

# ***Presentation for Investors***

**February, 2017**

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**静岡銀行**

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***Shizuoka Prefecture –  
Our Operational Foundation***

# Economic scale of Shizuoka Prefecture

- Accounts for 3% share of all-Japan. Ranks 10th in the scale of economy among prefectures
- Has greater GDP than total GDP of 4 prefectures in Shikoku and 3 prefectures in Hokuriku
- Compared to countries, its GDP is ranked next to the Kuwait, Vietnam, and Bangladesh

## Shizuoka Prefecture indices

	Share of all-Japan		National ranking
•Population	3.70 m	2.9%	10th of 47 (2015)
•No. of households	1.54 m	2.7%	10th of 47 (2016)
•Nominal prefectural GDP	JPY 15.9 tn	3.1%	10th of 47 (FY2013)
•Per-capita income	JPY 3.326m	-	3rd of 47 (FY2013)
•No. of business establishments	180 K	3.1%	10th of 47 (2014)
•Amount of shipments of manufactured goods, etc.	JPY 15.7 tn	5.3%	4th of 47 (2014)
•Agricultural output	JPY 220.4 bn	2.5%	15th of 47 (2015)
•Fishery production volume	210 k tons	5.9%	4th of 47 (2015)
•No. of industrial locations	55	5.1%	4th of 47 (2015)
•No. of new housing starts	24 k	2.6%	10th of 47 (2015)

## Shizuoka Prefecture economic scale

Prefectural GDP (FY2013, Nominal)		
Rank	Prefecture/Region	(US\$ billions)
9	Fukuoka Prefecture	181.5
<b>10</b>	<b>Shizuoka Prefecture</b>	<b>158.4</b>
11	Ibaraki Prefecture	114.8
-	4 prefectures in Shikoku	135.9
-	3 prefectures in Hokuriku	120.0
GDP comparison with countries (2013)		
Rank	Country (Region)	(US\$ billions)
57	Kuwait	174.2
58	Vietnam	170.6
59	Bangladesh	161.3
-	<b>Shizuoka Prefecture</b>	<b>158.4</b>
60	Hungary	134.4
61	Angola	124.9

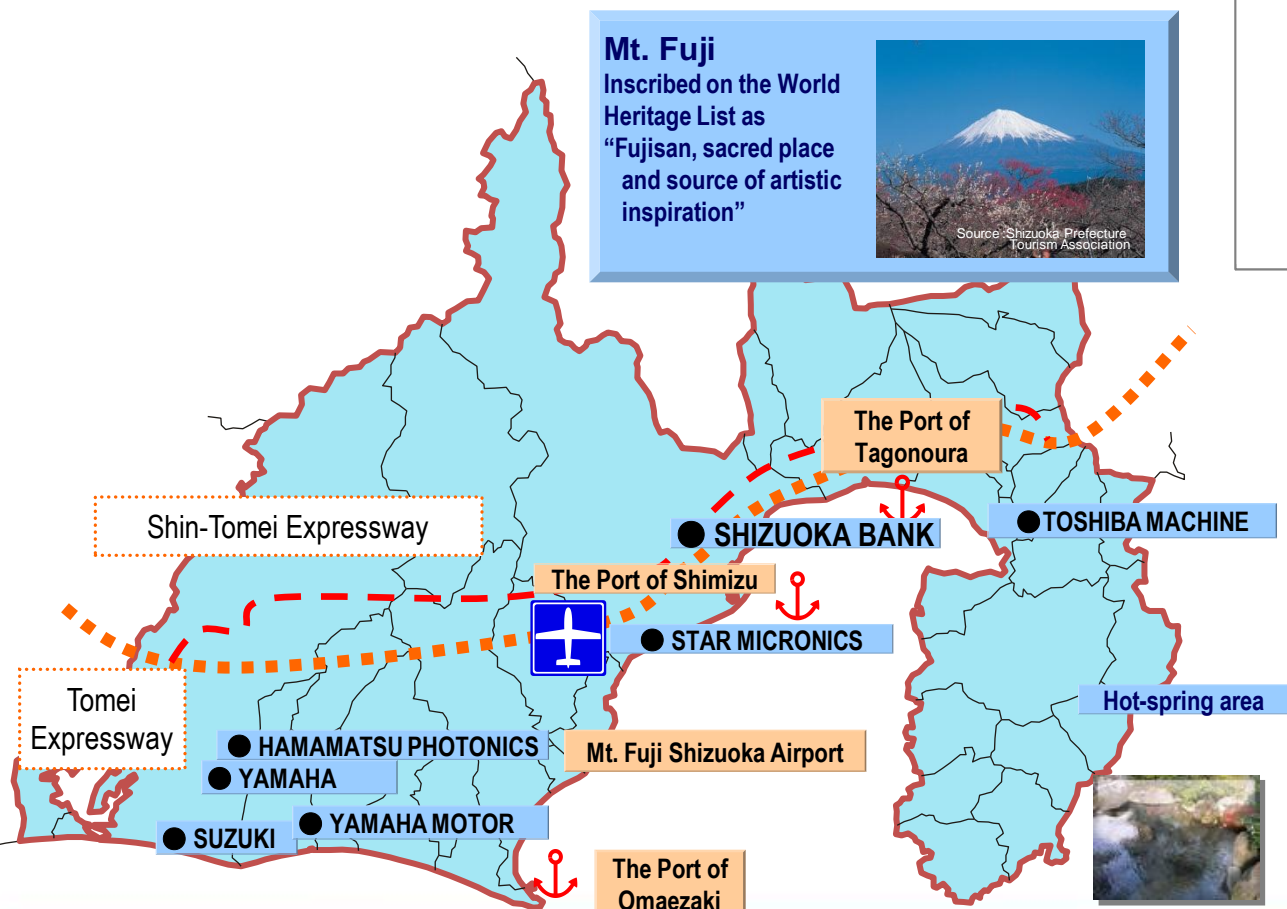
\*Sources: Economic and Social Research Institute (ESRI)

Cabinet Office , Government of Japan

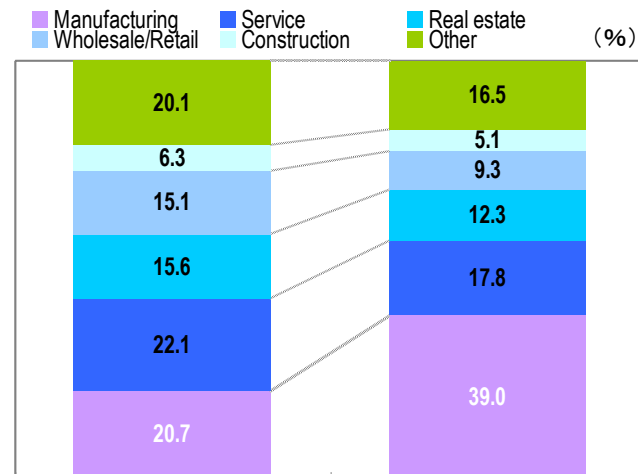
# Economy in Shizuoka Prefecture and current state

- Positioned as distribution hub between Tokyo and Osaka/Kyoto
- Represents leading manufacturing prefecture in Japan
- Owns a lot of export-driven companies related to handling machinery of transportation and music instrument and so forth
- Has many of representative tourist locations coming from its rich natural environments

**Mt. Fuji**  
Inscribed on the World Heritage List as "Fujisan, sacred place and source of artistic inspiration"



Percentage distribution of Shizuoka Prefecture GDP by industry



All-Japan

Shizuoka Pref.

Source: Cabinet Office, Government of Japan, FY2013

No. of listed companies with HQs in Shizuoka Prefecture

Listing	No. of companies
TSE 1 <sup>st</sup> section	22
TSE 2 <sup>nd</sup> section	10
Mothers	1
Jasdaq	17
<b>Total</b>	<b>50</b>

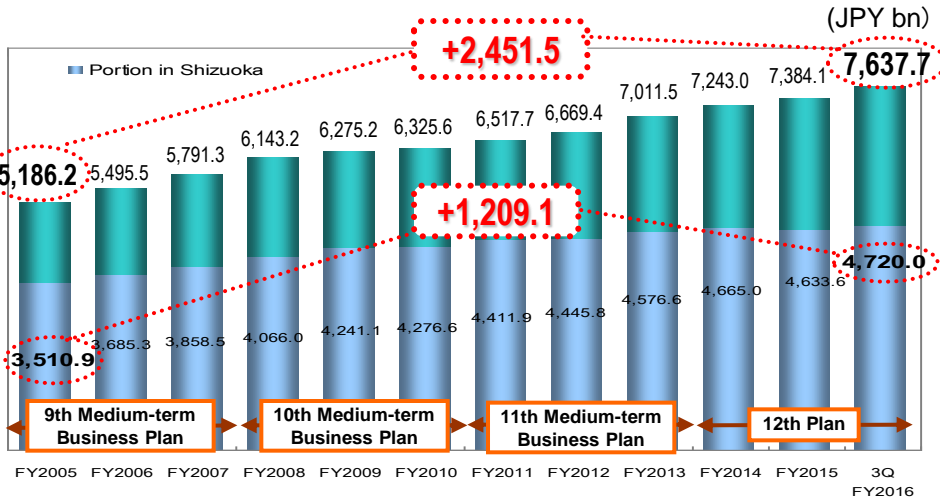
\*As of the end of Oct. 2016

***Distinguishing feature of  
Shizuoka Bank***

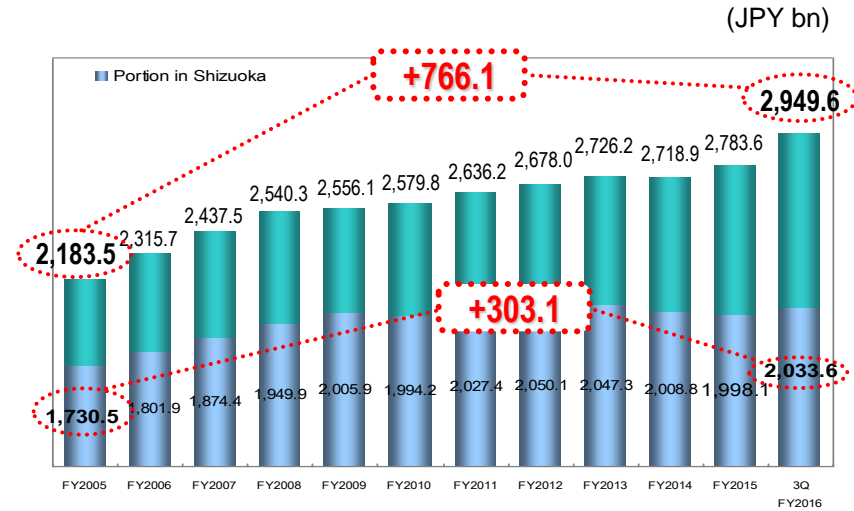
# Historical data of loans

- Total loan balance (average) increased by JPY 2,451.5bn from FY2005 to 3Q FY2016, of which JPY 1,209.1bn in Shizuoka Pref.
- SME loan balance: +JPY 766.1bn, consumer loan balance: +JPY 1,302.2bn

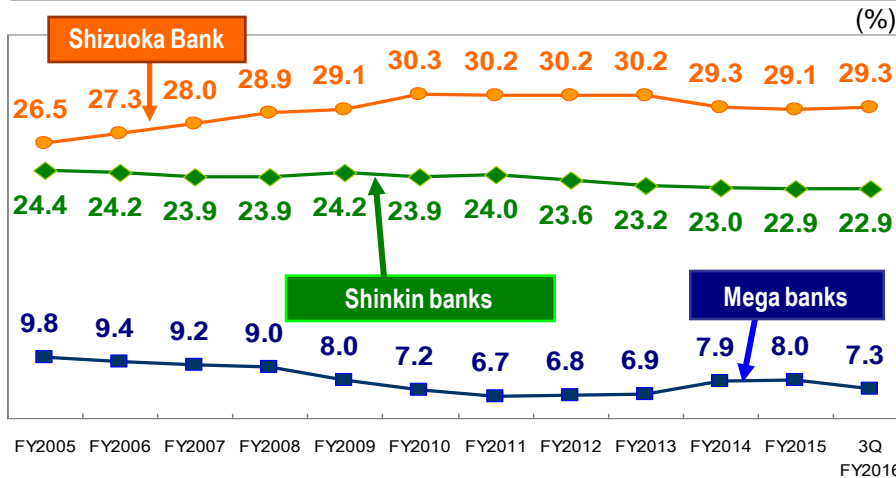
## Total loan balance (average balance)



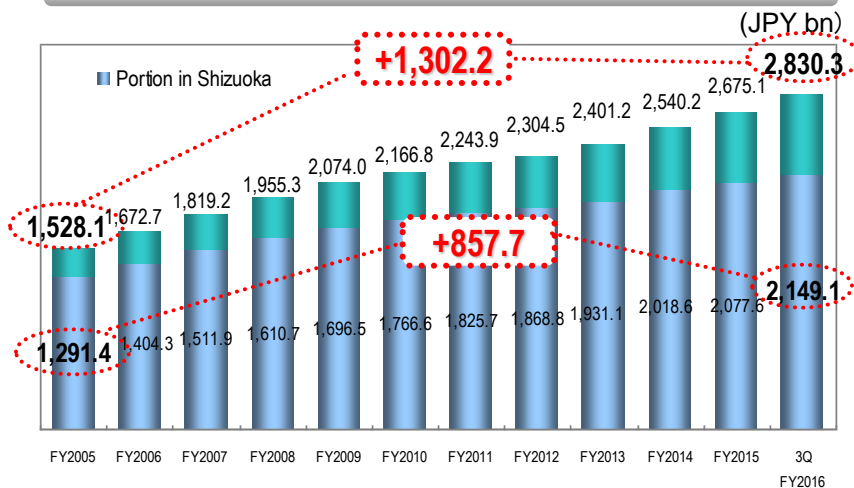
## SME loan balance (average balance)



## Share of loans in Shizuoka Prefecture



## Consumer loan balance (average balance)

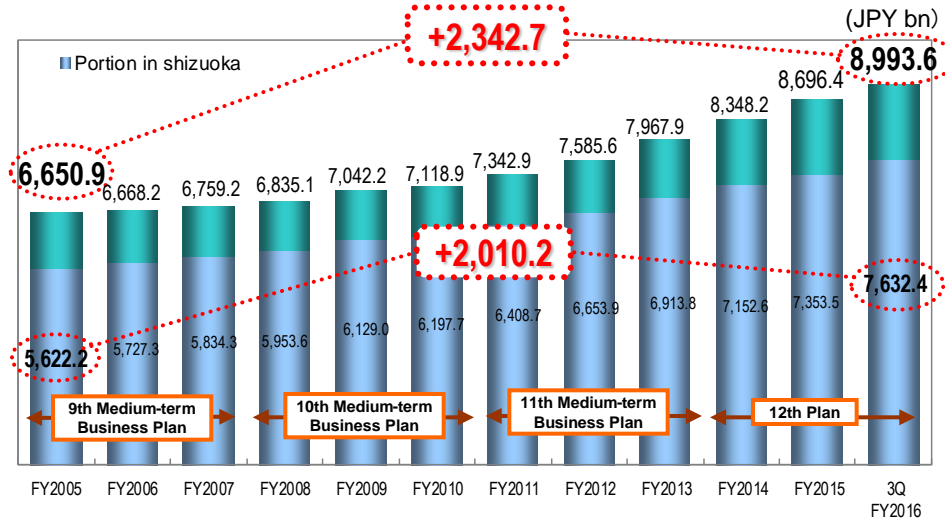




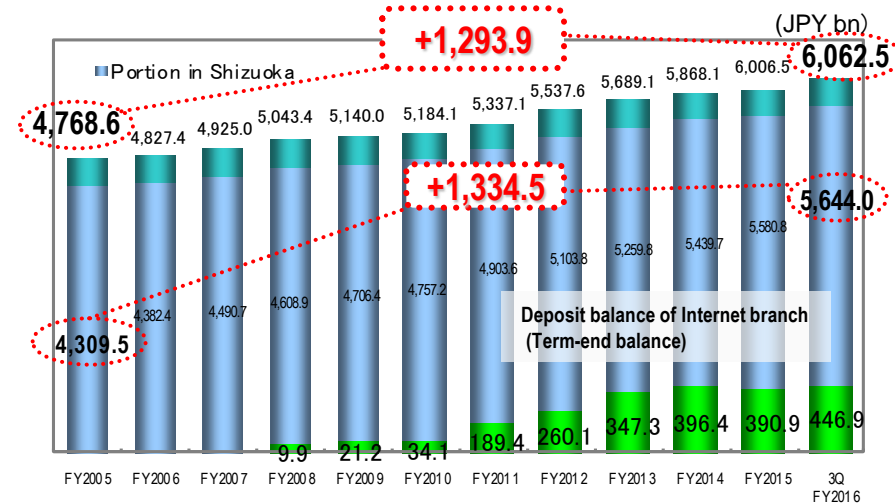
# Historical data of deposits

- Total deposit balance (average) increased by JPY 2,342.7bn from FY2005 to 3Q FY2016, of which JPY 2,010.2bn in Shizuoka Pref.
- Has received higher credit ratings from two overseas and one Japanese agencies

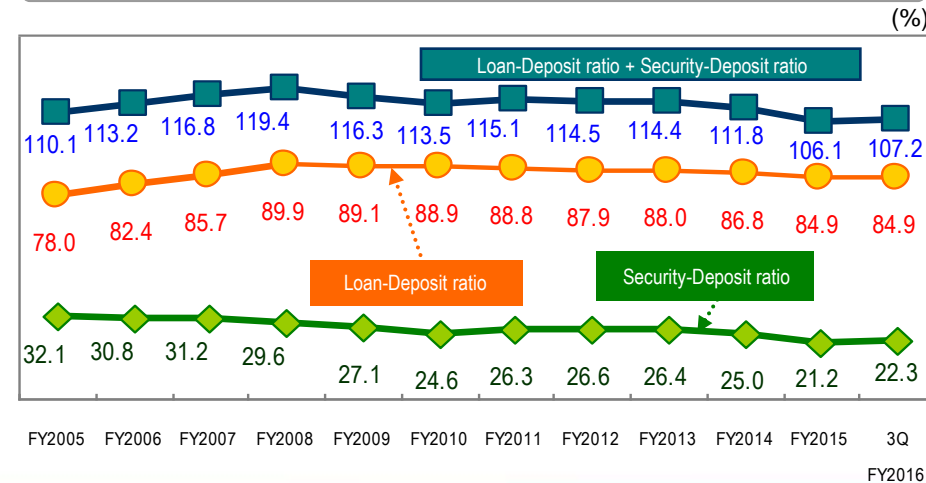
Deposit balance (average balance)



Retail deposit balance in domestic branches (average balance)



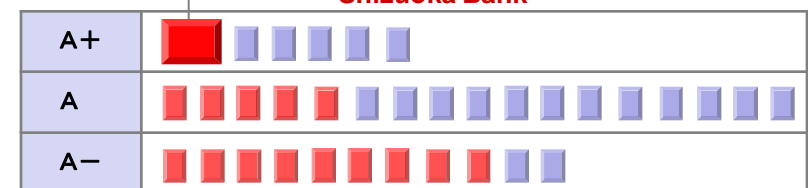
Loan-Deposit ratio / Security-Deposit ratio (excluding NCD)



External ratings (As of the end of Dec. 2016)

