF PRESENTATION

The accompanying consolidated financial statements have been prepared from the accounts maintained by The Shizuoka Financial Group, Inc. (the “Company”) 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 IFRS Accounting Standards (IFRS).

The consolidated financial statements for the fiscal year ended March 31, 2023 (April 1, 2022 to March 31, 2023) were prepared by taking over the consolidated financial statements of The Shizuoka Bank, Ltd. (the “Bank”), which became a wholly owned subsidiary through a sole share transfer. Accordingly, the fiscal year ended March 31, 2023 (April 1, 2022 to March 31, 2023) includes the first half of the fiscal year of the Bank.

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 Company 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 ¥151.41 to \$1, the approximate rate of exchange at March 31, 2024. 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, 2024, include the accounts of the Company, its 17 subsidiaries and three companies accounted for by the equity method.

Under the control and influence concepts, those companies in which the Company, 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.

On July 3, 2023, SFG Marketing Co., Ltd was established and included in the scope of consolidation. On November 16, 2023, SFG Real Estate Investment Advisors Co., Ltd. was established and included in the scope of consolidation. On November 30, 2023,

Shizuoka EU Liquidity Reserve Limited and Shizuoka SG Liquidity Reserve Limited were established and included in the scope of consolidation. Meanwhile, Shizuoka Bank (Europe) S.A. was liquidated on March 28, 2024, and excluded from the scope of consolidation.

There are ten companies that the Company has not made subsidiaries, although it owned a majority of the voting rights (business execution rights) of those companies in its own account, and there are six companies that the Company has not made associated companies, although it owned at least 20% and not more than 50% of the voting rights (business execution rights) of those companies in its own account. They are not treated as subsidiaries or associated companies because they are owned by consolidated subsidiaries engaged in the investment business as business transactions for the purpose of acquiring capital gains through investment development, etc., and not for the purpose of including them in the Group.

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 be immaterial.

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 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 Company and domestic consolidated subsidiaries engaged in the banking business 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 the other consolidated subsidiaries is computed mainly using the declining-balance method based on the criteria as stipulated in the Corporation Tax Act.

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:**

Internal-use software development costs are amortized using the straight-line method over the useful life (five years) stipulated by the Group.

**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 Group 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 Group’s policy and rules for self-assessment of asset quality.

The Group 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 slow growth 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 Group 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 Group 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 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 Group 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 eight years for consumer loan borrowers, among business loan borrowers of (d) above, about three to four 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 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:

Certain consolidated subsidiaries have lump-sum retirement benefit plans, a contributory funded defined benefit pension plan, and a non-contributory 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 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 Group is a 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 sheets, 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 Company 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 statements 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 Group are accounted for using deferral hedge accounting as stipulated in the Japanese Institute of Certified Public Accountants (JICPA) Industry Committee Practical Guideline No. 24, March 17, 2022, "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.

(b) Special hedging treatment is applied for interest rate swaps 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 Group 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 statements of cash flows:**

For the purpose of the consolidated statements 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. The average number of common shares used in the computation was 563,848 thousand shares for 2023 and 554,450 thousand shares for 2024.

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 statements of income are dividends applicable to the year, including dividends to be paid after the end of the year.

## 4. SIGNIFICANT ACCOUNTING ESTIMATE

### (Recording of allowance for loan losses)

#### (1) Carrying amounts

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
	Allowance for loan losses	¥52,594	¥52,336

#### (2) Information on the significant accounting estimate

##### (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

Assumptions are made in determining the 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.

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

In addition, for borrowers who have established management improvement plan, the classification of borrowers is determined based on the future prospects of business plans, such as budgets, medium-term business plans, and management improvement plans established by the borrowers.

##### (c) The impact on the consolidated financial statements for the next fiscal year

If the original assumption for estimates changes because of the change in the economic environment, such as high prices and labor shortages, market growth potential and price trends in the industry to which the borrower belongs, 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.

### (Impairment losses on fixed assets)

Other information that contributes to the understanding of users of consolidated financial statements regarding the content of accounting estimates

#### (1) Calculation method of the amount recorded in the consolidated financial statements for the current consolidated fiscal year

In the current consolidated fiscal year, due to the inability to expect a recovery of the investment in business assets belonging to the branches that constitute the branch sales departments of the Bank, a consolidated subsidiary of the Company, the book value was reduced to the recoverable value, and the amount of reduction of ¥22,143 million (\$146,249 thousand) was recorded in the extraordinary losses as impairment losses. The details of the impairment losses are as follows.

	Millions of Yen	Thousands of U.S. Dollars
	2024	2024
Software and other assets	¥18,467	\$121,967
Land	2,695	17,804
Buildings	227	1,504
Other tangible fixed assets	752	4,972
Total	¥22,143	\$146,249

The identification of signs of impairment in the determination of impairment at the department level, the determination of the recognition of impairment loss, and the calculation method are as follows: (Identification of signs of impairment, determination and measurement of whether recognition is necessary)

For each division, the Bank identifies signs of impairments in the event that the profit or loss arising from the sales activities of the division continues to be negative or is expected to continue to be negative, if the land value falls by more than 50% of the book value, or if there is a change in the use of assets due to factors, such as the closure or relocation of branches.

For fixed assets to which sign of an impairment is visible, the Bank determines whether or not impairment losses need to be recognized. If the total amount of future cash flows before discounts obtained from fixed assets in the relevant division is less than the book value of the fixed assets, the book value of the fixed assets is reduced to the recoverable value, and the amount of the decrease is recorded as an impairment loss. The recoverable value is calculated as the higher of the use value or the net sale value.

#### (2) Key assumptions used to calculate the amounts recorded in the consolidated financial statements for the current fiscal year

At the Bank, the smallest unit of grouping is the branch unit for each branch sales department.

Software and other assets that are reasonably deemed to be used by each department are assets that belong to each department. Software belonging to the branch sales department is allocated to the sales branch based on the headcounts of each sales branch.

Future cash flows, which are used to measure the value-in-use of each branch, are calculated based on the most recent net operating income and net operating income plan. In addition, the value-in-use is calculated as the discounted present value of future cash flows, where the discount rate used in the calculation is 10% with reference to the level of the cost of capital (calculated based on the risk-free rate, stock beta, etc.).

The net selling price is calculated by deducting the estimated disposal cost from the real estate appraisal value, which is an indicator that is considered to appropriately reflect the market value. Since the software assets are customized as systems for in-house use and have no value-in-use at other companies, the net selling price is zero.

#### (3) Impact on consolidated financial statements for the current fiscal year and the years after

For valuation of real estates, basis for calculating future cash flows, discount rates, and net sellable value, are used to calculate the value-in-use. These assumptions used during the current consolidated fiscal year's valuation, may be affected by changes in social and economic trends, real estate market conditions, financial and economic environments, etc. If it becomes necessary to review the assumptions, the amount of impairment loss may increase.



## 5. TRADING ASSETS AND LIABILITIES

Trading assets and liabilities at March 31, 2024 and 2023, consisted of the following:

### (a) Trading assets

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Trading securities:			
Japanese government bonds	¥ 57	¥ 45	\$ 381
Local government bonds	521	481	3,447
Industrial bonds	346	353	2,289
Subtotal	926	880	6,118
Financial derivatives:			
Other (Note)	4,912	7,014	32,444
Subtotal	4,912	7,014	32,444
Other trading assets:			
Commercial paper	5,996	2,999	39,602
Subtotal	5,996	2,999	39,602
Total	¥ 11,835	¥ 10,895	\$ 78,165

### (b) Trading liabilities

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Financial derivatives:			
Other (Note)	¥ 4,182	¥ 6,319	\$ 27,626
Subtotal	4,182	6,319	27,626
Total	¥ 4,182	¥ 6,319	\$ 27,626

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

## 6. MONEY HELD IN TRUST

Money held in trust at March 31, 2024 and 2023, consisted of the following:

	Millions of Yen			Fair Value
	Cost	Unrealized Gains	Unrealized Losses	
Money held in trust classified as:				
Held-to-maturity	¥ 5,200	¥ 0		¥ 5,200
Money held in trust classified as:				
Available-for-sale	139,000			139,000

	Thousands of U.S. Dollars			Fair Value
	Cost	Unrealized Gains	Unrealized Losses	
Money held in trust classified as:				
Held-to-maturity	\$ 34,343	\$ 5		\$ 34,349
Money held in trust classified as:				
Available-for-sale	918,037			918,037

	Millions of Yen			Fair Value
	Cost	Unrealized Gains	Unrealized Losses	
Money held in trust classified as:				
Held-to-maturity	¥ 4,800	¥ 2		¥ 4,802
Money held in trust classified as:				
Available-for-sale	100,000			100,000

## 7. SECURITIES

Securities at March 31, 2024 and 2023, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Japanese government bonds	¥ 954,635	¥ 854,509	\$ 6,304,969
Local government bonds	246,231	244,658	1,626,257
Corporate bonds	504,091	498,153	3,329,313
Corporate stocks	543,609	479,042	3,590,316
Other securities	1,084,026	919,713	7,159,540
Total	¥ 3,332,594	¥ 2,996,076	\$ 22,010,398

Securities included equity investments in unconsolidated subsidiaries and affiliated companies that amounted to ¥33,253 million (\$219,624 thousand) and ¥24,196 million as of March 31, 2024 and 2023, 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, 2024 and 2023, was as follows:

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Trading				¥ 6,922
Available-for-sale:				
Equity securities	¥ 90,166	¥ 416,857	¥ 39	506,984
Debt securities	1,709,236	1,066	42,450	1,667,853
Others	1,083,356	26,099	52,959	1,056,496
Held-to-maturity	41,957	6	480	41,483

	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Trading				\$ 45,721
Available-for-sale:				
Equity securities	\$ 595,510	\$ 2,753,169	\$ 259	3,348,421
Debt securities	11,288,796	7,046	280,365	11,015,476
Others	7,155,118	172,376	349,777	6,977,716
Held-to-maturity	277,109	45	3,173	273,981

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Trading				¥ 3,880
Available-for-sale:				
Equity securities	¥ 93,958	¥ 356,938	¥ 345	450,552
Debt securities	1,538,677	6,343	16,284	1,528,736
Others	917,029	18,954	41,531	894,452
Held-to-maturity	72,903	22	460	72,465

Available-for-sale securities sold during the years ended March 31, 2024 and 2023, were as follows:

	Millions of Yen		
	Proceeds from Sales	Total Amount of Gains on Sales	Total Amount of Losses on Sales
Equity securities	¥ 24,959	¥ 20,794	¥ 5
Debt securities:	680,299	4,893	3,205
Others	360,391	15,421	16,430
Total	¥ 1,065,650	¥ 41,110	¥ 19,640

	Thousands of U.S. Dollars		
	Proceeds from Sales	Total Amount of Gains on Sales	Total Amount of Losses on Sales
Equity securities	\$ 164,847	\$ 137,339	\$ 35
Debt securities:	4,493,094	32,319	21,168
Others	2,380,233	101,854	108,513
Total	\$ 7,038,175	\$ 271,514	\$ 129,717

	Millions of Yen		
	2023		
	Proceeds from Sales	Total Amount of Gains on Sales	Total Amount of Losses on Sales
Equity securities	¥ 17,093	¥12,889	¥ 16
Debt securities:	1,477,432	3,187	9,728
Others	333,848	6,145	18,836
Total	¥1,828,374	¥22,221	¥28,582

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 Group 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, 2024 and 2023, were ¥6 million (\$42 thousand) and ¥70 million, respectively.

