

Results of 1H FY2017

Nov. 20, 2017
Hisashi Shibata
President
The Shizuoka Bank, Ltd.



静岡銀行

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Results of 1H FY 2017

Results of 1H FY2017 - Nonconsolidated

〔Nonconsolidated〕

(JPY bn, %)

	1H FY2017	YoY change	
		Increase/ Decrease	Rate of change
Ordinary revenue	90.5	-3.1	-3.2
Gross operating profit	62.5	-15.5	-19.8
Net interest income	53.9	-3.1	-5.3
(Interest on loans)	(49.4)	(+2.5)	(+5.2)
Fees and commissions	7.7	-0.4	-5.0
Trading income	0.4	+0.2	+83.3
Other operating profit	0.6	-12.2	-95.4
(Bond-related income such as JGBs)	(0.4)	(-11.9)	(-96.4)
Expenses (-)	41.8	+1.6	+3.7
Actual net operating profit *	20.8	-17.0	-44.9
Provision for general allowance for loan losses (-)	0.0	-0.2	-
Net operating profit	20.8	-16.8	-44.6
Special profit and loss	10.5	+12.8	+564.8
Bad debt written-off (-)	0.1	-2.8	-96.0
Gain on reversals from loan loss reserves	6.8	+6.8	-
Gain (loss) on stocks	4.2	+4.2	-
Ordinary profit	31.3	-4.0	-11.2
Extraordinary profit and loss	-0.0	+12.5	+99.9
Net income before taxes	31.3	+8.5	+37.1
Corporate taxes (-)	8.9	-1.1	-10.9
Interim net income	22.4	+9.6	+74.9

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

Overview: 1H FY2017 nonconsolidated

Ordinary revenue

JPY -3.1bn YoY
(continued decrease in 2 periods)

- Despite an increase of reversal of allowance for loan losses of JPY 6.8bn YoY and gains on the sales of stocks amounting to JPY 4.2bn YoY, ordinary revenue decreased by JPY 3.1bn YoY to JPY 90.5bn reflecting decrease of gains on the sales(down JPY11.9 bn YoY) and interests (down JPY4.6bn YoY) of foreign bonds

Gross operating profit

JPY -15.5bn YoY
(continued decrease in 4 periods)

- Gross operating profit decreased by JPY 15.5bn YoY to JPY 62.5bn, reflecting a drop of JPY 12.2bn YoY in other operating profit mainly due to a decrease of JPY 11.9bn YoY in gains on the sales of foreign bonds, and a decrease of JPY 3.1bn in net interest income reflecting decrease of interests (down JPY4.6bn YoY) of foreign bonds

Net operating profit

JPY -16.8bn YoY
(continued decrease in 2 periods)

- Net operating profit decreased by JPY 16.8bn YoY to JPY 20.8bn due to an increase of JPY 1.6bn in expenses in addition to a decrease in gross operating profit

Ordinary profit

JPY -4.0bn YoY
(continued decrease in 3 periods)

- Despite an increase of JPY 6.8bn in reversal of allowance for loan losses and JPY 4.2bn in gains on stocks, ordinary profit decreased JPY 4.0bn YoY to JPY 31.3bn

Interim net income

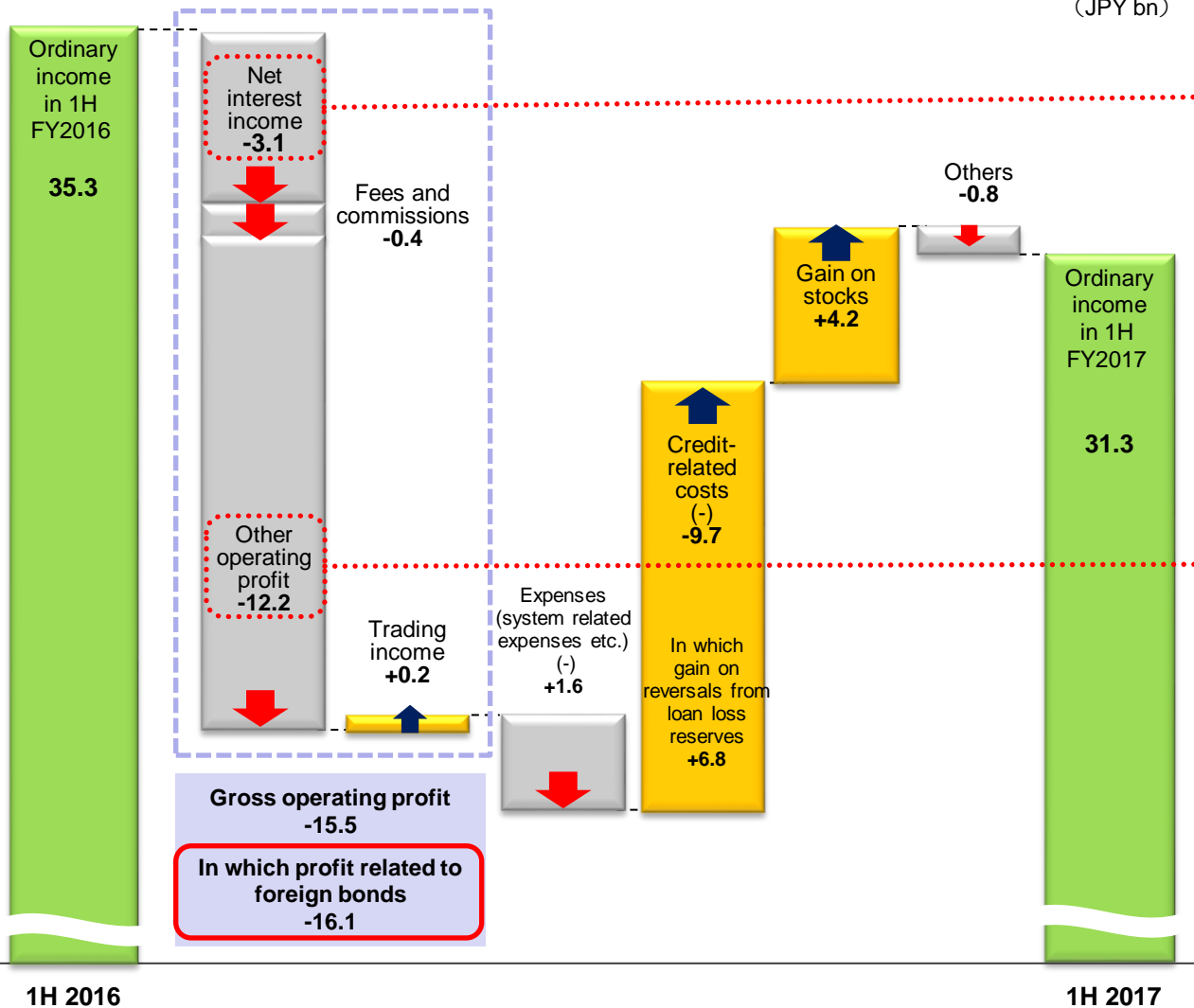
JPY +9.6bn YoY (first increase in 2 periods)

- Interim net income increased JPY 9.6bn YoY to JPY 22.4bn due to the elimination of JPY 12.4bn in losses on valuation of stocks of Monex Group, Inc.

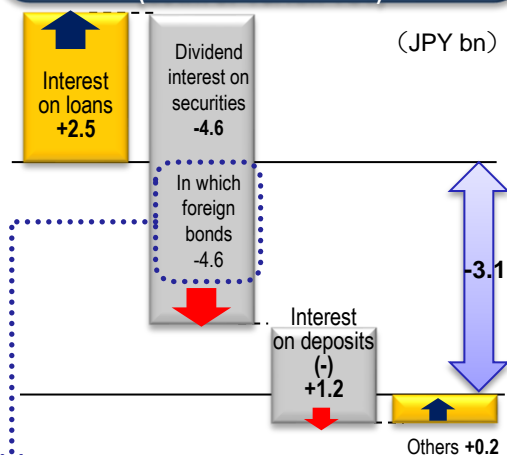
Results of 1H FY2017

- Breakdown of increase or decrease in nonconsolidated ordinary income

Breakdown of increase or decrease in nonconsolidated ordinary income (down JPY40bn YoY)

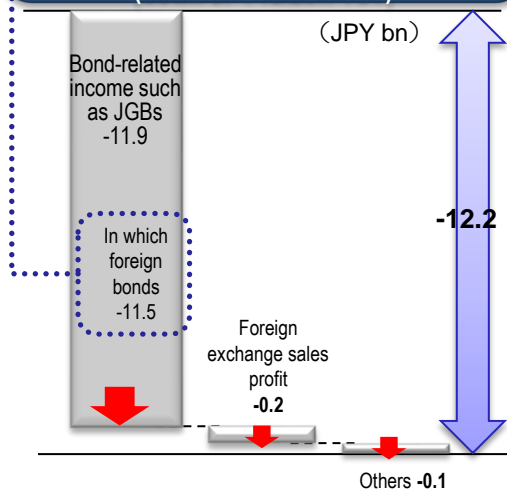


Breakdown of net interest income (down JPY3.1bn YoY)



Impact of reducing balance of foreign bonds after US interest rate rose in 2H FY2016 : JPY-16.1bn

Breakdown of other operating profit (down JPY12.2bn YoY)



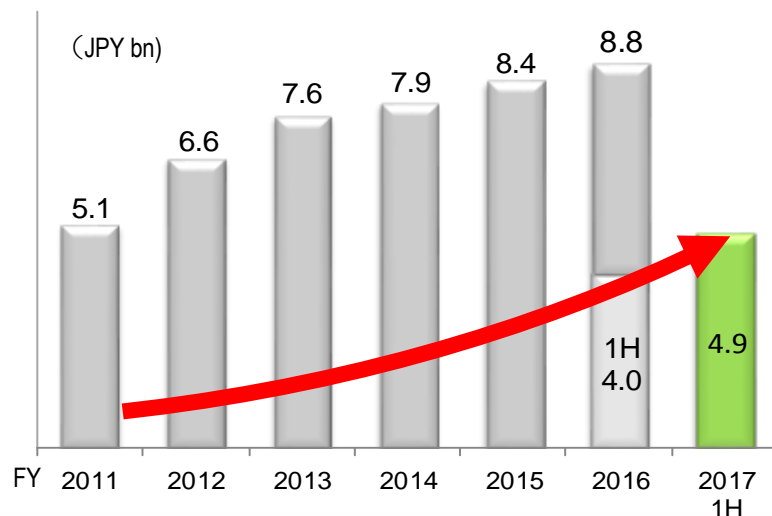
Results of 1H FY2017 - Consolidated

- Ordinary revenue decreased by JPY 0.5bn YoY to JPY 110.7bn, ordinary profit increased by JPY 9.5bn YoY to JPY 35.4bn.
- Total ordinary profit of consolidated subsidiaries increased by JPY 0.9bn YoY to JPY 4.9bn.

〔Consolidated〕	(JPY bn)	1H FY2017	YoY change	Contents
Ordinary revenue		110.7	-0.5	Continued decrease in 2 periods Due to a decrease in bond-related income such as JGBs and interest and dividends on securities
Ordinary profit		35.4	+9.5	First increase in 4 periods Due to a decrease in ordinary expenses since the effect of equity in losses of affiliates disappeared
Interim net profit attributable to parent company shareholders		24.9	+10.5	First increase in 5 periods

Group companies

〔Total ordinary profit of consolidated subsidiaries〕



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

Affiliates under equity method of accounting

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

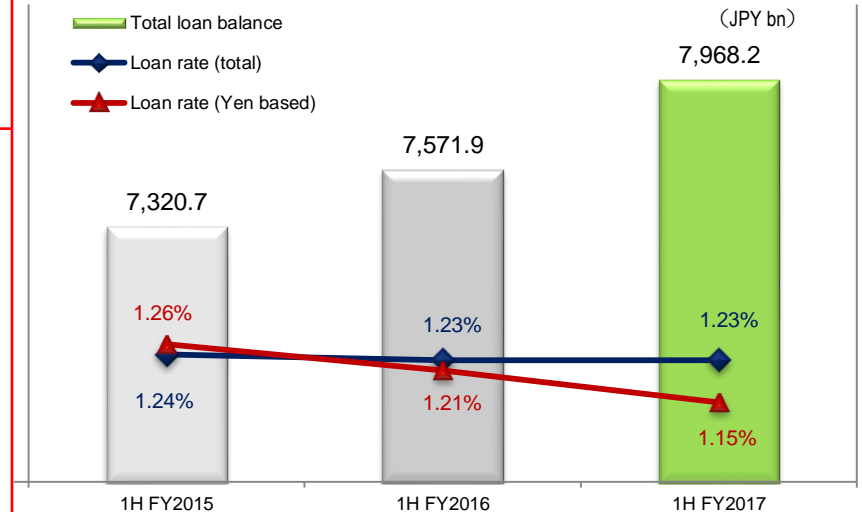
Results Highlights – Gross operating profit

- The bank branch division achieved profit increase of JPY 0.9bn YoY mainly due to an increase of interest on loans (Continued increase in 2 periods)
- Gross operating profit of the market operations division decreased by JPY 16.4n YoY, mainly due to decrease of interest and dividend on securities and bond-related income such as JGBs decreased as a result of the decrease in foreign bonds

Breakdown of gross operating profit

by division	(JPY bn)	1H FY2016	1H FY2017	YoY change
① Bank branch division (Loans, Deposits, etc.)		51.8	52.7	+0.9
Interest on loans		46.9	49.4	+2.5
[Yen based]		42.8	42.5	-0.3
[Foreign currencies based]		4.1	6.9	+2.8
Fees and commissions		8.1	7.7	-0.4
Interest paid on deposits etc. (-)		3.2	4.4	+1.2
② Market operations division		26.2	9.8	-16.4
Interest and dividend on securities		14.4	9.8	-4.6
Interest on Deposits etc.		1.9	2.2	+0.3
Interest on Call money etc. (-)		3.1	3.2	+0.1
Trading income		0.2	0.4	+0.2
Other operating profit		12.7	0.6	-12.1
(Bond-related income such as JGBs)		12.3	0.4	-11.9
(Reference) Gain on sales of stocks		0.0	4.2	+4.2

Loan balance (average balance)

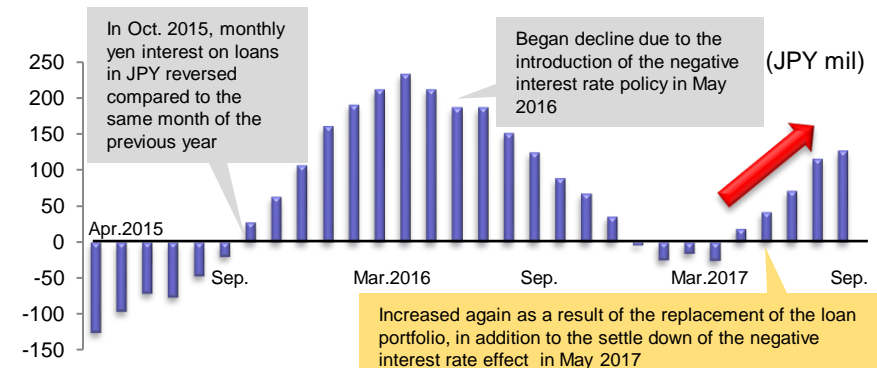


Total balance of securities (term-end balance) and Unrealized gains and losses on securities

Total balance of securities JPY-620.1 bn from the end of Sep. 2016

(JPY bn)	End of Mar. 2016	End of Sep. 2016	End of Mar. 2017	End of Sep. 2017
Total balance of securities	2,204.0	2,196.0	1,365.4	1,575.9
Unrealized gains and losses on securities	+227.4	+216.0	+230.9	+273.7
Stocks	+204.6	+206.2	+222.8	+265.0
Bonds	+12.6	+11.0	+5.8	+4.7
Others	+10.2	-1.2	+2.3	+4.0
Foreign bonds	+9.8	+2.2	+0.0	-0.2
Investment trusts	+0.2	-3.7	+1.6	+3.6

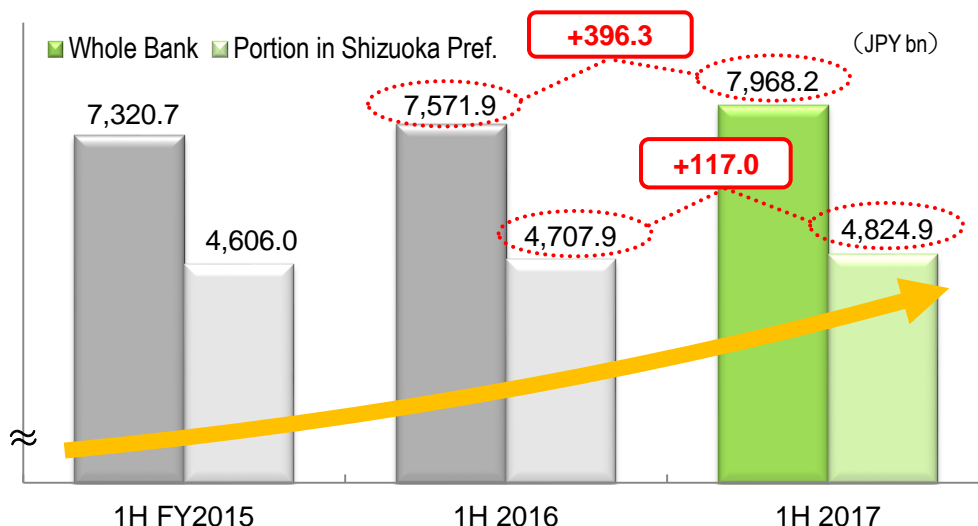
YoY comparison of interest on loans in JPY



Loans

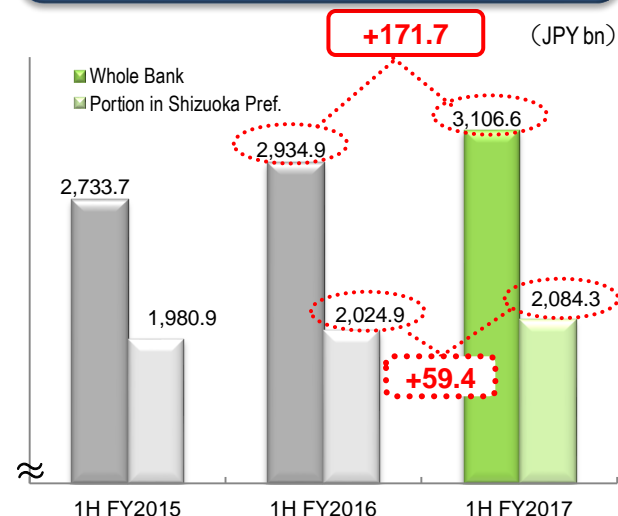
- Total loan balance (average balance) of 1H FY2017 : JPY 7,968.2bn, up JPY 396.3bn (+5.2%) YoY

Total loan balance (average balance)

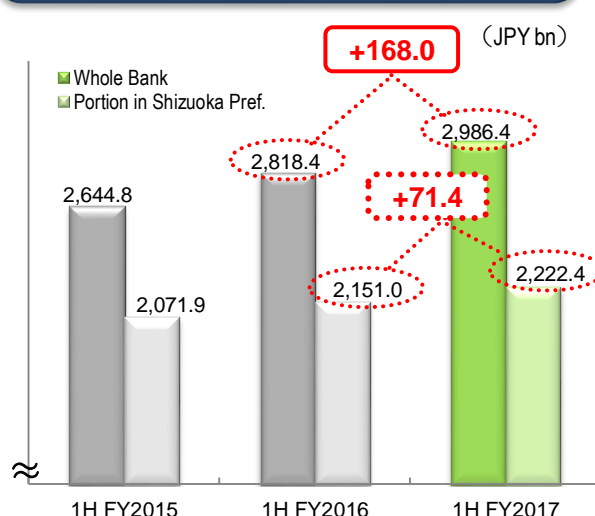


	Average balance	YoY change	Annual growth rate
Total loan balance	JPY 7,968.2bn	JPY +396.3bn	+5.2%
Loan balance for SMEs	JPY 3,106.6bn	JPY +171.7bn	+5.8%
Retail loan balance	JPY 2,986.4bn	JPY +168.0bn	+5.9%
Loan balance for large and medium size enterprises	JPY 1,484.1bn	JPY +23.1bn	+1.5%
Loan balance in foreign currency	JPY 623.1bn	JPY +69.8bn	+12.6%

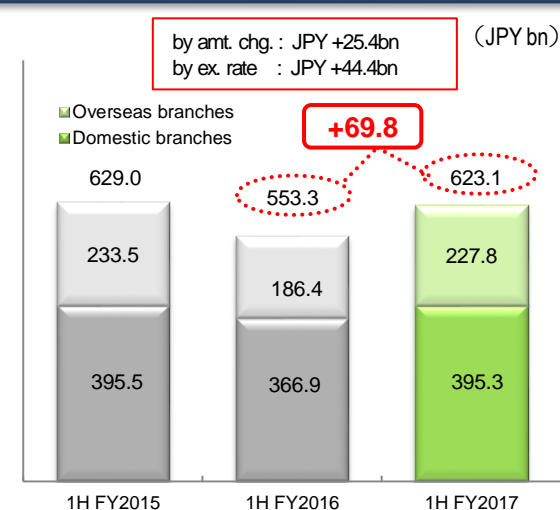
SMEs loan balance (average balance)



Retail loan balance (average balance)



