



THE SHIMIZU BANK,LTD.

Annual Report 2018

Profile

The Shimizu Bank, Ltd. was established in 1928 with the merger of six banks and has always been a valuable partner of the local community. The Bank has its headquarters in Shizuoka City, which has the Shimizu Port, the largest in the prefecture. Shimizu Port, located halfway between Tokyo and Osaka, plays a significant role in international trade and economic development. We will provide customers with a wide range of financial services, seek further business expansion as a customer-friendly bank and contribute to the development of the local community.



Bank Data

As of March 31, 2018

Head Office 2-1 Fujimicho, Shimizu-ku, Shizuoka-shi,
Shizuoka 424-0941 Japan

Date of Incorporation: July 1, 1928
 Paid-up Capital: ¥8,670,500,000
 Number of Branches: 78
 Number of Sub-branches: 1
 Number of Employees: 942
 Consolidated Capital Adequacy Ratio
 (based on domestic standards): 10.30%
 Non-Consolidated Capital Adequacy Ratio
 (based on domestic standards): 10.06%



Consolidated Subsidiaries

As of June 30, 2018

Name of Company	Capital (Millions of Yen)	Ratio of Voting Right	Ratio of Voting Right [Other Group Companies]	Established	Line of Business
The Shimizu Business Service Co., Ltd.	10	100.00%	–	December 10, 1981	Calculating cash
The Shimizugin Career Up Co., Ltd.	30	100.00%	–	October 22, 1990	Delegation of personnel
The Shimizu General Maintenance Co., Ltd.	30	100.00%	–	December 24, 1991	Management of real estate
The Shimizu Regional Economy Research Center, INC	12	100.00%	–	October 28, 1965	Financial and economic research services, Training
The Shimizu Credit Guarantee Co., Ltd.	50	100.00%	–	November 1, 1978	Credit guaranteeing
The Shimizu Lease and Card Co., Ltd.	60	15.13%	48.32%	April 14, 1999	Leasing, Credit card
The Shimizu General Computer Service Co., Ltd.	30	5.00%	50.00%	July 1, 1989	Calculation operations

Message

We want to thank all of our customers for your continued patronage at the Shimizu Bank and our group partners. We have put together a packet of Disclosure Materials the 2018 fiscal year to share the financial highlights and our efforts of the 2017 fiscal year. We invite you to read these materials to further your understanding of the Shimizu Bank and our group partners.

During the fiscal year under review, the Japanese economy maintained its recovery trend. This was driven by such factors as rising capital investment, against a backdrop of strong corporate earnings, and conducted primarily in the areas of rationalization and labor-saving, as well as by improved exports resulting from the moderate recovery in overseas economies. Consumer spending also showed signs of recovery, in the context of further improvements in employment and income conditions. On the other hand, the impact of labor shortages on employment has become clear, and retention of has become an issue. However, due to the conduct of policy in the U.S., the political situation in Europe and geopolitical risks in Asia, the outlook for overseas economies remains uncertain.

The economy of Shizuoka Prefecture, which is the primary business base of the Bank, grew steadily, driven by improvements in productivity, primarily at large and medium-sized manufacturers, and by further increases in capital expenditures related to research and development. In addition, exports were on a rising trend, mainly as a result of increases in shipments of vehicles and motorcycles bound for Europe. With employment and income conditions improving, consumer spending also continued to recover gently, leading to resilient sales of food, household electricals and so on.

It was in this context that the Bank worked on a variety of measures to demonstrate the significance of our existence, one of the goals expressed in the "Advance As One – Toward the realization of sustainable growth together with our community and customers" The 26th medium-term Management plan.

In terms of initiatives aimed at corporate customers, the Bank opened its first-ever overseas branch in Thailand in July 2017, the Bangkok Representative Office. In February 2018, the Bank concluded a business cooperation agreement with the Bangkok Bank, strengthening its structure for supporting customers in their expansion overseas. The Bank also offered Shimizu Regional Revitalization Private Placement Bond and Shimizu Regional Revitalization Loan, with the aim of diversifying financing options.

With regard to initiatives for individual customers, we added 12 new investment trust products and seven new life insurance products to support stable asset formation by customers, as well as launching the Shimizu iDeCo personal defined contribution pension plan. In addition, we opened Japan's first-ever joint branch, in association with SBI Money Plaza Co., Ltd., in Hamamatsu City, enabling us to strengthen our consulting functions as well as provide high value-added financial services.

In loan-related products, we strove to further expand our range of goods and services for customers. In addition to launching the Shimizu Free Loan, we began offering new group credit life insurance products, aimed at customers

with housing loans, and with extensive coverage of 11 different illnesses.

From October 2017, as part of the measures being taken to increase productivity, we began a new marketing system with the goal of expanding revenue opportunities by increasing contact with customers. Also, we introduced RPA in July 2017, and in March 2018 we began implementing this in the area of loan administration. Furthermore, in March 2018 we began work with Shizuoka Prefectural Credit Federation of Agricultural Cooperatives to commonalize the administration of operations for exchanging bills and checks, an initiative that began full-scale operation in April 2018.

In March 2018 we transitioned the Sodeshi branch to a newly built office, and moved the Ihara and Tsuji branches inside the new Sodeshi branch. At new branches, in order to meet the diversifying needs of customers we have strengthened the consulting functions, such as by increasing the number of advice booths and meeting rooms, and assigning staff to guide customers through the branch.

This year, the Shimizu Bank celebrates the 90th anniversary of its founding. I would like to take this opportunity to express our heartfelt thanks for the support you have shown us over the years. As we face a new future, we will strive to realize our goal of demonstrating the significance of our existence. Going forward, we will continue to maintain a keen awareness of our social responsibility as a finance institution, and in addition to building a robust structure for compliance, we will work to further strengthen governance in order to increase corporate value. We humbly and sincerely request your continued support and warm patronage..

July 2018



K. Toyoshima

Katsuichiro Toyoshima
President

ADVANCE AS ONE

**Toward the realization of sustainable growth together
with our community and customers**

- Amid the many changes taking place around us, we will achieve our vision of demonstrate the significance of our existence and remain a bank that is needed by the community, by honing our close relationships with the community and our customers and bringing all members of the Shimizu Bank Group together to Advance As One.
- This 26th medium-term business plan covers an important four-year period ahead of the 90th and 100th anniversaries of our foundation, during which time we will implement priority measures based on our basic policies of "improving financial intermediary functionality," "increasing productivity," "securing our business base," and "creating more dynamic human resources" in order to realize a benevolent cycle toward a future that gives each and every employee a sense of satisfaction.

Vision	Demonstrate the significance of our existence			
Period of plan	April 1, 2016 to March 31, 2020 (4 years)			
Basic policies	Improving financial intermediary functionality	Increasing productivity	Securing our business base	Creating more dynamic human resources
Target figures	① Core operational net profit ¥ 4 billion or more ② Core OHR 70% level ③ Total loans to small to medium-sized companies ¥ 880 billion or more ④ Total personal deposits ¥ 1 trillion or more Cost as a proportion of core operational gross profit			



Strengthening support for overseas expansion

On July 3, 2017, the Bank opened its first-ever overseas branch, the Bangkok Representative Office, in Thailand. On September 7, 2017, we signed an agreement related to an overseas operations alliance with Hokuto Bank, Ltd. of Akita Prefecture. Our twin aims are to increase business opportunities with companies expanding overseas beyond their regional origins, and to broadcast to the world something of the culture of both our prefectures.