## 8. LOANS AND BILLS DISCOUNTED

Loans and bills discounted at March 31, 2024 and 2023, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
	Bills discounted	¥ 18,464	¥ 18,418
Loans on bills	142,050	129,373	938,185
Loans on deeds	9,097,208	8,802,001	60,083,274
Overdrafts	1,136,140	1,087,334	7,503,734
Total	¥10,393,864	¥10,037,128	\$68,647,146

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, 2024 and 2023, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
	Claims provable in rehabilitation from bankruptcy and equivalents	¥ 15,701	¥ 16,515
Doubtful claims	73,975	76,904	488,580
Loans past due for three months or more	377	191	2,495
Restructured loans	12,832	13,110	84,751
Total	¥ 102,887	¥ 106,723	\$ 679,526

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. The Group had the right by contract or custom to sell or repledge bills discounted and foreign exchange bills bought and their total face values were ¥18,552 million (\$122,529 thousand) and ¥18,739 million as of March 31, 2024 and 2023, respectively.

## 9. FOREIGN EXCHANGES

Foreign exchange assets and liabilities at March 31, 2024 and 2023, consisted of the following:

### (a) Assets

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
	Due from foreign banks	¥5,916	¥6,391
Foreign exchange bills bought	87	320	577
Foreign exchange bills receivable	279	1,191	1,848
Total	¥6,283	¥7,903	\$41,502

### (b) Liabilities

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
	Foreign exchange bills sold	¥ 140	¥ 34
Foreign exchange bills payable	982	506	6,490
Total	¥1,122	¥540	\$7,416

## 10. OTHER ASSETS

Other assets at March 31, 2024 and 2023, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
	Accrued income	¥ 19,007	¥ 16,384
Derivative products	41,168	34,316	271,898
Guarantee deposits	1,925	1,863	12,719
Others	278,738	205,715	1,840,951
Total	¥340,839	¥258,279	\$2,251,102

## 11. TANGIBLE FIXED ASSETS AND INTANGIBLE FIXED ASSETS

Tangible fixed assets and intangible fixed assets at March 31, 2024 and 2023, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
	Tangible fixed assets:		
Buildings	¥22,474	¥22,790	\$148,434
Land	16,725	18,910	110,467
Lease assets	22	20	146
Construction in progress	1,925	2,434	12,717
Other tangible fixed assets	9,114	10,182	60,195
Subtotal	50,262	54,338	331,961
Intangible fixed assets:			
Software	21,967	41,819	145,084
Other intangible fixed assets	377	380	2,490
Subtotal	22,344	42,199	147,575
Total	¥72,606	¥96,538	\$479,536

Tangible fixed assets are stated at cost, less accumulated depreciation of ¥122,144 million (\$806,712 thousand) and ¥118,854 million in 2024 and 2023, respectively.

Deferred gains for tax purposes of ¥9,033 million (\$59,662 thousand) and ¥9,033 million on tangible fixed assets sold and replaced with similar assets have been deducted from the cost of newly acquired tangible fixed assets as of March 31, 2024 and 2023, respectively.

## 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 sheets, representing the Group'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, 2024 and 2023, amounted to ¥23,476 million (\$155,055 thousand) and ¥27,566 million, respectively.

## 13. ASSETS PLEDGED

Assets pledged as collateral and their relevant liabilities at March 31, 2024 and 2023, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Assets pledged as collateral:			
Trading assets	—	¥ 2,999	—
Securities	¥1,937,412	1,712,628	\$12,795,802
Loans and bills discounted	948,872	785,785	6,266,905
Other assets	15,288	—	100,975
Relevant liabilities to above assets:			
Deposits	¥ 29,930	¥ 27,518	\$ 197,675
Payables under repurchase agreements	517,733	385,270	3,419,416
Payables under securities lending transactions	778,782	466,781	5,143,534
Borrowed money	1,229,207	1,290,365	8,118,404

In addition to the above, the Bank has provided ¥28,345 million (\$187,207 thousand) and ¥24,130 million in securities as collateral for foreign exchange settlements and certain other transactions and as security for future transactions at March 31, 2024 and 2023, respectively.

Guarantee deposits on office space of ¥1,925 million (\$12,719 thousand) and ¥1,863 million, cash collateral paid for financial instruments of ¥48,557 million (\$320,702 thousand) and ¥30,369 million, and cash collateral paid to central counterparty of ¥60,800 million (\$401,558 thousand) and ¥60,800 million were included in other assets at March 31, 2024 and 2023, 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, 2024 and 2023, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Undisbursed loan commitments outstanding:			
Loans due within one year	¥1,551,300	¥1,603,006	\$10,245,692
Loans due over one year	129,697	106,463	856,595
Total	¥1,680,997	¥1,709,470	\$11,102,288

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 Company or its consolidated subsidiaries. The Company 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, 2024 and 2023, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Current deposits	¥ 685,098	¥ 615,249	\$ 4,524,790
Savings deposits	7,472,562	7,208,156	49,353,165
Deposits at notice	9,582	10,791	63,289
Time deposits	2,930,552	3,045,633	19,355,078
Negotiable certificates of deposit	99,085	65,104	654,420
Other	755,273	825,239	4,988,269
Total	¥11,952,156	¥11,770,174	\$78,939,014

## 16. BORROWED MONEY

The weighted-average annual interest rates applicable to borrowed money were 0.28% at March 31, 2024 and 2023, respectively.

Borrowed money consists of borrowings from financial institutions. Annual maturities of borrowed money as of March 31, 2024 and 2023, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2024	2024
2025	¥ 124,024	\$ 819,127
2026	194,735	1,286,147
2027	742,878	4,906,403
2028	202,258	1,335,836
2029 and thereafter	3,389	22,388
Total	¥1,267,287	\$8,369,903

	Millions of Yen
	2023
2024	¥ 373,279
2025	16,234
2026	192,781
2027	740,930
2028 and thereafter	2,347
Total	¥1,325,573

## 17. BONDS PAYABLE

Bonds at March 31, 2024 and 2023, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
The Bank's first bonds payable in U.S. dollars (only for qualified institutional investors)	—	¥ 2,214	—
The Bank's bonds payable in U.S. dollars due December 2023	—	37,718	—
Shizugin Lease Co., Ltd.'s first private placement bonds payable only for qualified institutional investors	¥4,000	5,000	\$26,418
Total	¥4,000	¥44,932	\$26,418

The coupon amount of The Shizuoka Bank, Ltd.'s first U.S. dollar-denominated bonds (only for qualified institutional investors), which were discounted bonds, was ¥2,214 million at March 31, 2023.

Annual maturities of bonds as of March 31, 2024 and 2023, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
2025	¥1,000		\$6,604
2026	1,000		6,604
2027	1,000		6,604
2028	1,000		6,604
2029	—		—
Total	¥4,000		\$26,418

	Millions of Yen	
	2024	2023
2024	¥39,932	
2025		
2026		
2027		
2028	5,000	
Total	¥44,932	

## 18. OTHER LIABILITIES

Other liabilities at March 31, 2024 and 2023, consisted of the followings:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Income taxes payable	¥ 17,054	¥ 11,380	\$ 112,635
Accrued expenses	14,760	14,278	97,487
Unearned income	15,248	17,164	100,712
Derivative products	65,891	45,499	435,186
Cash collateral received for financial products	25,869	14,766	170,858
Others	65,935	54,437	435,478
Total	¥ 204,760	¥ 157,526	\$ 1,352,358

## 19. RETIREMENT AND PENSION PLANS

The Company 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 Company 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, 2024 and 2023, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Balance at beginning of year	¥59,707	¥61,155	\$394,341
Current service cost	1,679	1,671	11,093
Interest cost	579	596	3,828
Actuarial (gains) losses	(249)	278	(1,647)
Benefits paid	(3,914)	(4,137)	(25,853)
Others	127	141	844
Balance at end of year	¥57,930	¥59,707	\$382,608

2. The changes in plan assets for the years ended March 31, 2024 and 2023, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Balance at beginning of year	¥69,672	¥71,696	\$460,154
Expected return on plan assets	1,205	1,242	7,962
Actuarial gains (losses)	3,067	(1,390)	20,261
Contributions from the employer	708	727	4,678
Benefits paid	(2,650)	(2,727)	(17,508)
Others	126	123	833
Balance at end of year	¥72,129	¥69,672	\$476,382

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

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Funded defined benefit obligation	¥ 55,930	¥ 57,982	\$ 369,396
Plan assets	(72,129)	(69,672)	(476,382)
Total	(16,198)	(11,689)	(106,985)
Unfunded defined benefit obligation	2,000	1,725	13,211
Net asset arising from defined benefit obligation	¥(14,198)	¥ (9,964)	\$ (93,774)

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Liability for retirement benefits	¥ 3,497	¥ 3,879	\$ 23,099
Asset for retirement benefits	(17,695)	(13,844)	(116,873)
Net asset arising from defined benefit obligation	¥ (14,198)	¥ (9,964)	\$ (93,774)

4. The components of net periodic retirement benefit costs for the years ended March 31, 2024 and 2023, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Service cost	¥ 1,679	¥ 1,671	\$ 11,093
Interest cost	579	596	3,828
Expected return on plan assets	(1,205)	(1,242)	(7,962)
Amortization of actuarial gains and losses	(552)	(925)	(3,649)
Others	16	19	107
Net periodic retirement benefit costs	¥ 517	¥ 119	\$ 3,418

5. Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2024 and 2023, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Actuarial gains (losses)	¥2,764	¥(2,594)	\$18,259
Total	¥2,764	¥(2,594)	\$18,259

6. Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2024 and 2023, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Unrecognized actuarial losses	¥(3,937)	¥(1,172)	\$(26,004)
Total	¥(3,937)	¥(1,172)	\$(26,004)

7. Plan assets

(1) Components of plan assets

Plan assets consisted of the following:

	2024	2023
Debt investments	48%	51%
Equity investments	16%	14%
Cash and cash equivalents	1%	1%
General account of life insurance companies	25%	26%
Others	10%	8%
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, 2024 and 2023, were set forth as follows:

	2024	2023
Discount rate	Mainly 1.0%	Mainly 1.0%
Expected rate of return on plan assets	0.8% - 2.0%	0.8% - 2.0%
Expected rate of salary increase	8.4%	8.4%

9. Defined contribution

The amounts to be contributed by the Company and the consolidated subsidiaries for the years ended March 31, 2024 and 2023, were ¥452 million (\$2,989 thousand) and ¥456 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

At the annual general meeting of shareholders of the Bank held on June 17, 2022, Proposal No. 4, "Incorporation of Wholly Owning Parent Company Through Share Transfer," was approved. As a result of the share transfer under the proposal, the Company issued stock acquisition rights in place of the stock acquisition rights issued by the Bank before the establishment of the Company.

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

The stock options outstanding as of March 31, 2024, were as follows:

Stock Options	Persons Granted	Number of Options Granted	Date of Grant (*)	Exercise Price	Exercise Period
The Company's 8th stock acquisition rights	3 directors (the Bank)	38,000 shares	2014.7.22	¥1 (\$0.01)	From October 3, 2022 to July 22, 2039
The Company's 9th stock acquisition rights	3 directors (the Bank)	17,000 shares	2015.7.21	¥1 (\$0.01)	From October 3, 2022 to July 21, 2040
The Company's 10th stock acquisition rights	3 directors (the Bank)	24,000 shares	2016.7.19	¥1 (\$0.01)	From October 3, 2022 to July 19, 2041
The Company's 11th stock acquisition rights	3 directors (the Bank)	28,000 shares	2017.7.18	¥1 (\$0.01)	From October 3, 2022 to July 18, 2042
The Company's 12th stock acquisition rights	3 directors (the Bank)	26,500 shares	2018.7.17	¥1 (\$0.01)	From October 3, 2022 to July 17, 2043
The Company's 13th stock acquisition rights	3 directors (the Bank)	29,000 shares	2019.7.16	¥1 (\$0.01)	From October 3, 2022 to July 16, 2044

(\*) The date of grant is the original grant date at the Bank.

