

**Results for the First Half of FY2011 and  
Targets for 11th Medium-term Business Plan  
“MIRAI—Future”**

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Katsunori Nakanishi  
President



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# Results for the first half of FY2011 (1)

Shizuoka Bank, Non-consolidated  (JPY bn, %)	1H FY2011	YoY change	
		Increase/ Decrease	Rate of change
Ordinary revenue	97.4	+7.7	+8.5
Gross operating profit	76.4	-0.7	-1.0
Net interest income	65.2	+1.7	+2.7
Fees and commissions	7.4	+0.0	+0.2
Trading income	-0.3	-0.1	-25.6
Other operating profit	4.0	-2.4	-38.0
[Bond-related income such as JGBs]	5.7	+0.5	+9.4
[Gain (loss) on derivative products]	-2.5	-3.0	-653.7
Expenses (-)	40.8	-0.1	-0.4
Actual net operating profit *	35.6	-0.6	-3.5
Core net operating profit **	29.9	-1.1	-1.6
General transfer to loan loss reserves (-)	—	-2.2	-100.0
Net operating profit	35.6	+1.6	+4.6
Special profit and loss	1.8	+9.0	+124.5
Bad debt written-off (-)	0.1	-4.8	-98.2
Gain on reversals from loan loss reserves	7.4	+7.4	—
Gain (loss) on stocks	-5.2	-3.5	-197.6
Ordinary profit	37.4	+10.6	+39.4
Extraordinary profit and loss	0.1	+0.2	+166.1
Net income before taxes	37.4	+10.8	+40.4
Corporate taxes (-)	15.9	+5.3	+50.3
Net income	21.5	+5.5	+33.9

\* Actual NOP=NOP + General transfer to loan loss reserves

\*\*Core NOP=NOP + General transfer to loan loss reserves – Bond-related income such as JGBs

Ordinary revenue +JPY 7.7bn YoY (First increase in 4 periods)

- Ordinary revenue totaled JPY 97.4bn, an increase of JPY 7.7bn year on year, mainly reflecting JPY 7.4bn in gains on reversals from loan loss reserves.

Gross operating profit -JPY 0.7bn YoY (First decrease in 8 periods)

- Although net interest income rose JPY 1.7bn year on year, chiefly due to an increase of JPY 1.9bn in interest and dividend income on marketable securities, gross operating profit declined JPY 0.7bn to JPY 76.4bn, owing to a drop of JPY 2.4bn in other operating profit.

Net operating profit +JPY 1.6bn YoY (Continued increase in 3 periods)

- Net operating profit totaled JPY 35.6bn, an increase of JPY 1.6bn year on year due to reversals from general loan loss reserves. **[Record profit]**

\*Gains on reversals from loan loss reserves booked under special profit and loss

Ordinary profit +JPY 10.6bn YoY (First increase in 2 periods)

- Although gain (loss) on stocks deteriorated JPY 3.5bn year on year, ordinary profit increased JPY 10.6bn year on year to JPY 37.4bn, mainly due to the booking of gains on reversals from loan loss reserves of JPY 7.4bn. **[Record profit]**

Net income +JPY 5.5bn YoY (First increase in 2 periods)

- Net income rose JPY 5.5bn year on year to JPY 21.5bn, reflecting the increase in ordinary profit.



# Results for the first half of FY2011 (2)

Consolidated (JPY bn, %)	1H FY2011	YoY change	
		Increase/ Decrease	Rate of change
Ordinary revenue	113.1	+8.7	+8.3
Ordinary profit	40.5	+10.7	+35.9
Net income	22.3	+5.7	+34.5

Consolidated / Non-consolidated ratio	1H FY2011	YoY change Increase/ Decrease
Ordinary profit	1.08 times	-0.03 times
Net income	1.03 times	+0.01 times

Ordinary revenue (Consolidated)	First increase in 4 periods
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Ordinary profit (Consolidated)	Continued increase in 3 periods <b>[Record profit]</b>
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Net income (Consolidated)	First increase in 2 periods
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## Consolidated Subsidiaries(11companies)

Shizugin Management Consulting Co., Ltd.  
 Shizugin Lease Co., Ltd.  
 Shizuoka Computer Service Co., Ltd.  
 Shizugin Credit Guaranty Co., Ltd.  
 Shizugin DC Card Co., Ltd  
 Shizuoka Capital Co., Ltd.  
 Shizugin TM Securities Co., Ltd.  
 Shizugin General Service Co., Ltd.  
 Shizuoka Mortgage Service Co., Ltd.  
 Shizugin Business Create Co., Ltd.  
 Shizuoka Bank (Europe) S.A.

## Equity-method Affiliates

Shizugin Saison Card Co., Ltd.



# Net interest income

- Net interest income of 1H FY2011: JPY 65.2bn (+JPY 1.7bn YoY)
- Of which, domestic operations: JPY 58.6bn (+JPY 1.0bn YoY), Overseas operations: JPY 6.6bn (+JPY 0.8bn YoY)

## Breakdown of net interest income

(JPY bn)	1H FY2010	1H FY2011	Increase/ Decrease
<b>Total</b>	<b>63.5</b>	<b>65.2</b>	<b>+1.7</b>
<b>Domestic operations</b>	<b>57.6</b>	<b>58.6</b>	<b>+1.0</b>
Of which, Interest on loans	52.4	50.8	-1.6
Interest and dividends on securities	8.9	10.2	+1.3
Interest on deposits (-)	3.6	2.3	-1.3
<b>Overseas operations</b>	<b>5.8</b>	<b>6.6</b>	<b>+0.8</b>

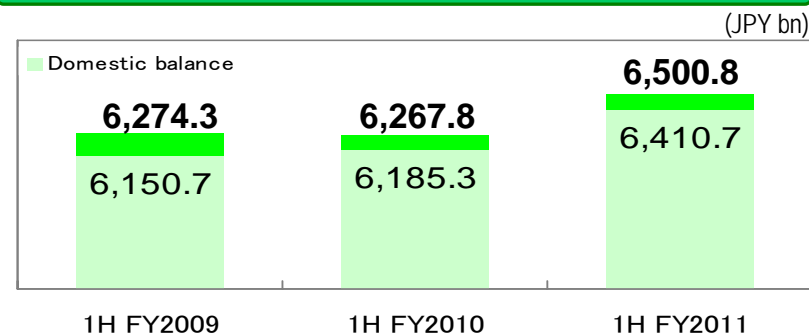
## Domestic operations

(%)	1H FY2010	2H FY2010	1H FY2011	Change from 2H FY2010
<b>Loan rate</b>	<b>1.70</b>	<b>1.66</b>	<b>1.60</b>	<b>Δ0.06</b>
Deposit rate	0.09	0.07	0.06	Δ0.01
Yield on securities	1.37	1.26	1.32	+0.06

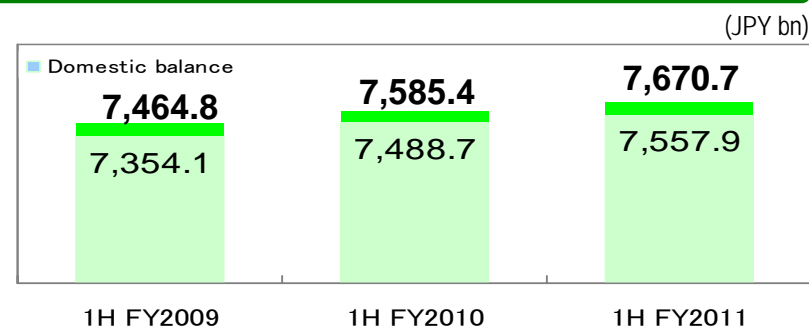
## Overseas operations

(%)	1H FY2010	2H FY2010	1H FY2011	Change from 2H FY2010
<b>Spread between Investments and procurements</b>	<b>1.51</b>	<b>1.57</b>	<b>1.76</b>	<b>+0.19</b>

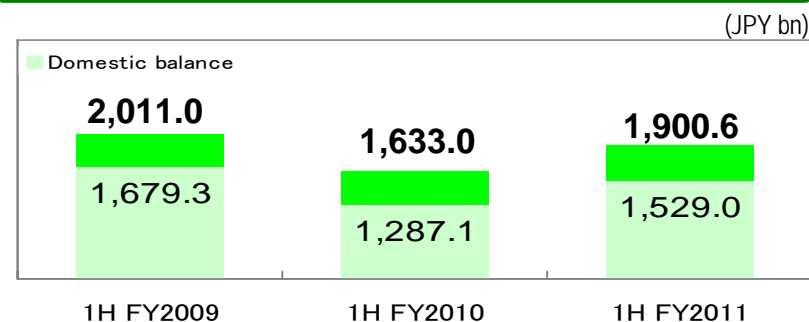
## Loan balance (average balance)



## Deposit balance (average balance)



## Security balance (average balance)





# Difference between loan and deposit interest rates

- Difference between loan and deposit interest rates in Sep. 2011 dropped 0.07 points from the end of Sep. 2010

## Changes in yen-denominated loans and deposit structure

[Comparison of monthly records of average balance and interest rates]

[September 2010] [September 2011] (JPY tn, %)

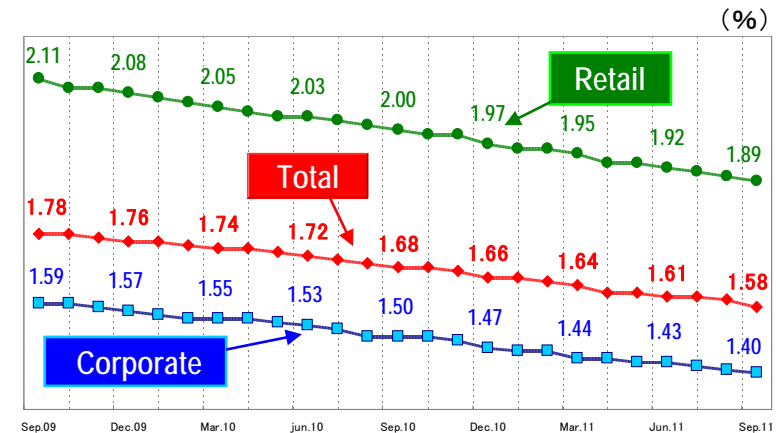
	Average balance (% of total)	Interest rate	Average balance (% of total)	Interest rate
Loans	6.2 (100.0)	1.68	6.4 (100.0)	1.58
Floating interest				
Short-term / new long-term prime rate standard	4.6 (74.4)	1.64	4.8 (76.1)	1.54
Market-linked	2.9 (47.4)	2.06	3.0 (47.6)	1.99
Fixed interest	1.6 (25.7)	0.78	1.7 (27.1)	0.71
Fixed interest	1.6 (25.6)	1.84	1.5 (23.9)	1.73

Difference between loan and deposit interest rates

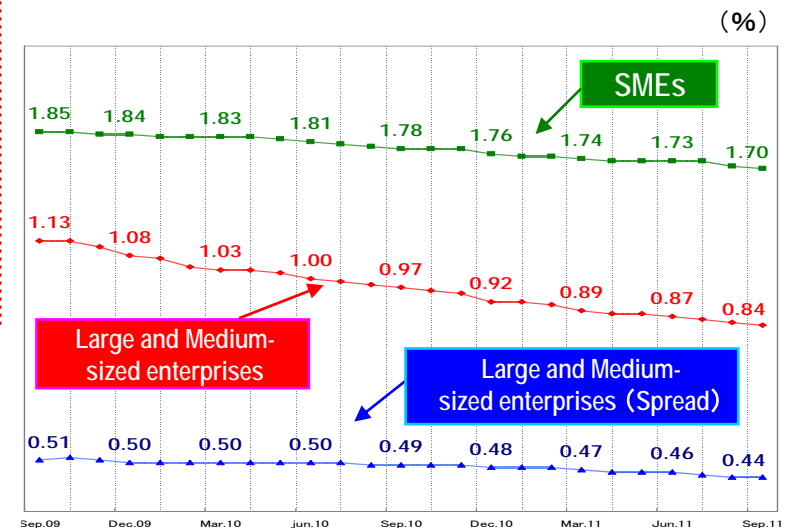
	Average balance (% of total)	Interest rate	Average balance (% of total)	Interest rate
Deposits	7.3 (100.0)	0.09	7.6 (100.0)	0.06
Liquid deposits	3.9 (52.8)	0.02	4.0 (53.3)	0.02
Term deposits	3.0 (41.0)	0.16	3.1 (40.4)	0.10