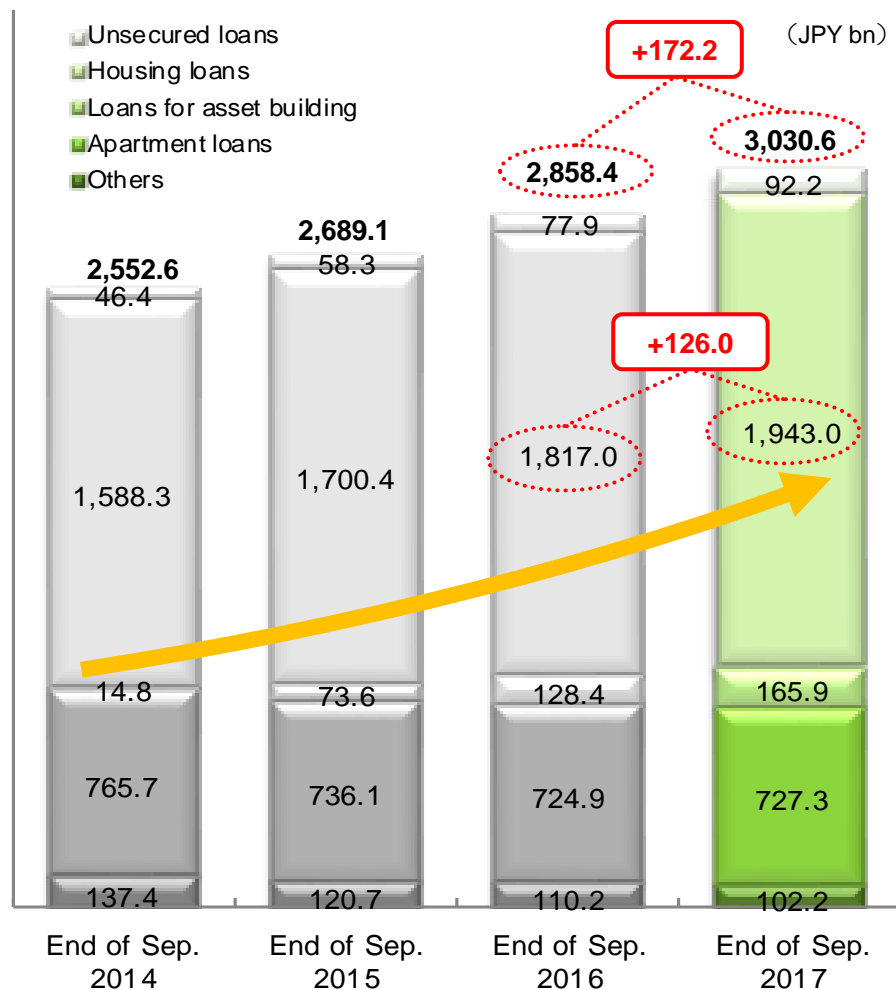
Loan balance in foreign currency (average balance)



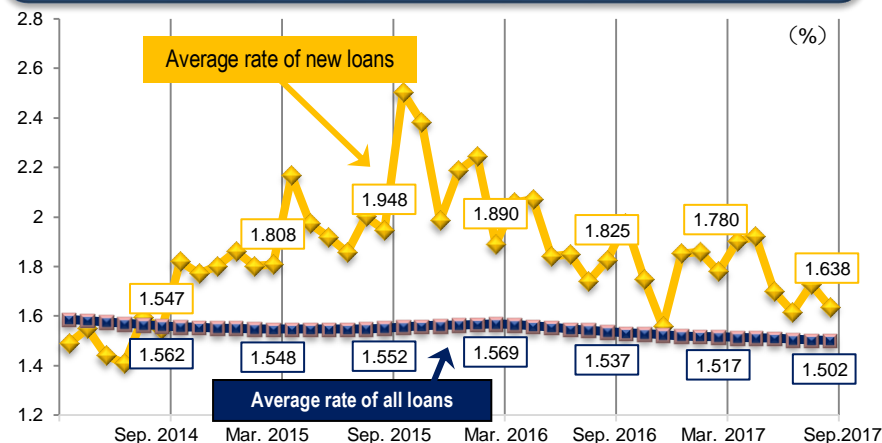
Consumer loan

- Consumer loan balance (term-end balance) of 1H FY2017 : JPY 3,030.6bn (up JPY 172.2bn from the end of Sep. 2016), maintaining increase trend
- In consumer loan, average rate of new loans have been above average rate of all loans.
- Apartment loans (term-end balance) of 1H FY2017 : JPY 882.9bn (up JPY 48.2bn from the end of Sep. 2016)

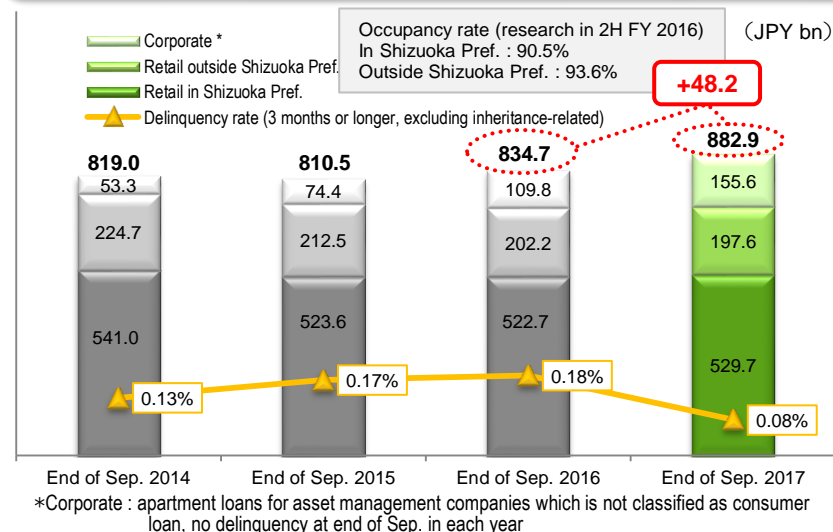
Consumer loan balance (term-end balance)



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



Historical data of balance and delinquency of apartment loans



Developing and monetizing new business fields (1)

- Challenge on the new business fields in the 12th Medium-term Business Plan, starts to bring favorable results and is growing to be an important profit driver
- Aiming for development and monetization of these fields under the 13th Medium-term Business Plan, in addition to further exploring new business areas

Developing and monetizing new business fields in the 13th Medium-term Plan

Areas for further development in the 13th Medium-term Business Plan based on 12th Plan policies

Growth in core businesses

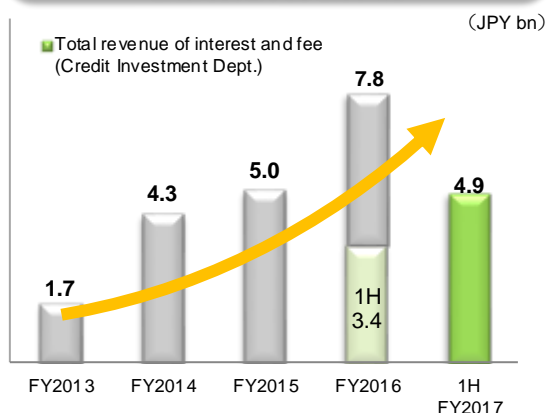
New areas of development and monetization in the 13th Medium-term Business Plan

13th Medium-term Business Plan

- Expand our customer base in nationwide market by Internet Branch
- Collaborate with the Monex Group to promote financial products
- Develop new retail loan market
- Expand "HOKENOMADOGUCHI@Shizugin"
- Develop financial services focusing on small business operators

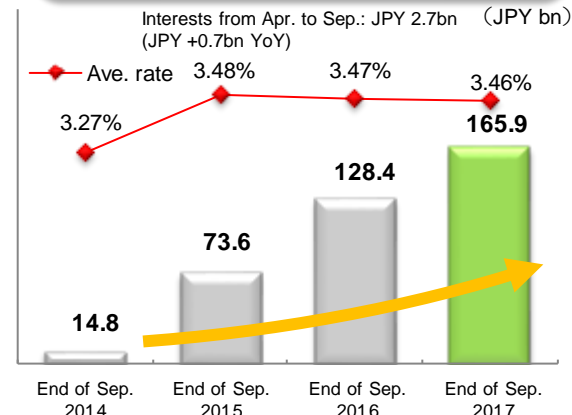
Tokyo metropolitan area

【Market credit investment】 Interest & Fee income



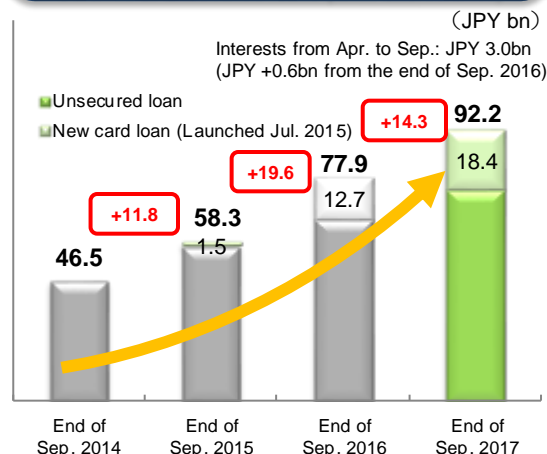
Tokyo metropolitan area

【Support for asset building】 Balance of loans for asset building (term-end balance)



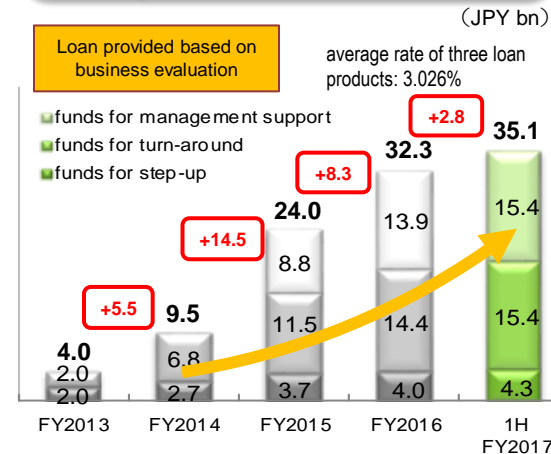
Nationwide market

【Consumer finance】 Balance of unsecured loans (term-end balance)



Reinforce core businesses

【Business loans for small-sized customers】 Funds provided for business turn-around etc.



Developing and monetizing new business fields (1)

- Nurture new business fields as profit drivers which generate JPY 30bn revenue by FY2019

Developing and monetizing new business fields in the 13th Medium-term Plan

Areas for further development in the 13th Medium-term Business Plan based on 12th Plan policies

Growth in core businesses

New areas of development and monetization in the 13th Medium-term Business Plan

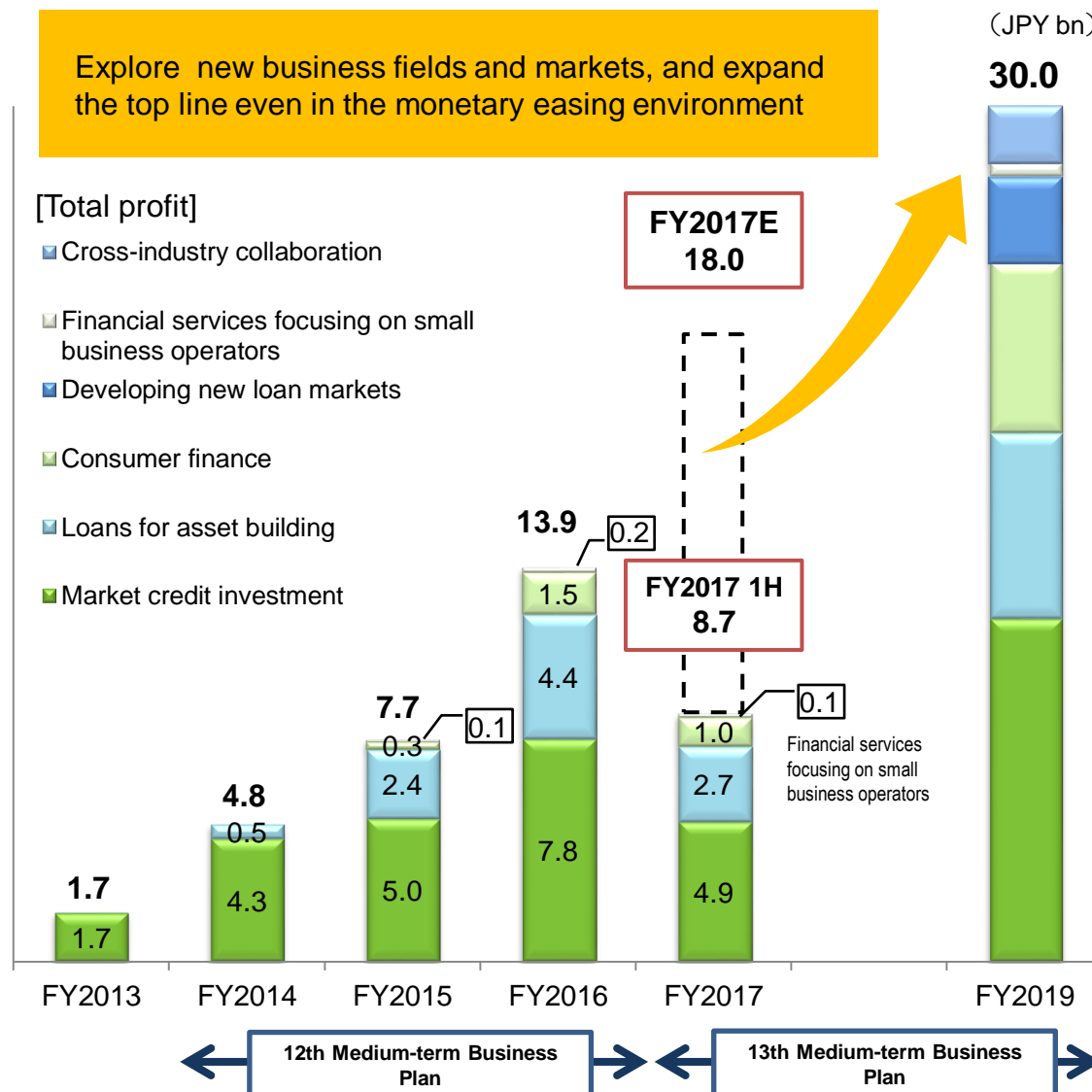
13th Medium-term Business Plan

- Expand our customer base in nationwide market by Internet Branch
- Collaborate with the Monex Group to promote financial products
- Develop new retail loan market
- Expand "HOKEN NOMADOGUCHI@Shizugin"
- Develop financial services focusing on small business operators

Explore new business fields and markets, and expand the top line even in the monetary easing environment

[Total profit]

- Cross-industry collaboration
- Financial services focusing on small business operators
- Developing new loan markets
- Consumer finance
- Loans for asset building
- Market credit investment



Developing and monetizing new business fields (3)

-Cross-industry collaboration

Business development in three business fields

Core business (region-based)

Tokyo
metropolitan Area

Nationwide market

Create added value in each business field by cross-industry collaboration

→ Make new growth opportunities and build a revenue base which leads to sustainable growth

Face-to-face channel

HOKEN NO MADOGUCHI INC.

ほけんの窓口

Business tie-up in Jun. 2016

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

TOPIC

Oct. 17, 2017
Opened the 3rd desk of
"HOKEN NO MADOGUCHI@
Shizugin" in front of
Fujieda* station

Continue to develop new
desks in favorable locations

*Fujieda city is located in central Shizuoka Pref.
and has the second largest population in that area

Renoveru, Inc.

らしい暮らしを、見つけよう

リノべる。

Business tie-up in Aug. 2016
Investment in Jul. 2017

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

HOUSALL

Joint-venture established in Sep. 2015
(The Bank delegates two employees
including an outside director)

Establishing a housing-related
service platform


commons
asset management, inc.

Capital and business tie-up
in Oct. 2015

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



GLOBAL CATALYST PARTNERS JAPAN

Investment in Dec. 2015

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

Continue to look for new collaborations
with cross-industry company


Non-face-to-face channel



MONEX GROUP
Monex Group, Inc.

Capital and business tie-up in Apr. 2014

Most important partner
in terms of bank-security
collaboration in non-face-to-
face channels

 **Money Forward**

Capital and business tie-up
in Aug. 2015

Offering financial services
in the FinTech fields

Collaboration with Monex Group

- Since commencing a capital and business tie-up with Monex Group, Inc., in Apr. 2014, we are exploring collaborative measures from a variety of perspectives
- In addition to launching a cross marketing campaign introducing customers from one group to the other in Nov. 2017, we plan to sell unique investment trust and wrap service in both groups

Mutual Customer Transfer

- Shizuoka Bank and Monex, Inc. started campaign to introduce each others customers mutually from Nov. 6, 2017

Shizuoka Bank ← Monex

Monex, Inc. prepares a link to the Shizuoka Bank's website so that customers of Monex, Inc. can apply for the Internet Branch account and housing loan

Mutual customer transfer by two companies with different customer profiles enables the two companies to expand their own customer bases

Shizuoka Bank → Monex

Shizuoka Bank prepares a link to the Monex, Inc.'s website so that customers of Shizuoka Bank can apply for the securities account



Destination to transfer	Object	Benefits
Shizuoka Bank	Opening account of Internet Branch	Give a maximum of JPY 3,000 Campaign duration: Until Feb. 28, 2018
	Application for housing loan	JPY 30,000 Catalog Gift (Requires housing loan of JPY 10 million or more) Campaign duration: Applications accepted until Dec. 31, 2017
Monex, Inc.	Opening a securities account	Give back the fee to buy stocks paid within 2months after application in cash The campaign continues until Feb. 28, 2018

Selling unique investment trust

- Scheduled to sell investment trust by both Shizuoka Bank Group and Monex Group (Monex, Inc.) within the FY2017

Feature(1): Secure US dollar denominated principal

Feature(2): Offer return by long-term and globally diversified investment strategy utilizing quantitative operation

【Sales company】 (under consideration)

- Internet channel : Monex, Inc.
Shizuoka Bank (sell on the internet)
- Real channel : Shizugin TM Securities Co., Ltd.

Offer the product to a wide range of investors by both internet and real channel

Providing Discretionary Investment Management (Wrap Services) Linked to Monex-Saison-Vanguard Investment Partners, Inc.

- Considering introduction of Monex-Saison-Vanguard Investment Partners, Inc. discretionary investment management (wrap services) in FY2018
- Leveraging unique features including (1) small lots and low fees and (2) planning utilizing robo-advisors, our policy is to offer as a service that can be used easily even by first-time investors

**Minimum investment amount :
JPY 1 thousand**

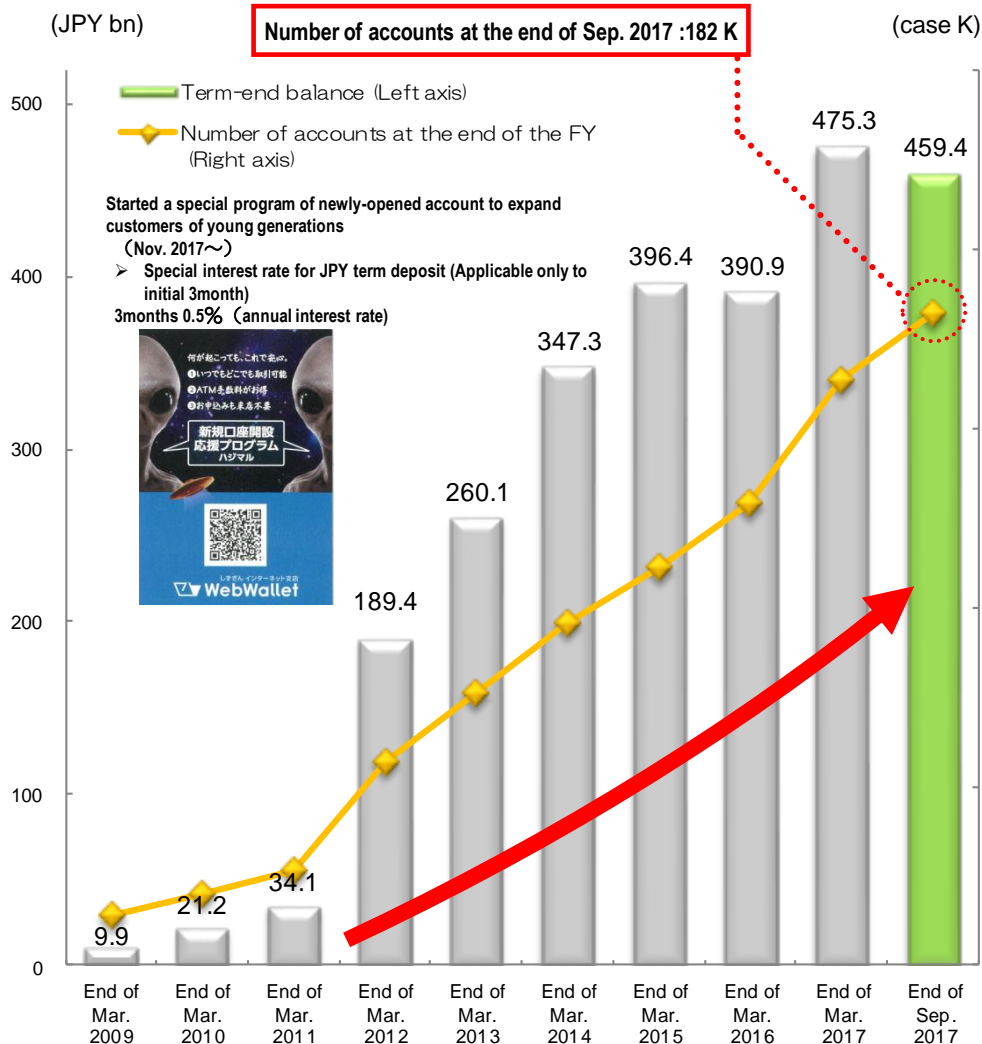
**Annual purchase fee:
about 1%**

Equipped with Robo-Advisor

Internet Branch

- Internet Branch, with its deposit balance about JPY 460bn, is growing into an established funding channel
- The Branch is also reinforcing investment side including housing loans etc.
(loan balance at the end of Sep. 2017 : JPY 23.7bn).

Number of accounts and term-end balance



Customer distribution by prefecture

Due to a significant increase in customers outside Shizuoka Prefecture, Internet Branch has grown to be a funding channel which can widely collect deposits regardless of location.

	End of Mar. 2010	End of Sep. 2017	Change from end of Mar. 2010
Shizuoka	84%	32%	-52pt
Tokyo	3%	15%	+12pt
Kanagawa	4%	12%	+8pt
Aichi	2%	6%	+4pt
Other	7%	35%	+28pt

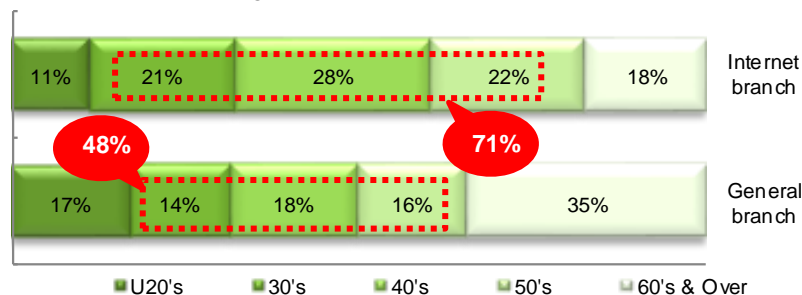
+52pt (Total increase in non-Shizuoka prefectures)

16% (Total in Mar. 2010 for non-Shizuoka prefectures)
68% (Total in Sep. 2017 for non-Shizuoka prefectures)

New customers gained during 1H FY2017 campaign period:
77.1% was customers outside Shizuoka Prefecture

Customer distribution by age group (End of Sep. 2017)

Because Internet Branch, unlike brick-and-mortar branches, has internet-familiar-generations (30's-50's asset building generation) as the main customer segment and provides a wide range of financial services based on customers' life planning.



