

# Results of 1H FY2018

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Hisashi Shibata  
President  
The Shizuoka Bank, Ltd.



静岡銀行

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\*In Principle, the amounts etc. in this material are rounded off to the unit

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# Results of 1H FY2018

# Results of 1H FY2018 - Nonconsolidated

〔Nonconsolidated〕

(JPY bn, %)

	1H FY2018	YoY	
		Increase/ Decrease	Rate of change
Ordinary revenue	103.0	+12.5	+13.7
Gross operating profit	72.7	+10.2	+16.3
Net interest income	63.2	+9.3	+17.2
(Interest on loans)	(52.4)	(+3.0)	(+6.1)
Fees and commissions	8.2	+0.5	+6.5
Trading income	0.3	-0.1	-16.3
Other operating profit	1.0	+0.5	+82.4
(Bond-related income such as JGBs)	(-0.9)	(-1.3)	(-317.6)
Expenses (-)	41.4	-0.4	-0.9
Actual net operating profit *	31.4	+10.6	+50.9
Provision for general allowance for loan losses (-)	-1.1	-1.1	-
Net operating profit	32.5	+11.7	+56.2
Special profit and loss	3.4	-7.1	-67.7
Gain from reversal of allowance for loan losses	0.0	-6.8	-100.0
Bad debt written-off (-)	2.3	+2.2	-
Gain (loss) on stocks	4.6	+0.4	+9.2
Ordinary profit	35.9	+4.5	+14.5
Extraordinary profit and loss	3.4	+3.4	-
Net income before taxes	39.2	+7.9	+25.2
Corporate taxes (-)	10.8	+1.9	+20.8
Interim net income	28.4	+6.0	+26.9

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

## Overview : 1H FY2018 Nonconsolidated

### Ordinary revenue JPY +12.5bn YoY (first increase in 3 periods)

- Ordinary revenue increased by JPY 12.5bn YoY to JPY 103.0bn, mainly due to increase in interest on loans (up JPY 3.0bn) and increase in interest and dividend on securities (up JPY 11.8bn)

### Gross operating profit JPY +10.2bn YoY (first increase in 5 periods)

- Gross operating profit increased by JPY 10.2bn YoY to JPY 72.7bn mainly because of increase in net interest income (up JPY 9.3bn) and increase in fees and commissions (up JPY 0.5bn)

### Net operating profit JPY +11.7bn YoY (first increase in 3 periods)

- Net operating income increased by JPY 11.7bn YoY to JPY 32.5bn, reflecting increase in gross operating profit and reversal of general allowance for loan losses (JPY -1.1bn)

### Ordinary profit JPY +4.5bn YoY (first increase in 4 periods)

- Ordinary profit increased by JPY 4.5bn YoY to JPY 35.9bn, reflecting decrease in special profit and loss (down JPY 7.1bn) mainly due to the absence of gain from reversal of allowance for loan losses (JPY 6.8bn) booked in 1H 2017

### Interim net income JPY +6.0bn YoY (continued increase in 2 periods)

- Interim net income increased by JPY 6.0bn YoY to JPY 28.4bn, mainly due to increase in extraordinary profit and loss reflecting gains on return of retirement benefit trust (JPY 3.5bn)

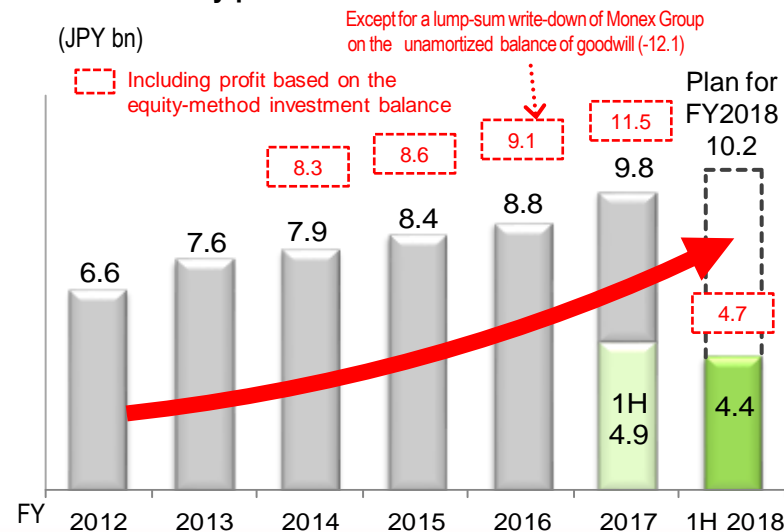
# Results of 1H FY2018 - Consolidated

- Ordinary revenue increased by JPY 13.1bn YoY to JPY 123.8bn, and ordinary profit increased by JPY 3.4bn YoY to JPY 38.8bn
- Total ordinary profit of consolidated subsidiaries decreased by JPY 0.5bn YoY to JPY 4.4bn

〔Consolidated〕 (JPY bn)	1H FY2018	YoY	Contents
Ordinary revenue	123.8	+13.1	First increase in 3 periods Mainly due to increase in interest on loans, interest and dividend on securities, and fees and commissions
Ordinary profit	38.8	+3.4	Continued increase in 2 periods
Net profit attributable to parent company shareholders	30.0	+5.1	Continued increase in 2 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.	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 1.6bn YoY as a result of increase in interest on loans compensating increase in interest paid on deposits etc. Especially, interest on yen-based loans, maintaining growth trend of last fiscal year, increased by JPY 0.3bn YoY
- The market operations division achieved profit increase of JPY 8.7bn YoY mainly due to increase in interest and dividend on securities

## Breakdown of gross operating profit

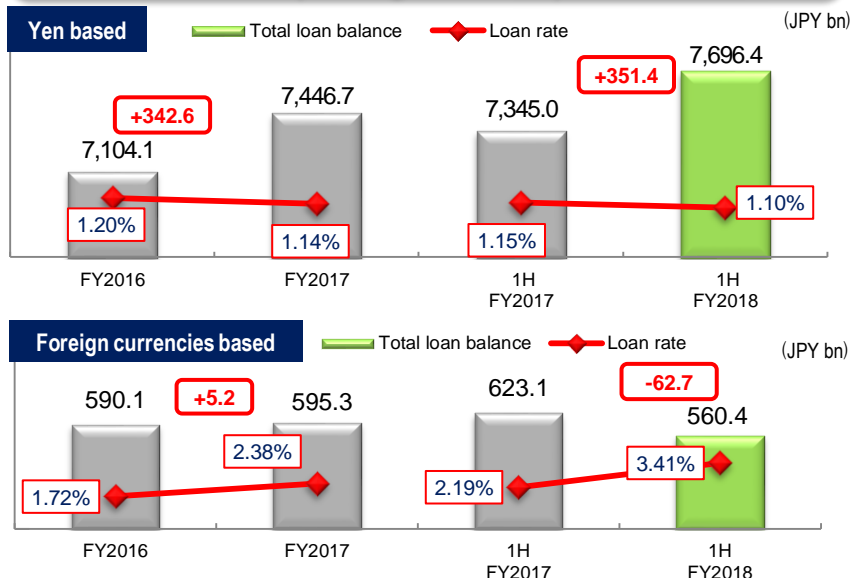
Breakdown of gross operating profit by division (JPY bn)	1H FY2017	1H FY2018	YoY
(1) Bank branch division (Loans, Deposits, etc.)	52.7	54.3	+1.6
Interest on loans	49.4	52.4	+3.0
(Yen based)	42.5	42.8	+0.3
(Foreign currencies based)	6.9	9.6	+2.7
Fees and commissions	7.7	8.2	+0.5
Interest paid on deposits etc. (-)	4.4	6.3	+1.9
(2) Market operations division	9.8	18.5	+8.7
Interest and dividend on securities	9.8	21.6	+11.8
Interest on Deposits etc.	2.2	2.7	+0.5
Interest on Call money etc. (-)	3.2	7.2	+4.0
Trading income	0.4	0.3	-0.1
Other operating profit	0.6	1.1	+0.5
(Bond-related income such as JGBs)	0.4	-0.9	-1.3
(Gains on financial derivatives)	-0.1	0.8	+0.9
(Reference) Gain on sales of stocks	4.2	4.6	+0.4

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

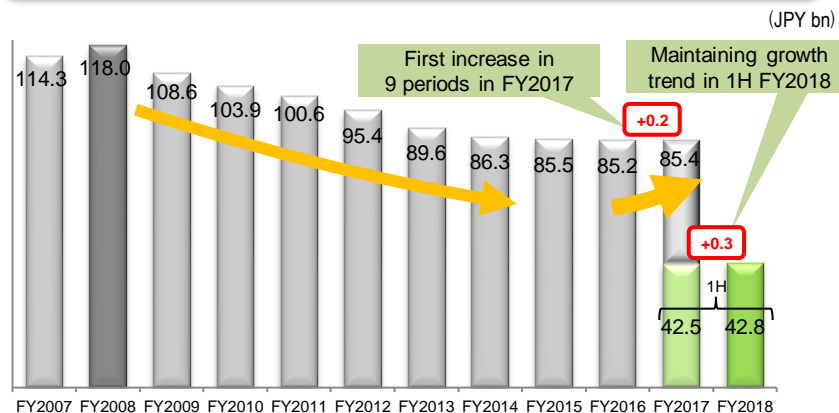
Total balance of securities increased by JPY 179.9bn from the end of Sep. 2017

(JPY bn)	End of Mar. 2017	End of Sep. 2017	End of Mar. 2018	End of Sep. 2018
Total balance of securities	1,365.4	1,575.9	1,615.6	1,755.8
Unrealized gains and losses on securities	+230.9	+273.7	+272.5	+319.8
Stocks	+222.8	+265.0	+265.4	+313.1
Bonds	+5.8	+4.7	+5.2	+2.7
Others	+2.3	+4.0	+1.9	+4.0
Foreign bonds	+0.0	-0.2	-0.6	-2.3
Investment trusts	+1.6	+3.6	+1.8	+5.2

## Loan balance (average balance) and loan rate



## 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
- Aim for further expansion of profitability in these fields as well as development and monetization in new business fields under the 13th Medium-term Business Plan

## 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

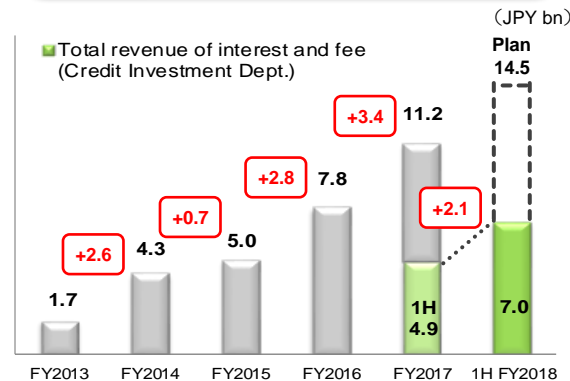
New areas of development and monetization in the 13th Medium-term Business Plan

### 13th Medium-term Business Plan

- Guaranty business through collaboration with a housing loan specialist, ARUHI
- Providing discretionary investment management (Wrap services) and financial instruments intermediary services as collaboration with Monex Group
- Connection of bank accounts with a smartphone settlement service "Origami Pay"

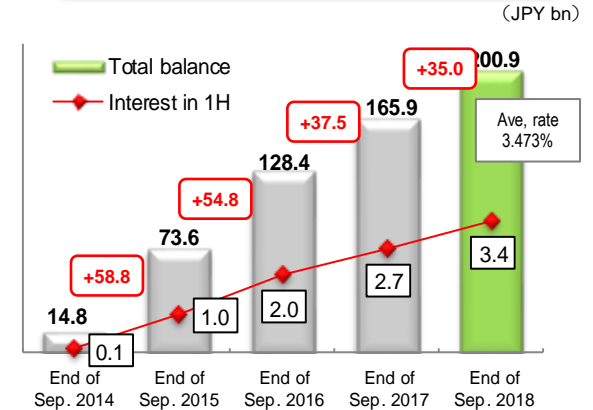
## Tokyo metropolitan area

### 【Market Credit investment】 Interest & Fee income



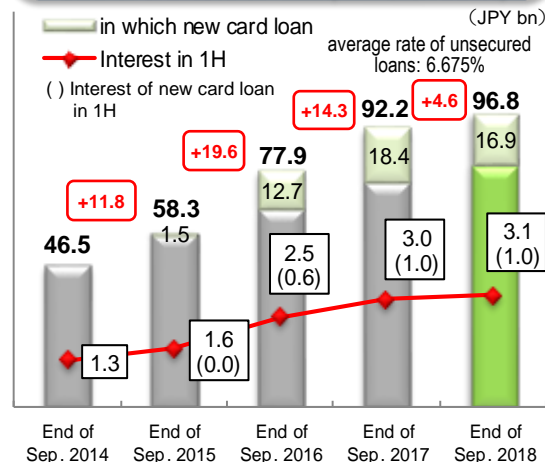
## Tokyo metropolitan area

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



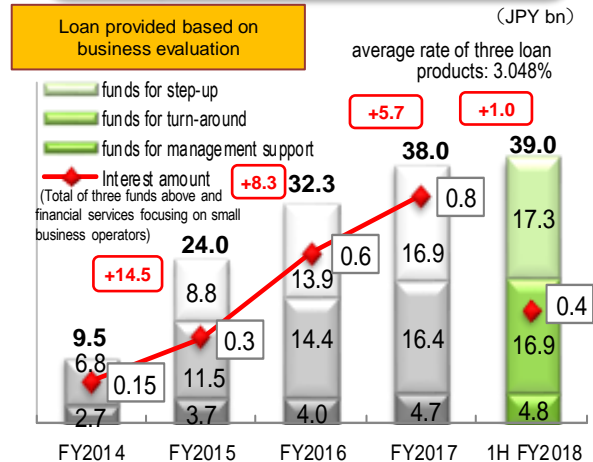
## Nationwide market

### 【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 30.0bn 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

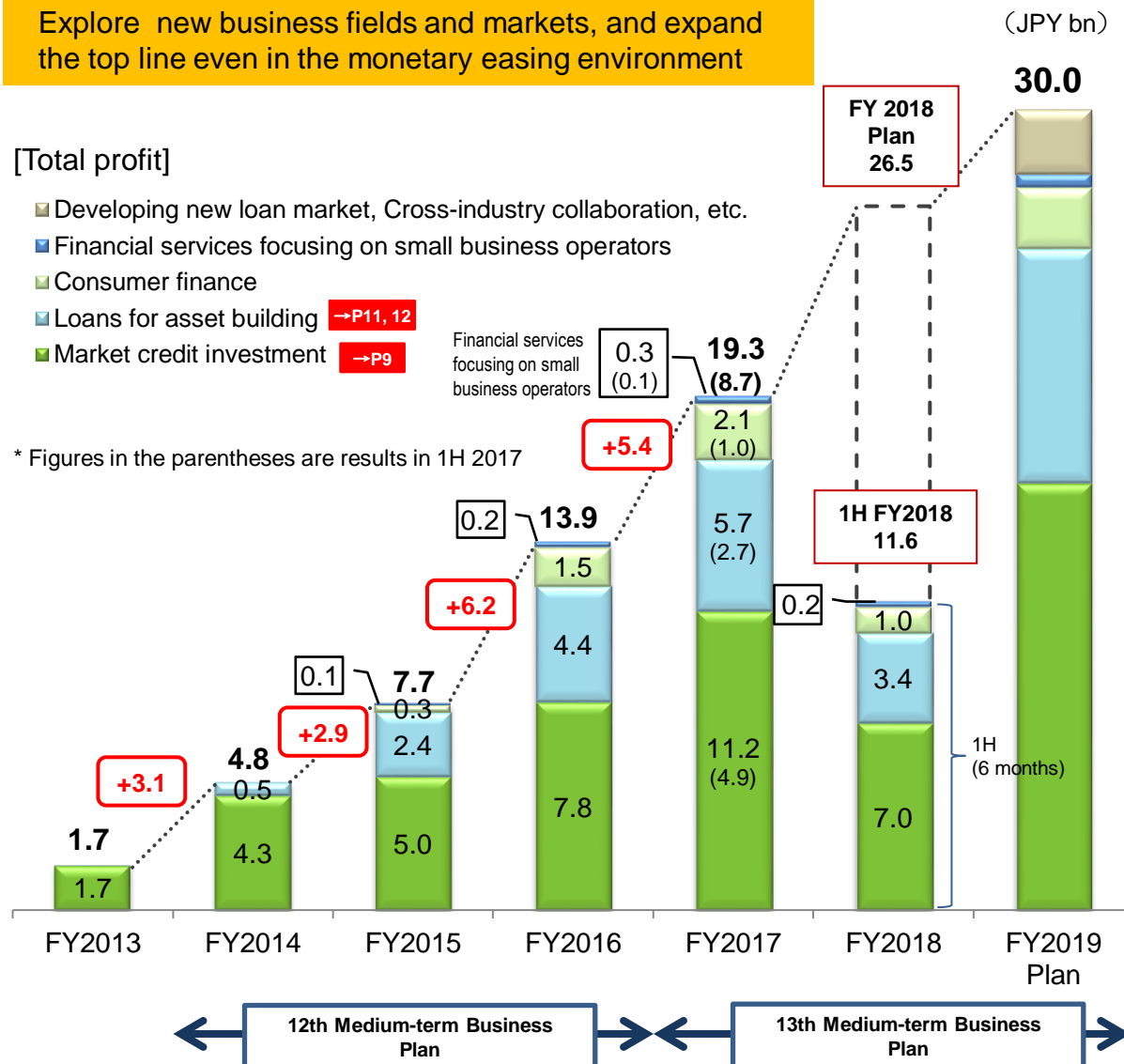
- Guaranty business through collaboration with a housing loan specialist, ARUHI
- Providing discretionary investment management (Wrap services) and financial instruments intermediary services as collaboration with Monex Group
- Connection of bank accounts with a smartphone settlement service "Origami Pay"

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 →P11, 12
- Market credit investment →P9

\* Figures in the parentheses are results in 1H 2017





# 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

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

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 an employee as an outside director)

Establishing a housing-related service platform

NEW

**ARUHI**

Memorandum for collaboration exchanged in May 2018

Development of housing loan products and research for higher efficiency in operation

**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

Became LP investor in venture fund set up by WiL, LLC. in Feb. 2018

NEW



ORIGAMI

Connection of accounts with "Origami Pay" in Aug. 2018

Connection of bank accounts with a smartphone settlement service "Origami Pay"



**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 FinTech fields

Business tie-up with Japan Digital Design Inc.\* in Oct. 2017

\*Subsidiary of Mitsubishi UFJ Financial Group

Non-face-to-face channel

## Continue to search for collaboration with new business partners

Held the networking event (mid-term reporting)

- Aim: Share information on progress of consideration about cross-industry collaboration after the previous event (held in Mar. 2018)
- Participating companies: Seven companies, including PKSHA Technology Inc., Treasure Data Inc., LEEWAYS Inc.
- Contents of collaboration: Business matching by utilizing AI, Enhancing accuracy and efficiency in evaluating collateral, Digital marketing by combining internal and external data, etc.

### Example of collaboration: Business matching by utilizing AI

Current situation

Staff consider plan for matching based on their experience after watching information on needs registered in the system

Proposal for collaboration

Instant and automatic matching by AI

⇒ Increase in opportunities of proposal, quick response

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

Collaborate with Monex Group to provide financial products



## Providing discretionary investment management (Wrap services)

- Started to provide "SHIZUGIN Wrap (MSV LIFE)" based on discretionary investment management (wrap service) by **Monex-Saison-Vangurd Investment Partners** (Aug. 2018)
- Once customers register some information on investment such as purpose, risk tolerance, and amount, then the robo-advisor equipped in the system offers comprehensive service including judgment on investment, exercise of buying and selling, consulting, and so on

Minimum investment amount : JPY 1 thousand

Equipped with Robo-Advisor

Annual fee: less than 1.0%



Address diversifying investment needs

## Financial instruments intermediary services

- Started financial instruments intermediary services with **Monex, Inc.**, (Oct. 2018)
- Customers can apply to open an account in Monex, Inc., through website of Shizuoka Bank

## Guaranty through collaboration with a housing loan specialist, ARUHI

- Shizugin Credit Guaranty Co., Ltd., a group company, started a new business to give guaranty to a housing loan product "ARUHI Variable S" offered by **ARUHI Corporation** (Aug. 2018)
- Received 213 applications in Aug. and Sep. 2018 (Equivalent to 1 Loan Center)



New channels

## Leveraging other industries' channels to win housing loans

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

Efficiency improvement

## 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)

Sophistication of credit analysis

## Connection of bank accounts with a smartphone settlement service "Origami Pay"

- Started connection of bank accounts with a smartphone settlement service "Origami Pay" offered by **Origami Inc.** (Aug. 2018)
- Once registering ordinary deposit account in Shizuoka Bank in the mobile app of Origami, retail customers can complete purchase without cash by letting a smartphone read a QR code when shopping at member stores of Origami



Diversification of settlement means

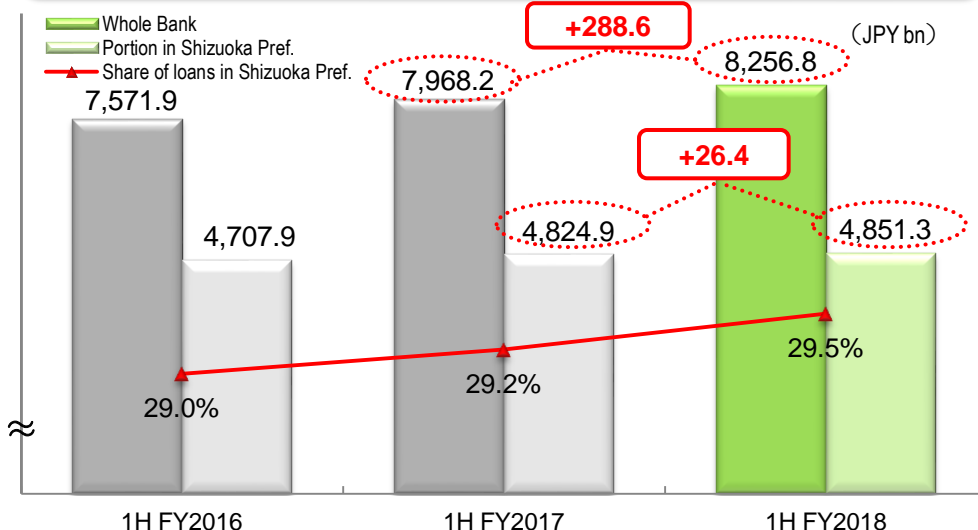
Develop new loan market

Expand non-face-to-face channels

# Loans

- Total loan balance (average balance) increased by JPY 288.6bn (+3.6%) YoY mainly reflecting growth in loan balance for SMEs and retail loan balance

