

# Consolidated Financial Statements for the 118th Fiscal Year (April 1, 2023 to March 31, 2024)

Minoru Yagi, President  
Yutaka Fukushima, Director and  
Senior Managing Executive Officer  
The Shizuoka Bank, Ltd.  
Address: 10, Gofukucho 1-chome, Aoi-ku,  
Shizuoka City, Shizuoka, Japan

Prepared on May 10, 2024

## Contents

1	Consolidated Balance Sheet as of End of the 118th Fiscal Year.....	2
2	Consolidated Statement of Income for the 118th Fiscal Year.....	3
3	Consolidated Statement of Changes in Net Assets for the 118th Fiscal Year.....	4
4	Notes to Consolidated Financial Statements.....	5

(\*) This is an English translation of the Consolidated Financial Statements (Renketsu Keisanshorui). The English translation of the other sections of the Consolidated Financial Statements (Renketsu Keisanshorui) is not included in this document.

**Consolidated Balance Sheet as of End of the 118th Fiscal Year**  
(As of March 31, 2024)

(Millions of Yen)

Item	Amount	Item	Amount
<b>Assets</b>		<b>Liabilities</b>	
Cash and due from banks	1,527,763	Deposits	11,913,379
Call loans and bills bought	101,876	Negotiable certificates of deposit	100,585
Monetary claims bought	53,743	Call money and bills sold	50,146
Trading assets	11,424	Payables under repurchase agreements	517,733
Money held in trust	144,200	Payables under securities lending transactions	778,782
Securities	3,302,209	Trading liabilities	4,185
Loans and bills discounted	10,448,429	Borrowed money	1,235,214
Foreign exchanges	6,283	Foreign exchanges	1,122
Other assets	302,633	Borrowed money from trust account	117
Tangible fixed assets	46,291	Other liabilities	171,819
Buildings	22,387	Liability for retirement benefits	3,043
Land	16,725	Provision for directors' retirement benefits	379
Leased assets	850	Provision for losses from reimbursement of inactive accounts	706
Construction in progress	1,925	Provision for contingent losses	1,243
Other	4,401	Provision for point program	245
Intangible fixed assets	21,939	Deferred tax liabilities	81,823
Software	21,571	Acceptances and guarantees	68,738
Leased assets	9	<b>Total liabilities</b>	14,929,270
Other	358	<b>Net assets</b>	
Asset for retirement benefits	17,695	Share capital	90,845
Deferred tax assets	2,279	Capital surplus	54,884
Customers' liabilities for acceptances and guarantees	68,738	Retained earnings	673,225
Allowance for loan losses	(51,399)	Total shareholders' equity	818,954
Allowance for investment loss	(50)	Valuation difference on available-for-sale securities	244,845
		Deferred gains or losses on hedges	1,370
		Foreign currency translation adjustments	6,859
		Defined retirement benefit plans	2,758
		Total accumulated other comprehensive income	255,833
		<b>Total net assets</b>	1,074,788
<b>Total assets</b>	16,004,059	<b>Total liabilities and net assets</b>	16,004,059

## Consolidated Statement of Income for the 118th Fiscal Year

(April 1, 2023 to March 31, 2024)

(Millions of Yen)

Item	Amount	
Ordinary income		297,533
Interest income	206,198	
Interest on loans and discounts	139,330	
Interest and dividends on securities	52,015	
Interest on call loans and bills bought	7,359	
Interest on receivables under resale agreements	(0)	
Interest on deposits with banks	6,806	
Other interest income	686	
Trust fees	2	
Fees and commissions	46,496	
Gain on trading account transactions	724	
Other ordinary income	19,188	
Other income	24,922	
Recoveries of written off claims	53	
Other	24,868	
Ordinary expenses		207,927
Interest expenses	78,258	
Interest on deposits	38,332	
Interest on negotiable certificates of deposit	2,796	
Interest on call money and bills sold	1,377	
Interest on payables under repurchase agreements	25,462	
Interest on payables under securities lending transactions	288	
Interest on borrowings and rediscounts	3,974	
Interest on bonds	986	
Other interest expenses	5,040	
Fees and commissions payments	12,515	
Other ordinary expenses	21,520	
General and administrative expenses	89,359	
Other expenses	6,274	
Provision of allowance for loan losses	3,927	
Other	2,346	
Ordinary profit		89,605
Extraordinary income		25
Gain on disposal of non-current assets	25	
Extraordinary losses		22,753
Loss on disposal of non-current assets	406	
Impairment losses	22,143	
Loss on liquidation of subsidiary	203	
Profit before income taxes		66,876
Income taxes – current	25,238	
Income taxes – deferred	(5,999)	
Total income taxes		19,238
Profit		47,638
Profit attributable to owners of parent		47,638

# Consolidated Statement of Changes in Net Assets for the 118th Fiscal Year (April 1, 2023 to March 31, 2024)

(Millions of Yen)