\* Deposits include NCDs

## Loan interest rates (monthly average)



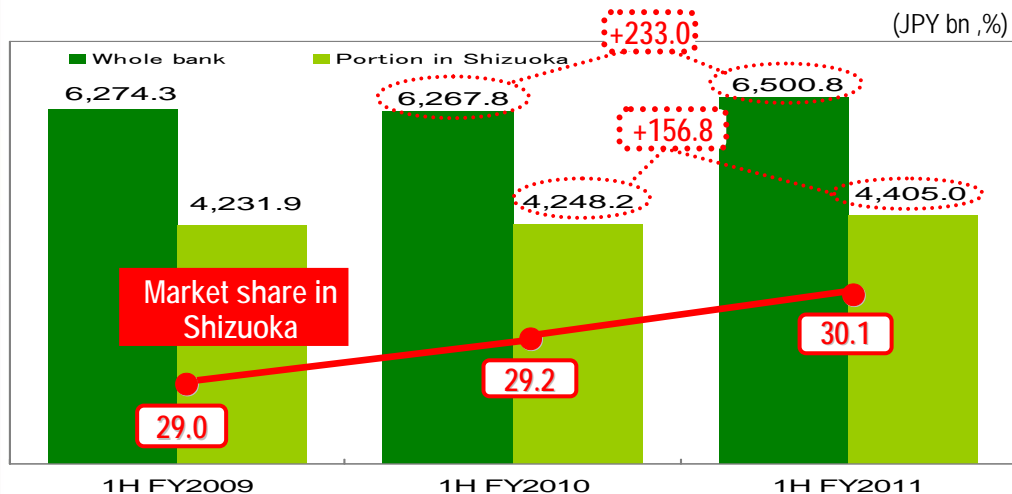
## Trends in Corporate loan interest rates by company size



# Loans

- Total loan balances (average balance) of 1H FY2011: JPY 6,500.8bn, up JPY 233.0bn (+3.7%) YoY

## Total loan balance (average balance)



## [SME loan balance]

Average balance increased to JPY 2,621.0bn, by JPY 57.4bn (+2.2%) YoY

## [Retail loan balance]

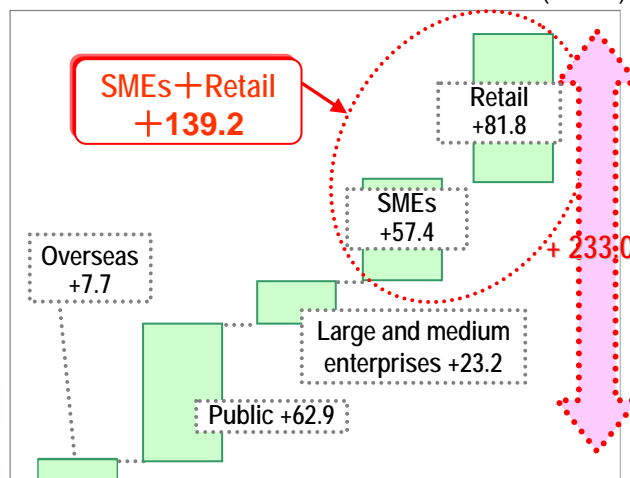
Average balance increased to JPY 2,222.0bn, by JPY 81.8bn (+3.8%) YoY

## [Total loan balance]

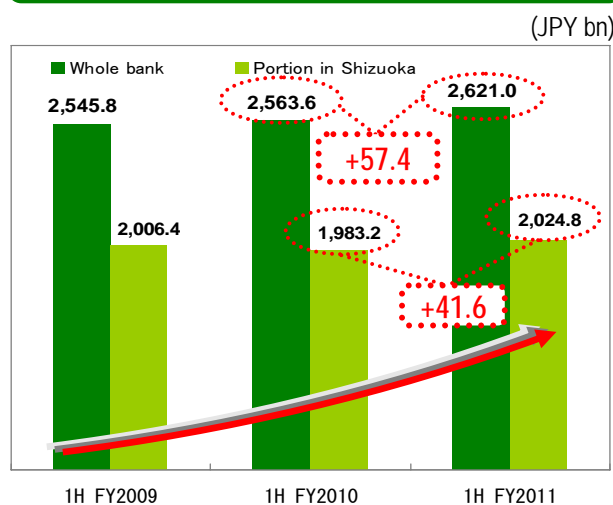
Term-end balance increased to JPY 6,609.1bn, by JPY 236.1bn (+3.7%) YoY

## Breakdown of changes in total loan balance (average balance)

Year-on-year change

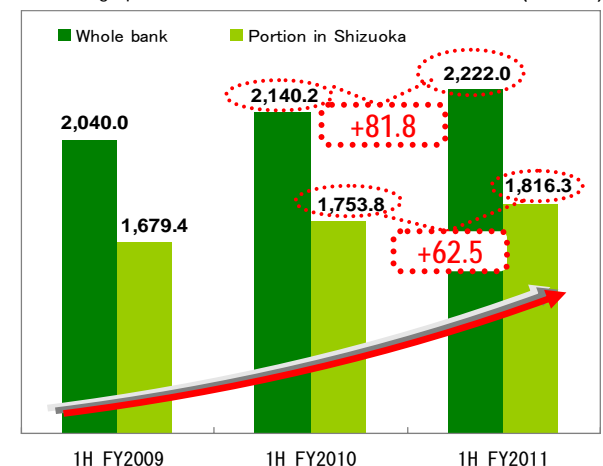


## SME loan balance (average balance)



## Retail loan balance (average balance)

\*Including apartment loans



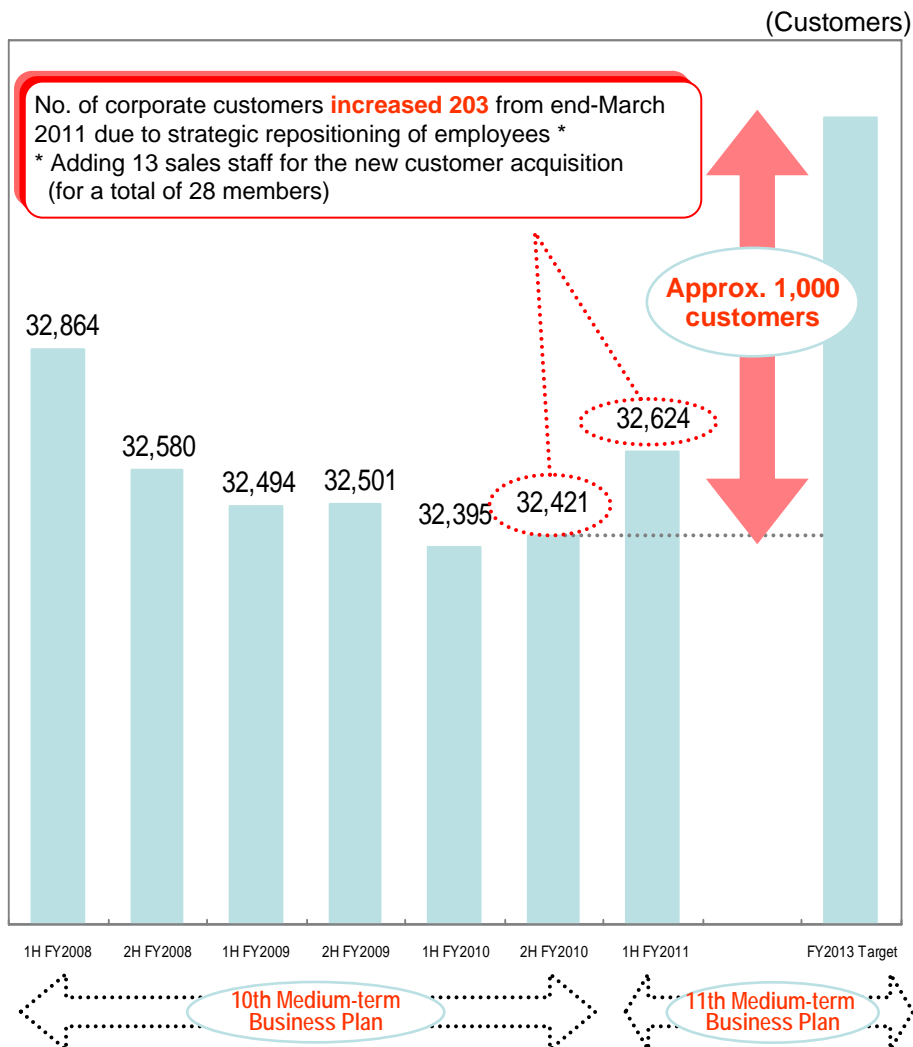


# Corporate banking initiatives (1)

-Number of corporate customers, solution marketing

- As of end-September 2011, the number of corporate customers was up 203 from end-March 2011
- Aiming to generate new demand for funds by stepping up initiatives in growth and untapped fields and by offering solutions that help customers develop their businesses; the goal is to expand the customer base and increase market share

## Number of corporate customers



## Solutions: initiatives in growth and untapped fields

**Health and welfare**

- ◆ Provide information and identify needs through seminars run by Shizuoka Bank
- ◆ Strengthen the specialized team for the health field by adding 3 sales staff (for a total of 7 members)

→ 1H FY2011  
Loans provided to health and welfare businesses: JPY 25.9bn

**Environment**

- ◆ Respond to the needs of customers in the environmental field
  - Loans and privately placed bonds with environmental ratings
  - ISO consulting work (Shizugin Management Consulting Co., Ltd.)

