



Shizuoka Bank Group

Annual Report 2018



Economic Overview of Shizuoka Prefecture

Industrial Characteristics

Shizuoka Prefecture is situated midway between the two major consumer markets and industrial centers of Japan — the Nagoya region plus the Osaka-Kyoto region to the west, and the Yokohama-Tokyo region to the east. Because of this location at a busy “crossroads” of the nation, it has historically developed into a significant center of manufacturing industry. The convenient location of Shizuoka Prefecture in transportation terms has caused the growth of a strong industrial base. The prefecture is one of the country’s leading manufacturing areas. The wide variety of industries represented within Shizuoka has led to it being dubbed “the industrial department store.” Corporations active in Shizuoka include world-leading enterprises such as Toyota, Honda, Suzuki, and Yamaha, and the prefecture is renowned for its concentration of export-oriented manufacturing companies. Many of these firms have set up production subsidiaries overseas, which is creating a growing international aspect to the

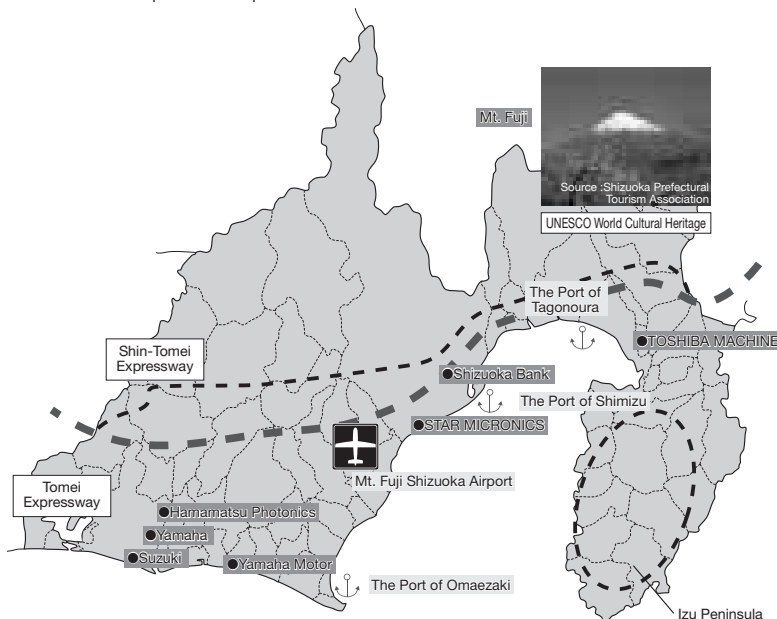
regional economy. We expect that Shizuoka prefecture will be more internationalized, stimulating the interchange of people and ideas with the major urban centers of Eastern Asia, and act as an important driving force for the regional economy.

In recent years the prefectural authorities have been operating a number of schemes to encourage companies in the medical treatment, pharmaceuticals, chemicals, and optical technology industries, among others, to set up operations in the so-called “Shizuoka Triangle Research Cluster” (spread across the prefecture’s eastern, central, and western districts) as a means of developing a next-generation industrial base.

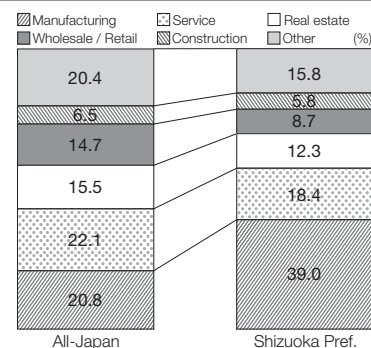


Economy in Shizuoka Prefecture and current state

- 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 musical instruments and etc.
- Has many representative tourist locations with rich natural resources.
- The Izu Peninsula was certificated as a UNESCO Global Geopark in Apr. 2018. Global Geoparks are natural parks of topographical and geological significance. There are nine UNESCO Geoparks in Japan.



Percentage distribution of Shizuoka Prefecture GDP by industry



Source: Cabinet Office, Government of Japan, FY2014

No. of listed companies with HQs in Shizuoka Prefecture

Listing	No. of companies
TSE 1 st section	22
TSE 2 nd section	10
Mothers	1
Jasdaq	17
Total	50

*As of the end of Oct. 2017, companies listed on more than one exchange were counted as TSE-listed

Economic scale of Shizuoka Prefecture

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

Shizuoka Prefecture indices

	Share of all-Japan	National ranking
Population	3.68m	2.9%
No. of households	1.56m	2.7%
Nominal prefectural GDP	JPY 15.4tn	3.0%
Per-capita income	JPY 3.22m	-
No. of business establishments(*)	180k	3.1%
Amount of shipments of manufactured goods, etc.(*)	JPY 16.0tn	5.3%
Agricultural output(*)	JPY 226.6bn	2.4%
Fishery production volume	180k tons	5.6%
No. of industrial locations(*)	95	9.2%
No. of new housing starts	23k	2.4%

*Based on flash reports

Shizuoka Prefecture economic scale

Prefectural GDP (FY2014, Nominal)		
Rank	Prefecture/Region	(US\$ billions)
9	Fukuoka Prefecture	164.8
10	Shizuoka Prefecture	140.5
11	Ibaraki Prefecture	105.6
-	4 prefectures of Shikoku	125.5
-	3 prefectures of Hokuriku	110.7
GDP comparison with various countries (2014)		
Rank	Country (Region)	(US\$ billions)
56	Vietnam	185.9
57	Bangladesh	184.0
58	Kuwait	162.7
-	Shizuoka Prefecture	140.5
59	Hungary	139.3
60	Ukraine	132.3

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

Shizuoka Bank Group at a Glance

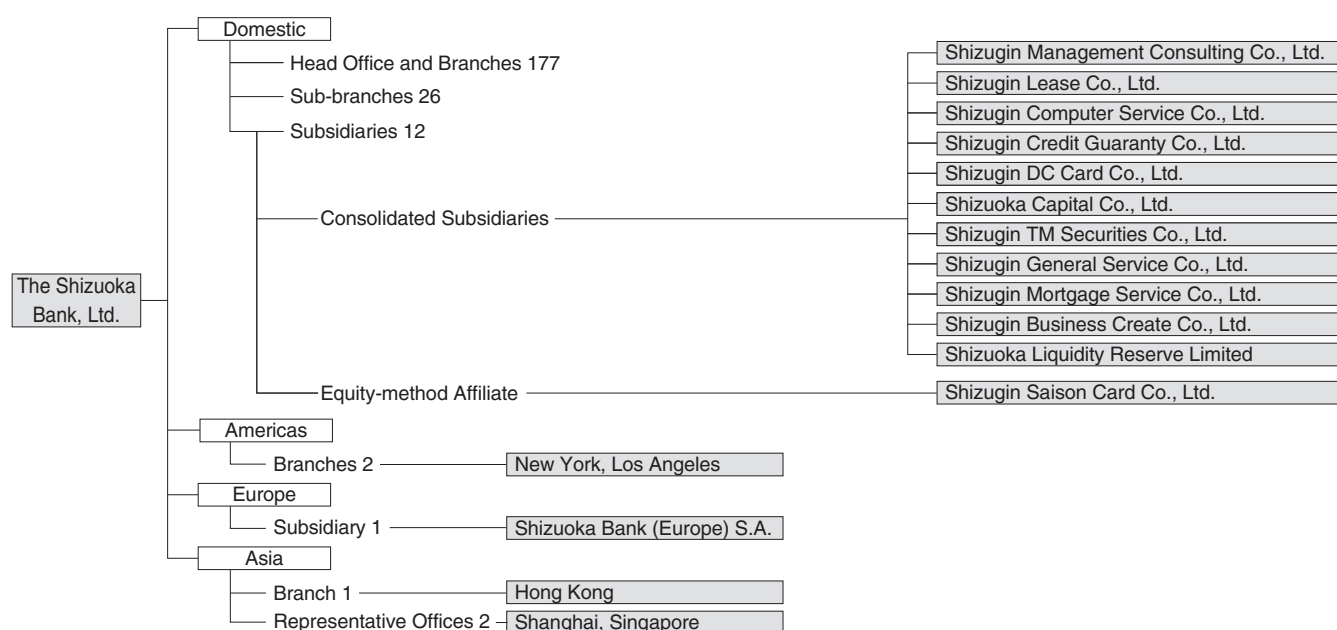
NURTURING THE VISION OF A PROSPEROUS COMMUNITY

True to a corporate philosophy, which aims to “expand dreams and affluence with our community,” the Shizuoka Bank Group makes an ongoing contribution to the development of the region around Shizuoka Prefecture, which forms the core of its business base. This corporate philosophy incorporates not only an economic dimension but also a cultural one: living in harmony with the local communities and the people we serve, sharing prosperity with them as a home-grown local banking group and a member of the regional community, and also helping local people to live more fulfilling lives.

A FIRST-CLASS REGIONAL BANK GROUP

The Shizuoka Bank Group comprises Shizuoka Bank and thirteen Group companies, and is one of the largest regional banking groups in Japan. Centered on Shizuoka Bank with the Head Office, 176 branches and 26 sub-branches, the Group serves the needs of customers not only within Shizuoka Prefecture, its home region, but also three major economic centers in Japan, namely Tokyo, Osaka, and Nagoya, all of which are comparatively nearby. For overseas operation, the Bank operates in New York, Los Angeles, Brussels, Hong Kong, Shanghai, and Singapore.

The Structure of the Shizuoka Bank Group (As of July 1, 2018)



* Other than the above-mentioned Group companies, Monex Group, Inc. and Commons Asset Management, Inc. are equity-method affiliates of Shizuoka Bank.

Contents

Economic Overview of Shizuoka Prefecture	1	Support for Business Start-ups and Entry to New Business Fields and Initiatives in Growth Fields	19
Shizuoka Bank Group at a Glance	2	Support for Overseas Business Development	20
To Our Shareholders and Other Stakeholders	3	Independent Auditor's Report	21
Message from the President	4	Consolidated Balance Sheet	22
Initiatives for ESG and SDGs	5	Consolidated Statement of Income	23
13th Medium-term Business Plan "TSUNAGU"	7	Consolidated Statement of Comprehensive Income	23
Financial Highlights	10	Consolidated Statement of Changes in Equity	24
Sound Financial Condition	11	Consolidated Statement of Cash Flows	25
Results of Initiatives in Fiscal 2017	12	Notes to Consolidated Financial Statements	26
Corporate Governance Structure	14	Key Consolidated Financial Indicators	43
Risk Management System	16	The Shizuoka Bank	46
Region-based Relationship Banking	18		

To Our Shareholders and Other Stakeholders



Katsunori Nakanishi
Chairman & CEO

Hisashi Shibata
President

As we survey the Japanese economy, corporate earnings remain firm, reflecting the expansion of domestic and foreign demand, and capital investment and personal consumption are steady. Thus, the moderate improvement trend of the Japanese economy is expected to continue. On the other hand, the lack of clarity regarding the international situation is a source of increasing concern, such as trade friction between the U.S. and China and turbulence in the Middle East, and this uncertainty could undermine the growth trajectory.

While the earnings environment for financial institutions continues to be challenging in view of the unprecedented monetary easing policy, financial institutions are urged to respond to change in the social structure in the new era. Financial institutions are implementing strategies to establish new earnings structures in a bid for survival. For example, *shinkin* banks announced management integration in Shizuoka Prefecture, and major financial institutions have also intended to streamline the management.

Mindful of these issues, the Shizuoka Bank Group launched its 13th Medium-term Business Plan “TSU-NAGU” in April 2017. To realize the Group vision, that is, for “Shizugin” to become an “Innovative Bank” that will continue to create new value along with the region, we are promoting collaboration with companies in other business sectors by pursuing a unique direction, and developing new business fields. Moreover, we are endeavoring to establish a new business model rich in creativity to open up new possibilities together with the region, which is not an extension of the conventional approach.

We request all of you—our shareholders and other stakeholders—to offer us your continued support and encouragement far into the future.

July 2018

Katsunori Nakanishi
Chairman & CEO

Hisashi Shibata
President

Message from the President

Innovative Bank: “Shizugin” will Continue to Create New Value along with the Region

Under the 13th Medium-term Business Plan

While the earnings environment becomes increasingly challenging owing to large-scale monetary easing typified by negative interest rates, financial institutions are confronting various new issues associated with the era, such as intensifying competition beyond the borders of business sectors caused by the market entry of companies from other business sectors, and change in customer behavior because of the diffusion of smartphones and other devices.

The 13th Medium-term Business Plan “TSUNAGU” launched in April 2017 sets a course for the Shizuoka Bank Group, clearly defining the actions to be taken in the current era in which change occurs rapidly and it is difficult to anticipate the future. At the same time, it shows our strong determination to become a powerful comprehensive financial group that continues to grow together with the region no matter what the circumstances may be.

The plan comprises four basic strategies, namely, reinforce core businesses by focusing on regional economic growth, build a new business model for regional banks by developing and monetizing new business fields, reform sales operations using the retail channel and IT infrastructure, and help realize the dreams and increase the wealth of the region, customers, employees, and shareholders.

While promoting these strategies, we also started three structural reforms targeting earnings, channels, and people, aiming to establish a new business model to open up new possibilities in the changing era.

The major initiatives we implemented in fiscal 2017, the first year of the plan, are as described in this report. We vigorously developed business under the sales structure that fully embraces the market-oriented approach in order to offer the optimum products and services attuned to customer needs.

Let me refer to a couple of examples. Firstly, in the core business field that comprises businesses based in Shizuoka Prefecture, we emphasized business support in various ways by fully utilizing the network of the Shizuoka Bank Group, including provision of loans based on a business assessment by appropriately evaluating the nature of the business and its potential, support for applications for various subsidies, and business matching. Over half of companies in Shizuoka Prefecture are expected to face the issue of business succession in the next ten years. In response, at the headquarters we have assigned personnel who provide advice on inheritance and business succession and established a structure whereby our personnel in charge of corporate customers and retail customers collaborate and offer advice to customers on succession of business and assets. In this way, while also collaborating with Group companies and external expert institutions, we have strengthened initiatives to link the vitality of the regional economy to the future.

In the nationwide market where we do business mainly via the Internet, the Bank's Internet Branch, which is the base of our strategy, has gained a large support among customers and grown to 200,000 accounts and a deposit balance of 500 billion yen. In addition, we strove to expand services through non-face-to-face channels. For instance, we started handling housing loans and special loans for corporate customers for which all the procedures from application to loan execution can be completed non-face-to-face. Moreover, we conducted a major overhaul of the Bank's “Shizugin STATION” smartphone app, whose concept is “turn your smartphone into a bank teller!” for enhanced functions and convenience. As a result of this vigorous business development, the Bank's financial performance has remained strong. Above all, the average balance of total loans and the balance of consumer loans exceeded ¥8 trillion and ¥3 trillion, respectively, for the first time, increasing the Bank's stature as a regional bank.

This could not be achieved without the support of all of our stakeholders and I would like to greatly thank you for your support of the Bank.

Shizugin as a Pioneer of a New Business Model for Regional Banks

There are concerns about the sustainability of regional banks' business models. The Shizuoka Bank Group sets itself apart from the trend toward management integration and large-scale streamlining of management. With “Shizugin as a pioneer of a new business model for regional banks” as our maxim, we are emphasizing collaboration with companies in other business sectors by pursuing a unique direction and initiatives to develop new business fields.

Regarding collaboration with companies in other business sectors, starting with a capital and business alliance with Monex Group, Inc. in April 2014, we have continuously promoted collaboration with a lot of companies, including Money Forward, Inc. and HOKEN NO MADOGUCHI INC., from the viewpoint of creating growth opportunities and establishing a new revenue base. In fiscal 2017, the Bank entered into a business tie-up with Japan Digital Design, Inc., a subsidiary of Mitsubishi UFJ Financial Group, Inc., and is participating in an alliance aimed at commercialization of advanced financial technology. The Bank also invested in a venture fund set up by Silicon Valley-based WiL, LLC, with a view to utilizing a network of venture companies in Japan and overseas that have advanced technology. Regarding HOKEN NO MADOGUCHI@Shizugin whose objective is to offer customers comprehensive life plan support, with the addition of four new branches, including one in Tsunashima in Kanagawa Prefecture as the first branch outside Shizuoka Prefecture, a total of six are in operation, cultivating customers, centering on younger generations.

With regard to cultivation of a new loan market, we began considering the possibility of a partnership with ARUHI Corporation, a financial institution specializing in housing loans, to develop products and improve operational efficiency. Moreover, we are endeavoring to win housing loan contracts in collaboration with renoveru co., ltd., HOSALL Corporation, and other companies with nationwide business networks.

Furthermore, to find new business partners that we can work with to create businesses that will become a pillar of earnings over the medium to long term, the Bank, in partnership with Money Forward, Inc., hosted a networking event in which seven companies from diverse business sectors, all with strengths in advanced technologies including artificial intelligence, participated. We have received proposals from the participating companies on new collaborative businesses based on ideas different from those typical of a conventional bank and intend to flesh out the proposals.

Accelerating Structural Reforms

In the current fiscal year, we will accelerate the three structural reforms we are promoting under the 13th Medium-term Business Plan.

In this regard, we embarked on a reform of the sales structure on a trial basis in April 2018. Unlike streamlining by major financial institutions, such as consolidation and closure of branches and workforce reduction, this reform aims to offer greater convenience to customers and enhance customer satisfaction by establishing a sales structure capable of offering higher value-added financial services without shrinking the branch network.

The current branch network consists primarily of branches with full banking functions, including everything from traditional banking business, such as acceptance of deposits and exchange transactions, to provision of loans and asset management. The prerequisite for the reform of the sales structure is to offer full banking functions in each sales area. We will review the functions of each branch according to the region and the market, such as branches specifically focused on corporate customers or retail customers, and integrate personnel according to job functions in each area.

Specifically, by classifying branches into 1) those with a small number of staff that offer basic services, including acceptance of deposits and exchange transactions, and where consultancy is provided by the headquarters via dedicated terminals, 2) those with the same functions as 1) plus specific functions, such as asset management, provision of loans, and corporate sales, and 3) those offering full banking functions, we will review the configuration of branches and personnel assignment for each sales area.

By integrating personnel according to job functions centering on area headquarters and accelerating sharing and accumulation of skills and know-how, we will efficiently promote development of abilities of sales personnel and strengthening of solutions functions in each area with the aim of offering higher value-added services.

Reform of the sales structure is scheduled for implementation on a trial basis in five areas out of a total of 37 areas in the current fiscal year. Going forward, we intend to implement these reforms in more areas while also reflecting feedback of customers.

“Fueki Ryuko (Continuity and Change)” for the Shizuoka Bank Group

Since assuming office as President of Shizuoka Bank in June 2017, “*fueki ryuko*” has been my watchword. *Fueki* means continuity, or to be immutable and eternal, in other words, the fundamentals that never change, whereas *ryuko* means change, or to be fluid or transient, in other words, the pursuit of something new that matches the change of the era.

The social mission of a regional financial institution is to contribute to stability and development of the regional economy in any circumstances, and that is also the reason for the Bank's existence.

Essentially, for us, the region is “immutable” whereas changing our business model in step with the change of the era or by anticipating change for the sake of the region is to be “fluid.”

However, we can make something new only if we are creative and energetically tackle new challenges while grasping the issues and being insightful about the changes afoot.

Each one of our employees constitutes the driving force for change. So, with the objective of fostering human resources capable of embracing customer perspectives and leading the Shizuoka Bank Group and the region, we launched a program of dispatching our employees to partner companies in Shizuoka Prefecture, enabling them to view the Bank from an illuminating external vantage point. We will continue our initiatives of fostering human resources as a key issue for us.

In the contemporary world where a slight time lag can rapidly become a fatal competitive disadvantage, by gathering and deploying the Group companies' manifold capabilities and implementing speedy management in anticipation of change, we are determined to fulfill our customers' expectations.

I would be grateful for your continued understanding and support in the years ahead.

Initiatives for ESG and SDGs

Environment

At the Shizuoka Bank, we recognize that it is our responsibility as a corporate citizen to protect the rich natural environment and pass it on to the next generation in an even better condition. We position vigorous initiatives to address environmental issues as a precondition for the continuation of business activities, not only as the social responsibility and the public mission of a company.

■ Six Basic Principles

1. We comply with legal regulations related to the environment and all other requirements endorsed by the Shizuoka Bank such as the industrial action guidelines.
2. We promote energy saving, resource saving and recycling.
3. As a comprehensive financial institution in the region, we work to enhance the convenience of our customers by developing and offering environmentally conscious products and services, and we strive to protect both the regional and the global environment in view of the expectations of the region we serve.
4. We precisely identify such aspects of our business activities that have significant environmental impacts, formulate environmental objectives and specific environmental targets whose achievement will contribute to environmental protection, and strive to achieve them. We conduct regular monitoring and reviewing to enhance environmental performance, and attempt continuous improvement of our environmental management systems and prevention of environmental contamination.
5. We endeavor to raise the environmental awareness of each employee by promoting environmental protection activities as a company, and support employees' such activities as a person through work-style reform.
6. We document this environmental policy, communicate it to all employees and all other people working for the Shizuoka Bank, and make it available to the public.

Addressing environmental issues through financial operations

We support our customers' environmental protection initiatives in various ways by utilizing our comprehensive financial functions.

- Private placement bond based on environmental rating
 - Multi-level beneficial interest rates are offered according to the environmental ratings of issuers
- ECO Support Business Loan
 - To meet the funding needs for business activities whose objective is environmental protection
- Consulting on gaining certification for environmental management systems
- ECO Account
 - A part of reduced costs by not issuing a bank book is donated to groups that promote environmental protection.
- "Fujisan" Time Deposit
 - All interest on the deposit is donated to groups that promote environmental protection.
- Green World Bank Bond Fund (investment trust)

* Fujisan = Mt. Fuji

Reducing the environmental impact of the Shizuoka Bank Group

As a part of the environmental protection activities, we are working to reduce CO2 emissions in order to mitigate global warming.

- Reduction of energy consumption
- Reduction of paper usage
- Recycling of paper
- Zero emissions
- Green purchasing
 - Prioritize purchase of environmentally conscious products for use as novelties
- Introduction of advanced energy-saving facilities
- Introduction of eco-friendly cars

Reinforcing employee efforts to tackle environmental issues in the community and at home

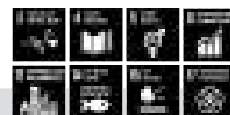
We are reinforcing our employees' efforts to tackle environmental issues in the community and at home by conducting an awareness survey on the mitigation of global warming and disseminating information on the environment.

- Small Kindness Movement
 - Voluntary activities, including tree planting, forest maintenance, and clean-ups.
- Administrative offices are established within a group company to facilitate employees' vigorous involvement.
- Shizugin Furusato* Environmental Protection Fund Charitable Trust
 - Financial support is provided through the Trust to individuals and groups in Shizuoka Pref. that promote environmental protection.

*Furusato = hometown

Social

In view of its public nature as a prominent financial institution in the region, the Shizuoka Bank is fully aware of the need to vigorously address social issues with a view to resolving them. Our wide-ranging initiatives encompass not only contributions through business but also promotion of culture and sports, establishment of a base for supporting the region in the event of a major disaster, and human resources development in the region, in order to realize an affluent community.



Region-based relationship banking

- Initiatives in growth fields
- Business matching services → P19
- Consulting
- Support for business start-ups and entry to new business fields → P19
- Support for overseas business development → P20
- "Shizuginship" – training club for the next-generation managers
 - Membership-based service that aims at enhancing ability of next-generation business leaders and contributing to development of the corporations and economy in Shizuoka Pref. It provides opportunities for training and interaction.
 - No. of members (as of March 31, 2018): 790 corporations, 1,167 people
- Support for business restructuring and turn-around
 - Support business restructuring and turn-around of customers through building business plans, alliances with external agencies, and utilizing business regeneration fund
- Regional revitalization
 - Coordinate among industry, government, academia, etc. and facilitate the development of businesses that contribute to regional development

Protecting customers' interest

- Initiatives to prevent transactions which cause conflict of interest
 - The Shizuoka Bank's Management Policy against Conflict of interest has been established to emphasize the protection of customers' interests throughout our operations.
 - Identify transactions that may give rise to conflicts of interest and manage them appropriately to prevent customers' interests from being harmed
- Financial ADR system
 - In order to facilitate use of the financial alternative dispute resolution (ADR) system for simple and swift resolution of complaints and disputes without resorting to litigation, we introduce our customers to appropriate dispute resolution institutions in light of their requests.

Universal design and barrier-free

- Bank branches designed so that customers with disabilities can enjoy ease of access and the offering of services that are convenient for them to use

Raising awareness about human rights

- Provision of education and training about human rights to new employees and employees at various levels

Promotion of culture and sports

- Holding of concerts featuring leading artists from Japan and abroad
- Holding of performances of *rakugo*, the traditional Japanese performing art of comic storytelling
- Sponsorship of children's soccer competitions and baseball competitions

Diversity

- Empowering woman in the workplace
 - Promote women with a goal of increasing the ratio of women in the leadership positions (section chief or higher) to more than 20% by the end of FY2020
- Joint operation of on-site kindergarten "Mori no Hoikuen" with local enterprises
- Well-developed childcare leave system and shorter working hours system during childcare
- Networking events for women from different industries
- System for recruiting international students

Contribution to employment in the region

- Reemployment system for people who retired at the mandatory age
- Employment rate of persons with disabilities exceeding the statutory rate (2.2%)

Countermeasures against financial crime

- Establishment of the Anti-Money Laundering and Other Financial Crimes Management Office → P15
- Compensation system for victims of financial crimes
 - Compensation for losses attributable to counterfeit or unauthorized use of stolen cards
 - Compensation for losses attributable to unauthorized withdrawals using stolen bankbooks
 - Compensation for losses attributable to unauthorized withdrawals using online banking services, etc.
- Various security measures
 - Cash card security measures
 - PIN Code Reset Service on ATMs, issuing of IC cash cards which are difficult to counterfeit
 - Online security measures
 - Implementation of strict personal identification, countermeasure against phishing and spyware
 - Sophisticated authentication by the use of one-time password

Development of human resources in the region

- Financial education
 - Organizing bank visits and providing presentations for elementary, junior high, and high school students
- Holding a financial quiz competition for high school students
- Acceptance of internships
- Scholarship for students from Asian countries
 - Grant 100,000 yen a month per person for two years (No obligation to repay)

Countermeasures against large-scale disasters

- Establishment of a system for ensuring business continuity
 - A business continuity plan (BCP) has been established for continuation or early recovery of critical operations in the event of a large-scale disaster or the outbreak of an infectious disease posing a high risk. The BCP is reviewed and updated on a continuous basis.
 - Measures are taken to protect buildings from earthquakes, and private power generation systems, emergency communication equipment, and other materials and equipment for disaster countermeasures are installed.
 - The Emergency Countermeasures Office is located at the headquarters to enable us to assist people in the region in the event of a disaster.
- Countermeasures against tsunami
 - When rebuilding a branch in an area that may be affected by a tsunami, the new building will be designed such that the roof is higher than the expected height of the tsunami.
 - A staircase is installed enabling direct access from outside the branch to the roof so that anyone can use it as a safe haven in the event of a disaster.