- Has received higher credit ratings from two overseas and one Japanese agencies

<Standard & Poor's>



<Other external ratings>

Moody's	A1	R&I	AA
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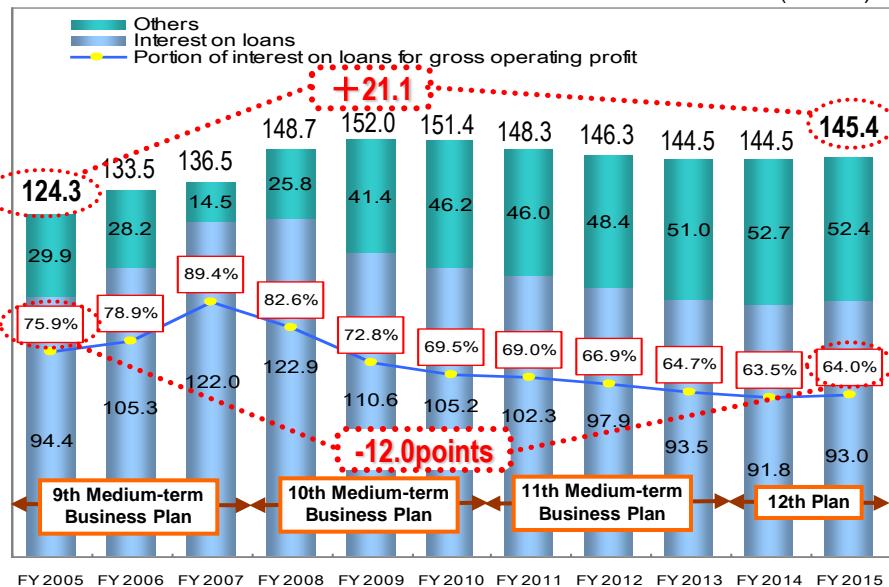


# Profit levels and improvement of productivity

- Gross operating profit stably increased totally over JPY 20.0bn for approximately 10 years
- Productivity improvement led by IT investment and BPR has contributed to strict cost control, and Net income increased totally over JPY 12.6bn in the same period

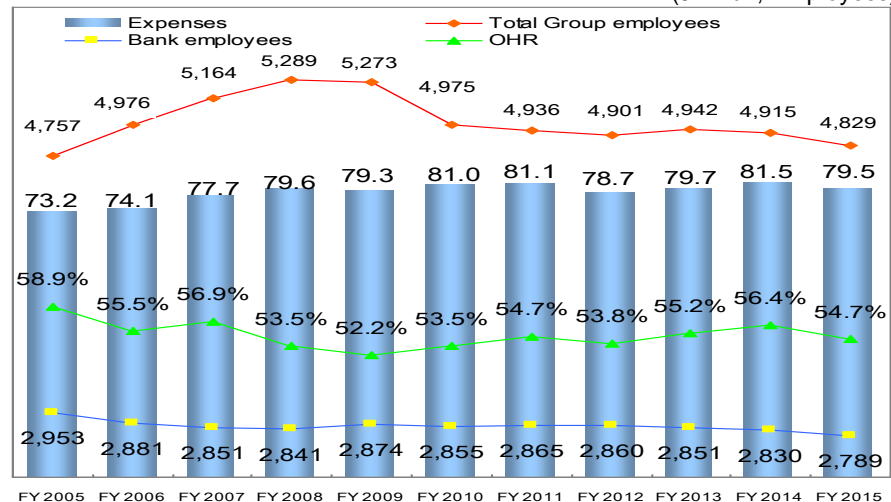
## Gross operating profit and interest on loans

(JPY bn)



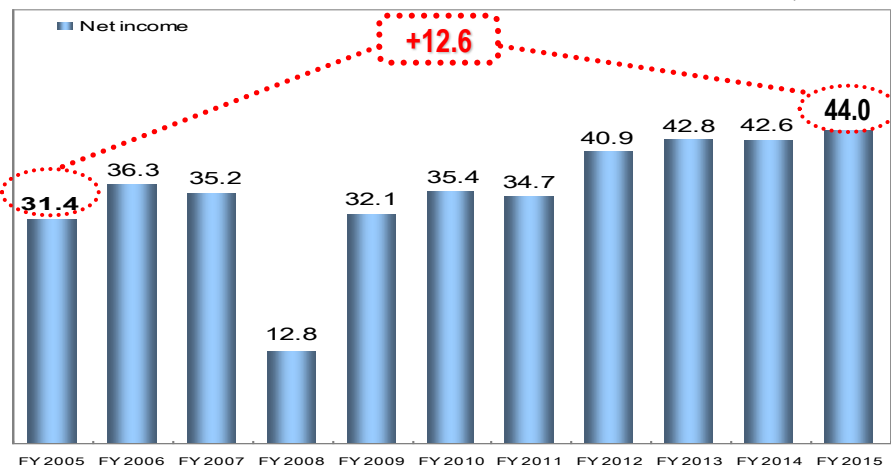
## Expenses and number of personnel

(JPY bn, Employees)



## Net income

(JPY bn)



## Improvement of productivity

### <9th Medium-term Business Plan>

- ~Launch of active IT investment and centralized processing BPR
  - Introduced new terminals at sales branches
  - Upgraded loan support system
  - Centralized processing for loan back-office workload (Centralized storage of loan bookkeeping and debt documents)

### <10th Medium-term Business Plan>

- ~Increased efficiency through IT investment and the expansion of centralized processing
  - Back-office workload reduced at sales branches by 60%
  - Repositioned back-office staff in sales positions

### <11th Medium-term Business Plan>

- ~Extended productivity improvements to the front office workload
  - Reduce workload for consumer loan sales staff by 60%

### <12th Medium-term Business Plan>

- ~Grand opening of new SHIZUGIN Headquarter Tower (Mar. 2016)
  - Established new work-style (Free-Address, Paper-less)

# Region-based Relationship Banking

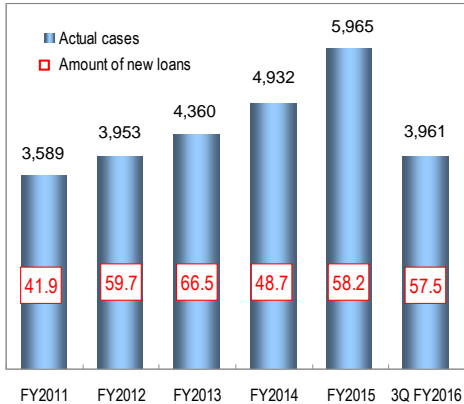
- Have further developed the relationship with customers by providing three pillars of solutions, that are, business matching services, support for business restructuring and turn-around, and “Shizuginship”

## Business matching services

- Supporting our customers to expand their business by creating new sales opportunities

(Trend in case)

(Case, JPY bn)

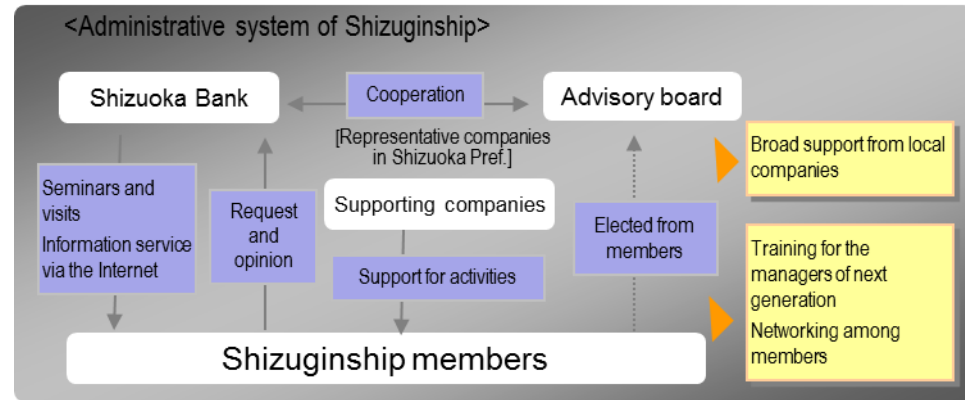


- Have regularly held Shizugin @gricom (agricom), a business networking event to tie-up companies in the agricultural, forestry and fisheries sector and the food processing sector with buyers since February 2006

- Business tie-up with Linkers, co., offering manufactures focused business matching service

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

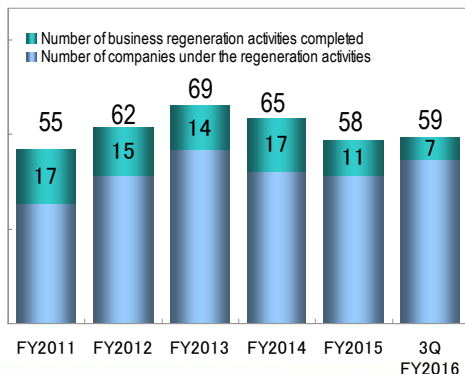
- A membership-based service aimed at developing local businesses and the Shizuoka Prefecture economy by improving the management skills of young managers earmarked as future business leaders
- Launched in April 2007, Shizuginship provides learning and networking opportunities to members
- Support Companies, consisting of leading companies in Shizuoka provide opportunities of site visits and dispatch lecturers to support
- Shizuginship has been managed in harmony with regional society



## Support for business restructuring and turn-around

- Reviewing of terms of repayment and utilizing external agencies and business regeneration fund to support business restructuring and turn-around

(Case)



- From 2005, completed roughly 190 case of business restructuring

Maintained local economy by upholding about 17K employments

[No. of member: (As of the end of Dec. 2016) ]

- 796 companies, 1,188members
- No. of participant for seminars and visits of 3Q FY2016 : 1,154

[Activity achievement in 3Q FY2016 ]

Content	Activity achievement
Lectures by top executive and specialists	10 Lectures
Seminar	Total 28 Courses
• Executive program	2 Courses
• Middle management program	12 Courses
• Basic program	14 Courses

# Initiatives for Regional revitalization

- Established the Regional Revitalization Dept. in June 2015 to play an active and flexible role in regional revitalization. As of 2016, we had formed regional revitalization alliances with all municipal areas in Shizuoka Pref.
- Actively participating in regional revitalization projects and building close links with municipality, local industry, and academia and university

On January 12, 2017, our activities were recognized by the Cabinet Office's Headquarters for Vitalizing Towns, People and Jobs for excellence in promoting tourism through regional resource branding and local cooperation.



Commendation ceremony  
(Kozo Yamamoto, Minister of State for regional revitalization)

## Major initiative (1)

### Promoting tourism across prefectural boundaries

- In June 2016, we concluded an agreement with Bank of Yokohama to stimulate tourism in the Fuji, Hakone and Izu areas with the aim of promoting tourism across prefectural boundaries.
- Taking advantage of the agreement, we established the Kanagawa-Shizuoka Prefectural Border Region Revitalization Liaison Group in October 2016.

## Major initiative (2)

### Contributing to local cooperation

- We teamed up with the Beautiful Izu Development Center in September 2015 to launch the Aisatsu (Greeting) Campaign, which aims to spread the mood of hospitality by greeting each other through whole Izu area.

## Major initiative (3)

### Contributing to create the attractiveness of local community

- A local company constructed Mishima Skywalk, Japan's longest pedestrian suspension bridge (400m; opened December 2016), creating a new tourist site near Mishima City.
- Shizugin joined the project from the concept phase and actively supported the development of the business plan.
- Roughly JPY 4bn was funded by private money from local financial institutions, with Shizugin playing a central role in the process.



Mishima Skywalk  
(photo supplied by Fujico Corporation)

## Major initiative (4)

### Shizugin's inbound tourism initiatives

- Our employee from China runs ongoing seminars about Chinese tourists, covering simple Chinese language training and worthy service for Chinese tourists.
- Shizugin distributed a guide to tourism companies to help them communicate with overseas travelers using only gestures.



***Results of 3Q FY 2016***

# Results of 3Q FY2016 - Nonconsolidated

Nonconsolidated (JPY bn, %)	3Q FY2015	3Q FY2016	YoY change
Ordinary revenue	149.9	155.6	+5.7
Gross operating profit	117.6	91.7	-25.9
Net interest income	94.8	87.6	-7.2
[Interest on loans]	[69.3]	[71.4]	[+2.1]
Fees and commissions	11.8	11.4	-0.4
Trading income	0.7	0.0	-0.7
Other operating profit	10.2	-7.4	-17.6
[Bond-related income such as JGBs]	[9.2]	[-11.9]	[-21.1]
Expenses (-)	59.5	59.6	+0.1
Actual net operating profit *	58.1	32.1	-26.0
Provision for general allowance for loan losses (-)	0.3	1.0	+0.7
Net operating profit	57.8	31.1	-26.7
Special profit and loss	-1.8	11.9	+13.7
Bad debt written-off (-)	4.3	3.2	-1.1
Gain (loss) on stocks	3.2	14.9	+11.7
Ordinary profit	56.0	43.0	-13.0
Extraordinary profit and loss	-0.0	-12.5	-12.4
Net income before taxes	56.0	30.5	-25.5
Corporate taxes (-)	17.4	12.2	-5.2
Net income	38.5	18.3	-20.2

\* Actual NOP=NOP + Provision for general allowance for loan losses

## Overview: Results of 3Q FY2016

**Ordinary revenue** +JPY 5.7bn YoY

- Despite a drop in gains on the sale of JGBs and other bonds and a decline in net interest income, ordinary revenue rose JPY 5.7bn YoY to JPY 155.6bn, mainly supported by an increase in gains on the sale of stocks.

**Gross operating profit** -JPY 25.9bn YoY

- Gross operating profit declined JPY25.9bn YoY to JPY 91.7bn, reflecting a drop of JPY 17.6bn in other operating profit due to an increase in losses on the sale of JGBs and other bonds, and a decline of JPY 7.2bn in net interest income due to lower revenues from investment trusts.

**Net operating profit** -JPY 26.7bn YoY

- Although costs were largely steady, net operating profit fell JPY 26.7bn YoY to JPY 31.1bn due to an increase in provision for general allowance for loan losses (+JPY 0.7bn).

**Ordinary profit** -JPY 13.0bn YoY

- Ordinary profit fell JPY 13.0bn YoY to JPY 43.0bn, despite an improvement of JPY 11.7bn in gain (loss) on stocks and a decline of JPY 1.1bn in bad debt written off.

**Net income** -JPY 20.2bn YoY

- 3Q net income declined JPY 20.2bn YoY to JPY 18.3bn, mainly because the loss on valuation of stocks of subsidiaries and affiliates (JPY 12.3bn) due to a lump-sum write-down on the unamortized balance of goodwill related to Monex Group shares.

# Results of 3Q FY2016 - Consolidated

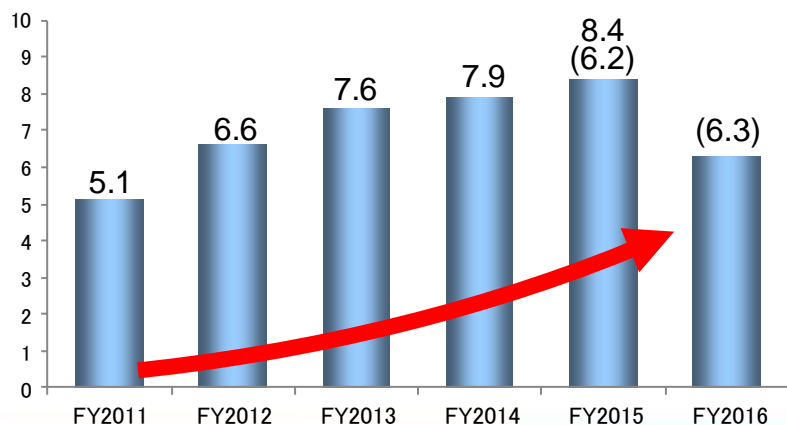
- Ordinary revenue increased JPY +7.1bn YoY to JPY 183.7bn, ordinary profit declined JPY -24.5bn YoY to JPY 35.9bn
- Equity in losses of affiliates booked due to a lump-sum write-down on the unamortized balance of goodwill related to Monex Group shares.
- Total ordinary profit of consolidated subsidiaries : JPY 6.3bn (JPY +0.1bn YoY)

Consolidated (JPY bn, %)	3Q FY2016	YoY change	Contents
Ordinary revenue	183.7	+7.1	<b>Continued increase in 2 periods</b> Due to a increase in gain on sell of stocks
Ordinary profit	35.9	-24.5	<b>First decrease in 2 periods</b> Due to a lump-sum write-down on the unamortized balance of goodwill related to Monex Group shares
Net income	21.5	-19.5	<b>First decrease in 2 periods</b>

## Group Companies

### 【Total ordinary profit of consolidated subsidiaries】

(JPY bn) (Figures in parentheses are results in the 3Q of the fiscal year)



### Consolidated Subsidiaries

Shizugin Management Consulting Co., Ltd.	Shizugin TM Securities Co., Ltd.
Shizugin Lease Co., Ltd.	Shizuoka Bank (Europe) S.A.
Shizugin Computer Service Co., Ltd. (Name changed from April, 2016)	Shizugin General Service Co., Ltd.
Shizugin Credit Guaranty Co., Ltd.	Shizugin Mortgage Service Co., Ltd.
Shizugin DC Card Co., Ltd.	Shizugin Business Create Co., Ltd.
Shizuoka Capital Co., Ltd.	Shizuoka Liquidity Reserve Limited

### Affiliates under equity method of accounting

Shizugin Saison Card Co., Ltd.  
Monex Group, Inc. Commons Asset Management, Inc.