The stock option activity is as follows:

	The Company's 1st stock acquisition rights	The Company's 2nd stock acquisition rights	The Company's 3rd stock acquisition rights	The Company's 4th stock acquisition rights	The Company's 5th stock acquisition rights	The Company's 6th stock acquisition rights	The Company's 7th stock acquisition rights	The Company's 8th stock acquisition rights	The Company's 9th stock acquisition rights	The Company's 10th stock acquisition rights	The Company's 11th stock acquisition rights	The Company's 12th stock acquisition rights	The Company's 13th stock acquisition rights
Year Ended March 31, 2023													
Non-vested													
March 31, 2022—Outstanding													
Granted													
Vested													
March 31, 2023—Outstanding													
Vested													
March 31, 2022—Outstanding	13,000	13,000	20,000	27,000	27,000	30,000	22,000	48,000	22,000	30,000	33,000	32,100	34,000
Vested													
Excised							9,000	10,000	5,000	6,000	5,000	5,600	5,000
March 31, 2023—Outstanding	13,000	13,000	20,000	27,000	27,000	30,000	13,000	38,000	17,000	24,000	28,000	26,500	29,000
Exercise price	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1
Average stock price at exercise	—	—	—	—	—	—	¥ 801	¥ 801	¥ 801	¥ 801	¥ 801	¥ 801	¥ 801
Fair value price at grant date	¥1,153	¥1,057	¥ 875	¥ 704	¥ 709	¥ 743	¥1,135	¥1,079	¥1,351	¥ 730	¥ 899	¥ 888	¥ 733

The stock option activity is as follows:

	The Company's 1st stock acquisition rights	The Company's 2nd stock acquisition rights	The Company's 3rd stock acquisition rights	The Company's 4th stock acquisition rights	The Company's 5th stock acquisition rights	The Company's 6th stock acquisition rights	The Company's 7th stock acquisition rights	The Company's 8th stock acquisition rights	The Company's 9th stock acquisition rights	The Company's 10th stock acquisition rights	The Company's 11th stock acquisition rights	The Company's 12th stock acquisition rights	The Company's 13th stock acquisition rights
Year Ended March 31, 2024													
Non-vested													
March 31, 2023—Outstanding													
Granted													
Vested													
March 31, 2024—Outstanding													
Vested													
March 31, 2023—Outstanding	13,000	13,000	20,000	27,000	27,000	30,000	13,000	38,000	17,000	24,000	28,000	26,500	29,000
Vested													
Excised								18,000	7,000	12,000	12,000	9,900	11,000
March 31, 2024—Outstanding	—	—	—	—	—	—	—	20,000	10,000	12,000	16,000	16,600	18,000
Exercise price	¥ 1 (\$ 0.01)	¥ 1 (\$ 0.01)	¥ 1 (\$ 0.01)	¥ 1 (\$ 0.01)	¥ 1 (\$ 0.01)	¥ 1 (\$ 0.01)	¥ 1 (\$ 0.01)	¥ 1 (\$ 0.01)	¥ 1 (\$ 0.01)	¥ 1 (\$ 0.01)	¥ 1 (\$ 0.01)	¥ 1 (\$ 0.01)	¥ 1 (\$ 0.01)
Average stock price at exercise	¥1,039.5 (\$ 6.86)	¥1,039.5 (\$ 6.86)	¥1,039.5 (\$ 6.86)	¥1,039.5 (\$ 6.86)	¥1,039.5 (\$ 6.86)	¥1,039.5 (\$ 6.86)	¥1,039.5 (\$ 6.86)	¥1,039.5 (\$ 6.86)	¥1,039.5 (\$ 6.86)	¥1,039.5 (\$ 6.86)	¥1,039.5 (\$ 6.86)	¥1,039.5 (\$ 6.86)	¥1,039.5 (\$ 6.86)
Fair value price at grant date	¥ 1,153 (\$ 7.61)	¥ 1,057 (\$ 6.98)	¥ 875 (\$ 5.77)	¥ 704 (\$ 4.64)	¥ 709 (\$ 4.68)	¥ 743 (\$ 4.90)	¥ 1,135 (\$ 7.49)	¥ 1,079 (\$ 7.12)	¥ 1,351 (\$ 8.92)	¥ 730 (\$ 4.82)	¥ 899 (\$ 5.93)	¥ 888 (\$ 5.86)	¥ 733 (\$ 4.84)

## 22. VALUATION DIFFERENCE ON AVAILABLE-FOR-SALE SECURITIES

The breakdowns of “Valuation difference on available-for-sale securities” in the consolidated balance sheets are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Valuation difference	¥ 348,574	¥ 324,075	\$ 2,302,188
Deferred tax liabilities	(103,086)	(95,645)	(680,844)
Amounts equivalent to difference on available-for-sale securities	¥245,487	¥228,430	\$ 1,621,344
Noncontrolling interest adjustment	—	—	—
Share of valuation difference on available-for-sale securities in affiliated companies	(431)	(481)	(2,847)
Valuation difference on available-for-sale securities	¥ 245,056	¥ 227,948	\$ 1,618,496

## 23. OTHER OPERATING INCOME

Other operating income for the years ended March 31, 2024 and 2023, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Gains on foreign exchange transactions	—	¥ 7,106	—
Gains on sales of bonds	¥ 18,512	19,093	\$ 122,265
Gains on financial derivatives	594	624	3,925
Other	82	—	543
Total	¥ 19,188	¥ 26,824	\$ 126,735

## 24. OTHER INCOME

Other income for the years ended March 31, 2024 and 2023, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Gains on sales of stock and other securities	¥ 23,472	¥ 13,911	\$ 155,023
Equity in earnings of affiliated companies	8,131	417	53,704
Gains on disposal of fixed assets	25	186	165
Others	5,360	6,958	35,406
Total	¥ 36,989	¥ 21,474	\$ 244,299

## 25. OTHER OPERATING EXPENSES

Other operating expenses for the years ended March 31, 2024 and 2023, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Losses on foreign exchange transactions	¥ 2,696	—	\$ 17,806
Losses on sales of bonds	18,829	¥ 25,706	124,363
Losses on redemption of bonds	—	909	—
Total	¥ 21,525	¥ 26,616	\$ 142,169

## 26. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the years ended March 31, 2024 and 2023, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Salary	¥ 34,968	¥ 33,959	\$ 230,950
Depreciation expenses	13,974	16,962	92,298
Others	47,525	44,935	313,888
Total	¥ 96,469	¥ 95,857	\$ 637,137

## 27. OTHER EXPENSES

Other expenses for the years ended March 31, 2024 and 2023, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Provision of allowance for loan losses	¥ 3,980	¥ 4,543	\$ 26,290
Losses on written-off claims	427	402	2,824
Losses on sales of stocks and other securities	347	16	2,297
Losses on devaluation of stocks and other securities	99	90	655
Losses on disposal of fixed assets	409	571	2,703
Impairment losses	22,143	258	146,249
Losses on liquidation of subsidiaries	203	—	1,343
Others	4,741	6,579	31,314
Total	¥ 32,353	¥ 12,461	\$ 213,678

## 28. IMPAIRMENT LOSSES

Under the “Transformation Strategy,” one of the basic strategies of the 1st Medium-Term Business Plan, which started this fiscal year, the Company envisions transforming its network of sales offices, including branches, into an optimal form in terms of both enhancing services and improving convenience, while keeping an eye on changes in the social structure and advances in digital technology. Over the medium- to long-term period, the Company has a plan to turn the Group’s sales branches into regional production bases that bring together the functions of the Group by changing branch functions, such as by transforming processing daily branch transactions to online basis and reallocating sales resources to transactions that would add higher value to customers.

In order to realize the medium- to long-term branch concept, the Group is executing measures to enhance its branch operations with digitalization such as a sales operational system renewal which commenced during this fiscal year and a new infrastructure implementation as well as the sophistication and streamlining of sales office operations through the use of the new sales support system “S-CRM” and chatbots.

In consideration of the diversification of the roles and functions of individual branches described above as well as the importance of systems in branch operations, the Bank has revised the method of applying impairment accounting for fixed assets.

Specifically, the Bank revised the grouping method of cash-generating units within the branch sales department from grouping branches located in certain district to a single branch. Assets that are idle or scheduled to be disposed of are grouped on each asset basis.

In addition, software and other assets which were previously corporate assets and were reasonably deemed to be used by each department (branch sales department, overseas branches, Tokyo sales departments, and so on), have been changed to an impairment judgment method based on the fact that they belong to each department. In addition, software belonging to the branch sales department is allocated to the sales branch based on the personnel of each sales store.

As a result, in the current consolidated fiscal year, due to the inability to expect a recovery of the investment in business assets belonging to the business branches that constitute the branch sales departments of the Bank, the book value was reduced to the recoverable value, and the amount of reduction of ¥22,143 million (\$146,249 thousand) was recorded in the extraordinary losses as impairment losses. The details of the impairment losses are as follows.

	Millions of Yen	Thousands of U.S. Dollars
	2024	2024
Software and other assets	¥18,467	\$121,967
Land	2,695	17,804
Buildings	227	1,504
Other tangible fixed assets	752	4,972
Total	¥22,143	\$146,249

There were no important impairment losses to be described for the year ended March 31, 2023.

The recoverable value is calculated as the higher of the value-in-use or the net sale value. The value-in-use is calculated at the discounted present value of future cash flows, and the discount rate used is 10% with reference to the level of the cost of capital (calculated based on the risk-free rate, stock beta, etc.). The net selling price is calculated by deducting the estimated disposal cost from the amount assessed based on the real estate appraisal value. Since the software assets are customized as in-house use and have no use value at other companies, the net selling price is zero.

## 29. INCOME TAXES

The Company 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 29.9% for the years ended March 31, 2024 and 2023, respectively.

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Deferred tax assets:			
Allowance for loan losses	¥ 15,039	¥ 14,765	\$ 99,327
Liability for retirement benefits	4,910	5,730	32,431
Valuation loss on securities	3,367	3,197	22,242
Depreciation expense	6,041	2,656	39,900
Others	10,518	8,869	69,468
Less: valuation allowance	(4,666)	(4,203)	(30,822)
Deferred tax assets	35,210	31,015	232,548
Deferred tax liabilities:			
Valuation difference on available-for-sale securities	(103,063)	(95,622)	(680,693)
Gain on establishment of employee retirement benefit trust	(4,298)	(5,079)	(28,387)
Securities returned from employee retirement benefit trust	(2,180)	(2,724)	(14,398)
Other	(5,456)	(3,207)	(36,035)
Deferred tax liabilities	(114,998)	(106,634)	(759,514)
Net deferred tax assets (liabilities)	¥ (79,788)	¥ (75,618)	\$ (526,966)

Reconciliations of the effective income tax rates reflected in the accompanying consolidated statements of income to the statutory tax rate for the years ended March 31, 2024 and 2023, were as follows:

	2024	2023
Normal effective statutory tax rate (Reconciliation)	29.9%	29.9%
Changes in valuation allowance	0.9%	0.2%
Dividends exempted for income tax purposes	(0.7)%	(1.9)%
Equity in earnings of affiliated companies	(3.1)%	(0.2)%
Others	0.3%	0.5%
Actual effective tax rate	27.3%	28.5%

## 30. LEASES

### (1) Financial Lease

#### (a) Lessor

The net lease investment assets are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Gross lease receivables	¥80,334	¥81,475	\$ 530,572
Estimated residual values	3,046	3,046	20,119
Unearned interest income	(6,894)	(6,625)	(45,535)
Lease investment assets	¥76,485	¥77,896	\$ 505,156

Maturities of lease receivables are as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
	2024	2024
2025	¥1,820	\$12,026
2026	1,337	8,830
2027	1,099	7,258
2028	943	6,230
2029	777	5,137
2030 and thereafter	2,041	13,485
Total	¥8,020	\$52,969

Year Ending March 31	Millions of Yen
	2023
2024	¥1,503
2025	1,213
2026	912
2027	728
2028	635
2029 and thereafter	2,107
Total	¥7,102

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

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
	2024	2024
2025	¥32,455	\$214,357
2026	16,148	106,652
2027	12,176	80,422
2028	8,456	55,853
2029	4,846	32,010
2030 and thereafter	6,249	41,276
Total	¥80,334	\$530,572

Year Ending March 31	Millions of Yen
	2023
2024	¥22,765
2025	18,241
2026	14,004
2027	11,809
2028	6,215
2029 and thereafter	8,438
Total	¥81,475

### (2) Operating Lease

#### (a) Lessee

The minimum rental commitments under noncancelable operating leases at March 31, 2024 and 2023, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Due within one year	¥368	¥ 428	\$ 2,436
Due after one year	433	578	2,859
Total	¥801	¥ 1,007	\$ 5,296



(b) Lessor

The future lease payment receivables under noncancelable operating leases at March 31, 2024 and 2023, were as follows:

	Millions of Yen¥		Thousands of U.S. Dollars
	2024	2023	2024
Due within one year	¥ 463	¥ 479	\$3,061
Due after one year	805	665	5,321
Total	¥1,269	¥1,144	\$8,382

### 31. 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.

In addition, the liquidation of Shizuoka Bank (Europe) S.A., which had been included in the banking operations, was completed on March 28, 2024.

