

# Results of 1Q FY2022

August, 2022

The Shizuoka Bank, Ltd.

The 14<sup>th</sup> Medium-term Business Plan

**COLORs**

2020-2022

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\*In Principle, the amounts etc. in this material are rounded off to the unit

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# **Results of 1Q FY2022**

# Results of 1Q FY2022 - Nonconsolidated

Both ordinary profit and net income increased due to increase in core business revenue and cost reductions  
Bond-related income such as JGBs decreased due to reconstruction of securities portfolio in order to secure stable income

〔Nonconsolidated〕

(JPY bn, %)

	1Q FY2022	YoY change	
		Increase/Decrease	Rate of change
<b>Gross operating profit</b>	<b>35.3</b>	<b>-0.6</b>	<b>-1.6</b>
(Core gross operating profit)	43.8	+7.3	+20.1
Net interest income	31.3	+0.2	+0.5
Fees and commissions	5.9	+2.2	+60.7
Trading income	0.6	+0.4	+124.6
Other operating profit	-2.6	-3.4	-406.9
(Bond-related income such as JGBs)	(-8.4)	(-7.9)	(—)
Expenses (-)	23.2	-0.6	-2.5
Actual net operating profit	12.2	-0.0	-0.0
<b>Core net business profit excluding gains (losses) on bonds and cancellation of investment trusts</b>	<b>20.3</b>	<b>+7.4</b>	<b>+58.1</b>
Provision for general allowance for loan losses (-)	-0.0	-0.1	-105.9
<b>Net operating profit</b>	<b>12.2</b>	<b>+0.1</b>	<b>+0.9</b>
Nonrecurring profit and loss	6.5	+6.2	—
Bad debt written-off (-)	0.7	-0.4	-36.2
Gain (loss) on stocks	6.9	+7.0	—
<b>Ordinary profit</b>	<b>18.7</b>	<b>+6.3</b>	<b>+51.0</b>
Extraordinary profit and loss	0.1	-5.8	-97.7
Gain on sales of stocks of related companies	0.0	-6.0	-100.0
Net income before taxes	18.8	+0.5	+2.6
Corporate taxes (-)	4.1	-0.6	-13.0
<b>Net income</b>	<b>14.8</b>	<b>+1.1</b>	<b>+8.0</b>
Credit-related costs (-)	0.7	-0.5	-42.7

## Gross operating profit (continued decrease in 2 periods)

Decreased by JPY 0.6bn YoY, mainly because other operating profit decreased while net interest income and fees and commissions increased

Progress rate 23.2%

## Net operating profit (first increase in 2 periods)

Increased by JPY 0.1bn YoY, because expenses and provision for general allowance for loan losses decreased while gross operating profit decreased

Progress rate 19.4%

## Ordinary profit (first increase in 2 periods)

Increased by JPY 6.3bn YoY, because of increase in net operating profit and in nonrecurring profit and loss

Progress rate 28.9%

## Net income (continued increase in 3 periods)

Increased by JPY 1.1bn YoY, because ordinary profit increased while extraordinary profit and loss decreased due to decrease in gain on sales of stocks of related companies

Progress rate 32.8%

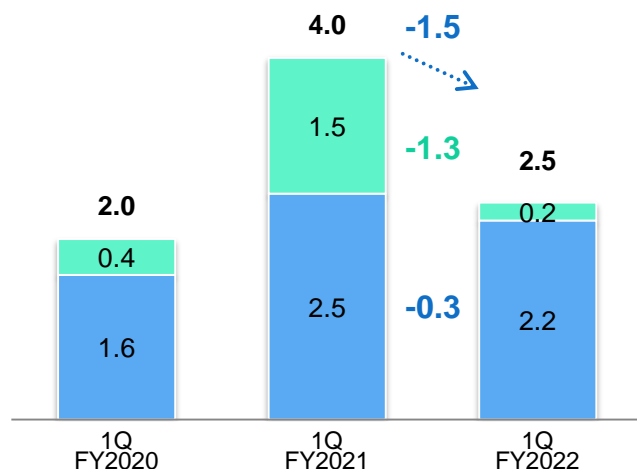
# Results of 1Q FY2022 – Consolidated

**Consolidated ordinary profit increased while both consolidated subsidiaries' ordinary profit and profit based on the equity-method investment balance decreased**

〔Consolidated〕	1Q FY2022	YoY	Contents
Ordinary profit	19.1	+4.8	<b>First increase in 2 periods</b> <b>Progress rate</b> 25.0% Nonconsolidated ordinary profit increased while both ordinary profit and total ordinary profit of consolidated subsidiaries decreased
Net profit attributable to parent company shareholders	14.4	+0.4	<b>Continued increase in 3 periods</b> <b>Progress rate</b> 26.7% Increase in consolidated ordinary profit offset the decrease in gain on sales of stocks of related companies.

**〔Total ordinary profit of consolidated subsidiaries / Profit based on the equity-method investment balance〕**  
 (JPY bn)

- Profit based on the equity-method investment balance
- Total ordinary profit of consolidated subsidiaries



〈 Consolidated subsidiaries〉

(JPY bn)

Company name	Business	1Q FY2022 Ordinary Profit	YoY change
Shizugin Management Consulting Co., Ltd.	Corporate and financial management advisory services Bill collection services	0.1	-0.0
Shizugin Lease Co., Ltd.	Leasing	0.4	-0.0
Shizugin IT Solution Co., Ltd.	Computer system development and operation	0.1	-0.0
Shizugin Credit Guaranty Co., Ltd.	Guarantee of housing loans, etc.	1.0	+0.1
Shizugin DC Card Co., Ltd.	Credit card and guarantee of consumer loans	0.2	+0.0
Shizuoka Capital Co., Ltd.	Public-offering assistance Support for corporate rehabilitation	0.0	-0.0
Shizugin TM Securities Co., Ltd.	Securities	0.4	-0.3
Shizuoka Bank (Europe) S.A.	Finance and securities-related services	-0.0	-0.0
Shizuoka Liquidity Reserve Ltd.	Purchases of monetary receivables	0.0	+0.0
Shizugin General Service Co., Ltd.	Fee-based job placement service, general administration	0.0	-0.0
Shizugin Mortgage Service Co., Ltd.	Appraisal of real estate for loan collateral Operation center for loans	0.0	+0.0
Shizugin Business Create Co., Ltd.	Operation center for remittance and bill collection Part-time employee management	-0.0	-0.0
Shizugin Heartful Co., Ltd.	Making, printing and binding of documents	-0.0	-0.0
<b>Total (13 companies)</b>		<b>2.2</b>	<b>-0.3</b>

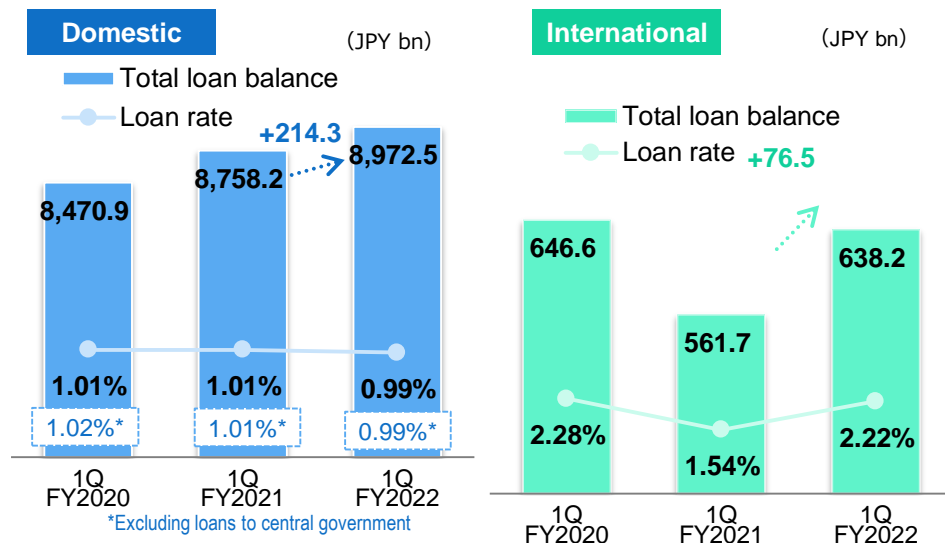
# Net interest income

## Increase in domestic section offset decrease in international section

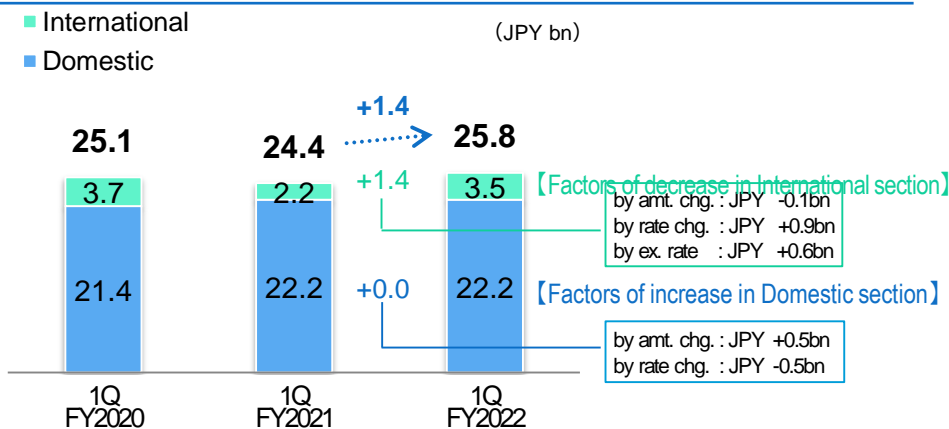
### Breakdown of net interest income

(JPY bn)	1Q FY2020	1Q FY2021	1Q FY2022	YoY
Net interest income	29.6	31.1	31.3	+0.2
Domestic section	26.7	28.8	29.3	+0.5
Interest on loans	21.4	22.2	22.2	+0.0
Interest and dividend on securities	5.3	6.6	6.7	+0.1
(Bond)	0.5	0.5	0.9	+0.4
(Gains on investment trust)	0.0	0.5	0.0	-0.5
Fund-raising expense (-)	0.3	0.3	0.2	-0.1
(Interest paid on deposits etc.) (-)	0.3	0.3	0.3	-0.0
Others	0.3	0.3	0.7	+0.4
International section	2.9	2.3	2.1	-0.3
Interest on loans	3.7	2.2	3.5	+1.4
Interest and dividend on securities	2.1	1.5	1.8	+0.3
(Bond)	2.0	1.2	1.4	+0.2
(Gains on investment trust)	0.1	0.2	0.4	+0.2
Fund-raising expense (-)	3.2	1.4	3.6	+2.2
(Interest paid on deposits etc.) (-)	1.1	0.3	1.4	+1.1
Others	0.3	0.1	0.4	+0.3

### Loan balance (average balance) and loan rate



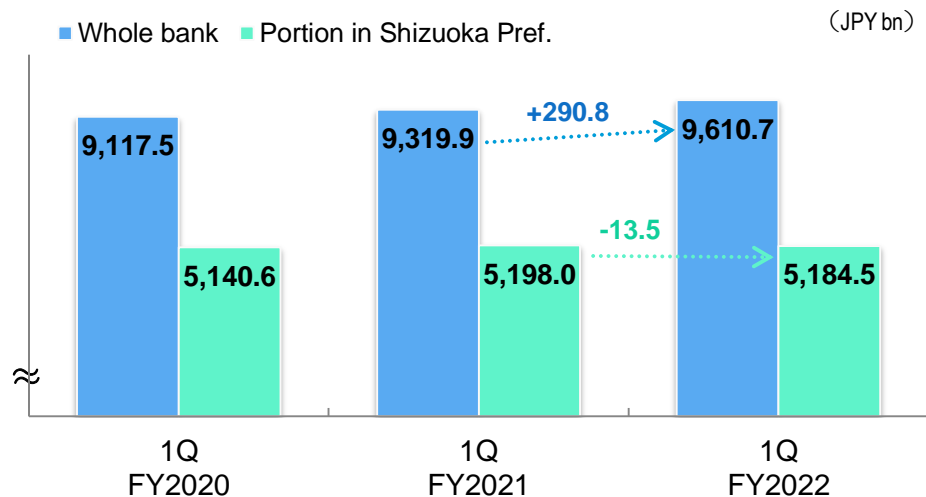
### Interest on loans



# Loans

Loan balance (average balance) to SMEs and retails increased with good balance

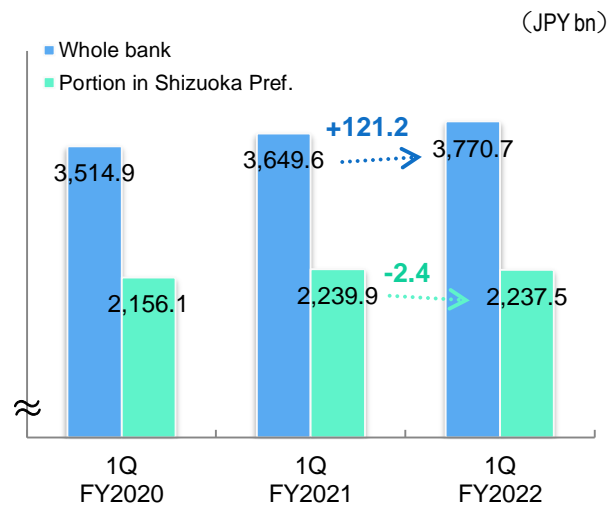
## Total loan balance (average balance)



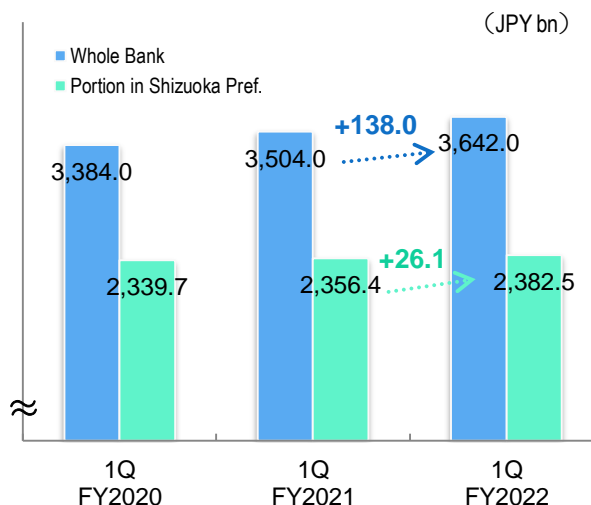
	Average balance	YoY change	Annual growth rate
Total loan balance	JPY 9,610.7bn	JPY +290.8bn	+3.1%
Loan balance for SMEs	JPY 3,770.7bn	JPY +121.2bn	+3.3%
Retail loan balance	JPY 3,642.0bn	JPY +138.0bn	+3.9%
Loan balance for large and medium size enterprises	JPY 1,843.2bn	JPY +1.3bn	+0.0%
Loan balance in foreign currency	JPY 601.7bn	JPY +81.6bn	+13.5%

by amt. chg. :JPY -20.2bn  
by ex. rate :JPY +101.8bn

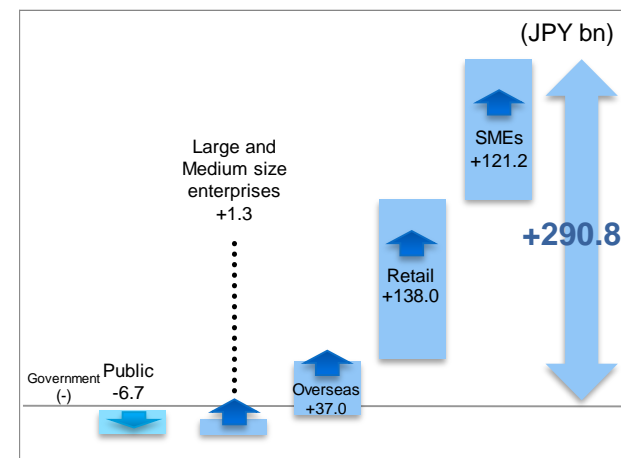
## SMEs loan balance (average balance)



## Retail loan balance (average balance)



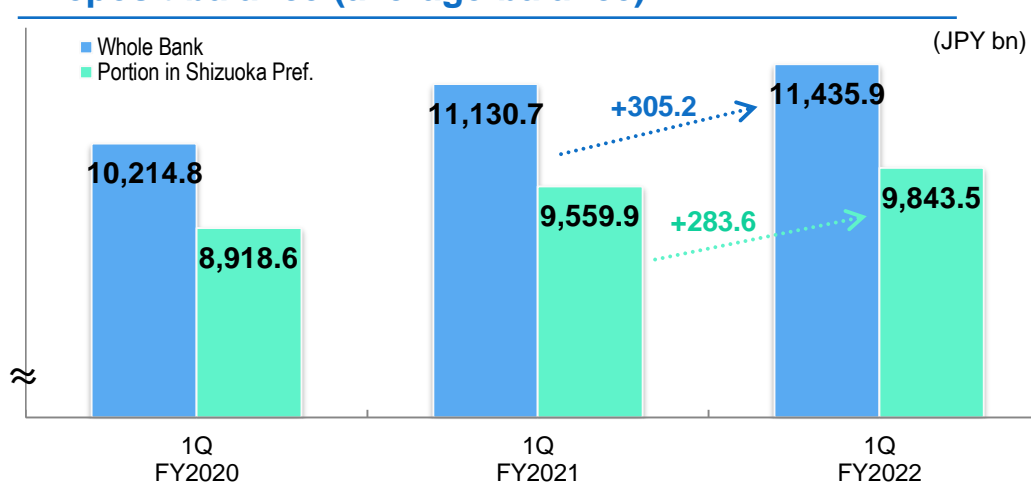
## Breakdown of year-on-year changes in loan balance (average balance)



# Deposits

Deposit balance (average balance) increased mainly due to increase in personal deposits

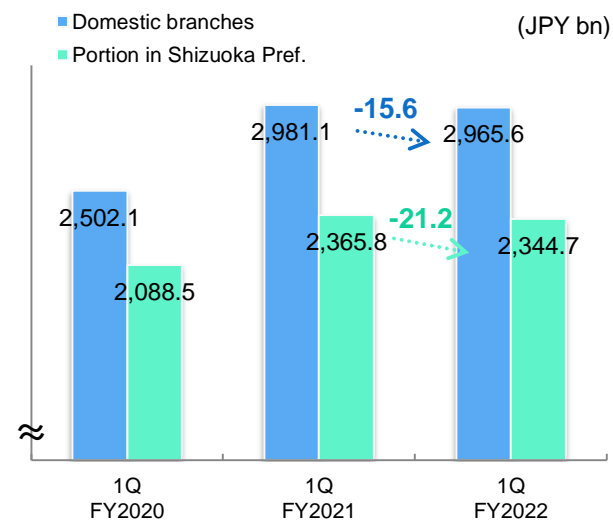
## Deposit balance (average balance)



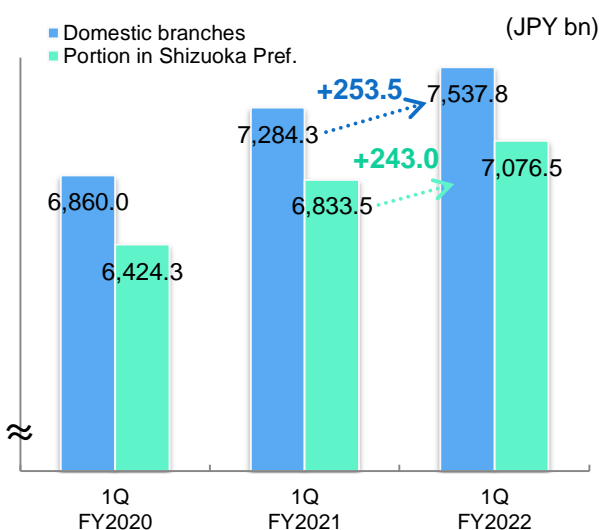
	Average balance	YoY change	Annual growth rate
Total deposit balance	JPY 11,435.9bn	JPY +305.2bn	+2.7%
Deposit balance in Shizuoka	JPY 9,843.5bn	JPY +283.6bn	+2.9%
Corporate deposit balance	JPY 2,965.6bn	JPY -15.6bn	-0.5%
Retail deposit balance	JPY 7,537.8bn	JPY +253.5bn	+3.4%
Public deposit balance	JPY 384.3bn	JPY +57.1bn	+17.4%

NCD	JPY 106.3bn	JPY -12.7bn	-10.6%
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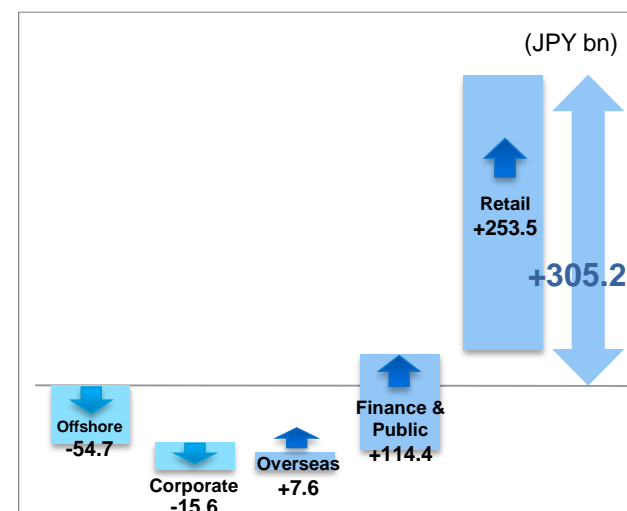
## Corporate deposit balance (average balance)



## Retail deposit balance (average balance)



## Breakdown of year-on-year changes in deposits balance (average balance)

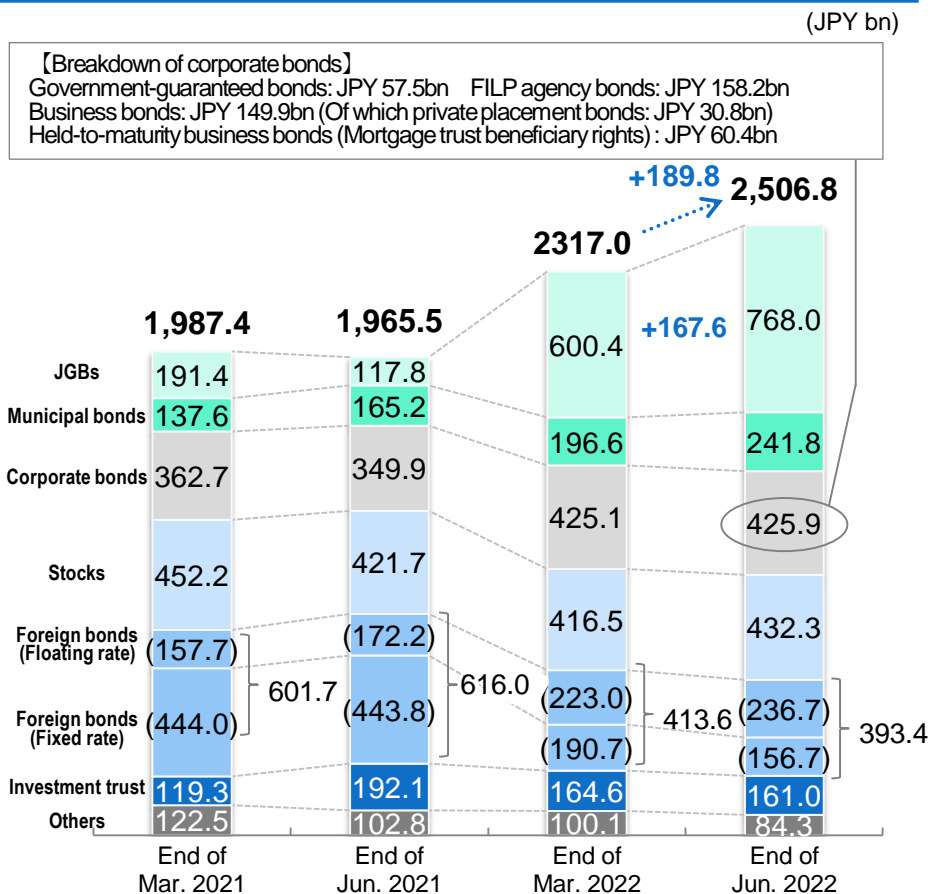




# Securities

Conducted reconstruction of securities portfolio to secure stable profit in medium to long run in response to changes in the market environment

## Securities



### 〔Duration〕

	End of Mar. 2021	End of Jun. 2021	End of Mar. 2022	End of Jun. 2022
Yen based bonds	5.97 years	5.21 years	6.37 years	6.90 years
Foreign bonds	3.37 years	2.80 years	2.08 years	1.02 years

## Gains and losses on securities

(JPY bn)	1Q FY2021	1Q FY2022	YoY
Interest and dividend on securities	8.0	8.4	+0.4
Yen based bonds	0.5	0.9	+0.4
Foreign bonds	1.2	1.4	+0.2
Gains on investment trusts (Gains (losses) on cancellation)	0.7 (-0.2)	0.4 (0.3)	-0.3 (+0.5)
Gains and losses on bonds such as JGBs	-0.5	-8.4	-7.9
Gain on sell of bonds such as JGBs	1.4	4.4	+3.0
Loss on sell and redemption of bonds such as JGBs (-)	1.9	12.8	+11.0
Gains and losses on stocks	-0.1	6.9	+7.0
Gain on sales of stocks	0.5	7.0	+6.5
Amortization (-)	0.6	0.1	-0.5

## Unrealized gains and losses on securities

(JPY bn)	End of Mar. 2021	End of Jun. 2021	End of Mar. 2022	End of Jun. 2022	Change from end of Mar. 2021
Unrealized gains and losses on securities	+325.6	+303.6	+274.2	+279.5	+5.3
Stocks	+321.4	+293.7	+288.0	+303.9	+15.8
Yen based bonds	+0.9	+2.3	-6.6	-11.0	-4.3
Foreign bonds	-6.0	-2.6	-17.8	-21.7	-3.9
Investment trusts	+4.1	+5.0	+0.6	-2.5	-3.0
Others	+5.2	+5.2	+10.0	+10.8	+0.7

# Fees and commissions

**Fee and commissions increased due to increase in fee incomes from wholesale and to decrease in fee and commissions expenses**

BK: Shizuoka Bank, SMC: Shizugin Management Consulting, Lease: Shizugin Lease, TM: Shizugin TM Scurities

## Fees and commissions

[Nonconsolidated] (JPY bn)	1Q FY2020	1Q FY2021	1Q FY2022	YoY
Fees and commissions	4.3	3.7	5.9	+2.2
Fees and commissions incomes	7.8	7.4	8.3	+0.9
Fees and commissions expenses (-)	3.5	3.7	2.4	-1.3

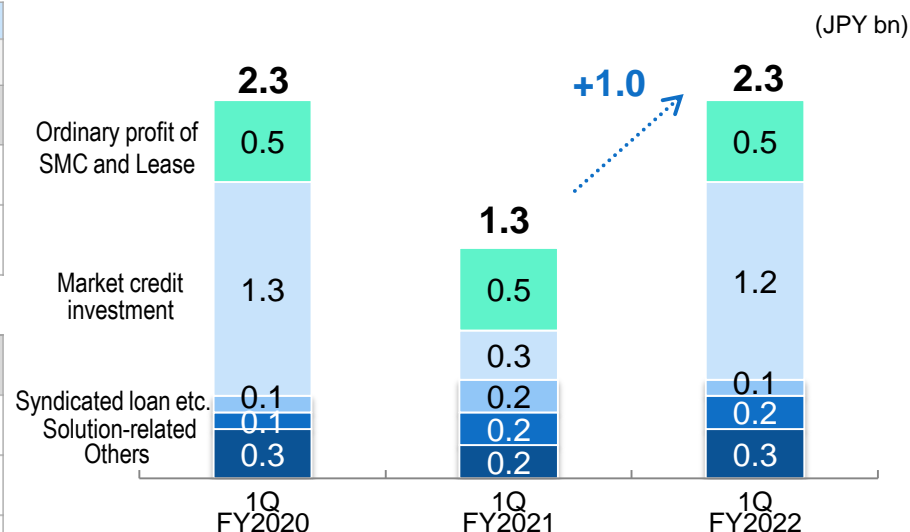
### <Major items>

Fee incomes from wholesale	1.8	0.8	1.8	+1.0
Related to market credit investment	1.3	0.3	1.2	+0.8
Syndicated loan, etc.	0.1	0.2	0.1	-0.1
Solution-related (Business matching, support for subsidy, etc.)	0.1	0.2	0.2	+0.1
Others (covenants loan, etc.)	0.3	0.2	0.3	+0.1
Other fees on loans	0.7	1.0	0.8	-0.1
Fee incomes on customer assets	1.0	1.2	1.4	+0.2
Investment trust	0.1	0.1	0.1	+0.0
Insurance products	1.0	1.2	1.3	+0.2
Net profit on exchange	1.4	1.5	1.3	-0.1