1H FY2011: 19 consulting projects taken on

→ 1H FY2011  
Loans provided for environmental projects: JPY 6.8bn

**Agriculture**

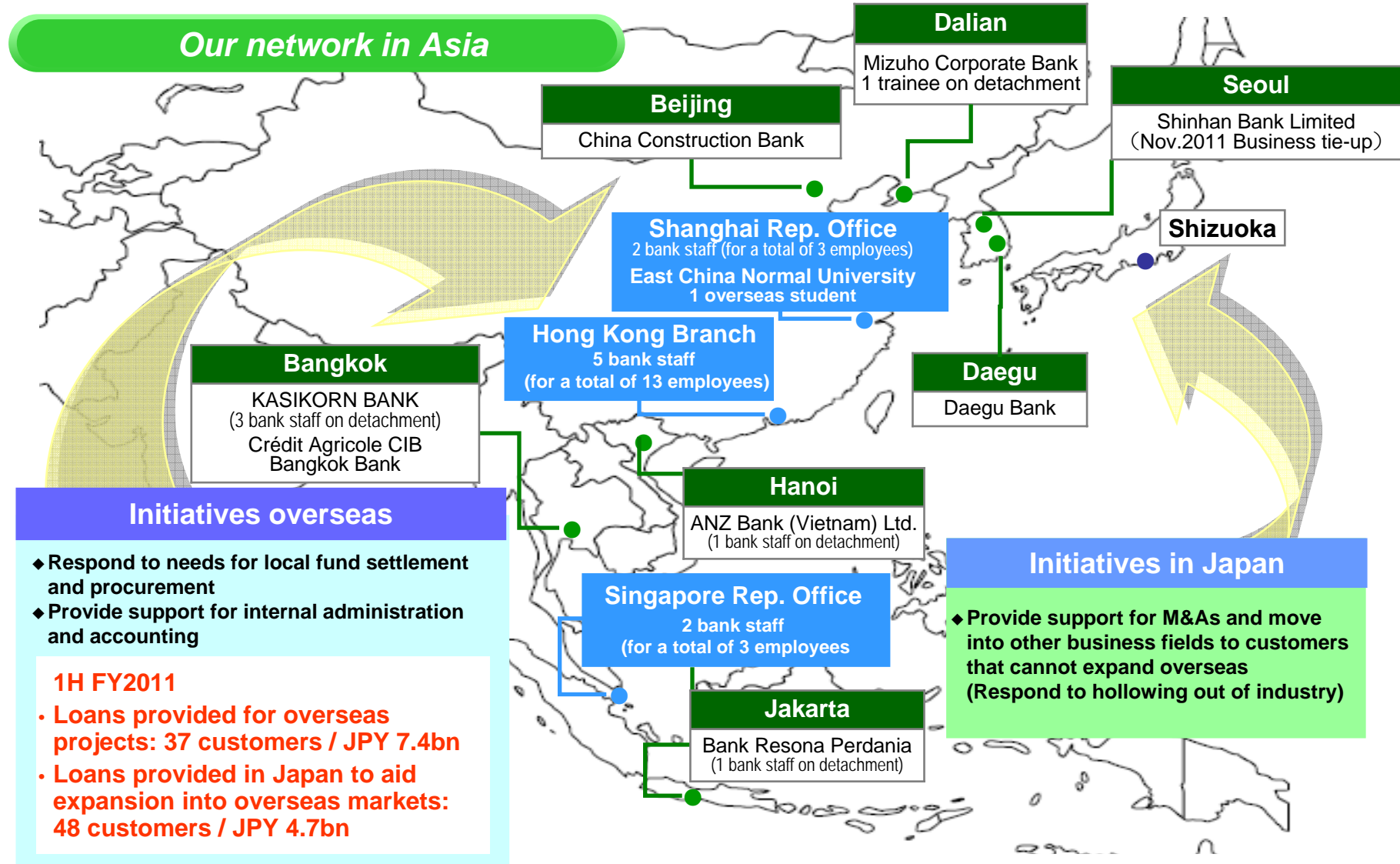
- ◆ Participate in trade shows, develop sales channels, help agricultural producers move into up or down-stream (5 team members now qualified as agricultural business advisors)
- ◆ Work with Shizuoka Prefecture Agricultural Credit Guarantee Fund Association to meet the funding needs of agricultural producers

→ 1H FY2011  
Loans provided for agricultural projects: JPY 3.6bn



# Corporate Banking Initiatives (2) –Strategies in Asia

- Strengthen support network to respond to the growing needs of customers moving into Asia
- Upgrade the sales network using links with partner financial institutions; initiatives in Japan to provide support to companies moving overseas are starting to bear fruit

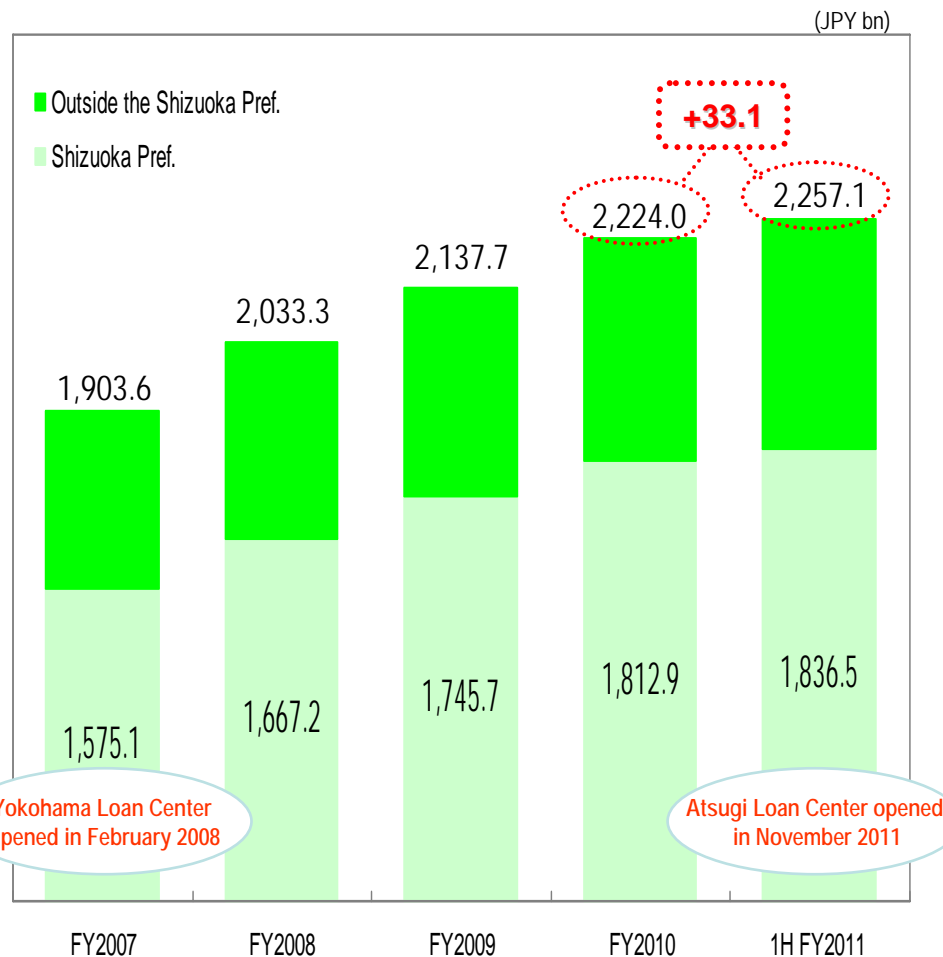




# Retail banking initiatives –Consumer loan

- Consumer loan balance continues to expand, up JPY 33.1bn from end-Mar. 2011 to JPY 2,257.1bn at end-Sep.2011
- We aim to continue boosting growth in the consumer loan balance in 2H FY2011 and beyond by increasing sales sites, carefully managing loan rates, and reforming business processes to increase productivity and reduce costs

## Consumer loan balances (term-end balance)



## Initiatives

**Loan rates**

- ◆ Introduced an loan rate point system as a performance incentive for consumer loan sales staff
- 1H FY2011 Average rate for new housing loans: 1.305%

**Business processes**

- ◆ Under the 11th business plan, the goal is to reduce workload for consumer loan sales staff by 60% through BPR (FY2011 target: reduce workload by 20%)
- Maintain competitiveness by boosting the profitability of housing loans through increase in productivity and cost reduction

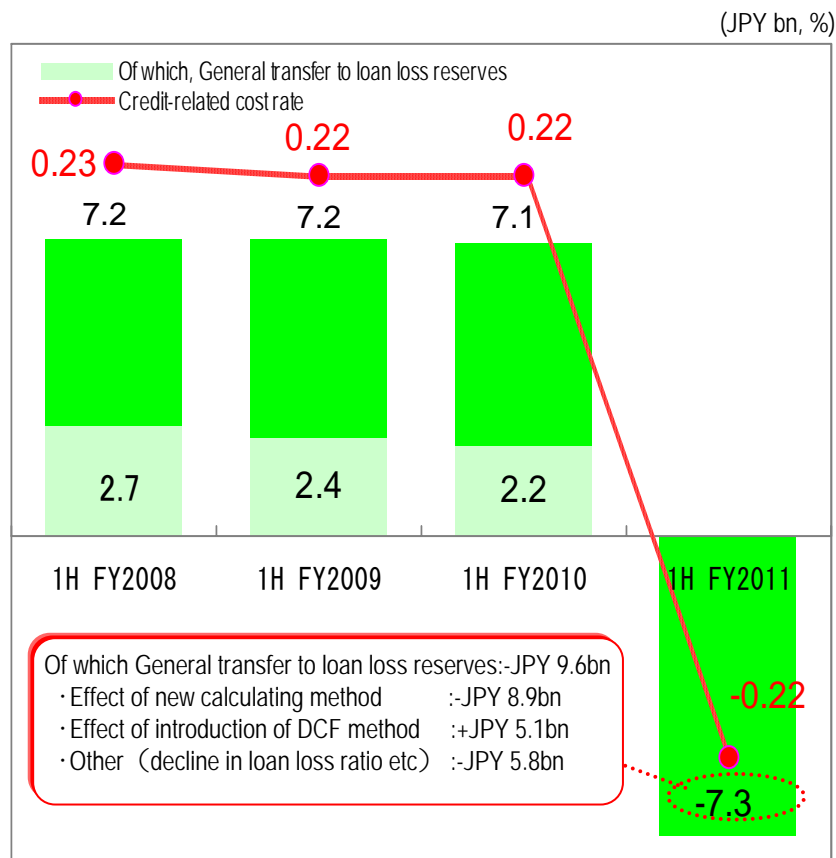


# Credit-related costs (1) – Total image –

- **Credit-related costs in 1H FY2011: -JPY 7.3bn (-JPY 14.4bn YoY),**  
**Credit-related cost rate: -0.22% (-0.44 percentage points YoY)**  
**General transfer to loan loss reserves: -JPY 9.6bn (-JPY 11.7bn YoY)**  
**Transfer to specific reserves : JPY 2.2bn (-JPY 1.2bn YoY)**

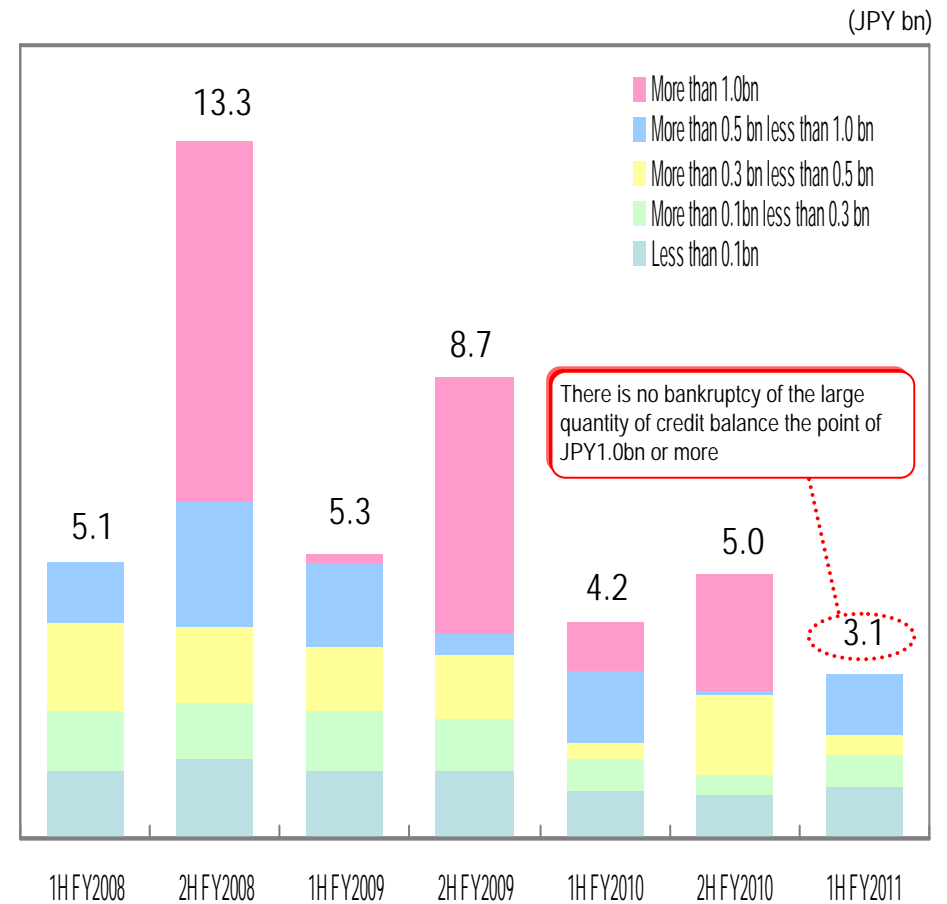
\*Since total of General transfer to loan loss reserves and transfer to specific reserves is reserved, the total (JPY7.4bn) was booked to extraordinary profit and loss as gain on reversal from loan loss reverses.