Governance

Corporate governance structure

→ P14

Internal control systems

→ P15

Compliance system

→ P15

Ethical Charter

→ P15

Risk management system

→ P16,17

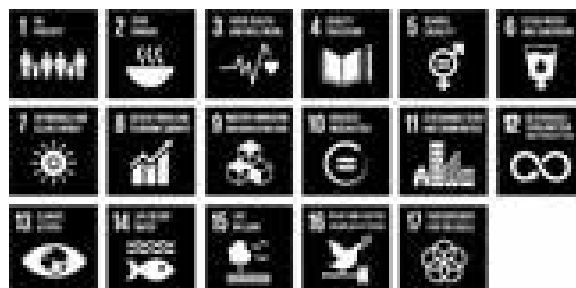
Sustainable Development Goals (SDGs)

The Sustainable Development Goals (SDGs) were adopted unanimously at the UN summit in September 2015.

A set of 17 goals and 169 targets were set as development goals to be achieved by 2030 by the international community including developed countries.

SDGs are universal goals applicable to all countries for resolving social issues, such as poverty and hunger, and other issues, including the environment, gender equality, energy, and the working environment. SDGs need to be addressed by a global partnership involving all stakeholders, including governments, civil society, and the private sector.

SUSTAINABLE DEVELOPMENT GOALS



13th Medium-term Business Plan “TSUNAGU” (fiscal 2017-2019)

TSUNAGU

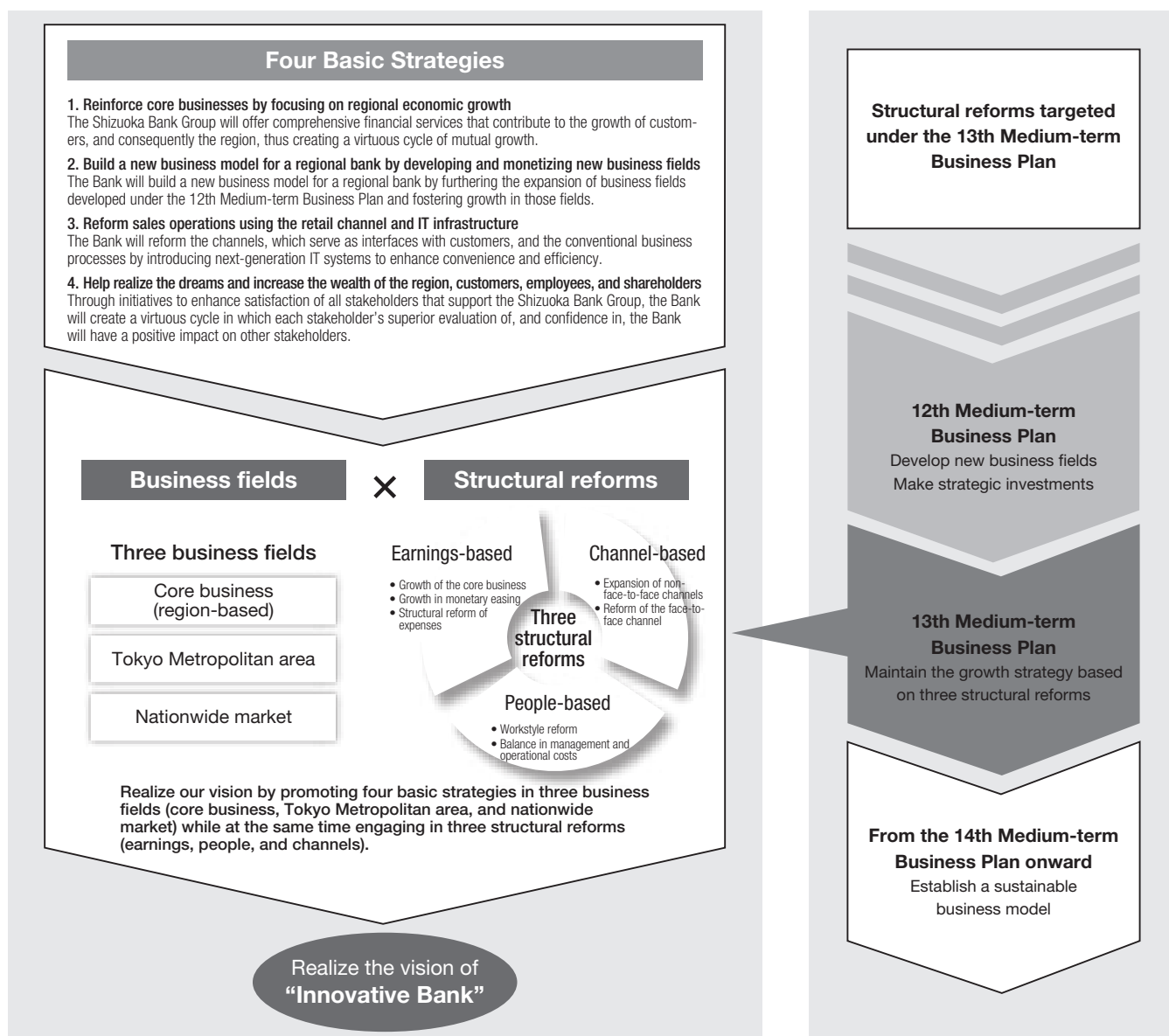
The Shizuoka Bank has launched the 13th Medium-term Business Plan “TSUNAGU.”

Under this plan, we will strengthen our core businesses in the region through the provision of comprehensive financial services. At the same time, we will step up the expansion of new business fields developed under the 12th Medium-term Business Plan to create a new business model for sustainable growth of the Shizuoka Bank Group.

Aspirations of “TSUNAGU”

- Grow hand in hand with the region. Bequeath the tradition of the Shizuoka Bank Group to the next generation
- Connect all stakeholders (region, customers, employees, and shareholders) through financial services offered by the Shizuoka Bank Group
- Link the three structural reforms under the 13th Medium-term Business Plan to the establishment of a sustainable business model under the 14th Medium-term Business Plan

Vision **Innovative Bank:** “Shizugin” will Continue to Create New Value along with the Region



Target performance indicators

		Fiscal 2019 targets
Profitability indicators	Consolidated ordinary income	¥77.0 billion or more
	Consolidated net income	¥54.0 billion or more
Efficiency indicators	Consolidated ROE	Around 6%
	Consolidated OHR	Around 55%
Financial soundness indicator	Consolidated Common Equity Tier I Ratio	Around 14%
Indicator for investors	Shareholder return ratio	50% level over the medium to long term

Basic Strategy ① Reinforce core businesses by focusing on regional economic growth

Basic Strategy ② Build a new business model for regional bank by developing and monetizing new business fields

- Support the growth of the regional economy by using the Bank's outstanding capabilities in providing solutions as a top-tier regional bank, to enable Shizugin to achieve sustainable growth together with the region.

- Foster the new business fields that were developed under the 12th Medium-term Business Plan so that they will become pillars underpinning the medium- to long-term growth strategy.

Connect with corporate customers

Realization of "enhanced corporate value" through business evaluation

- Examine and evaluate businesses that will be the core of the regional economy
- Provide support contributing to growth of regional companies to create a virtuous cycle of growth together with the region

Support of business restructuring

- Support business succession and business restructuring and turnaround for companies of all sizes by utilizing the Bank's cultivated expertise as a top-tier regional bank

Initiatives for small business operators

- Offer loan products to small business operators nationwide through collaboration with partners in other business sectors or through the Internet

Connect with retail customers

Further strengthening of the housing loan business

- Strengthen the customer support system by expanding the network of loan centers and assigning personnel exclusively engaged in the housing loan business

From sales of assets under custody to life planning support

- 1) Support system
Establish a special team for inheritance, foster advisors
- 2) Products and services
Provide "comprehensive advisory and support services" as measures for dealing with vacant residential property and deceased persons' belongings
→ Establish a system capable of responding to all needs concerning inheritance

Cultivation of new loan markets

- 1) Renovation loans
Develop a financial scheme to increase the liquidity of pre-owned residential properties
- 2) Reverse mortgage loans
Respond to all types of financial needs by offering loan products for unrestricted purposes

Expansion of the Internet Branch

- Establish a broad customer base by expanding transactions with customers nationwide

Further growth of new business fields developed under the 12th Medium-term Business Plan

- Expand business in the credit investment field
- Promote loans for asset building, mainly in the Tokyo Metropolitan area

Provision of comprehensive financial services by utilizing the Group's functions to the maximum extent

- Offer advanced solutions for resolving customers' issues in collaboration with Group companies

Linking "human resources development for the region" with "human resources development of the Shizugin Group"

- Combine the Shizuginship workshop with the Group's employee education and cultivate strong relationships with the next-generation business leaders in the region

Challenge on New Business Fields

Identify new growth opportunities that lead to sustained growth by establishing a foundation for a broad range of services in collaboration with partners in other business sectors

12th Medium-term Business Plan

- Apr. 2014 Capital and business alliance with Monex Group, Inc.

Expanding future-oriented online financial services



- Aug. 2015 Capital and business alliance with Money Forward, Inc.

Offering financial services in the FinTech field



- Sep. 2015 Establishment of HOUSALL Corporation

Establishing a housing-related service platform



- Oct. 2015 Capital and business alliance with Commons Asset Management, Inc.

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



- Dec. 2015 Investment in Global Catalyst Partners Japan, LPS*

Gaining ideas about new business, and fostering human resources who have startup know-how of new business and discerning ability



- Jun. 2016 Business alliance with HOKEN NO MADOGUCHI GROUP INC.

Jointly operating desks specializing in insurance consultation, and developing a one-stop channel for financial services



- Aug. 2016 Business alliance with renoveru co., ltd.

Strengthening of the housing loan business to attract more customers in the highly promising property renovation market



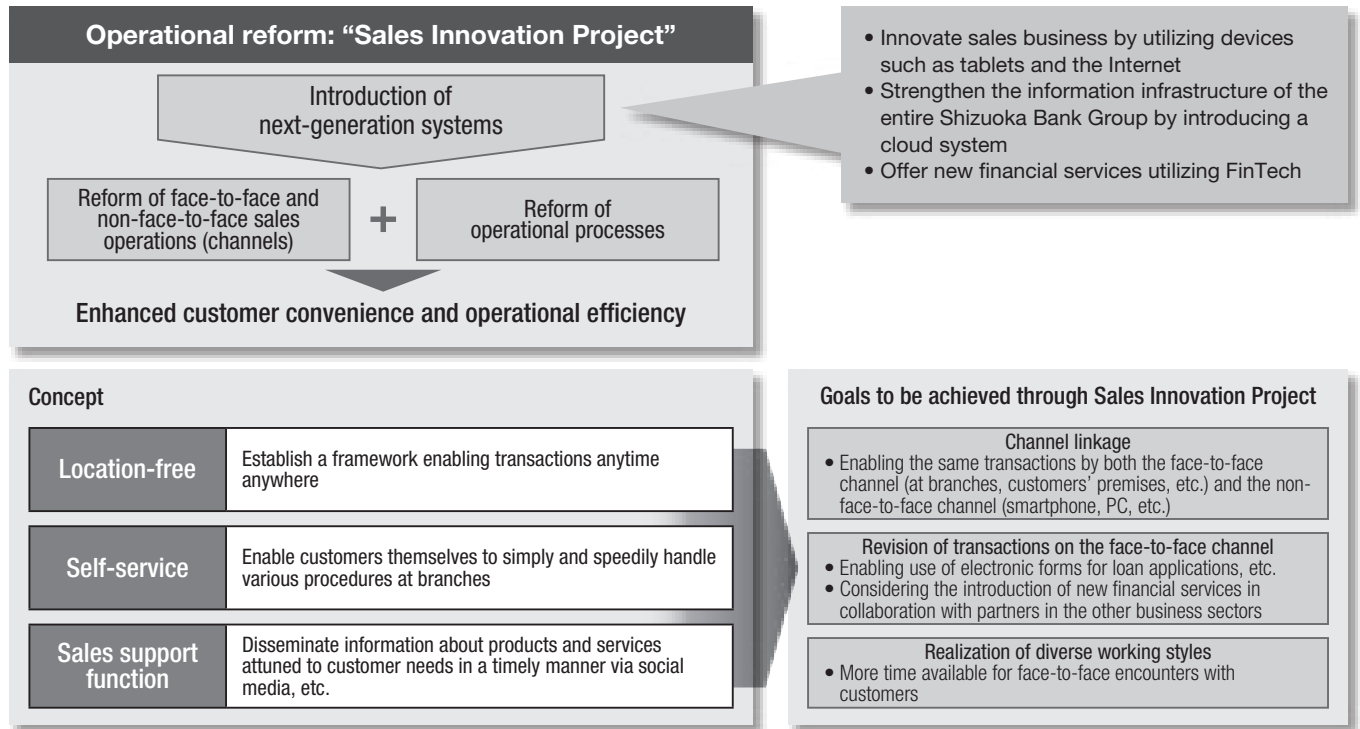
13th Medium-term Business Plan

Foundation for new growth

* The Bank invested in Global Catalyst Partners Japan, LPS. (GCPJ), an investment limited partnership focused on funding entrepreneurial ventures in Japan. GCPJ was formed by the members of Global Catalyst Partners, which is a worldwide independent venture capital firm based in Silicon Valley in the U.S. Utilizing GCPJ's ability to foster entrepreneurial ventures, its hands-on investment approach, and its global network to the full, the Bank intends to gain ideas about new business, acquire know-how about starting up new business and commercializing them, cultivate discernment, and foster human resources with such expertise.

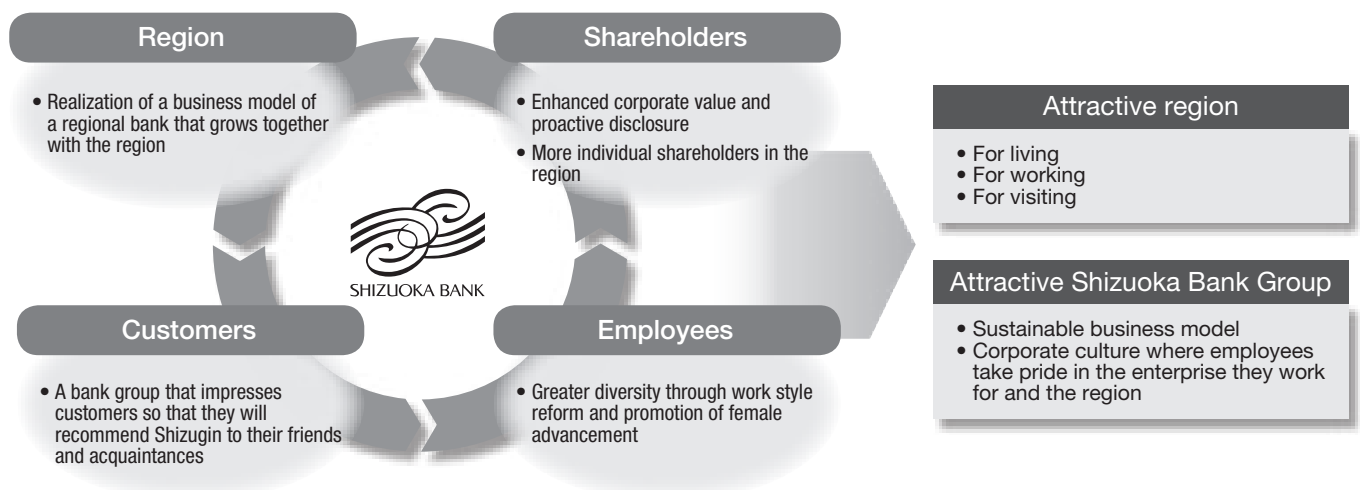
Basic Strategy ③ Reform sales operations using the retail channel and IT infrastructure

The Bank will reform the channels, which serve as interfaces with customers, and the conventional banking business processes by introducing next-generation IT systems, which have been under development since Fiscal 2013, to enhance customer convenience and efficiency of the Bank's operations.



Basic Strategy ④ Help realize the dreams and increase the wealth of the region, customers, employees, and shareholders

Through initiatives to enhance satisfaction of all stakeholders who support the Shizuoka Bank Group, the Bank aims to make the region and the Shizuoka Bank Group attractive and will create a virtuous cycle in which each stakeholder's superior evaluation of, and confidence in, the Bank will have a positive impact on other stakeholders.



Financial Highlights

Business Performance

Consolidated Financial Summary

	Billions of Yen			YoY
	2015	2016	2017	change
Ordinary income	223.6	249.8	224.1	(25.7)
Ordinary profit	72.8	47.1	65.8	+18.7
Net income attributable to owners of the parent	47.9	29.3	50.1	+20.8
Capital adequacy ratio (%) *1	15.09	16.35	15.95	(0.40)
Tier I ratio (%) *2	14.79	16.35	15.95	(0.40)

*1 Based on Basel III standard

*2 Common Equity Tier I Ratio (based on Basel III standard)

* Year-on-year change is a simple subtraction of the figures in the table.

Nonconsolidated Financial Summary

	Billions of Yen			YoY
	2015	2016	2017	change
Ordinary income	187.0	210.6	180.5	(30.1)
Gross operating profit	145.4	98.6	127.3	+28.7
Net operating profit	67.5	19.2	45.1	+25.9
Actual net operating profit	65.9	19.4	45.1	+25.7
Core net operating profit	54.6	49.5	49.3	(0.2)
Ordinary profit	66.1	51.8	56.2	+4.4
Net income	44.0	24.4	43.4	+19.0
Loans	7,663.7	7,955.3	8,287.5	+332.2
Deposits	9,002.4	9,304.1	9,539.8	+235.7
Net assets	882.1	888.0	938.1	+50.1
Total assets	11,085.0	11,030.4	11,503.5	+473.1

* Actual net operating profit = Net operating profit + Provision for general allowance for loan losses

* Core net operating profit = Net operating profit + Provision for general allowance for loan losses – Bond-related income

* Deposits do not include negotiable certificates of deposit.

* Year-on-year change is a simple subtraction of the figures in the table.

Operational Efficiency (Nonconsolidated Basis)

	2015	2016	2017	YoY
				change
Return on equity (ROE)	4.96	2.76	4.76	+2.00
Return on assets (ROA)	0.41	0.23	0.40	+0.17
Overhead ratio (OHR)	54.65	80.35	64.55	(15.80)
Net income per share (yen)	71.42	40.04	72.52	+32.48
Net assets per share (yen)	1,436.53	1,470.10	1,579.09	+108.99

ROE = Net income / Shareholders' equity

ROE indicates a company's efficiency in generating profits using shareholders' equity (efficiency of capital). The higher the ROE, the higher the efficiency.

ROA = Net income / Total assets

ROA indicates a company's efficiency in generating profits using total assets (efficiency of assets).

The higher the ROA, the higher the efficiency.

OHR = Operating expenses / Gross operating profit

OHR indicates the ratio of operating expenses to gross operating profit. The lower the OHR, the higher the efficiency.

* Year-on-year change is a simple subtraction of the figures in the table.

Shareholder Returns

Cash Dividends

The Shizuoka Bank determines dividend payment taking into consideration the market trend and the Bank's financial performance.

Emphasizing returning profit to shareholders, the Bank paid dividends amounting to ¥21 per share for fiscal 2017 (full year) and the payout ratio was 28.74%.

Maintaining its emphasis on shareholder returns, the Bank intends to pay a dividend of ¥22 per share for the full year of fiscal 2018.

Cash dividends

	FY 2016	FY 2017	FY2018 Forecast
Dividend per share (full year) (yen)	20.00	21.00	22.00
Dividend yield (dividend / share price at year-end) (%)	2.20	2.08	-

Share Buyback

Since fiscal 1997 when the procedures for share buyback were relaxed, the Shizuoka Bank has been repurchasing its own stock. The Bank had repurchased 216 million shares by the end of fiscal 2017. We believe increasing the efficiency of capital and enhancing shareholder returns will lead to higher corporate value.

The 13th Medium-term Business Plan launched in April 2017 sets a target for shareholder returns comprising both dividends and stock repurchases. The target shareholder return ratio is 50% level over the medium to long term.

What is share buyback?

Repurchase by a company of its own stock.

As stock repurchase and retirement decrease the number of shares issued and outstanding, book-value per share (BPS) and earnings per share (EPS) will increase, leading to higher corporate value.

Shareholder returns

	FY 2016	FY 2017	FY2008-FY2017 (10 years)
Annual dividend (billion yen) ①	12.2	12.5	102.1 (accumulated total)
Repurchase of treasury stock (billion yen) ②	8.5	9.7	101.0 (accumulated total)
Shareholder returns (billion yen) ③=①+②	20.7	22.2	203.1 (accumulated total)
Net income (billion yen) ④	24.4	43.4	353.0 (accumulated total)
Payout ratio (%) ①/④×100	49.83	28.74	28.91 (average)
Shareholder return ratio (%) ③/④×100	84.60	51.16	57.52 (average)

Sound Financial Condition

High Credit Ratings

The Shizuoka Bank has ratings from two international rating agencies and one Japanese agency.

At the date of this annual report, the Bank has long-term and short-term ratings of A1 and P-1, respectively, from Moody's, and A and A-1 from Standard & Poor's. These credit ratings are among the highest received by any Japanese financial institution.

The Shizuoka Bank's credit ratings (as of July 17, 2018)

	Long-term rating	Short-term rating
Moody's	A1	P-1*
Standard & Poor's	A	A-1
Rating and Investment Information, Inc.	AA	-

* There are four credit ratings, P-1, P-2, P-3, and NP, in descending order. NP indicates "Not Prime" and means speculative grade issuers.

Sound Assets

In addition to minimizing the occurrence of non-performing loans by helping loan customers improve their management, the Shizuoka Bank promotes business turnaround and clearing of non-performing loans off its balance sheet. As a result, as of March 31, 2018, risk-management loans totaled ¥92.8 billion and the ratio of risk-management loans to total loans was 1.11%.

In the case of the application of partial direct write-off, net risk-management loans, which exclude loans guaranteed by Credit Guarantee Corporations and the amount covered by collateral or allowance for loan losses from risk-management loans, totaled ¥11.9 billion and the ratio of net risk-management loans to total loans was 0.14%.

Credit-related costs remained low and the ratio of credit-related costs to average balance of total loans was -0.05%.

* Partial direct write-off is an accounting treatment. With partial direct write-off, the amount deemed collectible through the disposal of collateral and execution of guarantees is deducted from the amount of loans to legally bankrupt borrowers or virtually bankrupt borrowers, and the remaining amount is directly written off from the amount of loans. The Shizuoka Bank does not apply partial direct write-off.

Risk-management loans (nonconsolidated basis) (¥billion)

	As of March 31, 2016	As of March 31, 2017	As of March 31, 2018
Risk-management loans	117.7	100.8	92.8
Ratio of risk-management loans *1	1.53%	1.26%	1.11%
Ratio of net risk-management loans *2	0.19%	0.15%	0.14%

*1 Ratio of risk-monitored loans = Risk monitored loans / Total loans

*2 Ratio of net risk-monitored loans = (Risk-monitored loans - Partial direct write-off - Loans guaranteed by Credit Guarantee Corporations - Collateral and allowance for loan losses) / Total loans

Credit-related costs (nonconsolidated basis) (¥billion)

	FY 2015	FY 2016	FY 2017
Disposal of non-performing loans *3	4.0	3.9	0.4
Provision for specific allowance for loan losses	3.6	3.2	-
Provision for general allowance for loan losses	1.6	0.2	-
Reversal of allowance for loan losses	-	-	4.9
Recoveries of written-off claims	0.0	0.0	0.0
Net credit-related costs	2.4	4.1	(4.5)
Net credit cost ratio *5	0.03%	0.05%	(0.05)%

*3 Disposal of non-performing loans = Provision for specific allowance for loan losses + Written-off amount of loans + Losses on sales of non-performing loans

*4 For fiscal 2017, the sum of provision for general allowance for loan losses and provision for specific allowance for loan losses was negative, and therefore recorded as reversal of allowance for loan losses. Reversal of general allowance for loan losses amounted to ¥10.0 billion, and provision for specific allowance for loan losses amounted to ¥5.1 billion, respectively.

*5 Net credit cost ratio = Net credit cost / Average balance of total loans

High Capital Adequacy

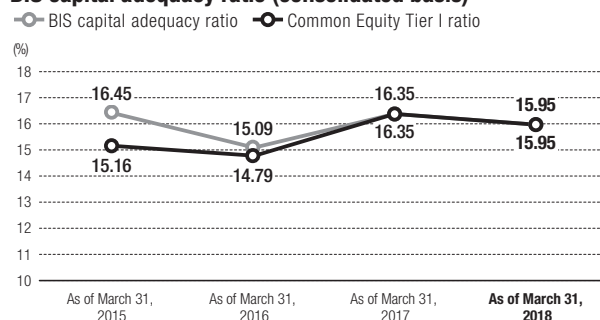
The capital adequacy ratio based on the formula specified by the Basel Committee on Banking Supervision (capital adequacy ratio based on the standard set by the Bank for International Settlements (BIS)) is an important indicator of soundness and credibility of banks. Banks with international operations, which include the Shizuoka Bank, are required to have a capital adequacy ratio of at least 8%.