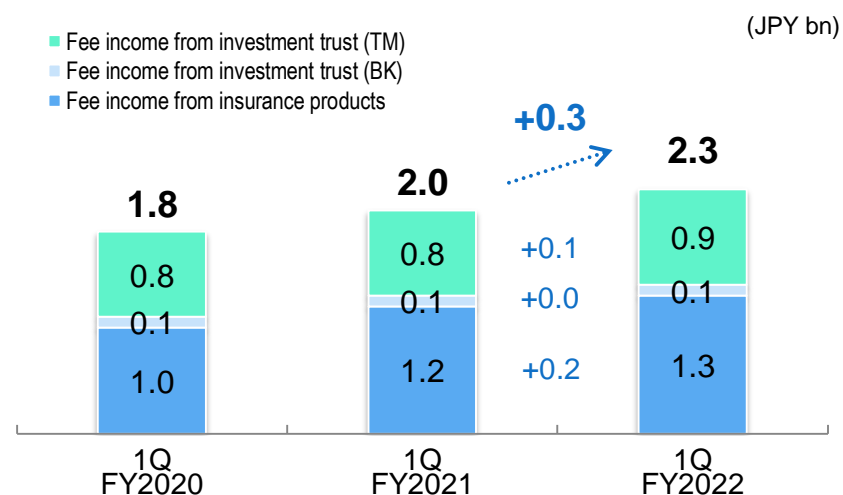
### [Consolidated]

Fees and commissions	7.9	7.6	9.8	+2.2
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## Fee incomes from wholesale (including group companies)



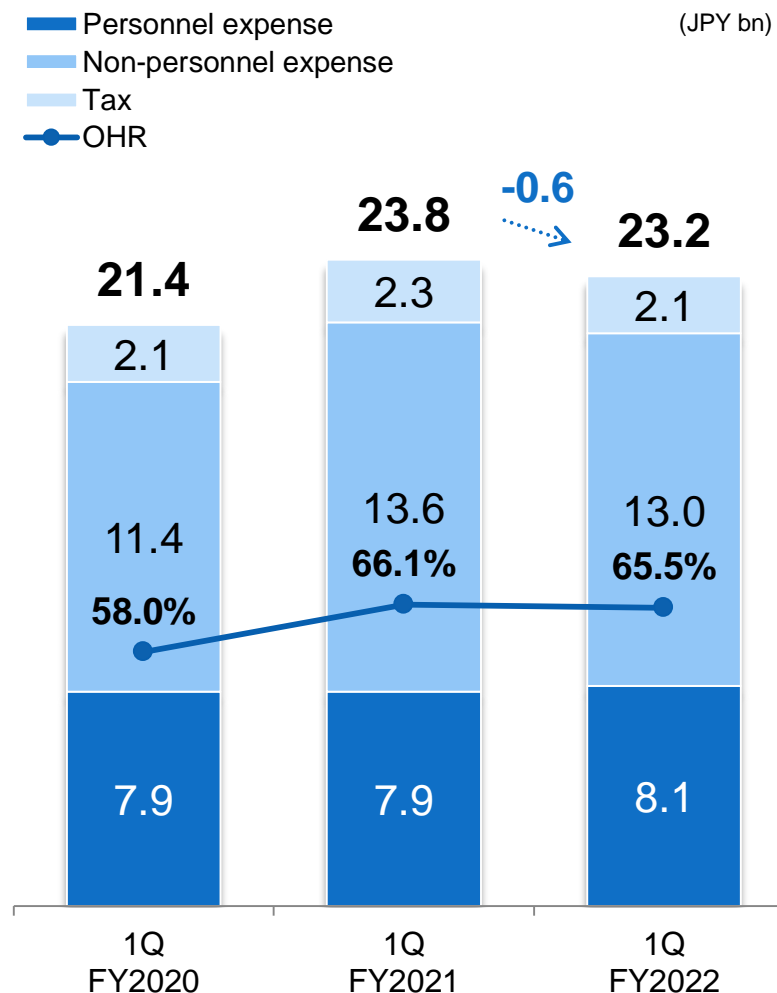
## Fee incomes on customer assets (including group companies)



# Expenses

## Expenses and OHR in 1Q FY2022 decreased YoY

### Expenses and OHR (nonconsolidated)



### Main factors for change of expenses (nonconsolidated)

	YoY	Main factors
Tax	JPY -0.3bn	Consumption tax JPY -0.2bn
Non-personnel expenses	JPY -0.6bn	Deposit insurance premium JPY -0.4bn
Personnel expenses	JPY +0.3bn	Salaries, etc. JPY +0.2bn
<b>Total</b>	<b>JPY -0.6bn</b>	

### Breakdown of non-personnel expenses (nonconsolidated)

(JPY bn)

	1Q FY2020	1Q FY2021	1Q FY2022	YoY
Non-personnel expenses	11.4	13.6	13.0	-0.6
(Of which, Next-Generation-System-related)	1.0	3.5	3.2	-0.3
Of which, depreciation and amortization	2.5	4.4	4.3	-0.1
(Of which, Next-Generation-System-related)	0.2	2.3	2.1	-0.2

# Credit-related costs

## Credit-related costs in 1Q FY2022 decreased YoY

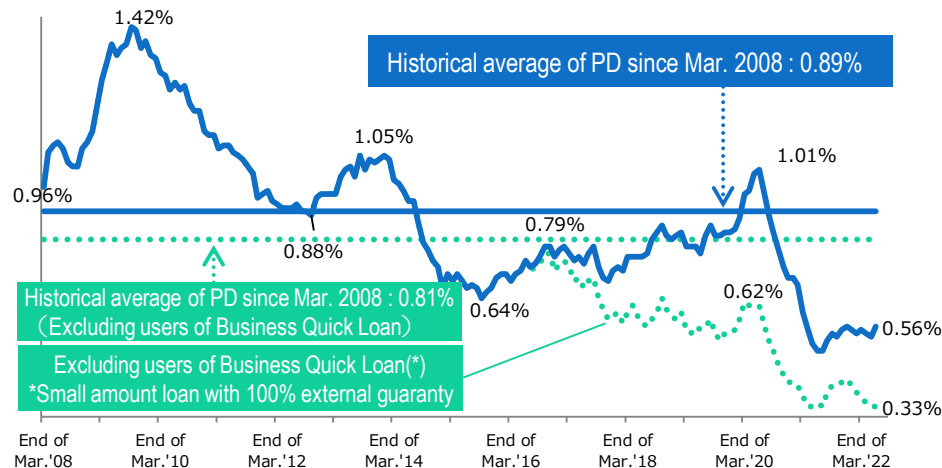
### Breakdown of credit-related costs

(JPY bn)	1Q FY2020	1Q FY2021	1Q FY2022	YoY change
Provision for general allowance for loan losses (1)	0.5	0.1	-0.0	-0.1
Provision for specific allowance for loan losses (2)	2.4	1.0	0.6	-0.5
Other non-performing loans (NPL) disposal * (3)	-0.0	0.0	0.1	+0.1
Credit-related Costs (1)+(2)+(3)	2.9	1.1	0.7	-0.5

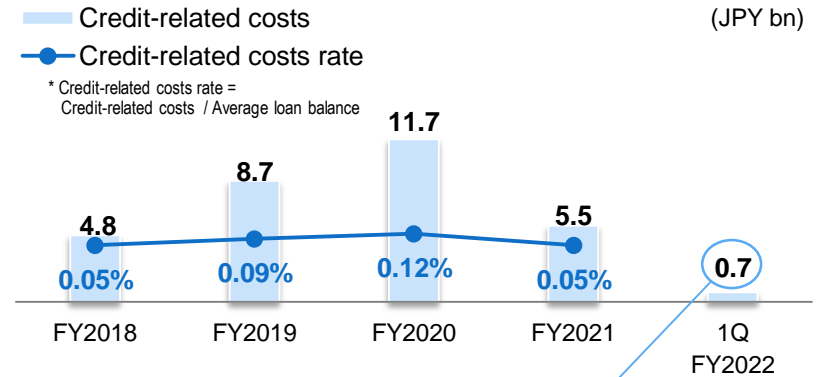
\* Including provision for the estimated future payments to credit guarantee corporations, provision for allowance for accidental losses, and losses on sell of loans

### Probability of Default (PD)

※PD of sound borrowers and borrowers needing careful monitoring  
(On the basis of no. of borrowers)



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

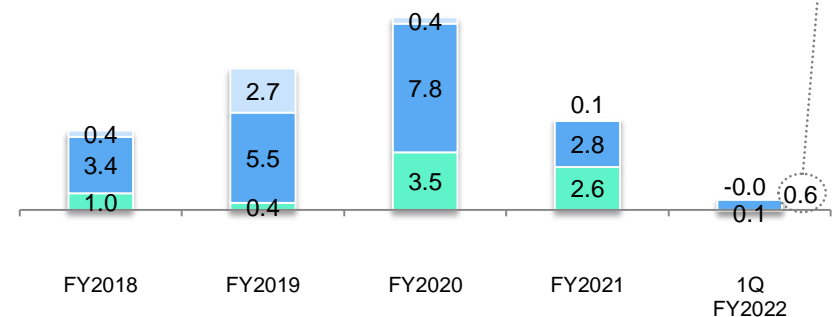


Costs resulting from COVID-19 effect was JPY 0.7bn

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

(JPY bn)	Changes in credit rating, etc.	1.0
	Decrease in the value of collaterals	0.0
	Upgrade of credit rating, decrease in loan and credit balances by foreclosure, etc.	-0.5
	<b>Total</b>	<b>0.6</b>

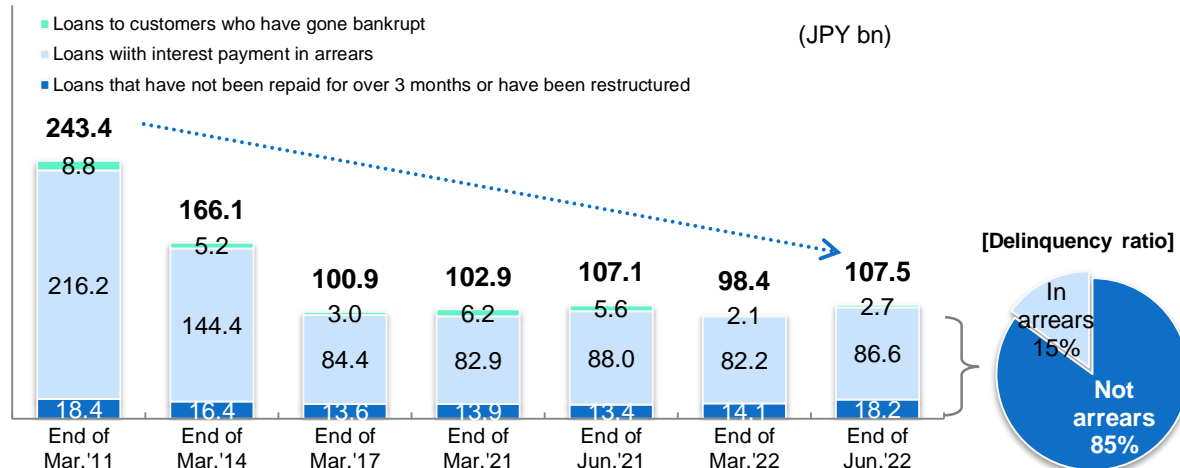
Other NPL disposal  
Provision for specific allowance for loan losses  
Provision for general allowance for loan losses (negative figures: Appropriate back)



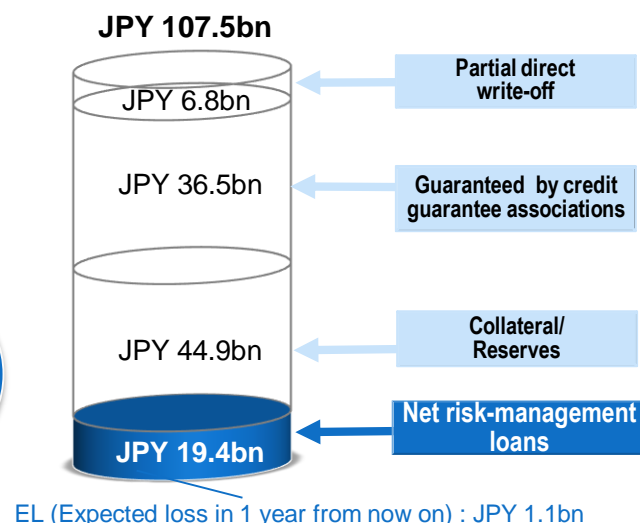
# Risk-management loans (Loans based on the Financial Reconstruction Act \*)

Risk-managed loans are greatly decreasing from the peak balance after the Lehman Brothers collapse

## Trends in Risk-management loans



## Net risk-management loans



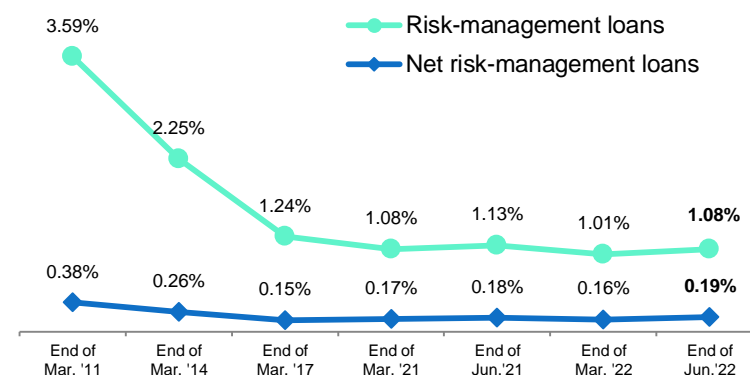
## NPL removal from the balance sheet

	FY2021	1Q FY2022
New recognition of NPLs	+29.5	+13.6
Removal from the balance sheet (NPL to borrowers classified as "at risk of failure" or riskier categories)	-34.0 (-30.7)	-4.5 (-3.8)
<b>Risk-management loans</b>	<b>98.4</b>	<b>107.5</b>

[Breakdown of JPY -3.8bn] (JPY bn)	
Collected from borrower/ set off against deposit account	-1.2
Collateral disposal/ subrogated to guarantor	-1.8
Reclassified to better categories	-0.8
Loans sold-off	0.0

## The ratio of risk-management loans

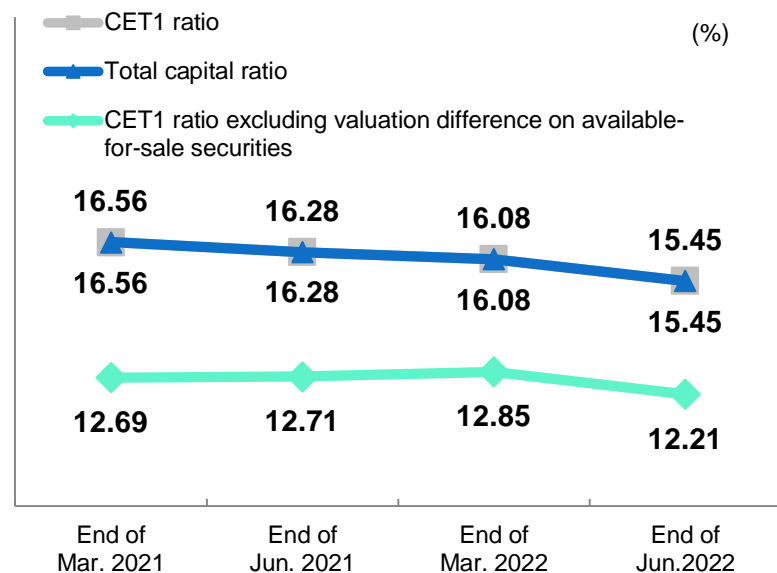


\* Reconcile risk-management loans with loans based on the Financial Reconstruction Act according to revision of Order for Enforcement of the Banking Act since the end of Mar. 2022. Adopt the standard retroactively to the past.

# Capital adequacy ratio

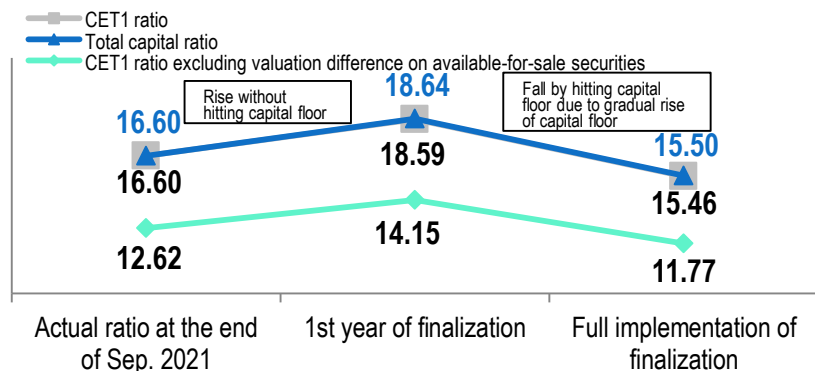
Both Total capital ratio and CET1 ratio at the end of Jun. 2022 are 15.45%, down 0.63 percent points from the end of Mar. 2022

## Capital adequacy ratio (Consolidated basis)



## Capital adequacy ratio (Basel III finalization basis: consolidated)

- Make a trial calculation on influence of Basel III finalization based on figures at the end of Sep. 2021



## Changes in capital and risk-adjusted assets (Consolidated basis)

[Basel III]		End of Mar. '21	End of Jun. '21	End of Mar. '22	End of Jun. '22	Change from the end of Mar. '22
(JPY bn)						
Total capital*		990.4	982.6	965.4	938.5	-26.9
CET1		990.4	982.6	965.4	938.5	-26.9
Excluding valuation difference on available-for-sale securities		759.2	766.9	771.6	742.0	-29.7
Other Tier 1		-	-	-	-	0.0
Tier 2		-	-	-	-	0.0
Risk-adjusted assets		5,979.7	6,032.3	6,001.2	6,073.5	+72.3
Total credit-risk adjusted assets		5,658.0	5,711.0	5,672.1	5,743.9	+71.8
Amount corresponding to market risk		19.4	19.0	20.2	20.6	+0.4
Amount corresponding to operational risk		302.3	302.3	309.0	309.0	0.0

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

## Interest rate risk in the banking book (IRRBB) (Consolidated basis, End of Jun. 2022)

- Results of materiality test:  $\Delta$ EVE (Economic Value of Equity)  
(Decrease in economic value of equity due to interest rate shock within IRRBB)

Decrease in economic value	Tier 1	Results of materiality test*
<b>JPY 37.8bn</b>	<b>JPY 938.5bn</b>	<b>4.0% <math>\leq</math> 15%</b>

\*Financial Services Agency supervision guidelines require  $\Delta$ EVE to be less than 15% of Tier 1 capital

- $\Delta$ NI (Net Interest Income): **JPY 8.3bn**  
(Decrease in net interest income due to interest shock Within IRRBB)

# Projected performance in FY2022

Consolidated ordinary profit is expected to be JPY 4.0 bn less than Medium-term Business plan due to increased credit-related costs

(JPY bn)

		FY2020	FY2021 (A)	FY2022 (Projected) (B)	YoY (B-A)	1Q FY2022 (C)	Progress rate (C/B)
Consolidated	Ordinary profit	63.3	54.2	76.0	+21.8	19.1	25.0%
	Profit attributable to owners of the parent	43.6	41.6	54.0	+12.4	14.4	26.7%
	ROE	4.1%	3.8%	4.7%	+0.9pt	5.3%	-
	OHR	59.5%	64.2%	56.5%	-7.7pt	67.2%	-
	CET1 ratio	16.56%	16.08%	15.2%	-0.8pt	15.45%	-
Nonconsolidated	Gross operating profit	138.5	134.7	151.7	+17.0	35.3	23.2%
	Net interest income	114.7	124.5	127.8	+3.3	31.3	24.4%
	Fees and commissions	15.9	14.8	17.4	+2.6	5.9	34.1%
	Trading income	0.9	0.9	0.8	-0.1	0.6	80.7%
	Other operating profit	7.0	-5.5	5.7	+11.2	-2.6	-44.8%
	Expenses (-)	84.4	88.2	87.7	-0.5	23.2	26.4%
	Ordinary profit	51.5	45.3	64.5	+19.2	18.7	28.9%
	Net income	35.5	36.1	45.0	+8.9	14.8	32.8%
	Credit-related costs (-)	11.7	5.5	11.0	+5.5	0.7	5.9%



# **Progress of the 14th Medium-term Business Plan**



# Picture that Shizuoka Bank Group targets

Picture targeted in long term  
(10-year Vision)

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

## 14th Medium-term Business Plan **COLO**Rs

### ◆ Vision

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

### ◆ Three Basic Strategies

1. Group Sales Strategy
2. Innovation Strategy
3. Business Portfolio Strategy

**FY2020**

**“Change of mind”**

- Support customers under COVID-19 pandemic
- Conduct HR interaction among Group (\*)

**FY2021**

**“Change of action”**

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

**FY2022**

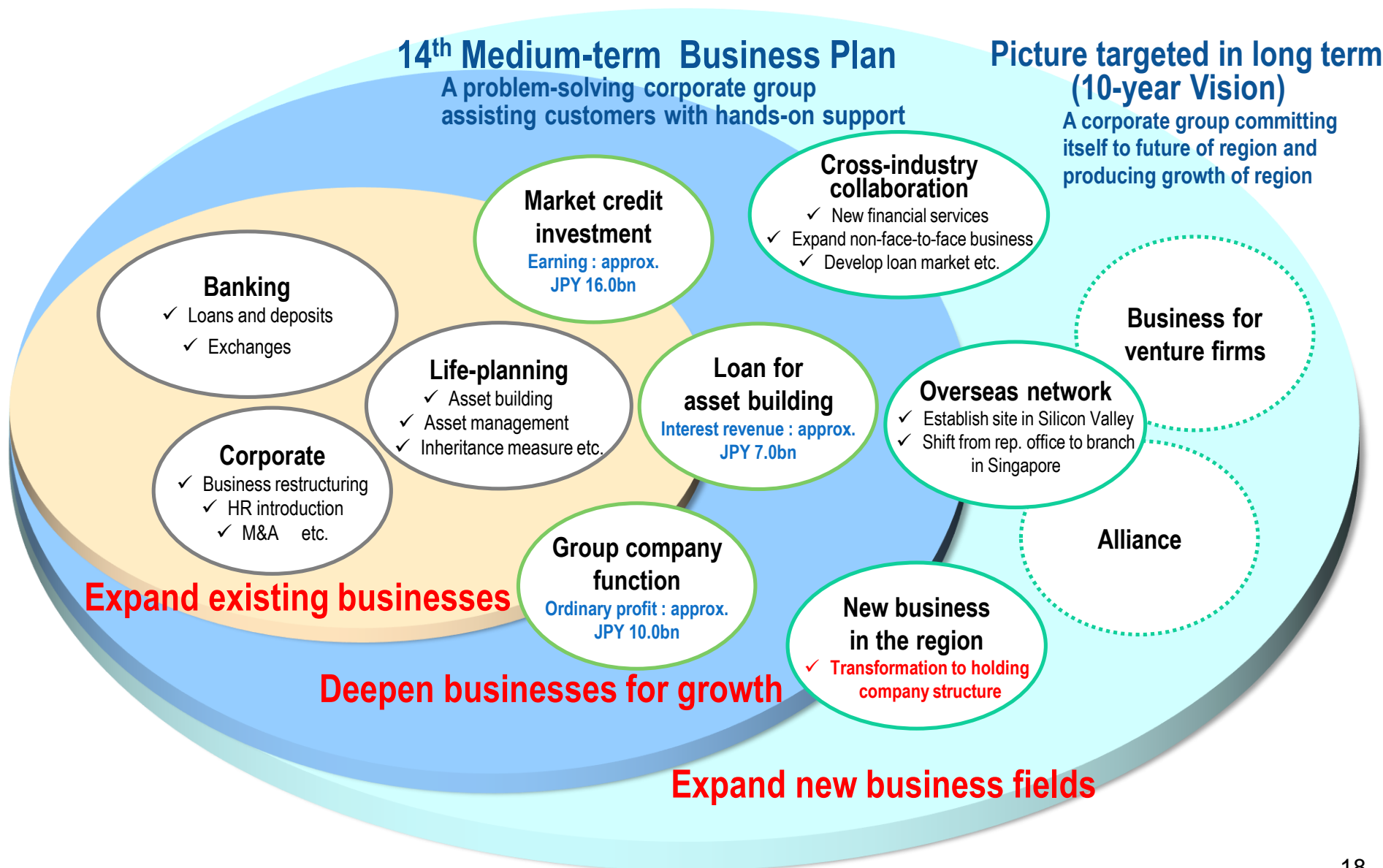
**“Realization of achievement”**

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

(\*) 219 people as of Jul.1st 2022 on a cumulative basis

# To realize 10-year Vision

Aim at reinforcing earning power through problem-solving of the region and expanding new business field in addition to traditional business of loans and deposits



# Meet needs of corporate customers

Basic strategy 1  
Group Sales

Basic strategy 2  
Innovation

Basic strategy 3  
Business Portfolio

10-year Strategy

## Provide solutions tailored to management issues of corporate customers through Group-wide collaboration

### Support for business improvement

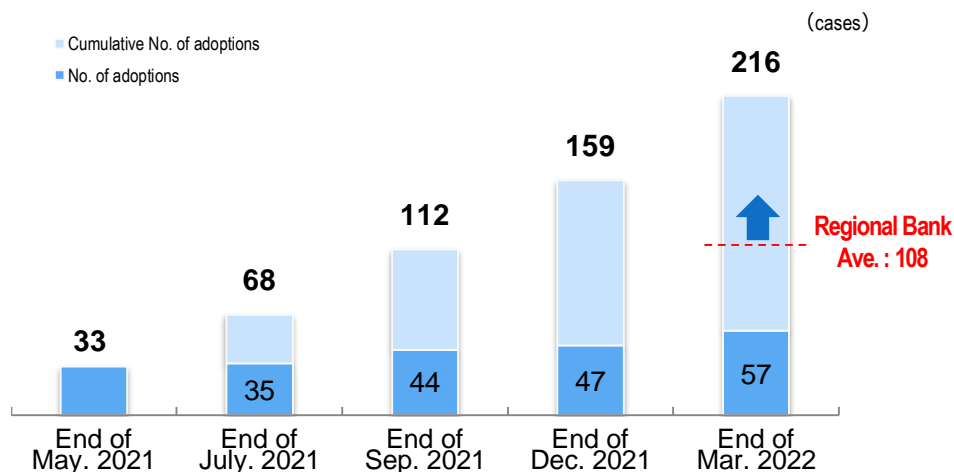
Cash position,  
business improvement

	FY2020	FY2021	1Q FY2022
M&A (recover-type, relief-type, etc.)	19 companies	21 companies	10 companies
Subordinated loan	7 loans, JPY 2.3bn	6 loans, JPY 2.8bn	—
Co-financing with JFC*	37 loans, JPY 4.0bn	50 loans, JPY 4.2bn	23 loans, JPY 4.0bn
Use of revitalization funds	1 case	1 case	1 case
No. of business restructuring support initiatives	58 cases	59 cases	51 cases
No. of projects completed	12 cases	14 cases	3 cases