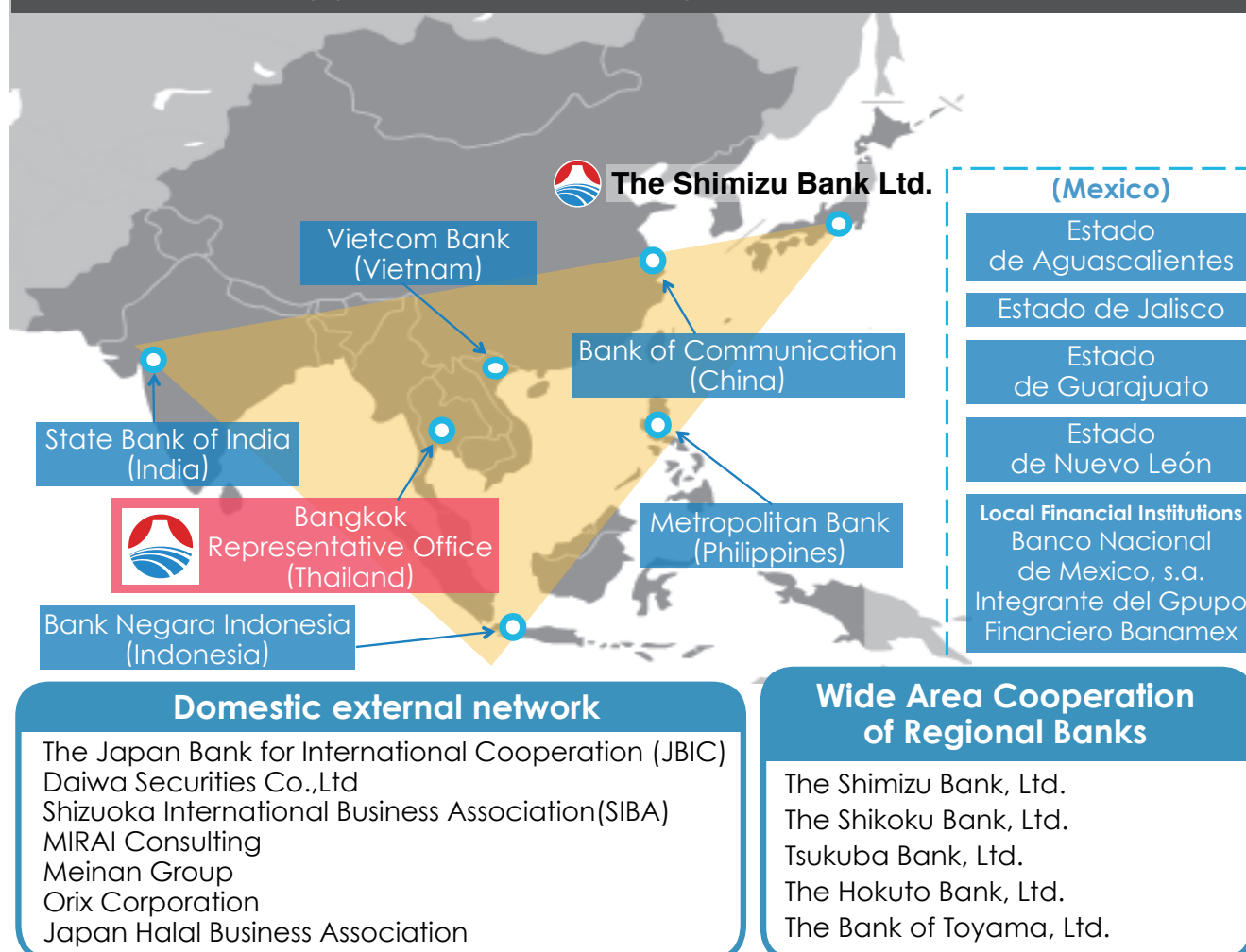
In addition, on February 15, 2018, we concluded a business cooperation agreement with the Bangkok Bank, one of Thailand's major commercial private-sector banks, in anticipation of the expansion of our customers' overseas networks, and with the aim of diversifying financing options. Through this agreement with the Bangkok Bank, we plan to further enhance our support for overseas expansion, such as by providing financial assistance in the form of standby L/Cs and so on for companies entering Thailand.

Profile of the Bangkok Representative Office

Name	The Shimizu Bank, Ltd. Bangkok Representative Office
Date of opening	July 3, 2017
Staff	2 persons (comprising 1 banker posted from Japan and 1 local staff member)
Principal business activities	(1) Support service for overseas expansion and trading transactions by Japan-based customers (2) Gathering and dissemination of information on economic developments, market trends and investment climate (3) Bolstering of relations with partners such as local financial institutions



Network of support for overseas expansion



Mt. Fuji — our symbol —



Mt. Fuji and The Shimizu Bank

Mt. Fuji is the highest mountain in Japan, located on the border of Shizuoka prefecture, and is widely known as a symbol of Japan, at home and abroad, for its elegant appearance.

We have published a calendar about Mt. Fuji every year since 1969 and have been using a corporate logo since 1974 whose design includes images of Mt. Fuji and Gulf of Suruga.

In June of 2013, Mt. Fuji was registered as a World Heritage Site.

In line with the growing recognition of Mt. Fuji across the world, we intend to further strengthen "demonstrate the significance of our existence" for individual customers.



All Photos of Mt. Fuji by Shizuoka Prefecture Tourism Association

Summary of Business

Consolidated Results

Ordinary revenue fell by ¥1,123 million year on year to ¥27.637 billion, due to declines in trading income.

Operating expenses fell by ¥519 million year on year as a result of reductions in expenses etc., to ¥24.291 billion. As a result, ordinary profit declined by ¥603 million year on year to ¥3.345 billion. In terms of deposits, we worked to expand our business base, which has close ties to the region, and as a result of prioritizing the profitability of funding we were able to grow deposits for both corporate and individual customers. However, public deposits declined, leading to total deposits falling by ¥22.5 billion from the end of the previous fiscal year, to ¥1,346.6 billion.

In personal deposit assets, we strove to meet diversifying customer needs, as a result of which personal deposits and personal pension insurance rose by ¥16.4 billion over the end of the previous fiscal year, to ¥1,115.7 billion.

Loans rose by ¥24.3 billion from the end of the previous fiscal year to ¥1,092.0 billion, as a result of responding proactively, as a regional financial institution, to demand from customers for funding.

Securities increased by ¥54.0 billion over the end of the previous fiscal year, to ¥307.7 billion, the result of focusing on market fluctuations while taking a flexible approach to management.

(Millions of Yen)

Consolidated Five-years Summary	2014	2015	2016	2017	2018
Ordinary Income	¥30,265	¥29,070	¥29,539	¥28,760	¥27,637
Ordinary Profit	3,660	4,615	4,989	3,948	3,345
Profit Attributable to Owners of The Parent	2,077	3,400	3,299	2,978	2,332
Comprehensive Income	668	7,463	372	1,684	2,509
Total Net Assets	74,250	80,717	80,528	81,659	83,602
Total Assets	1,494,830	1,591,910	1,483,918	1,590,062	1,510,013
Net Assets per Share in Yen	7,552.19	8,329.77	8,302.98	8,408.00	8,629.71
Net Income per Share in Yen	217.78	356.45	345.92	312.29	244.52
Consolidated Capital Adequacy Ratio (based on domestic standards)	11.93%	10.82%	10.75%	10.60%	10.30%
Number of Employees	1,109	1,103	1,071	1,044	1,027

Non-Consolidated Results

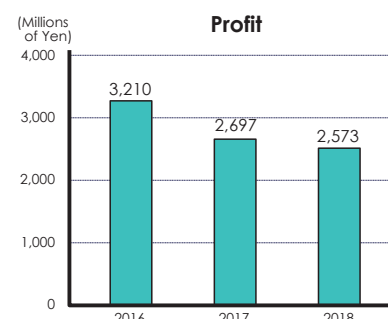
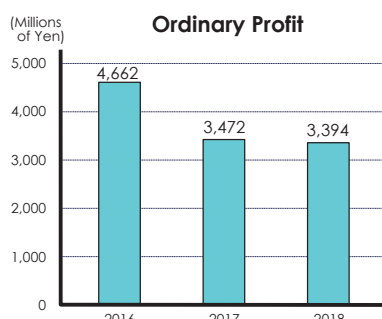
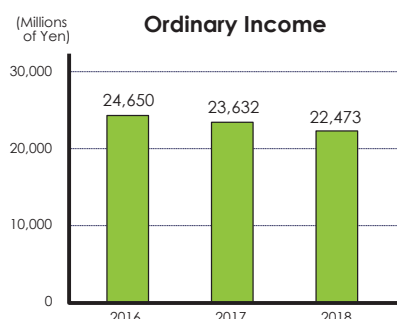
Ordinary revenue fell by ¥1,159 million year on year to ¥22.473 billion, due to declines in trading income.

Operating expenses fell by ¥1,081 million year on year as a result of reductions in expenses, etc., to ¥19.079 billion.

As a result, ordinary profit declined by ¥78 million year on year to ¥3.394 billion.

