

Results of FY2017

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静岡銀行

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Results of FY2017

Results of FY2017 - Nonconsolidated

[Nonconsolidated]

(JPY bn, %)

	FY2017	YoY change	
		Increase/ Decrease	Rate of change
Ordinary revenue	180.5	-30.2	-14.3
Gross operating profit	127.3	+28.7	+29.1
Net interest income	111.5	+2.0	+1.8
(Interest on loans)	(99.6)	(+4.3)	(+4.5)
Fees and commissions	15.2	+0.0	+0.0
Trading income	0.8	+0.5	+189.1
Other operating profit	-0.2	+26.1	+99.1
(Bond-related income such as JGBs)	(-4.2)	(+25.9)	(+86.2)
Expenses (-)	82.2	+3.0	+3.7
Actual net operating profit *	45.1	+25.7	+132.7
Provision for general allowance for loan losses (-)	0.0	-0.2	-100.0
Net operating profit	45.1	+26.0	+135.5
Special profit and loss	11.0	-21.6	-66.2
Bad debt written-off (-)	0.4	-3.4	-89.3
Gain (loss) on stocks	8.9	-27.6	-75.6
Ordinary profit	56.2	+4.4	+8.4
Extraordinary profit and loss	5.8	+18.4	+146.0
Net income before taxes	62.0	+22.8	+58.0
Corporate taxes (-)	18.5	+3.8	+25.4
Net income	43.4	+19.0	+77.8

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

Overview: FY2017 nonconsolidated

Ordinary revenue JPY -30.2bn YoY (first decrease in 3 periods)

- Despite an increase in interest on loans (up JPY 4.3bn) and gains from reversal of allowance for loan losses (JPY 4.9bn), ordinary revenue declined by JPY 30.2bn YoY to JPY 180.5bn due to decrease in gains from the sale of shares (down JPY 27.6bn)

Gross operating profit JPY +28.7bn YoY (first increase in 2 periods)

- Gross operating profit increased JPY 28.7bn YoY to JPY 127.3bn, mainly reflecting an increase in net interest income (up JPY 2.0bn) and an increase in other operating profit (up JPY 26.1bn) caused by improvement in bond-related income such as JGBs (up JPY 25.9bn)

Net operating profit JPY +26.0bn YoY (first increase in 2 periods)

- Although expenses increased (up JPY 3bn), net operating profit rose JPY 26bn YoY to JPY 45.1bn, supported by growth in gross operating profit

Ordinary profit JPY +4.4bn YoY (first increase in 4 periods)

- Gains from the sale of shares declined, but ordinary profit increased JPY 4.4bn YoY to JPY 56.2bn, mainly reflecting growth in net operating profit and gains from reversal of allowance for loan losses (JPY 4.9bn)

Net income JPY +19.0bn YoY (first increase in 2 periods)

- Net income increased JPY 19bn YoY to JPY 43.4bn, mainly due to the absence of losses (JPY 12.4bn) on valuation of stocks of Monex Group, Inc. booked in the previous fiscal year

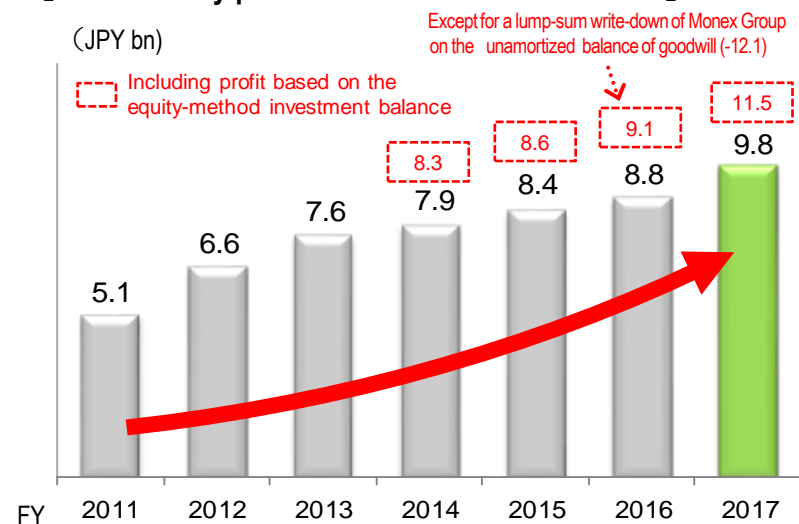
Results of FY2017 - Consolidated

- Ordinary revenue decreased by JPY 25.7bn YoY to JPY 224.1bn, ordinary profit increased by JPY 18.8bn YoY to JPY 65.8bn
- Total ordinary profit of consolidated subsidiaries increased by JPY 1.0bn YoY to JPY 9.8bn, and profit based on the equity-method investment balance was JPY 1.7bn

〔Consolidated〕 (JPY bn)	FY2017	YoY change	Contents
Ordinary revenue	224.1	-25.7	First decrease in 3 periods Due to an increase in gain on sell of stocks
Ordinary profit (Except for a lump-sum write-down on the unamortized balance of goodwill)	65.8	+18.8 (+6.7)	First increase in 3 periods Due to a lump-sum write-down on the unamortized balance of goodwill related to Monex Group shares
Net profit attributable to parent company shareholders (Except for a lump-sum write-down on the unamortized balance of goodwill)	50.1	+20.9 (+8.8)	First increase in 3 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 2.9bn YoY, supported by an increase in interest on loans
Interest on yen-denominated loans increased by JPY 0.2bn YoY, the first YoY increase in nine fiscal years (since FY2008)
- In the market operations division, bond-related income such as JGBs increased by JPY 25.9bn due to the absence of moves to cut losses on foreign bonds, which affected income in the previous fiscal year, lifting gross operating profit by JPY 25.8bn YoY

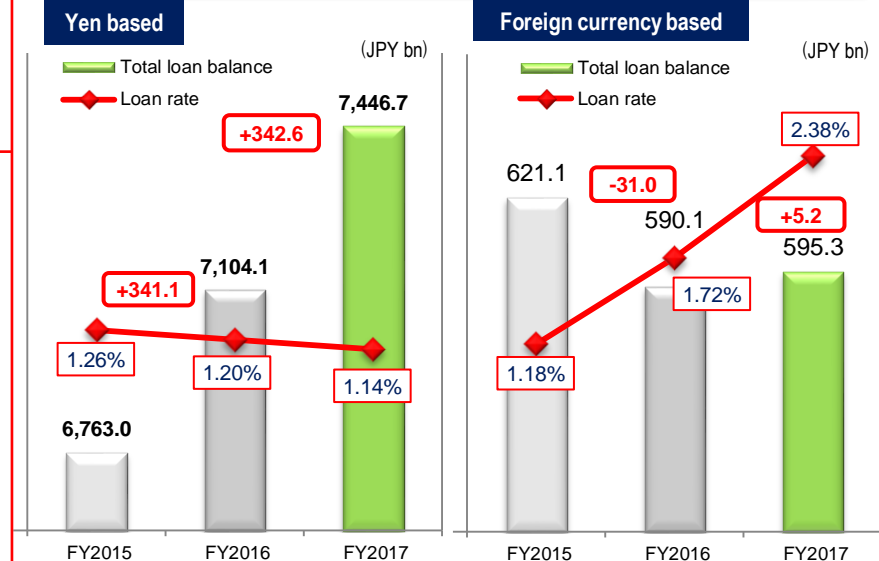
Breakdown of gross operating profit

Breakdown of gross operating profit by division (JPY bn)	FY2016	FY2017	YoY change
(1) Bank branch division (Loans, Deposits, etc.)	102.8	105.7	+2.9
Interest on loans	95.3	99.6	+4.3
[Yen based]	85.2	85.4	+0.2
[Foreign currencies based]	10.1	14.2	+4.1
Fees and commissions	15.2	15.2	+0.0
Interest paid on deposits etc. (-)	7.7	9.1	+1.4
(2) Market operations division	-4.2	21.6	+25.8
Interest and dividend on securities	24.6	24.6	+0.0
Interest on Deposits etc.	4.4	4.0	-0.4
Interest on Call money etc. (-)	7.1	7.6	+0.5
Trading income	0.3	0.8	+0.5
Other operating profit	-26.4	-0.2	+26.2
(Bond-related income such as JGBs)	-30.1	-4.2	+25.9
(Reference) Gain on sales of stocks	36.6	8.9	-27.7

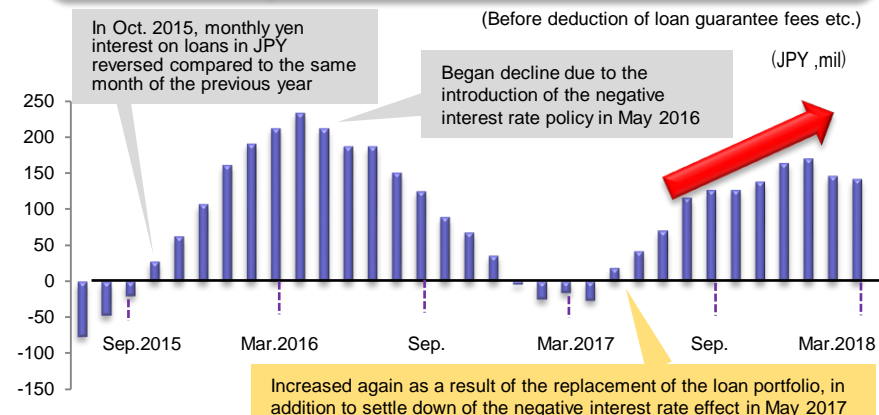
Total balance of securities (term-end balance) and Unrealized gains and losses on securities

Total balance of securities JPY+250.2bn from the end of Mar. 2017			
(JPY bn)	End of Mar. 2017	End of Sep. 2017	End of Mar. 2018
Total balance of securities	1,365.4	1,575.9	1,615.6
Unrealized gains and losses on securities	+230.9	+273.7	+272.5
Stocks	+222.8	+265.0	+265.4
Bonds	+5.8	+4.7	+5.2
Others	+2.3	+4.0	+1.9
Foreign bonds	+0.0	-0.2	-0.6
Investment trusts	+1.6	+3.6	+1.8

Loan balance (average balance)



YoY comparison of interest on loans in JPY



Expanding business fields (1)

- Challenge on the expanding business field in the 12th Medium-term Business Plan, is leading to favorable results
- Aiming for development and monetization of these fields under the 13th Medium-term Business Plan, in addition to further exploring new business fields

Developing and monetizing 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

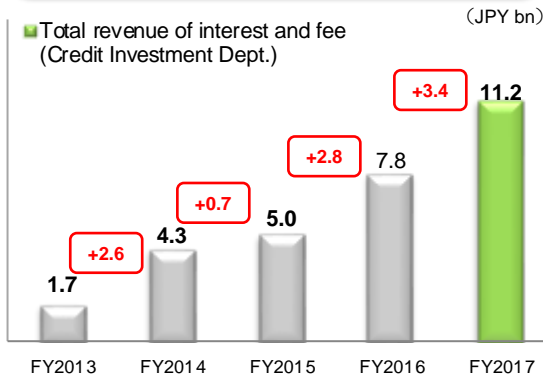
New areas of development and monetization in the 13th Medium-term Business Plan

13th Medium-term Business Plan

- Increase the number of "HOKEN NO MADOGUCHI@Shizugin"
- Develop new loan market
- Collaborate with the Monex Group to promote financial products
- Look for new partners for cross-industry collaborations

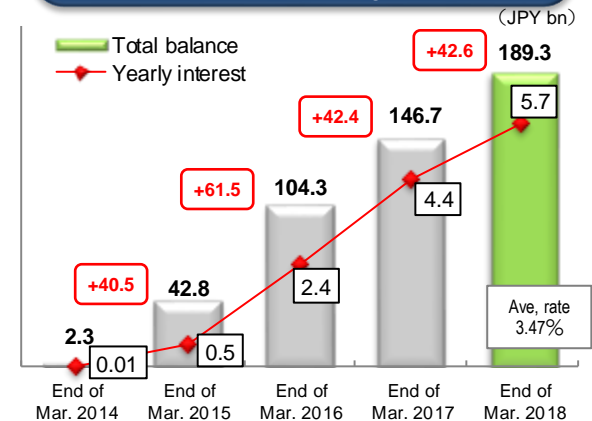
Tokyo metropolitan area

【Market credit investment】 Interest & Fee income



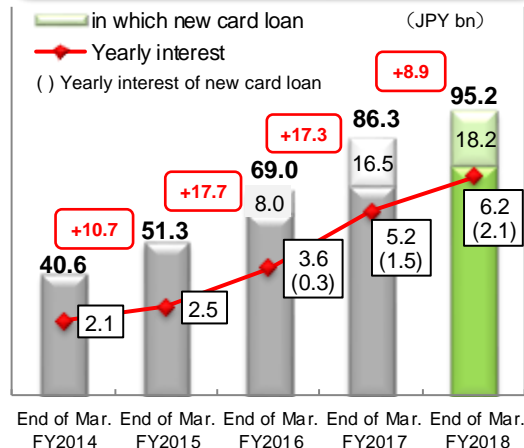
Tokyo metropolitan area

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



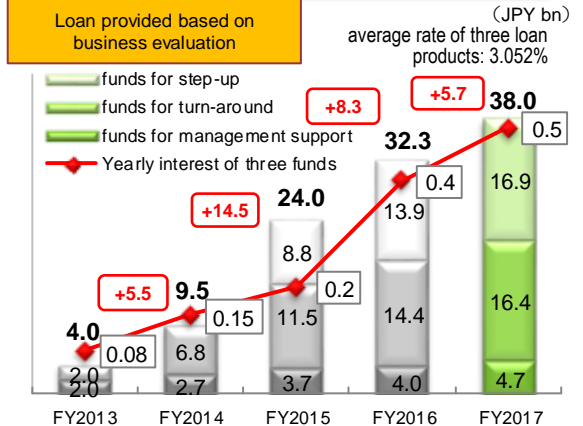
Nationwide market

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



Reinforce core businesses

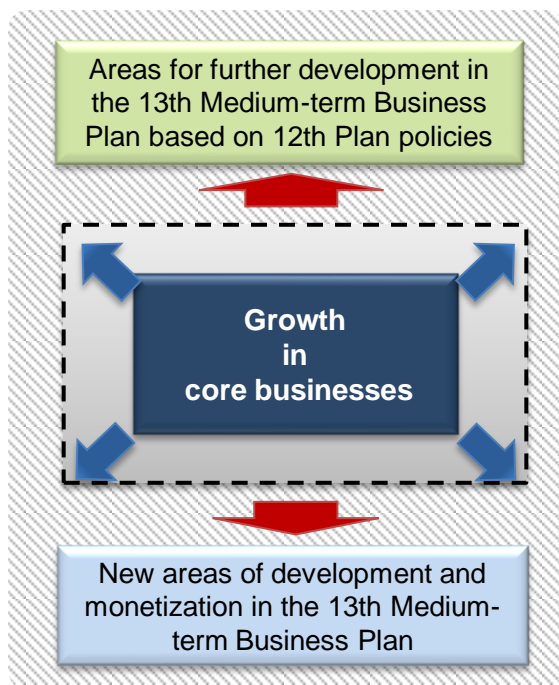
【Business loans for small-sized customers】 Funds provided for business turn-around etc.



Expanding business fields (2)

- Continue to develop business fields and generate JPY 30bn revenue by FY2019

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



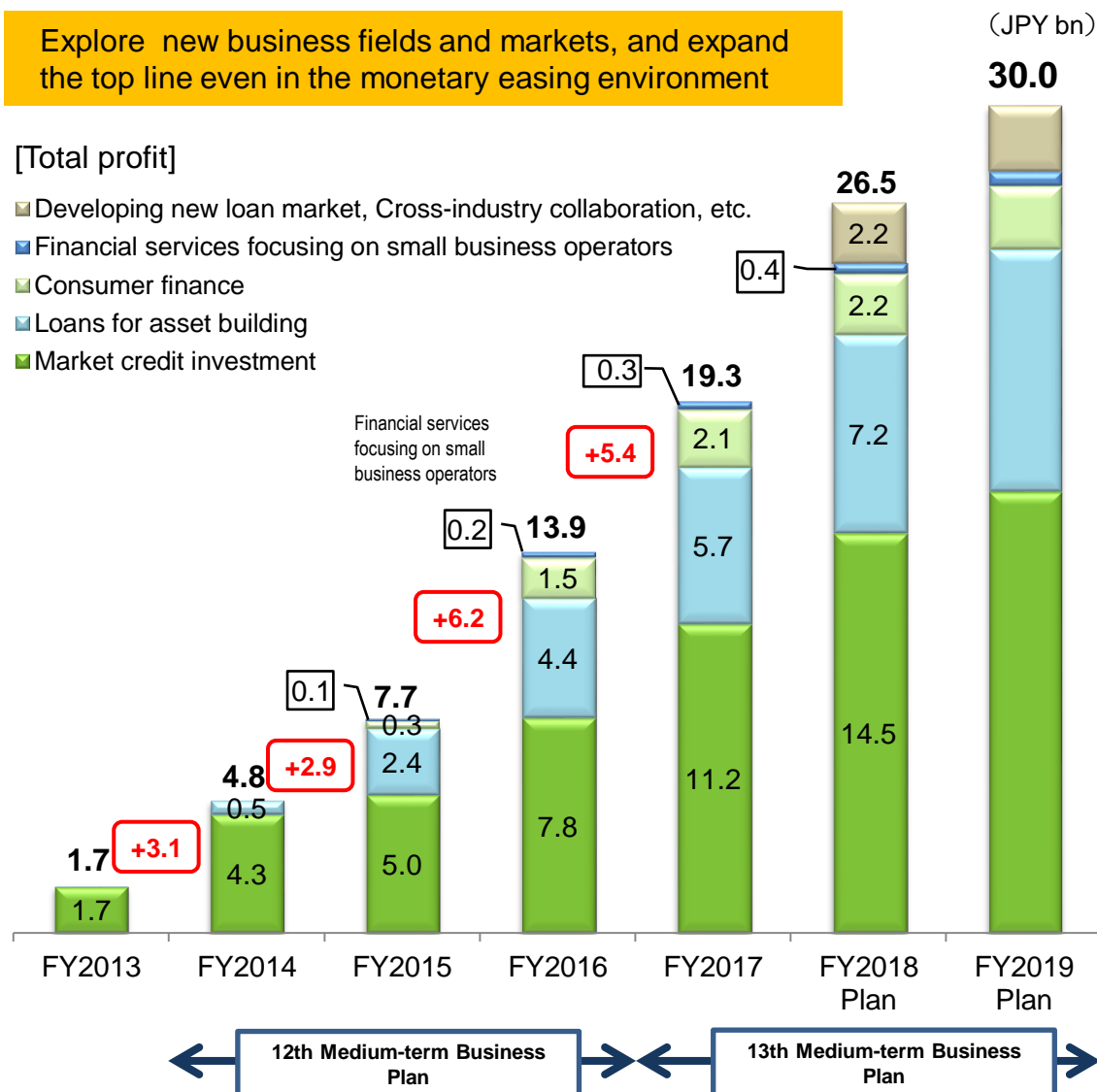
13th Medium-term Business Plan

- Increase the number of "HOKEN NO MADOGUCHI@Shizugin"
- Develop new loan market
- Collaborate with the Monex Group to promote financial products
- Look for new partners for cross-industry collaborations

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

[Total profit]

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



Developing new business fields (1) –Cross-industry collaboration

Business development in three business fields

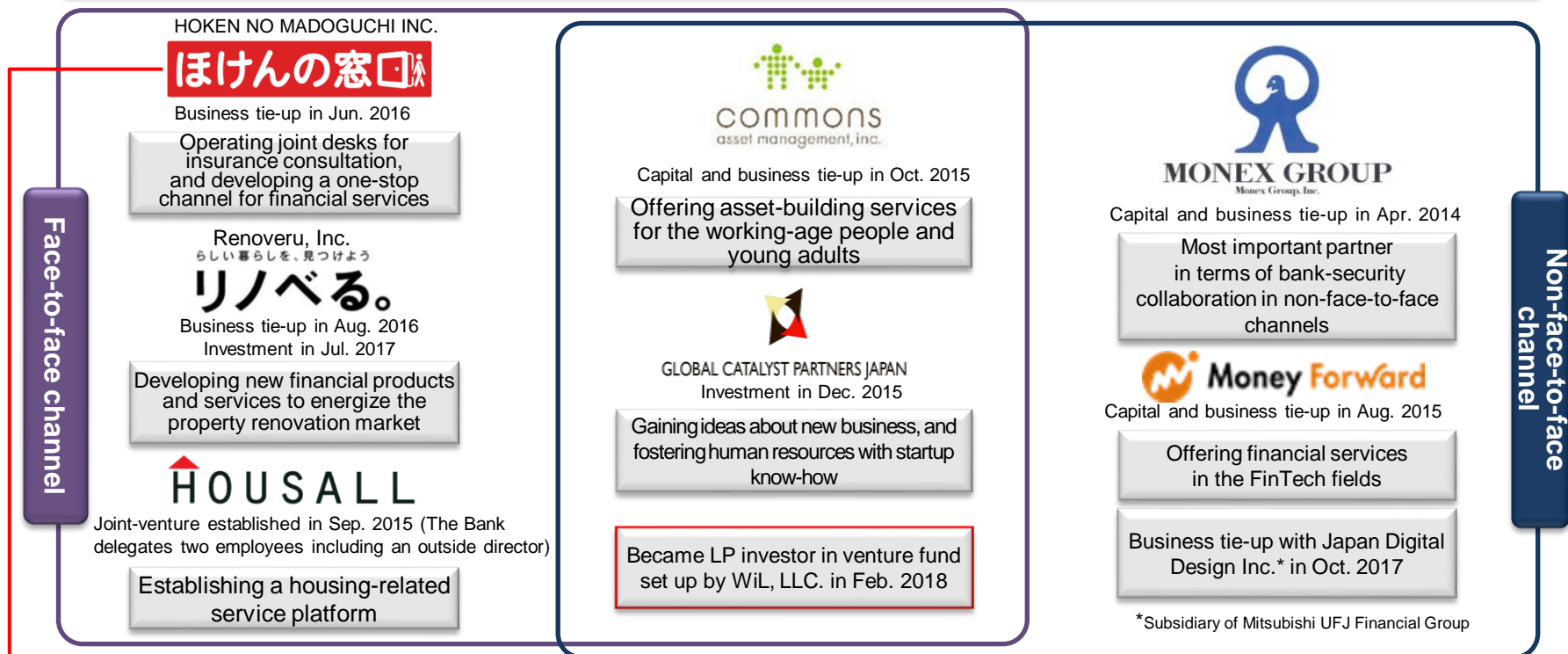
Core business (region-based)

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



Expand "HOKEN NO MADOGUCHI@Shizugin"

Opened the 6th desk of "HOKEN NO MADOGUCHI@Shizugin" in Tsunashima branch in Mar. 2018 (Kanagawa Pref.)