\* Co-financing with equity subordinated loans from JFC

### Business restructuring

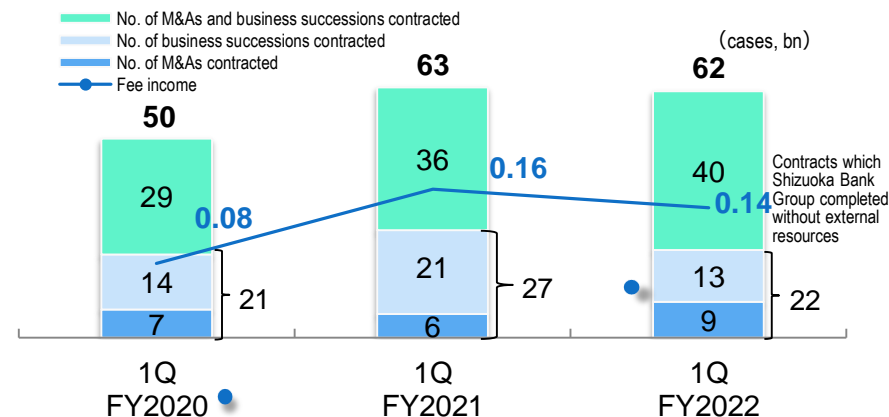
Business  
restructuring



### M&A and business succession (including Group companies)

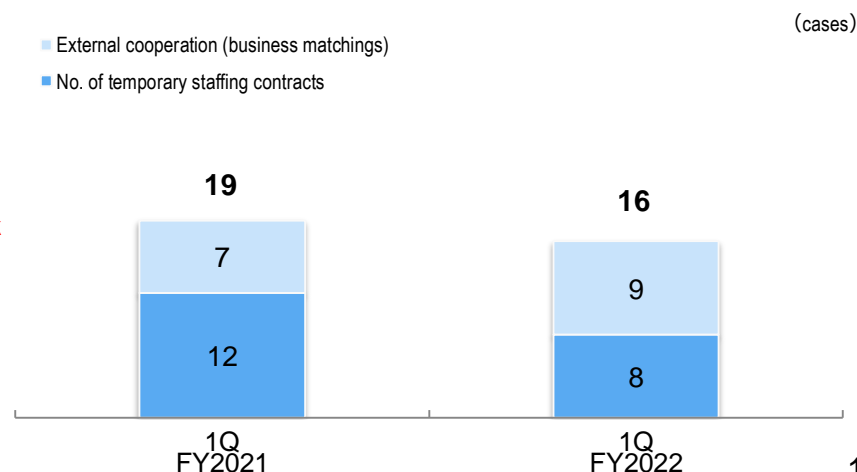
Succession

【No. of contract concluded and fee income】



### Solution on HR

Main business



# Meet needs in life-planning

Basic strategy 1  
Group Sales

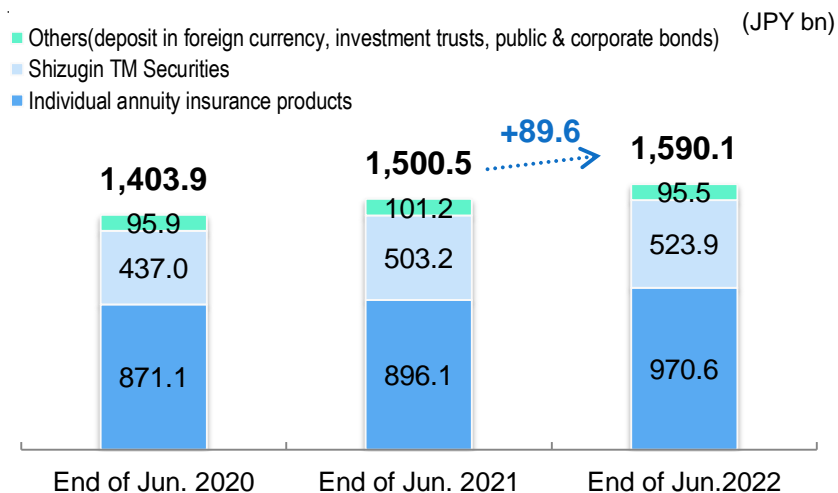
Basic strategy 2  
Innovation

Basic strategy 3  
Business Portfolio

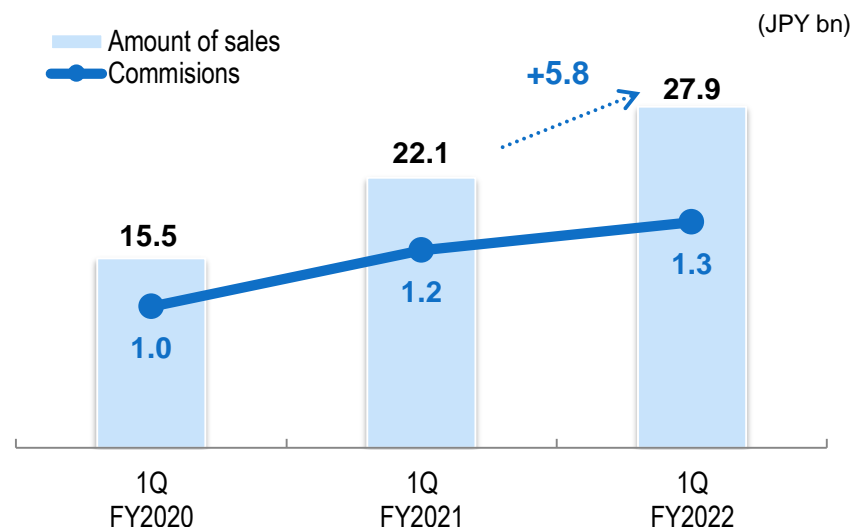
10-year Strategy

**Customer asset excluding JPY deposits of the whole Group (including Shizugin TM Securities) increased steadily**

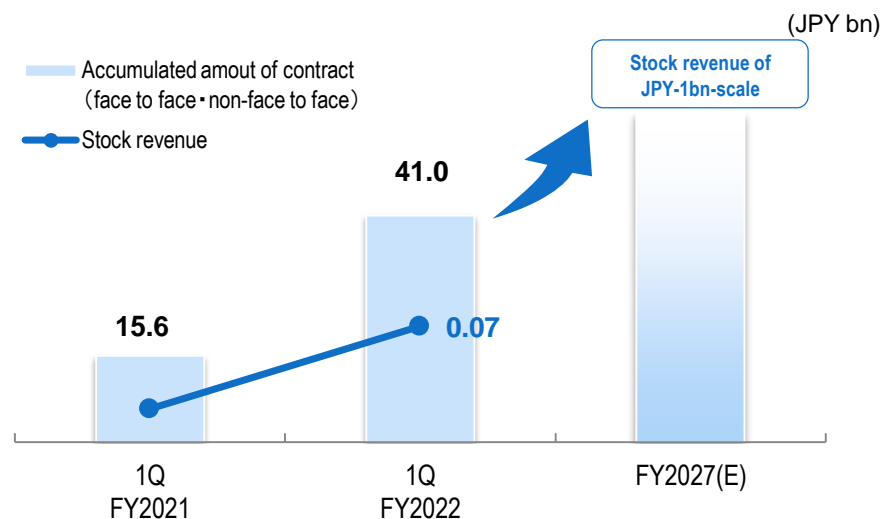
## Customer assets excluding JPY deposits (term-end balance)



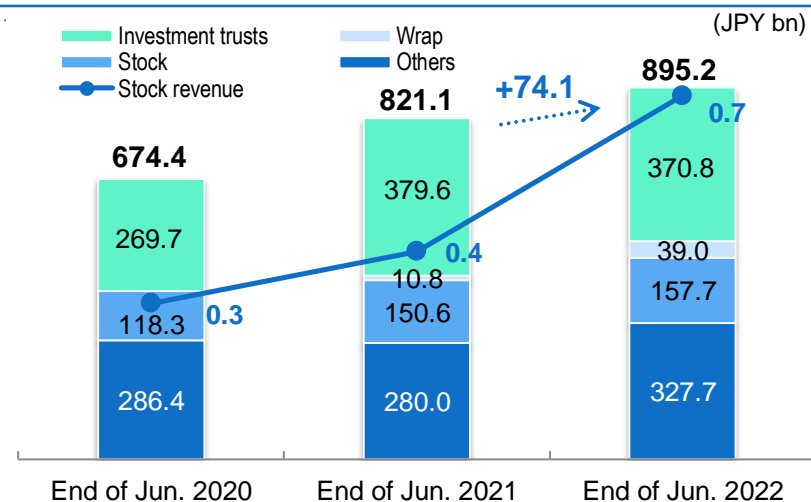
## Amount of sales and commissions in insurance



## Results of “Shizugin Wrap” (Accumulated amount of contract)

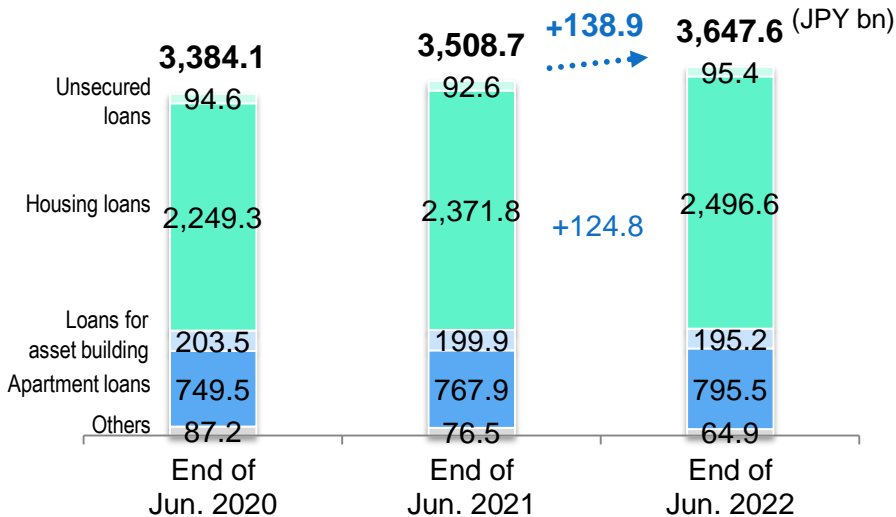


## Customer assets of Shizugin TM Securities

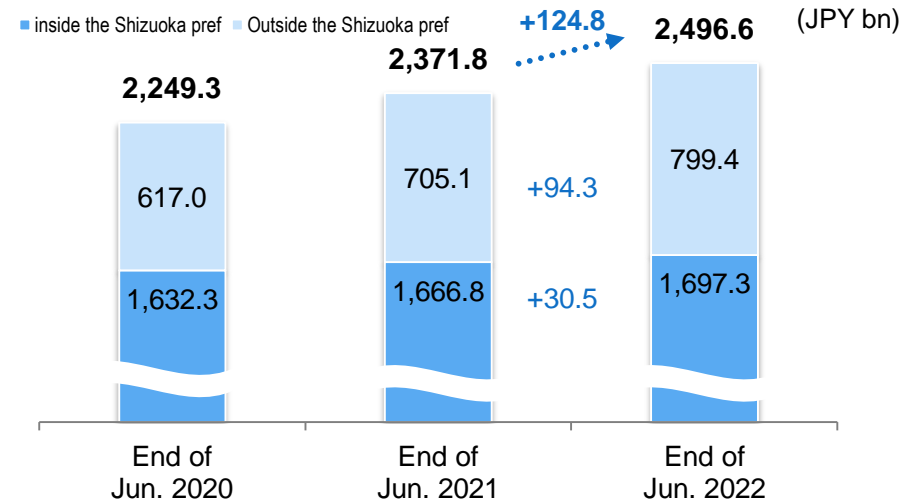


## Housing loan balances increased steadily and consumer loan balance (term-end balance) increased

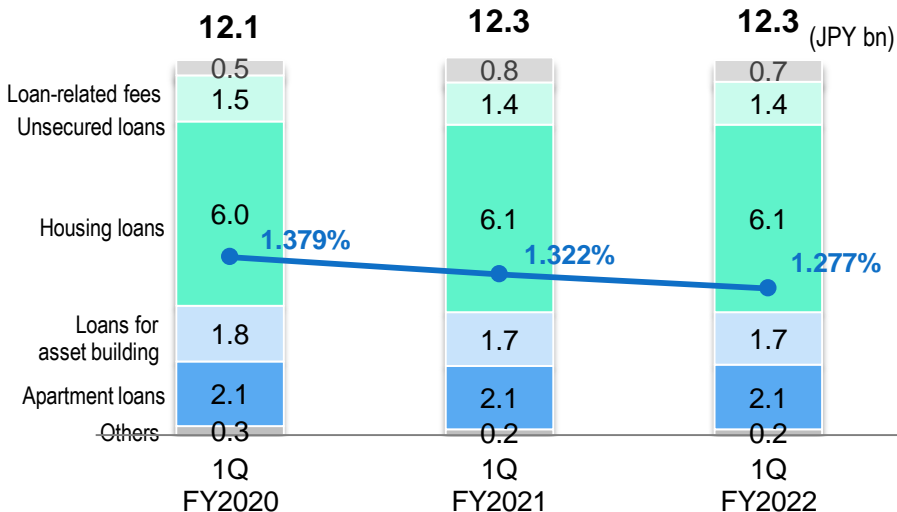
### Consumer loan balance (term-end balance)



### Housing loan breakdown by region



### Interest amounts, fees and rates of consumer loans



### Direction of housing loans strategies

#### [Inside the Shizuoka Pref.]

- Rename 14 Loan Centers in Shizuoka Pref. as “**Life Design Stations**”  
Strengthen consulting sales on overall life-planning by making them bases for multifunction including asset building and insurance review starting with housing loans
- Launched “**Tatepita-Shizuoka**” a matching service with house builders **NEW**

#### [Outside the Shizuoka Pref.]

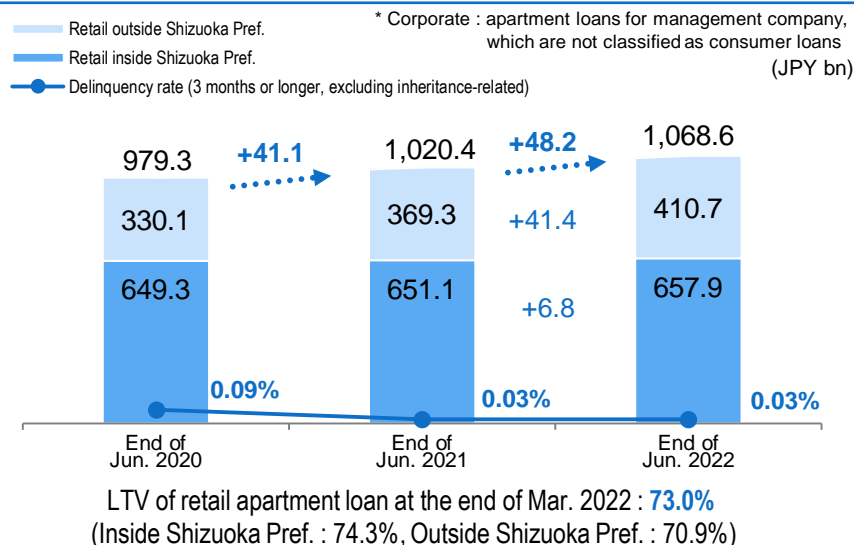
- Relocate Shonan Loan Center into the Fujisawa Branch with easy access  
Expand points of contact with customers and building contractors, and provide one-stop services by leveraging Group functions to meet the diverse needs of customers

#### [Common]

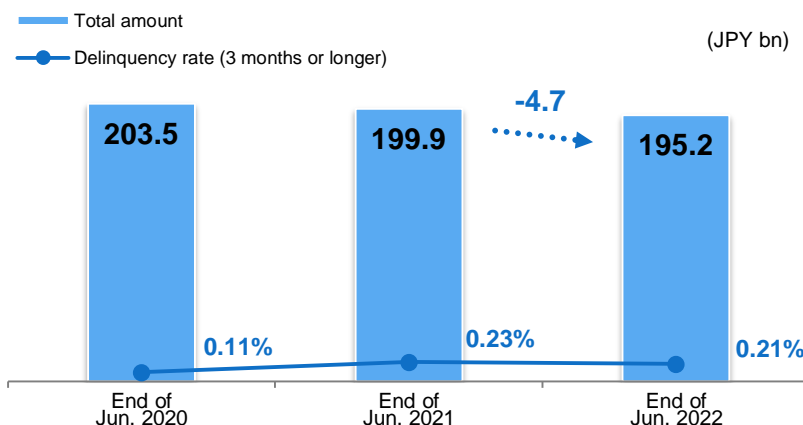
- Expand product lineup, including **group credit life insurance for married couples living together with cancer coverage (first in Japan)** and **a system for deferring principal repayment on housing replacement projects**

## Apartment loan balance (including loan to corporates) maintained increasing trend

### Term-end balance and delinquency rate of apartment loan (including loan to corporates)

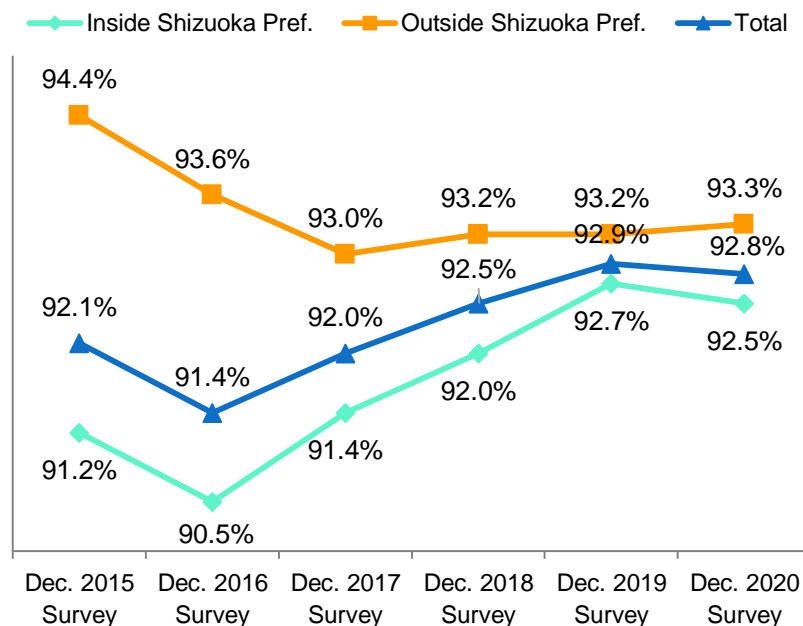


### Term-end balance and delinquency rate of loan for asset building



### Occupancy rate\*

\* Survey on occupancy rate for rental property (Dec. 2020)



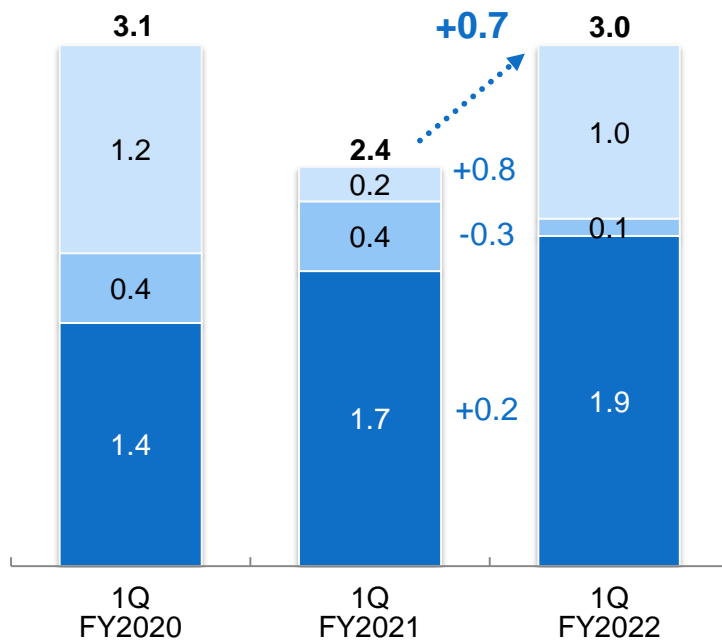
### Future strategies of loans for asset building

- Reinforce the organization by increasing the number of employees, etc.
  - ✓ Expand loan balance by increasing the number of employees and strengthening personnel training
- Expand business for management in venture companies
  - ✓ Meet their needs in retail loans such as housing loans and in loans to purchase shares of their own companies
- Promote whole asset sales
  - ✓ Develop a private banking service system in collaboration with private banking staff, targeting the affluent, semi-affluent, and asset-building classes

## Earnings from market credit investment increased mainly due to increase in fee income

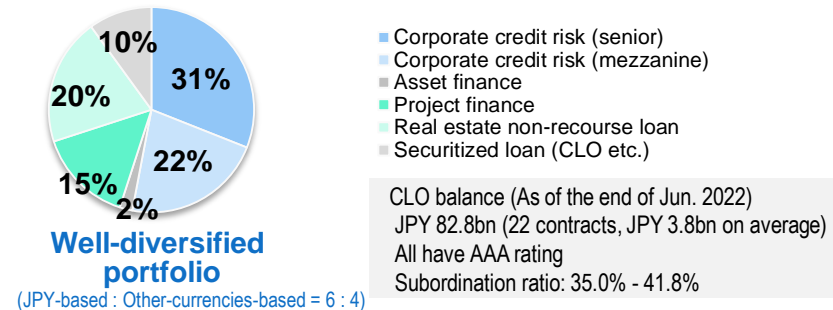
### Earnings from market credit investment

- Fee income
  - Income from PE and others
  - Income and expenditure on loans
- (JPY bn)

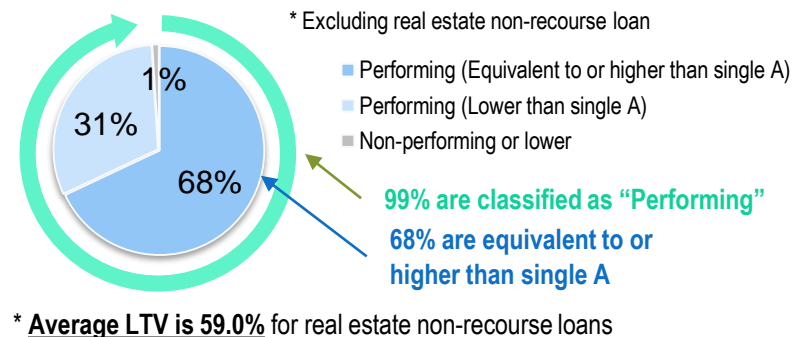


Profitability indicators of SF loan	1Q FY2021	1Q FY2022	YoY
<b>ROA</b> (Return on Assets)	1.06%	1.09%	+0.03pt
<b>RORA</b> (Return on Risk-Weighted assets)	1.92%	1.86%	-0.06pt

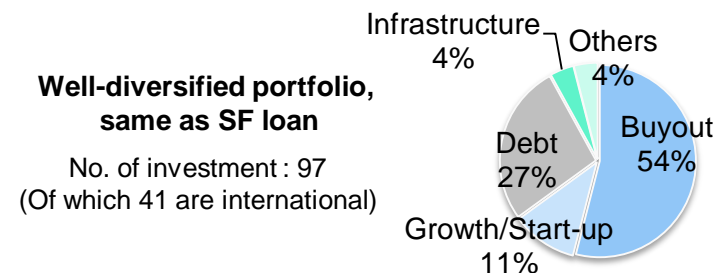
### Breakdown of SF loan by loan type (Average balance in 1Q FY2022: JPY 697.4bn)



### Breakdown of SF loan by credit rating



### Ratio of capital commitment in PE by investment types



# Cross-industry collaboration

Basic strategy 1  
Group Sales

Basic strategy 2  
Innovation

Basic strategy 3  
Business Portfolio

10-year Strategy

Create new businesses which can innovate management of banks through cross-industry collaboration  
Has invested JPY 21.3bn in capital and business alliance partners  
(Unrealized gains at the end of Jun. 2022: JPY +7.5bn)

## New businesses in housing loan market



Collaboration  
Income\*  
JPY 0.6bn

<Total results by the end of FY2021>

Extend housing loans: JPY 27.8bn

Purchase securitized products (RMBS): around JPY 100.0bn

⇒ Effect of increased income in FY2022 + JPY 0.7bn per year

## The most important partner in bank-security collaboration



Collaboration and  
Investment Income\*  
JPY 3.7bn

<Total results by the end of FY2021>

Profit based on the equity-method investment balance: JPY 10.6bn

Gain on sales of stock: JPY 7.1bn

Shizugin Wrap etc.: JPY 0.2bn

(Goodwill retirement: JPY -14.2bn)

## Provision of new financial services



Collaboration and  
Investment Income\*  
JPY 3.7bn

### HOKEN NO MADOGUCHI

5 out of 7 stores become profitable

Commons Asset Management, Inc

Amount of distributions and gains on sales of  
investment trust total JPY 3.8bn

## Utilization of digital technology



Utilized the **Taylor Works** online platform for TECH BEAT  
Shizuoka

Strategic partnership between **Asoview** and **ADDress** for the  
purpose of regional revitalization

## Revitalization of region



\*Cumulative until the end of FY2021



**Aim at expanding business for venture firms and making it a pillar of earnings in the future by utilizing network built through the investment**

## Type of industry of invested firms

(End of Jun.2022 15 fund Approx. JPY 21.4bn)

Type of industry	No. of firms
For corporate, SaaS	99
Medical, nursing care, biotechnology	59
Fin Tech	57
AI, data analysis	30
Manufacturing, robotics, IoT	23
Others	160
<b>Total</b>	<b>428</b>

**TECH BEAT Shizuoka**



- Fair of advanced technology to provide opportunities of matching between startup firms mainly in metropolitan area and firms in Shizuoka Pref.
- Total of 8 meetings since the first meeting in July 2019  
(All industries: 4 times, Agriculture and other primary industries: 3 times, Medical: once)

**Attendees  
(Total)**

**Approx. 36,000**

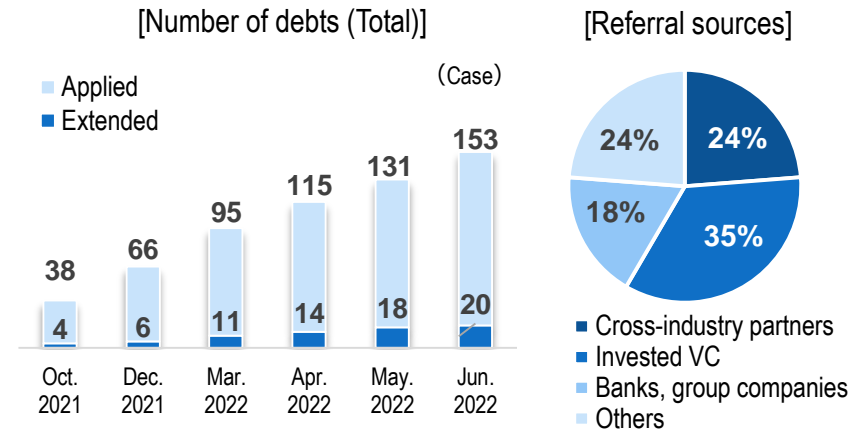
**Individual business  
talk (Total)**

**Approx. 1,300**



## Venture Debt

- Have executed **20 venture debt transactions amounting to JPY 2.6bn** since start of initiatives in Oct. 2021 by the end of Jun. 2022



### Utilize the debt guarantee program implemented by METI

- Be designated as a financial institution for the "Debt Guarantee Program for Private Loans to Deep Tech Ventures" established by METI (**First in regional bank**)
- Extended large-sized syndicated loan of JPY 0.7bn with Yamanashi Chuo Bank, our alliance partner

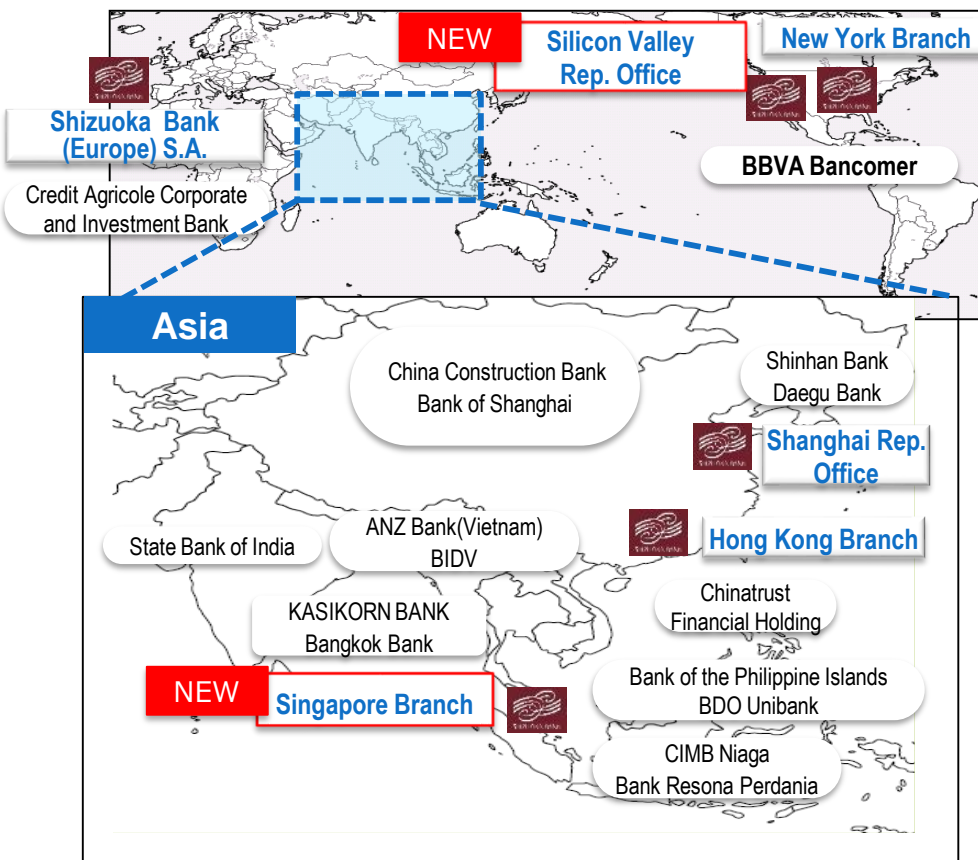
### Introduce loan products with stock acquisition rights

- Acquire stock acquisition rights when financing a start-up firm
- Provide new financing options for startup firms, whose access to funding is generally limited, by focusing on their business model and growth potential

Work on review of roles of each site according to environment, and reinforce tie-up by alliance

## Overseas network

- Best network in regional banks with 6 overseas sites and alliance with local financial institutions



## Review of overseas sites

### 1 Establish Silicon Valley Rep. Office (Nov. 2021)

- ✓ Move location to Silicon Valley area and change function of Los Angeles Branch in order to gather information on advanced technology and business for venture business
- ✓ Businesses of loans, deposits, and so on in Los Angeles Branch were transferred to New York Branch

### 2 Change Rep. Office Registered in Singapore to a branch (Nov. 2021)

- ✓ Cover areas such as Southeast and West Asia where many Japanese companies advance by taking advantage of Singapore as a financial center and information agglomeration in Asia
- ✓ Expected to capture more profit opportunity in future by expanding function of whole Group abroad

### 3 Shizuoka Yamanashi Alliance

- ✓ Conclude agreement on support for customers' overseas business with Yamanashi Chuo Bank in order to support its customers through Shizuoka Bank's overseas sites (May 2021)
- ✓ Accept 1 trainee in Hong Kong Branch from Yamanashi Chuo Bank (Jul. 2021)

# DX strategy Progress in key fields

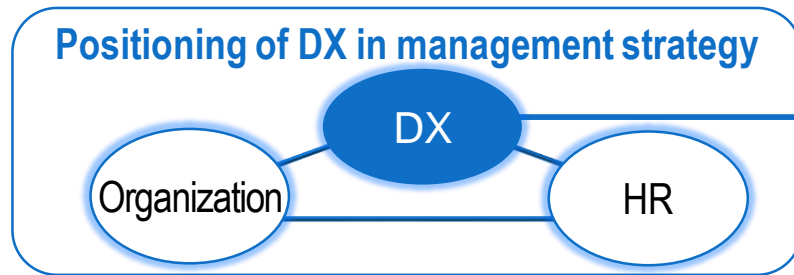
Basic strategy 1  
Group Sales

Basic strategy 2  
Innovation

Basic strategy 3  
Business Portfolio

10-year Strategy

Create new business and deepen existing business by utilizing data and digital technology mainly in 5 key items



Targeted picture

## Reform of company itself (Corporate Transformation)

- ✓ Reform business model as well as review operation process from scratch with data and digital technology as driving force
- ✓ Return knowledge and know-how accumulated through DX to the community and customers