#### 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, 2024	Millions of Yen						
	Reportable Segment			Other	Total	Reconciliations	Consolidated
	Banking Operations	Leasing Operations	Total				
Ordinary income:							
Ordinary income from external customers	¥ 295,180	¥ 32,370	¥ 327,551	¥ 18,975	¥ 346,526		¥ 346,526
Ordinary income from intersegment transactions	2,352	1,025	3,377	51,650	55,027	¥ (55,027)	
Total	¥ 297,533	¥ 33,395	¥ 330,928	¥ 70,625	¥ 401,554	¥ (55,027)	¥ 346,526
Segment profit	¥ 89,605	¥ 1,711	¥ 91,316	¥ 60,558	¥ 151,875	¥ (49,650)	¥ 102,224
Segment assets	16,004,488	121,522	16,126,010	891,261	17,017,271	(875,682)	16,141,589
Segment liabilities	14,929,168	97,361	15,026,529	29,874	15,056,403	(118,202)	14,938,201
Other:							
Depreciation	13,787	1,332	15,119	114	15,233	(4)	15,229
Interest income	206,198	13	206,212	49,697	255,909	(49,835)	206,074
Interest expense	78,258	306	78,564		78,564	(249)	78,315
Equity in earnings of affiliated companies	50		50	8,081	8,131		8,131
Extraordinary income	25		25		25		25
Gain on disposal of non-current assets	25		25		25		25
Extraordinary losses	22,753	2	22,756	3	22,759		22,759
Loss on disposal of non-current assets	406	2	409		409		409
Impairment losses	22,143		22,143		22,143		22,143
Losses on liquidation of subsidiaries	203		203		203		203
Investments in affiliated companies	1,317		1,317	26,026	27,344		27,344
Increase in property, plant and equipment and intangible assets	11,075	849	11,925	155	12,080	(3)	12,077

Year ended March 31, 2024	Thousands of U.S. Dollars						
	Reportable Segment			Other	Total	Reconciliations	Consolidated
	Banking Operations	Leasing Operations	Total				
Ordinary income:							
Ordinary income from external customers	\$ 1,949,547	\$ 213,790	\$ 2,163,338	\$ 125,323	\$ 2,288,661		\$ 2,288,661
Ordinary income from intersegment transactions	15,536	6,771	22,308	341,128	363,436	\$ (363,436)	
Total	\$ 1,965,083	\$ 220,562	\$ 2,185,646	\$ 466,452	\$ 2,652,098	\$ (363,436)	\$ 2,288,661
Segment profit	\$ 591,808	\$ 11,300	\$ 603,109	\$ 399,964	\$ 1,003,073	\$ (327,920)	\$ 675,153
Segment assets	105,702,982	802,603	106,505,585	5,886,409	112,391,995	(5,783,518)	106,608,476
Segment liabilities	98,600,940	643,030	99,243,971	197,307	99,441,278	(780,677)	98,660,601
Others:							
Depreciation	91,062	8,797	99,860	753	100,614	(27)	100,586
Interest income	1,361,854	92	1,361,946	328,230	1,690,176	(329,143)	1,361,033
Interest expense	516,864	2,022	518,886		518,886	(1,646)	517,240
Equity in earnings of affiliated companies	331		331	53,372	53,704		53,704
Extraordinary income	165		165		165		165
Gain on disposal of non-current assets	165		165		165		165
Extraordinary losses	150,279	16	150,296	21	150,317		150,317
Loss on disposal of non-current assets	2,687	16	2,703		2,703		2,703
Impairment losses	146,249		146,249		146,249		146,249
Losses on liquidation of subsidiaries	1,343		1,343		1,343		1,343
Investments in affiliated companies	8,703		8,703	171,896	180,599		180,599
Increase in property, plant and equipment and intangible assets	73,149	5,612	78,762	1,026	79,789	(25)	79,764

Notes: 1. "Reconciliations" are mainly eliminations of intersegment transactions.

2. Shizuoka EU Liquidity Reserve Limited and Shizuoka SG Liquidity Reserve Limited, both established on November 30, 2023, are included in "Banking Operations." SFG Marketing Co., Ltd., established on July 3, 2023, and SFG Real Estate Investment Advisors Co., Ltd., established on November 16, 2023, are included in "Others."

Year ended March 31, 2023	Millions of Yen						
	Reportable Segment			Other	Total	Reconciliations	Consolidated
	Banking Operations	Leasing Operations	Total				
Ordinary income:							
Ordinary income from external customers	¥ 242,547	¥ 35,069	¥ 277,617	¥ 9,769	¥ 287,386		¥ 287,386
Ordinary income from intersegment transactions	2,045	1,137	3,182	531	3,713	¥ (3,713)	
Total	¥ 244,592	¥ 36,206	¥ 280,799	¥ 10,300	¥ 291,100	¥ (3,713)	¥ 287,386
Segment profit	¥ 70,506	¥ 1,566	¥ 72,073	¥ 2,108	¥ 74,182	¥ (217)	¥ 73,964
Segment assets	15,546,547	120,659	15,667,207	851,157	16,518,364	(863,478)	15,654,886
Segment liabilities	14,485,918	97,506	14,583,424	18,665	14,602,089	(95,308)	14,506,781
Other:							
Depreciation	16,812	1,022	17,834	137	17,972	(6)	17,965
Interest income	159,603	9	159,613	62	159,675	(1,067)	158,608
Interest expense	39,253	259	39,512	448	39,960	(240)	39,719
Equity in earnings of affiliated companies	51		51	366	417		417
Extraordinary income	459		459	2,265	2,724	(2,538)	186
Gain on disposal of non-current assets	186		186		186		186
Reversal of stock acquisition rights	272		272		272	(272)	
Gains on dividend in kind				2,265	2,265	(2,265)	
Extraordinary losses	827	2	830		830		830
Loss on disposal of non-current assets	569	2	571		571		571
Impairment losses	258		258		258		258
Investments in affiliated companies	1,267		1,267	18,019	19,287		19,287
Increase in property, plant and equipment and intangible assets	12,057	569	12,626	149	12,776	(10)	12,766

Notes: 1. "Reconciliations" are mainly eliminations of intersegment transactions.

2. The Company, established on October 3, 2022, is included in "Others."

#### 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
<b>Year ended March 31, 2024</b>	<b>¥139,151</b>	<b>¥94,039</b>	<b>¥32,370</b>	<b>¥80,964</b>	<b>¥346,526</b>	<b>\$919,040</b>	<b>\$621,092</b>	<b>\$213,790</b>	<b>\$534,738</b>	<b>\$2,288,661</b>

	Millions of Yen				
	Lending Operations	Investment Operations	Leasing Operations	Other	Total
Year ended March 31, 2023	¥117,068	¥66,588	¥35,069	¥68,660	¥287,386

##### (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 statements 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 sheets, 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

	Millions of Yen					Thousands of U.S. Dollars				
	Reportable Segment					Reportable Segment				
	Banking Operations	Leasing Operations	Total	Other	Total	Banking Operations	Leasing Operations	Total	Other	Total
<b>Year ended March 31, 2024</b>	<b>¥22,143</b>		<b>¥22,143</b>		<b>¥22,143</b>	<b>\$146,249</b>		<b>\$146,249</b>		<b>\$146,249</b>

	Millions of Yen				
	Reportable Segment				
	Banking Operations	Leasing Operations	Total	Other	Total
Year ended March 31, 2023	¥258		¥258		¥258

## 32. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

### (Financial Instruments)

#### 1. Information on financial instruments

##### (1) Policy for financial instruments

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

Banking operations, the core business of the Group, provide 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 Group 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 50% 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 focused on 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 and funds raised in the call market. If the Company 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 short-term trading transactions.

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 below which the Group will be able to withstand losses on its own. This system allocates core regulatory capital to each operational department or section and controls risk so that if market, credit or other 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 Office of the Risk Management Department manages all credit risks associated with the Group's operations both in Japan and overseas in order to ensure the soundness of the Group's loan asset portfolio. The borrower credit rating system, which is an essential part of its credit risk management, together with other internal rating systems, is operated by the Credit Planning Group of the Credit Support Department, designed and supervised by the Credit Risk Management Group of the Risk Management Department, which is independent from the credit department (i.e., the Credit Support Department), and verified for appropriateness of the system by the Risk Management Group of the Risk Management Department. This structure has been designed such that the internal credit rating system will function appropriately through mutual checks and balances between these three groups.

In addition, the Audit Department checks whether credit risk management is conducted appropriately in accordance with the relevant rules, through such means as validation of the self assessment process.

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

The credit risk management status, together with the status of market risk management and liquidity risk management described below, is reported through monthly meetings of the Committee for Group Integrated Risk and Budget Management,

which is chaired by the Chief Financial Officer, as well as through 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, unrealized profits and losses, position, sensitivity, and so on.

The Group 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 Office of the Corporate Planning Department discusses ALM hedge policies based on the status of interest rate risks and interest rate outlook at meetings of the Committee for Group Integrated Risk and Budget Management.

The Group has established a system of checks and balances in the market division by strictly separating trading departments and administration departments and by setting 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 departments.

The Group measures 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 Group 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 of the Group as of March 31, 2024 and 2023, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
VaR	¥185,135	¥160,028	\$1,222,741

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, which 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 Group 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 and Foreign Exchange Group of the Treasury Department of the Bank, which is one of the fund management departments, controls amounts raised in markets within a range of amounts permitted to be raised so as to prevent excessive fund-raising in markets, and seeks stable financing, considering market circumstances. The Risk Management Office of the Risk Management Department, which is the liquidity risk management department, 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 management by the fund management departments.

To deal promptly with unforeseeable circumstances, the Bank 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 appointed 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 sets limits by issue 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. If there are no market prices, values are reasonably calculated. As these fair values are calculated based on certain assumptions, fair values could differ if different assumptions are used for calculation.

2. Fair values of financial instruments and a breakdown by level of the fair values of financial instruments

The carrying values and fair values of financial instruments, the difference between these values, and their fair values by level are as follows:

Please note that the table below does not include stocks or others without quoted market prices and investments in partnerships. Account items whose carrying values are of law significance have been omitted.

Financial Instruments Categorized by Fair Value Hierarchy

The fair value of financial instruments is categorized into the following three levels, depending on the observability and significance of the inputs used in making fair value measurements:

Level 1: Fair values measured by using quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Fair values measured by using inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly

Level 3: Fair values measured by using unobservable inputs for the assets or liabilities

If multiple inputs are used that have a significant impact on the measurement of fair value, fair value is classified at the lowest level in the fair value measurement among the levels to which each of these inputs belongs.