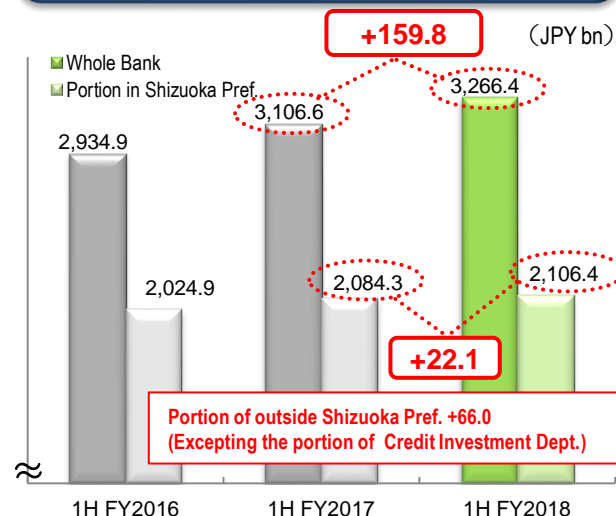
Total loan balance (average balance)



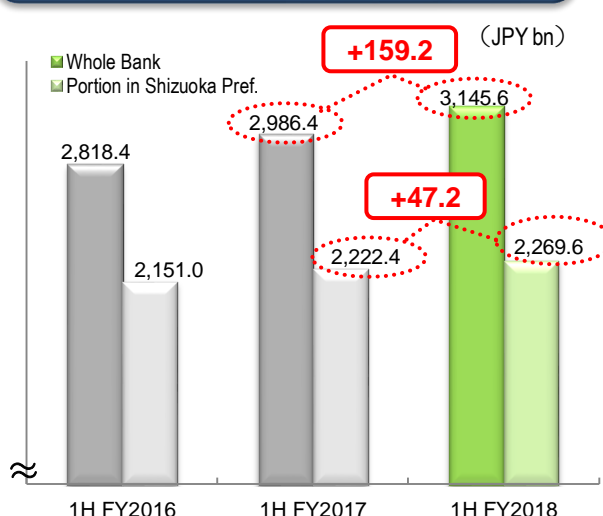
	Average balance	YoY	Annual growth rate
Total loan balance	JPY 8,256.8bn	JPY +288.6bn	+3.6%
Loan balance for SMEs	JPY 3,266.4bn	JPY +159.8bn	+5.1%
Retail loan balance	JPY 3,145.6bn	JPY +159.2bn	+5.3%
Loan balance for large and medium size enterprises	JPY 1,469.1bn	JPY -15.0bn	-1.0%
Loan balance in foreign currency	JPY 560.4bn	JPY -62.7bn	-10.0%

by amt. chg. : JPY -62.0bn  
by ex. rate : JPY -0.7bn

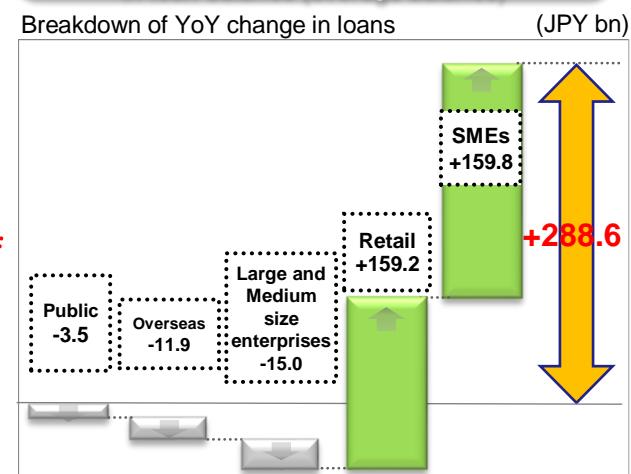
SMEs loan balance (average balance)



Retail loan balance (average balance)



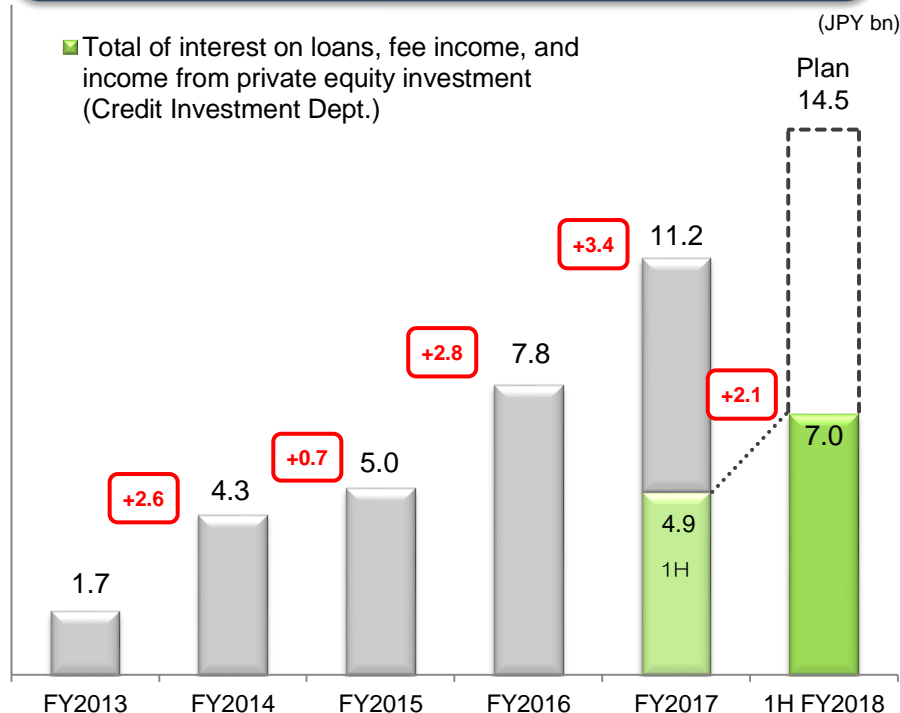
Breakdown of year-on-year changes in loan balance (average balance)



# Market credit investment

## Interest & Fee income in market credit investment

■ Total of interest on loans, fee income, and income from private equity investment (Credit Investment Dept.)



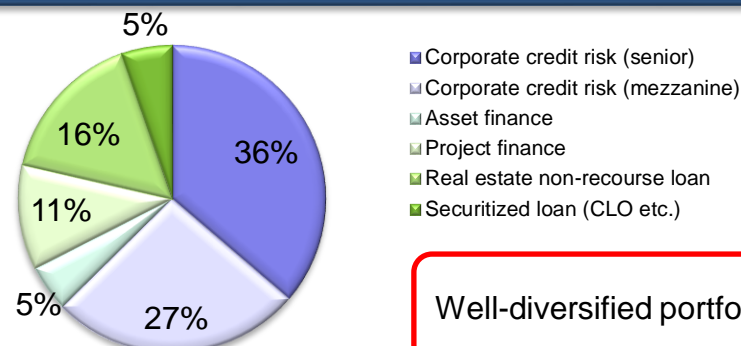
## Investment in private equity (PE) and others

(JPY bn)

	FY2013	FY2014	FY2015	FY2016	FY2017	1H FY2018
Capital commitment in PE	14.0	16.0	26.1	36.7	47.3	51.3
Amount of investment in PE	1.6	2.8	7.4	12.9	18.2	19.9
Amount in investment in private placement REIT	9.8	13.0	15.9	20.2	25.3	27.6
Total income	0.7	2.3	0.4	1.0	1.6	0.7

Targeting well-diversified portfolio by continuously investing in every fiscal year  
 ⇒ Leading to generation of constant revenue as no. of cases of investment which is on the growth phase in J-Curve effect increases

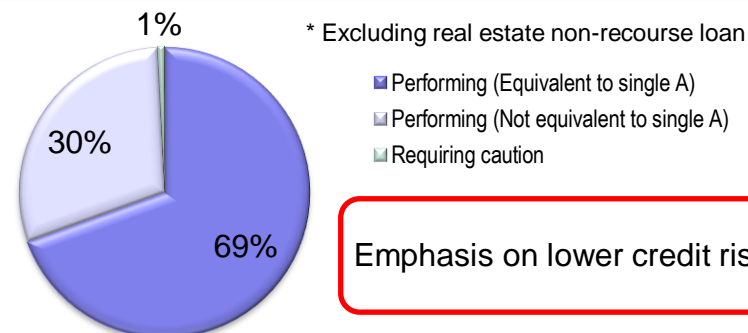
## Breakdown of loan by product (Monthly average balance in Sep. 2018: JPY 487.8bn)



Well-diversified portfolio

JPY-based : Other-currencies-based = 6 : 4

## Credit rating of loans (As of the end of Sep. 2018)



Emphasis on lower credit risk

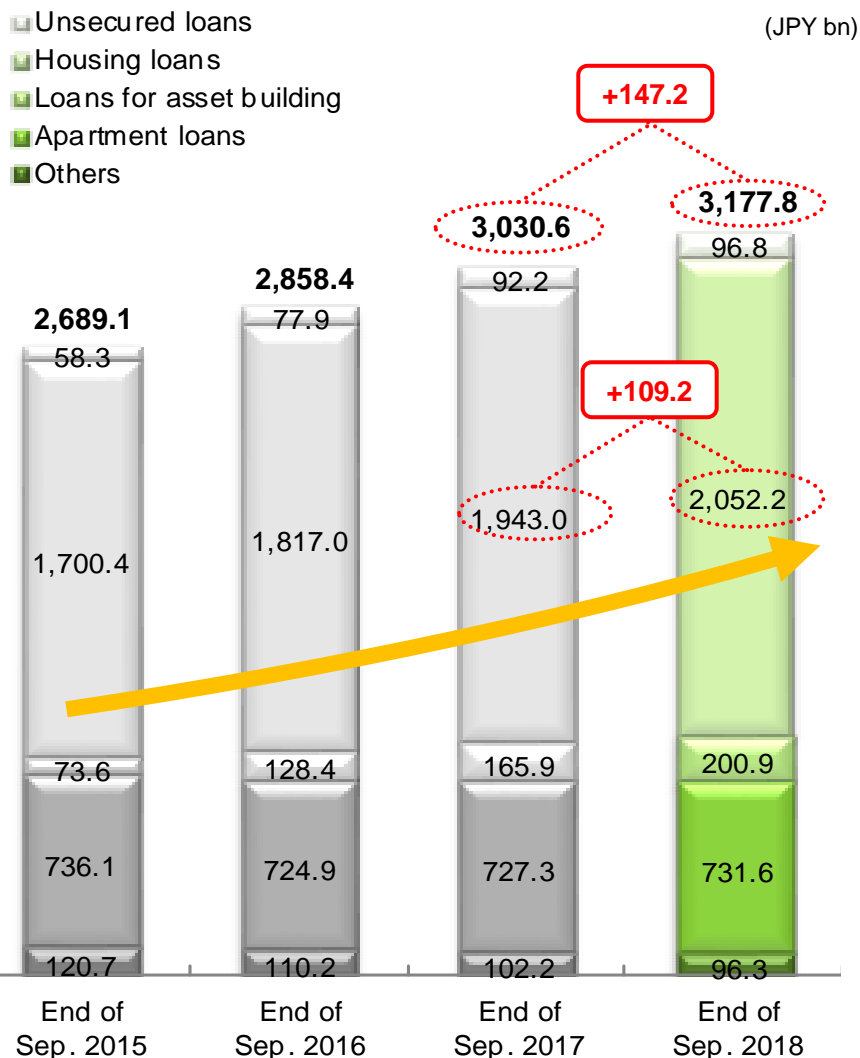
• As for real estate non-recourse loan, credit ratings of all loans are performing not equivalent to single A, and **LTV is 62.8%**

Return to risk		End of Sep. 2018
Amount of risk capital used	Credit Investment Dept. (Share in total)	JPY 35.7bn (13.6%)
Return to risk (Risk-adjusted return / Amount of risk capital used)		40.0%

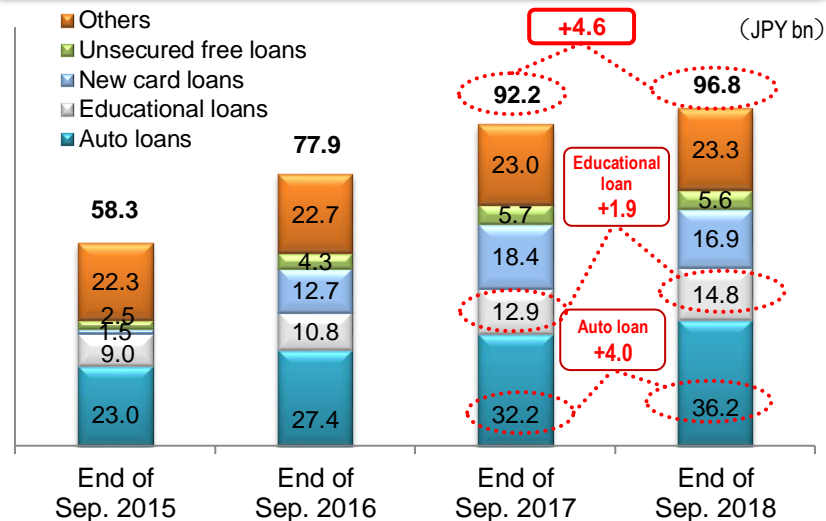
# Consumer loans(1)

- Consumer loan balance (term-end balance) increased by JPY 147.2bn from the end of Sep. 2017, maintaining increase trend mainly due to growth of housing loans

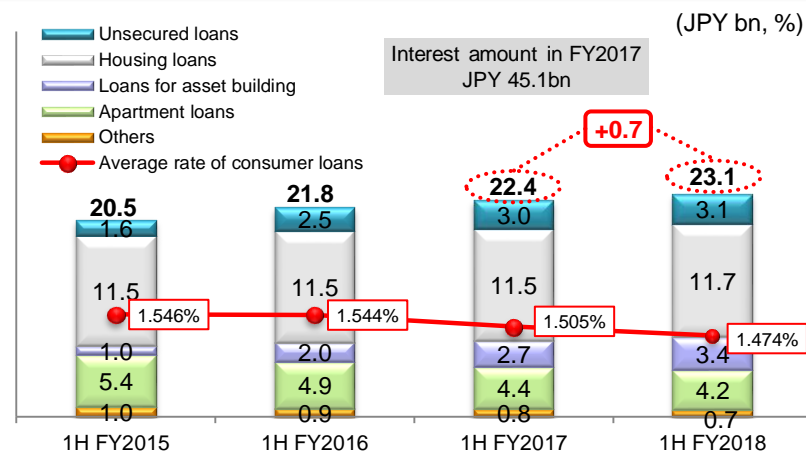
## Consumer loan balance (term-end balance)



## Unsecured loan balance (term-end balance)



## Interest amount and rate of consumer loans

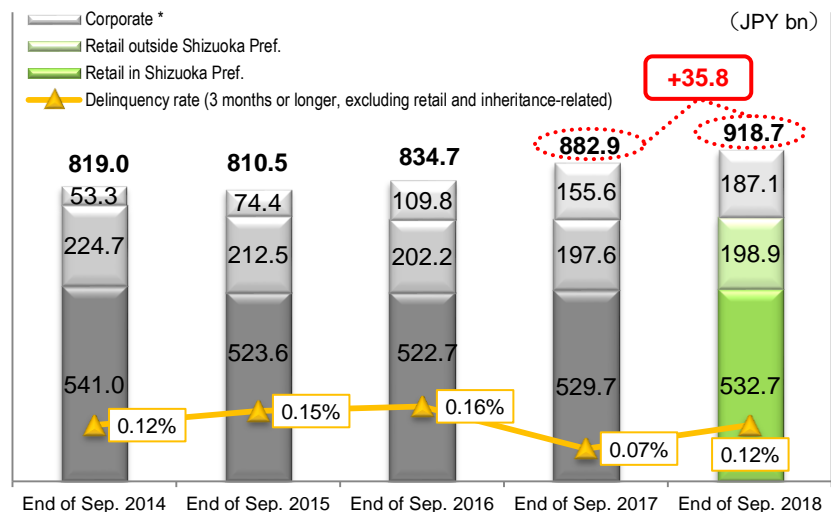




# Consumer loans(2) –Apartment loans, loans for asset building

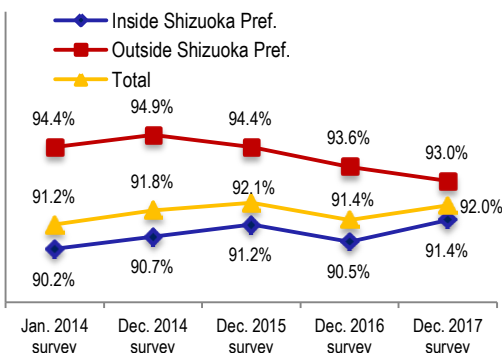
- Build a sound loan portfolio of apartment loans (including loans to businesses) and loans for asset building by conducting appropriate assessments of business risks

## Term end balance and delinquency of Apartment loans



LTV of retail apartment loans at the end of Sep. 2018: 70.6%  
(Inside Shizuoka Pref.: 72.6%, Outside Shizuoka Pref.: 65.9%)

## [Survey on occupancy for apartment loans]

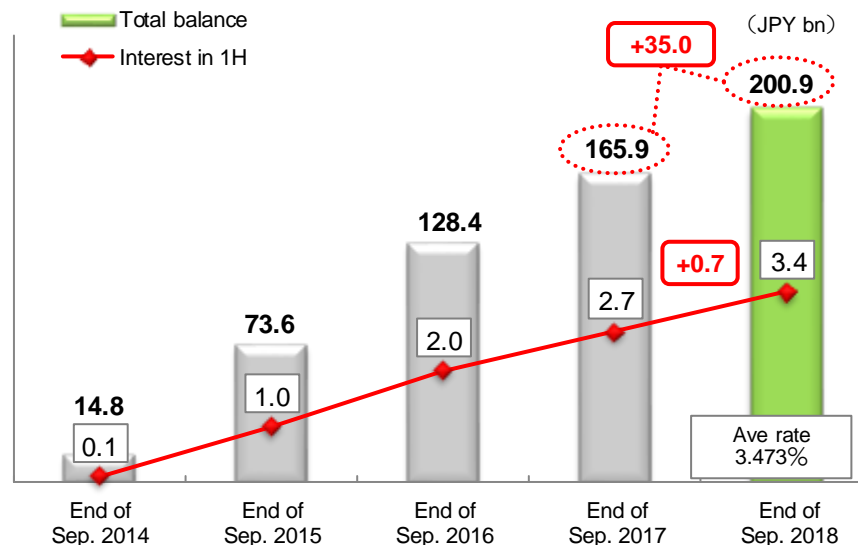


**Delinquency rates on apartment loans are low and occupancy rates remain high**

« 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



### ◆ 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

Both in apartment loans and loans for asset building, 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

# Consumer loan (3) –Loans for asset building

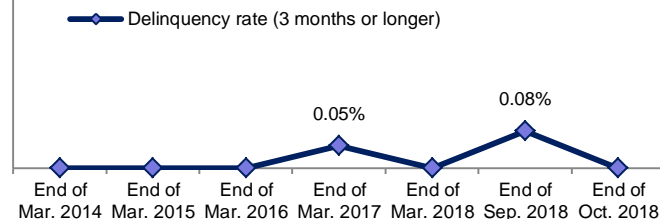
## Stance

### System for strict stance in acceptance of application &

### Credit review with emphasis on profitability of property itself (risk at business)

- Customers can apply for those loans in limited locations and only staff who have completed specialized internal training can deal with them
- Only original documents are accepted as evidence for financial assets and so on (Strict rule to check such information directly from the customers themselves, not from brokers)
- Credit review is based on simulation where stated stresses are put on occupancy rates, loan interest rate, and so on (Whether or not the property is used for sublet is considered only as reference, and credit review does not depend on that aspect)
- Objective evaluation of real estate collateral by external party (independent on sales dept.) is adopted

### Credit risk maintains low



## Information on loan applications accepted

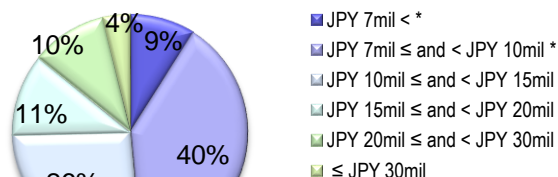
(Data on loans financed by Asset Building Support Division in 1H FY2018)

### Limited credit risks with sound borrowers' profile

#### Annual income of borrowers

(As of acceptance of loans)

#### Average annual income: JPY 14mil

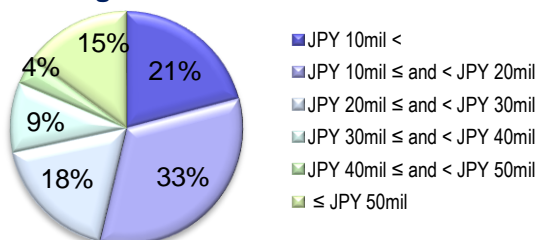


\* Borrowers with sufficient credibility because of total income of family, financial asset, repayment ratio to income, and so on

#### Financial assets borrowers have

(As of acceptance of loans)

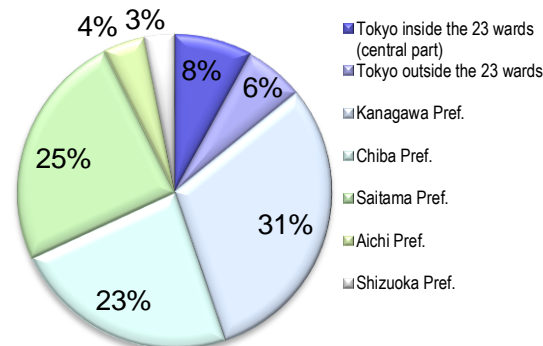
#### Average financial assets: JPY 38mil



### Property expected to keep high occupancy rate

#### Geographic distribution of property

Most are in metropolitan area, and expected to keep high occupancy rate due to closeness to stations and main roads