Obtained certification as a “DX certified business operator” from METI (Apr. 2022)



Digital Transformation  
Certification

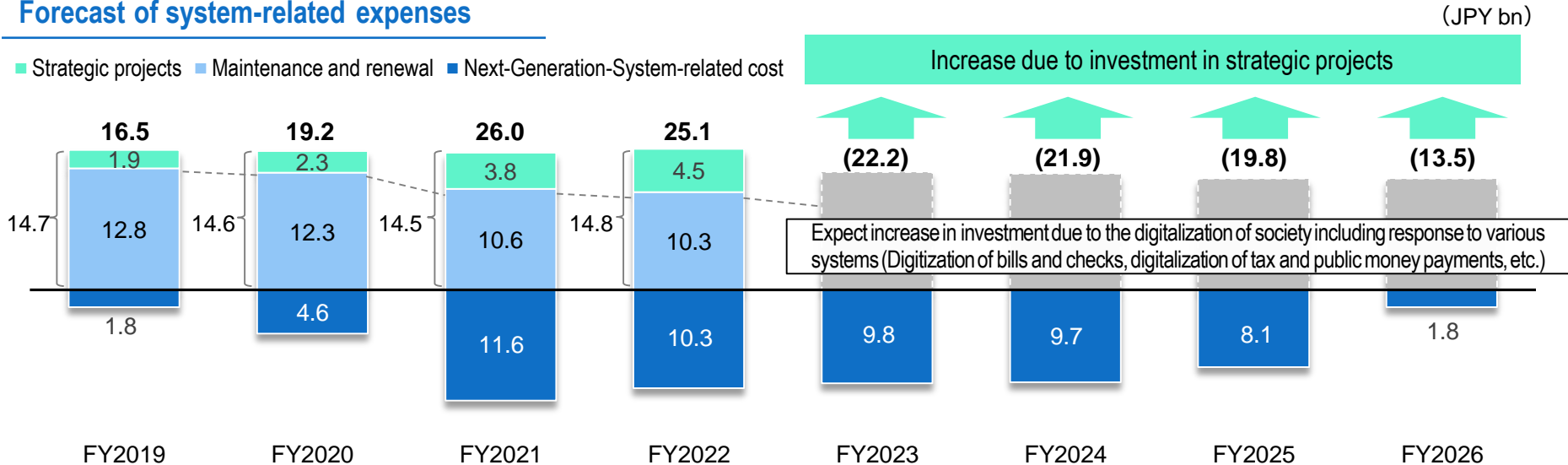
Utilize DX-investment-promoting tax system for strategic investment projects

## Progress in 5 key fields

Create new business	Reinforce non-face-to-face channel (Details in P.71)	Mobile apps	<ul style="list-style-type: none"> <li>✓ Expand functions of mobile apps / 2<sup>nd</sup> phase (started in Jun. 2022)                             <ul style="list-style-type: none"> <li>• Expand target to customers of all branches (currently limited to Internet Branch), introduce web-based banking books, etc.</li> </ul> </li> </ul>
		Contact Center	<ul style="list-style-type: none"> <li>✓ Expand functions of Contact Center / 2<sup>nd</sup> phase (started in Jan. 2022)                             <ul style="list-style-type: none"> <li>• Enhance communication with customers by introducing chatbot and manned chat</li> <li>• Share knowledge and standardize services by using common platform in plural operations within the Center</li> </ul> </li> </ul>
	Expand channel with corporate customers	Portal website for corporate customers	<ul style="list-style-type: none"> <li>✓ Consider building portal website for corporate customers / 1<sup>st</sup> phase (planning by Sep. 2022)                             <ul style="list-style-type: none"> <li>• Reinforce relation with customers and enhance efficiency and productivity by expanding service lineup contributing to solving issues such as financial and non-financial services and support for digitization</li> </ul> </li> </ul>
		Support customers' adoption of IT (SIS)	<ul style="list-style-type: none"> <li>✓ Provide SMEs with services to adopt IT (started in Jul. 2021)                             <ul style="list-style-type: none"> <li>• Receive over 280 applications since starting the services by the end of Jun. 2022</li> </ul> </li> </ul>
Deepen existing business	Utilize data in the whole Group	Utilization of data	<ul style="list-style-type: none"> <li>✓ Build platform to analyze and utilize data (planning by Oct. 2022)                             <ul style="list-style-type: none"> <li>• Standardization and productivity improvement of staff and business management</li> <li>• Improved closing rate by strengthening marketing efforts (utilize of MA tools)</li> <li>• Digitalization and paperless operations through workflow transformation</li> </ul> </li> </ul>
	Digitalize operations in back office	Operations digitization	<ul style="list-style-type: none"> <li>✓ BPR in sales operations (targeting around the end of Mar. 2025)                             <ul style="list-style-type: none"> <li>• Reduce working hours by -36% through 76 BPR measures, including the launch of a new CRM system</li> <li>• Sophisticated group-wide sales activities through deployment of business-use smartphones and development of OA system environments</li> </ul> </li> </ul>
	Develop digital professional	"Digital HRs"	<ul style="list-style-type: none"> <li>✓ Enhance IT literacy of all staff in whole Group (around 2030)                             <ul style="list-style-type: none"> <li>• Aim at acquisition of recommended qualification such as IT Passport Certificate by all staff (Certificate holders as of the end of Jun. 2022 : 765)</li> </ul> </li> <li>✓ Develop "IT HRs" who can utilize new technology and "digital HRs" who can reform business model and create new value for customers with it</li> </ul>

Promote investment for strategic projects aggressively while expenses related to next-generation systems are expected to decrease. Aim at managing system-related expenses under certain level

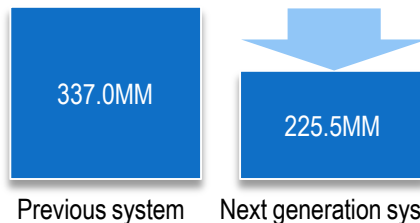
## Forecast of system-related expenses



## Effects of Next Generation System

[Expected effect of enhanced productivity]

Initial Plan Results  
25% < 33%



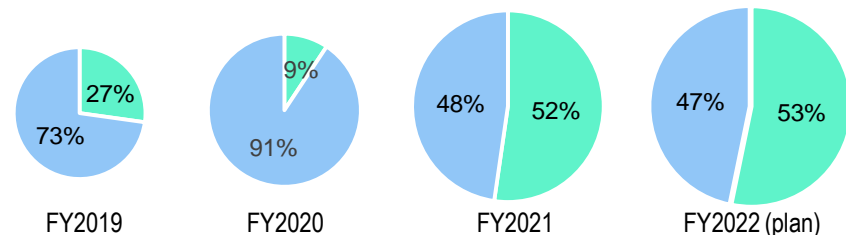
- \* Compare the 2 systems in 99 projects which both systems were involved  
 ➔ **Development productivity increased at a level higher than planned**  
 • Hitachi, Ltd. launches "Open Stage," an open-typed core package based on our Next Generation System, for other financial institutions.

## Expand strategic investments

【System Investment (Excluding Next-Generation-System-related cost)】

(JPY bn)

	FY2019	FY2020	FY2021	FY2022
Strategic projects	0.9	0.4	5.0	5.1
Maintenance and renewal	2.3	4.1	4.6	4.5



# Policy to build and use system infrastructure

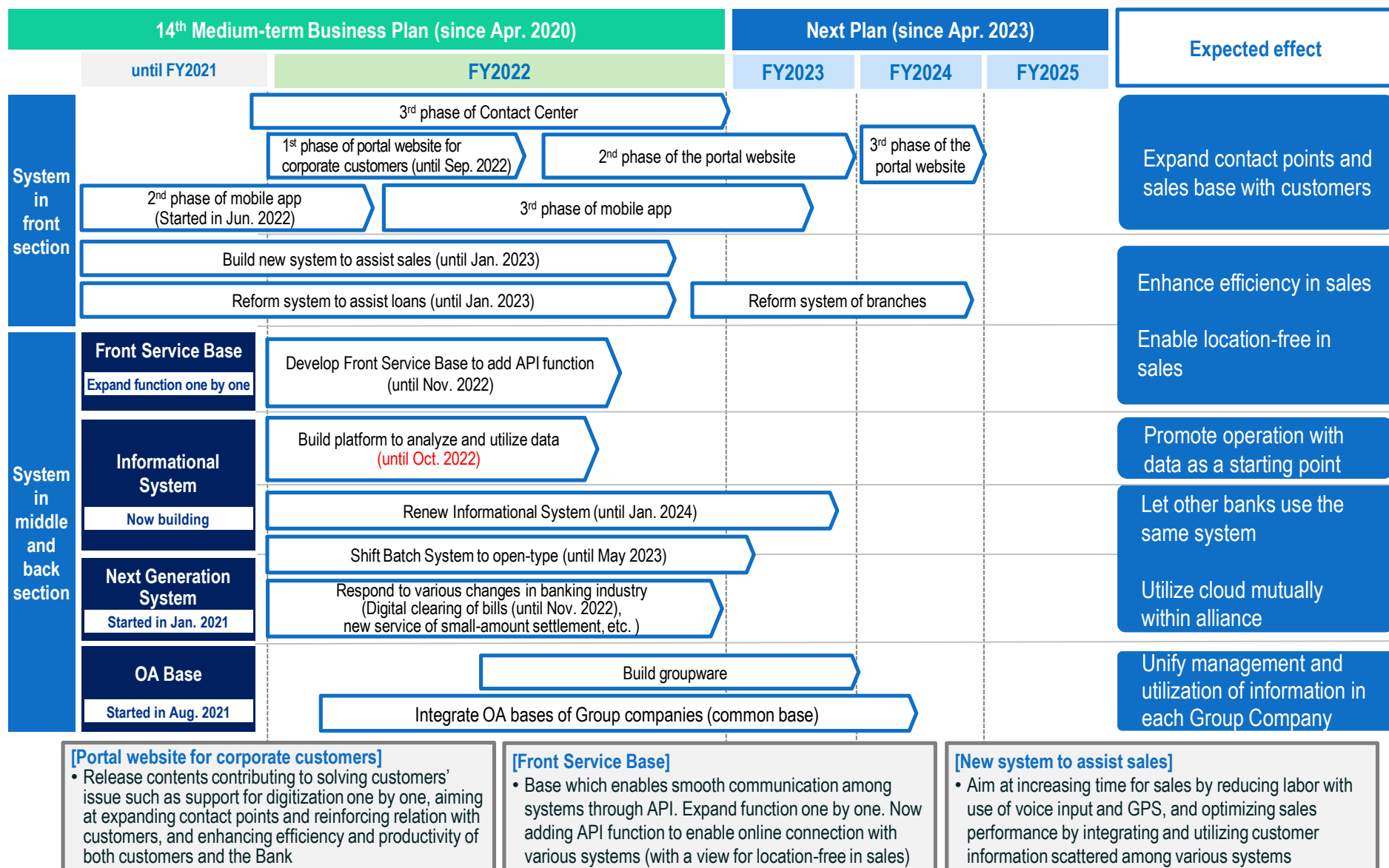
Basic strategy 1  
Group Sales

Basic strategy 2  
Innovation

Basic strategy 3  
Business Portfolio

10-year Strategy

**Completed business efficiency improvement by renewal of OA system**  
**Started developing system and building platform to upgrade channels and strategically utilize data**





# **Decarbonization**

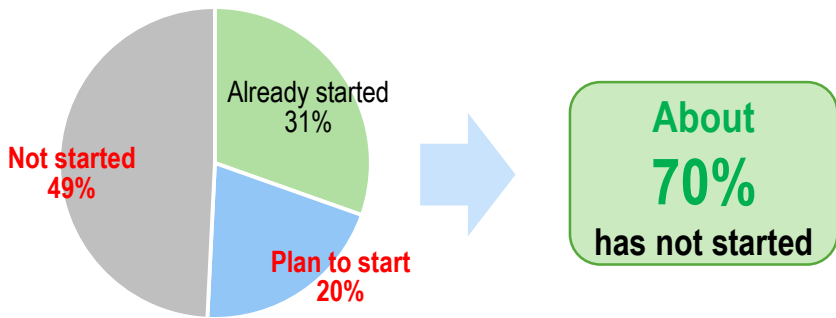


Promote support for main businesses and expansion of services lineup in response to issues through interviews with customers on decarbonization

## Interview with customers on decarbonization (Approx. 2,600)

### Results of interviews (from Aug. to Sep. in 2021)

[Status of decarbonization efforts]



About 70% has not started

Accelerate decarbonation in the region by solving customers' issues

## Respond to issues faced by local companies

[Offerings line-up]

- How to get started, who to consult
- Appropriate financing methods
- Capital investment, use of subsidies, etc
- Calculation method for CO2 emissions
- Shortage of manpower to deal with

Provide information on industry trends, etc.

Sustainable FinanceESG leasing

Support for equipment introduction (solar power generation equipment)

Support for simple CO2 measurement and target setting

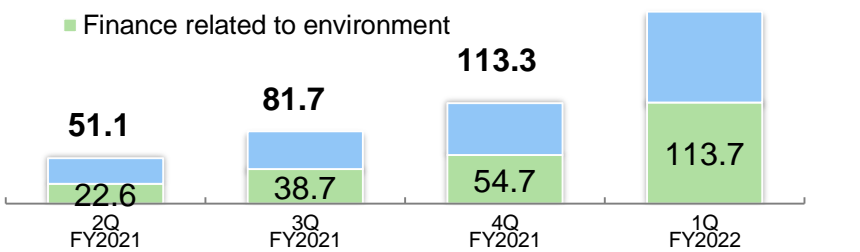
HR solutions

## Promoting Sustainable Finance

- Target by FY2030 **JPY 2tn** ( Finance related to environment **JPY 1tn** )

	Target In FY2022	Results In 1Q FY2022	Progress rate to annual target
Sustainable Finance	JPY 115.0bn	JPY 102.5bn	89 %
Finance related to environment	JPY 57.5bn	JPY 59.0bn	101 %

[Cumulative amount of sustainable finance executed]



### Received the Silver Award (Minister of the Environment Award) at the 3rd ESG Finance Award Japan

Received the "Silver Award" in the indirect finance category for the initiatives and achievements in "Positive Impact Finance" for SMEs and support for customers' business activities by leveraging the strength in relationship banking



[ESG Finance Award Japan]  
Award program implemented by the Ministry of the Environment to promote and expand ESG finance and enhance its quality by recognizing investors, financial institutions, and companies that promote initiatives that have an impact on the environment, society, and the economy, and by widely sharing those initiatives among society

## Enhance disclosure and promote initiatives to decarbonize the region

### Initiatives related to TCFD Recommendation

- Below are the Bank's responses to 4 recommendations by TCFD

Governance	<ul style="list-style-type: none"><li>■ Revise Group Policy on Environment (Apr. 2021)</li></ul>
Strategy	<ul style="list-style-type: none"><li>■ Promote Sustainable Finance and have dialogue with customers about decarbonization</li><li>■ Conduct <b>scenario analysis in climate change</b> (Analysis of transition and physical risks)</li><li>■ Establish <b>Industrial Transformation Support Project Team</b> (Apr.2022)</li></ul>
Risk management	<ul style="list-style-type: none"><li>■ Establish policy on investment in and loan to specified sectors (Apr.2021)<ul style="list-style-type: none"><li>• Do not newly invest in and extend loan to coal fired power generation in principle</li></ul></li></ul>
Indicators and targets	<ul style="list-style-type: none"><li>■ Sustainable Finance and finance related to environment<ul style="list-style-type: none"><li>• Target on a cumulative basis by FY2030: JPY 2tn (of that, finance related to environment 1tn)</li></ul></li><li>■ Investment in and loan to coal fired power generation<ul style="list-style-type: none"><li>• Should be zero in or around FY 2040</li></ul></li><li>■ Target in decrease in GHG emission<ul style="list-style-type: none"><li>• <b>Achieve carbon neutrality by FY2030 (Target raised from “-60% compared to FY2013”)</b></li></ul></li><li>■ Results in decrease in GHG emission (t-CO2)<div><div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div><div></div></div></div><div><div></div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div><div></div></div></div><div><div></div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div><div></div></div></div><div><div></div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div><div></div></div><div><div>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### [Scenario Analysis Results (Credit Risk)]

- Conduct analysis of transition risk and physical risk through **participation in the Ministry of the Environment's Scenario Analysis Pilot Program Support Project in FY2021, etc.**

#### ■ Transition risk

Target Sector	Paper manufacture (*1)	Manufacture of motor vehicles and their accessories
Scenario	IEA net zero by 2050 (NZE2050)	IEA net zero by 2050 (NZE2050) IEA/ETP 2017 Beyond 2°C
Method	Analyze changes in credit costs based on scenarios, using carbon tax and other forecast data to project changes in profit/loss and financial position by 2050	
Analysis Result	[Increase in credit cost] <b>Up to approximately JPY14.5bn in total by 2050</b>	

(\*1) Participate in the Ministry of the Environment's Scenario Analysis Pilot Program Support Project

#### ■ Physical risk

Scope of coverage	Calculate credit costs related to risk of damage for building and business continuity for SMEs in Shizuoka Pref. (*2)	Calculate building damage costs and credit costs for mortgage borrowers in Shizuoka Pref.
Scenario	RCP8.5 in the IPCC WG II AR6 (4°C Scenario)	
Method	Analyzes the risk of inundation in the event of flooding by overlaying business and collateral location information with hazard maps	
Analysis Result	[Increase in credit cost] <b>Up to approximately JPY15.5bn by 2050</b>	

(\*1) Participate in the Ministry of the Environment's Scenario Analysis Pilot Program Support Project

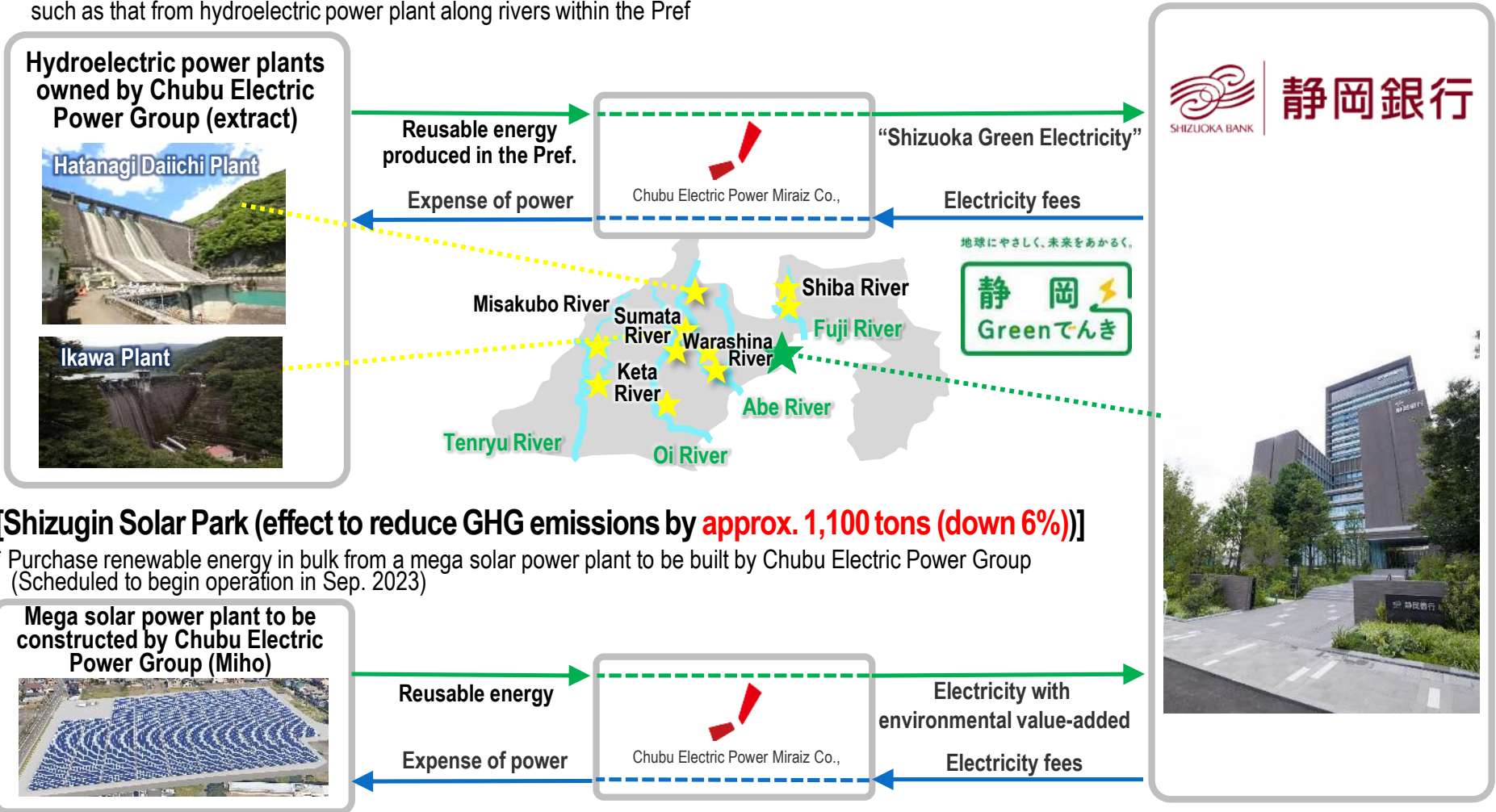


# Initiatives to decrease GHG emission (“Shizuoka Green Electricity”, “Shizugin Solar Park”)

Conclude contract to purchase “Shizuoka Green Electricity” and agreement on the “Shizugin Solar Park” with Chubu Electric Power Group

[Shizuoka Green electricity (effect to reduce GHG emissions by approx. 1,800 tons (down 10%))]

\* Service by Chubu Electric Power Group to provide electricity with no CO2 emission produced in Shizuoka Pref. by utilizing reusable energy such as that from hydroelectric power plant along rivers within the Pref



[Shizugin Solar Park (effect to reduce GHG emissions by approx. 1,100 tons (down 6%))]

\* Purchase renewable energy in bulk from a mega solar power plant to be built by Chubu Electric Power Group (Scheduled to begin operation in Sep. 2023)

A decorative vertical bar on the left side of the slide. It features a dark blue background with a lighter blue abstract pattern of swirling lines in the upper half and a network diagram of white dots connected by thin white lines in the lower half.

# **Human capital**

# Investment in human capital (1) -Change mindset among Group executives and staff

Expand system to support career development and renew evaluation system in order to promote autonomy, challenge, and diversity for each employee

First in regional bank

## “My Career Design System”

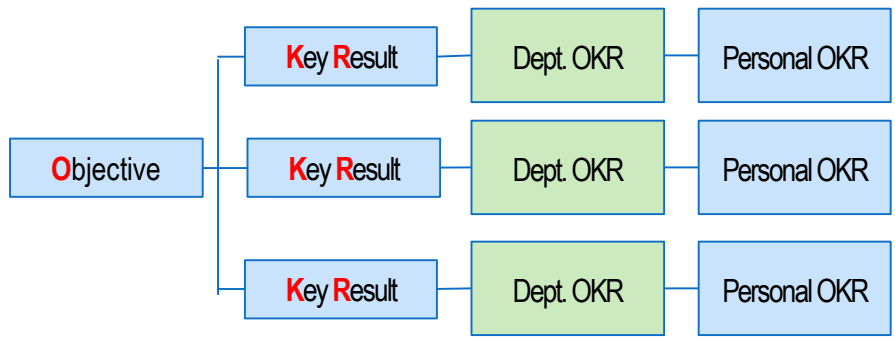
\* Total users for 3 years during FY2019 - FY2021 (Person)

<b>Side-job and second business</b> <b>Side-job</b> 18 <small>(of which, 3 received from other companies)</small> <b>Second business</b> 9	<b>FA rights, Long-term trainee rights</b> Dispatch to companies in different industries 21 Dispatch to regional companies 15 Dispatch to financial institutions, etc. 23 Internal trainee 10
<b>Post challenge</b> (*1) 33 <b>Internal side job</b> (*2) 39	
<b>Transfer system among group companies</b> 59	<b>Support for Value-up and Meet-up</b> Value-up (*3) 69 Meet-up (*4) 43

(\*1) Move to a desired department within the group  
(\*2) Work 1 day a week in desired department within the group  
(\*3) Provide financial support for skill development to improve skills, such as qualification courses, etc.  
(\*4) Provide financial support to participation in cross-industrial networkings and regional events, etc.

## Evaluation on OKR and Value (details in P.73)

<OKR>  
Present targeted situation or picture (Objective) and establish quantitative target (Key Results) to realize them



<Value>  
Standard of a value that all staff should embody

Go Wild! Be Innovative! Do Collaboration!

## Internal venture business

Call for ideas from employees that contribute to inner and outer innovation

No. of applications in FY2021 : 59

# Investment in human capital (2) -Efforts to realize the vision of the Medium-term Business Plan

Aim at transforming into a problem-solving corporate group that can achieve sustainable growth together with regional communities by practicing DE&I (diversity, equity and inclusion)

## Develop expert to manage customers' issues

1st grade Certified Skilled Professional of Financial Planning	331	Medium Enterprise Management Consultant	65
licensed laborer, tax accountant	19	M&A Senior Expert	25

(License holder as of the end of Mar.2022)

## Develop “Digital Human Resources”

(Person)

<Target by 2030>

• “Digital Coordinators” 700

Human resources who can understand customer management issues that can be solved digitally and coordinate appropriately to resolve them

• Information Technology Passport Certificate

All group executives and employees should acquire

## Create an organization in which diversified human resources can play an active role

### Ratio of female employees in leadership positions

⇒Target 40% by 2030

FY2018	FY2019	FY2020	FY2021
15.7%	16.1%	16.9%	17.9%

### Mid-career recruitment

(<sup>\*1</sup>)

85

Of which,  
promotion to management positions

62

### High School Graduate Recruitment

Total of 10 through FY2022



Balancing work and studies

### Foreigner recruitment

(<sup>\*1</sup>)

(International Student)

6

\* Local staff in overseas sites

8

### Sports & Arts Recruitment

Total of 10 through FY2022



Belong to a club team, etc., while working for the Bank

<sup>\*1</sup> No. as of the end of Mar. 2022



# **Alliance with regional banks**

## Promptly implemented measures of tie-up, leading to realization of earnings effect significantly exceeding initial plan

### Earnings effect (total of both banks)

- Aim at realizing **effect of alliance of JPY 10.0bn or more (total in 5 years by 2 banks)** mainly in market finance (market credit investment etc.) and life-planning (Shizugin TM Securities etc.)
- Realized **effect of JPY 3.6bn** by 1Q FY2022 (**JPY 6.7bn in 5-year basis**)
- Realized **effect of JPY 1.3bn** in 1Q FY2022

Progress ratio to target by FY2025 (JPY 10.0bn)	67%
Progress ratio to target in FY2022 (JPY 2.0bn)	66%

### Achievement in the field of finance

- Cooperation in the field of market credit investment
  - ✓ **Extend real estate non-recourse loans (8 loans, JPY 35.4bn)**
- Jointly arrange syndicated loans (11 loans / JPY 16.0bn)**
- Extend the 1<sup>st</sup> syndicated loan related to regional revitalization in the Alliance (Dec. 2021)**
  - ✓ Capital to build shared second-house in Yamanashi Pref.