⇒ Continue to develop new desks in favorable locations

[Cultivate younger customers by HOKEN NO MADOGUCHI @ Shizugin]

In FY2017, **76.5% of policyholders were in the 20-40 age-group**

⇒ Cultivate those customers through consultation services

Developing new business fields (2) –Cross-industry collaboration

Develop new loan market

Collaboration with a housing loan specialist, ARUHI

- Various collaboration being studied with **ARUHI Corporation** to develop products and pursue operation efficiency improvement opportunities
- To be announced officially as soon as details are finalized

ARUHI

Leveraging other industries' channels to win housing loans

- Collaborate with **Renoveru Co., Ltd.**, **HOUSALL Corporation** and other companies with nationwide business networks

Using artificial intelligence (AI)

- < Retail > Introduced AI-based credit screening model from **Mitsubishi Research Institute, Inc.** (Feb. 2016)
- < Corporate > Started testing AI-based credit risk quantification model from **SecondXight, Inc.** (Apr. 2018)

< Shizuoka Bank's own initiatives > Established Direct Loan Center

- Established a Direct Loan Center, non face-to-face sales channel in Apr. 2018

New channels

Efficiency improvement

Sophistication of credit analysis

Collaborate with Monex Group to promote financial products



Foreign currency funding by selling unique investment trust

- Investment trust sold exclusively by Shizuoka Bank Group and **Monex, Inc.**

Shizugin International Diversification Investment Strategy Fund 2018-05

- (A portion to safeguard the principle) **USD-denominated bond issued by Shizuoka Bank**
→ **source of dollar funding for the Bank**
- (A portion of active investment to generate return) Quants investment with long-term and global diversification effects

New approach to foreign currency funding

【Offering period】 From Apr. 23, 2018 to May 18, 2018
【Sales company】
Internet channel : Monex, Inc
Face to face channel : Shizuoka Bank
Shizugin TM Securities Co., Ltd.

Providing discretionary investment management (Wrap services)

- Discretionary investment management (wrap service) by Monex-Saison-Vanguard Investment Partners planned (1H FY2018)

Minimum investment amount :
JPY 1 thousand

Annual fee: about 1%

Equipped with
Robo-Advisor

Address diversifying investment needs

Look for new partners for cross-industry collaborations

Networking event with companies in different sectors

Held the Advanced Financial Business Inter-Sector Networking Event with Money Forward in Mar. 2018

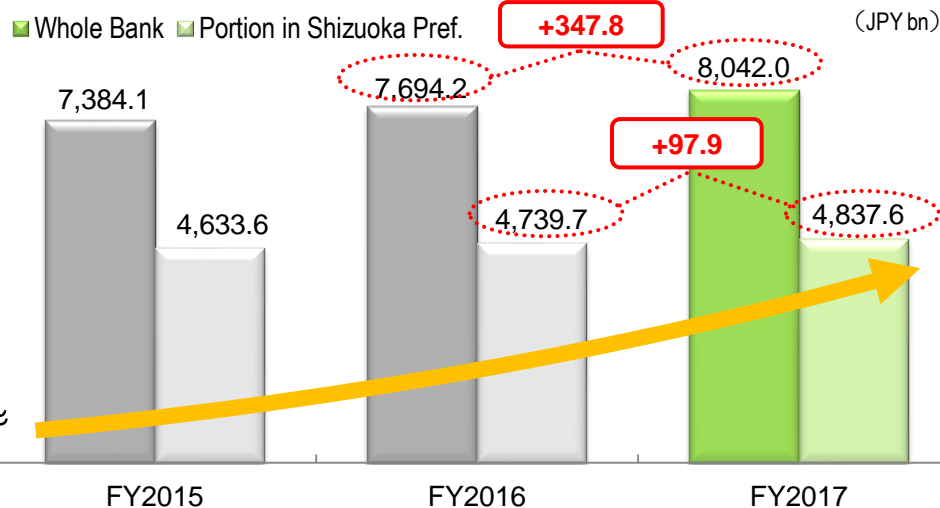
- Aim: Develop tie-ups and identify partners for new businesses to support earnings over the medium to long term
- Participating companies: Seven companies, including Treasure Data Inc., LEEWAYS Inc. and Klavis Inc.

Continue to pursue new partnership/collaboration opportunities

Loans

- Total loan balance (average balance) increased by JPY 347.8bn (+4.5%) YoY mainly reflecting growth in loan balance for SMEs and retail loan balance

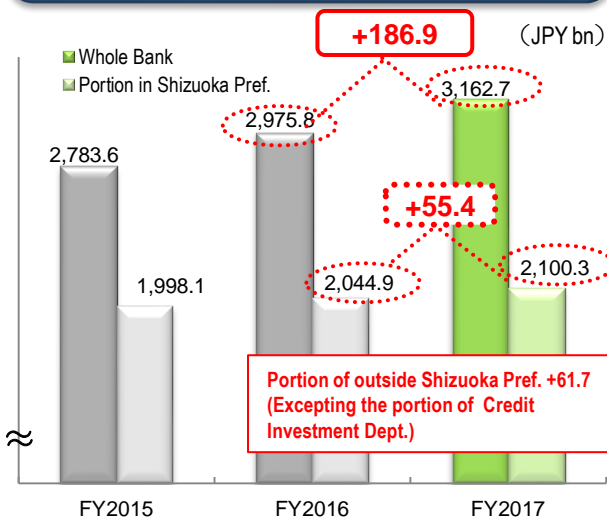
Total loan balance (average balance)



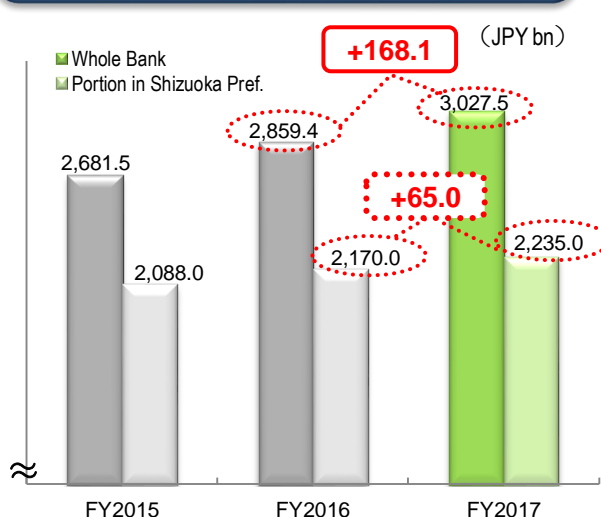
	Average balance	YoY change	Annual growth rate
Total loan balance	JPY 8,042.0bn	JPY + 347.8bn	+4.5%
Loan balance for SMEs	JPY 3,162.7bn	JPY + 186.9bn	+6.2%
Retail loan balance	JPY 3,027.5bn	JPY + 168.1bn	+5.8%
Loan balance for large and medium size enterprises	JPY 1,480.5bn	JPY - 2.8bn	-0.1%
Loan balance in foreign currency	JPY 595.3bn	JPY + 5.2bn	+0.8%

by amt. chg. : JPY +8.6bn
by ex. rate : JPY -3.4bn

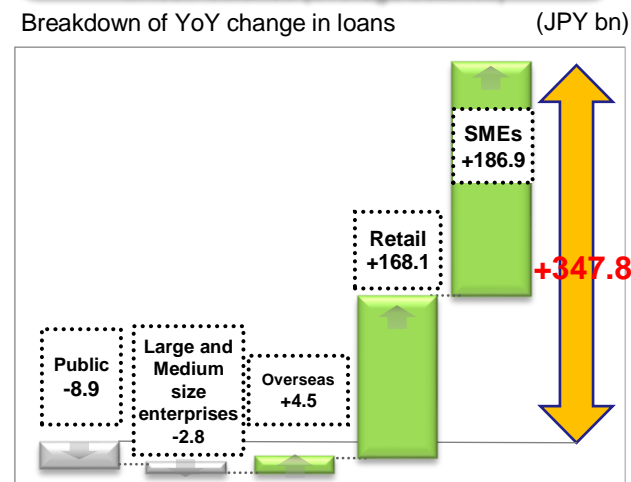
SMEs loan balance (average balance)



Retail loan balance (average balance)



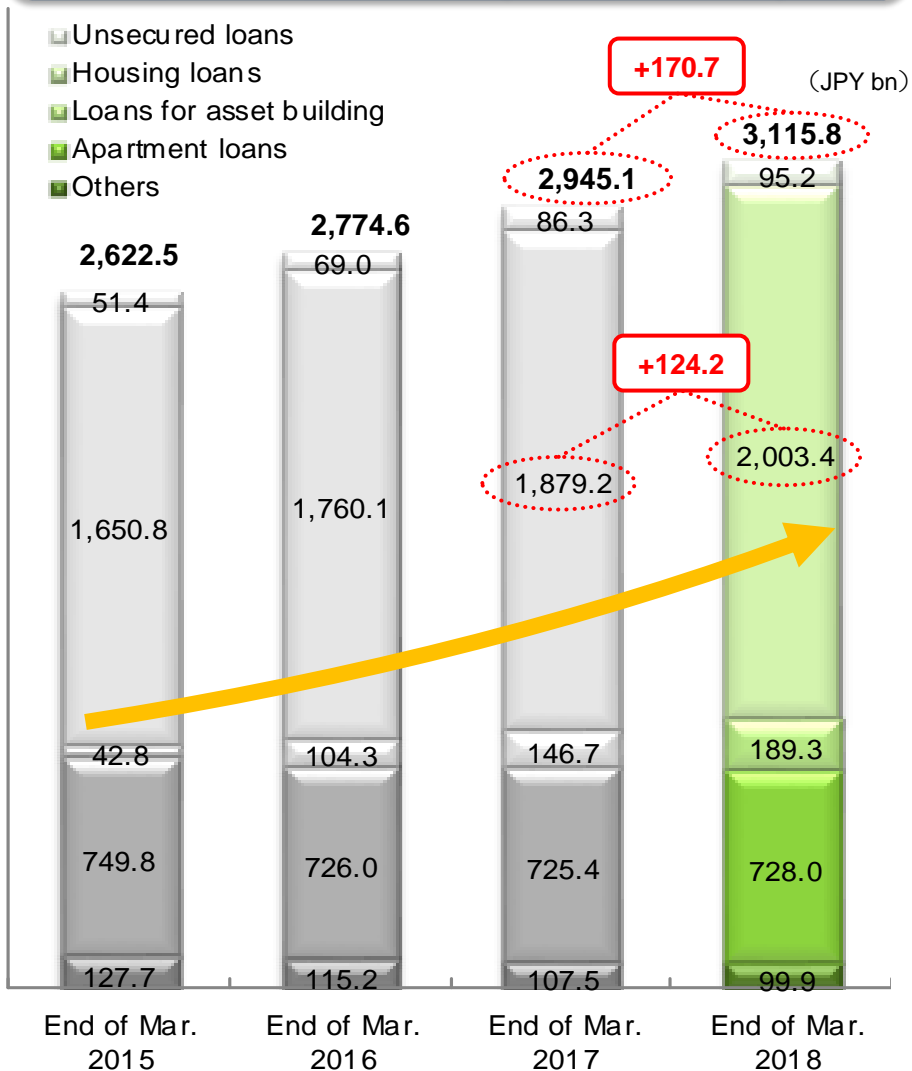
Breakdown of year-on-year changes in loan balance (average balance)



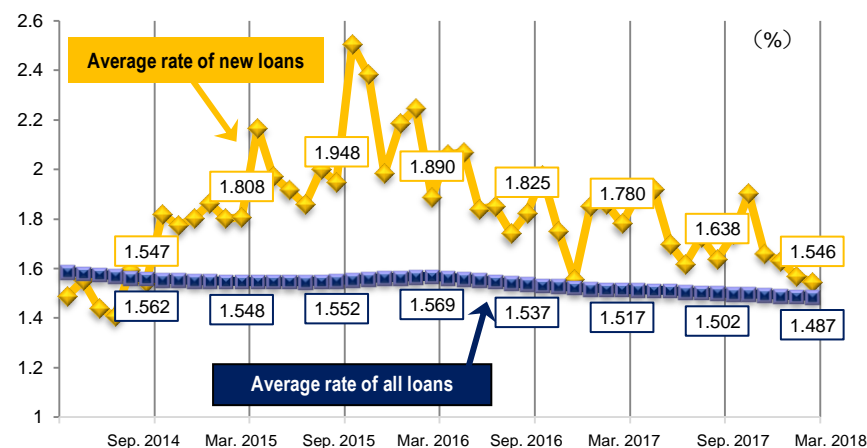
Consumer loans(1)

- Consumer loan balance (term-end balance) of FY2017 increased by JPY 170.7bn from the end of Mar. 2017, maintaining increase trend mainly by housing loans
- In consumer loan, average rate of new loans have been above average rate of all loans

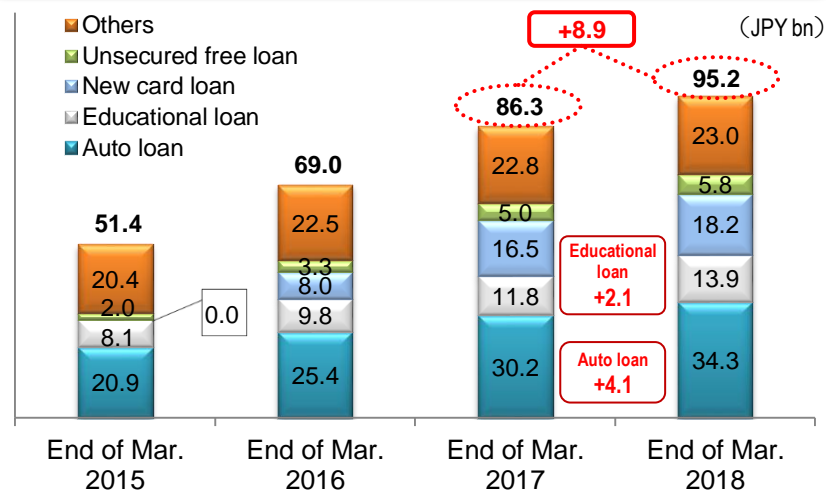
Consumer loan balance (term-end balance)



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



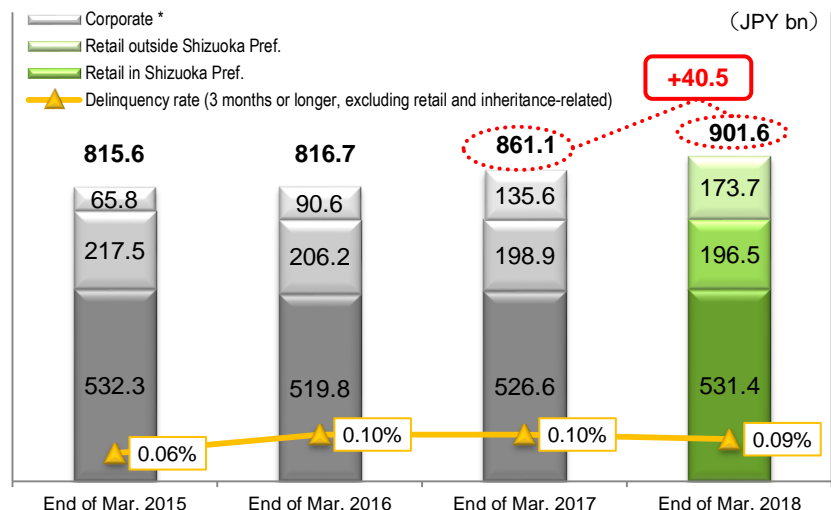
Unsecured loan balance (term-end balance)



Consumer loans(2) –Apartment loans, loans for asset building

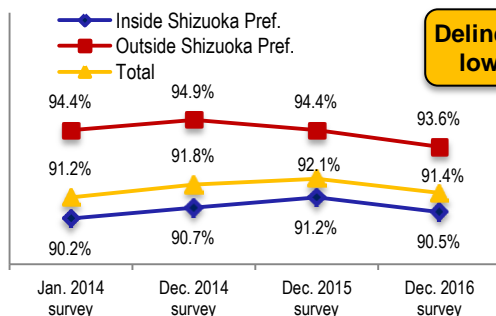
- Built a sound loan portfolio of apartment loans (including loans to businesses) and loans for asset building by conducting appropriate risk assessments of businesses

Term end balance and delinquency of Apartment loans



Appropriate assessments involve reviewing the repayment capability of borrowers and assessing risk at businesses, including the profitability of lease properties based on factors such as vacancy risk and downside risk to rents

【Survey on occupancy for apartment loans】

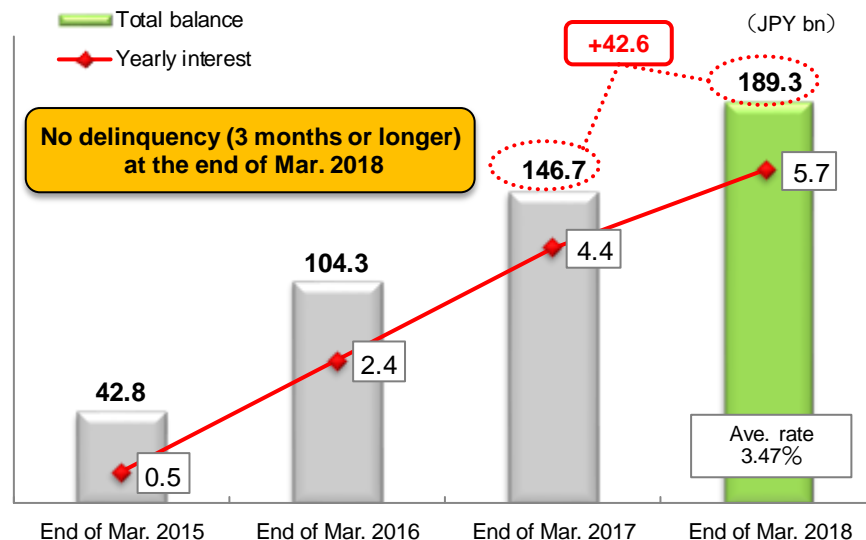


Delinquency rates on apartment loans are low and occupancy rates remain high

« Reference » Vacancy rate statistical data
Ministry of Public Management "Housing, Land survey statistics"(2013)

Shizuoka Prefecture	:24.8%
Tokyo	:16.2%
Kanagawa Prefecture	:17.3%
National average	:18.9%

Term end balance of Asset building loans



【Overview of cases financed by Asset Building Support Division in FY2017】

Average size of credit per property
JPY 64mn

Average annual income of borrowers
JPY 13.3mn

Average financial asset which borrowers have
JPY 31.7mn

- Loan portfolio made up of diverse small borrowers
- Limited credit risks with sound borrowers' profile

◆ Apartment loan :

Help customers who already have land and other real estate to better utilize

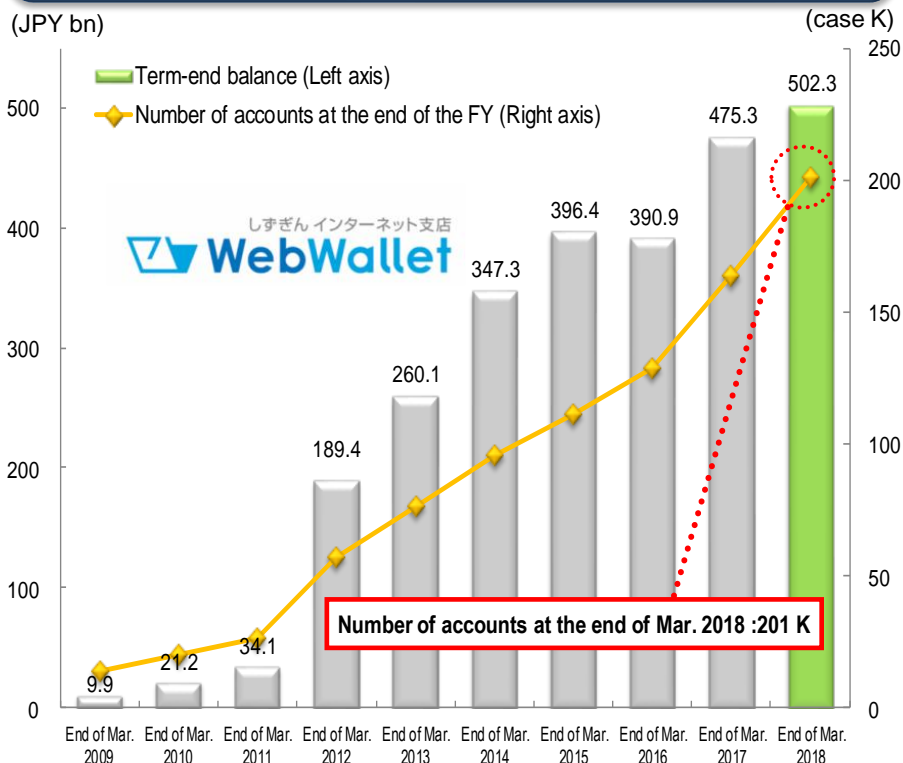
◆ Loan for asset building :

Help customers with high income to start building assets from now on

Internet Branch

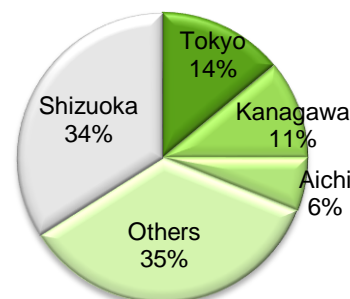
- Internet Branch, with its deposit balance more than JPY 500bn, is growing into an established funding channel
- Through Internet Branch, the Bank promotes expansion of business outside the region and increase of transactions with younger generation which is expected to be the Bank's future customer base, both of which are the basis of nationwide market strategy in the 13th Medium-term Business Plan

Number of accounts and term-end balance



Customer distribution by prefecture

Grown to be a funding channel that can widely collect deposits regardless of location.



