

# Shizuoka Bank Group the 14<sup>th</sup> Medium-Term Business Plan (FY2020 – FY2022)

## 「COLORs」

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# **Review of the 13<sup>th</sup> Medium-term Business Plan**

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

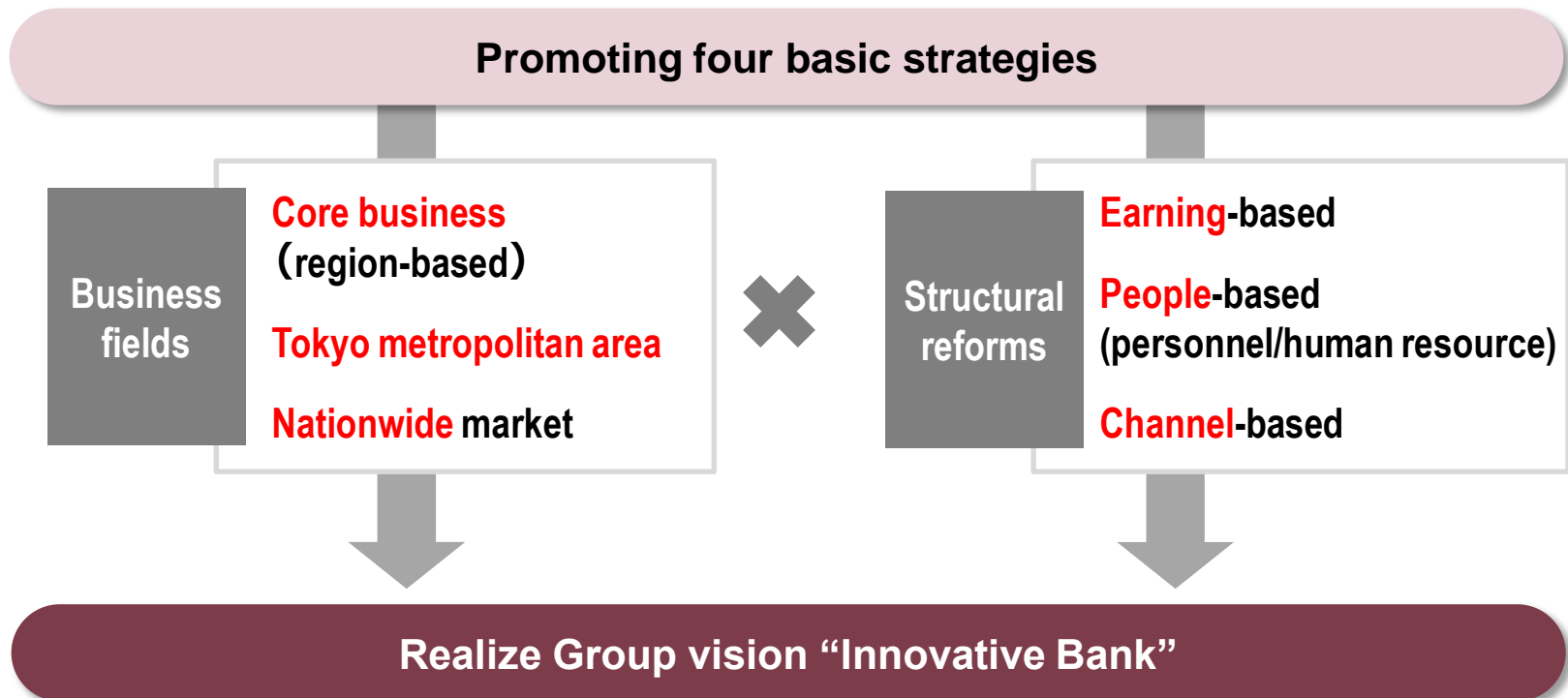
Name of the plan **TSUNAGU**

Group vision **Innovative Bank**

“Shizugin” will continue to create new value along with the region

Basic strategies

1. Reinforce core businesses by focusing on regional economic growth
2. Build a new 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

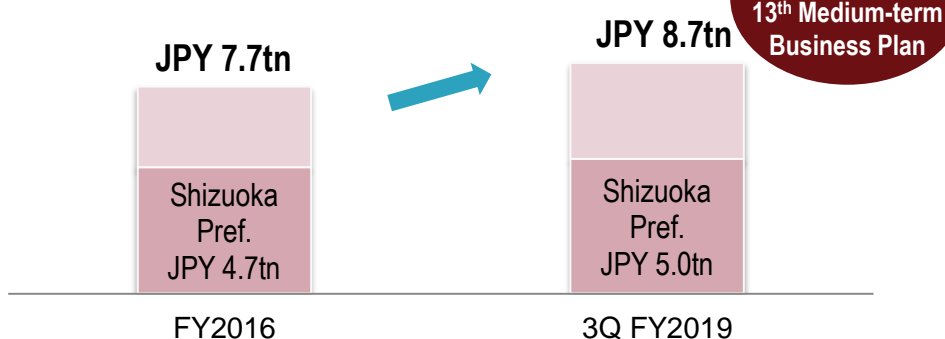


# Achievement in the 13<sup>th</sup> Medium-term Business Plan

- Loan amount and deposit amount respectively increased by approximately JPY 1.0tn in 3 years
- Interest on loans increased by JPY 10.0bn largely due to housing loan and businesses in Tokyo metropolitan area

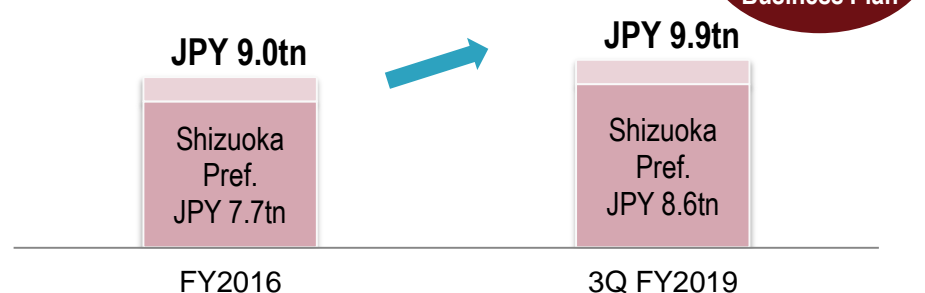
## Loan amount (average balance)

- Increased by **JPY 1.0tn** in total and by **0.3tn** in Shizuoka Pref. in 3 years



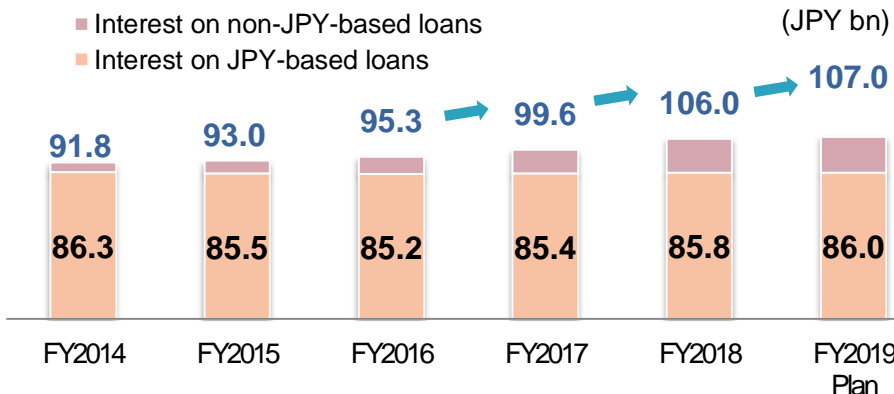
## Deposit amount (average balance)

- Increased by **JPY 0.9tn** in 3 years mainly due to growth in Shizuoka Pref.
- Exceeded JPY **10tn** mark in latest record



## Interest on loans

- Increased by **JPY 10.0bn** in 3 years, maintaining growth trend



### Core business (region-based)

- Housing loan amount grew

Interest amount (compared to FY2016)  
+ **approx. JPY 1.0bn**

### Tokyo metropolitan area

- Market credit investment
- Loans for asset building

Total interest amount (compared to FY2016)  
+ **approx. JPY 10.0bn**

### Nationwide market

- Internet Branch  
⇒ Established funding channel

Deposit amount (average balance)  
**Reached to JPY 500.0bn**

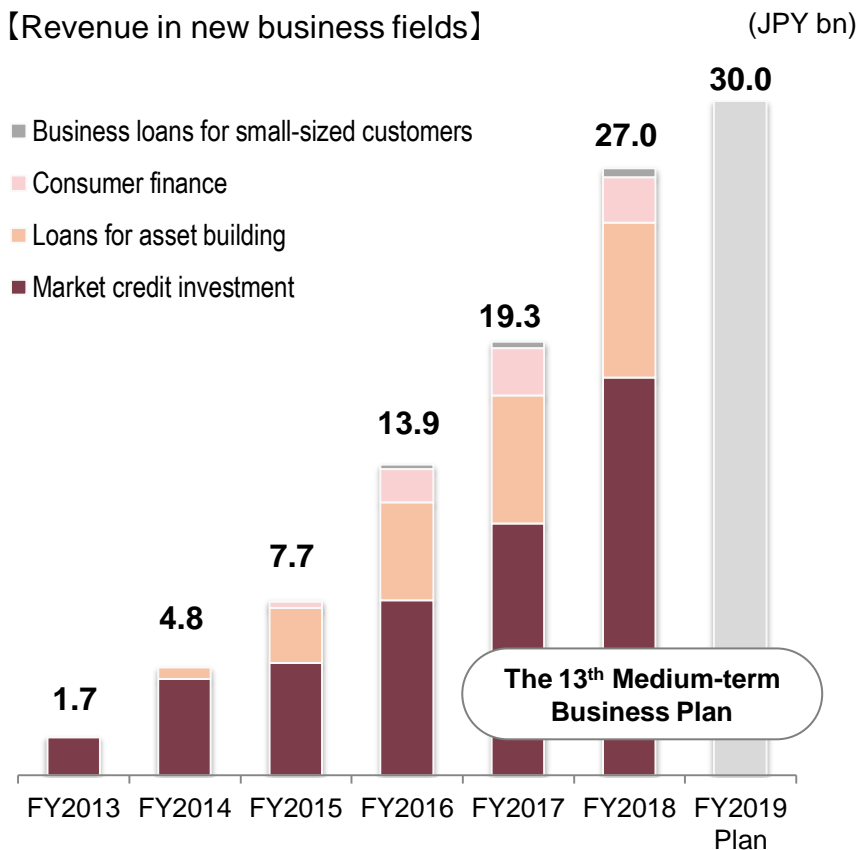
# Achievement in 3 structural reforms

- Earning-based reform led to revenue of JPY 30.0bn level in new business fields
- Various efforts in people-based (personnel/human resource) and channel-based reforms also resulted in certain degree of achievement

## Earning-based reform

- Revenue in new business fields grew to **JPY 30.0bn** level

【Revenue in new business fields】



## People-based (personnel/human resource) reform

- Promoted work-style reform and diversity
  - ✓ Changed persons in charge of certain businesses (housing loan etc.)
  - ✓ Established Shizugin Heartful
  - ✓ Work-style reform ⇒ decreased approx. 5% of total working hours and 30% of overtime working hours
  - ✓ “Work Style Innovation” (introduction of flextime, revision of dress code, etc.)