<SANU Original Cabin>

- Execute the first **Deep Tech Venture Co-financing** through the Debt Guarantee Program (Mar. 2022)
  - ✓ Working capital for upfront investment in MaaS business



<WHILL ModelC2>

### Achievement in the field of life-planning

- Business development of Shizugin TM Securities Yamanashi Head Office
  - ✓ Open in the building of Head Office of Yamanashi Chuo Bank (Apr. 2021)
  - ✓ Conduct personnel interaction of 16 people in order to further reinforce tie-up
- < Result in 1Q FY2022 >
  - ✓ Amount of sales of customer asset: **Approx. JPY 23.3bn**
  - ✓ Balance of customer asset: **Approx. JPY 20.2bn**



### Initiatives with involving local community

- Events for individual business talks for customers: 15 times**
- ➡ **Contracts of business matching completed: 77 / Contract Rate: 12.3%**

< Result held by 1Q FY2022 >

	Total by 2 banks	(The Bank)
No. of participation	399	(263)
No. of negotiation	628	(410)
No. of contracts	77	(57)
Contract rate	12.3%	(13.9%)

- Joint seminars on regional development, including entrepreneurship and start-up, agribusiness, immigration, two-location residence, and for local public entities
- Establish "**Shizuoka-Yamanashi Mirai Growth Support Fund**", a fund to support business succession jointly invested by the 2 banks (May 2022)



**Concluded comprehensive business alliance with the Bank of Nagoya in Apr. 2022**

**Aim at realizing earning effect of JPY 10.0bn (total in 5 years by 2 banks)**

## Overview of comprehensive business alliance

<b>Name of alliance</b>	"Shizuoka Nagoya Alliance"
<b>Contract</b>	Comprehensive business alliance
<b>Date of Contract</b>	27, Apr. 2022
<b>Purpose</b>	<ul style="list-style-type: none"> <li>Mutually and extensively utilize the know-how and management resources of both banks to solve customers' issues, expand the revenue, and reduce costs, while focusing on <b>supporting customers' structural transformation of regional industries</b>, and achieve <b>sustainable growth of the region and the two banks' groups</b></li> </ul>
<b>Details of alliance</b>	<ul style="list-style-type: none"> <li>Consider following initiatives promptly while maintaining the management independence and unique corporate brand and customer base of both banks                             <ul style="list-style-type: none"> <li>✓ <b>Strengthen support for customers in major industries</b> in both Shizuoka and Aichi Prefectures</li> <li>✓ Contribute to the local community and capture new business opportunities through matching the needs of the two banks' customers</li> <li>✓ Expand service lineup by utilizing management resources mutually such as group company functions</li> <li>✓ Reduce cost through sharing various systems and back-office operations</li> <li>✓ Develop human resource through dispatch of trainees, personnel exchange, and joint training programs, etc.</li> </ul> </li> </ul>

## Image of the alliance

Provide knowledge and expertise in support of the automotive industry  
Utilize the automotive supply chain network



Provide group company functions (securities, M&A, business succession, etc.)  
Provide expertise related to business turnarounds and venture innovation

Contribute to **sustainable growth of local economies**  
by **solving issues** of the region and customer

## Features of Aichi Pref. (whose prefectural capital is Nagoya)

**High percentage of manufacturing industry** in the Prefecture's GDP, similar industrial structure to that of Shizuoka Prefecture

➡ Transportation equipment especially accounts for a high percentage

	Aichi Pref.	Kanagawa Pref.	Shizuoka Pref.
Shipment of manufactured goods, etc. (Ranking in Japan)	JPY 47,924.4bn (1st)	JPY 17,746.1bn (2nd)	JPY 17,154.0bn (3rd)
of which transportation machinery	55.6%	21.1%	25.0%

Source: "Industrial Statistics Survey", Ministry of Economy, Trade and Industry

## Features of the Bank of Nagoya

- Provide sophisticated industrial support through "Automotive Supply Chain Ecosystem" by "**Automotive Supply Chain Assistance Office**"
- Own a **network of over 2,600 supply chain companies** of finished vehicle manufacturers

## Establish 10 subcommittees to examine and implement cooperative measures quickly, aiming at early realization of earnings effects

Name of subcommittee	Theme	Specific initiatives
(1)Business Support	<ul style="list-style-type: none"> <li>Support customers by developing support system to respond to transformation in industrial structure</li> </ul>	<ul style="list-style-type: none"> <li>✓ Grasp status of supply chain of the Bank's customers</li> <li>✓ Share the know-how in support of the automotive industry, and strengthen support systems in collaboration with automotive supply chain companies</li> <li>✓ Provide support for business restructuring and business relocation in regions that straddle the sales area</li> </ul>
(2)Strategy for corporate	<ul style="list-style-type: none"> <li>Collaborate in the field of finance</li> <li>Provide business matching</li> <li>Strengthen M&amp;A and management consulting</li> </ul>	<ul style="list-style-type: none"> <li>✓ Co-organize syndicated loans and co-financing deals</li> <li>✓ Expand sales channels in a wide area across sales areas, share procurement, and mutually utilize the functions of each group company</li> </ul>
(3)Strategy for life-planning	<ul style="list-style-type: none"> <li>Collaborate in the fields of financial instruments intermediation and customer assets</li> <li>Develop smartphone apps, card business, etc.</li> </ul>	<ul style="list-style-type: none"> <li>✓ Provide securities functions by utilizing Shizugin TM Securities</li> </ul>
(4)International strategy	<ul style="list-style-type: none"> <li>Provide solutions to customers by utilizing the overseas networks of both banks</li> </ul>	<ul style="list-style-type: none"> <li>✓ Strengthen support for overseas business by utilizing overseas offices of both banks</li> </ul>
(5)Market finance	<ul style="list-style-type: none"> <li>Work on market credit investment</li> </ul>	<ul style="list-style-type: none"> <li>✓ Share the know-how on market credit investment and joint structure projects</li> </ul>
(6)Innovation, venture	<ul style="list-style-type: none"> <li>Collaborate in the field of innovation</li> <li>Jointly work on venture debt</li> </ul>	<ul style="list-style-type: none"> <li>✓ Jointly examine new business development and PE fund investment</li> <li>✓ Co-organize venture debt deals</li> </ul>
(7)Sharing office work	<ul style="list-style-type: none"> <li>Reduce cost by sharing and integrating operation</li> </ul>	<ul style="list-style-type: none"> <li>✓ Examine centralization of administrative work at group companies and expansion of outsourcing</li> </ul>
(8)IT System	<ul style="list-style-type: none"> <li>Share and integration of various IT systems</li> </ul>	<ul style="list-style-type: none"> <li>✓ Examine efficiency improvement through sharing and standardizing various systems</li> </ul>
(9)Sales strategy	<ul style="list-style-type: none"> <li>Develop sales strategy to expand transactions</li> </ul>	<ul style="list-style-type: none"> <li>✓ Examine cooperative measures in areas where sales offices of both banks overlap</li> </ul>
(10)HR Strategy	<ul style="list-style-type: none"> <li>Conduct human interaction and hold training course in collaboration, etc.</li> </ul>	<ul style="list-style-type: none"> <li>✓ Develop human resource through joint organization of trainee, personnel exchanges, and training, etc.</li> </ul>





# **Transformation to a Holding Company Structure**

# Holding Company Structure (1) - Purpose of Transformation

Transform to a holding company structure in order to further contribute to maximization for the value of all stakeholders, including the shareholders, community, customers, and employees, and to build a resilient management structure, which will enable the Group to continue its sustainable growth

## Purpose of Transformation to Holding Company Structure

### Maximize the value of all stakeholders

#### Region & customers

Solve increasingly diversified and complex challenges  
Comprehensive, extensive, good-quality financial services

#### Shareholders

Increase shareholder value through sustainable growth  
Increase return to shareholders

#### Employees

Activate participation of diverse personalities across the Group  
Improve job and employee satisfaction and treatment

## Transformation to Holding Company Structure

Realize sustainable growth through overall optimization of the Group

Expand new business fields to contribute to growth of the region

Strengthen Group management through independence, autonomy, and collaboration

Develop flexible and robust governance structure

Relationship with and trust by local community and customers which the Bank has cultivated over its long history

# Holding Company Structure (2) - Outline of Transformation

Shizuoka Bank Group will establish “Shizuoka Financial Group” on October 3, 2022, and will transform to a holding company structure

## SHIZUOKA FINANCIAL GROUP

Company name : Shizuoka Financial Group, Inc.

### Ambitions expressed in the company name

Keep our gratitude to various stakeholders who have helped us grow since our foundation in Shizuoka and our pride as a company headquartered in Shizuoka

Existence as a corporate group providing comprehensive financial services is a universal one while the whole Group intends to expand into new business fields by transformation to a holding company structure

### Basic strategy 1 Group Business Strategy

Further expand customer bases and business lines of the existing businesses, and realize sustainable growth through developing new business fields

Increase our combined strength as a problem-solving corporate group and help the region and customers towards a better future

### Basic strategy 2 Transformation Strategy

Create new values through transformation in products and services, channels, costs, human resources, etc.

Provide more value to stakeholders by adapting to rapid changes of the times and promoting forward-looking transformation

### Basic strategy 3 Regional Joint Creation Strategy

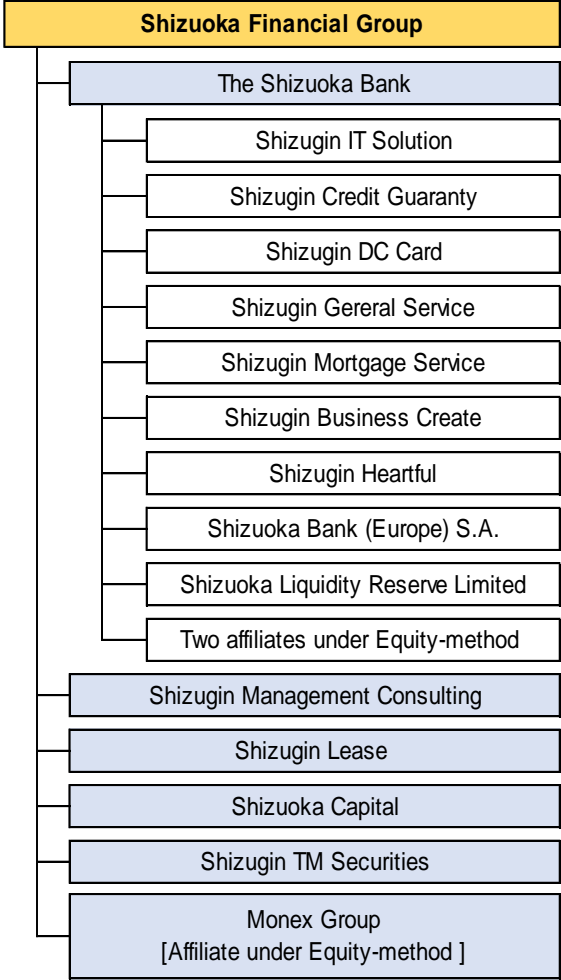
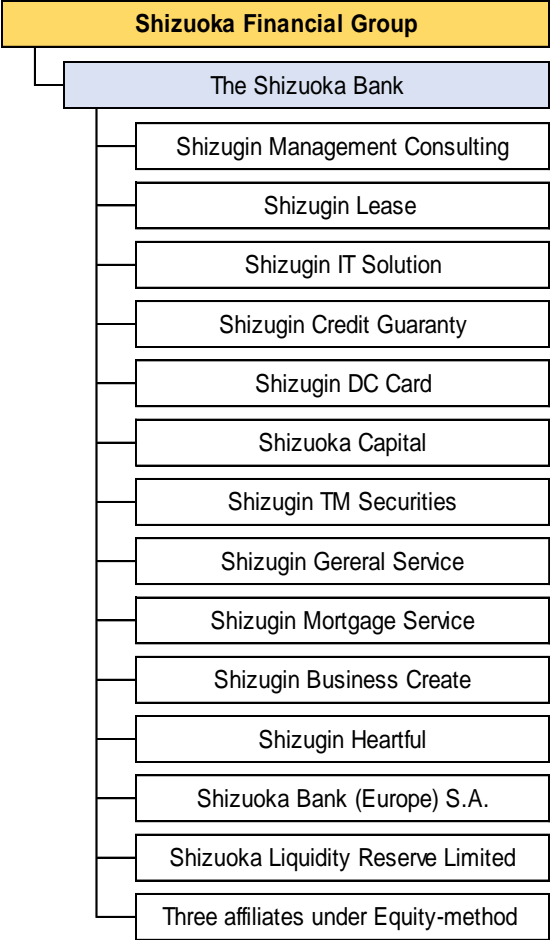
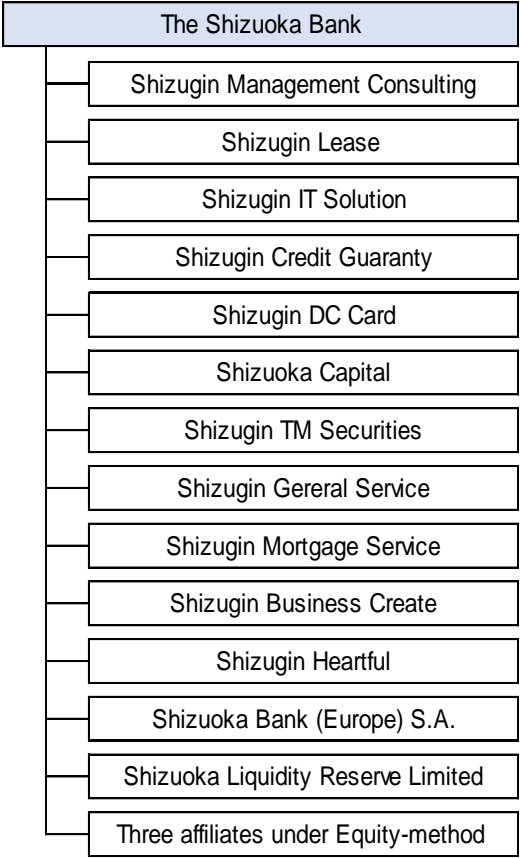
Contribute to solving various challenges facing the region by serving as a “regional hub” and forming a “regional platform”

Commit ourselves as a corporate group for producing growth of the region towards realization of an attractive, value-added community that keeps attracting people

### Basic strategy 4 Group Governance Strategy

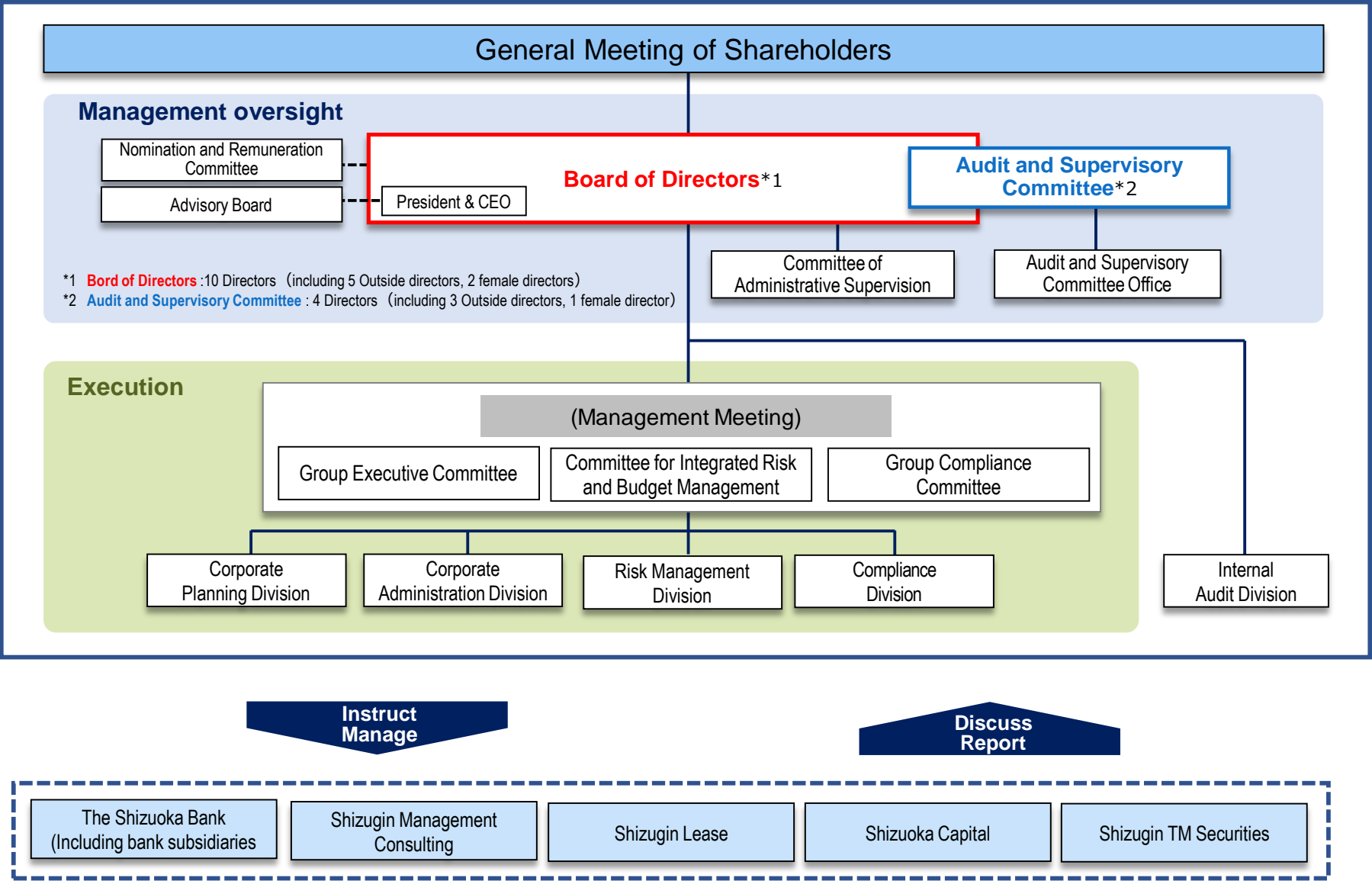
Intend to sophisticate our corporate governance from both offensive and defensive perspectives and to develop a flexible, robust group governance structure in order to realize basic strategies 1 through 3

# Holding Company Structure (3) - Group Structure



# Holding Company Structure (4) - Management (Governance) Structure (plan)

## Governance Structure under the Holding Company Structure



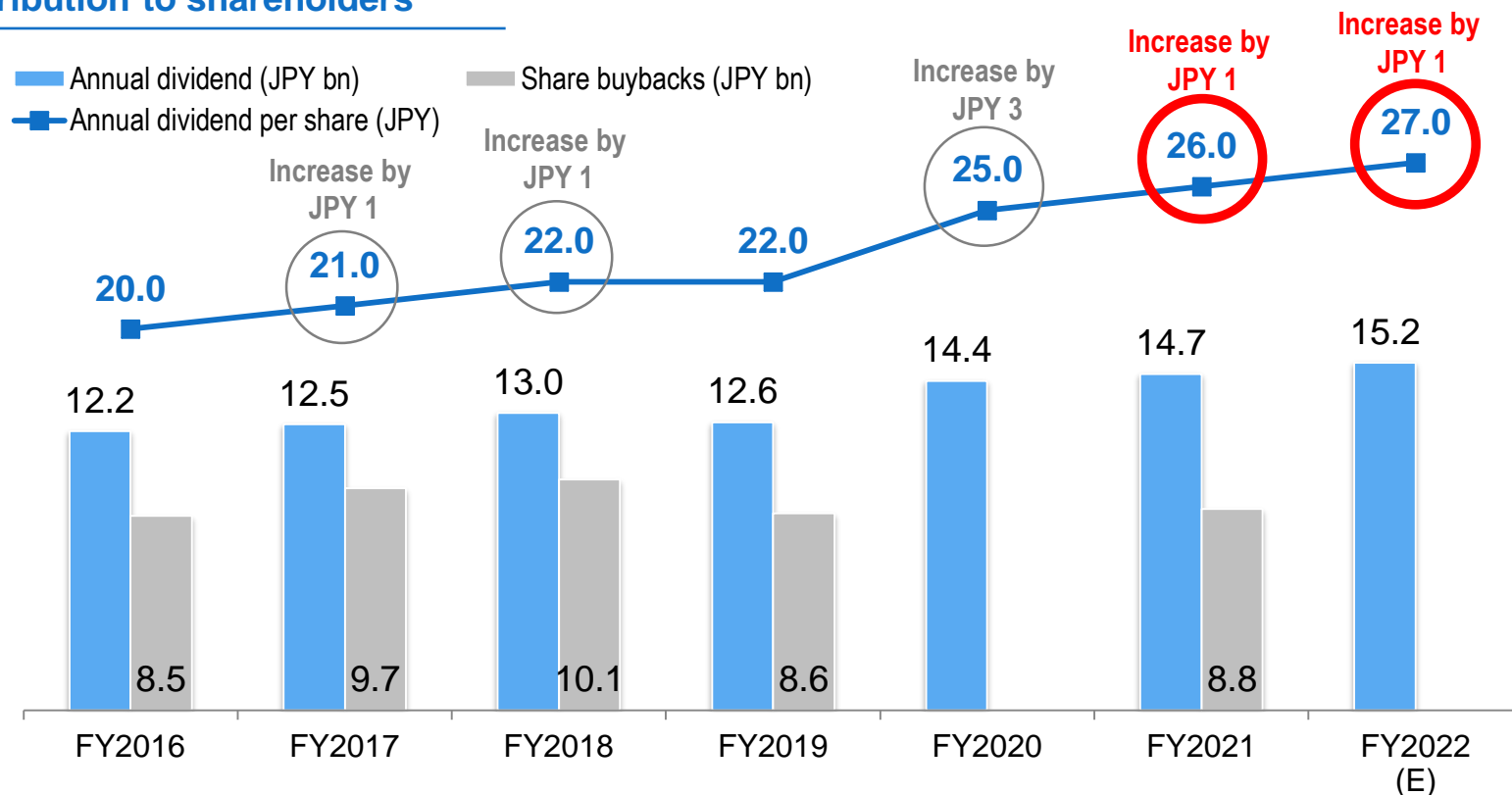


# **Capital Policy**

# Shareholder return

Aim at achieving target of “shareholders return ratio of 50% or higher in medium and long term” through constant dividend and flexible share buyback

## Profit distribution to shareholders



Dividend payout ratio	41.5%	24.9%	27.6%	32.6%	32.8%	35.4%	28.2%
Shareholder return ratio	70.6%	44.3%	49.1%	54.9%	32.8%	56.2%	28.2%
Profit attributable to owners of the parent	JPY 29.3bn	JPY 50.1bn	JPY 46.9bn	JPY 38.7bn	JPY 43.6bn	JPY 41.6bn	JPY 54.0bn



# Strategic shareholdings

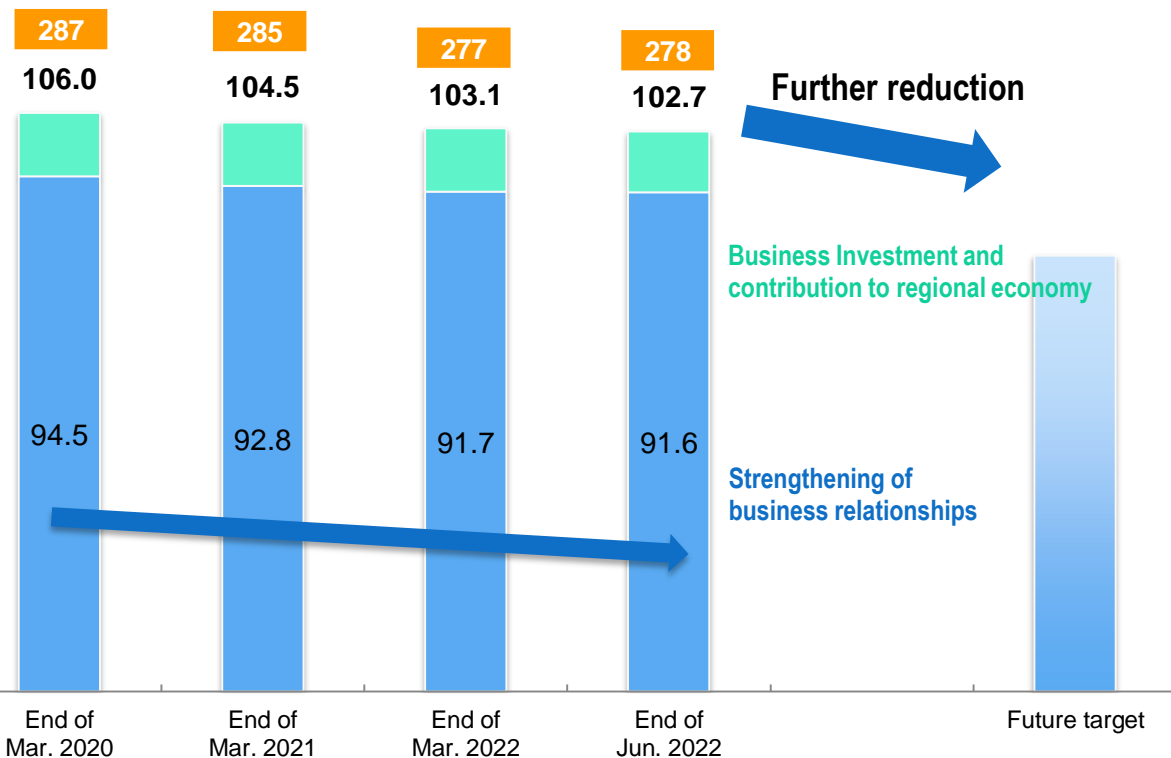
Make it a rule to reduce strategic shareholdings, and select stocks to sell and continuously sell shares in every fiscal year

## Acquisition cost of strategic shareholdings\*1

(JPY bn)



No. of companies whose shares the Bank holds



## [Results of sales]

	Amount of sales	Acquisition cost basis	Profit (loss) on sales <sup>*2</sup>
(JPY bn)			
FY2019	5.5	1.0	4.5
FY2020	8.9	1.6	7.3
FY2021	4.2	1.5	2.7
1Q FY2022	8.3	1.5	6.8

<sup>\*2</sup> Excluding amortization

\*1 Excluding shares of group companies and equity method affiliate



# **ESG/SDGs**

# Initiatives for ESG

## Environment

<b>Raise up reduction target of decrease in GHG emission (aim at achieving carbon neutrality in FY 2030)</b>	<b>2022/4</b>
Conduct scenario analysis (transition risk and physical risk) through projects supported by the Ministry of the Environment, etc.	By 2022/2
Establish target on Sustainable Finance (JPY 2tn in total by FY2030) <b>Results in 1Q FY2022 : JPY 102.5bn (Progress rate to annual target: 89%)</b>	2021/10
Conduct interviews to regional companies on decarbonization	2021/8

## Social













<b>Establish Industrial Transformation Support Project Team</b>	<b>2022/4</b>
Sign Japan Impact-driven Financing Initiative	2021/11
Join The Valuable 500 * 	2021/2
Has held TECH BEAT Shizuoka	Since 2018

\* An international initiative aimed at promoting disability inclusion in business

## Governance

Disclose Board of Directors Skills Matrix, field where each member is expected to play an important role	2021/12
Commence consideration of transformation to a holding company structure <b>(Resolution to establish the wholly owning parent company through a share transfer has been passed at the Jun. 2022 general meeting of shareholders)</b>	2021/9
Raise outside director ratio to 40% (Increase outside Directors in 2 consecutive years )	2021/6
Establish Nomination & Remuneration Committee	2020/10

# Realizing Sustainability Management

	Priority issues to be addressed (Materiality)	Related SDGs	Main initiatives in the 14th Medium-term Business Plan
Social	<ul style="list-style-type: none"> <li>● Revitalizing the regional economy</li> <li>● Population decline, low birth rate and population among</li> <li>● Shortage of successors to small- and medium-sized enterprises</li> <li>● Digitalization</li> <li>● Diversity</li> <li>● Maintaining the regional financial infrastructure</li> </ul>	       	<p><b>Basic Strategy 1</b></p> <ul style="list-style-type: none"> <li>■ Respond to diverse customer needs through the financial functions of the Shizuoka Bank Group</li> <li>■ Support for business succession and asset succession</li> <li>■ Provide services based on the concept of financial Gerontology</li> <li>■ Review branch functions in response to customer needs</li> </ul> <p><b>Basic Strategy 2</b></p> <ul style="list-style-type: none"> <li>■ Device-free financial services</li> <li>■ Technological innovation through investment in venture companies</li> </ul> <p><b>Basic Strategy 3</b></p> <ul style="list-style-type: none"> <li>■ Diverse working styles, participation and advancement of women, diversified human resources, respect for human rights</li> </ul> <p><b>10-year Strategy</b></p> <ul style="list-style-type: none"> <li>■ Returning of networks with startup companies to the region</li> <li>■ Enhance regional attractiveness by utilizing regional platforms</li> </ul>
Environment	<ul style="list-style-type: none"> <li>● Increased climate change risk</li> <li>● Global warming</li> </ul>	  	<ul style="list-style-type: none"> <li>■ Promotion of environmentally friendly financial services</li> <li>■ ESG investment and utilization of green bonds</li> <li>■ Response to climate change</li> </ul>
Governance	<ul style="list-style-type: none"> <li>● Corporate governance</li> <li>● Corporate ethics and compliance</li> </ul>		<ul style="list-style-type: none"> <li>■ Advanced corporate governance</li> <li>■ Strengthened measures against money laundering</li> </ul>

# ESG/SDGs (1) – Diversity

Promote women empowerment, employment of people with disabilities, and so on, to encourage all employees to demonstrate their personality and abilities to the full extent from a viewpoint of diversity

Make efforts to provide employees-friendly working environment and to support employees' health promotion

## Initiatives for Diversity



Period	Contents
Aug. 2019	Launch "Workstyle Innovation" initiatives, including review of dress code and paid vacation, with the aim of changing to an autonomous working style
Apr. 2021	Launch "Work Style Innovation 2.0" by expanding existing initiatives such as introduction of flextime system
Apr. 2020	<b>Employ people belonging to sports club and cultural activity group</b> (10 in total by FY2022)
Apr. 2021	<b>Resumption of High School Graduate Recruitment</b> (Total of 10 in FY2021 and FY2022)
Oct. 2019	Establish a new company "Shizugin Heartful" in order to actively support independence and participation to the society by people with disabilities, and to further promote employment of those people
Feb. 2021	The first regional bank in Japan to join "The Valuable 500", an initiative which works on promoting success of people with disabilities
Jun. 2021	<b>Employ a para-athlete of wheelchair rugby player</b>
Mar. 2021	Endorse the <b>"100% Paternity Leave Declaration"</b>
Apr. 2022	Receive "Fujinokuni Family Education Support Promotion Company" award for efforts to encourage male to participate in childcare ( <b>paternity leave utilization rate: 100%</b> in FY2021)



## Recognized as "2022 Certificated Health & Productivity Management Organization"



- The Shizuoka Bank and Shizugin IT Solution were recognized as "the 2022 Certified Health and Productivity Management Organization (large enterprise category)" in Mar. 2022 for various initiatives to maintain and enhance employees' health, such as creating favorable environment and supporting employees' own activities



## Women Empowerment



Formulate action plan in accordance with Women's Advancement Promotion Law

Result as of Mar. 2022  
Ratio of female employees 34.8%  
Ratio of female employees in managing position 17.9%

Mar. 2024  
Ratio of female employees 35% or higher  
Ratio of female employees in managing position 22% or higher

Mar. 2031  
Ratio of female employees 40% or higher  
Ratio of female employees in managing position 40% or higher