## Credit-related cost and credit-related cost rate trends



\* Credit-related cost rate = Credit-related costs / Average loan balance

## New transfer to specific reserves by credit balance

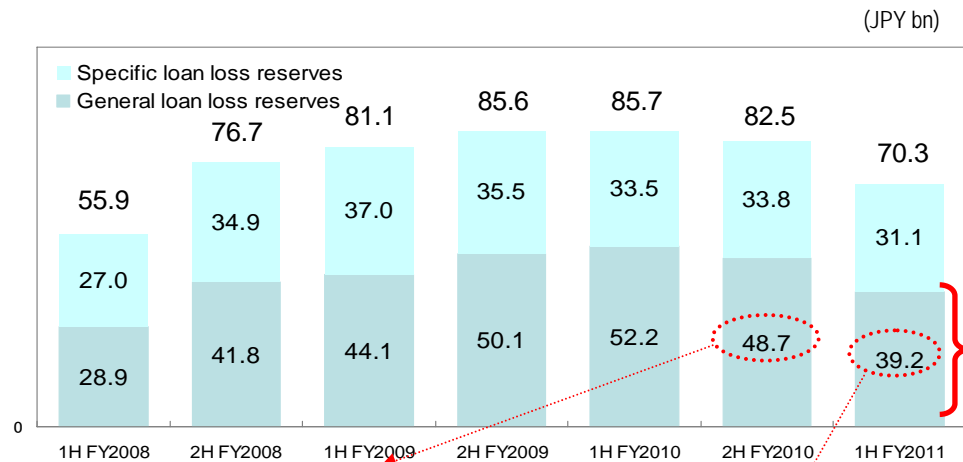




# Credit-related costs (2) – Loan loss reserves

- New methods for calculating general loan loss reserves have been adopted since FY2010
- During 1H FY2011, reserves were also set aside for major borrowers requiring attention based on the DCF method; this is to ensure credit costs remain stable in the future

## Loan loss reserves (balance)



## General loan loss reserves

### ◆ Stricter criteria for transfers to reserves

In estimating transfers to general loan loss reserves, the estimated loss rate is now calculated by applying the average life of the loan to the loan loss ratio

### ◆ Comparison with estimated loss

The general loan loss reserve is to be maintained at over 3x the amount of the estimated loss (JPY 12.8bn at end-September 2011) after the new method is adopted

### ◆ Transfers to reserves based on DCF method

As a preventative measure, transfers have also been made for major borrowers requiring attention to ensure credit costs remain stable in the future

## Changes in FY2010

### ◆ Method for calculating the average life of housing loans was changed

#### [Prior to change]

Average number of years remaining on each receivable  
FY2010 average life: 11.1 years

#### [After change]

Actual average number of years remaining, taking prepayments into account  
FY2010 average life: 7.9 years

→ Average life of housing loans shrinks 3.2 years

## Changes in 1H FY2011

### ◆ Loan loss ratio calculation method → Overlapping calculation method for loan loss ratio ended

#### [Prior to change]

Based on comparison of <1> the average loan loss ratio for five half-year overlapping periods during each calculation period and <2> the loan loss ratio for the most recent half-year period, the highest ratio was applied

Calculation period	1H FY07	2H FY07	1H FY08	2H FY08	1H FY09	2H FY09	1H FY10	2H FY10	1H FY11
(1)									
(2)									
(3)									
(4)									
(5)									

Calculation period: 2.5 years

Total assessment period: 4.5 years

#### [After change]

The average loan loss ratio for three non-overlapping periods is used, and if necessary, adjusted using estimated losses and economic forecast indicators

Calculation period	1H FY04	~	1H FY06	2H FY06	~	2H FY08	1H FY09	~	1H FY11
(1)									
(2)									
(3)									

2.5 years

7.5 years



# Credit-related costs (3)

-Management improvement , turn around businesses

- We are accumulating expertise in SME business revitalization by actively helping companies to improve management and turn around their businesses

Turning around SMEs helps to keep new NPLs at a low level and supports the local economy

**<Shizuoka Bank>**      **FY2003:** Corporate Support Division established to reinforce the bank's ability to help customers improve management and turn around businesses

**FY2008:** 9 new members added to the division after the collapse of Lehman Brothers, bringing the total to 43

**<Group companies>**      **FY2004:** Shizuoka Capital sets up the first business revitalization fund run by Shizuoka Bank group  
It now manages a total of three such funds

## Key initiatives over the last five years (FY2006–FY2010)

No.	Customer	Industry	Business turn around method
1	Company A	Hotel	Businesses spun off using a Shizuoka Capital business revitalization fund as an unlimited liability partner
2	Company B	Manufacturing	Financial position improved using a debt-for-debt swap resulting in conversion to subordinated debt
3	Company C	Manufacturing	Debt-for-debt swap followed by provision of a syndicated loan
4	Company D	Retailing	Businesses sold to sponsor company after improving the financial position through a debt-equity swap
5	Company E	Transport	Financial support provided in cooperation with a government financial institution (subordinated loan)
6	Company F	Service	Support to help the company change strategic direction through the sale of businesses
7	Company G	Hotel	Businesses sold to sponsor company through the Resolution and Collection Corporation
8	Company H	Paper manufacturing	Private business reorganization led by a Small and Medium-size Enterprise Revitalization Support Council (business operated by a sponsor company)
9	Company I	Retailing	Prepackaged bankruptcy procedure
10	Company J	Manufacturing	Syndicated loan provided using the Industrial Revitalization Law and a government loan guarantee system

## Results of initiatives

Over the past five years, **83 companies with a large impact on the regional economy have been turned around**

- **Credit-related costs held down by JPY 8.7bn\***

\*Based on the total of (1)-(3)

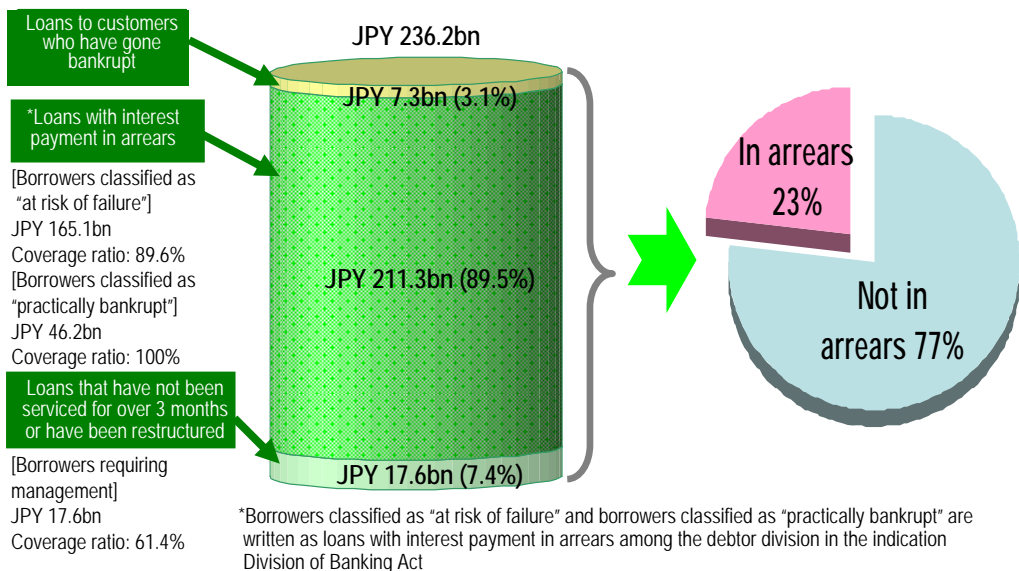
- (1) Companies that had credit ratings raised  
Reversals from loan loss reserves
- (2) Companies turned around though the sales of business disposals  
Reversals from reserves after completion of business revitalization plan
- (3) Other  
Unnecessary of additional transfers to reserves coming from downgrades of borrower's credit rating lower than "at risk of bankruptcy"

- **Around 8,000 jobs were saved for the local economy**

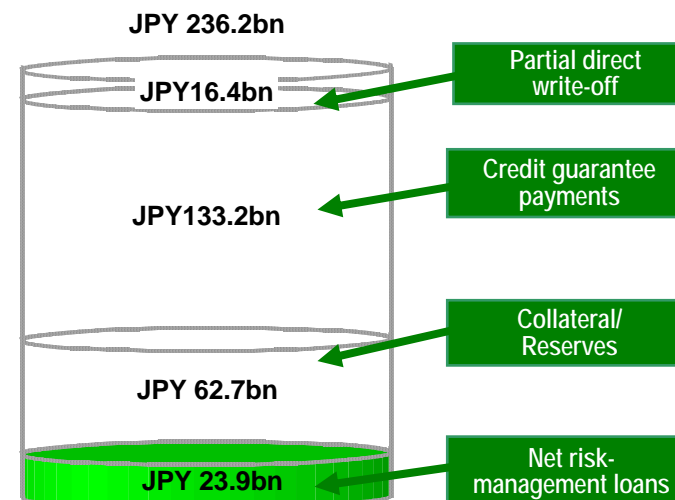
# Risk-management loans

- Total risk-management loans (Non-consolidated): JPY 236.2bn (-JPY 6.3bn from the end of March 2011)
- The ratio of risk-management loans: 3.57% (-0.07 percentage points from the end of March 2011)
- Net risk-management loans (Non-consolidated): JPY 23.9bn (-JPY 2.4bn from the end of March 2011)
- The ratio of net risk-management loans: 0.36% (-0.04 percentage points from the end of March 2011)

## Risk-management loans at the end of Sep. 2011



## Net risk-management loans



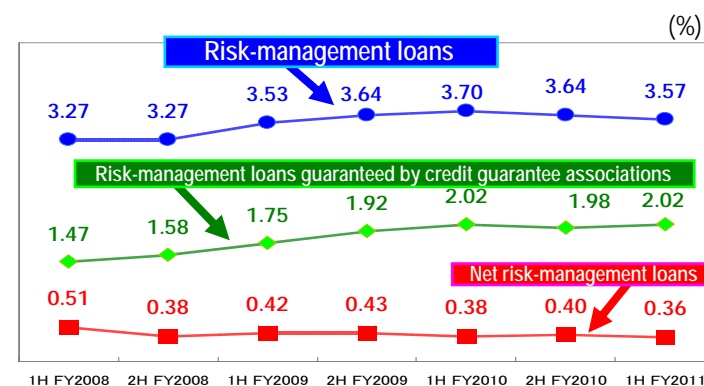
## NPL removal from the balance sheet

(JPY bn)	FY2010	1H FY2010	1H FY2011
New recognition of NPLs	+72.1	+38.0	+29.9
Removal from the balance sheet (NPL to borrowers classified as "at risk of failure" or in riskier categories)	-59.1 (-55.1)	-31.5 (-28.8)	-36.2 (-32.9)
<b>Risk-management loans</b>	<b>242.5</b>	<b>236.0</b>	<b>236.2</b>

