

Shizuoka Bank Group the 12th Medium-term Business Plan

「TOBIRA ~Open a Gate for the Next」

(FY2014 - FY2016)

April 14, 2014

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SHIZUOKA BANK

静岡銀行

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Challenge on the new business fields and profitable opportunities**

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Review of the 11th Medium-term Business Plan

Review of the 11th Medium-term Business Plan (1)

The 9th Plan FY2005-FY2007
“3C plan: Challenge to
Creation and Change”

- ◆ Expanded customer base
- ◆ Developed operating infrastructure

The 10th Plan FY2008-FY2010
“Dream Ten - New Challenges”

- ◆ Established the earning model
- ◆ Improved productivity

The 11th Plan FY2011-FY2013
「MIRAI ~Future」

◆ **Reinforced solution-based approach**

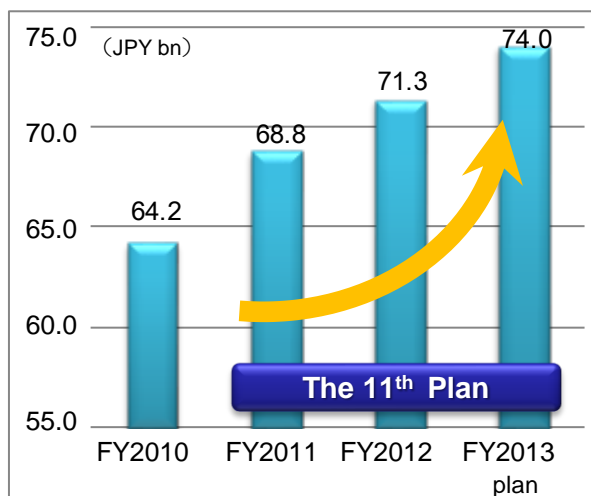
- Consulted for turnaround and revitalization
- Supported for overseas entry of corporate customers
- Expanded retail customer base