	Shareholders' equity			
	Share capital	Capital surplus	Retained earnings	Total shareholders' equity
Balance at the beginning of current period	90,845	54,884	674,987	820,716
Changes of items during the period				
Dividends of surplus			(49,400)	(49,400)
Profit attributable to owners of the parent			47,638	47,638
Net changes in items other than shareholders' equity				
Total changes of items during the period	—	—	(1,761)	(1,761)
Balance at the end of current period	90,845	54,884	673,225	818,954

	Accumulated other comprehensive income					
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Defined retirement benefit plans	Total accumulated other comprehensive income	Total net assets
Balance at the beginning of current period	227,714	(1,423)	1,933	818	229,042	1,049,759
Changes of items during the period						
Dividends of surplus						(49,400)
Profit attributable to owners of the parent						47,638
Net changes in items other than shareholders' equity	17,131	2,794	4,925	1,939	26,791	26,791
Total changes of items during the period	17,131	2,794	4,925	1,939	26,791	25,029
Balance at the end of current period	244,845	1,370	6,859	2,758	255,833	1,074,788

## Notes to Consolidated Financial Statements

Amounts less than one million yen have been rounded down.

The definitions of “subsidiary,” “subsidiary corporation, etc.,” and “affiliated corporation, etc.” are as set forth in Article 2, Paragraph 8 of the Banking Act and Article 4-2 of the Order for Enforcement of the Banking Act.

### POLICIES FOR PREPARING CONSOLIDATED FINANCIAL STATEMENTS

#### 1. Matters regarding the scope of consolidation

##### (1) Consolidated subsidiaries and subsidiary corporations, etc.: 10 companies

Companies: Shizugin IT Solution Co., Ltd.

Shizugin Credit Guaranty Co., Ltd.

Shizugin Card Co., Ltd.

Shizugin General Service Co., Ltd.

Shizugin Mortgage Service Co., Ltd.

Shizugin Business Create Co., Ltd.

Shizugin Heartful Co., Ltd.

Shizuoka Liquidity Reserve Limited

Shizuoka EU Liquidity Reserve Limited

Shizuoka SG Liquidity Reserve Limited

(Changes in the scope of consolidation)

Shizuoka EU Liquidity Reserve Limited and Shizuoka SG Liquidity Reserve Limited were newly established and have been included in the scope of consolidation from this fiscal year.

Shizuoka Bank (Europe) S.A. has been excluded from the scope of consolidation from this fiscal year due to its dissolution as a subsidiary.

##### (2) Non-consolidated subsidiaries and subsidiary corporations, etc.: 5 companies

Major company: Turn The Tide Corporation

The non-consolidated subsidiaries and subsidiary corporations, etc. have been excluded from the scope of consolidation because the assets, ordinary profit, profit/loss (in amounts proportional to the Bank's equity interests), retained earnings (in amounts proportional to the Bank's equity interests), accumulated other comprehensive income (in amounts proportional to the Bank's equity interests), etc., are not significant.

The exclusion from the scope of consolidation does not have any significant impact on the financial conditions and business performance of the company group.

#### 2. Matters regarding application of the equity method

##### (1) Equity-method non-consolidated subsidiaries and subsidiary corporations, etc.

None

##### (2) Equity-method affiliated corporations, etc.: 2 companies

Companies: Shizugin Saison Card Co., Ltd.

Commons Asset Management, Inc.

##### (3) Non-equity-method non-consolidated subsidiaries and subsidiary corporations, etc.: 5 companies

Major company: Turn The Tide Corporation

##### (4) Non-equity-method affiliated corporations, etc.

None

## MATTERS REGARDING ACCOUNTING POLICIES

### 1. Transactions for trading purposes

“Transactions for trading purposes” (the purpose of seeking to capture gains arising from short-term fluctuations in interest rates, currency exchange rates or market prices of securities, and other market-related indices or from gaps among markets) are recorded on a trade-date basis in “Trading assets” and “Trading liabilities” in the consolidated balance sheet. Profits and losses on transactions for trading purposes are recorded in “Trading income” and “Trading expenses,” respectively, in the consolidated statement of income.

Trading securities and monetary claims purchased for trading purposes recorded in these accounts are stated at fair value at the end of the fiscal year, 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.

Trading income and trading expenses include the interest received and interest paid, etc. during the fiscal year, the gains or losses resulting from changes in the value of securities, monetary claims and the like between the end of the previous fiscal year and the end of the current fiscal year, and the gains or losses resulting from changes in the value of financial derivatives between the end of the previous fiscal year and the end of the current fiscal year, assuming they were terminated and settled at the end of the fiscal year.

For financial derivatives, the market values are calculated on the basis of net assets or liabilities after offsetting financial assets and liabilities associated with specific credit risk.

### 2. Securities

- (1) 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 moving average method (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 in which cost of securities sold is calculated primarily by the moving average method. Stocks and the like without market prices are stated at cost as determined by the moving average method.

The valuation difference on available-for-sale securities is booked directly to net assets.

- (2) Securities constituting trust assets in money held in trust are valued by the same method as described in 2. (1) above.

### 3. Derivative transactions

Derivative transactions (excluding transactions for trading purposes) are valued at market value.

The market values are calculated on the basis of net assets or liabilities after offsetting financial assets and liabilities associated with specific credit risk.