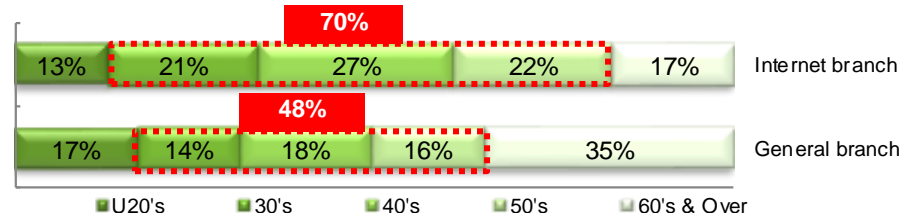
**Outside Shizuoka
Pref. : 66%
(Mar. 2010 : 16%)**

New customers gained during
2H FY2017 campaign period:
78.9% was customers outside
Shizuoka Pref.

Customer distribution by age group (End of Mar. 2018)

Main customer segment : 30's-50's asset building generation

⇒ Internet Branch can provide a wide range of financial services based on customers' life planning.



Initiative to
cultivate
younger
customers

Lowered minimum age requirement

Lowered minimum age requirement of Internet Branch in Mar. 2018 to increase transactions with younger customers(*)

Before revision 17 years
⇒ After revision 15 years

(*)Minimum age requirement for
transactions other than deposit is
20 years (stay the same)

Stream video ads by forming a tie-up with C CHANNEL

The Bank formed a tie-up with C CHANNEL(*), a company running a video website targeting women in 20's, to deliver video ads for online banking service WebWallet in C CHANNEL's app and social media

(*)Media distribution company for boasting the number of top-ranked users in Japan



Fees and commissions

- Fees and commissions (including Bank, Shizugin Management Consulting and Shizugin TM Securities) of FY 2017 increased by JPY 0.9bn YoY
- The Bank works to enhance not only non-consolidated profitability such as fee incomes related to corporate but also consolidated profitability by consulting solution-based marketing with group companies

Group-based Fees and commissions

(JPY bn)	FY2016	FY2017	Y o Y change
(1) Fees and commissions (Nonconsolidated)	15.2	15.2	+0.0
Fees and commissions revenue	28.6	29.3	+0.7
Fees and commissions expense (-)	13.3	14.1	+0.8
(2) Ordinary revenue of Shizugin Management Consulting	1.4	1.5	+0.1
(3) Ordinary revenue of Shizugin TM Securities	7.7	8.5	+0.8
Total ((1)+(2)+(3))	24.3	25.2	+0.9

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

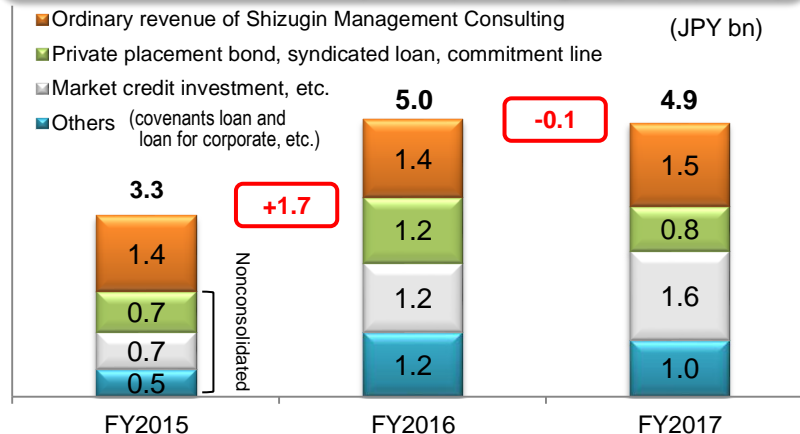
(JPY bn)		FY2015	FY2016	FY2017
[contracts number]				
Ordinary revenue		1.35	1.40	1.49
Consultant fee	M&A	0.29 [24]	0.33 [22]	0.39 [28]
	Business succession	0.10 [56]	0.11 [40]	0.13 [51]
	Settlement service	0.80	0.83	0.85

Shizugin TM Securities

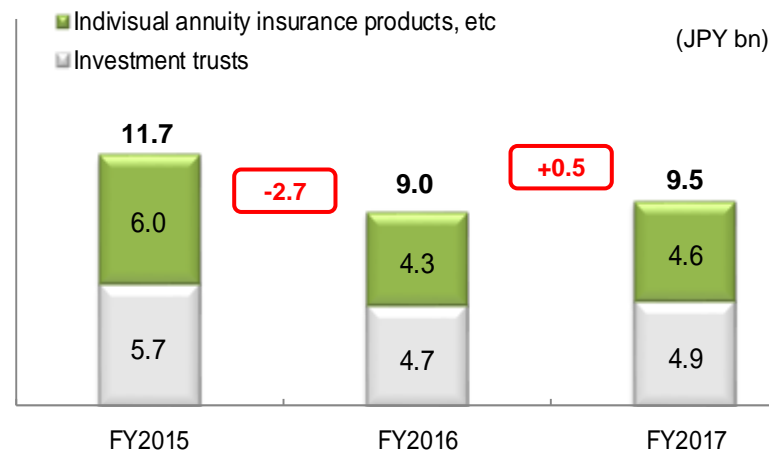
- Recorded No.1 ordinary revenue and ordinary profit among the regional banks securities subsidiary (FY2017)
- Bond sales has been expanding in addition to the investment trust-related revenue

(JPY bn)	FY2015	FY2016	FY2017
Ordinary revenue	8.69	7.73	8.50
(Investment trust-related)	(5.48)	(4.47)	(4.69)
Investment trust sales	136.2	114.0	121.5
Bond sales	82.7	96.7	143.3

Fee incomes related to corporate (include group companies)



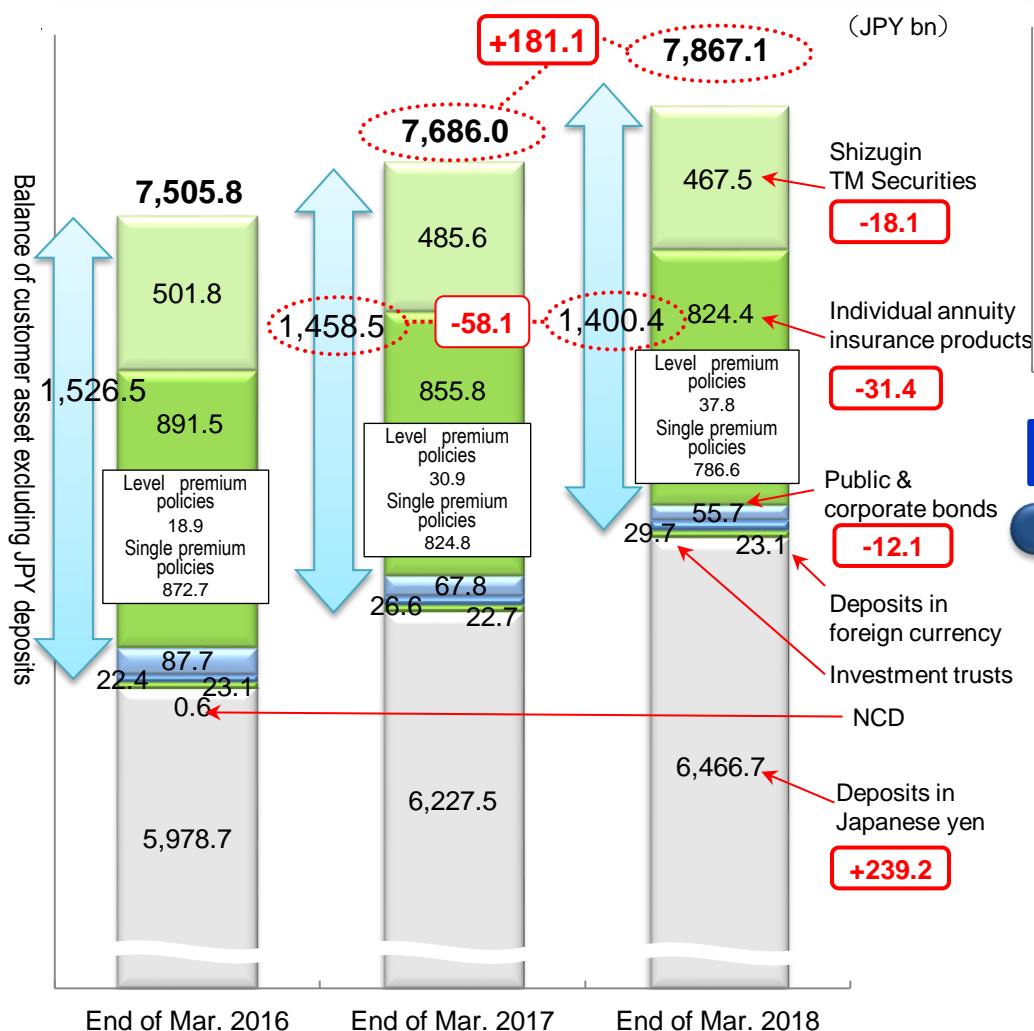
Sales and fee income from offering investment trusts and insurance products (Shizuoka Bank / Shizugin TM Securities)



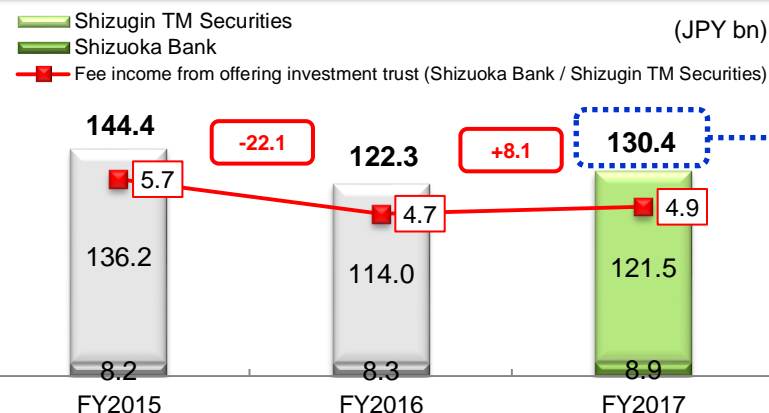
Customer assets

- Customer assets at the end of Mar. 2018 increased JPY +181.1bn from the end of Mar. 2017 due to the growth of Yen based deposit balance
- Sales from offering investment trusts and insurance products increased YoY

Customer assets (term-end balance)

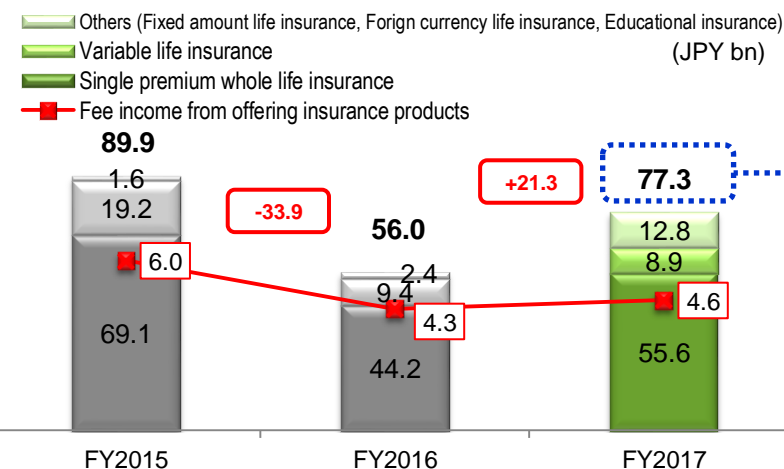


Investment trusts



Total sales amount of investment trusts and insurance products
: JPY 207.7bn (up JPY +29.4bn YoY)

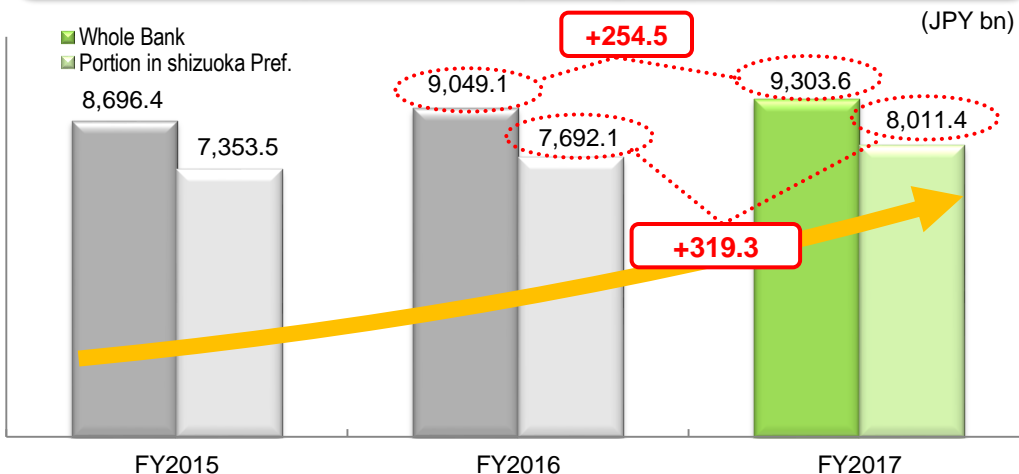
Insurance products



Deposits

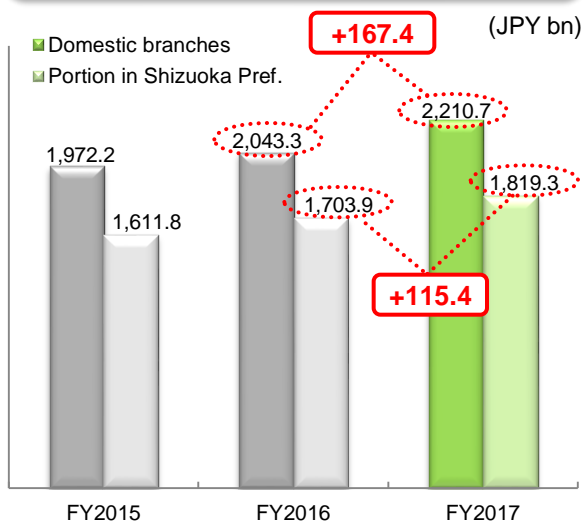
- Deposit balance (average balance) increased by JPY 254.5bn(+2.8%) YoY mainly due to the increase of retail deposit balance in Shizuoka pref.

Deposit balance (average balance)

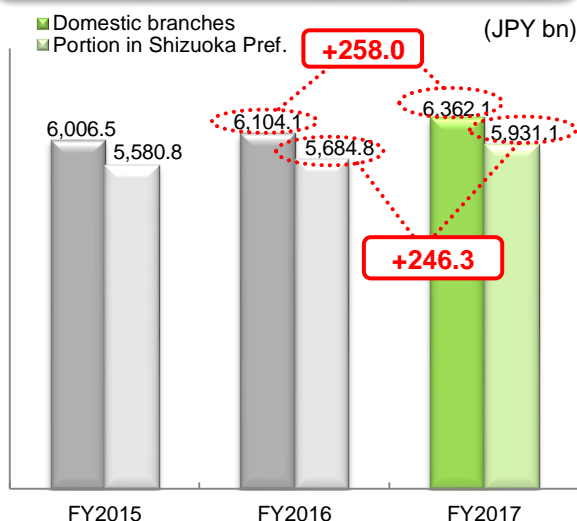


	Average balance	YoY change	Annual growth rate
Total deposit balance	JPY 9,303.6bn	JPY +254.5bn	+2.8%
Deposit balance in Shizuoka	JPY 8,011.4bn	JPY +319.3bn	+4.1%
Corporate deposit balance	JPY 2,210.7bn	JPY +167.4bn	+8.1%
Retail deposit balance	JPY 6,362.1bn	JPY +258.0bn	+4.2%
Portion in Internet branch	JPY 475.4bn	JPY +52.1bn	+12.3%
NCD	JPY 161.2bn	JPY -2.0bn	-1.2%

Corporate deposit balance (average balance)

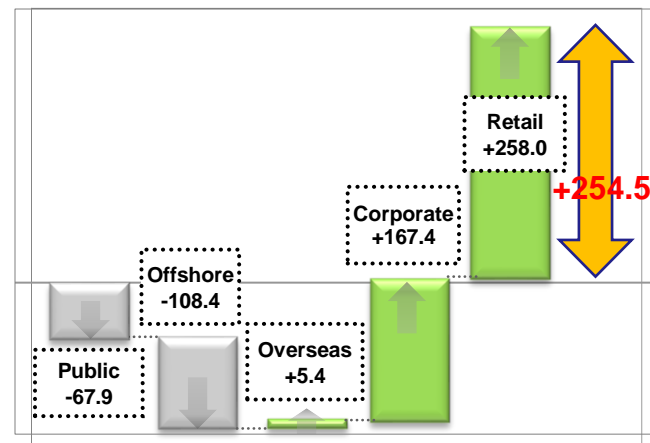


Retail deposit balance (average balance)



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

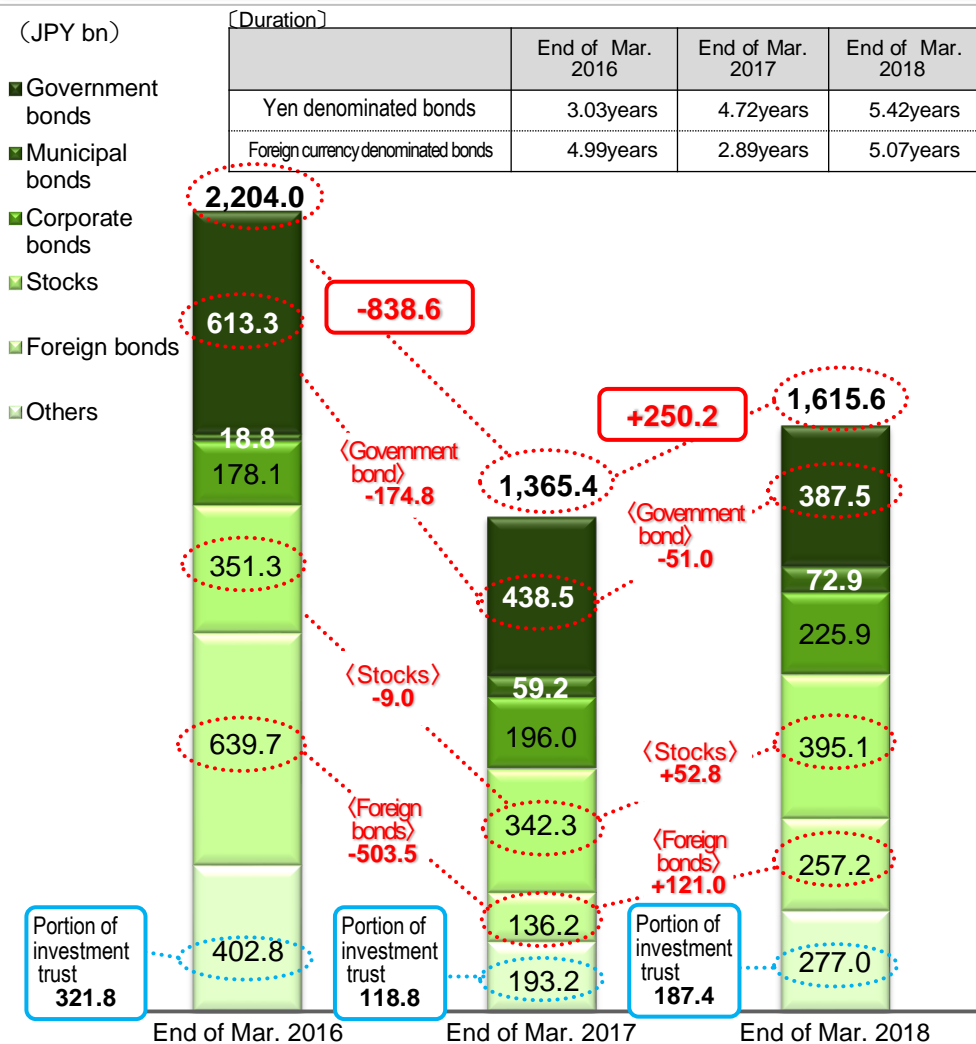
Breakdown of YoY change in deposits etc. (JPY bn)



Securities

- The Bank reduced its balance of foreign bonds after US interest rates rose in 2H FY2016, but it worked to rebuild its portfolio in FY2017 while carefully monitoring market conditions. As a result, the balance of securities at the fiscal year-end was JPY 250.2bn higher YoY, mainly due to increases of foreign bonds and investment trusts