-6.3

[Breakdown of JPY 32.9 bn]	
	(JPY bn)
Collected from borrower/ set off against deposit account	5.7
Collateral disposal/ subrogated to guarantor	10.6
Reclassified to better credit category	11.8
Loans sold-off	1.2
Direct write-off of loans	3.6

## The ratio of risk-management loans

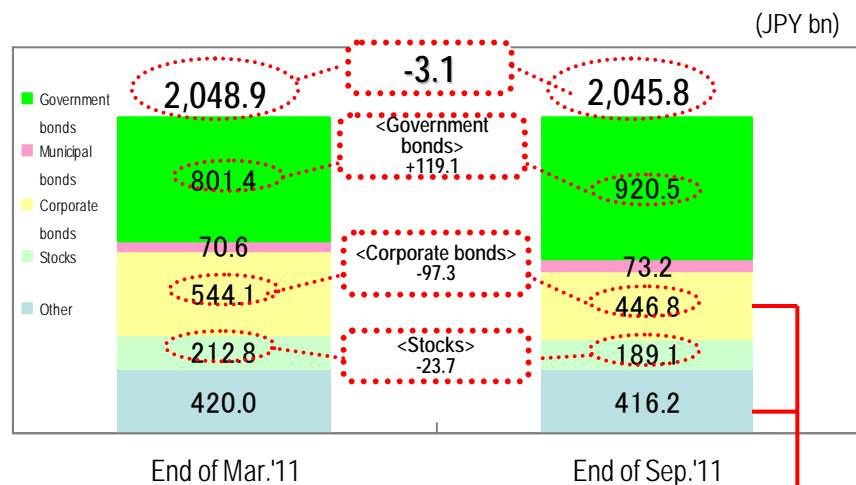


# Securities (1)

- Total balance of securities
- Securities revaluation profit and loss
- Gains and losses from bond-related income such as JGBs
- Gains and losses from stocks

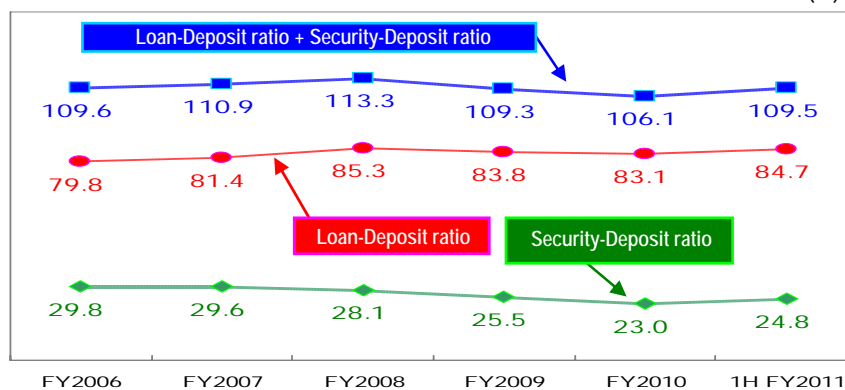
: JPY 2,045.8bn (- JPY 3.1bn from the end of March 2011)  
 : JPY 106.9bn (+ JPY 3.7bn from the end of March 2011)  
 : JPY 5.7bn (+ JPY 0.5bn YoY)  
 :- JPY 5.2bn (- JPY 3.5bn YoY)

## Security portfolio



Breakdown of corporate bond and other category are indicated to 14pages

## Loan-Deposit ratio / Security-Deposit ratio



## Average life of bonds / gains and losses from revaluation of securities

	End of Mar. '11	End of Sep. '11
Average life of yen denominated bonds	5.03y	5.51y
Average life of foreign currency denominated bonds	5.26y	3.73y
Gains and losses from the revaluation of securities	JPY 103.2bn	JPY 106.9bn
Stocks	JPY 90.3bn	JPY 71.9bn
Nikkei stock average	JPY 9,755.10	JPY 8,700.29

## Breakdown of gains and losses from Bond-related income such as JGBs

(JPY bn)	1H FY2010	1H FY2011	Increase/Decrease
Gains and losses from JGBs	5.2	5.7	+0.5
Gain on sale of JGBs	6.9	6.6	-0.3
Loss on sale of JGBs (-)	1.1	0.9	-0.2
Devaluation of JGBs (-)	0.6	—	-0.6

## Breakdown of gains and losses from stocks

(JPY bn)	1H FY2010	1H FY2011	Increase/Decrease
Gains and losses from stocks	-1.8	-5.2	-3.5
Gain on sale of stocks	0.1	0.1	+0.0
Loss on sale of stocks (-)	—	0.0	+0.0
Devaluation of stocks (-)	1.8	5.3	+3.4



# Securities (2)

- As of end-September 2011, exposure to the European market totaled JPY 33.1bn (bonds: JPY 13.7bn, loans: JPY 15.0bn, other: JPY 4.4bn), with France, Germany, U.K. and Belgium accounting for more than 95% of the total
- All bonds (excluding bonds in investment trust portfolios) and borrowers have credit ratings of "A or higher" from an external credit rating agency\*

\*Standard & Poor's ratings as of end-September 2011

## Exposure to the European market (final risk basis)

[Consolidated]

(JPY bn)

	Bonds			Loans		Others	Total
		Of which, public institutions	Of which, financial institutions		Of which, financial institutions		
France	0.1	0.0	0.0	15.0	15.0	0.0	15.1
Germany	9.3	9.2	-	-	-	0.1	9.3
U.K.	0.1	-	-	-	-	3.8	3.9
Belgium	3.2	3.2	-	-	-	0.4	3.5
Italy	1.1	0.1	1.0	-	-	-	1.1
Others	0.0	0.0	0.0	-	-	0.1	0.1
<b>Total</b>	<b>13.7</b>	<b>12.5</b>	<b>1.0</b>	<b>15.0</b>	<b>15.0</b>	<b>4.4</b>	<b>33.1</b>

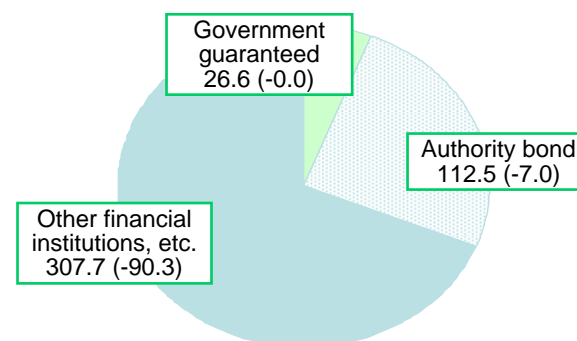
- Figures in the table do not include JPY 14.1bn in loans to Japanese companies
- Others: Total for repurchase agreements, money deposited, and derivatives trading [Forex rates]

EURO/JPY 104.09, GBP/JPY 119.8, CHF/JPY 85.36

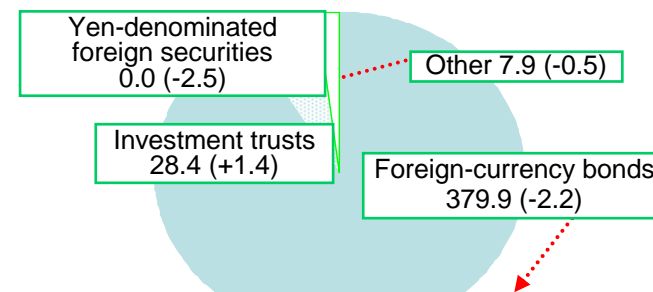
## Breakdown of corporate bonds and other securities

\*Figures in the parentheses show changes from end-Mar. 2011

**"Corporate bonds" category JPY 446.8bn (-JPY97.3 bn)**



**"Other securities" category JPY 416.2bn(-JPY 3.8bn)**



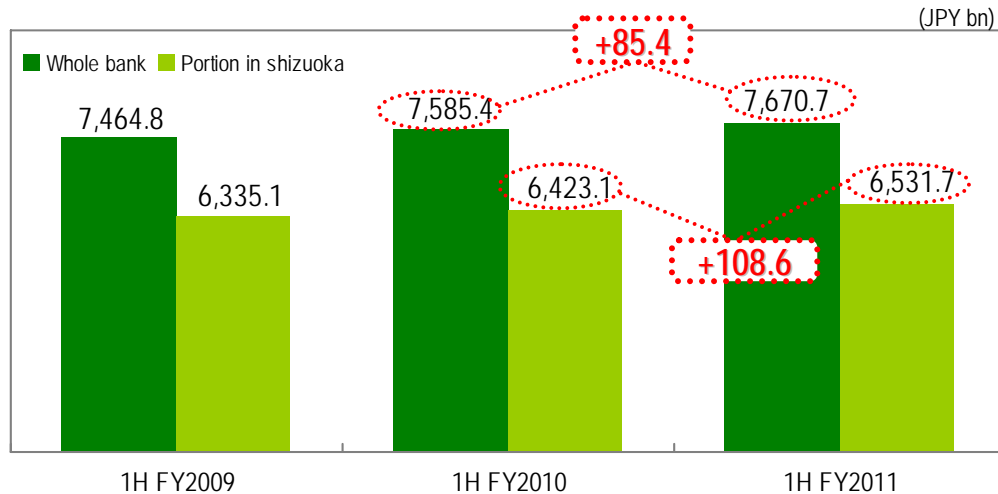
Of which, breakdown of mortgage bonds

(JPY bn)	(Book value)	Change from end-Mar. 2011	Gains and losses from the revaluation of bonds
Ginnie Mae	350.6	-4.3	+15.2

# Deposits

● Total deposit balance in 1H FY2011: JPY 7,670.7bn (average balance), up JPY 85.4bn (+1.1%) YoY

## Deposit balance (average balance)



## [Deposit balance in Shizuoka Prefecture]

Average balance increased to JPY 6,531.7bn, by JPY 108.6bn (+1.7%) YoY

## [Retail deposit balance]

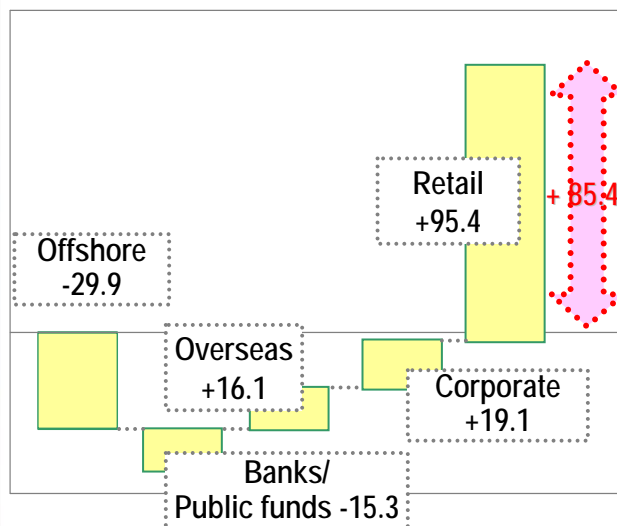
Average balance increased to JPY 5,269.1bn, by JPY 95.4bn (+1.8%) YoY

## [Corporate deposit balance]

Average balance increased to JPY 1,957.8bn, by JPY 19.1bn (+1.0%) YoY

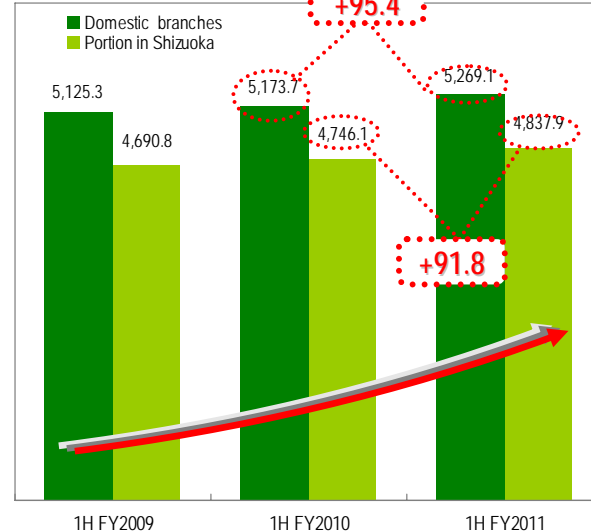
## Breakdown of changes in deposits balance (average balance)