Fee and commissions

- Fees and commissions of 1H FY2017 : JPY 7.7bn (down JPY 0.4bn YoY)
- Group-based fees and commissions (including Shizugin Management Consulting and Shizugin TM Securities) of 1H FY2017 : JPY 12.7bn (up JPY 0.4bn YoY)
- In addition to expanding the bank's fee incomes from corporate business, it will also strengthen group-based profitability by providing solution sales cooperating with group companies

Group-based Fees and commissions

(JPY bn)	1H FY2016	1H FY2017	Y o Y change
Fees and commissions (Nonconsolidated)	8.1	7.7	-0.4
Fees and commissions revenue	14.4	14.3	-0.1
Fees and commissions expense (-)	6.3	6.7	+0.3
Ordinary revenue of Shizugin Management Consulting	0.7	0.7	+0.0
Ordinary revenue of Shizugin TM Securities	3.5	4.3	+0.8
Total	12.3	12.7	+0.4

Includes decreasing factor (JPY -0.65bn) related to the changes in the method of receiving insurance sales commissions which was carried out in 2H FY2016

Shizugin Management Consulting

- Carried out M&A and business succession consulting for SMEs stably
- Further expanding M&A and business succession field in the 13th Medium-term Business Plan

(JPY bn)	FY2014	FY2015	FY2016	1H FY2017
[contracts number]				
Ordinary revenue	1.11	1.35	1.40	0.70
Consultant fee				
M&A	0.15 [16]	0.29 [24]	0.33 [22]	0.15 [11]
Business succession	0.06 [36]	0.09 [56]	0.11 [40]	0.06 [27]
Settlement service	0.75	0.80	0.83	0.43

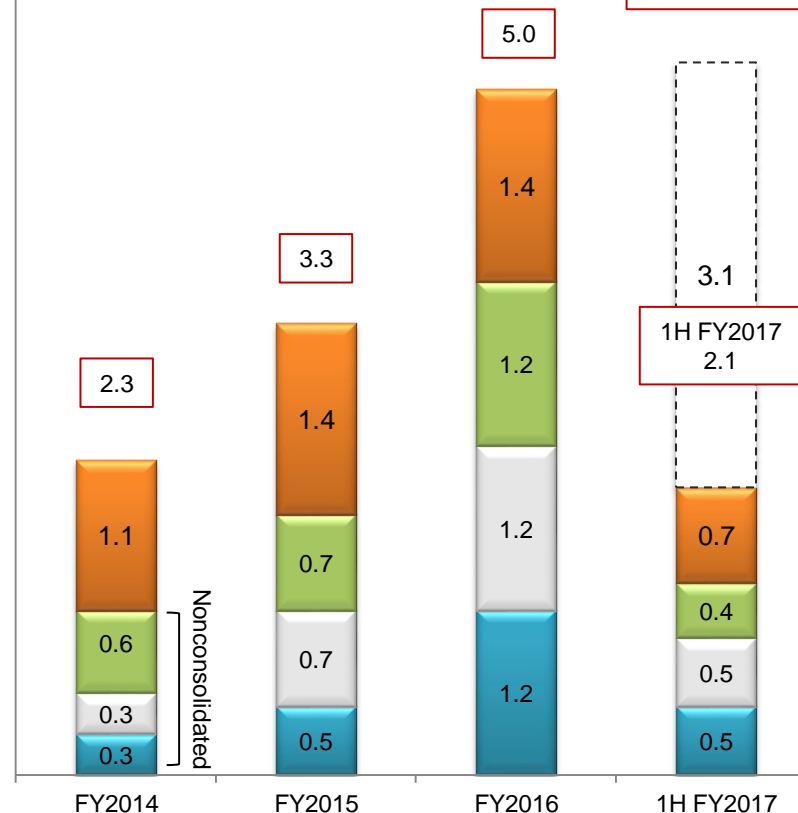
Shizugin TM Securities

- Recorded No.1 ordinary revenue and ordinary profit among the regional banks securities subsidiary (FY2016)
- Bond sales has been expanding in addition to the investment trust-related revenue

(JPY bn)	FY2014	FY2015	FY2016	1H FY2017
Ordinary revenue	8.90	8.69	7.73	4.28
(Investment trust-related)	(6.36)	(5.48)	(4.47)	(2.29)
Investment trust sales	190.7	136.2	114.0	57.2
Bond sales	68.0	82.7	96.7	76.8

Fee incomes related to corporate (include group companies)

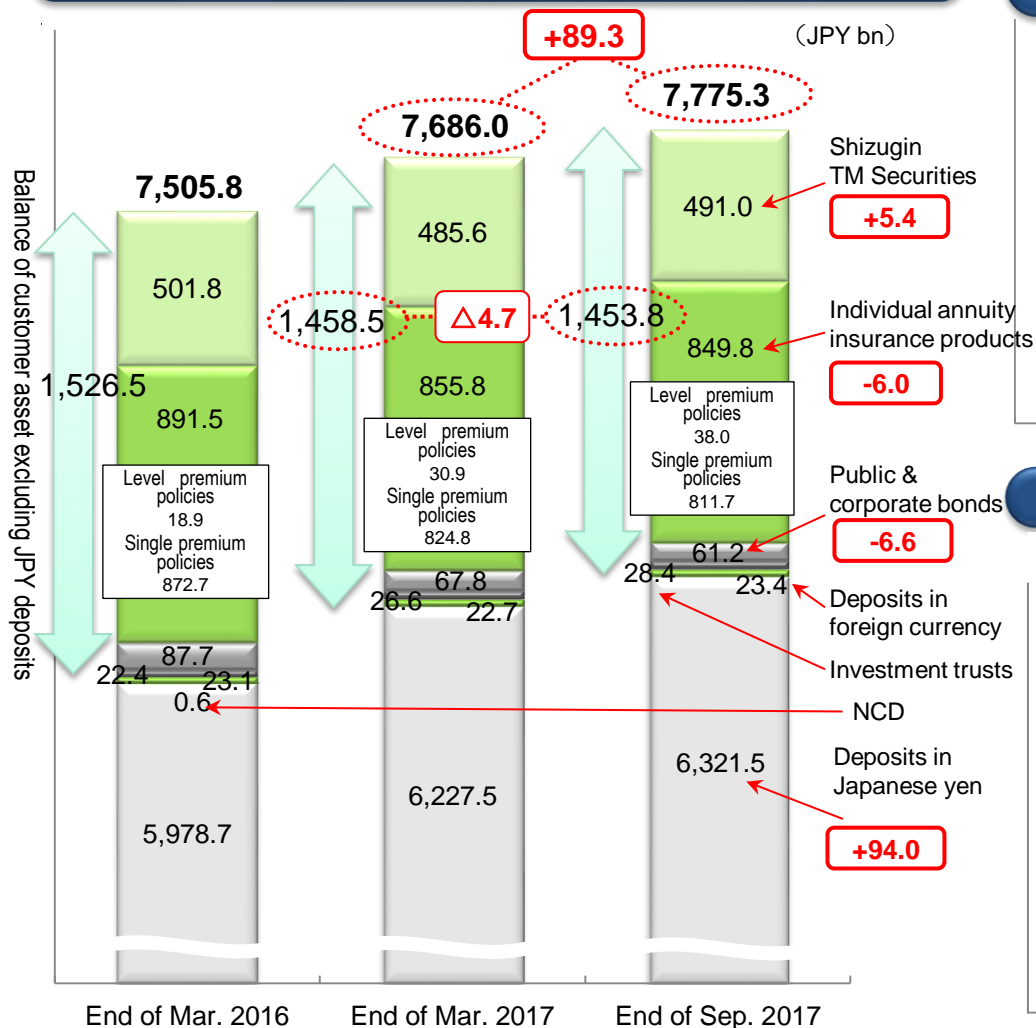
- Ordinary revenue of Shizugin Management Consulting (JPY bn)
- Private placement bond, syndicated loan, commitment line
- Market credit investment, etc.
- Others (covenants loan and loan for corporate, etc.)



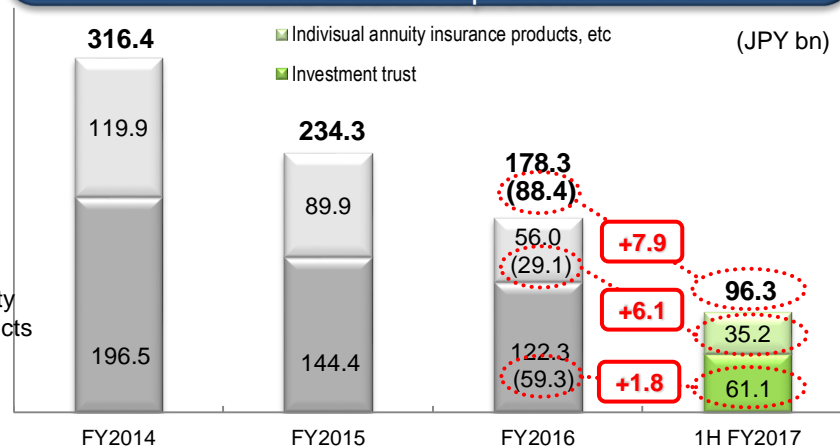
Customer assets

- Customer assets (including the balance of Shizugin TM Securities) at the end of Sep. 2017 was JPY 7,775.3bn (JPY +89.3bn from the end of Mar. 2017), of which balance of customer asset excluding JPY deposits was JPY 1,453.8bn (-JPY 4.7bn, of which individual annuity insurance products were JPY -6.0bn, public & corporate bonds JPY -6.6bn, Shizugin TM Securities JPY +5.4bn)

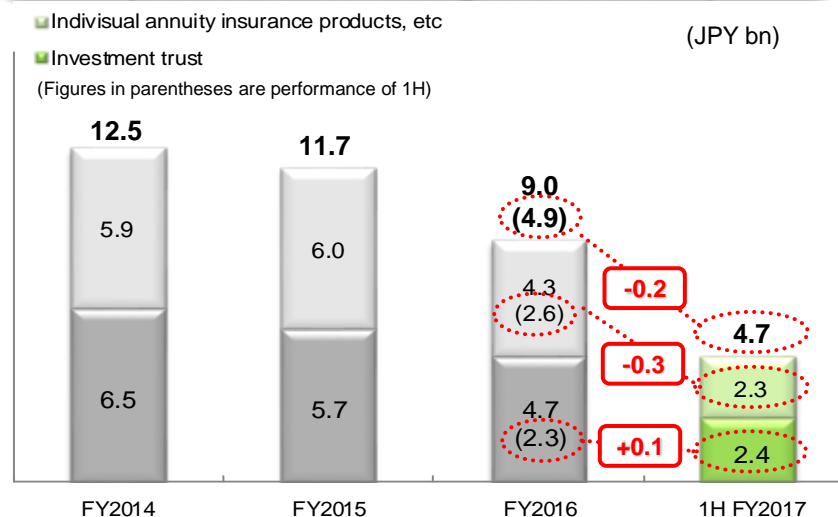
Customer assets (term-end balance)



Sales and fee income from offering investment trusts and insurance products



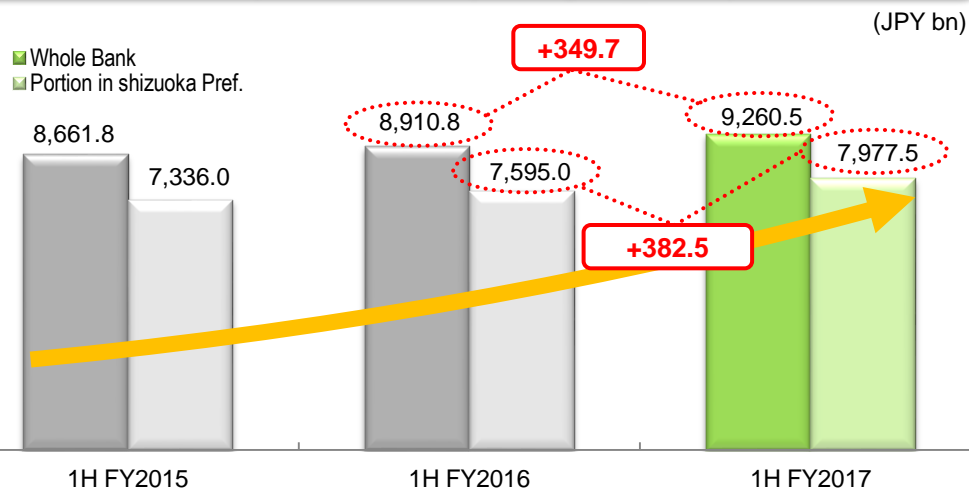
Fee incomes of customer assets (Shizuoka Bank / Shizugin TM Securities)



Deposits

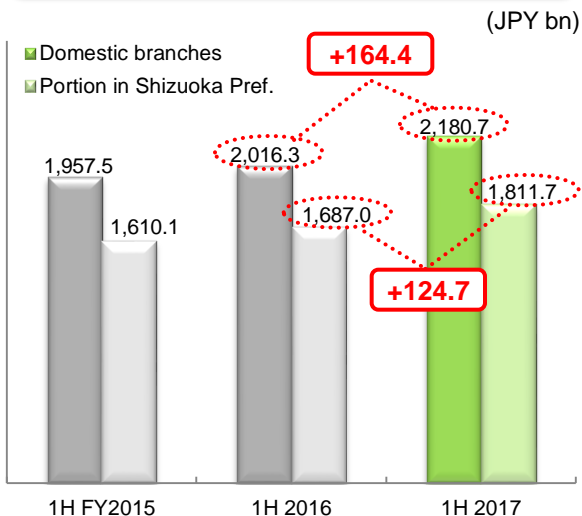
- Deposit balance (average balance) of 1H FY2017: JPY 9,260.5bn, up JPY 349.7bn(+3.9%) YoY
- NCD balance (average balance) of 1H FY2017: JPY 177.8bn, up JPY 18.8bn YoY

Deposit balance (average balance)

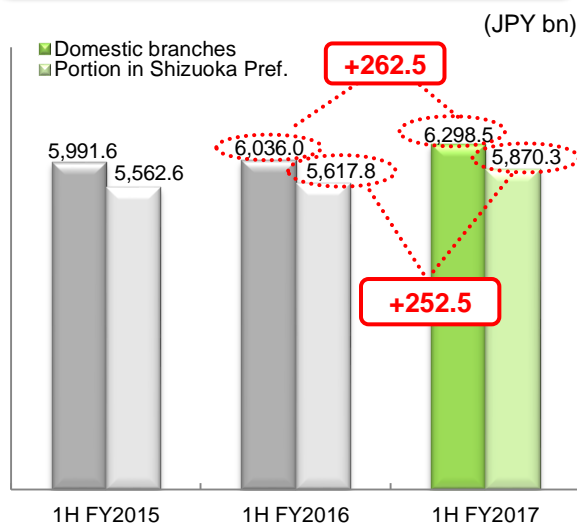


	Average balance	YoY change	Annual growth rate
Total deposit balance	9,260.5bn	+349.7bn	+3.9%
Deposit balance in Shizuoka	7,977.5bn	+382.5bn	+5.0%
Corporate deposit balance	2,180.7bn	+164.4bn	+8.1%
Retail deposit balance	6,298.5bn	+262.5bn	+4.3%
Portion in Internet branch	466.5bn	+65.7bn	+16.3%
NCD	177.8bn	+18.8bn	+11.8%

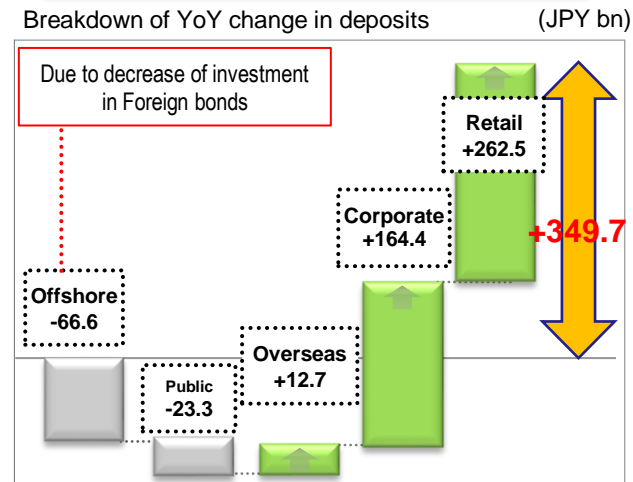
Corporate deposit balance (average balance)



Retail deposit balance (average balance)



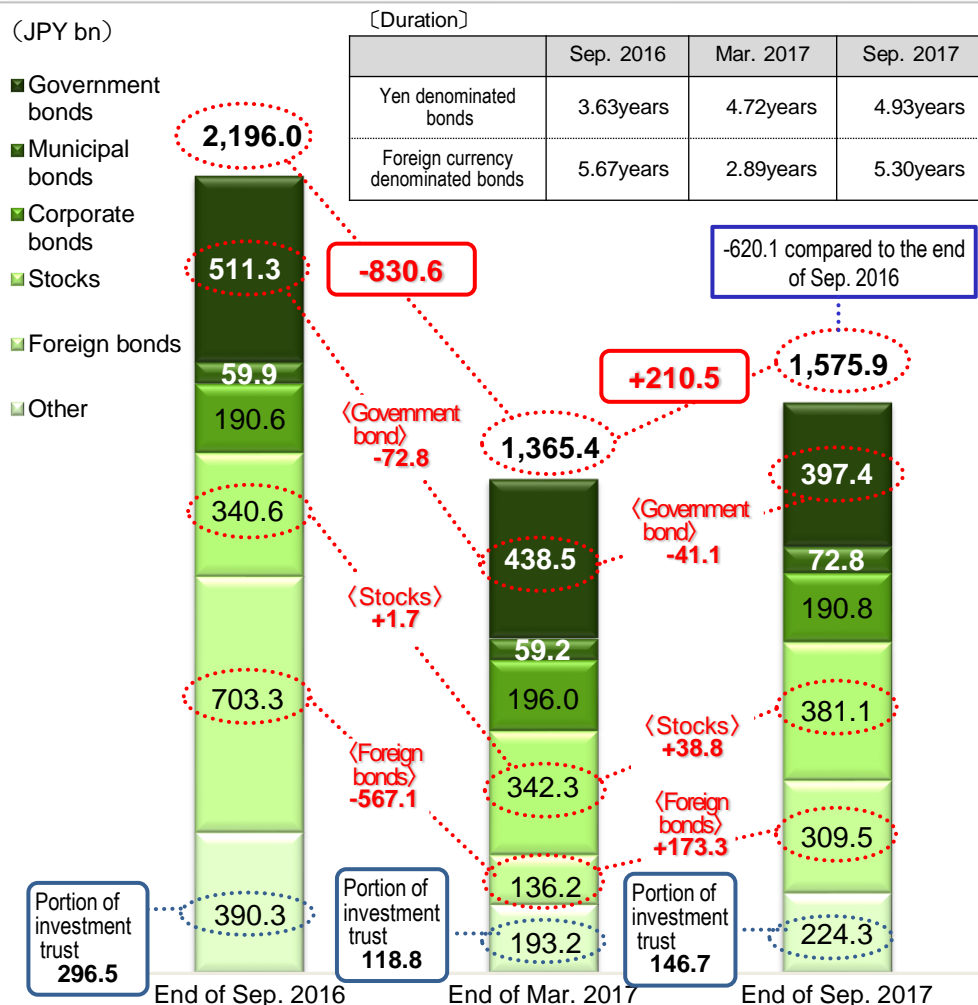
Breakdown of year-on-year changes in deposits balance (average balance)



Securities

- Total balance of securities (term-end balance) at the end of Sep. 2017 : JPY 1,575.9bn (JPY- 620.1bn from the end of Sep. 2016)
- The balance has decreased by loss of foreign bonds etc. in 1H FY2016. The Bank reconstructed the securities portfolio by carefully watching the market trend in 1H FY2017

Securities



Gains and losses on securities

(JPY bn)	1H FY2016	1H FY2017	Increase/Decrease
Gains on investment trusts	1.8	2.3	+0.5
Gains and losses on bonds such as JGBs	12.3	0.4	-11.9
Gain on sell of bonds such as JGBs	13.2	0.8	-12.4
Loss on sell of bonds such as JGBs(-)	0.9	0.3	-0.6
Gains and losses on stocks	0.0	4.2	+4.2
Gain on sell of stocks	0.0	4.2	+4.2
Devaluation of stocks (-)	0.0	0.0	+0.0

Unrealized gains and losses on securities

(JPY bn)	End of Sep. 2016	End of Mar. 2017	End of Sep. 2017	Change from the end of Mar. '17
Unrealized gains and losses on securities	+216.0	+230.9	+273.7	+42.8
Stocks	+206.2	+222.8	+265.0	+42.2
Bonds	+11.0	+5.8	+4.7	-1.1
Other	-1.2	+2.3	+4.0	+1.7
Foreign bonds	+2.2	+0.0	-0.2	-0.2
Investment trusts	-3.7	+1.6	+3.6	+2.0