# Results highlights - Gross operating profit

- Gross operating profit increases in bank branch division due to growth in interest on loans
- The market operations division recorded valuation losses on US bond holdings and other assets due to market fluctuations following the US presidential election. To ensure flexibility in bond investment, the division actively wrote off the losses using gains on the sale of equities. Valuation losses had been largely written off by the end of Jan. 2017. Valuation gains and losses from the revaluation of securities improved compared to the end of Sep. 2016

## Break down of Gross operating profit

(JPY bn)	3Q FY2014	3Q FY2015	3Q FY2016	YoY change
<b>Gross operating profit</b>	117.1	117.6	91.7	-25.9
<b>① Bank branch division</b> (Loans, deposits etc.)	76.4	76.4	77.2	+0.8
Interest on loans	69.0	69.3	71.4	+2.1
[Yen based]	65.1	64.0	64.2	+0.2
[Foreign currency based]	3.8	5.3	7.2	+1.9
Fees and commissions	11.5	11.8	11.4	-0.4
Interest paid on deposits etc. (-)	4.1	4.7	5.6	+0.9
<b>② Market operations division</b>	40.7	41.2	14.5	-26.7
Interest and dividends on securities	26.0	30.2	24.1	-6.1
Interest on Deposits etc.	2.4	2.9	3.1	+0.2
Interest on Call money etc. (-)	2.4	2.9	5.4	+2.5
Trading income	0.4	0.7	0.0	-0.7
Other operating profit	14.2	10.2	-7.4	-17.6
[Gains and losses on bonds such as JGBs]	13.5	9.2	-11.9	-21.0
[Loss on sell of bounds such as JGBs (-)]	1.0	10.2	25.8	+15.6
<b>Gain on sell of stocks</b>	5.2	3.2	14.9	+11.7

## Yen based Loan and Deposit, Securities rate

(%)	3Q FY2014	3Q FY2015	3Q FY2016	YoY Change
Loan rate [yen based]	1.29	1.26	1.20	<b>△0.06</b>
Deposit rate [yen based]	0.04	0.04	0.02	△0.02

## Total loan balance (average balance)

(JPY bn)	3Q FY2014	3Q FY2015	3Q FY2016	YoY Change
Total loan balance	7,212.3	7,350.8	7,637.7	+286.9
SMEs loan balance	2,706.2	2,752.8	2,949.6	+196.8
Retail loan balance	2,527.8	2,664.1	2,839.9	+175.8

## Gains and losses from the revaluation of securities

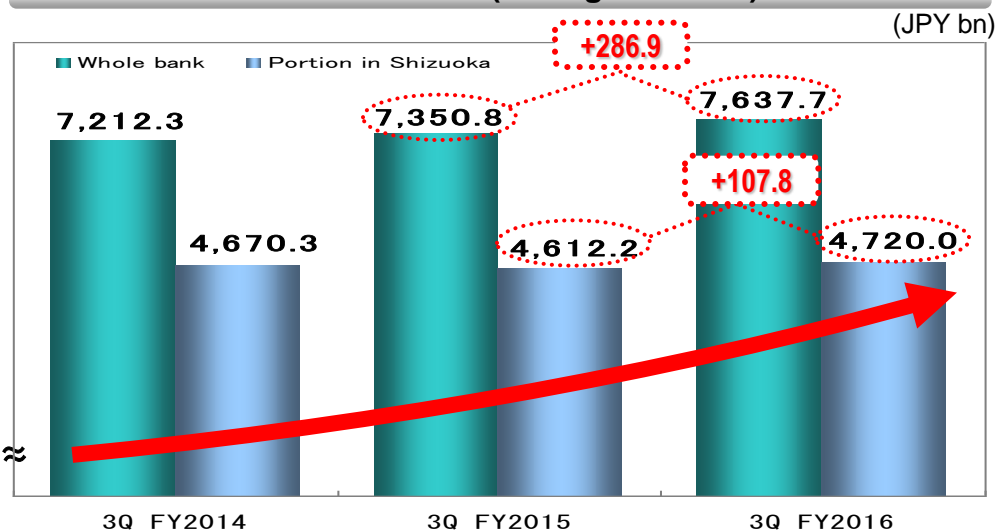
(JPY bn)	End of Mar. 2016	End of Sep. 2016	End of Dec. 2016	End of Jan. 2017
Gains and losses from the revaluation of securities	+227.3	+216.0	+231.4	+239.8
Stocks	+204.6	+206.2	+241.7	+237.7
Bonds	+12.5	+10.9	+6.7	+3.2
Other (Foreign bonds etc.)	+10.1	-1.1	-17.0	-1.1



# Loans ①

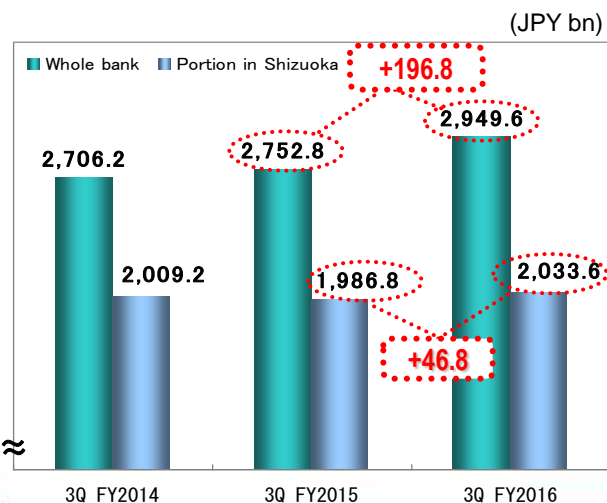
- Total loan balance (average balance) of 3Q FY2016 : JPY 7,637.7bn, up JPY 286.9bn (+3.9%) YoY

## Total loan balance (average balance)

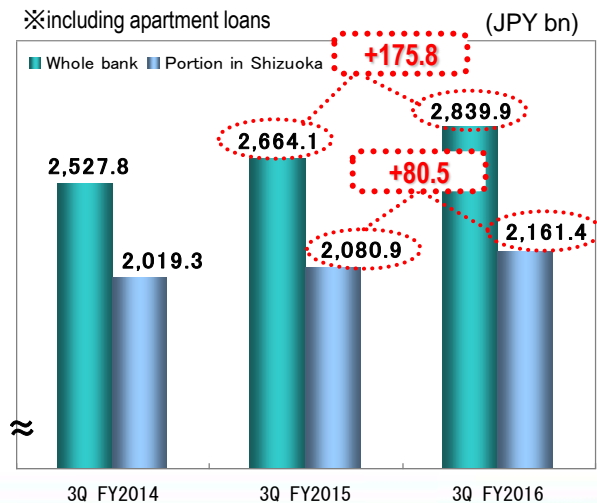


	Average balance	YoY change	Annual growth rate
Total loan balance	7,637.7bn	+286.9bn	+3.9%
SMEs loan balance	2,949.6bn	+196.8bn	+7.1%
Retail loan balance	2,839.9bn	+175.8bn	+6.6%
Large and Medium size enterprises	1,465.8bn	-52.2bn	-3.4%

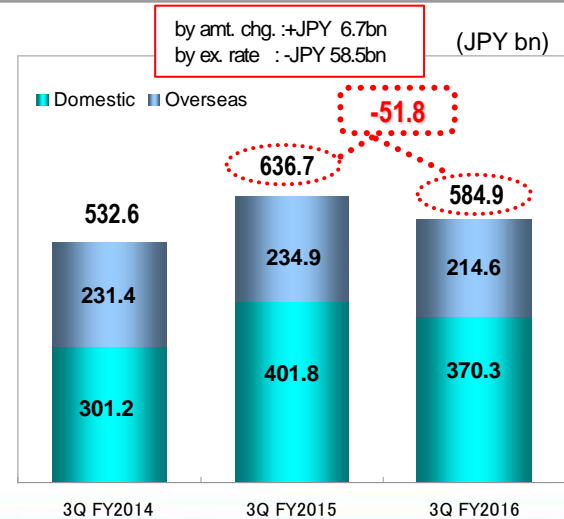
## SMEs loan balance (average balance)



## Retail loan balance (average balance)



## Loan balance in foreign currency (average balance)

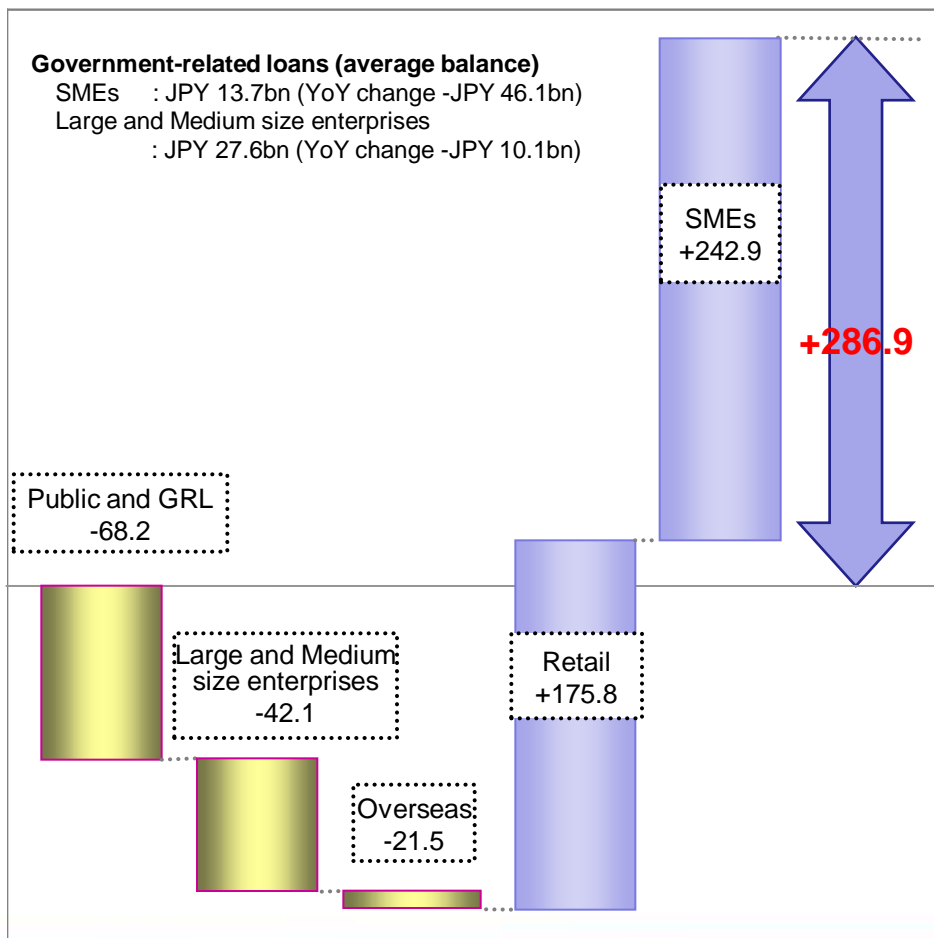


# Loans ②

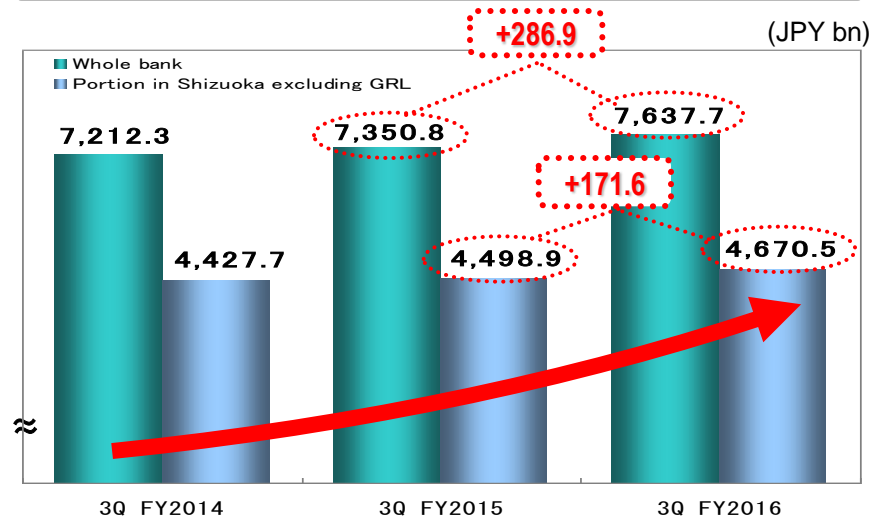
- Changes in lending portfolio: while government-guaranteed and other related loans decreased by maturity, loans for SMEs and sole proprietors expanded strategically
- Except for Government-related loans(GRL), loans in Shizuoka Prefecture for SMEs are growing strongly

## Breakdown of year-on-year change in loan balance excluding government-related loans

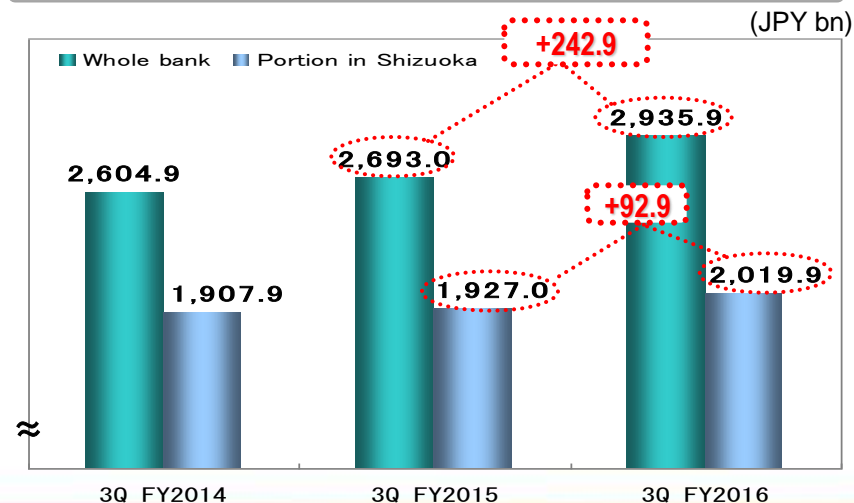
Government-related loans which are classified as loans for Large size enterprises and SMEs are excluded in the figure below.



## Total loan balance (average balance)



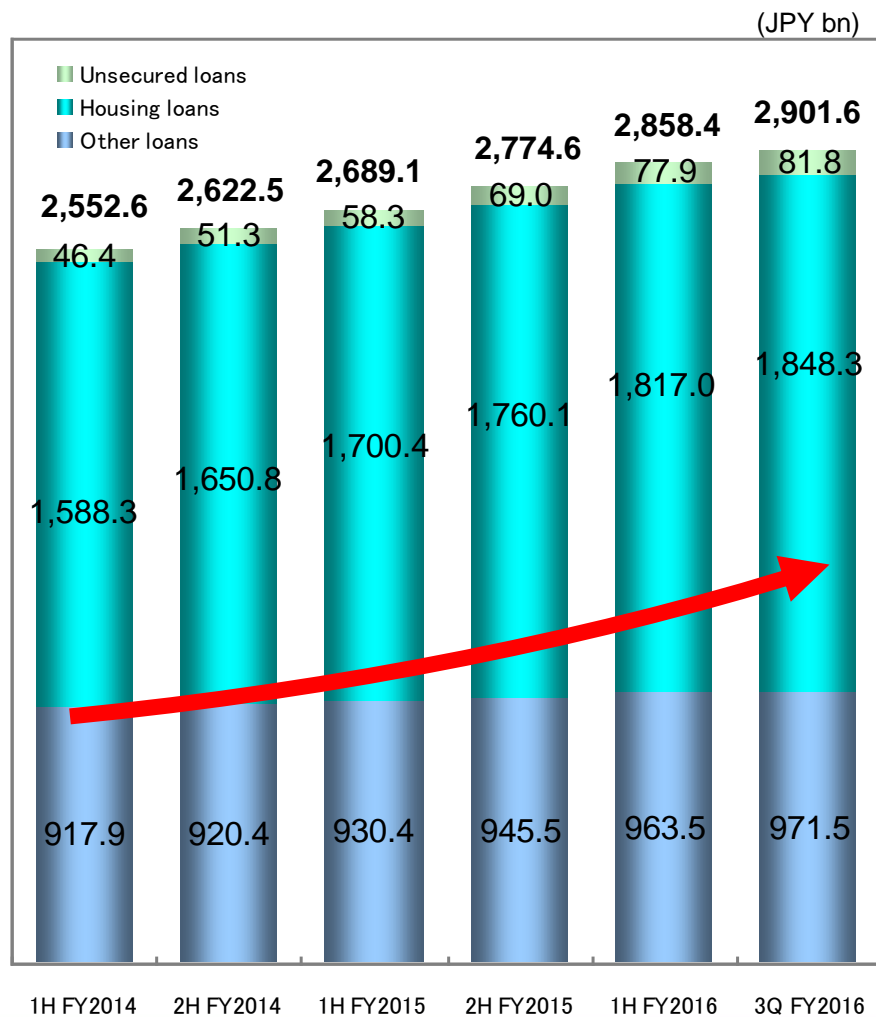
## SMEs loan balance excluding GRL (average balance)



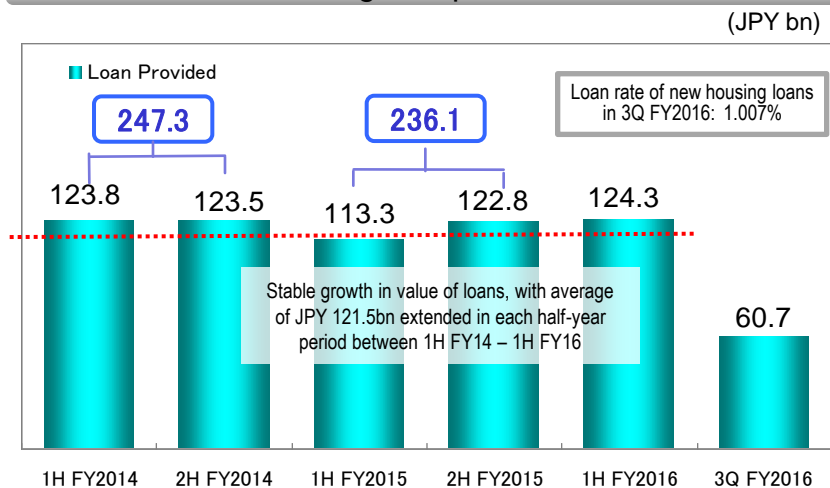
# Customer Loan

- Customer loan balance (term-end balance) of 3Q FY2016 : JPY 2,901.6bn
- Continued growth in balance of loans, supported by satisfactory growth in value of both housing loans and unsecured loans

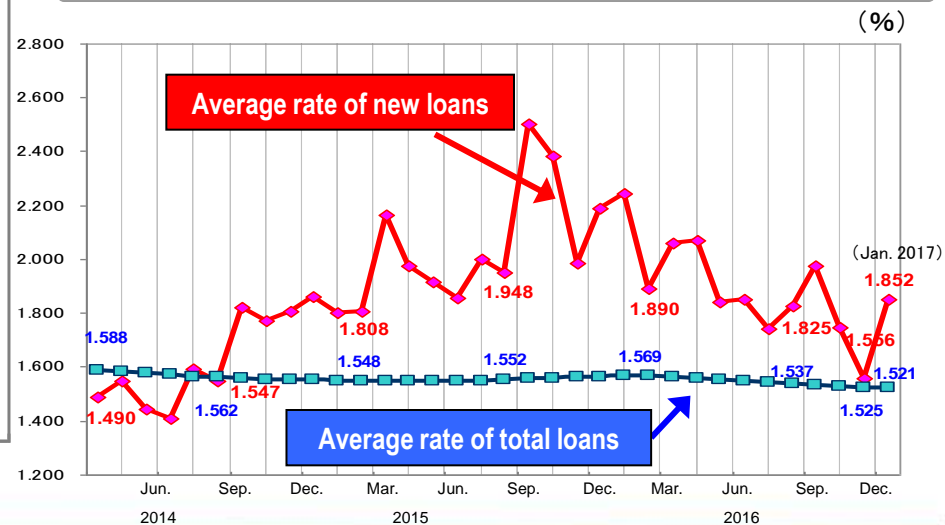
Customer loan balance (term-end balance)



Housing loan provided



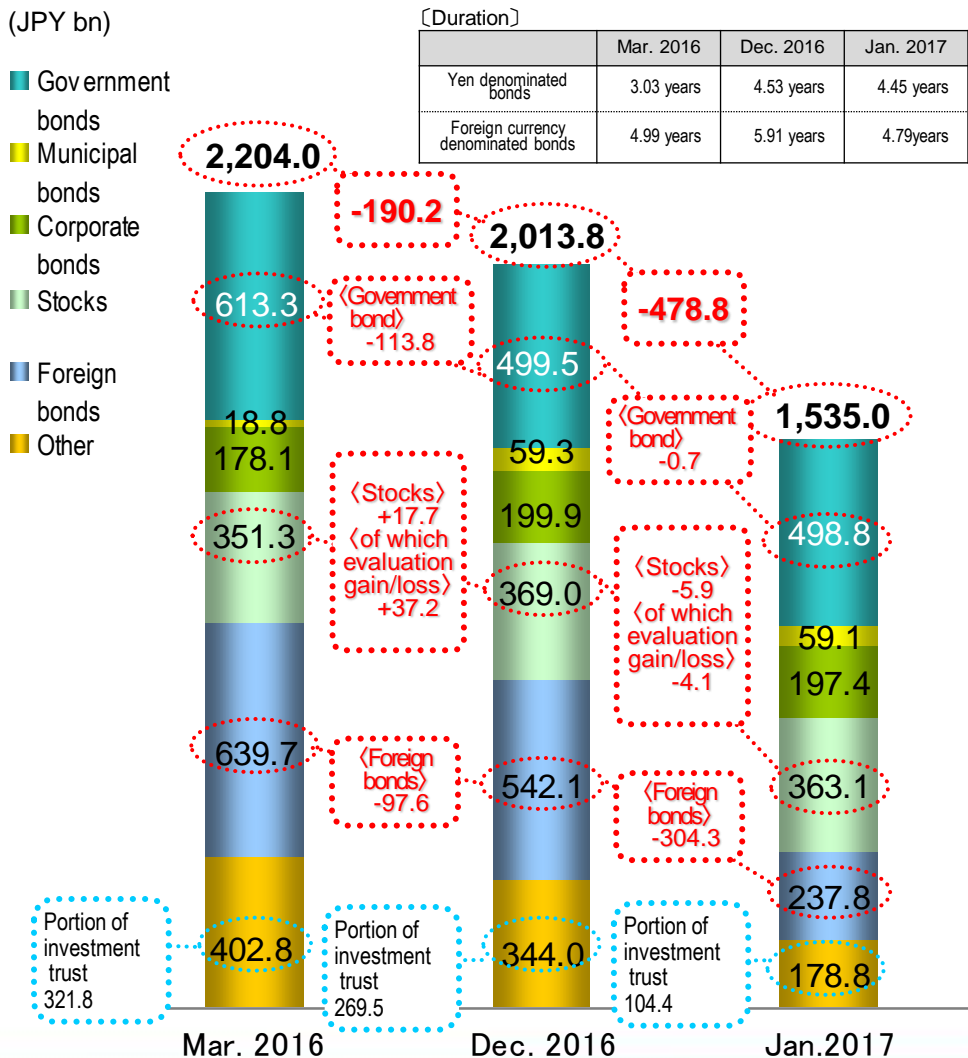
Loan rates for customer loans (monthly average of contract rates)