Securities



Gains and losses on securities

(JPY bn)	FY2016	FY2017	Increase/Decrease
Gains on investment trusts	0.0	8.7	+8.7
Gains and losses on bonds such as JGBs	-30.1	-4.2	+25.9
Gain on sell of bonds such as JGBs	13.9	1.1	-12.8
Loss on sell of bonds such as JGBs(-)	37.3	5.2	-32.1
Loss from redemption	6.7	0	-6.7
Gains and losses on hedges from futures trading	2.6	2.2	-0.4
Gains and losses on stocks	36.6	8.9	-27.7
Gain on sell of stocks	36.6	8.9	-27.7
Devaluation of stocks (-)	0.0	0.0	+0.0

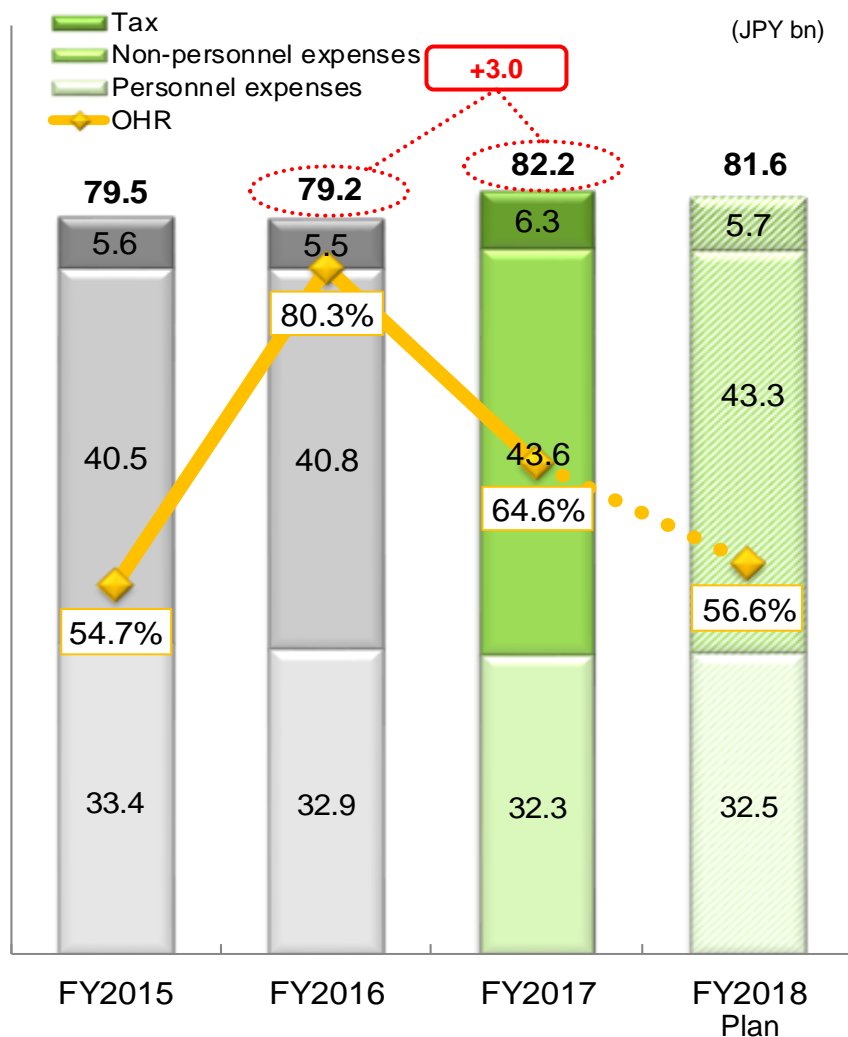
Unrealized gains and losses on securities

(JPY bn)	End of Mar. 2016	End of Mar. 2017	End of Mar. 2018	Change from the end of Mar '17
Unrealized gains and losses on securities	+227.4	+230.9	+272.5	+41.6
Stocks	+204.6	+222.8	+265.4	+42.6
Bonds	+12.6	+5.8	+5.2	-0.6
Other	+10.2	+2.3	+1.9	-0.4
Foreign bonds	+9.8	+0.0	-0.6	-0.6
Investment trusts	+0.2	+1.6	+1.8	+0.2

Expenses

- Expenses of FY2017: JPY 82.2bn, up JPY 3.0bn YoY due to the increase of expenses related with systems
- Maintain the policy to control OHR around 55% in the 13th Medium-term Business Plan

Expenses and OHR



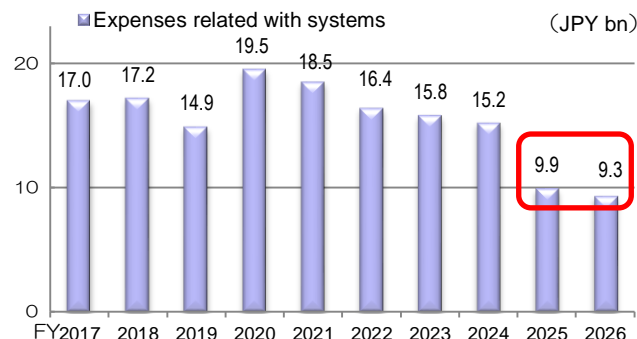
Main factors for change of expenses

	YoY change	Main factors	Expenses related with systems JPY+4.3bn
Tax	JPY +0.8bn	Consumption tax JPY +0.8bn	
Non-personnel expenses	JPY +2.8bn	Depreciation expense JPY +2.5bn Maintenance fee of systems etc. JPY +0.7bn	
Personnel expenses	JPY -0.6bn	Factor of number of employees JPY -0.5bn	
Total	JPY +3.0bn		

Comparison with initial expenses plan

	FY2017	FY2018
Initial plan (13 th Medium-term Business Plan)	JPY 85.0bn	JPY 84.5bn
Performance/Plan	JPY 82.2bn	JPY 81.6bn

Efforts to reduce expenses were successful, with expenses falling below the target level in the 13th Medium-term Business Plan
 ⇒ Aim for further reductions by charging the cost structure through channel and business process reforms

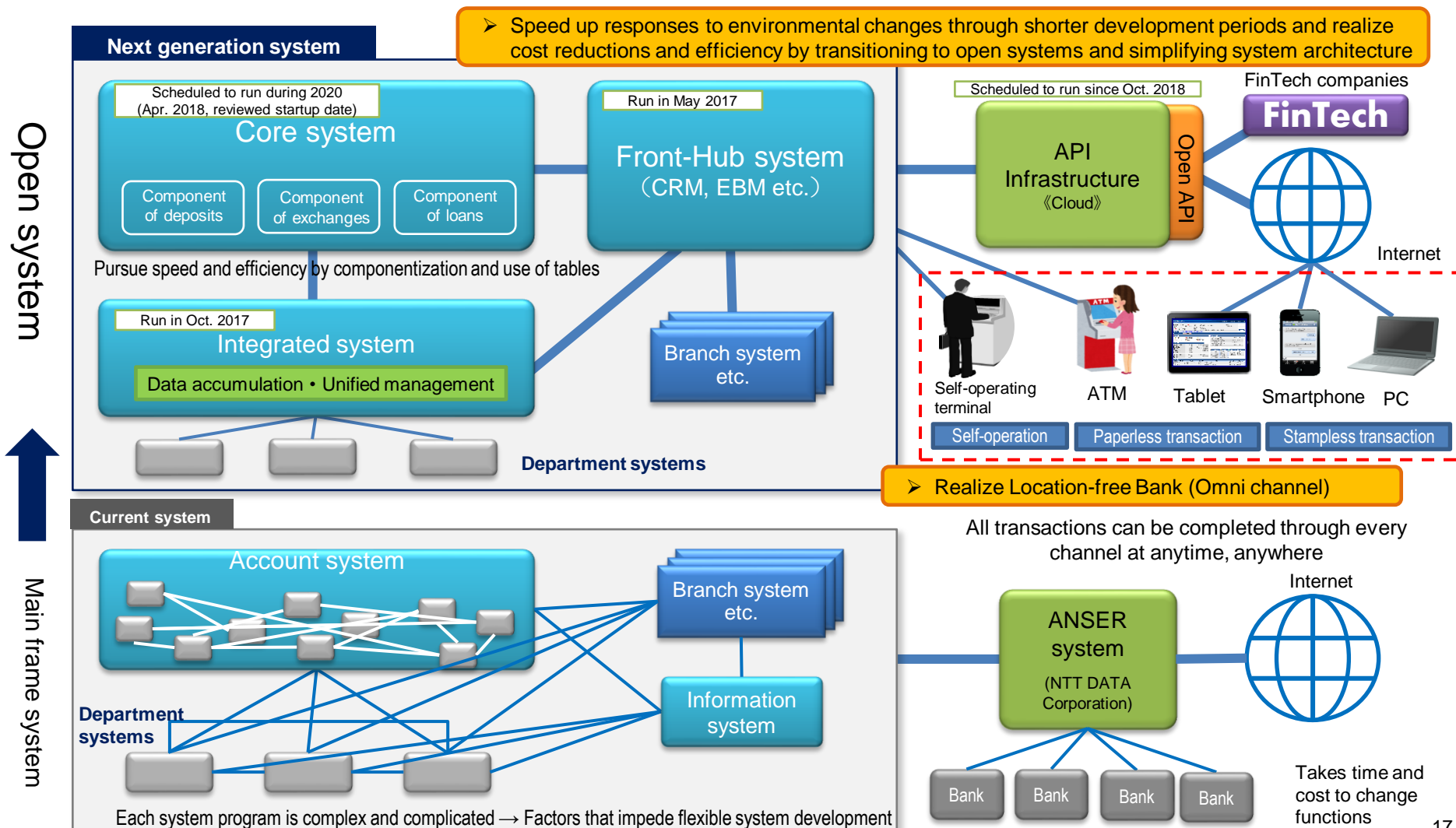


Depreciation by investment in the next-generation IT system are set to rise temporarily, but expenses will be brought down to less than JPY 10bn in the future due to the cost reduction effect

※New system is scheduled to come on line in May 2020

Next Generation System

- The Next Generation System was scheduled to start operation in Jan. 2019, but the startup date has been pushed back to sometime during FY2020 to secure sufficient time for testing; the decision was made to ensure the system is stable, as it needs to be compatible with other various systems, including the updated Japanese Banks' Payment Clearing Network (Zengin System), which currently faces delays
- Updates to hardware in the current system were completed in May 2017 and there is no impact on the stable operation of the system or on our strategies in the 13th Medium-term Business Plan



Credit-related costs

- Credit-related costs in FY2017 decrease by JPY 8.6bn YoY to JPY -4.5bn reflecting gain on reversals from loan loss reserves (JPY -4.9bn) mainly due to refinement of calculation method for general allowance for loan losses

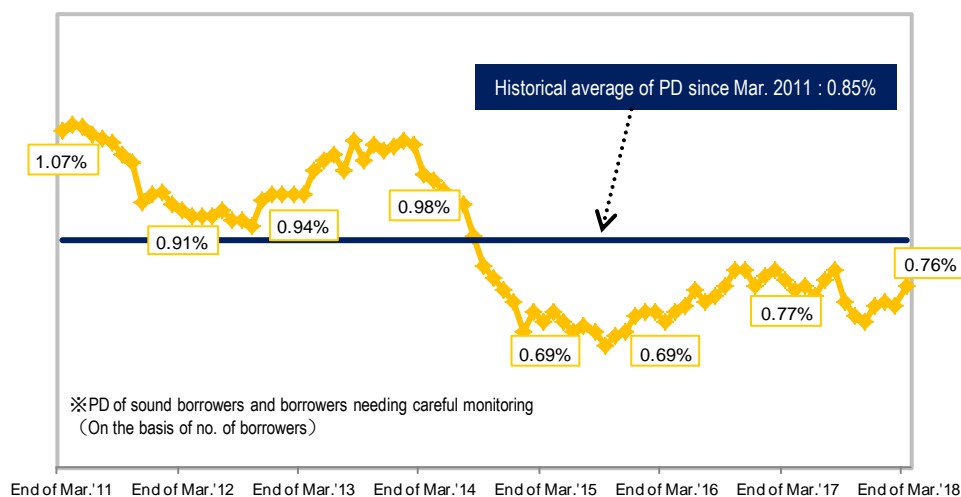
Breakdown of credit-related costs

(JPY bn)	FY2016	FY2017	YoY change
Provision for general allowance for loan losses (1)	0.2	[-10.0] -	[-10.2] -0.2
Provision for specific allowance for loan losses (2)	3.2	[5.1] -	[+1.9] -3.2
Other non-performing loans (NPL) disposal *1 (3)	0.7	0.4	-0.3
Gain on reversals from loan loss reserves *2 (4) :(1)+(2)	-	-4.9	-4.9
Credit-related Costs (3)+(4)	4.1	-4.5	-8.6

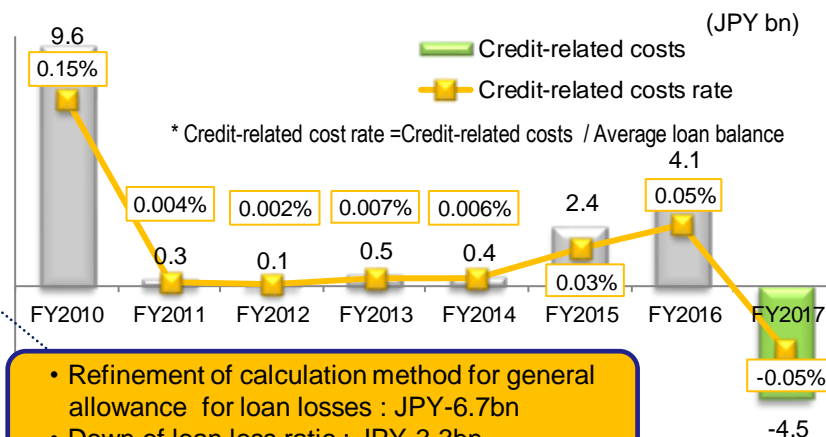
*1 Including provision for the estimated future payments to credit guarantee corporations, provision for allowance for accidental losses, and losses on sell of loans

*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]

Probability of Default (PD)

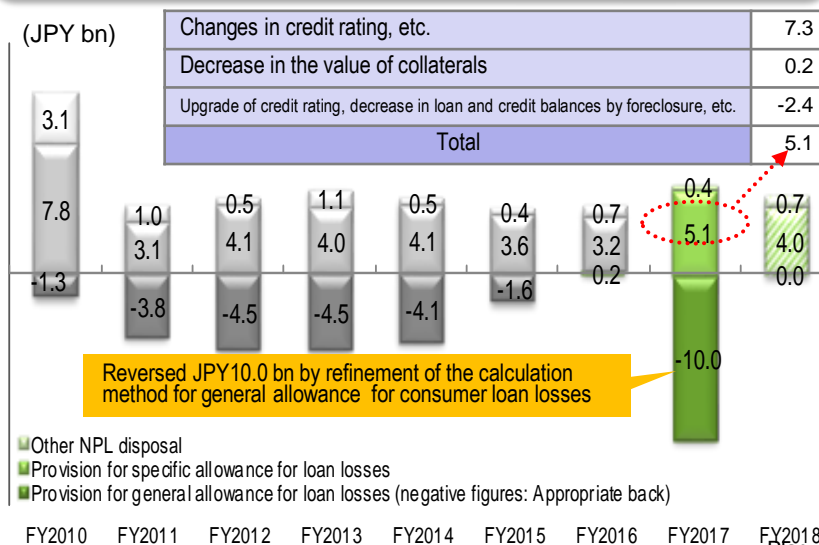


Credit-related costs and Credit-related cost rate



- Refinement of calculation method for general allowance for loan losses : JPY-6.7bn
- Down of loan loss ratio : JPY-3.3bn

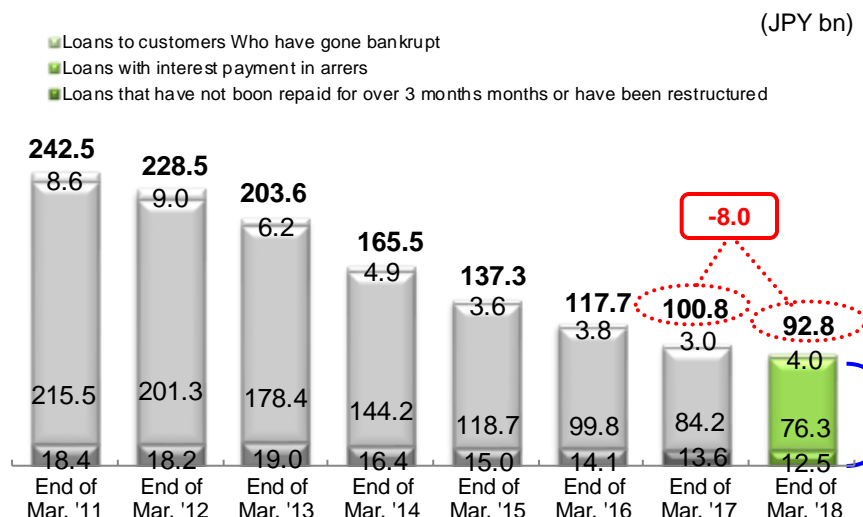
Provision for allowance for loan losses and other NPL disposal



Risk-management loans

- Total risk-management loans keep decreasing from the peak balance of JPY 242.5bn after the collapse of Lehman Brothers and the figure at the end of Mar. 2018 was JPY 92.8bn, the lowest in the Bank's history (the ratio of risk-management loans was 1.11%)
- Net risk-management loans were JPY 11.9bn (the ratio of net risk-management loans was 0.14%), which shows the soundness in the Bank's asset

Trends in Risk-management loans



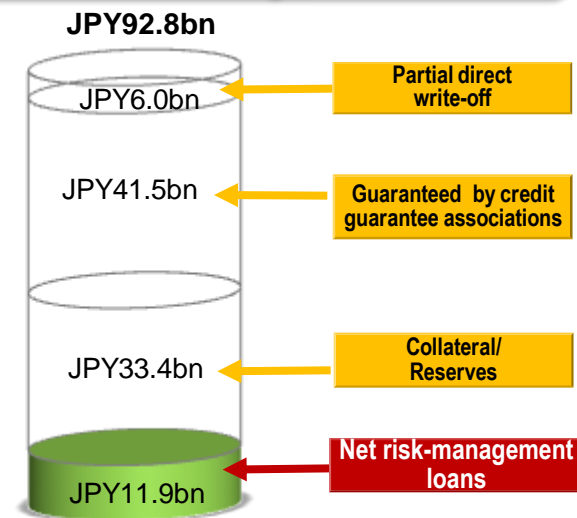
*Borrowers classified as "at risk of failure" and borrowers classified as "practically bankrupt" are written as "loans with interest payment in arrears" among the debtor division in accordance with Banking Act

[Delinquency ratio]

In arrears
20%

Not in arrears
80%

Net risk-management loans



NPL removal from the balance sheet

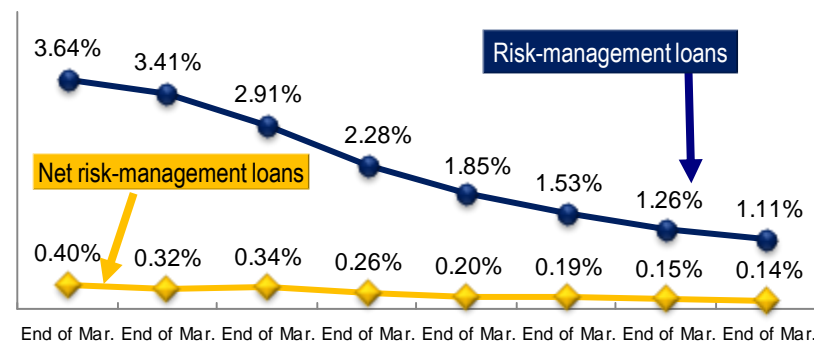
(JPY bn)	FY2016	FY2017
New recognition of NPLs	+25.4	+25.2
Removal from the balance sheet (NPL to borrowers classified as "at risk of failure" or riskier categories)	-42.3 (-39.1)	-33.2 (-29.7)
Risk-management loans	100.8	92.8

-8.0

[Breakdown of JPY -29.7bn]

(JPY bn)	
Collected from borrower/ set off against deposit account	-3.8
Collateral disposal/ subrogated to guarantor	-10.9
Reclassified to better categories	-11.5
Loans sold-off	-3.0
Direct write-off of loans	-0.4

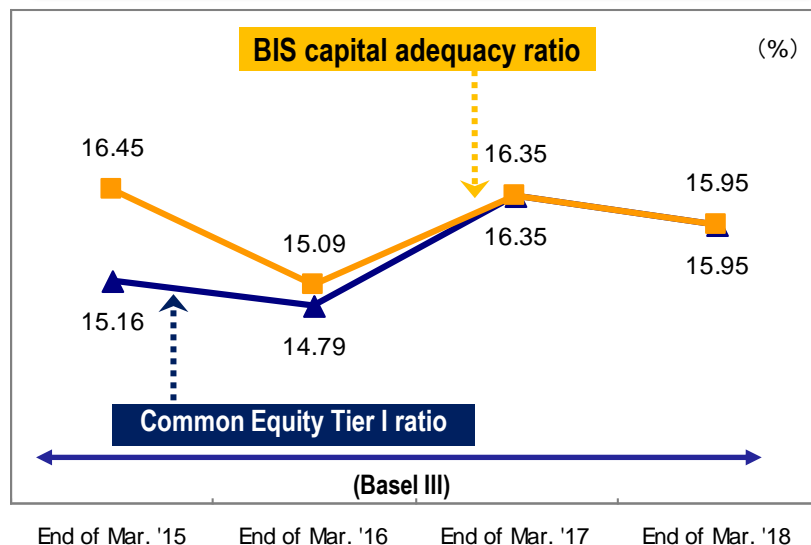
The ratio of risk-management loans



Capital adequacy ratio

- Both Basel III capital adequacy ratio and Common Equity Tier I ratio at the end of Mar. 2018 are 15.95%, down 0.40 percent point from the end of Mar. 2017