## Channel-based reform

### Sales structure reform

- Shift to structure where all financial services are provided in each Area

#### Optimize branch network

- ✓ Make branch management more efficient

#### Integrate human resource

- ✓ Enhance skills and know-how
- ✓ Place human resource in growth fields



### Enhancement of non-face-to-face channel

- Increase convenience of non-face-to-face sales channel

#### Enrich lineup of services

- ✓ Raise convenience and quality of mobile apps

#### Increase services of which customers can complete all procedures on Internet

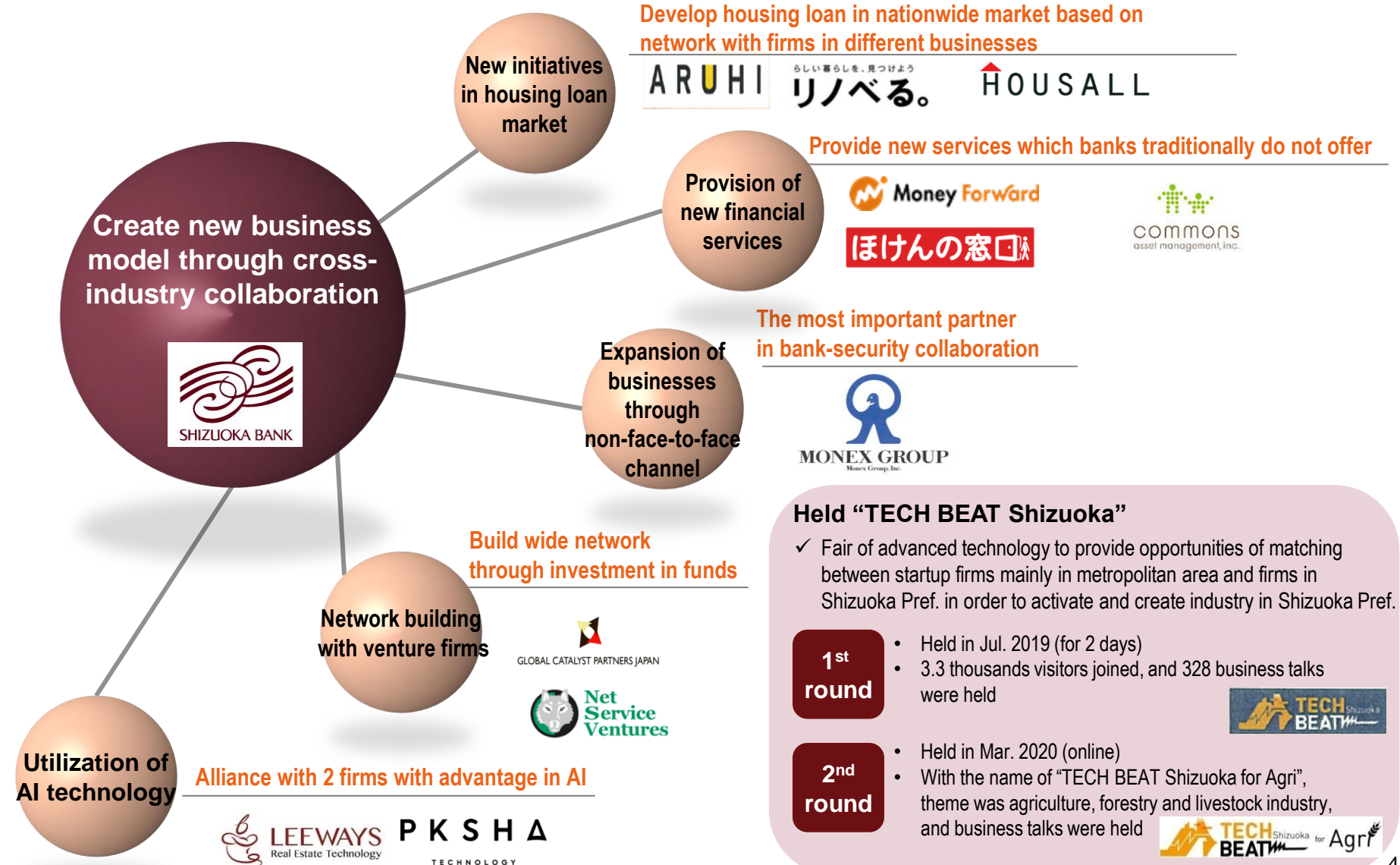
- ✓ Unsecured loan, Housing loan
- ✓ “Shizugin Wrap”

Conducted in 16 Areas out of all 37 Areas by FY2019



# Develop new businesses through cross-industry collaboration

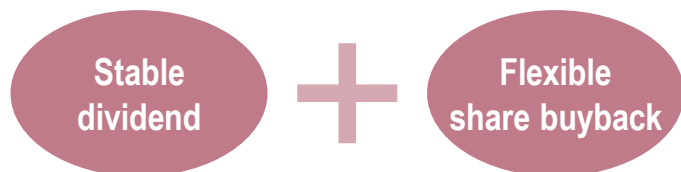
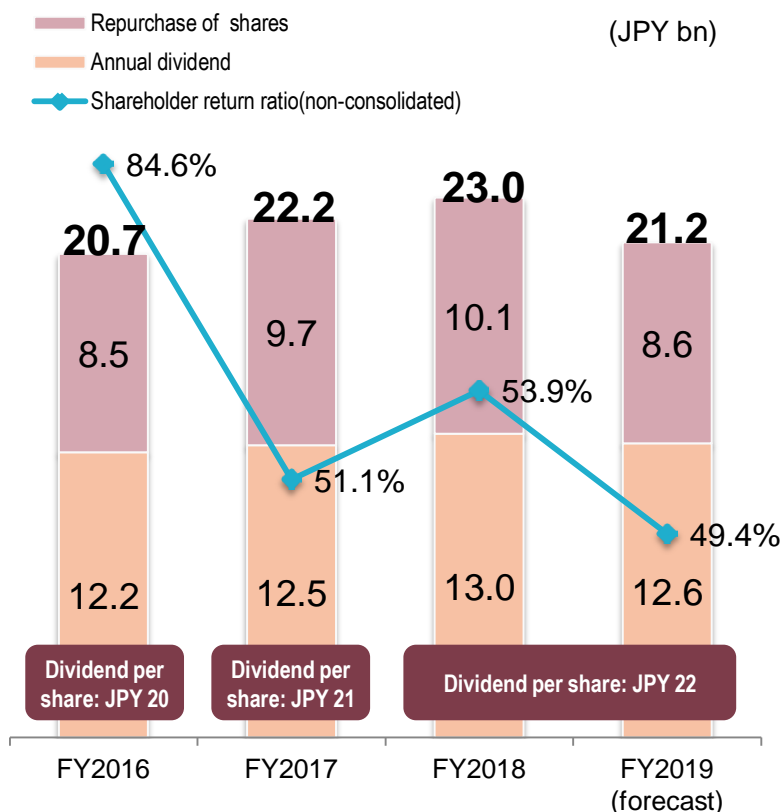
- Create new businesses which can innovate management of banks by continuing to expand cross-industry collaboration since the 12<sup>th</sup> Medium-term Business Plan
- Held “TECH BEAT Shizuoka” by utilizing network with startup firms through cross-industry collaboration



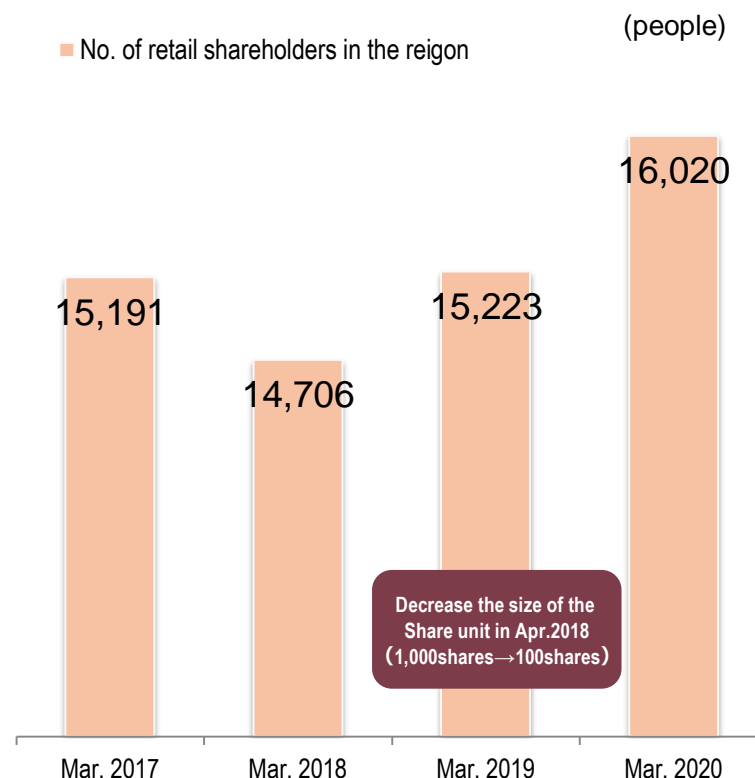
# Communication with shareholders

- Distributed stable dividend and conducted flexible share buyback continuously
- Number of retail shareholders in the region increased mainly due to strengthening communication with retail shareholders and decreasing the size of the share unit

## Shareholders return



## No. of retail shareholders in the region (Shizuoka Pref.)



Effort for increase in no. of retail shareholders resulted in no. of shareholders in the region





# **Overview of the 14<sup>th</sup> Medium-term Business Plan**

# Name and vision of the 14<sup>th</sup> Medium-term Business Plan

- 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**

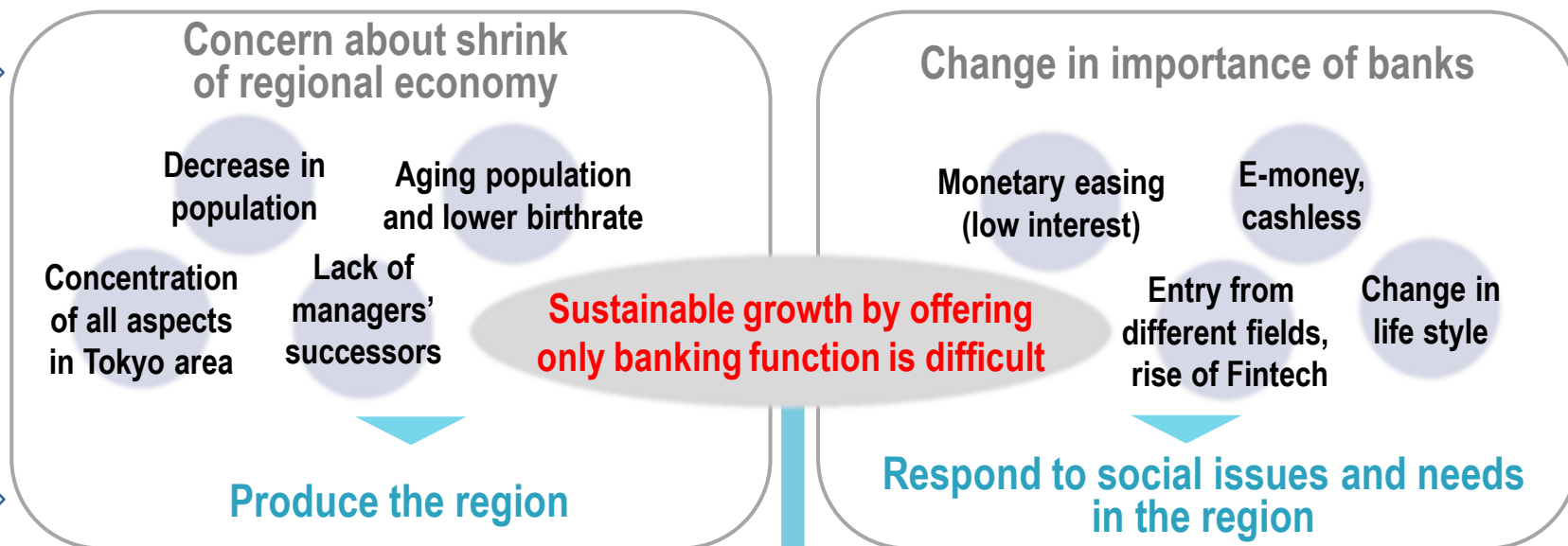
# Background of establishment of the 14<sup>th</sup> Medium-term Business Plan

- Aim at changing in the 14<sup>th</sup> Medium-term Business Plan to a corporate group offering wide range of solutions without bounds of banking services in order to practice the Corporate Group Philosophy, reflecting recent situation where our management environment and expected role have changed and providing only banking function does not lead to sustainable growth

## Mission

**Corporate Group Philosophy** “Expand dreams and affluence with our community.”

## Change in environment



## Expected role

## Change to a problem-solving corporate group

Run business with focus on SDGs

Propose solution to issues by gathering all strength in the Group

Accelerate innovation (BPR, DX)