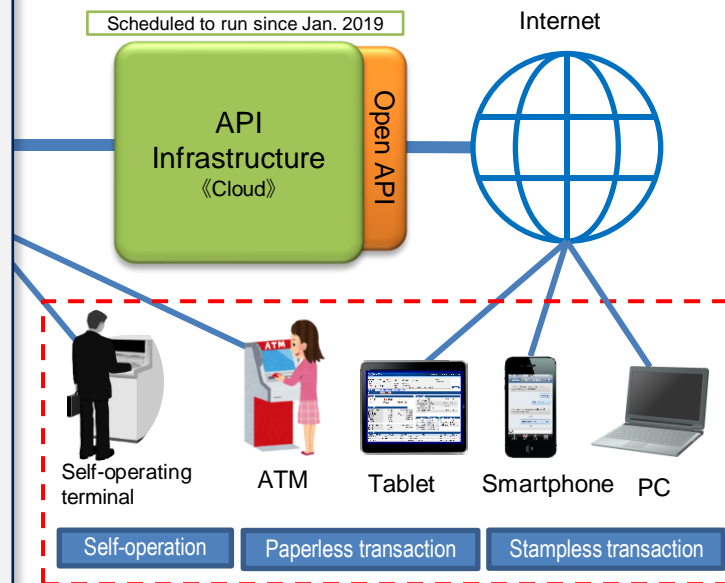
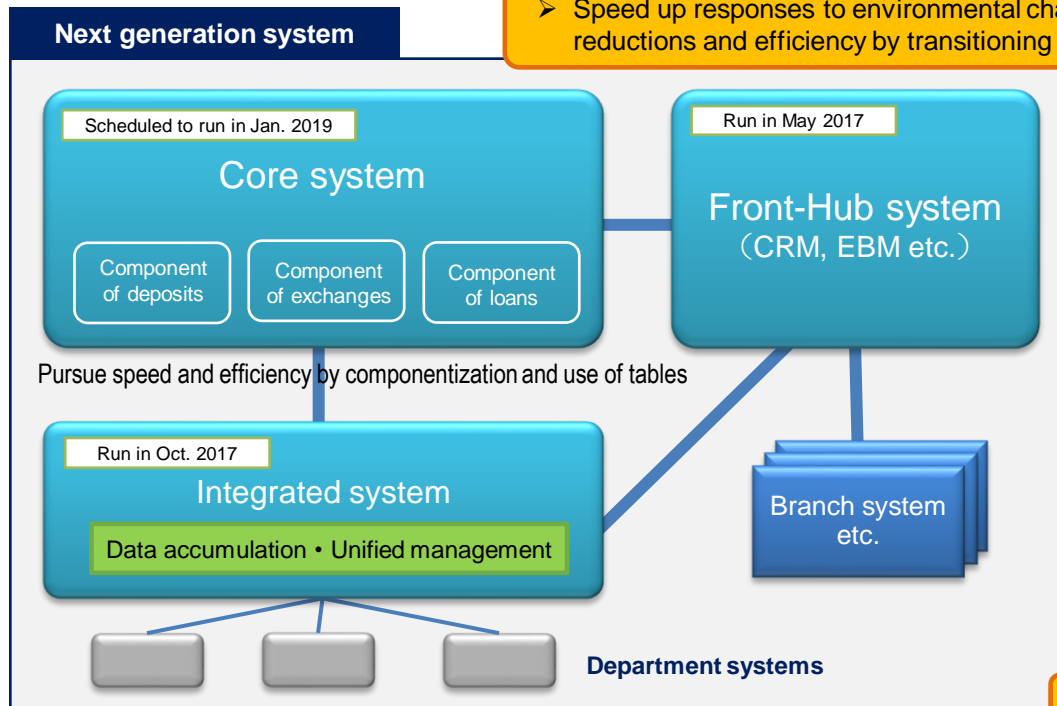
Next Generation System(1) -Outline

- Speed up responses to environmental changes through shorter development periods and realize cost reductions and efficiency by transitioning to open systems and simplifying system architecture

Open system

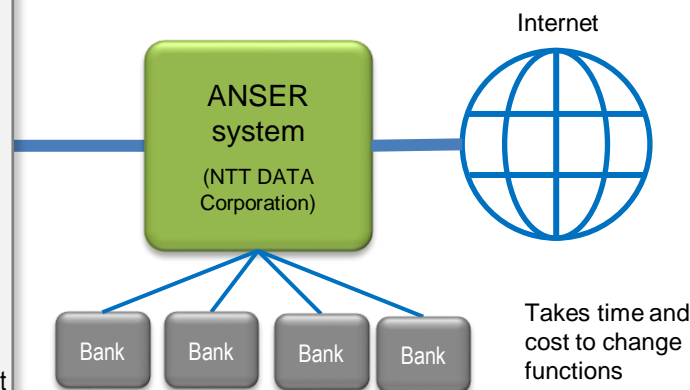
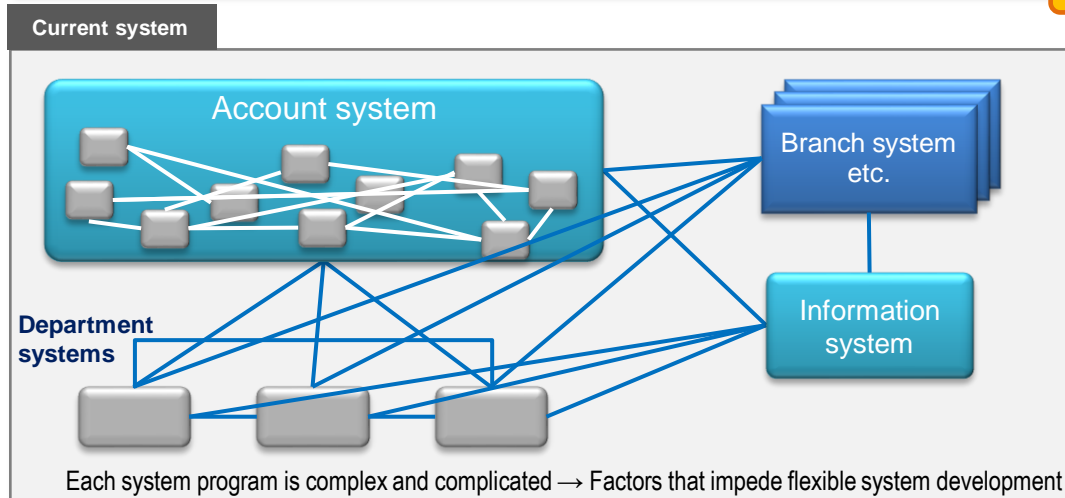


Main frame system



- Realize Location-free Bank (Omni channel)

All transactions can be completed through every channel at anytime, anywhere



Next Generation System (2) -Expected effect

**Effect of cost reduction
by the system**



**Initiatives newly enabled
by the system**

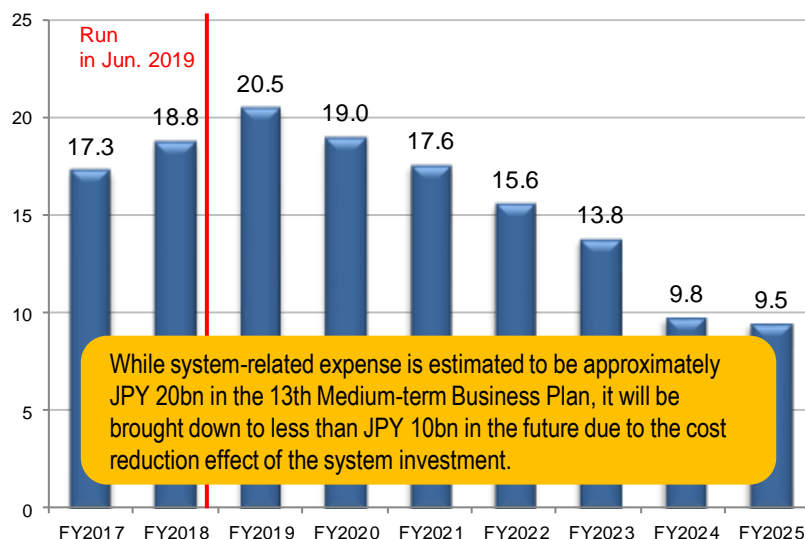
System expenses reduction in the future

Suppress the system related expenses in the future
⇒ **Reduction effect : JPY3bn per year**

Reduce development cost by introducing open design and API, integrating the existing division systems, and adopting weight-saving development method

【System related expenses simulation】

(JPY bn)



Expansion of top line

Realize market-in relation

- Expand customer base mainly in the nation-wide market
- Realize location-free transaction by omni channel

Realize new Region-based Relationship Banking (Digital market)

- Enhance convenience for customers and activate local economy by offering Fintech services through open innovation
 - Expand profits on nation-wide market in 13th Medium-term Business Plan : JPY7bn-8bn
 - Internet Branch
182K accounts (Sep. 2017) ⇒ 500K accounts
Pioneer profit opportunities by expanding customer base

Productivity Improvement

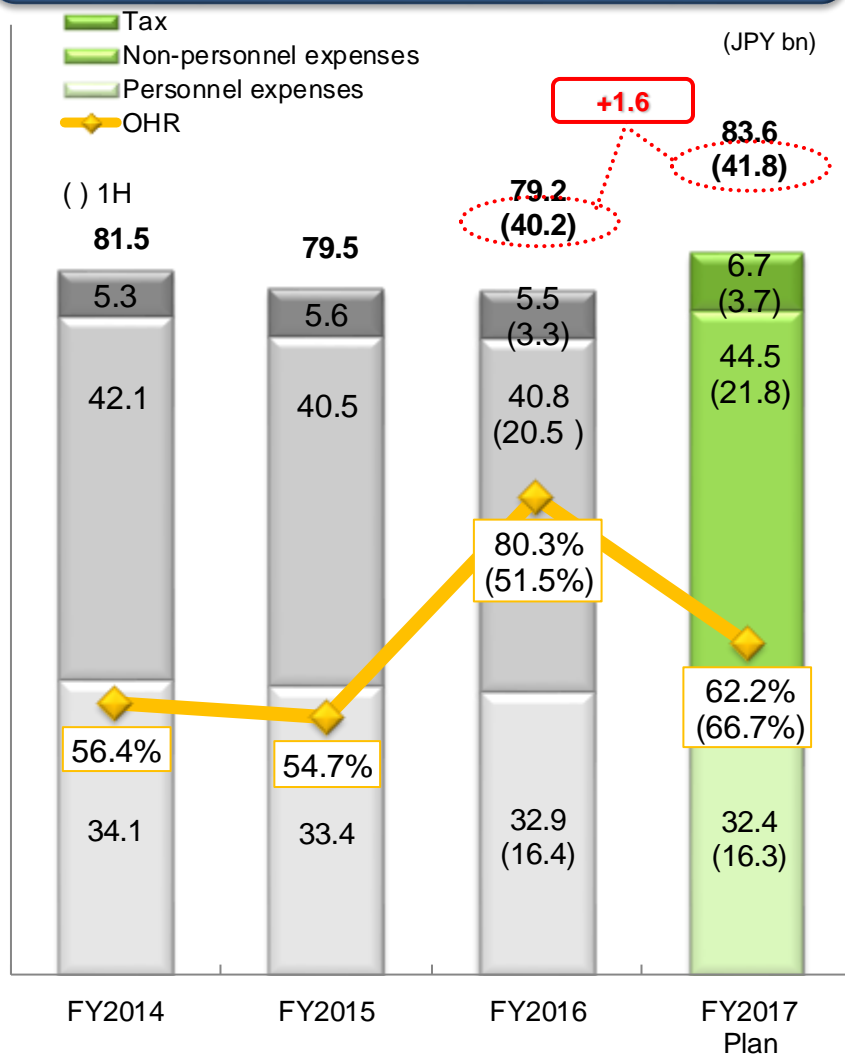
Improve operational efficiency

- Decrease mistakes in office work by simplifying businesses and lowering operational burden of operation → Realize decrease in cost and increase in efficiency
- BPR so far has advanced concentration of completing office work
 - 10th Medium-term Business Plan: Decrease 57% of businesses in branches
 - 11th Medium-term Business Plan: Decrease 63% of time required for businesses related to housing loan
- Intend to further enhance efficiency of businesses by introducing RPA in office work departments in the head quarter, and re-allocate human resources

Expenses

- Expenses of 1H FY2017: JPY 41.8bn (JPY +1.6bn YoY), OHR of 1H FY2017: 66.7% (+15.2 percent point YoY)
- System related expenses (depreciation expenses, maintenance fees, and consumption tax involved with investment) increased

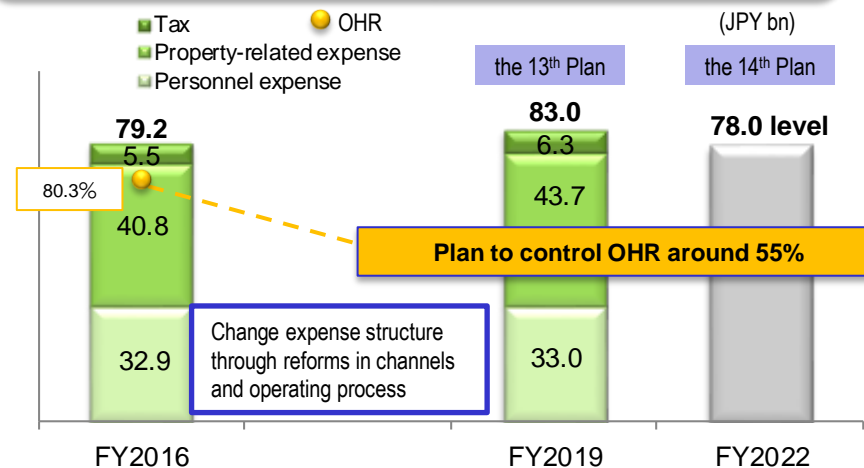
Expenses and OHR (annual basis)



Main factors for change of expenses

	YoY change	Main factors	
Tax	JPY+0.4bn	Consumption tax JPY +0.6bn	Expenses related with systems JPY +2.3bn
Non-personnel expenses	JPY+1.3bn	Depreciation expenses JPY +1.0bn Maintenance fee of systems JPY+ 0.6bn	
Personnel expenses	JPY-0.1bn	Factor of number of employees JPY- 0.1bn	
Total	JPY+1.6bn		

Plan of expenses



Credit-related costs

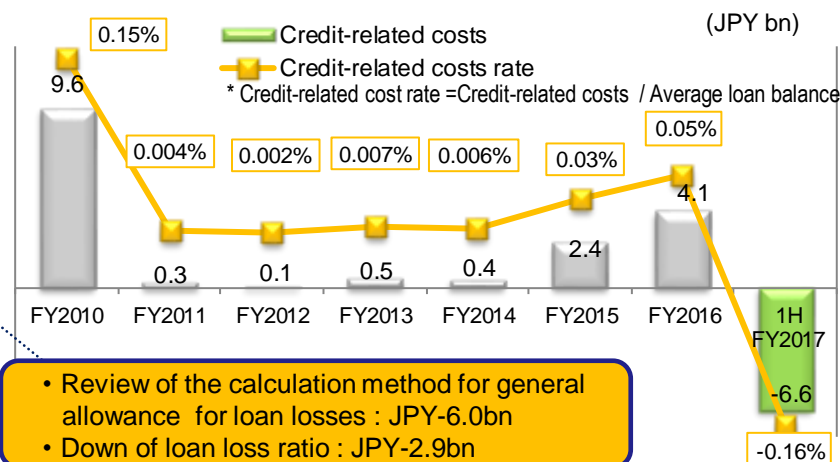
- Credit-related costs in 1H FY2017: JPY -6.6bn (down JPY -9.7bn YoY)

Breakdown of credit-related costs

(JPY bn)	1H FY2016	1H FY2017	YoY change
Provision for general allowance for loan losses (1)	0.2	[-8.9] -	[-9.1] -0.2
Provision for specific allowance for loan losses (2)	2.4	[2.2] -	[-0.2] -2.4
Other non-performing loans (NPL) disposal *1 (3)	0.5	0.1	-0.4
Gain on reversals from loan loss reserves *2 (4) : (1)+(2)	-	6.8	+6.8
Credit-related Costs (3)+(4)	3.1	-6.6	-9.7

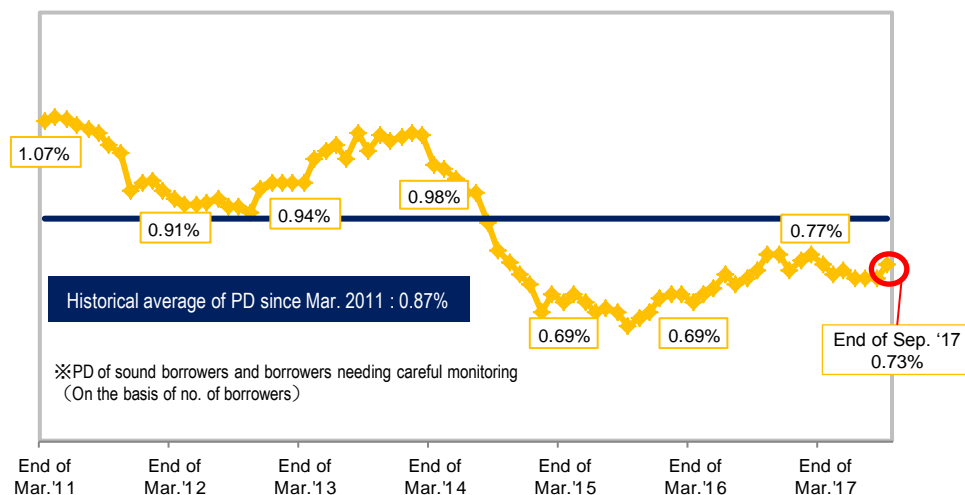
- *1 Including provision for the estimated future payments to credit guarantee corporations, provision for allowance for accidental losses, and losses on sell of loans
- *2 Gain on reversals from loan loss reserves shows the net amount for provision for general allowance for loan losses and provision for specific allowance for loan losses
[Figures in parentheses is the amount before netting]

Credit-related costs and Credit-related cost rate

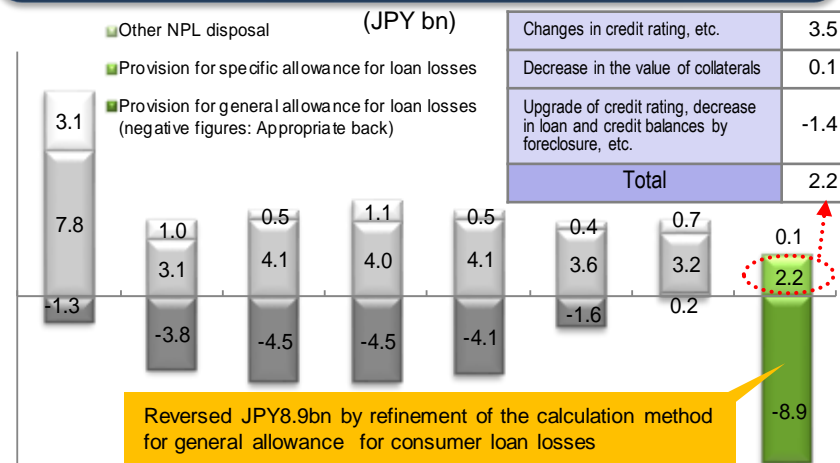


- Review of the calculation method for general allowance for loan losses : JPY-6.0bn
- Down of loan loss ratio : JPY-2.9bn

Probability of Default (PD)



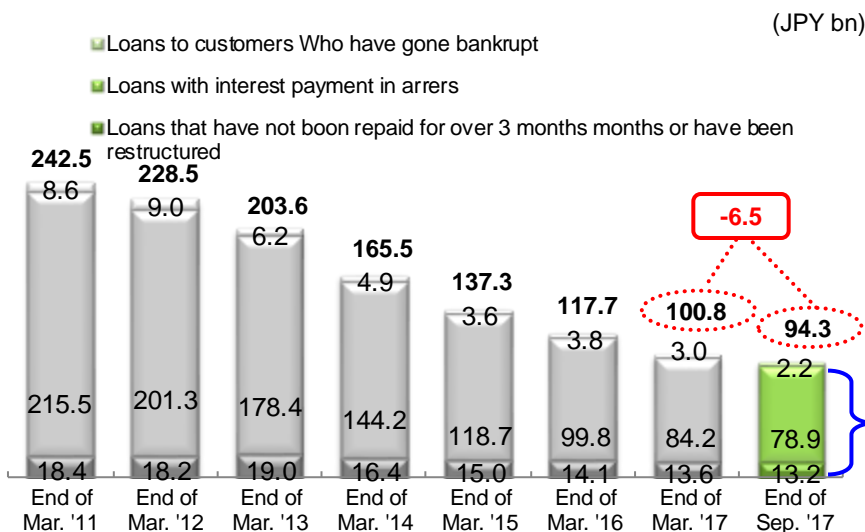
Provision for allowance for loan losses and other NPL disposal



Risk-management loans

- Total risk-management loans at the end of Sep. 2017: JPY 94.3bn, the ratio of risk-management loans: 1.15% (the lowest in the Bank's history)
- Net risk-management loans: JPY 11.9bn, the ratio of net risk-management loans: 0.14%
- The fact that balance of risk-management loans is steadily reducing from the peak balance of JPY 242.5bn after the collapse of Lehman Brothers shows that the Bank has maintained its soundness in assets.