# Securities

- Total balance of securities (term-end balance) at the end of Dec. 2016 : JPY 2,013.8bn (-JPY 190.2bn from the end of Mar. 2016)
- Total balance of securities (term-end balance) at the end of Jan. 2017 : JPY 1,535.0bn (-JPY 478.8bn from the end of Dec. 2016)
- To ensure flexibility in bond investment, the division actively wrote off the losses using gains on the sale of equities. The division will reconstruct the security portfolio by carefully watching the market trend

## Securities



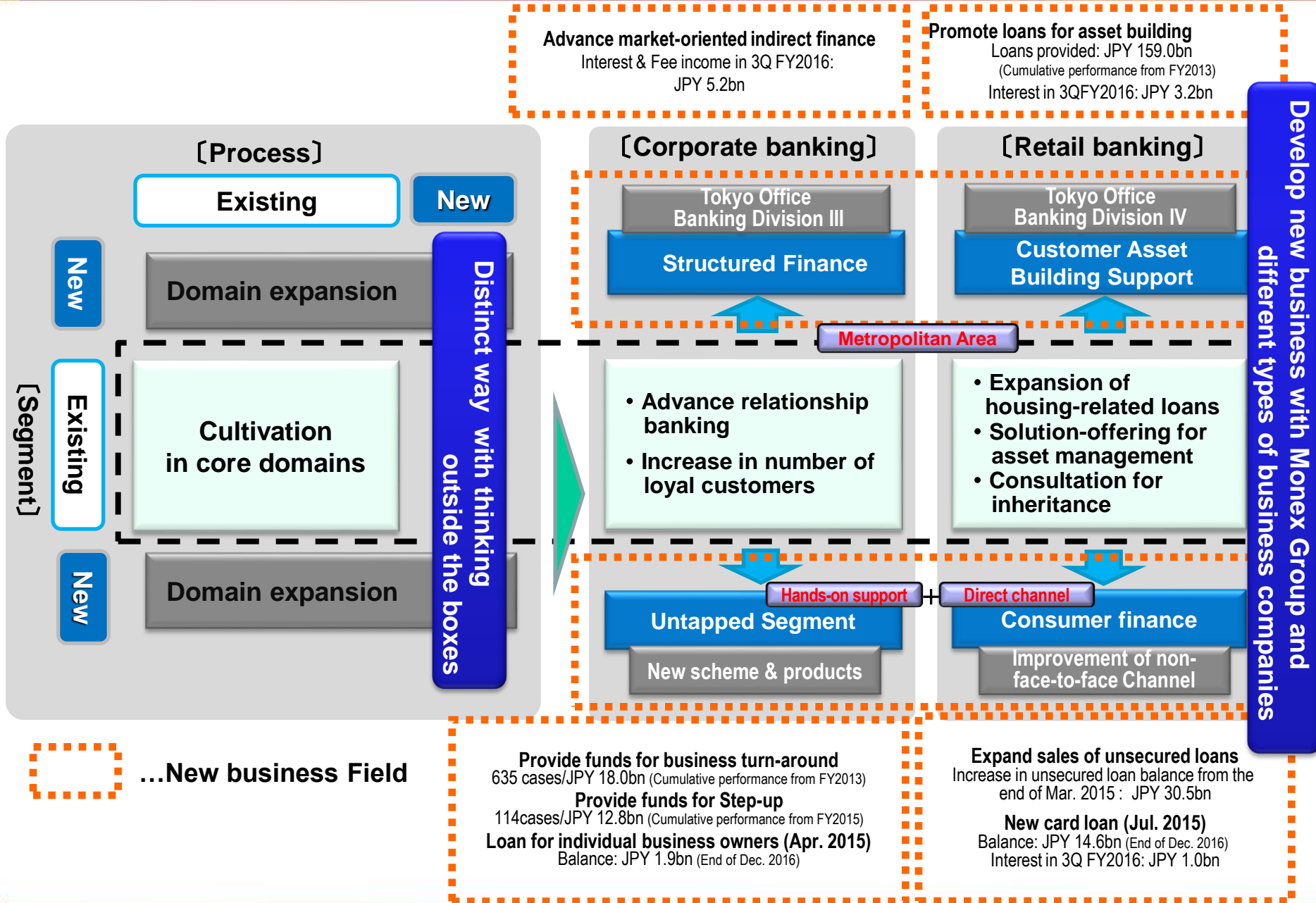
## Gains and losses on securities

(JPY bn)	3Q FY2015	3Q FY2016	Increase/Decrease
Gains on investment trusts	11.7	3.1	-8.6
Gains and losses on bonds such as JGBs	9.2	-11.9	-21.1
Gain on sell of bonds such as JGBs	19.4	13.9	-5.5
Loss on sell of bonds such as JGBs(-)	10.2	25.8	+15.6
Gains and losses on stocks	3.2	14.9	+11.7
Gain on sell of stocks	3.2	14.9	+11.7
Devaluation of stocks (-)	0.0	0.0	+0.0

## Gains and losses from the revaluation of securities

(JPY bn)	End of Mar. 2016	End of Sep. 2016	End of Dec. 2016	End of Jan. 2017
Gains and losses from the revaluation of securities	+227.3	+216.0	+231.4	+239.8
Stocks	+204.6	+206.2	+241.7	+237.7
Bonds	+12.5	+10.9	+6.7	+3.2
Other (Foreign bonds etc.)	+10.1	-1.1	-17.0	-1.1

# Challenge on the new business field in the 12<sup>th</sup> Medium-term Business Plan ①

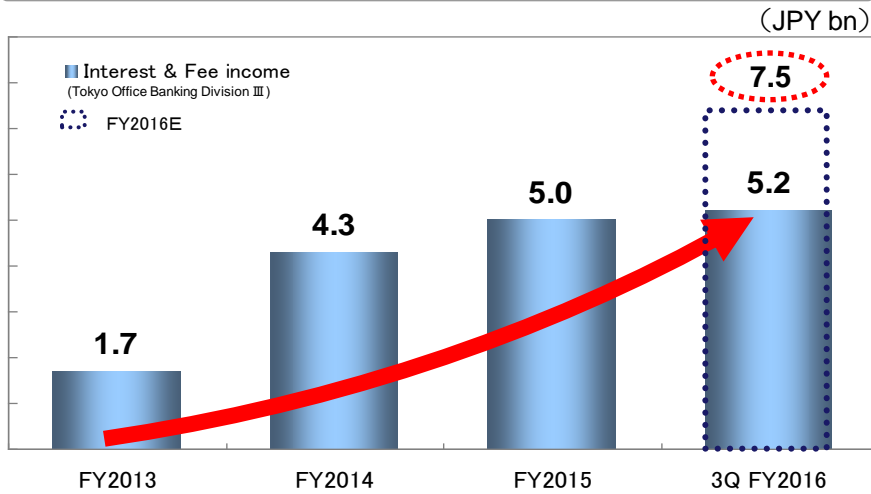


# Challenge on the new business field in the 12<sup>th</sup> Medium-term Business Plan ②

- Challenge on the new business field, important policy of 12<sup>th</sup> Medium-term business plan, is leading to favorable results and growing to be our important profit driver

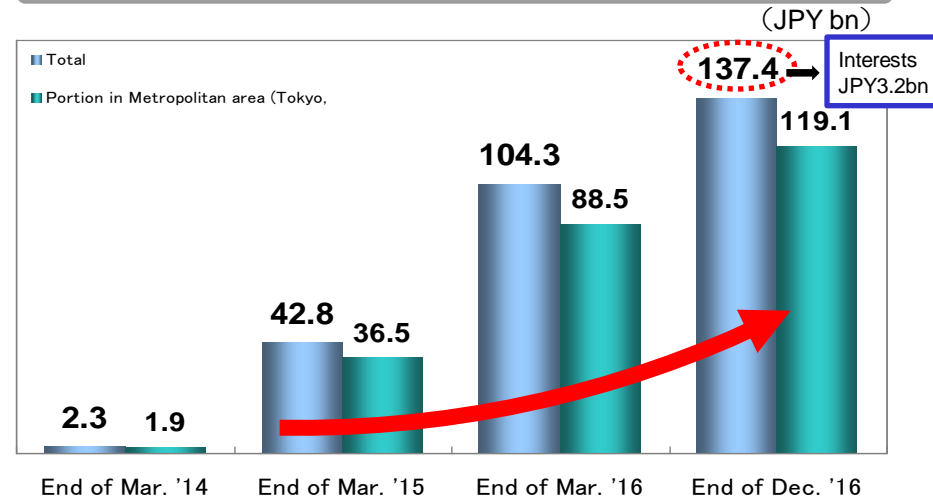
## Corporate banking

### 【Structured Finance】 Interest & Fee income



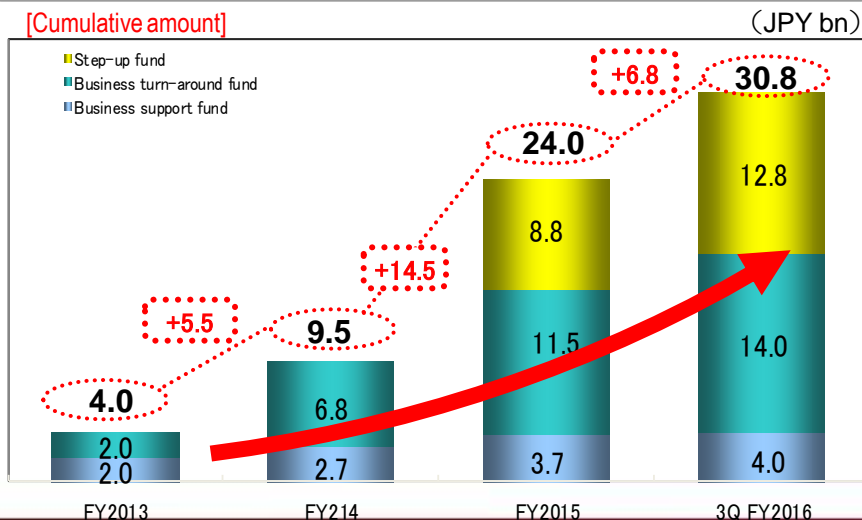
## Retail banking

### 【Customer Asset Building Support】 Balance of loans for asset building

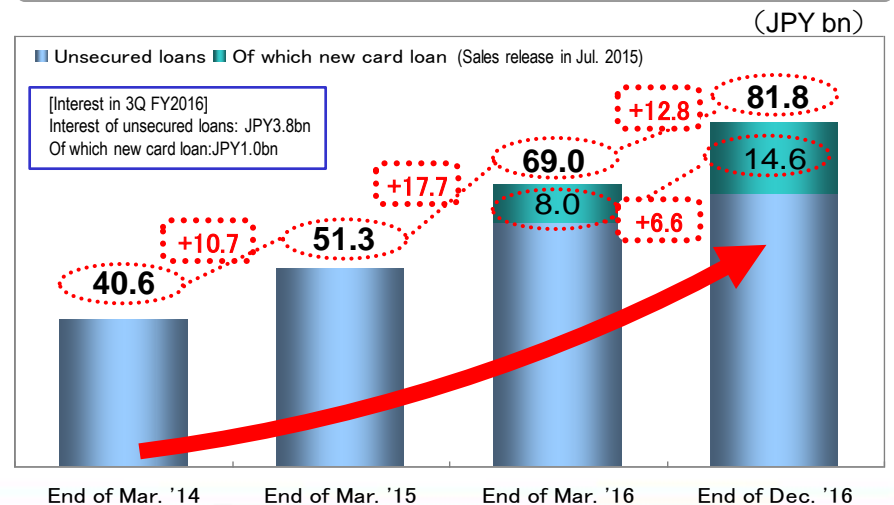


### 【Untapped Segment】 Funds provided for business turn-around etc.

[Cumulative amount]



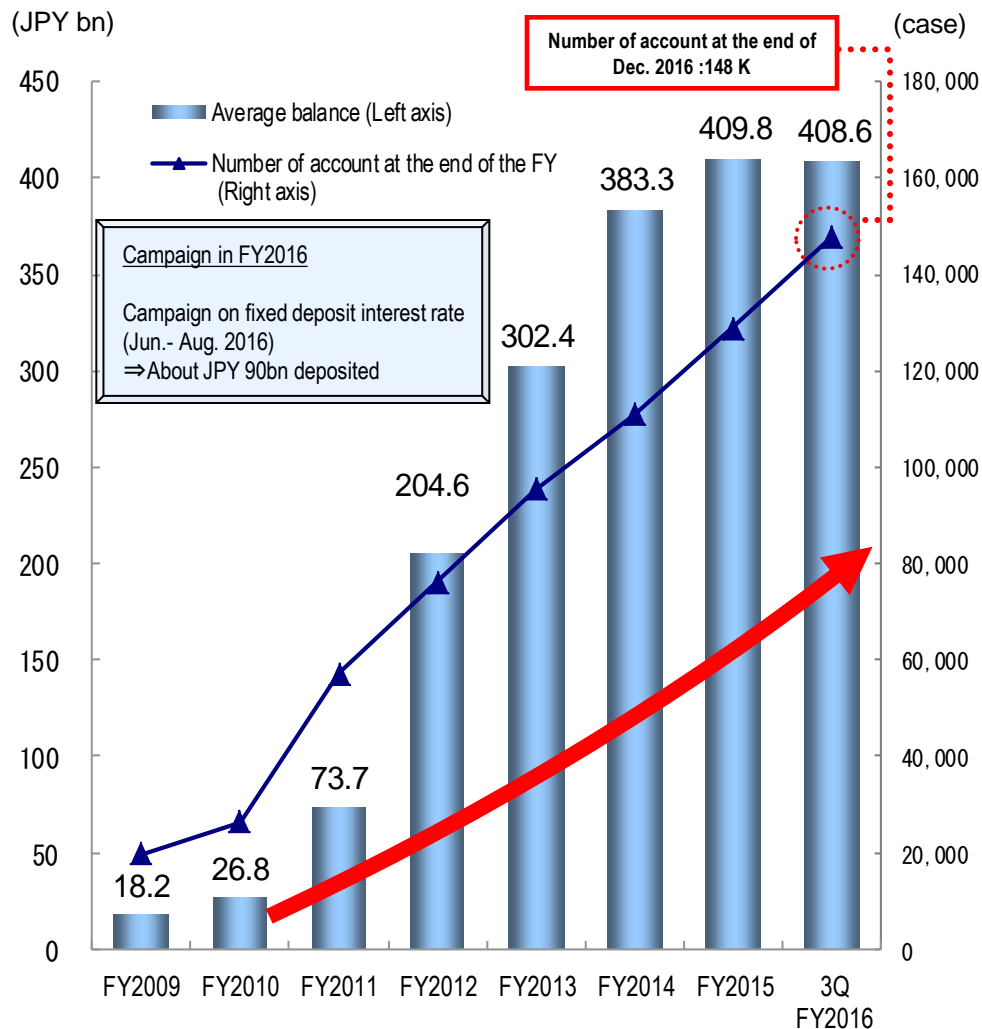
### 【Consumer finance】 Balance of unsecured loans



# Internet branch

- Internet branch growing into an established procurement channel, with deposit balance now exceeding JPY 400bn
- Reinforcing investment side including housing loans and card loans (loan balance at the end of Dec. 2016 : JPY 17.2bn)

## Number of account and average balance



## Customer distribution by prefecture

Due to a significant increase in customers in other prefectures, the Internet branch has grown to be a funding channel that is effective regardless of location.

	End of Mar. 2010	End of Dec. 2016	Change from end of Mar. 2010
Shizuoka	84%	31%	△53
Tokyo	3%	16%	+13
Kanagawa	4%	12%	+8
Aichi	2%	6%	+4
Other	7%	35%	+28

**+53%** (Total increase in other prefectures)

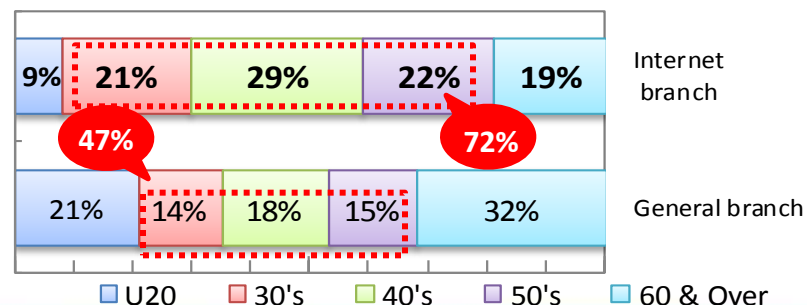
**16%** (Total in Mar. 2010)

**69%** (Total in Dec. 2016)

New customers secured during 1H FY16 campaign period:  
81.5% outside Shizuoka Prefecture

## Customer distribution by age group (End of Dec. 2016)

Having the generations familiar with the Internet (30's-50's asset building generation) as the main customer segment, which is different from general branch, enables the Internet branch provide a wide range of provision of financial services



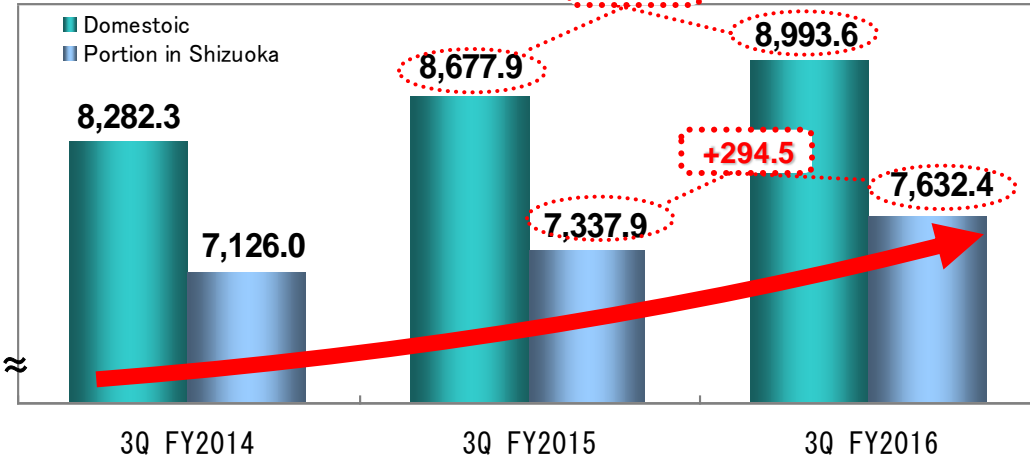


# Deposits

- Deposit balance (average balance) of 3Q FY2016: JPY 8,993.6bn, up JPY 315.7bn(+3.6%) YoY
- NCD balance down JPY 224.2bn to JPY 169.7bn reflecting conditions in procurement environment