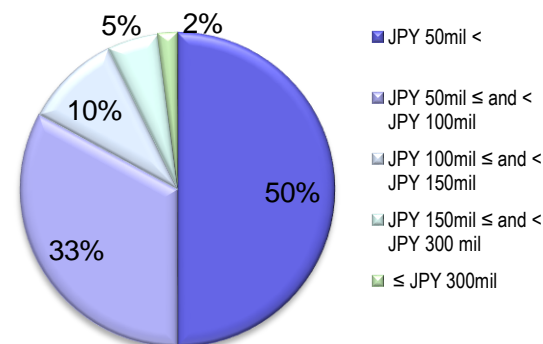


### Introduction of potential customers is not concentrated to specified brokers

### Loan portfolio made up of diversified small-amount loans

#### Loan amount per deal

#### Average loan amount per deal: JPY 67mil



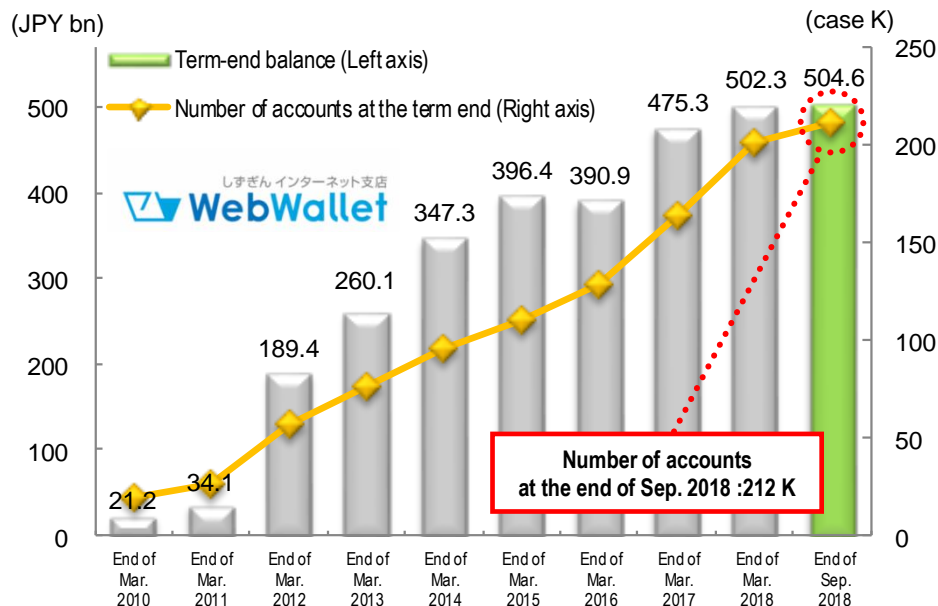
Among all loan deals, 50% is less than JPY 50mil, and more than 80% is less than JPY 100mil, showing portfolio made up of diversified small-amount loans

- Asset Building Support Division holds various seminars for customers, **supporting asset building in areas other than real estate investment as well**
- Plan to expand relationship with customers from medium-and-long-term viewpoint

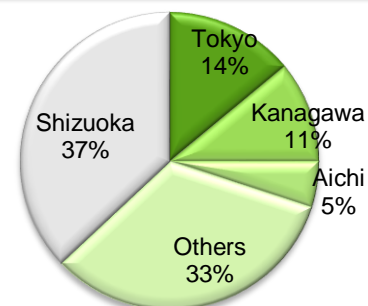
# Internet Branch

- Internet Branch, with its deposit balance more than JPY 500.0bn, 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 13<sup>th</sup> Medium-term Business Plan

## Number of accounts and term-end balance

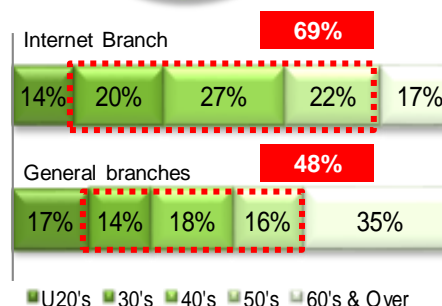


## Customer distribution by prefecture (End of Sep. 2018)



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

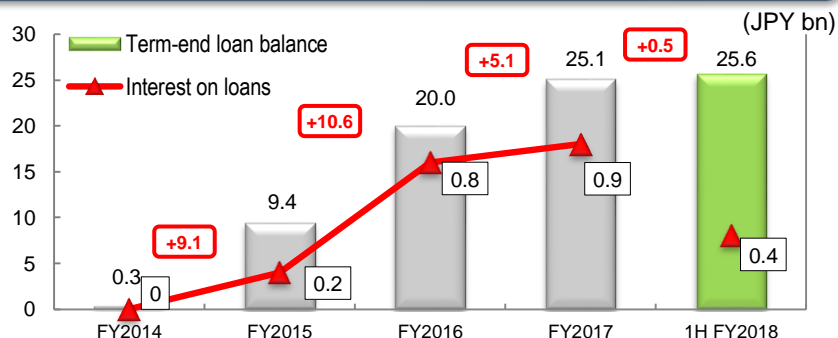
**Outside Shizuoka Pref. : 63%**  
(Mar. 2010 : 16%)



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

⇒ Internet Branch can provide various financial services based on customers' life planning

## Loan balance and interest on loans



## Lineup of products provided by Internet Branch

### Loan (No need for customers to come to branches from application to contract)

Unsecured	Loan with specified use, Card loan
Secured	Housing loan, Free loan

### Product for asset management (Products solely offered by Internet Branch)

Time deposit	JPY-based, Other-currencies-based
Investment trust	One-time type, Installment type



# Fees and commissions

- Fees and commissions on nonconsolidated basis increased by JPY 0.5bn YoY, and those including Shizugin Management Consulting and Shizugin TM Securities decreased by JPY 0.2bn 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)	1H FY2017	1H FY2018	YoY
(1) Fees and commissions (Nonconsolidated)	7.7	8.2	+0.5
Fees and commissions revenue	14.3	15.1	+0.8
Fees and commissions expense (-)	6.6	6.9	+0.3
(2) Ordinary revenue of Shizugin Management Consulting	0.7	0.9	+0.2
(3) Ordinary revenue of Shizugin TM Securities	4.3	3.4	-0.9
Total ((1)+(2)+(3))	12.7	12.5	-0.2

## Shizugin Management Consulting

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

(JPY bn) [ contracts number]	FY2015	FY2016	FY2017	1H FY2018
Ordinary revenue	1.35	1.40	1.49	0.88
Consultant fee				
	M&A	0.29 [24]	0.33 [23]	0.39 [28]
	Business succession	0.10 [56]	0.11 [40]	0.13 [51]
Settlement service	0.80	0.83	0.85	0.43

## Shizugin TM Securities

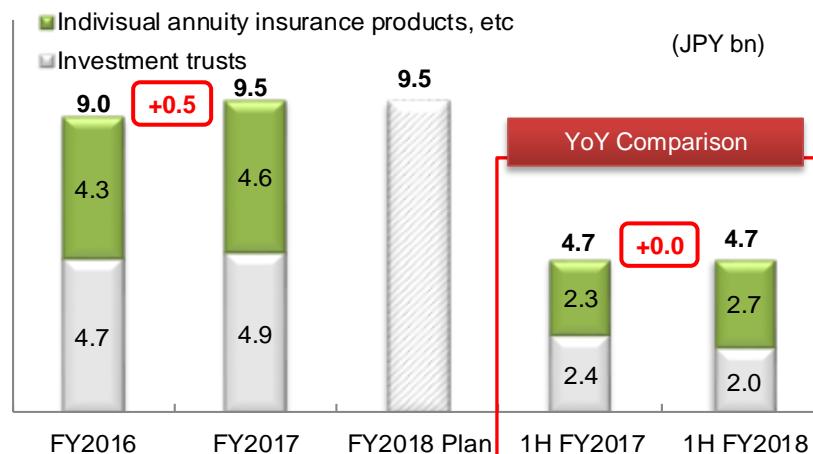
- Recorded No.1 ordinary revenue and ordinary profit among the regional banks securities subsidiary (FY2017)
- Leading Group revenue through selling investment trust and bonds

(JPY bn)	FY2015	FY2016	FY2017	1H FY2018
Ordinary revenue	8.69	7.73	8.50	3.44
(Investment trust-related)	(5.48)	(4.47)	(4.69)	(1.85)
Investment trust sales	136.2	114.0	121.5	45.4
Bond sales	82.7	96.7	143.3	47.5

## Fee incomes related to corporate (include group companies)



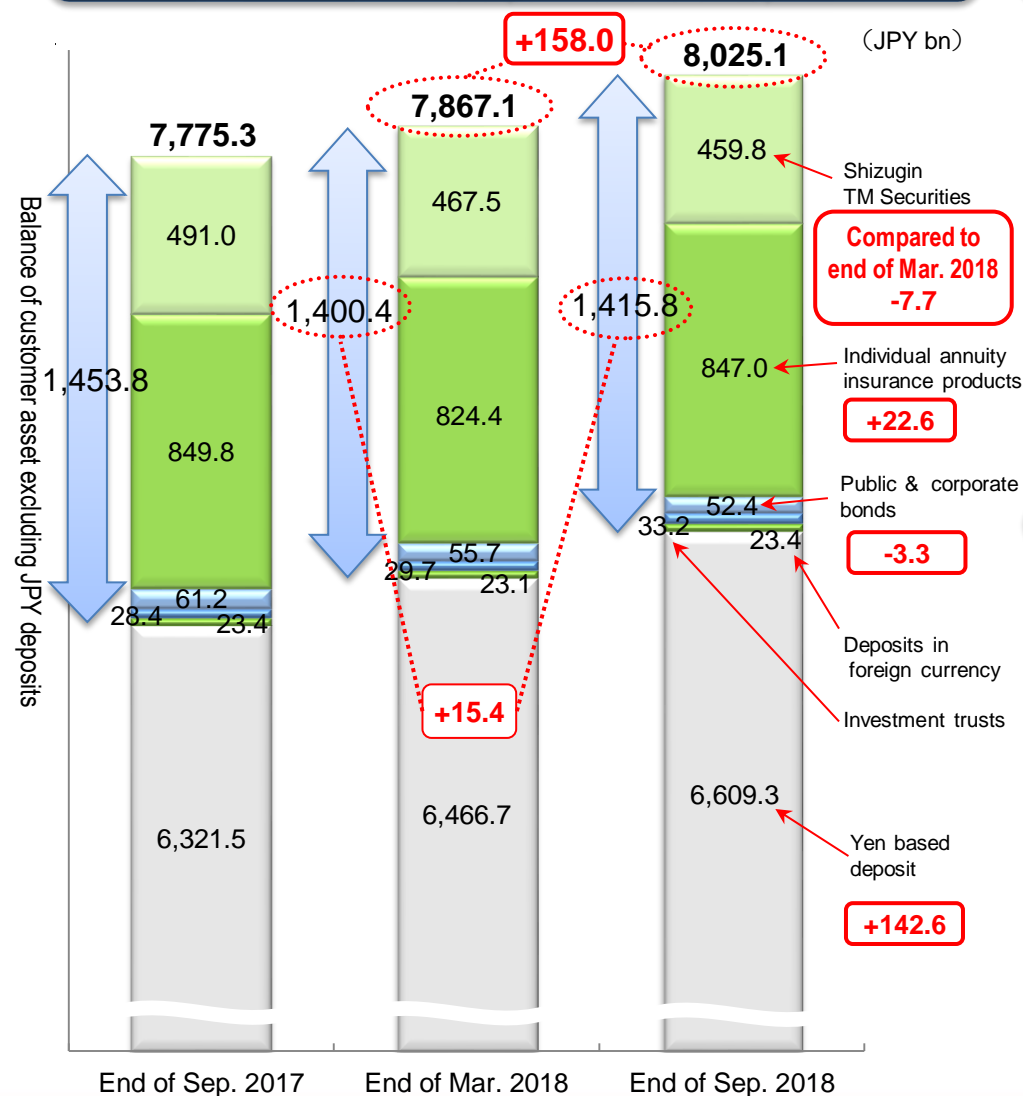
## Sales and fee income from offering investment trusts and insurance products (Shizuoka Bank / Shizugin TM Securities)



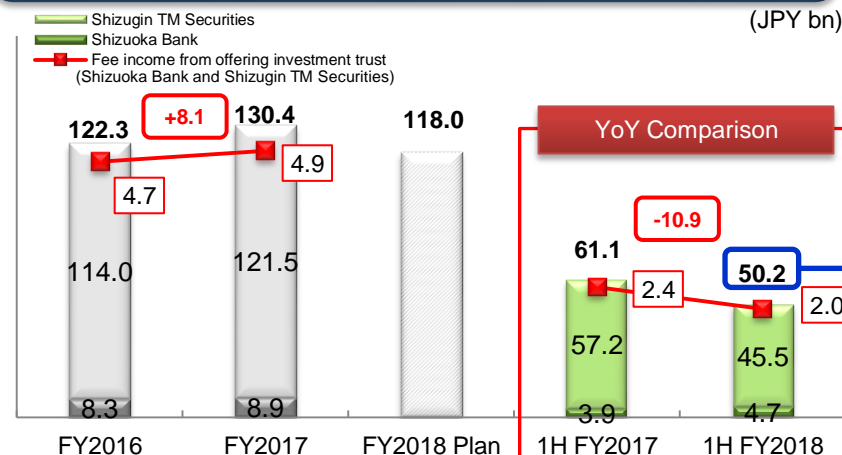
# Customer assets

- Customer assets at the end of Sep. 2018 increased by JPY 158.0bn from the end of Mar. 2018 due to the growth of Individual annuity insurance products and Yen based deposit balance
- Sales amount of investment trusts decreased by JPY 10.9bn YoY, and that of insurance products increased by JPY 14.0bn YoY

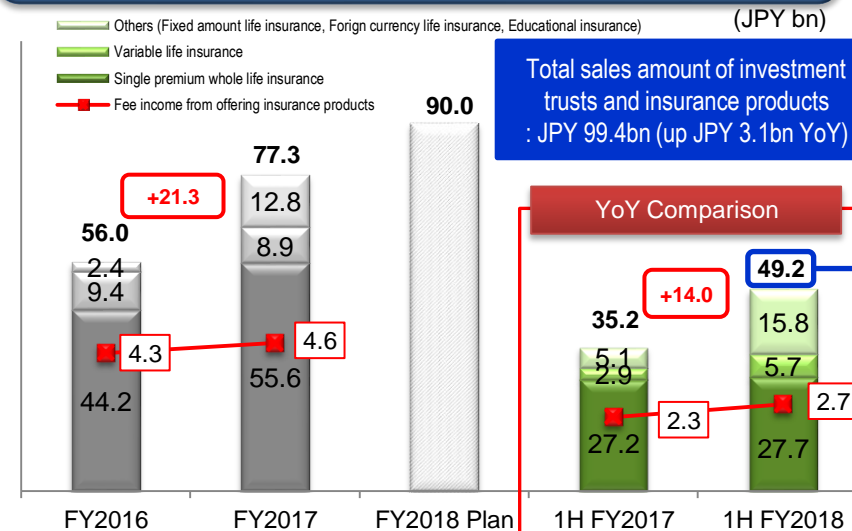
## Customer assets (term-end balance)



## Investment trusts



## Insurance products



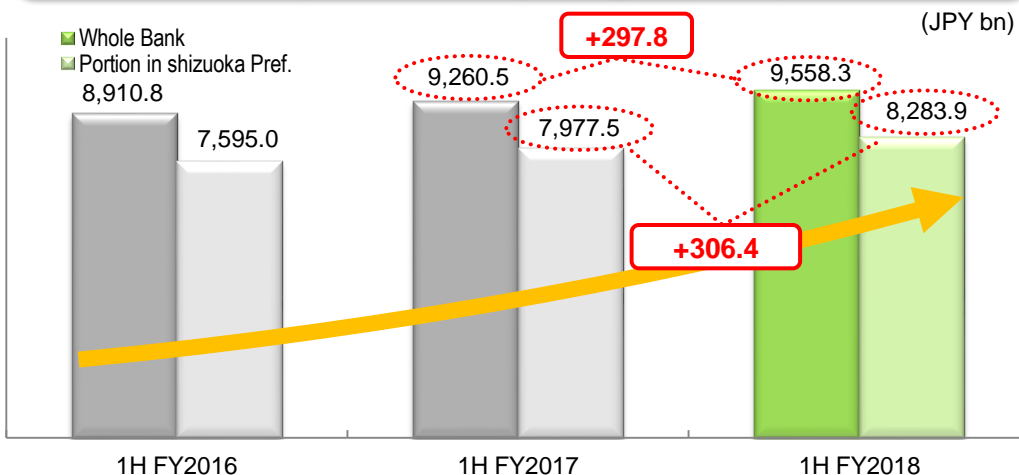
Total sales amount of investment trusts and insurance products : JPY 99.4bn (up JPY 3.1bn YoY)



# Deposits

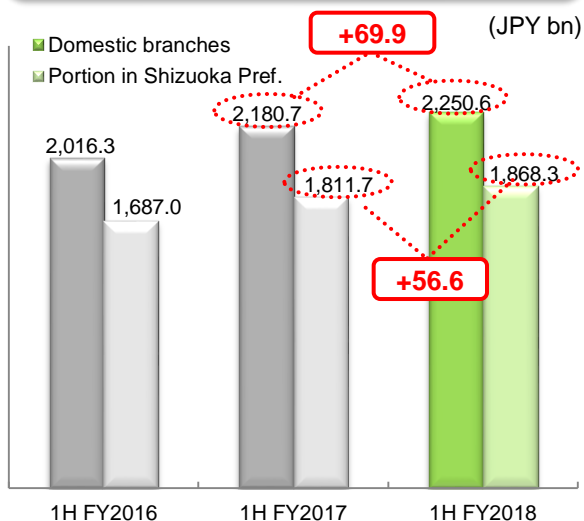
- Deposit balance (average balance) increased by JPY 297.8bn (+3.2%) YoY mainly due to the increase of retail deposit balance

## Deposit balance (average balance)

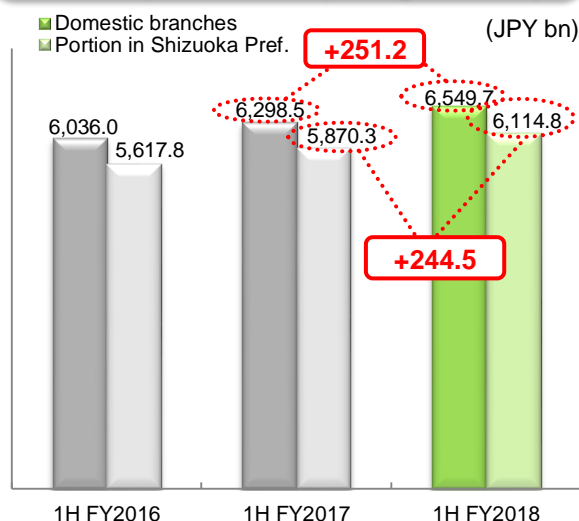


	Average balance	YoY	Annual growth rate
Total deposit balance	JPY 9,558.3bn	JPY +297.8bn	+3.2%
Deposit balance in Shizuoka	JPY 8,283.9bn	JPY +306.4bn	+3.8%
Corporate deposit balance	JPY 2,250.6bn	JPY +69.9bn	+3.2%
Retail deposit balance	JPY 6,549.7bn	JPY +251.2bn	+3.9%
Portion in Internet branch	JPY 503.4bn	JPY +36.9bn	+7.9%
NCD	JPY 97.3bn	JPY -80.5bn	-45.2%

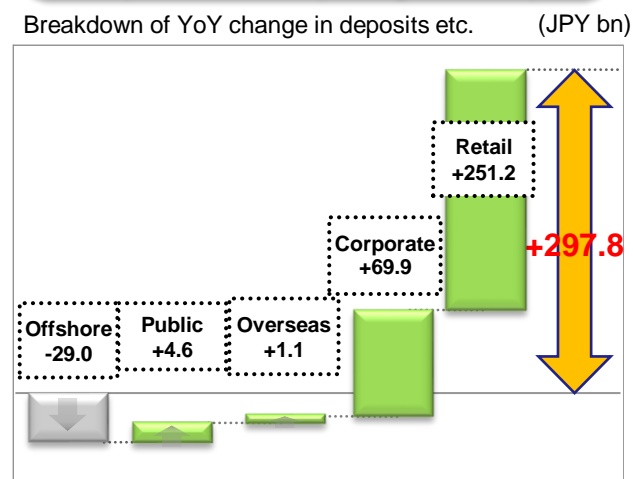
## Corporate deposit balance (average balance)



## Retail deposit balance (average balance)



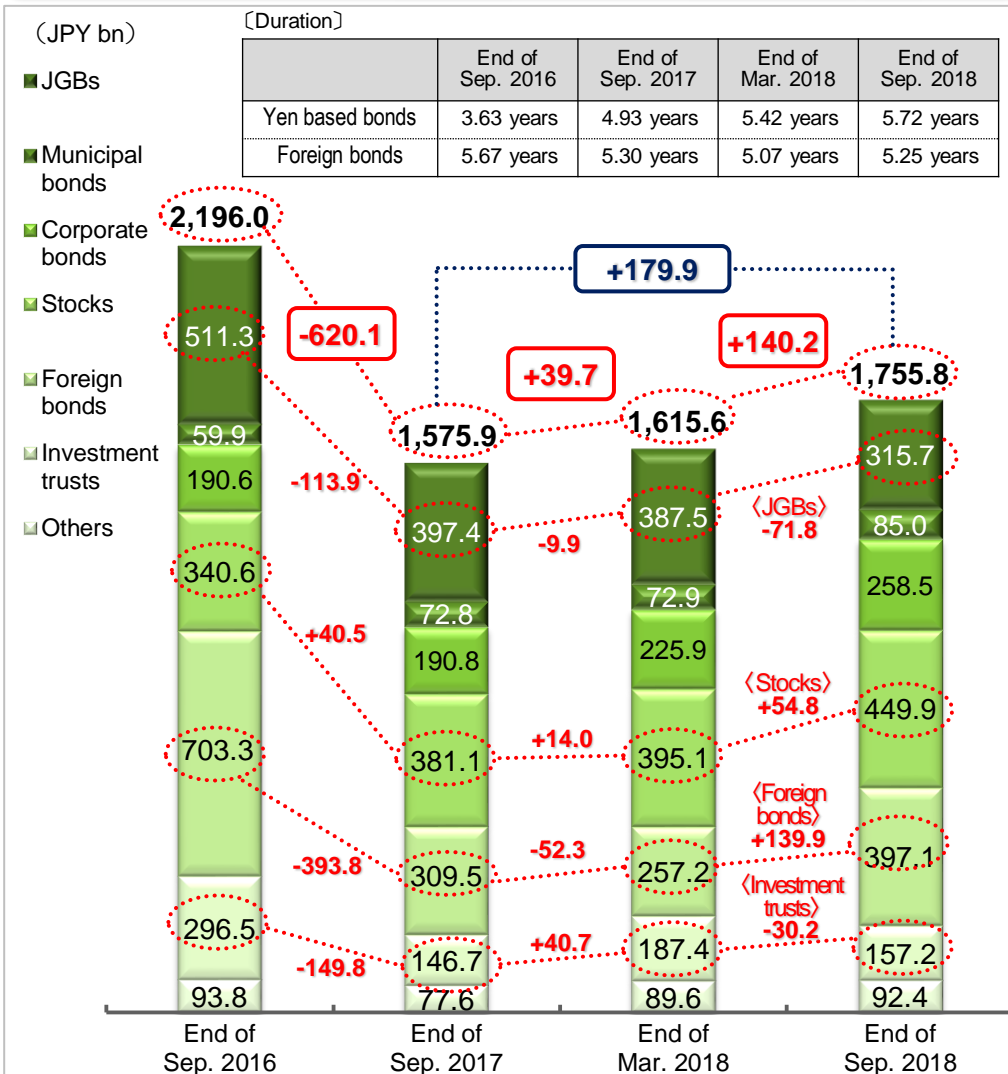
## Breakdown of year-on-year changes in deposits balance (average balance)