(1) Financial instruments measured at the fair values in the consolidated balance sheets

March 31, 2024	Millions of Yen			
	Level 1	Level 2	Level 3	Total
<b>Trading assets</b>				
Trading securities	¥57	¥6,864		¥6,922
Japanese government bonds	57			57
Local government bonds		521		521
Corporate bonds		6,342		6,342
<b>Securities (*1)</b>				
Available-for-sale securities	1,598,294	1,329,955	¥197,198	3,125,448
Japanese government bonds	954,635			954,635
Local government bonds		236,409		236,409
Corporate bonds		279,867	196,940	476,808
Stocks	501,355	5,628		506,984
Others	142,303	808,049	258	950,611
Foreign bonds	142,303	474,583		616,886
<b>Total assets</b>	<b>¥1,598,352</b>	<b>¥1,336,820</b>	<b>¥197,198</b>	<b>¥3,132,371</b>
<b>Derivative transactions (*2)(*3)(*4)</b>				
Interest rate-related		¥3,752		¥3,752
Currency-related		(27,745)		(27,745)
<b>Total derivative transactions</b>		<b>¥(23,993)</b>		<b>¥(23,993)</b>

March 31, 2024	Thousands of U.S. Dollars			
	Level 1	Level 2	Level 3	Total
<b>Trading assets</b>				
Trading securities	\$381	\$45,340		\$45,721
Japanese government bonds	381			381
Local government bonds		3,447		3,447
Corporate bonds		41,892		41,892
<b>Securities (*1)</b>				
Available-for-sale securities	10,556,069	8,783,801	\$1,302,417	20,642,287
Japanese government bonds	6,304,969			6,304,969
Local government bonds		1,561,384		1,561,384
Corporate bonds		1,848,409	1,300,712	3,149,121
Stocks	3,311,246	37,175		3,348,421
Others	939,853	5,336,831	1,704	6,278,390
Foreign bonds	939,853	3,134,426		4,074,280
<b>Total assets</b>	<b>\$10,556,450</b>	<b>\$8,829,141</b>	<b>\$1,302,417</b>	<b>\$20,688,009</b>
<b>Derivative transactions (*2)(*3)(*4)</b>				
Interest rate-related		\$24,780		\$24,780
Currency-related		(183,250)		(183,250)
<b>Total derivative transactions</b>		<b>\$(158,470)</b>		<b>\$(158,470)</b>

(\*1) Securities do not include investment trusts to which the treatment in Paragraph 24-9 of the Implementation Guidance on Accounting Standard for Fair Value Measurement is applied to deem the net asset value to be the fair value.

These investment trusts are carried at ¥16,732 million (\$110,512 thousand) in the consolidated balance sheets.

A reconciliation of the beginning balance to the ending balance of the investment trusts to which the treatment of net asset value as fair value was applied is as follows:

(Millions of Yen)

Balance at Beginning of Year	Profit/Loss or Other Comprehensive Income		Net Purchase, Sales and Redemption	The Amount by Which the Net Asset Value of the Investment Trusts is Deemed to be the Fair Value	The Amount by Which the Net Asset Value of the Investment Trusts is Not Deemed to be the Fair Value	Balance at Ending of Year	Unrealized Gains/Losses on Investment Trusts Held at the Consolidated Balance Sheet Date of the Amount Recorded in Profit/Loss for the Year
	Recorded in Profit/Loss	Recorded in Other Comprehensive Income (*)					
¥10,300		¥245	¥6,186	¥16,732		¥16,732	

(Thousands of U.S. Dollars)

Balance at Beginning of Year	Profit/Loss or Other Comprehensive Income		Net Purchase, Sales and Redemption	The Amount by Which the Net Asset Value of the Investment Trusts is Deemed to be the Fair Value	The Amount by Which the Net Asset Value of the Investment Trusts is Not Deemed to be the Fair Value	Balance at Ending of Year	Unrealized Gains/Losses on Investment Trusts Held at the Consolidated Balance Sheet Date of the Amount Recorded in Profit/Loss for the Year
	Recorded in Profit/Loss	Recorded in Other Comprehensive Income (*)					
\$68,031		\$1,619	\$40,861	\$110,512		\$110,512	

(\*) Included in "Valuation difference on available-for-sale securities" of "Other comprehensive income" in the consolidated statements of comprehensive income.

(\*2) The total of all derivative transactions recorded in trading assets and liabilities and other assets and liabilities

Net claims and liabilities arising from derivative transactions are presented in netted amounts. Net negative amounts are marked with a bracket.

Transactions subject to special hedging treatment of interest rate swaps are valued together with the hedged transactions, and have thus been excluded from derivative transactions.

(\*3) Of the derivative transactions, those subject to hedge accounting are carried at ¥(33,881) million (\$223,773) thousand in the consolidated balance sheets.

(\*4) These transactions include, among others, interest rate swaps designated as hedging instruments to reduce market fluctuation risk or foreign exchange fluctuation risk associated with loans to be hedged against. Deferred hedge accounting is applied to these transactions. The Practical Solution on the Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR (ASBJ PITF No. 40, March 17, 2022) is applied to these hedging relationships.

(\*1) Securities do not include investment trusts to which the treatment in Paragraph 24-9 of the Implementation Guidance on Accounting Standard for Fair Value Measurement is applied to deem the net asset value to be the fair value.

These investment trusts are carried at ¥10,300 million in the consolidated balance sheets.

A reconciliation of the beginning balance to the ending balance of the investment trusts to which the treatment of net asset value as fair value was applied is as follows:

(Millions of Yen)

Balance at Beginning of Year	Profit/Loss or Other Comprehensive Income		Net Purchase, Sales and Redemption	The Amount by Which the Net Asset Value of the Investment Trusts is Deemed to be the Fair Value	The Amount by Which the Net Asset Value of the Investment Trusts is Not Deemed to be the Fair Value	Balance at Ending of Year	Unrealized Gains/Losses on Investment Trusts Held at the Consolidated Balance Sheet Date of the Amount Recorded in Profit/Loss for the Year
	Recorded in Profit/Loss	Recorded in Other Comprehensive Income (*)					
¥15,647		¥(101)	¥(5,244)	¥10,300		¥10,300	

(\*) Included in "Valuation difference on available-for-sale securities" of "Other comprehensive income" in the consolidated statements of comprehensive income.

(\*2) The total of all derivative transactions recorded in trading assets and liabilities and other assets and liabilities

Net claims and liabilities arising from derivative transactions are presented in netted amounts. Net negative amounts are marked with a bracket.

Transactions subject to special hedging treatment of interest rate swaps are valued together with the hedged transactions, and have thus been excluded from derivative transactions.

(\*3) Of the derivative transactions, those subject to hedge accounting are carried at ¥(21,659) million in the consolidated balance sheets.

(\*4) These transactions include, among others, interest rate swaps designated as hedging instruments to reduce market fluctuation risk or foreign exchange fluctuation risk associated with loans to be hedged against. Deferred hedge accounting is applied to these transactions. The Practical Solution on the Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR (ASBJ PITF No. 40, March 17, 2022) is applied to these hedging relationships.

March 31, 2023	Millions of Yen			
	Level 1	Level 2	Level 3	Total
<b>Trading assets</b>				
Trading securities	¥45	¥3,834		¥3,880
Japanese government bonds	45			45
Local government bonds		481		481
Corporate bonds		3,353		3,353
<b>Securities (*1)</b>				
Available-for-sale securities	1,444,452	1,157,755	¥191,947	2,794,155
Japanese government bonds	854,509			854,509
Local government bonds		235,913		235,913
Corporate bonds		246,444	191,868	438,312
Stocks	446,162	4,389		450,552
Others	143,779	671,008	79	814,867
Foreign bonds	143,779	428,477		572,257
<b>Total assets</b>	<b>¥1,444,498</b>	<b>¥1,161,590</b>	<b>¥191,947</b>	<b>¥2,798,036</b>
<b>Derivative transactions (*2)(*3)(*4)</b>				
Interest rate-related		¥(1,427)		¥(1,427)
Currency-related		(9,060)		(9,060)
<b>Total derivative transactions</b>		<b>¥(10,488)</b>		<b>¥(10,488)</b>

(2) Financial instruments not measured at the fair values in the consolidated balance sheets

Notes have been omitted for cash and due from banks, call loans and bills bought, call money and bills sold, payables under repurchase agreements, and payables under securities lending transactions, as the carrying values of these financial instruments approximate their fair values due to short payment terms.

March 31, 2024	Millions of Yen					
	Fair Value				Carrying Value	Difference
	Level 1	Level 2	Level 3	Total		
Securities						
Held-to-maturity		¥16,311	¥25,171	¥41,483	¥41,957	¥(473)
Japanese government bonds						
Local government bonds		9,610		9,610	9,822	(211)
Corporate bonds		2,039	25,171	27,211	27,282	(71)
Others		4,661		4,661	4,851	(190)
Foreign bonds		4,661		4,661	4,851	(190)
Loans and bills discounted					10,393,864	
Allowance for loan losses (*)					(48,450)	
			10,308,115	10,308,115	10,345,413	(37,298)
Total assets		¥16,311	¥10,333,287	¥10,349,598	¥10,387,371	¥(37,772)
Deposits		¥11,853,056		¥11,853,056	¥11,853,070	¥(14)
Negotiable certificates of deposit		99,085		99,085	99,085	0
Borrowed money		1,224,459	¥ 31,878	1,256,337	1,267,287	(10,949)
Total liabilities		¥13,176,601	¥ 31,878	¥13,208,480	¥13,219,443	¥(10,963)

March 31, 2024	Thousands of U.S. Dollars					
	Fair Value				Carrying Value	Difference
	Level 1	Level 2	Level 3	Total		
Securities						
Held-to-maturity		\$107,731	\$166,249	\$273,981	\$277,109	\$(3,127)
Japanese government bonds						
Local government bonds		63,476		63,476	64,872	(1,396)
Corporate bonds		13,468	166,249	179,718	180,191	(473)
Others		30,786		30,786	32,044	(1,258)
Foreign bonds		30,786		30,786	32,044	(1,258)
Loans and bills discounted					68,647,146	
Allowance for loan losses (*)					(319,995)	
			68,080,807	68,080,807	68,327,151	(246,343)
Total assets		\$107,731	\$68,247,057	\$68,354,789	\$68,604,260	\$(249,471)
Deposits		\$78,284,500		\$78,284,500	\$78,284,593	\$(93)
Negotiable certificates of deposit		654,420		654,420	654,420	0
Borrowed money		8,087,045	\$210,543	8,297,589	8,369,903	(72,313)
Total liabilities		\$87,025,966	\$210,543	\$87,236,510	\$87,308,917	\$(72,407)

(\*) General and individual allowances for losses are excluded from the corresponding loans and bills discounted.

March 31, 2023	Millions of Yen					
	Fair Value				Carrying Value	Difference
	Level 1	Level 2	Level 3	Total		
Securities						
Held-to-maturity		¥14,764	¥57,701	¥72,465	¥72,903	¥(438)
Japanese government bonds						
Local government bonds		8,617		8,617	8,744	(127)
Corporate bonds		2,054	57,701	59,755	59,840	(85)
Others		4,092		4,092	4,318	(225)
Foreign bonds		4,092		4,092	4,318	(225)
Loans and bills discounted					10,037,128	
Allowance for loan losses (*)					(47,946)	
			9,955,186	9,955,186	9,989,181	(33,994)
Total assets		¥14,764	¥10,012,887	¥10,027,652	¥10,062,085	¥(34,432)
Deposits		¥11,705,100		¥11,705,100	¥11,705,070	¥30
Negotiable certificates of deposit		65,104		65,104	65,104	0
Borrowed money		1,289,210	¥29,412	1,318,623	1,325,573	(6,950)
Total liabilities		¥13,059,415	¥29,412	¥13,088,828	¥13,095,748	¥(6,920)

(\*) General and individual allowances for losses are excluded from the corresponding loans and bills discounted.