With Basel II, a regulatory standard on capital adequacy introduced in March 2007, banks can choose a method of calculating the capital ratio in accordance with the banks' risk profile and management methodologies. Furthermore, the Bank adopts Basel III, a new standard for regulatory capital adequacy ratio which requires higher capital standards both in quality and volume from fiscal 2012. The Shizuoka Bank has taken steps to upgrade its risk management in response to diversification of operations and transactions and is improving internal systems with the aim of adopting a more sophisticated method of calculation.

BIS Capital Adequacy Ratio

The capital adequacy ratio (consolidated basis) based on Basel III as of March 31, 2018 was 15.95%, and the consolidated Common Equity Tier I ratio was 15.95%, well above the 8% standard for banks with international operations.

BIS capital adequacy ratio (consolidated basis)

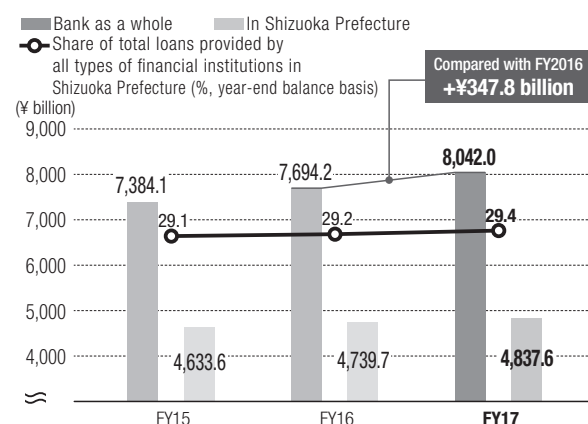


Results of Initiatives in Fiscal 2017

Loans (Nonconsolidated)

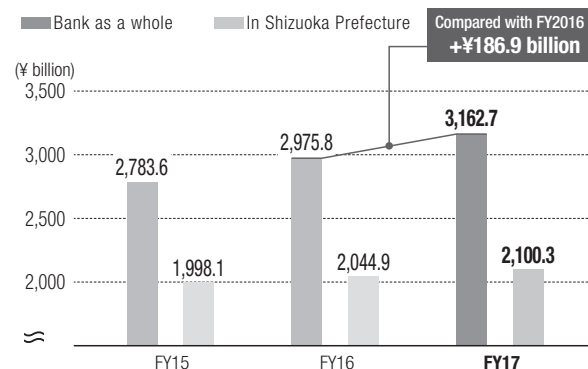
Total loans (average balance)

The average balance of total loans in fiscal 2017 increased by ¥347.8 billion or at an annual rate of 4.5% to ¥8,042.0 billion. Of this amount, the average balance of loans in Shizuoka Prefecture increased by ¥97.9 billion to ¥4,837.6 billion. The Bank's share of loans in Shizuoka Prefecture was 29.4% as of March 31, 2018.



SME loans (average balance)

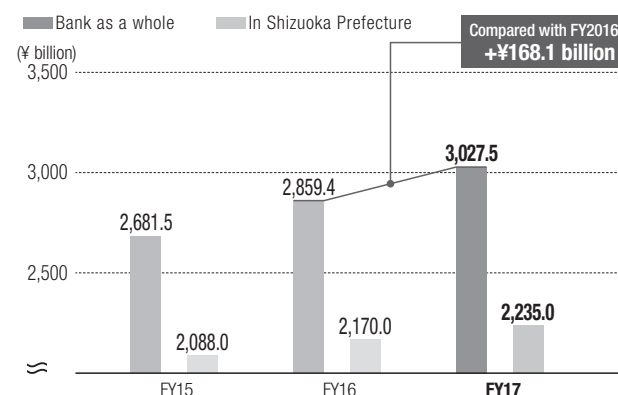
The average balance of loans to small and medium-sized enterprises (SMEs) in fiscal 2017 increased by ¥186.9 billion from fiscal 2016 to ¥3,162.7 billion. Of this amount, the average balance of loans to SMEs in Shizuoka Prefecture increased by ¥55.4 billion to ¥2,100.3 billion.



* Local public corporations are excluded.

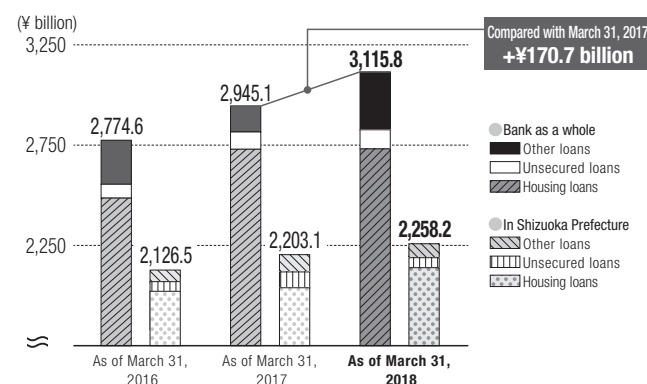
Retail loans (average balance)

The average balance of retail loans in fiscal 2017 increased by ¥168.1 billion from fiscal 2016 to ¥3,027.5 billion. Of this amount, the average balance of retail loans in Shizuoka Prefecture increased by ¥65.0 billion to ¥2,235.0 billion.



Consumer loans (year-end balance)

The balance of consumer loans at the end of fiscal 2017 was ¥3,115.8 billion, having increased by ¥170.7 billion from the end of fiscal 2016, centering on housing loans.



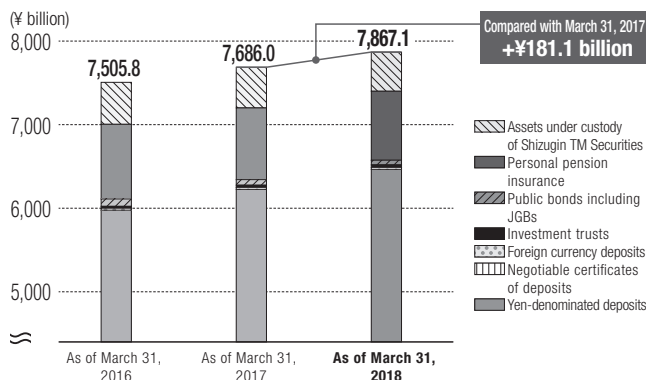
* Housing loans include loans for condominiums.

* Unsecured loans include loans for car purchases, educational expenses, fulfilling lives, and various purposes, in addition to loans taken out using bank cards. Other loans include capital loans.

Assets under Custody

Retail customers' assets under custody (year-end balance)

The balance of retail customers' assets under custody at the end of fiscal 2017, including that of Shizugin TM Securities Co., Ltd., was ¥7,867.1 billion, having increased by ¥181.1 billion from the end of fiscal 2016. The balance of retail customers' assets under custody, excluding yen-denominated deposits and negotiable certificates of deposits, was ¥1,400.4 billion.

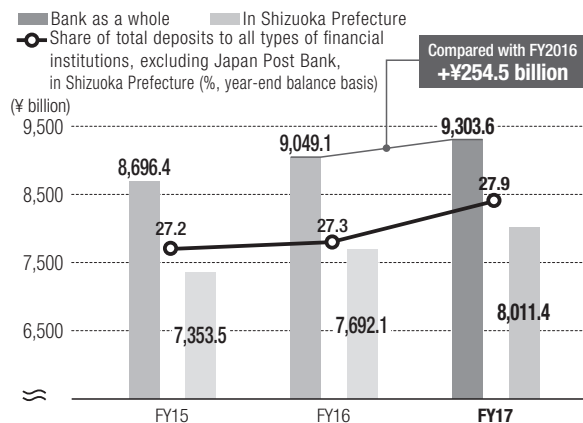


* Personal pension insurance is presented based upon the market price of current contracts.

Deposits (Nonconsolidated)

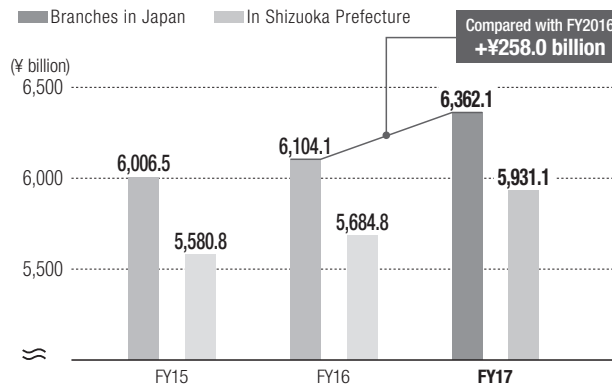
Total deposits (average balance)

The average balance of total deposits in fiscal 2017 increased by ¥254.5 billion or at an annual rate of 2.8% to ¥9,303.6 billion. Of this amount, the average balance of deposits in Shizuoka Prefecture increased ¥319.3 billion to ¥8,011.4 billion.



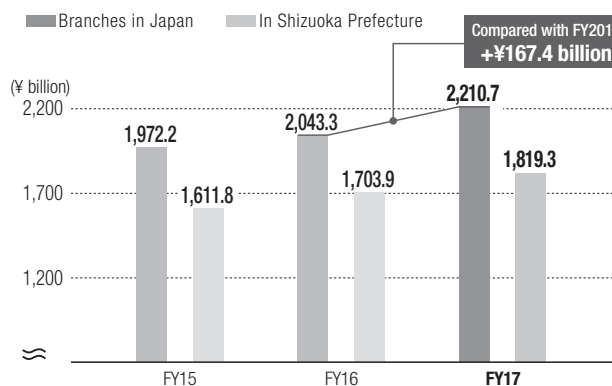
Deposits from retail customers (average balance)

The average balance of deposits from retail customers in fiscal 2017 increased by ¥258.0 billion from fiscal 2016 to ¥6,362.1 billion. Of this amount, the average balance of deposits from retail customers in Shizuoka Prefecture increased by ¥246.3 billion to ¥5,931.1 billion.



Deposits from corporate customers (average balance)

The average balance of deposits from corporate customers in fiscal 2017 increased by ¥167.4 billion from fiscal 2016 to ¥2,210.7 billion. Of this amount, the average balance of deposits from corporate customers in Shizuoka Prefecture increased by ¥115.4 billion to ¥1,819.3 billion.



Corporate Governance Structure

Foundation for fulfilling corporate social responsibility

The Shizuoka Bank Group is strengthening its management systems to enhance corporate value.

Framework

The Board of Directors consisting of 10 directors (including 2 outside directors who are independent officers as stipulated by the Tokyo Stock Exchange Inc.) is responsible for management-level decision-making and supervision based on the corporate philosophy and the Ethical Charter. The Board of Directors decides on important management strategies, such as medium-term business plans and operational plans, and basic policies relating to compliance and risk management. It also oversees the execution of operations.

The Shizuoka Bank has adopted the Audit & Supervisory Board Member system of governance. The Audit & Supervisory Board consists of 5 Audit & Supervisory Board Members (including 3 outside Audit & Supervisory Board Members who are independent officers). Audit & Supervisory Board Members audit directors' performance of their duties based on the auditing standards for Audit & Supervisory Board Members.

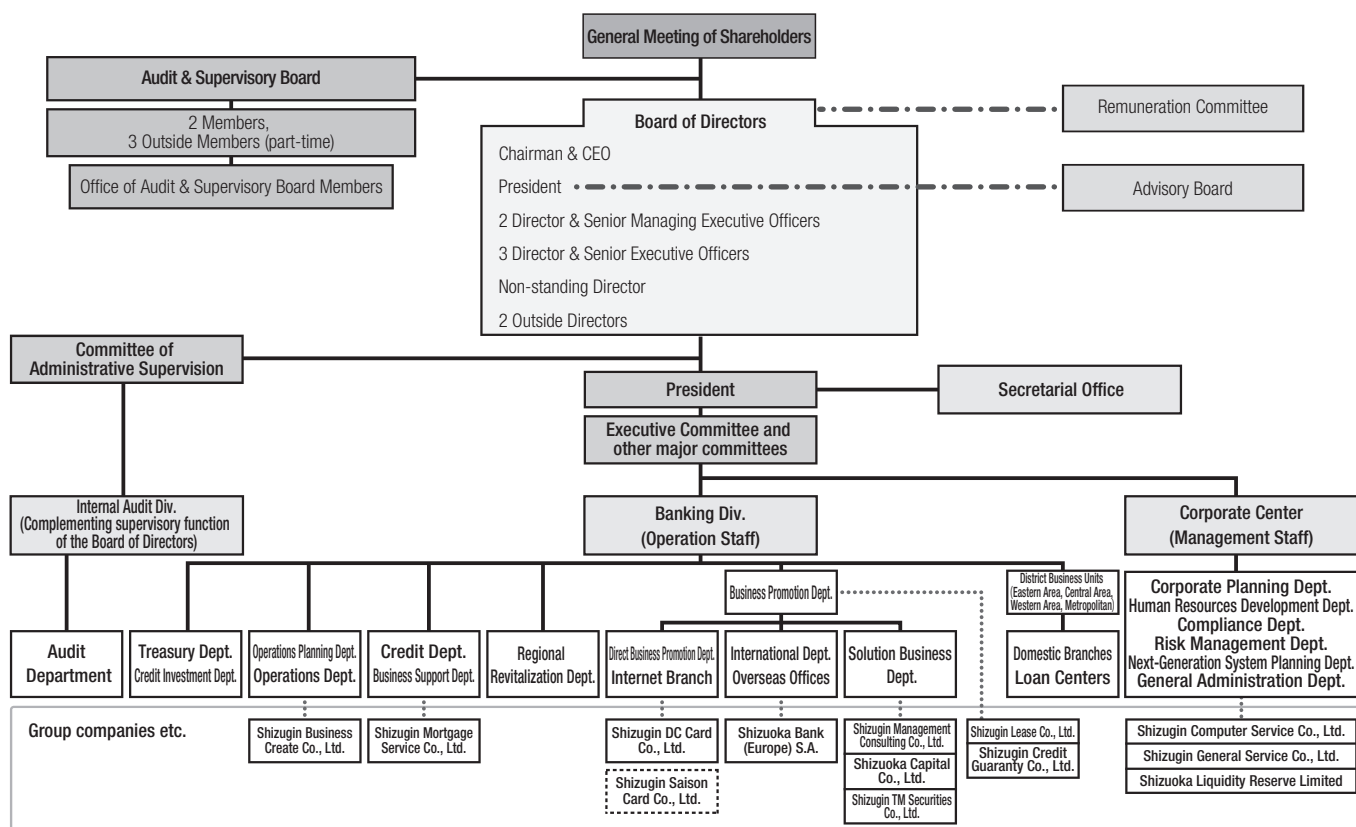
The Committee of Administrative Supervision was established to reinforce supervision of the Directors' execution of operations and to strengthen corporate governance. This

committee, consisting mainly of directors who are not involved in execution of operations and are selected by the Board of Directors, monitors the situation of the execution of operations by the executive team consisting of the President and other directors, as well as executive officers appointed by the Board of Directors (19 executive officers, 5 of whom concurrently hold the post of director) and requires improvement, if necessary. Decisions on important matters that arise in the course of day-to-day operations are made by convening bodies, including the Executive Committee, which have been established for particular fields of operation and appointed by the Board of Directors. This approach is designed to create a system that can respond precisely and flexibly to changes in the management environment, while clearly delineating authority and responsibility.

In addition, to reflect outside viewpoints with the goal of ensuring the objectivity of the Bank's decision-making process, the Bank has the Advisory Board, consisting mainly of executives from outside the Bank. The Advisory Board is an advisory body to the President.

Shizuoka Bank Group's Corporate Governance System

(as of July 1, 2018)



Note: Executive Committee, Compliance Committee, Committee for Integrated Risk and Budget Management, and Credit Committee

*The Remuneration Committee, the Advisory Board, and the Committee of Administrative Supervision are not committees pursuant to the Companies Act but optional organizational bodies.

*Dotted lines in the figure indicate supervision over operations of the Shizuoka Bank Group companies (contacts for consultation, support, etc.)

*Measures to ensure appropriateness of operations of the Shizuoka Bank Group include the following: the Group Representative Management Liaison Meeting consisting of representatives of the Shizuoka Bank and its Group companies which is held periodically; the full-time Audit & Supervisory Board Members of the Shizuoka Bank serving as part-time audit & supervisory board members of Group companies; and the general managers of the Bank's departments that supervise Group companies, the General Manager of the Corporate Planning Dept., and the General Manager of the Human Resources Development Dept. serving as part-time directors of Group companies.

*Shizugin Saison Card Co., Ltd. is an equity-method affiliate. Likewise, Monex Group, Inc. and Commons Asset Management, Inc. are also equity-method affiliates.

Basic Policy on and Design of Internal Control Systems

1) Basic Policy

In accordance with the basic policy regarding the design of internal control systems resolved by the Board of Directors, the Shizuoka Bank designed and is operating internal control systems that are to ensure appropriateness of operations of the Shizuoka Bank and the Shizuoka Bank Group including a system for ensuring that execution of duties of directors complies with laws and regulations and the Articles of Incorporation.

2) Design of Internal Control Systems

The Shizuoka Bank classifies the headquarter organizations into three arms, based on function—the Banking Division, handling front office business operations; the Corporate Center for corporate planning, administration, and risk management; and the Internal Audit Division conducting internal auditing. This classification is designed to strengthen cross-checking among these three arms.

In order to ensure objectivity and effectiveness of internal auditing, the Audit Department, which conducts internal auditing, is independent of organizations subject to auditing and is supervised by the Committee for Administrative Supervision under the Board of Directors. This system is designed to strengthen independence of the Internal Audit Division and the Audit Department from organizations subject to auditing and cross-checking and to verify the appropriateness and effectiveness of internal control.

The Compliance Department and the Risk Management Department are set up within the Corporate Center, which comprises corporate staff operations, to strengthen management supervisory functions.

Basic Compliance Policy

As a member of the local community, the Shizuoka Bank Group complies with laws, regulations, and social norms and embraces a spirit of fair play. To achieve a harmonious relationship with the community for further development, the Bank has established an Ethical Charter, which sets out the Bank's basic compliance policy.

Ethical Charter	
Gaining Trust	We are constantly aware of the importance of the Bank's social responsibility and public mission. As a banking group, we strive to build unshakable trust through sound business management.
Compliance with Laws, Regulations and Rules	In the conduct of our business, we comply with laws, regulations, and Company rules and, on the basis of honesty and fairness, we adhere to social norms as a member of society.
Social Etiquette and Fair Play	As executives and employee of the Shizuoka Bank Group, we contribute to the development of the local community by fostering a strong social etiquette and a spirit of fair play.
Breaking Contact with Anti-Social Forces	The Shizuoka Bank Group adamantly rejects the unreasonable demands made by anti-social forces and groups that offend public order and morals and absolutely refuses to deal with such groups.
Active Communication	We actively communicate with stakeholders and cooperate with them to build a strong compliance system.

Compliance System

At the Shizuoka Bank Group, the Board of Directors formulates the Compliance Program, an annual action plan.

The Compliance Committee, chaired by the President and consisting of directors and other executives, meets monthly to deliberate on important compliance-related matters and assess the operation of the compliance system across the Shizuoka Bank Group, including the progress toward achievement of the goals of the Compliance Program. The committee reviews and revises the Compliance System as deemed necessary.

The Compliance Department monitors the functioning of the compliance system through integrated management of compliance-related information to prevent possible compliance violations and strengthen the compliance system. Compliance Officers and officers responsible for the management of risk-bearing products assigned to the Compliance Department provide guidance to the Bank's branch offices and conduct monitoring, through on-site checks.

Compliance managers and compliance promoters are assigned to all branches of the Bank, headquarters departments, and Group companies where they conduct compliance inspections and draft reports on day-to-day business operations. The Audit Department of the Internal Audit Division verifies the appropriateness and effectiveness of the compliance system.

Cultivating Compliance-centered Corporate Culture

Management is actively involved in compliance activities to enhance awareness of all employees of the Shizuoka Bank Group concerning compliance. For example, directors directly give instructions about compliance, taking the opportunity of branch managers' meetings and visits to branch offices.

The Bank's measures to foster and raise compliance awareness include the following:

Shizugin Compliance Book

The Bank has established standards of conduct vis-à-vis laws and regulations that must be observed in the execution of day-to-day business activities. The Shizugin Compliance Book, which is on the enterprise network for reference by all officers and employees of the Shizuoka Bank Group, provides clear explanations concerning the relevant laws and regulations.

"Opinion Box" Internal Reporting System

For early detection and remediation of compliance-related issues, such as violation of laws and regulations, the Bank has established the "Opinion Box," an internal reporting system via which all executives and employees of the Shizuoka Bank Group can directly report, so as to enhance the self-corrective function.

Reports can be made to the Executive in charge of compliance, the Compliance Management Department, and attorneys' offices by phone, in writing, by email, or through groupware regardless of whether anonymous or not. The name of the person making a report will not be disclosed without his or her consent. In order to encourage use of the Opinion Box, it is stipulated that under no circumstances are executives or employees permitted to seek to identify the person reporting and no one who reports shall be treated unfavorably.

Compliance Education and Training

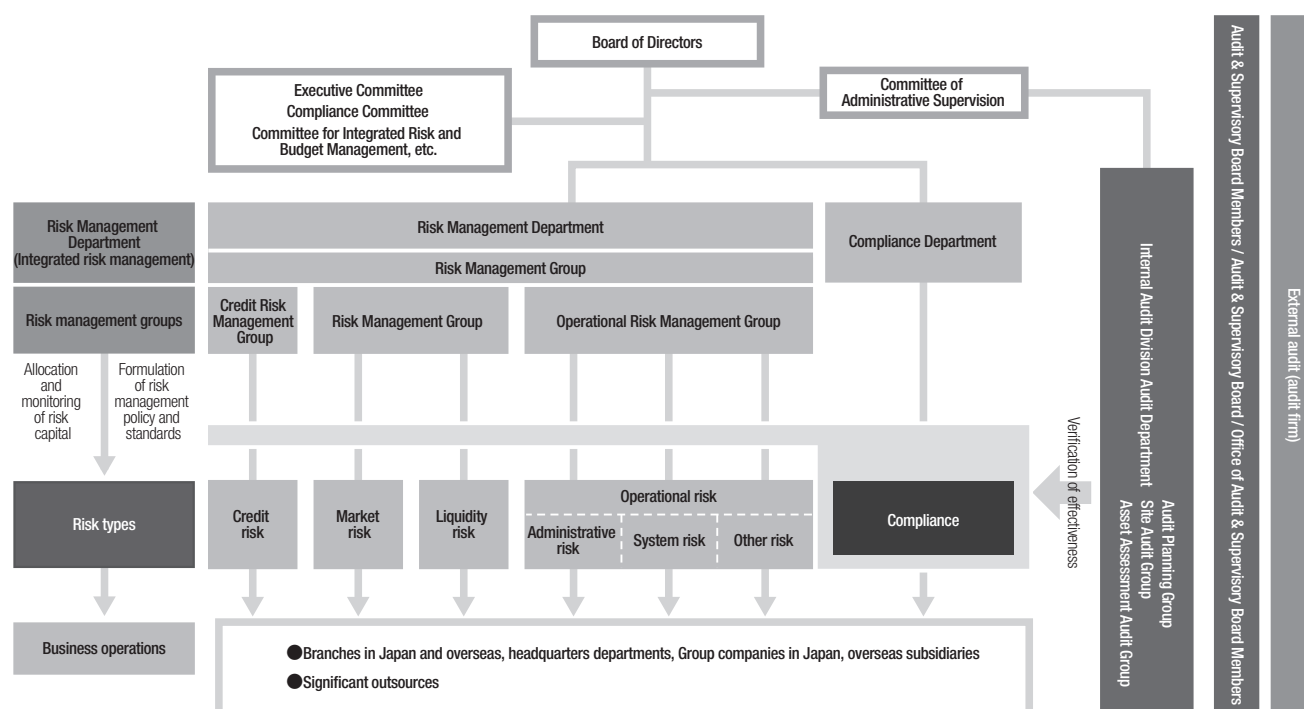
The Bank conducts ongoing educational activities for the practice of compliance, such as training for executives and employees and the holding of monthly study groups at branches.

Establishment of Anti-Money Laundering and Other Financial Crimes Management Office

In view of the increasing focus on countermeasures to prevent money laundering and provision of funds to terrorists, the Shizuoka Bank Group is making a concerted effort to enhance the effectiveness of such countermeasures, having established the Anti-Money Laundering and Other Financial Crimes Management Office within the Compliance Department in April 2018.

Risk Management System

Shizuoka Bank Group's Compliance and Risk Management Systems



Integrated Risk Management Systems

The Shizuoka Bank Group has established a basic framework, including definitions of risk, an organizational structure for risk management, and specific risk control procedures based on the Basic Risk Management Regulations, which lay down the fundamental principles that underlie our approach to risk management.

To ensure an appropriate balance between raising earnings levels and financial sustainability, the Bank's risk management is based on the allocation of risk capital as an integral part of its integrated risk management system.

The allocation of risk capital is a mechanism to ensure the soundness of management by keeping risk within a manageable range. Shizuoka Bank defines core shareholder's equity as capital for allocation and allocates it to all departments involved in business execution. Even if market risk, credit risk and other risks were to materialize, the resulting losses would be controlled within the bounds of shareholders' equity.

Credit Risk Management System

The Credit Risk Management Group of the Risk Management Department is responsible for overall management of credit risk relating to the Shizuoka Bank Group's operations both in Japan and overseas in order to maintain and enhance the soundness of the Group's loan asset portfolio. In the Bank's internal rating system, including its borrower credit rating system, which is the foundation stone of its credit risk management, the Credit Risk Management Group of the Risk

Management Department is responsible for the design of the system and supervision of its operation; the Ratings Assessment Group of the Credit Department is responsible for the day-to-day operation of the credit rating system; and the Risk Management Group of the Risk Management Department is responsible for verification of the appropriateness of the system. Mutual checks and balances among these three units facilitate greater precision and proper functioning of the Bank's internal ratings system.