Produce the region

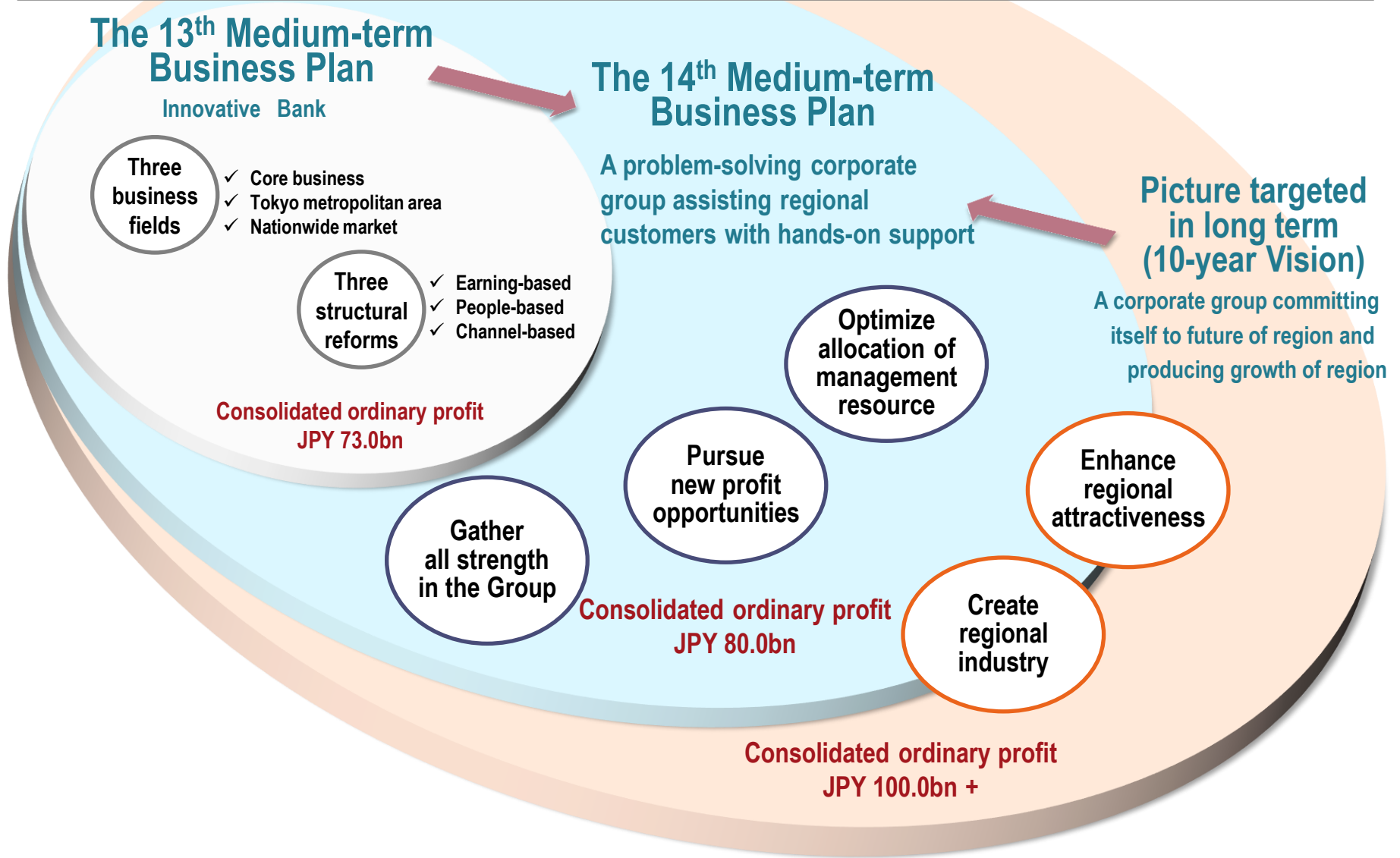
# Basic concept of the 14<sup>th</sup> Medium-term Business Plan

- Based on reflection of SDGs' philosophy and principles in corporate group management strategy as well as practice of Corporate Group Philosophy, the basic concept of the 14<sup>th</sup> Medium-term Business Plan is that Shizuoka Bank Group shall be "a corporate group needed by the region" and "sustainable"



# Develop strategies to realize visions of the 14<sup>th</sup> Medium-term business Plan

- Aim at changing to a problem-solving corporate group by two-sided approach; a field continuing to work on since the 13<sup>th</sup> Medium-term Business Plan, and a field newly working on in order to realize a picture in “10-year Vision”



# Basic strategies in the 14<sup>th</sup> Medium-term Business Plan

- 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
- Allocate management resource and take risks in initiatives in a “region”, the management base for Shizuoka Bank Group, as the top priority, at the same time doing so in growth areas and growth fields in order to complement profit as well

## 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



# Plan of management indicators

- Target consolidated ordinary profit of JPY 80.0bn, consolidated ROE of 5% or higher, and consolidated Common Equity Tier I Ratio of 14% or higher in FY2022

	Indicators	The 14 <sup>th</sup> Medium-term Business Plan (Planned figures in FY2022)	The 13 <sup>th</sup> Medium-term Business Plan (Planned figures in FY2019)
Profitability	Consolidated ordinary profit	<b>JPY 80.0bn or more</b>	JPY 77.0bn (JPY 73.0bn) *
	Consolidated ROE	<b>5% or higher</b>	6% level (5% or higher) *
Soundness	Consolidated Common Equity Tier I Ratio	<b>14% or higher</b>	14% level
Others	Consolidated OHR	<b>55% level</b>	55% level
	Shareholders return	<b>50% or higher in medium and long term (consolidated)</b>	50% level in medium and long term (non-consolidated)

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

\* Figures in parentheses are plans in FY2019 in-house plan (disclosed in May 2019)

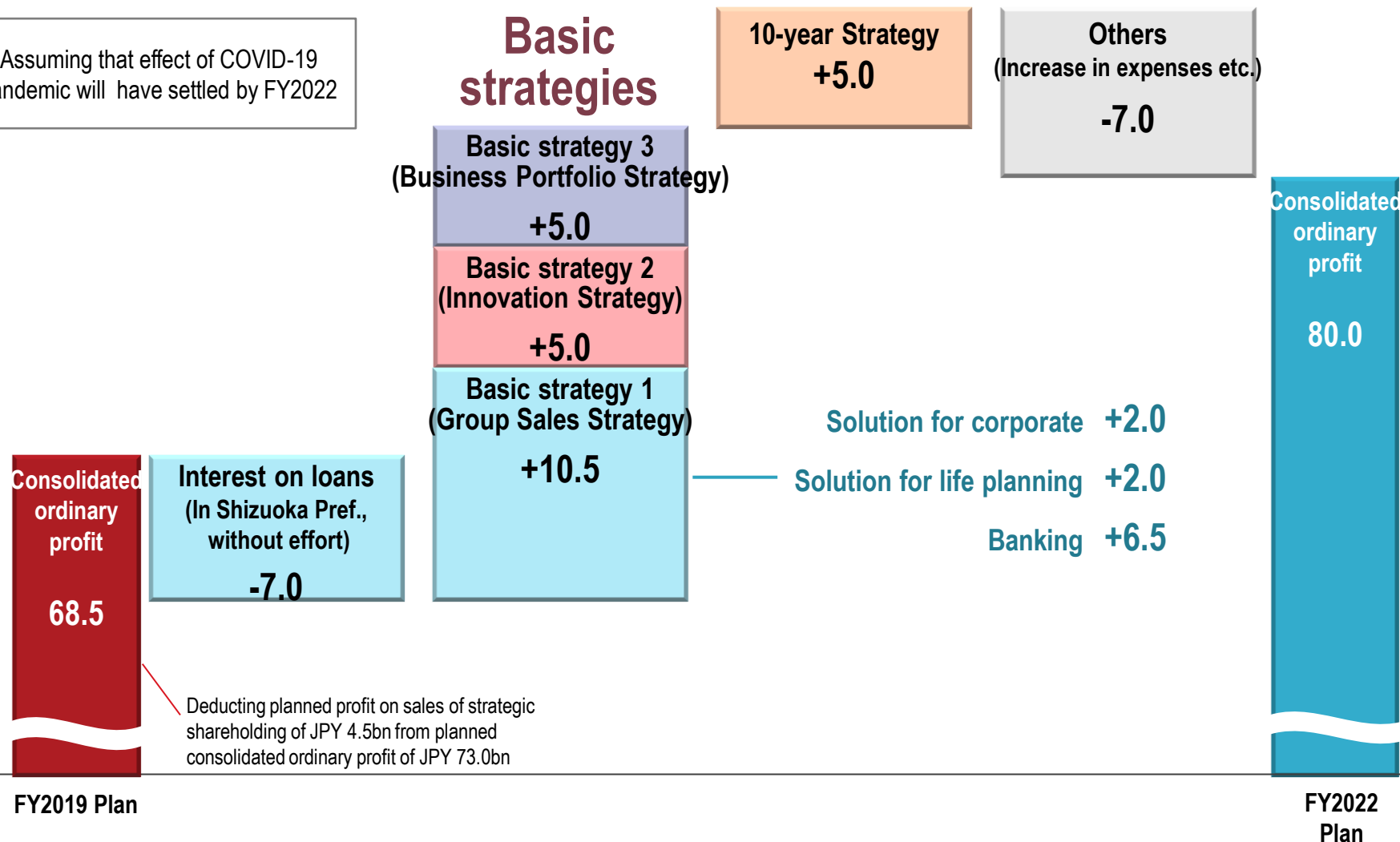
# Structure of planned profit

- Target consolidated profit of JPY 80.0bn by increasing profit by JPY 18.5bn in 3 basic strategies and by JPY 5.0bn in 10-year Strategy

## Factors affecting consolidated ordinary profit

(JPY bn)

Assuming that effect of COVID-19 pandemic will have settled by FY2022





# **Basic strategy 1**

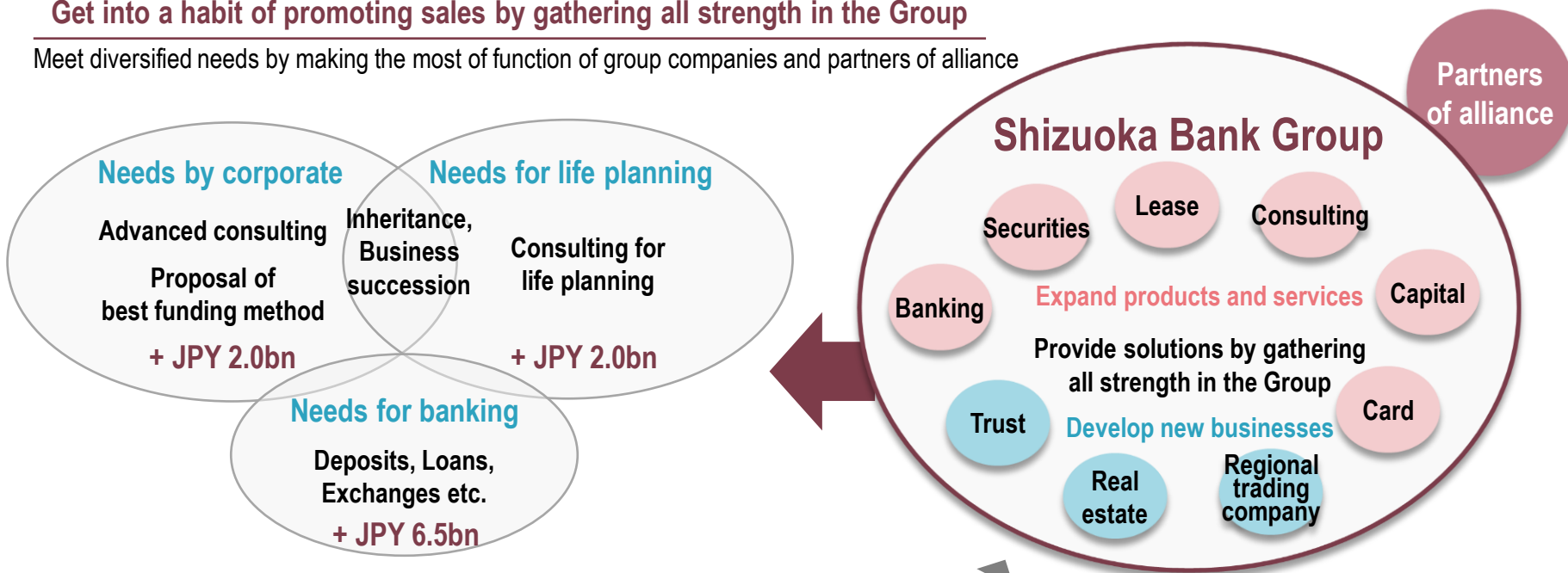
## **Group Sales Strategy**

# Basic strategy 1 Group Sales Strategy (full picture)

- Main strategic components are “Get into a habit of promoting sales by gathering all strength in the Group” to make the most of function of group companies, “Enhance convenience of regional financial system” to meet expectation as social infrastructure in the region, and “Complete 3 structural reforms in the 13th Medium-term Business Plan”

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

Meet diversified needs by making the most of function of group companies and partners of alliance



## Enhance convenience of regional financial system

Maintain and enhance convenience of whole regional financial system by cooperating with other financial institutions

Society where everyone has equal access to financial services

Society where financial institutions can provide services through coexistence and co-prosperity