- Appoint a female as Executive Officer at the Bank for the first time in Apr. 2022
- Appoint a female as President at Shizugin Heartful in Jun. 2022
- Besides, there are 6 female executives in 4 Group companies (\*)  
\* Shizugin General Service (1 Director & Executive Officer), Shizugin Mortgage Service (1 Director & Executive Officer and 2 Executive Officer), Shizugin Business Create (1 Executive Officer), Shizugin Heartful (1 Executive Officer)
- Strengthen initiatives for women empowerment in the Group, acquiring multiple certification

	Shizuoka Bank	Shizugin Business Create	Shizugin TM Securities	Shizugin IT Solution
"Platina Kurumin"	○	○	○	○
"Platina Eruboshi"		○		
"Eruboshi" (3 stars)	○		○	○

Kurumin: Certify companies which support child raising

Eruboshi: Certify companies which conduct excellent initiatives related to women empowerment (Companies have to meet higher criteria to acquire certification with "Platina" for the both above)

# ESG/SDGs (2) –Contribute to the region

Engage in various regional contribution activities to put into practice the Philosophy "expand dreams and affluence with our community"

Actively work on disaster prevention and mitigation in a situation where Nankai Trough Earthquake is likely to occur

## Issues related to COVID-19

- Donated **JPY 10mil** to Shizuoka Pref. in order to support activities of medical personnel
- Recruited part-time workers in order to support university students and so on suffering from income decrease under COVID-19 pandemic

## Promotion of local culture and sports

- Regularly hold concerts by domestic and foreign first-class artists and events of Rakugo, Japanese traditional storytelling performance, for people in the region



- Facilitate promotion of children sports by supporting tournaments of soccer and baseball for boys and girls



## Education of finance and economy

- Actively work on education of finance and economy by providing people with opportunity to learn banks' role in economy and society through study tour in the Bank and lecture by the Bank's staff
- Hold Shizuoka-Prefectural tournament of "Economics Koshien", a competition on economic and financial knowledge by high school students
- Hold a program where high school students, enterprise managers, and the Bank's staff seek attractiveness of Shizuoka as part of activity to develop human resources in the community



## Business continuity in emergency



- Create outline of measures against emergency as a business continuity plan
- Establish a system where the Bank can instantly resume operation in emergency by introducing base isolation, installing standby generators, and preparing back-up of systems
- Build a system to support people in the region in emergency by utilizing a special room in the headquarters



[Equipment for videoconference (in a special room for emergency)]

## Agreement with NTT DOCOMO on service offering during a disaster



- Arrange battery chargers for mobile phones which can be used during a disaster in some branches and headquarters
- Use the Bank's headquarters as a site of NTT DOCOMO during a disaster



## Measures against tsunami



- Deploy life jackets for customers and employees in branches in areas where people should immediately evacuate when tsunami occurs
- Prepare shelters against tsunami which work by floating in branches in areas where altitude is not high enough
- Take measures against tsunami when reconstructing branches on the coast
  - Structure to prevent collapse by tsunami, rooftop higher than expected height of tsunami
  - Outdoor upstairs to rooftop



[Life jackets]



[Outdoor upstairs to rooftop]

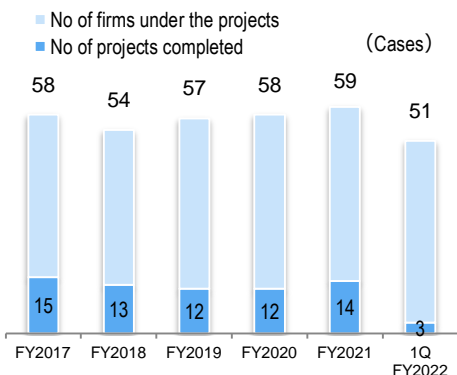


# ESG/SDGs (3) – Region-based Relationship Banking

Provide support from various perspectives depending on the growth stage of customers

## Support for business restructuring and turn-around

- Support restructuring through building business plans, alliances with external agencies, and utilizing business regeneration fund



**Has completed business restructuring for about 260 firms since FY2005**

**Saves labor opportunities for opportunities for labor for about 27,000 people and maintain economic power in the local community**

## Collaboration on non-competitive fields with other financial institutions within Shizuoka Pref.

### Standardization of inheritance procedures

- Standardize the documents and procedures related to inheritance of deposits and so on with Hamamatsu Iwata Shinkin Bank in order to improve convenience for local customers and office efficiency
- Continue expansion of the collaboration with local financial institutions, resulting in standardization with 3 banks, 8 shinkin banks, and 1 labor bank as of Mar. 2022
- Standardize with Yamanashi Chuo Bank as part of Shizuoka Yamanashi Alliance



### Standardization of ongoing customer due diligence

- Standardize procedures of ongoing customer due diligence (\*) on anti-money laundering through a platform which the Bank has built
- Share procedures with 4 banks and 2 shinkin banks as of the end of Mar. 2022

(\*) Process for banks to periodically check whether or not there are any changes on customer information, purpose of accounts, etc.

## Support for entrepreneurship and new businesses

### <Shizugin Entrepreneur Awards>

- Holding the event in order to expand employment and to activate economy in the region through support for foundation and new businesses
- Held 8 rounds in total so far, resulting in 1,149 applicants, 59 winners
- Achieved following results compared to the point of winning through continued support to winners in the past rounds, contributing to development of local economy



Revenue + JPY 4.3bn

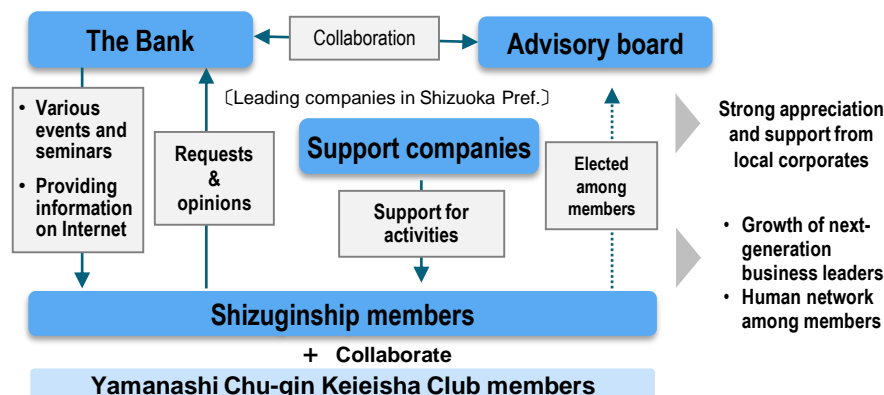
No. of employees + 509

## “Shizuginship” – training club for the next generation managers

- Membership-based service which aims at enhancing ability of next-generation business leaders and contributing to development of the corporations and economy in Shizuoka Pref.
- Expanded collaboration with a similar club offered by Yamanashi Chuo Bank

### 【Structure of Shizuginship】

【No. of members】 At the end of Jun. 2022 / 694 corporates, 1,028 people  
 【No. of participants in activities in FY2022】 Total 164people





# ESG/SDGs initiatives (4) – Regional revitalization

Promote regional industry development by working as a coordinator among industry, government, academia and etc., and contributing to embodying businesses which help the development of the region

## Shizuoka Kids Academy



- Aim at developing human resources for regional areas by encouraging local children to learn about their home towns in a fun way, fostering a greater attachment to their home towns and encouraging them to live locally in the future

<Activities in FY2021>

Period	Details of the event	No. of participants
Jul.	@Ito Fishing Experience (Collaboration project with Ito City)	57
Aug.	With Yamanashi "Making sweets with parents and children" (Jointly with Yamanashi Chuo Bank, Co-sponsored by Fukuroi City and Hokuto City)	46
Oct.	Shizuoka Kids Academy	15



## Shizugin Idea Competition "Joint LAB."

- Aim at creating new businesses that will lead to the sustainable regional communities through collaboration among local businesses and organizations and the Bank
- Held the 1st round in FY2019, attracting 43 applications and resulting in ties-up with 3 applicants in Aug. 2020

- The themes of the 2nd round are **"Sustainability"** and **"Diversity & Inclusion"**
- Number of Applications: 67
- The partner will be selected in Sep. 2022 after the first and second round of selection, and presentation.



## Launched a three-bank collaboration program



- Launch a common preferential service based on the "Agreement on Cooperation for Tourism Promotion in Fuji, Hakone and Izu Areas" concluded with Yokohama and Yamanashi Chuo Bank, Ltd.
- Offer preferential services to customers who present their cash cards issued by each of the three banks at 23 participating facilities in Shizuoka, Kanagawa and Yamanashi Pref

- Started in Jul. 2022
- Seven facilities in Shizuoka Pref. participate
- Aim to promote tourism in the wider region



## Events for individual business talks



- Held event for business talks to attract suppliers hoping to start business with grocery store and pharmacy in both Shizuoka and Yamanashi Pref. in order to expand business and to activate interaction between the two prefectures as part of Shizuoka Yamanashi Alliance
- Support customers to expand sales channels by holding the event in both face-to-face and online because their opportunities to expand sales channels are decreasing due to cancel of big-scale events and stagnation of sales activities

[Results (Jan. 2021- Jun. 2022)]

	Total	Shizuoka Bank	Yamanashi Chuo Bank
No. of events	18	-	-
No. of application	642	446	196
No. of participants	466	301	165
No. of business talks	673	446	227

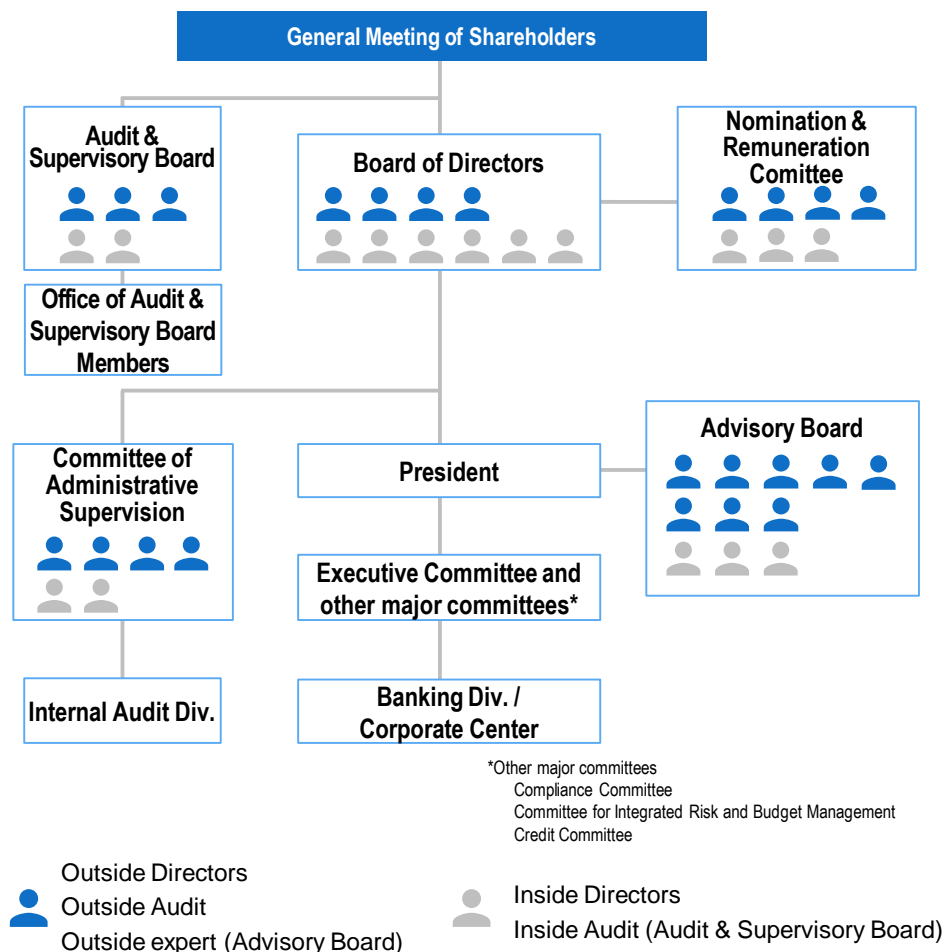


\*Includes projects not related to Yamanashi Chuo Bank

# ESG/SDGs initiatives (5) – Corporate Governance Structure

Reinforce corporate governance with the intention to separate supervision and execution

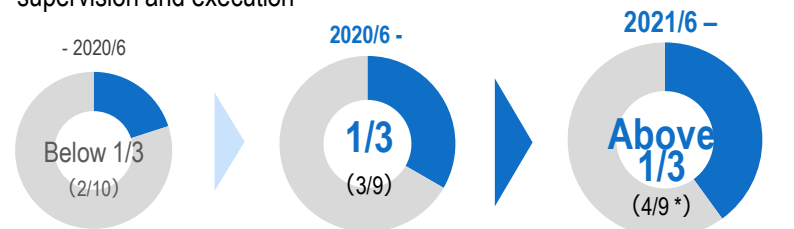
## Shizuoka Bank Group's Corporate Governance System



## Ratio of outside directors to all directors

Jun, 2021

- Increase no. of and raise ratio of outside Directors in 2 consecutive years in order to “reinforce supervision by outside executives” based on “separation of supervision and execution”



\* as of the end of Jun.2022

## Nomination & Remuneration Committee

Oct, 2020

- Established Nomination & Remuneration Committee whose majority of members are Outside Directors by reorganizing (expanding role of) Remuneration Committee in order to strengthen supervision on nomination and remuneration of Executives

## Restricted Stock Awards

Jun, 2020

- Introduced Restricted Stock Awards in order to motivate full-time directors (excluding outside directors) and executives of the Bank to continuously enhance corporate value and to further share value with shareholders

## Clarify responsibility of executives

Jun, 2020

- Changed contract with executives from employment to delegation (every year)
  - ⇒ Clarify responsibility for execution
- Provide Restricted Stock Awards to executives
  - ⇒ Promote action to enhance corporate value from shareholders' view

# ESG/SDGs initiatives (6) – Corporate Governance Structure (Board of Directors Skills Matrix)

Board of Directors supervises business execution of the Group with diversified expertise

[Board of Directors Skills Matrix (Fields where each member is expected to play important role)]

Name	Position	Management		Society, Economy		Business	
		Supervision of management as a listing company	Leading a comprehensive financial group	Vision for regional society and economy	Response to social change	Function for financial intermediation	New businesses (development, composition)
Katsunori Nakanishi	Chairman & CEO	●	●	●		●	●
Hisashi Shibata	President & COO		●	●		●	
Minoru Yagi	Deputy President & CFO		●	●		●	
Yutaka Fukushima	Director & Senior Managing Executive Officer			●		●	
Koichi Kiyokawa	Director & Senior Executive Officer			●		●	
Kumi Fujisawa	Outside Director	●		●	● Innovation		●
Motoshige Itoh	Outside Director	●			● Environment		
Kazuto Tsubouchi	Outside Director	●			● IT		●
Kazutoshi Inano	Outside Director	●	●	●		●	●
Hiroki Saito	Full-time Auditor			●		●	
Mitsuru Kobayashi	Full-time Auditor			●		●	
Yoshihiro Yamashita	Outside Auditor			●		●	
Naomi Ushio	Outside Auditor	●			● Diversity		
Isamu Nakamura	Outside Auditor		●			●	



# Reference

# Economy in Shizuoka Prefecture – Economic scale

The Prefecture accounts for 3% share of all-Japan, and ranks 10th in the scale of economy among prefectures  
The Prefecture has greater GDP than total GDP of 4 prefectures in Shikoku and 3 prefectures in Hokuriku  
GDP in the Prefecture is next to those in Kazakhstan, Algeria and Hungary



## Shizuoka Prefecture indices

	Share of all-Japan		National ranking
Population	3.63mil	2.9%	10th of 47 (2020)
No. of households	1.61mil	2.7%	10th of 47 (2021)
Nominal prefectural GDP	JPY 17.5tn	3.1%	10th of 47 (FY2018)
Per-capita income	JPY 3.432mil	—	4th of 47 (FY2018)
No. of business establishments	190K	3.0%	10th of 47 (2019)
Amount of shipments of manufactured goods, etc.	JPY 17.2tn	5.3%	3rd of 47 (2019)
Agricultural output	JPY 188.7bn	2.1%	19th of 47 (2020)
Fishery production volume	180k tons	5.7%	4th of 47 (2020)
No. of industrial locations	54	6.5%	3rd of 47 (2020)
No. of new housing starts	21K	2.5%	10th of 47 (2021)

## Shizuoka Prefecture economic scale

### Prefectural GDP (FY2018, Nominal)

Rank	Prefecture/Region	(USD bn)
9	Hokkaido Prefecture	177.2
<b>10</b>	<b>Shizuoka Prefecture</b>	<b>157.5</b>
11	Ibaraki Prefecture	126.6
-	4 prefectures in Shikoku	130.2
-	3 prefectures in Hokuriku	117.7

### GDP comparison with countries (2018)

Rank	Country (Region)	(USD bn)
55	Kazakhstan	179.3
56	Algeria	175.4
57	Hungary	160.4
<b>-</b>	<b>Shizuoka Prefecture</b>	<b>157.5</b>
58	Kuwait	138.2
59	Ukraine	130.9

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

# Attractiveness of Shizuoka Pref. (1) – Nature, Sightseeing

- Position as distribution hub between Tokyo and Nagoya/Osaka
- More convenient in transportation in north-south direction due to open of Chubu Odan Expressway
- Own rich nature such as Mt. Fuji, South Alps, and Lake Hamana
- One of the best Japanese sightseeing spots with nature
- Rank high in survey of place to hope to relocate in Japan

## Promote relocation and settlement

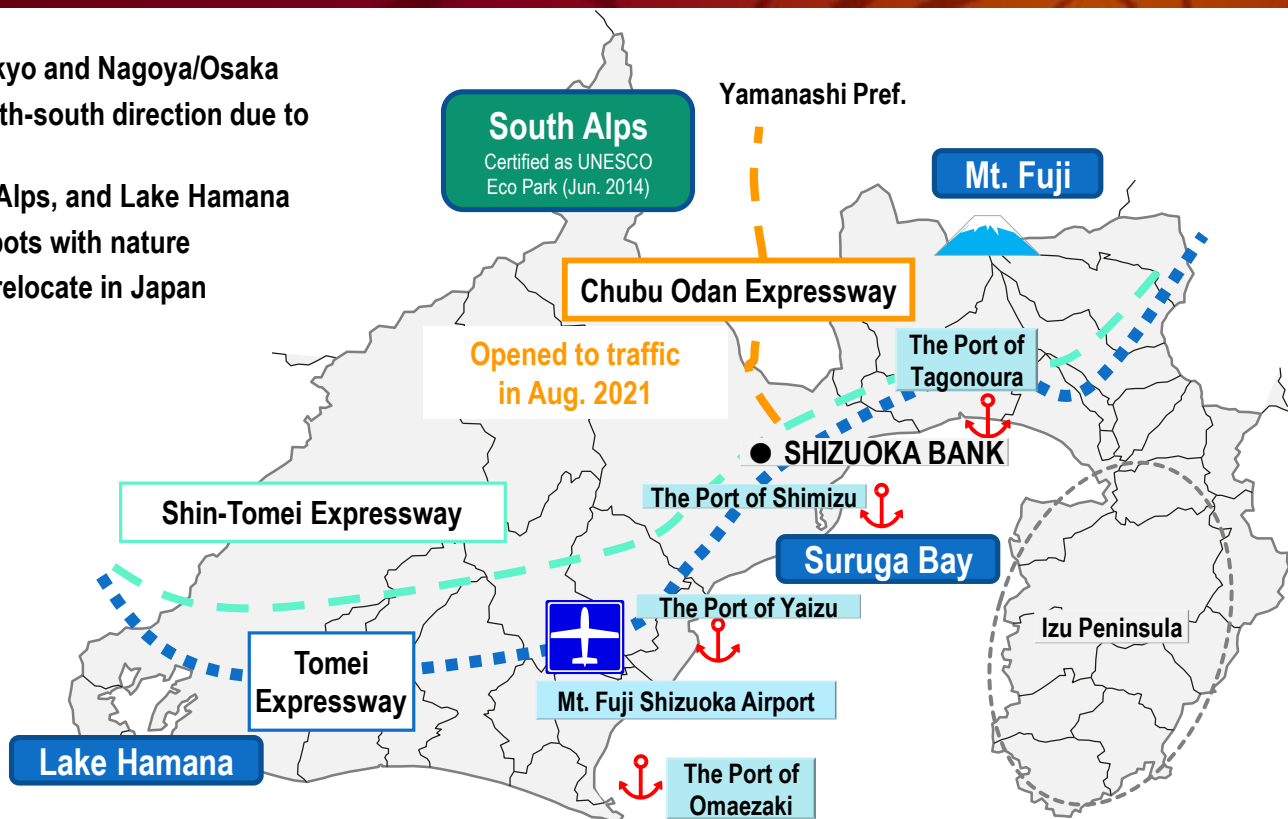
Ranking of prefectures to hope to relocate

Top in 2021 survey

Popular to all generation

Ranking of place to hope to relocate				
2018	2019	2020	2021	
2nd	3rd	1st	1st	

Source: Research by NPO “Center for Support to Return to Hometown”



## Lake Hamana

- 10<sup>th</sup> largest lake in Japan
- Famous for marine sports and farming of eels and young sardines



Source: Website of public interest incorporated foundation “Bureau of Tourism in Hamamatsu and Lake Hamana”

## UNESCO World Heritage Site in Shizuoka Prefecture

### Mt. Fuji

(Registered in Jun. 2013)

Inscribed on the World Heritage List as “Fujisan, sacred place and source of artistic inspiration”



### Nirayama Reverberatory Furnaces

(Registered in Jul. 2015)

Inscribed on the World Heritage List as “Sites of Japan’s Meiji Industrial Revolution: Iron and Steel, Shipbuilding and Coal Mining”



## Izu Peninsula awarded Global Geopark status by UNESCO

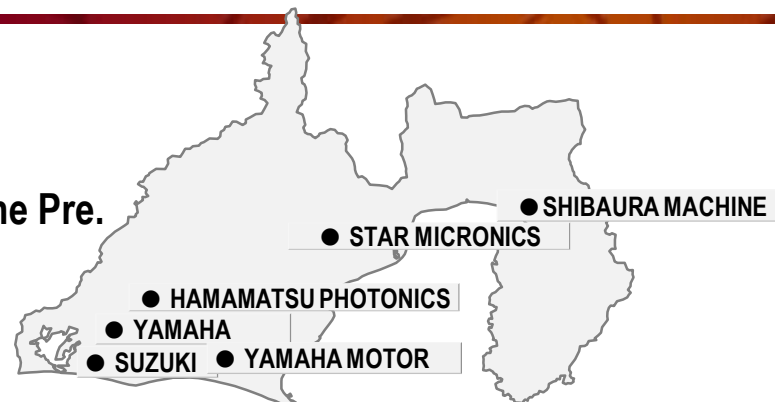
- The Izu Peninsula was certified as a UNESCO Global Geopark in Apr. 2018
- Global Geoparks are natural parks of topographical and geological significance. There are nine UNESCO Geoparks in Japan





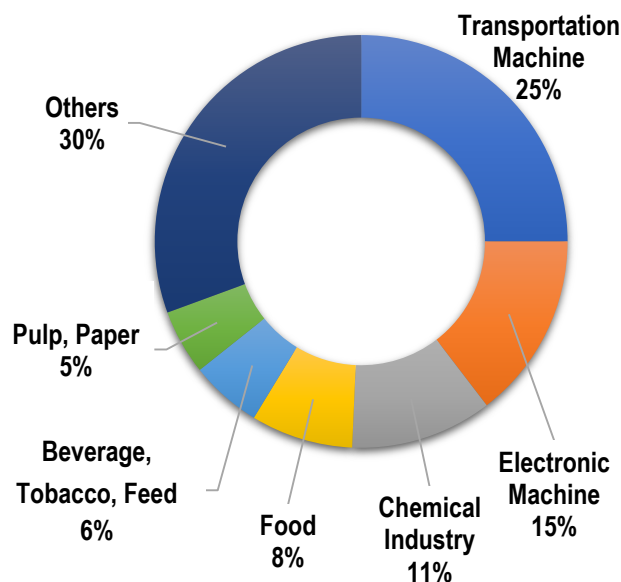
# Attractiveness of Shizuoka Pref. (2) – Industry, Economy

- Leading “Manufacturing Prefecture” in Japan
  - Well-balanced industrial structure with transportation machine, medicines and medical devices, music instrument, etc.
- Medical health industry agglomerates mainly in eastern part of the Pre.
- Various advanced industry agglomerates in the whole Pref.
- Rank high in no. of industrial location every year



## Industrial structure

- Amount of shipments of manufactured goods etc.  
: JPY 17,154.0bn **3<sup>rd</sup> largest in Japan (2019)**



Source: Survey on industrial statistics by METI

## No. of industrial location

Rank high in Japan every year

FY	2016	2017	2018	2019	2020
No.	74	97	67	78	<b>54</b>
Ranking	<b>1st</b>	<b>1st</b>	4th	2nd	<b>3rd</b>

Source: Survey on industrial statistics by METI

## Medical health industry

Production amount of medicines and medical devices: approx. JPY 1.2tn

→ **Top for 11 consecutive years (2020年)**

Category	Production amount (JPY bn)	Ranking
Medicines	839.6	3 <sup>rd</sup>
Medical devices	365.4	1 <sup>st</sup>
<b>Total</b>	<b>1,205.0</b>	<b>1st</b>

Source: “Statistics of Production by Pharmaceutical Industry” by MHLW and Pharmaceutical Affairs Office in Shizuoka Pref.

## Listed companies with headquarters within the Pref.

※As of the end of Mar. 2022

Listing	No. of companies
TSE Prime	20
TSE Standard	30
TSE Growth	1
<b>Total</b>	<b>51</b>

## Agglomeration of advanced industry

Next generation cars, Light quantum technology  
Marine biotechnology, and Cellulose nanofiber (CNF) etc.