◆ **Boosted further productivity**

- Reformed the process for housing loans
- Equipped IT infrastructure

Grew consolidated ordinary profit even in the low-interest rate environment

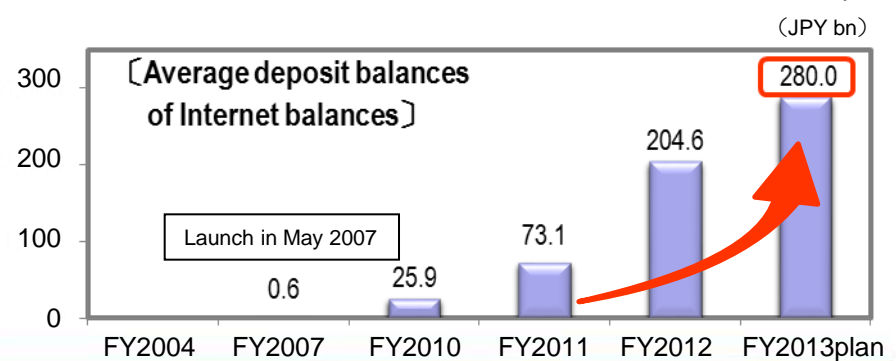
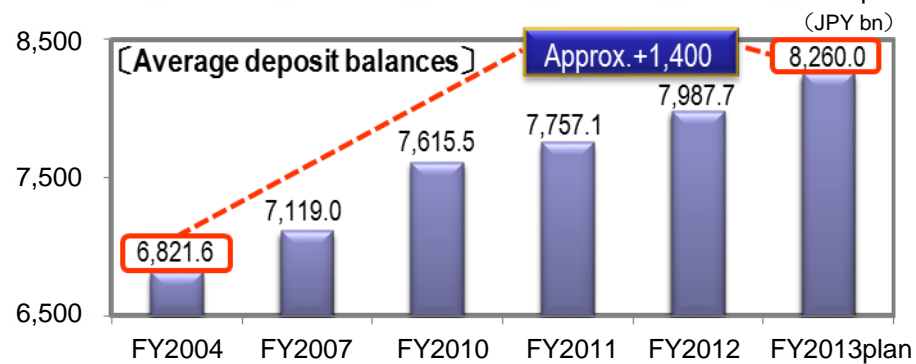
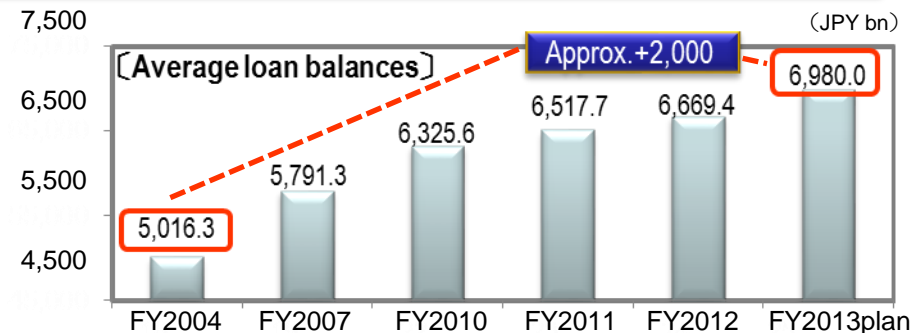
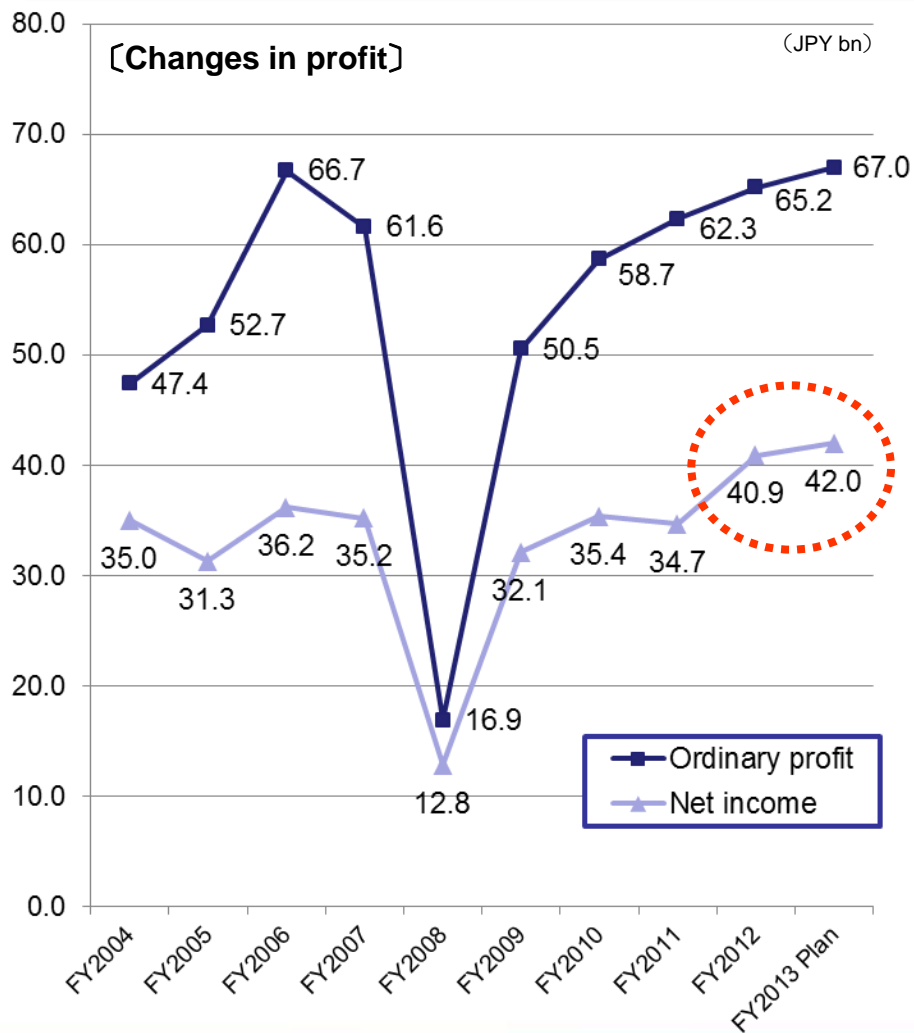
Trend of Consolidated ordinary profit



The 12th Plan FY2014-FY2016
「TOBIRA ~ Open a Gate for the Next」

Review of the 11th Medium-term Business Plan (2)

- Moved forward to the new stage where the bank itself attained more than JPY40 billions of net income through provision of solutions and products matching customer's needs and boost in productivity (IT investments, BPR)



Review of the 11th Medium-term Business Plan (3)

● The productivity in front office has been enhanced by BPR

<9th plan> ◆ IT investments, launch of centralized operation

<10th plan> ◆ Staff relocation to front office, wider-ranging centralized operation