Note 1: Description of the valuation methodologies and inputs used for measurement of the fair value of financial instruments

#### Assets

##### Trading assets

The fair values of trading assets are classified into Level 1 if their unadjusted quoted prices in active markets are available. These trading assets primarily include Japanese government bonds. If the market is not active, the fair values of trading assets are classified into Level 2 even if their published quoted prices are used. These trading assets primarily include local government bonds and corporate bonds.

##### Securities

The fair values of securities are classified into Level 1 if their unadjusted quoted prices in active markets are available. These securities primarily include listed stocks and Japanese government bonds. If the market is not active, the fair values of securities are classified into Level 2 even if their published quoted prices are used. These securities primarily include local government bonds and corporate bonds. For investment trusts for which no market trading prices exist, the net asset value is used as fair value and classified into Level 2, if there are no material restrictions that would require compensation for the risk from market participants with respect to cancellation or repurchase requests. The fair values of securitized products (beneficial interests in trust) are classified into Level 3, because these fair values are measured based on prices obtained from third parties, and significant unobservable inputs are used to calculate these prices. The fair values of private placement bonds are classified into Level 3, because these fair values are measured by discounting at a discount rate commensurate with the bonds' internal rating, remaining term, and coverage ratio, and the discount rate is a significant unobservable input.

Stock acquisition rights are calculated using valuation techniques, such as the option valuation model. Major inputs include probability of listing. Since probability of listing is an unobservable input, the fair value of stock acquisition rights is classified into Level 3.

##### Loans and bills discounted

The fair values of loans and bills discounted are measured at their present values, which are calculated separately for different categories created based on types and internal ratings of loans and bills discounted, the status of their collateral and guarantees, and their periods, by discounting the future cash flows of the principal and interest at the interest rate expected for similar new loans or at a discount rate calculated by reflecting credit risk, expense rate, etc., on market interest rate. The fair values of floating-rate loans and bills discounted are measured at their carrying values, because their carrying values approximate fair values if the borrowers' credit status has not changed significantly since disbursement, as they quickly reflect market interest rates. As for claims against borrowers classified as legal bankruptcy, virtual bankruptcy or caution, since the loan loss estimates have been calculated based on, among other things, the amounts expected to be recoverable from collateral and guarantees, the fair values of these claims approximate their carrying values minus the amount of allowance for loan losses on the consolidated balance sheets at the end of the fiscal year. The remaining amounts are deemed to be their fair values. These fair values are all classified into Level 3, since the discount rate is unobservable.

#### Liabilities

##### Deposits and Negotiable Certificates of Deposit

As for demand deposits payable immediately on demand at the end of the fiscal year, the amounts payable are deemed to be their fair values. The fair values of time deposits and negotiable certificates of deposit are measured at their discounted present value, which is calculated by classifying them based on their periods and discounting the future cash flows at the interest rate to be used when accepting new deposits. The fair values of deposits with short terms (up to one year) or floating interest rates are measured at their carrying values, since their carrying values approximate fair values. These fair values are classified into Level 2.

##### Borrowed money

The fair value of borrowed money is measured at its present value, which is calculated by classifying the borrowed money based on its period and by discounting the future cash flows at the interest rate expected for similar new borrowings. Floating rate borrowed money reflects market interest rates in short periods, and the credit standing of the Group has not significantly changed since disbursement. Therefore, the carrying value of floating rate borrowed money approximates the fair value. The fair value of borrowed money with short terms (up to one year) is measured at its carrying value, since its carrying value approximates fair value. This fair value is classified into Level 3 if any significant unobservable input is used in its measurement, or otherwise into Level 2.

#### Derivative Transactions

The fair values of derivative transactions are classified into Level 1 if their unadjusted quoted prices in active markets are available. These derivative transactions primarily include bonds futures. However, since most derivatives are over the counter transactions without published quoted prices, their fair values are measured using valuation techniques, such as the present value technique and the option valuation model depending on the type of transaction and the maturity period. The main inputs used in those valuation techniques are interest rate, exchange rate, and volatility, among others. In addition, price adjustments are made based on the credit risk of the counterparty and that of the Group. The fair values of these transactions are classified into Level 2 if no unobservable inputs are used or if the effect of the unobservable inputs used is insignificant. These transactions primarily include interest rate swaps and forward exchange contracts.

Note 2: Information on financial instruments measured at Level 3 fair values in the consolidated balance sheets

Quantitative information on significant unobservable inputs  
March 31, 2024

Category	Valuation Technique	Significant Unobservable Input	Range of Input	Weighted Average of Input
Securities				
Corporate bonds				
Private placement bonds	Present value technique	Discount rates	0.3% - 1.5%	0.7%
Other				
Stock acquisition rights	Option valuation model	Probability of listing	0% - 50.0%	49.9%

March 31, 2023

Category	Valuation Technique	Significant Unobservable Input	Range of Input	Weighted Average of Input
Securities				
Corporate bonds				
Private placement bonds	Present value technique	Discount rates	0.3% - 2.0%	0.6%
Other				
Stock acquisition rights	Option valuation model	Probability of listing	0% - 50.0%	49.9%

(2) Reconciliation between opening and closing balances and loss/gain on valuation recognized in profit/loss

	Millions of Yen		
	Securities		
	Available-For-Sale Securities		
	Private Placement Bonds	Securitized Products (Beneficial Interest in Trust)	Stock Acquisition Rights
<b>March 31, 2024</b>			
Balance at beginning of the year	¥29,024	¥162,843	¥79
Profit or loss or other comprehensive income for the period			
Recorded in profit or loss (*1)		(38)	(6)
Recorded in other comprehensive income (*2)	12	(683)	31
Net purchases, sales, issues, and settlements	(3,489)	9,270	154
Transfer into Level 3 fair value			
Transfer from Level 3 fair value			
Balance at end of the year	¥25,547	¥171,392	¥258

Gains or losses on valuation of financial assets and financial liabilities held at the end of the year included in profit or loss for the period



	Thousands of U.S. Dollars		
	Securities		
	Available-For-Sale Securities		
	Private Placement Bonds	Securitized Products (Beneficial Interest in Trust)	Stock Acquisition Rights
<b>March 31, 2024</b>			
Balance at beginning of the year	\$191,696	\$1,075,514	\$524
Profit or loss or other comprehensive income for the period			
Recorded in profit or loss (*1)		(251)	(42)
Recorded in other comprehensive income (*2)	85	(4,511)	204
Net purchases, sales, issues, and settlements	(23,048)	61,227	1,017
Transfer into Level 3 fair value			
Transfer from Level 3 fair value			
Balance at end of the year	\$168,733	\$1,131,978	\$1,704
Gains or losses on valuation of financial assets and financial liabilities held at the end of the year included in profit or loss for the period			

(\*1) Included in "Interest Income" in the consolidated statements of income.  
(\*2) Included in "Valuation difference on available-for-sale securities" of "Other Comprehensive Income" in the consolidated statements of comprehensive income.

	Millions of Yen		
	Securities		
	Available-For-Sale Securities		
	Private Placement Bonds	Securitized Products (Beneficial Interest in Trust)	Stock Acquisition Rights
<b>March 31, 2023</b>			
Balance at beginning of the year	¥31,430	¥108,028	¥25
Profit or loss or other comprehensive income for the period			
Recorded in profit or loss (*1)		(37)	(7)
Recorded in other comprehensive income (*2)	(104)	(694)	10
Net purchases, sales, issues, and settlements	(2,301)	55,546	51
Transfer into Level 3 fair value			
Transfer from Level 3 fair value			
Balance at end of the year	¥29,024	¥162,843	¥79
Gains or losses on valuation of financial assets and financial liabilities held at the end of the year included in profit or loss for the period			

(\*1) Included in "Interest Income" in the consolidated statements of income.  
(\*2) Included in "Valuation difference on available-for-sale securities" of "Other Comprehensive Income" in the consolidated statements of comprehensive income.

### (3) Description of process of fair value measurement

The Group has established policies and procedures for fair value measurement in middle departments and back-end departments. Once a fair value is measured, verification is performed to test the validity of the valuation techniques and inputs used in the measurement of the fair value and the appropriateness of the classification of the fair value.

In calculating fair values, valuation models are used that most appropriately reflect the nature, characteristics, and risks of the individual assets. Furthermore, when quoted prices obtained from a third party are used, the validity of these prices are verified by such appropriate methods as checking the valuation techniques and inputs being used and/or comparing the resulting fair values with fair values of similar financial instruments.

### (4) Description of the impact of changes in significant unobservable inputs on fair values

The significant unobservable inputs used in the measurement of fair values of securitized products (beneficial interests in trust) are probability of default, loss-given default, and prepayment rate. Significant increase (decrease) in probability of default or loss-given default will result in significant decrease (increase) in fair values, whereas significant change in prepayment rate will result in significant decrease (increase) in fair values, depending on the structure of the financial instrument.

The significant unobservable input used in the measurement of fair values of private placement bonds is discount rate. The discount rate is calculated according to the internal rating of the issuer, the remaining term, and the coverage ratio. Significant increase (decrease) in discount rate will result in significant decrease (increase) in fair values.

Probability of listing is the significant unobservable input used to calculate the fair value of stock acquisition rights. A significant increase (decrease) in probability of listing will result in a significant increase (decrease) in fair value.

Note 3: Stocks and others without quoted market prices and investments in partnerships are measured as follows in the consolidated balance sheets. They are not included in "Available-for-sale securities" in the tables disclosed within this footnote under the heading, "2. Fair values of financial instruments and a breakdown by level of the fair values of financial instruments" above.

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Unlisted stocks (*1, *2)	¥ 10,600	¥ 10,472	\$ 70,011
Investments in partnerships and others (*3)	111,828	90,224	738,580
Total	¥122,428	¥100,697	\$808,592

(\*1) Unlisted stocks are not included in the disclosure of fair value in accordance with Paragraph 5 of the "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, March 31, 2020).

(\*2) The impairment losses on unlisted stocks for the years ended March 31, 2024 and 2023, are ¥92 million (\$613 thousand) and ¥19 million, respectively.

(\*3) Investments in partnerships and others principally include investment partnerships. These are not included in the disclosure of fair value in accordance with Paragraph 24-16 of the "Implementation Guidance on Disclosures about Fair Value of Financial Instruments."

These investments in partnerships and others include the investments in non-consolidated subsidiaries of ¥4,252 million (\$28,085 thousand) and ¥3,252 million as of March 31, 2024 and 2023, respectively, among others.

Note 4: Maturity analysis for financial assets and securities with contractual maturities

March 31, 2024	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	¥1,474,218					
Call loans and bills bought	101,876					
Securities:	62,423	¥ 113,858	¥ 164,886	¥ 189,469	¥ 539,947	¥1,496,100
Held-to-maturity securities	1,816	10,343	6,700	1,700	1,900	19,328
Available-for-sale securities	60,606	103,515	158,185	187,769	538,047	1,476,771
Loans and bills discounted (*1)(*2)	2,339,936	1,810,686	1,511,389	899,952	969,164	2,667,415
Total	¥3,978,454	¥1,924,544	¥1,676,276	¥1,089,421	¥1,509,111	¥4,163,516

March 31, 2024	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	\$ 9,736,601					
Call loans and bills bought	672,848					
Securities:	412,279	\$ 751,989	\$ 1,089,005	\$ 1,251,365	\$ 3,566,126	\$ 9,881,122
Held-to-maturity securities	11,997	68,313	44,253	11,227	12,548	127,659
Available-for-sale securities	400,281	683,676	1,044,752	1,240,138	3,553,577	9,753,462
Loans and bills discounted (*1)(*2)	15,454,304	11,958,827	9,982,099	5,943,811	6,400,929	17,617,168
Total	\$26,276,033	\$12,710,817	\$11,071,105	\$7,195,176	\$9,967,056	\$27,498,290

(\*1) The amounts of loans and bills discounted without due dates, which have been excluded as of March 31, 2024 are ¥105,693 million (\$698,063 thousand).