Other regional financial institutions

## Complete 3 structural reforms in the 13th Medium-term Business Plan

Realize early completion of 3 structural reforms, leading to sustainable growth

Earning  
-based

People  
-based

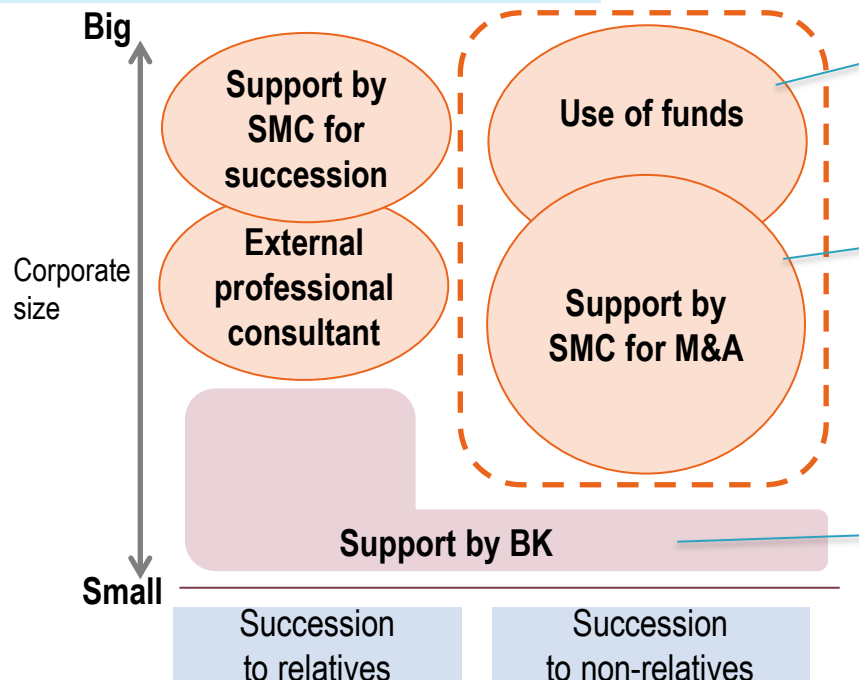
Channel  
-based

# Business succession, M&A (meet needs by corporate)

- Meet needs of business succession and M&A comprehensively regardless of project size by strengthening ability to address small-and-medium-sized projects
- Pursue profit opportunities by developing structure for equity investment and utilizing function of group companies

BK: Shizuoka Bank SMC: Shizugin Management Consulting TM: Shizugin TM Securities

Meet needs comprehensively regardless of project size



## Professional consulting, hands-on support

- Expand large-sized income opportunities including equity investment businesses

## Collaboration between BK branches and SMC

- Increase no. of projects to take by strengthening ability to address diversified projects including use of scheme to hold clients' stocks while successors are

Monetize support for transactions between relatives (Share clients' needs with TM)

## Meet needs by cooperation between branches and headquarters

- Address small-and-medium-sized projects through collaboration with local professionals

Group revenue  
+ JPY 1.0bn

## Information from close financial-related companies

- Build structure to get information from organizations which capture corporates' needs such as securities and insurance companies

## Information from supply chain

- Build structure to get succession needs of subcontractors of large manufacturers in Shizuoka Pref.

New process to get information

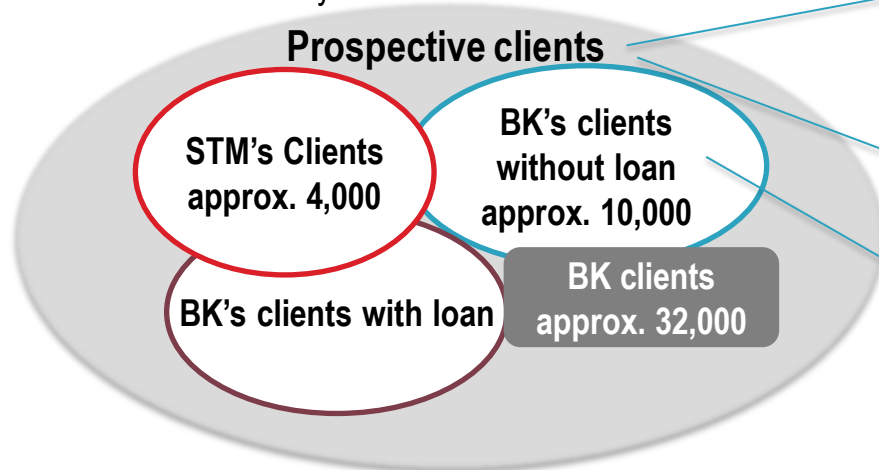
# Securities, Lease (meet needs by corporate)

- Meet investment needs of prospective clients and clients that deposit in but do not borrow money from Shizuoka Bank, and enter into new businesses in corporate securities area including transfer of share
- Widen the range of proposal to solve problems by utilizing lease, expanding business fields

## Securities (needs by corporate)

BK: Shizuoka Bank TM: Shizugin TM Securities

Approach to prospective clients and clients that deposit in but do not borrow money from BK



### Comprehensive proposal in securities area

- ✓ Transfer of share, underwriting of bonds, securitization
- ✓ Promote good cycle of regional money through bonds of regional companies and REIT

### Proposal to investment in securities

- ✓ Propose new products including wrap services

### Headquarters-led sales to clients that have deposit in but do not borrow money from BK

- ✓ Integrate function to develop relationship with clients without loan at the BK headquarters
- ✓ Propose asset management and consulting for inheritance and business succession

## Lease

Meet needs which BK cannot capture in loan-centered style

↓ Pursue income opportunities by widening range of solutions

- Clients without needs to borrow money
- Clients without loan
- Prospective clients

**Shizugin Lease's clients**

### Spread intermediary scheme

- ✓ Share human resource, skills, and information with the Group

### Expand business fields

- ✓ Start full-scale activities in new lease areas such as real estate and aircrafts
- ✓ Advance to retail auto lease, loans (mezzanine loan etc.)

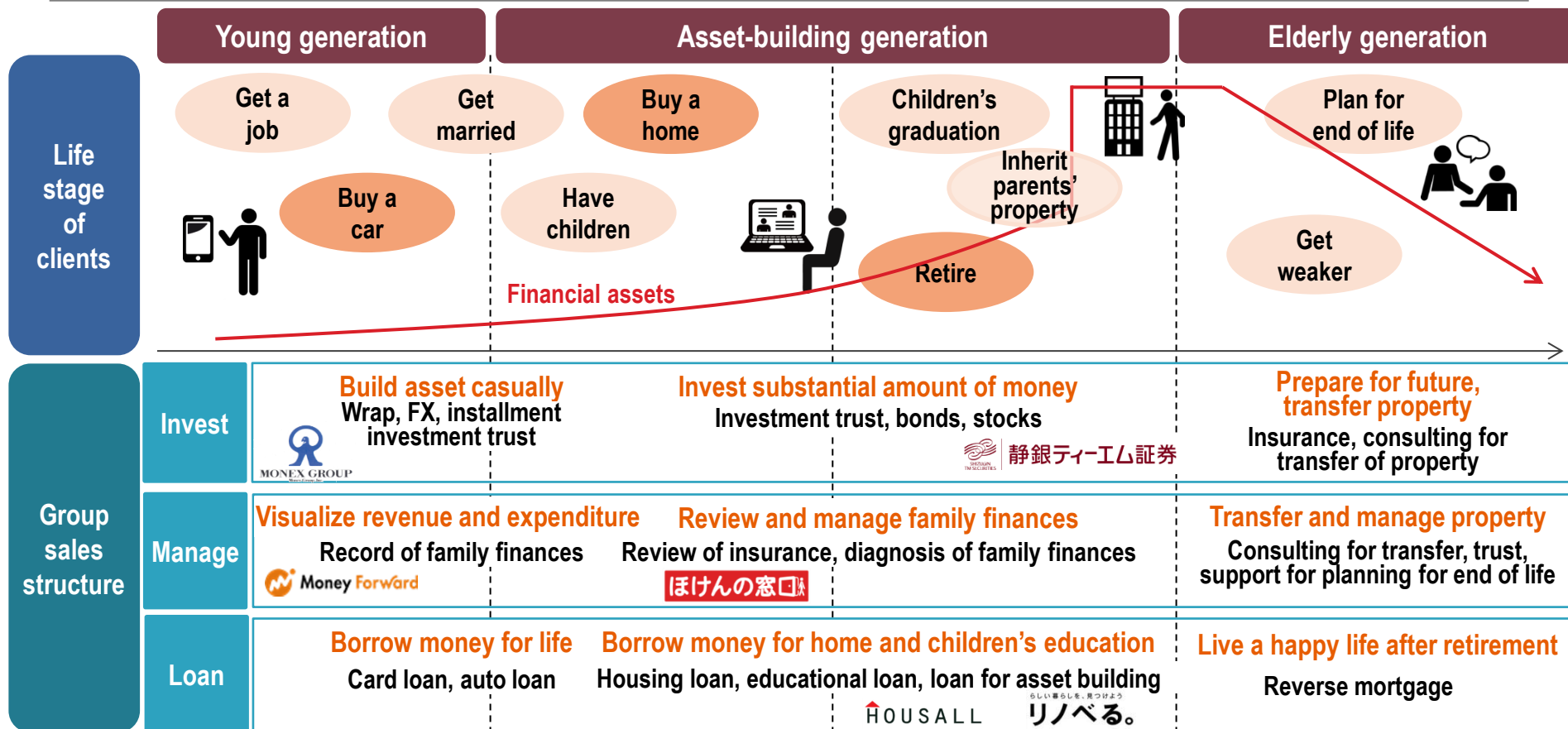
Group revenue  
+ JPY 1.0bn

(Note) Including others (fees of finance etc.)



# Provide solution according to life stages (meet needs for life planning)

- Meet diversified needs in life stages by utilizing whole function of the Group and advanced technology
- Share clients' information within Shizuoka Bank Group, building organic links among product development, advertisement, and sales promotion



Meet diversified events in life by utilizing whole function of Shizuoka Bank Group

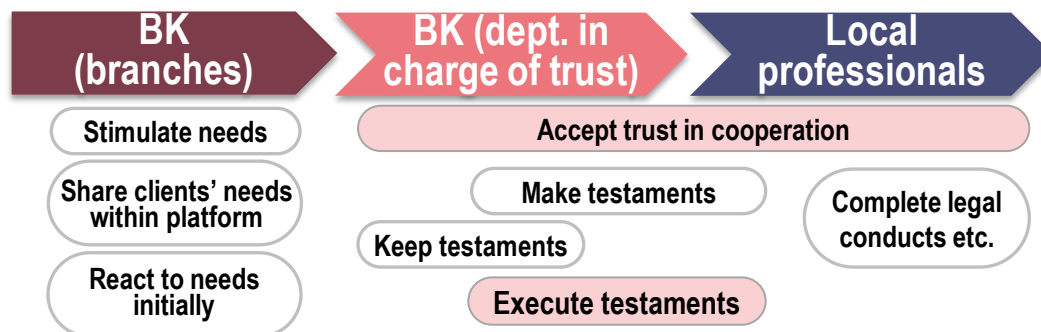
Revenue increase		Main contents
Increase in balance in wrap accounts	+ JPY 1.0bn	• Balance of JPY 130.0bn
Others	+ JPY 1.0bn	• Increase persons in charge of insurance, strategically place personnel in Shizugin TM Securities • Start full-scale activities in trust business and take revenue from it in the Group

# Inheritance platform (needs for life planning)

- Begin testament-related businesses to start full-scale activities in trust business, building inheritance platform
- Plan to make the platform closer to perfection by providing information and services requested by regional people through cross-industry collaboration in future

BK: Shizuoka Bank

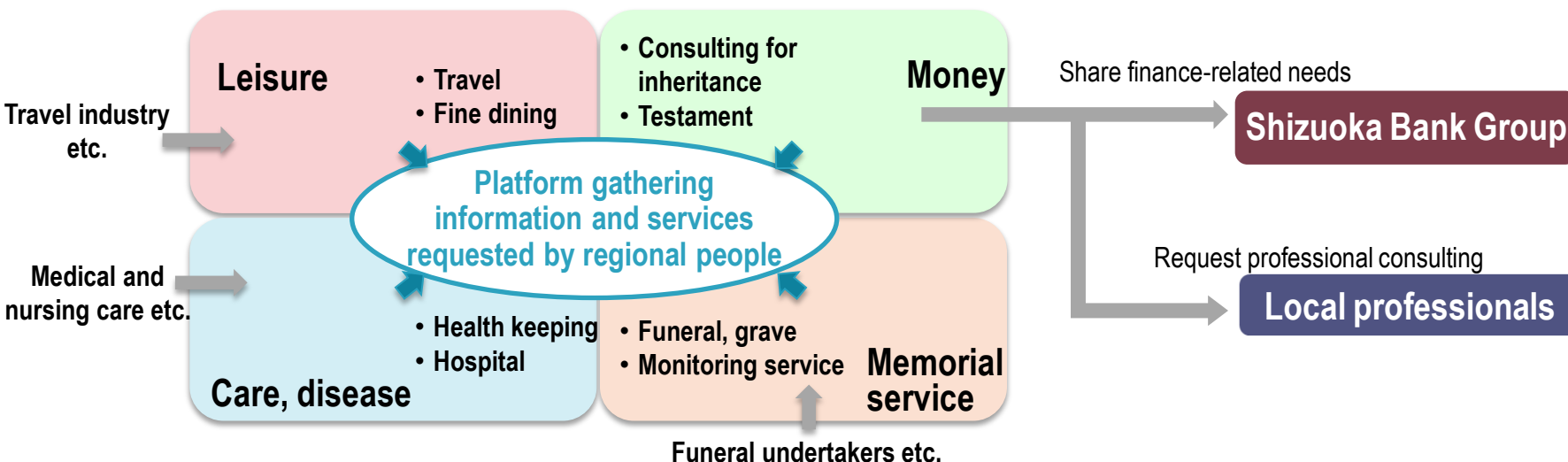
## 1<sup>st</sup> phase: Enter into trust business