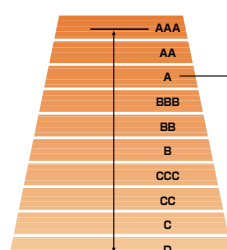
(Millions of Yen)

Non-Consolidated Five-years Summary	2014	2015	2016	2017	2018
Ordinary Income	¥25,520	¥24,459	¥24,650	¥23,632	¥22,473
Ordinary Profit	3,505	4,464	4,662	3,472	3,394
Profit	1,999	2,527	3,210	2,697	2,573
Capital Stock	8,670	8,670	8,670	8,670	8,670
Number of Shares Issued in Thousand Yen	9,600	9,600	9,600	9,600	9,600
Total Net Assets	70,974	77,161	77,857	78,289	80,159
Total Assets	1,487,974	1,584,920	1,477,336	1,581,427	1,499,276
Deposits	1,382,325	1,404,405	1,353,887	1,373,814	1,350,623
Loans and Bills Discounted	1,036,413	1,050,470	1,070,463	1,073,777	1,097,004
Securities	301,501	318,442	254,296	253,973	308,102
Net Assets Per Share in Yen	7,440.33	8,089.85	8,161.97	8,205.68	8,398.51
Dividends per Share in Yen	60	60	60	60	60
Dividends per Share at mid-term in Yen	30	30	30	30	30
Net Income per Share in Yen	209.55	264.99	336.65	282.87	269.79
Dividends Payment ratio	28.63%	22.64%	17.82%	21.21%	22.23%
Non-Consolidated Capital Adequacy Ratio (based on domestic standards)	11.57%	10.49%	10.43%	10.30%	10.06%
Number of Employees	1,002	999	974	951	942



Credit Rating

Credit rating is assigned to debts as follows: Concerning the relevant debt, a credit rating agency, which is a fair and disinterested third party, rates the certainty of payment of its principals and interest on a contractual basis, and such rating is represented using a simple code.



Our Bank



Credit Rating : A
Relevant Debt : long-term Preferred Debt
Credit Rating Agency :
Japan Credit Rating Agency, Ltd.
(As of March, 2018)

Corporate Governance Structure

Fundamental approach to corporate governance

At a time when companies are required to enhance corporate governance, the Shimizu Bank believes its mission is to perform business management fairly through delivering increased transparency to shareholders and customers.

To this end, it is necessary for us to bolster the functions of the Board of Directors, realize swift decision-making and develop a framework to strictly monitor the business management execution.

1) Outline of our corporate governance system

The Shimizu Bank, using the corporate auditor system, has in place the Board of Auditors comprising four Corporate Auditors (including two Outside Corporate Auditors). The Board of Auditors appropriately audits the business execution by Directors and provides an enhanced function to check our business administration.

The Board of Directors, being composed of 11 Directors including three Outside Directors (part-time), determines significant operational strategies in light of our business philosophy. We elected Outside Directors in order to fully utilize the function for external professionals to supervise business execution by Directors.

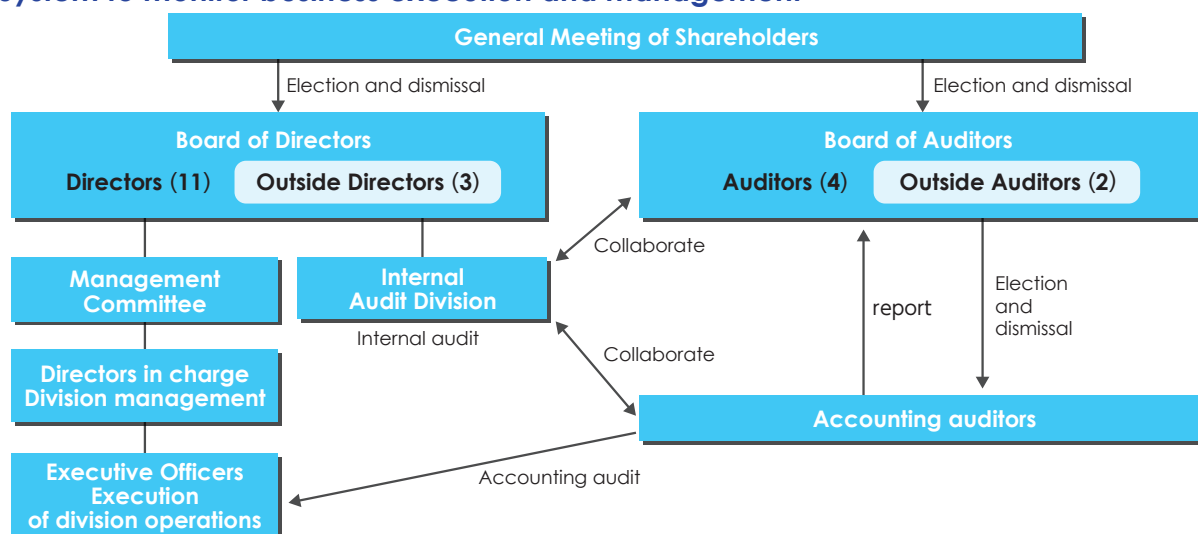
The Board of Auditors consists of four Corporate Auditors, including two Outside Corporate Auditors (part-time). To enhance the functions of Corporate Auditors, we elected fair and highly specialized Outside Corporate Auditors.

We designated three Outside Directors (part-time) and two Outside Corporate Auditors (part-time) as "Independent Directors" under the Securities Listing Regulations of the Tokyo Stock Exchange (Outside Directors and Outside Corporate Auditors who are unlikely to experience any conflict of interest with ordinary shareholders).

The Shimizu Bank has in place three categories of management meeting, namely, Ordinary Management Meeting, Expanded Management Meeting and Project Meeting. These serve as consultation bodies designed to have operations executed nimbly and with a mutual restraint function. An Ordinary Management Meeting is held daily, in principle, to bolster governance and expedite decision-making. To deliberate and resolve more rigorously, an Expanded Management Meeting is held twice-monthly, in principle, under specified themes such as: 1) loan screening aimed at reinforcing credit risk control; 2) revenue management for controlling revenue and examining revenue improvement measures; 3) risk management intended to oversee various risks comprehensively; 4) compliance control designed to ensure strict compliance with laws and regulations and check and give guidance on such compliance; 5) system strategies to deliberate on system strategies for operations; 6) financial reporting to determine a financial closing policy; and 7) financial facilitation in which to identify, analyze, assess and verify the status of financial facilitation control targeting small- to medium-sized enterprises. A Project Meeting is allowed to be held any time as a meeting to resolve (deliberate) on a specific subject continuously for a limited period of time, and an Ordinary Management Meeting is supposed to resolve on the subjects and operation for such meeting each time. An Ordinary Management Meeting is chaired by the President and its other members are determined by the Board of Directors, based on a proposal by the Chair. The Chairman attends such meeting as an observer according to the agenda. An Expanded Management Meeting is attended by officers comprising members of an Ordinary Management Meeting as well as employees who are designated separately in subsidiary rules on a subject-by-subject basis. Such meeting is attended by full-time Corporate Auditors as observers. A Project Meeting is attended by officers more or less identical to attendees of an Ordinary Management Meeting. Each Management Meeting is regarded as a body designed to resolve and deliberate at the commission of the Board of Directors, so minutes are created on the resolutions before being reported to the Board.

The ALM Earnings Management Committee, established as a body to comprehensively manage assets and liabilities and be involved in the formulation of strategic goals, seeks to bolster the framework for earnings management and asset liability management (ALM).

System to monitor business execution and management



2) State of development of internal control system

In addition to prescribing the following Basic Policy on Internal Control System, the Bank strives to develop its internal control system.