Year-on-year change (JPY bn)



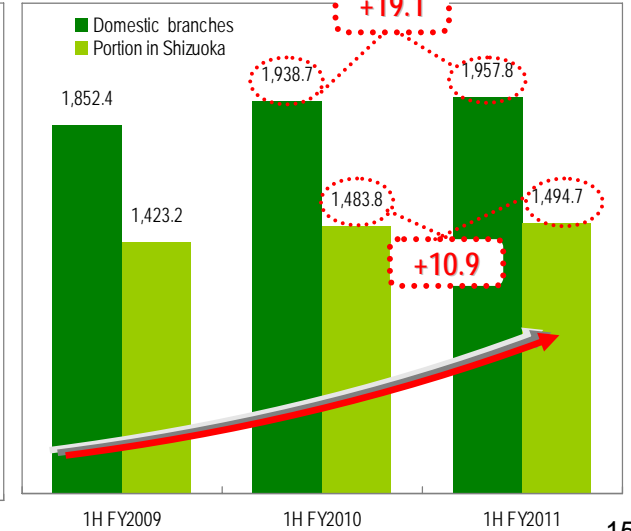
## Retail deposit balance (average balance)

(JPY bn)



## Corporate deposit balance (average balance)

(JPY bn)



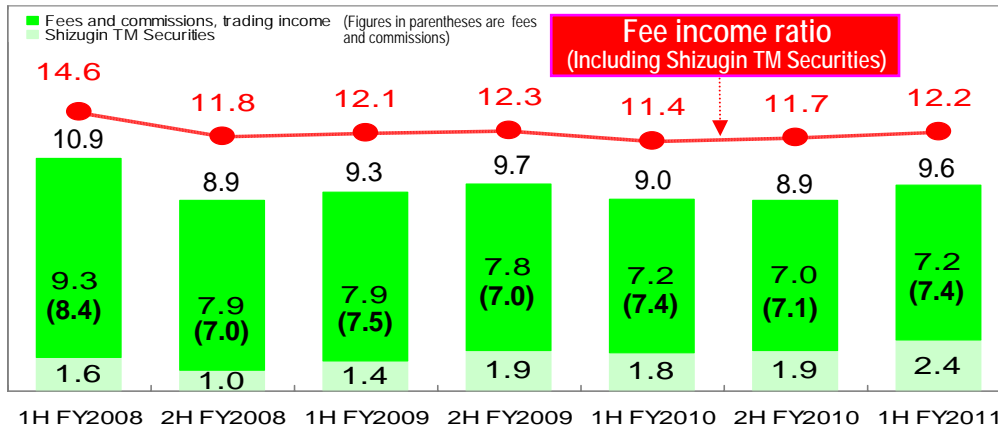


# Fee incomes and customer assets

- Fees and commissions in 1H FY2011 at JPY 7.4bn, trading income -JPY 0.3bn
- Customer assets at the end of September 2011 (including the balance of Shizugin TM Securities) was JPY 6,610.2bn, up JPY 30.6bn from the end of March 2011.
- Balance of customer asset was JPY 1,368.9bn, mainly due to a decline in the balance through the application of mark-to-market accounting down JPY 11.0bn from the end of March 2011

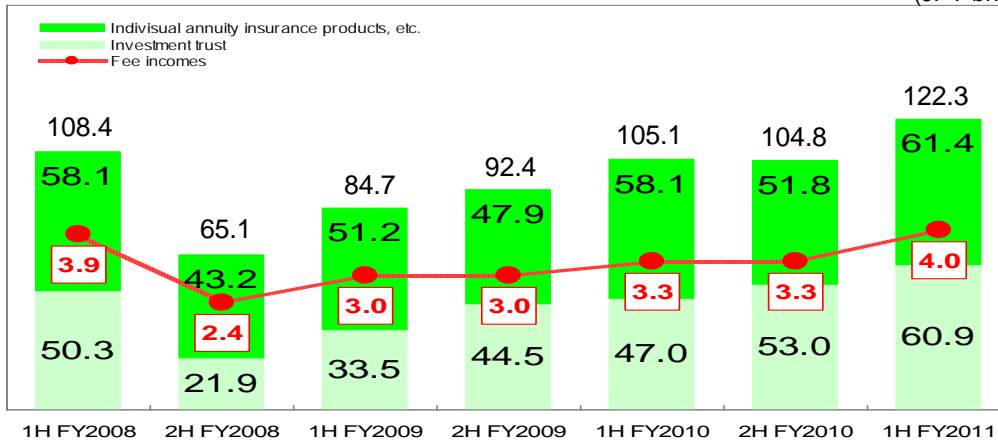
## Fee incomes (Shizuoka Bank / Shizugin TM Securities)

(JPY bn, %)



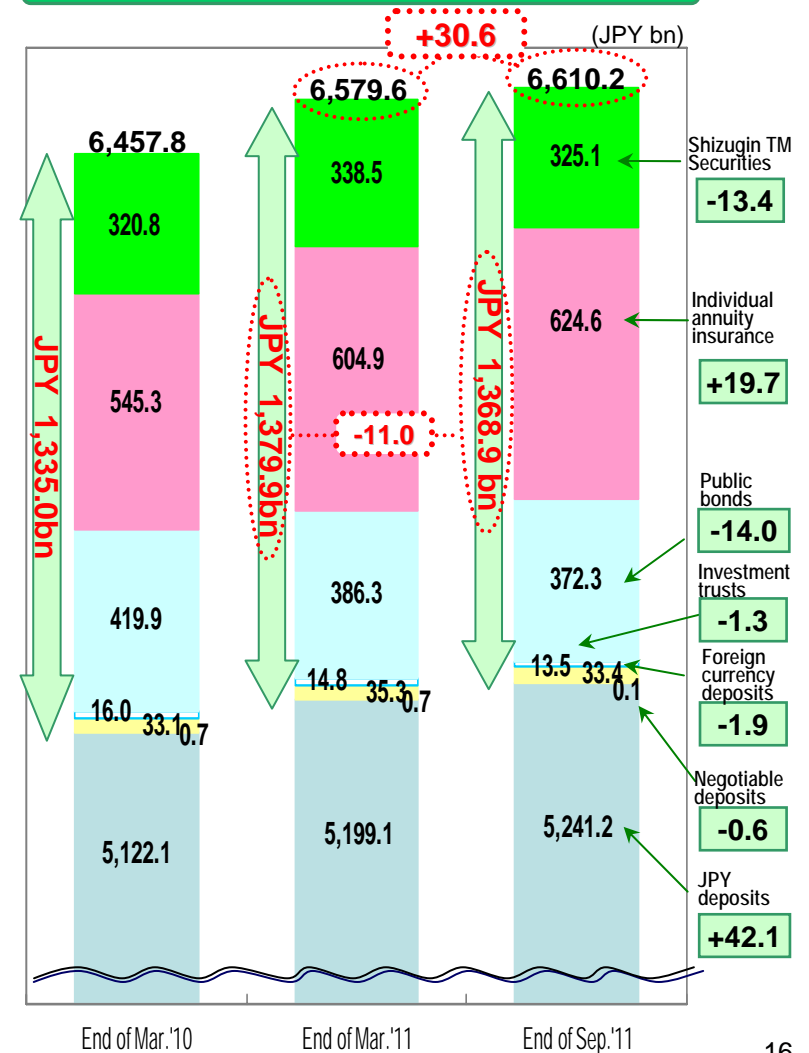
## Sales and fee income from sales of investment trust and insurance products

(JPY bn)



## Customer assets (term-end balances)

(JPY bn)

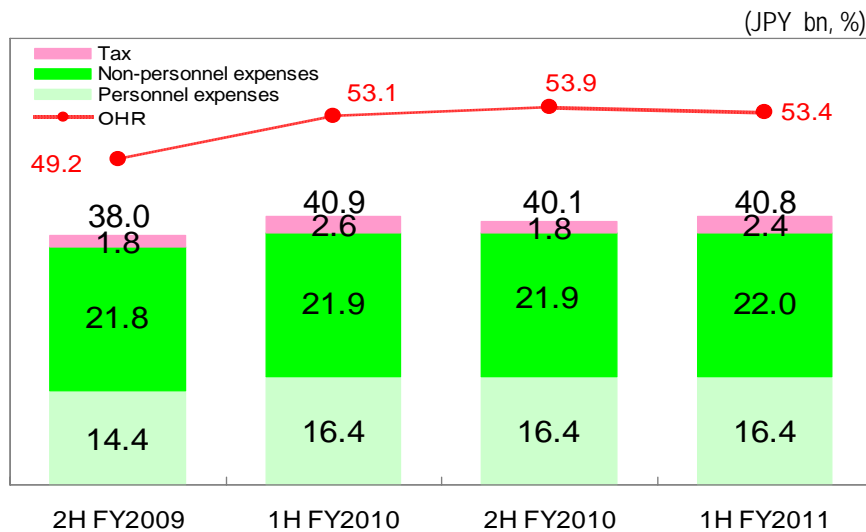




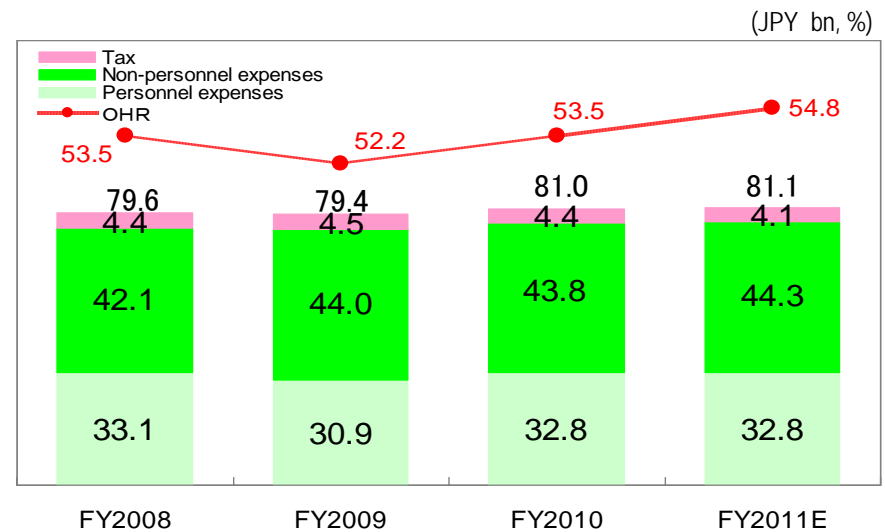
# Expenses

- Expenses in 1H FY2011: JPY 40.8bn (-JPY 0.1bn YoY)
- OHR in 1H FY2011 (Non-consolidated): 53.4% (+0.3 percentage points YoY)

## Expenses and OHR (half-year basis)



## Expenses and OHR (annual basis)



## Amount of investments

(JPY bn)

	2H FY2009	1H FY2010	2H FY2010	1H FY2011
Amount of investments	2.1	6.6	4.4	3.2
Software	1.5	2.5	2.2	1.8
Building	0.2	3.0	1.1	0.5
Movable property	0.3	0.9	0.8	0.5