### 4. Method of depreciation of fixed assets

- (1) Tangible fixed assets (excluding leased assets)

Depreciation of the Bank’s tangible fixed assets is computed mainly using the declining-balance method, except that depreciation of structures acquired on and after April 1, 2016 is computed mainly using the straight-line method. The useful lives for tangible fixed assets are as follows:

Buildings:	3 to 50 years
Equipment:	2 to 20 years

Depreciation of tangible fixed assets of the Bank’s consolidated subsidiaries and subsidiary corporations, etc. is computed mainly using the declining-balance method on an income tax basis.

- (2) Intangible fixed assets (excluding leased assets)

Amortization of intangible fixed assets is computed using the straight-line method. Internal-use software development costs are amortized using the straight-line method over the estimated useful life prescribed by the Bank and its consolidated subsidiaries and subsidiary corporations, etc. (five years).

- (3) Leased assets

Leased assets among tangible fixed assets involved in finance lease transactions, where ownership of the lease property is not deemed to be transferred to the lessee, are depreciated using the straight-line method, in which the lease term is used as the useful life. The residual value is zero or the guaranteed value if specified in the lease contracts.

## 5. Allowance for loan losses

The Bank's allowance for loan losses is provided according to the internally prescribed standards for amortization and allowance and the following categories of borrowers:

### 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 must be managed with caution due to problems with lending conditions or repayment performance and due to sluggish or unstable business conditions.

### Management required:

Borrowers in the "caution" category all or part of whose loans require management (i.e., restructured loans and loans past due for three months or more).

### Normal:

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

- (i) For loans to borrowers classified as legal bankruptcy or virtual bankruptcy, the Bank fully provides the amount of loans net of estimated amounts collectible from collateral and guarantees.
- (ii) For borrowers with certain loan amounts classified as possible bankruptcy, if cash flows from collection of principals and interests can be reasonably estimated, the Bank provides the difference between the present value of these cash flows discounted at the initial contractual rates and the book values of loans (the "DCF" method). For other loans, a general allowance is provided in the amount calculated by applying (a) the expected loss ratio, which is calculated by determining the loss ratio based on the average value of the actual loan loss ratio over a certain period in the past and by adjusting the loss ratio considering future projections, to (b) the amount of loans net of estimated amounts collectible from collateral and guarantees.
- (iii) For borrowers with certain loan amounts classified as caution or management required, the Bank provides an allowance for loan losses using the "DCF" method if cash flows from collection of principals and interests can be reasonably estimated.
- (iv) For loans to borrowers classified as normal, caution and management required, an allowance is provided based on the expected loss ratio, which is calculated by determining the loss ratio based on the average value of the actual loan loss ratio over a certain period in the past and by adjusting the loss ratio considering future projections.

Notes: 1. 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 possible bankruptcy, for a total of seven categories.

2. A certain period of time in which a 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 (vi) above, about three to four years for "normal," about three years for "caution," and about four years for "management required" and "possible bankruptcy" of (ii) above).

3. 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.

Pursuant to the internal rules for self-assessment of assets, all loans have been assessed by the relevant business

departments, and the results of the assessments have been reviewed by the asset audit department, which is independent of the relevant business departments.

As for the allowance for loan losses of consolidated subsidiaries and subsidiary corporations, etc., the allowance for losses associated with normal borrowers is provided at the amount deemed necessary based on the actual loan loss ratio in the past, etc., whereas the allowance for losses associated with borrowers with bankruptcy concerns and certain other borrowers is provided at the expected uncollectible amounts after the recoverability of individual claims have been taken into account.

6. Allowance for investment loss

The allowance for investment loss is provided at the amount deemed necessary to cover future possible losses on investments by taking into consideration the financial status of the investments and other factors.

7. Provision for directors' retirement benefits

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

8. 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 at the amount deemed necessary to cover estimated possible losses on future claims of withdrawal based on historical reimbursement experience.

9. Provision for contingent losses

The provision for the Bank's contingent losses is provided for the estimated future payments of contributions to credit guarantee corporations pursuant to the internally prescribed standards for amortization and allowance.

10. Provision for point program

The provision for point program is provided at an amount deemed necessary to cover the reasonably estimated future usage of points given to credit card customers.

11. Accounting treatment of retirement benefits

In calculating pension benefit obligations, expected benefit payments are attributed to the periods up to the end of the current fiscal year on a benefit formula basis. Actuarial gains and losses are treated as follows:

Actuarial gains and losses:

Actuarial gains and losses are treated as gains and losses, respectively, in the fiscal year following the fiscal year in which they arise, in an amount proportionally divided using the straight-line method over a fixed number of years (generally 10 years) that is within the average number of years of remaining service of employees at the time the differences emerge each fiscal year.

Some consolidated subsidiaries and subsidiary corporations, etc. apply the non-actuarial method that assumes the amount required for voluntary resignation at the end of the current fiscal year as projected benefit obligation in computing liability for retirement benefits and retirement benefit expenses.

12. Translation of foreign currencies

The Bank's assets and liabilities, which are payable or receivable in foreign currencies and accounts of overseas branches are translated into Japanese yen primarily at the exchange rates prevailing at the consolidated balance sheet date.