- ✓ Conduct testament-related businesses, preventing inheritance-related business opportunity to flow out of the Group
- ✓ Clarify division of role between BK in charge of mental care and local professionals in charge of legal conduct
  - **Maintain good relationship with heirs**

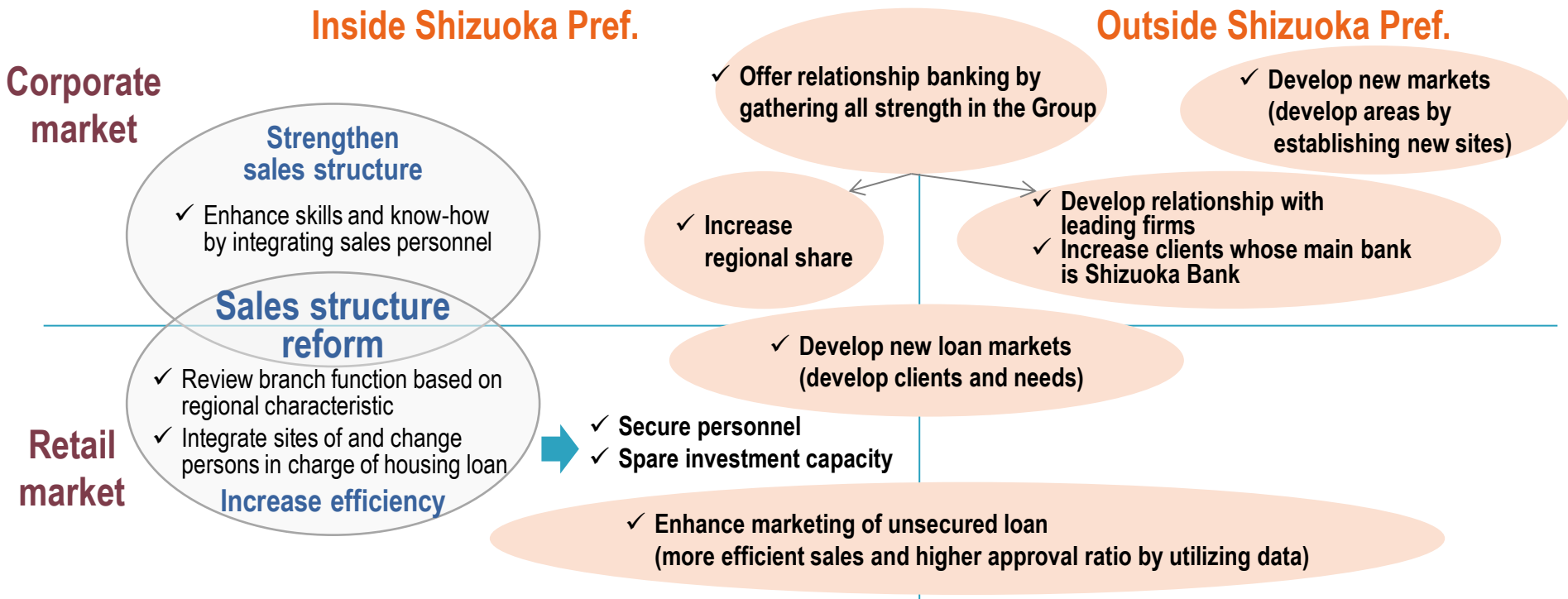
*Issue: Main business is proposal to existing clients with entrance limited to finance-related*

## 2<sup>nd</sup> phase: Build regional platform of information and services



# Meet needs for banking

- Enhance profitability in banking business centering loan, deposit, and exchange, by two-sided approach of increasing efficiency and pursuing growth
- Allocate management resource secured from fields to increase efficiency into fields to generate higher added value



	Revenue increase	Main contents
Recovery of decrease in interest on loans in Shizuoka Pref.	+ JPY 1.5bn	<ul style="list-style-type: none"> <li>• Control fall of interest rate by sales with high added value such as promotion of relationship banking</li> <li>• Enhance efficiency in operation of housing loan by integrating sites etc.</li> </ul>
Increase in interest on corporate loans outside Shizuoka Pref.	+ JPY 1.5bn	<ul style="list-style-type: none"> <li>• Strategically place personnel, Establish new sites</li> </ul>
Others	+ JPY 3.5bn	<ul style="list-style-type: none"> <li>• Develop new market by utilizing external guaranty companies</li> <li>• Strategically place personnel in metropolitan area (businesses related to housing loan)</li> </ul>

# Enhance convenience of regional financial system



- Maintain and enhance convenience of the whole regional financial system by meeting needs of foreign and non-regular workers and sharing businesses in non-competing fields with other financial institutions in order to meet clients' expectation as social infrastructure in the region

## Increase of foreign workers

Increase by **approx. 18,000**  
for 5 years  
(in Shizuoka Pref.)

## Increase of non-regular workers

Increase by **approx. 34,000**  
for 5 years  
(in Shizuoka Pref.)

## Decrease of financial institutions in the region

3 mergers of Shinkin banks in  
Shizuoka Pref. in FY2019

- ✓ Responsibility as social infrastructure in the region
- ✓ SDGs' philosophy "No one will be left behind"

Society where everyone has equal access  
to financial services

Society where financial institutions can provide  
services through coexistence and co-prosperity

## Services for foreign workers

(no. of foreigners living in Shizuoka Pref.: 80,000)

- Increase efficiency in opening accounts by utilizing eKYC
- Enable payment of wage and international transfer by e-money
- Offer credit through analysis of settlement data

## Services for non-regular workers

(no. of non-regular workers in Shizuoka Pref.: 640,000)

- Grasp working situation of each worker
- Conduct analysis of settlement data and one-to-one marketing

## Share businesses in non-competing fields

- Share inheritance-related procedures with Hamamatsu Iwata Shinkin Bank  
→ Develop to other financial institutions
- Expand the range of businesses for sharing

## Manage branches in cooperation

- Realize branches and ATMs to manage in cooperation
- Share businesses in middle and back section



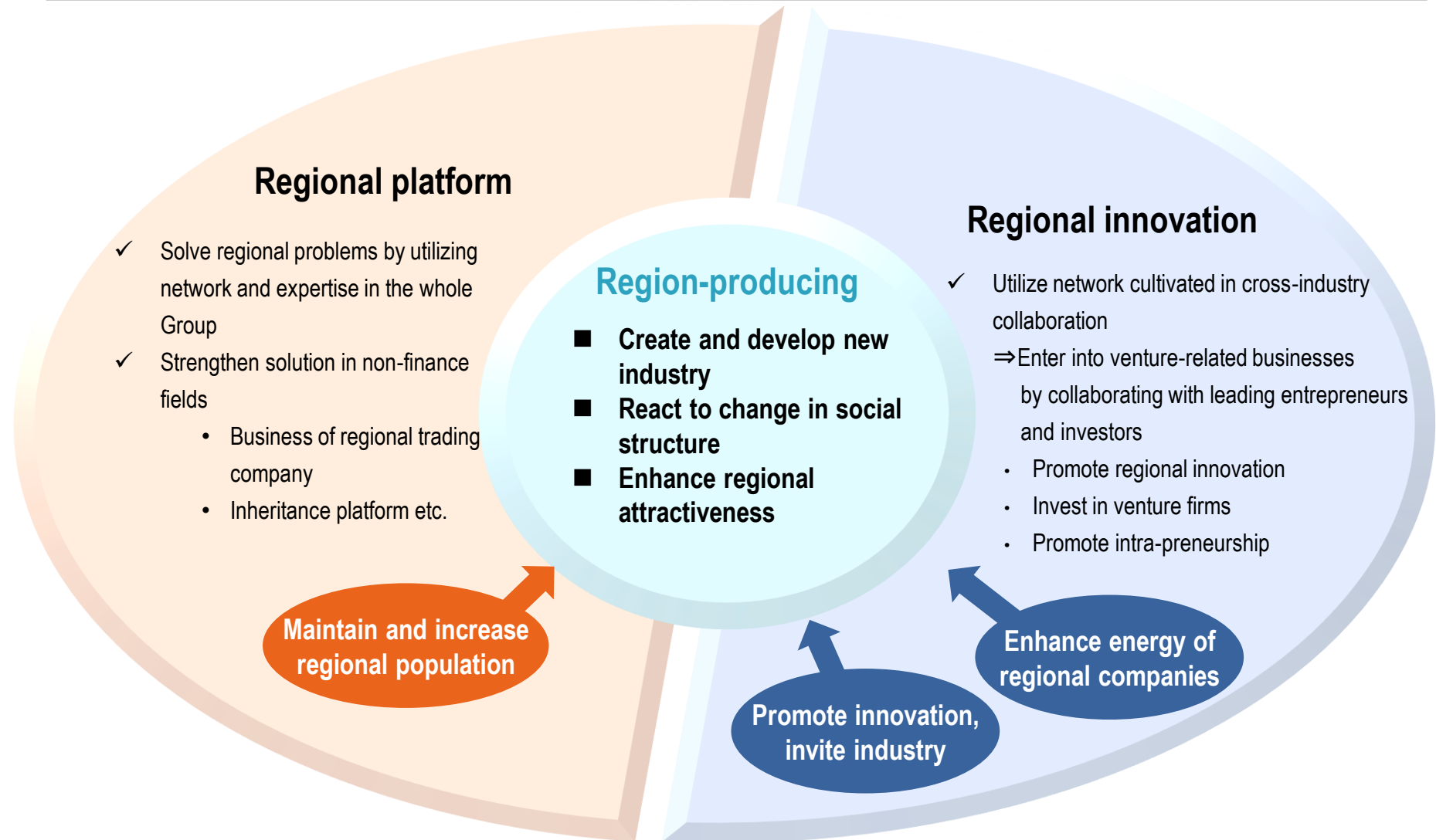
# **10-year Strategy**

**Region-producing strategy**

# 10-year Strategy Region-producing strategy



- Promote activities to solve diversified problems including contribution to growth of regional industry and economy from a viewpoint of SDGs and contribution to the region as social responsibility of corporate group leading the region, defining these activities as “Region-producing”





- Develop structure to enter into business of regional trading company in the 14<sup>th</sup> Medium-term Business Plan, building a foothold for regional platform
- Play a leading role to build regional platform involving regional players in long term, contributing to activation of regional economy by meeting regional needs for problem-solving, as well as leading to expansion of income opportunities for Shizuoka Bank Group

BK: Shizuoka Bank

Initiatives in the 14<sup>th</sup> Medium-term Business Plan

## Invest, dispatch employee

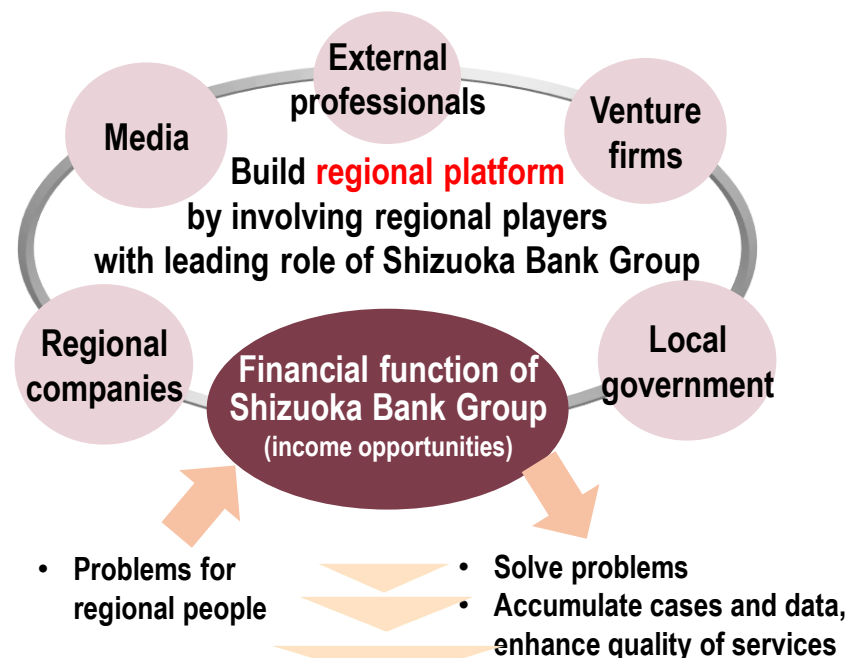


- Support development of sales channel and branding for regional products etc.
- Start one by one trial of businesses leading to resolution of regional problems and to expansion of income for Shizuoka Bank Group
  - Development of sites for regional innovation (use real estate of Shizuoka Bank Group)
  - Promotion of tourism
  - Education
  - Inheritance platform



Foothold for “regional platform business”