## (Reference) Major system investments from FY2011

- Response to change in basic structure of IC cash cards
- Response to digital account receivable records system
- Upgrades of integrated database
- Construction of integrated channel infrastructure

**Implement tighter management of IT investment and expenses to achieve well-balanced IT investment with properly dealing costs and risks**

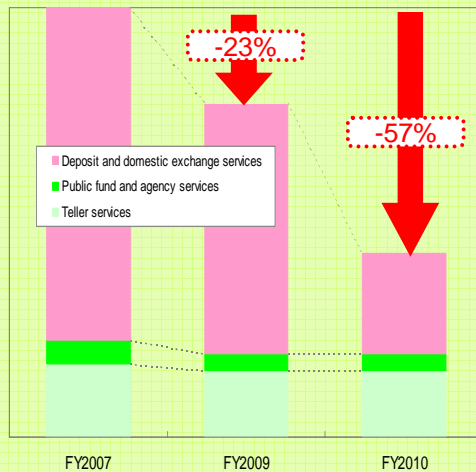


# Improved productivity

- An ongoing BPR program is enabling an increase in front-office staff without boosting the overall headcount  
→ sustained top-line growth



## Workload reduction of branches



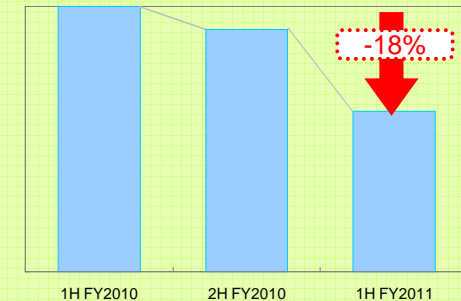
\*When the amount of business in the FY2007 is set to 100

## Number of personnel

(Employees)	End-Mar. '08	End-Mar. '11	End-Sep. '11	Change from end-Mar. '08
Front office	2,411	2,781	3,076	+665
Of which, bank employees	1,794	2,011	2,293	+499
Back office/assisting	1,693	1,314	1,063	-630
Of which, bank employees	548	286	88	-460
Shizuoka Bank	5,164	4,975	5,021	-143
Of which, bank employees	2,851	2,855	2,935	+84

Operational performance improved even while reducing headcount

-Efficiency gains and sharp decline in office incidents



\*When the office incidents number of the 1H FY2010 is set to 100

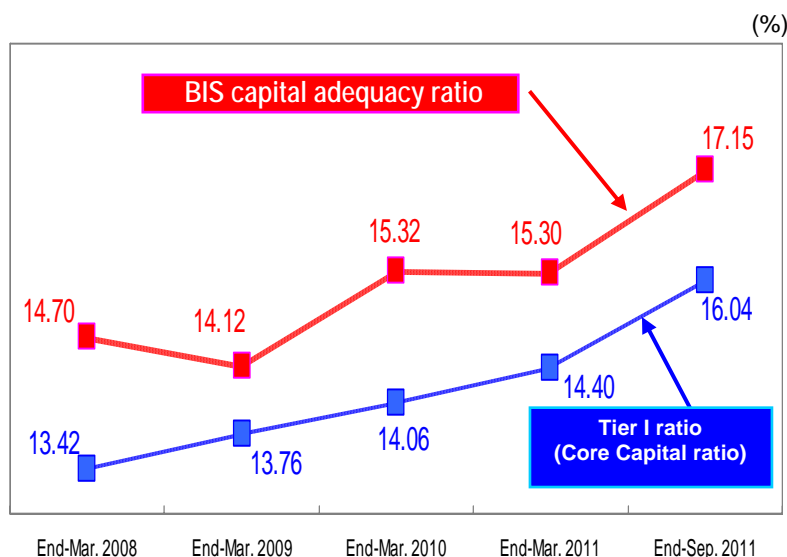
\*Office incidents based on internal definitions



# Capital adequacy ratio

- The Basel II capital adequacy ratio at the end of September 2011 was 17.15%. (+1.85 percentage points from the level at the end of March 2011)
- Tier I ratio (core capital ratio) was 16.04%. (+1.64 percentage points from the level at the end of March 2011)
- Based on criteria in the Basel III text released in December 2010, the end-March 2011 the level of capital adequacy ratio exceeded regulatory levels

## BIS capital adequacy ratio (consolidated basis)



## Main reasons for decline in risk assets

- Decline in the default ratio due to an upturn in customer's earnings
- Increase in the ratio of JGB holdings in the securities portfolio

[Calculation based on criteria in the Basel III text released in December 2010 (End-March 2011 basis)]

- Capital adequacy ratio: 14.26% (Regulatory level 10.5%)
- Tier I ratio : 14.25% (ditto 8.5%)

## Changes in capital and risk-adjusted assets

	End-Mar. '09	End-Mar. '10	End-Mar. '11	End-Sep. '11	Change from end-Mar. '11
Capital*	623.4	687.8	686.1	694.8	+8.7
Tier I	607.8	631.4	645.9	650.1	+4.2
Tier II	29.1	67.6	50.7	50.0	-0.7
Risk-adjusted assets	4,414.8	4,488.9	4,482.9	4,051.3	-431.6
Total credit-risk adjusted assets	4,094.6	4,166.3	4,162.8	3,737.1	-425.7
Amount corresponding to market risk	24.8	20.5	16.5	12.3	-4.2
Amount corresponding to operational risk	295.4	302.1	303.6	301.9	-1.7

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

## Outlier ratio (Non-consolidated basis)

	(JPY bn,%)	
Size of maximum risk	Tier I + Tier II	Outlier ratio
29.3	669.8	4.4



# Shareholder return

- In the first half of FY2011, dividend per share was JPY 6.50
- Based on the outlook for earnings and other factors, we plan to increase the FY2011 year-end dividend to JPY 7.00 per share (annual dividend per share: JPY 13.50), reflecting our emphasis on returning profits to shareholders.

## Dividend trends

(JPY)

	FY2008	FY2009	FY2010	FY2011E
Dividend per share (annual)	13.00	13.00	13.00	13.50 (6.50* )

\*Interim dividend

## Profit distribution to shareholders

(JPY bn, %)

	FY2008	FY2009	FY2010	FY2011E	FY '01 – '10 (10 years)
Annual dividend (1)	9.1	9.1	8.8	8.9	Accumulated total 72.9
Purchase of treasury shares * (2)	—	4.0	15.0	14.6	Accumulated total 71.5
Shareholder returns (3)=(1)+(2)	9.1	13.1	23.8	23.5	Accumulated total 144.5
Net income (4)	12.8	32.1	35.4	36.5	Accumulated total 264.8
Dividend payout ratio (1)/(4)x100	70.85	28.20	24.85	24.26	Average 27.55
Shareholder return ratio (3)/(4)x100	70.85	40.64	67.22	64.19	Average 54.56

\*Purchase amount of treasury shares in FY2011 is an actual amount for the 1H FY2011



# Share Buybacks

- Share buybacks have been continuously carried out since FY1997, with the 151million of shares bought back as of the end of September 2011
- 20 million shares was bought back during the 1H FY2011

## Historical share buybacks

	Shares bought back (thousand shares)	Purchase amount of treasury shares (JPY mn)	Number of shares cancelled (thousand shares)	Cancellation amount (JPY mn)	Shareholder return ratio (%)
FY1997	7,226	9,997	7,226	9,997	90.3
FY1998	6,633	9,142	6,633	9,142	86.7
FY1999	8,357	9,143	8,357	9,143	51.4
FY2000	24,954	23,281	24,954	23,281	152.0
FY2001	8,234	8,267	8,234	8,267	165.4
FY2002	29,928	23,107	—	—	229.4
FY2003	10,712	8,566	30,000	23,381	50.8
FY2004	—	—	—	—	17.1
FY2005	—	—	—	—	22.5
FY2006	—	—	—	—	25.3
FY2007	10,000	12,621	10,000	10,130	61.8
FY2008	—	—	—	—	70.8
FY2009	5,000	3,996	5,000	4,638	40.6
FY2010	20,000	14,980	20,000	15,957	67.2
Cumulative total	131,044	123,102	120,404	113,938	62.8
FY2011	* 20,000	* 14,575	—	—	—

\* Purchase amount of treasury shares in FY2011 is an actual amount for 1H FY2011

# Projected performance for FY2011



# Projected performance for FY2011

Consolidated (JPY bn)	FY2010	FY2011E	Change from FY2011	
			Change from FY2011	Estimates as of Aug.2011
Ordinary revenue	209.0	210.0	+1.0	—
Ordinary profit	64.2	67.0	+2.8	+2.5
Net income	36.2	38.0	+1.8	+1.0

Non-Consolidated (JPY bn)	FY2010	FY2011E	Change from FY2011	
			Change from FY2011	Estimates as of Aug.2011
Ordinary revenue	179.3	179.0	-0.3	-2.0
Gross operating profit	151.4	148.1	-3.3	-0.1
Expenses (-)	81.0	81.1	+0.1	-0.8
Net operating profit	71.7	67.0	-4.7	-5.0
Actual net operating profit	70.4	67.0	-3.4	+0.7
Gains and losses from stocks	-1.2	-5.2	-4.1	-6.2
Ordinary profit	58.7	61.0	+2.3	+1.0
Net income	35.4	36.5	+1.1	+0.5

	FY2010		FY2011E		Change from FY2011	
	(JPY bn)	1H FY2010		1H FY2011		YoY change
Credit-related costs	9.6	7.1	-1.1	-7.3	-10.7	-14.4
General transfer to loan loss reserves	-1.3	2.2	(-7.1)	(-9.6)	(-5.8)	(-11.8)
Bad debt written-off	10.8	4.9	0.8	0.1	-10.0	-4.8
transfer to specific reserves	7.8	3.3	(5.2)	(2.2)	(-2.6)	(-1.1)
Gain on reversals from loan loss reserves(-)	—	—	1.9	7.4	—	—

\* Figure in parentheses are amount before a total

# Reference



# Loans (1) - Loans by industries

- Business loans to industries such as real estate, construction, leasing, money lending and investment each account for less than 9% of lending for all industries. There is no concentrated exposure to any of these specially designated industries
- Expected Loss (EL) amounts to JPY 11.7bn for all industries (JPY 1.1bn for real estate and JPY 0.9bn for construction)
- Unexpected Loss (UL) amounts to JPY 44.0bn for all industries

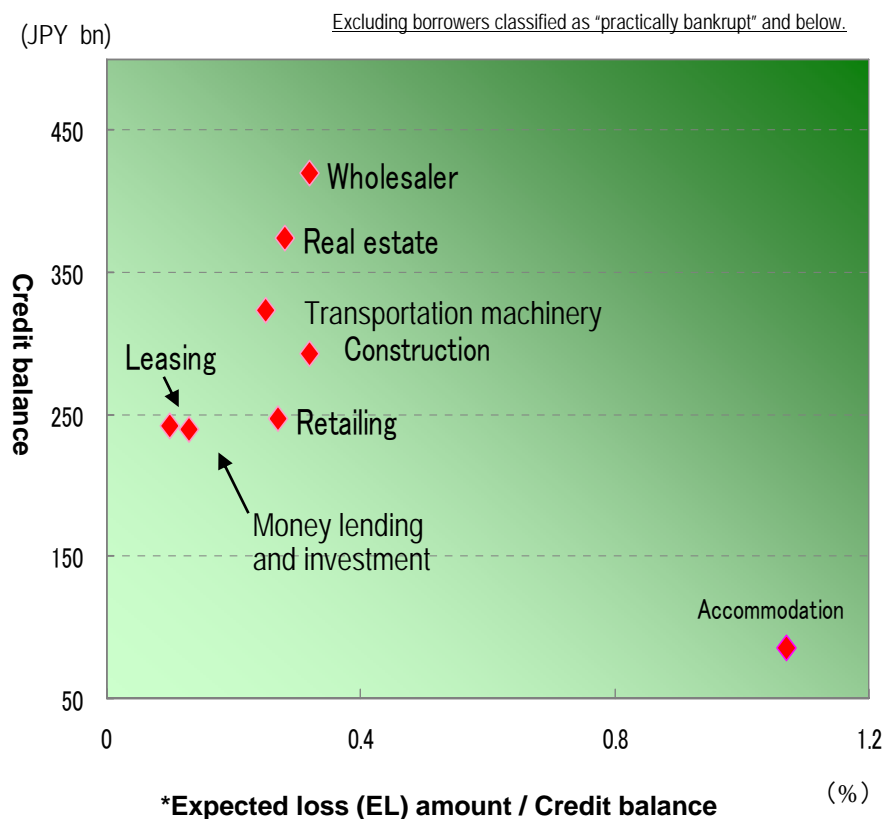
## Breakdown of business loans to the specially designated industries