The Credit Risk Management Group uses statistical methods to quantify latent credit risk in the Bank's loan portfolio. In this way, the Bank accurately assesses the amount of future risk, monitors the concentration of loans to particular large borrowers or specific industries, and thus controls the portfolio to avoid excessive credit risk.

The Audit Department, which is organizationally independent of the Banking Division, the Credit Department, and the Risk Management Department, audits the appropriateness and effectiveness of the design and operation of the credit risk management system.

Market Risk Management System

In market transactions, the Shizuoka Bank Group limits the amount of risk capital allocated and sets various restrictions, such as on gains or losses from valuation of investment securities, and on the amount of exposure or loss depending upon the risk profile of each transaction or financial instrument. In this way, the Group keeps market risk within certain defined levels.

For banking account transactions, centering on deposits, loans, and investment securities, the Business Strategy Planning and ALM Group of the Corporate Planning Department formulates the hedging policies based on current risk conditions and on the outlook for interest rates so as to keep risk volume within a certain range, and these policies are deliberated at the Committee for Integrated Risk and Budget Management.

The organization of the market operations is strictly separated into departments conducting transactions (front office: Treasury Department, etc.), administrative and control departments (back office: Treasury & International Operations Center of the Operations Department), and an independent risk management department (middle office: Risk Management Group of the Risk Management Department) for mutual checks and balances. Moreover, the Audit Department, which is independent of the departments responsible for executing transactions, verifies the effectiveness of the mutual checks and balances between these three departments.

Liquidity Risk Management System

The Shizuoka Bank Group has separate yen and foreign currency-denominated financing management departments (Fund & Foreign Exchange Group of the Treasury Department, Treasury & International Operations Center of the Operations Department, etc.), and a liquidity risk management department (Risk Management Group of the Risk Management Department) that is entirely independent of the financing management departments. In this way, the Bank has put in place a system that provides mutual checks and balances. The Fund & Foreign Exchange Group of the Treasury Department, which is one of the financing management departments, controls fundraising requirements within procurable levels to avoid excessive fundraising. We conduct stable fund management activities, paying close attention to market conditions. Moreover, the liquidity risk management department monitors the status of financing management departments and assesses the stability of the assets-liabilities structure.

To handle unforeseen circumstances, we proactively prepared an emergency cash flow management system, assuming four stages of emergency: “Stage 1 (preventive stage)”; “Stage 2 (attention required stage)”; “Stage 3 (liquidity concern stage)”; and “Stage 4 (insufficient liquidity stage)”. We predefined countermeasures and authorized persons for each stage, thereby forming a structure capable of swiftly responding to issues should they arise.

With regard to market liquidity risk, the liquidity risk management department routinely monitors the status of highly liquid asset holdings that can be easily monetized. The front office addresses market liquidity risk by selecting investment assets based on their liquidity and setting limits on specific stocks and holding periods.

What is Value at Risk (VaR)?

VaR is a risk management technique that statistically measures the potential loss in value of an asset over a given period of time.

Operational Risk Management System

Each risk category is managed by a dedicated unit of the Bank, while the Operational Risk Management Group of the Risk Management Department is responsible for overseeing and managing operational risk throughout the Shizuoka Bank Group. In line with our basic policies on operational risk management, we are taking steps to strengthen our operational risk management system through a range of measures including the compilation and analysis of internal loss data and the implementation of a risk control self-assessment. The Audit Department, which is organizationally independent from any of the units that it audits, verifies the effectiveness of the risk management system through on-site inspection, etc.

Administrative Risk Management

The Shizuoka Bank Group has established the Administrative Risk Management Rules that include the Group’s basic policy for administrative risk management and executes operations in accordance with the rules. For administrative incidents that occur, we take preventive steps by according priority to measures for incidents involving higher risk to reduce administrative risk. In response to diversification of operations and increasing transaction volumes, we are promoting the shifting of the administrative function at our branches to a shared services center and the introduction of IT systems to enhance efficiency and thus avert operational risk.

System Risk Management

The Shizuoka Bank Group positions IT systems as a part of information assets. We have established the Basic Policy for Information Asset Security Measures (Security Policy) that includes our basic policy for dealing with system risk. We are implementing various security measures based on the Standards for Information Asset Security Measures (Security Standards) to ensure secure operation of the IT systems.

Prompt and Appropriate Disclosure

To ensure prompt and appropriate provision of corporate information to the Bank’s stakeholders, the Bank conducts comprehensive information disclosure in accordance with the Banking Law and the Financial Instruments and Exchange Act and the securities listing regulations of the Japanese stock exchanges. The Bank also conducts voluntary proactive disclosure by appropriately disclosing information in a consistent, transparent and impartial manner.

The Information Disclosure Regulations, which set out the policy, procedures, and systems, on information disclosure (Information Disclosure Policy), have been determined by the Board of Directors. In accordance with the Information Disclosure Regulations, the Corporate Planning Department centrally manages various information generated by each group, and the information is disclosed after implementing the predetermined approval procedure according to the specified authorization classification. To maintain prompt and appropriate disclosure, when necessary, the Corporate Planning Department confers with the Compliance Department and the auditing firm, while the Internal Audit Division periodically verifies the appropriateness and effectiveness of the systems and operational administration concerning disclosure.

Region-based Relationship Banking

Basic Policy

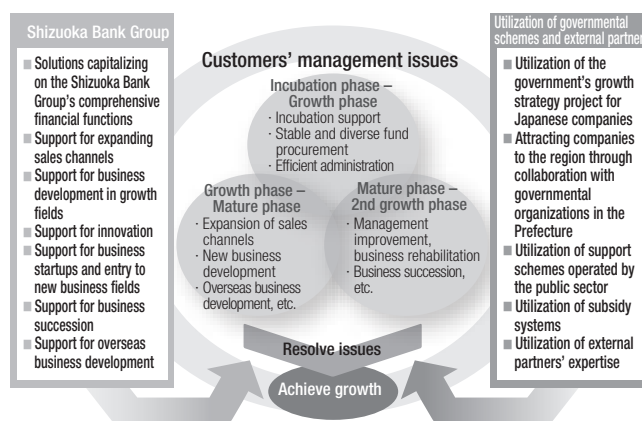
Region-based relationship banking is a business model whereby financial institutions cultivate long-term relationships with customers and offer financial services based on their grasp of customer needs obtained through the relationships.

The Shizuoka Bank Group's basic policy on region-based relationship banking is to "achieve sustained growth in tandem with the region by adhering to the Bank's corporate philosophy, 'expand dreams and affluence with our community.'" By putting this corporate philosophy into practice under the medium-term business plan and annual plans, we are promoting region-based relationship banking and aim to achieve sustained growth by cultivating mutually beneficial relationships with our customers in the region through the provision of value-added services attuned to their needs.

Solutions for Various Management Issues

Utilizing an extensive network encompassing Group companies and external partners, the Shizuoka Bank supports vitalization of the regional economy and development of customers' businesses over the medium to long term by offering high-value-added solution services and financing attuned to the development phase.

The Bank's Shizugin Growth Field Support Project supports local companies concerning new business development, management innovation, and restructuring.



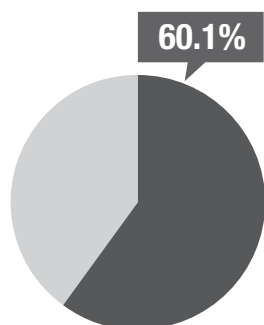
Smooth Supply of Funds to Companies in the Region

The Bank endeavors to ensure the smooth supply of funds to companies in the region without overly depending on real-estate collateral or personal guarantees.

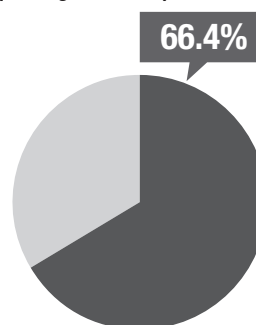
We work to meet funding needs of as many companies as possible by making appropriate loans in light of their circumstances, such as use of guarantees by

Credit Guarantee Corporations through support of companies' management innovation, and creating new demand for funds through provision of appropriate solutions for tackling growth fields.

Ratio of loans in Shizuoka Prefecture to total loans (average balance)



Ratio of loans in Shizuoka Prefecture to total loans for small and medium-sized enterprises (SMEs) (average balance)



Support for Business Start-ups and Entry to New Business Fields and Initiatives in Growth Fields

Growth fields

The Shizuoka Bank Group is emphasizing its initiatives in five growth fields: healthcare and nursing care, the environment, agriculture, support for overseas business development, and business succession support.

* Please see the next page for support for overseas business development.

Healthcare and nursing care

Specialists in the healthcare and nursing care field are assigned to the headquarters and regional business units. We hold seminars for healthcare institutions and offer support for the start-up of healthcare and nursing care businesses, business succession, and the securing of business sites.

The Environment

Prompted by the growing emphasis on environmental management, we support our customers' response to environmental issues by offering loans and private placement bonds based on environmental rating and support for obtaining ISO 14001 certification.

Furthermore, we proactively provide support for new energy businesses and for businesses endeavoring to save energy.

Agriculture

We organize the "shizugin@gricom" trade show to support the food business in general. In order to meet the needs of customers wishing to enter the agricultural sector or new fields in the food industry, we follow the Agriculture, Commerce and Industry Collaboration Program, which is an initiative of the Japanese government, and support collaboration between agriculture and the food industry advocated by the Japanese government.

Business Succession Support

In collaboration with external experts such as tax accountant corporations and lawyer's offices in addition to the subsidiaries such as Shizugin Management Consulting Co., Ltd. and Shizuoka Capital Co., Ltd., the Shizuoka Bank assists customers with their business succession planning and capital policies. We also hold seminars to provide information and organize the Shizuginship workshop for young managers to foster next-generation business leaders.

"Shizuginship" for Young Managers

Shizuginship is a membership service that the Bank launched in April 2007. It is a learning and networking opportunity for young managers who will be the next generation of business leaders.

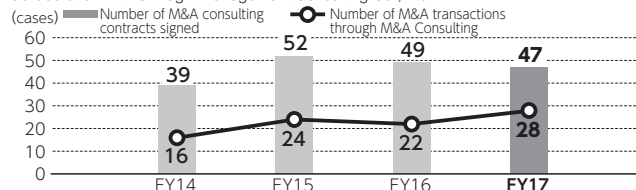
In addition to lectures, seminars and other events, Shizuginship members can access useful information through the dedicated website.

Consulting

Leveraging the Shizuoka Bank Group's comprehensive financial capabilities, we offer information and consulting to help our customers solve their business issues.

M&A consulting

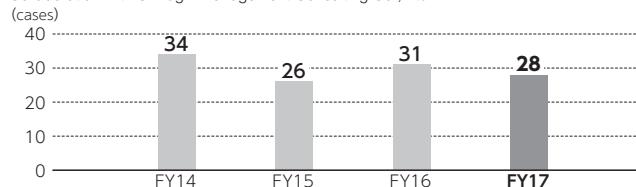
Collaboration with Shizugin Management Consulting Co., Ltd.



* Regarding the "number of M&A transactions through M&A Consulting," where separate contracts are concluded with both the acquiring company and the company being acquired, these are counted as two contracts.

Management consulting contracts

Collaboration with Shizugin Management Consulting Co., Ltd.

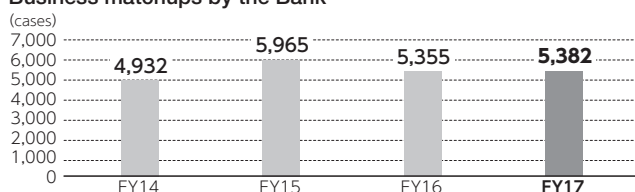


Business Matching

The Shizuoka Bank offers business matching services. Leveraging our well-developed branch network centering on Shizuoka Prefecture, we introduce buyers and sellers of products and services. In fiscal 2017, the Bank arranged 5,382 business matchups. We also organize the "shizugin@gricom" trade show for the agriculture, forestry and fisheries sectors, and support other initiatives in collaboration with other financial institutions to help market distinctive products of Shizuoka Prefecture.

In February 2018, for the Supermarket Trade Show 2018, one of the largest exhibitions about foods, and a good opportunity for business talks, we organized a booth titled "Fujinokuni Shizuoka Yumekaido (meaning The Dream Road - Mt. Fuji area, Shizuoka)" in cooperation with Shizuoka Prefectural government and Shizuoka Industrial Foundation, and jointly held exhibitions in the trade show with 49 of our customers.

Business matchups by the Bank



Support for Business Start-ups and Entry to New Business Fields

Our specialists in charge of management consulting who are qualified Small and Medium Enterprise Management Consultants identify promising companies and foster them. As well as addressing funding needs through a joint fund with Shizuoka Capital Co., Ltd. and loan schemes, such as those for supporting business start-ups and entry to new business fields and those of our own, we support customers in terms of information and technology. For example, when visiting customers we may be accompanied by Small and Medium Enterprise Management Consultants who offer advice.

We are providing support for venture businesses through industry-academia-government collaboration, which involves working with universities and technical colleges in Shizuoka Prefecture and elsewhere as well as with the Shizuoka Industrial Foundation and other public organizations.

The Start-up Support Desk in the headquarters supports start-ups in collaboration with chambers of commerce and industry in Shizuoka Prefecture and other regional institutions offering support for start-ups.

In addition, from February 2017 we are accepting online appointments for our advisory service on startup businesses.

6th Shizugin Entrepreneur Awards

We hosted the 6th Shizugin Entrepreneur Awards and commended entrepreneurs engaged in innovative and creative businesses, capable of opening up a bright future for the regional economy.

In fiscal 2017, in two fields, technology and services, we invited applications for business plans for two categories, Entrepreneurship (at the business planning stage or less than five years since the start of business) and Corporate Innovation (five years or more since the start of business). From this year, the screening of the presentations by the applicants was conducted in an open environment and people from business support organizations in the region were invited as observers. From 176 applications, ten winners were selected: one Excellent Award winner, four Outstanding Award winners, one Observer Award winner, and four Special Award winners. The award winners were commended in April 2018.

The Shizuoka Bank Group will assist all applicants in their efforts to accomplish their business plans by offering them various supports in filing management innovation plan applications and business matching services for developing sales channels.

Number of applications for the 6th Shizugin Entrepreneur Awards

Category	Eligibility		Number of applications
Services field	Enterprises and individuals with an innovative, ingenious business plan in services or other sectors	Entrepreneurship	46
		Corporate Innovation	60
Technology field	Enterprises and individuals tackling next-generation or other advanced technology in manufacturing, telecommunications, or other sectors	Entrepreneurship	23
		Corporate Innovation	47
Total			176

Support for Overseas Business Development

Support for Overseas Business Development

To support customers in the development of their overseas business, the Shizuoka Bank Group has six overseas offices: two in the U.S. (New York and Los Angeles), one in Europe (Brussels), and three in Asia (Hong Kong, Singapore, and Shanghai).

Support system in Asia

In Asia where robust economic growth is continuing, in addition to the Bank's own offices (Hong Kong, Shanghai, and Singapore), the Bank has established a network covering the region through business alliances with local financial institutions.

Many of our customers are developing their businesses in Thailand, Indonesia, Vietnam, and Taiwan. The Bank has dispatched its staff to the partner banks to support customers in these markets. Moreover, in view of the increasing overseas entry of our corporate customers and the growing associated needs for on-site comprehensive financial support, we formed business alliances with Joint Stock Commercial Bank for Investment and Development of Vietnam (BIDV) in Vietnam in April 2016, and with BDO Unibank in the Philippines in July 2016, to strengthen the local support system.

As of July 1st, 2018, the Bank has business alliances with 14 financial institutions in nine countries and regions in Asia and there are a total of 27 Shizuoka Bank staff members stationed at the Bank's offices or at partners' offices in Asia to meet wide-ranging customer needs.

Networking events, business forums and seminars

The Bank actively offers support to customer building businesses overseas, such as through the holding of networking events for customers already doing business overseas and those considering entry in overseas markets, and business forums to help customers expand their sales channels.

We also hold seminars in Japan on market trends and laws and regulations of various countries in Asia to assist these customers. The Bank responds to a wide range of customer inquiries.

Support menu for overseas business development

•Consultation on overseas business development

The Bank provides the latest information and fine-tuned services to meet diverse customer needs, including overseas business development, transactions with foreign companies, and foreign investment.

•Support for export and import transactions

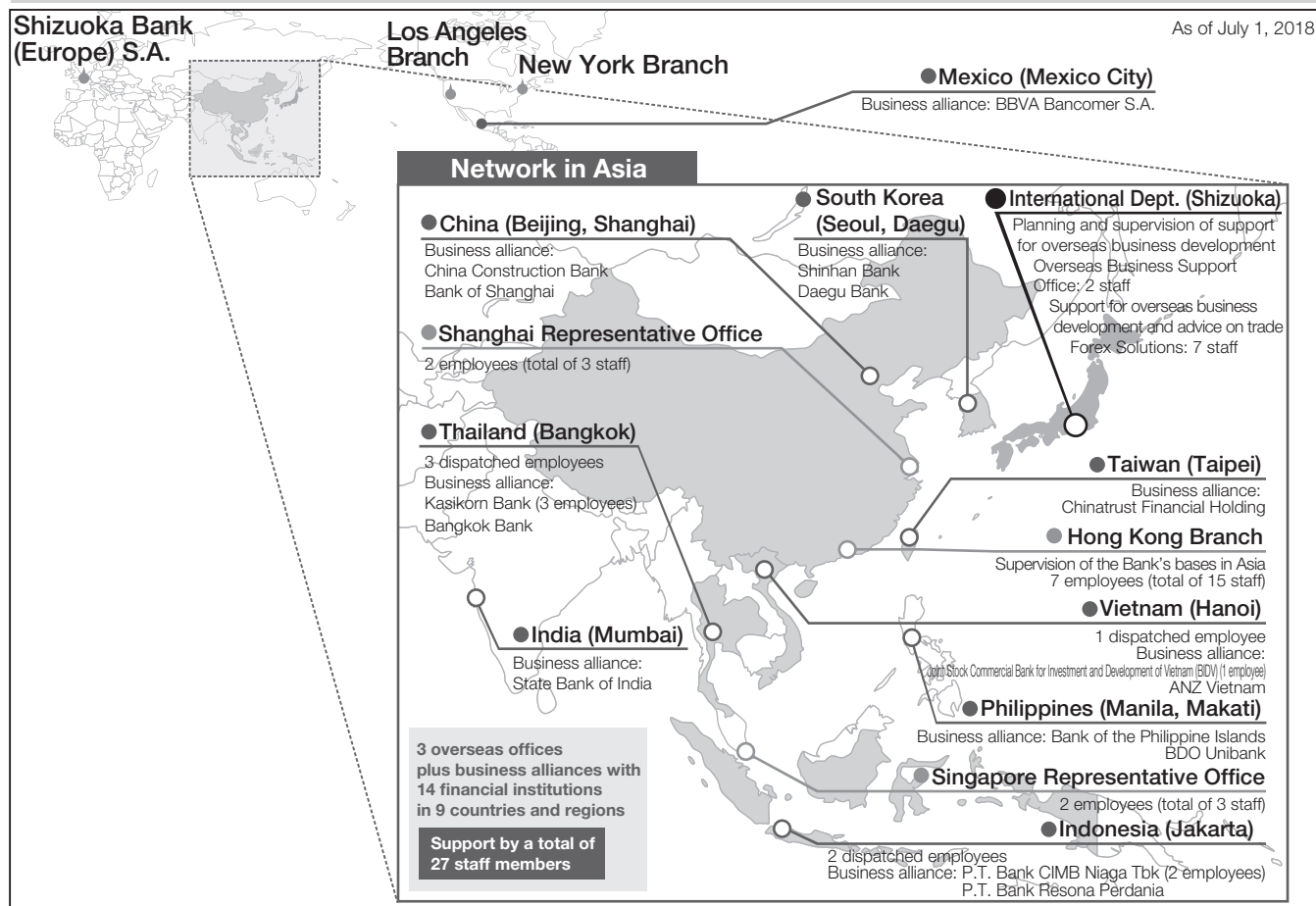
Capitalizing on its experience and overseas network, the Bank facilitates customers' transactions.

•Financing services (foreign-currency-denominated loans, guarantees, etc.)

The Bank's branches and overseas offices respond to the fund procurement needs of customers' overseas subsidiaries, including foreign-currency-denominated loans and provision of stand-by letters of credit

•International money remittance and exchange services

Shizuoka Bank Group's Overseas Network



INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated balance sheet of The Shizuoka Bank Ltd. and its consolidated subsidiaries as of March 31, 2018, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Shizuoka Bank Ltd. and its consolidated subsidiaries as of March 31, 2018, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 2 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

June 5, 2018

Deloitte Touche Tohmatsu LLC.

Member of
Deloitte Touche Tohmatsu Limited

Consolidated Balance Sheet

THE SHIZUOKA BANK, LTD. and Consolidated Subsidiaries March 31, 2018

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	2018	2017	2018
Assets:			
Cash and due from banks (Notes 12 and 30)	¥ 1,051,482	¥ 1,118,843	\$ 9,897,235
Call loans and bills bought (Note 30)	200,599	276,033	1,888,174
Monetary claims bought	41,770	39,629	393,173
Trading assets (Notes 4 and 30)	19,429	32,098	182,887
Money held in trust (Note 5)	3,700	3,300	34,826
Securities (Notes 6, 12, and 30)	1,597,906	1,350,029	15,040,532
Loans and bills discounted (Notes 7, 13, and 30)	8,263,507	7,929,665	77,781,506
Foreign exchanges (Note 8)	8,968	6,717	84,420
Lease receivables and investment assets (Note 28)	65,983	61,205	621,075
Other assets (Notes 9 and 12)	122,820	90,886	1,156,067
Tangible fixed assets (Note 10)	71,228	76,064	670,453
Intangible fixed assets (Note 10)	36,637	31,991	344,857
Asset for retirement benefits (Note 18)	9,838	13,438	92,607
Deferred tax assets (Note 27)	2,382	2,071	22,424
Customers' liabilities for acceptances and guarantees (Note 11)	76,894	69,942	723,777
Allowance for loan losses (Note 30)	(40,372)	(47,080)	(380,009)
Allowance for investment losses	(54)	(53)	(508)
Total Assets	¥11,532,724	¥11,054,783	\$ 108,553,502
Liabilities and Equity:			
Liabilities:			
Deposits (Notes 12, 14, and 30)	¥ 9,624,934	¥ 9,364,381	\$ 90,596,146
Call money and bills sold (Note 30)	69,661	108,400	655,700
Payables under repurchase agreements (Notes 12 and 30)	104,080	31,086	979,675
Payables under securities lending transactions (Notes 12 and 30)	68,589	19,298	645,611
Trading liabilities (Note 4)	7,499	20,129	70,593
Borrowed money (Notes 12, 15, and 30)	283,200	277,175	2,665,671
Foreign exchanges (Note 8)	3,888	100	36,597
Bonds with stock acquisition rights (Note 16)	84,992	56,095	800,000
Borrowed money from trust account	228	203	2,152
Other liabilities (Note 17)	127,043	102,751	1,195,815
Liability for retirement benefits (Note 18)	20,199	20,857	190,135
Provision for directors' retirement benefits	325	281	3,065
Provision for losses from reimbursement of inactive accounts	1,166	297	10,975
Provision for contingent losses	1,505	1,779	14,170
Provision for point program	353	336	3,323
Reserves under special laws	11	11	109
Deferred tax liabilities (Note 27)	65,340	46,934	615,024
Acceptances and guarantees (Note 11)	76,894	69,942	723,777
Total Liabilities	10,539,915	10,120,064	99,208,546
Equity: (Notes 19, 20, 21, and 35)			
Capital stock, authorized, 2,414,596 thousand shares; issued, 645,129 thousand shares in 2018 and 2017	90,845	90,845	855,099
Capital surplus	54,884	54,884	516,604
Subscription rights to shares	350	407	3,297
Retained earnings	702,591	664,459	6,613,243
Treasury stock-at cost, 51,304 thousand shares in 2018 and 41,360 thousand shares in 2017	(52,183)	(42,503)	(491,185)
Accumulated other comprehensive income:	194,928	165,484	1,834,791
Valuation difference on available for sale securities	194,349	165,605	1,829,343
Deferred gains or losses on hedges	561	750	5,280
Foreign currency translation adjustments	(2,697)	198	(25,394)
Defined retirement benefit plans	2,715	(1,069)	25,561
Total	991,415	933,578	9,331,851
Noncontrolling Interests	1,392	1,140	13,105
Total Equity	992,808	934,719	9,344,956
Total Liabilities and Equity	¥11,532,724	¥11,054,783	\$ 108,553,502

See notes to consolidated financial statements.