## Long-term development (regional platform)



- ✓ Enhance lineup for problem-solving , as well as expand income opportunities for Shizuoka Bank Group
- ✓ Produce industrial and economic growth and happy life of people in the region

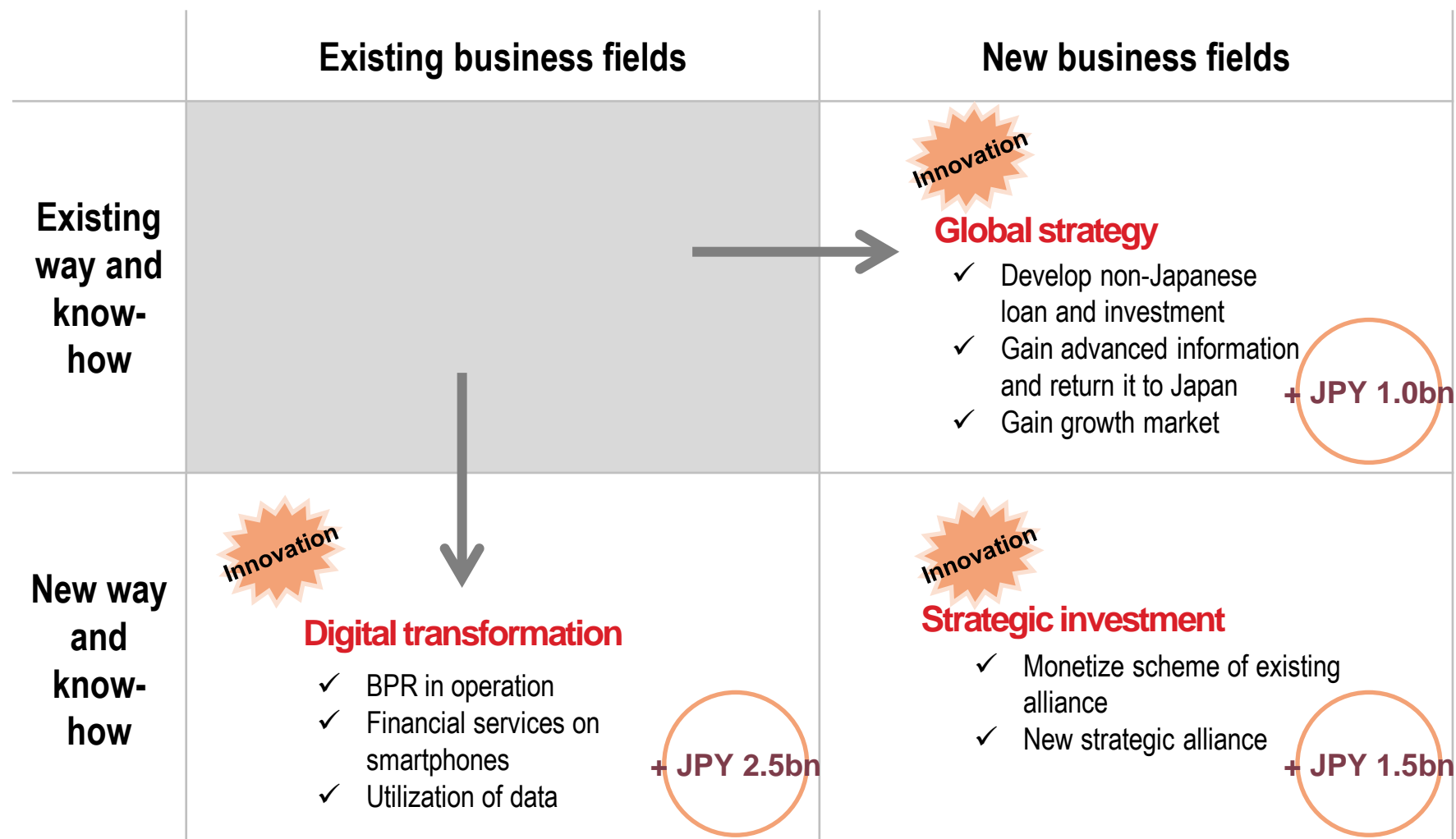
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# **Basic strategy 2**

## **Innovation Strategy**

## Basic strategy 2 Innovation Strategy (full picture)

- Pursue the Group's revenue opportunities from new perspectives by innovating channels according to change in clients' behavior, gaining growth in global market, and enhancing services through strategic investment and cross-industry collaboration



# Digital transformation (DX)

- Utilize digital technology in areas including infrastructure which can drastically change business model and work-style itself
- Enhance effectiveness of sales structure reform and innovate financial services on smartphones by BPR in operation and Next Generation System with our orientation of shift from “bank as branches” to “bank as people” in the 14<sup>th</sup> Medium-term Business Plan

## Sales structure reform

- ✓ Share skill and knowhow by integration personnel (Reinforce problem-solving ability, offer advanced services)
- ✓ Optimize allocation of personnel, realize higher efficiency and lower cost in branch operation

• Information sharing among channels  
• Utilization of information

## Financial services on smartphones

- ✓ Innovate app on smartphones
- ✓ Expand transaction which can be completed only through Internet

## BPR in operation

Shift to “5 less” in branches

Increase efficiency in sales activities

**Basis  
for DX**

## Next Generation System

Realize “location-free” bank | Enhance speed in developing new products

Overcome “2025 Digital Cliff”

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

Shift from “bank as branch” to “**bank as people**”



Manage branches efficiently

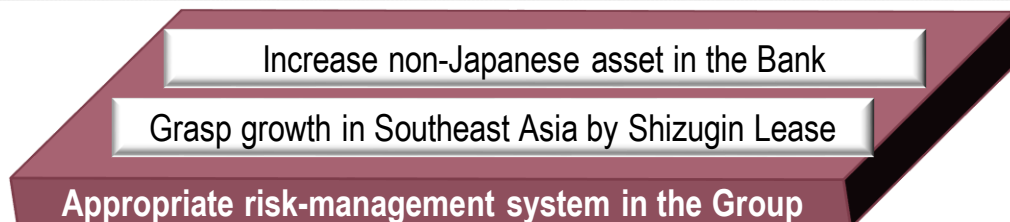
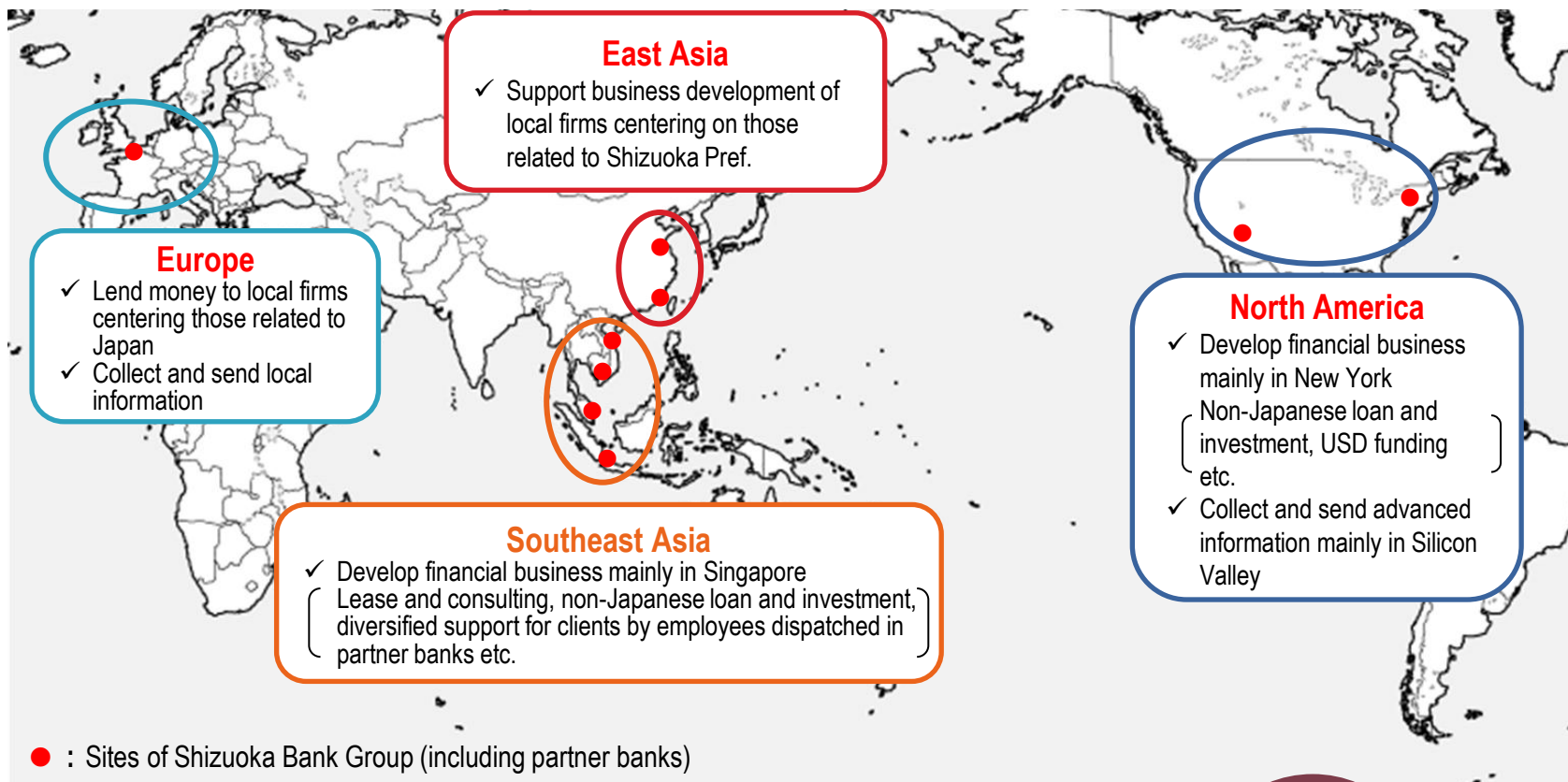
Develop data-driven marketing

Build a contact center

Reinforce services on smartphones

# Global strategy

- Make the most of international network of Shizuoka Bank Group, realizing the Group's innovation Strategy by supporting clients' international businesses, grasping growth opportunities in global market, and collecting advanced information
- Develop non-Japanese loan and investment by building appropriate monitoring system in the whole Group, and reorganize international network based on the change of situation



Group revenue  
+ JPY 1.0bn

# Strategic investment, Cross-industry collaboration

- Expand customer base and revenue opportunities through cross-industry collaboration such as cooperation with Monex Group and scheme of external guaranty
- Develop new strategic alliance fitting suited to our purpose of reinforcing Group function, diversifying revenue opportunities, expanding customer base, and grasping advanced technology

SCG: Shizugin Credit Guaranty

## Monetize scheme based on existing alliance



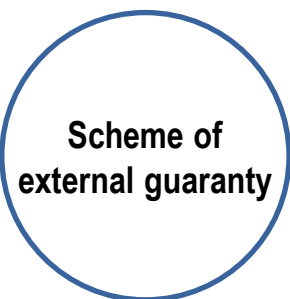
- ✓ Alliance in securities business
- ✓ Practical use of block-chain technology



静岡銀行



静岡ディーエム証券

MONEX GROUP  
Monex Group Inc.

- ✓ Increase guaranty amount in the guaranty scheme from SCG to ARUHI
- ✓ Expand nationwide customers base by developing scheme of external guaranty scheme



- ✓ Build network with firms which Shizuoka Bank invests in
- ✓ Collect and utilize expertise on advanced technology and business model inside and outside Japan
- ✓ Return network and technology to the region

## Direction of new strategic alliance

Cost reduction through sales structure reform and BPR etc.



Secure investment capacity

Invest in new strategic alliance

Reinforce Group function

- ✓ Expand lineup of services

Diversify revenue opportunities

- ✓ Utilize channel of partner companies

Expand customer base

- ✓ Consider M&A in financial and non-financial areas

Grasp advanced technology

- ✓ Innovate operation flow, enhance convenience of customers, etc.