BIS capital adequacy ratio (consolidated basis)



Interest rate risk in the banking book (IRRBB) (consolidated basis) ※Preliminary data

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

Decrease in economic value	Tier I	Results of materiality test*
JPY 80.0bn	JPY 897.9bn	$8.9\% \leq 15\%$

*Financial Services Agency supervision guidelines require Δ EVE to be less than 15% of Tier I capital

- Δ NI (Net Interest Income): JPY -17.0bn
(Decrease in net interest income due to interest shock Within IRRBB)

Changes in capital and risk-adjusted assets

	(JPY bn)			
	End of Mar. '16	End of Mar. '17	End of Mar. '18	Change from the end of Mar. '17
[Basel III]				
Capital*	835.1	850.8	897.9	+47.1
Common Equity Tier I	818.1	850.8	897.9	+47.1
Other Tier I	0.0	0.0	0.0	± 0.0
Tier II	17.0	0.0	0.0	± 0.0
Risk-adjusted assets	5,530.5	5,202.8	5,626.9	+424.1
Total credit-risk adjusted assets	5,220.2	4,895.5	5,319.5	+424.0
Amount corresponding to market risk	11.9	15.2	12.7	-2.5
Amount corresponding to operational risk	298.5	292.1	294.7	+2.6

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

[Other index related to the Basel III]

(End of Mar. 2018)

- Liquidity coverage ratio (consolidated): 130.4% (Regulatory level 90% and over)
- Leverage ratio (consolidated): 7.67% (ditto 3% in trial period*)

Shareholder return (1) - Profit distribution

- For FY2017, the Bank plans to pay an annual dividend of JPY 21 per share, an increase of JPY 1 YoY; for FY2018, the forecast is JPY 22
- The Bank completed share buyback in Aug-Oct 2017 (Buyback no. of shares repurchased: 10mn, 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	FY2017 E	FY2018 Plan
Annual dividend per share (Interim dividend)	JPY16.00 (JPY8.00)	JPY20.00 (JPY10.00)	JPY20.00 (JPY10.00)	JPY21.00 (JPY10.00)	JPY22.00 (JPY11.00)

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

Profit distribution to shareholders

(JPY bn)

		FY2014	FY2015	FY2016	FY2017E	FY '08- '17 (10years)
Annual dividend (1)		9.9	12.3	12.2	12.5	Accumulated total 102.1
Repurchase of shares (2) (Shares bought back: million shares)		11.3 (10)	7.0 (5)	8.5 (10)	9.7 (10)	Accumulated total 101.0
Shareholder returns (3)=(1)+(2)		21.2	19.3	20.7	22.2	Accumulated total 203.1
Nonconsolidated	Net income(4)	42.6	44.0	24.4	43.4	Accumulated 353.0
	Dividend payout ratio (1)/(4)x100	23.24%	27.91%	49.83%	28.74%	Average 28.91%
	Shareholder return ratio (3)/(4)x100	49.82%	43.82%	84.60%	51.16%	Average 57.52%
Consolidated	Profit attributable to owners of the parent (5)	49.9	47.9	29.3	50.1	Accumulated total 400.1
	Dividend payout ratio (1)/(5)x100	19.81%	25.62%	41.58%	24.90%	Average 25.51%
	Shareholder return ratio (3)/(5)x100	42.47%	40.23%	70.60%	44.32%	Average 50.75%

[Reference]

ROE (Consolidated : Net income basis)	5.74%	5.18%	3.15%	5.21%
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Average in 5years

4.98%

“Average” means weighted average₂₁

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

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

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

At the end of Mar. 2018

No. of outstanding shares (including treasury stocks) : 645,129 thousand,
No. of treasury stocks : 51,304 thousand



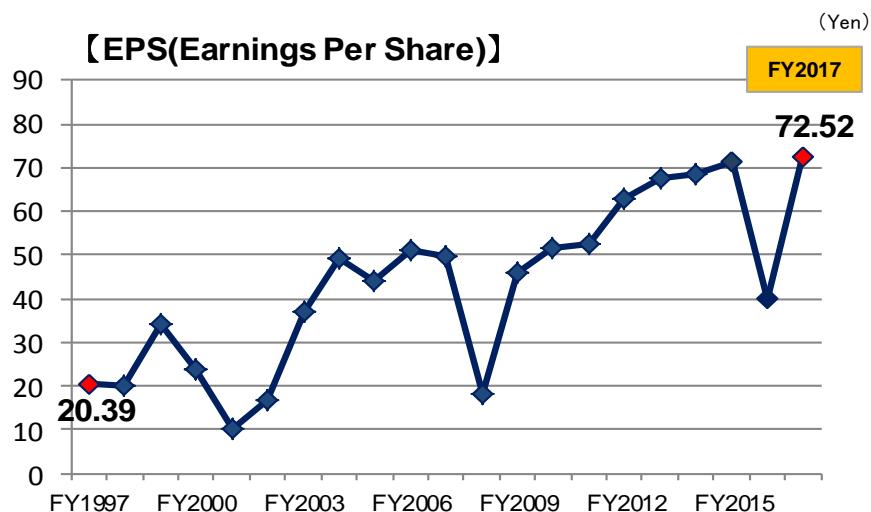
Cancel 30mn shares, worth JPY 30,530mn, in May 2018



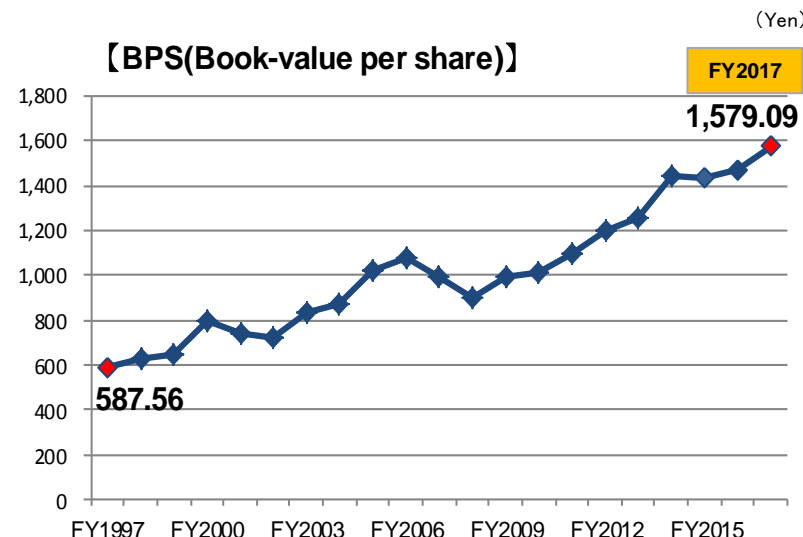
After cancellation

No. of outstanding shares (including treasury stocks) : 615,129 thousand
No. of treasury stocks : 21,304 thousand

【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 <Nonconsolidated> (%)	Shareholder return ratio <Consolidated> (%) (*)	EPS <Nonconsolidated> (Yen)	BPS <Nonconsolidated> (Yen)
FY1997	7,226	9,997	7,226	9,997	90.3	—	20.4	587.6
FY1998	6,633	9,142	6,633	9,142	86.7	84.1	20.1	627.6
FY1999	8,357	9,143	8,357	9,143	51.4	52.6	34.1	651.0
FY2000	24,954	23,281	24,954	23,281	152.0	150.3	23.7	792.2
FY2001	8,234	8,267	8,234	8,267	165.4	170.5	10.3	742.7
FY2002	29,928	23,107	—	—	229.4	222.1	16.6	721.3
FY2003	10,712	8,566	30,000	23,381	50.8	50.2	37.2	831.8
FY2004	—	—	—	—	17.1	16.9	49.4	875.9
FY2005	—	—	—	—	22.5	21.4	44.2	1,019.2
FY2006	—	—	—	—	25.3	24.3	51.2	1,077.9
FY2007	10,000	12,621	10,000	10,130	61.8	62.6	49.9	997.2
FY2008	—	—	—	—	70.8	69.7	18.3	903.3
FY2009	5,000	3,996	5,000	4,638	40.6	39.8	46.0	998.2
FY2010	20,000	14,980	20,000	15,957	67.2	65.7	51.8	1,016.3
FY2011	20,000	14,575	—	—	67.6	63.0	52.4	1,097.6
FY2012	10,000	8,239	20,000	14,953	43.9	31.5	62.8	1,204.3
FY2013	20,000	22,642	—	—	75.7	69.3	67.8	1,257.6
FY2014	10,000	11,315	—	—	49.8	42.4	68.5	1,440.7
FY2015	4,767	6,999	—	—	43.8	40.2	71.4	1,436.5
FY2016	10,000	8,496	20,000	20,578	84.6	70.6	40.0	1,470.1
FY2017	10,000	9,736	—	—	51.1	44.3	72.5	1,579.0
Total	215,811	205,106	160,404	149,470	60.48	—	—	—

Cancel 30mn shares, worth JPY 30,530mn, in May 2018

*Consolidated financial statements have been prepared since FY1998 23

Projected performance in FY2018 • Progress of the 13th Medium-term Business Plan

Projected performance in FY2018 • Progress of the 13th Medium-term Business Plan

(JPY bn)

Projected performance in FY2018

【Consolidated】

	FY2017 (A)	FY2018E (B)	YoY (B-A)
Ordinary profit	65.8	72.0	+6.2
Profit attributable to owners of the parent	50.1	52.0	+1.9

【Nonconsolidated】

Gross operating profit	127.3	144.1	+16.8
Net interest income	111.5	121.0	+9.5
Fees and commissions	15.2	17.8	+2.6
Trading income	0.8	1.4	+0.6
Other operating profit	-0.2	3.9	+4.1
(Bond-Related income such as JGBs)	(-4.2)	(2.5)	(+6.7)
Expenses (-)	82.2	81.6	-0.6
Provision for general allowance for loan losses (-)	-	-	-
Net operating profit	45.1	62.5	+17.4
Special profit and loss	11.0	-1.5	-12.5
Ordinary profit	56.2	61.0	+4.8
Net income	43.4	45.0	+1.6
Credit-related costs (-)	-4.5	4.7	+9.2

Progress of the 13th Medium-term Business Plan

(JPY bn)

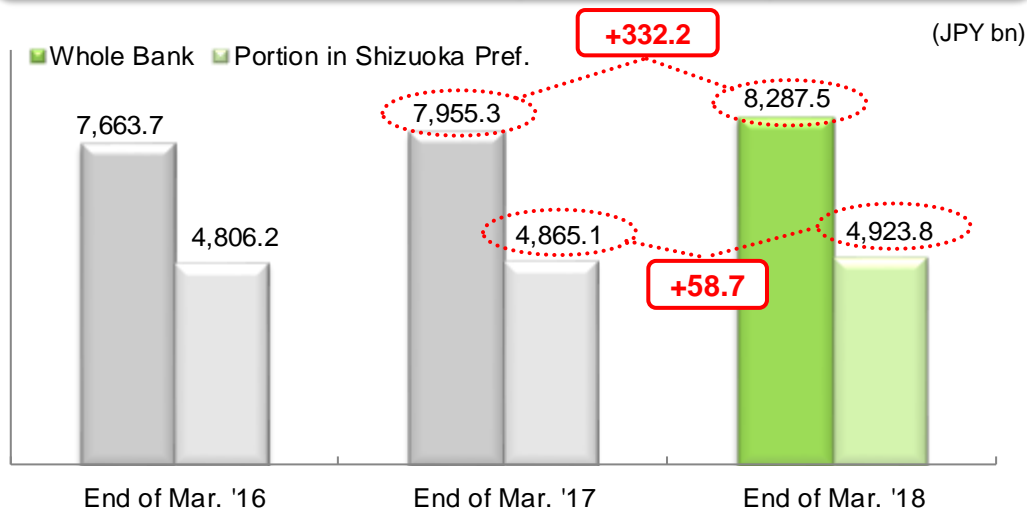
	12th Medium-term Business Plan	13th Medium-term Business Plan		
	FY2016	FY2017	FY2018E	FY2019 Plan
Ordinary profit (Except for a lump-sum write-down on the unamortized balance of goodwill)	47.1 (59.2)	65.8	72.0	77.0 or more
Profit attributable to owners of the parent (Except for a lump-sum write-down on the unamortized balance of goodwill)	29.3 (41.4)	50.1	52.0	54.0 or more

Reference

Loans - Term-end balance

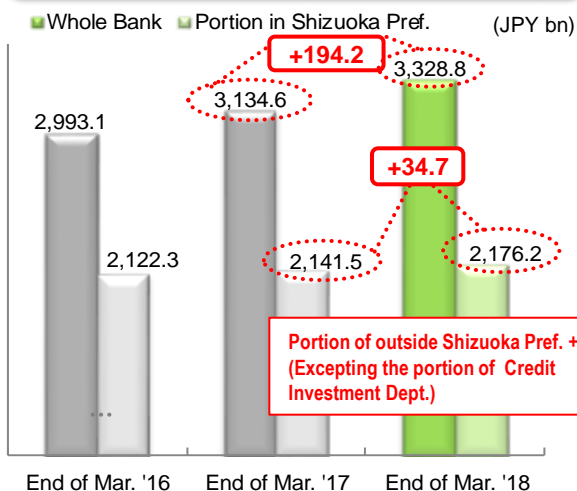
- Total loan balance (term-end balance) of FY2017 increased by JPY 332.2bn (+4.1%) YoY mainly due to the increase of SMEs loans and Retail loans

Total loan balance (term-end balance)

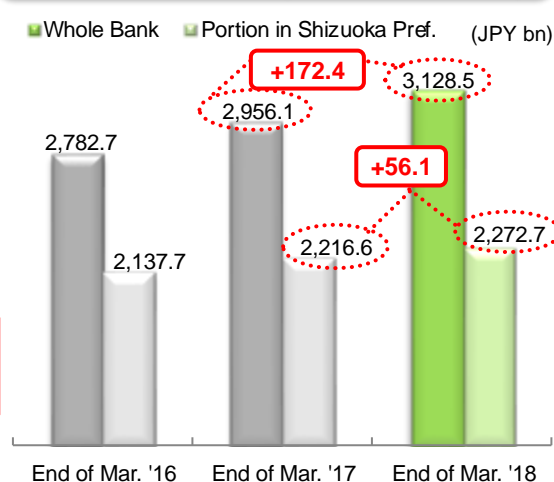


	Term-end balance	Change from the end of Mar. '16	Annual growth rate
Total loan balance	JPY 8,287.5bn	JPY +332.2bn	+4.1%
SMEs loan balance	JPY 3,328.8bn	JPY +194.2bn	+6.1%
Retail loan balance	JPY 3,128.5bn	JPY +172.4bn	+5.8%
Large and Medium sized enterprises	JPY 1,460.3bn	JPY -20.7bn	-1.3%

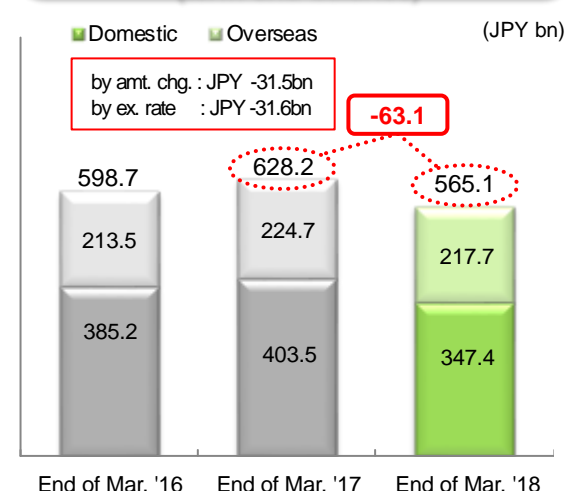
SMEs loan balance (term-end balance)



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 13%, and those to each industry such as construction, leasing, and money lending and investment account for less than 10% of loan balance respectively. Build a credit portfolio with borrowers from diverse industries
- Expected Loss (EL) for all industries : JPY 5.9bn (JPY 1.2bn for real estate and JPY 0.3bn for construction)
- Unexpected Loss (UL) for all industries : JPY 55.8bn

Contemporary status of business loans to particular industries

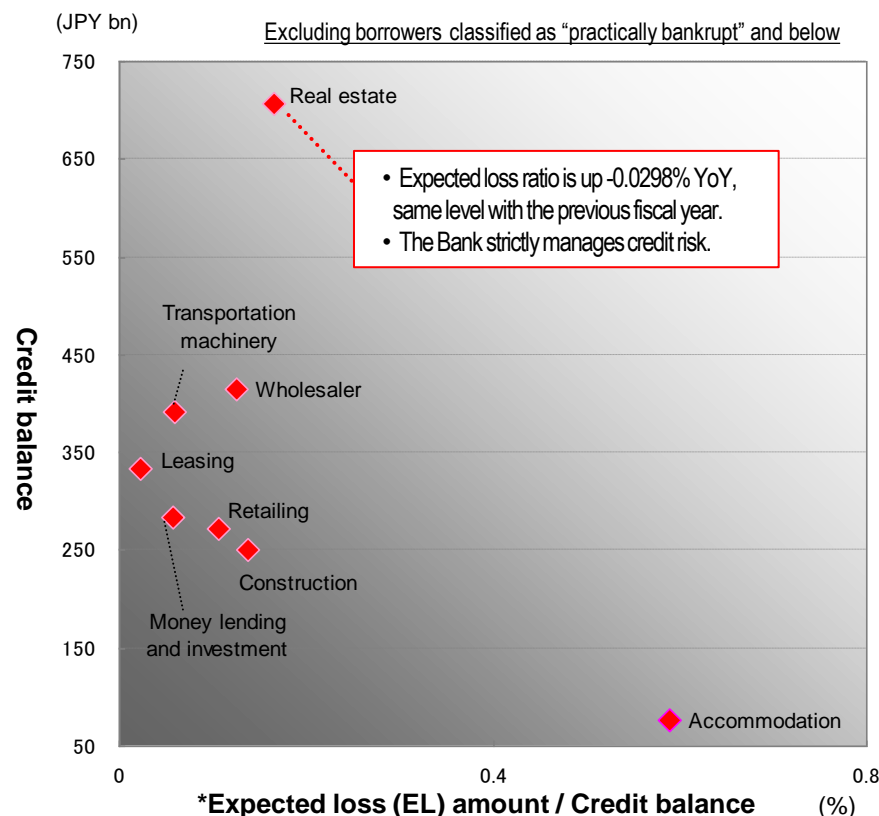
[Credit balance (as of the end of Mar. 2018)] (JPY bn, %)

	Balance	Composition ratio	Change from the end of Mar. '17
All industries	5,501.6	100.0	+182.4
Real estate (*1)	707.3	12.9	+111.8
Wholesaler (*2)	415.1	7.5	+15.4
Money lending and investment	284.2	5.2	+15.6
Transportation machinery	392.5	7.1	-43.6
Construction	251.4	4.6	-3.0
Retailer	271.8	4.9	-4.1
Leasing	333.9	6.1	+23.0
Accommodation	76.7	1.4	+4.7

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

(*2) excluding a general trading companies

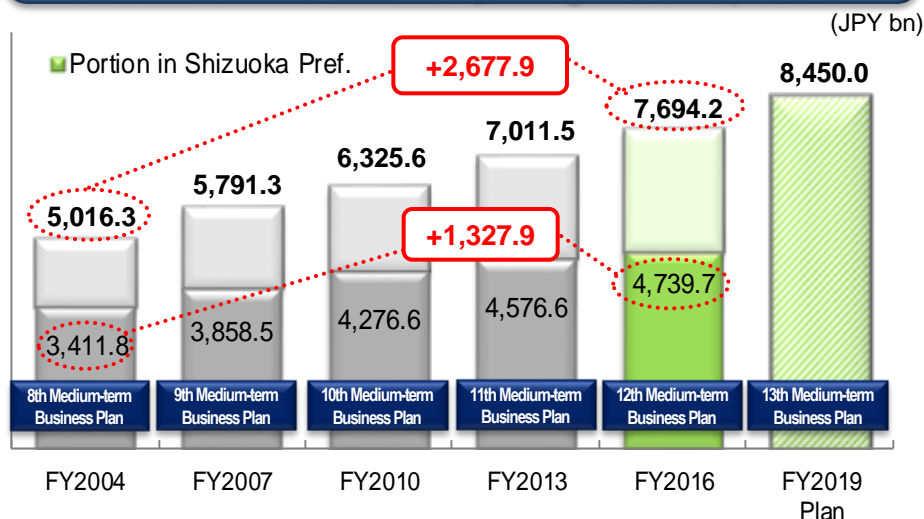
[Credit balance vs. expected loss rate*]



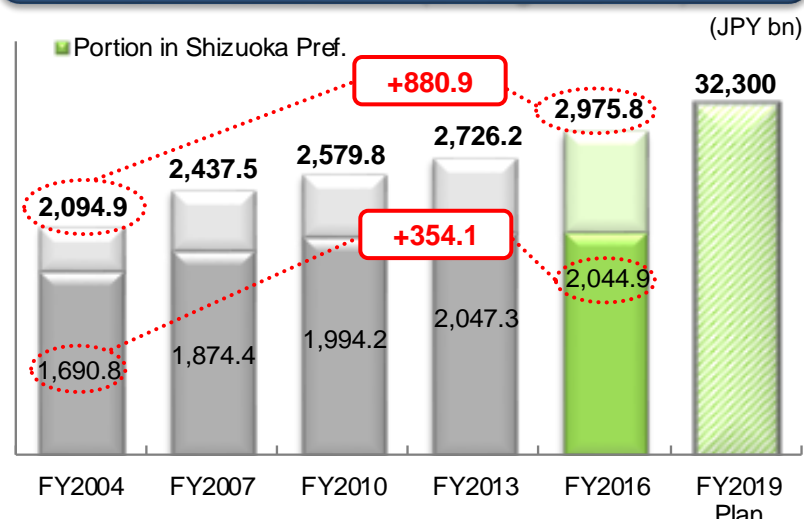
Historical data of loans

- 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.
- SMEs loan balance: JPY +880.9bn, consumer loan balance: JPY +1,433.2bn