# Securities

- The Bank reduced its balance of foreign bonds after US interest rates rose in 2H FY2016, but has worked to rebuild its portfolio while carefully monitoring market conditions since FY2017. As a result, the balance of securities at the end of Sep. 2018 increased by JPY 179.9bn compared to the end of Sep. 2017

## Securities



## Gains and losses on securities

(JPY bn)	1H FY2017	1H FY2018	YoY
Interest and dividend on securities	9.8	21.6	+11.8
Gains on investment trusts	2.3	6.2	+3.9
Gains and losses on bonds such as JGBs	0.4	-0.9	-1.3
Gain on sell of bonds such as JGBs	0.8	1.8	+1.0
Loss on sell of bonds such as JGBs(-)	0.3	2.7	+2.4
Gains and losses on hedges	0.0	0.8	+0.8
Gains and losses on stocks	4.2	4.6	+0.4
Gain on sell of stocks	4.2	4.6	+0.4

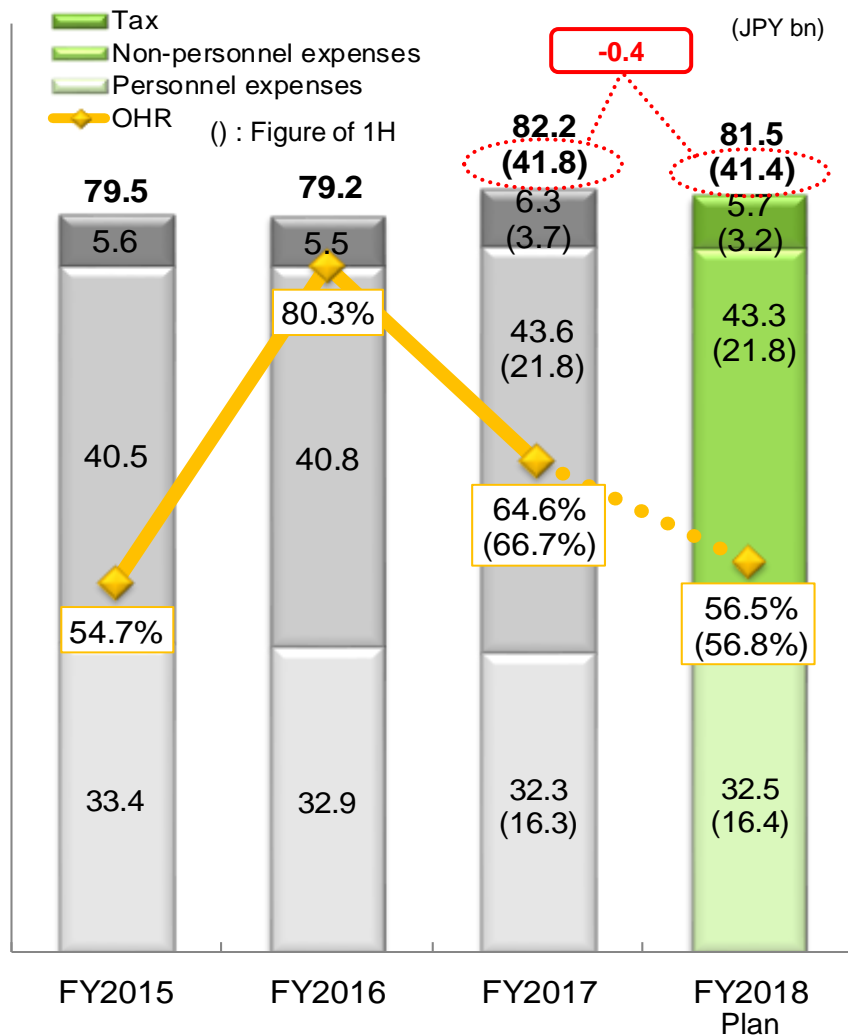
## Unrealized gains and losses on securities

(JPY bn)	End of Mar. 2017	End of Sep. 2017	End of Mar. 2018	End of Sep. 2018
Unrealized gains and losses on securities	+230.9	+273.7	+272.5	+319.8
Stocks	+222.8	+265.0	+265.4	+313.1
Bonds	+5.8	+4.7	+5.2	+2.7
Other	+2.3	+4.0	+1.9	+4.0
Foreign bonds	+0.0	-0.2	-0.6	-2.3
Investment trusts	+1.6	+3.6	+1.8	+5.2

# Expenses

- Expenses of 1H FY2018 was JPY 41.4bn (down JPY 0.4bn YoY), and OHR was 56.8% (down 9.9 percent points YoY)
- Maintain the policy to control OHR around 55% in the 13<sup>th</sup> Medium-term Business Plan

## Expenses and OHR



## Main factors for change of expenses

	YoY	Main factors
Tax	JPY -0.5bn	Consumption tax JPY -0.6bn
Non-personnel expenses	JPY -0.0bn	Deposit insurance premium JPY -0.1bn Depreciation expense (excl. system-related) JPY -0.1bn
Personnel expenses	JPY +0.1bn	Health insurance premium JPY +0.1bn
Total	JPY -0.4bn	

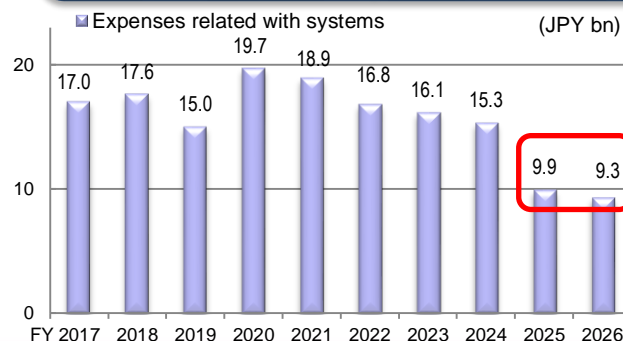
Non-personnel expenses related with systems JPY+0.2bn

## Comparison with initial expenses plan

	FY2017	FY2018
Initial plan (13 <sup>th</sup> Medium-term Business Plan)	JPY 85.0bn	JPY 84.5bn
Performance/Plan	JPY 82.2bn	JPY 81.5bn

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

## Forecast of expenses related with systems

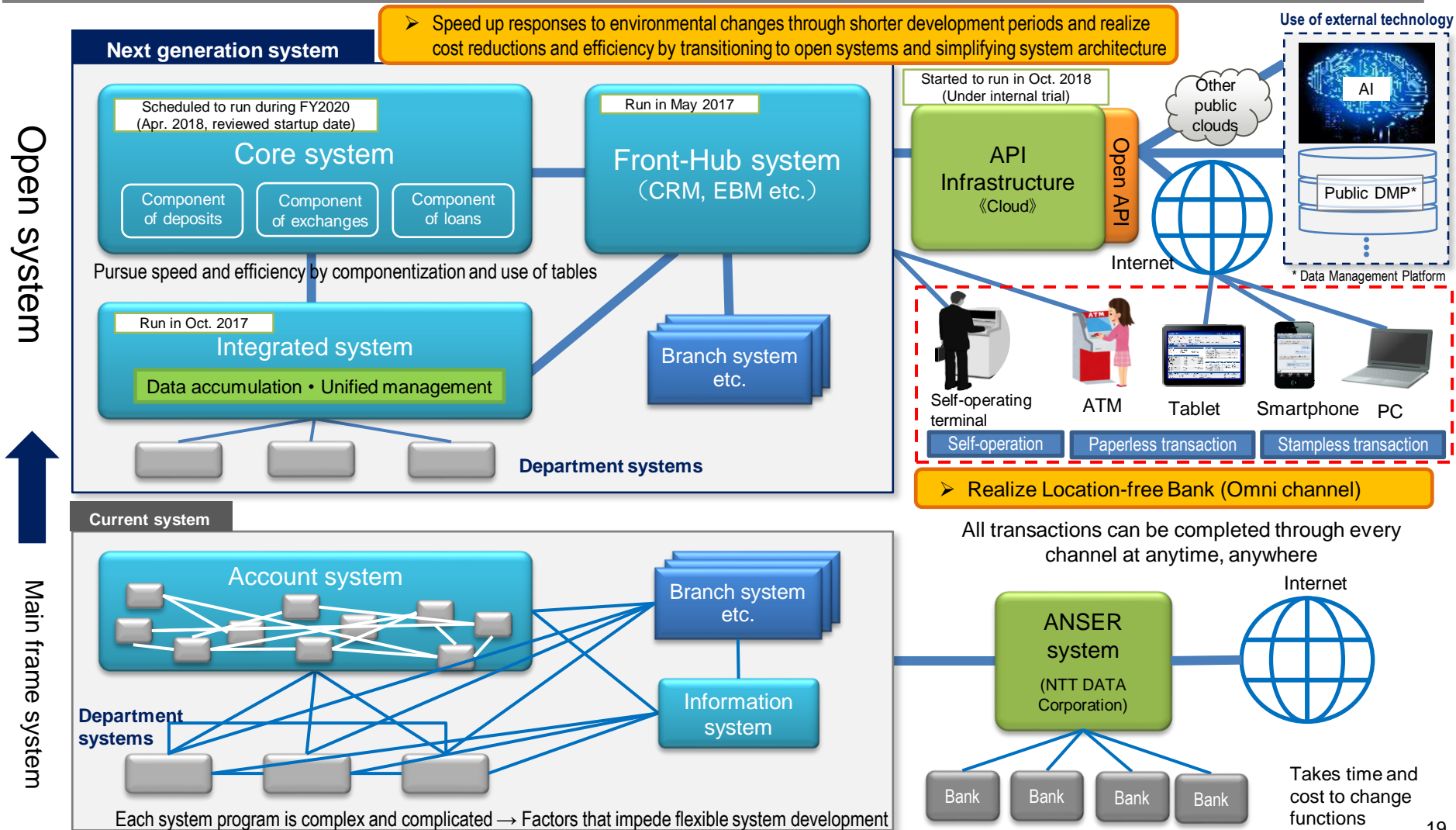


Depreciation by investment in the next-generation IT system are set to rise temporarily, but expenses will be brought down to less than JPY 10bn in the future due to the cost reduction effect

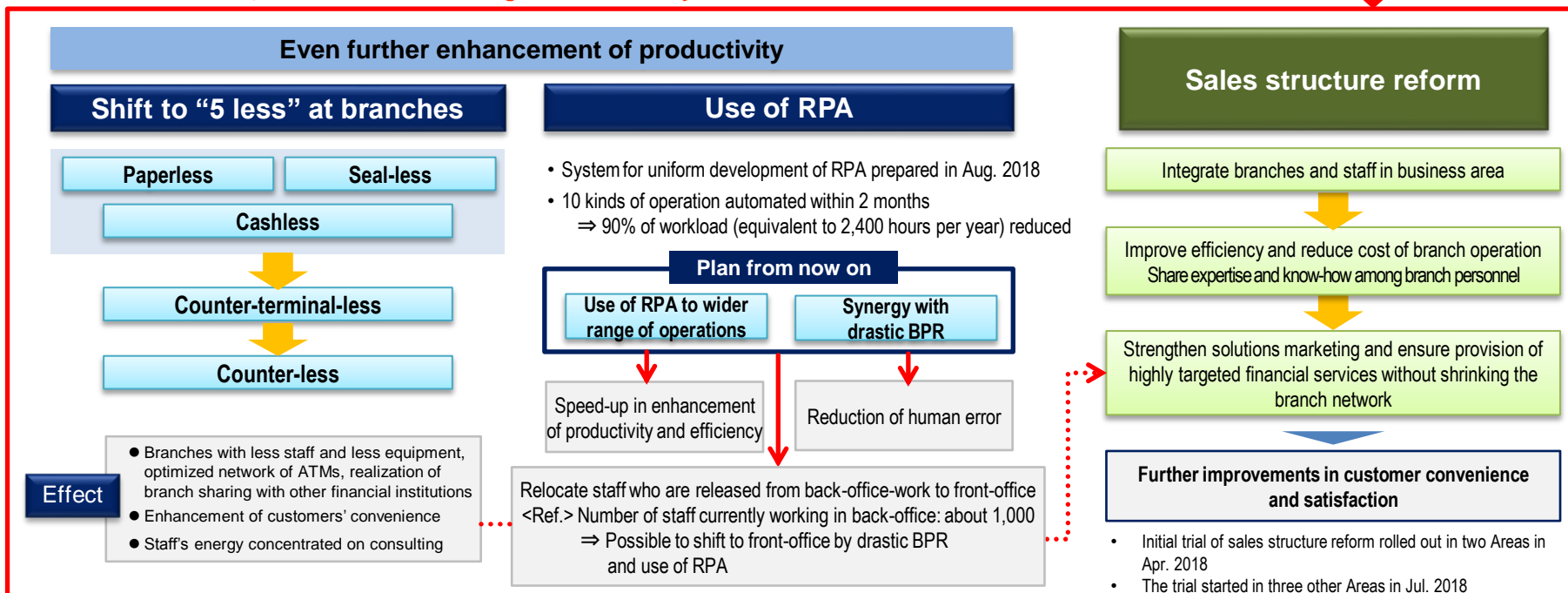
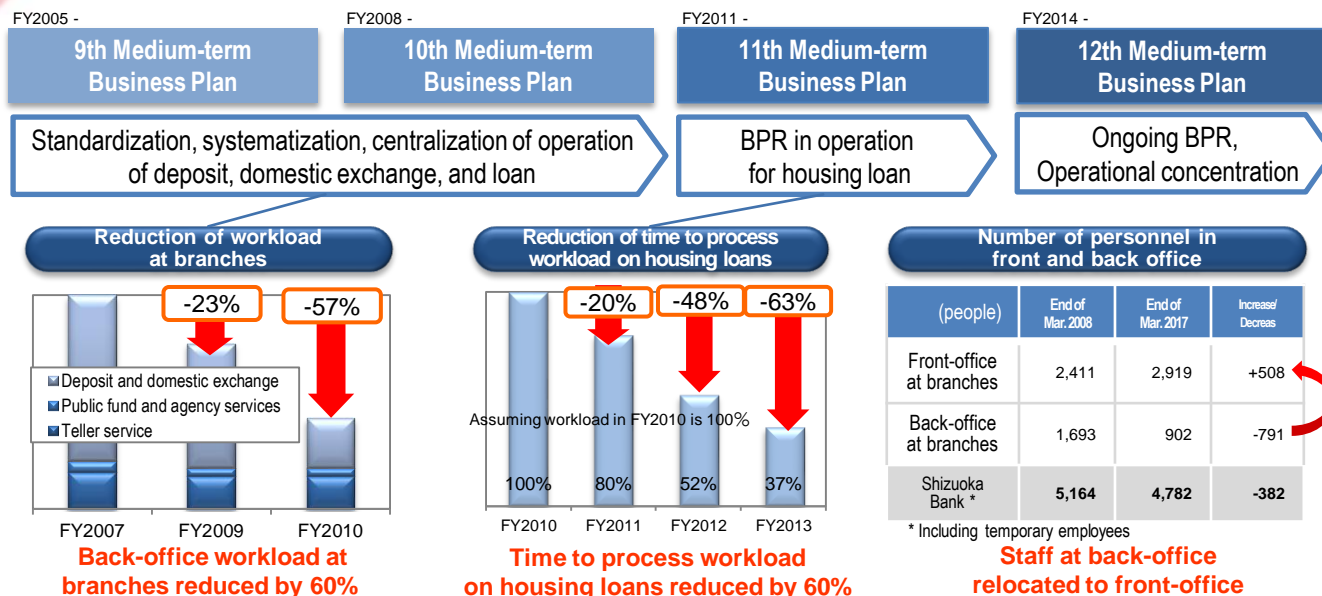
※New system is scheduled to come on line in May 2020

# 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



# Operation process reform





# Credit-related costs

●Credit-related costs in 1H 2018: JPY 1.2bn (up JPY 7.9bn YoY), Credit-related cost ratio: 0.02%

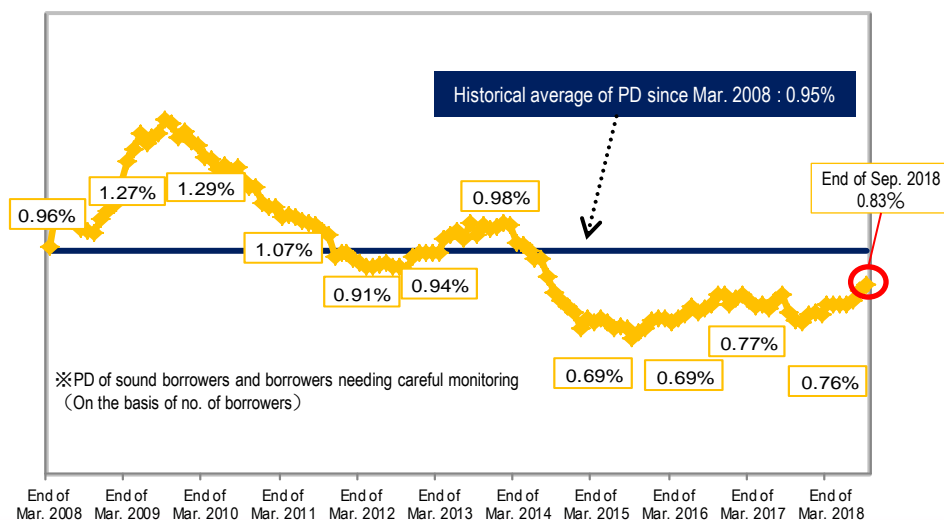
## Breakdown of credit-related costs

(JPY bn)	1H FY2017	1H FY2018	YoY
Provision for general allowance for loan losses (1)	[-8.9]	-1.1	[+7.8] -1.1
Provision for specific allowance for loan losses (2)	[2.2]	2.3	[+0.1] +2.3
Other non-performing loans (NPL) disposal *1 (3)	0.1	-0.0	-0.1
Reversal of allowance for loan losses *2 (4)	6.8	-	-6.8
Credit-related Costs (1)+(2)+(3)-(4)	-6.6	1.2	+7.9

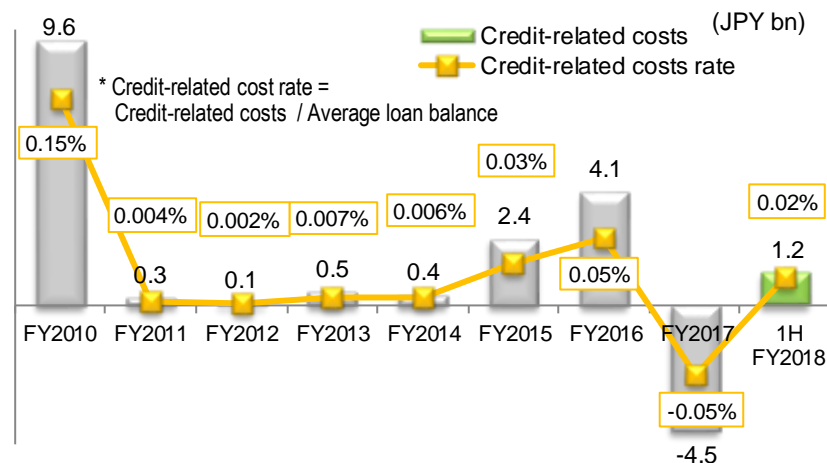
\*1 Including provision for the estimated future payments to credit guarantee corporations, provision for allowance for accidental losses, and losses on sell of loans

\*2 Reversal of allowance for loan losses 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

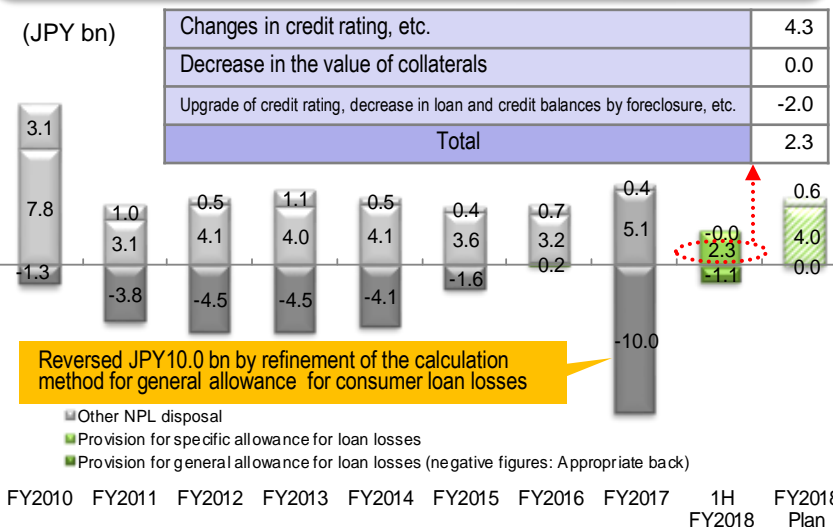
## Probability of Default (PD)



## Credit-related costs and Credit-related cost ratio



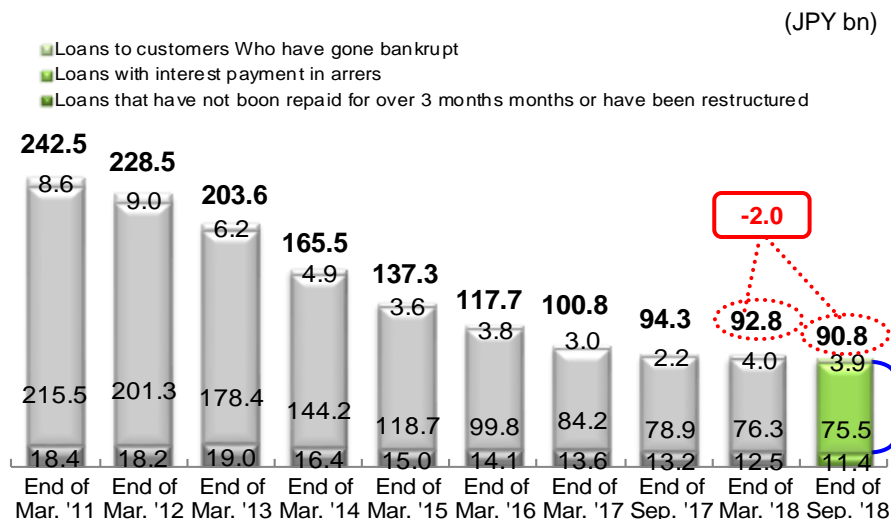
## Provision for allowance for loan losses and other NPL disposal