(\*2) The amounts of loans and bills discounted for "possible bankruptcy," "virtual bankruptcy," and "legal bankruptcy," excluding those without due dates, which have been excluded as of March 31, 2024 are ¥89,626 million (\$591,943 thousand).

March 31, 2023	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	¥1,656,893					
Call loans and bills bought	200,866					
Securities:	101,636	¥ 125,496	¥ 304,989	¥ 126,429	¥ 531,993	¥1,168,434
Held-to-maturity securities	1,000	9,096	28,643	1,364	1,100	31,602
Available-for-sale securities	100,636	116,399	276,345	125,064	530,893	1,136,832
Loans and bills discounted (*1)(*2)	2,162,432	1,811,687	1,457,401	917,043	1,003,438	2,487,986
Total	¥4,121,828	¥1,937,184	¥1,762,390	¥1,043,472	¥1,535,432	¥3,656,421

(\*1) The amounts of loans and bills discounted without due dates, which have been excluded as of March 31, 2023 were ¥103,771 million.

(\*2) The amounts of loans and bills discounted for "possible bankruptcy," "virtual bankruptcy," and "legal bankruptcy," excluding those without due dates, which have been excluded as of March 31, 2023 were ¥93,366 million.

Note 5: Maturity analysis for borrowed money and other interest-bearing debt

March 31, 2024	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	¥11,563,958	¥ 244,442	¥ 34,647	¥1,626	¥8,395	
Negotiable certificates of deposit	99,085					
Call money and bills sold	50,146					
Payables under repurchase agreements	517,733					
Payables under securities lending transactions	778,782					
Borrowed money	124,024	937,614	204,265	1,258	125	
Total	¥13,133,732	¥1,182,056	¥238,913	¥2,884	¥8,520	

March 31, 2024	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	\$76,375,132	\$1,614,437	\$ 228,833	\$10,741	\$55,448	
Negotiable certificates of deposit	654,420					
Call money and bills sold	331,200					
Payables under repurchase agreements	3,419,416					
Payables under securities lending transactions	5,143,534					
Borrowed money	819,127	6,192,551	1,349,087	8,310	825	
Total	\$86,742,831	\$7,806,989	\$1,577,921	\$19,052	\$56,273	

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

	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
March 31, 2023						
Deposits	¥11,376,656	¥295,379	¥ 26,327	¥2,936	¥3,770	
Negotiable certificates of deposit	65,104					
Call money and bills sold	172,557					
Payables under repurchase agreements	385,270					
Payables under securities lending transactions	466,781					
Borrowed money	373,279	209,016	742,457	821		
Total	¥12,839,649	¥504,395	¥768,785	¥3,757	¥3,770	

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

### 33. DERIVATIVES

Qualitative information on derivatives, such as the nature and the purpose of derivative financial instruments, is included in Note 32.

Derivative transactions to which hedge accounting is not applied at March 31, 2024 and 2023, consisted of the following:

	Millions of Yen			
	Contract or Notional Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gains (Losses)
<b>March 31, 2024</b>				
Over the counter:				
Interest rate swaps	¥413,010	¥388,806	¥ 951	¥ 951
Currency swaps	198,296	166,616	45	45
Forward contracts	603,215	325,932	8,862	8,862
Currency options	310,985	242,167	3	3,307
Other	2,851	2,643	24	24

	Thousands of U.S. Dollars			
	Contract or Notional Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gains (Losses)
<b>March 31, 2024</b>				
Over the counter:				
Interest rate swaps	\$2,727,761	\$2,567,902	\$ 6,282	\$ 6,282
Currency swaps	1,309,665	1,100,435	303	303
Forward contracts	3,983,983	2,152,651	58,532	58,532
Currency options	2,053,932	1,599,418	24	21,847
Other	18,834	17,457	160	160

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

	Millions of Yen			
	Contract or Notional Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gains (Losses)
March 31, 2023				
Over the counter:				
Interest rate swaps	¥595,725	¥573,770	¥ 909	¥ 909
Currency swaps	254,053	225,987	(47)	(47)
Forward contracts	688,567	301,559	10,356	10,356
Currency options	310,314	310,314	(82)	3,086
Other	4,356	3,781	34	34

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, 2024 and 2023, consisted of the following:

	Millions of Yen			
	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
<b>March 31, 2024</b>				
Principled treatment:				
Interest rate swaps	Securities classified as available-for-sale and borrowed money	¥606,199	¥552,129	¥2,800
Currency swaps	Loans, deposits, and securities in foreign currencies	163,489	162,532	(36,682)
Special hedging treatment:				
Interest rate swaps	Loans	92,928	70,123	

	Thousands of U.S. Dollars			
	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
<b>March 31, 2024</b>				
Principled treatment:				
Interest rate swaps	Securities classified as available-for-sale and borrowed money	\$4,003,695	\$3,646,585	\$18,497
Currency swaps	Loans, deposits, and securities in foreign currencies	1,079,783	1,073,456	(242,271)
Special hedging treatment:				
Interest rate swaps	Loans	613,750	463,135	

Notes: 1. Principally, deferral hedge accounting is applied as stipulated in JICPA Industry Committee Practical Guideline No. 24, March 17, 2022, 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 32.

	Millions of Yen			
	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
March 31, 2023				
Principled treatment:				
Interest rate swaps	Securities classified as available-for-sale and borrowed money	¥569,632	¥410,599	¥ (2,337)
Currency swaps	Loans, deposits, and securities in foreign currencies	147,486	139,294	(19,321)
Special hedging treatment:				
Interest rate swaps	Loans	86,794	58,625	

Notes: 1. Principally, deferral hedge accounting is applied as stipulated in JICPA Industry Committee Practical Guideline No. 24, March 17, 2022, 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 32.

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 Group's exposure to credit or market risk.

### 34. RELATED-PARTY TRANSACTIONS

Related-party transactions for the years ended March 31, 2024 and 2023, were as follows:

Related-Party Transactions with the Company's Consolidated Subsidiaries

#### March 31, 2024

Related Party	Category	Description of Transactions	Millions of Yen	Thousands of U.S. Dollars
Kiyokawa Building Eiichiro Kiyokawa	Close relative of a director of Shizuoka Bank	Loans	¥715	\$4,727
Kiyokawa Corporation	Company in which majority voting rights are held by director or close relative of a director of Shizuoka Bank	Loans	¥175	\$1,158
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	¥905	\$5,977

Notes: 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.

#### March 31, 2023

Related Party	Category	Description of Transactions	Millions of Yen
Kiyokawa Building Eiichiro Kiyokawa	Close relative of a director of Shizuoka Bank	Loans	¥ 162
Kiyokawa Corporation	Company in which majority voting rights are held by director or close relative of a director of Shizuoka Bank	Loans	¥ 189
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	¥1,029

Notes: 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.

### 35. OTHER COMPREHENSIVE INCOME

The components of other comprehensive income for the years ended March 31, 2024 and 2023, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Unrealized gain on available-for-sale securities:			
Gains arising during the year	¥ 46,252	¥ 44,306	\$ 305,475
Reclassification adjustments to profit and loss	(21,752)	5,616	(143,668)
Amount before income tax effect	24,499	49,923	161,807
Income tax effect	(7,441)	(15,392)	(49,148)
Total	¥ 17,057	¥ 34,530	\$ 112,658
Deferred losses on derivatives under hedge accounting:			
Losses arising during the year	¥ (677)	¥ (7,304)	\$ (4,474)
Reclassification adjustments to profit and loss	4,661	5,005	30,789
Amount before income tax effect	3,984	(2,299)	26,314
Income tax effect	(1,189)	686	(7,857)
Total	¥ 2,794	¥ (1,612)	\$ 18,457
Foreign currency translation adjustments:			
Gains arising during the year	¥ 5,188	¥ 3,377	\$ 34,269
Reclassification adjustments to profit and loss	(263)	(5,115)	(1,738)
Amount before income tax effect	4,925	(1,738)	32,531
Income tax effect	—	185	—
Total	¥ 4,925	¥ (1,552)	\$ 32,531
Defined retirement benefit plans:			
Adjustments arising during the year	¥ 3,317	¥ (1,669)	\$ 21,908
Reclassification adjustments to profit and loss	(552)	(925)	(3,649)
Amount before income tax effect	2,764	(2,594)	18,259
Income tax effect	(824)	775	(5,447)
Total	¥ 1,939	¥ (1,818)	\$ 12,812
Share of other comprehensive income in affiliated companies:			
Gains arising during the year	¥ 776	¥ 236	\$ 5,128
Reclassification adjustments to profit and loss			
Amount before income tax effect	776	236	5,128
Income tax effect			
Total	¥ 776	¥ 236	\$ 5,128
Total other comprehensive income	¥ 27,494	¥ 29,782	\$ 181,588

### 36. NET INCOME PER SHARE

Net income per share ("EPS") for the years ended March 31, 2024 and 2023, are computed as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
	Net Income Attributable to Owners of the Parent	Weighted-Average Shares		EPS
<b>March 31, 2024</b>				
Basic EPS:				
Net income attributable to common shareholders	<b>¥57,760</b>	<b>554,450</b>	<b>¥104.17</b>	<b>\$0.68</b>
Effect of dilutive securities:				
Interest expenses (excluding tax amount)	—			
Stock options		<b>139</b>		
Convertible bonds with stock acquisition rights		—		
Diluted EPS:				
Net income for computation	<b>¥57,760</b>	<b>554,590</b>	<b>¥104.15</b>	<b>\$0.68</b>

	Millions of Yen	Thousands of Shares	Yen
	Net Income Attributable to Owners of the Parent	Weighted-Average Shares	EPS
March 31, 2023			
Basic EPS:			
Net income attributable to common shareholders	¥52,397	563,848	¥92.92
Effect of dilutive securities:			
Interest expenses (excluding tax amount)	503		
Stock options		315	
Convertible bonds with stock acquisition rights		17,061	
Diluted EPS:			
Net income for computation	¥52,900	581,225	¥91.01

Since the Company was established on October 3, 2022 through a sole share transfer, the average number of shares of its common stock during the period from April 1, 2022 to October 2, 2022 prior to the establishment of the Company was calculated using the average number of shares during the period of the Bank, and it was calculated using the average number of shares of the Company during the period from October 3, 2022 to March 31, 2023.