- a. System to ensure that duty execution by Directors and employees adheres to laws and regulations as well as the Articles of Incorporation
 - Establish the Compliance Manual to specify laws, regulations and rules that directors and employees must observe
 - Install a business unit charged with supervising compliance and strive to develop the compliance framework of the Bank and the Shimizu Bank Group as a whole and ascertain compliance issues. Hold an Expanded Management Meeting monthly on the theme of compliance as a meeting chaired by the President and attended by our corporate lawyer
 - Install compliance managers and administrators at the headquarters and branches; they are to verify the conformity of routine operations to laws. Establish the Compliance Reporting Scheme to prevent any violation from occurring with respect to the user of this reporting scheme, management will not take any action detrimental to the reporting officer such as a disciplinary action and employee evaluation downgrade on account of the reporting.
 - The Awards and Discipline Committee takes a penalty action against an employee for a violation of laws, regulations or the Articles of Incorporation. As for a violation by a Director of laws, regulations or the Articles of Incorporation, the Management Committee investigates the violation pursuant to the Director Compliance Rules, following which a Board of Directors meeting resolves to take specific action.
 - The Bank will battle determinedly against what are generally referred to in Japan as "anti-social forces" and anti-community groups that threaten order and security in local communities, and will not provide any benefit to such entities.
- b. System for the storage and management of information on duty execution by Directors
 - We store and manage information on duty execution by Directors such as minutes of Board of Directors meetings and ringi approval letters in an appropriate manner pursuant to internal rules
- c. Regulations and other systems for management of risk of loss
 - To perform risk management appropriately, we establish the Integrated Risk Management Provisions before designating departments in charge on a category-by-category basis, thereby building a system to manage various types of risks.
 - We also install a department charged with performing risk supervision for the entire Bank. This department is to report on the state of various risks to the Board of Directors and the Management Committee, as required.
 - In addition to establishing the Business Continuity Regulations for us to continue operations appropriately in an emergency, we will respond swiftly and adequately, thus developing a system capable of minimizing effects on our business activities.
- d. System to ensure that Directors execute their duties efficiently
 - Directors are to execute their duties according to the Organization Regulations and the Job Authority Regulations. The Bank has the Management Committee in place as a body to deliberate and resolve within the scope assigned to it by the Board of Directors, and this committee is to expedite decision-making for business execution.
 - The personnel are to report to the Board of Directors on the state of progress for any matter resolved by the Board of Directors every three months, thereby managing and ascertaining the progress until completion.
- e. System to secure the appropriateness of operations at the corporate group comprising the Bank and its subsidiaries
 - We strive to secure the appropriateness of our operations with respect to compliance at the Shimizu Bank Group companies and adequate reporting to the Bank, as well as the efficiency of our risk management and duty execution. To this end, we install a supervision department to be charged with operating and managing the Shimizu Bank Group companies. Moreover, we establish the Shimizu Bank Group Operation and Management Regulations. Our group companies are to submit reports to the Bank and consult with it according to the List of Matters for Consultation and Reporting by Group Companies.
 - The Bank's personnel are to visit our group companies and audit them, as required.
 - The Bank and its group companies are to comply with accounting standards and other relevant laws and regulations, and develop a system to secure the trustworthiness of their financial reporting.
- f. Matters on the employees required by Corporate Auditors to be installed as assistant for the Corporate Auditors' duties
 - The Bank installs at least one employee in the charge of the Board of Auditors as an assistant for their duties.
- g. Matters on the independence of the employees set forth in the preceding item from Directors and on the securement of effectiveness of Corporate Auditor's instructions to the employees
 - The opinion of the Board of Auditors is to be respected for a personnel change and evaluation involving an employee in the charge of the Board of Auditors.
- h. System for Directors and employees to report to Corporate Auditors and other system for reporting to Corporate Auditors
 - The Directors of the Bank and its group companies are to report without delay to Corporate Auditors on any significant matter that affects, or may affect, the Bank's operations or financial results. The employees of the Bank and its group companies are to report on such matter through a control department and by way of a Director in charge and a group company Director. The Directors and employees of the Bank and its group companies must provide cooperation if asked by a Corporate Auditor to report on operations.
 - Management must not take any action detrimental to the reporting officer such as a disciplinary action and employee evaluation downgrade on account of the above-mentioned reporting.
- i. Other system to ensure that Corporate Auditors' audit is conducted effectively
 - The President strives to foster mutual awareness by exchanging opinions regularly on challenges the Bank must address and the state of environmental development for audits by Corporate Auditors as well as significant audit-related issues.
- j. Matters on the policy to process expenses or liabilities to be incurred due to the execution of Corporate Auditor duties such as the procedure to make an advance payment for, or refund of, expenses to be incurred due to the performance of Corporate Auditor duties, among others
 - If requested by a Corporate Auditor for an advance payment or a refund of expenses required due to the execution of his/her duties, the Bank will promptly process such expenses or liability.

Compliance System

At the Shimizu Bank group, our awareness of our social responsibility and public duties has led us to make compliance a top priority, building an effective compliance system that will help us earn the trust of our customers and the local communities we share.

Our management in particular is actively engaged in compliance issues and is working with executives and employees of all of the companies in our group to foster awareness on these issue and create a corporate culture in which "compliance is the foundation for everything."

Establishing a framework for compliance

For through compliance, the Shimizu Bank has created a "Legal and Regulatory Compliance Policy" as our basic policy for compliance in keeping with our management policy. This Compliance Policy is widely disseminated across the Shimizu Bank group.

At monthly expanded management meetings, members of bank management including the president meet with outside corporate lawyers to discuss matters concerning compliance.

In addition, we have established the Legal Office within the Corporate Administration Division to supervise compliance and entrusted that office with centralized control of information pertaining to compliance issues and providing guidance on the laws and regulations officers and employees must observe.

Furthermore, we have assigned individuals to be in charge of compliance at each division and branch to facilitate coordination with the office that oversees compliance (the Legal Office) and exhaustively enforce observance of laws and regulations. The Shimizu Bank also assigns regional compliance supervisor and the like in order to properly address compliance issues in relevant divisions.

Corporate culture attaching importance to compliance

The Bank formulated the Compliance Manual which illustrates the Ethics Charter and laws and regulations required to be observed and which specifically outlines how to deal with any illegal act discovered. Each time laws or regulations are amended, the provisions of the Compliance Manual are revised with the approval of the Board of Directors. We ensure that the Compliance Manual is adhered to in the Bank by organizing training and in-branch learning programs.

This manual, in electronic format, is allowed to be viewed by any employee via a PC at all times. Thus, we seek to foster compliance awareness in the organization while striving to cause specific actions to be taken.

Each fiscal year, we formulate the Compliance Program, a specific action plan aimed at securing the state of compliance in the Bank. Thus, we engage in effective monitoring activities while developing a compliance framework.

Specifically, based on our training programs, all Shimizu Bank employees take e-learning-based compliance study and testing courses, among other efforts to grasp rules including various laws and regulations.

The results of such courses are analyzed by the Compliance Supervisory Department before being reported to the Expanded Management Meeting. Then, the personnel discuss measures such as those for preventing any violation of laws and regulations and stopping their recurrence before reflecting such measures in our business execution, in a move to further bolster our compliance system.

The Shimizu Bank Group has in place the Compliance Reporting Scheme, a system in which to report any issue or problem detected. We secured neutrality for the system by arranging for the General Manager of the Legal Office at the Corporate Administration Division and our corporate lawyers to serve as reporting desks. Moreover, we built a platform to prevent any user of this reporting scheme from being subjected to detrimental treatment on account of the reporting, thereby striving to avert misconduct and fraud.

Charter of Ethics

1. Establishing trust

In order to maintain the structure of credit and to smooth financial processes in the regions, while remaining aware of the social responsibility of banks and the gravity of their public mission, we will conduct business in a sound and appropriate manner, with the goal of establishing unshakable trust.

2. Contributing to the economy and to society by providing high-quality services

In addition to the function of providing infrastructure to support economic activity that we have fulfilled from the beginning, we contribute to the economy and to society, both in Japan and overseas, by providing high-quality financial services that respond to the needs of users.