# 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 Sep. 2018 was JPY 90.8bn (the ratio of risk-management loans was 1.08%)
- Net risk-management loans were JPY 10.9bn (the ratio of net risk-management loans was 0.13%), which shows the soundness in the Bank's asset

## Trends in Risk-management loans



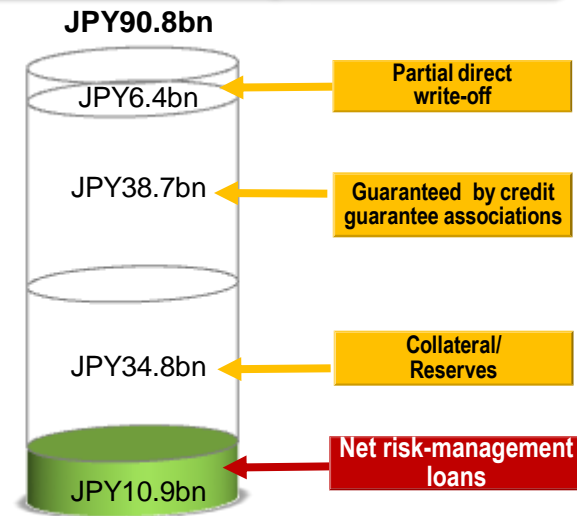
\*Borrowers classified as "at risk of failure" and borrowers classified as "practically bankrupt" are written as "loans with interest payment in arrears" among the debtor division in accordance with Banking Act

### [Delinquency ratio]

In arrears  
21%

Not in arrears  
79%

## Net risk-management loans



## NPL removal from the balance sheet

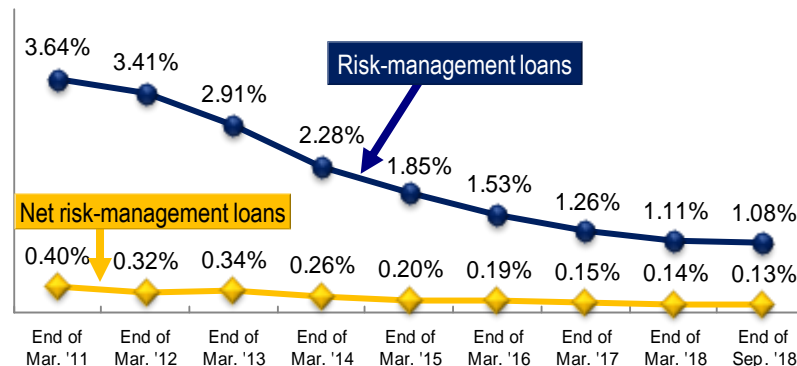
(JPY bn)	FY2017	1H FY2018
New recognition of NPLs	+25.2	+12.6
Removal from the balance sheet (NPL to borrowers classified as "at risk of failure" or riskier categories)	-33.2 (-29.7)	-14.5 (-12.7)
<b>Risk-management loans</b>	<b>92.8</b>	<b>90.8</b>

-2.0

### [Breakdown of JPY -12.7bn] (JPY bn)

Collected from borrower/ set off against deposit account	-1.6
Collateral disposal/ subrogated to guarantor	-6.2
Reclassified to better categories	-3.7
Loans sold-off	-1.1
Direct write-off of loans	-0.1

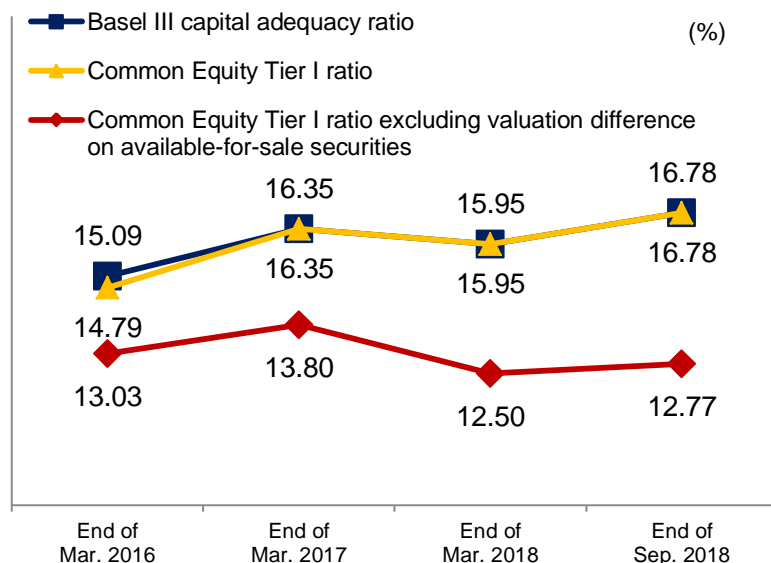
## The ratio of risk-management loans



# Capital adequacy ratio

- Both Basel III capital adequacy ratio and Common Equity Tier I ratio at the end of Sep. 2018 are 16.78%, slightly increasing by 0.83 percent points from the end of Mar. 2018 (Common Equity Tier I ratio excluding valuation difference on available-for-sale securities at the end of Sep. 2018 is 12.77%, up 0.27 percent points from the end of Mar. 2018)

## BIS capital adequacy ratio (Consolidated basis)



## Interest rate risk in the banking book (IRRBB) (Consolidated basis, End of Sep. 2018)

- Results of materiality test:  $\Delta$ 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 106.3bn	JPY 952.1bn	$11.2\% \leq 15\%$

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

- $\Delta$ NI (Net Interest Income): JPY 9.5bn (Decrease in net interest income due to interest shock Within IRRBB)

## Changes in capital and risk-adjusted assets (Consolidated basis)

	End of Mar. '17	End of Mar. '18	End of Sep. '18	Change from the end of Mar. '18
<b>[Basel III]</b>				
Capital*	850.8	897.9	952.1	+54.2
Common Equity Tier I	850.8	897.9	952.1	+54.2
Excluding valuation difference on available-for-sale securities	718.3	703.6	724.6	+21.0
Other Tier I	0.0	0.0	0.0	$\pm 0.0$
Tier II	0.0	0.0	0.0	$\pm 0.0$
Risk-adjusted assets	5,202.8	5,626.9	5,672.3	+45.4
Total credit-risk adjusted assets	4,895.5	5,319.5	5,364.3	+44.8
Amount corresponding to market risk	15.2	12.7	11.6	-1.1
Amount corresponding to operational risk	292.1	294.7	296.4	+1.7

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

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

#### (1) Liquidity coverage ratio (Consolidated)

- End of Sep. 2018 : 137.5% (Regulatory level 90% and over)
- 1H FY2018(Daily average) : 140.5%

#### (2) Leverage ratio (Consolidated, end of Sep. 2018) : 7.96% (Ditto 3% in trial period)

# Shareholder return (1) - Profit distribution

- For FY2018, the Bank plans to pay an annual dividend of JPY 22 per share, an increase of JPY 1 YoY
- The Bank buys back its shares during Nov.-Dec. 2018 (No. of shares at most: 10mil, buyback amount at most: JPY 11.5bn)
- 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

13<sup>th</sup> Medium-term Business Plan

	FY2015	FY2016	FY2017	FY2018 E
Annual dividend per share	JPY20.00 (JPY10.00)	JPY20.00 (JPY10.00)	JPY21.00 (JPY10.00)	JPY22.00 (JPY11.00)

( ) : Figures of interim dividend per share

## Profit distribution to shareholders

(JPY bn)

		FY2015	FY2016	FY2017	FY2018 E	FY '08- '17 (10years)
Annual dividend (1)		12.3	12.2	12.5	13.0	Accumulated total 102.1
Repurchase of shares (2) (Shares bought back: million shares)		7.0 (5)	8.5 (10)	9.7 (10)	* 11.5 (10)	Accumulated total 101.0
Shareholder returns (3)=(1)+(2)		19.3	20.7	22.2	24.5	Accumulated total 203.1
Nonconsolidated	Net income(4)	44.0	24.4	43.4	45.0	Accumulated 353.0
	Dividend payout ratio (1)/(4)x100	27.91%	49.83%	28.74%	28.79%	Average 28.91%
	Shareholder return ratio (3)/(4)x100	43.82%	84.60%	51.16%	54.34%	Average 57.52%
Consolidated	Profit attributable to owners of the parent (5)	47.9	29.3	50.1	52.0	Accumulated total 400.1
	Dividend payout ratio (1)/(5)x100	25.62%	41.58%	24.90%	24.91%	Average 25.51%
	Shareholder return ratio (3)/(5)x100	40.23%	70.60%	44.32%	47.03%	Average 50.75%

[Reference]

ROE (Consolidated)	5.18%	3.15%	5.21%	-
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Average in 5years

4.98%
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\* The amount of repurchase of shares (maximum) which were resolved at the Board of Directors held on Nov. 6, 2018

# 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 FY2018, the Bank cancelled 30mil shares on May 31<sup>st</sup>. In addition, the Bank buys back at most 10mil shares during Nov.-Dec.

## 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-FY2015 (Accumulated total)	195,811	186,873	140,404	128,892
FY2016	10,000	8,496	20,000	20,578
FY2017	10,000	9,736	—	—
FY2018	—	—	30,000	30,530
Total	215,811	205,106	190,404	180,000

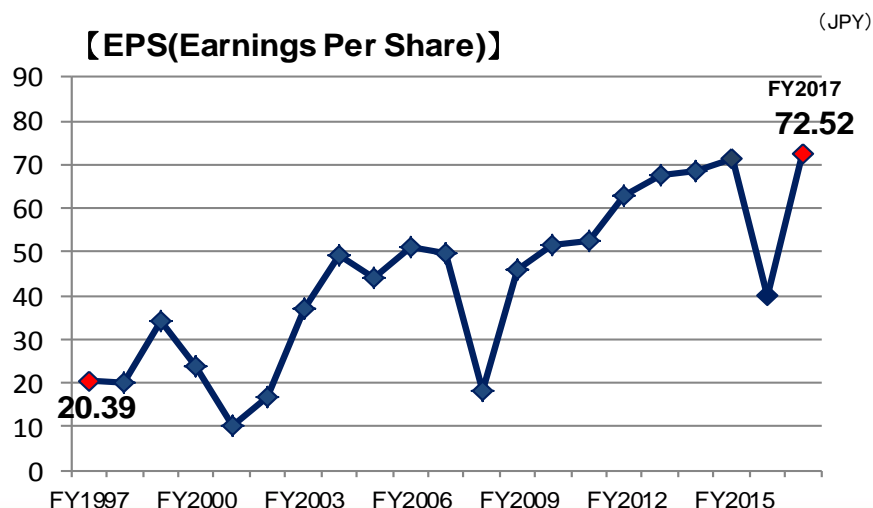
Cancel 30mil shares, worth JPY 30,530mil, in May 2018

After cancellation  
No. of outstanding shares (including treasury stocks) : 615,129 thousand  
No. of treasury stocks : 21,225 thousand

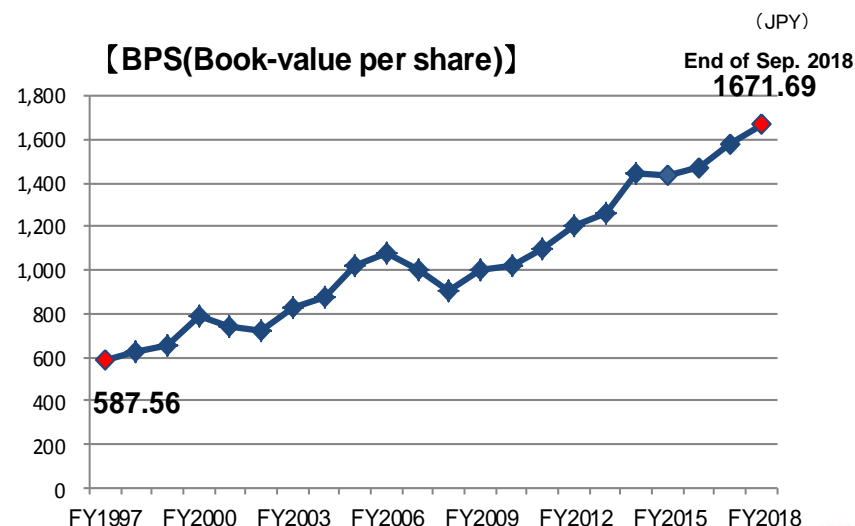
Buy back at most 10mil shares during Nov.-Dec. 2018

➤ 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)

- The bank has regularly bought its own shares since FY1997, resulting in accumulated number of shares repurchased of 216mil

	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
FY2018 (Until Sep.)	—	—	30,000	30,530	—	—	—	—
<b>Total</b>	<b>215,811</b>	<b>205,106</b>	<b>190,404</b>	<b>180,000</b>	<b>60.48</b>	<b>—</b>	<b>—</b>	<b>—</b>

\*Consolidated financial statements have been prepared since FY1998 26

# **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)	Results 1H FY2018 (C)	Progress rate (C/B)
Ordinary profit	65.8	72.0	+6.2	38.8	53.8%
Profit attributable to owners of the parent	50.1	52.0	+1.9	30.0	57.8%

### 【Nonconsolidated】

Gross operating profit	127.3	144.1	+16.8	72.7	50.4%
Net interest income	111.5	122.1	+10.6	63.2	51.7%
Fees and commissions	15.2	17.0	+1.8	8.2	48.2%
Trading income	0.8	1.0	+0.2	0.3	30.0%
Other operating profit	-0.2	4.0	+4.2	+1.0	25.0%
(Bond-Related income such as JGBs)	(-4.2)	(1.6)	(+5.8)	(-0.9)	(-56.2%)
Expenses (-)	82.2	81.5	-0.7	41.4	50.7%
Provision for general allowance for loan losses (-)	-	-	-	-1.1	-
Net operating profit	45.1	62.6	+17.5	32.5	51.7%
Special profit and loss	11.1	-1.6	-12.7	3.4	-212.5%
Ordinary profit	56.2	61.0	+4.8	35.9	58.8%
Net income	43.4	45.0	+1.6	28.4	63.1%
Credit-related costs (-)	-4.5	4.6	+9.1	1.2	26.0%

## Progress of the 13th Medium-term Business Plan

(JPY bn)

### 【Consolidated】

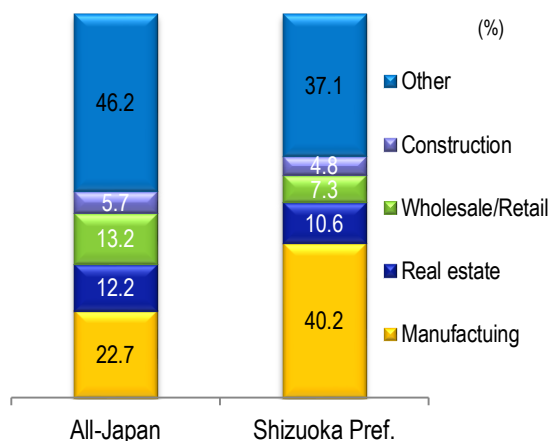
	12th Medium-term Business Plan	13th Medium-term Business Plan		
	FY2016	FY2017	FY2018E	FY2019 Plan
Ordinary profit (Except for a lump-sum write-down on the unamortized balance of goodwill)	47.1 (59.2)	65.8	72.0	77.0 or more
Profit attributable to owners of the parent (Except for a lump-sum write-down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

# Reference

# 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

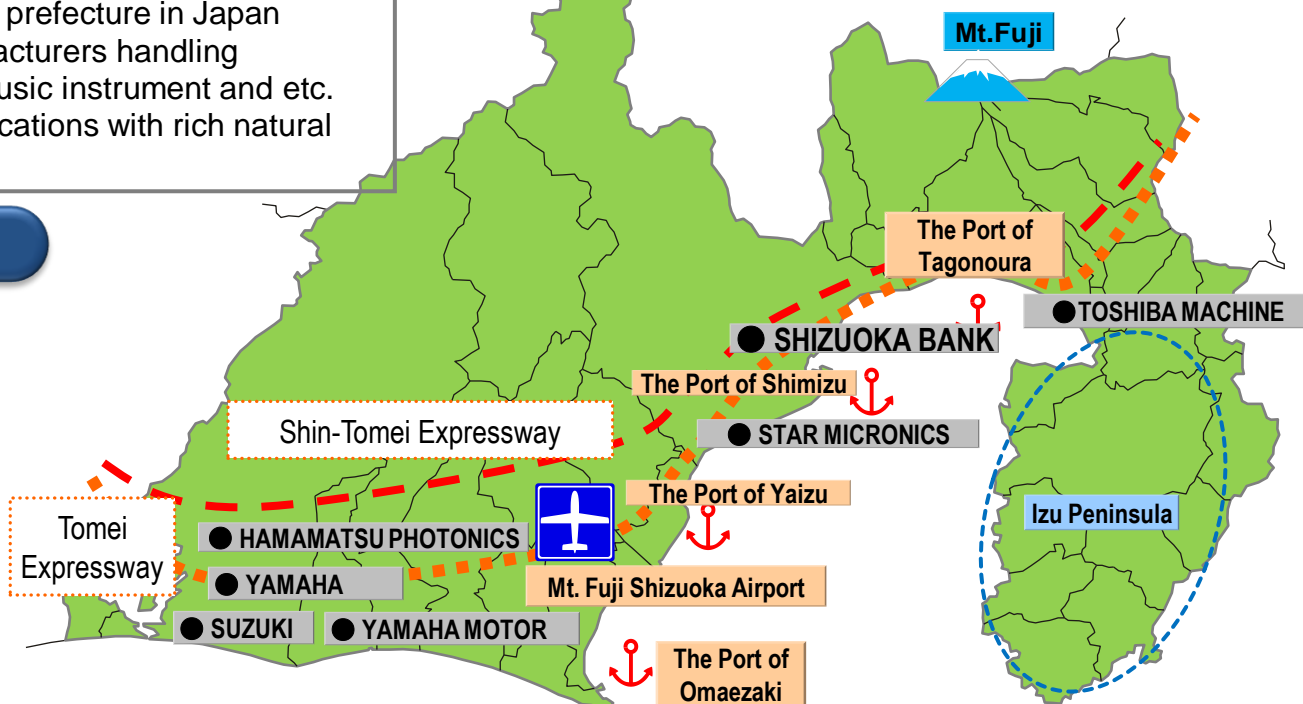


Source: Cabinet Office, Government of Japan, FY2015

## No. of listed companies with HQs in Shizuoka Prefecture

\* As of the end of Oct. 2018

Listing	No. of companies
TSE 1 <sup>st</sup> section	21
TSE 2 <sup>nd</sup> section	10
Mothers	1
Jasdaq	17
Nagoya Stock Exchange 2 <sup>nd</sup> section	1
Total	50



## UNESCO World Heritage Site in Shizuoka Prefecture

### Mt. Fuji

(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 New Zealand, Algeria and Qatar

## Shizuoka Prefecture indices

	Share of all-Japan		National ranking
•Population	3.68 mil	2.9%	10th of 47 (2017)
•No. of households	1.57 mil	2.7%	10th of 47 (2018)
•Nominal prefectural GDP	JPY 17.3 tn	3.2%	10th of 47 (FY2015)
•Per-capita income	JPY 3.316 mil	—	6th of 47 (FY2015)
•No. of business establishments	170 K	3.1%	10th of 47 (2016)
•Amount of shipments of manufactured goods, etc.	JPY 16.1 tn	5.3%	3rd of 47 (2016)
•Agricultural output	JPY 226.6 bn	2.4%	15th of 47 (2016)
•Fishery production volume(*)	200k tons	6.2%	4th of 47 (2017)
•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

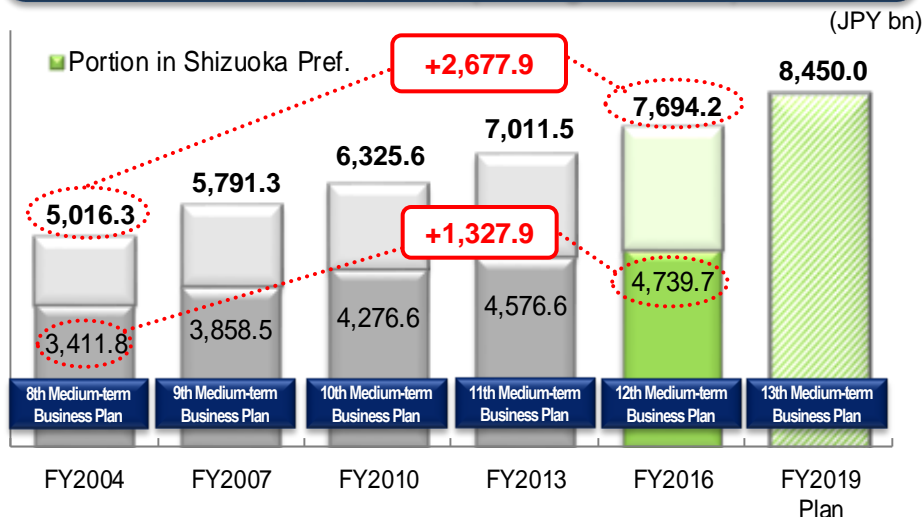
Prefectural GDP (FY2015, Nominal)		
Rank	Prefecture/Region	(USD bn)
9	Fukuoka Prefecture	157.0
<b>10</b>	<b>Shizuoka Prefecture</b>	<b>144.0</b>
11	Ibaraki Prefecture	108.2
-	4 prefectures in Shikoku	118.0
-	3 prefectures in Hokuriku	103.7
GDP comparison with countries (2015)		
Rank	Country (Region)	(USD bn)
55	New Zealand	175.8
56	Algeria	165.9
57	Qatar	164.6
-	<b>Shizuoka Prefecture</b>	<b>144.0</b>
58	Hungary	122.8
59	Kuwait	114.6