## Deposit balance (average balance)

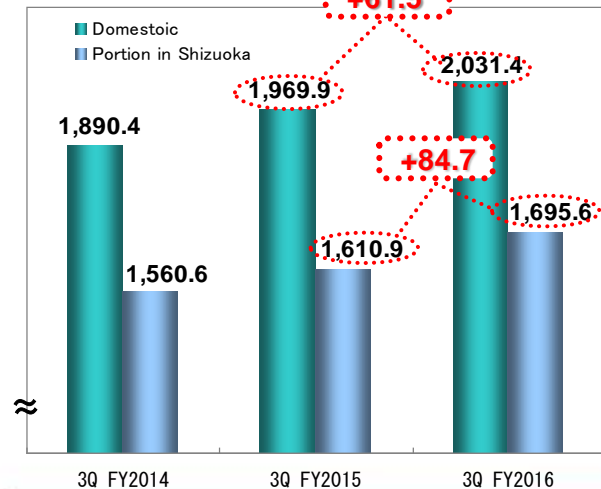
(JPY bn)



	Average balance	YoY change	Annual growth rate
Total deposit balance	8,993.6bn	+315.7bn	+3.6%
Deposit balance in Shizuoka	7,632.4bn	+294.5bn	+4.0%
Corporate deposit balance	2,031.4bn	+61.5bn	+3.1%
Retail deposit balance	6,062.5bn	+61.1bn	+1.0%
Portion in Internet branch	408.6bn	-4.4bn	-1.0%

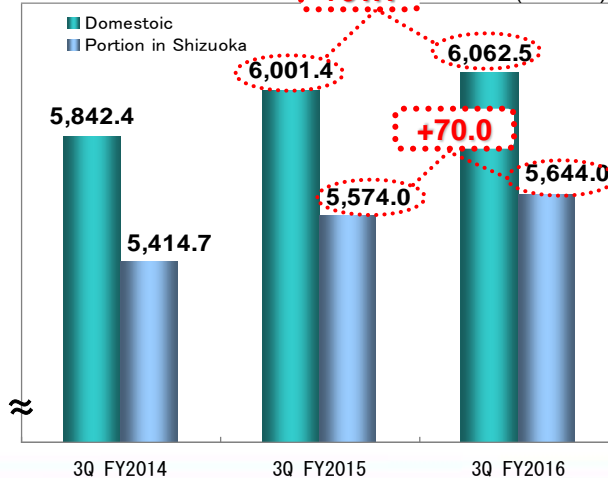
## Corporate deposit balance (average balance)

(JPY bn)



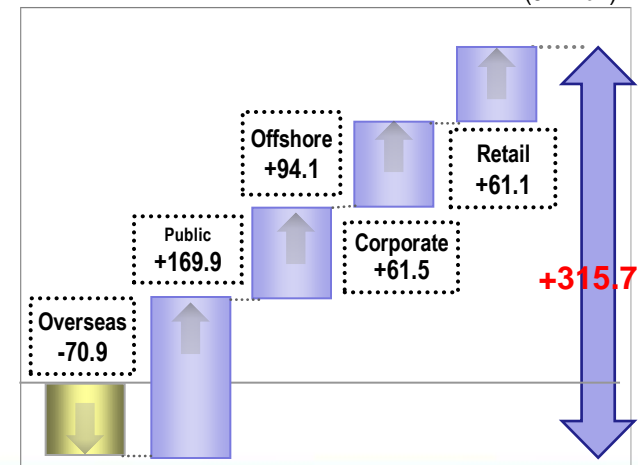
## Retail deposit balance (average balance)

(JPY bn)



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

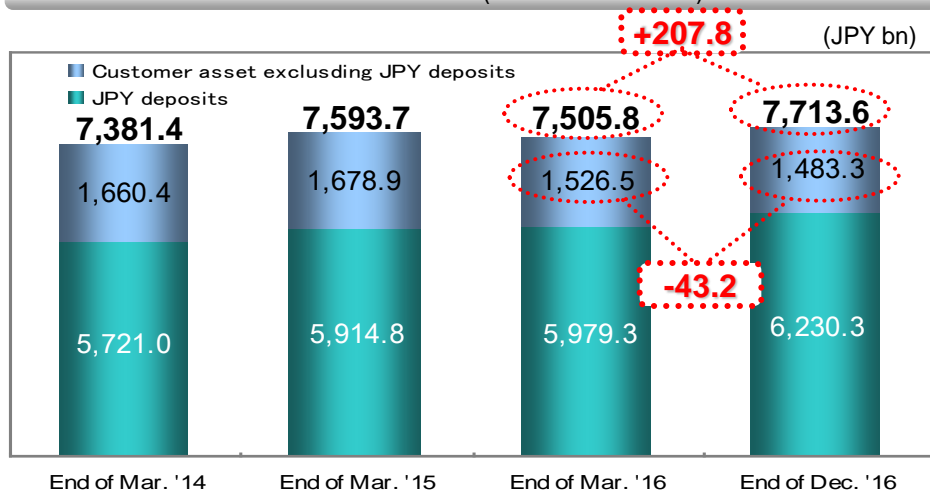
(JPY bn)



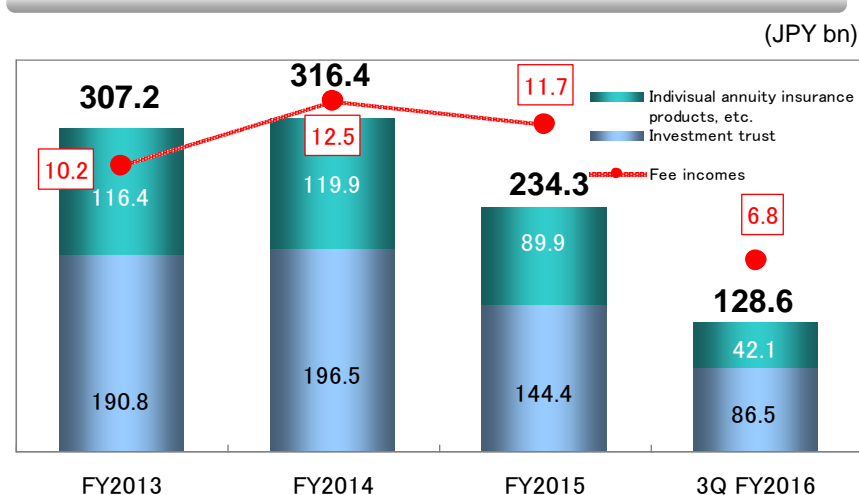
# Customer assets and fee incomes

- Customer assets (including the balance of Shizugin TM Securities) was JPY 7,713.6bn (+JPY 207.8bn from the end of March 2016), of which balance of customer asset, excluding JPY deposits, was JPY 1,483.3bn (-JPY 43.2bn, of which individual annuity insurance products -JPY25.9bn, public and corporate bonds -JPY15.3bn, Shizugin TM Securities -JPY 6.8bn)
- Have been increasing the percentage of recurring premium policies in the sales of insurance products to stabilize revenue from insurance sales

Customer assets (term-end balance)



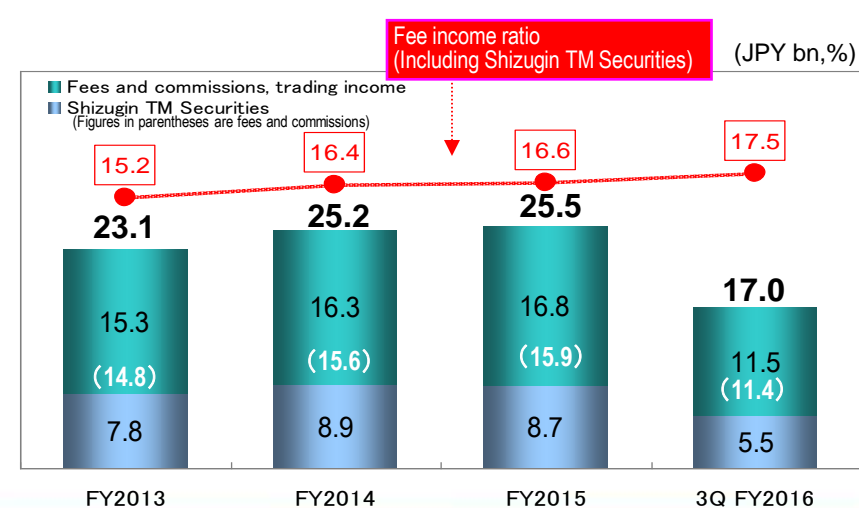
Sales and fee income from offering investment trusts and insurance products



Balance of individual annuity insurance products, etc. and investment trusts

Individual annuity insurance products, etc.		FY2014	FY2015	3Q FY2016	Change from the end of FY2015
Balance (JPY bn)		951.8	891.5	865.7	-25.8
Level premium policies	Number of sales	4,283	11,169	11,048	—
	Percentage	17%	43%	62%	—
Single premium policies	Number of sales	20,204	14,953	6,716	—
	Percentage	83%	57%	38%	—
Investment trusts		FY2014	FY2015	3Q FY2016	Change from the end of FY2015
Balance (JPY bn)		434.6	379.6	355.1	-24.5
Portion in Shizuoka Bank		20.3	22.0	26.3	+4.3
Number of contracts of reserved investment trust		36,537	43,739	44,176	+437
Portion in Shizugin TM Securities		414.3	357.6	328.8	-28.8

Fee incomes (Shizuoka Bank / Shizugin TM Securities)



# Credit-related costs

- Credit-related costs in 3Q FY2016: JPY 4.2bn(-JPY 0.3bn YoY), Credit-related cost rate: 0.07%
- Credit-related costs for FY2016 are expected to be JPY 4.3bn

## Breakdown of credit-related costs

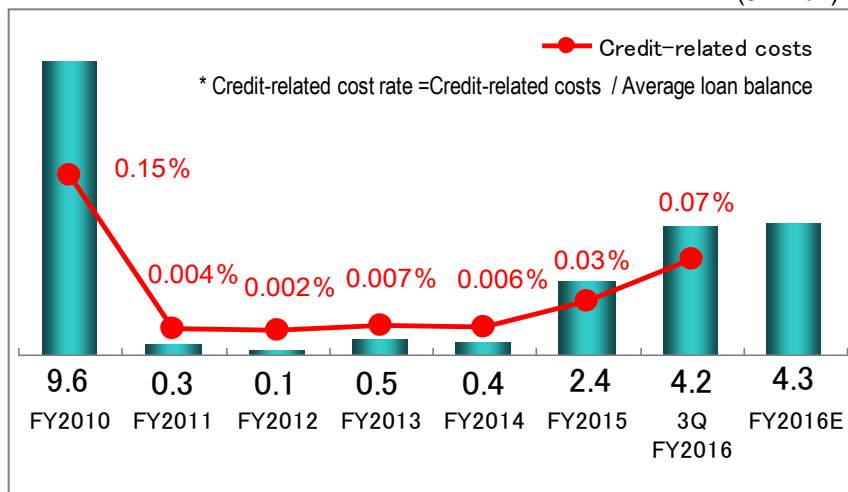
(JPY bn)	3Q FY2015	3Q FY2016	YoY change	FY2016E
Provision for general allowance for loan losses (1)	0.3	1.0	+0.7	-0.6
Provision for specific allowance for loan losses (2)	3.8	2.6	-1.2	4.2
Other NPL disposal* (3)	0.4	0.6	+0.2	0.7
Credit-related Costs (1)+(2)+(3)	4.5	4.2	-0.3	4.3

(JPY bn)	
Changes in credit rating, etc.	5.1
Decrease in the value of collaterals	0.2
Upgrade of credit rating, decrease in loan and credit balances by foreclosure, etc.	-2.7
<b>Total</b>	<b>2.6</b>

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

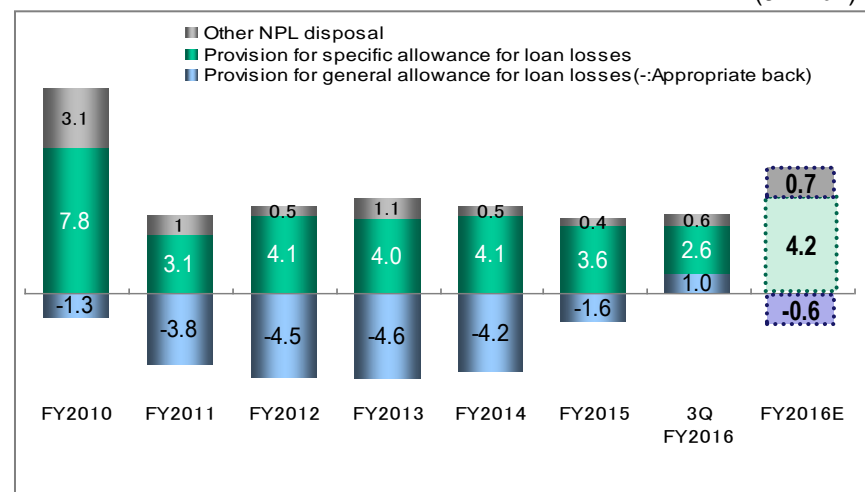
## Credit-related costs and Credit-related cost rate

(JPY bn)



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

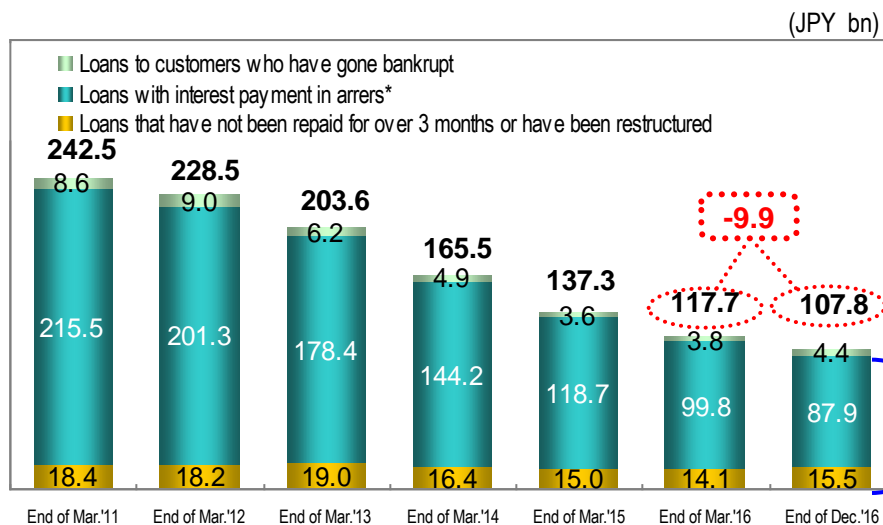
(JPY bn)



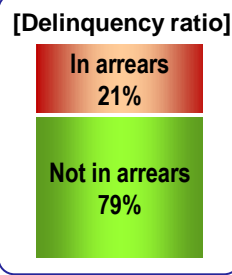
# Risk-management loans

- Total risk-management loans at the end of Dec. 2016: JPY 107.8bn, the ratio of risk-management loans: 1.35%
- Net risk-management loans : JPY 13.2bn, the ratio of net risk-management loans: 0.16%
- Maintained soundness of the bank's asset, steadily reducing risk-management loans from the peak balance of JPY 242.5bn after the collapse of Lehman Brothers

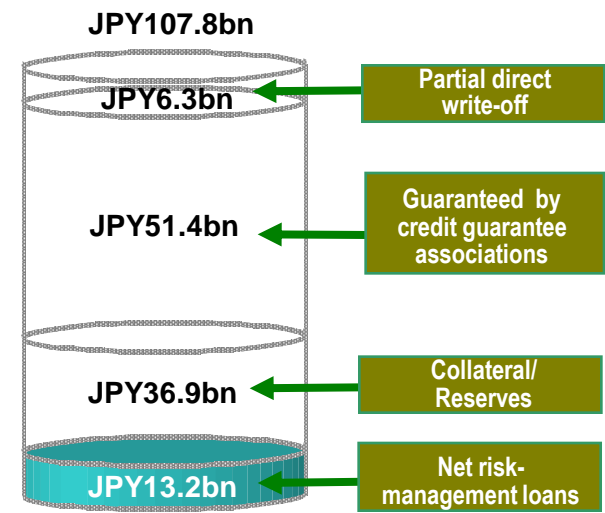
## Trends in Risk-management loans



\*Borrowers classified as "at risk of failure" and borrowers classified as "practically bankrupt" are written as "loans with interest payment in arrears" among the debtor division in accordance with Banking Act



## Net risk-management loans

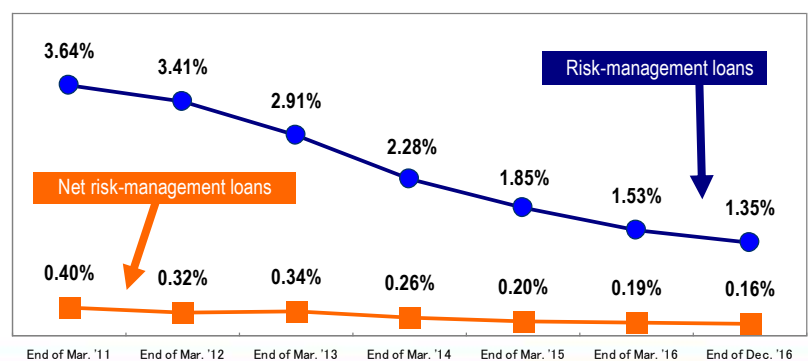


## NPL removal from the balance sheet

(JPY bn)	FY 2015	3Q FY2016	[Breakdown of JPY -29.1bn] (JPY bn)
New recognition of NPLs	+26.8	+21.2	Collected from borrower/set off against deposit account: -3.3
Removal from the balance sheet (NPL to borrowers classified as "at risk of failure" or riskier categories)	-46.4 (-42.5)	-31.1 (-29.1)	Collateral disposal/subrogated to guarantor: -11.1
<b>Risk-management loans</b>	<b>117.7</b>	<b>107.8</b>	Reclassified to better categories: -11.2
			Loans sold-off: -3.5
			Direct write-off of loans: -

-9.9

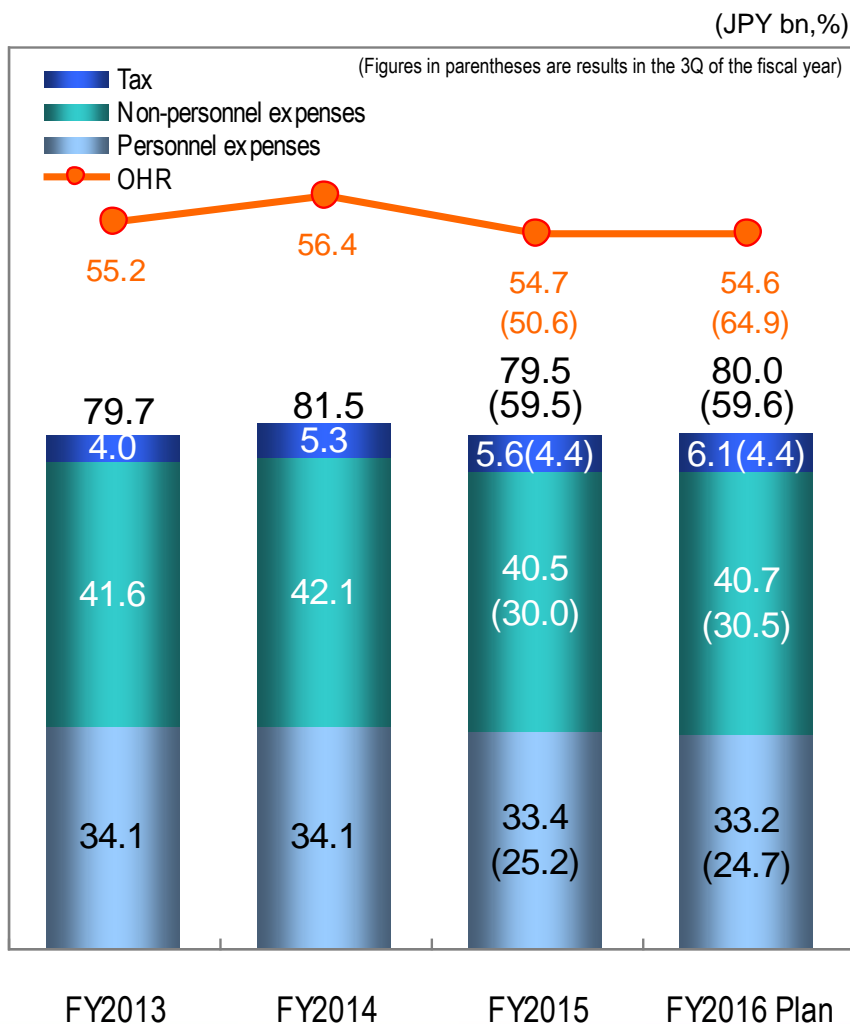
## The ratio of risk-management loans



# Expenses and Strategic investments

- Expenses in 3Q FY2016: JPY 59.6bn (Steady YoY), OHR: 64.9% (Increased YoY due to the decrease in gross operating profit)
- Expenses for FY2016 are expected to be JPY 80.0bn (OHR 54.6%)