Assets and liabilities of the consolidated subsidiaries and subsidiary corporations, etc., which are payable or receivable in foreign currencies are translated into Japanese yen at the exchange rates at their respective balance sheet dates, etc.



### 13. Significant hedge accounting

#### (1) Hedge against interest rate risk

Transactions to hedge against interest rate risk associated with financial assets and liabilities of the Bank are accounted for using deferral hedge accounting as stipulated in the Japanese Institute of Certified Public Accountants (JICPA) Industry Committee Practical Guideline No. 24, 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. In case of certain assets and liabilities, special hedging treatment is applied for interest rate swaps.

#### (2) 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 of the Bank, 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 comparing the foreign currency position of the hedged monetary assets and liabilities and that of the hedging instruments. In order to hedge the foreign exchange risk of foreign currency-denominated available-for-sale securities (except bonds), the Bank applies the “general method,” using market value hedges subject to certain conditions, namely the designation in advance of foreign currency-denominated securities 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.

## SIGNIFICANT ACCOUNTING ESTIMATES

### 1. Recording of allowance for loan losses

#### (1) Amounts recorded in the consolidated financial statements for the current fiscal year

Allowance for loan losses      ¥51,399 million

#### (2) Other information that helps users of consolidated financial statements to understand the details of significant accounting estimates of identified items

##### (i) Calculation method

The calculation method of allowance for loan losses is listed in “5. Allowance for loan losses” of “MATTERS REGARDING ACCOUNTING POLICIES.”

##### (ii) Main assumptions

Assumptions have been made on future forecasts, such as sales forecasts, cost reduction estimates, and expected debt repayments, in the business plan used to determine borrowers' categories and to estimate future cash flows using the cash flow estimate method. The future forecasts in the business plan, such as sales forecasts, cost reduction estimates, and expected debt repayments have been determined based on the market growth potential and price trends in the industries to which borrowers belong.

Furthermore, the category for borrowers that have formulated business improvement plans is determined on the basis of future forecast information in their business plans with respect to matters, such as budget, medium-term business plan, and business improvement plans.

##### (iii) Impact on the financial statements for the next fiscal year

If assumptions used in the initial estimates change due to factors, such as changes in economic conditions, including rising prices and labor shortages, as well as changes in market growth potential and price trends in the industry and sector to which the borrowers belong, the allowance for loan losses may fluctuate due to a change in borrower category, cash flow estimate, and expected loss ratio, which may have a significant impact on the financial statements.

### 2. Impairment loss on fixed assets

#### (1) Other information that helps users of the consolidated financial statements to understand the details of accounting estimates

##### (i) Calculation of amounts recorded in the consolidated financial statements for the current fiscal year

In the current fiscal year, as disclosed in the notes to the consolidated statement of income below, the book value of business assets attributable to the sales branches that make up the branch sales departments of the Bank was reduced to the recoverable value since the investment amount could no longer be recovered, and reductions amounting to 22,143 million yen (software and other assets: 18,467 million yen, land: 2,695 million yen, buildings: 227 million yen, and other tangible fixed assets: 752 million yen) were recorded as impairment losses under extraordinary losses.

The methods for identifying indications of impairment, determining the need to recognize impairment losses, and calculating impairment losses in impairment assessments on an individual department basis are as described below.

(Identification of impairment indicators, determination of the need for recognition of impairment, and calculation)

In each department, indicators of impairment are identified when the department's operating profit and loss continue to be negative, or are expected to continue to be negative, when the fair value of land declines by more than 50% of the book value, or when there are changes in the use of assets due to branch closures or relocations, etc.

For fixed assets showing signs of impairment, the Bank determines whether there is a need to recognize an impairment loss. If the total discounted future cash flows to be obtained from fixed assets in the department concerned are less than the book value of the fixed assets, the book value of the fixed assets is reduced to the recoverable value and the reduction in value is recorded as an impairment loss. The recoverable value is calculated as the higher of the value in use and net selling price.

##### (ii) Main assumptions used in calculating amounts recorded in the consolidated financial statements for the consolidated fiscal year

The individual sales branches of the Bank are the smallest unit in the branch sales departments.

Software and other assets that are reasonably recognized as assets being used by a particular department are recognized as assets belonging to that department. Software belonging to a branch sales department is allocated to each sales branch based on the number of personnel in the branch.

The future cash flows used to measure the value in use of each sales branch are calculated based on the most recent net operating profit and net operating profit plan. Furthermore, the value in use is determined

by discounting future cash flows to their present value. The discount rate used in the calculation is set at 10% based on the cost of capital (calculated based on the risk-free rate, stock beta, etc.).

The net selling price is calculated by deducting the estimated disposition costs from the real estate appraisal value, which is an indicator considered to appropriately reflect the market value. Since the software assets have been customized for internal use and, therefore, have no value in use to other companies, the net selling price has been set to zero.

(iii) Impact on the consolidated financial statements for the current fiscal year and beyond

The valuation of future cash flows, discount rates, and net realizable value, which form the basis for the calculation of fair value, as well as the impact on consolidated financial statements from the current consolidated fiscal year onwards are based on evaluations and assumptions made in the current fiscal year. Therefore, they may be affected by changes in social and economic trends, real estate market conditions, and financial and economic environments. If reassessment of assumptions becomes necessary, there is a possibility that the amount of impairment loss may increase.