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

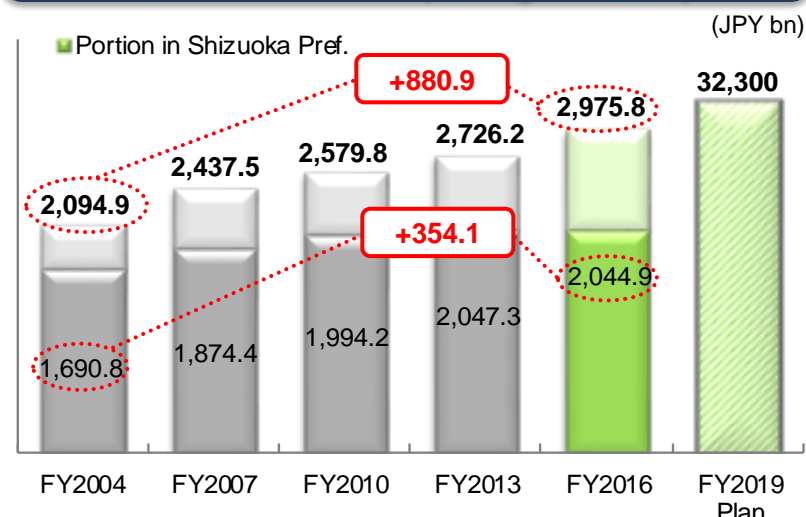
# Historical data of loans

- Total loan balance (average balance) had increased by JPY 2,677.9bn for 12 years since FY2004 to FY2016, of which JPY 1,327.9bn was in Shizuoka Pref.
- SMEs loan balance: JPY +880.9bn, consumer loan balance: JPY +1,433.2bn

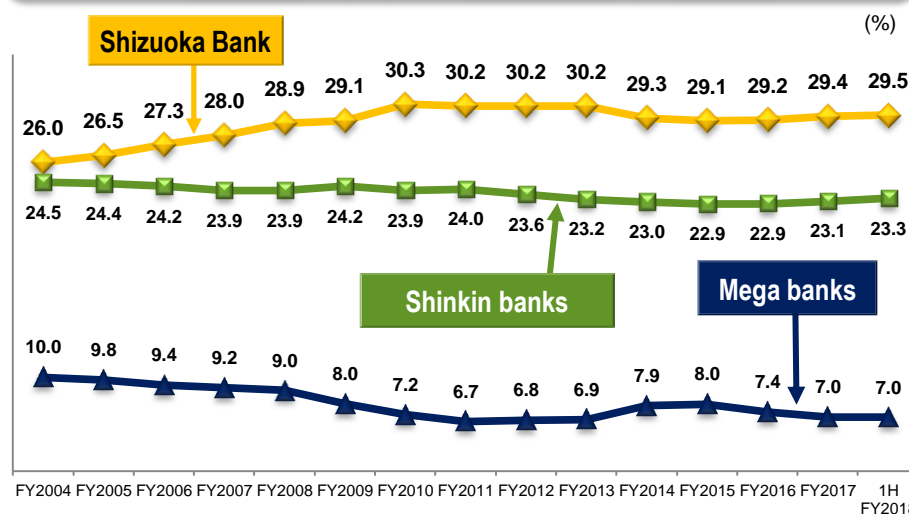
## Total loan balance (average balance)



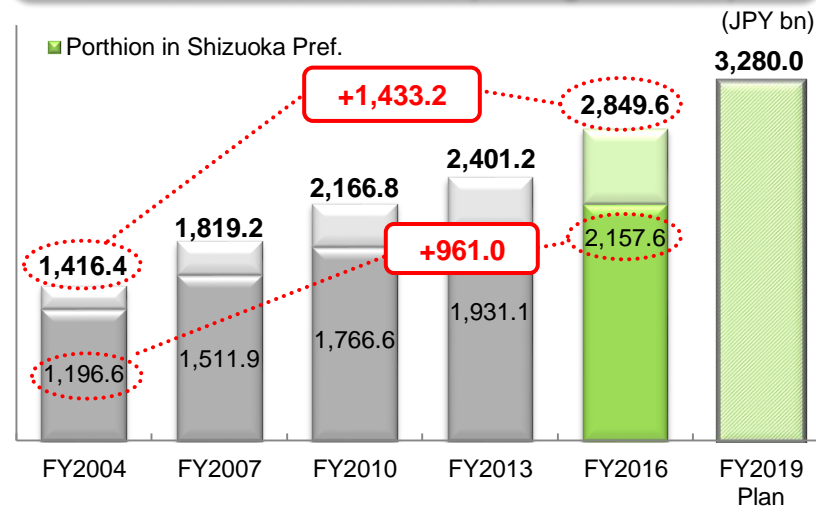
## SMEs loan balance (average balance)



## Share of loans in Shizuoka Prefecture



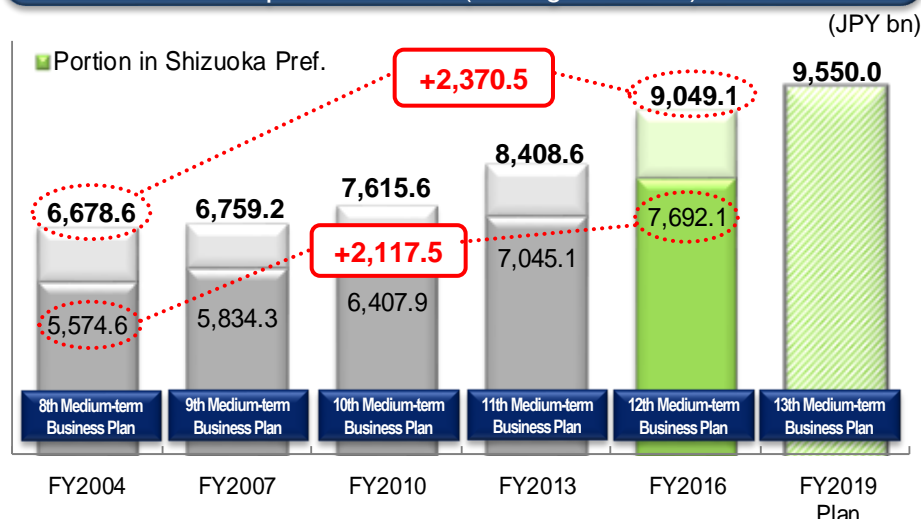
## Consumer loan balance (average balance)



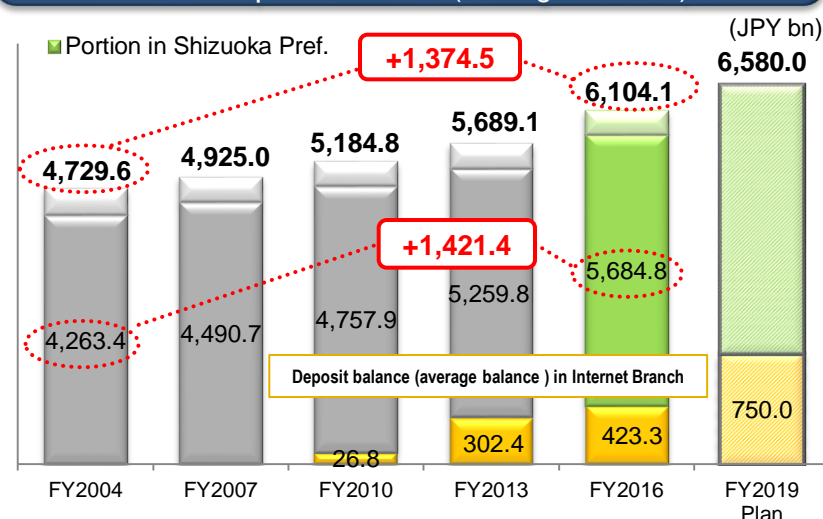
# Historical data of deposits

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

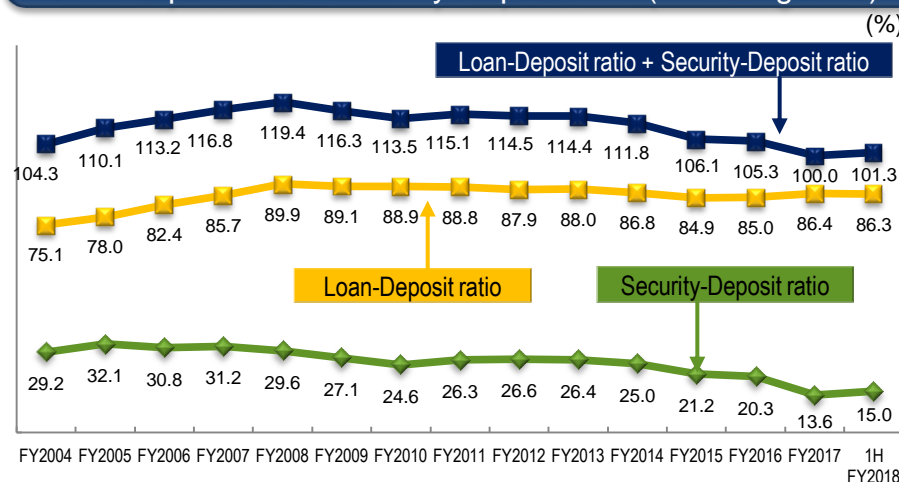
Deposit balance (average balance)



Retail deposit balance (average balance)



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



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

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

< Standard & Poor's >

**Shizuoka Bank**

A+		(Seven Bank, Ltd., Japan Post Bank Co., Ltd.)
A		
A-		

■ Regional banks

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

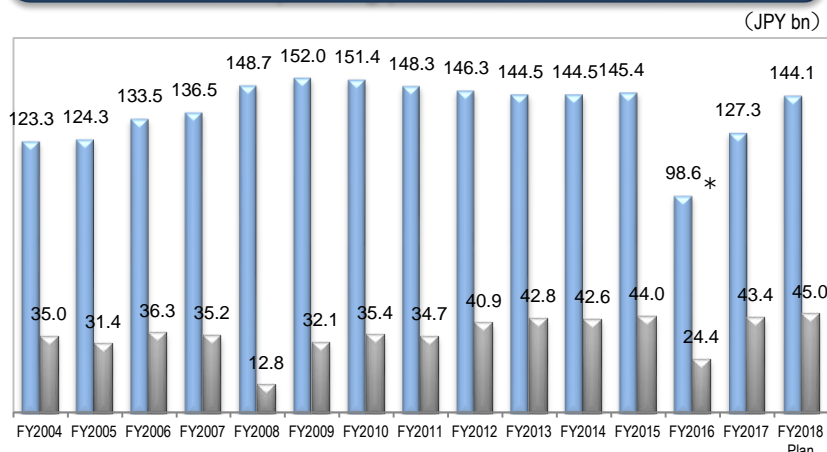
< Other external ratings >

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

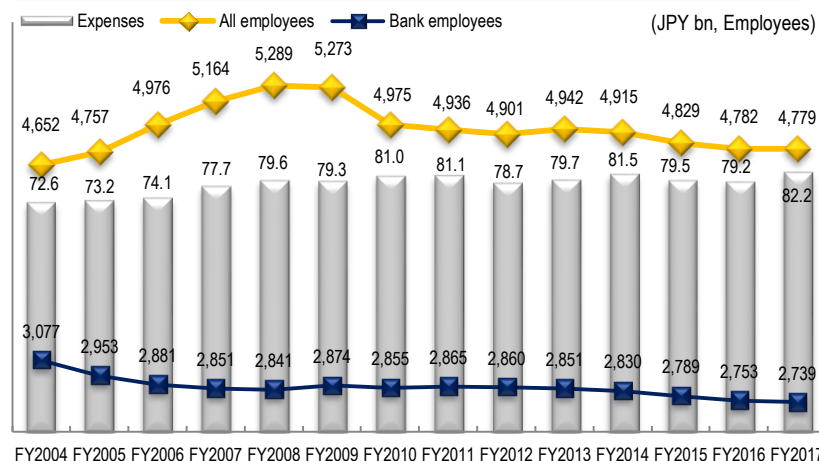
## Gross operating profit and Net income



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

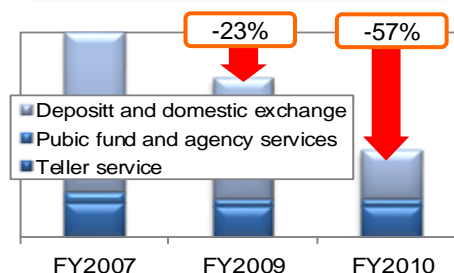
### <10th Medium-term Business Plan> FY2008 – FY2010

Increased efficiency through IT investment and the expansion of centralized processing

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

Top-line growth

#### Reduction of workload at branches



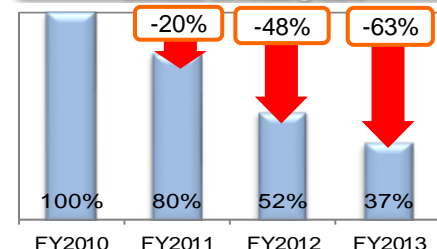
### <11th Medium-term Business Plan> FY2011 – FY2013

Extend productivity improvements to the front office workload

- Time to process workload on housing loans reduced by 60%

Further boost top-line growth

#### Reduction of time to process workload on housing loans



\* 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

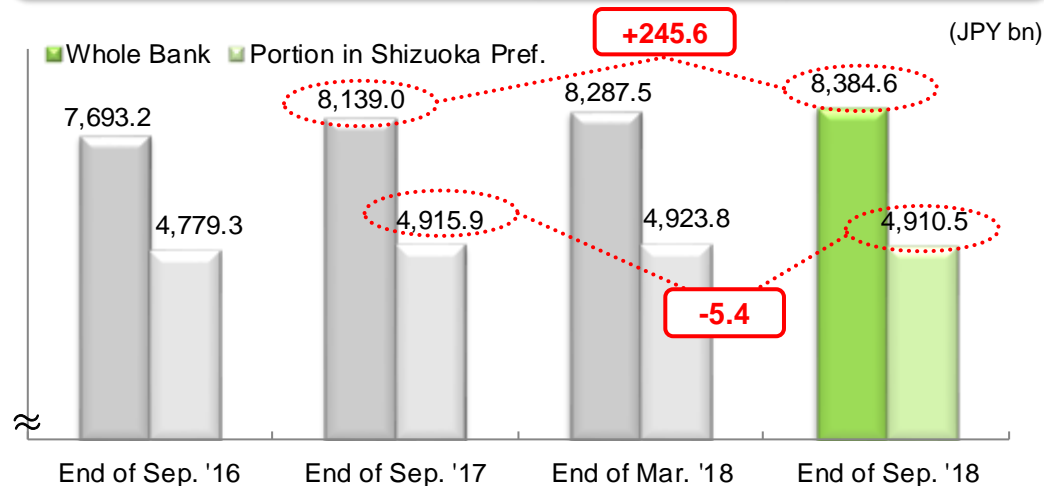
#### Number of personnel in front and back office

	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

# Loans - Term-end balance

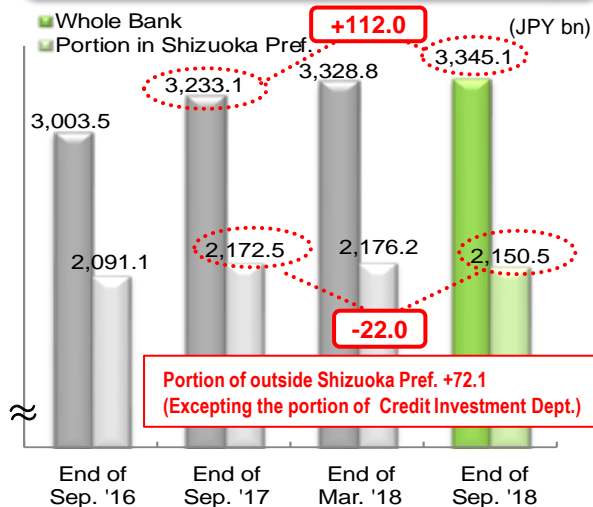
- Total loan balance (term-end balance) increased by JPY 245.6bn (+3.0%) compared to the end of Sep. 2017 mainly due to the increase of SMEs loans and retail loans

Total loan balance (term-end balance)

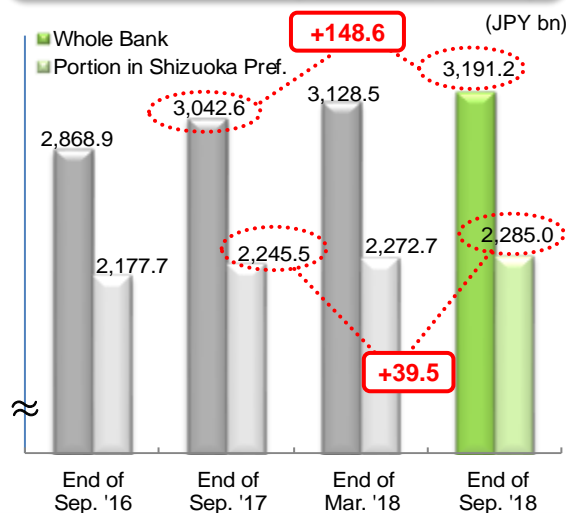


	Term-end balance	Change from the end of Sep. '17	Annual growth rate
Total loan balance	JPY 8,384.6bn	JPY +245.6bn	+3.0%
SMEs loan balance	JPY 3,345.1bn	JPY +112.0bn	+3.4%
Retail loan balance	JPY 3,191.2bn	JPY +148.6bn	+4.8%
Large and Medium sized enterprises	JPY 1,486.4bn	JPY -0.7bn	-0.0%

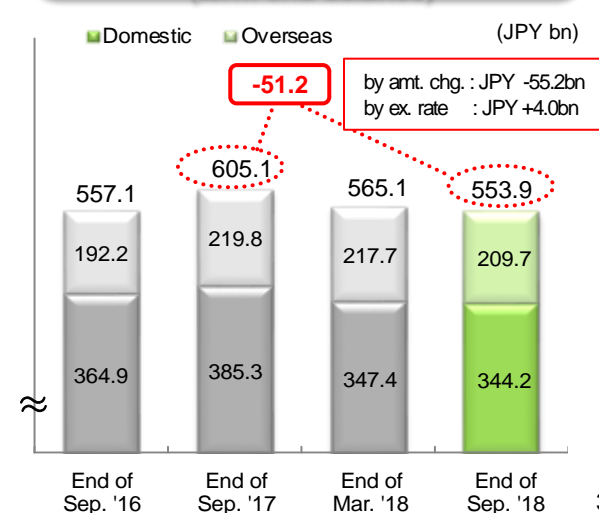
SMEs loan balance (term-end balance)



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 7.1bn
- Unexpected Loss (UL) for all industries : JPY 66.9bn

## Contemporary status of business loans to particular industries

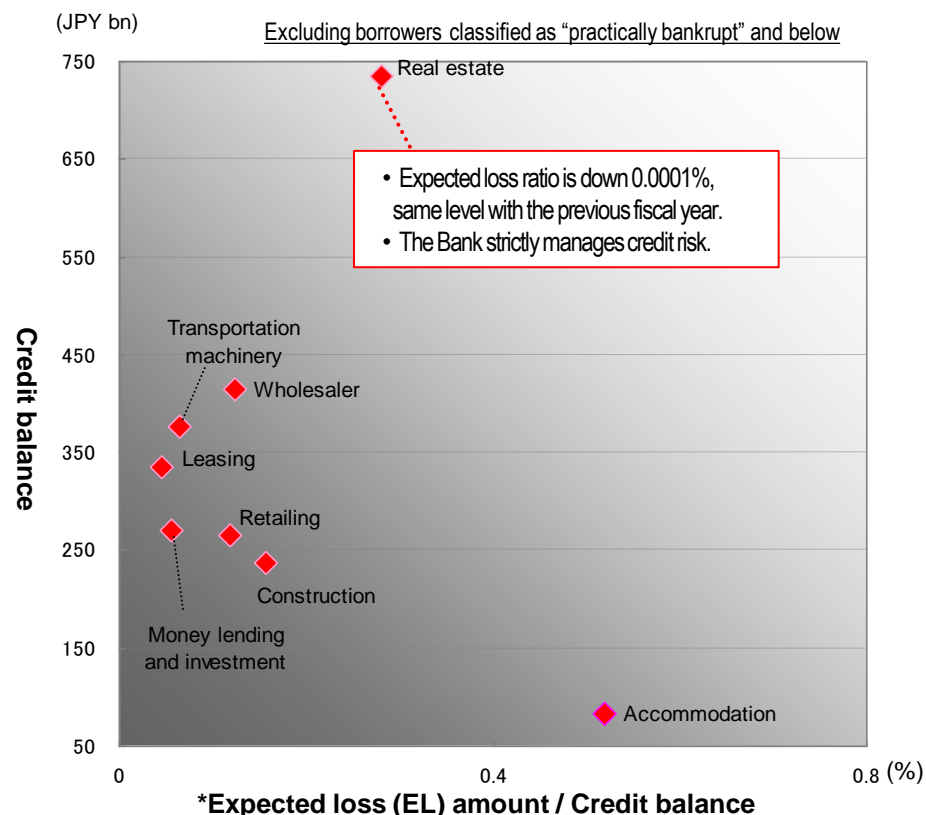
[ Credit balance (as of the end of Sep. 2018) ] (JPY bn, %)

	Balance	Composition ratio	Change from the end of Mar. '18
All industries	5,533.3	100.0	+31.7
Real estate (*1)	734.6	13.3	+27.3
Wholesaler (*2)	414.7	7.5	-0.4
Money lending and investment	270.1	4.9	-14.1
Transportation machinery	376.7	6.8	-15.8
Construction	238.2	4.3	-13.2
Retailer	265.7	4.8	-6.1
Leasing	336.1	6.1	+2.2
Accommodation	82.6	1.5	+5.9

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

(\*2) excluding a general trading companies

[ Credit balance vs. expected loss rate\* ]