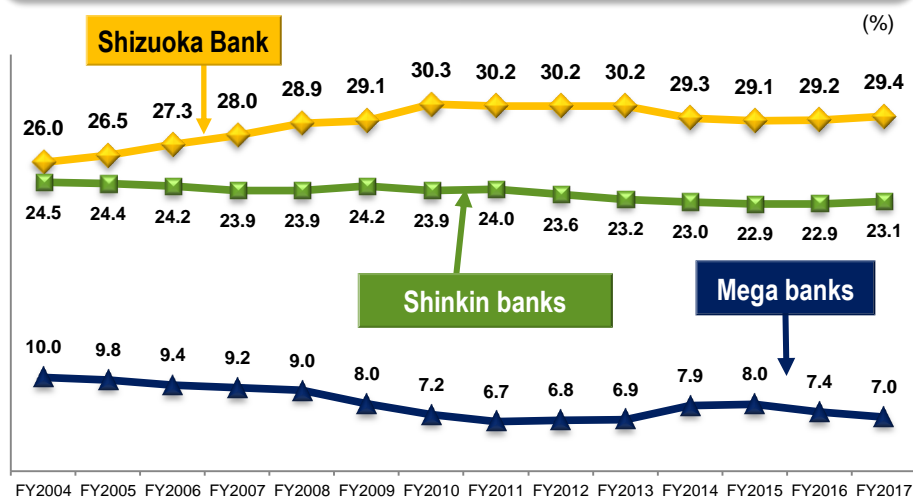
Total loan balance (average balance)



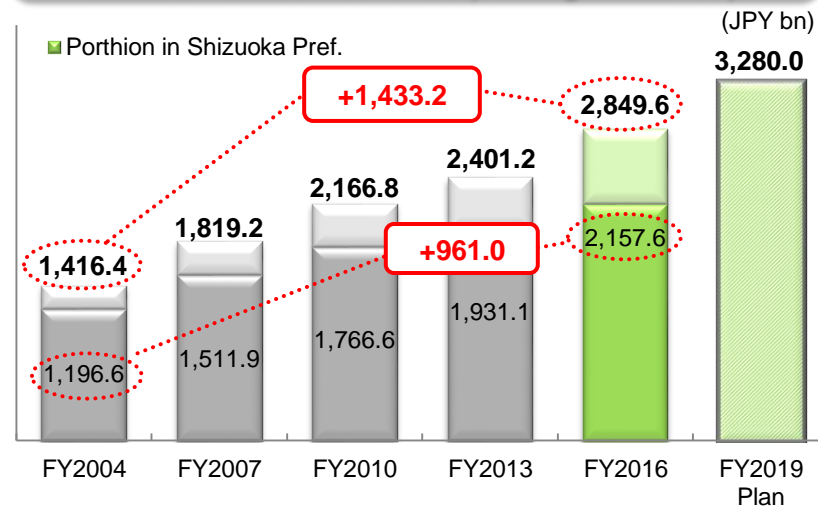
SMEs loan balance (average balance)



Share of loans in Shizuoka Prefecture



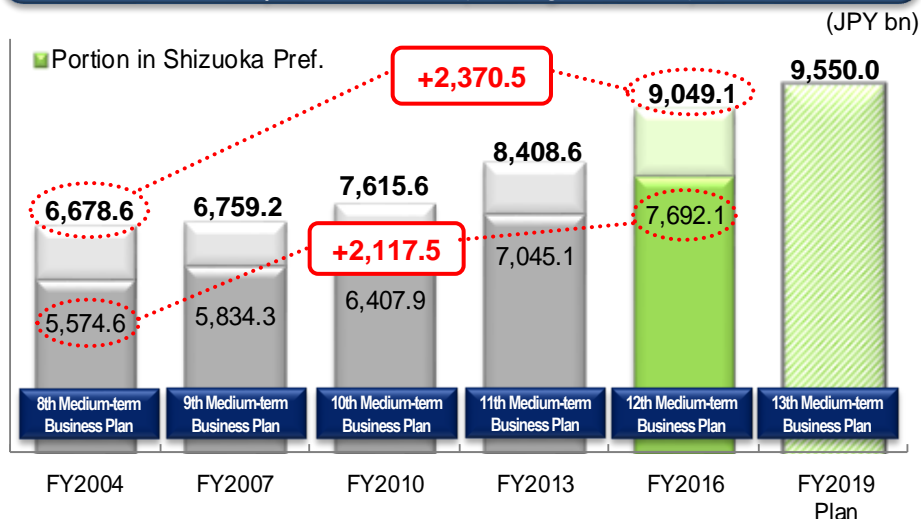
Consumer loan balance (average balance)



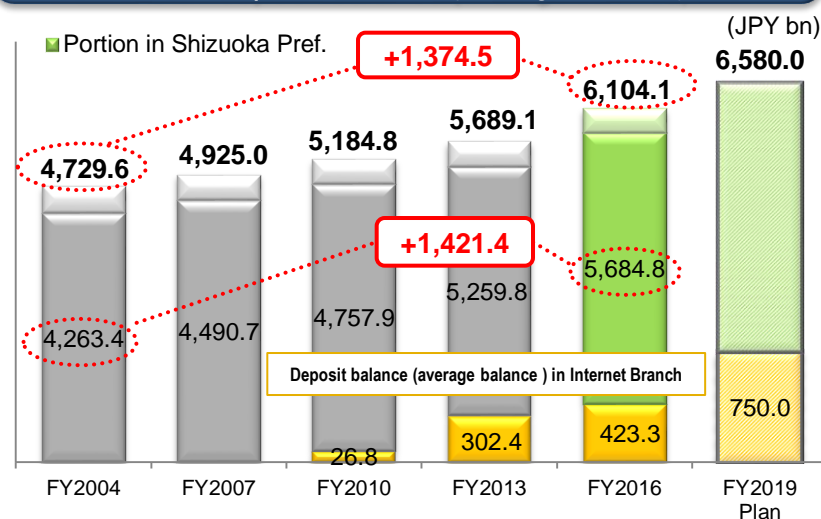
Historical data of deposits

- Total deposit balance (average balance) has increased by JPY 2,370.5bn for 12 years since FY2004, 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

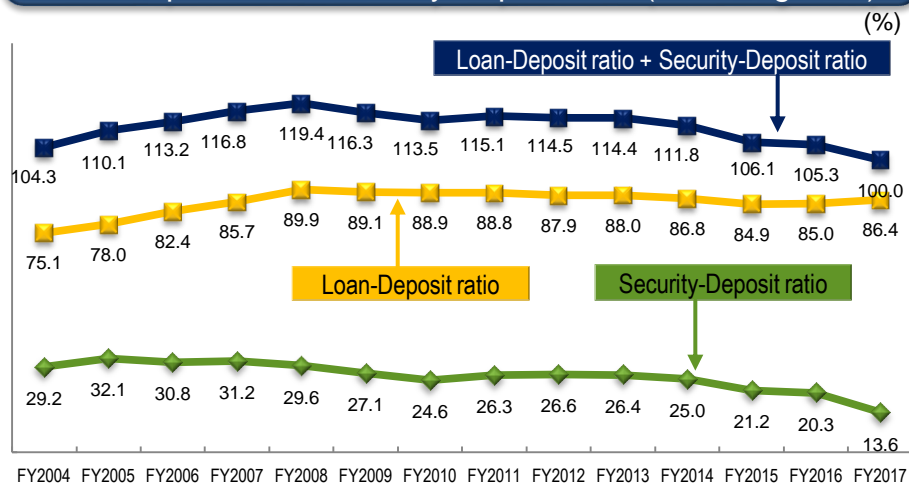
Deposit balance (average balance)



Retail deposit balance (average balance)



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

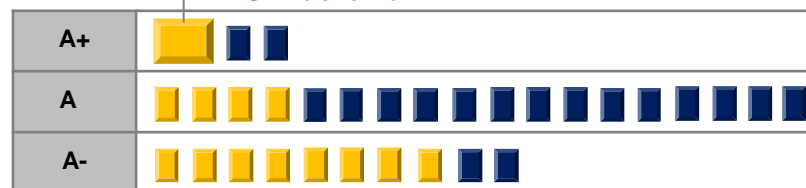


External ratings (As of the end of Mar. 2018)

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

<Standard & Poor's>

Shizuoka Bank



 Regional banks

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

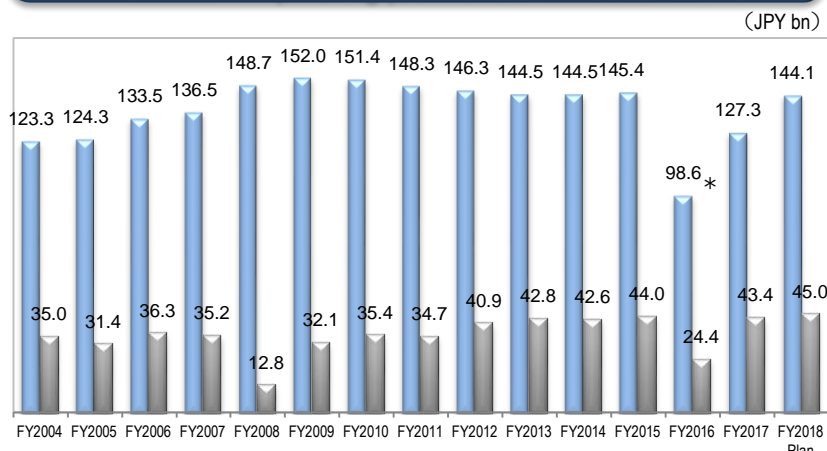
<Other external ratings>

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

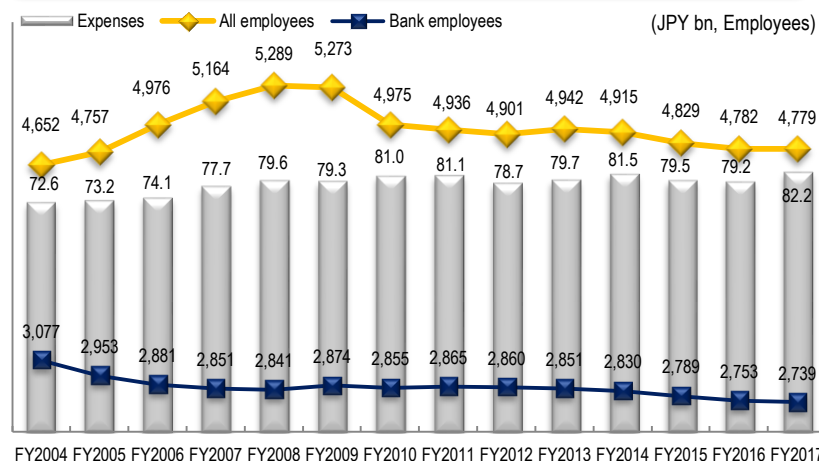
Gross operating profit and Net income



9th Medium-term Business Plan 10th Medium-term Business Plan 11th Medium-term Business Plan 12th Medium-term Business Plan 13th Medium-term Business Plan

* Decrease in gross operating profit in Treasury Dept. :JPY -47.0bn

Expenses and Number of employees



Productivity Improvement

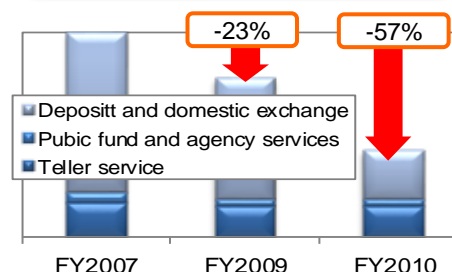
<10th Medium-term Business Plan> FY2008 – FY2010

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



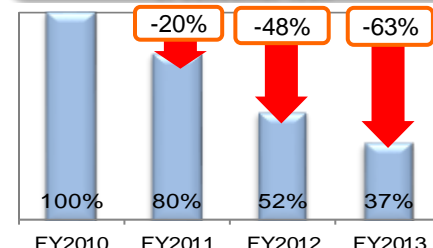
<11th Medium-term Business Plan> FY2011 – FY2013

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



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

<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

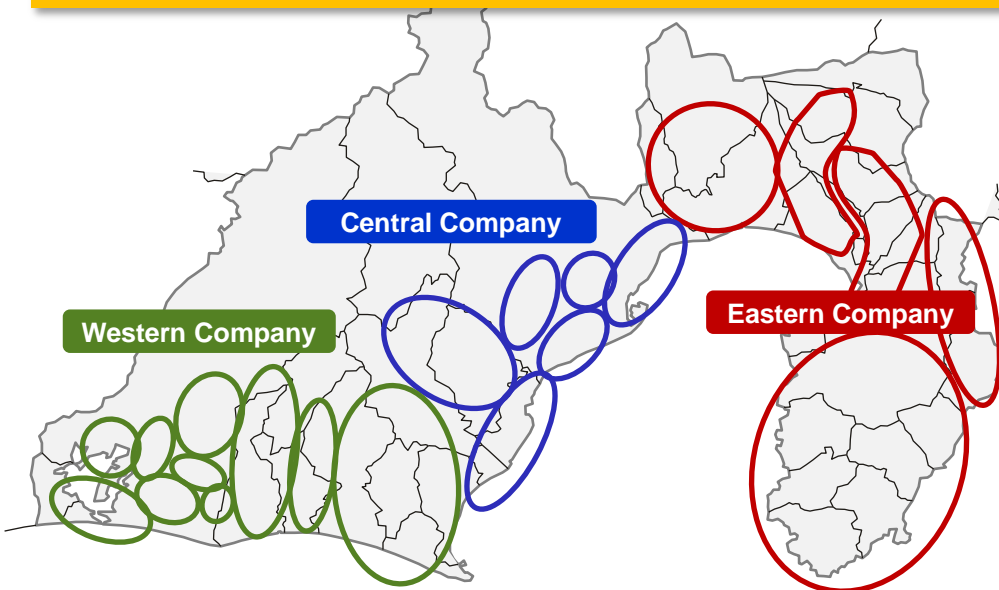
	Mar. 2008	Mar. 2017	Increase / Decrease
Front-office	2,411	2,919	+508
Back-office	1,693	902	-791
Shizuoka Bank [inc. temporary employee]	5,164	4,782	-382

Reforming sales structure

- Reform sales structure to address changes in customer needs and the operating environment, aim to further improve customer convenience and satisfaction by offering high-quality financial services without shrinking the branch network

- The Bank divides Shizuoka Pref. into three Companies which consist of 19 Blocks
- The 19 Blocks are further divided into 37 Areas

Dense branch network covers the whole of Shizuoka Pref. (144 branches)



Company	Block
Eastern Company	Shimoda, Atami, Mishima, Numazu, Fuji-Chuo
Central Company	Honten, Gofukucho, Ekinan, Shimizu, Yaizu, Fujieda-Eki
Western Company	Kakegawa, Iwata, Fukuroi, Hamamatsu, Naruko, Hamamatsu-Chuo, Aoicho, Hamakita

Background

Customer needs

- Increase in need for solutions for business succession planning, business matching, business turnaround etc.
- Diversification of customer need

Operating environment

- Decrease in population and number of business sites
- Decrease in branch customer traffic because of shift to online banking
- Projected contraction in the workforce

Reforms of sales structure are aimed at integrating branch functions and personnel in each area to improve efficiency and reduce the cost of branch operation and to share expertise and know-how among branch personnel

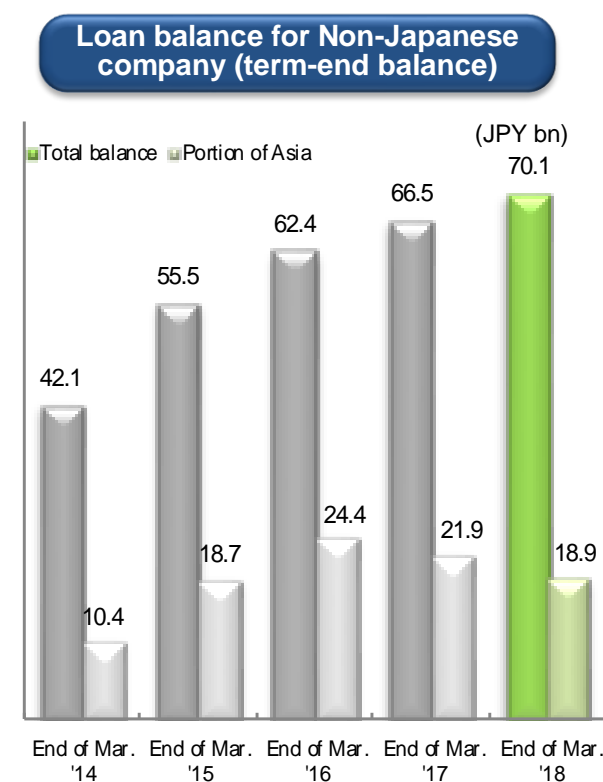
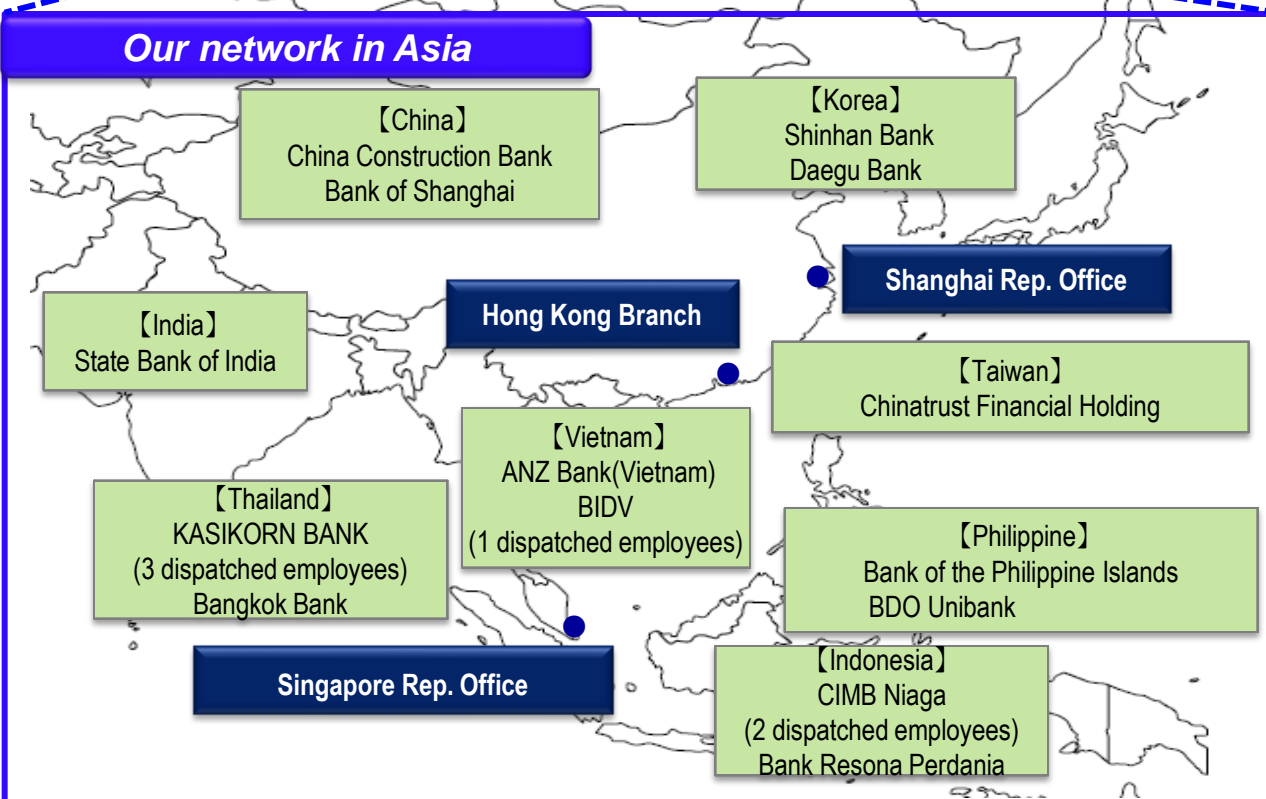
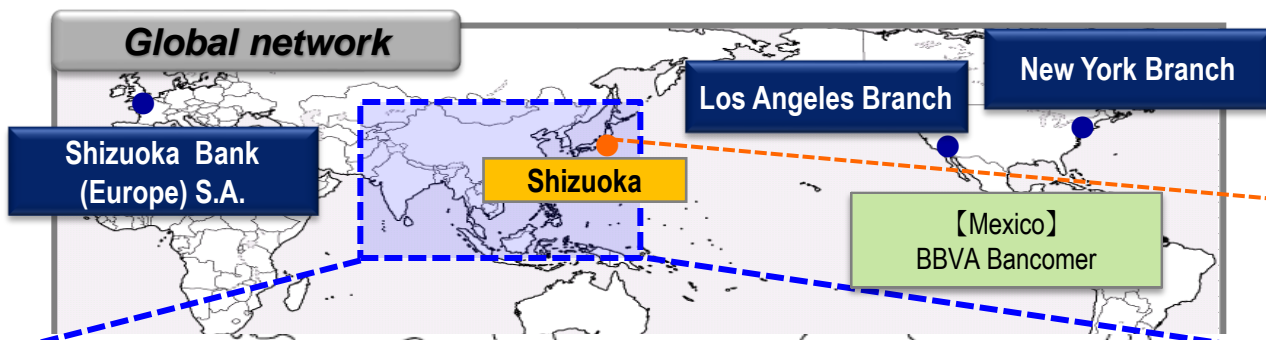
Strengthen solutions marketing and ensure provision of highly targeted financial services without shrinking the branch network