## NOTES

### (Consolidated Balance Sheet)

1. Claims under the Banking Act and the Act on Emergency Measures for the Revitalization of the Financial Functions are as follows. Claims include (i) claims recorded in the following accounts on the consolidated balance sheet: bonds (but only if the Bank guarantees all or part of the redemption of their principal and the payment of interest and if they were issued by private placement (Article 2, Paragraph 3 of the Financial Instruments and Exchange Act)) in "Securities," loans and bills discounted, foreign exchanges, accrued interest and suspense payments in "Other assets," and customers' liabilities for acceptances and guarantees; and (ii) if the Bank has granted loans of securities that are presented in notes, those securities (but only those that are on loan under a loan-for-use agreement or lease agreement).

	(Millions of Yen)
Claims provable in rehabilitation from bankruptcy and equivalents	15,658
Doubtful claims	73,927
Loans past due for three months or more	377
Restructured loans	12,832
Total	102,796

"Claims provable in rehabilitation from bankruptcy and equivalents" include claims against borrowers whose business has failed due to such grounds as those for filing a petition for commencement of bankruptcy, reorganization, or rehabilitation proceedings and claims similar to those described above.

"Doubtful claims" include claims (i) which are against borrowers whose business has not failed, but whose financial condition and business performance have deteriorated, (ii) whose principal and interest are unlikely to be collectible as per the contracts, and (iii) which do not fall under claims provable in rehabilitation from bankruptcy and equivalents.

"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 or doubtful claims.

"Restructured loans" include loans for which certain arrangements have been made in favor of the borrower, such as reducing or eliminating interest payments, deferring principal repayments, or writing off a portion of the loan, with the goal of assisting in the reconstruction of, or providing support to, the borrower's business, but do not include claims provable in rehabilitation from bankruptcy and equivalents, doubtful claims or loans past due for three months or more.

The amounts of loans given above are amounts before deducting the allowance for loan losses.

2. In accordance with the JICPA Industry Committee Practical Guidelines No. 24, bills discounted are treated as financial transactions. The Bank has the rights to sell, pledge, or repledge these commercial bills and foreign exchange bills without restrictions. The face values of these bills are ¥18,552 million.
3. Assets pledged as collateral are as follows:

	(Millions of Yen)
Assets pledged as collateral:	
Securities	1,937,412
Loans and bills discounted	948,872
Other assets	15,288
Liabilities covered by the above assets:	
Deposits	29,930
Payables under repurchase agreements	517,733
Payables under securities lending transactions	778,782
Borrowed money	1,229,207

In addition to the above, the Bank has provided ¥28,345 million in securities as collateral for foreign exchange settlements and certain other transactions and as security for futures transactions.

Other assets include cash collateral paid for financial instruments (¥48,557 million), guarantee deposits (¥1,862 million), and cash collateral paid to central counterparty (¥60,800 million).

4. 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 are ¥1,696,997 million. Of these loans, those due within one year are ¥1,567,300

million.

Many of these agreements terminate without loans being disbursed, and thus the balance of loans as yet undisbursed will not necessarily affect the future cash flow of the Bank or its consolidated subsidiaries or subsidiary corporations, etc. The Bank and its subsidiaries and subsidiary corporations, etc. 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, borrowers may be required to provide collateral, such as real estate or securities at the time the agreements are entered into when necessary. After the agreements have been signed, the state of the borrower's business and other factors may be assessed regularly in accordance with prescribed in-house procedures. Moreover, agreements can be revised, if necessary, and steps, such as the formulation of measures to preserve credit, may be taken.

5. Accumulated depreciation of tangible fixed assets                      ¥114,139 million
6. Advanced depreciation of tangible fixed assets                              ¥9,025 million
7. The amount of 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) is ¥23,476 million.
8. The principal amount of trusts with principal-guaranteed features is ¥117 million in money trusts.

(Notes to Consolidated Statement of Income)

As part of Transformation Strategy of The Shizuoka Financial Group, Inc. and its subsidiaries (the “Group”), one of the basic strategies of the Group’s 1st Medium-term Business Plan launched this fiscal year, the Group aims to transform the Group’s sales base network, including the Group’s branches into an optimal structure that will enhance services and improve convenience, taking into consideration changes in social structures and advances in digital technology. In the medium to long term, the Group plans to make the Group’s sales branches regional bases that will bring together group functions and create growth in the region. The Group will do this by reorganizing the functions of the Group’s branches, which will entail shifting everyday transactions to digital platforms and specializing in high value-added face-to-face transactions.

To realize the Bank’s medium- to long-term branch concept, the Bank is promoting the digitization of the Bank’s sales branch operations by revamping the Bank’s sales branch systems, which the Bank commenced this consolidated fiscal year, and developing new infrastructure as well as enhancing and increasing the efficiency of sales branch operations through the use of S-CRM (Scrum), the Bank’s new sales support system, and chatbots.