Trends in Risk-management loans



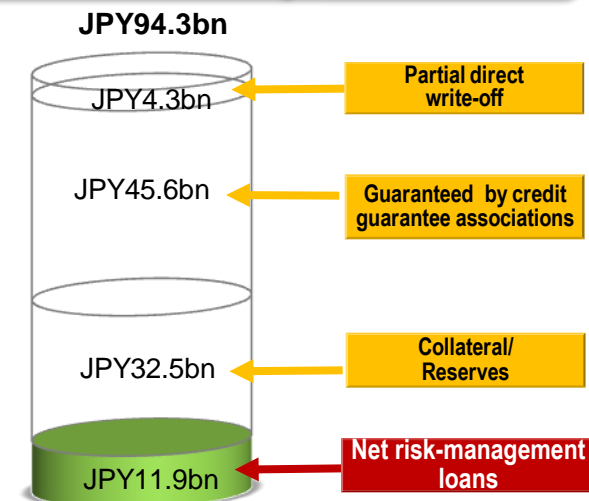
*Borrowers classified as "at risk of failure" and borrowers classified as "practically bankrupt" are written as "loans with interest payment in arrears" among the debtor division in accordance with Banking Act

[Delinquency ratio]

In arrears
19%

Not in arrears
81%

Net risk-management loans



NPL removal from the balance sheet

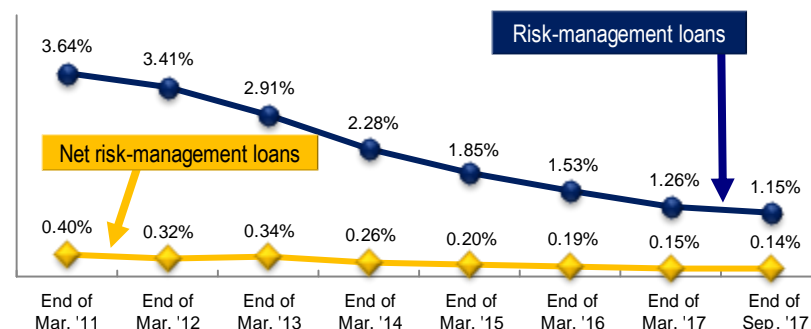
(JPY bn)	FY2016	1H FY2017
New recognition of NPLs	+25.4	+12.5
Removal from the balance sheet (NPL to borrowers classified as "at risk of failure" or riskier categories)	-42.3 (-39.1)	-19.1 (-17.2)
Risk-management loans	100.8	94.3

-6.5

[Breakdown of JPY -17.2bn] (JPY bn)

Collected from borrower/ set off against deposit account	-2.3
Collateral disposal/ subrogated to guarantor	-6.0
Reclassified to better categories	-6.7
Loans sold-off	-1.9
Direct write-off of loans	-0.4

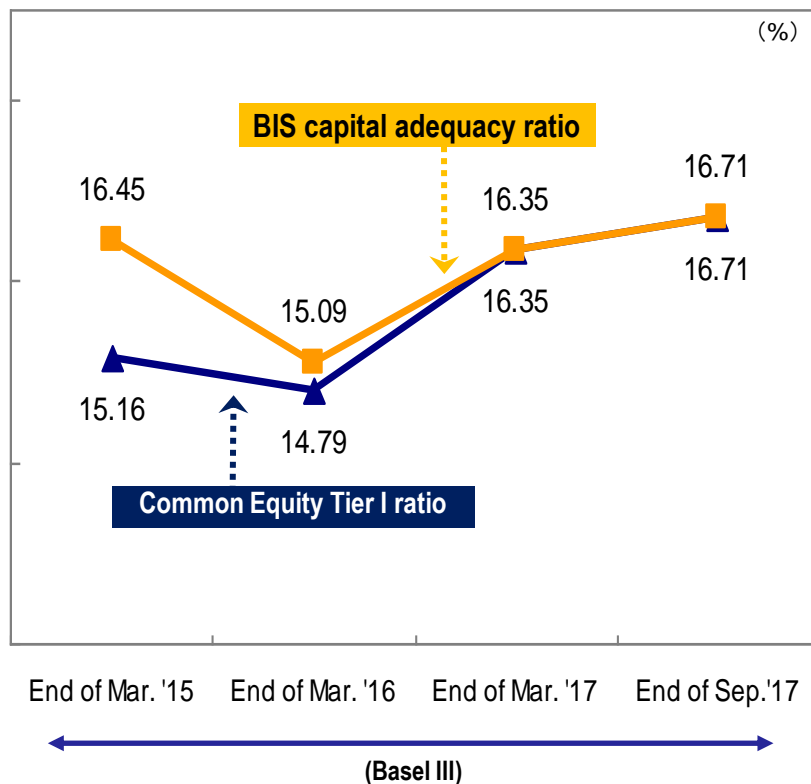
The ratio of risk-management loans



Capital adequacy ratio

- Both Basel III capital adequacy ratio and Common Equity Tier I ratio at the end of Sep. 2017 are 16.71%, up 0.36 percent point from the end of Mar. 2017.

BIS capital adequacy ratio (consolidated basis)



Outlier ratio (nonconsolidated basis)

Amount of maximum risk	Tier I + Tier II	Outlier ratio
JPY 45.8bn	JPY 829.8bn	5.52%

Changes in capital and risk-adjusted assets

	(JPY bn)			
[Basel III]	End of Mar. '16	End of Mar. '17	End of Sep. '17	Change from the end of Mar. '17
Capital*	835.1	850.8	886.4	+35.6
Common Equity Tier I	818.1	850.8	886.4	+35.6
Other Tier I	0.0	0.0	0.0	±0
Tier II	17.0	0.0	0.0	±0
Risk-adjusted assets	5,530.5	5,202.8	5,304.6	+101.8
Total credit-risk adjusted assets	5,220.2	4,895.5	5,001.2	+105.7
Amount corresponding to market risk	11.9	15.2	13.4	-1.8
Amount corresponding to operational risk	298.5	292.1	289.9	-2.2

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

[Other index related to the Basel III]

(End of Sep. 2017)

- Liquidity coverage ratio (consolidated): 174.1% (Regulatory level 80% and over)
- Leverage ratio (consolidated): 7.59% (ditto 3% in trial period)

Shareholder return (1) - Profit distribution

- The Bank plans to distribute JPY 20 as annual dividend, and completed share buyback in Aug. – Oct. 2017 (Buyback period: Aug.29 – Oct.6, 2017, no. of shares repurchased: 10mil, buyback amount: JPY 9,736mil)
- The Bank maintains the target shareholder return ratio of “50% level in medium and long term ” under the 13th Medium-term Business Plan

Dividend trends

	FY2014	FY2015	FY2016	FY2017E
Annual dividend per share (Interim dividend)	JPY16.00 (JPY8.00)	JPY20.00 (JPY10.00)	JPY20.00 (JPY10.00)	JPY20.00 (JPY10.00)

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

Profit distribution to shareholders

	FY2014	FY2015	FY2016	FY2017E	(JPY bn) FY '07 – '16 (10years)
Annual dividend (1)	9.9	12.3	12.2	11.9	Accumulated total 98.7
Repurchase of shares (2) (Shares bought back: million shares)	11.3 (10)	7.0 (5)	8.5 (10)	9.7 (10)	Accumulated total 103.9
Shareholder returns (3)=(1)+(2)	21.2	19.3	20.7	21.6	Accumulated total 202.6
Net income (4)	42.6	44.0	24.4	38.0	Accumulated total 344.8
Dividend payout ratio (1)/(4)x100	23.24%	27.91%	49.83%	31.29%	Average 28.63%
Shareholder return ratio (3)/(4)x100	49.82%	43.82%	84.60%	56.91%	Average 58.76%

Shareholder return ratio under the 12th Medium-term Business Plan 55.10%

[Reference]

					Average in 5years
ROE (Consolidated : Net income basis)	5.74%	5.18%	3.15%	-	5.37%

“Average” means weighted average

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

- The bank has regularly bought its own shares since FY1997, resulting in accumulated number of shares repurchased of 216mil.
- In FY2017 the Bank bought back 10mil shares by Oct. 6, 2017

Historical share buybacks

At the end of Sep. 2017

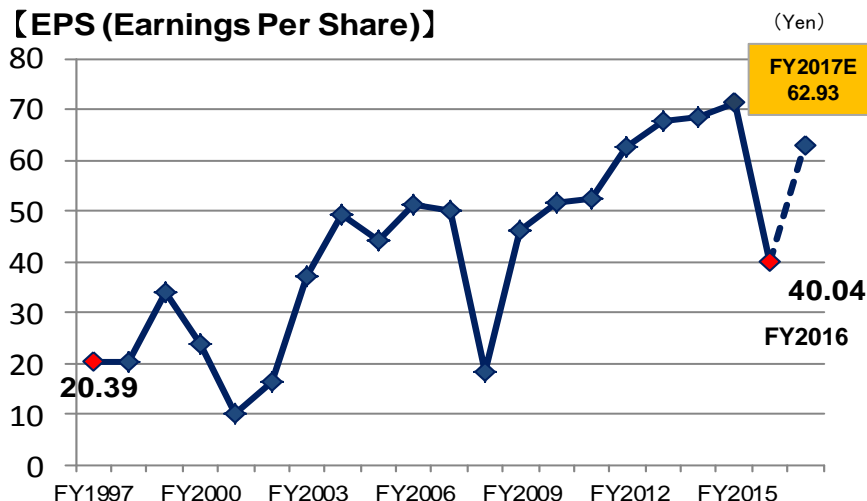
No. of outstanding shares (including treasury stocks) : 645,129 thousand,

No. of treasury stocks : 49,784 thousand

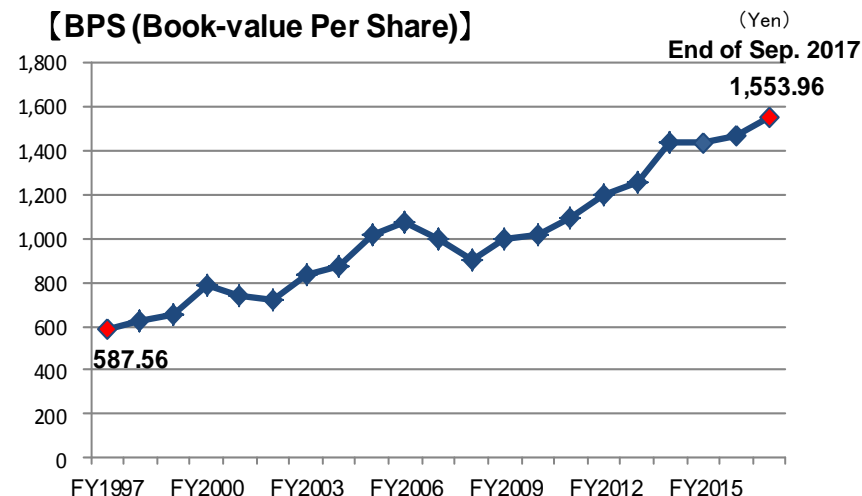
	Shares bought back (thousand shares)	Repurchase amount of shares (JPY mil)	Number of shares cancelled (thousand shares)	Cancellation amount (JPY mil)	Shareholder return ratio (%)
FY1997-FY2014 (Accumulated total)	191,044	179,874	140,404	128,892	48.5
FY2015	4,767	6,999	—	—	43.8
FY2016	10,000	8,496	20,000	20,578	84.6
FY2017 (As of Oct. 31, 2017)	10,000	9,736	—	—	—
Total	215,811	205,106	160,404	149,470	—

Bought 27% of outstanding shares at the end of Mar. 1997

【EPS (Earnings Per Share)】



【BPS (Book-value Per Share)】



Shareholder return (3) - Share buybacks (Time series data)

- We have regularly bought shares back since FY1997, with a total of 216 million shares repurchased over the same period

	Shares bought back (thousand shares)	Repurchase amount of shares (JPY mil)	Number of shares cancelled (thousand shares)	Cancellation amount (JPY mil)	Shareholder return ratio (%)
FY1997	7,226	9,997	7,226	9,997	90.3
FY1998	6,633	9,142	6,633	9,142	86.7
FY1999	8,357	9,143	8,357	9,143	51.4
FY2000	24,954	23,281	24,954	23,281	152.0
FY2001	8,234	8,267	8,234	8,267	165.4
FY2002	29,928	23,107	—	—	229.4
FY2003	10,712	8,566	30,000	23,381	50.8
FY2004	—	—	—	—	17.1
FY2005	—	—	—	—	22.5
FY2006	—	—	—	—	25.3
FY2007	10,000	12,621	10,000	10,130	61.8
FY2008	—	—	—	—	70.8
FY2009	5,000	3,996	5,000	4,638	40.6
FY2010	20,000	14,980	20,000	15,957	67.2
FY2011	20,000	14,575	—	—	67.6
FY2012	10,000	8,239	20,000	14,953	43.9
FY2013	20,000	22,642	—	—	75.7
FY2014	10,000	11,315	—	—	49.8
FY2015	4,767	6,999	—	—	43.8
FY2016	10,000	8,496	20,000	20,578	84.6
FY2017	10,000	9,736	—	—	—
Total	215,811	205,106	160,404	149,470	—

Projected performance in FY2017

(JPY bn)

【Consolidated】

	FY2016 (A)	FY2017E (B)	YoY (B-A)
Ordinary profit (Except for a lump-sum write-down on the unamortized balance of goodwill)	47.1 (59.2)	66.0	+18.9 (+6.8)
Net income (Except for a lump-sum write-down on the unamortized balance of goodwill)	29.3 (41.4)	46.0	+16.7 (+4.6)

(JPY bn)

【Nonconsolidated】

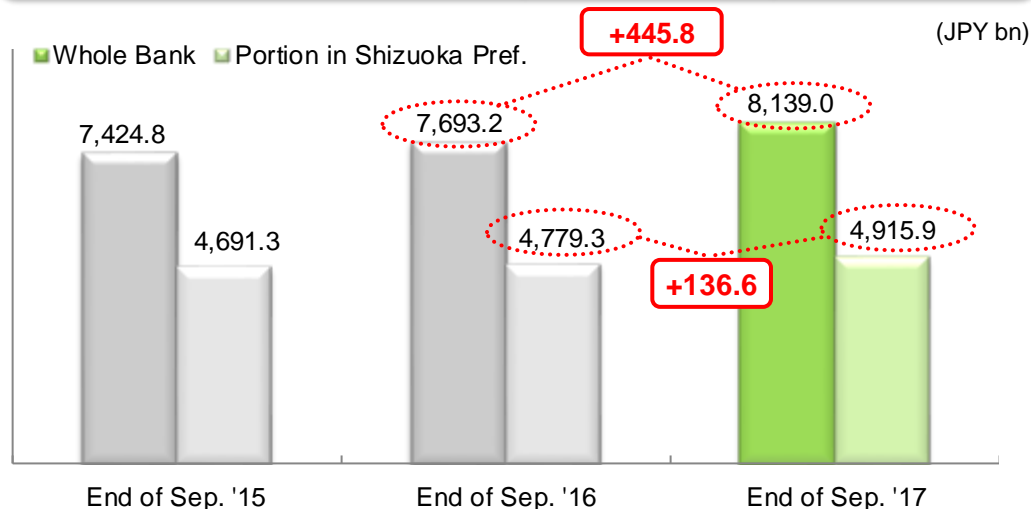
	FY2016 (A)	FY2017E (B)	YoY (B-A)
Gross operating profit	98.6	134.5	+35.9
Net interest income	109.5	113.6	+4.1
Fees and commissions	15.2	15.3	+0.1
Trading income	0.3	1.0	+0.7
Other operating profit (Bond-Related income such as JGBs)	-26.4 (-30.1)	4.6 (3.5)	+31.0 (+33.6)
Expenses (-)	79.2	83.6	+4.4
Provision for general allowance for loan losses (-)	0.2	-	-0.2
Net operating profit	19.2	50.9	+31.7
Special profit and loss	32.6	4.1	-28.5
Ordinary profit	51.8	55.0	+3.2
Net income (Except for loss on valuation of stocks of subsidiaries and affiliates)	24.4 (36.8)	38.0	+13.6 (+1.2)
Credit-related costs (-)	4.1	-0.8	-4.9

Reference

Loans - Term-end balance

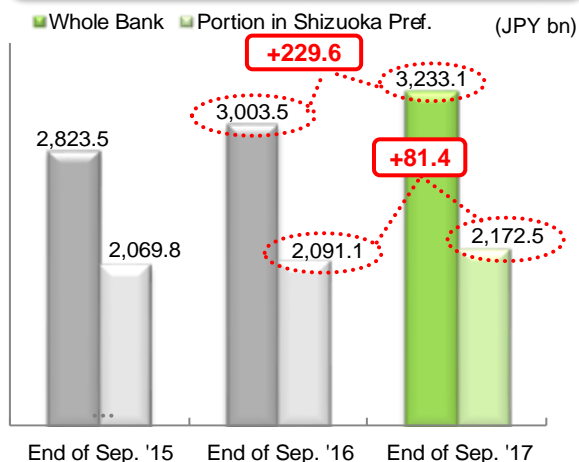
- Total loan balance (term-end balance) of 1H FY2017: JPY 8,139.0bn, up JPY 445.8bn (+5.7%) YoY

Total loan balance (term-end balance)

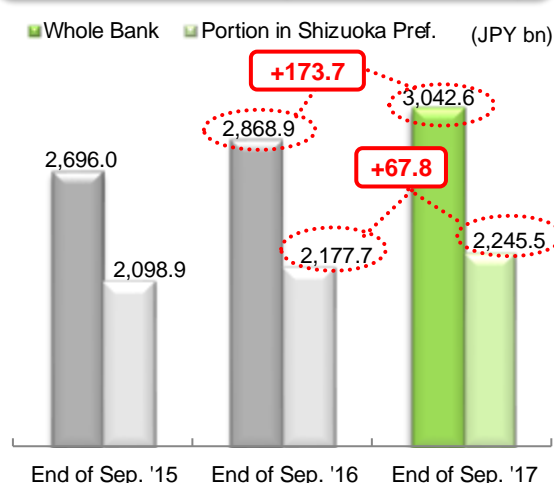


	Term-end balance	Change from the end of Sep. '16	Annual growth rate
Total loan balance	8,139.0bn	+445.8bn	+5.7%
SMEs loan balance	3,233.1bn	+229.6bn	+7.6%
Retail loan balance	3,042.6bn	+173.7bn	+6.0%
Large and Medium sized enterprises	1,487.0bn	+18.7bn	+1.2%
Loan balance in foreign currency	605.1bn	+48.0bn	+8.6%

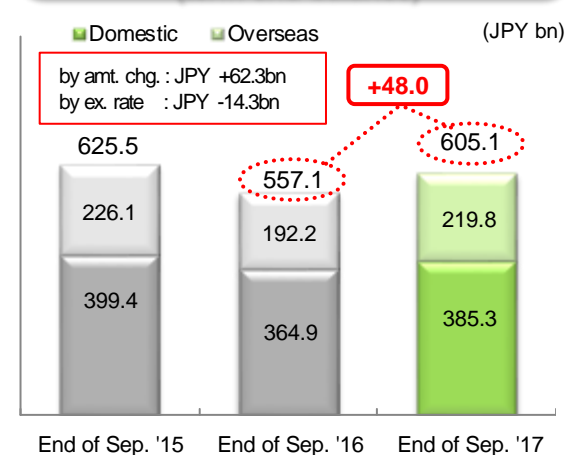
SMEs loan balance (term-end balance)



Retail loan balance (term-end balance)



Loan balance in foreign currency (term-end balance)



Loans - Loans by industries

- Business loans to real estate account for approximately 12%, and those to each industry such as construction, leasing, and money lending and investment account for less than 10% of loan balance respectively. There is no concentrated exposure to any of these specific industries.
- Expected Loss (EL) for all industries : JPY 6.6bn (JPY 1.2bn for real estate and JPY 0.4bn for construction)
- Unexpected Loss (UL) for all industries : JPY 56.5bn

Contemporary status of business loans to particular industries

[Credit balance (as of the end of Sep. 2017)]

(JPY bn, %)

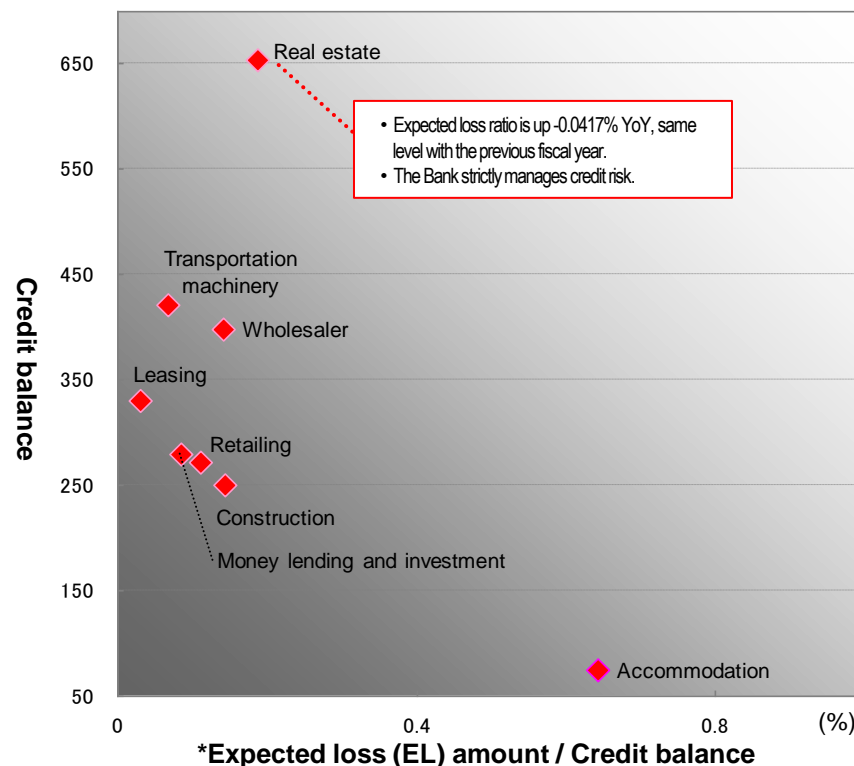
	Balance	Composition ratio	Change from the end of Mar. '17
All industries	5,431.0	100.0	+111.9
Real estate	653.6	12.0	+58.1
Wholesaler *	398.0	7.3	-1.7
Money lending and investment	279.0	5.1	+10.4
Transportation machinery	421.8	7.8	-14.3
Construction	249.8	4.6	-4.6
Retailer	272.2	5.0	-3.7
Leasing	330.6	6.1	+19.7
Accommodation	74.7	1.4	+2.7

* excluding a general trading companies

[Credit balance vs. expected loss rate*]