Further improvements in customer convenience and satisfaction

- Initial trial of reforms of sales structure rolled out in two Areas in Apr. 2018
- Following initial trial, reforms will be expanded to a further three areas during FY2018

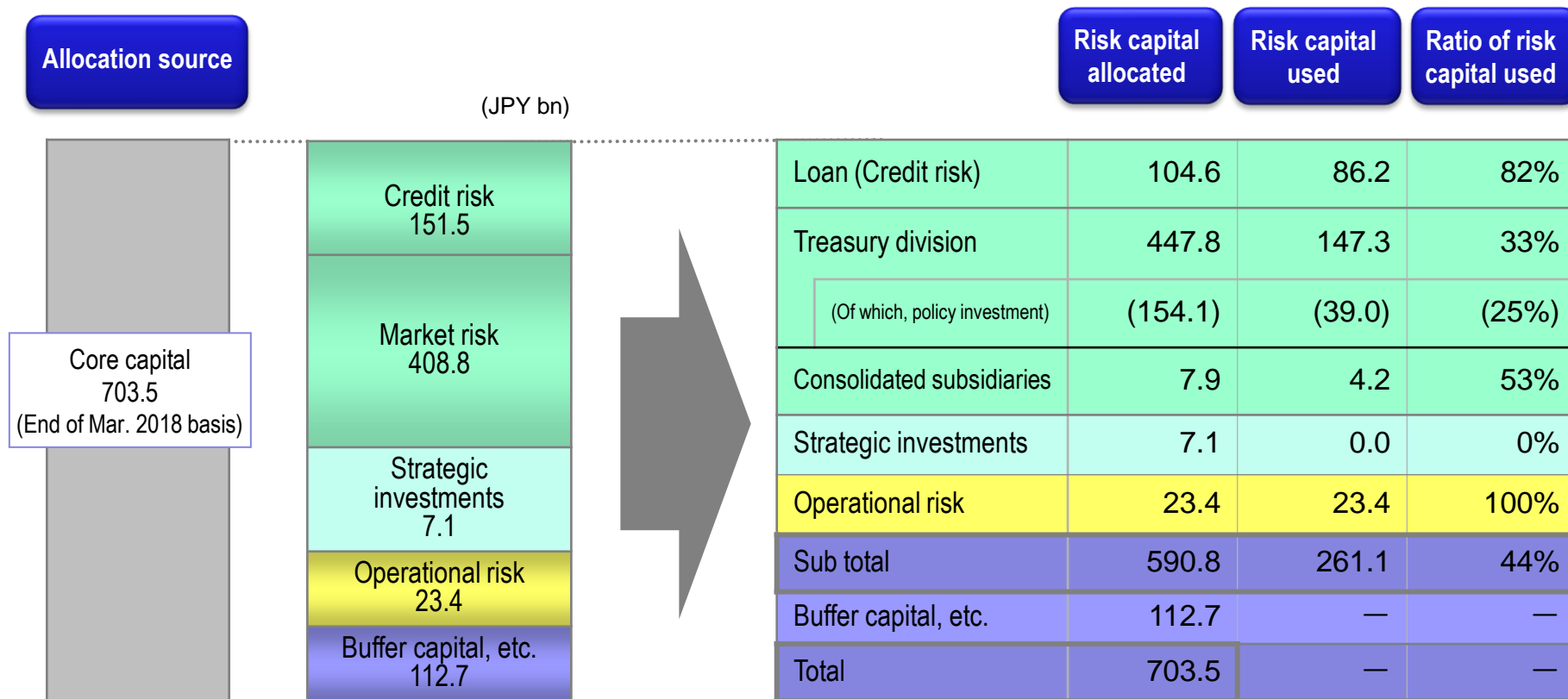
Global network

- The Bank's global network with 3 branches, 2 rep. offices, 1 subsidiary and total 58 staffs (29 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



Allocation of risk capital

- Allocation of risk capital for 2H FY2017 (the end of Mar. 2018 basis) amounted to JPY 703.5bn, of which JPY 151.5bn was allocated to credit risk, JPY 408.8bn to market risk, JPY 7.1bn to strategic investments, and JPY 23.4bn to operational risk
- JPY 86.2bn of risk capital was used for loans (credit risk), and JPY 147.3bn 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 FY2017, the total ordinary revenue of 12 major consolidated subsidiaries was JPY 58.7bn (up JPY 3.6bn YoY) and the ordinary profit was JPY 9.8bn (up JPY 1.0bn YoY)

(JPY bn)

Company name	Business	Ordinary Revenue	YoY change	Ordinary Profit	YoY change
Shizugin Management Consulting Co., Ltd.	Corporate and financial management advisory services Bill collection services	1.5	+0.1	0.4	+0.1
Shizugin Lease Co., Ltd.	Leasing	31.1	+2.6	1.7	+0.1
Shizugin Computer Service Co., Ltd.	Computer system development and operation	3.8	-0.7	0.2	+0.1
Shizugin Credit Guaranty Co., Ltd.	Guarantee of housing loans, etc.	4.1	+0.5	2.8	+0.2
Shizugin DC Card Co., Ltd.	Credit card and guarantee of consumer loans	2.5	+0.3	0.7	+0.1
Shizuoka Capital Co., Ltd.	Public-offering assistance Support for corporate rehabilitation	0.4	-0.1	0.1	-0.0
Shizugin TM Securities Co., Ltd.	Securities	8.5	+0.8	3.3	+0.3
Shizuoka Bank (Europe) S.A.	Finance and securities-related services	0.6	+0.2	0.1	-0.0
Shizuoka Liquidity Reserve Ltd.	Purchases of monetary receivables	0.4	+0.2	0.4	+0.2
Shizugin General Service Co., Ltd.	Fee-based job placement service, general administration	0.9	+0.0	0.0	-0.0
Shizugin Mortgage Service Co., Ltd.	Appraisal of real estate for loan collateral Operation center for loans	1.7	+0.0	0.0	-0.0
Shizugin Business Create Co., Ltd.	Operation center for remittance and bill collection Part-time employee management	3.3	-0.3	0.0	+0.0
Total(12 companies)		58.7	+3.6	9.8	+1.0
Shizugin Saison Card Co., Ltd.*	Credit card and prepaid card Guarantee of consumer loans	2.4	+0.1	0.4	+0.0

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

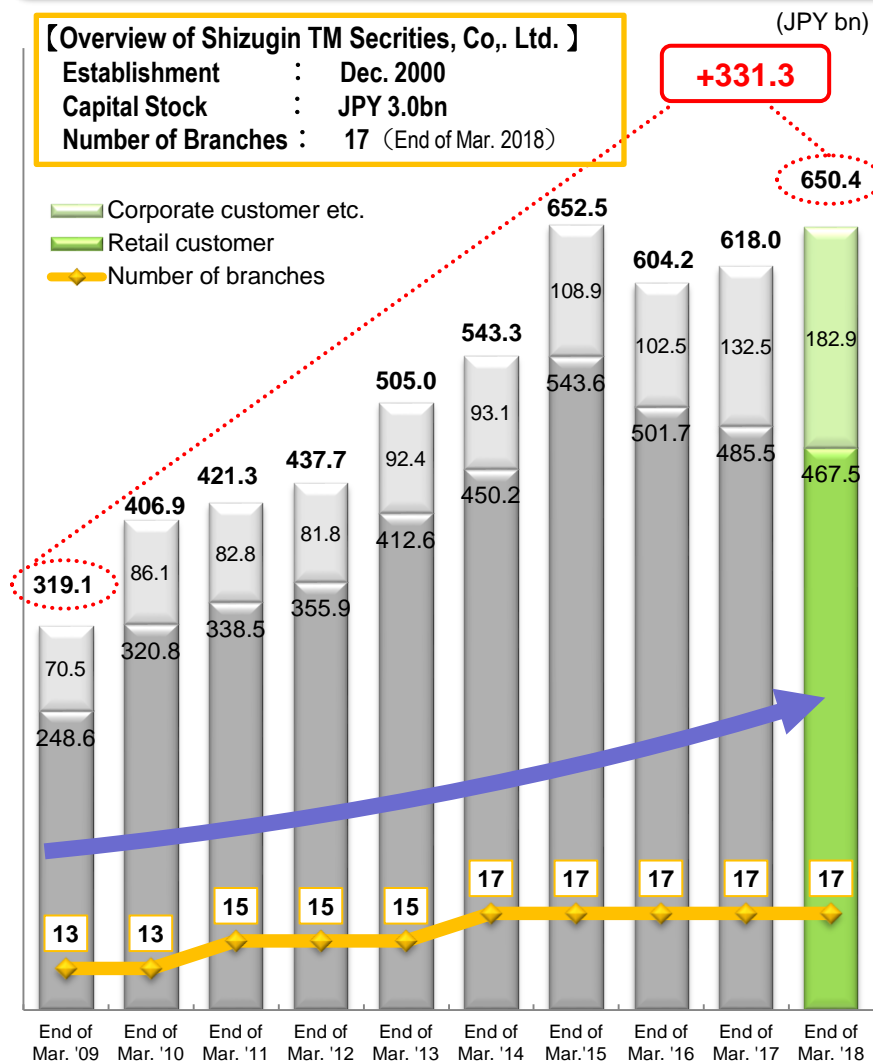
Shizugin TM Securities Co., Ltd.

- Shizugin TM Securities Co., Ltd (securities subsidiary) has expanded its scale of customer assets and led Group revenue
- Customer assets at the end of Mar. 2018 : JPY 650.4bn, up JPY 331.3bn for 9 years from the end of Mar. 2009 after the collapse of Lehman Brothers

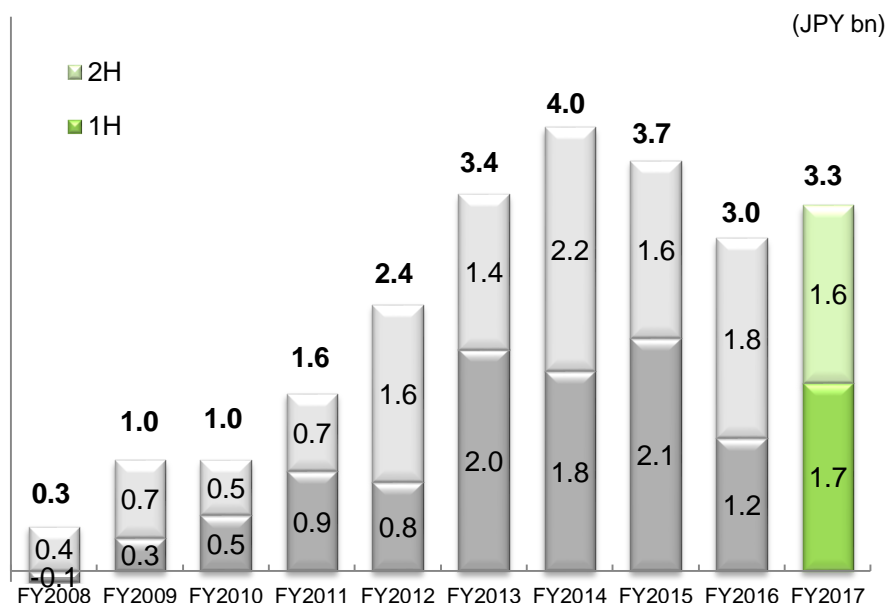
Customer assets (year-end balance) and number of branches

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

Establishment : Dec. 2000
 Capital Stock : JPY 3.0bn
 Number of Branches : 17 (End of Mar. 2018)



Ordinary profit



TOPIC

Started trading in foreign stocks

- Started trading in foreign stocks to address needs of investors who want to buy stocks in overseas blue chip and high-growth companies
- Transaction details: Local brokerage, domestic brokerage
- Available stocks: 20 stocks listed on US markets (Apple, Amazon.com, Caterpillar, Nike etc.)
- Plan to increase number of available stocks depending on investor needs

Euro-dollar convertible bonds issued

- The Bank issued euro-dollar convertible bonds on Jan. 25, 2018
- The product was designed with a high debt profile and gives maximum consideration to existing shareholders due to robust conditions to limit the impact of dilution

Summary of bonds

(Exchange rate : 1\$ = 112.69 yen ... Jan.9, 2018 (date of issue resolution) at 3 p.m.)

Amount	\$300 million (JPY33.8bn)
Maturity	5 years
Coupon	3month Libor minus 0.5% (In no event shall the rate of interest be less than 0% per annum)
Conversion price	14.05 dollar ([Share price when conditions were set] 1,237 Yen / [Exchange rate] 112.69 Yen × [premium rate] 1.2799)
Objective	The Bank issued the bonds to secure a stable, low-cost source of foreign currency in order to actively meet US dollar funding needs from corporate customers, which are moving into overseas markets or expanding their overseas operations

Scheme designed to limit dilution of shareholder value

designed the product with a high debt profile and gives maximum consideration to existing shareholders due to more robust conditions to limit the impact of dilution compared to the previously issued bonds

Contingent conversion clause (Co-Co clause)

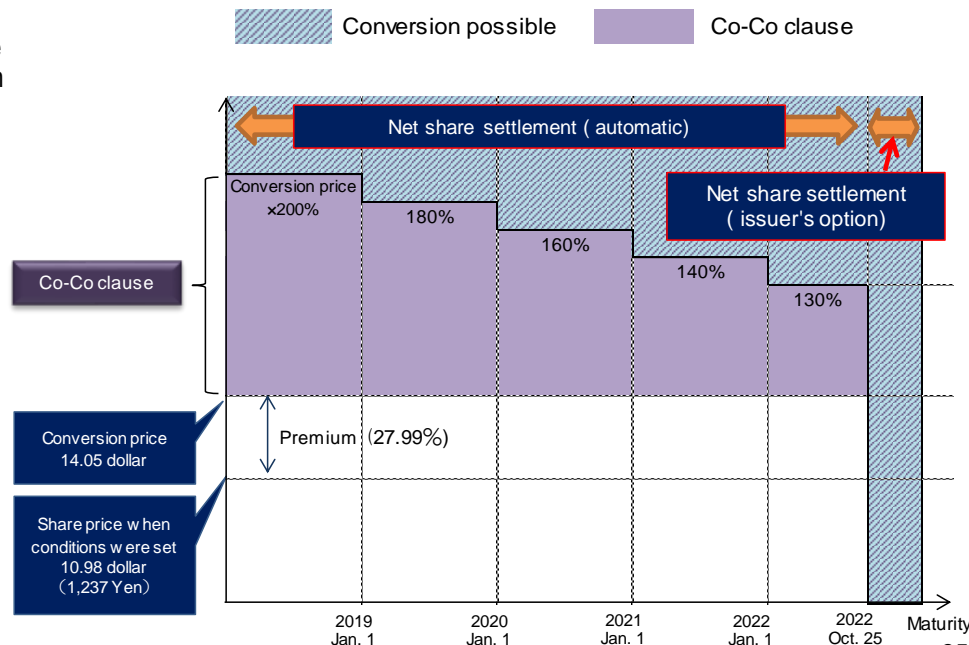
- Bond conditions prevent investors from converting the bonds to stock unless the Bank's stock trades at a predetermined level of the conversion price (conversion limit level) for longer than a specified period

Period	Applicable Percentage
For each calendar quarter ending on or before Dec. 31, 2018	200%
For each calendar quarter in 2019	180%
For each calendar quarter in 2020	160%
For each calendar quarter in 2021	140%
For each calendar quarter in 2022	130%

Clause of net share settlement

- When bonds are converted, US dollar cash values are assigned to face value and only bonds with parity* exceeding 100 are converted to shares
- There are two types of clause of net share settlement: type of automatic exercise, which are automatically exercised when requested by the bondholder (prior to October 25, 2022), and type of issuer's option, which are exercised in blocks based on the Bank's judgment and with prior notification to bondholders

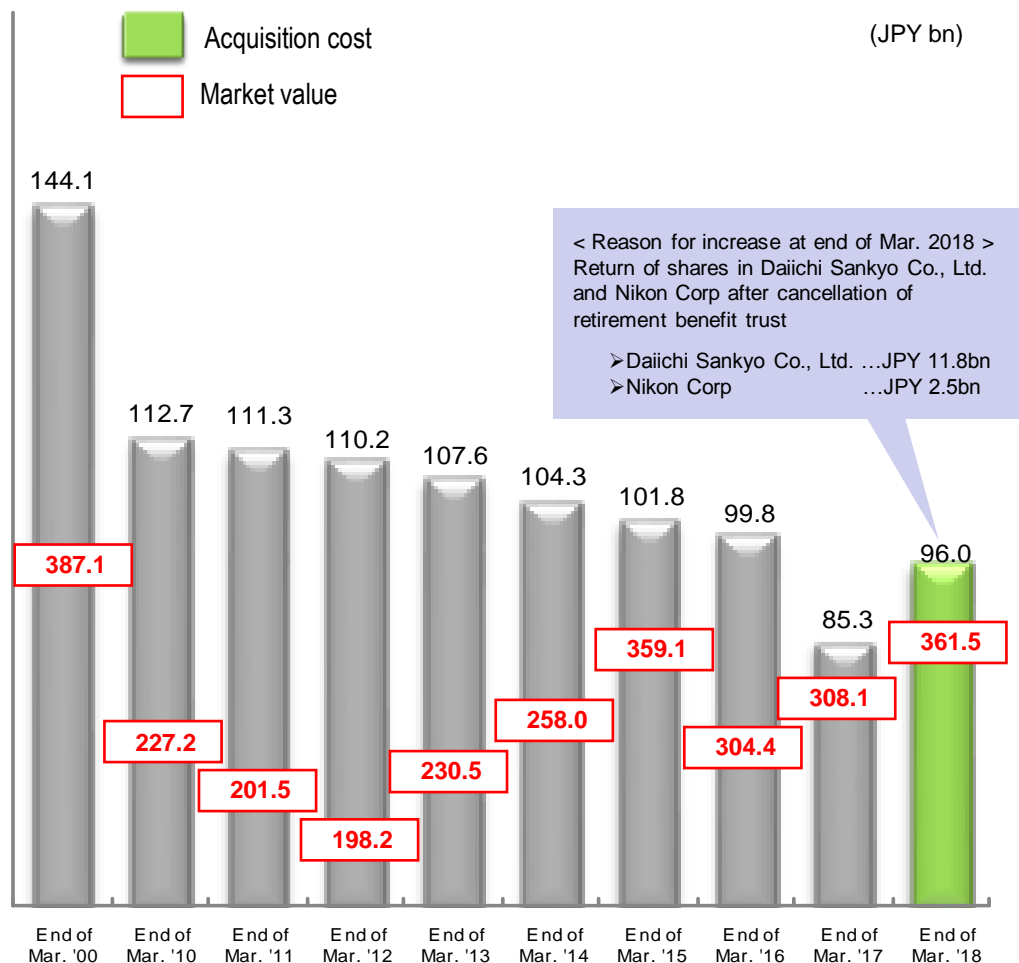
*U.S. dollar share price ÷ conversion price



Strategic shareholdings

- Strategic shareholdings are limited to such stocks that the Bank recognizes are beneficial in terms of business investment, strengthening of business relationships, or contribution 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 that the Bank recognizes are beneficial in terms of business investment, strengthening of business relationships, or contribution to the regional economy.

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

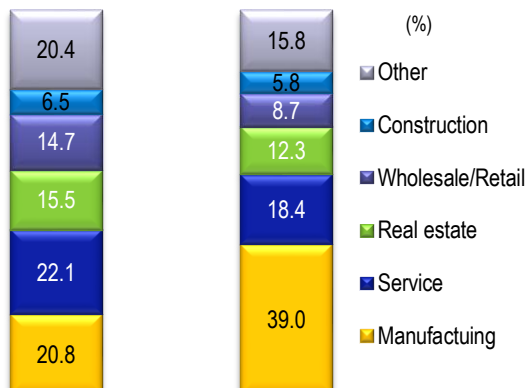
The Bank sells such stocks that the Bank recognizes are no longer important after taking into consideration the impact on market conditions and other factors

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

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



All-Japan

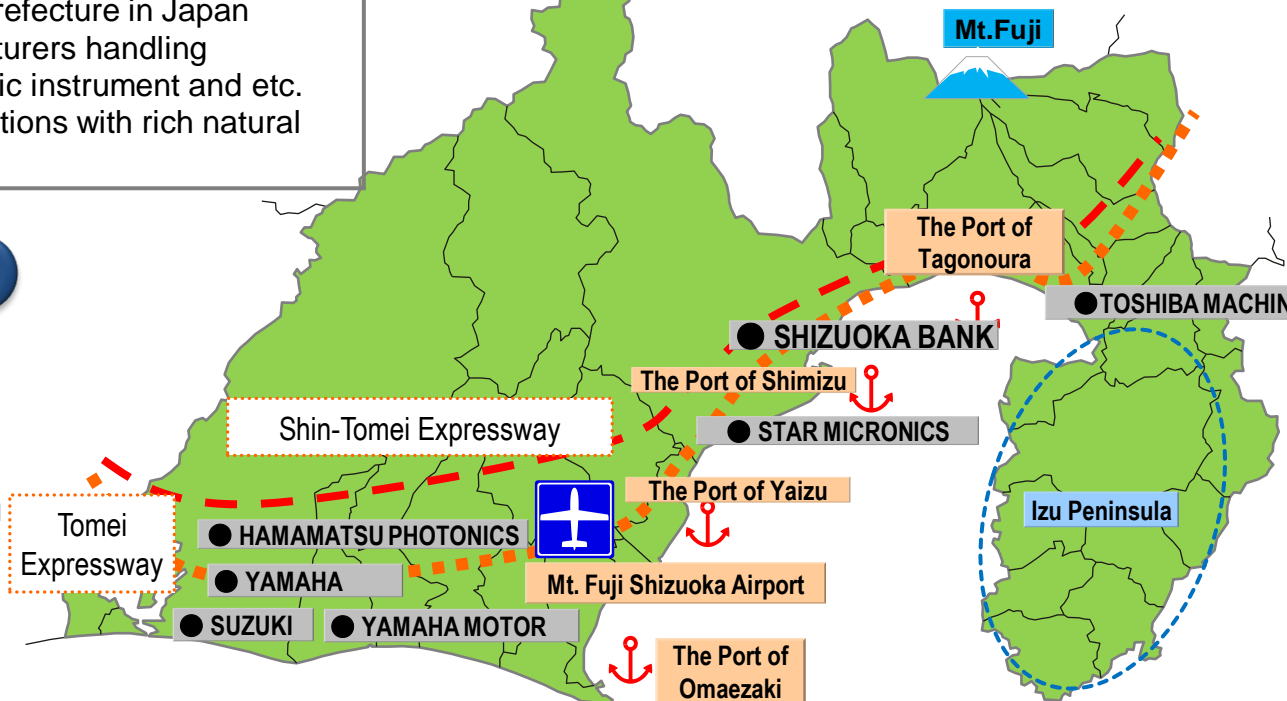
Shizuoka Pref.