## Expenses and OHR (annual basis)



## Strategic investments in the 12<sup>th</sup> Medium-term Business Plan

System-related	Approx. JPY 30bn
Construction of branches and new HQ	Approx. JPY 25bn
New businesses	Approx. JPY 45bn
<b>Total</b>	<b>Approx. JPY 100bn</b>

## “SHIZUGIN Headquarters Tower” started operation (Jan. 2015)



【SHIZUGIN Headquarters Tower】



【Teleconference system】

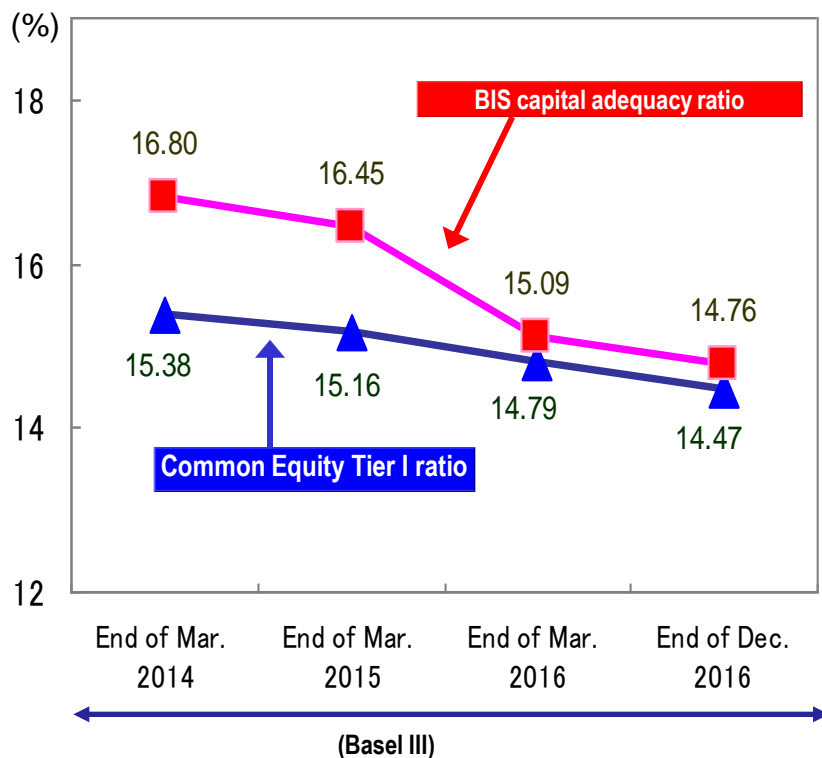


【Free-address office system】

# Capital adequacy ratio

- The Basel III capital adequacy ratio at the end of Dec. 2016 was 14.76% (-0.33point from the end of March 2016)  
Common Equity Tier I ratio : 14.47% (-0.32point from the end of March 2016)
- Both declined mainly due to increase in total credit-risk adjusted assets

## BIS capital adequacy ratio ( consolidated basis)



## Outlier ratio (non-consolidated basis)

Amount of maximum risk	Tier I+Tier II	Outlier ratio
JPY 24.5bn	JPY 795.1bn	3.1%

## Changes in capital and risk-adjusted assets

【Basel III】	(JPY bn)	End of Mar. '16	End of Dec. '16	Change from the end of Mar. '16
		Capital*	835.1	847.6
Common Equity Tier I		818.1	831.0	+12.9
Other Tier I		0.0	0.0	0.0
Tier II		17.0	16.6	-0.4
Risk-adjusted assets		5,530.5	5,740.6	+210.1
Total credit-risk adjusted assets		5,220.2	5,435.4	+215.2
Amount corresponding to market risk		11.9	13.6	+1.7
Amount corresponding to operational risk		298.5	291.6	-6.9

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

### [Other index related to the Basel III]

(End of Dec. 2016)

- Liquidity coverage ratio: 114.5% (Regulatory level 70% and over)
- Leverage ratio: 6.84% (ditto 3% in trial period\*)

\*Until Mar. 2018



# Shareholder return ① - Profit distribution

- Target of shareholder return ratio in 12<sup>th</sup> Medium-term Business Plan: 50% or more in medium term
- Annual dividend forecast for FY2016 is JPY 20, shares also repurchased in Oct-Nov 2016  
(Repurchase period: Oct. 3 – Nov.10, 2016; no. of shares repurchased: 10mn; repurchase amount: JPY 8,496mil)

## Dividend trends

	FY2013	FY2014	FY2015	FY2016E
Annual dividend per share (Interim dividend)	JPY 15.50 (7.5)	JPY 16.00 (8.0)	JPY 20.00 (10.0)	JPY 20.00 (10.0)

(Figures in parentheses are semi-annual dividend per share)

## Profit distribution to shareholders

\*Portion implemented in Oct.-Nov. 2016

(JPY bn,%)

	FY2013	FY2014	FY2015	FY2016E	FY '06 – '15 (10years)
Annual dividend (1)	9.7	9.9	12.3	12.2	Accumulated total 95.8
Repurchase of shares (2) (Shares bought back: million shares)	22.7 (20)	11.3 (10)	7.0 (5)	*8.5 (10)	Accumulated total 95.4
Shareholder returns (3)=(1)+(2)	32.4	21.2	19.3	20.7	Accumulated total 191.1
Net income (4)	42.8	42.6	44.0	32.0	Accumulated total 356.6
Dividend payout ratio (1)/(4)x100	22.78	23.24	27.91	38.04	Average 26.85
Shareholder return ratio (3)/(4)x100	75.73	49.82	43.82	64.60	Average 53.60

[Reference]

ROE (Consolidated : Net income basis)	5.78	5.74	5.18	-
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Average in 5years

5.85



# Shareholder return ② - Share buybacks, Trends in EPS /BPS

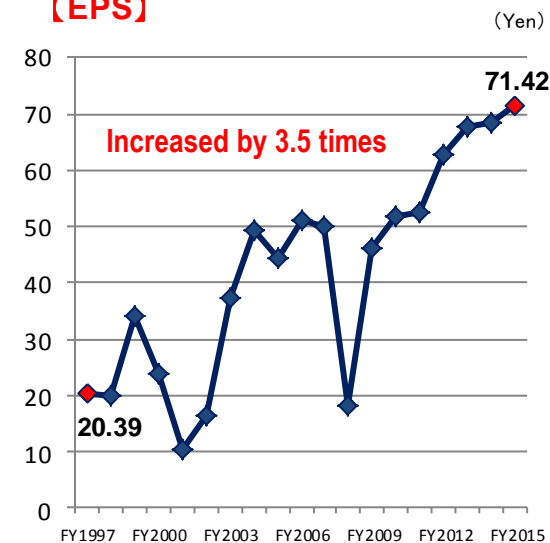
- We have regularly bought shares back since FY1997, with a total of 205 million shares repurchased over the same period (supporting steady increases in EPS and BPS)

## Historical share buybacks

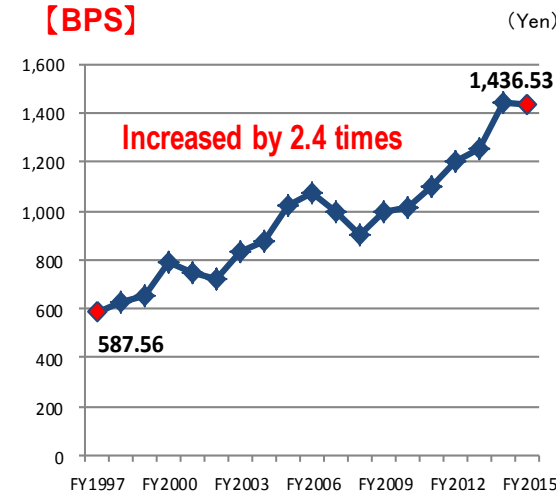
	Shares bought back (thousand shares)	Repurchase amount of shares (JPY mil)	Number of shares cancelled (thousand shares)	Cancellation amount (JPY mil)	Shareholder return ratio (%)
FY1997	7,226	9,997	7,226	9,997	90.3
FY1998	6,633	9,142	6,633	9,142	86.7
FY1999	8,357	9,143	8,357	9,143	51.4
FY2000	24,954	23,281	24,954	23,281	152.0
FY2001	8,234	8,267	8,234	8,267	165.4
FY2002	29,928	23,107	—	—	229.4
FY2003	10,712	8,566	30,000	23,381	50.8
FY2004	—	—	—	—	17.1
FY2005	—	—	—	—	22.5
FY2006	—	—	—	—	25.3
FY2007	10,000	12,621	10,000	10,130	61.8
FY2008	—	—	—	—	70.8
FY2009	5,000	3,996	5,000	4,638	40.6
FY2010	20,000	14,980	20,000	15,957	67.2
FY2011	20,000	14,575	—	—	67.6
FY2012	10,000	8,239	20,000	14,953	43.9
FY2013	20,000	22,642	—	—	75.7
FY2014	10,000	11,315	—	—	49.8
FY2015	4,767	6,999	—	—	43.8
FY2016	10,000	8,496	—	—	—
<b>Total</b>	<b>205,811</b>	<b>195,370</b>	<b>140,404</b>	<b>128,892</b>	<b>(up to FY2015) 60.1</b>

\*For FY2016, portion implemented by the end of Dec. is recorded

## [EPS]



## [BPS]



# Business projects with companies in other Sectors

Identify new growth opportunities to support sustained growth and strengthen the earnings base

FY2014



**Monex Group, Inc.**

Expanding future-oriented online financial services

Capital and business tie-up in Apr. 2014  
↓  
Additional purchase of stocks in Jan.-Mar. 2016

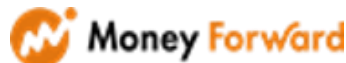
FY2015



Joint-venture established in Sep. 2015, two employees including an outside director on loan

**HOUSALL Corporation**

Establishing a housing-related service platform



Capital and business tie-up in Aug. 2015

**Money Forward, Inc.**

Offering financial services in the FinTech field



**commons**  
asset management, inc.

Capital and business tie-up in Oct. 2015

**Commons Asset Management, Inc.**

Offering asset-building services for the working-age people and young adults



**GLOBAL CATALYST PARTNERS JAPAN**  
Investment in Dec. 2015

**Global Catalyst Partners Japan, LPS.**

Gaining ideas about new business, and fostering human resources with startup know-how

FY2016



Business tie-up in Jun. 2016

**HOKEN NO MADOGUCHI INC.**

Operating joint desks for insurance consultation, and developing a one-stop channel for financial services

らしい暮らしを、見つけよう



Business tie-up in Aug. 2016

**Renoveru, Inc.**

Developing new financial products and services to energize the property renovation market\*

\*Improving the value of existing properties through major renovations that result in better-than-new buildings

Feb.-Jun. 2016  
Participated in joint research project on block chain technology

Seeking potential for block chains in trading transactions, with ORIX Corporation, ORIX Bank Corporation, NTT DATA Corporation and NTT DOCOMO Ventures, Inc.

August 2016  
Participated in block chain technology testing

# Projected performance in FY2016

(JPY bn)

【Consolidated】	FY2015	FY2016E	YoY
	(A)	(B)	(B-A)
Ordinary profit	72.8	61.0	-11.8
Net income	47.9	38.0	-9.9

(JPY bn)

【Nonconsolidated】	FY2015	FY2016E	YoY
	(A)	(B)	(B-A)
Gross operating profit	145.4	146.4	+1.0
Net interest income	115.9	116.0	+0.1
Fees and commissions	15.9	14.2	-1.7
Trading income	0.9	1.4	+0.5
Other operating profit	12.7	14.8	+2.1
(Bond-Related income such as JGBs)	11.3	13.8	+2.5
Expenses (-)	79.5	80.0	+0.5
Provision for general allowance for loan losses (-)	-1.6	-0.6	+1.0
Net operating profit	67.5	67.0	-0.5
Special profit and loss	-1.5	-4.0	-2.5
Ordinary profit	66.1	63.0	-3.1
Net income	44.0	32.0	-12.0
Credit-related costs (-)	2.4	4.3	+1.9

# Target of the 13<sup>th</sup> Medium-term Business Plan which starts in FY2017

- Our basic strategy under the 13th Medium-term Business Plan, scheduled to start in FY2017, is to deliver balanced progress. Specifically, we aim to (1) generate sustainable growth by supporting regional economic growth and developing new business fields, (2) establish a highly efficient management base, and (3) raise our presence for stakeholders.

## Basic concept

Achieve the growth in core business by supporting the growth for local economy

Monetize from the strategic investment in the previous business plan, and explore the new business area

Offer the business channels in advance of customer behavior and surrounding circumstances, and innovate sales business process of both branches and direct channels

Create a positive cycle by cultivating closer links between Shizugin and all its stakeholders

## Basic strategies of the 12<sup>th</sup> Medium-term Business Plan

Refine region-based relationship banking

Challenge on the new business fields and profitable opportunities

Build the flexible and robust operating structure

Add more value to 「Shizugin」 brand

## Basic strategies of the 13<sup>th</sup> Medium-term Business Plan

(1) Reinforce core businesses by focusing on regional economic growth

(2) Build a new regional bank business model for regional bank by developing and monetizing new business fields

(3) Reform sales operations using retail channel and IT infrastructure

(4) Help realize the dreams and increase the wealth of the region, customers, employees, and shareholders

**Announce the 13<sup>th</sup> Medium-term Business Plan in Apr. 2017**

# ***Reference***

# Overview of the 12<sup>th</sup> Medium-term Business Plan

## The 12<sup>th</sup> Medium-term Business Plan (12<sup>th</sup> MBP)

### Name of the plan

「TOBIRA ~ Open a Gate for the Next」

### Group vision

『Shizugin』 that ventures on the new possibilities

*Guideline for action ~ We aim to be the best regional bank in the world with taking 『Breakthrough』 to heart*

### Basic strategies

#### Top line Growth

- Refine region-based relationship banking
- Challenge on the new business fields and profitable opportunities

#### Operational system

- Build the flexible and robust operating structure

#### Branding

- Add more value to 「Shizugin」 brand

## Target figures (consolidated)

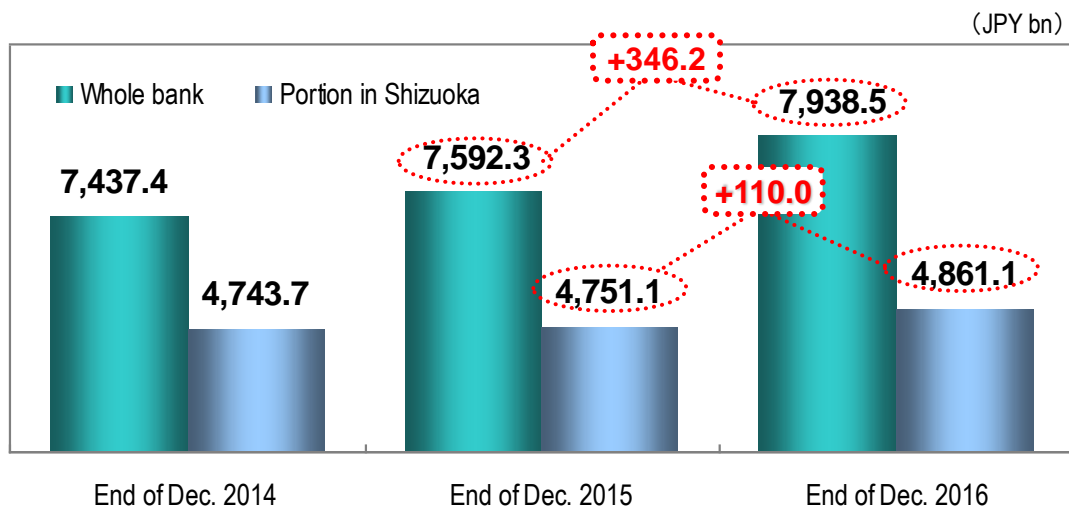
	12 <sup>th</sup> Medium-term Business Plan	
	FY2015	FY2016 plan
Ordinary profit	JPY 72.8bn	JPY 80.0bn or more (*JPY 61.0bn)
Net income	JPY 47.9bn	JPY 50.0bn or more (*JPY 38.0bn)
Common Equity Tier I ROE	5.85%	6% level
Consolidated ROE	5.18%	-
OHR	54.4%	Around 55%
Common Equity Tier I ratio	14.79%	Around 14%
Shareholder return	43.82%	50% or more in medium term

\* Projected performance in FY2016 (First release in May 2016) : Ordinary profit JPY 73.0bn, Net income JPY50.0bn  
Amended at Nov. 2016 due to a lump-sum write-down on the unamortized balance of goodwill related to Monex Group shares and etc.  
Ordinary profit JPY 73.0bn→JPY 61.0bn, Net income JPY 50.0bn→JPY 38.0bn

# Loans - Term-end balance

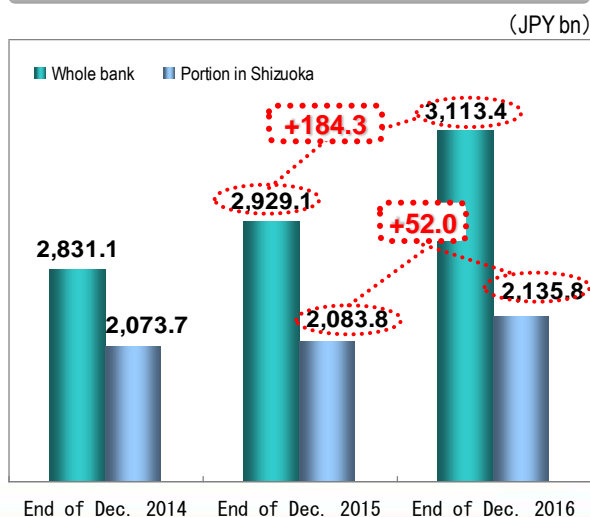
- Total loan balance (term-end balance) of 3Q FY2016: JPY 7,938.5bn, up JPY 346.2bn (+4.5%) YoY

## Total loan balance (term-end balance)

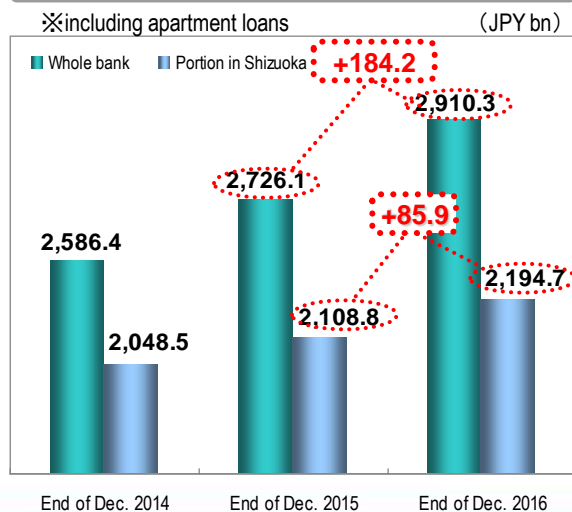


	Term-end balance	YoY change	Annual growth rate
Total loan balance	7,938.5bn	+346.2bn	+4.5%
SMEs loan balance	3,113.4bn	+184.3bn	+6.2%
Retail loan balance	2,910.3bn	+184.2bn	+6.7%
Large and Medium sized enterprises	1,542.5bn	-1.6bn	-0.1%