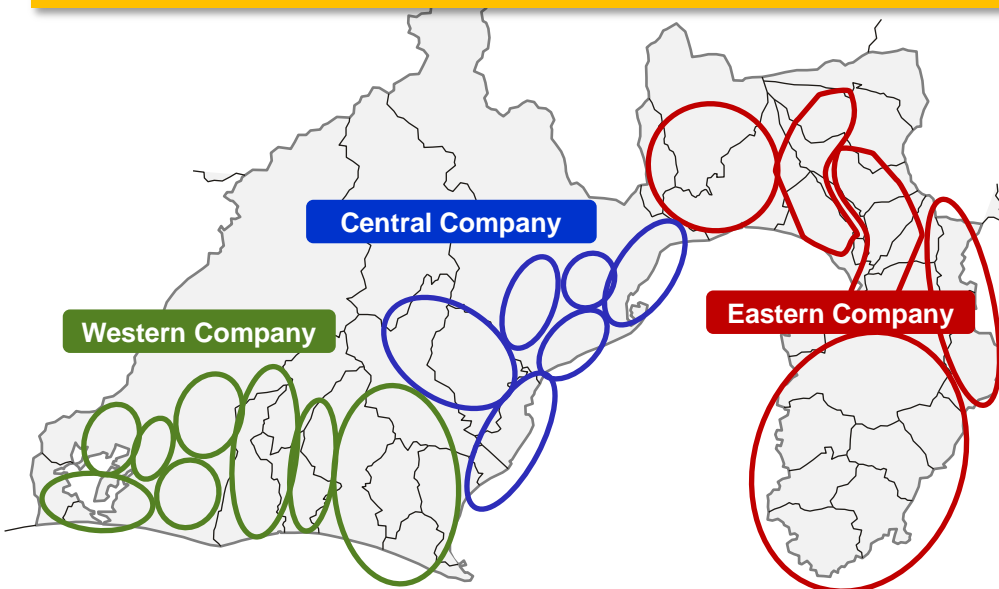


# Sales structure reform

- 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

Sales structure reform is 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

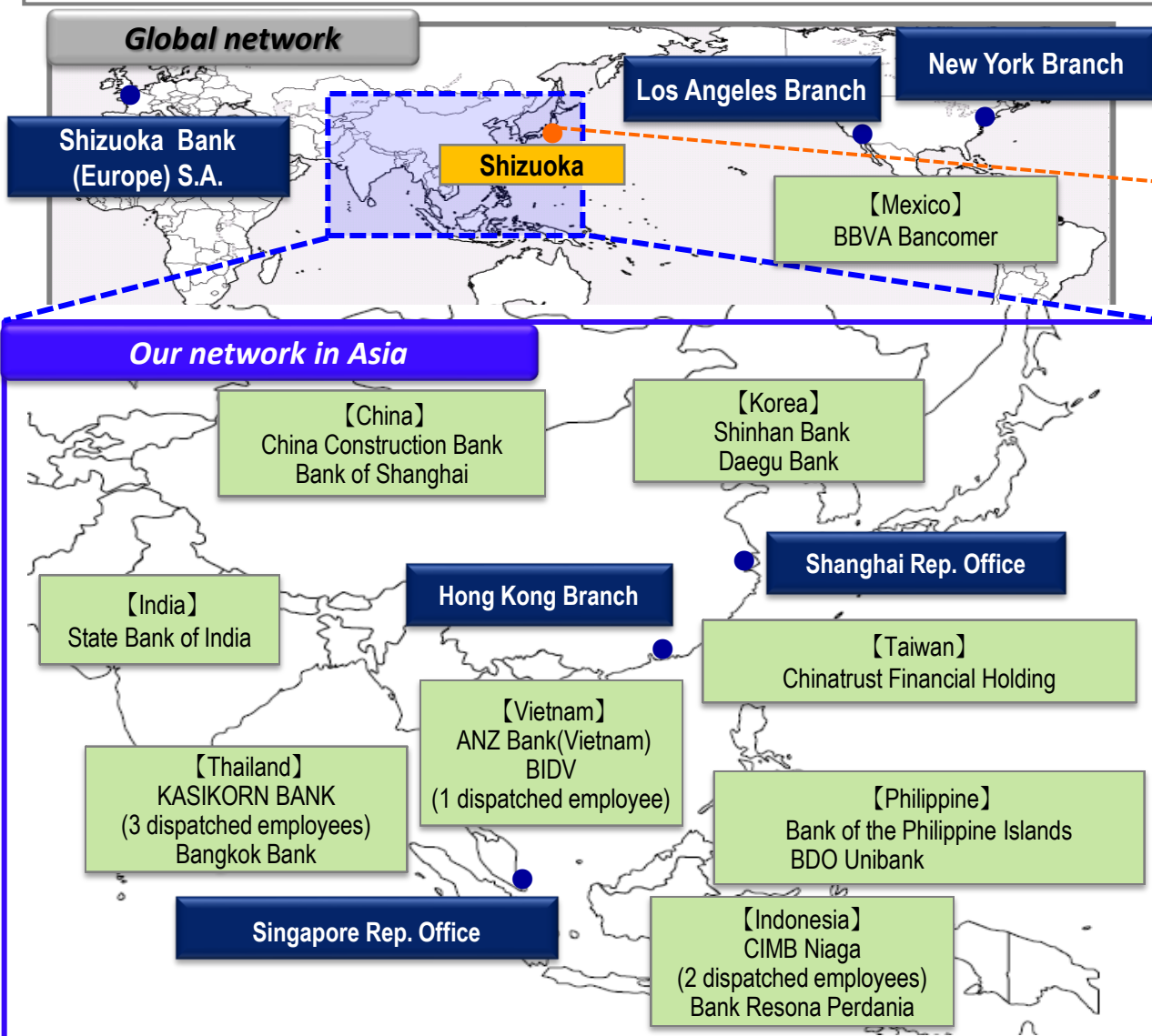
Strengthen solutions marketing and ensure provision of highly targeted financial services without shrinking the branch network

Further improvements in customer convenience and satisfaction

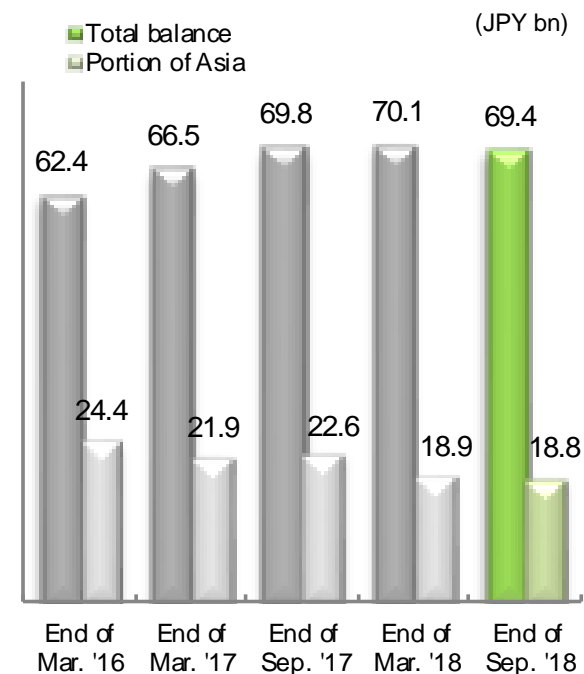
- Initial trial of sales structure reform rolled out in two Areas in Apr. 2018, and the trial started in three other Areas in Jul. 2018

# Global network

- The Bank's global network with 3 branches, 2 rep. offices, 1 subsidiary and total 56 staffs (27 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

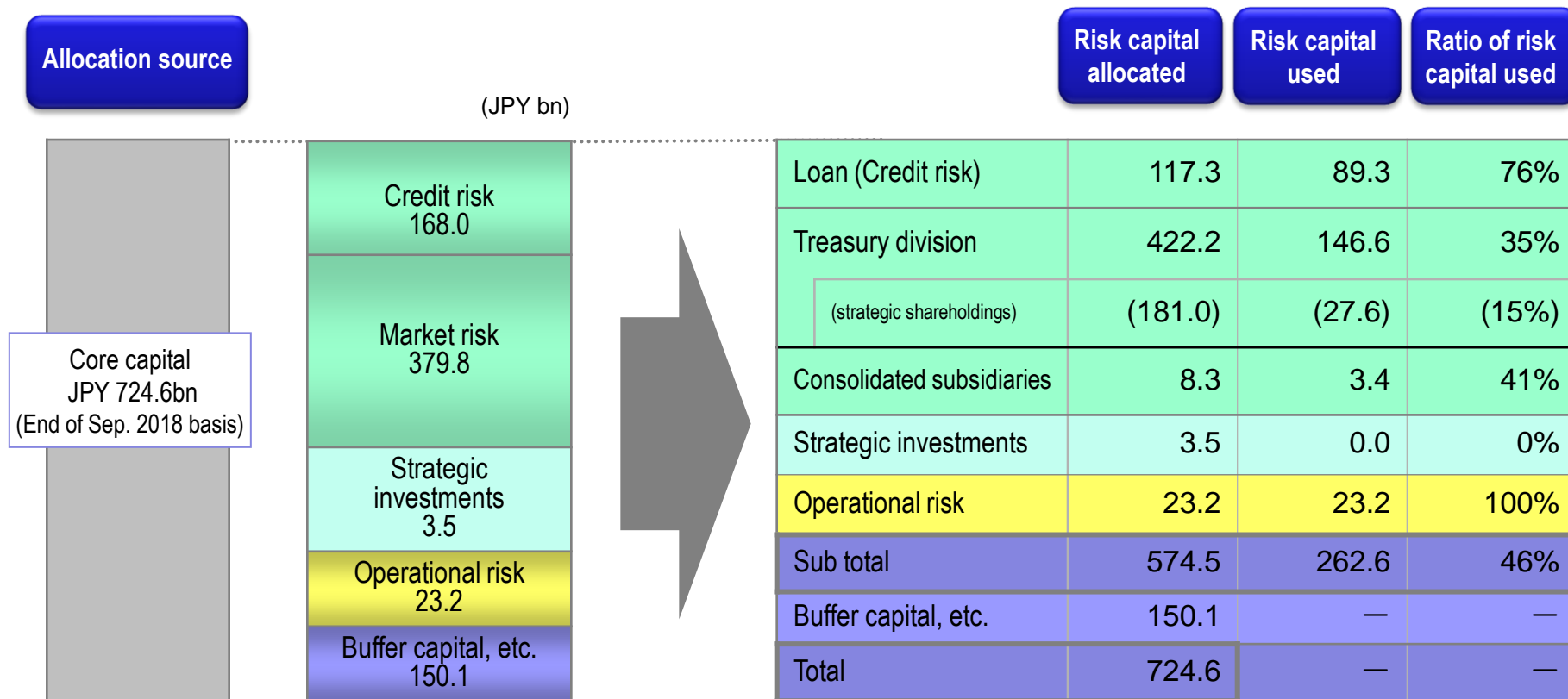


## Loan balance for Non-Japanese company (term-end balance)



## Allocation of risk capital

- Allocation of risk capital for 1H FY2018 (the end of Sep. 2018 basis) amounted to JPY 724.6bn, of which JPY 168.0bn was allocated to credit risk, JPY 379.8bn to market risk, JPY 3.5bn to strategic investments, and JPY 23.2bn to operational risk
- JPY 89.3bn of risk capital was used for loans (credit risk), and JPY 146.6bn 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 FY2018, the total ordinary revenue of 12 major consolidated subsidiaries was JPY 29.2bn (up JPY 0.7bn YoY) and the ordinary profit was JPY 4.4bn (down JPY 0.4bn YoY)

(JPY bn)

Company name	Business	Ordinary Revenue	YoY	Ordinary Profit	YoY
Shizugin Management Consulting Co., Ltd.	Corporate and financial management advisory services Bill collection services	0.9	+0.2	0.3	+0.1
Shizugin Lease Co., Ltd.	Leasing	15.6	+0.9	0.8	+0.0
Shizugin Computer Service Co., Ltd.	Computer system development and operation	2.0	+0.0	0.2	+0.1
Shizugin Credit Guaranty Co., Ltd.	Guarantee of housing loans, etc.	2.1	+0.1	1.5	-0.0
Shizugin DC Card Co., Ltd.	Credit card and guarantee of consumer loans	1.3	+0.1	0.3	-0.0
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	3.4	-0.9	0.9	-0.8
Shizuoka Bank (Europe) S.A.	Finance and securities-related services	0.4	+0.1	0.0	+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	0.5	+0.0	0.0	+0.0
Shizugin Mortgage Service Co., Ltd.	Appraisal of real estate for loan collateral Operation center for loans	0.8	-0.0	0.0	-0.0
Shizugin Business Create Co., Ltd.	Operation center for remittance and bill collection Part-time employee management	1.5	-0.1	0.0	+0.0
<b>Total(12 companies)</b>		<b>29.2</b>	<b>+0.7</b>	<b>4.4</b>	<b>-0.4</b>
Shizugin Saison Card Co., Ltd.*	Credit card and prepaid card Guarantee of consumer loans	1.2	+0.0	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 of customer assets and led Group revenue
- Customer assets at the end of Sep. 2018 : JPY 657.7bn, up JPY 338.6bn 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.】

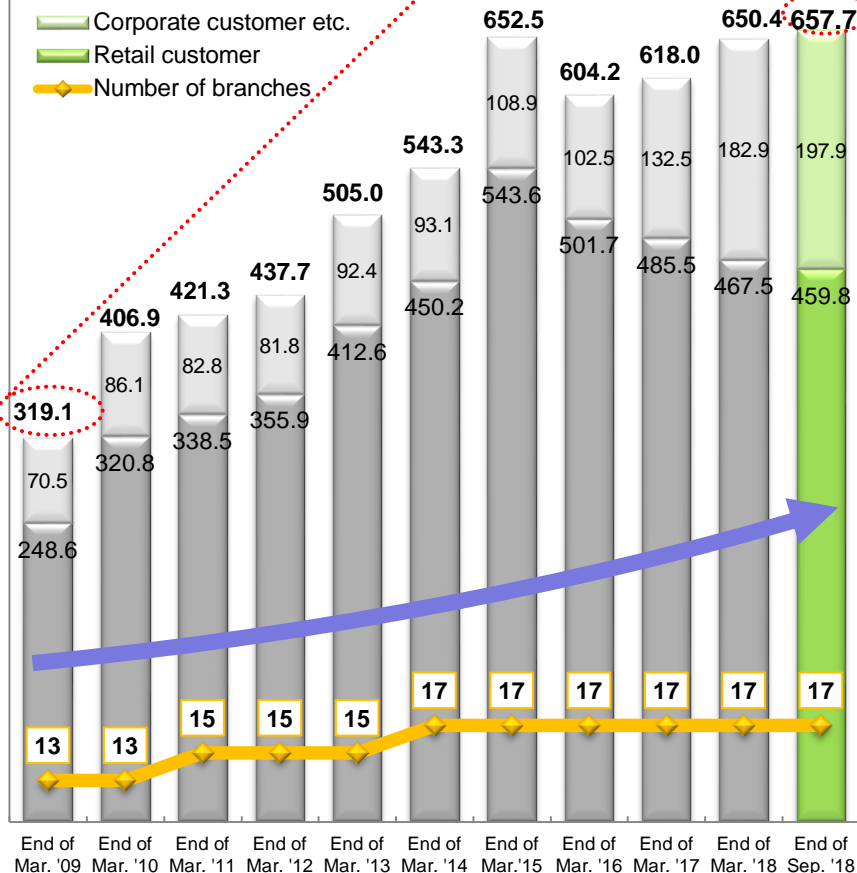
Establishment : Dec. 2000

Capital Stock : JPY 3.0bn

Number of Branches : 17 (End of Sep. 2018)

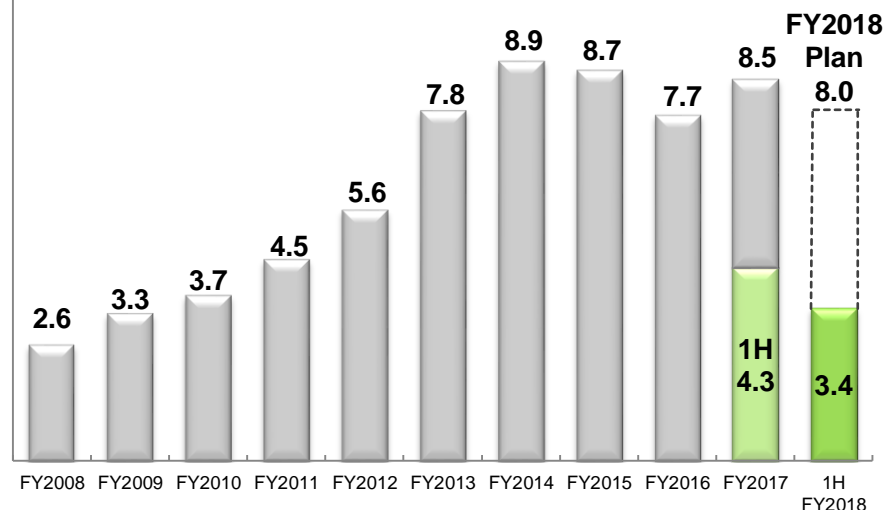
**+338.6**

(JPY bn)



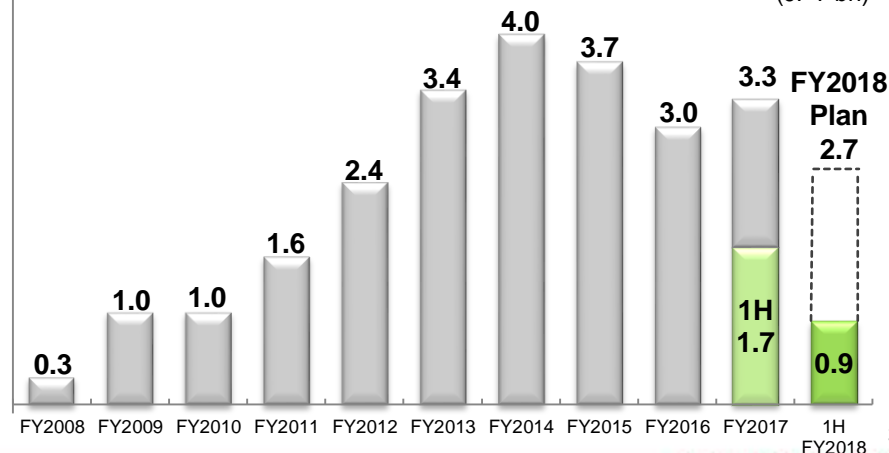
## Ordinary revenue

(JPY bn)



## Ordinary profit

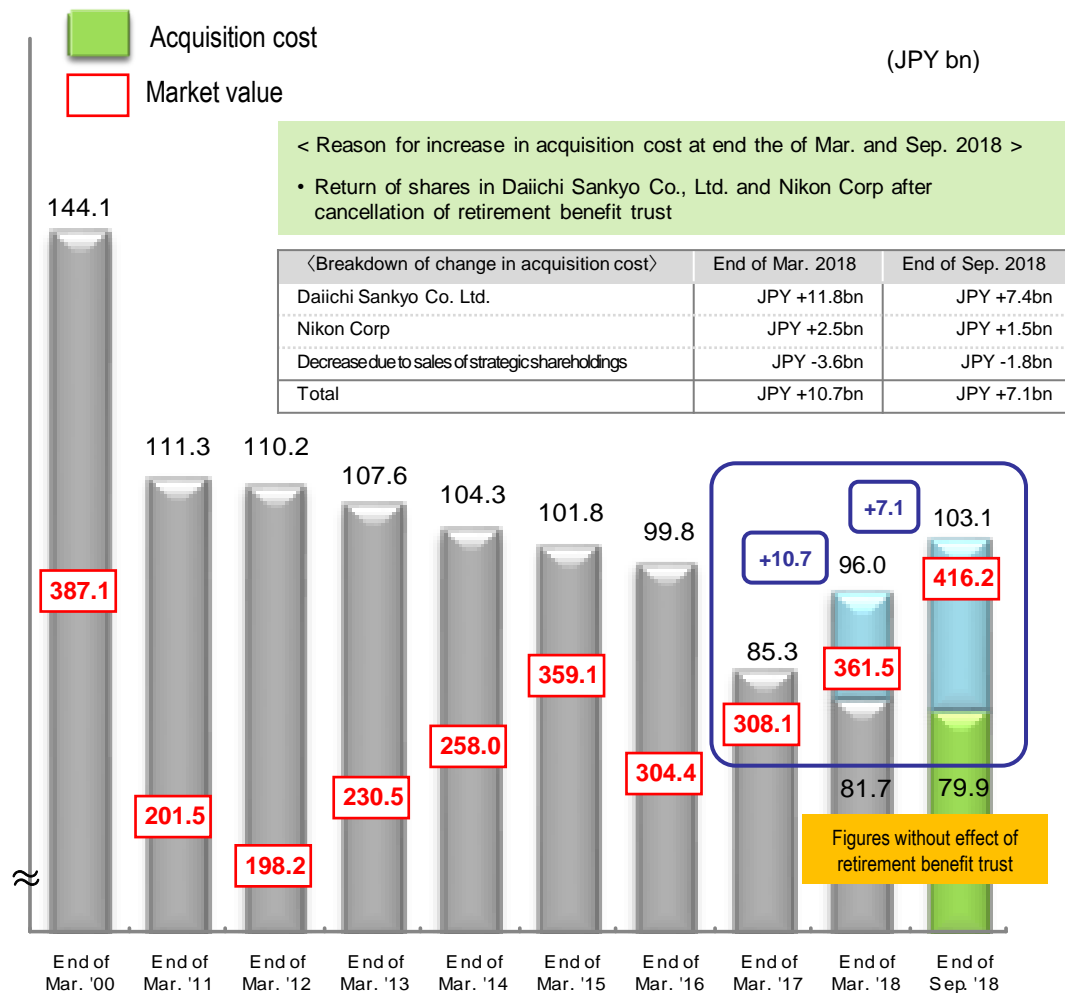
(JPY bn)



# 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

\* Currently in the middle of review according to revision of general principles of Corporate Governance Code in Jun. 2018

# Overview of the 13<sup>th</sup> 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

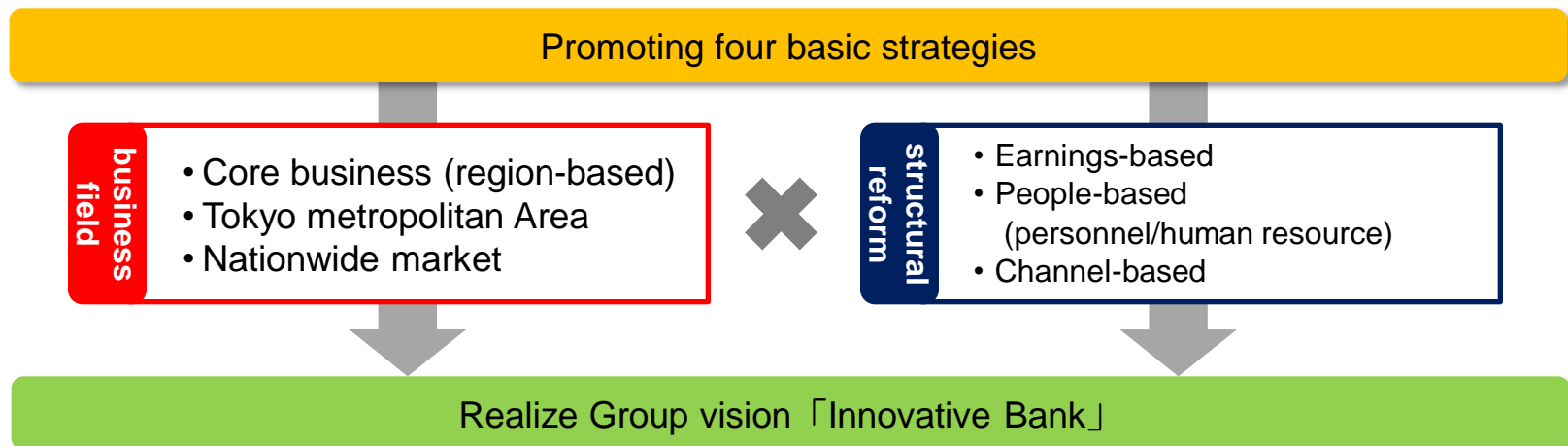
Consolidated	The 12 <sup>th</sup> Medium-term Plan		The 13 <sup>th</sup> Medium-term plan
	Best figure in the Plan	FY2016	FY2019 plan
<b>Ordinary profit</b> (Exclude lump-sum write-down on the unamortized balance of goodwill related to Monex Group shares)	JPY75.1bn [FY2014]	JPY47.1bn (JPY59.2bn)	<b>JPY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