Consolidated Statement of Income

THE SHIZUOKA BANK, LTD. and Consolidated Subsidiaries Year ended March 31, 2018

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	2018	2017	2018
Income:			
Interest Income:			
Interest on loans and discounts	¥100,750	¥ 97,839	\$ 948,333
Interest and dividends on securities	23,560	23,269	221,770
Other interest income	2,828	1,896	26,626
Subtotal	127,140	123,005	1,196,730
Fees and Commissions	64,487	60,892	606,997
Trading Income	3,623	2,992	34,108
Other Operating Income (Note 22)	4,971	17,640	46,799
Other Income (Note 23)	30,131	45,273	283,617
Total Income	230,355	249,804	2,168,252
Expenses:			
Interest Expense:			
Interest on deposits	8,883	7,722	83,613
Interest on borrowings and rediscounts	2,678	1,921	25,212
Other interest expense	4,854	5,018	45,691
Subtotal	16,415	14,661	154,517
Fees and Commission Payments	34,574	32,246	325,439
Trading Expenses		189	
Other Operating Expenses (Note 24)	5,219	44,007	49,126
General and Administrative Expenses (Note 25)	92,871	89,147	874,168
Other Expenses (Note 26)	9,643	22,743	90,768
Total Expenses	158,724	202,996	1,494,020
Income before income taxes	71,630	46,808	674,232
Income Taxes: (Note 27)			
Current	18,360	16,480	172,821
Deferred	3,102	986	29,205
Total income taxes	21,463	17,466	202,027
Net Income	50,167	29,341	472,205
Net Income Attributable to Noncontrolling Interests	36	65	345
Net Income Attributable to Owners of the Parent	¥ 50,130	¥ 29,276	\$ 471,859
	Yen		U.S. Dollars (Note 2)
Per Share: (Note 34)			
Basic net income	¥83.71	¥47.98	\$0.78
Diluted net income	78.32	45.18	0.73
Cash dividends applicable to the year	21.00	20.00	0.19

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

THE SHIZUOKA BANK, LTD. and Consolidated Subsidiaries Year ended March 31, 2018

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	2018	2017	2018
Net Income	¥ 50,167	¥ 29,341	\$ 472,205
Other Comprehensive Income (Loss): (Note 33)			
Valuation difference on available for sale securities	29,116	3,510	274,060
Deferred gains or losses on hedges	(145)	(1,176)	(1,371)
Foreign currency translation adjustments	(2,566)	123	(24,154)
Defined retirement benefit plans	3,785	1,920	35,631
Share of other comprehensive income in associates	(528)	(598)	(4,974)
Total other comprehensive income (loss)	29,661	3,779	279,190
Comprehensive Income	79,828	33,121	751,395
Total Comprehensive Income Attributable To:			
Owners of the parent	¥ 79,573	¥ 33,071	\$ 749,000
Noncontrolling Interests	254	50	2,395

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

THE SHIZUOKA BANK, LTD. and Consolidated Subsidiaries Year ended March 31, 2018

	Thousands	Millions of Yen											
		Accumulated Other Comprehensive Income											
	Number of Shares of Common Stock Outstanding	Capital Stock	Capital Surplus	Subscription Rights to Shares	Retained Earnings	Treasury Stock	Valuation Difference on Available for Sale Securities	Deferred Gains or Losses on Hedges	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Non-controlling Interests	Total Equity
Balance, April 1, 2016	665,129	¥90,845	¥54,884	¥367	¥668,039	¥(54,559)	¥162,340	¥2,187	¥152	¥(2,990)	¥921,268	¥1,092	¥922,360
Cash dividends, ¥20.00 per share					(12,275)						(12,275)		(12,275)
Net Income attributable to owners of the parent					29,276						29,276		29,276
Purchase of treasury stock (10,042 thousand shares)						(8,533)					(8,533)		(8,533)
Disposal of treasury stock (11 thousand shares)					(3)	12					8		8
Retirement of treasury stock (20,000 thousand shares)	(20,000)				(20,577)	20,577							
Net changes other than shareholders' equity				39			3,264	(1,436)	46	1,920	3,834	48	3,882
Balance, March 31, 2017	645,129	¥90,845	¥54,884	¥407	¥664,459	¥(42,503)	¥165,605	¥750	¥198	¥(1,069)	¥933,578	¥1,140	¥934,719
Balance, April 1, 2017	645,129	¥90,845	¥54,884	¥407	¥664,459	¥(42,503)	¥165,605	¥750	¥198	¥(1,069)	¥933,578	¥1,140	¥934,719
Cash dividends, ¥20.00 per share					(11,991)						(11,991)		(11,991)
Net Income attributable to owners of the parent					50,130						50,130		50,130
Purchase of treasury stock (10,049 thousand shares)						(9,789)					(9,789)		(9,789)
Disposal of treasury stock (105 thousand shares)					(7)	108					101		101
Net changes other than shareholders' equity				(57)			28,743	(189)	(2,896)	3,785	29,386	251	29,638
Balance, March 31, 2018	645,129	¥90,845	¥54,884	¥350	¥702,591	¥(52,183)	¥194,349	¥561	¥(2,697)	¥2,715	¥991,415	¥1,392	¥992,808

	Thousands of U.S. Dollars (Note 2)											
	Capital Stock	Capital Surplus	Subscription Rights to Shares	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income				Total	Non-controlling Interests	Total Equity
						Valuation Difference on Available for Sale Securities	Deferred Gains or Losses on Hedges	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans			
Balance, April 1, 2017	\$855,099	\$516,604	\$3,838	\$6,254,325	\$(400,066)	\$1,558,787	\$7,066	\$1,866	\$(10,070)	\$8,787,451	\$10,733	\$8,798,184
Cash dividends, \$0.18 per share				(112,868)						(112,868)		(112,868)
Net Income attributable to owners of the parent				471,859						471,859		471,859
Purchase of treasury stock					(92,144)					(92,144)		(92,144)
Disposal of treasury stock				(73)	1,025					952		952
Net changes other than shareholders' equity			(540)			270,555	(1,785)	(27,261)	35,631	276,600	2,371	278,972
Balance, March 31, 2018	\$855,099	\$516,604	\$3,297	\$6,613,243	\$(491,185)	\$1,829,343	\$5,280	\$(25,394)	\$25,561	\$9,331,851	\$13,105	\$9,344,956

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

THE SHIZUOKA BANK, LTD. and Consolidated Subsidiaries Year ended March 31, 2018

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	2018	2017	2018
I. Operating Activities:			
Income before income taxes	¥ 71,630	¥ 46,808	\$ 674,232
Adjustments for:			
Income taxes paid	(9,977)	(23,597)	(93,914)
Depreciation and amortization	14,166	11,631	133,346
Impairment losses	78		737
Gains on return of assets from retirement benefit trusts	(6,007)		(56,548)
Equity in (earnings) losses of affiliated companies	(1,651)	11,783	(15,544)
Increase (decrease) in allowance for loan losses	(6,708)	(1,475)	(63,142)
Increase (decrease) in allowance for reimbursement of inactive accounts	0	(0)	4
Increase (decrease) in asset and liability for retirement benefits	2,942	(3,246)	27,696
Increase (decrease) in provision for directors' retirement benefits	43	42	411
Increase (decrease) in provision for reimbursement of inactive accounts	869	(36)	8,179
Increase (decrease) in provision for contingent losses	(274)	49	(2,580)
Increase (decrease) in provision for point program	16	30	159
Interest income	(127,140)	(123,005)	(1,196,730)
Interest expense	16,415	14,661	154,517
Losses (gains) on securities	(4,945)	(6,622)	(46,554)
Losses (gains) on money held in trust	(35)	(32)	(332)
Losses (gains) on sale of fixed assets	138	247	1,305
Net decrease (increase) in trading assets	12,668	1,701	119,241
Net increase (decrease) in trading liabilities	(12,629)	(3,090)	(118,877)
Net decrease (increase) in loans and bills discounted	(364,050)	(290,874)	(3,426,679)
Net increase (decrease) in deposits	294,547	247,804	2,772,468
Net increase (decrease) in borrowed money	10,775	122,599	101,422
Net decrease (increase) in due from banks (excluding deposits paid to Bank of Japan)	27,732	(80,746)	261,040
Net decrease (increase) in call loans	69,268	89,141	651,998
Net decrease (increase) in monetary claims bought	(2,141)	656	(20,158)
Net increase (decrease) in call money	(34,414)	(113,410)	(323,935)
Net increase (decrease) in payables under repurchase agreements	71,998	(15,967)	677,699
Net increase (decrease) in payables under securities lending transactions	47,547	(288,210)	447,543
Net decrease (increase) in foreign exchanges (assets)	(2,342)	877	(22,048)
Net increase (decrease) in foreign exchanges (liabilities)	3,787	(39)	35,652
Net decrease (increase) in lease receivables and investment assets	(5,281)	(5,546)	(49,708)
Net increase (decrease) in borrowed money from trust account	25	200	236
Interest and dividends received	119,157	132,608	1,121,588
Interest paid	(16,226)	(14,089)	(152,735)
Other-net	(34,048)	(1,730)	(320,485)
Total Adjustments	64,304	(337,686)	605,275
Net Cash Provided by (Used in) Operating Activities	135,934	(290,878)	1,279,507
II. Investing Activities:			
Purchases of securities	(1,244,230)	(2,235,489)	(11,711,507)
Proceeds from sales of securities	900,016	2,839,365	8,471,538
Proceeds from redemptions of securities	188,555	192,100	1,774,802
Increase in money held in trust	(400)	(100)	(3,765)
Purchases of tangible fixed assets	(3,943)	(10,863)	(37,117)
Purchases of intangible fixed assets	(10,610)	(12,011)	(99,871)
Proceeds from sales of tangible fixed assets	512	279	4,821
Increase in investments in affiliated companies		(8)	
Net Cash Provided by (Used in) Investing Activities	(170,100)	773,271	(1,601,097)
III. Financing Activities:			
Proceeds from issuance of bonds with stock acquisition rights	33,900		319,088
Dividends paid	(11,975)	(12,256)	(112,720)
Dividends paid to noncontrolling interests	(2)	(2)	(23)
Purchases of treasury stock	(9,789)	(8,533)	(92,144)
Proceeds from sales of treasury stock	101	8	952
Net Cash Provided by (Used in) Financing Activities	12,233	(20,783)	115,152
IV. Foreign Currency Translation Adjustments on Cash and Cash Equivalents	74	(5)	699
V. Net Increase (Decrease) in Cash and Cash Equivalents	(21,857)	461,604	(205,736)
VI. Cash and Cash Equivalents at Beginning of Year	733,777	272,172	6,906,787
VII. Cash and Cash Equivalents at End of Year	¥ 711,919	¥ 733,777	\$ 6,701,050

See notes to consolidated financial statements.

Cash and due from banks on the consolidated balance sheets at March 31, 2018 and 2017, are reconciled with cash and cash equivalents on the consolidated statements of cash flows as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	2018	2017	2018
Cash and due from banks	¥1,051,482	¥1,118,843	\$9,897,235
Due from banks other than the Bank of Japan	(339,562)	(385,066)	(3,196,184)
Cash and cash equivalents, end of year	¥ 711,919	¥ 733,777	\$6,701,050

Notes to Consolidated Financial Statements

THE SHIZUOKA BANK, LTD. and Consolidated Subsidiaries Year ended March 31, 2018

1. BASIS OF PRESENTATION

The accompanying consolidated financial statements have been prepared from the accounts maintained by The Shizuoka Bank, Ltd. (the "Bank") and its subsidiaries (the "Group") in accordance with the provisions set forth in the Companies Act of Japan (the "Companies Act"), the Japanese Financial Instruments and Exchange Act, the Banking Act of Japan, and the Accounting Guideline for Banks in Japan stated by the Japanese Bankers' Association, and in accordance with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards (IFRS).

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form that is more familiar to readers outside Japan.

In addition, certain reclassifications have been made in the 2017 consolidated financial statements to conform to the classifications used in 2018.

2. JAPANESE YEN AND U.S. DOLLAR AMOUNTS

As permitted by the Japanese Financial Instruments and Exchange Act, Japanese yen amounts less than one million and U.S. dollars amounts less than one thousand have been omitted. As a result, the totals shown in the accompanying consolidated financial statements and the notes (both in yen and U.S. dollars) thereto do not necessarily agree with the sum of the individual account balances.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Bank is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥106.24 to \$1, the approximate rate of exchange at March 31, 2018. Such translation should not be construed as a representation that Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidation:

The accompanying consolidated financial statements as of March 31, 2018 and 2017, include the accounts of the Bank, its 12 significant subsidiaries, and three companies accounted for by the equity method.

Under the control and influence concepts, those companies in which the Bank, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

For investments in the remaining unconsolidated subsidiaries and associated companies, if the equity method of accounting had been applied, the effect on the accompanying consolidated financial statements would not be material.

The difference between the cost of an acquisition and the fair value of net assets of the acquired subsidiary at the date of acquisition is charged to income when incurred.

All significant intercompany accounts and transactions have been eliminated in consolidation. All material unrealized profits resulting from intercompany transactions are eliminated.

Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements:

The accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should, in principle, be unified for the preparation of the consolidated financial statements. However, financial statements prepared by foreign subsidiaries in accordance with either IFRS or generally accepted accounting principles in the United States of America tentatively may be used for the consolidation process, except for the following items that should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been recorded in equity through other comprehensive income; (c) expensing capitalized development costs of R&D; and (d)

cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting.

Effective on April 1, 2017, the Group adopted the revised Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method (Accounting Standards Board of Japan ("ASBJ") Practical Issues Task Force No.24, March 29, 2017). There was no effect from this adoption for the year ended March 31, 2018.

Business Combinations:

Business combinations are accounted for using the purchase method. Acquisition-related costs, such as advisory fees or professional fees, are accounted for as expenses in the periods in which the costs are incurred. If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, an acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, which shall not exceed one year from the acquisition, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and that would have affected the measurement of the amounts recognized as of that date. Such adjustments shall be recognized as if the accounting for the business combination had been completed at the acquisition date. A parent's ownership interest in a subsidiary might change if the parent purchases or sells ownership interests in its subsidiary. The carrying amount of noncontrolling interest is adjusted to reflect the change in the parent's ownership interest in its subsidiary while the parent retains its controlling interest in its subsidiary. Any difference between the fair value of the consideration received or paid and the amount by which the noncontrolling interest is adjusted is accounted for as capital surplus as long as the parent retains control over its subsidiary.

Trading-purpose transactions:

"Transactions for trading purposes" (the purpose of seeking to capture gains arising from short-term fluctuations in interest rates, currency exchange rates or market prices of securities, and other market-related indices or from gaps among markets) are included in "Trading assets" and "Trading liabilities" on a trade-date basis. Trading securities and monetary claims purchased for trading purposes recorded in these accounts are stated at market value, and trading-related financial derivatives are stated at the amounts that would be settled if they were terminated at the end of the fiscal year.

Profits and losses on transactions for trading purposes are shown as "Trading income (expense)" on a trade-date basis.

Securities:

Held to maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity, are stated at amortized cost computed using the straight-line method. Available for sale securities, which are not classified as either trading account securities or held to maturity debt securities, are stated at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.

Available for sale securities whose fair value cannot be reliably determined are stated at cost, determined by the moving-average method.

For other-than-temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

Tangible fixed assets:

Tangible fixed assets are stated at cost, less accumulated depreciation. Depreciation of tangible fixed assets owned by the Bank is computed mainly using the declining-balance method over the estimated useful lives, while the straight-line method is applied to structures acquired on or after April 1, 2016.

The range of useful lives is principally from three to 50 years for buildings and from two to 20 years for equipment.

Depreciation of tangible fixed assets owned by consolidated subsidiaries is principally computed using the declining-balance method over the estimated useful lives of the assets.

The useful lives for lease assets are the terms of the respective leases.

Impairment loss:

The Group reviews its long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

Software:

The Bank and its consolidated subsidiaries in Japan amortize internal-use software development costs using the straight-line method over the useful life (five years).

Allowance for loan losses:

The amount of the allowance for loan losses is determined based on management's judgement and assessment of future losses based on the Bank's self-assessment system. This system reflects the past experience of credit losses; possible future credit losses; business and economic conditions; the character, quality, and performance of the portfolio; and other pertinent indicators.

The Bank implemented a self-assessment system to monitor the quality of its assets. The quality of all loans is assessed by branches and the Credit Supervision Department, with a subsequent audit by the Credit Examination Department, in accordance with the Bank's policy and rules for self-assessment of asset quality.

The Bank has established a credit rating system under which its borrowers are classified into five categories. The credit rating system is used for self-assessment of asset quality. All borrowers are classified into five categories for self-assessment purposes — "normal," "caution," "possible bankruptcy," "virtual bankruptcy," and "legal bankruptcy."

For loans to borrowers classified as legal bankruptcy or virtual bankruptcy, the Bank fully provides the net amount of loans and estimated collectible amounts by collateral or guarantees. Regarding loans to borrowers classified as possible bankruptcy, a specific reserve is provided to the necessary extent for the net amount of loans and estimated collectible amounts by collateral or guarantees.

For the borrower with certain loan amounts classified as possible bankruptcy or being with restructured loans, if cash flows from collection of principals and interests can be reasonably estimated, the Bank provides the difference between the present value of these cash flows discounted at the initial contractual rates and the book values of loans (the "DCF" method).

For other loans, a general allowance is provided based on the historical loan loss ratio.

The consolidated subsidiaries provide for the allowance for loan losses at the amount deemed necessary to cover such losses, principally based on past experience.

Allowance for investment losses:

The allowance for investment losses is provided at a necessary amount based on the estimated possible losses on investments.

Retirement and pension plans:

The Bank and certain consolidated subsidiaries have lump-sum retirement benefit plans, a contributory funded defined benefit pension plan, and a noncontributory funded pension plan.

The projected benefit obligations are attributed to periods on a straight-line basis. Actuarial gains and losses are amortized on a straight-line basis over 10 years within the average remaining service period. Past service costs are recognized in the applicable year.

Provision for losses from reimbursement of inactive accounts:

The provision for losses from reimbursement of inactive accounts, which are derecognized as liabilities under certain conditions, is provided for possible losses on future claims of withdrawal based on historical reimbursement experience.

Provision for retirement benefits to directors and corporate auditors:

The provision for retirement benefits to directors and corporate auditors is provided for the payments that have occurred up to the end of

the fiscal year to pay for retirement benefits to directors and corporate auditors.

Provision for contingent losses:

The provision for contingent losses is provided for the estimated future payments to credit guarantee corporations due to the implementation of a loss-sharing system.

Provision for point program:

The provision for the point program is provided for the reasonably estimated future usage of points given to credit card customers.

Reserves under special laws:

Reserves under special laws are reserves for financial product transaction liabilities in accordance with Section 1, Article 46-5 of the Financial Instruments and Exchange Act.

Asset retirement obligations:

An asset retirement obligation is recorded for a legal obligation imposed either by law or contract that results from the acquisition, construction, development, and normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of the asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an adjustment to the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

Leases:

Lessor

For financing leases in which the Bank is lessor, sales and cost of sales are accounted for when lease payments are paid.

Stock options:

The accounting standard for stock options requires companies to measure the cost of employee stock options based on the fair value at the date of grant and recognize compensation expense over the vesting period as consideration for receiving goods or services. The standard also requires companies to account for stock options granted to nonemployees based on the fair value of either the stock options or the goods or services received. In the balance sheet, the stock options are presented as stock acquisition rights as a separate component of equity until exercised. The standard covers equity-settled, share-based payment transactions, but does not cover cash-settled, share-based payment transactions. In addition, the standard allows unlisted companies to measure options at their intrinsic value if they cannot reliably estimate fair value.

Translation of foreign currencies:

Assets and liabilities, which are payable or receivable in foreign currencies, are converted into Japanese yen at the rates prevailing at each balance sheet date.

The financial statements of the consolidated subsidiaries outside Japan are translated into Japanese yen at the current exchange rate at each balance sheet date, except for equity, which is translated at the historical exchange rate.

Differences arising from such translation are shown as "Foreign currency translation adjustments" in a separate component of equity.

Income taxes:

The Bank and its consolidated subsidiaries in Japan allocate income taxes based on the asset and liability method.

Deferred income taxes are recorded to reflect the impact of temporary differences between assets and liabilities recognized for financial reporting purposes and such amounts recognized for tax purposes.

These deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

Derivatives and hedging activities:

All derivative transactions, except those entered into for hedging purposes, are recognized as either assets or liabilities and measured at fair value, with gains or losses on derivative transactions recognized in the statement of income.

For derivative transactions used for hedging purposes, the methods of hedge accounting are as follows:

(a) Transactions to hedge against interest rate risk

Transactions to hedge against interest rate risk affecting the financial assets and liabilities of the Bank are accounted for using deferral hedge accounting as stipulated in the Japan Institute of Certified Public Accountant ("JICPA") Industry Audit Committee Report No. 24, "Accounting and Auditing Treatment of Accounting Standards for Financial Instruments in the Banking Industry." Regarding the effectiveness of a hedging relationship under fair value hedging, a portfolio of hedged items, such as deposits or loans with common maturities, is matched with a group of hedging instruments, such as interest rate swaps, which offset the effect of fair-value fluctuations of the hedged items by identified maturities, and are designated as a hedge of the portfolio. The effectiveness of the fair value hedge is assessed by each group. Also, the effectiveness of a cash flow hedge is assessed on the basis of the correlation between the base interest rate index of the hedged cash flow and that of the hedging instrument.

Special hedging treatment is applied for interest rate swaps.

Methods similar to that utilized by the Bank are applied to hedge transactions conducted by the subsidiaries of the Bank.

(b) Transactions to hedge against foreign exchange fluctuation risk
Deferral hedge accounting is applied to hedges against foreign exchange fluctuation risks associated with foreign currency-denominated monetary assets and liabilities, stipulated in the JICPA Industry Audit Committee Report No. 25, "Accounting and Auditing Treatment of Accounting Treatment on Foreign Currency Transactions in the Banking Industry."

The effectiveness of currency swap transactions, exchange swap transactions, and similar transactions hedging foreign exchange risks of monetary assets and liabilities denominated in foreign currencies is assessed by comparison of the foreign currency position of the hedged monetary assets and liabilities and the hedging instruments.

In order to hedge the foreign exchange risk of foreign currency-denominated available for sale securities (except bonds), the Bank applies the "general method," using market value hedges in accordance with certain conditions, namely the stipulation in advance of which foreign currency-denominated securities are to be hedged, and the existence in foreign currency of a spot-forward liability in excess of the acquisition cost of the relevant foreign currency-denominated securities.

Statement of cash flows:

For the purpose of the consolidated statement of cash flows, cash and cash equivalents represent cash and due from the Bank of Japan.

Per share information:

Basic net income per share is computed by dividing net income attributable to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits. The average number of common shares used in the computation was 598,834 thousand shares for 2018 and 610,089 thousand shares for 2017.

Diluted net income per share reflects the potential dilution that could occur if the outstanding stock options were exercised. Diluted net income per share assumes full exercise of the outstanding stock options at the beginning of the year (or at the time of grant).

Cash dividends per share presented in the accompanying consolidated statement of income are dividends applicable to the respective years, including dividends to be paid after the end of the year.

4. TRADING ASSETS AND LIABILITIES

Trading assets and liabilities at March 31, 2018 and 2017, consisted of the following:

(a) Trading assets

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Trading securities:			
Japanese government bonds	¥ 818	¥ 673	\$ 7,702
Local government bonds	4,587	4,532	43,178
Industrial bonds	19	6	178
Foreign securities	21	65	200
Subtotal	5,445	5,276	51,261
Trading security derivatives:			
Bond futures' options	1	0	10
Other (Note)	(0)	(0)	(6)
Subtotal	0	0	4
Financial derivatives:			
Other (Note)	7,983	20,821	75,149
Subtotal	7,983	20,821	75,149
Other trading assets:			
Commercial paper	5,998	5,998	56,466
Other (Note)	0	0	5
Subtotal	5,999	5,999	56,471
Total	¥19,429	¥32,098	\$182,887

(b) Trading liabilities

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Trading security derivatives:			
Bond futures' options	¥ 0	¥ 0	\$ 3
Other (Note)	(0)	4	(0)
Subtotal	0	4	3
Financial derivatives:			
Other (Note)	7,499	20,124	70,590
Subtotal	7,499	20,124	70,590
Total	¥7,499	¥20,129	\$70,593

Note: Other in assets and liabilities represents unrealized gains and losses, respectively.

5. MONEY HELD IN TRUST

Money held in trust at March 31, 2018 and 2017, consisted of the following:

	Millions of Yen			Fair Value
	Cost	Unrealized Gains	Unrealized Losses	
March 31, 2018				
Money held in trust classified as:				
Held to maturity	¥3,700	¥0		¥3,700

	Millions of Yen			Fair Value
	Cost	Unrealized Gains	Unrealized Losses	
March 31, 2017				
Money held in trust classified as:				
Held to maturity	¥3,300	¥0		¥3,300

	Thousands of U.S. Dollars			Fair Value
	Cost	Unrealized Gains	Unrealized Losses	
March 31, 2018				
Money held in trust classified as:				
Held to maturity	\$34,826	\$1		\$34,828

6. SECURITIES

Securities at March 31, 2018 and 2017, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Japanese government bonds	¥ 387,539	¥ 438,465	\$ 3,647,774
Local government bonds	80,827	64,662	760,801
Corporate bonds	227,942	198,024	2,145,541
Corporate stocks	387,505	333,242	3,647,454
Other securities	514,091	315,633	4,838,961
Total	¥1,597,906	¥1,350,029	\$15,040,532

As of March 31, 2018 and 2017, securities included equity investments in unconsolidated subsidiaries and affiliated companies that amounted to ¥20,432 million (\$192,326 thousand) and ¥19,108 million, respectively.

In addition to securities, the following table presents details of trading securities and commercial paper classified as trading assets and negotiable certificates of deposit classified as cash and due from banks.

Information regarding each category of the securities classified as trading, available for sale, and held to maturity at March 31, 2018 and 2017, was as follows:

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2018				
Securities classified as:				
Trading				¥ 11,445
Available for sale:				
Equity securities	¥ 96,104	¥267,623	¥ 31	363,696
Debt securities	661,549	5,702	525	666,726
Others	499,817	7,338	5,214	501,941
Held to maturity	32,027	240	13	32,254

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2017				
Securities classified as:				
Trading				¥ 11,276
Available for sale:				
Equity securities	¥ 85,519	¥224,211	¥ 37	309,693
Debt securities	687,269	7,005	1,215	693,059
Others	302,531	4,776	2,381	304,926
Held to maturity	11,451	303	10	11,743

	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2018				
Securities classified as:				
Trading				\$ 107,732
Available for sale:				
Equity securities	\$ 904,594	\$2,519,048	\$ 291	3,423,350
Debt securities	6,226,934	53,674	4,944	6,275,664
Others	4,704,606	69,077	49,083	4,724,600
Held to maturity	301,462	2,262	128	303,596

Available for sale securities sold during the years ended March 31, 2018 and 2017, were as follows:

Year Ended	Millions of Yen		
	Proceeds from Sales	Total Amount of Gains on Sales	Total Amount of Losses on Sales
March 31, 2018			
Equity securities	¥ 13,311	¥ 9,109	
Debt securities	95,339	214	¥ 12
Others	808,504	13,375	11,354
Total	¥917,155	¥22,699	¥11,367

Year Ended	Millions of Yen		
	Proceeds from Sales	Total Amount of Gains on Sales	Total Amount of Losses on Sales
March 31, 2017			
Equity securities	¥ 52,608	¥36,708	¥ 0
Debt securities	217,604	1,098	447
Others	2,572,626	38,531	71,213
Total	¥2,842,839	¥76,338	¥71,662

Year Ended	Thousands of U.S. Dollars		
	Proceeds from Sales	Total Amount of Gains on Sales	Total Amount of Losses on Sales
March 31, 2018			
Equity securities	\$ 125,294	\$ 85,743	
Debt securities	897,398	2,017	\$ 121
Others	7,610,174	125,901	106,872
Total	\$8,632,867	\$213,661	\$106,994

Marketable available for sale securities whose fair value significantly declines in comparison with their acquisition cost and whose fair value of the securities will not recover to their acquisition cost are written down and accounted for as impairment losses.