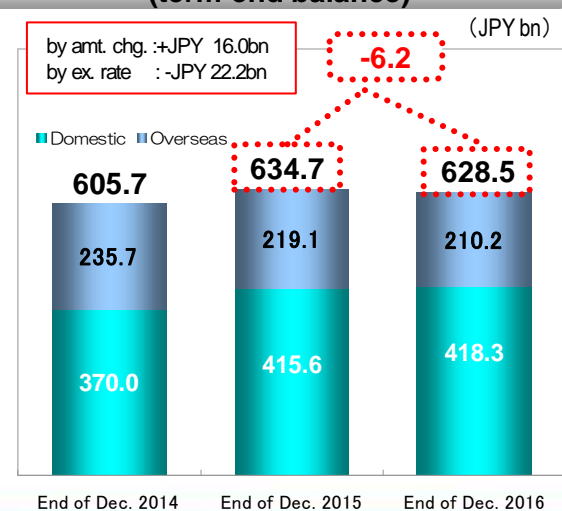
## SMEs loan balance (term-end balance)



## Retail loan balance (term-end balance)



## Loan balance in foreign currency (term-end balance)





# Loans - Loans by industries

- Business loans to each industry such as real estate, construction, leasing, money lending and investment account for less than 11% of loan balance, respectively. There is no concentrated exposure to any of these specific industries
- Expected Loss (EL) for all industries : JPY 5.9bn (JPY 1.2bn for real estate and JPY 0.3bn for construction)
- Unexpected Loss (UL) for all industries : JPY 51.0bn

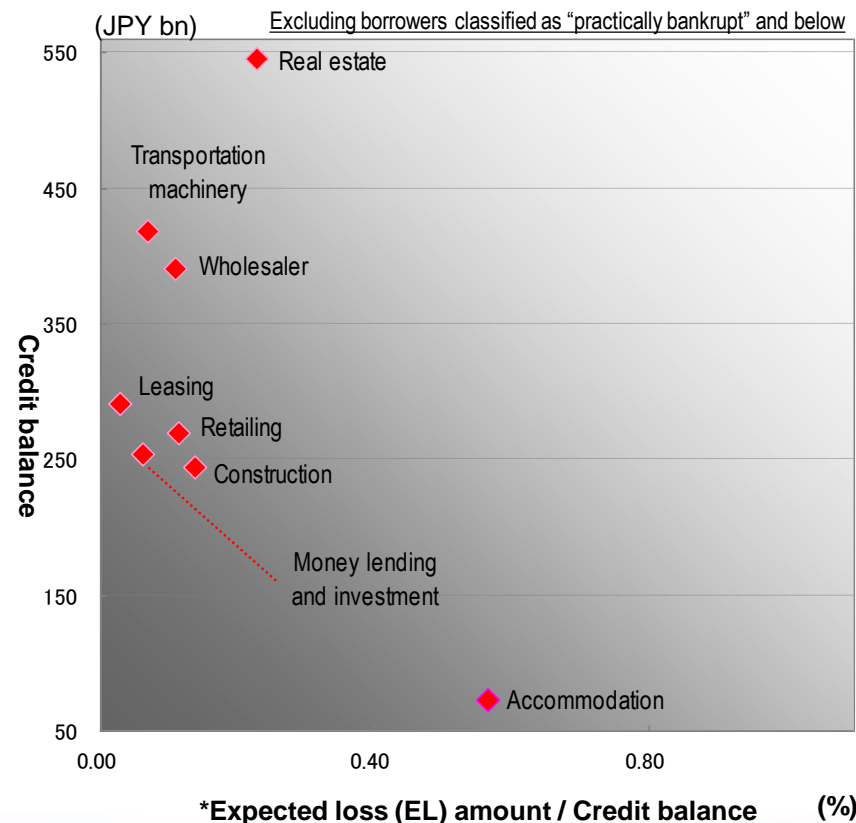
## Contemporary status of business loans to particular industries

[ Credit balance (as of the end of Sep. 2016) ]

	(JPY bn, %)		
	Balance	Composition ratio	YoY change
All industries	5,096.1	100.0	+100.6
Real estate	546.1	10.7	+96.5
Wholesaler *	390.5	7.7	-19.6
Money lending and investment	253.9	5.0	-46.5
Transportation machinery	418.3	8.2	+16.7
Construction	244.9	4.8	+0.2
Retailer	270.2	5.3	+6.9
Leasing	290.8	5.7	+7.8
Accommodation	72.2	1.4	+0.1

\* excluding a general trading companies

[ Credit balance vs. expected loss rate\* ]



# Region-based Relationship Banking - Initiatives for growth fields, Support for companies transforming businesses

- Posted specialized human resources on growing fields, centered on medical/welfare business  
(Loan provided for customers on growing fields in 3Q FY2016: JPY 116.0bn)

## Initiatives for growth and untapped fields

[Loans in 3Q FY2016 \*]

Health and welfare	<ul style="list-style-type: none"> <li>◆ 6 qualified specialists in medical/welfare business management</li> <li>◆ Supported openings and expansions of business in this field</li> </ul>	<b>965cases</b> <b>JPY58.8bn</b>
Environment	<ul style="list-style-type: none"> <li>◆ Generated demand for funds by supporting the installation of energy-efficient equipment</li> <li>◆ Provided support for capital investment related to renewable energy</li> </ul>	<b>192cases</b> <b>JPY22.6bn</b>
Agriculture	<ul style="list-style-type: none"> <li>◆ “Shizugin@gricom” events to promote Shizuoka produce to buyers</li> <li>◆ Deployed 14 agricultural business advisers</li> </ul>	<b>228cases</b> <b>13.9bn</b>
Business Succession	<ul style="list-style-type: none"> <li>◆ “Shizuginship” to help train next generation business leaders</li> <li>◆ Business succession support including share transfers and M&amp;As (17 M&amp;A contracts signed in 3Q FY2016)</li> </ul>	<b>176cases</b> <b>20.7bn</b>
		<b>[Total]</b> <b>1,561cases</b> <b>116.0bn</b>

\*Based on long-term loans

## Support for companies transforming or exiting businesses

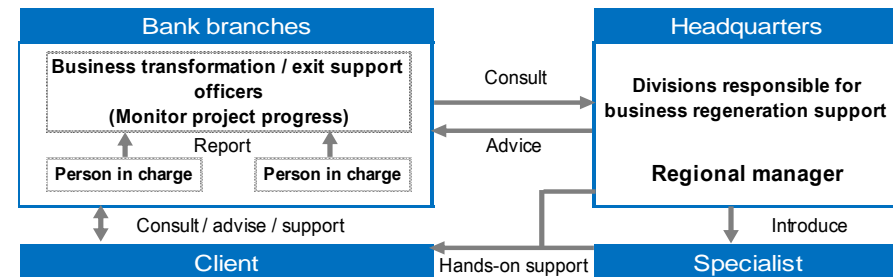
Upgraded framework to help companies transform or exit businesses as part of efforts to stabilize the regional economy

### < Headquarters >

- Regional managers respond to requests for advice and support from bank branches
- Provision of hands-on support using input from business specialists

### < Bank branches >

- Business transformation / exit support officers appointed at each branch
- Responsible for monitoring progress and other aspects of business transformation / exit projects
- Provide appropriate instructions and backup to relevant branch personnel based on advice from headquarters



[Results until 3Q FY2016]

Projects handled: 67

Projects completed: 27 (business transformation: 8; business exit: 19)

## Initiatives for supporting entrepreneurs

### <Shizugin Entrepreneur Awards>

- 27 winners out of a total of 559 applicants received prizes in the past 4 rounds
- “Entrepreneur category” for applicants who are preparing launch of their business or have been in business for less than 5 years was founded for the 4th round in FY2015
- Financial support for the 27 award winners from the 1st to the 4th round  
New loans: 61 cases/JPY 1,338mil Investments: 7 cases/JPY 159mil

## Subsidies

### < Manufacturing subsidies >

- Top private-sector financial institution for three straight years for number of subsidies awarded (Second only to Shoko Chukin Bank among all financial institutions)
- First and Second round of subsidy applications for most recent FY2015 supplementary budget: No. awarded: 105

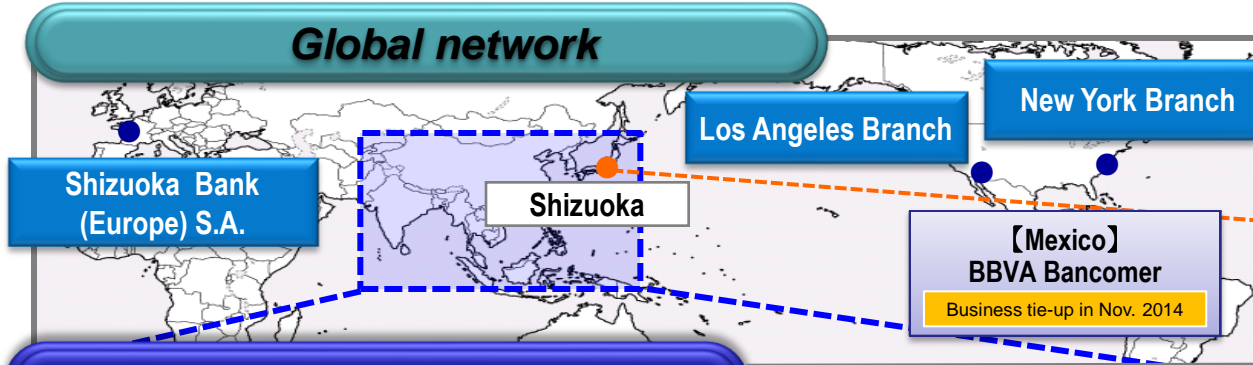
### < Business innovation support subsidies >

- No. of business innovation plans approved: 51

# Global network

- Global network (3 branches/2 rep. offices/1 subsidiary) and total 57 staff in oversea (in Asia 29 staffs)
- 14 partner banks in 8 countries/regions in Asia, a business tie-up made with BDO Unibank in Philippine in Jul. 2016

## Global network

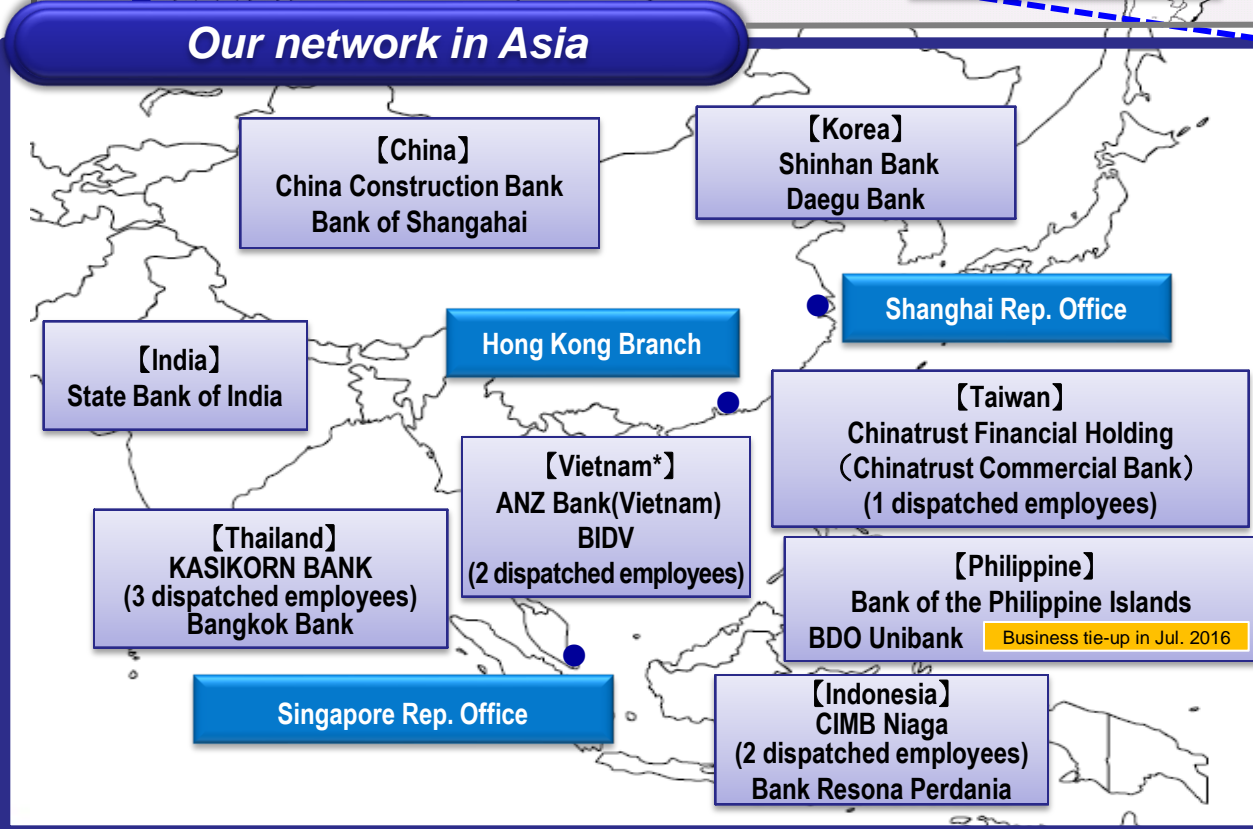


- • • Our own offices
- • • Offices owned by our affiliates

### International Department

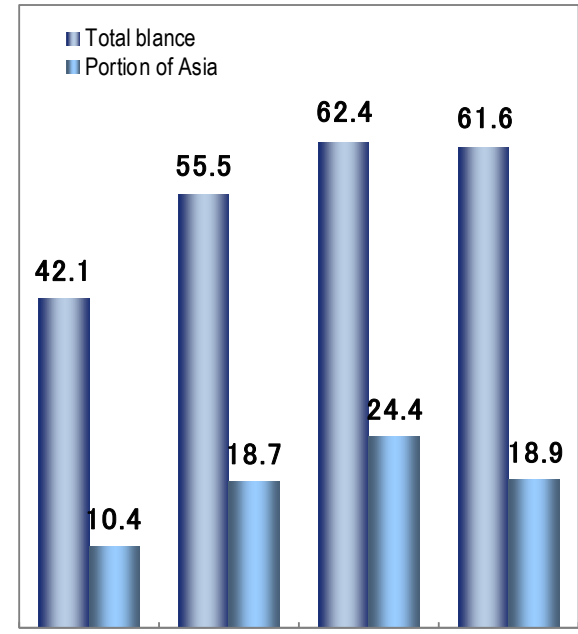
- Manage and control for overseas strategy
- Support Customers for overseas expansion

## Our network in Asia



### Loan balance for Non-Japanese company (term-end balance)

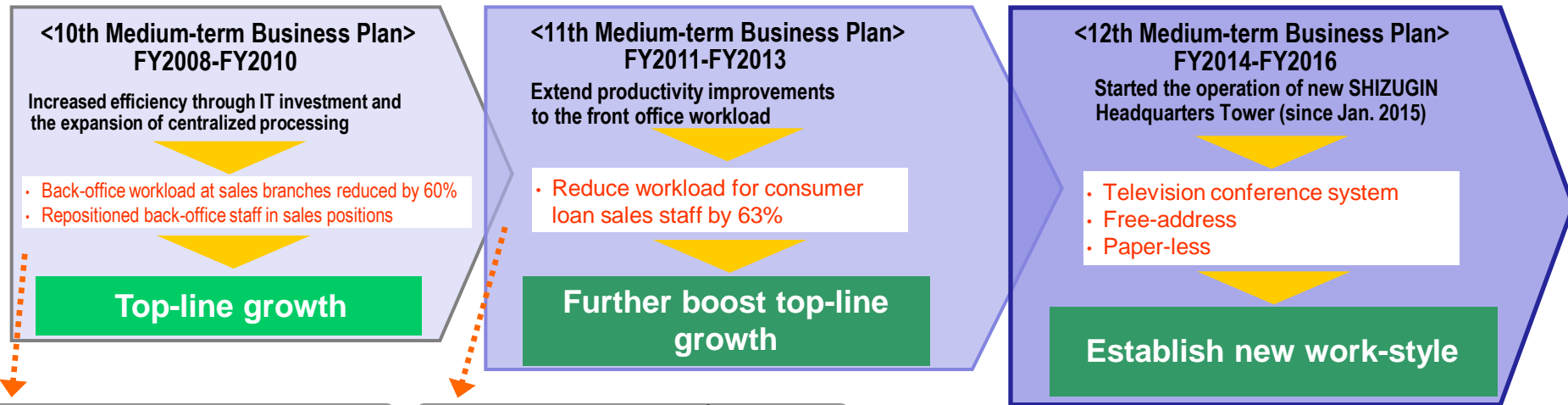
(JPY bn)



End of Mar. '14 End of Mar. '15 End of Mar. '16 End of Dec. '16

# Improvement of productivity - BPR

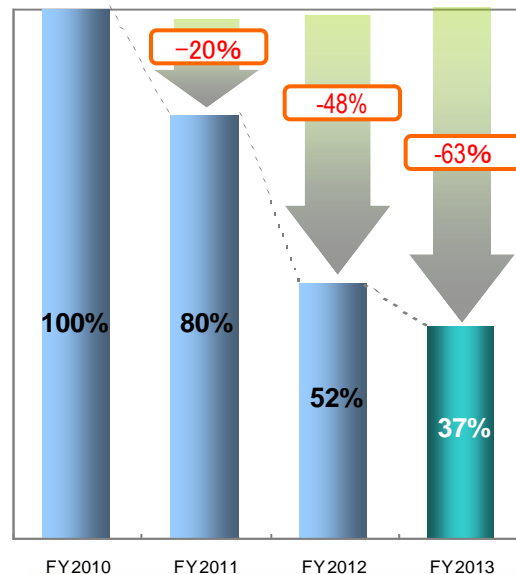
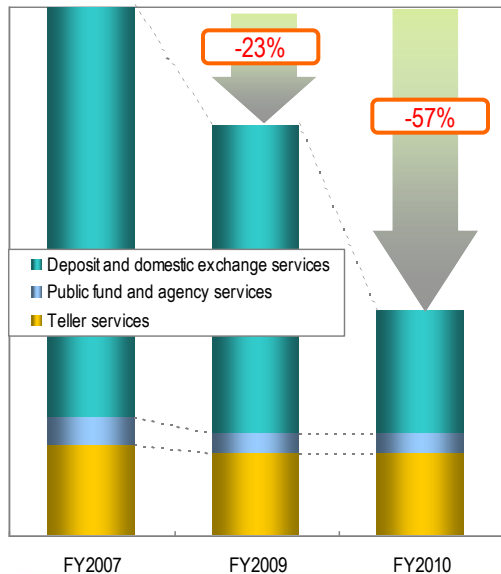
- An ongoing BPR program increased front-office staff without boosting the overall headcount  
→ make it possible to achieve sustainable top-line growth