3. Compliance with laws, regulations and rules

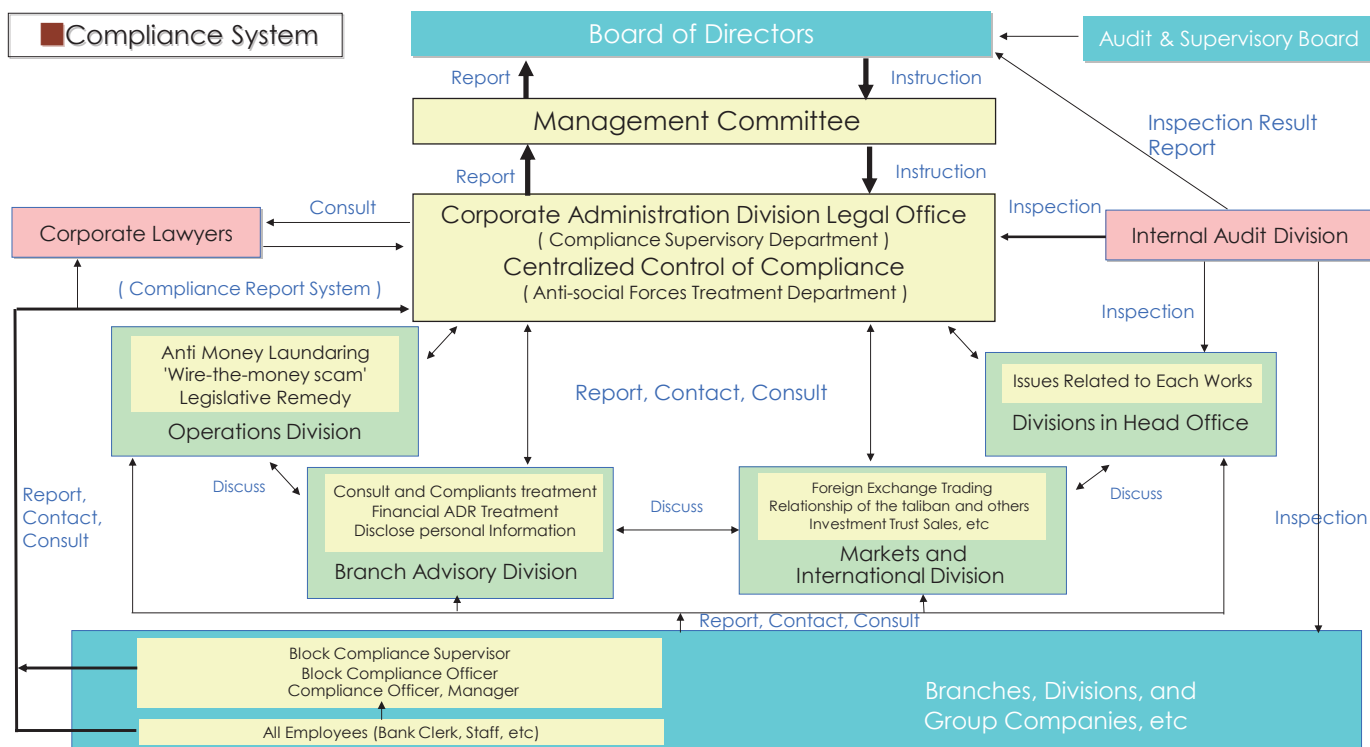
We comply with laws and regulations as well as with internal rules in the course of executing our business. We respect social rules, perform corporate activities with conscientiousness, integrity and fairness.

4. Blocking all relationships with anti-social forces

We resolutely reject illegal demands made by antisocial forces of the kind that threaten the safety and order of society, and will eliminate any and all relationships with them.

5. Proactive communication

In order to obtain wide-ranging understanding and trust from society at large, we will proactively and fairly disclose business information, make every effort to ensure the soundness of business, and strive to establish broad communications between the Bank and society.



● Legal and Regulatory Compliance Policy

Bolster Readiness for Legal and Regulatory Compliance

Regarding the observance of laws and regulations, which the Shimizu Bank and its group companies have already recognized as a top priority, we will continue to foster awareness of compliance and instill it in all executives and employees at all of our group companies to make sure that they all understand it and get into the habit of applying it.

Preventing Legal and Regulatory Violations

We have taken action to prevent legal and regulatory violations by forming a corporate culture which allows us to detect weaknesses and problem areas in our efforts toward legal and regulatory compliance, reflect on past conduct, and make improvements in those areas promptly.

Systems Targeting Anti-social Forces

Due to their public nature and critical economic function, banks are required to exclude anti-social forces from financial transactions. For this reason, the Shimizu Bank has created a basic policy that we will stand firmly against anti-social forces which pose a threat to the order and safety of civic life, and will not provide any favors to such forces. In addition, at the Shimizu Bank we have given the Corporate Administration Division the task of collecting, analyzing, and centrally managing information pertaining to anti-social forces, and have established a system whereby the bank systematically addresses such issues and excludes anti-social forces from business transactions in cooperation with external special agencies including law enforcement and the national and prefectural centers for the elimination of boryokudan (violent crime syndicates).

Furthermore, in order to make it clear that we exclude anti-social forces from our business, we have also introduced clauses regarding the exclusion of "boryokudan" crime syndicates in basic loan agreements and in our rules concerning deposits and other services. We require all customers to comply with an agreement by which they express and affirm that they are not associated with any anti-social forces.

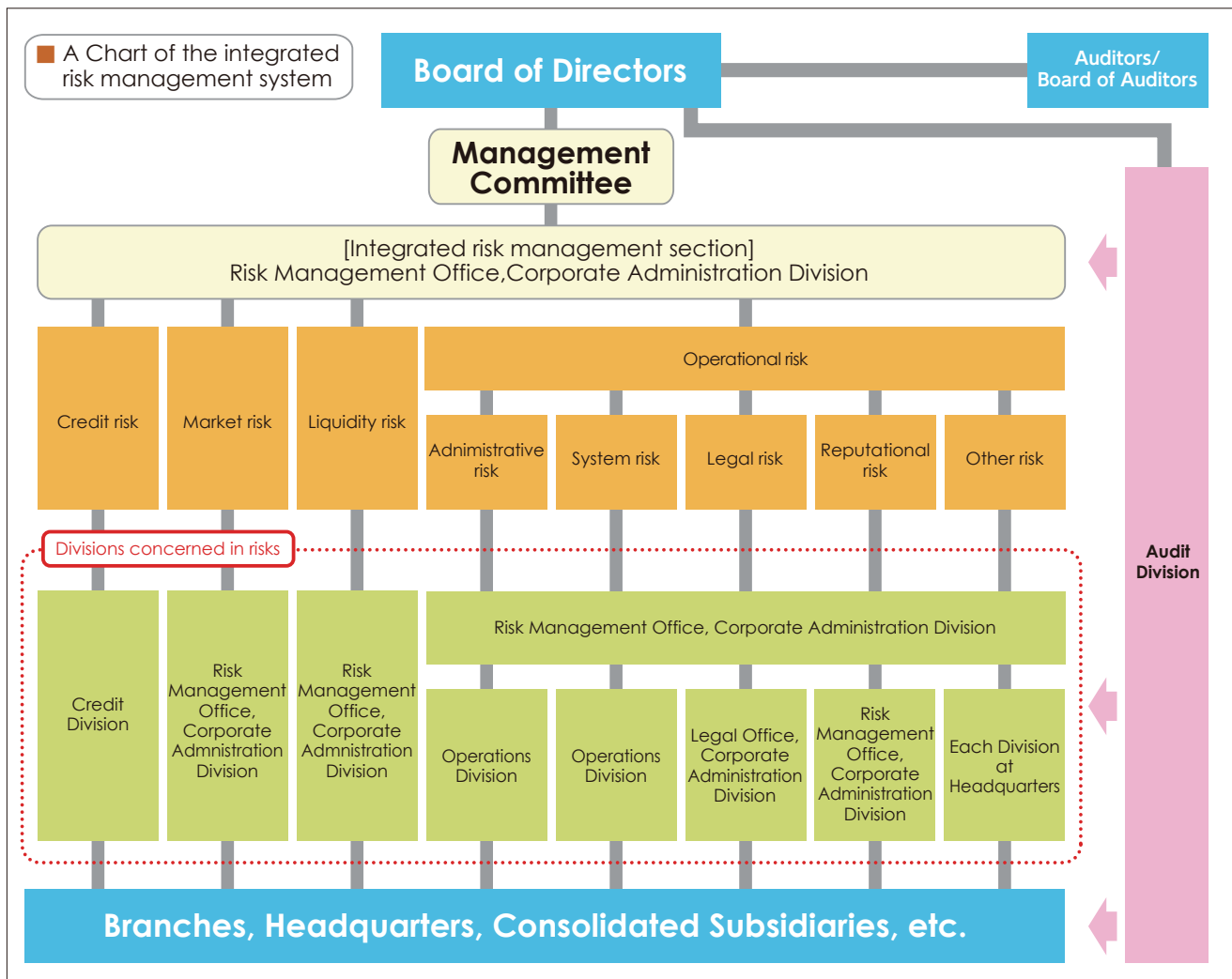
Risk Management System

Because of changes in the surrounding environment of the financial institutions, the risks banks face are increasingly diverse and have become complex. As financial institutions have the responsibility to safely and effectively manage the deposits they receive from customers, it is increasingly important to upgrade the risk control system, which is used to properly control various risks according to their characteristics.

The Shimizu Bank is fully aware of the significance of risk management and endeavors to strengthen our risk management system.