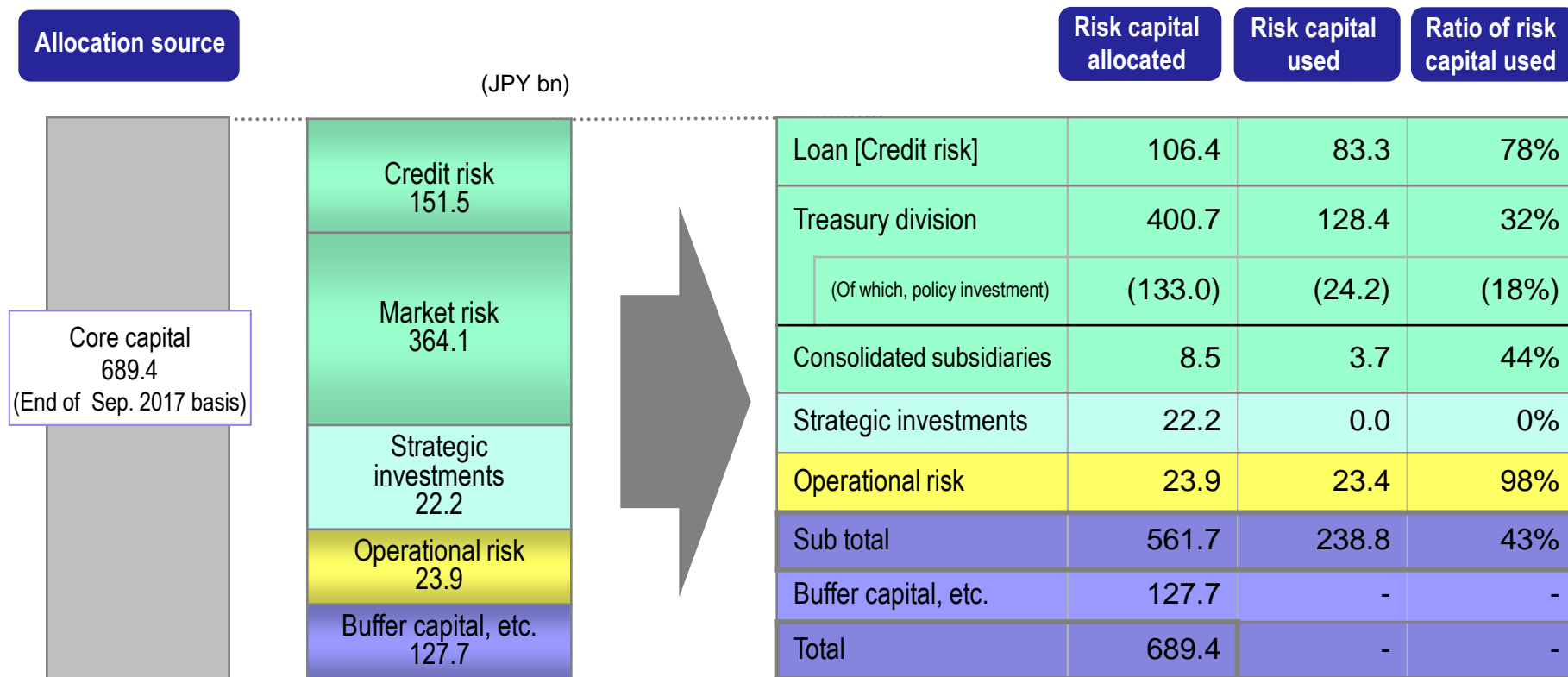
(JPY bn)

Excluding borrowers classified as "practically bankrupt" and below



Risk capital allocation

- Allocation of risk capital for 1H FY2017 (the end of Sep. 2017 basis) amounted to JPY 689.4bn, of which JPY 151.5bn was allocated to credit risk, JPY 364.1bn to market risk, JPY 22.2bn to strategic investments, and JPY 23.9bn to operational risk.
- JPY 83.3bn of risk capital was used for loans [credit risk], and JPY 128.4bn for the Treasury division



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

Group companies

- In 1H FY2017, the total ordinary revenue of 12 major consolidated subsidiaries was JPY 28.5bn (up JPY 2.1bn YoY) and the ordinary profit was JPY 4.9bn (up JPY 0.9bn YoY)

(JPY bn)

Company name	Business	Ordinary Revenue	YoY change	Ordinary Profit	YoY change
Shizugin Management Consulting Co., Ltd.	Corporate and financial management advisory services Bill collection services	0.7	+0.0	0.2	+0.0
Shizugin Lease Co., Ltd.	Leasing	14.7	+1.2	0.8	-0.0
Shizugin Computer Service Co., Ltd.	Computer system development and operation	1.9	-0.4	0.1	+0.0
Shizugin Credit Guaranty Co., Ltd.	Guarantee of housing loans, etc.	2.0	+0.3	1.5	+0.2
Shizugin DC Card Co., Ltd.	Credit card and guarantee of consumer loans	1.2	+0.1	0.3	+0.1
Shizuoka Capital Co., Ltd.	Public-offering assistance Support for corporate rehabilitation	0.2	-0.0	0.1	-0.0
Shizugin TM Securities Co., Ltd.	Securities	4.3	+0.8	1.7	+0.5
Shizuoka Bank (Europe) S.A.	Finance and securities-related services	0.3	+0.1	0.0	-0.0
Shizuoka Liquidity Reserve Ltd.	Acquiring financial debt	0.2	+0.1	0.2	+0.1
Shizugin General Service Co., Ltd.	Fee-based job placement service, general administration	0.5	+0.0	0.0	-0.0
Shizugin Mortgage Service Co., Ltd.	Appraisal of real estate for loan collateral Operation center for loans	0.9	+0.0	0.0	-0.0
Shizugin Business Create Co., Ltd.	Operation center for remittance and bill collection Part-time employee management	1.7	-0.1	0.0	-0.0
Total(12 companies)		28.5	+2.1	4.9	+0.9
Shizugin Saison Card Co., Ltd.*	Credit card and prepaid card Guarantee of consumer loans	1.2	+0.1	0.2	+0.0

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

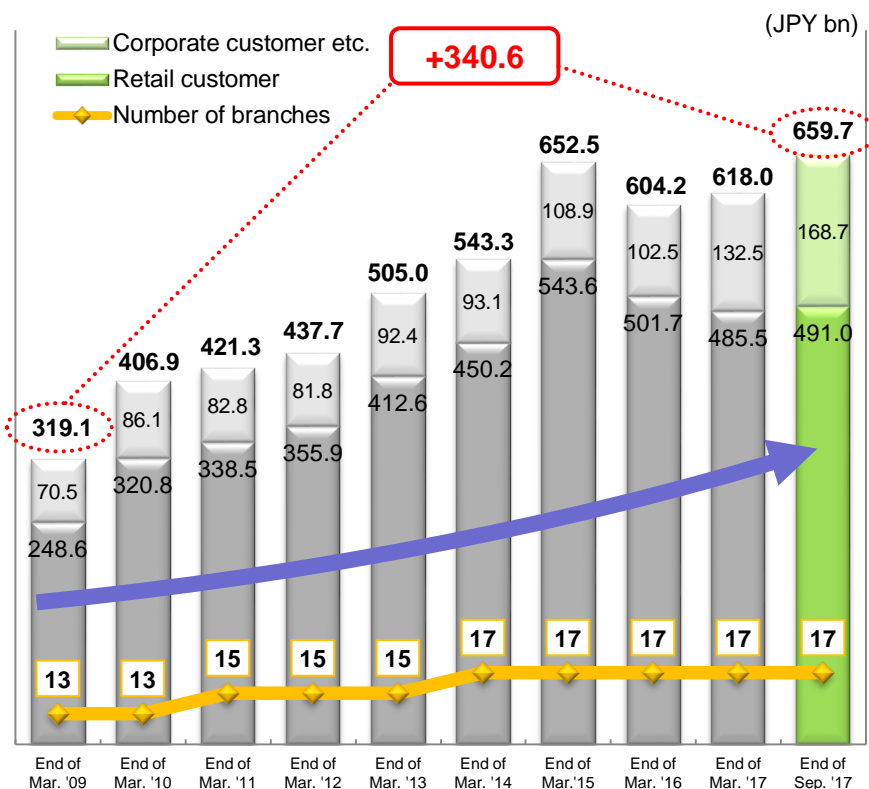
Shizugin TM Securities Co., Ltd.

- Shizugin TM Securities Co., Ltd (securities subsidiary) has expanded its scale and led Group revenue.
- Customer asset at the end of Sep. 2017 : JPY 659.7bn, up JPY 340.6bn for 8 years from the end of Mar. 2009 after the collapse of Lehman Brothers.

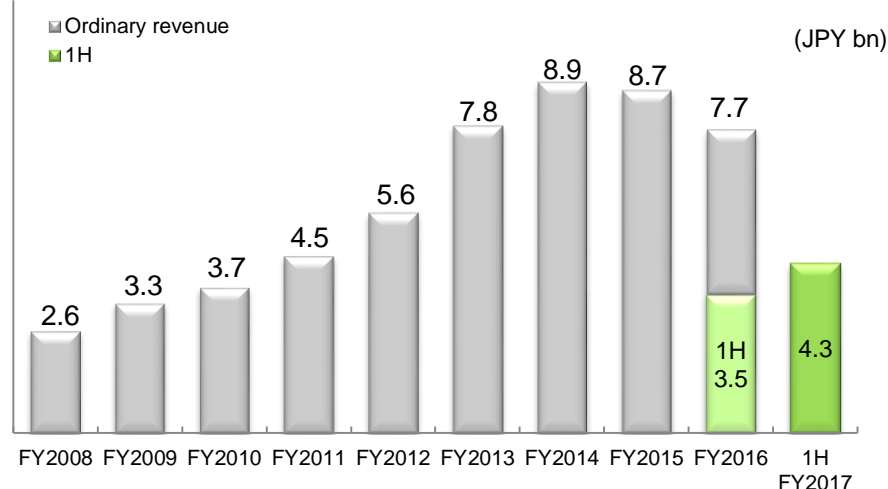
【Overview of Shizugin TM Securities, Co., Ltd.】

Establishment : December 2000
 Capital Stock : JPY 3.0bn
 Number of Branches : 17 (End of Sep. 2017)

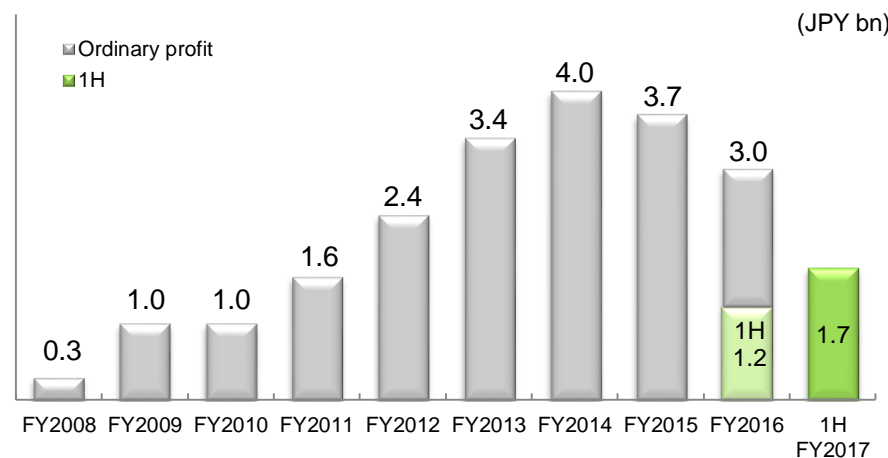
Customer asset (year-end balance) and number of branches



Ordinary revenue



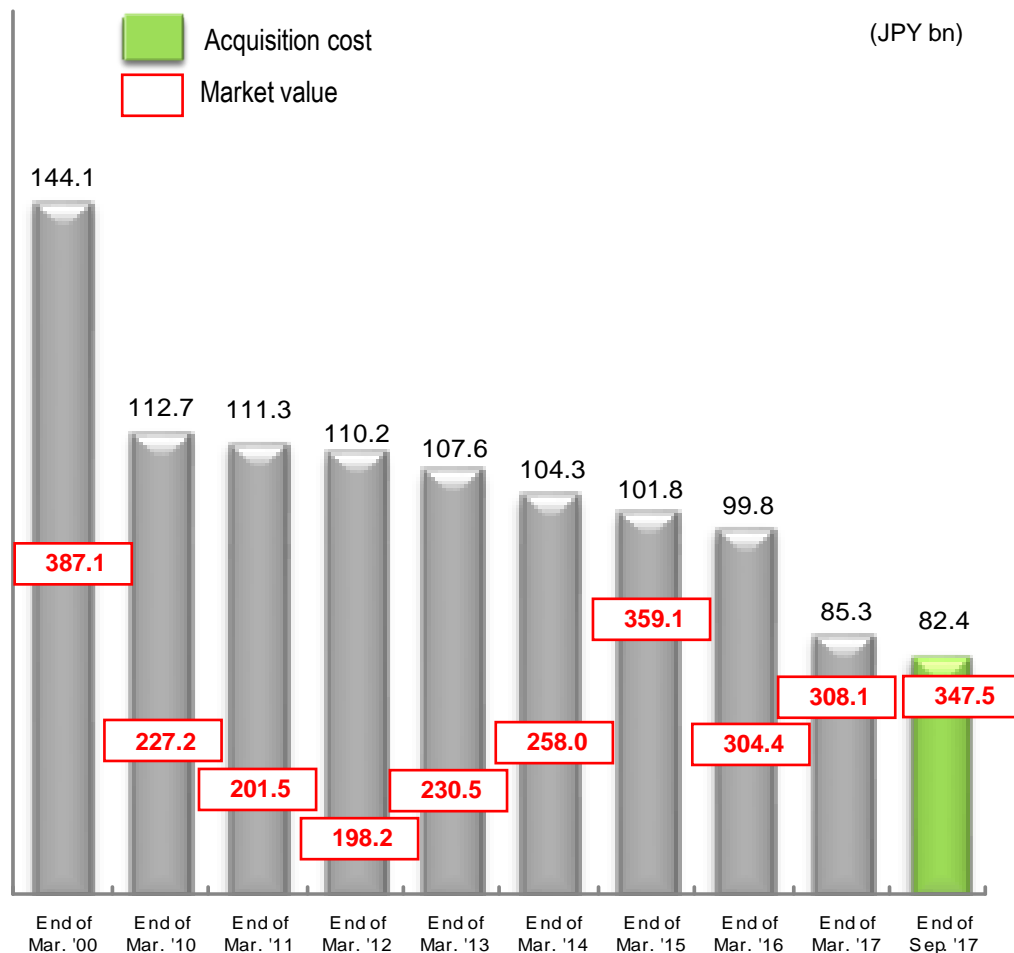
Ordinary profit



Strategic shareholdings

- Strategic shareholdings are limited to such stocks which is beneficial in terms of business investment, strengthening business relationships, or contributing to the regional economy.
- By reviewing the reasons and assessing the economic rationale for strategic shareholdings on a regular basis, the Bank has reduced the holding amount on the basis of acquiring cost.

Prime cost of strategic shareholdings*



*Except for equity method affiliate

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

Strategic shareholdings are limited to such stocks which is beneficial in terms of business investment, strengthening business relationships, or contributing to the regional economy.

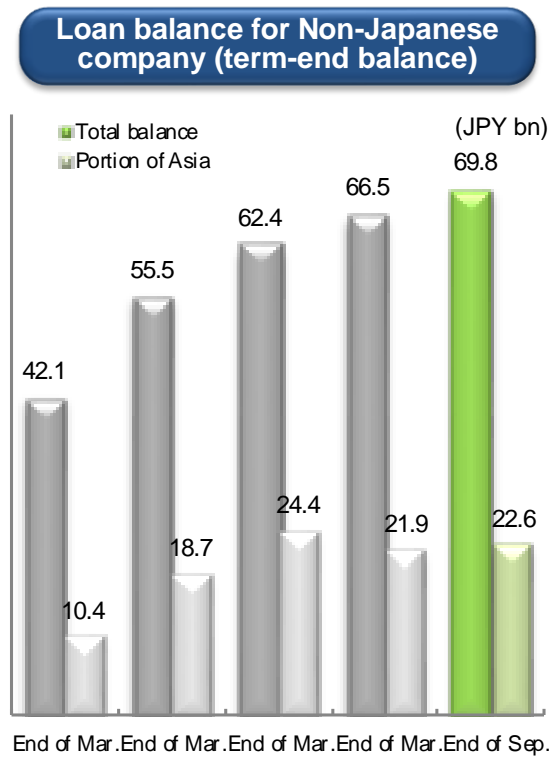
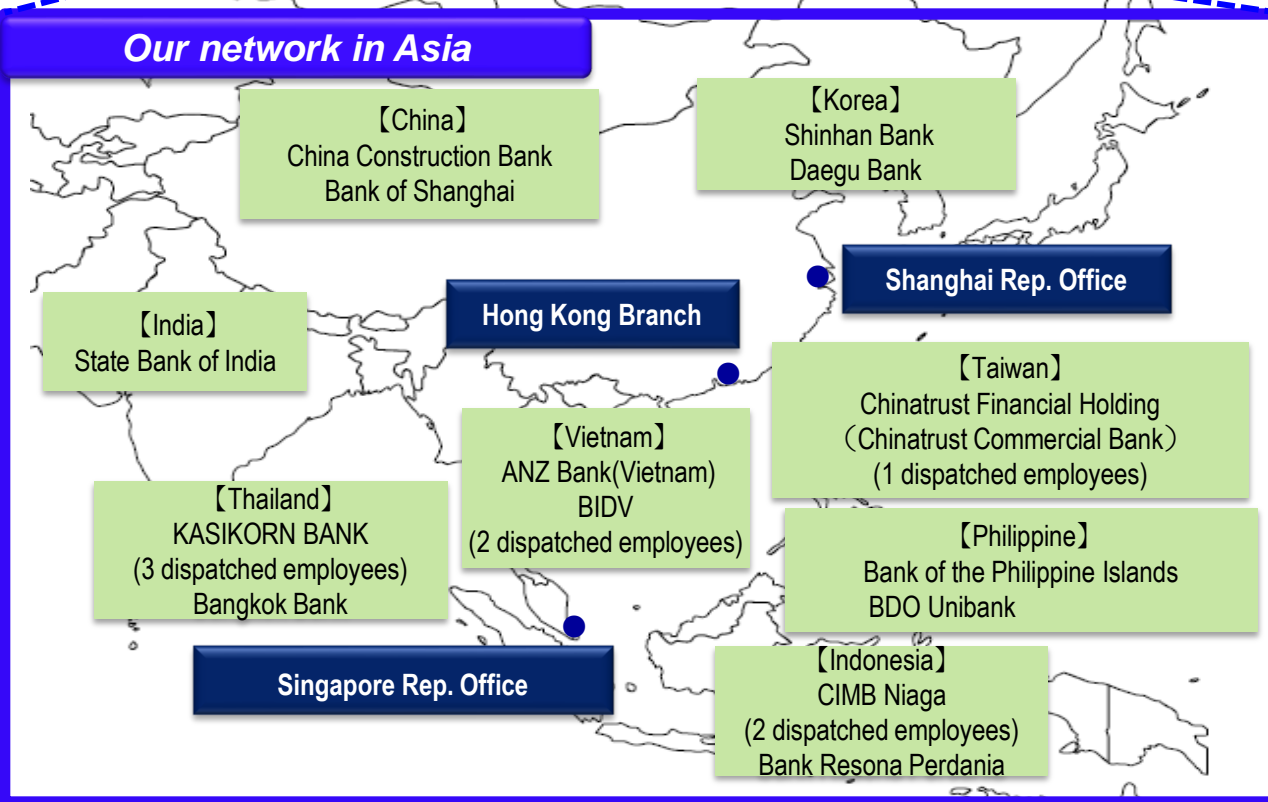
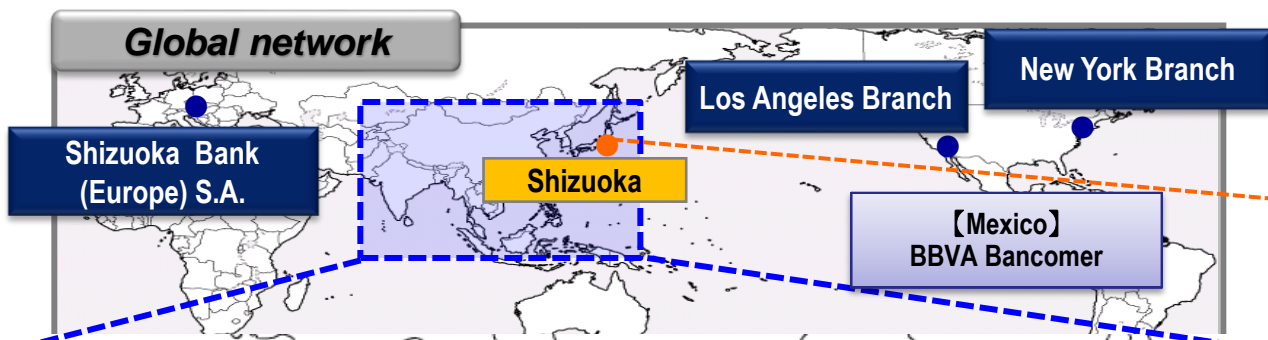
The bank also regularly makes decision on whether to continue holding based on profitability, share prices, and other criteria.

The Bank sells such stocks that the Bank recognizes are no longer important after considering the impact on market conditions and other factors

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

Global network

- The Bank's global network with 3 branches, 2 rep. offices, 1 subsidiary and total 57 staffs (28 staffs in Asia) abroad helps clients' overseas expansions.
- In Asia, the Bank has 3 overseas offices and business tie-ups with 14 banks in 9 countries/regions



ESG initiatives – Adoption for constituent brand of ESG index

- Shizuoka Bank was adopted as a constituent brand of the MSCI Japan ESG Select Leaders Index and the MSCI Japan Empowering Women Index developed by MSCI* (United States)
- These are based on two of the three ESG indices selected for ESG investment by the Government Pension Investment Fund (GPIF) in July 2017

* MSCI: A leading index company providing a variety of investment information for institutional investors around the world

■ MSCI Japan ESG Select Leaders Index (Comprehensive type ESG Index)

Companies in each industry are selected for the excellence of their ESG initiatives based on information disclosed by the company and MSCI independent research

■ MSCI Japan Empowering Women Index (Theme type ESG Index)

Companies are selected from among Japanese corporations leading their industry in the promotion of employee gender diversity, the promotion of women's participation and advancement, and the promotion of diversity

**Shizuoka Bank will continue to fulfill its social responsibility
with the aim of earning stakeholder trust and realizing an abundant society**

【Reference】

- In July 2017, the Government Pension Investment Fund (GPIF) selected the three ESG indices and began passive management

Shizuoka Bank is one of only three regional banks selected for two or more indices

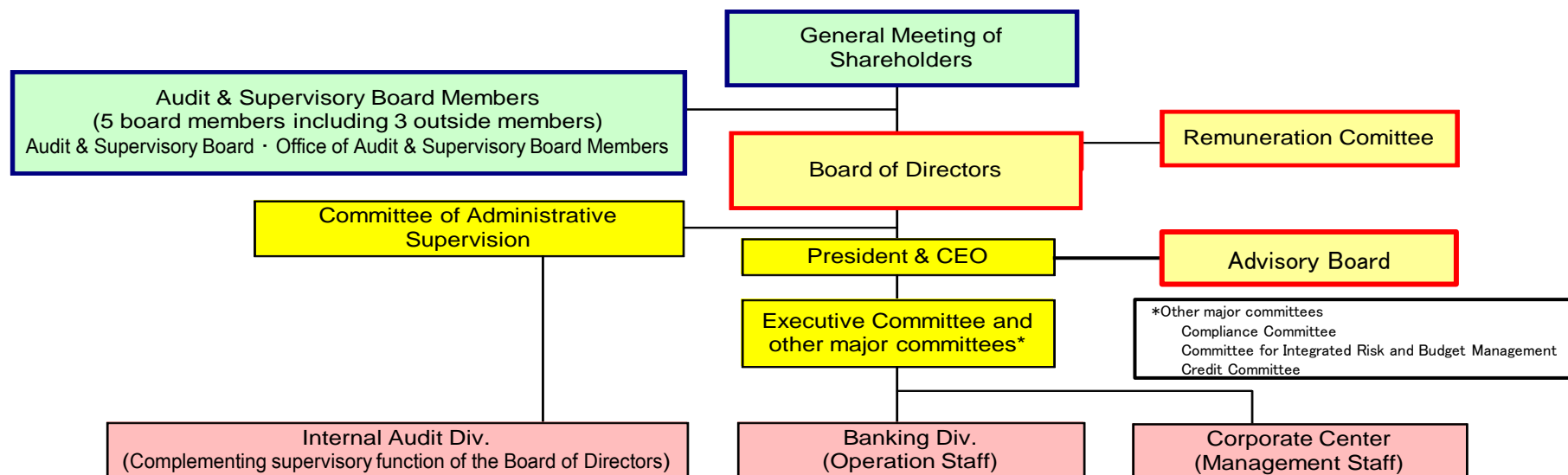
【Three index selections】 (Number of brands as of July 2017)

- | | |
|---|---|
| (1) MSCI Japan ESG Select Leaders Index | : Constituent brands...212, of which six are regional banks (including Shizuoka Bank) |
| (2) MSCI Japan Empowering Women Index | : Constituent brands...151, of which eight are regional banks (including Shizuoka Bank) |
| (3) FTSE Blossom Japan Index | : Constituent brands...251, of which one is a regional bank |

ESG initiatives - Corporate Governance Structure

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

Shizuoka Bank Group's Corporate Governance System



Outside Directors · Outside Audit & Supervisory Board Members

2 Outside Directors / 10 All Members

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

3 Outside Audit & Supervisory Board Members / 5 All Members

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

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

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

Regional revitalization

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

Initiatives so far

3rd meeting to discuss regional revitalization

In Sep. 2017, about 500 people including the mayors of each town in Shizuoka Prefecture, officials from all local governments, members of the Chamber of Commerce and other groups, and Shizuoka Bank employees participated in a video conference.