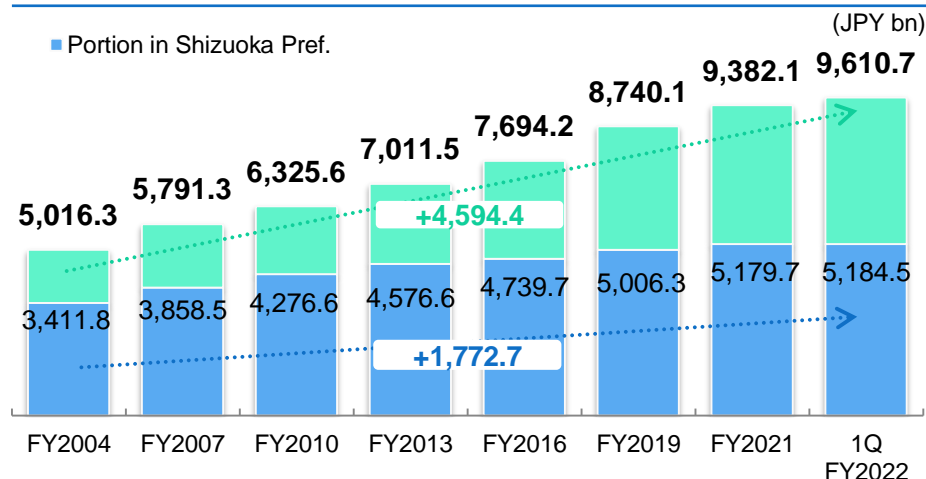
Source: website of center for next generation cars Hamamatsu



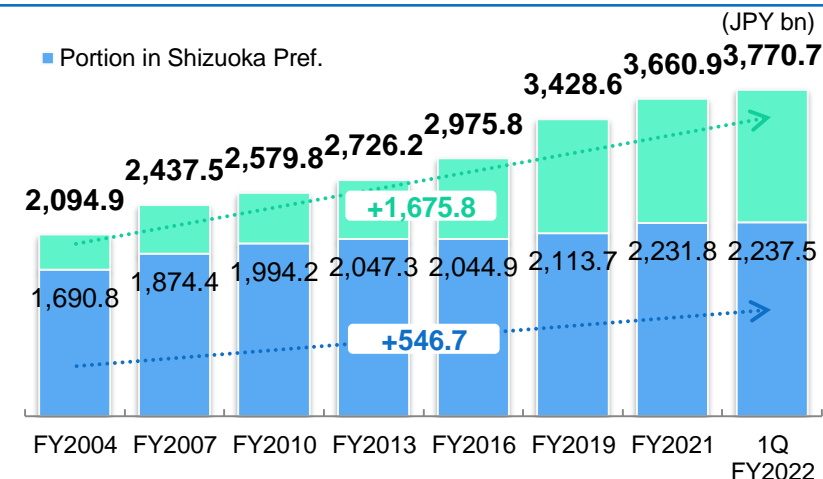
# Historical data of loans

Total Loan balance (average balance) has maintained increasing trend both inside and outside Shizuoka pref. since FY2004

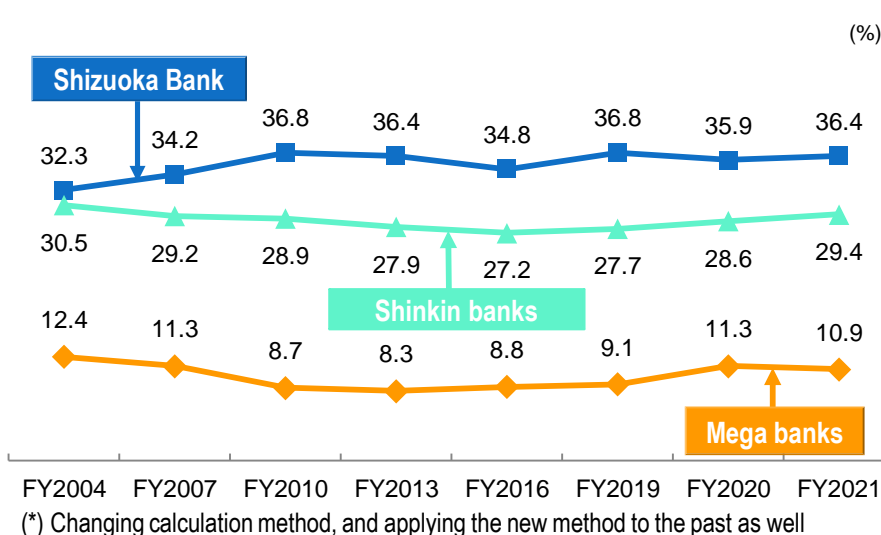
## Total loan balance (average balance)



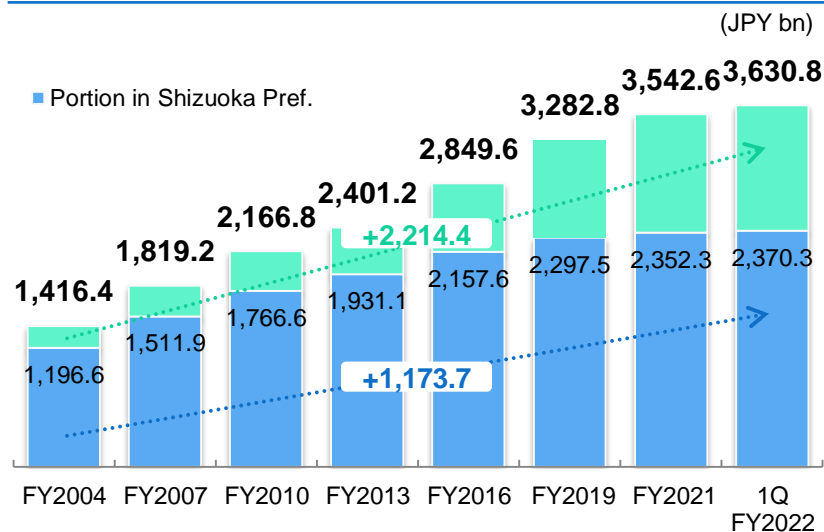
## SMEs loan balance (average balance)



## Share of loans in Shizuoka Prefecture (\*)



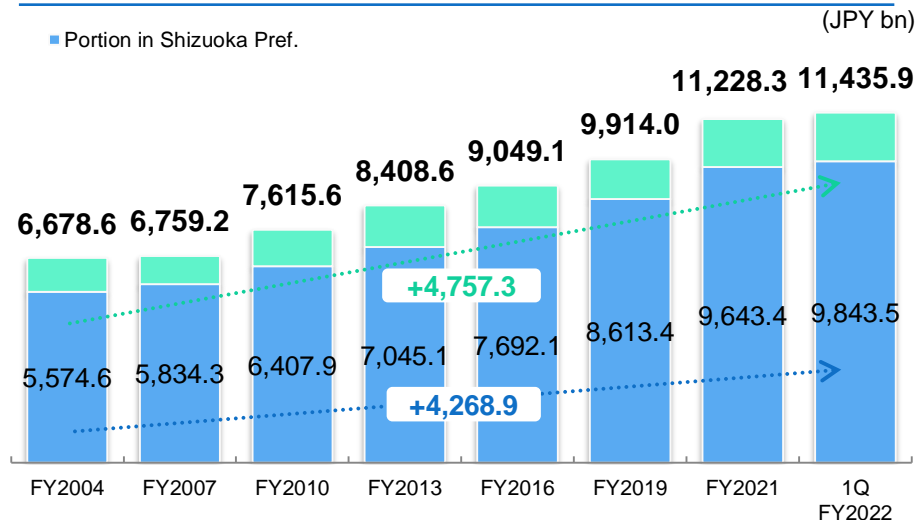
## Consumer loan balance (average balance)



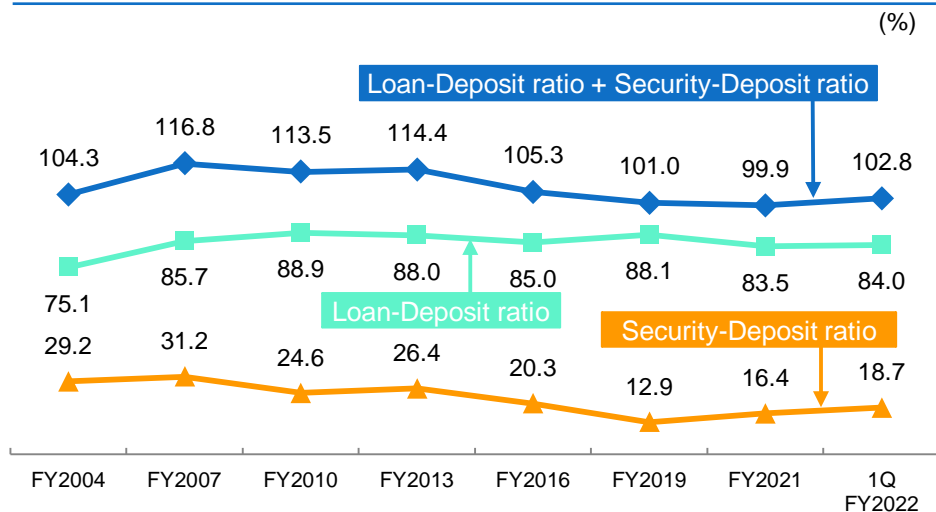
## Historical data of deposits

**Total deposit balance (average balance) has maintained increasing trend both inside and outside Shizuoka pref. since FY2004, and the Bank has received highest level of credit ratings**

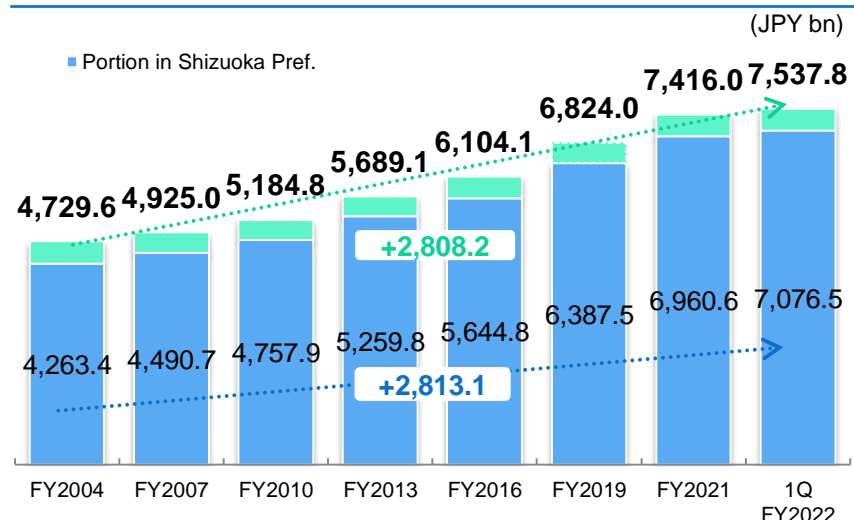
### Deposit balance (average balance)



### Loan-Deposit ratio / Security-Deposit ratio (excluding NCD)



### Retail deposit balance (average balance)



### External ratings (As of the end of Jun. 2022)

**< Moody's >**

## Shizuoka Bank



■ Regional banks

Except for regional banks (Mega banks, Trust banks etc.)

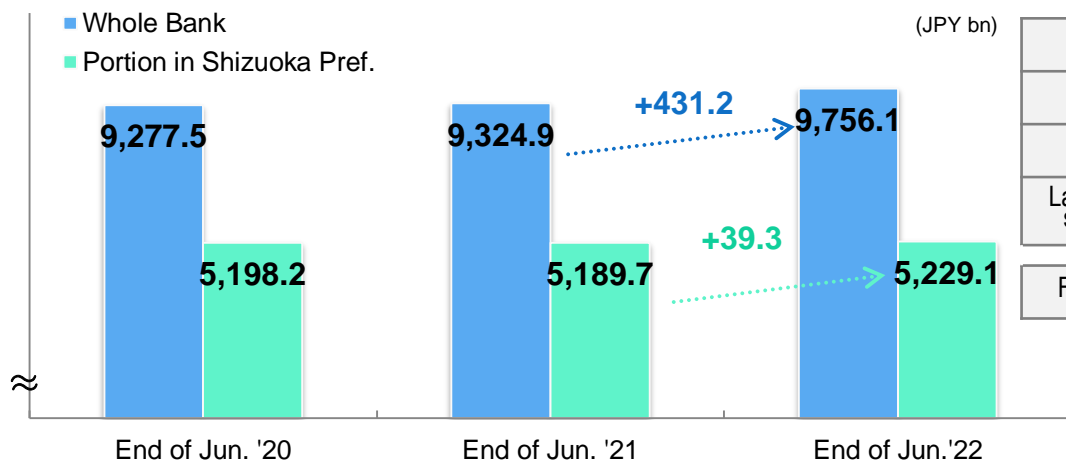
### <Other external ratings>



# Loans(1) – Term-end balance

Loan balance (term-end balance) increased for SMEs and individuals

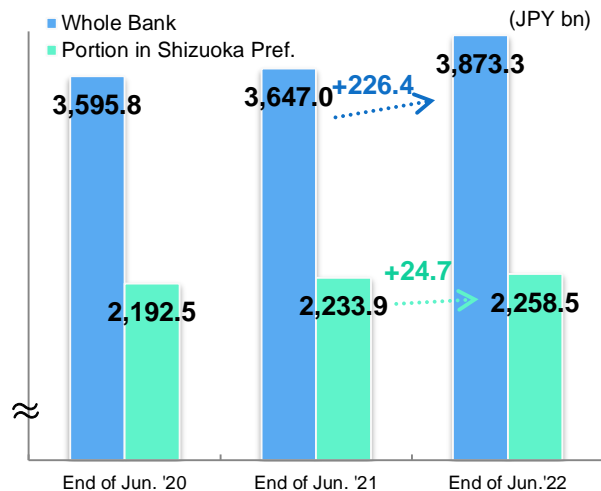
## Total loan balance (term-end balance)



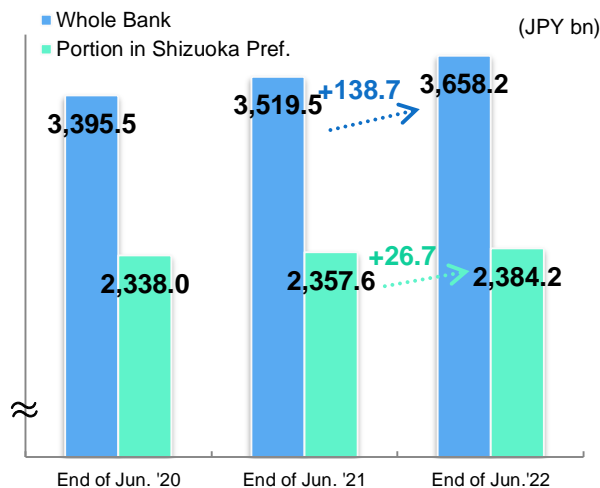
	Term-end balance	Change from the end of Jun '22	Annual growth rate
Total	JPY 9,756.1bn	JPY+ 431.2bn	+4.6%
SMEs	JPY 3,873.3bn	JPY+ 226.4bn	+6.2%
Retail	JPY 3,658.2bn	JPY+ 138.7bn	+3.9%
Large and medium size enterprises	JPY 1,867.0bn	JPY+39.9bn	+2.1%
Foreign currency	JPY 658.3bn	JPY +135.8bn	+25.9%

by amt. chg.: JPY +10.2bn  
 by ex. rate: JPY +125.5bn

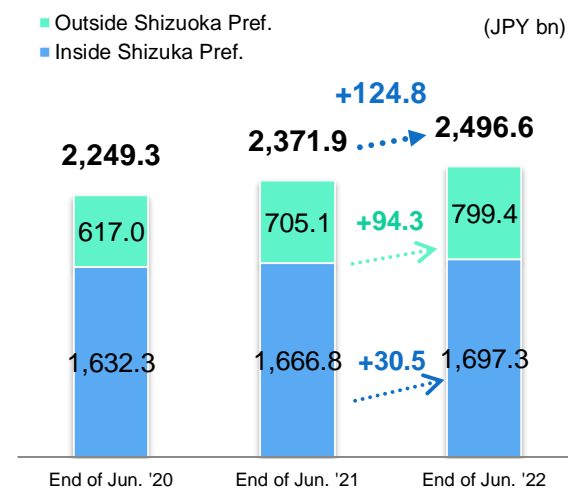
## SMEs loan balance (term-end balance)



## Retail loan balance (term-end balance)



## Housing loan balance (term-end balance)



# Loans(2) – Loans by industries

Expected Loss (EL) for all industries : JPY 9.8bn

Unexpected Loss (UL) for all industries : JPY 89.2bn

## Contemporary status of business loans to particular industries

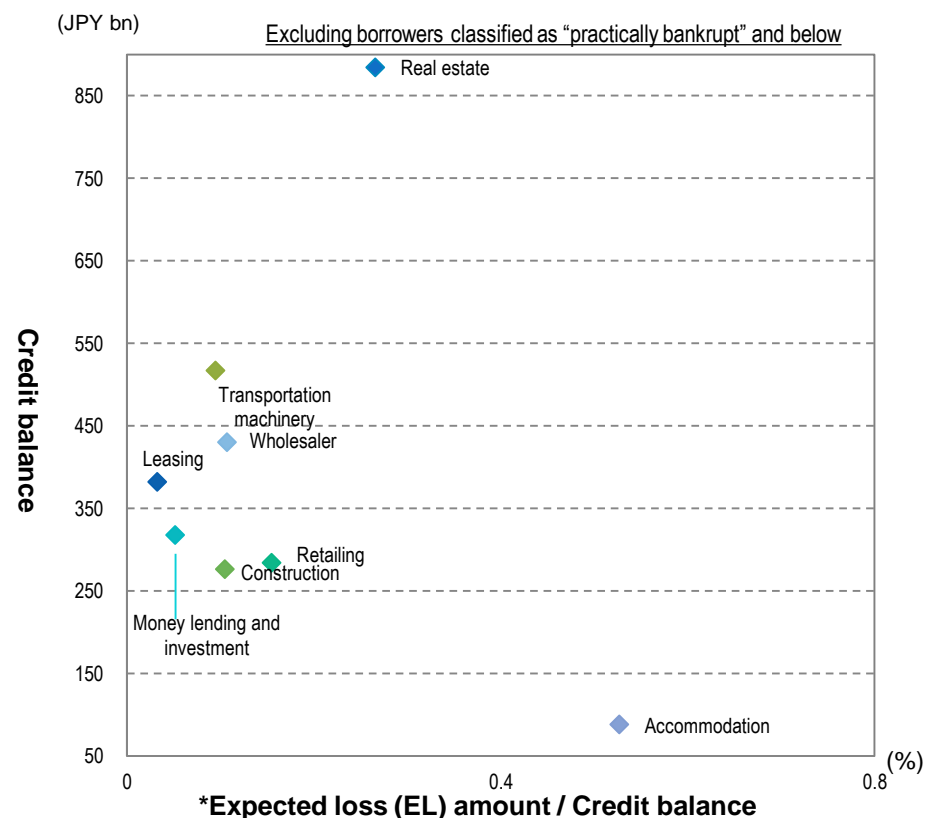
[ Credit balance (as of the end of Mar. 2022) ] (JPY bn, %)

	Balance	Composition ratio	Change from the end of Mar. '21
All industries	6,323.9	100.0	+86.9
Real estate (*1)	884.3	13.9	+19.6
Wholesaler (*2)	429.8	6.8	+32.4
Money lending and investment	317.4	5.0	+8.5
Transportation machinery	517.0	8.1	-38.6
Construction	275.9	4.3	+5.2
Retailer	283.7	4.4	-2.8
Leasing	382.0	6.0	+20.7
Accommodation	87.8	1.3	-3.2

(\*1) excluding apartment loans and loans for asset building

(\*2) excluding a general trading companies

[ Credit balance vs. expected loss rate\* ]



# Response to COVID-19

**Business Support Dept. provides hands-on support to customers who need help with cash management and business improvement.**

## Situation of loans related to COVID-19 (newly extended)

### [Loan amount newly extended]

(JPY bn)

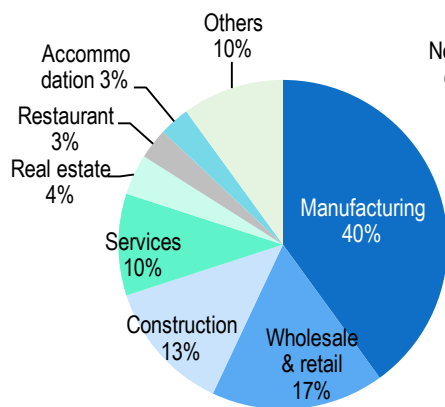
	End of Mar. '21	End of Mar. '22	End of Jun. '22
Not guaranteed by CGC(*)	159.3	119.5	112.2
Guaranteed by CGC	300.1	311.2	306.0
Of which, loans without interest	209.3	210.5	206.6
<b>Total</b>	<b>459.3</b>	<b>430.7</b>	<b>418.2</b>

\* CGC ; Credit Guarantee Corporation

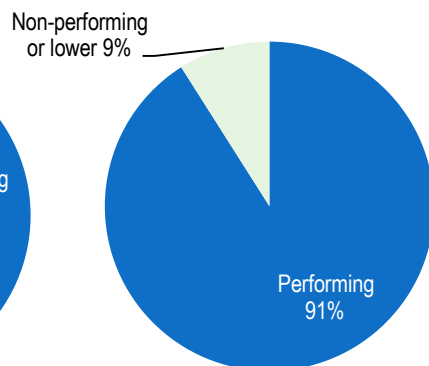
### [Ratio of loans in terms of industry and credit rating]

\* On the basis of amount as of the end of Jun. 2022

#### Breakdown in industry (Whole)



#### Breakdown in credit rating (Not guaranteed by CGC)



## Support for customers

Cash position,  
business improvement

Business  
restructuring

Main business

Succession

Increase no. of employees in Business Support Dept., reinforcing business improvement and restructuring (including change or discontinuation of business)

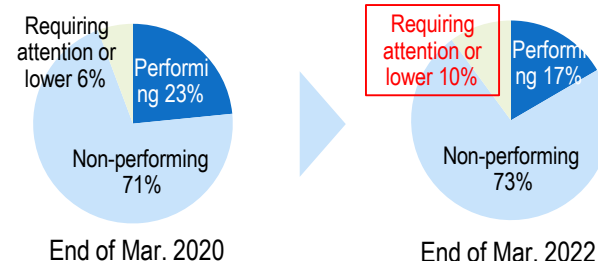
Customers the Bank supports in cash position and business improvement (approx. 3,000)

Customers Business Support Dept. is involved in support for (approx. 700)

Customer the Bank provides hands-on support (approx. 190→approx. 230)

## Involvement by Business Support Dept. (to approx. 700 customers)

### [Credit rating]



### [Support in cash position]

• Extend **JPY 75.1bn loan** in total for guaranteed and not guaranteed by CGC

### [Support in establishment of business improvement plan]

- Newly establish plans for **50 customers**
- Established plans for approx. 500 customers (71%) in total

### [Hands-on support]

• Start support for all target customers by the end of Mar. 2022 (Upgrade 3 customers to performing, complete support for 1 customer through M&A)

## Aim to enhance productivity and to build new sales structure by promoting BPR, RPA, and sales structure reform

FY2005 - FY2010

9<sup>th</sup> Medium-term Business Plan -  
10<sup>th</sup> Medium-term Business Plan

FY2011 - FY2016

11<sup>th</sup> Medium-term Business Plan -  
12<sup>th</sup> Medium-term Business Plan

FY2017 - FY2019

13<sup>th</sup> Medium-term Business Plan

FY2020 -

14<sup>th</sup> Medium-term Business Plan

### Management policy

Standardization, centralization,  
systematization of  
back-office workload

Enhancement of productivity of  
front-office workload  
Establishment of new work style

3 structural reforms  
Continuation of growth strategy

Reform of business model

### Major process reform

Relocation of staff at back-  
office to front-office

Reinforcement of  
housing loans  
sales

Work-style reform ・  
Change of personnel  
in charge of business

Digital  
transformation

### Improvement of efficiency and productivity

Small branch specializing in retail

Branch focusing on consulting

Realization and expansion of “digital branch”

Branch specializing in front function

Sales structure reform

Utilization and expansion of RPA

### Centralization and specialization of operation

Auto-navigation in loan operation

Auto-navigation in branch operation

Digitalization in branch operation

Writing-less ・ seal-less

Shift to “5 less” at branches\*

\*Paperless, Seal-less, Cashless, Counter-terminal-less, Counter-less

## Major achievement so far

Back-office workload  
at branches

**Reduced by  
57%**

(Comparison between FY2007 and FY2010)

Relocation of staff  
at back-office to  
front-office

**Increased front-  
office employees**  
while reducing total employees

(people)	End of Mar. 2008	End of Mar. 2020	Increase/ Decrease
Front-office at branches	2,411	2,802	+391
Back-office at branches	1,693	853	-840
<b>ShizuokaBank*</b>	<b>5,164</b>	<b>4,629</b>	<b>-535</b>

\* Including temporary employees

Time to process  
workload on  
housing loans

**Reduced by  
63%**

(Comparison between FY2010 and FY2013)

Expand business  
as well as enhance  
productivity



Compared to FY2004

Average balance  
of loan  
(FY2021)

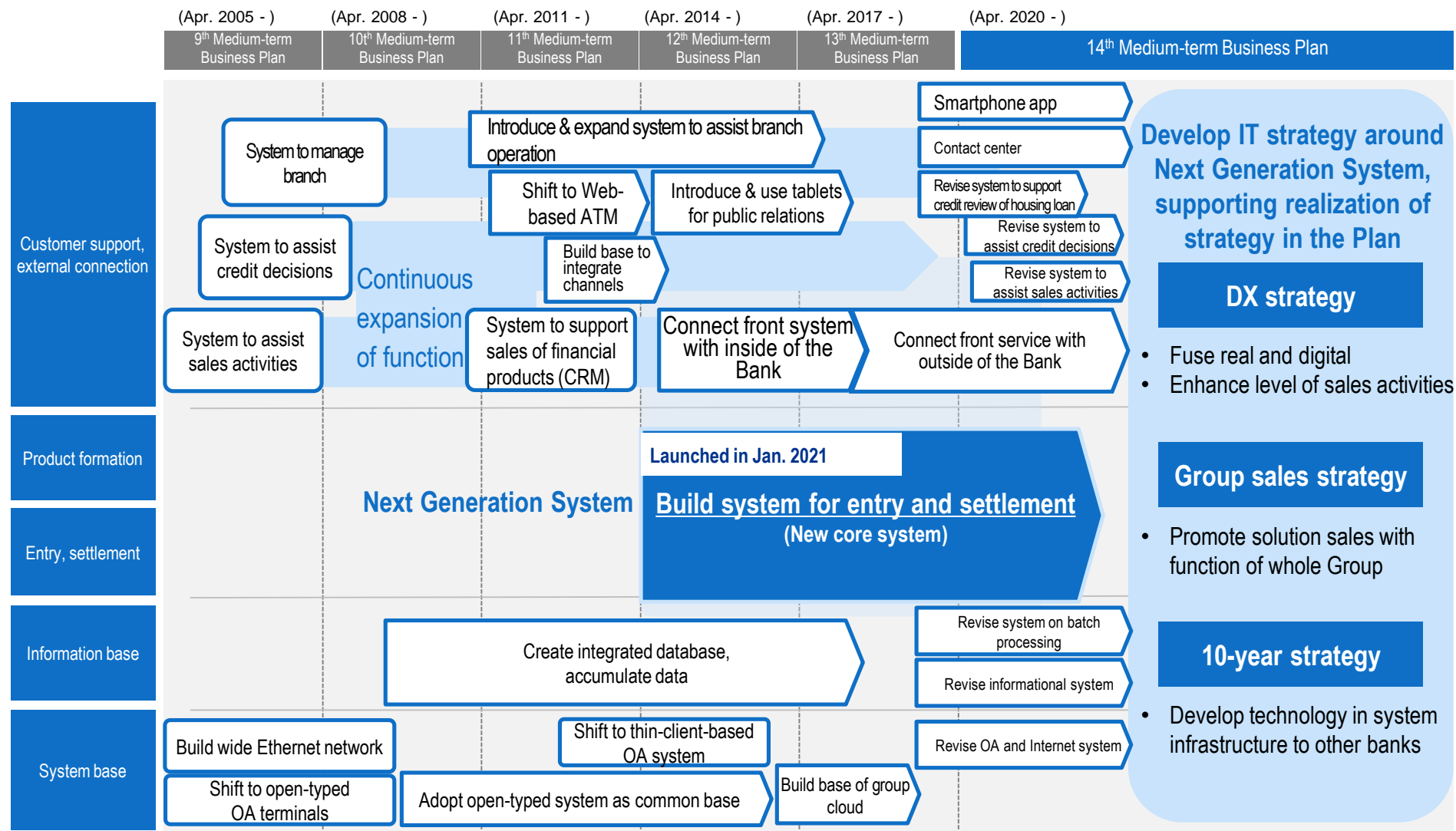
**x 1.9**

Consolidated  
ordinary profit  
(FY2021)

**x 1.2**

# Shift to open-type IT system

Develop IT strategies centered on the Next-Generation System that launched in Jan. 2021, and support the realization of each strategy promoted in the 14th Medium-term Business Plan





# Next Generation System – Outline

**Avoid “The 2025 Digital Cliff”** by operating the Next Generation System, the first case for major Japanese banks to adopt open-type technology

## Direction and issues on financial IT (2025 Digital Cliff)

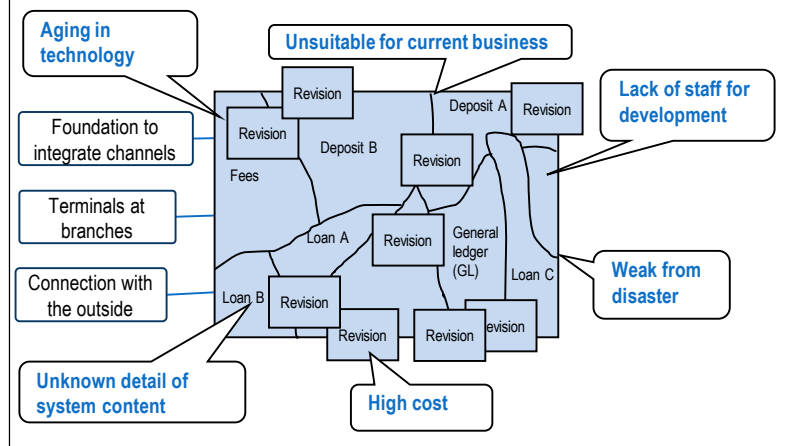
### ● Direction of IT strategy of financial institutions

- Strategically utilize Fintech and IT as a measure for innovation
- Realize flexible coordination with new services
- Make use of advanced technology such as cloud and AI
- Drastically review basic structure of system

### ● Current situation and issues of each institution

- Aging of technology used in system
- Expansion, complexity, and shift to black box of system
- Shift to structure with higher cost due to “legacy system”

#### Image of shift to black box



Failure to solve issues by 2025 will make the institution a loser in digital competition  
→ “2025 Digital Cliff”

## The Bank’s policy and system strategy

### ● Grasp issues on shift to legacy and black box of system at early stage



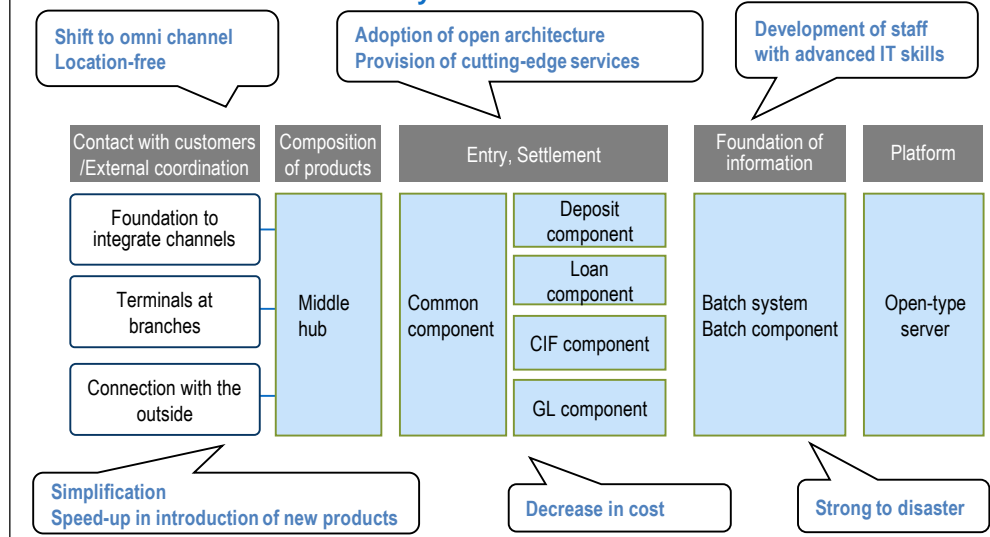
- Build loan supporting system
- Realize ATM operated on Web
- Introduce counter navigation system etc

Continuously expand and decentralize function

### ● Construct and launch Next Generation System

- Unprecedented project because of **new construction of key system including change of vendor** and of **adoption of open-type technology for the first time in major Japanese banks**
- Selected as **the first case** to receive special support by Financial Services Agency for advanced initiatives on core systems of banks in Apr. 2020
- **Launched in Jan. 2021 → Avoid 2025 Digital Cliff**