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"



Izu Peninsula awarded Global Geopark status by UNESCO

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



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	3.68 m	2.9%	10th of 47 (2017)
•No. of households	1.56 m	2.7%	10th of 47 (2017)
•Nominal prefectural GDP	JPY 15.4 tn	3.0%	10th of 47 (FY2014)
•Per-capita income	JPY 3.22m	—	3rd of 47 (FY2014)
•No. of business establishments(*)	180 K	3.1%	10th of 47 (2016)
•Amount of shipments of manufactured goods, etc. (*)	JPY 16.0 tn	5.3%	3th of 47 (2016)
•Agricultural output(*)	JPY 226.6bn	2.4%	15th of 47 (2016)
•Fishery production volume	180k tons	5.6%	4th of 47 (2016)
•No. of industrial locations(*)	95	9.2%	1st of 47 (2017)
•No. of new housing starts	23K	2.4%	10th of 47 (2017)

* 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	185.9
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

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

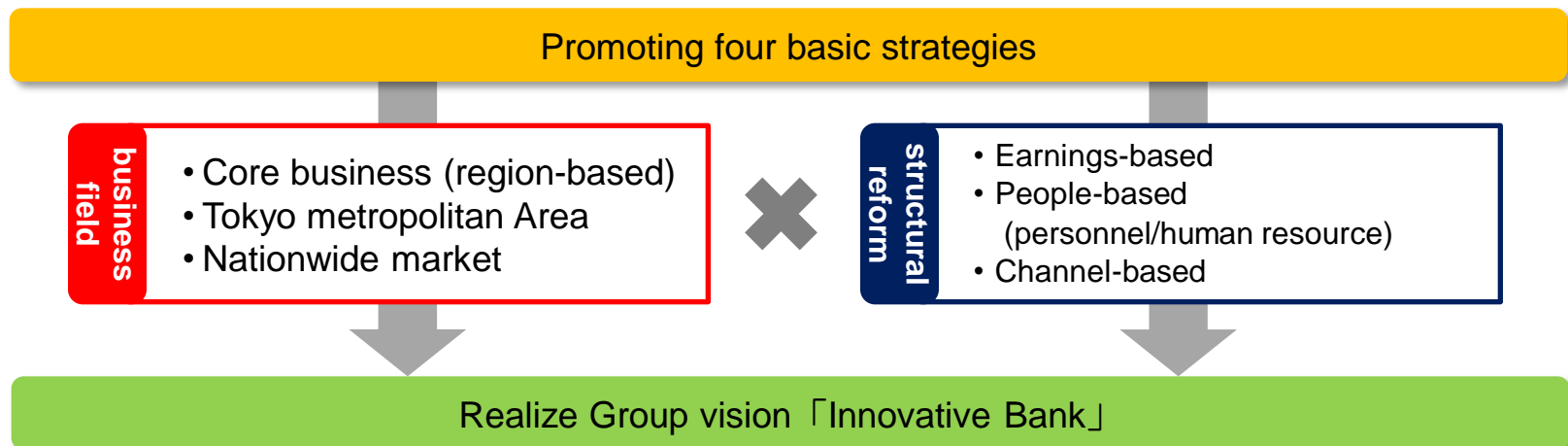
Consolidated	The 12 th Medium-term Plan		The 13 th Medium-term plan
	Best figure in the Plan	FY2016	FY2019 plan
Ordinary profit (Exclude lump-sum write-down on the unamortized balance of goodwill related to Monex Group shares)	JPY75.1bn [FY2014]	JPY47.1bn (JPY59.2bn)	JPY 77.0bn or more
Net income (Exclude 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

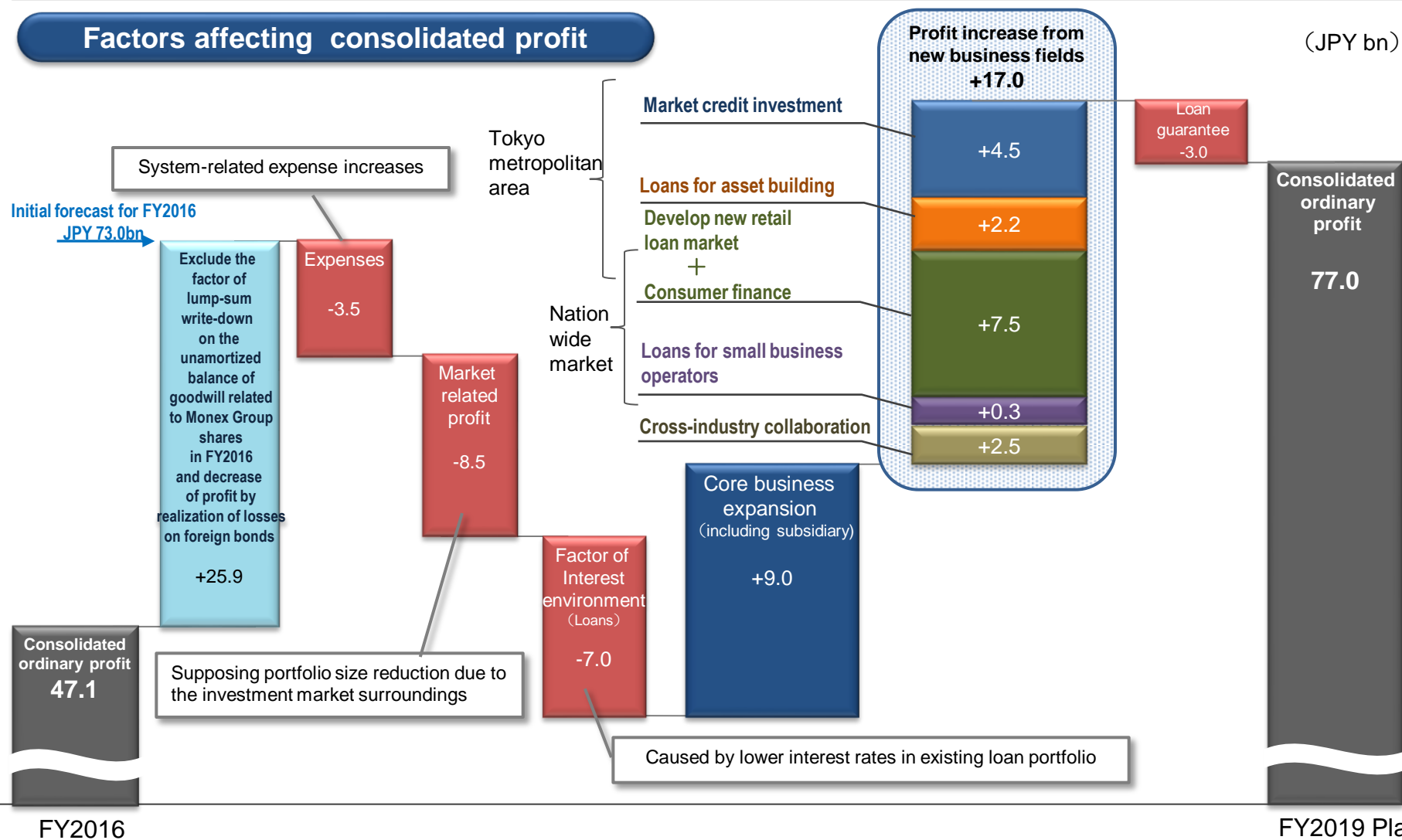
- Sales force structural reforms corresponding to future population dynamics

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
	Profit attributable to owner of the parent	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

Reference (ESG part)

- Adoption for constituent brand of ESG index
- Environment
- Diversity
- Corporate Governance Structure
- Region-based Relationship Banking (1)
- Region-based Relationship Banking (2)
- Regional revitalization

ESG initiatives (1) – Adoption for constituent brand of ESG index

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

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

【Reference】

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

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

[Three index selections] (Number of brands as of Dec. 2017)

(1) MSCI Japan ESG Select Leaders Index	: Constituent brands...251, of which seven are regional banks (including Shizuoka Bank)
(2) MSCI Japan Empowering Women Index	: Constituent brands...210, of which seven are regional banks (including Shizuoka Bank)
(3) FTSE Blossom Japan Index	: Constituent brands...150, of which one is a regional bank

ESG initiatives (2) -Environment

- Make efforts as a corporate citizen to pass our rich natural environment to next generations

Action guidelines for environment issues

- Address environmental issues through financial operations
- Reduce the environmental impact of the Shizuoka Bank Group
- Reinforce employee efforts to tackle environmental issues in the community and at home

ECO Account

- Work to reduce paper usage by offering two ECO Accounts – the Integrated Web Account, an account without bank book, and WebWallet, an online banking account, in order to protect the environment through our financial operations
- Donate a part of reduced costs by not issuing bank book to groups that promote environmental protection

- ✓ Ask new customers to select an ECO Account in principle when opening an account and encourage existing customers to switch to an ECO Account
- ✓ Plan to donate JPY 50 to the FUJISAN Fund – run by NPO National Council on Fujisan World Heritage – for every ECO Account opened in our branches in FY2018

Shizugin Furusato Environmental Protection Fund Charitable Trust

- Provide financial support through the Shizugin Furusato Environmental Protection Fund Charitable Trust to individuals and groups in Shizuoka Pref. that promote environmental protection
- Provided a total of JPY 3mn to 27 projects in FY2017
- Cumulatively provided JPY 72.2mn to 571 projects since the fund was set up in 1993

Eco Ideas Contest

- Run the Shizugin Eco Ideas Contest, which calls on primary school students in Shizuoka Pref. to develop solutions for environmental issues every year
- Received a total of 690 highly creative ideas, with one student receiving the grand prize, 10 students receiving distinctions, and four schools receiving top school awards in the FY2017 contest (6th contest),

The grand prize in FY2017 was awarded for the “Hot Bicycle”
– a bicycle that people can ride comfortably even in winter

During winter, electricity generated by the wheels is used to heat the handlebars and seat



Awards ceremony (Mar. 3, 2018)

ESG initiatives (3) -Diversity

- Empower women in the workplace and encourage all employees to demonstrate their personality and abilities to the full extent

Supporting women in the workplace

- Launched an action plan to actively 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

	FY2015	FY2016	FY2017
Ratio of women in leadership positions	13.0%	14.1%	15.0%

Networking events for women from different industries

- Have held networking events for women with local companies since 2015 in order to support women advance their careers through interaction with local companies
- Held a networking event with Yamaha Corporation, Yamaha Motor Co., Ltd. and Enshu Railway Co., Ltd. in Feb.2018 which attracted 82 women including employees in member companies of Shizuginship



Shizuoka Bank has been recognized by the Japanese Minister of Health, Labour and Welfare as a superior company for its efforts supporting the empowerment of women in the workplace. The Bank received "Eruboshi" certification, which is based on the Act on Promotion of Women's Participation and Advancement in the Workplace, and "Platinum Kurumin" certification, which is based on the Act for Measures to Support the Development of the Next-Generation Children.

Eruboshi



Platinum Kurumin



On-site kindergarten, "Mori no Hoikuen"

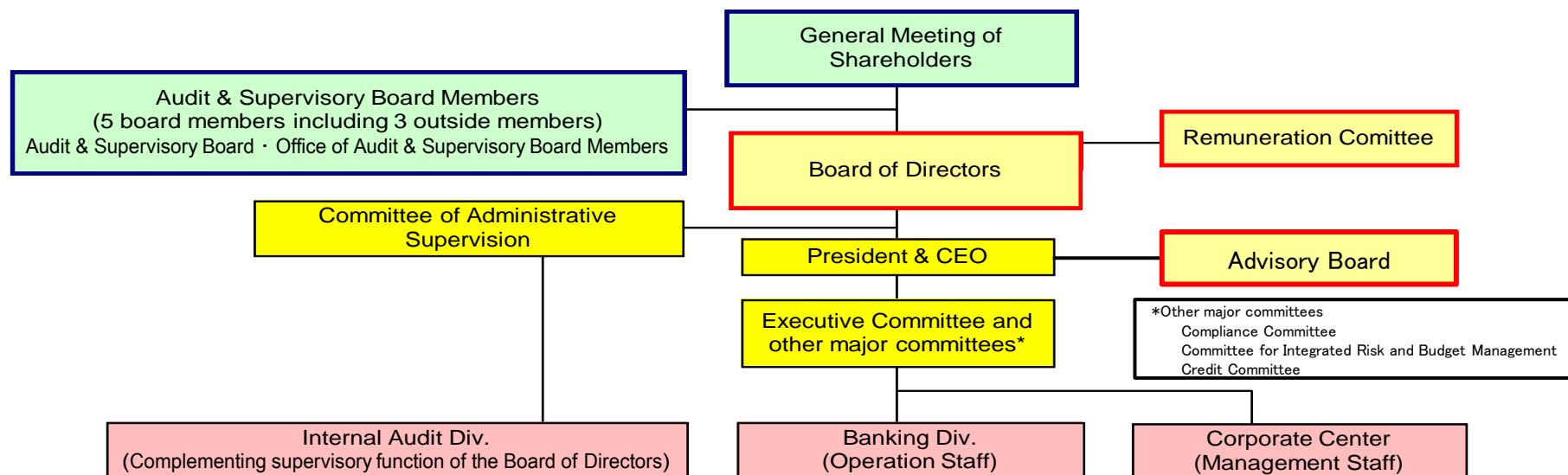
- Opened in July 2010 and jointly run with Shizuoka Gas Co., Ltd. and Shizuoka Railway Co., Ltd.
- Help families to balance work and child rearing commitments by creating an environment where employees with children can work without worries



ESG initiatives(4) - 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

ESG initiatives (5) -Region-based Relationship Banking

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

Initiatives for supporting entrepreneurs

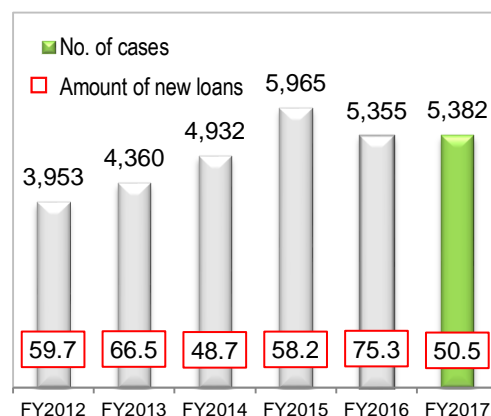
<Shizugin Entrepreneur Awards>

- 44 winners out of 892 applicants received prizes in the past 6 rounds
- Sixth round in FY2017: 176 applicants (Announced winners in Mar. 2018)
- Financial support for the 44 award winners from the 1st to the 6th round
New loans: 89 cases/JPY 2,846mil Investments: 8 cases/JPY 179mil

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 Feb. 2006
- Participate in “Regional bank food selection” and “Super Market Trade Show”
- Introduce goods of clients to the mail order site of Central Japan Railway

Subsidies application support

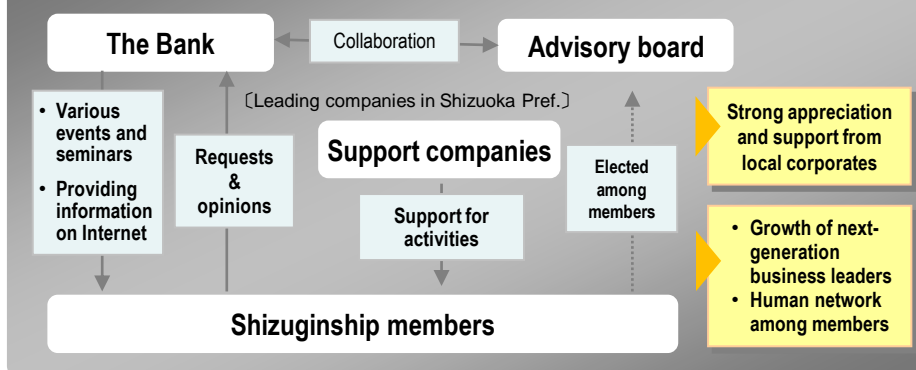
<Manufacturing subsidies >

- Top level of number of awards among private financial institutions
- No. awarded in FY2015 : 226
No. awarded in FY2016 : 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 Mar. 2018 / 790corporates, 1,167people

【Activity achievement in FY2017】 (No. of members participated: total 3,023 people)

Content	Activity achievement
Overall forum (Lecturer : Ryosei Kokubun, President of the National Defense Academy of Japan)	1 Forum
Lectures by top executive and specialists	17 Lectures
Seminar <ul style="list-style-type: none"> Executive program Middle management program Basic program 	Total 58 Courses <ul style="list-style-type: none"> 7 Courses 27 Courses 24 Courses
Inspection tour to Vietnam	1 tour

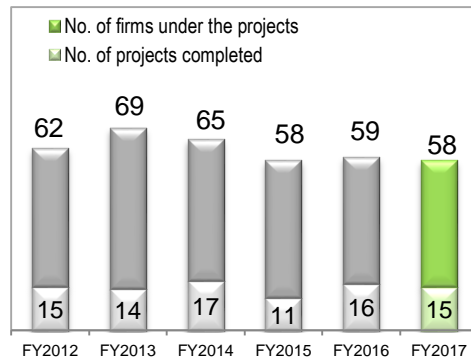
ESG initiatives (6) -Region-based Relationship Banking

- 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 FY2017 28 M&A contracts signed
- Related loans : 360 cases / JPY 35.6bn

※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

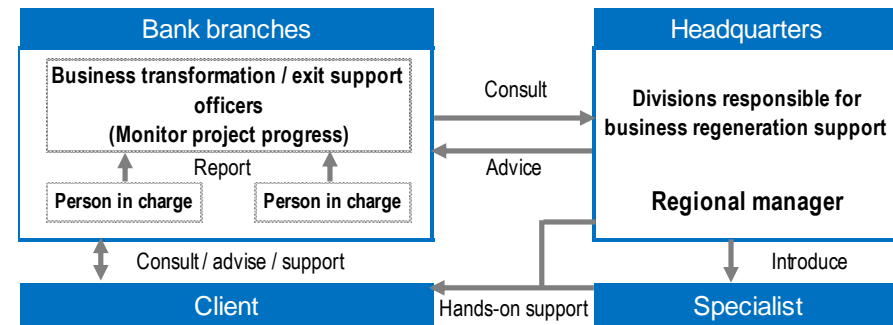
To help companies transform or exit businesses is Bank's important role to stabilize the regional economy

< 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 FY2017]

Projects handled: 88

Projects completed: 41 (business transformation: 10, business exit: 31)

TOPIC

Established Shizuoka Business Succession Fund

- In Mar. 2018, Shizuoka Bank and Group company Shizuoka Capital teamed up with the Development Bank of Japan to establish a business succession fund
- The fund provides financing solutions to help companies resolve issues related to business succession
- Fund investors: Shizuoka Bank, Development Bank of Japan, Shizuoka Capital, DBJ Regional Investment (wholly owned subsidiary of Development Bank of Japan)
- Fund period: 10 years

ESG initiatives (7) –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

Honored as excellence in good practice of regional revitalization by the Cabinet Office's Headquarters

- The Bank was honored as a good practice of supporting regional revitalization by financial institution through innovative projects in Feb. 2018
- The awards for this fiscal year were given to 37 cases by 55 financial institutions and only Shizuoka Bank recognized for regional revitalization projects in both FY2016 and FY2017

<Good practices>

- Holding a "Shizuoka Kids Academy"
~Creating opportunities to learn the charm of the community and foster love for their hometown
- Fostering human resources for regional revitalization in the area using Regional Revitalization College



Shizuoka Kids Academy

- Aims at developing human resources for regional areas by encouraging local children to learn about their home towns in a fun way, fostering a greater attachment to their home towns and encouraging them to live locally in the future
- Held at five locations in Shizuoka Pref. in FY2017 and attracted a total of 395 children



6th round of Shizugin Entrepreneur Awards

- Set up to support new entrepreneurs and founders of innovative businesses to help revitalize the local economy and create more job opportunities
- Total of 176 submissions received for the 6th round
- Grand prize awarded to Active Device Development Co., Ltd.



< Grand Prize business plan >

Reduce cost of fresh fish transportation by using ice at temperatures of lower than -100°C

Awarded the "Omotenashi" Gold Certification

- In Oct. 2017, Shizuoka Bank became the first financial institution nationwide to be awarded the Ministry of Economy, Trade and Industry's "Omotenashi" (Japan service quality) Gold Certification (3 branches: Head Office, Hamamatsu Office, Numazu Branch)
- All domestic branches received Scarlet Certification in Mar. 2017

■ Omotenashi Certification...

- A new system established by the Ministry of Economy, Trade and Industry in Aug. 2016 to revitalize Japan's service industry and increase productivity
- The certificates are designed to energize service businesses by creating visible measures of service quality

OMOTENASHI
Japan service quality



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

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