[Lecture]

- Mr. Yasuyuki Toki, President of UniFa Co., Ltd.
"Ideal State of New Childcare Facilities and Communicating with Parents"
- Mr. Sakae Saito, Mayor of Atami City
"Efforts toward the Revitalization of Atami City"

Initiatives from now on



TOPIC

Izu Peninsula Car Sharing Initiative

In Sep. 2017, a car sharing service was launched as a secondary tourist traffic measure in cooperation with the ORIX Auto Corporation.

A total of seven shared cars are permanently located at four Shizuoka Bank branches in Kawazu, Izu Kogen, Shuzenji, and Fuji Station Minami.

This initiative aims to contribute to tourist traffic countermeasures on the Izu Peninsula.



TOPIC

Initiatives to spread the "Omotenashi" Standard Certification

The Bank has held seminars at three venues in Shizuoka Prefecture in order to spread the "Omotenashi" Standard Certification", which the Ministry of Economy, Trade, and Industry (METI) in Japanese Government established in August 2016. (205 people in total participated the seminars at the three venues.)

What is the "Omotenashi Standard Certification"? ...

- METI established the certification in order to activate services industry and to enhance productivity in the industry in Aug. 2016.
- The purpose of the certification is to promote activation of business operators in the services industry by "visualize" the quality of their services.
- Business operators get certification mark if they apply to it and are approved.



Region-based Relationship Banking (1)

- The Bank is supporting clients from various perspectives through supporting entrepreneurs, business matching services, and “Shizuginship” etc.

Initiatives for supporting entrepreneurs

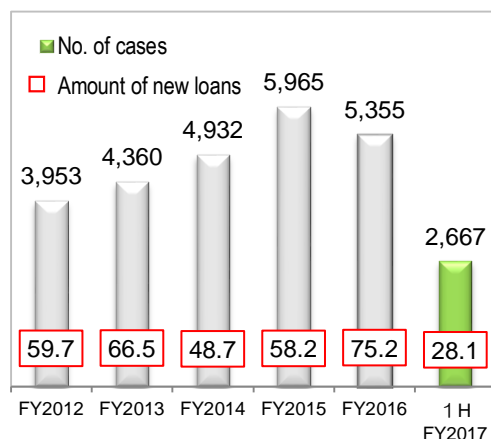
<Shizugin Entrepreneur Awards>

- 34 winners out of 716 applicants received prizes in the past 5 rounds
- “Entrepreneur category” for applicants who are preparing launch of their business or have been in business for less than 5 years was founded for the 4th round in FY2015
- Financial support for the 34 award winners from the 1st to the 5th round
New loans: 78 cases/JPY 2,239mil Investments: 7 cases/JPY 159mil

Business matching services

- Support customers in expanding their business by creating new sales opportunities

【Historical data of no. of cases】 (Cases, JPY bn)



- Have regularly held “Shizugin @gricom (agricom)”, a business networking event for business meetings among companies in the agricultural, forestry, fisheries and food processing sector with buyers since February 2006

- Introduce goods of clients to the mail order site of Central Japan Railway

Subsidies

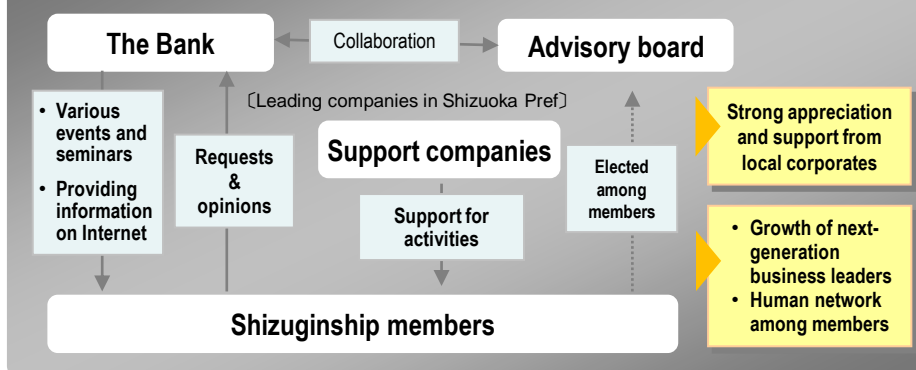
<Manufacturing subsidies >

- Top level of number of awards among private financial institutions
- No. awarded in 2015 : 226
No. awarded in 2016 : 176

“Shizuginship” – training club for the next generation managers

- Membership-based service which aims at enhancing ability of next-generation business leaders and contributing to development of the corporations and economy in Shizuoka Pref.
- Has provided opportunities for training and interaction since its launch in April in 2007
- Support Companies, leading companies in Shizuoka Pref., help growing next-generation business leaders by providing opportunities of site visits and dispatching lecturers

【Structure of Shizuginship】



【No. of members】 At the end of Sep. 2017 / 783corporates, 1,164 people

TOPIC

Cooperation between development of human resources in the region and that in the Shizuoka Bank Group

- The Bank set up Human Resources Development Department on the realignment of the headquarter in June 2017 in order to strengthen the relationship between the region and the Shizuoka Bank Group and to create virtuous circle of simultaneous growth of the two
- Some members in the Human Resources Development Group of the Human Resources Development Department are in charge of human interaction with the region. They promote both development of human resources in the region and that in the Shizuoka Bank Group by providing various opportunities to widen perspective and to build broad human network not only for employees in the Bank but also for managers and employees of companies in the region

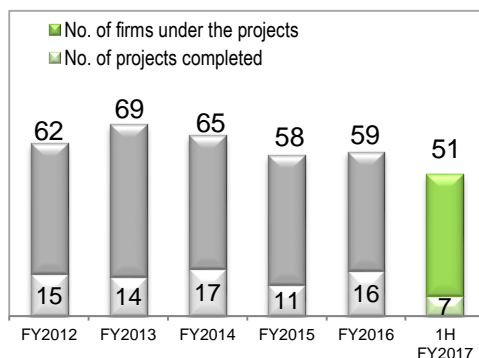
Region-based Relationship Banking (2)

- Actively working to maintain regional industrial base and employment through support for business restructuring and turn-around targeted to clients suffering from performance downturn or business succession as social issues, etc.

Support for business restructuring and turn-around

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

【Historical data of no. of projects】 (Cases)



- Has completed business restructuring for about 200 firms since FY 2005

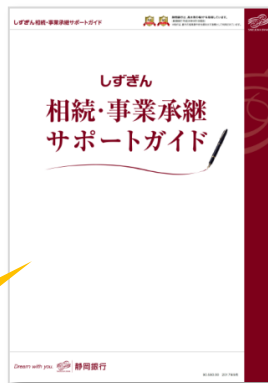
- Saves labor opportunities for opportunities for labor for about 19,000 people and maintain economic power in the local community

Support for business succession

- Support business succession including share transfers and M&As, mainly by Solution Business Department and Shizugin Management Consulting Co. Ltd.

- In 1H FY2017 22 M&A contracts signed
- Related loans : 203 cases / JPY 18.4bn

※Only for long-term loans



“Support Guide for inheritance and business succession”
Explain easily to understand about inheritance and business succession from both individual and corporate perspective(Issued in Oct. 2017)

Support for companies transforming or exiting businesses

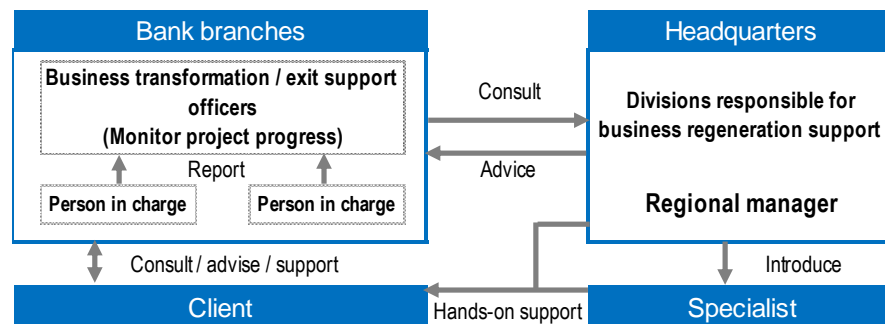
To help companies transform or exit businesses is Bank's important role to stabilize the regional economy

< Headquarters >

- Assign regional managers to respond to requests for advice and support from bank branches
- Provide hands-on support using expertise from business specialists

< Bank branches >

- Assign officers for business transformation/exit support at each branch
- The officers are responsible for monitoring progress of business transformation/exit and providing appropriate instructions, utilizing the expertise of headquarters



[Cumulative results until 1H FY2017]

Projects handled: 83

Projects completed: 37 (business transformation: 10; business exit: 27)

TOPIC

Set up Solution Business Dept. in Jun. 2017

- Set up Solution Business Department on the realignment of the headquarter in June 2017 in order to develop advanced solution sales for corporate revitalization projects such as supporting business succession

Economic scale of Shizuoka Prefecture

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

Shizuoka Prefecture indices

	Share of all-Japan		National ranking
•Population	3.69mil	2.9%	10th of 47 (2016)
•No. of households	1.56mil	2.7%	10th of 47 (2017)
•Nominal prefectural GDP	JPY 15.4tn	3.0%	10th of 47 (FY2014)
•Per-capita income	JPY 3.22mil	—	3rd of 47 (FY2014)
•No. of business establishments	180K	3.1%	10th of 47 (2014)
•Amount of shipments of manufactured goods, etc.	JPY 15.7tn	5.3%	4th of 47 (2014)
•Agricultural output	JPY 220.4bn	2.5%	15th of 47 (2015)
•Fishery production volume(*)	170k tons	5.3%	4th of 47 (2016)
•No. of industrial locations	74	7.2%	1st of 47 (2016)
•No. of new housing starts	25K	2.6%	10th of 47 (2016)

* Based on flash reports

Shizuoka Prefecture economic scale

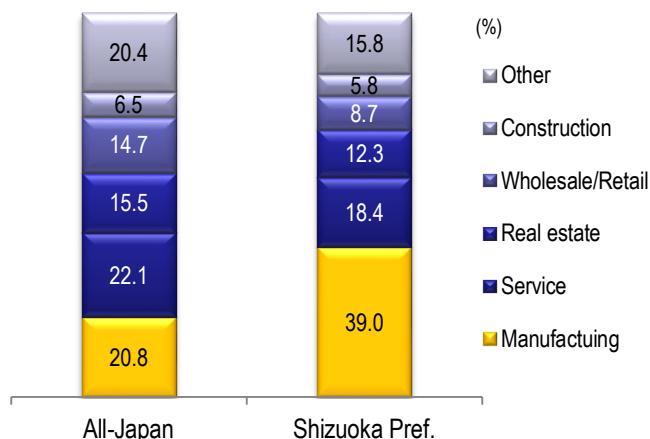
Prefectural GDP (FY2014, Nominal)		
Rank	Prefecture/Region	(US\$ billions)
9	Fukuoka Prefecture	164.8
10	Shizuoka Prefecture	140.5
11	Ibaraki Prefecture	105.6
-	4 prefectures in Shikoku	125.5
-	3 prefectures in Hokuriku	110.7
GDP comparison with countries (2014)		
Rank	Country (Region)	(US\$ billions)
56	Vietnam	185.8
57	Bangladesh	184.0
58	Kuwait	162.7
-	Shizuoka Prefecture	140.5
60	Hungary	139.3
61	Ukraine	132.3

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

Economy in Shizuoka Prefecture and current state

- Positions as distribution hub between Tokyo and Osaka/Kyoto
- Represents leading manufacturing prefecture in Japan
- Owns a lot of export-driven manufacturers handling machinery of transportation and music instrument and etc.
- Has many representative tourist locations with rich natural resources

Percentage breakdown of GDP in Shizuoka Prefecture by industries



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

UNESCO World Heritage Site in Shizuoka Prefecture

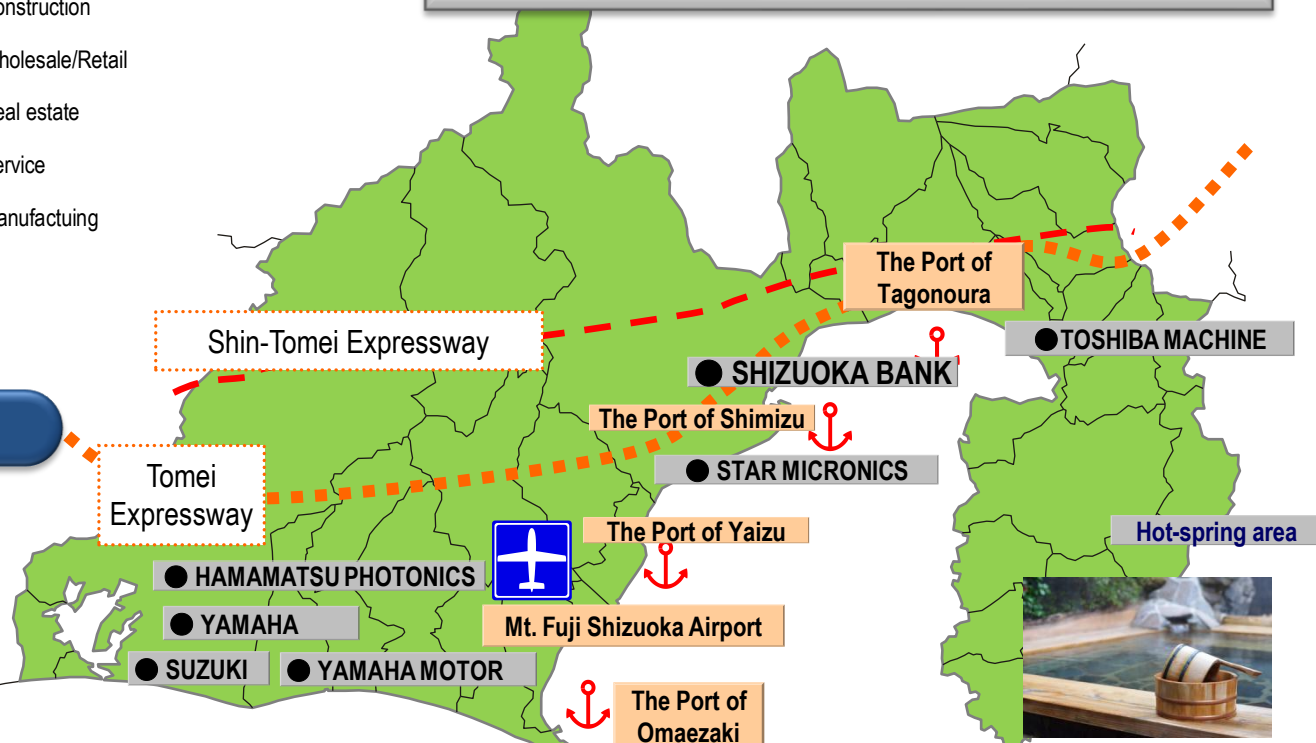
Mt. Fuj

(Registered in Jun. 2013)
Inscribed on the World Heritage List as "Fujisan, sacred place and source of artistic inspiration"



Nirayama Reverberatory Furnaces

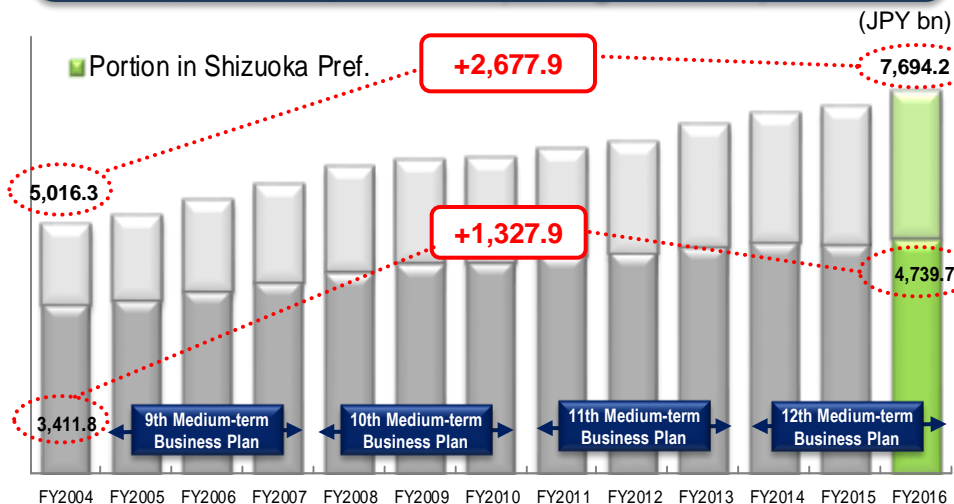
(Registered in Jul. 2015)
Inscribed on the World Heritage List as "Sites of Japan's Meiji Industrial Revolution: Iron and Steel, Shipbuilding and Coal Mining"



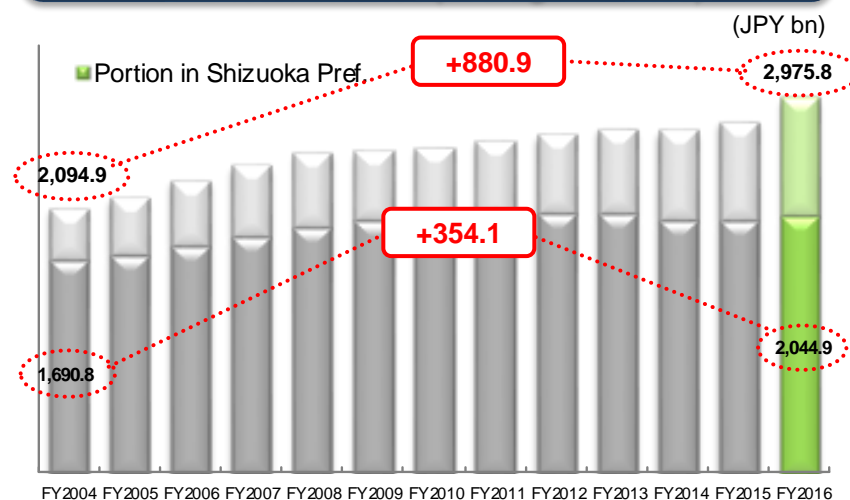
Historical data of loans

- Total loan balance (average balance) has increased by JPY 2,677.9bn for 12 years since FY2004, of which JPY 1,327.9bn was in Shizuoka Pref.
- SME loan balance: +JPY 880.9bn, consumer loan balance: +JPY 1,433.2bn

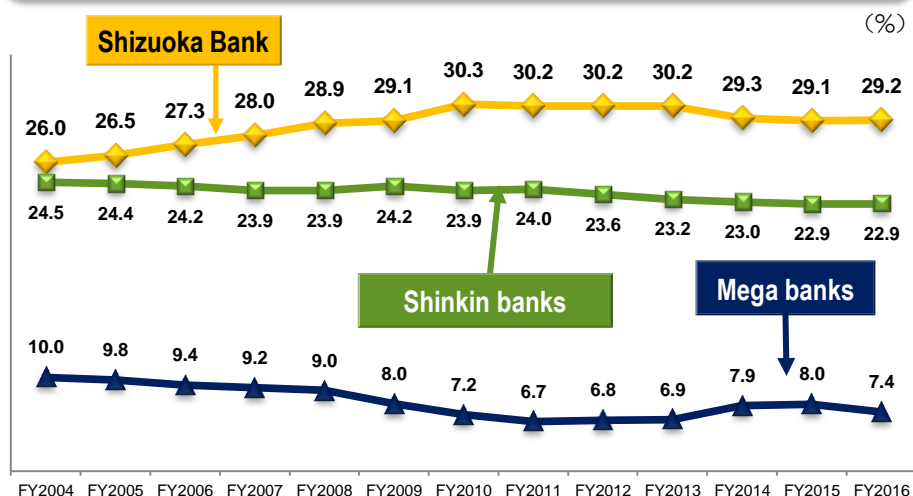
Total loan balance (average balance)