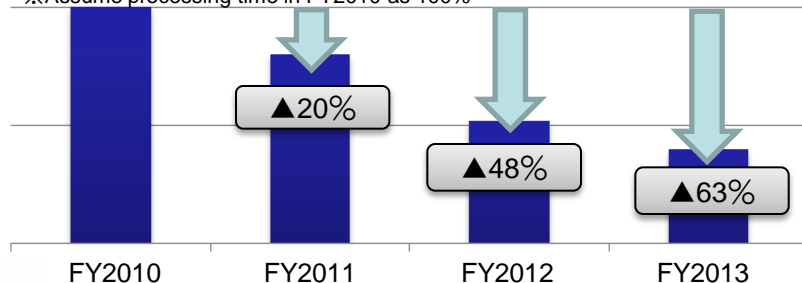
<11th plan> ◆ Improvement of productivity in front office

• Number of staff relocated from back office to front office

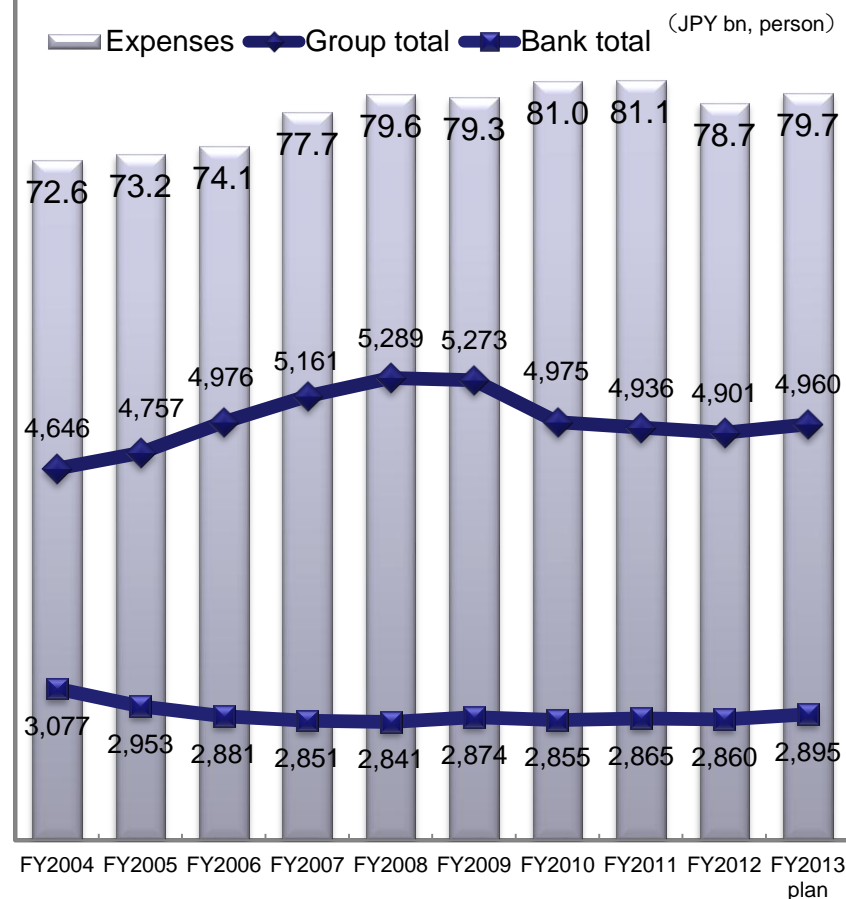
(person)	End of Mar.'11	End of Mar.'14 plan	Compared to the end of Mar.'11
Front office	2,781	3,116	+335
Back office/assisting	1,314	989	▲325
HQ, loan operations centers and other	880	855	▲25
Shizuoka Bank	4,975	4,960	▲15

• Reduced processing time of consumer loan by about 60%

※Assume processing time in FY2010 as 100%



Ongoing BPR made it possible to shift more staffs to front office, resulting in squeezing out excessive costs and growing profit and balances of deposits and loans



Review of the 11th Medium-term Business Plan (4)

- Need to build new growth drivers beyond existing business domains to proactively handle the change of surrounding environment and accordingly decrease in interest income