[ Credit balance (as of the end of September 2011) ]  
(JPY bn, %)

	Balance	Composition ratio	YoY change
All industries	4,641.0	100.0	+142.2
Real estate	384.7	8.3	+26.6
Construction	302.1	6.5	+14.5
Leasing	242.0	5.2	+11.0
Money lending and investment	239.6	5.2	+8.3
Wholesaler *	423.2	9.1	+32.9
Transportation machinery	325.0	7.0	-10.0
Retailer	251.4	5.4	-5.2
Accommodation	86.7	1.9	+3.8

\* excluding a general trading company

[ Credit balance vs. expected loss rate\* ]





# Loans (2) – Borrowers with modified lending conditions on the basis of Act on facilitation of succession of management of SMEs

## Disclosure according to Act on Facilitation of Succession of Management of SMEs (accumulated results from Dec. '09 to Sep. '11)

### <Executed changes of lending conditions>

	Number of cases	Executed amounts
Loans for SMEs	45,541	JPY 1,135.4bn
Housing loans	1,121	JPY 18.1bn

Several details were counted for the same borrower.  
In addition to that, each time continued, loans with bullet repayment was posted as "executed changes of lending conditions".

Of which, borrowers with changes in lending conditions by reducing payment on term

For borrowers classified as careful monitoring or in riskier categories who made changes in lending conditions by reducing payment on term

	Numbers of borrowers for which lending conditions were modified	Credit balance	
			Of which non-protected amount
Loans for SMEs	*1 1,956	JPY 196.4bn	JPY 64.2bn
Housing loans	724	JPY 11.2bn	*2 JPY 3.6bn
Total	2,680	JPY 207.6bn	JPY 67.8bn

Expected Loss
JPY 4.7bn
JPY 0.1bn
JPY 4.8bn

General transfer to loan loss
JPY 5.0bn
JPY 0.3bn
JPY 5.3bn

• 4.7% of total borrowers of business loans

• Executed credit balance JPY 207.6bn (3.1% of total lending)  
Of which, non-protected amount JPY 67.8bn (1.0% of total lending)

• Expected Loss (JPY 4.8bn) was executed within the range of "general transfer to loan loss balance" (JPY 5.3bn)

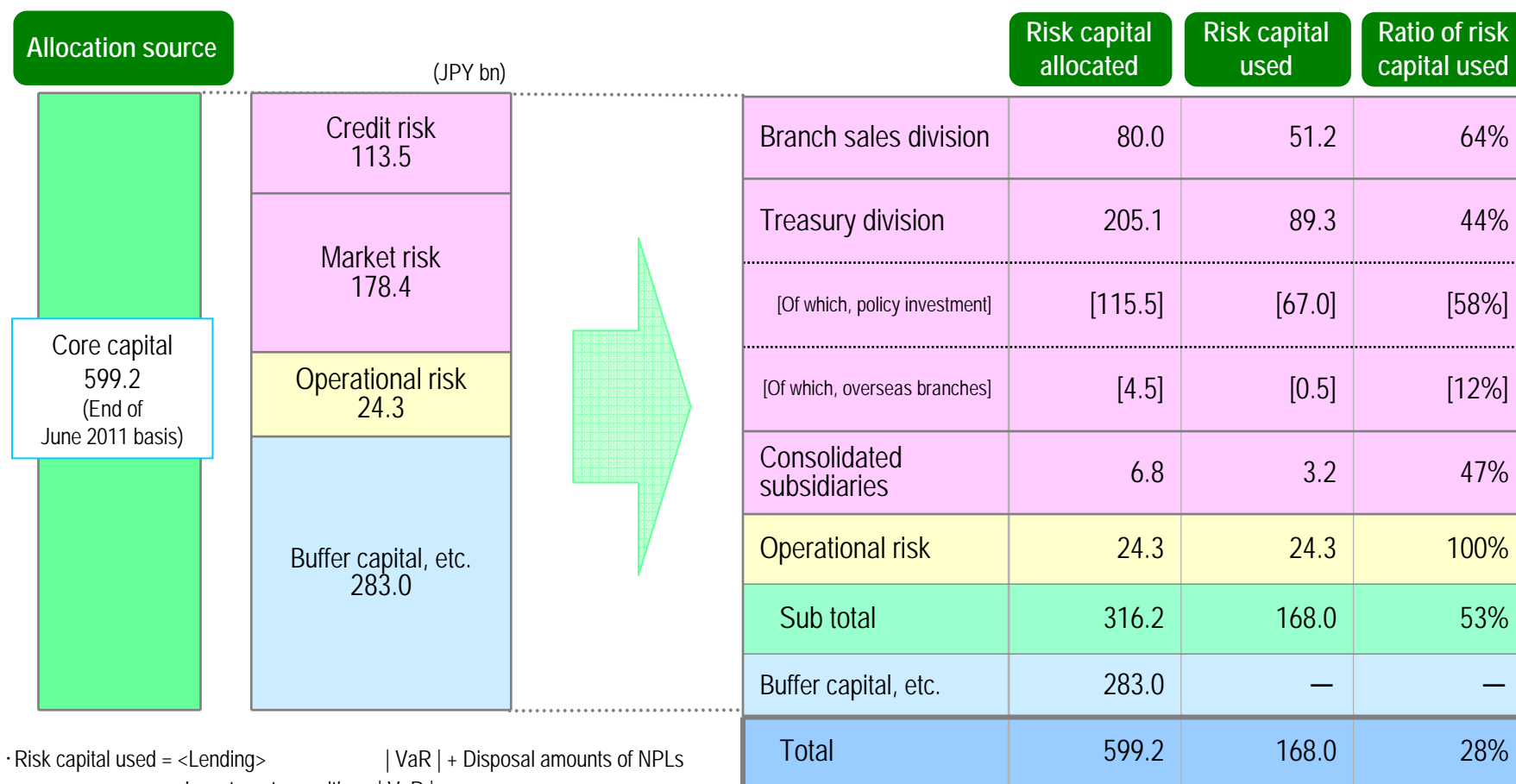
\*1 Including loans for apartments

\*2 Non-protected amount of housing loan was calculated on the basis of our collection performance



# Allocation of risk capital

- Allocation of risk capital for the first half of FY2011 amounted to JPY 599.2bn, of which JPY 113.5bn was allocated to credit risk, JPY 178.4bn to market risk, JPY 24.3bn to operational risk, and JPY 283.0bn to buffer capital, etc
- For the 1H FY2011, JPY 51.2bn was used by the Branch sales division, and JPY 89.3bn by the Treasury division



• Risk capital used = <Lending> | VaR | + Disposal amounts of NPLs  
 <Investment securities> | VaR |  
 <Others> | VaR |

• Core capital = common stock + retained earnings – asset outflow – intangible assets – prepaid pension cost

• Buffer capital is kept aside for emergencies such as the anticipated Great Tokai Earthquake and other unquantifiable risks.



# Group companies

- Group companies increased both revenue and profits: The total ordinary revenue of 11 consolidated subsidiaries increased to JPY 24.2bn (up JPY 1.1bn year-on-year) and the ordinary profit of JPY 3.2bn (up JPY 0.7bn year-on-year)

(JPY bn)

Company name	Business	Ordinary revenue	Ordinary profit		
			YoY change	YoY change	
Shizugin Management Consulting Co., Ltd.	Corporate and financial management advisory services	0.1	+0.0	0.0	+0.0
Shizugin Lease Co., Ltd.	Leasing	12.2	+0.1	1.0	-0.0
Shizuoka Computer Service Co., Ltd.	Computer services, accounting	2.7	+0.3	0.2	+0.0
Shizugin Credit Guaranty Co., Ltd.	Guarantee of loans	0.8	+0.2	0.6	+0.3
Shizugin DC Card Co., Ltd.	Credit card and guarantee of consumer loans	1.0	-0.0	0.3	+0.0
Shizuoka Capital Co., Ltd.	Public-offering assistance Support for corporate rehabilitation	0.2	-0.2	0.1	-0.1
Shizugin TM Securities Co., Ltd.	Securities	2.4	+0.6	0.9	+0.4
Shizuoka Bank (Europe) S.A.	Finance and securities-related services	0.3	+0.0	0.1	+0.0
Shizugin General Service Co., Ltd.	Part-time employee management, etc.	1.5	-0.1	0.0	-0.0
Shizuoka Mortgage Service Co., Ltd.	Appraisal of real estate for loan collateral, etc.	0.7	+0.3	0.0	-0.0
Shizugin Business Create Co., Ltd.	Operation center for remittance and bill collection, etc.	2.3	-0.0	0.0	-0.0
<b>Total (11 companies)</b>		<b>24.2</b>	<b>+1.1</b>	<b>3.2</b>	<b>+0.7</b>
Shizugin Saison Card Co., Ltd.*	Credit card services, credit guarantee	0.5	+0.1	0.0	+0.2

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



# Economy of Shizuoka Prefecture

<Size of economy> Economy of Shizuoka Prefecture is called a “3%, 10th-ranked economy,” as on many indicators it makes up 3% of the national economy and ranks around 10th among the 47 prefectures. The economy is strong by national standards.

(JPY bn)

	FY2007	FY2008	FY2009	FY2010
Prefectural GDP (nominal)	17,044.3	16,452.7	15,140.5 (*)	15,417.6 (*)
National GDP (nominal)	525,263.1	505,016.3	—	—
Ranking in prefectural GDP	10 <sup>th</sup>	10 <sup>th</sup>	—	—
Prefectural manufactured goods shipments (MGS)	19,410.3	19,177.7	15,051.0	—
National MGS	336,756.6	335,578.8	265,259.0	—
Ranking in prefectural MGS	3 <sup>rd</sup>	3 <sup>rd</sup>	2 <sup>nd</sup>	—

No. of new facility locations (Shizuoka)	124	144	44	41 (*)
No. of new facility locations (Nationwide)	1,791	1,630	867	786 (*)
Ranking	1 <sup>st</sup>	1 <sup>st</sup>	5 <sup>th</sup>	4 <sup>th</sup> (*)

Note: Manufactured goods shipments (MGS) and No. of new facility locations are based on calendar-year data; all others on fiscal-year data.

\* Based on flash reports.

<Effective job opening to applicant ratio (seasonally-adjusted) >

Although the ratio has been below national average since February 2009, the gap is narrowing in these days

(Times)

	Dec. 2010	Jan. 2011	Feb. 2011	Mar. 2011	Apr. 2011	May. 2011	Jun. 2011	Jul. 2011	Aug. 2011	Sep. 2011
Shizuoka Pref.	0.54	0.58	0.60	0.61	0.57	0.54	0.56	0.58	0.62	0.64
Nationwide	0.58	0.61	0.62	0.63	0.61	0.61	0.63	0.64	0.66	0.67

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.