Risk Management System

The Shimizu Bank stipulated the "Integrated risk management provisions" as basic provisions on risk management, and established a risk management system, in which the Board of Directors plays the central role. Based on the provisions, the Shimizu Bank draws up "Risk Management Regulations" and "Risk Management Procedures" according to various risk categories which prescribe the specific management methods, etc., as well as reporting to the Board of Directors and the Management Committee. The Shimizu Bank formulates its risk management plan every fiscal year to control risks effectively, and identifies, analyzes and assesses risks based on these plans.



Integrated Risk Management

From the perspective of enhancing soundness in management, the Shimizu Bank comprehensively identifies major risks that the bank faces, compares them with our corporate strength (equity capital), then establishes a self-controlling type risk management environment, as well as addressing the tasks of enhancing risk management so as to maintain a proper risk management environment.

Credit risk management

The Shimizu Bank collectively administers loans and bills discounted, assets with a credit risk, and off-balance sheet assets, managing credit risk of the Bank itself and its consolidated subsidiaries.

Our screening system is composed of two sections, Sales Promotion and Screening, in order to maintain and improve the soundness of loan assets. In addition, the Bank strictly manages credits above a certain level by screening and passing a resolution for financing policy at the Management Meeting, which consists of the Executives.

Moreover, the Bank defined its credit policy (the basic code of conduct for financing) to clarify the bank's basic action guidance in the loan business, and thoroughly enforces it among our bank clerks, so as to maintain and improve the level of our bank clerks' observation of the financing rules.

A credit rating system was introduced to measure the credit risk of borrowers with a unified standard, and it is utilized to set lending rate guidelines according to creditworthiness. Furthermore, in terms of credit management, the Bank endeavors to manage appropriate portfolios, to disperse risks, and to ensure stable profits by measuring risk quantities with the credit rating system, etc. and acknowledging the status of loan concentration in specific business types, etc.

Market risk management

The Shimizu Bank manages market risk to securely earn stable profits through market transactions. The Bank has installed both a front office and back office in the Markets and International Division, as well as a middle office in the Risk Management Office of the Corporate Administration Division, which is the Department concerned with risk, thus establishing a system of mutual checks and balances.

The status of measured risks is reported at the Board of Directors and Management Meeting so that the Executives can accurately acknowledge and appropriately make decisions on the market risks.

Liquidity risk management

The Shimizu Bank manages funds daily, weekly, and monthly at the Markets and International Division, which is a fund raising management section, while the Risk Management Office of the Corporate Administration Division, which is the department concerned with risk, manages the risks.

In addition, as a preparation for contingencies, the Bank set two phases of emergencies and prepares to secure financing methods according to respective situations.

Operational risk management

The Shimizu Bank recognizes administrative risk, system risk, legal risk, reputational risk, and other risks as operational risk; endeavors to prevent such risks from becoming tangible; and minimizes the impacts caused by such risks when they become apparent.

Regarding administrative risk, for the purpose of establishing a routine of impartial and swift office work, the Bank has been improving the quality of office work through the creation of various rules on office work, implementation of training programs, and centralization at the headquarters of the branch office work.

In relation to system risk management, the Bank uses as its core banking system "PROBANK-R2" created by Fujitsu Ltd. We established a backup center for "PROBANK-R2", reinforcing security against disasters (like the Tokai earthquake), whose occurrence is a concern. Moreover, the Internal Audit Division audits the computing systems and programs regularly, auditing system development and the administrative status of system operations, and verifying the effectiveness of risk management.

The legal risk is the risk in which the Bank suffers losses by violating laws and regulations, etc. The Shimizu Bank places the observance of laws and regulations, etc. as its priority issue in management to avoid the occurrence of the legal risk, and vigorously addresses actions to strengthen our preparedness to further observe laws and regulations.

Reputational risk is the risk suffered from unexpected damages by media coverage, etc. about the entire financial industry and our bank. The Bank takes measures, such as establishing rules and manuals which prescribe our actions, to prevent circulation of unfounded rumors and to respond to them.

The Bank has also established internal control systems to appropriately manage other operational risk, respectively.

In order to be ready for emergency events such as natural disasters, and to continue or swiftly restore our essential business in order to provide stable financial function to our customers, the Shimizu Bank established an action plan that assumes the outbreak of a state of emergency, and has built a business continuity management based on this plan.

ALM System

The Shimizu Bank regularly holds Management Meetings, which mainly consist of Executives, and the ALM Earnings Management Committee which in turn consists of General Managers, to examine proper assets and liability structures, etc. based on the financial and economic environment and forecasts of future interest rates, etc., so that the bank can fully exert the functions of ALM, with the goal to maximize profits while managing assets and liabilities in an integral manner balanced with adequate risks.

Corporate Data

Consolidated Balance Sheet

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S.Dollars)
	March 31,2017	March 31,2018	March 31,2018
Assets			
Cash and Due from Banks	¥216,802	¥60,662	\$570,998
Trading Account Securities	449	457	4,305
Money Held in Trust	1,201	1,200	11,295
Securities	253,703	307,776	2,896,993
Loans and Bills Discounted	1,067,716	1,092,046	10,279,055
Foreign Exchanges	619	833	7,846
Lease Receivables and Investment Assets	9,989	11,074	104,243
Other Assets	22,164	18,348	172,709
Tangible Fixed Assets	19,571	19,061	179,419
Buildings, Net	8,737	8,344	78,544
Land	9,393	9,267	87,233
Leased Assets, Net	19	165	1,554
Construction in Progress	-	67	639
Other Tangible Fixed Assets	1,420	1,216	11,448
Intangible Fixed Assets	1,112	960	9,045
Software	786	688	6,481
Lease Assets	92	80	757
Other Intangible Fixed Assets	233	191	1,805
Deferred Tax Assets	1,797	1,803	16,977
Customers' Liabilities for Acceptances and Guarantees	2,693	2,671	25,148
Allowance for Loan Losses	(7,758)	(6,885)	(64,811)
Total Assets	¥1,590,062	¥1,510,013	\$14,213,228

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S.Dollars)
	March 31,2017	March 31,2018	March 31,2018
Liabilities			
Deposits	¥1,369,182	¥1,346,641	\$12,675,462
Negotiable Certificates of Deposit	59,710	-	-
Call Money and Bills Sold	11,219	-	-
Borrowed Money	47,529	58,471	550,371
Foreign Exchanges	1	42	401
Bonds Payable	10,000	10,000	94,126
Other Liabilities	6,347	7,088	66,720
Provision for Bonuses	496	490	4,616
Net Defined Benefit Liability	1,071	869	8,180
Provision for Directors' Retirement Benefits	85	63	595
Provision for Reimbursement of Deposits	40	36	341
Deferred Tax Liabilities	24	35	338
Acceptances and Guarantees	2,693	2,671	25,148
Total Liabilities	1,508,403	1,426,410	13,426,303
Net Assets			
Capital Stock	8,670	8,670	81,612
Capital Surplus	5,272	5,514	51,901
Retained Earnings	63,608	65,368	615,294
Treasury Shares	(300)	(283)	(2,666)
Total Shareholders' Equity	77,250	79,270	746,141
Valuation Difference on Available-for-Sale Securities	3,496	3,352	31,557
Deferred Gains or Losses on Hedges	28	18	178
Remeasurements of Defined Benefit Plans	(598)	(319)	(3,007)
Total Accumulated Other Comprehensive Income	2,926	3,052	28,728
Subscription Rights to Shares	41	42	403
Non-Controlling Interests	1,440	1,237	11,651
Total Net Assets	81,659	83,602	786,924
Total Liabilities and Net Assets	¥1,590,062	¥1,510,013	\$14,213,228

Notes

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Consolidated Statement of Income