In view of the diversification of roles and functions performed by individual sales branches, as described above, and the importance of systems in branch operations, the Bank revised the Bank’s method of applying impairment accounting to fixed assets within the Bank.

For example, the Bank changed the grouping of the Bank’s sales branches from a grouping based on sales branch areas, which were divided into certain regions, to a grouping based on individual sales branches. In addition, the Bank has grouped idle assets and assets earmarked for disposition on an asset-by-asset basis.

Furthermore, for software and other assets, which were previously treated as corporate assets, but which can be reasonably recognized as being used by particular departments, the Bank changed to a method of assessing impairment after identifying the assets as belonging to the respective departments (branch sales departments, overseas branches, Tokyo sales department, etc.), and then determining any impairment.

Software belonging to branch sales departments is allocated to the sales branches based mainly on the number of employees at each branch.

As a result, this fiscal year, for business assets attributable to sales branches that make up the Bank’s branch sales departments, the Bank reduced the book value to a recoverable amount since the Bank cannot expect to recover the investment amount and recognized an extraordinary loss. A reduction of 22,143 million yen (including 18,467 million yen for software and other assets, 2,695 million yen for land, 227 million yen for buildings, and 752 million yen for other tangible fixed assets) was recorded as the impairment loss.

The recoverable amount is calculated as the higher of the value in use or the net selling price. The value in use is calculated as the discounted present value of future cash flows, with a discount rate of 10% based on the reference level of the capital cost (calculated based on risk-free rate, stock beta, etc.). The net selling price is calculated by deducting the anticipated disposition cost from the assessed amount based on the appraised value of real estate and other costs. For software assets, which are customized for the Group’s own use and have no value for use by other companies, the Bank sets the net selling price at zero.

(Consolidated Statement of Changes in Net Assets)

1. Class and number of issued shares and treasury stock

(Thousands of Shares)

	Number of shares at beginning of current fiscal year	Number of shares increased in current fiscal year	Number of shares decreased in current fiscal year	Number of shares at end of current fiscal year	Description
Issued shares					
Common stock	595,129	—	—	595,129	
Total	595,129	—	—	595,129	
Treasury stock					
Common stock	—	—	—	—	
Total	—	—	—	—	

## 2. Dividends

### (1) Dividends paid during the current fiscal year

(Resolution)	Class of stock	Total amount of dividends (Millions of Yen)	Cash dividend per share (Yen)	Record date	Effective date
Extraordinary General Meeting of Shareholders held on May 11, 2023	Common stock	19,400	—	March 31, 2023	May 12, 2023
Board of Directors' meeting held on November 8, 2023	Common stock	20,000	—	September 30, 2023	December 8, 2023
Extraordinary General Meeting of Shareholders held on March 25, 2024	Common stock	10,000	—	—	March 28, 2023
Total		49,400			

All the dividend property will be allocated to Shizuoka Financial Group, Inc., which is the sole shareholder of the common stock and, therefore, cash dividend per share has not been determined.

### (2) Of the dividends whose record date falls within the current fiscal year, those dividends whose effective date falls after the last date of the current fiscal year are as follows.

As a proposal to be submitted to the General Meeting of Shareholders scheduled for June 14, 2024, a dividend for common stock is planned to be proposed with the following details:

(Resolution)	Class of stock	Total amount of dividends (Millions of Yen)	Cash dividend per share (Yen)	Record date	Effective date
General Meeting of Shareholders to be held on June 14, 2024	Common stock	15,000	—	March 31, 2024	June 17, 2024

All the dividend property will be allocated to Shizuoka Financial Group, Inc., which is the sole shareholder of the common stock, and, therefore, cash dividend per share has not been determined. The dividend is planned to be paid from retained earnings.

## (Financial Instruments)

### 1. Information on financial instruments

#### (1) Policy for financial instruments

The Group provides comprehensive financial services, centering on banking, along with financial instruments trading. Its base of operations is Shizuoka Prefecture.

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

#### (2) Details of financial instruments and related risks

The financial assets of the 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 in case of the negative changes of the regional economic environment and a severe earthquake, etc.

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 Group loses its credit status because of downgrades or other factors or if the market environment deteriorates, conditions for financing could worsen or transactions could be constrained.

The Group enters into derivative transactions for customers who need to hedge 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), which is the risk of default on the initial contract due to the bankruptcy of the counterparty or other factors. There are interest rate risks associated with mismatches of interest rates and terms between financial assets and financial liabilities.

(3) Risk management systems for financial instruments

(i) Integrated risk management system

Under the Group 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 that allocates risk capital as 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 borrowers' financial conditions deteriorated.

The Credit Risk Management Group 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 Bank's borrower credit rating system, which is an essential part of its credit risk management, together with other internal rating systems, is operated by the Credit Planning Group of the Credit Support Department, designed and supervised by the Credit Risk Management Group, which is independent from the credit department (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 so 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 Group uses statistical methods and other methods to quantify latent credit risks intrinsic to the Bank'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 Bank's 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 Integrated Risk and Budget Management, which is chaired by the president, 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, and sensitivity, and so on.