# **Basic strategy 3**

## **Business Portfolio Strategy**

# Basic strategy 3 Business Portfolio Strategy (full picture)

- Allocate management resources and risk capital in the optimized way on Group basis
- Increase new contracts and assets supporting future Group revenue by considering risk and return in Tokyo market and management of asset allocation, while developing and utilizing professional personnel taking central role in the strategy

## Management resources, risk capital

Allocate them in the optimized way on Group basis

### Human resources strategy

### Market and Tokyo strategy

+ JPY 3.0bn

### Asset allocation

+ JPY 2.0bn

- ✓ Build group of professional personnel
- ✓ Reorganize human resources portfolio  
Secure personnel by enhancing efficiency and changing persons in charge of operation  
Utilize professional personnel inside and outside Shizuoka Bank Group  
⇒ Allocate personnel in strategic fields in the 14<sup>th</sup> Medium-term Business Plan

- ✓ Grasp business opportunities in metropolitan area  
Trade with large firms ⇒ Develop revenue opportunities  
Asset-building generation ⇒ Consulting on whole asset  
Marketable trading  
⇒ Build portfolio generating stable revenue

- ✓ Manage asset allocation on consolidated basis to realize optimized allocation in the Group
- ✓ Diversify funding method of foreign currencies to support grasp of global growth opportunities

# Human resources strategy

- Review persons in charge according to function which Shizuoka Bank Group provides, building highly effective personnel portfolio with which employees can take each role and conducting personnel interaction among the Group on large scale
- Develop human resources within Shizuoka Bank Group and utilize external professional personnel, accelerate realization of various strategies by strategically place personnel

## Enhance efficiency and change persons in charge

- ✓ Merge and review function of branches  
Integrate operation and enhance efficiency in housing loan

Secure approx.  
200 people

→ Accelerate changes of persons in charge

- ✓ Accelerate BPR in the whole Group

→ Streamline operation in each firm, secure personnel  
→ Increase weight of business with high added value

## Utilize internal and external professional personnel

- ✓ Make most of external professional personnel (recruiting, alliance)
- ✓ Re-allocate IT-related personnel after launch of Next Generation System

## Personnel interaction among the Group

- ✓ Conduct personnel interaction among the Group in order to show the best of Group function (approx. 100 people during period of the 14<sup>th</sup> Medium-term Business Plan)
- ✓ Conducted interaction of approx., 70 people in Apr. 2020

## Place personnel strategically

Group  
Sales  
Strategy

Corporate  
50 people

- ✓ Consulting (M&A, business succession etc.)

Life planning  
50 people

- ✓ consulting (proposal on inheritance/asset management etc.)

Banking  
80 people

- ✓ Reinforce sales in metropolitan area
- ✓ Develop cross-Group and headquarters-led strategy

Innovation strategy  
10 people

- ✓ Reinforce non-Japanese business, utilize strategic investment

Business Portfolio Strategy  
10+α people

- ✓ Increase in no. of persons in charge of market credit investment

## Train staff in the Group → Maximize problem-solving ability

Specialty

- Share universal personnel image as a “professional in finance”
- Reinforce cross-Group problem-solving ability to diversified issues
- Develop specialist personnel

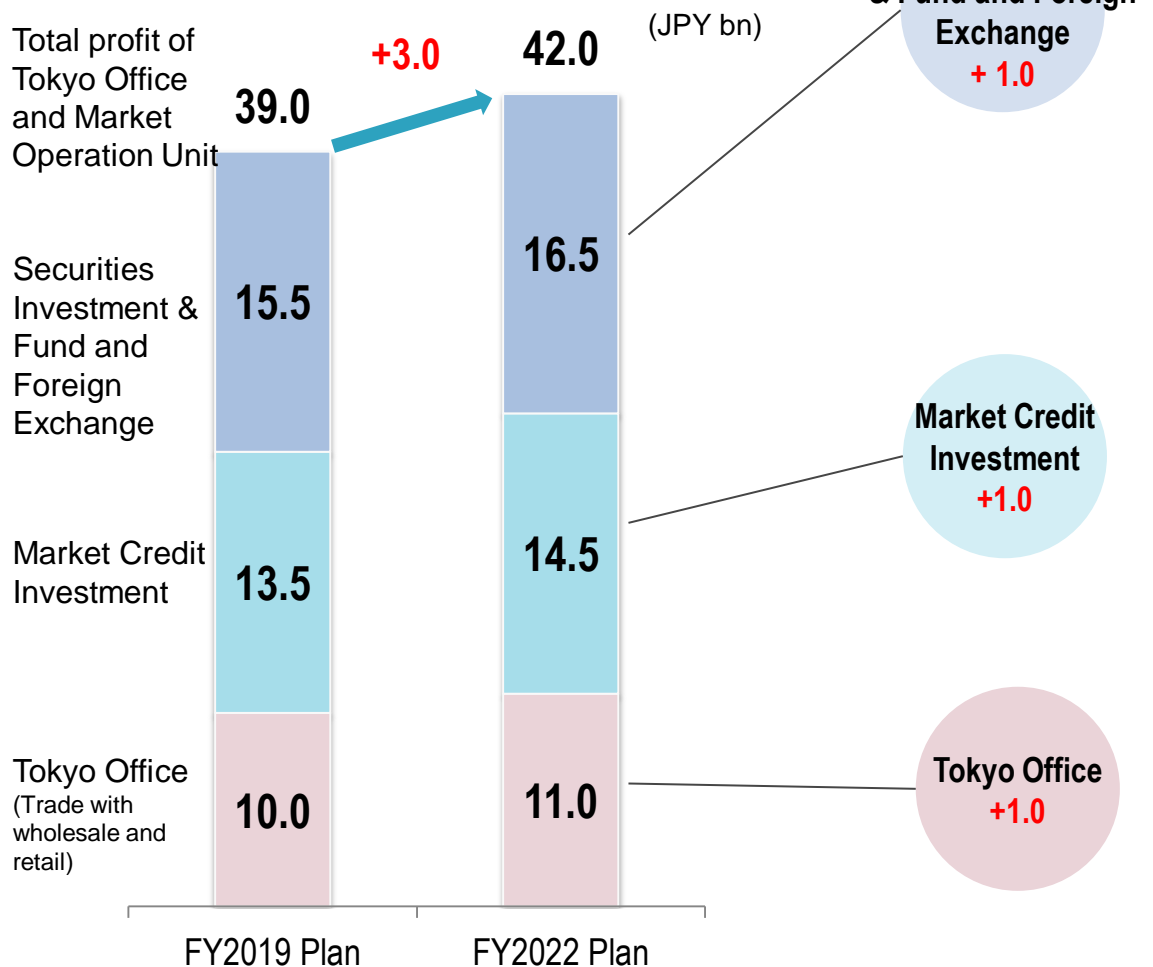
High

- ✓ Sales (Wide knowledge and skill, negotiation ability)
- ✓ Headquarters (Extremely high expertise in specified fields)

# Market & Tokyo Sales Strategy

- Grasp business opportunities (trade with large firms and asset-building generation, marketable trade etc.) in metropolitan area by utilizing stable funding base in Shizuoka Pref. and Group function, aiming at revenue growth

## Gross operating profit plan in Tokyo Office and Market Operation Unit



- Build portfolio generating stable revenue in medium and long term
  - Diversify target and method of investment
- Average balance plan (Only in Tokyo Office and Market Operation Unit)

	Change in 3 years
Yen-based bonds	+ JPY 10.0bn
Foreign-currencies-based bonds	+ JPY 160.0bn
Investment trust	+ JPY 10.0bn

- Fund foreign currencies at low cost by utilizing high credit rating
- Diversify scale and method of investment
- Build portfolio with good balance between risk and return
- Develop new method of loan and investment

Average balance plan (Only those related to Market Credit Investment)

	Change in 3 years
Loan	+ JPY 100.0bn
PE	+ JPY 29.0bn

- Broadly capture revenue opportunities in trade with large firms
- Support sound asset-building
- Provide consulting on the whole asset

Average balance plan

	Change in 3 years
Loans for asset-building	+ JPY 30.0bn

# Asset allocation

- Manage asset allocation on consolidated basis in response to strategy reinforcing collaboration among Shizuoka Bank Group
- Focus on asset in the whole Group, expanding investment revenue and reducing funding cost

## <Consolidated Balance Sheet>

### Asset

Asset allocation realizing optimization in the whole Group

#### Yen-based loan

- ✓ Build Group sales structure and increase share of loan (in Shizuoka Pref.)
- ✓ Increase revenue in metropolitan area

#### Foreign-currencies-based loan

- ✓ Expand Market Credit Investment
- ✓ Increase non-Japanese asset

#### Securities

- ✓ Build optimized investment portfolio
- ✓ Strategically invest in venture firms etc.
- ✓ **Enhance ALM investment by appropriately using surplus fund (RMBS and bonds etc.)**

### Liability

Diversify funding of foreign currencies

#### Deposit

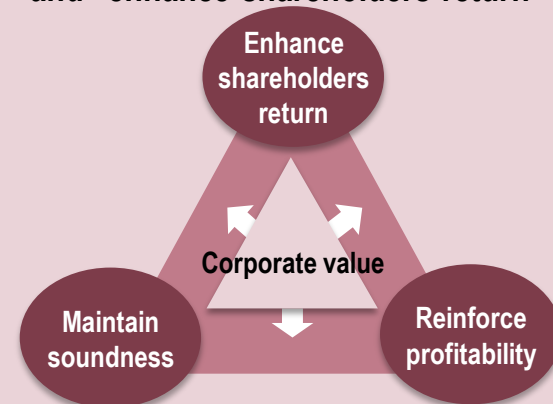
Pursue opportunities to reduce funding cost while paying attention to various risks

#### Funding in marketable trade

- ✓ Diversify method of funding
- ✓ Diversify funding of foreign currencies

### Capital

Optimize balance among “maintain soundness”, “reinforce profitability”, and “enhance shareholders return”



# Enhance corporate value (capital management)

- Change shareholders return target on non-consolidated basis to on consolidated basis, enhancing return, increasing retail shareholders in the region by reducing amount of cross-shareholding, and realizing capital management considering profitability and soundness

**Target in the 13<sup>th</sup> Medium-term Business Plan**  
**“Shareholders return ratio of approx. 50% in medium and long term”**  
**(non-consolidated basis)**

**Target in the 14<sup>th</sup> Medium-term Business Plan**  
**“Shareholders return ratio of 50% or higher in medium and long term”**  
**(consolidated basis)**

		The 12 <sup>th</sup> Medium-term Business Plan Total in 3 years	The 13 <sup>th</sup> Medium-term Business Plan Total in 3 years (Forecast)
Dividend ①		JPY 34.4bn	JPY 38.1bn
Share buyback ②		JPY 26.8bn	JPY 28.4bn
Shareholders return ③ = ① + ②		JPY 61.2bn	JPY 66.5bn
Consolidated	Profit attributable to owners of the parent ④	JPY 127.1bn	JPY 148.5bn
	Dividend payout ratio ①/④ × 100	27.0%	25.6%
	Shareholders return ratio ③/④ × 100	48.1%	44.7%
Non-consolidated	Net income ⑤	JPY 111.0bn	JPY 129.1bn
	Dividend payout ratio ①/⑤ × 100	30.9%	29.4%
	Shareholders return ratio ③/⑤ × 100	55.1%	51.5%

## Basic policy on capital management under the 14<sup>th</sup> Medium-term Business Plan

### 1. Enhance shareholders return and communicate with shareholders

- Change shareholders return target on non-consolidated basis to on consolidated basis
- Deepen communication with shareholders

### 2. Increase shareholders in the region

- Increase “stable shareholders in the region” who own the Bank’s share in medium and long term with reducing cross-shareholding as a starting point

### 3. Realize new capital management

- Develop capital management considering profitability and soundness

Annual dividend per share

JPY 56

JPY 65





# **[Data Section]**

## **Planned figure (detail)**

# Plan of figures

- Target consolidated ordinary profit of JPY 80.0bn, consolidated ROE of 5% or higher, and consolidated Common Equity Tier I ratio of 14% or higher in FY2022