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S.Dollars)
	Years ended March 31, 2017	Years ended March 31, 2018	Years ended March 31, 2018
Ordinary Income	¥28,760	¥27,637	\$260,137
Interest Income	16,444	15,959	150,221
Interest on Loans and Discounts	12,445	11,843	111,476
Interest and Dividends on Securities	3,905	4,018	37,828
Interest on Call Loans	2	1	17
Interest on Deposits with Banks	84	83	790
Other Interest Income	7	11	109
Fees and Commissions	8,655	9,233	86,910
Other Ordinary Income	1,822	1,093	10,289
Other Income	1,837	1,350	12,715
Ordinary Expenses	24,811	24,291	228,650
Interest Expenses	824	612	5,764
Interest on Deposits	494	388	3,659
Interest on Negotiable Certificates of Deposit	4	0	0
Interest on Call Money	162	37	352
Interest on Payables Under Securities Lending Transactions	-	49	462
Interest on Borrowings and Rediscounts	52	38	363
Interest on Bonds	88	88	828
Other Interest Expenses	23	10	97
Fees and Commissions Payments	5,031	5,365	50,501
Other Operating Expenses	2,032	1,465	13,795
General and Administrative Expenses	16,409	16,194	152,431
Other Expenses	513	654	6,158
Provision of Allowance for Loan Losses	147	406	3,829
Others	365	247	2,328
Ordinary Profit	3,948	3,345	31,487
Extraordinary Income	141	5	49
Gain on Disposal of Non-Current Assets	141	5	49
Extraordinary Losses	46	55	523
Loss on Disposal of Non-Current Assets	31	1	10
Loss on Disposal of Fixed Assets	-	0	0
Impairment Loss	14	54	512
Income Before Income Taxes	4,043	3,294	31,012
Income Taxes - Current	752	973	9,163
Income Taxes - Deferred	206	(65)	(616)
Total Income Taxes	958	908	8,547
Profit	3,085	2,386	22,465
Profit Attributable to Non-Controlling Interests	106	54	511
Profit Attributable to Owners of The Parent	¥2,978	¥2,332	\$21,954

Consolidated Statement of Comprehensive Income

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S.Dollars)
	Years ended March 31, 2017	Years ended March 31, 2018	Years ended March 31, 2018
Profit	¥3,085	¥2,386	\$22,465
Other Comprehensive Income	(1,400)	123	1,158
Valuation Difference on Available-for-Sale Securities	(1,713)	(146)	(1,375)
Deferred Gains or Losses on Hedges	28	(9)	(93)
Remeasurements of Defined Benefit Plans	283	279	2,627
Comprehensive Income	1,684	2,509	23,624
Comprehensive Income Attributable to Owners of The Parent	¥1,568	¥2,458	\$23,136
Comprehensive Income Attributable to Non-Controlling Interests	115	51	487

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Consolidated Statement of Changes in Net Assets

Years ended March 31, 2017

(Millions of Yen)

	Shareholders' Equity				
	Capital Stock	Capital Surplus	Retained Earnings	Treasury Shares	Total Shareholders' Equity
Balance at April 1, 2016	¥8,670	¥5,272	¥61,202	(¥298)	¥74,847
Changes of Items During The Period					
Dividends of Surplus			(572)		(572)
Profit Attributable to Owners of The Parent			2,978		2,978
Purchase of Treasury Shares				(2)	(2)
Disposal of Treasury Shares		(0)		0	0
Purchase of Shares of Consolidated Subsidiaries					
Net Changes of Items Other Than Shareholders' Equity					
Total Changes of Items During The Period	-	(0)	2,405	(2)	2,403
Balance at March 31, 2017	¥8,670	¥5,272	¥63,608	(¥300)	¥77,250

	Accumulated Other Comprehensive Income				Subscription Rights to Shares	Non-Controlling Interests	Total Net Assets
	Valuation Difference on Available-for-Sale Securities	Deferred Gains Or Losses on Hedges	Remeasurements of Defined Benefit Plans	Total Accumulated Other Comprehensive Income			
Balance at April 1, 2016	¥5,218	¥0	(¥882)	¥4,335	¥18	¥1,327	¥80,528
Changes of Items During The Period							
Dividends of Surplus							(572)
Profit Attributable to Owners of The Parent							2,978
Purchase of Treasury Shares							(2)
Disposal of Treasury Shares							0
Purchase of Shares of Consolidated Subsidiaries							
Net Changes of Items Other Than Shareholders' Equity	(1,721)	28	283	(1,409)	22	133	(1,273)
Total Changes of Items During The Period	(1,721)	28	283	(1,409)	22	133	1,130
Balance at March 31, 2017	¥3,496	¥28	(¥598)	¥2,926	¥41	¥1,440	¥81,659

Years ended March 31, 2018

(Millions of Yen)

	Shareholders' Equity				
	Capital Stock	Capital Surplus	Retained Earnings	Treasury Shares	Total Shareholders' Equity
Balance at April 1, 2017	¥8,670	¥5,272	¥63,608	(¥300)	77,250
Changes of Items During The Period					
Dividends of Surplus			(572)		(572)
Profit Attributable to Owners of The Parent			2,332		2,332
Purchase of Treasury Shares				(2)	(2)
Disposal of Treasury Shares		(7)		20	13
Purchase of Shares of Consolidated Subsidiaries		248			248
Net Changes of Items Other Than Shareholders' Equity					
Total Changes of Items During The Period	-	241	1,760	17	2,019
Balance at March 31, 2018	¥8,670	¥5,514	¥65,368	(¥283)	¥79,270

	Accumulated Other Comprehensive Income				Subscription Rights to Shares	Non-Controlling Interests	Total Net Assets
	Valuation Difference on Available-for-Sale Securities	Deferred Gains Or Losses on Hedges	Remeasurements of Defined Benefit Plans	Total Accumulated Other Comprehensive Income			
Balance at April 1, 2017	¥3,496	¥28	(¥598)	(¥2,926)	¥41	¥1,440	¥81,659
Changes of Items During The Period							
Dividends of Surplus							(572)
Profit Attributable to Owners of The Parent							2,332
Purchase of Treasury Shares							(2)
Disposal of Treasury Shares							13
Purchase of Shares of Consolidated Subsidiaries							248
Net Changes of Items Other Than Shareholders' Equity	(143)	(9)	279	125	1	(202)	(75)
Total Changes of Items During The Period	(143)	(9)	279	125	1	(202)	1,943
Balance at March 31, 2018	¥3,352	¥18	(¥319)	¥3,052	¥42	¥1,237	¥83,602

Notes

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Consolidated Statement of Changes in Net Assets

Years ended March 31, 2018

(Thousands of U.S.Dollars)

	Shareholders' Equity				
	Capital Stock	Capital Surplus	Retained Earnings	Treasury Shares	Total Shareholders' Equity
Balance at April 1, 2017	\$81,612	\$49,627	\$598,726	(\$2,830)	\$727,136
Changes of Items During The Period					
Dividends of Surplus			(5,386)		(5,386)
Profit Attributable to Owners of The Parent			21,954		21,954
Purchase of Treasury Shares				(25)	(25)
Disposal of Treasury Shares		(66)		189	123
Purchase of Shares of Consolidated Subsidiaries		2,339			2,339
Net Changes of Items Other Than Shareholders' Equity					
Total Changes of Items During The Period	-	2,273	16,567	164	19,005
Balance at March 31, 2018	\$81,612	\$51,901	\$615,294	(\$2,666)	\$746,141

	Accumulated Other Comprehensive Income				Subscription Rights to Shares	Non-Controlling Interests	Total Net Assets
	Valuation Difference on Available-for-Sale Securities	Deferred Gains Or Losses on Hedges	Remeasurements of Defined Benefit Plans	Total Accumulated Other Comprehensive Income			
Balance at April 1, 2017	\$32,909	\$271	(\$5,634)	\$27,545	\$389	\$13,558	\$768,630
Changes of Items During The Period							
Dividends of Surplus							(5,386)
Profit Attributable to Owners of The Parent							21,954
Purchase of Treasury Shares							(25)
Disposal of Treasury Shares							123
Purchase of Shares of Consolidated Subsidiaries							2,339
Net Changes of Items Other Than Shareholders' Equity	(1,351)	(93)	2,627	1,182	13	(1,907)	(710)
Total Changes of Items During The Period	(1,351)	(93)	2,627	1,182	13	(1,907)	18,294
Balance at March 31, 2018	\$31,557	\$178	(\$3,007)	\$28,728	\$403	\$11,651	\$786,924

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Consolidated Statement of Cash Flows