The Bank recognizes securities as having significantly declined when their fair value is more than 30% below their acquisition cost.

7. LOANS AND BILLS DISCOUNTED

Loans and bills discounted at March 31, 2018 and 2017, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Bills discounted	¥ 28,123	¥ 25,331	\$ 264,721
Loans on bills	179,238	168,649	1,687,105
Loans on deeds	6,966,305	6,667,361	65,571,401
Overdrafts	1,089,839	1,068,322	10,258,278
Total	¥8,263,507	¥7,929,665	\$77,781,506

Loans under bankruptcy proceedings, past-due loans on which interest payments are waived from borrowers who are financially assisted by the Bank, loans past due for three months or more (except for loans under bankruptcy proceedings and past-due loans), and restructured loans at March 31, 2018 and 2017, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Loans under bankruptcy proceedings	¥ 4,395	¥ 3,238	\$ 41,376
Past-due loans	77,704	85,542	731,405
Loans past due for three months or more	349	424	3,294
Restructured loans	12,118	13,157	114,068
Total	¥94,569	¥102,363	\$890,145

Notes: 1. Loans past due for three months or more include loans for which payments of principal or interest are delinquent by three months or more as calculated from the day following the contracted payment date, but do not include loans under bankruptcy proceedings or past-due loans.
2. Restructured loans include loans for which certain conditions have been relaxed for the benefit of the borrower (through means, such as the reduction or elimination of interest payments, the deferral of principal repayments, or the relinquishment of claims) with the goal of supporting the recovery of borrowers that have fallen into financial difficulty and thereby promoting the recovery of the loan.

Bills discounted are accounted for as financial transactions in accordance with the JICPA Industry Audit Committee Report No. 24, "Accounting and Auditing Treatment of Accounting Standards for Financial Instruments in the Banking Industry." As of March 31, 2018 and 2017, the Bank had the right by contract or custom to sell or repledge bills discounted and foreign exchange bills bought and their total face values were ¥28,866 million (\$271,706 thousand) and ¥25,485 million, respectively.

8. FOREIGN EXCHANGES

Foreign exchange assets and liabilities at March 31, 2018 and 2017, consisted of the following:

(a) Assets

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Due from foreign banks	¥7,214	¥4,776	\$67,909
Foreign exchange bills bought	742	154	6,985
Foreign exchange bills receivable	1,012	1,787	9,525
Total	¥8,968	¥6,717	\$84,420

(b) Liabilities

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Foreign exchange bills sold	¥ 773	¥ 40	\$ 7,279
Foreign exchange bills payable	3,114	59	29,317
Total	¥3,888	¥100	\$36,597

9. OTHER ASSETS

Other assets at March 31, 2018 and 2017, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Accrued income	¥ 8,894	¥ 7,127	\$ 83,717
Derivative products	24,850	14,958	233,906
Guarantee deposits	2,052	2,104	19,322
Others	87,023	66,696	819,119
Total	¥122,820	¥90,886	\$1,156,067

10. TANGIBLE FIXED ASSETS AND INTANGIBLE FIXED ASSETS

Tangible fixed assets and intangible fixed assets at March 31, 2018 and 2017, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Tangible fixed assets			
Buildings	¥ 32,805	¥ 34,940	\$ 308,784
Land	21,863	21,977	205,789
Lease assets		0	
Construction in progress	2,671	6,279	25,141
Other tangible fixed assets	13,889	12,866	130,738
Subtotal	71,228	76,064	670,453
Intangible fixed assets			
Software	36,189	31,540	340,639
Other intangible assets	448	451	4,217
Subtotal	36,637	31,991	344,857
Total	¥107,866	¥108,056	\$1,015,310

Tangible fixed assets are stated at cost, less accumulated depreciation of ¥109,108 million (\$1,027,002 thousand) and ¥105,267 million in 2018 and 2017, respectively.

As of March 31, 2018 and 2017, deferred gains for tax purposes of ¥9,563 million (\$90,019 thousand) and ¥9,563 million, respectively, on tangible fixed assets sold and replaced with similar assets have been deducted from the cost of newly acquired tangible fixed assets.

The Group reviewed its long-lived assets for impairment as of March 31, 2018 and 2017. As a result, the Group recognized an impairment loss of ¥78 million (¥737 thousand) at March 31, 2018, as other expense for certain branches due to continuous operating losses, and the carrying amount of the relevant tangible fixed assets was written down to the recoverable amount. The recoverable amount of such tangible fixed assets was measured at its net selling price determined by quotation from a third-party vendor.

11. CUSTOMERS' LIABILITIES FOR ACCEPTANCES AND GUARANTEES

All contingent liabilities for acceptances and guarantees are recorded and reflected in acceptances and guarantees. Customers' liabilities for acceptances and guarantees have been recorded and reflected as assets in the consolidated balance sheet, representing the Bank's right of indemnity from the applicant.

The respective amounts of "Acceptances and Guarantees" and "Customers' Liabilities for Acceptances and Guarantees" are netted in accordance with the appendix forms of "Banking Act Enforcement Regulations" (Ministry of Finance Ordinance No. 10, 1982).

Liabilities for guarantees on corporate bonds included in securities, which were issued by private placement (Article 2, Paragraph 3 of the Financial Instruments and Exchange Act) as of March 31, 2018 and 2017, amounted to ¥23,555 million (\$221,715 thousand) and ¥18,387 million, respectively.

12. ASSETS PLEDGED

Assets pledged as collateral and their relevant liabilities at March 31, 2018 and 2017, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Assets pledged as collateral:			
Due from banks	¥ 241	¥ 241	\$ 2,271
Securities	592,285	480,941	5,574,973
Relevant liabilities to above assets:			
Deposits	¥ 43,093	¥ 85,229	\$ 405,624
Payables under repurchase agreements	104,080	31,086	979,675
Payables under securities lending transactions	68,589	19,298	645,611
Borrowed money	251,722	246,202	2,369,380

In addition to the above, the Bank has provided ¥22,131 million (\$208,313 thousand) and ¥60,234 million in securities and ¥212 million (\$2,000 thousand) and ¥224 million in due from banks as collateral for foreign exchange settlements and certain other transactions and as security for futures transactions at March 31, 2018 and 2017, respectively.

Guarantee deposits on office space, cash collateral paid for financial instruments, and cash collateral paid to central counterparty are included in other assets in the amount of ¥2,052 million (\$19,322 thousand) and ¥2,104 million at March 31, 2018 and 2017, in the amount of ¥2,157 million (\$20,306 thousand) and ¥417 million at March 31, 2018 and 2017, in the amount of ¥43,900 million (\$413,215 thousand) and ¥10,700 million at March 31, 2018 and 2017, respectively.

13. LOAN COMMITMENTS

Overdraft agreements and agreements for loan commitments are agreements under which the Bank pledges to lend funds up to a certain limit when applications for advances of loans are received from customers, provided there are no violations of the terms written in the agreements.

The balances of loans undisbursed under these agreements at March 31, 2018 and 2017, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Undisbursed loan commitments outstanding			
Loans due within one year	¥1,635,133	¥1,617,665	\$15,390,939
Loans due over one year	105,816	102,343	996,010
Total	¥1,740,949	¥1,720,008	\$16,386,949

Many of these agreements terminate without loans being disbursed, and thus the balance of loans as yet undisbursed will not necessarily affect the future cash flow of the Bank or its consolidated subsidiaries. The Bank or its consolidated subsidiaries can refuse to advance loans and reject applications that have been received or can reduce the maximum amounts under the agreements for reasonable reasons, such as changes in the financial situation and preservation of credit. In addition, at the time the agreements are entered into, borrowers may when necessary, be required to provide collateral, such as real estate or securities, and after the agreements have been signed, the state of the borrower's business and other factors may be assessed regularly in accordance with in-house procedures. Moreover, agreements can be revised if necessary, and steps, such as the formulation of measures to preserve credit, may be taken.

14. DEPOSITS

Deposits at March 31, 2018 and 2017, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Current deposits	¥ 486,198	¥ 432,584	\$ 4,576,413
Savings deposits	5,009,487	4,730,977	47,152,552
Deposits at notice	38,114	34,281	358,758
Time deposits	3,450,076	3,457,043	32,474,362
Negotiable certificates of deposit	150,560	119,902	1,417,173
Other	490,498	589,592	4,616,886
Total	¥9,624,934	¥9,364,381	\$90,596,146

15. BORROWED MONEY

At March 31, 2018 and 2017, the weighted-average annual interest rates applicable to borrowed money were 0.63% and 0.54%, respectively.

Borrowed money consists of borrowings from financial institutions. Annual maturities of borrowed money as of March 31, 2018, were as follows:

Years Ending March 31,	Millions of Yen	Thousands of U.S. Dollars
2019	¥257,502	\$2,423,782
2020	7,726	72,722
2021	8,473	79,757
2022	4,143	38,999
2023 and thereafter	5,355	50,408
Total	¥283,200	\$2,665,671

16. BONDS PAYABLE

Bonds at March 31, 2018 and 2017, consisted of the following:

	Rate (%)	Millions of Yen		Thousands of U.S. Dollars
		2018	2017	2018
Unsecured convertible bonds with stock acquisition rights, payable in U.S. dollars, due April 2018		¥53,120	¥56,095	\$500,000
Unsecured convertible bonds with stock acquisition rights, payable in U.S. dollars, due January 2023	three -month U.S. dollar Libor minus 0.5%	31,872		300,000
Total		¥84,992	¥56,095	\$800,000

Annual maturities of bonds as of March 31, 2018, were as follows:

Years Ending March 31,	Millions of Yen	Thousands of U.S. Dollars
2019	¥53,120	\$500,000
2020		
2021		
2022		
2023	31,872	300,000
Total	¥84,992	\$800,000

The following is a summary of the terms for conversion and redemption of the convertible bonds with stock acquisition rights:

	Conversion Price	Number of shares of common stock (thousand)	Exercise Period
Unsecured convertible bonds with stock acquisition rights, payable in U.S. dollars, due April 2018	\$13.29	37,622	From May 10, 2013 to April 11, 2018
Unsecured convertible bonds with stock acquisition rights, payable in U.S. dollars, due January 2023	\$14.05	21,352	From February 8, 2018 to January 11, 2023

The conversion price is subject to adjustment for certain subsequent events, such as the issuance of common stock or disposal of treasury stock at less than market price, and stock splits.

17. OTHER LIABILITIES

Other liabilities at March 31, 2018 and 2017, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Income taxes payable	¥ 10,133	¥ 1,947	\$ 95,381
Accrued expenses	9,051	9,072	85,202
Unearned income	13,824	13,686	130,127
Derivative products	9,969	10,646	93,836
Cash collateral received for financial products	18,202	18,470	171,334
Other	65,861	48,927	619,930
Total	¥127,043	¥102,751	\$1,195,815

18. RETIREMENT AND PENSION PLANS

The Bank and certain consolidated subsidiaries have severance payment plans for employees. Under most circumstances, employees terminating their employment are entitled to retirement benefits determined based on the rate of pay at the time of termination, years of service, and certain other factors. Such retirement benefits are made in the form of a lump-sum severance payment from the Bank or from certain consolidated subsidiaries in Japan and annuity payments from a trustee.

1. The changes in defined benefit obligation for the years ended March 31, 2018 and 2017, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Balance at beginning of year	¥70,951	¥73,579	\$667,845
Current service cost	1,942	2,018	18,288
Interest cost	697	725	6,568
Actuarial gains and losses	(836)	(627)	(7,870)
Benefits paid	(4,640)	(4,888)	(43,677)
Past service cost			
Others	144	145	1,358
Balance at end of year	¥68,260	¥70,951	\$642,513

2. The changes in plan assets for the years ended March 31, 2018 and 2017, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Balance at beginning of year	¥ 63,533	¥62,913	\$ 598,014
Expected return on plan assets	1,278	1,262	12,037
Actuarial gains and losses	8,022	(35)	75,511
Contributions from the employer	2,096	2,088	19,729
Return of stocks from retirement benefit trusts	(14,243)		(134,068)
Benefits paid	(2,926)	(2,835)	(27,546)
Others	138	140	1,308
Balance at end of year	¥ 57,899	¥63,533	\$ 544,985

3. Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Funded defined benefit obligation	¥ 48,060	¥ 50,094	\$ 452,378
Plan assets	(57,899)	(63,533)	(544,985)
Total	(9,838)	(13,438)	(92,607)
Unfunded defined benefit obligation	20,199	20,857	190,135
Net liability (asset) arising from defined benefit obligation	10,361	7,418	97,527

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Liability for retirement benefits	¥20,199	¥ 20,857	\$190,135
Asset for retirement benefits	(9,838)	(13,438)	(92,607)
Net liability (asset) arising from defined benefit obligation	10,361	7,418	97,527

4. The components of net periodic retirement benefit costs for the years ended March 31, 2018 and 2017, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Service cost	¥ 1,942	¥ 2,018	\$ 18,288
Interest cost	697	725	6,568
Expected return on plan assets	(1,278)	(1,262)	(12,037)
Amortization of prior service cost	2,571	2,163	24,205
Amortization of transitional obligation			
Gains on return of assets from retirement benefit trusts	(6,007)		(56,548)
Others	94	56	889
Net periodic retirement benefit costs	¥(1,979)	¥ 3,701	\$(18,634)

5. Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2018 and 2017, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Prior service cost			
Actuarial (gains) losses	¥5,422	¥2,755	\$51,038
Others			
Total	¥5,422	¥2,755	\$51,038

6. Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2018 and 2017, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Unrecognized prior service cost			
Unrecognized actuarial gains and losses	¥(3,885)	¥1,536	\$(36,575)
Others			
Total	¥(3,885)	¥1,536	\$(36,575)

7. Plan assets

- (1) Components of plan assets

Plan assets consisted of the following:

	2018	2017
Debt investments	29%	26%
Equity investments	33%	40%
Cash and cash equivalents	1%	1%
General account of life insurance companies	34%	31%
Others	3%	2%
Total	100%	100%

- (2) Method of determining the expected rate of return on plan assets

The expected rate of return on plan assets is determined considering the long-term rates of return which are expected currently and in the future from the various components of the plan assets.

8. Assumptions used for the years ended March 31, 2018 and 2017, were set forth as follows:

	2018	2017
Discount rate	Mainly 1.0%	Mainly 1.0%
Expected rate of return on plan assets	2.0%	2.0%
Expected rate of salary increase	6.3%	6.3%

9. Defined Contribution

The amounts to be contributed by the Bank and certain consolidated subsidiaries for the years ended March 31, 2018 and 2017, were ¥449 million (\$4,228 thousand) and ¥450 million, respectively.

19. EQUITY

Japanese companies are subject to the Companies Act. The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

(a) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. Additionally, for companies that meet certain criteria, such as (1) having a board of directors, (2) having independent auditors, (3) having an audit and supervisory board, and (4) the term of service of the directors being prescribed as one year rather than the normal two-year term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. However, the Bank cannot do so because it does not meet all the above criteria. The Companies Act permits companies to distribute dividends in kind (noncash assets) to shareholders subject to certain limitations and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act and the Banking Act provide certain limitations on the amounts available for dividends or the purchase of treasury stock.

(b) Increases/decreases and transfer of capital stock, reserve, and surplus

The Banking Act requires that an amount equal to 20% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends, until the total of the aggregate amount of the legal reserve and additional paid-in capital equals 100% of capital stock.

The Companies Act also provides that capital stock, legal reserve, additional paid-in capital, other capital surplus, and retained earnings can be transferred among the accounts within equity under certain conditions upon resolution of the shareholders.

(c) Treasury stock and treasury stock acquisition rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders, which is determined using a specific formula.

Under the Companies Act, stock acquisition rights are presented as a separate component of equity.

The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

20. STOCK OPTIONS

The Bank's stock option plans grant options to directors to purchase certain shares of the Bank's common stock in the respective exercise periods.

Stock-based compensation expenses were ¥42 million (\$403 thousand) and ¥39 million for the years ended March 31, 2018 and 2017, respectively.

The stock options outstanding as of March 31, 2018, were as follows:

Stock Options	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
2007 Stock Option	8 directors	67,000 shares	2007.7.27	¥ 1 (\$0.01)	From July 28, 2007 to July 27, 2032
2008 Stock Option	8 directors	66,000 shares	2008.7.18	¥ 1 (\$0.01)	From July 19, 2008 to July 18, 2033
2009 Stock Option	8 directors	89,000 shares	2009.7.24	¥ 1 (\$0.01)	From July 25, 2009 to July 24, 2034
2010 Stock Option	8 directors	100,000 shares	2010.7.23	¥ 1 (\$0.01)	From July 24, 2010 to July 23, 2035
2011 Stock Option	8 directors	100,000 shares	2011.7.22	¥ 1 (\$0.01)	From July 23, 2011 to July 22, 2036
2012 Stock Option	8 directors	100,000 shares	2012.7.24	¥ 1 (\$0.01)	From July 25, 2012 to July 24, 2037
2013 Stock Option	8 directors	88,000 shares	2013.7.23	¥ 1 (\$0.01)	From July 24, 2013 to July 23, 2038
2014 Stock Option	8 directors	92,000 shares	2014.7.22	¥ 1 (\$0.01)	From July 23, 2014 to July 22, 2039
2015 Stock Option	7 directors	37,000 shares	2015.7.21	¥ 1 (\$0.01)	From July 22, 2015 to July 21, 2040
2016 Stock Option	7 directors	50,000 shares	2016.7.19	¥ 1 (\$0.01)	From July 20, 2016 to July 19, 2041
2017 Stock Option	7 directors	50,000 shares	2017.7.18	¥ 1 (\$0.01)	From July 19, 2017 to July 18, 2042

The stock option activity is as follows:

	2007 Stock Option	2008 Stock Option	2009 Stock Option	2010 Stock Option	2011 Stock Option	2012 Stock Option	2013 Stock Option	2014 Stock Option	2015 Stock Option	2016 Stock Option	2017 Stock Option
Year Ended March 31, 2017											
Non-vested											
March 31, 2016—Outstanding									37,000		
Granted										50,000	
Vested									37,000		
March 31, 2017—Outstanding										50,000	
Vested											
March 31, 2016—Outstanding	18,000	18,000	32,000	46,000	49,000	60,000	55,000	82,000			
Vested									37,000		
Exercised											
March 31, 2017—Outstanding	18,000	18,000	32,000	46,000	49,000	60,000	55,000	82,000	37,000		
Year Ended March 31, 2018											
Non-vested											
March 31, 2017—Outstanding										50,000	
Granted											50,000
Vested										50,000	
March 31, 2018—Outstanding											50,000
Vested											
March 31, 2017—Outstanding	18,000	18,000	32,000	46,000	49,000	60,000	55,000	82,000	37,000		
Vested										50,000	
Exercised			5,000	8,000	8,000	16,000	21,000	22,000	11,000	14,000	
March 31, 2018—Outstanding	18,000	18,000	27,000	38,000	41,000	44,000	34,000	60,000	26,000	36,000	
Exercise price	¥ 1 (\$ 0.01)	¥ 1 (\$ 0.01)	¥ 1 (\$ 0.01)	¥ 1 (\$ 0.01)	¥ 1 (\$ 0.01)	¥ 1 (\$ 0.01)	¥ 1 (\$ 0.01)	¥ 1 (\$ 0.01)	¥ 1 (\$ 0.01)	¥ 1 (\$ 0.01)	¥ 1 (\$ 0.01)
Average stock price at exercise	¥ (\$)	¥ (\$)	¥ 984 (\$ 9.26)	¥ 984 (\$ 9.26)	¥ 984 (\$ 9.26)	¥ 984 (\$ 9.26)	¥ 984 (\$ 9.26)	¥ 984 (\$ 9.26)	¥ 984 (\$ 9.26)	¥ 984 (\$ 9.26)	¥ (\$)
Fair value price at grant date	¥ 1,153 (\$ 10.85)	¥ 1,057 (\$ 9.94)	¥ 875 (\$ 8.23)	¥ 704 (\$ 6.62)	¥ 709 (\$ 6.67)	¥ 743 (\$ 6.99)	¥ 1,135 (\$ 10.68)	¥ 1,079 (\$ 10.15)	¥ 1,351 (\$ 12.71)	¥ 730 (\$ 6.87)	¥ 899 (\$ 8.46)

The assumptions used to measure the fair value of the 2017 stock option are as follows:

Estimate method: Black-Scholes option-pricing model

Volatility of stock price: 30.2%

Estimated remaining outstanding period: Five years

Estimated dividend: ¥20.0 per share

Risk-free interest rate: (0.042)%

21. VALUATION DIFFERENCE ON AVAILABLE FOR SALE SECURITIES

The breakdown of "Valuation difference on available for sale securities" posted in the consolidated balance sheet is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Valuation difference	¥274,893	¥232,359	\$2,587,480
Deferred tax liabilities	(80,098)	(66,673)	(753,939)
Deferred tax assets	7		70
Amounts equivalent to difference on available for sale securities	¥194,802	¥165,686	\$1,833,610
Noncontrolling interests adjustment	¥ (596)	¥ (379)	\$ (5,618)
Share of valuation difference on available for sale securities in affiliated companies	¥ 143	¥ 298	\$ 1,352
Valuation difference on available for sale securities	¥194,349	¥165,605	\$1,829,343

22. OTHER OPERATING INCOME

Other operating income for the years ended March 31, 2018 and 2017, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Gains on foreign exchange transactions	¥1,732	¥ 1,209	\$16,308
Gains on sales of bonds	1,061	13,924	9,994
Gains on financial derivatives	2,174	2,472	20,464
Other	3	34	32
Total	¥4,971	¥17,640	\$46,799

23. OTHER INCOME

Other income for the years ended March 31, 2018 and 2017, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Reversal of allowance for loan losses	¥ 3,613		\$ 34,012
Gains on sales of stocks and other securities	9,109	¥36,708	85,743
Equity in earnings of affiliated companies	1,651		15,544
Gains on disposal of fixed assets	255	0	2,405
Gains on return of assets from retirement benefit trusts	6,007		56,548
Other	9,493	8,565	89,362
Total	¥30,131	¥45,273	\$283,617

24. OTHER OPERATING EXPENSES

Other operating expenses for the years ended March 31, 2018 and 2017, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Losses on sales of bonds	¥5,213	¥37,312	\$49,075
Losses on redemption of bonds	5	6,695	50
Total	¥5,219	¥44,007	\$49,126

25. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the years ended March 31, 2018 and 2017, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Salary	¥34,091	¥34,743	\$320,895
Depreciation expenses	13,173	10,751	123,999
Other	45,605	43,653	429,272
Total	¥92,871	¥89,147	\$874,168

26. OTHER EXPENSES

Other expenses for the years ended March 31, 2018 and 2017, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Provision of allowance for loan losses		¥ 3,955	
Losses on written-off claims	¥ 294	227	\$ 2,774
Losses on sales of stocks and other securities		0	
Losses on devaluation of stocks and other securities	5	1	56
Losses on money held in trust	6	6	57
Equity in losses of affiliated companies		11,783	
Losses on disposal of fixed assets	394	248	3,711
Impairment losses	78		737
Other	8,863	6,519	83,432
Total	¥9,643	¥22,743	\$90,768

27. INCOME TAXES

The Bank and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 30.2% for the years ended March 31, 2018 and 2017, respectively.

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Deferred tax assets:			
Allowance for loan losses	¥ 11,167	¥ 13,398	\$ 105,118
Liability for retirement benefits	6,684	8,290	62,914
Other	8,098	7,266	76,230
Deferred tax assets	25,950	28,954	244,263
Deferred tax liabilities:			
Valuation difference			
on available for sale securities	(80,068)	(66,673)	(753,654)
Gain on establishment of employee retirement benefit trust	(5,222)	(5,222)	(49,154)
Other	(3,617)	(1,922)	(34,053)
Deferred tax liabilities	(88,908)	(73,817)	(836,862)
Net deferred tax assets (liabilities)	¥(62,957)	¥(44,863)	\$(592,599)

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statement of income for the year ended March 31, 2018, with the corresponding figures for 2017, is as follows:

	2018	2017
Normal effective statutory tax rate	30.2%	30.2%
Change in valuation allowance	0.1%	7.3%
Dividends exempted for income tax purposes	(0.5)%	(0.9)%
Other	0.2%	0.7%
Actual effective tax rate	30.0%	37.3%

28. LEASES

(1) Financial Lease

(a) Lessor

The net lease investment assets are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Gross lease receivables	¥66,877	¥62,559	\$629,490
Estimate residual values	3,064	2,929	28,845
Unearned interest income	(6,318)	(5,939)	(59,474)
Lease investment assets	¥63,623	¥59,550	\$598,861

Maturities of lease receivables are as follows:

Years Ending March 31,	Millions of Yen	Thousands of U.S. Dollars
	2018	2018
2019	¥ 578	\$ 5,447
2020	437	4,119
2021	381	3,593
2022	355	3,345
2023	265	2,496
2024 and thereafter	480	4,521
Total	¥2,499	\$23,523

Maturities of lease payment receivables of lease investment assets are as follows:

Years Ending March 31,	Millions of Yen	Thousands of U.S. Dollars
	2018	2018
2019	¥18,769	\$176,668
2020	14,892	140,177
2021	11,850	111,540
2022	8,723	82,107
2023	5,645	53,142
2024 and thereafter	6,996	65,853
Total	¥66,877	\$629,490

(2) Operating Lease

(a) Lessee

The minimum rental commitments under noncancelable operating leases at March 31, 2018 and 2017, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Due within one year	¥ 555	¥ 571	\$ 5,226
Due after one year	1,736	2,296	16,342
Total	¥2,291	¥2,867	\$21,568

(b) Lessor

The future lease payment receivables under noncancelable operating leases at March 31, 2018 and 2017, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Due within one year	¥ 725	¥ 727	\$ 6,825
Due after one year	1,076	1,284	10,135
Total	¥1,801	¥2,011	\$16,961

29. SEGMENT INFORMATION

An entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

1. Description of Reportable Segments

The Group's reportable segments are those for which separate financial information is available and regular evaluation by the Committee for Integrated Risk and Budget Management is being performed in order to decide how resources are allocated among the Group. Therefore, the Group's reportable segments consist of the banking operations and leasing operations. Banking operations consist of the banking business centered on deposits, loans, investment securities,

and exchange transactions. Leasing operations consist of lease transactions centered on finance leases.