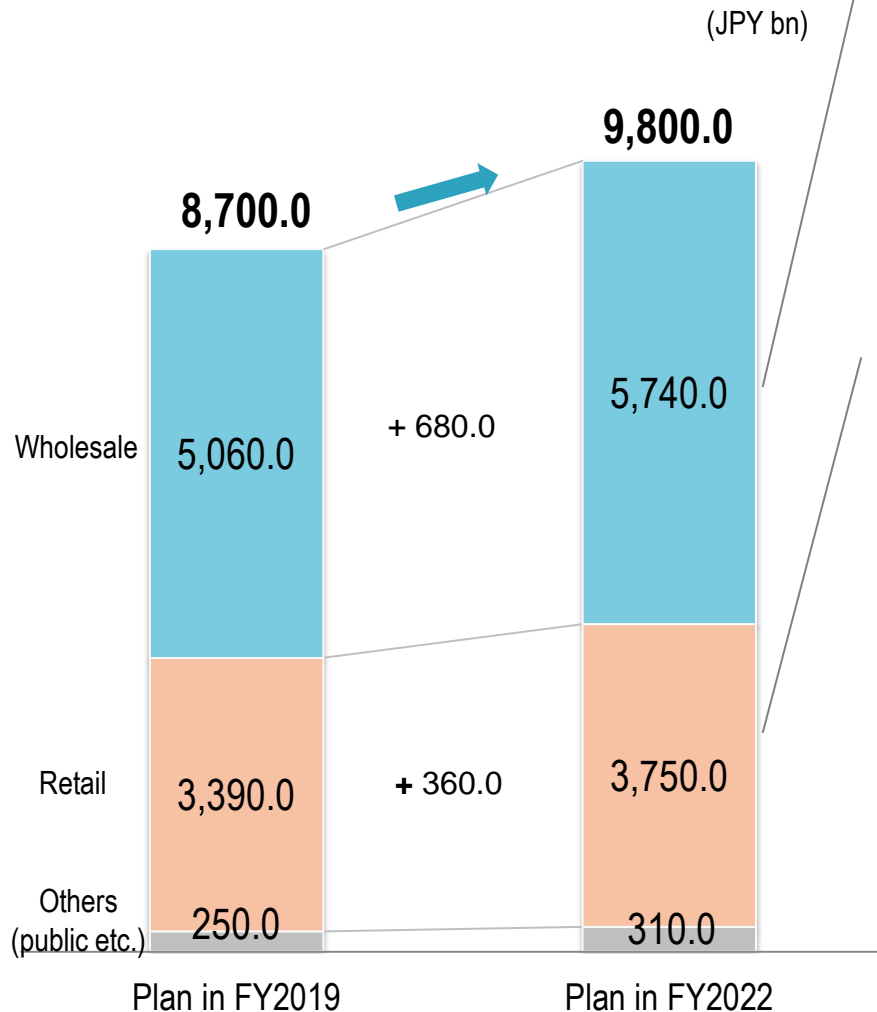
					(JPY bn)
Consolidated		Results in FY2018	Plan in FY2019	Plan in FY2022	Change in 3 years
	Gross operating profit	150.8	154.3	169.2	+ 14.9
	Fees & commissions revenue (*)	23.3	23.9	29.3	+ 5.4
	Ordinary profit	63.4	73.0	<b>80.0</b>	+ 7.0
	Profit attributable to owners of the parent	46.9	51.5	56.5	+ 5.0
	ROE	4.6%	5.0%	<b>5% or higher</b>	—
	OHR	60.0%	55.2%	<b>55% level</b>	—
	Common Equity Tier I Ratio	16.05%	15.1%	<b>14% or higher</b>	—
Non-consolidated	Gross operating profit	134.8	136.5	144.4	+ 7.9
	Interest on loans	06.0	107.0	110.3	+ 3.3
	Interest and dividend on securities	32.6	30.4	37.1	+ 6.7
	Bond-related income such as JGBs	- 1.1	5.9	4.4	- 1.5
	Expnses (-)	80.9	77.5	83.8	+ 6.3
	Actual net operating profit	53.9	59.0	60.6	+ 1.6
	Ordinary profit	56.5	61.5	67.0	+ 8.4
	Net income	42.6	43.0	46.7	+ 3.7
	Credit-related costs (-)	4.8	8.5	7.0	- 1.5
	Average amount of loan	8,339.7	8,703.4	9,801.0	+ 1,097.6
	Average amount of deposit	9,739.0	9,958.0	11,074.7	+ 1,116.7
	Average amount of securities	1,336.8	1,246.7	1,984.7	+ 738.0

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

# Plan of loan

- Target increase in loan amount of JPY 1.1tn in 3 years
- Plan to increase interest on loans by JPY 3.3bn, and interest on Yen-based loans of JPY 0.4bn

## Average balance of loan



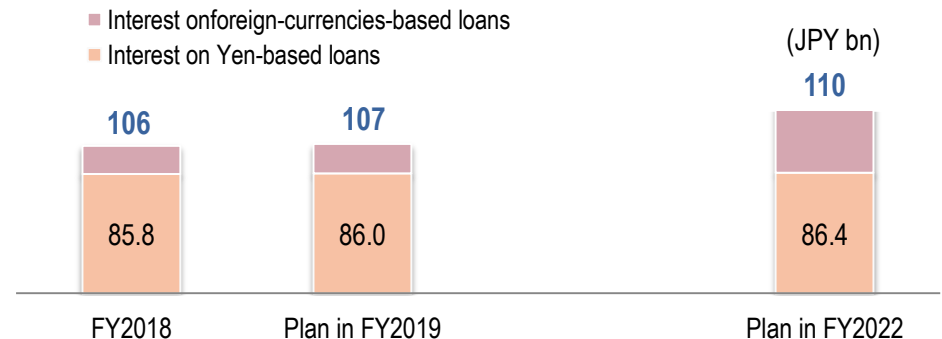
### Breakdown (wholesale)

	Plan in FY2019	Plan in FY2022	Change in 3 years
Shizuoka Pref.	2,360.0	2,400.0	+ 40.0
Tokyo	1,170.0	1,420.0	+ 250.0
Kanagawa Pref.	320.0	450.0	+ 130.0
Market Credit Investment	590.0	690.0	+ 100.0
Overseas branches	220.0	270.0	+ 50.0

### Breakdown (retail)

	Plan in FY2019	Plan in FY2022	Change in 3 years
Housing loan	2,150.0	2,450.0	+ 300.0
Apartment loan	730.0	760.0	+ 30.0
Loan for asset-building	200.0	230.0	+ 30.0
Unsecured loan	110.0	110.0	+ 0.0

## Interest on loans

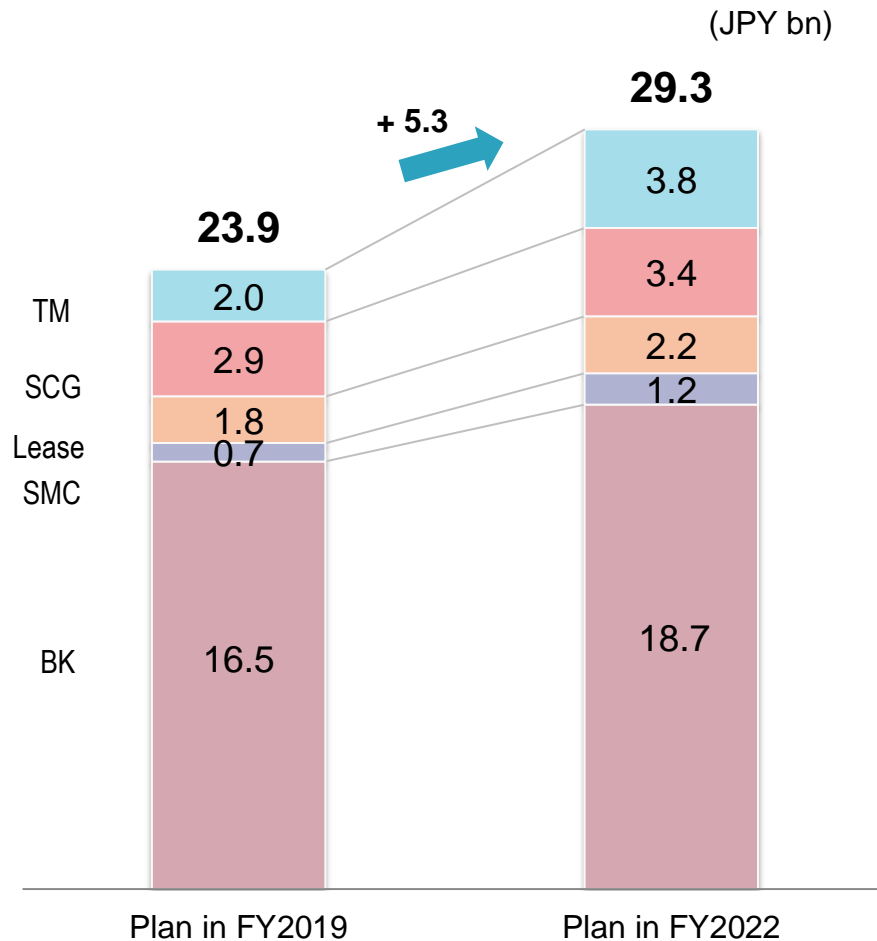


# Plan of fees and commissions revenue

- Plan to increase fees and commissions revenue in the Group by JPY 5.3bn (Bank by JPY 2.2bn, 4 Group companies by JPY 3.1bn)

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

## Fees and commissions revenue (consolidated)



Fees from wholesale	Plan in FY2019	Plan in FY2022	Change in 3 years
Privately placed bond, syndicated loan, commitment line	1.2	1.2	+ 0.0
Market Credit Investment etc.	2.3	3.0	+ 0.7
Others (Fees of wholesale loans etc.)	1.9	2.0	+ 0.1
SMC	0.7	1.2	+ 0.5
Lease	1.8	2.2	; 0.4

Asset management	Plan in FY2019	Plan in FY2022	Change in 3 years
Insurance	5.9	6.3	+ 0.4
Investment trust (BK)	1.1	1.4	+ 0.3
TM	2.0	3.8	+ 1.8

Others	Plan in FY2019	Plan in FY2022	Change in 3 years
SCG	2.9	3.4	+ 0.5

(Note 1) BK is total of fees & commissions and trading income, and others are ordinary profit

(Note 2) Ordinary profit of Lease is before paying intermediate fees to the Bank

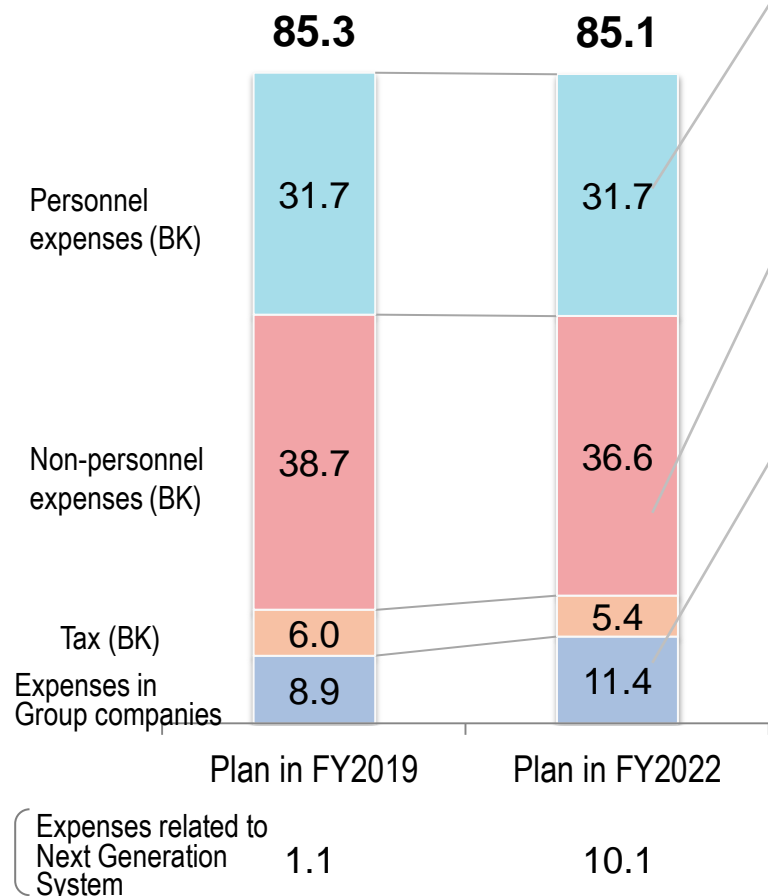
# Plan of expenses

- Secure investment capacity by reducing cost through sales structure reform etc., actively conducting investment leading to future growth
- Aim at cost reduction in long term while expecting increase in system-related expenses according to start of Next Generation System in Jan. 2021

## Control of expenses

### Plan of consolidated expenses (excluding expenses related to Next Generation System)

(JPY bn)



Cost reduction

Reinvestment,  
cost increase

Reduction in personnel expenses due to decrease in employees (natural decrease), change in persons in charge, and review of personnel portfolio

Personnel expenses  
for professional personnel

Sale structure  
reform

BPR

Cost to manage branches (- JPY 1.0bn)  
Outsourcing expenses within Group (- JPY 1.0bn)  
Investment in common system infrastructure

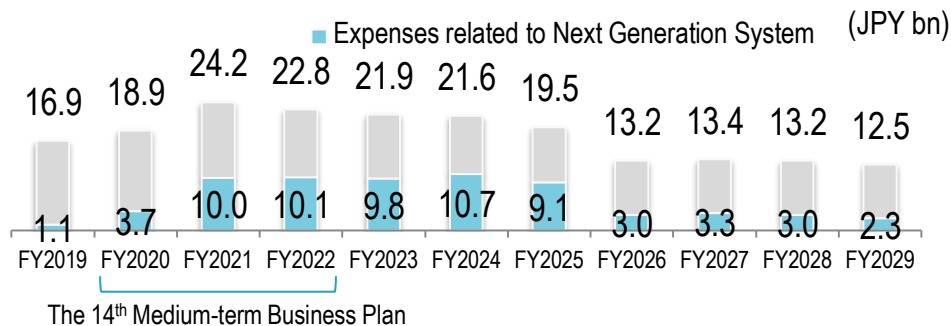
Investment with priority in  
Next Generation System and  
system in sales section

BPR

Decrease in personnel in Group companies  
in charge of operation

Increase in personnel  
in Group companies  
in charge of sales

## Simulation of system-related expenses





**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.**

**〔Contact〕**

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