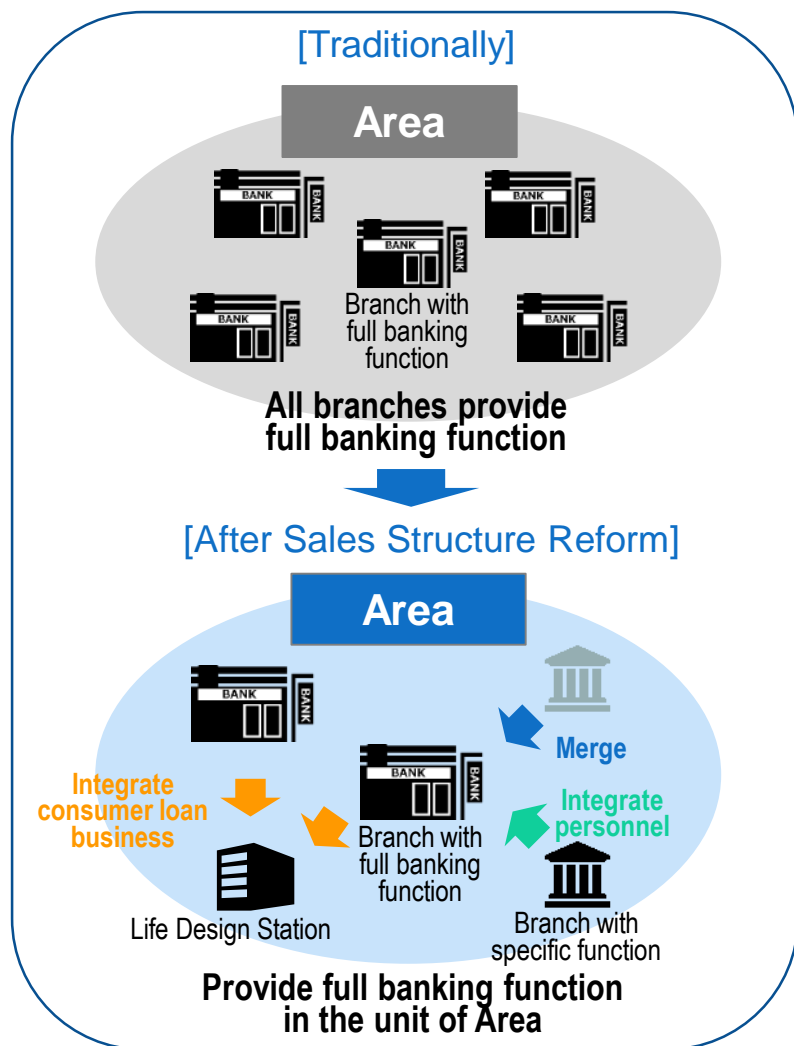
#### Structure of Next Generation System



# Branch Strategy

Provide high-quality financial services in the unit of Area through sales structure reforms, further enhancing customers' convenience and satisfaction, and conduct a review of ATM network

## Sales Structure Reform (FY2018-)



## [Achievements]

Areas where the reform was conducted

Branches decreased

Review of branch function

Branch closing at noon

No. of staff secured

Branch-managing cost reduced

## Result by FY2021

Approx. 90%

-21 branches

37 branches

33 branches

108 staff

JPY -1.9bn

## Prospects for FY2022

Approx. 90%

-2 branches

0 branch

1 branch

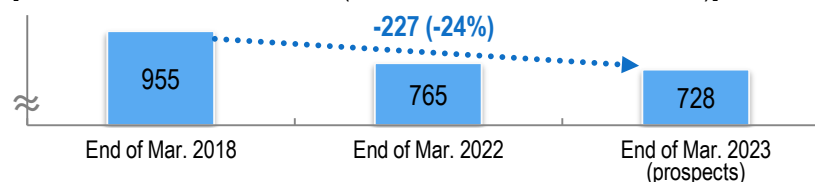
8 staff

JPY -0.1bn

## Relocation of stores to public facilities/ Review on ATM network

- Opened Maisaka Branch in Maisaka Kyodo Center. Met the need to maintain a base of operations and the utilization of idle assets in Hamamatsu City (Nov. 2021)
- Form appropriate ATM network based on situation of utilization

[Historical data of no. of ATMs (both inside and outside branches)]



# Reinforcement of non-face-to-face channel

Utilize foundations built in FY2020, aiming at developing non-face-to-face channel into the main daily contact point with customers

FY2020

FY2021

FY2022 and thereafter

1<sup>st</sup> phase

Build each foundation

2<sup>nd</sup> phase

Connect foundations, expand function

3<sup>rd</sup> phase

Further expand function, connect with branches

Smartphone



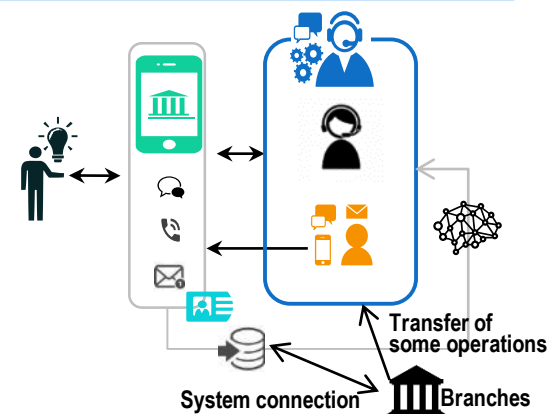
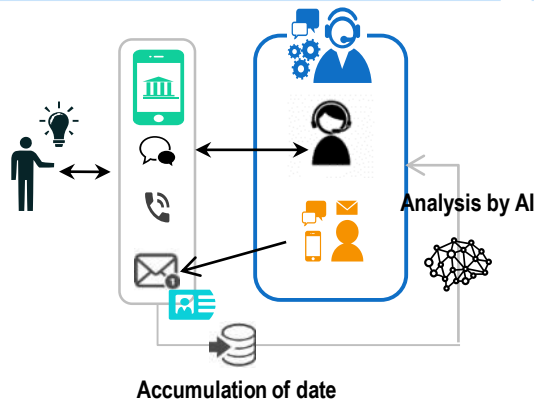
Contact Center



Digital marketing



e-KYC



Smartphone



**Enable banking transaction on apps (Dec. 2020)**

- ✓ Applicable to Internet Branch
- ✓ New function such as biometric identification etc.

**Increase users and improve functions of apps (Jun. 2022)**

- ✓ Expand to all branches, simplify procedures to start using, introduce web-based bank books

**Develop into main channel for retail customers**

- ✓ Complete all services offered in branches
- ✓ Capture new customer segment by expanding function such as non-financial services

Contact Center



**Accumulate record on application of card loans, speed up response (Oct. 2020)**

- ✓ Accumulate record on response to customers
- ✓ Accept applications without paper

**Enhance quality of response to customers (Jan. 2022)**

- ✓ Expand acceptance channel (chat, web form)
- ✓ Share record and standardize response by multiple sections through Contact Center System

**Reinforce outbound function**

- ✓ Further expand acceptance channel (video call)
- ✓ Transfer some operations in branches
- ✓ Develop sales and follow-up services

Digital marketing



**Distribute email timely according to customers' needs (Oct. 2020)**

- ✓ Start distributing emails on unsecured loans

**Let AI analyze data, reinforce connection with other foundations**

- ✓ Let AI analyze accumulated data (Sep. 2021)
- ✓ Expand products to distribute email on (one by one since Apr. 2021)

**Provide information according to life-style without walls between finance and non-finance**

- ✓ Expand media of distribution
- ✓ Collaborate with regional firms on marketing

e-KYC



**Enable operation without customers visiting branches**

- ✓ Change registered address (Dec. 2020)
- ✓ Open account (Apr. 2021)

**Increase no. of types of transaction which can be completed through non-face-to-face channel**

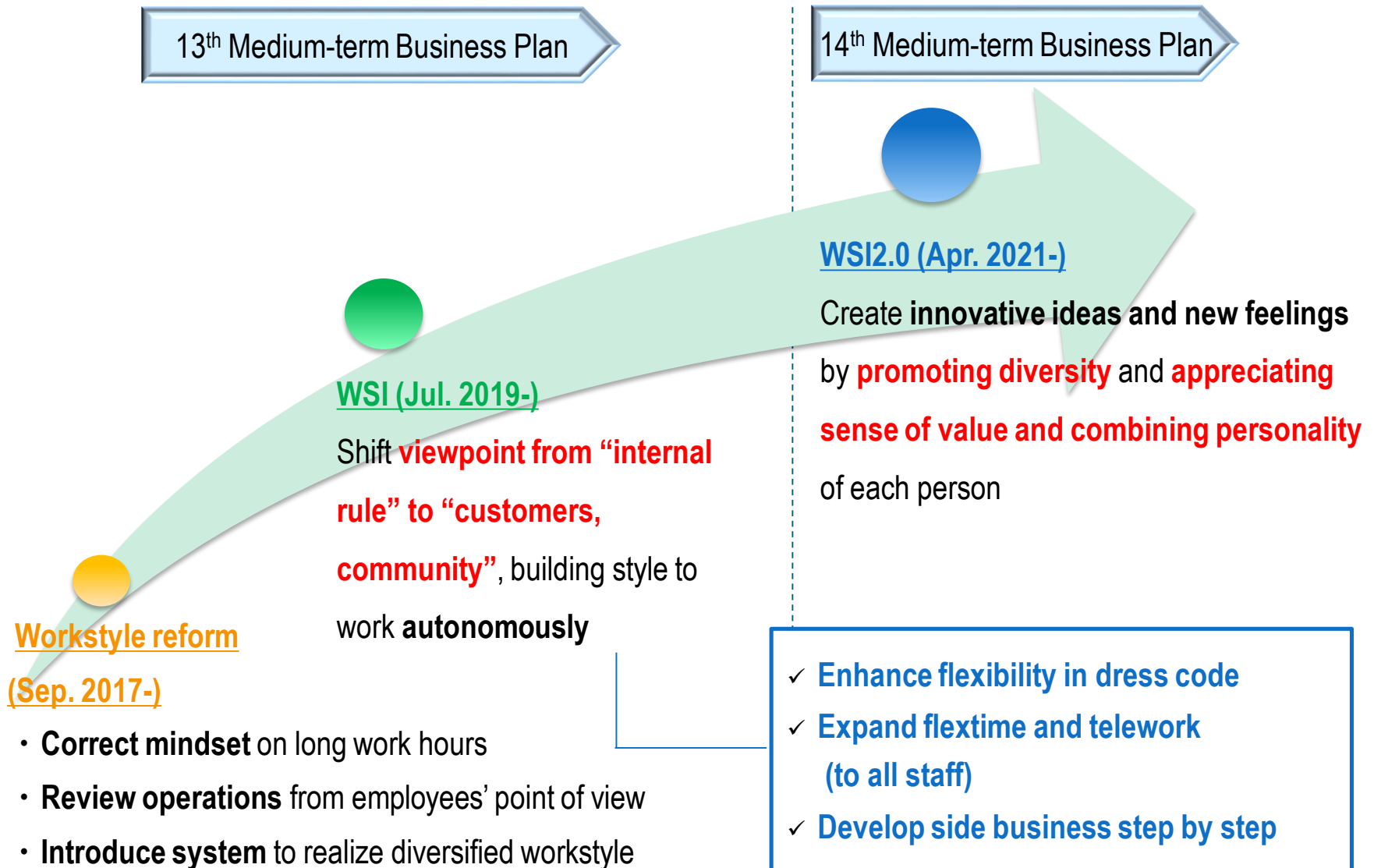
- ✓ Start trial to accept application for change of registered address in Seven Bank's ATMs (Sep. 2021)
- ✓ Accept Individual Number and Residence Card, connect with Seven Bank's ATMs (face authentication) etc.

# Initiatives for organizational reform (1)

## – workstyle reform, “Work Style Innovation” (WSI)

Implement workstyle reform step by step in order to change organizational culture

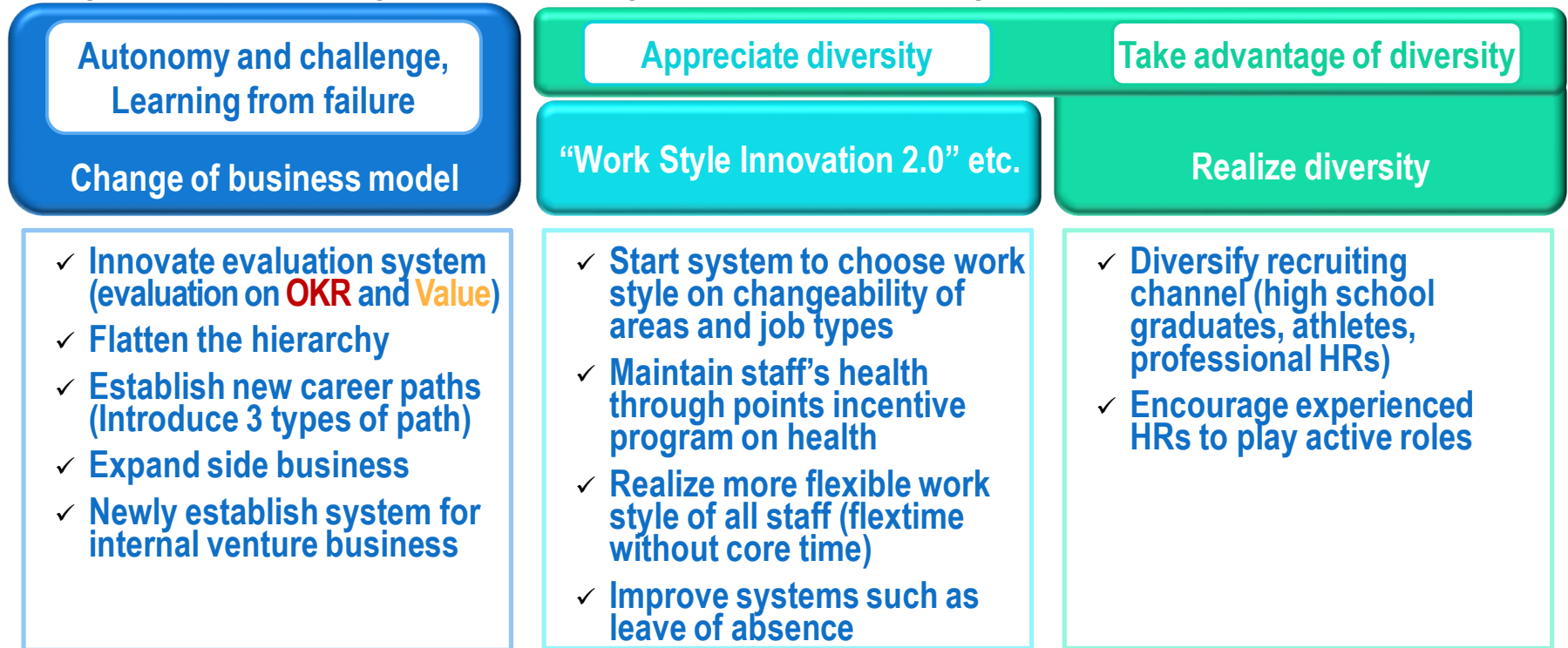
Aim at organizational culture where combination of diversified sense of value and personality creates innovative ideas



# Initiatives for organizational reform (2)

## – drastic reform in personnel system

Reform personnel system drastically to build group of people that can think and act autonomously and continue challenge while appreciating diversified thoughts and to realize change to sustainable business model



### <OKR>

- System to aim at creating the greatest impact by clarifying will of each person and organizational vision and reconciling behaviors with vectors of effort
- Clarify purpose on why to aim at achieving quantitative target by presenting targeted situation or picture (Objective) and establishing quantitative target (Key Results) to realize them
- Promote voluntary challenge for change and learning from failure as well as aim at harmonizing “Corporate Philosophy”, “Daily behaviors” and “Evaluation”

### <Value>

- Standard of a value that all staff should embody in daily behaviors in order to realize Corporate Philosophy, Medium-term Business Plan Vision, and 10-year Vision

#### Go Wild !

Situation where “ambition for change” is presented and “challenge and learning from failure” are repeated

#### Be Innovative !

Situation where “exploration” is repeated and “self reform” to aim at creation from disruption continues

#### Do Collaboration !

Situation where “free opinions on an equal footing” fly and creation of “added value through collaboration” continues

# Allocation of risk capital

Allocation source			Risk capital allocated	Risk capital used	Ratio of risk capital used
<div>Core capital JPY 741.9bn (End of Jun. 2022 basis)</div>	Credit risk 296.0	Loan (Credit risk)	211.3	120.4	57%
	Market risk 333.3	Treasury division	406.1	181.6	44%
		(strategic shareholdings)	(111.5)	(65.5)	(58%)
		Consolidated subsidiaries	11.9	6.3	52%
	Strategic investments 12.0	Strategic investments	12.0	4.3	35%
	Operational risk 24.2	Operational risk	24.2	24.2	100%
	Buffer capital, etc. 76.4	Sub total	665.6	336.8	50%
		Buffer capital, etc.	76.4	—	—
		Total	741.9	—	—

- Core capital = CET1(excluding valuation difference on available-for-sale securities) < Fully-loaded basis >
- Risk capital amount = <Market risk> | VaR |  
 <Credit risk> (1) | UL | (loan balance includes bad debt written off, CVAs)  
 (2) Basel III capital requirement amount (designated loan claims, securitization transactions, investment funds, and private placement REIT)  
 <Operational risk> Amount equivalent to operational risk
- Buffer capital is kept aside for emergencies such as the anticipated Great Earthquake and other unquantifiable risks

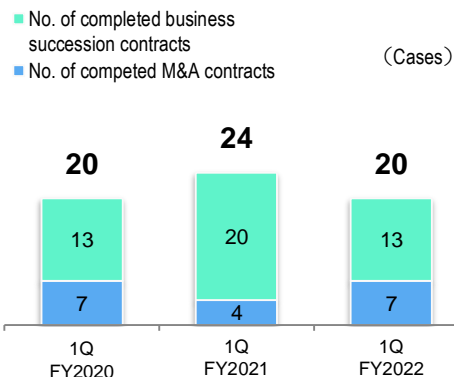
# Group companies

Provide comprehensive financial services by integrating expertise in Shizuoka Bank Group and utilizing cross-industry collaboration

## Shizugin Management Consulting

- Keep stable performance in consulting businesses for M&A and business succession to SMEs, and aim at further expanding businesses in these fields

### Performance in consulting businesses for M&A and business succession



#### Shizugin Management Consulting Co., Ltd.

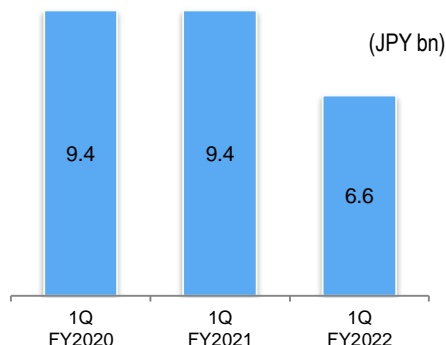
##### <Main businesses>

- Consultation for M&A
- Support for business succession
- Consultation for management (Management diagnosis, support for deciding business plan)
- Support for deciding business restructuring plan
- Support for acquiring ISO Certification
- Consultation for personnel management
- Bill collection services

## Shizugin Lease

- Shizuoka Bank has started intermediary services of Shizugin Lease since Oct. 2018 where the Bank offers proposals combining loan and lease (limited to finance lease exempt from passage of title)

### Amount of lease and installment contracts



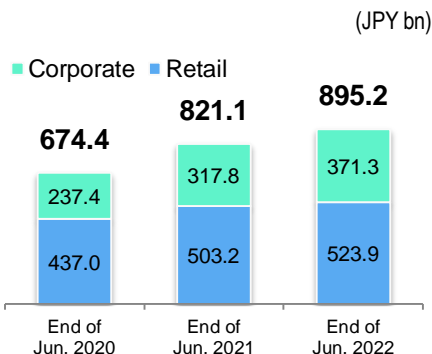
#### Shizugin Lease Co., Ltd.

Support customers expand and efficiently run businesses by meeting needs for capital investment in various ways ranging from lease of property including cutting-edge OA equipment, large industrial machinery, solar power generation facility, nursing care facility and automobiles to overseas lease and real estate lease enabled by alliance with other companies.

## Shizugin TM Securities

- Offer wide range of products lineup including promotion of "Shizugin Wrap (ON COMPASS +)" utilizing discretionary investment services (wrap services) by Monex Asset Management through face-to-face channel

### Amount of customer assets



#### Shizugin TM Securities Co., Ltd.

Offer lineup of various products including investment trust, bond, and stock, and comprehensive financial services based on coordination with Shizuoka Bank

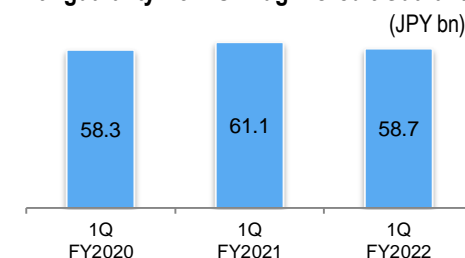
Meet corporate customers' need to raise money through direct finance such as underwriting of stocks on IPO and underwriting of finance by public companies

## Shizugin Credit Guaranty

- Started a business to give guaranty to a housing loan product offered by ARUHI Corporation, a housing loan specialist (Aug. 2018)
- Started a business to give guaranty to a housing loan product offered by au Jibun Bank Corporation, an Internet-only bank (Jan. 2021)
- Received approx. 3,600 applications from the two companies in total (1Q FY2022)



### Amount of housing loan extended with guaranty from Shizugin Credit Guaranty



#### Shizugin Credit Guaranty Co., Ltd.

Conduct credit review and give guaranty to consumer loan centering housing-related loan



# Shareholder return – Share buybacks (Time series data)

**210 million shares (26.1% of shares outstanding before the initial retirement in 1997) have been retired by FY2021**

\*Consolidated financial statements have been prepared since FY1998

	Shares bought back (thousand shares)	Repurchase amount of shares (JPY mil)	Number of shares cancelled (thousand shares)	Cancellation amount (JPY mil)	Shareholder return ratio <Consolidated> (%) (*)	EPS <Nonconsolidated> (Yen)	BPS <Nonconsolidated> (Yen)	DPS <Nonconsolidated> (Yen)
FY1997	7,226	9,997	7,226	9,997	—	20.4	587.6	6.0
FY1998	6,633	9,142	6,633	9,142	84.1	20.1	627.6	6.0
FY1999	8,357	9,143	8,357	9,143	52.6	34.1	651.0	6.0
FY2000	24,954	23,281	24,954	23,281	150.3	23.7	792.2	6.0
FY2001	8,234	8,267	8,234	8,267	170.5	10.3	742.7	6.0
FY2002	29,928	23,107	—	—	222.1	16.6	721.3	7.0
FY2003	10,712	8,566	30,000	23,381	50.2	37.2	831.8	7.0
FY2004	—	—	—	—	16.9	49.4	875.9	8.5
FY2005	—	—	—	—	21.4	44.2	1,019.2	10.0
FY2006	—	—	—	—	24.3	51.2	1,077.9	13.0
FY2007	10,000	12,621	10,000	10,130	62.6	49.9	997.2	13.0
FY2008	—	—	—	—	69.7	18.3	903.3	13.0
FY2009	5,000	3,996	5,000	4,638	39.8	46.0	998.2	13.0
FY2010	20,000	14,980	20,000	15,957	65.7	51.8	1,016.3	13.0
FY2011	20,000	14,575	—	—	63.0	52.4	1,097.6	13.5
FY2012	10,000	8,239	20,000	14,953	31.5	62.8	1,204.3	15.0
FY2013	20,000	22,642	—	—	69.3	67.8	1,257.6	15.5
FY2014	10,000	11,315	—	—	42.4	68.5	1,440.7	16.0
FY2015	4,767	6,999	—	—	40.2	71.4	1,436.5	20.0
FY2016	10,000	8,496	20,000	20,578	70.6	40.0	1,470.1	20.0
FY2017	10,000	9,736	—	—	44.3	72.5	1,579.0	21.0
FY2018	10,000	10,069	30,000	30,530	49.1	72.1	1,638.2	22.0
FY2019	10,000	8,623	10,000	10,139	54.9	58.1	1,620.3	22.0
FY2020	—	—	10,000	9,619	32.9	61.8	1,792.2	25.0
FY2021	10,000	8,759	—	—	56.2	63.6	1,781.1	26.0
Total	245,811	232,557	210,404	199,758	—	—	—	—

# 14<sup>th</sup> Medium-term Business Plan(1) – Name and vision

Draw both “10-year Vision”, where Shizuoka Bank Group commits itself to growth of regional industry and economy from long-term perspectives, and “14<sup>th</sup> Medium-term Business Plan Vision”, where it innovates its business model in order to realize 10-year Vision

Name 「 **COLORs** 」

## 【Thoughts put in the name】

- Find a way out from traditional “banking-centered” sales style, and realize new style where everyone in Shizuoka Bank Group works together in providing solutions to diversified needs of region and customers from various angles
- Actively promote diversity and SDGs

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

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

## 14<sup>th</sup> Medium-term Business Plan Vision

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

# 14<sup>th</sup> Medium-term Business Plan(2) – Basic strategies

Set “Region-Producing Strategy” as a long-term strategy (10-year Strategy), and three basic strategies “Group Sales Strategy”, “Innovation Strategy”, “Business Portfolio Strategy” as 3-year Strategies

## Basic strategy 1 (3-year Strategy)

### Group Sales Strategy ~Find a way out from “banking-centered”

- (1) Get into a habit of promoting sales by gathering all strength in the Group
- (2) Enhance convenience of regional financial system
- (3) Complete 3 structural reforms in the 13<sup>th</sup> Medium-term Business Plan

Allocate management resource  
and take risks in initiatives  
in a “region” as the top priority

## 10-year Strategy

### Region-producing Strategy

- (1) Create regional industry  
~Promote regional innovation
- (2) Enhance regional attractiveness  
~Build regional platform,  
Develop regional human resource, etc

## Basic strategy 2 (3-year Strategy)

### Innovation Strategy ~Pursue new profit opportunities

- (1) DX
- (2) Global strategy
- (3) Strategic investment,  
Cross-industry collaboration

Complement profit  
by allocating management resource  
and taking risks  
in growth areas and fields  
(economic/social sustainability)

## Basic strategy 3 (3-year Strategy)

### Business Portfolio Strategy ~Optimize allocation of management resource

- (1) Human resource strategy
- (2) Market & Tokyo strategy
- (3) Asset allocation

# 14<sup>th</sup> Medium-term Business Plan(3) – Targeted management indicators

	Indicators	The 13 <sup>th</sup> Medium-term Business Plan		The 14 <sup>th</sup> Medium-term Business Plan
		Peak under the Plan	Results in FY2019	Planned figures in FY2022
Profitability	Consolidated ordinary profit	JPY 65.8bn (FY2017)	JPY 54.6bn	<b>JPY 80.0bn or more</b>
	Consolidated ROE	5.21% (FY2017)	3.85%	<b>5% or higher</b>
Soundness	Consolidated CET1 ratio	16.05% (FY2018)	15.59%	<b>14% or higher</b>
Others	Consolidated OHR	58.9% (FY2019)	58.9%	<b>55% level</b>
	Shareholders return	50% level in medium and long term (non-consolidated)		<b>50% or higher in medium and long term (consolidated)</b>

In addition to indicators above, manage “Consolidated fees and commissions income ratio” and “Ratio of retail shareholders in the region” as indicators to monitor internally

# 14<sup>th</sup> Medium-term Business Plan(4) – Plan of figures

(JPY bn)

		Results in FY2018	Results in FY2019	Plan in FY2022	Change in 3 years
Consolidated	Gross operating profit	150.8	147.9	169.2	+ 21.3
	Fees & commissions revenue (*)	23.3	23.1	29.3	+ 6.2
	Ordinary profit	63.4	54.6	<b>80.0</b>	+ 25.4
	Profit attributable to owners of the parent	46.9	38.7	56.5	+ 17.8
	ROE	4.67%	3.85%	<b>5% or higher</b>	—
	OHR	60.0%	58.9%	<b>55% level</b>	—
	CET1 ratio	16.05%	15.59%	<b>14% or higher</b>	—
Non-consolidated	Gross operating profit	134.8	131.0	144.4	+ 13.4
	Interest on loans	106.0	105.2	110.3	+ 5.1
	Interest and dividend on securities	32.6	24.9	37.1	+ 12.2
	Bond-related income such as JGBs	- 1.1	3.9	4.4	+ 0.5
	Expenses (-)	80.9	79.1	83.8	+ 4.7
	Actual net operating profit	53.9	51.9	60.6	+ 8.7
	Ordinary profit	56.5	46.5	67.0	+ 20.5
	Net income	42.6	33.4	46.7	+ 13.3
	Credit-related costs (-)	4.8	8.7	7.0	- 1.7
	Average amount of loan	8,336.9	8,740.1	9,801.0	+ 1,060.9
	Average amount of deposit	9,743.6	10,088.7	11,074.7	+ 986.0
	Average amount of securities	1,336.0	1,281.8	1,984.7	+ 702.9

\* Total of non-consolidated fees and commissions, non-consolidated trading income, and ordinary profit of Shizugin Management Consulting, Shizugin Lease, and Shizugin TM Securities



**This document includes statements concerning future business results.**

**These statements do not guarantee future business results, but contain risks and uncertainties.**

**Please note that future business results may differ from targets for reasons such as changes in the business environment.**

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