# Overview of the 13<sup>th</sup> 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 13<sup>th</sup> Medium-term Business Plan (3) -Structural reforms

- Under the 13<sup>th</sup> 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

## 12<sup>th</sup> Medium-term Business plan

Challenge on the new  
business fields  
Strategic investment

## 13<sup>th</sup> Medium-term Business plan

Maintain growth  
strategy through three  
structural reforms

## 14<sup>th</sup> 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

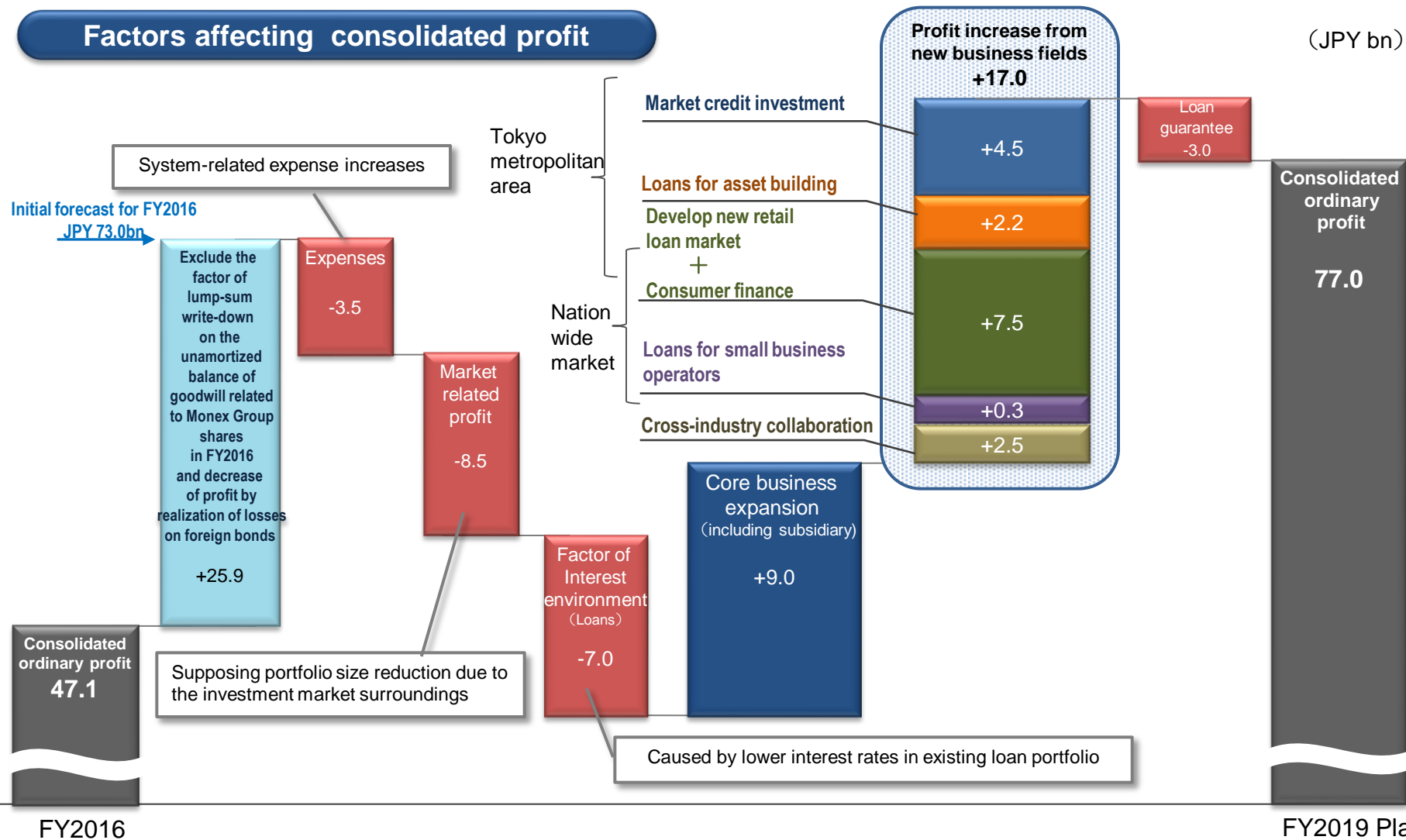


# Overview of the 13<sup>th</sup> Medium-term Business Plan (4)

## -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 13<sup>th</sup> Medium-term Business Plan (5) -Target figures

## Target figures of the 13<sup>th</sup> Medium-term plan

	(JPY)	FY2015	FY2016	FY2017	FY2019 Plan	Change from FY2016 (3 years)
Consolidated	Ordinary profit	72.8bn	47.1bn	65.8bn	77.0bn or more	+29.9bn
	Profit attributable to owner of the parent	47.9bn	29.3bn	50.1bn	54.0bn or more	+24.7bn
	ROE	5.18%	3.16%	5.21%	6% level	—
	OHR	54.4%	76.5%	62.4%	55% level	—
	Common Equity Tier 1 ratio	14.79%	16.35%	15.95%	14% level	—
Non-consolidated	Gross operating profit	145.4bn	98.6bn	127.3bn	147.3bn	+48.7bn
	Net interest income	115.9bn	109.5bn	111.5bn	121.7bn	+12.2bn
	Interest on loans	93.0bn	95.3bn	99.6bn	106.9bn	+11.6bn
	Interest and dividends on securities	29.8bn	24.6bn	24.6bn	25.6bn	+1.0bn
	Fees and commissions	15.9bn	15.2bn	15.2bn	17.0bn	+1.8bn
	Trading income	0.9bn	0.3bn	0.8bn	1.7bn	+1.4bn
	Other operating profit	12.7bn	- 26.4bn	- 0.2bn	6.9bn	+33.3bn
	Gains and losses on bonds such as JGBs	11.3bn	- 30.1bn	- 4.2bn	3.7bn	+33.8bn
	Expenses (-)	79.5bn	79.2bn	82.2bn	83.0bn	+3.8bn
	Actual net operating profit	65.9bn	19.4bn	45.1bn	64.3bn	+44.9bn
	Ordinary profit	66.1bn	51.8bn	56.2bn	64.0bn	+12.2bn
	Net income	44.0bn	24.4bn	43.4bn	44.5bn	+20.1bn
	Shareholder return	43.82%	84.60%	51.16%	50% level in medium and long term	—
	Loans balance (average balance)	7,384.1bn	7,694.2bn	8,042.0bn	8,450.0bn	+755.8bn
	Deposits balance (average balance)	9,050.8bn	9,212.3bn	9,464.8bn	9,550.0bn	+337.7bn
	Securities balance (average balance)	1,839.7bn	1,838.3bn	1,265.0bn	1,600.0bn	- 238.3bn

# Reference (ESG/SDGs part)

- **SDGs**
- **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/SDGs initiatives (1) -SDGs

- The Bank has continued various initiatives up to now in order to realize rich, energized, and sustainable regional community
- The Bank began to provide products which support initiatives for SDGs in wealth management and loan

## SDGs (Sustainable Development Goals)

- SDGs are development goals for international society which consist of 17 items and are adopted in the UN Summit in 2015
- As a financial institution rooted in the region, the Bank has continued various initiatives up to now in order to realize rich, energized, and sustainable regional community
- The Bank plans to keep actively coping with social issues to achieve SDGs as a regional financial institution

\* Related initiatives in this presentation are shown with pictogram of SDGs

## SUSTAINABLE DEVELOPMENT GOALS



### TOPIC

#### Shizugin TM Securities Co., Ltd. started trading in “NISSAY SDGs Global Select Fund”

- In Jul. 2018, started trading in investment trusts targeting companies which are selected among listed companies engaging in businesses leading to achievement of SDGs and whose stock prices are expected to rise in medium and long term

### TOPIC

#### The Bank started offering “Shizugin SDGs Private Placement Bond”

- In Nov. 2018, started offering “Shizugin SDGs Private Placement Bond” with special treatment of interest rates in order to support capital funding of companies actively working on SDGs
- On announcing overview of issuance of the bond in newspapers and so on, it is articulated there that the bond is SDGs Private Place Bond if the issuer hopes

#### - What are SDGs (Sustainable Development Goals)?

Goals for 2030 globally adopted in the UN Summit in Sep. 2015 in order to achieve sustainable world. They consist of 17 comprehensive goals aiming for sustainable development with good balance among economy, society, and environment

# ESG/SDGs initiatives (2) -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 stakeholders' 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 along with these indices

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

**[Three indices selected]** (Number of brands as of Oct. 2018)

(1) MSCI Japan ESG Select Leaders Index	: Constituent brands...251, of which five are regional banks (including Shizuoka Bank)
(2) MSCI Japan Empowering Women Index	: Constituent brands...215, of which five are regional banks (including Shizuoka Bank)
(3) FTSE Blossom Japan Index	: Constituent brands...155, of which one is a regional bank



# ESG/SDGs initiatives (3) -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

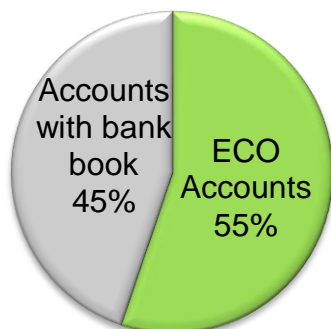
## ECO Account



- 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

【Ratio of ECO Accounts among newly opened accounts】



Among newly opened accounts in 1H FY2018, more than half was ECO Accounts.

## 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 “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)

## 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 3mil to 27 projects in FY2017
- Cumulatively provided JPY 72.2mil to 571 projects since the fund was set up in 1993

# ESG/SDGs initiatives (4) -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%

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



## 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



## On-site kindergarten, "Mori no Hoikuen"



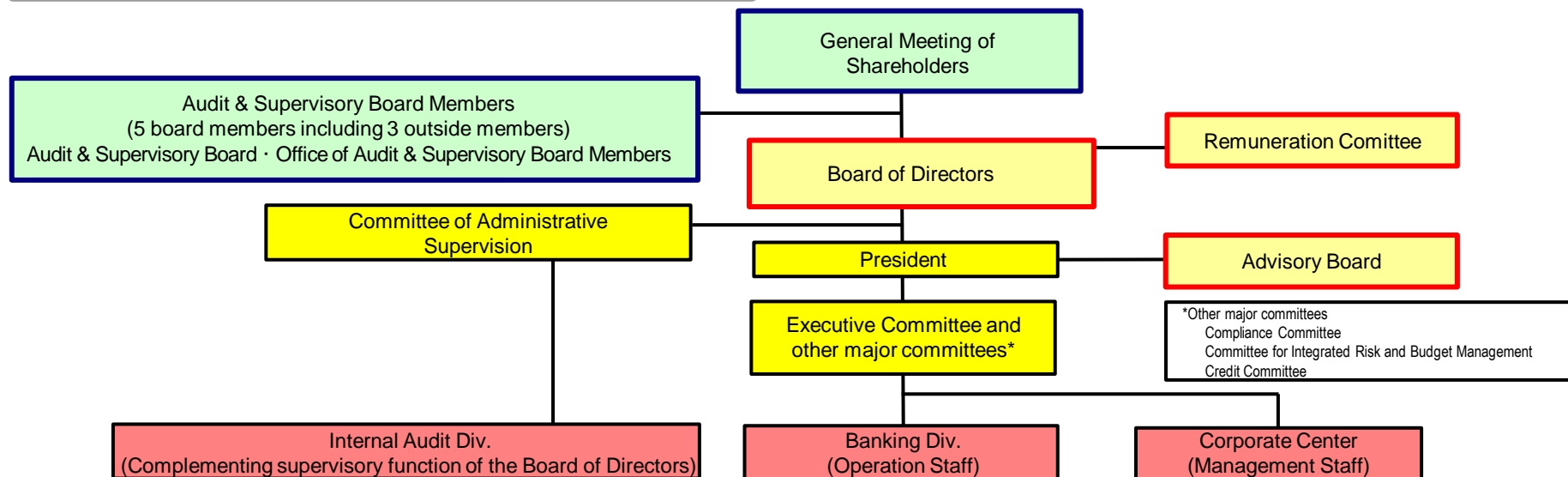
- Opened in July 2010 and jointly run with Shizuoka Gas Co., Ltd. and Shizuoka Railway Co., Ltd.
- Help families to balance work and child rearing commitments by creating an environment where employees with children can work without worries



# ESG/SDGs initiatives (5) -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
Motoshige Itoh	Professor Emeritus, The University of Tokyo Professor, Faculty of International Social Sciences, Gakushuin University

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

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

- One third of bank's directors and audit & supervisory members are outside appointments
- The Bank is using 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 (As of the end of Jul. 2018)

# ESG/SDGs initiatives (6) -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

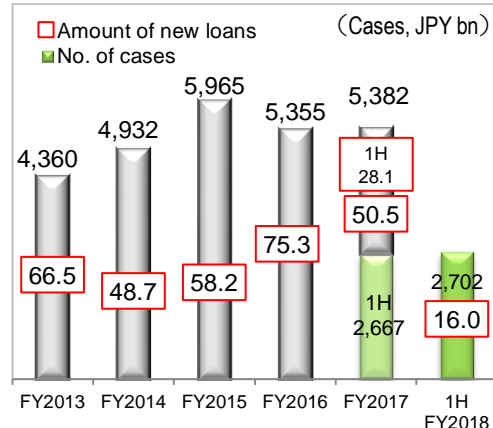
### <Shizugin Entrepreneur Awards>

- 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: 125 cases/JPY 3,021mil Investments: 10 cases/JPY 229mil

## Business matching services

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

### 【Historical data of no. of cases】



- 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

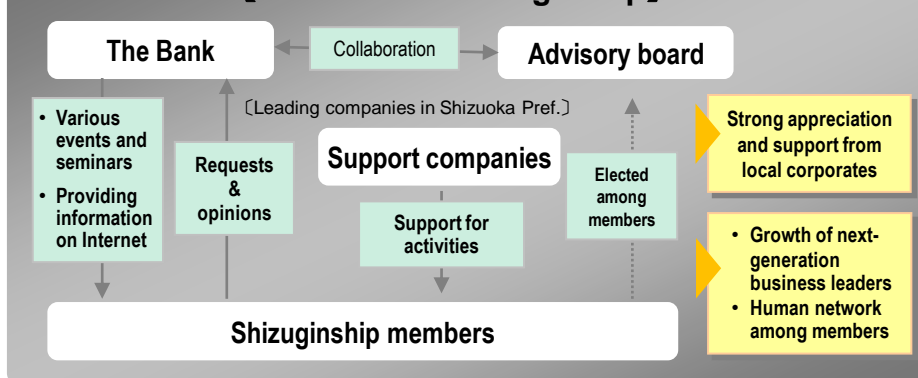
### <Manufacturing subsidies>

- Top level of number of awards among private financial institutions
- No. awarded in FY2015 : 226  
No. awarded in FY2016 : 176  
No. awarded in FY2017 : 142

## “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 Apr. 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. 2018 / 786 corporates, 1,152 people

【Activities in 1H FY2018】 (No. of members participated: total 920 people)

Content	Activity achievement
Overall forum (Lecturer : Ihoko Kurokawa, Researcher of artificial intelligence)	1 Forum
Lectures by top executive and specialists	3 Lectures
Seminar <ul style="list-style-type: none"> <li>Executive program</li> <li>Middle management program</li> <li>Basic program</li> </ul>	Total 24 Courses <ul style="list-style-type: none"> <li>4 Courses</li> <li>6 Courses</li> <li>14 Courses</li> </ul>



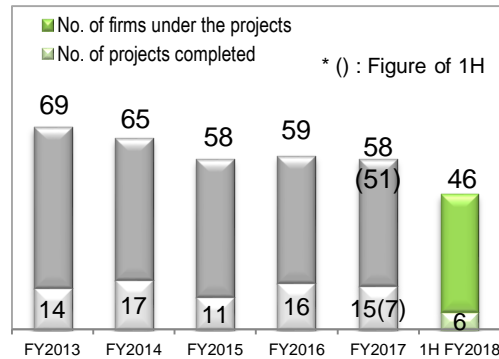
# ESG/SDGs initiatives (7) -Region-based Relationship Banking (2)

- 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)

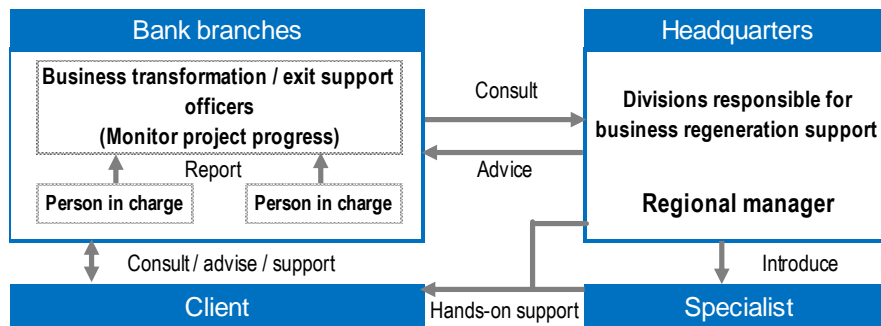


- Has completed business restructuring for about 210 firms since FY 2005

- Saves labor opportunities for opportunities for labor for about 20,000 people and maintain economic power in the local community

## Support for companies transforming or exiting businesses

- Important initiatives contributing to stabilization of regional economy



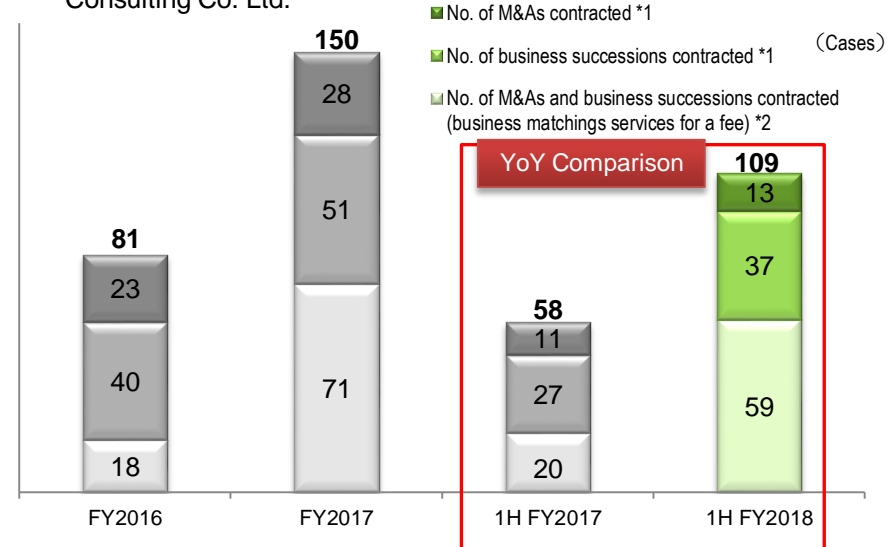
[Cumulative results until 1h FY2018]

Projects handled: 97

Projects completed: 45 (business transformation: 10, business exit: 35)

## Support for business succession

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



\*1 No. of cases contracted by Shizugin Management Consulting Co. Ltd.

\*2 No. of business matching services for a fee introduced to external partner companies

➢ Loans related to business succession in 1H FY2018 : 106 cases / JPY 16.3bn (down 97 cases / down JPY 2.1bn YoY)

※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)





# ESG/SDGs initiatives (8) -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

## 4th meeting to discuss regional revitalization



- In Jul. 2018, about 500 people including the mayors of each town in Shizuoka Pref., 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. Akira Torizuka, Former President of Isumi Railway Co. Ltd.  
“How to activate the region through local railway”
- Mr. Shohei Kitamura, Mayor of Fujieda City  
“Initiatives for regional revitalization in Fujieda City”
- Mr. Teruyuki Shirouzu, from the Cabinet Office’s Headquarters for Vitalizing Towns, People and Jobs through innovative projects  
“Basic policy in 2018 for vitalization of towns, people, and jobs”



## Shizuoka Kids Academy



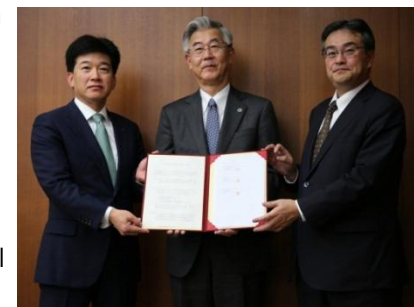
- Aims at developing human resources for regional areas by encouraging local children to learn about their home towns in a fun way, fostering a greater attachment to their home towns and encouraging them to live locally in the future
- Held at five locations in Shizuoka Pref. in FY2017 and attracted a total of 395 children
- Held an event with Kimura Foundry Co. Ltd. in which children can learn fun of manufacturing through experience in Jul. 2018, attracting 51 children



## Conclusion of alliance agreement with Bank of Yokohama and Yamanashi Chuo Bank



- Concluded alliance agreement on promotion of tourism in Fuji, Hakone, and Izu areas with Bank of Yokohama and Yamanashi Chuo Bank in Oct. 2018
- Plan to newly launch a liaison group among 9 organizations (3 banks, 3 prefectures, and 3 chambers of commerce and industry) by developing “Kanagawa-Shizuoka Prefectural Border Region Revitalization Liaison Group” established in Jun. 2016



**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](mailto:kikaku@jp.shizugin.com) URL: <https://www.shizuokabank.co.jp/>