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

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

(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 Bank has established a system of checks and balances by setting up fund management departments for financing in Japanese yen and in foreign currencies, and a liquidity risk management department that is independent of the fund management departments. The Treasury Department's Fund and Foreign Exchange Group, which is one of the fund management departments, controls amounts raised in markets within a range of permitted amounts so as to prevent excessive fund-raising in markets, and seeks stable financing, considering market circumstances. The Risk Management Group, 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 Group has classified financing management in emergencies into four phases -- Phase 1 (prevention), Phase 2 (caution needed), Phase 3 (concern over liquidity), and Phase 4 (lack of liquidity) --, and has 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 not only the market-based price, but also a reasonably determined price in the absence of a market price. As fair values are calculated based on certain assumptions, they may differ if different assumptions are used for calculation.

2. Fair values of financial instruments and breakdown by level in the fair value hierarchy

The carrying values and fair values of financial instruments, the difference between these values, and their level in the fair value hierarchy are as follows.

Please note that the table below does not include stocks or others without quoted market prices and investments in partnerships (see Note 3 below). Accounts with immaterial carrying values have been omitted.

The fair values of financial instruments are classified into the following three levels based on the observability and significance of inputs used in the measurement of fair value.

Level 1 fair value: Fair values measured by using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 fair value: 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 value: 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 belong.

## (1) Financial instruments carried at fair value on the consolidated balance sheet

(Millions of Yen)

Category	Carrying value			
	Level 1	Level 2	Level 3	Total
Trading assets				
Trading securities	57	6,518	—	6,575
Japanese government bonds	57	—	—	57
Local government bonds	—	521	—	521
Corporate bonds	—	5,996	—	5,996
Stocks	—	—	—	—
Others	—	—	—	—
Foreign bonds	—	—	—	—
Securities				
Available-for-sale securities (*1)	1,597,615	1,329,603	197,198	3,124,418
Japanese government bonds	954,635	—	—	954,635
Local government bonds	—	236,409	—	236,409
Corporate bonds	—	279,867	196,940	476,808
Stocks	500,676	5,277	—	505,954
Others	142,303	808,049	258	950,611
Foreign bonds	142,303	474,583	—	616,886
Total assets	1,597,673	1,336,122	197,198	3,130,994
Derivative transactions (*2)(*3)(*4)				
Interest rate-related	—	3,752	—	3,752
Currency-related	—	(27,745)	—	(27,745)
Stock-related	—	—	—	—
Bond-related	—	—	—	—
Total derivative transactions	—	(23,993)	—	(23,993)

- (\*1) Securities do not include investment trusts subject to the application of the treatment in which their fair values are measured at the unit price in Paragraph 24-9 of the Fair Value Measurement Implementation Guidance. These investment trusts are carried at ¥16,732 million on the consolidated balance sheet. Reconciliation between opening and closing balances of investment trusts subject to the application of the treatment in which their fair values are measured at the unit price is as shown below.

(Millions of Yen)

Balance at beginning of year	Profit/Loss or other comprehensive income		Net purchases, sales and redemptions	Amount of investment trusts for which their fair values are measured at the unit price	Amount of investment trusts for which their fair values are not measured at the unit price	Balance at end of year	Gains/Losses on valuation of investment trusts recorded in profit/loss and held on the consolidated balance sheet date
	Recorded in profit/loss	Recorded in other comprehensive income					
10,300	—	245	6,186	16,732	—	16,732	—

- (\*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 net amounts. Net negative amounts are shown in parentheses. 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 on the consolidated balance sheet.
- (\*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.

(2) Financial instruments other than those carried at fair value on the consolidated balance sheet

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.

(Millions of Yen)

Category	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					10,448,429	
Allowance for loan losses (*)					(48,477)	
	—	—	10,362,615	10,362,615	10,399,952	(37,337)
Total assets	—	16,311	10,387,787	10,404,098	10,441,909	(37,810)
Deposits	—	11,913,365	—	11,913,365	11,913,379	(14)
Negotiable certificates of deposit	—	100,585	—	100,585	100,585	0
Borrowed money	—	1,224,459	—	1,224,459	1,235,214	(10,754)
Total liabilities	—	13,238,411	—	13,238,411	13,249,180	(10,769)

(\*) General and individual allowances for losses are excluded from the corresponding loans and bills discounted.

## Note 1: Valuation techniques and inputs used in fair value measurement

### Assets

#### Trading assets

The fair values of trading assets are classified into Level 1 if unadjusted quoted prices are available in active markets. 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 unadjusted quoted prices are available in active markets. 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. The fair values of investment trusts without quoted market prices are classified into Level 2 if there are no restrictions so material that market participants would require compensation for risk with respect to the cancellation or repurchase request of the investment trusts, in which case their fair values are measured at the unit price. 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 using a discount rate commensurate with the bonds' internal rating, remaining term, and coverage ratio, which 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 value if the borrowers' credit status has not changed significantly since disbursement, due to their nature of reflecting market interest rates in short periods. As for claims against borrowers classified as legal bankruptcy, virtual bankruptcy or possible bankruptcy, since the loan loss estimates have been calculated based on, among other things, the amounts expected to be recoverable from collateral and guarantees, their carrying values minus the amount of allowance for loan losses on the consolidated balance sheet at the end of the fiscal year approximate the fair values of these claims. Therefore, 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 value. 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. The carrying value of floating rate borrowed money is therefore considered to approximate fair value and, therefore, the carrying value is deemed equal 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. These fair values are classified into Level 3 if any significant unobservable input is used in their measurement, or otherwise into Level 2.