2. Methods of Measurement of Ordinary Income, Profit (Loss), Assets, Liabilities, and Other Items for Each Reportable Segment

The accounting policies of each reportable segment are consistent with those disclosed in Note 3, "Summary of Significant Accounting Policies."

3. Information about Ordinary Income, Profit (Loss), Assets, Liabilities, and Other Items

Year Ended March 31, 2018	Millions of Yen						
	Reportable Segment			Other	Total	Reconciliations	Consolidated
	Banking Operations	Leasing Operations	Total				
Ordinary income:							
Ordinary income from external customers	¥ 177,406	¥29,298	¥ 206,705	¥ 17,386	¥ 224,091		¥ 224,091
Ordinary income from intersegment transactions	3,795	1,573	5,369	4,276	9,645	¥ (9,645)	
Total	¥ 181,202	¥30,872	¥ 212,075	¥ 21,662	¥ 233,737	¥ (9,645)	¥ 224,091
Segment profit (loss)	¥ 56,276	¥ 1,706	¥ 57,983	¥ 9,613	¥ 67,596	¥ (1,756)	¥ 65,839
Segment assets	11,515,831	94,178	11,610,009	153,033	11,763,043	(230,319)	11,532,724
Segment liabilities	10,591,056	76,275	10,667,332	27,163	10,694,495	(154,579)	10,539,915
Other:							
Depreciation	13,039	1,045	14,085	325	14,411	(244)	14,166
Interest income	128,753	14	128,768	533	129,301	(2,161)	127,140
Interest expense	16,883	204	17,088	5	17,094	(678)	16,415
Equity in earnings (losses) of affiliated companies				1,651	1,651		1,651
Investments in affiliated companies				18,515	18,515		18,515
Increase in property, plant, equipment, and intangible assets	14,027	613	14,640	191	14,832	(278)	14,553

Year Ended March 31, 2017	Millions of Yen						
	Reportable Segment			Other	Total	Reconciliations	Consolidated
	Banking Operations	Leasing Operations	Total				
Ordinary income:							
Ordinary income from external customers	¥ 207,784	¥26,866	¥ 234,651	¥ 15,153	¥ 249,804		¥ 249,804
Ordinary income from intersegment transactions	3,493	1,631	5,124	4,648	9,773	¥ (9,773)	
Total	¥ 211,278	¥28,497	¥ 239,775	¥ 19,801	¥ 259,577	¥ (9,773)	¥ 249,804
Segment profit (loss)	¥ 52,001	¥ 1,630	¥ 53,632	¥ (4,791)	¥ 48,840	¥ (1,784)	¥ 47,055
Segment assets	11,038,638	88,091	11,126,730	139,151	11,265,881	(211,098)	11,054,783
Segment liabilities	10,168,331	71,367	10,239,698	24,310	10,264,009	(143,945)	10,120,064
Other:							
Depreciation	10,555	943	11,499	340	11,839	(208)	11,631
Interest income	124,744	5	124,750	337	125,087	(2,081)	123,005
Interest expense	14,914	213	15,127	5	15,133	(471)	14,661
Equity in earnings (losses) of affiliated companies				(11,783)	(11,783)		(11,783)
Investments in affiliated companies				17,843	17,843		17,843
Increase in property, plant, equipment, and intangible assets	21,988	1,000	22,988	161	23,150	(274)	22,875

Year Ended March 31, 2018	Thousands of U.S. Dollars						
	Reportable Segment			Other	Total	Reconciliations	Consolidated
	Banking Operations	Leasing Operations	Total				
Ordinary income:							
Ordinary income from external customers	\$ 1,669,868	\$275,778	\$ 1,945,646	\$ 163,652	\$ 2,109,299		\$ 2,109,299
Ordinary income from intersegment transactions	35,728	14,814	50,542	40,250	90,793	\$ (90,793)	
Total	\$ 1,705,596	\$290,592	\$ 1,996,188	\$ 203,903	\$ 2,200,092	\$ (90,793)	\$ 2,109,299
Segment profit (loss)	\$ 529,712	\$ 16,062	\$ 545,774	\$ 90,487	\$ 636,261	\$ (16,534)	\$ 619,727
Segment assets	108,394,502	886,464	109,280,967	1,440,453	110,721,420	(2,167,917)	108,553,502
Segment liabilities	99,689,915	717,955	100,407,870	255,679	100,663,550	(1,455,004)	99,208,546
Other:							
Depreciation	122,738	9,843	132,581	3,066	135,647	(2,300)	133,346
Interest income	1,211,911	141	1,212,052	5,020	1,217,073	(20,342)	1,196,730
Interest expense	158,919	1,928	160,848	53	160,901	(6,383)	154,517
Equity in earnings (losses) of affiliated companies				15,544	15,544		15,544
Investments in affiliated companies				174,280	174,280		174,280
Increase in property, plant, equipment, and tangible assets	132,031	5,776	137,808	1,800	139,609	(2,620)	136,988

Note: "Reconciliations" are mainly eliminations of intersegment transactions.

4. Related information

(1) Information about services

	Millions of Yen					Thousands of U.S. Dollars				
	Lending Operations	Investment Operations	Leasing Operations	Other	Total	Lending Operations	Investment Operations	Leasing Operations	Other	Total
Ordinary income from external customers										
Year ended March 31, 2018	¥99,576	¥33,726	¥29,298	¥61,490	¥224,091	\$937,278	\$317,456	\$275,778	\$578,786	\$2,109,299
Year ended March 31, 2017	¥95,298	¥73,902	¥26,861	¥53,742	¥249,804					

(2) Information about geographical areas

(i) Ordinary Income

The domestic share of ordinary income from external customers exceeds 90% of ordinary income in the consolidated statement of income, thus information is not presented.

(ii) Tangible fixed assets

The domestic share of tangible fixed assets exceeds 90% of tangible fixed assets in the consolidated balance sheet, thus information is not presented.

(3) Information about major customers

Ordinary income from a specific customer does not exceed 10% of ordinary income in the consolidated statements of income, thus information is not presented.

5. Information about impairment losses of assets

	Millions of Yen					Thousands of U.S. Dollars				
	Reportable Segment				Total	Reportable Segment				Total
	Banking Operations	Leasing Operations		Other		Banking Operations	Leasing Operations		Other	
Impairment losses of assets										
Year ended March 31, 2018	¥78				¥78	\$737				\$737
Year ended March 31, 2017										

30. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

1 Qualitative Information of Financial Instruments

(1) Group Policy for Financial Instruments

The Group provides comprehensive financial services, centering on banking, along with leasing and management consulting. Its base of operations is Shizuoka Prefecture.

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

(2) Details of Financial Instruments and Related Risks

The financial assets of the Bank consist primarily of loans and bills discounted to domestic customers and securities, including bonds and equity securities.

The loans and bills discounted are exposed to credit risk arising from potential default by borrowers. As about 60% of the loans and bills discounted are for customers in Shizuoka Prefecture, credit-related losses could occur on a large scale if the regional economic environment changes negatively or if a severe earthquake occurs.

The Group holds securities, such as debt securities (bonds), equity securities, and investment trusts under its investment policy taking into account the safety and liquidity of the investment. These securities are exposed to risks of market price fluctuations associated with the credit standing of issuers and interest rate changes. If the prices of equity securities and other securities held decline, impairment losses or valuation losses could adversely affect the operating results and financial standing of the Group.

Financial liabilities consist primarily of deposits from domestic customers, corporate bonds, and funds raised in the call market. If the Group loses its credit status because of downgrades or other factors or if the market environment deteriorates, conditions for financing could worsen or transactions could be constrained.

The Group enters into derivative transactions for customer needs of hedging exchange rates or interest rates, and for asset and

liability management (ALM) or hedging individual transactions to appropriately manage the market risks of the Group. The Group also conducts trading transactions for the short term.

Derivatives mainly include interest rate swaps, currency swaps, and bond futures and are exposed to market risk that could cause losses in association with changes in interest rate markets and foreign exchange markets, as well as credit risk (counterparty risk), that is, the risk of default on the initial contract due to the bankruptcy of the counterparty or other factors. Between financial assets and financial liabilities, there are interest rate risks associated with mismatches of interest rates and terms.

(3) Risk Management Systems for Financial Instruments

(i) Integrated risk management system

Under the Basic Risk Management Regulations that stipulate the Group's basic risk management policy, the Group has established a basic framework, including an organizational structure for defining and managing risks and specific procedures for risk management.

To ensure a balance between profitability and financial soundness, the Group has introduced a management system based on a risk capital allocation at the core of integrated risk management.

The risk capital allocation is a system for avoiding excessive risk taking by setting risk limits. This system allocates core regulatory capital to each operational department or section and controls risk so that if market risks emerge, losses will be contained within the range of shareholder's equity.

(ii) Credit risk management system

Credit risk is the risk of incurring losses when collecting loans and bills discounted becomes difficult because of the worsening of borrowers' financial conditions.

The Credit Risk Management Group of the Risk Management Department manages all credit risk relating to the Group's operations both in Japan and overseas in order to ensure the soundness of the Group's loan asset portfolio.

The Bank's borrower credit rating system, which is an essential part of its credit risk management, together with other internal rating systems, is operated by the Rating Assessment

Group of the Credit Department, designed and supervised by the Credit Risk Management Group, which is independent from the Credit Department, and verified by the Risk Management Group of the Risk Management Department.

These three units exercise a mutual limitation and checking function with respect to one another, thereby facilitating greater precision and more advanced functions in the Bank's internal ratings system.

In addition, the Asset Auditing Group confirms whether credit risk management is performed in conformance with the relevant rules through verification of the self-assessment process.

The Credit Risk Management Group uses statistical methods to quantify latent credit risk across the Bank's entire loan portfolio. In this way, the Bank accurately assesses the scale of potential risk, monitors the concentration of loans to particular large-scale borrowers or specific industries, and thus controls the portfolio to avoid excessive credit risk.

The Bank's credit risk management status, with the status of market risk management and liquidity risk management, which is described below, is reported through monthly meetings of the Committee for Integrated Risk and Budget Management, which is chaired by the president and other channels of management.

(iii) Market risk management system

Market risk is the risk of incurring losses in association with changes in the prices of financial assets and liabilities that are caused by changes in interest rates, stock prices, and foreign exchange rates.

The Group controls the degree of market risks within a certain range by setting limits about risk capital allocations, amount of gains or losses, position, and sensitivity, and so on.

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

The Bank has established a system of cross-checks and balances in the market division by strictly separating trading departments and operation departments, and has set up an independent risk management department. The Audit Department, which is independent of departments subject to audit, checks the effectiveness of this system of checks and balances among the three divisions.

The Bank and the Shizuoka Bank (Europe) S.A. measure the market risks (the estimation of possible losses) of financial assets and liabilities, such as securities and derivatives held in trading portfolios, and loans, securities, deposits, bonds payable, and derivative transactions held in banking portfolios, using Value at Risk (VaR). VaR is utilized for the quantitative analysis to manage market fluctuations.

A historical simulation model (a variance covariance model in 2012) is used for the measurement of VaR. The Bank performs backtesting comparing VaR calculated by the model and actual profit and loss, in order to determine whether the measurement model captures market risks with sufficient accuracy.

Nevertheless, VaR measures possible market risk amounts statistically calculated based on historical data and is unlikely to capture risks under significant market fluctuations not presumed.

The total amounts of market risks as of March 31, 2018 and 2017, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
VaR	¥153,797	¥130,623	\$1,447,646

The assumptions used to measure VaR are as follows:

Observation period: Five years

Confidence interval: 99%

Holding period: 125 days for banking transactions and 10 days for trading transactions

The due dates of core deposits, defined as demand deposits staying long term without withdrawal, are allocated within 10 years based on an internal model using a specific formula.

(iv) Liquidity risk management system

There are two types of liquidity risk: (1) financing risk, that is, the risk of not being able to secure needed funds as a result of worsening market conditions and other factors, or incurring losses due to being forced to raise funds at much higher interest rates than usual, and (2) market liquidity risk, that is, the risk of not being able to trade financial instruments, such as bonds, because of market turmoil or other factors or incurring losses due to being forced to trade financial instruments at far less favorable prices than usual.

The Bank has established a system of cross-checks and balances by setting up fund management departments for financing in Japanese yen and in foreign currencies, and a liquidity risk management department that is independent of the fund management departments. The Fund & Foreign Exchange Group controls amounts raised in markets within a range of amounts that can be raised and seeks stable financing, considering market circumstances. The Risk Management Group assesses the stability of the asset and liability structure, including the status of the holding of liquid assets and monitors the financing position and the status of the management of the financing departments.

To deal promptly with unforeseeable circumstances, the Group has classified financing management in emergencies into four phases—Phase 1 (prevention), Phase 2 (caution needed), Phase 3 (concern over liquidity), and Phase 4 (lack of liquidity)—and has determined the authorized personnel and countermeasures for each phase in advance.

To manage market liquidity risk, the liquidity risk management department monitors the holding of liquid assets on a timely basis, and the front office chooses assets to be managed after taking into account their liquidity and/or sets limits by name and by term.

(4) Supplementary Explanation of the Fair Values of Financial Instruments

The fair values of financial instruments include values based on market prices, and if there are no market prices, values are reasonably calculated. Fair values could differ if different assumptions are used for calculation.

2. Fair Values of Financial Instruments

The carrying amount, fair values, and differences between them at March 31, 2018 and 2017, consisted of the following:

	Millions of Yen		
	Carrying Amount	Fair Value	Unrealized Gains (Losses)
March 31, 2018			
Cash and due from banks	¥ 1,051,482	¥ 1,051,482	
Call loans and bills bought	200,599	200,599	
Trading assets:			
Trading securities	11,445	11,445	
Securities:			
Held to maturity	32,027	32,254	¥ 226
Available for sale	1,532,364	1,532,364	
Loans and bills discounted	8,263,507		
Allowance for loan losses	(37,634)		
Subtotal	8,225,873	8,251,043	25,170
Total	¥11,053,793	¥11,079,190	¥25,397
Deposits	¥ 9,624,934	¥ 9,625,359	¥ 425
Call money and bills sold	69,661	69,661	
Payables under repurchase agreements	104,080	104,080	
Payables under securities lending transactions	68,589	68,589	
Borrowed money	283,200	283,151	(49)
Total	¥10,150,467	¥10,150,843	¥ 375
Derivative transactions:			
Nonhedging derivatives	¥ 1,523	¥ 1,523	
Hedging derivatives	13,842	13,842	
Total	¥ 15,365	¥ 15,365	

	Millions of Yen		
	Carrying Amount	Fair Value	Unrealized Gains (Losses)
March 31, 2017			
Cash and due from banks	¥ 1,118,843	¥ 1,118,843	
Call loans and bills bought	276,033	276,033	
Trading assets:			
Trading securities	11,276	11,276	
Securities:			
Held to maturity	11,451	11,743	¥ 292
Available for sale	1,307,679	1,307,679	
Loans and bills discounted	7,929,665		
Allowance for loan losses	(44,948)		
Subtotal	7,884,716	7,922,419	37,703
Total	¥10,610,000	¥10,647,996	¥37,996
Deposits	¥ 9,364,381	¥ 9,365,187	¥ 805
Call money and bills sold	108,400	108,400	
Payables under repurchase agreements	31,086	31,086	
Payables under securities lending transactions	19,298	19,298	
Borrowed money	277,175	277,109	(65)
Total	¥ 9,800,343	¥ 9,801,083	¥ 740
Derivative transactions:			
Nonhedging derivatives	¥ 630	¥ 630	
Hedging derivatives	4,373	4,373	
Total	¥ 5,004	¥ 5,004	

	Thousands of U.S. Dollars		
	Carrying Amount	Fair Value	Unrealized Gains (Losses)
March 31, 2018			
Cash and due from banks	\$ 9,897,235	\$ 9,897,235	
Call loans and bills bought	1,888,174	1,888,174	
Trading assets:			
Trading securities	107,732	107,732	
Securities:			
Held to maturity	301,462	303,596	\$ 2,133
Available for sale	14,423,615	14,423,615	
Loans and bills discounted	77,781,506		
Allowance for loan losses	(354,235)		
Subtotal	77,427,270	77,664,191	236,921
Total	\$104,045,492	\$104,284,546	\$239,054
Deposits	\$ 90,596,146	\$ 90,600,150	\$ 4,003
Call money and bills sold	655,700	655,700	
Payables under repurchase agreements	979,675	979,675	
Payables under securities lending transactions	645,611	645,611	
Borrowed money	2,665,671	2,665,202	(468)
Total	\$ 95,542,805	\$ 95,546,340	\$ 3,534
Derivative transactions:			
Nonhedging derivatives	\$ 14,337	\$ 14,337	
Hedging derivatives	130,293	130,293	
Total	\$ 144,630	\$ 144,630	

- Notes: 1. Allowance for loan losses is deducted from the carrying amount of loans and bills discounted.
2. Derivative transactions include both derivatives accounted for as trading assets/liabilities and derivatives accounted for as other assets/liabilities. Net assets and liabilities arising from derivative transactions are shown on a net basis and in the case that net amounts are liabilities, they are shown as a negative amount.
3. Interest rate swaps, for which special hedging treatment is applied, are excluded from derivative transactions as they are evaluated with hedged items on the whole.
4. Hedged items with special hedging treatment of interest rate swaps are treated as united transactions. For items whose fair value is calculated by discounting future cash flows, deferred and accrued accounts at the calculation date are considered.

Methods used for calculating the fair values of financial instruments Assets

(1) Cash and due from banks

Since the fair values of amounts due from banks without maturities approximate their carrying values, the fair values are deemed equal to the carrying values. The terms of all amounts due from banks with maturities are short (within one year) and their fair values approximate their carrying values. The fair values are therefore deemed equal to the carrying values.

(2) Call loans and bills bought

The terms of all assets are short (within one year) and their fair values approximate their carrying values. The fair values are therefore deemed equal to the carrying values.

(3) Trading assets

The fair values of securities, such as bonds held for trading, are determined by reference to quoted market prices on stock exchanges or prices offered by correspondent financial institutions.

(4) Securities

The fair values of shares are determined by reference to quoted market prices on stock exchanges. The fair values of bonds are determined by reference to quoted market prices or prices offered by correspondent financial institutions. Investment trusts are determined by reference to their publicly available unit prices. The fair values of private placement bonds guaranteed by the Bank are determined by the calculation method for loans and bills discounted described in (5) below after adjusting to reflect guarantee commissions received, among other factors.

(5) Loans and bills discounted

As floating rate loans and bills discounted reflect market interest rates over short periods, unless the credit standing of the borrower is significantly different after the loan was made or the bill was drawn, the fair value approximates the carrying value. The fair value is therefore deemed equal to the carrying value.

The fair values of fixed-rate loans and bills discounted are their present values that are estimated for each classification based on their type, internal rating, status of collateral and guarantees, and terms and by discounting the future cash flows of the principal and interest using the rates at which similar new loans would be made or market interest rates plus credit cost rates in accordance with internal ratings and expense rates. The fair values of fixed-rate loans and bills discounted, whose terms are short (within one year), approximate their carrying values and are, therefore deemed equal to the carrying values.

Losses from loans to borrowers in legal bankruptcy, in virtual bankruptcy, and in possible bankruptcy are computed based on estimated recoverable amounts. The fair values of those loans approximate the consolidated balance sheet amounts at the closing date, minus the currently estimated losses and are therefore deemed equal to the amounts.

The fair values of loans and bills discounted for which repayment terms are not set because of their attributes (e.g., loans are limited to the amounts of pledged assets) are assumed to approximate their carrying values, considering the expected repayment periods and interest rate conditions, and are deemed equal to the carrying values.

Liabilities

(1) Deposits

The fair values of demand deposits are deemed equal to the amounts that would be paid (carrying values) if the payments were demanded at the balance sheet date. The fair values of time

deposits and negotiable certificates of deposit, which are classified in accordance with their periods, are their present values that are estimated by discounting the future cash flows, using the rates that would be offered for new deposits to be received.

The fair values of deposits and negotiable certificates of deposit with short deposit terms (within one year) or with variable interest rates approximate their carrying values and are deemed equal to their carrying values.

- (2) Call money and bills sold, (3) Payables under repurchase agreements, and (4) Payables under securities lending transactions. The terms of all liabilities are short (within one year) and their fair values approximate their carrying values. The fair values are therefore deemed equal to the carrying values.

- (5) Borrowed money

Floating rate-borrowed money reflects market interest rates in short periods, and the credit standing of the Bank and its consolidated subsidiaries has not significantly changed from when the money was borrowed. The fair value of floating rate borrowed money is therefore considered to approximate the carrying value and is deemed equal to the carrying value. The present value of fixed-rate borrowed money, which is classified in accordance with its period, is estimated by discounting future cash flows,

using rates that would be offered to similar borrowings. The fair value of borrowed money whose term is short (within one year) approximates the carrying value and is therefore deemed equal to the carrying value.

Derivatives

Fair value information for derivatives is included in Note 31.

Carrying amount of financial instruments whose fair value cannot be reliably determined at March 31, 2018 and 2017, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Unlisted stocks	¥ 6,297	¥ 6,540	\$ 59,276
Investments in partnerships and others	9,703	7,347	91,336
Total	¥16,001	¥13,888	\$150,613

Notes: 1. Unlisted stocks without market prices, and whose fair values are difficult to determine, are not included in fair value information.
2. The impairment losses on unlisted stocks for the years ended March 31, 2018 and 2017, were ¥5 million (\$56 thousand) and ¥1 million, respectively.
3. Investments in partnerships, whose assets include unlisted stocks and other assets, are not included in fair value disclosures as it is difficult to determine their fair values.

Maturity analysis for financial assets and securities with contractual maturities

	Millions of Yen					
	Due in One Year or Less	Due after One Year through Three Years	Due after Three Years through Five Years	Due after Five Years through Seven Years	Due after Seven Years through Ten Years	Due after Ten Years
March 31, 2018						
Due from banks	¥ 960,091					
Call loans and bills bought	200,599					
Securities:	170,939	¥ 112,911	¥ 97,623	¥ 56,476	¥ 301,990	¥ 363,530
Held to maturity	700	2,016	2,810	2,000	4,700	19,597
Available for sale	170,239	110,895	94,813	54,476	297,290	343,932
Loans and bills discounted	2,085,897	1,405,753	1,045,438	685,205	779,382	2,032,646
Total	¥3,417,528	¥1,518,664	¥1,143,061	¥741,682	¥1,081,372	¥2,396,176

	Thousands of U.S. Dollars					
	Due in One Year or Less	Due after One Year through Three Years	Due after Three Years through Five Years	Due after Five Years through Seven Years	Due after Seven Years through Ten Years	Due after Ten Years
March 31, 2018						
Due from banks	\$ 9,037,008					
Call loans and bills bought	1,888,174					
Securities:	1,608,994	\$ 1,062,799	\$ 918,895	\$ 531,597	\$ 2,842,532	\$ 3,421,781
Held to maturity	6,588	18,975	26,452	18,825	44,239	184,466
Available for sale	1,602,405	1,043,823	892,443	512,771	2,798,293	3,237,314
Loans and bills discounted	19,633,825	13,231,863	9,840,346	6,449,602	7,336,050	19,132,592
Total	\$32,168,003	\$14,294,662	\$10,759,242	\$6,981,200	\$10,178,583	\$22,554,374

Notes: 1. The amount of loans and bills discounted without due dates, which have been excluded is ¥147,083 million (\$1,384,442 thousand).

2. The amount of loans and bills discounted for "possible bankruptcy," "virtual bankruptcy," and "legal bankruptcy," excluding those without due dates, which have been included is ¥82,100 million (\$772,782 thousand).

Maturity analysis for borrowed money and other interest-bearing debt

	Millions of Yen					
	Due in One Year or Less	Due after One Year through Three Years	Due after Three Years through Five Years	Due after Five Years through Seven Years	Due after Seven Years through Ten Years	Due after Ten Years
March 31, 2018						
Deposits	¥9,163,697	¥422,944	¥32,247	¥2,361	¥3,684	
Call money and bills sold	69,661					
Payables under repurchase agreements	104,080					
Payables under securities lending transactions	68,589					
Borrowed money	257,502	11,625	8,985	4,193	893	
Total	¥9,663,531	¥434,569	¥41,232	¥6,555	¥4,578	

	Thousands of U.S. Dollars					
	Due in One Year or Less	Due after One Year through Three Years	Due after Three Years through Five Years	Due after Five Years through Seven Years	Due after Seven Years through Ten Years	Due after Ten Years
March 31, 2018						
Deposits	\$86,254,678	\$3,981,026	\$303,530	\$22,231	\$34,680	
Call money and bills sold	655,700					
Payables under repurchase agreements	979,675					
Payables under securities lending transactions	645,611					
Borrowed money	2,423,782	109,425	84,580	39,470	8,411	
Total	\$90,959,448	\$4,090,452	\$388,111	\$61,701	\$43,092	

Note: Demand deposits are included in "Due in One Year or Less."

31. DERIVATIVES

Qualitative information on derivatives, such as the nature and the purpose of derivative financial instruments, is included in Note 30.