### 37. SUBSEQUENT EVENTS

#### 1. Appropriation of Retained Earnings

The following appropriation of retained earnings was authorized at the annual general meeting of shareholders held on June 14, 2024:

	Millions of Yen	Thousands of U.S. Dollars
Cash dividends,		
22 yen (\$0.14) per share	<b>¥12,098</b>	<b>\$79,907</b>
Total	<b>¥12,098</b>	<b>\$79,907</b>

#### 2. Retirement of Treasury Stock

At the meeting of the Board of Directors held on May 10, 2024, the Company resolved to retire treasury stock in accordance with Article 178 of the Companies Act as follows:

1. Class of shares to be retired : Shares of common stock of the Company
2. Total number of shares to be retired : 5,000,000 shares
3. Date of retirement : May 31, 2024

# Key Consolidated Financial Indicators

## Summary of Profits (Losses)

Years ended March 31	Millions of Yen			Percentage Change
	2024	2023	Increase (Decrease)	
Net interest income	<b>127,758</b>	118,888	8,869	7.4
Net fees and commissions	<b>44,358</b>	37,345	7,012	18.7
Net trading income	<b>1,542</b>	3,723	(2,181)	(58.5)
Net other operating income	<b>(2,336)</b>	207	(2,544)	(1,225.2)
General and administrative expenses	<b>96,469</b>	95,857	611	0.6
Net other ordinary income	<b>27,370</b>	9,656	17,714	183.4
Ordinary profits	<b>102,224</b>	73,964	28,260	38.2
Income before income taxes	<b>79,490</b>	73,320	6,169	8.4
Income taxes:				
Current	<b>27,019</b>	20,060	6,958	34.6
Deferred	<b>(5,286)</b>	808	(6,094)	(753.8)
Net income	<b>57,757</b>	52,452	5,305	10.1
Net income attributable to noncontrolling interests	<b>(3)</b>	54	(58)	(105.8)
Net income attributable to owners of the parent	<b>57,760</b>	52,397	5,363	10.2
Comprehensive income	<b>85,251</b>	82,234	3,017	3.6

## Breakdown of Net Interest Margin

Years ended March 31	Billions of Yen
	2024
Interest income	<b>206.0</b>
Average interest-earning assets	<b>14,202.8</b>
Average interest rate of interest-earning assets (%)	<b>1.45</b>
Interest expense (Note)	<b>78.3</b>
Average interest-bearing liabilities	<b>14,652.5</b>
Average interest rate of interest-bearing liabilities (%)	<b>0.53</b>
Net interest income	<b>127.7</b>

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		
	2024	2023	Increase (Decrease)
Gains on foreign exchange transactions	<b>(2,696)</b>	7,106	(9,802)
Gains/losses on government bonds	<b>(317)</b>	(7,523)	7,205
Gains on sales	<b>18,512</b>	19,093	(581)
Losses on sales	<b>(18,829)</b>	(25,706)	6,876
Losses on redemptions		(909)	909
Amortized bond issue cost			
Amortized bond issue cost			
Gains/losses on derivative transactions	<b>594</b>	624	(29)
Proceeds from derivative transactions	<b>594</b>	624	(29)
Expenses for derivative products			
Others	<b>82</b>		82
Gains/losses on other business	<b>(2,336)</b>	207	(2,544)
Other operating income	<b>19,188</b>	26,824	(7,635)
Other operating expenses	<b>(21,525)</b>	(26,616)	5,090

## Loans Outstanding by Type of Borrower

March 31	Billions of Yen	
	2024	
Domestic branches:		
Manufacturing	1,665.8	16.52
Agriculture and forestry	8.0	0.08
Fishery	15.8	0.16
Mining and quarrying	14.1	0.15
Construction	280.7	2.78
Utilities	177.2	1.76
Telecommunications	73.5	0.73
Transportation and mail service	297.5	2.95
Wholesale and retailing	820.7	8.14
Finance and insurance	693.1	6.87
Real estate, lease, and rental	2,344.6	23.25
Medical, welfare, lodging, and other services	644.9	6.39
Local governments	88.2	0.88
Other	2,960.5	29.36
Subtotal	10,085.3	100.00
Overseas branches and offshore accounts:		
Governments and official institutions	3.0	0.98
Banks and other financial institutions	49.3	15.99
Other	256.1	83.03
Subtotal	308.5	100.00
Total	10,393.8	

## Financial Rehabilitation Law Disclosure Claims

March 31	Millions of Yen		
	2024	2023	Increase (Decrease)
Claims provable in rehabilitation from bankruptcy and equivalents	15,701	16,515	(770)
% of total credit	0.15	0.16	(0.01)
Doubtful claims	73,975	76,904	(2,853)
% of total credit	0.70	0.76	(0.05)
Loans past due for three months or more	377	191	185
% of total credit	0.00	0.00	0.00
Restructured loans	12,832	13,110	(278)
% of total credit	0.12	0.13	0
Financial Rehabilitation Law Disclosure Claims total	102,887	106,723	(3,717)
% of total credit	0.98	1.06	(0.06)
Value covered with collateral, guarantees, etc.	87,899	90,117	(2,218)
Cover ratio(%)	85.43	84.44	0.89

- Notes: 1. Capital ratios were calculated on a consolidated basis, according to the provision of the Article 52-25 of Banking Act, with the formula on the criteria, the 20th notice by Financial Services Agency in 2006, to judge whether the sufficiency of the equity capital of the banking group is appropriate in light of the assets owned by its group, and so on.
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 claims provable in rehabilitation from bankruptcy and equivalents and doubtful claims.
3. In addition, the leverage ratio, which was a complementary indicator of the capital ratio, was calculated on a consolidated basis, according to the provision of the Article 52-25 of Banking Act, with the formula on the criteria, the 12th notice by Financial Services Agency in 2019, to judge the soundness of the leverage as a complementary indicator of the criteria on whether the sufficiency of the equity capital of the banking group is appropriate in light of the assets owned by its group, and so on.
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	
	2024	2023
General allowance for loan losses	26,682	27,365
Specific allowance for loan losses	25,913	24,971
Total	52,595	52,336
Loans on written-off claims for the year	427	402

## Financial Index

Years ended March 31	Consolidated			Non-Consolidated		
	2024	2023	Increase (Decrease)	2024	2023	Increase (Decrease)
Per share (Yen):						
Net income	<b>104.17</b>	92.92	11.25	<b>91.31</b>	3.05	88.26
Net assets	<b>2,188.01</b>	2,050.65	137.36	<b>1,540.82</b>	1,476.65	64.17
Cash dividends	<b>39.00</b>	30.00	9.00	<b>39.00</b>	15.00	24.00
Dividend payout ratio (%)				<b>42.71</b>	491.80	(449.09)
Return on equity (ROE) (%)	<b>4.91</b>	4.69	0.22	<b>6.04</b>	0.20	5.84
Price earnings ratio (PER) (%)	<b>13.88</b>	10.23	3.65	<b>15.84</b>	310.89	(295.05)

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

## Capital Adequacy Ratio

March 31	Consolidated	
	2024	2023
1. Total capital ratio (%)	<b>18.17</b>	18.42
2. Tier 1 ratio (%)	<b>18.17</b>	18.42
3. Common equity Tier 1 ratio (%)	<b>18.17</b>	18.42
4. Total capital	<b>1,045.4</b>	1,006.1
5. Tier 1 capital	<b>1,045.4</b>	1,006.1
6. Common equity Tier 1 capital	<b>1,045.4</b>	1,006.1
7. Total risk weighted assets	<b>5,752.0</b>	5,459.2
8. Total capital requirements	<b>460.1</b>	436.7
Leverage ratio (%)	<b>6.88</b>	6.89

- Notes: 1. Capital ratios were calculated both on consolidated and nonconsolidated bases, with the formula shown on the criteria, the 20th notice by Financial Services Agency in 2006, to judge 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 52-25 of 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 bases, with the formula shown on the criteria, the 12th 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 52-25 of Banking Act.
4. The Group has early adopted the finalization of Basel III from the end of March 2023.



# 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, 2024)  
2,798

### DATE OF ESTABLISHMENT

March 1, 1943

### INTERNATIONAL BUSINESS DEPT. INTERNATIONAL BUSINESS PROMOTION GROUP

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

### Treasury and International Operations Dept. TREASURY & INTERNATIONAL OPERATIONS CENTER

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

### DOMESTIC NETWORK

(As of July 1, 2024)  
Head Office, 177 branches,  
26 subbranches

### OVERSEAS NETWORK

(As of July 1, 2024)  
3 branches,  
3 representative offices

## Overseas Service Network

### New York Branch

425 Lexington Avenue,  
10th Floor, New York,  
N.Y. 10017, U.S.A  
Phone: (1) 212-319-6260  
Fax: (1) 212-319-6270

### Hong Kong Branch

Suite 1001-1003, 10th Floor, Tower 6,  
The Gateway, Harbour City,  
9 Canton Road, Tsim Sha Tsui,  
Kowloon, Hong Kong S.A.R., P.R.C.  
Phone: (852) 2521-6547  
Fax: (852) 2845-9257

### Singapore Branch

10 Collyer Quay #09-08/10, Ocean  
Financial Centre, Singapore  
Phone: (65) 6225-3600  
Fax: (65) 6225-9901

### Shanghai Representative Office

Room 1813, Shanghai  
International Trade Centre,  
2201 Yan-An Road (West),  
Chang Ning Qu, Shanghai, P.R.C.  
Phone: (86) 21-6209-8115  
Fax: (86) 21-6209-8116

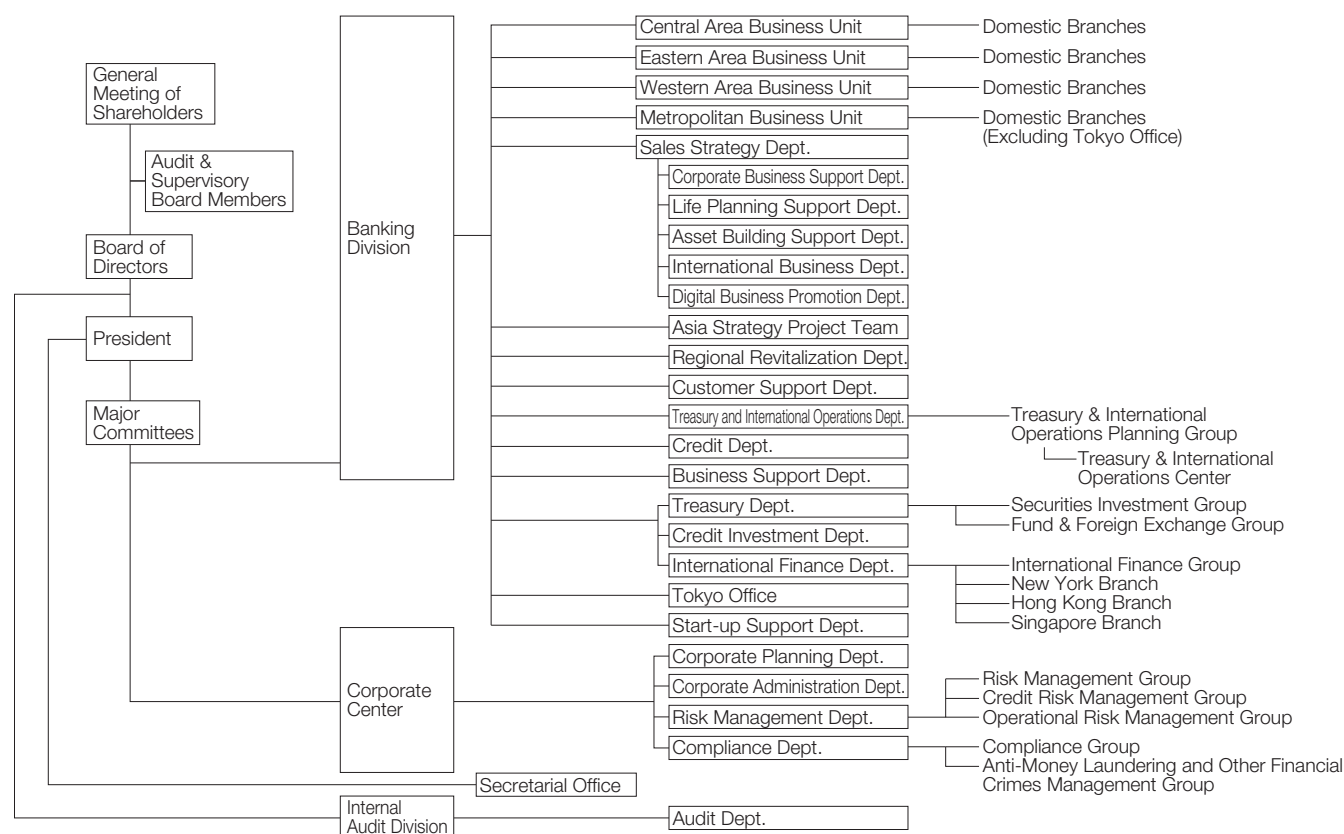
### Silicon Valley Representative Office

873 Santa Cruz Avenue, Suite 204,  
Menlo Park, CA, USA  
Phone: (1) 650-240-3258  
Fax: (1) 650-240-3259

### Brussels Representative Office

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

## Organization Chart





Shizuoka Financial Group Website  
<https://www.shizuoka-fg.co.jp/english/>