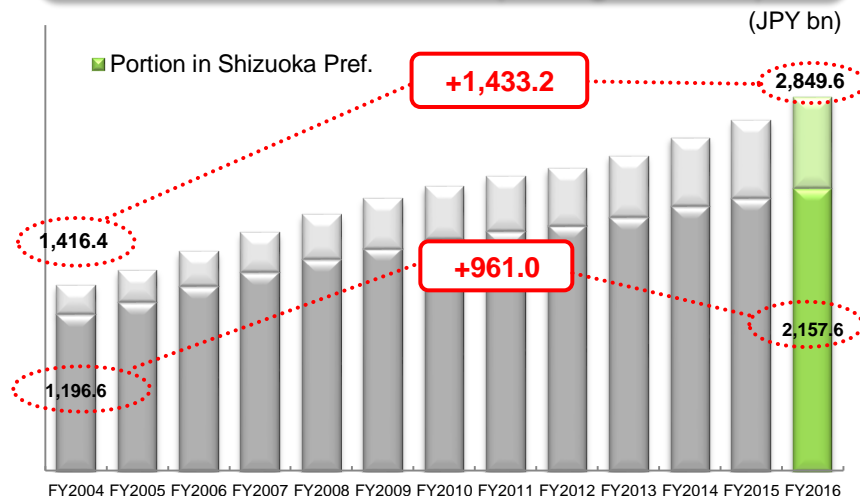
SME loan balance (average balance)



Share of loans in Shizuoka Prefecture



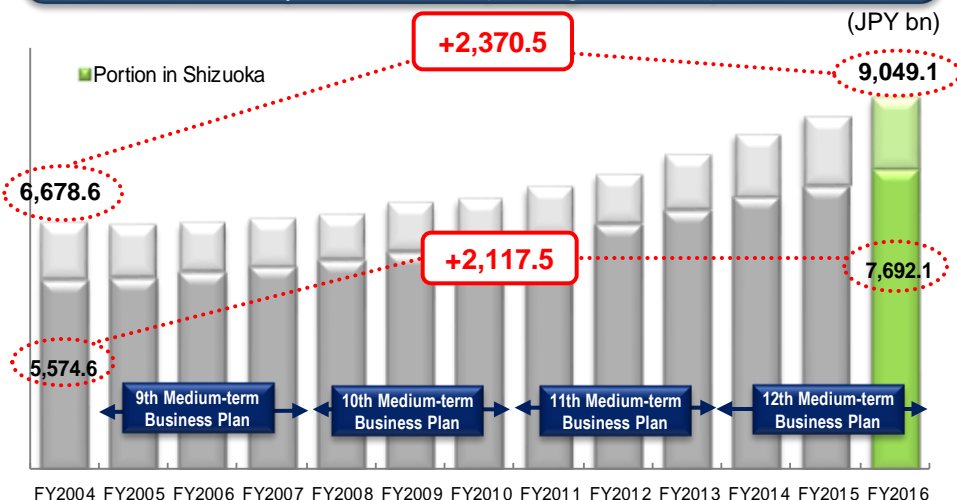
Consumer loan balance (average balance)



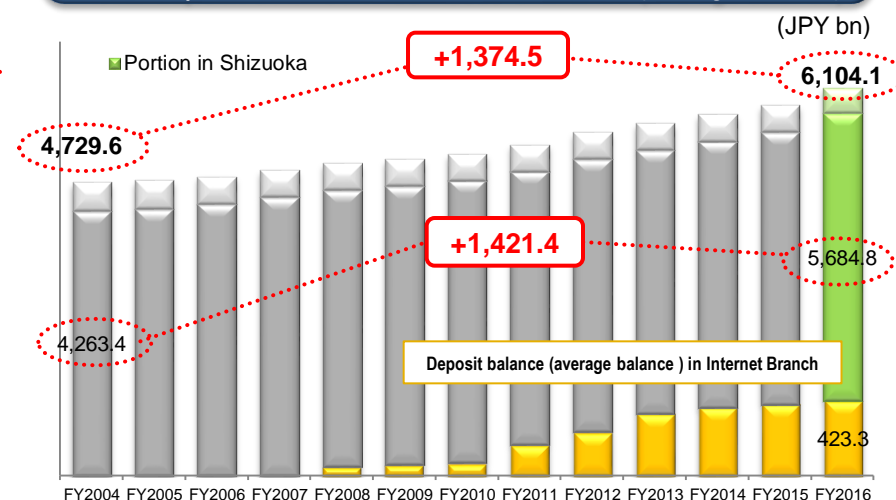
Historical data of deposits

- Total deposit balance (average balance) has increased by JPY 2,370.5bn for 12 years from FY2004 to FY2016, of which JPY 2,117.5bn was in Shizuoka Pref.
- The Bank has received highest level of credit ratings from two overseas and one Japanese agencies

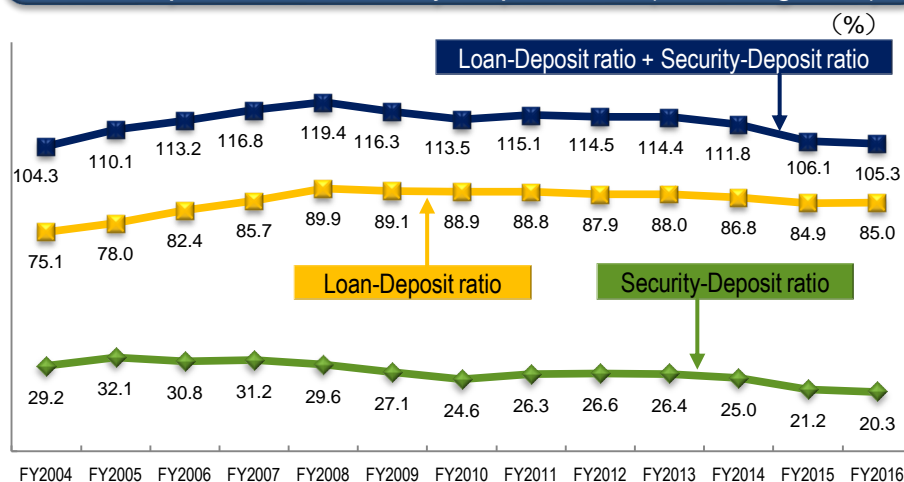
Deposit balance (average balance)



Retail deposit balance in domestic branches (average balance)



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



External ratings (As of the end of Sep. 2017)

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

< Standard & Poor's >

Shizuoka Bank

A+	
A	
A-	

Regional banks

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

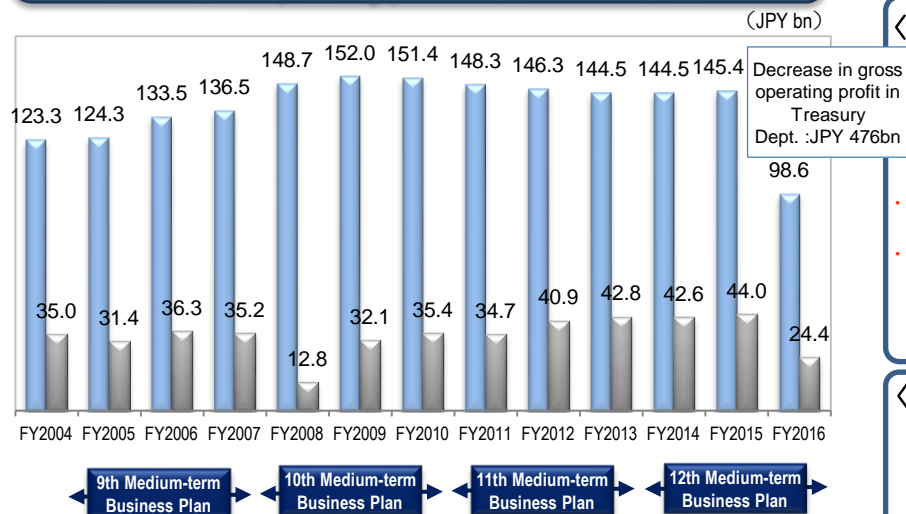
< Other external ratings >

Moody's	A1	R&I	AA
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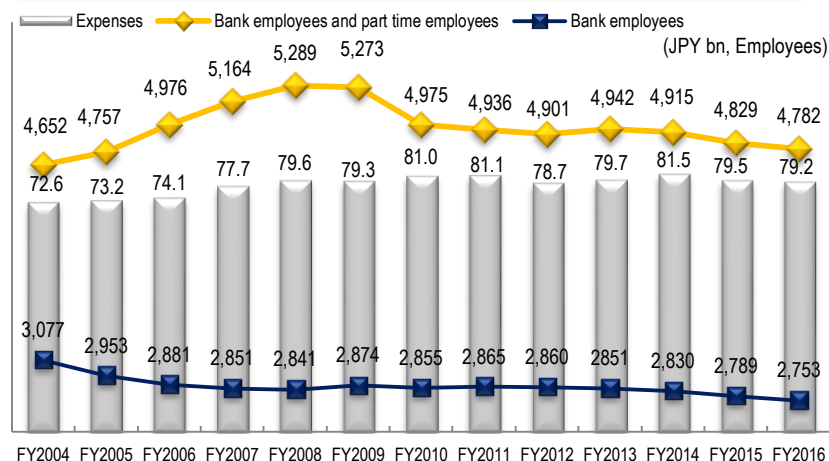
Profit levels and productivity improvement

- Ongoing BPR program increased front-office staff and revenue without boosting the overall headcount
- Productivity improvement (IT investment, BPR) prevented increase of expense while increasing net income

Gross operating profit and Net income



Expenses and Number of employees



Productivity Improvement

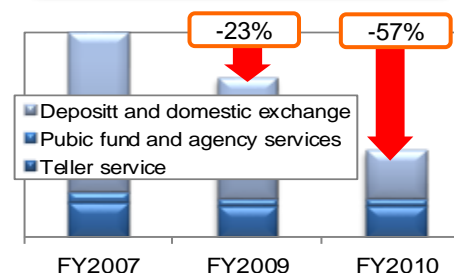
<10th Medium-term Business Plan> FY2008 – FY2010

Increased efficiency through IT investment and the expansion of centralized processing

- Back-office workload at sales branches reduced by 60%
- Repositioned back-office staff in sales positions

Top-line growth

Workload reduction of branches



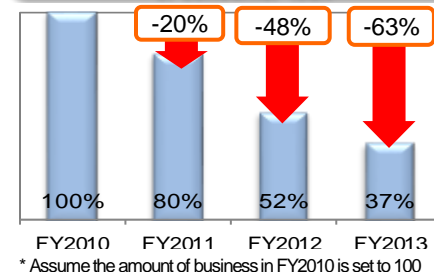
<11th Medium-term Business Plan> FY2011 – FY2013

Extend productivity improvements to the front office workload

- Reduce workload for consumer loan sales staff by 60%

Further boost top-line growth

Reduced processing time for workload of consumer loan



<12th Medium-term Business Plan> FY2014 – FY2016

Ongoing BPR, Operational concentration

“SHIZUGIN Headquarters Tower” started operation
→ Established new work-style

Number of personnel in front and back office

	Mar. 2008	Mar. 2017	Increase / Decrease
Front-office	2,411	2,919	+508
Back-office	1,693	902	-791
Shizuoka Bank [inc. temporary employee]	5,164	4,782	-382

Overview of the 13th Medium-term Business Plan (1)

-Name of the plan/ Group vision, Key management Indicator

Name of the plan / Group vision

Name of the plan

TSUNAGU

“TSUNAGU” has several meanings in Japanese
...“connect”, “link”, “unite”, etc.

Group vision

Innovative Bank

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

Key management Indicator

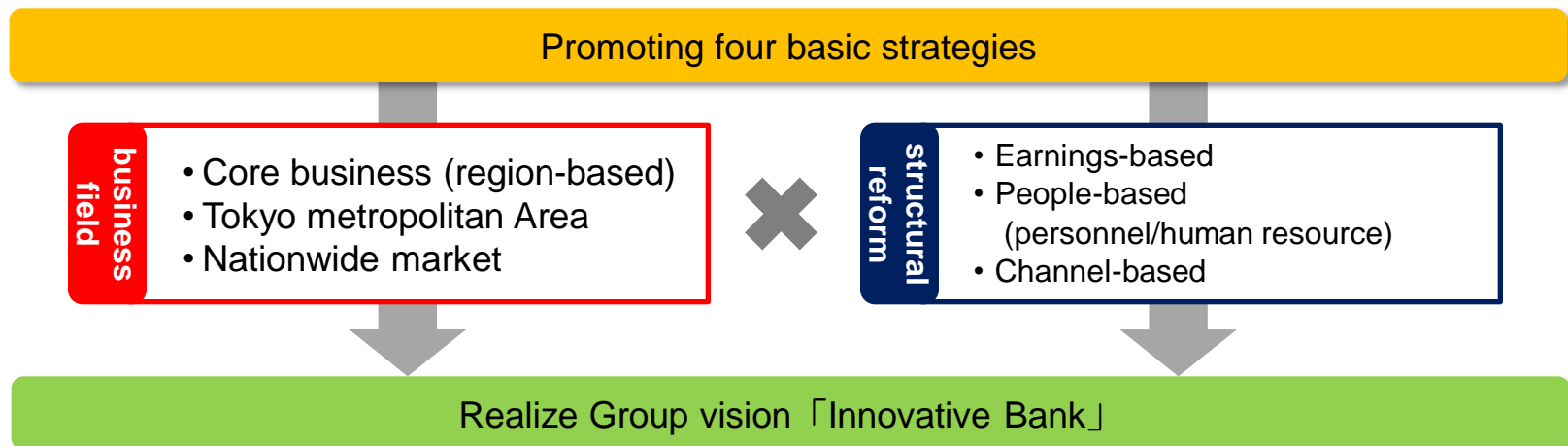
Consolidated	The 12 th Medium-term Plan		The 13 th Medium-term plan
	Best figure in the Plan	FY2016	FY2019 plan
Ordinary profit (Exclude lump-sum write-down on the unamortized balance of goodwill related to Monex Group shares)	JPY75.1bn [FY2014]	JPY47.1bn (JPY59.2bn)	JPY 77.0bn or more
Net income (Exclude lump-sum write-down on the unamortized balance of goodwill related to Monex Group shares)	JPY49.9bn [FY2014]	JPY29.3bn (JPY41.4bn)	JPY 54.0bn or more
ROE (Exclude lump-sum write-down on the unamortized balance of goodwill related to Monex Group shares)	5.74% [FY2014]	3.15% (4.45%)	6% level
OHR	54.4% [FY2015]	76.4%	55% level
Common Equity Tier I Ratio	16.35% [FY2016]	16.35%	14% level
Shareholder return	50% level in medium and long term		

Overview of the 13th Medium-term Business Plan (2) -Basic strategy

Basic strategy

1. Reinforce core businesses by focusing on regional economic growth
2. Build a new business model for regional bank by developing and monetizing new business fields
3. Reform sales operations using retail channel and IT infrastructure
4. Help realize the dreams and increase the wealth of the region, customers, employees, and shareholders

Realize our vision by promoting four basic strategies in **three business fields: core business (region-based), Tokyo metropolitan area, and nationwide market**, while at the same time engaging in **three structural reforms: earnings, people, and channels**.



Overview of the 13th Medium-term Business Plan (3) –Structural reforms

- Under the 13th Medium-term Business Plan, the Bank will engage in **three structural reforms targeting earnings, people, and channels**, aiming to create sustainable business model in the future

12th Medium-term Business plan

Challenge on the new
business fields
Strategic investment

13th Medium-term Business plan

Maintain growth
strategy through three
structural reforms

14th Medium-term Business plan

Construct
sustainable business
model

Earnings-based structural reforms

Core business growth

- Converse earnings structure through growth of bank branch division

Growth in a monetary easing environment

- Continue to develop opportunities in new business fields

Reforms of expense structure

- Create a low cost operating structure along with channel changes

People-based (personnel/human resource) structural reforms

Work style-based structural changes

- Aim to be an attractive Bank for employees through diverse work style values

Improvement in balance between
operation and its cost

- Reform management structure corresponding to profitability of operations

Channel-based structural reforms

Non-face-to-face channel expansion

- Change in customer behaviors, expansion of cross-regional transactions

Changes in roles and targets of
non-face-to-face channel

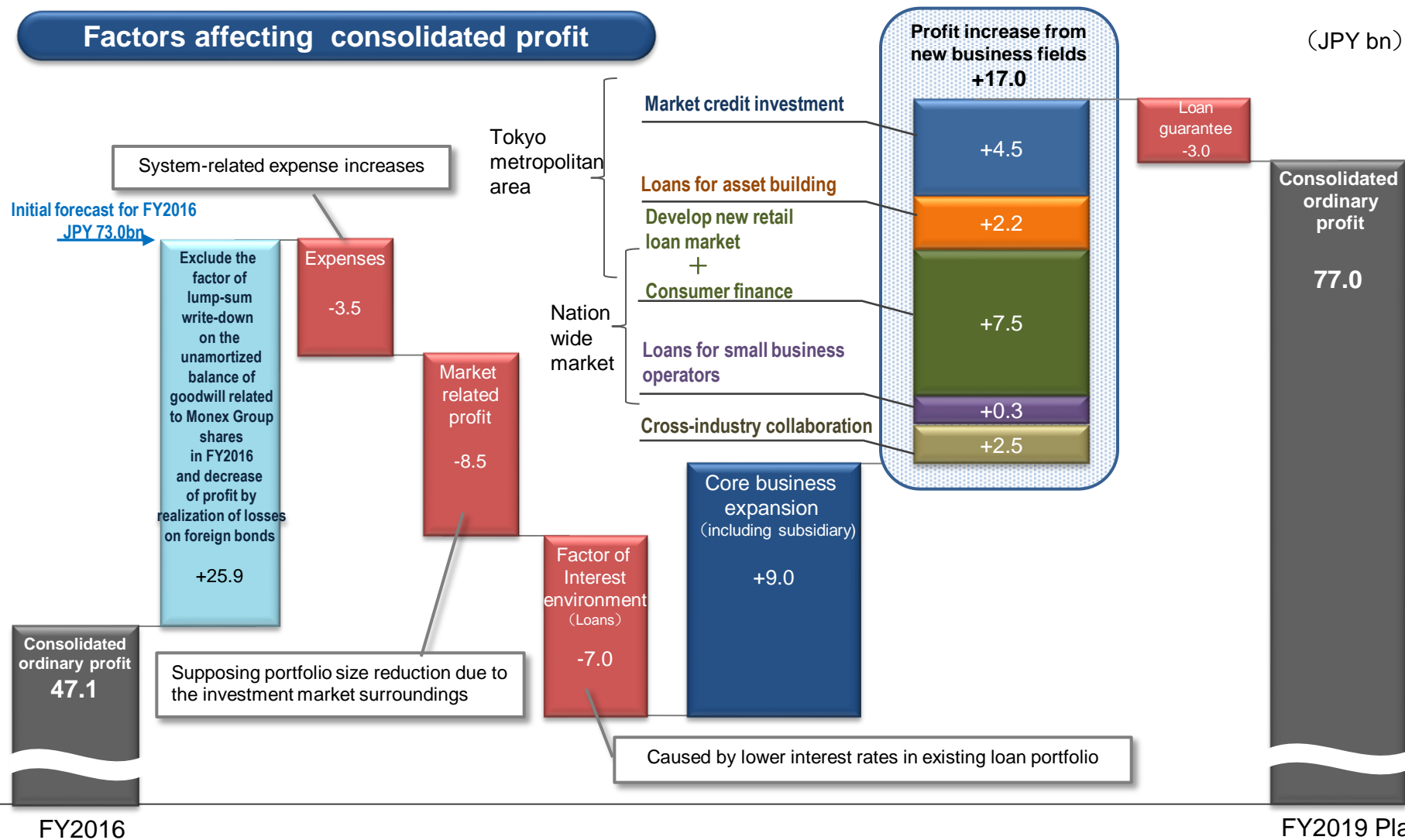
- Sales force structural reforms corresponding to future population dynamics

Overview of the 13th Medium-term Business Plan (4)

-Structure of consolidated ordinary profit plan

- Aiming to achieve consolidated ordinary profit of JPY 77.0bn in FY2019 through **region-based core business expansion** and **top-line growth focused in the Tokyo metropolitan area and nationwide market**

Factors affecting consolidated profit



Overview of the 13th Medium-term Business Plan (5) -Target figures

Target figures of the 13th Medium-term plan

	(JPY)	FY2015	FY2016	FY2019 Plan	Increase/ Decrease
Consolidated	Ordinary profit	72.8bn	47.1bn	77.0bn or more	+29.9bn
	Net income	47.9bn	29.3bn	54.0bn or more	+24.7bn
	ROE	5.18%	3.16%	6% level	—
	OHR	54.4%	76.5%	55% level	—
	Common Equity Tier 1 ratio	14.79%	16.35%	14% level	—
Non-consolidated	Gross operating profit	145.4bn	98.6bn	147.3bn	+48.7bn
	Net interest income	115.9bn	109.5bn	121.7bn	+12.2bn
	Interest on loans	93.0bn	95.3bn	106.9bn	+11.6bn
	Interest and dividends on securities	29.8bn	24.6bn	25.6bn	+1.0bn
	Fees and commissions	15.9bn	15.2bn	17.0bn	+1.8bn
	Trading income	0.9bn	0.3bn	1.7bn	+1.4bn
	Other operating profit	12.7bn	- 26.4bn	6.9bn	+33.3bn
	Gains and losses on bonds such as JGBs	11.3bn	- 30.1bn	3.7bn	+33.8bn
	Expenses (-)	79.5bn	79.2bn	83.0bn	+3.8bn
	Actual net operating profit	65.9bn	19.4bn	64.3bn	+44.9bn
	Ordinary profit	66.1bn	51.8bn	64.0bn	+12.2bn
	Net income	44.0bn	24.4bn	44.5bn	+20.1bn
	Shareholder return	43.82%	84.60%	50% level in medium and long term	—
	Loans balance (average balance)	7,384.1bn	7,694.2bn	8,450.0bn	+755.8bn
	Deposits balance (average balance)	9,050.8bn	9,212.3bn	9,550.0bn	+337.7bn
	Securities balance (average balance)	1,839.7bn	1,838.3bn	1,600.0bn	- 238.3bn

**This document includes statements concerning future business results.
These statements do not guarantee future business results, but contain risks
and uncertainties.
Please note that future business results may differ from targets for reasons
such as changes in the business environment.**

[Contact]

The Shizuoka Bank. Corporate Planning Department (Hiroyuki Sugiyama)

TEL: 054-261-3131 (main) 054-345-9161 (direct)

FAX: 054-344-0131

E – mail: kikaku@jp.shizugin.com URL: <http://www.shizuokabank.co.jp/>