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S.Dollars)
	Years ended March 31, 2017	Years ended March 31, 2018	Years ended March 31, 2018
Cash Flows from Operating Activities			
Income Before Income Taxes	¥4,043	¥3,294	\$31,012
Depreciation	1,213	1,281	12,057
Impairment Loss	14	54	512
Increase (Decrease) in Allowance for Loan Losses	(1,192)	(873)	(8,219)
Increase (Decrease) in Reserve for Employees' Bonuses	(9)	(6)	(59)
Increase (Decrease) in Net Defined Benefit Liability	(2,071)	(202)	(1,904)
Increase (Decrease) in Reserve for Directors' Retirement Benefits	(7)	(22)	(209)
Increase (Decrease) in Provision for Reimbursement of Deposits	(2)	(4)	(39)
Gain on Fund Management	(16,444)	(15,959)	(150,221)
Financing Expenses	824	612	5,764
Loss (Gain) Related to Securities	(1,673)	(1,296)	(12,206)
Loss (Gain) on Money Held in Trust	(12)	(10)	(101)
Loss (Gain) on Disposal of Non-Current Assets	(109)	(4)	(38)
Net Decrease (Increase) in Trading Account Securities	(60)	(8)	(78)
Net Decrease (Increase) in Loans and Bills Discounted	(2,565)	(24,330)	(229,014)
Net Increase (Decrease) in Deposit	19,793	(22,541)	(212,178)
Net Increase (Decrease) in Negotiable Certificates of Deposit	54,710	(59,710)	(562,029)
Net Increase (Decrease) in Borrowed Money (Excluding Subordinated Borrowings)	21,529	10,941	102,990
Net Decrease (Increase) in Deposit (Excluding Deposit Paid to Bank of Japan)	(214)	(103)	(975)
Net Decrease (Increase) in Call Money	11,219	(11,219)	(105,600)
Net Decrease (Increase) in Foreign Exchanges Assets	(9)	(214)	(2,017)
Net Increase (Decrease) in Foreign Exchanges Liabilities	(4)	41	388
Net Decrease (Increase) in Lease Receivables and Investment Assets	(64)	(1,514)	(14,256)
Proceeds from Fund Management	16,728	16,210	152,586
Payments for Finance	(895)	(565)	(5,325)
Other, net	(15,852)	7,807	73,493
Subtotal	88,887	(98,343)	(925,669)
Income Taxes Paid	(1,444)	(520)	(4,896)
Net Cash Provided by (Used in) Operating Activities	87,442	(98,863)	(930,566)
Cash Flows from Investing Activities			
Purchase of Securities	(274,114)	(247,694)	(2,331,459)
Proceeds from Sales of Securities	244,457	156,397	1,472,113
Proceeds from Redemption of Securities	28,609	34,662	326,263
Decrease in Money Held in Trust	12	11	111
Purchase of Tangible Fixed Assets	(912)	(404)	(3,812)
Purchase of Intangible Fixed Assets	(107)	(171)	(1,618)
Proceeds from Sales of Tangible Fixed Assets	363	426	4,010
Net Cash Provided by (Used in) Investing Activities	(1,690)	(56,773)	(534,391)
Cash Flows from Financing Activities			
Repayments of Lease Liabilities	(11)	(27)	(254)
Purchase of Treasury Shares	(2)	(2)	(25)
Proceeds from Sales of Treasury Shares	0	0	0
Cash Dividends Paid	(570)	(569)	(5,359)
Dividends Paid to Non-Controlling Interests	(2)	(2)	(19)
Payments from Changes in Ownership Interests in Subsidiaries That do not Result in Change in Scope of Consolidation Fin CF	-	(3)	(35)
Net Cash Provided by (Used in) Financing Activities	(586)	(605)	(5,694)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	5	(1)	(10)
Net Increase (Decrease) in Cash and Cash Equivalents	85,171	(156,243)	(1,470,662)
Cash and Cash Equivalents at Beginning of The Period	129,797	214,968	2,023,423
Cash and Cash Equivalents at End of The Period	¥214,968	¥58,725	\$552,760

Notes

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Board of Directors, Corporate Auditors and Executive Officers

As of June 30, 2018

● **President**
(Representative Director)
Katsuichiro Toyoshima

● **Senior Managing Director**
(Representative Director)
Akihiro Mochizuki

● **Managing Directors**
Shigeru Nonoyama
Ayato Mochizuki
Yasuhiro Iwayama

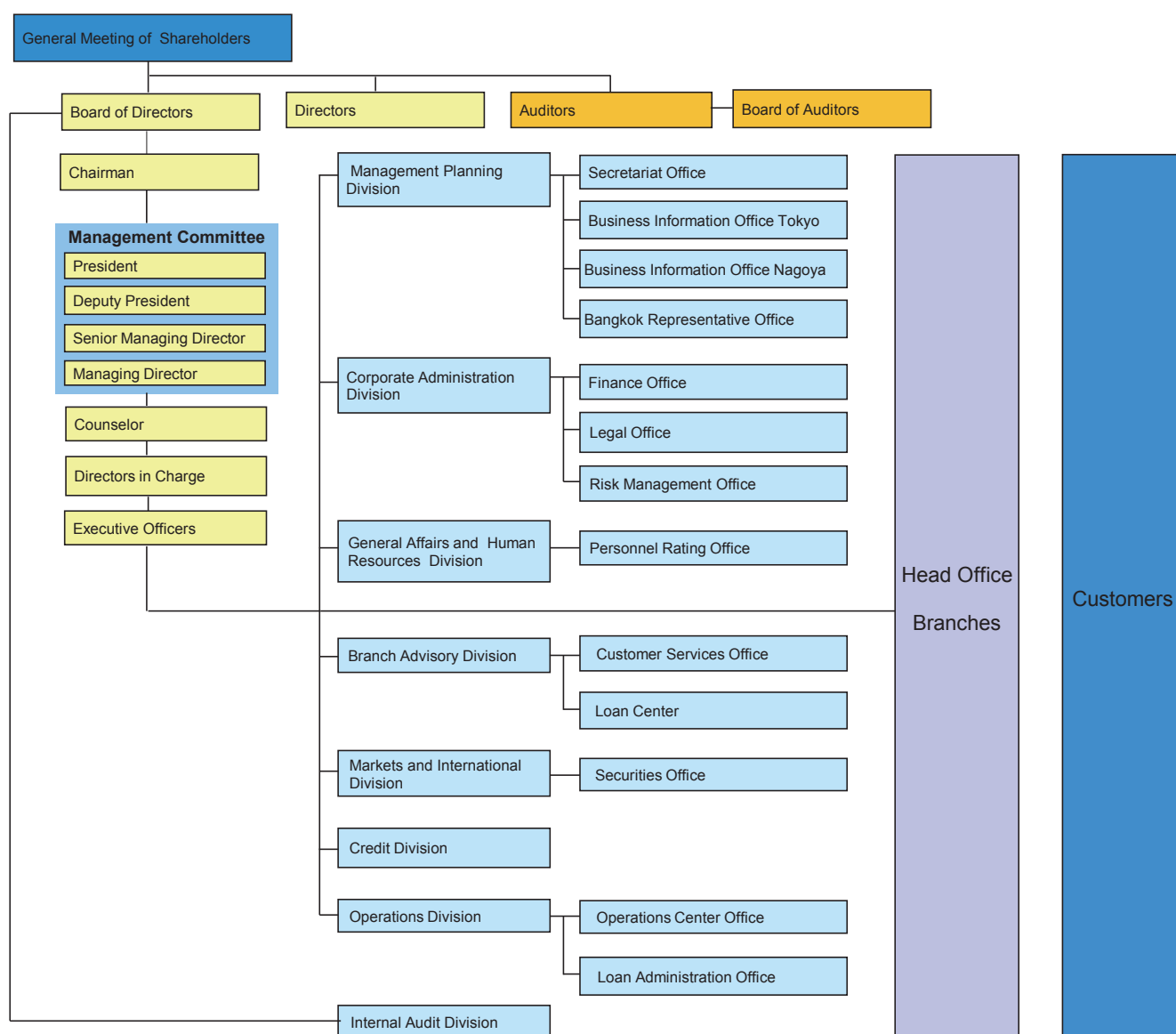
● **Directors**
Fujio Kaneda
Keiko Higashi
Takashi Aizawa
Syunji Usami
Fumitoshi Yabuzaki
Yosuke Wakabayashi

● **Corporate Auditors**
Naoki Tobayama
Akihiro Sei
Youichiro Ito
Kazuaki Isobe

● **Executive Officers**
Kiminori Sugiyama
Tetsuya Sugiyama
Masahiro Koyanagi
Satoshi Kobayashi

Organization Chart

As of March 31, 2018



THE SHIMIZU BANK, LTD.

MARKETS AND INTERNATIONAL DIVISION

TEL 81-54-353-5164 SWIFT : SMZGJPJT

<http://www.shimizubank.co.jp/>