### Derivative Transactions

The fair values of derivative transactions are classified into Level 1 if unadjusted quoted prices are available in active markets. 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 these valuation techniques are interest rates, exchange rates, and volatility, among others. In addition, price adjustments are made based on the credit risk of the counterparty and that of the Bank. 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 carried at Level 3 fair value on the consolidated balance sheet

#### (1) 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%

#### (2) Reconciliation between opening and closing balances and gains/losses on valuation recognized in profit/loss (March 31, 2024)

(Millions of Yen)

	Balance at beginning of year	Profit/Loss or other comprehensive income		Net purchases, sales, issues and settlements	Transfers into Level 3 fair value	Transfers from Level 3 fair value	Balance at end of year	Gains/Losses on valuation of financial assets/liabilities recorded in profit/loss and held on the consolidated balance sheet date
		Recorded in profit/loss	Recorded in other comprehensive income (*)					
Securities								
Available-for-sale securities								
Private placement bonds	29,024	—	12	(3,489)	—	—	25,547	—
Securitized products (beneficial interests in trust)	162,843	(38)	(683)	9,270	—	—	171,392	—
Stock acquisition rights	79	(6)	31	154	—	—	258	—

(\*) Included in “Interest income” and “Other expenses” in the consolidated statement of income.

(3) Process of fair value measurement

The Group has established policies and procedures for fair value measurement in middle departments and back-office departments. Once a fair value is measured, verification is performed of 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 is 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) 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 rates. A significant increase (or decrease) in probability of default or loss-given default will result in a significant decrease (or increase) in fair values, whereas a significant change in prepayment rates will result in a significant decrease (or increase) in fair values, depending on the structure of the financial instrument.

The discount rate is the significant unobservable input used in the measurement of fair values of private placement bonds. The discount rate is calculated according to the internal rating of the issuer, the remaining term, and the coverage ratio. A significant increase (decrease) in discount rate will result in a significant decrease (increase) in fair values.

Probability of listing is the significant unobservable input used to measure 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 carried on the consolidated balance sheet as stated below. They are not included in “Available-for-sale securities” in the financial statements disclosed under “Fair values of financial instruments and breakdown by level in the fair value hierarchy” above.

(Millions of Yen)	
Category	Carrying value
Unlisted stocks (*1) (*2)	8,265
Investments in partnerships and others (*3)	110,834

(\*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 current fiscal year were ¥2 million.

(\*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 Fair Value Measurement Implementation Guidance.

(Tax Effect Accounting)

A breakdown of deferred tax assets and deferred tax liabilities by major cause is as follows:

(Millions of Yen)

Deferred tax assets	
Allowance for loan losses	14,716
Liability for retirement benefits	4,715
Valuation loss on securities	3,197
Depreciation and amortization expense	6,044
Others	9,882
Subtotal deferred tax assets	38,556
Valuation allowance	(4,635)
Total deferred tax assets	33,921
Deferred tax liabilities	
Valuation difference on available-for-sale securities	(102,800)
Gain on establishment of employee retirement benefit trust	(4,298)
Securities returned from employee retirement benefit trust	(2,180)
Others	(4,186)
Total deferred tax liabilities	(113,465)
Net deferred tax liabilities	(79,544)

(Per Share Information)

Net assets per share	¥1,805.97
Profit attributable to owners of the parent per share	¥80.04

## Independent Auditor's Report

May 7, 2024

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

Shizuoka Office  
Deloitte Touche Tohmatsu LLC

Designated Limited Liability Partner  
Engagement Partner  
Designated Limited Liability Partner  
Engagement Partner

Shunji Sumioka	Certified Public Accountant
Hirokazu Ishiguro	Certified Public Accountant

### Opinion

We have audited the consolidated financial statements of The Shizuoka Bank, Ltd. and its consolidated subsidiaries (the "Group"), which comprise the consolidated balance sheet as of March 31, 2024, and the consolidated statement of income, consolidated statement of changes in net assets, and notes to the consolidated financial statements, for the fiscal year covering the period from April 1, 2023 to March 31, 2024, in accordance with the provisions of Article 444, Paragraph (4) of the Companies Act.

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, 2023, and its consolidated financial performance for the year then ended in accordance with accounting principles generally accepted in 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.

### Other Information

Management is responsible for the other information. Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the other information. The other information comprises the information included in the Business Report and the accompanying supplemental schedules.

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.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard,

### Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

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

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

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



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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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.
- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

## **Interest Required to Be Disclosed under 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.

(\*) This is an English translation of the independent auditor's report as required by the Companies Act of Japan for the convenience of the readers. The other information in the Consolidated Financial Statements (Renketsu Keisanshorui) referred to in the "Other Information" section of this English translation is not translated.