Derivative transactions to which hedge accounting is not applied at March 31, 2018 and 2017, consisted of the following:

Millions of Yen				
	Contract or Notional Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gains (Losses)
March 31, 2018				
Listed:				
Bond futures	¥ 1,356		¥ (0)	¥ (0)
Bond futures' options	1,000		0	(0)
Over the counter:				
Interest rate swaps	802,211	¥636,170	614	614
Currency swaps	119,502	58,587	81	81
Forward contracts	307,472		747	747
Currency options	157,253	113,694	2	2
Other	4,187	4,158	77	77

Millions of Yen				
	Contract or Notional Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gains (Losses)
March 31, 2017				
Listed:				
Bond futures	¥ 4,802		¥ (4)	¥ (4)
Bond futures' options	1,200			0
Over the counter:				
Interest rate swaps	975,933	¥766,645	599	599
Currency swaps	215,974	110,881	180	180
Forward contracts	369,752	151	(23)	(23)
Currency options	135,151	88,345	11	11
Credit default options	2,000	2,000	(235)	(235)
Other	6,348	5,048	103	103

Thousands of U.S. Dollars				
	Contract or Notional Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gains (Losses)
March 31, 2018				
Listed:				
Bond futures	\$ 12,770		\$ (1)	\$ (1)
Bond futures' options	9,412		3	(4)
Over the counter:				
Interest rate swaps	7,550,934	\$5,988,048	5,779	5,779
Currency swaps	1,124,832	551,462	769	769
Forward contracts	2,894,130		7,038	7,038
Currency options	1,480,171	1,070,168	21	21
Other	39,417	39,142	727	727

Note: Derivatives included in the table above were measured at fair value, and the unrealized gains and losses were recognized in income.

Derivative transactions to which hedge accounting is applied at March 31, 2018 and 2017, consisted of the following:

Millions of Yen				
	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
March 31, 2018				
Principled treatment				
Interest rate swaps	Deposits	¥ 93,689	¥40,569	¥ 1,222
Currency swaps	Loans, deposits, and securities in foreign currencies	153,431	65,009	12,771
Forward contracts	Loans, deposits, and securities in foreign currencies	120,094		(151)
Special hedging treatment				
Interest rate swaps	Loans	36,429	23,060	

Millions of Yen				
	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
March 31, 2017				
Principled treatment				
Interest rate swaps	Deposits	¥ 96,805	¥ 96,805	¥1,255
Currency swaps	Loans, deposits, and securities in foreign currencies	125,163	107,347	3,692
Forward contracts	Loans, deposits, and securities in foreign currencies	19,290	151	(574)
Special hedging treatment				
Interest rate swaps	Loans	41,302	19,659	

Thousands of U.S. Dollars				
	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
March 31, 2018				
Principled treatment				
Interest rate swaps	Deposits	\$ 881,868	\$381,868	\$ 11,510
Currency swaps	Loans, deposits, and securities in foreign currencies	1,444,194	611,910	120,210
Forward contracts	Loans, deposits, and securities in foreign currencies	1,130,404		(1,428)
Special hedging treatment				
Interest rate swaps	Loans	342,902	217,062	

Notes: 1. Principally, deferral hedge accounting is applied as stipulated in JICPA Industry Audit Committee Report No.24, "Accounting and Auditing Treatment of Accounting Standards for Financial Instruments in the Banking Industry" issued on February 13, 2002, and No.25, "Accounting and Auditing Treatment of Accounting Treatment on Foreign Currency Transactions in the Banking Industry" issued on July 29, 2002.

2. The fair value of interest rate swaps with special hedging treatment is omitted as interest rate swaps and loans are treated unitary and their values are included in the fair value of loans and bills discounted in Note 30.

The fair values of listed transactions represent the closing price on the Tokyo Financial Exchange and other exchanges at the consolidated balance sheet date. The fair values of over-the-counter transactions are calculated mainly using the discounted present values or option-pricing models.

The contract or notional amounts of derivatives shown in the above table do not represent the amounts exchanged by the parties and do not measure the Bank's exposure to credit or market risk.

32. RELATED-PARTY TRANSACTIONS

Related-party transactions for the years ended March 31, 2018 and 2017, were as follows:

Related-Party Transactions with the Bank

Related Party	Category	Description of Transactions	Millions of Yen		Thousands of U.S. Dollars
			2018	2017	2018
Makizo Iio	Close relative of a director of Shizuoka Bank	Loans	¥295		\$2,780
Kai Goto	Close relative of a director of Shizuoka Bank	Loans	¥116	¥127	\$1,097
Park View Asset Co., Ltd	Company in which majority voting rights are held by director or close relative of a director of Shizuoka Bank	Loans	¥463		\$4,360

Note: Related-party transactions stated above are processed under equal conditions to transactions with general customers.

33. OTHER COMPREHENSIVE INCOME (LOSS)

The components of other comprehensive income (loss) for the years ended March 31, 2018 and 2017, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Unrealized gain on available for sale securities			
Gains arising during the year	¥56,184	¥10,276	\$528,841
Reclassification adjustments to profit and loss	(13,649)	(6,624)	(128,481)
Amount before income tax effect	42,534	3,651	400,359
Income tax effect	(13,418)	(140)	(126,299)
Total	¥29,116	¥ 3,510	\$274,060
Deferred gains on derivatives under hedge accounting			
Gains arising during the year	¥ (3,771)	¥ (3,877)	\$ (35,503)
Reclassification adjustments to profit and loss	3,563	2,196	33,537
Amount before income tax effect	(208)	(1,680)	(1,966)
Income tax effect	63	503	594
Total	¥ (145)	¥ (1,176)	\$ (1,371)
Foreign currency translation adjustments			
Gains arising during the year	¥ (2,566)	¥ 1,246	\$ (24,154)
Reclassification adjustments to profit and loss		(1,122)	
Amount before income tax effect	(2,566)	123	(24,154)
Income tax effect			
Total	¥ (2,566)	¥ 123	\$ (24,154)
Defined retirement benefit plans			
Adjustments arising during the year	¥ 8,858	¥ 591	\$ 83,381
Reclassification adjustments to profit or loss	(3,436)	2,163	(32,342)
Amount before income tax effect	5,422	2,755	51,038
Income tax effect	(1,636)	(835)	(15,406)
Total	¥ 3,785	¥ 1,920	\$ 35,631
Share of other comprehensive income in affiliated companies			
Gains arising during the year	¥ 236	¥ (598)	\$ 2,226
Reclassification adjustments to profit or loss	(765)		(7,201)
Amount before income tax effect	(528)	(598)	(4,974)
Income tax effect			
Total	¥ (528)	¥ (598)	\$ (4,974)
Total other comprehensive income	¥29,661	¥ 3,779	\$279,190

34. NET INCOME PER SHARE

Basic net income per share (EPS) for the years ended March 31, 2018 and 2017, is computed as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
Year ended	Net income attributable to Owners of the Parent	Weighted-Average Shares	EPS	
March 31, 2018				
Basic EPS				
Net income available to common shareholders	¥50,130	598,834	¥83.71	\$0.787
Effect of dilutive securities				
Interest expenses (excluding tax amount)	50			
Stock options		400		
Convertible bonds with stock acquisition rights		41,483		
Diluted EPS				
Net income for computation	¥50,181	640,718	¥78.32	\$0.737
Year ended	Millions of Yen	Thousands of Shares	Yen	
March 31, 2017	Net income attributable to Owners of the Parent	Weighted-Average Shares	EPS	
Basic EPS				
Net income available to common shareholders	¥29,276	610,089	¥47.98	
Effect of dilutive securities				
Stock options		432		
Convertible bonds with stock acquisition rights		37,425		
Diluted EPS				
Net income for computation	¥29,276	647,946	¥45.18	

35. SUBSEQUENT EVENTS

1. Retirement of Treasury Stock

On May 9, 2018, the Board of Directors resolved the following retirement of treasury stock and the Bank completed it on May 31, 2018.

- (1) Type of stock : Common stock
- (2) Number of shares : 30,000,000 shares
- (3) Retirement date : May 31, 2018

2. Appropriation of Retained Earnings

The following appropriation of retained earnings was authorized at the ordinary general shareholders' meeting held on June 15, 2018:

	Millions of Yen	Thousands of U.S. Dollars
Cash dividends,		
¥11.0 (\$0.10) per share	¥6,532	\$61,484
Total	¥6,532	\$61,484

Key Consolidated Financial Indicators

Summary of Profits (Losses)

Years ended March 31	Millions of Yen			Percentage Change
	2018	2017	Increase (Decrease)	
Net interest income	¥110,724	¥108,343	¥ 2,380	2.1%
Net fees and commissions	29,912	28,646	1,266	4.4
Net trading income	3,623	2,802	821	29.3
Net other operating income	(247)	(26,366)	26,119	99.0
General and administrative expenses	92,871	89,147	3,723	4.1
Net other ordinary income	14,697	22,777	(8,080)	(35.4)
Ordinary profits	65,839	47,055	18,784	39.9
Income before income taxes	71,630	46,808	24,822	53.0
Income taxes:				
Current	18,360	16,480	1,880	11.4
Deferred	3,102	986	2,116	214.5
Net income	50,167	29,341	20,825	70.9
Net income attributable to noncontrolling interests	36	65	(28)	(43.5)
Net income attributable to owners of the parent	50,130	29,276	20,853	71.2
Comprehensive income	79,828	33,121	46,706	141.0

Breakdown of Net Interest Margin

Year ended March 31	Billions of Yen
	2018
Interest income	¥ 127.1
Average interest-earning assets	10,118.8
Average interest rate of interest-earning assets (%)	1.25
Interest expense (Note)	16.4
Average interest-bearing liabilities	9,987.0
Average interest rate of interest-bearing liabilities (%)	0.16
Net interest income	110.7

Note: Interest expense here excludes interest paid in relation to investment in money held in trust.

Net Other Operating Income

Years ended March 31	Millions of Yen		
	2018	2017	Increase (Decrease)
Gains on foreign exchange transactions	¥ 1,732	¥ 1,209	¥ 523
Gains/losses on government bonds	(4,157)	(30,082)	25,925
Gains on sales	1,061	13,924	(12,862)
Losses on sales	(5,213)	(37,312)	32,098
Losses on redemptions	(5)	(6,695)	6,689
Gains/losses on derivative transactions	2,174	2,472	(297)
Proceeds from derivative transactions	2,174	2,472	(297)
Others	3	34	(31)
Gains/losses on other business	(247)	(26,366)	26,119
Other operating income	4,971	17,640	(12,668)
Other operating expenses	(5,219)	(44,007)	38,788

Loans Outstanding by Type of Borrower

March 31	Billions of Yen, % Share			
	2018		2017	
Domestic branches:				
Manufacturing	¥1,301.6	16.24%	¥1,321.2	17.21%
Agriculture and forestry	7.8	0.10	7.7	0.10
Fishery	7.5	0.09	6.1	0.08
Mining and quarrying	13.4	0.17	14.5	0.19
Construction	241.5	3.01	240.4	3.13
Utilities	104.9	1.31	78.0	1.02
Telecommunications	60.7	0.76	62.5	0.81
Transportation and mail service	291.4	3.64	277.4	3.61
Wholesale and retailing	787.1	9.82	796.1	10.37
Finance and insurance	411.6	5.14	387.5	5.05
Real estate, lease, and rental	1,855.7	23.16	1,681.7	21.91
Medical, welfare, lodging, and other services	534.5	6.67	513.9	6.69
Local governments	134.0	1.67	140.7	1.83
Other	2,261.8	28.22	2,150.0	28.00
Subtotal	8,014.1	100.00	7,678.2	100.00
Overseas branches and offshore accounts:				
Governments and official institutions	9.0	3.61	5.2	2.08
Banks and other financial institutions	13.4	5.40	16.8	6.70
Other	226.9	90.99	229.3	91.22
Subtotal	249.3	100.00	251.3	100.00
Total	¥8,263.5		¥7,929.6	

Risk-Monitored Asset Information

March 31	Millions of Yen		
	2018	2017	Increase (decrease)
Loans under bankruptcy proceedings A	¥ 4,395	¥ 3,238	¥ 1,157
% of loans and bills discounted	0.05	0.04	0.01
Past-due loans B	77,704	85,542	(7,838)
% of loans and bills discounted	0.94	1.07	(0.13)
Loans past due for three months or more C	349	424	(74)
% of loans and bills discounted	0.00	0.00	(0.00)
Restructured loans D	12,118	13,157	(1,038)
% of loans and bills discounted	0.14	0.16	(0.01)
Risk-monitored loan total E (E=A+B+C+D)	94,569	102,363	(7,794)
% of loans and bills discounted	1.14	1.29	(0.14)
Value covered with collateral, guarantees, etc. F	82,623	89,799	(7,176)
Cover ratio (%) F/E	87.36	87.72	(0.35)

Notes: 1. Risk-monitored loans are based on Article 19-2 of the Ordinance for Endorsement of the Banking Act. Because these loans are disclosed regardless of the presence or absence of collateral, guarantees, or other coverage, the figures shown do not represent unrecoverable amounts.

2. Loans past due for three months or more include loans for which payments of principal or interest are delinquent by three months or more, as calculated from the day following the contracted payment date, but do not include loans to bankrupt borrowers or past-due loans.

3. Restructured loans include loans for which certain conditions have been relaxed for the benefit of the borrower (through such means as the reduction or elimination of interest payments, the deferral of principal repayments, or the relinquishment of a portion of liabilities) with the goal of supporting the recovery of borrowers that have fallen into financial difficulty and thereby promoting the recovery of the loan.

4. Value covered with collateral, guarantees, etc., includes provisions in the specific reserve for possible loan losses. The covered value was stated on a possible disposal basis.

Allowance for Loan Losses

March 31	Millions of Yen	
	2018	2017
General allowance for loan losses	¥21,243	¥30,933
Specific allowance for loan losses	19,128	16,146
Total	¥40,372	¥47,080
[Loans on written-off claims for the year]	¥ [294]	¥ [227]

Financial Index

Years ended March 31	Consolidated			Nonconsolidated		
	2018	2017	Increase (Decrease)	2018	2017	Increase (Decrease)
Per share (Yen):						
Net income	¥ 83.71	¥ 47.98	¥ 35.73	¥ 72.52	¥ 40.04	¥ 32.48
Net assets	1,668.95	1,545.57	123.38	1,579.09	1,470.10	108.99
Cash dividends	21.00	20.00	1.00	21.00	20.00	1.00
Dividend payout ratio (%)				28.95	49.93	(20.98)
Return on equity (%) (Note)	5.21	3.15	2.06	4.75	2.76	1.99
Price earnings ratio (%)	12.01	18.87	(6.86)	13.87	22.62	(8.75)

Note: The amount of net income returned as a percentage of the average balance of shareholder's equity.

Capital Adequacy Ratio

	Billions of Yen			
	Consolidated		Nonconsolidated	
	2018	2017	2018	2017
March 31				
1. Total capital ratio (%)	15.95	16.35	14.35	14.78
2. Tier 1 ratio (%)	15.95	16.35	14.35	14.78
3. Common Equity Tier 1 ratio (%)	15.95	16.35	14.35	14.78
4. Total capital	897.9	850.7	838.8	798.3
5. Tier 1 capital	897.9	850.7	838.8	798.3
6. Common Equity Tier 1 capital	897.9	850.7	838.8	798.3
7. Total risk-weighted assets	5,626.8	5,202.8	5,841.9	5,400.9
8. Total capital requirements	450.1	416.2	467.3	432.0

Notes: 1. Capital ratios were calculated both on a consolidated and nonconsolidated basis conforming to the Ministry of Finance guidelines, based on Article 14-2 of the Banking Act.

2. The Group has adopted the Foundation Internal Rating-Based Approach to calculate credit risk assets, the Standardized Approach for operational risk, and applied the Market Risk Capital Regulations.

The Shizuoka Bank

Corporate Data

HEAD OFFICE

10, Gofukucho 1-chome, Aoi-ku,
Shizuoka-shi, Shizuoka 420-8761, Japan

HEADQUARTERS

2-1, Kusanagi-Kita, Shimizu-ku,
Shizuoka-shi, Shizuoka 424-8677, Japan
Phone: (81) 54-345-5411
URL: <http://www.shizuokabank.co.jp/>

INTERNATIONAL BUSINESS PROMOTION GROUP

Phone: (81) 54-345-5411
Fax: (81) 54-344-0090

TREASURY & INTERNATIONAL OPERATIONS CENTER

Phone: (81) 54-345-5700
Fax: (81) 54-349-5501
SWIFT address: SHIZJPJT

NUMBER OF EMPLOYEES

(As of March 31, 2018)
2,857

DATE OF ESTABLISHMENT

March 1, 1943

DOMESTIC NETWORK

(As of July 1, 2018)
Head Office, 176 branches,
26 subbranches

OVERSEAS NETWORK

(As of July 1, 2018)
3 branches,
2 representative offices and
1 subsidiary

Overseas Service Network

Los Angeles Branch

801 South Figueroa Street, Suite 610,
Los Angeles, CA 90017, U.S.A.
Phone: (1) 213-622-3233
Fax: (1) 213-623-8674

New York Branch

600 Lexington Ave,
4th Floor, New York,
NY 10022, U.S.A.
Phone: (1) 212-319-6260
Fax: (1) 212-319-6270

Hong Kong Branch

Suite 1010, 10th Floor, Chater House,
8 Connaught Road, Central, Hong Kong
S.A.R.,
People's Republic of China
Phone: (852) 2521-6547
Fax: (852) 2845-9257

Singapore Representative Office

80 Raffles Place, #09-21 UOB Plaza 2,
Singapore 048624
Phone: (65) 6225-3600
Fax: (65) 6225-9901

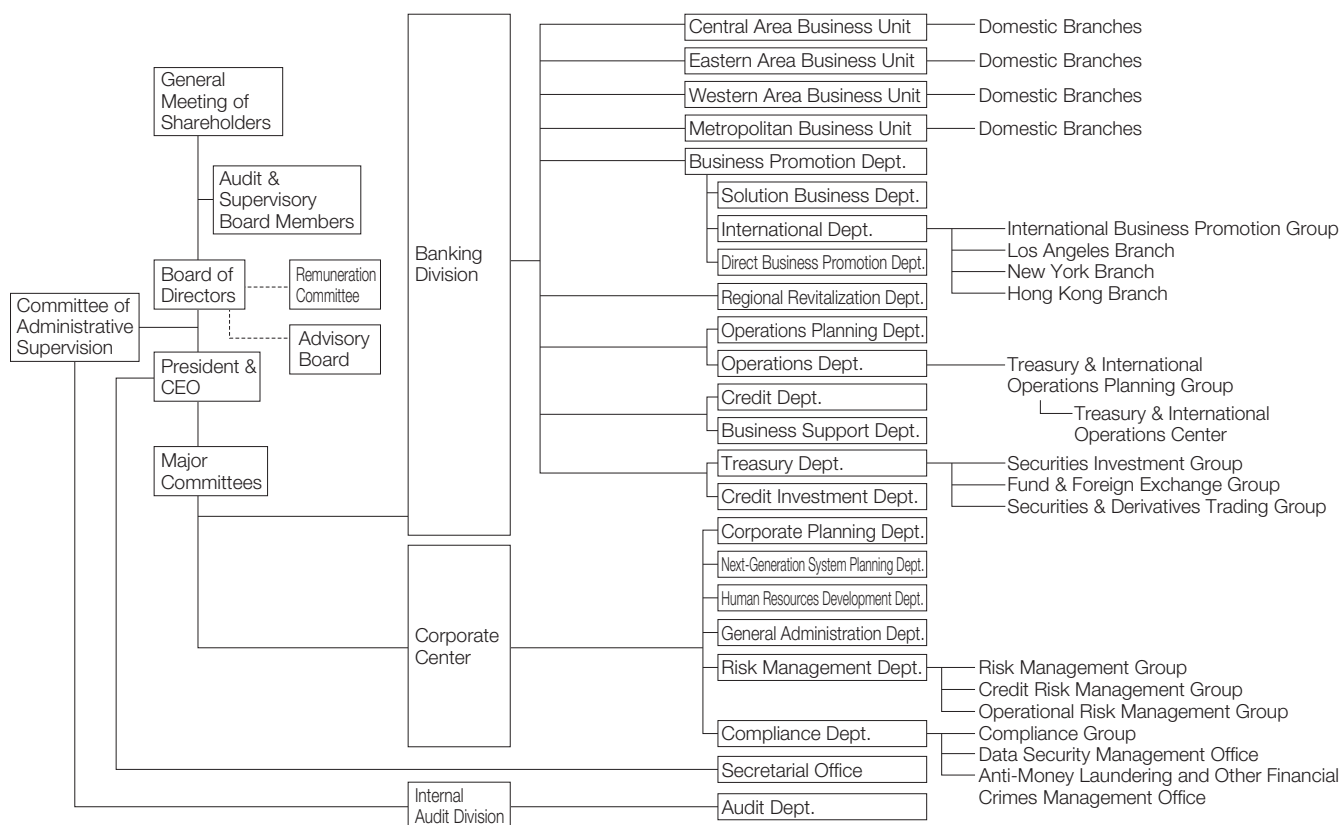
Shanghai Representative Office

Room 1813, Shanghai
International Trade Centre,
2201 Yan-An Road (West),
Chang Ning Qu, Shanghai,
People's Republic of China
Phone: (86) 21-6209-8115
Fax: (86) 21-6209-8116

Shizuoka Bank (Europe) S.A.

Rue Jules Cockx 8-10, Box 9, 1160
Auderghem, Brussels, Belgium
Phone: (32) 2-646-0470
Fax: (32) 2-646-2462

Organization Chart



Board of Directors and Audit & Supervisory Board

Chairman & CEO*

Katsunori Nakanishi

President

Hisashi Shibata

Director & Senior Managing Executive Officers

Hirotohi Sugimoto

Minoru Yagi

Director & Senior Executive Officers

Yoshihiro Nagasawa

Hidehito Iio

Mitsuru Kobayashi

Directors

Toshihiko Yamamoto

Kumi Fujisawa

Motoshige Itoh

Audit & Supervisory Board Members

Hiroki Saito

Yutaka Okoshi

Mitsuhiro Ishibashi

Kazuo Kouduki

Yoshihiro Yamashita

*CEO=Chief Executive Officer

(As of July 1, 2018)

Investor Information

CAPITAL STOCK (As of March 31, 2018)

Common stock..... ¥90,845 million

NUMBER OF SHARES (As of March 31, 2018)

Authorized..... 2,414,596,000 shares

Issued and outstanding 645,129,069 shares

NUMBER OF SHAREHOLDERS (As of March 31, 2018)

20,928

STOCK LISTING

First Section of the Tokyo Stock Exchange

TRANSFER AGENT

Japan Securities Agents, Ltd.

STOCK PRICE, TURNOVER

Annual high/low stock price (five years)

(Yen)

Years ended March 31	2014	2015	2016	2017	2018
High	1,310	1,292	1,519	1,055	1,252
Low	926	938	768	655	860

Monthly high/low stock price (six months)

(Yen)

Month	Oct. 2017	Nov. 2017	Dec. 2017	Jan. 2018	Feb. 2018	Mar. 2018
High	1,118	1,114	1,208	1,252	1,227	1,069
Low	1,003	1,021	1,075	1,154	1,061	967

PRINCIPAL SHAREHOLDERS

The 10 largest shareholders of the Bank and their respective shareholdings at March 31, 2018, were as follows:

	Number of Shares in Thousands	Percentage of Total Shares Outstanding
The Master Trust Bank of Japan, Ltd. (trust account)	38,269	6.44%
Nippon Life Insurance Company	29,745	5.00
Meiji Yasuda Life Insurance Company	29,117	4.90
Japan Trustee Services Bank, Ltd. (trust account)	27,311	4.59
The Bank of Tokyo-Mitsubishi UFJ, Ltd.*	13,884	2.33
Sumitomo Life Insurance Company	13,070	2.20
Tokio Marine & Nichido Fire Insurance Co., Ltd.	11,608	1.95
The Dai-ichi Life Insurance Company, Limited	11,546	1.94
Japan Trustee Services Bank, Ltd. (trust account 5)	9,949	1.67
STATE STREET BANK WEST CLIENT-TREATY 505234 (Standing proxy: Settlement & Clearing Services Department, Mizuho Bank, Ltd.)	9,439	1.58
Total	193,941	32.65%

* The Bank of Tokyo-Mitsubishi UFJ, Ltd. changed its trade name to MUFG Bank, Ltd. as of April 1, 2018.

The Shizuoka Bank Group

Consolidated Subsidiaries

SHIZUGIN MANAGEMENT CONSULTING CO., LTD.

Corporate and financial management
advisory services
Bill collection services

SHIZUGIN LEASE CO., LTD.

Leasing

SHIZUGIN COMPUTER SERVICE CO., LTD.

Computer system development and operation

SHIZUGIN CREDIT GUARANTY CO., LTD.

Guarantee of housing loans, etc.

SHIZUGIN DC CARD CO., LTD.

Credit card and guarantee of consumer loans

SHIZUOKA CAPITAL CO., LTD.

Public-offering assistance
Support for corporate rehabilitation

SHIZUGIN TM SECURITIES CO., LTD.

Securities

SHIZUGIN GENERAL SERVICE CO., LTD.

Fee-based job placement services
General administration

SHIZUGIN MORTGAGE SERVICE CO., LTD.

Appraisal of real estate for loan collateral
Operation center for loans

SHIZUGIN BUSINESS CREATE CO., LTD.

Operation center for remittance and bill
collection
Part-time employee management

SHIZUOKA BANK (EUROPE) S.A.

Finance and securities-related services

SHIZUOKA LIQUIDITY RESERVE LIMITED

Purchases of monetary receivables

Affiliates under Equity Method

SHIZUGIN SAISON CARD CO., LTD.

Credit card and prepaid card
Guarantee of consumer loans

* Other than the above-mentioned Group companies, Monex Group, Inc. and Commons Asset Management, Inc. are equity-method affiliates of Shizuoka Bank.

THE SHIZUOKA BANK, LTD.