Workload reduction of branches

Reduced processing time for workload of consumer loan

Number of personnel



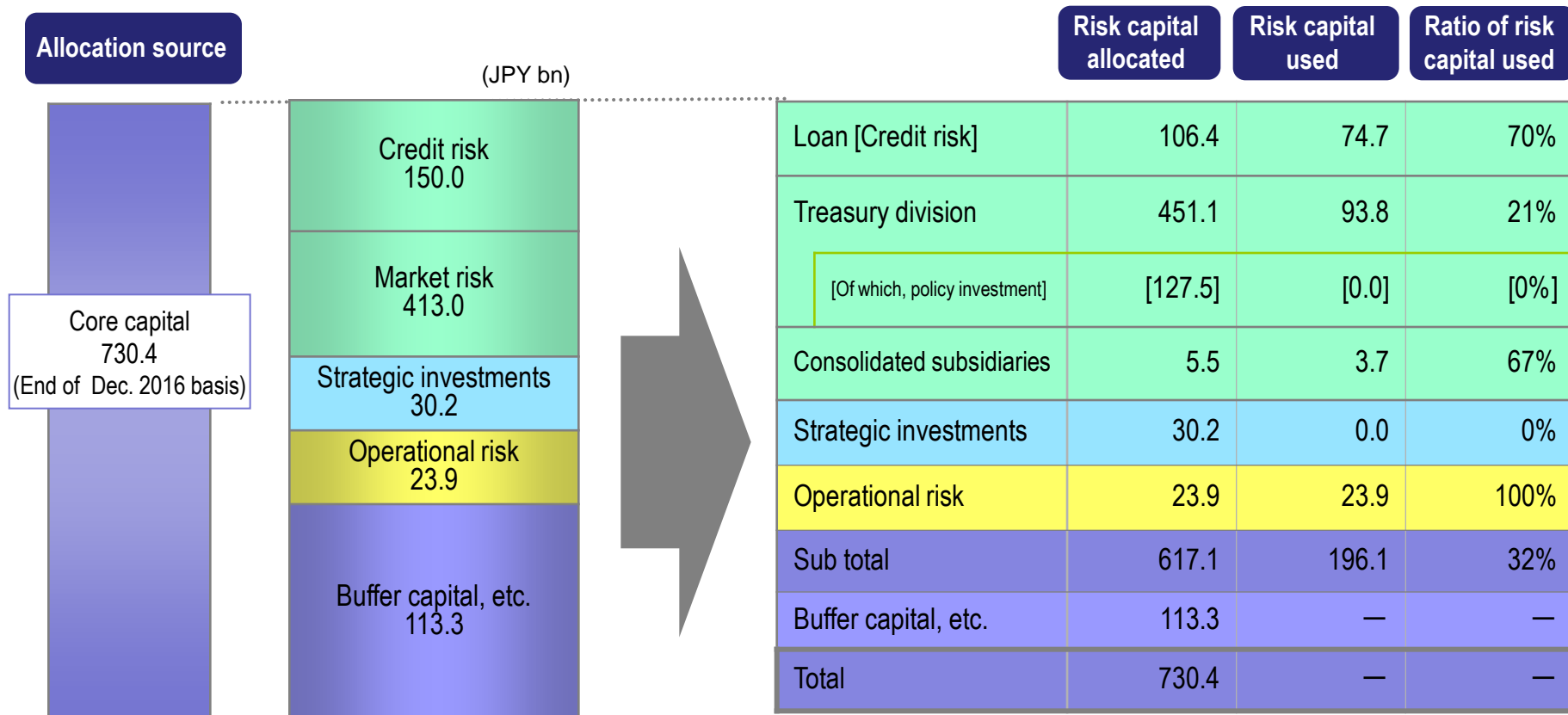
	End-Mar. 2008	End-Mar. 2014	End-Mar. 2015	End-Mar. 2016	Change from end-Mar. 2008
Front-office	2,411	3,128	3,027	2,981	+570
Of which, bank employees	1,794	2,262	2,235	2,194	+400
Back-office/assisting	1,693	925	958	911	-782
Of which, bank employees	548	35	32	30	-518
Shizuoka Bank	5,164	4,942	4,915	4,829	-335
Of which, bank employees	2,851	2,851	2,830	2,789	-62

\*Assume the amount of business in the FY2007 is set to 100

\* Assume the amount of business in the FY2010 is set to 100

# Allocation of risk capital

- Allocation of risk capital for the 3Q FY2016 (the end of Dec. 2016 basis) amounted to JPY 617.1bn, of which JPY 150.0bn was allocated to credit risk, JPY 413.0bn to market risk, JPY 30.2bn to strategic investment, JPY 23.9bn to operational risk.
- JPY 74.7bn for loans [credit risk] and JPY 93.8bn for the Treasury division was used for the 3Q FY2016



- Core capital = common equity Tire I (Basel III standard), excluding other marketable securities valuation difference
- 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

- 3Q FY2016 the total ordinary revenue of 12 major consolidated subsidiaries was JPY 40.4bn (+JPY 1.4bn YoY) and the ordinary profit was JPY 6.3bn (+JPY 0.1bn YoY)

(JPY bn)

Company name	Business	Ordinary Revenue	YoY change	Ordinary Profit	YoY change
Shizugin Management Consulting Co., Ltd.	Corporate and financial management advisory services Bill collection services	1.0	+0.1	0.3	+0.1
Shizugin Lease Co., Ltd.	Leasing	20.8	+1.8	1.3	+0.3
Shizugin Computer Service Co., Ltd.	Computer system development and operation	3.4	+0.0	0.1	-0.0
Shizugin Credit Guaranty Co., Ltd.	Guarantee of housing loans, etc.	2.6	+0.5	1.8	+0.5
Shizugin DC Card Co., Ltd	Credit card and guarantee of consumer loans	1.6	+0.2	0.4	+0.1
Shizuoka Capital Co., Ltd.	Public-offering assistance Support for corporate rehabilitation	0.3	-0.0	0.1	-0.0
Shizugin TM Securities Co., Ltd.	Securities	5.5	-1.2	2.1	-0.9
Shizuoka Bank (Europe) S.A.	Finance and securities-related services	0.3	+0.0	0.0	-0.0
Shizuoka Liquidity Reserve Ltd.	Acquiring financial debt	0.1	+0.1	0.1	+0.1
Shizugin General Service Co., Ltd.	Fee-based job placement service, general administration	0.7	-0.0	0.0	+0.0
Shizugin Mortgage Service Co., Ltd.	Appraisal of real estate for loan collateral Operation center for loans	1.3	-0.0	0.1	-0.0
Shizugin Business Create Co., Ltd.	Operation center for remittance and bill collection Part-time employee management	2.7	-0.1	0.0	-0.0
<b>Total(12 companies)</b>		<b>40.4</b>	<b>+1.4</b>	<b>6.3</b>	<b>+0.1</b>
Shizugin Saison Card Co., Ltd.*	Credit card and prepaid card Guarantee of consumer loans	1.7	+0.2	0.3	+0.1

\*A company to which the equity method of accounting is applied. Operations commenced in April 2007.



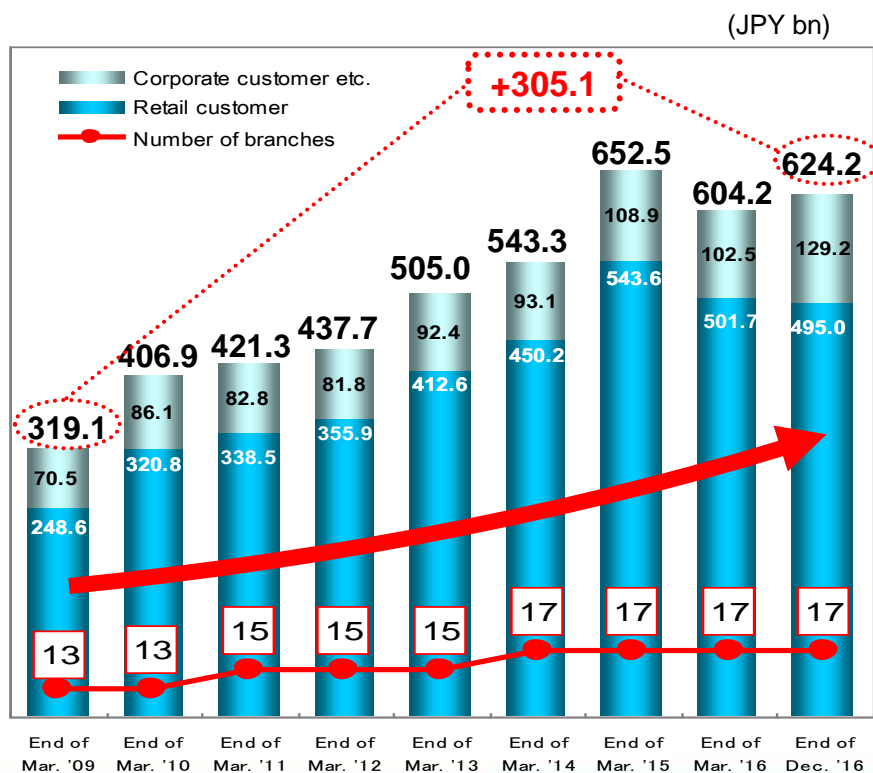
# Shizugin TM Securities Co., Ltd.

- Growth in top line of Shizugin TM Securities Co., Ltd (securities subsidiary) highly contributed to performance of the Group
- Customer asset: JPY 624.2bn, increased by JPY 305.1bn from the end of Mar. 2009 after the collapse of Lehman Brothers

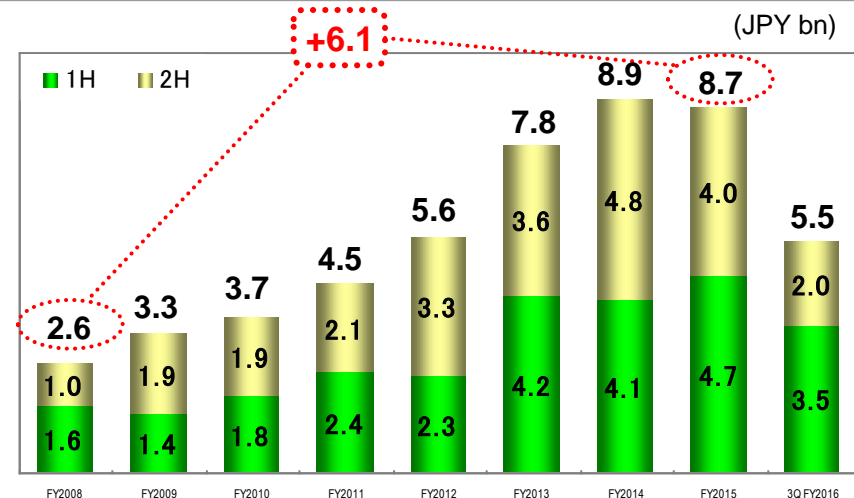
## 【Overview of Shizugin TM Securities, Co., Ltd.】

Establishment : December 2000  
 Capital Stock : JPY 3.0bn  
 Number of Branches : 17 (End of Dec. 2016)

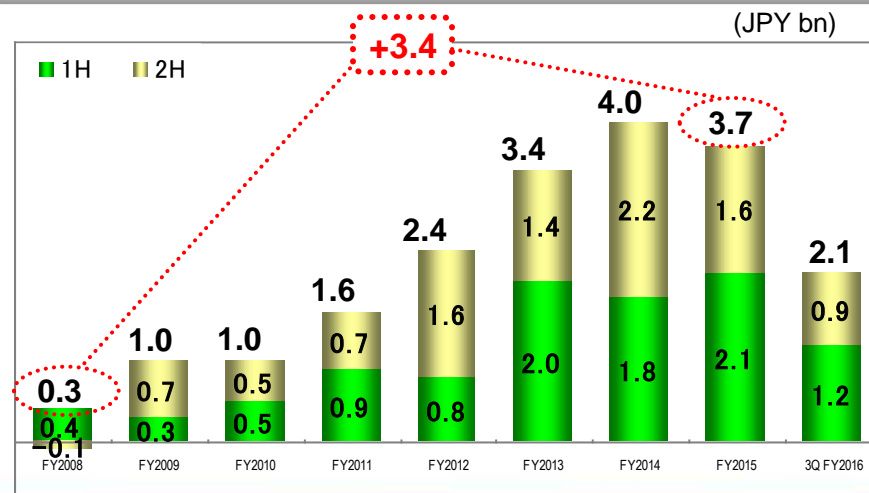
## Customer asset (year-end balance) and number of branches



## Ordinary revenue



## Ordinary profit





## ESG initiatives

- Institutional investors, particularly in Europe and the U.S., are increasingly looking at companies' environmental, social, and governance (ESG) initiatives when making investment decisions
- Targeting future corporate value, Shizuoka Bank is also stepping up initiatives in this area as a means of pursuing profits while also tackling social issues

## FTSE

### Shizuoka Bank chosen as a constituent of the FTSE4Good Index

#### FTSE:

London-based company that creates and manages indices for equities, bonds and other assets

#### FTSE4Good Index:

One index managed by FTSE; comprised of companies with relatively strong environmental, social and governance programs

➡ Rated highly among external bodies

## Examples of specific initiatives

### **E: Environment**

Developed products based on a proprietary environmental rating system (Shizuoka Bank rates environmental initiatives at clients)

### **S: Social**

Improvements to the working environment: encouraging employees to use paid holidays and leave the office earlier; increased support for employees raising children

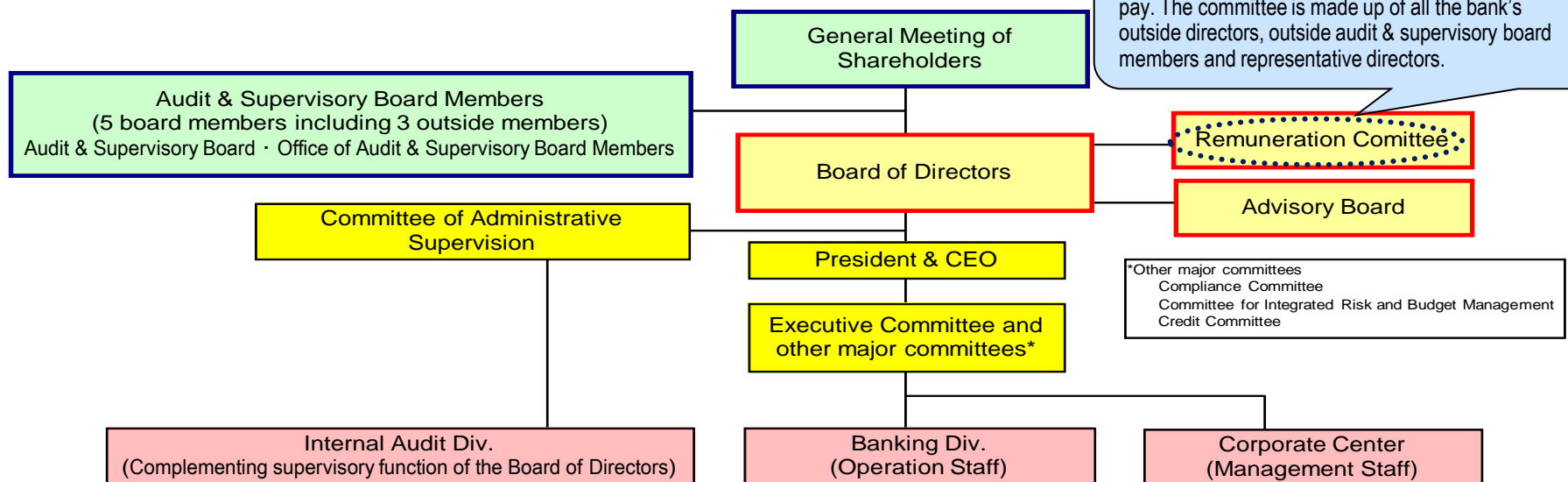
### **G: Governance**

Outside directors account for one third of Board of Directors

# ESG initiatives ② - Corporate Governance Structure

- As the foundation for fulfilling corporate social responsibility, The Shizuoka Bank Group is strengthening its management systems to enhance corporate value

## Shizuoka Bank Group's Corporate Governance System



## Outside Directors • Outside Audit & Supervisory Board Members

### 2 Outside Directors / 10 All Members

Kumi Fujisawa	President, SophiaBank Limited
Kazuyasu Kato	Former President and Chief Executive Officer, Kirin Holdings Co., Ltd.

### 3 Outside Audit & Supervisory Board Members / 5 All Members

Mitsuhiro Ishibashi	Former Director and Executive Vice President, Nippon Life Insurance Company
Kazuo Kouzuki	President and Chief Executive Officer, Tokio Marine & Nichido Career Service Co., Ltd.
Yoshihiro Yamashita	President, Yamashita Yoshihiro Law Office

- One third of bank's directors and audit & supervisory members are outside appointments
- Shizugin is using the independent opinions of these individuals in decision making, oversight and auditing of the Shizuoka Bank Group  
⇒ Increase corporate value

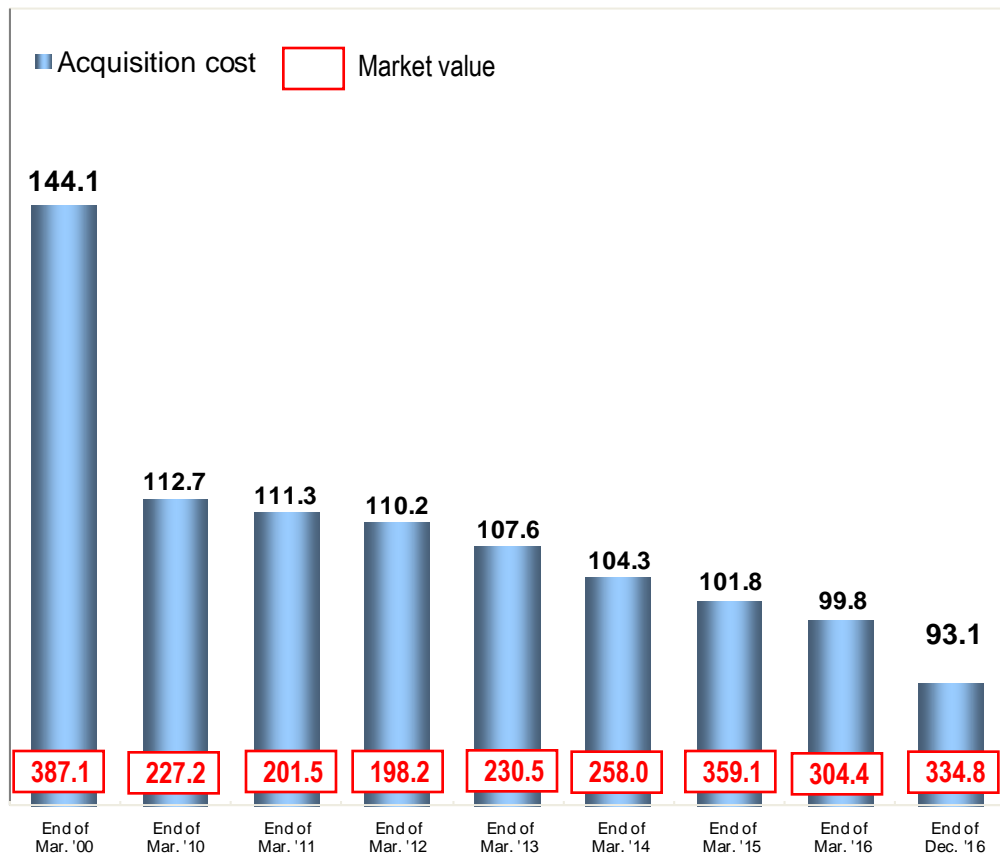
\*All have submitted notification to the Tokyo Stock Exchange of their independent director status

# Strategic shareholdings

- Only holding strategic shareholdings when justified from the standpoint of business investment, strengthening business relationships, or contributing to the regional economy
- Reviewing the reasons and assess the economic rationale for strategic shareholdings on a regular basis, reducing the holding value of the shares as required

## Prime cost of strategic shareholdings\*

(JPY bn)



\*Except for equity method affiliate

## Policy on strategic shareholdings (Corporate Governance Code : general principles 1-4)

The bank only holds strategic shareholdings when justified from the standpoint of business investment, strengthening business relationships, or contributing to the regional economy

The bank also regularly reviews the rationale for holding the shares based on profitability, share prices and other criteria

Shares deemed to be no longer important for the bank are sold on the market after taking into consideration the impact on market conditions and other factors

The bank also works to ensure appropriate and efficient management, taking into account the level of equity capital and the use of other assets in operations such as lending

**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.**



SHIZUOKA BANK

静岡銀行