Structural changes of surrounding environment

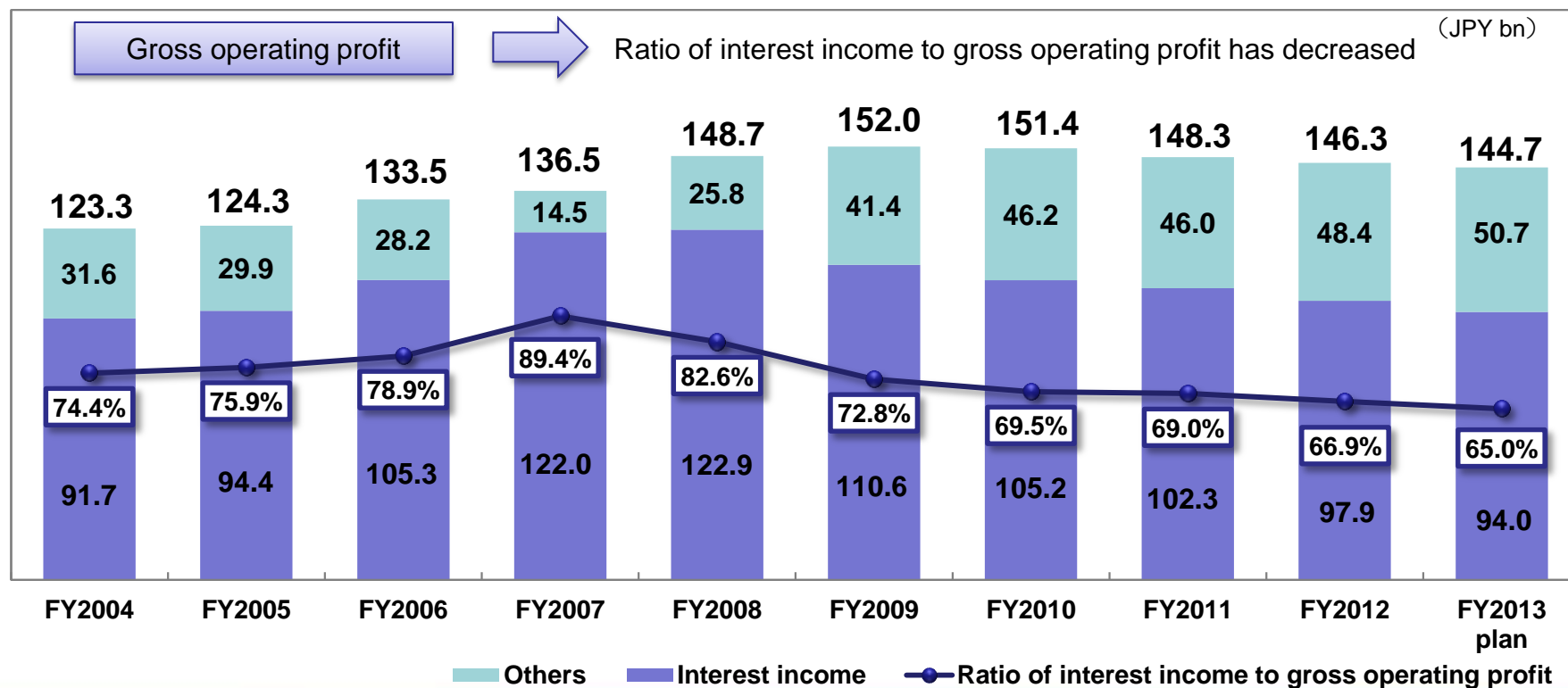
Domestic mature market
Functional concentration in urban areas

Development of information network
Change of customer behavior and life style

Aging and decline population

Globalization

New entrants from outside industries





Overview of the 12th Medium-term Business Plan

Key concept of the 12th Medium-term Business Plan

- Aim for sustainable growth beyond the boundaries of conventional thinking and processing in order to bridge the dynamic changes of managerial environment

Key concept of the 12th Medium-term Business Plan

- Enhance presence and competitiveness inside and outside Shizuoka prefecture
- Open up a window of new opportunities and rebuild business structure with fresh ideas
- Take over and reinforce the initiatives of the 11th Medium-term Business Plan
- Increase stakeholders' satisfaction

The 12th Medium-term Business Plan (12th MBP)

Name of the plan

「TOBIRA ~ Open a Gate for the Next」

Group vision

「Shizugin」 that ventures on the new possibilities

Guideline for action ~ We aim to be the best regional bank in the world with taking 「Breakthrough」 to heart

Basic strategies

Top line growth

- Refine region-based relationship banking
- Challenge on the new business fields and profitable opportunities

Operational system

- Build the flexible and robust operating structure

Branding

- Add more value to 「Shizugin」 brand

Target figures

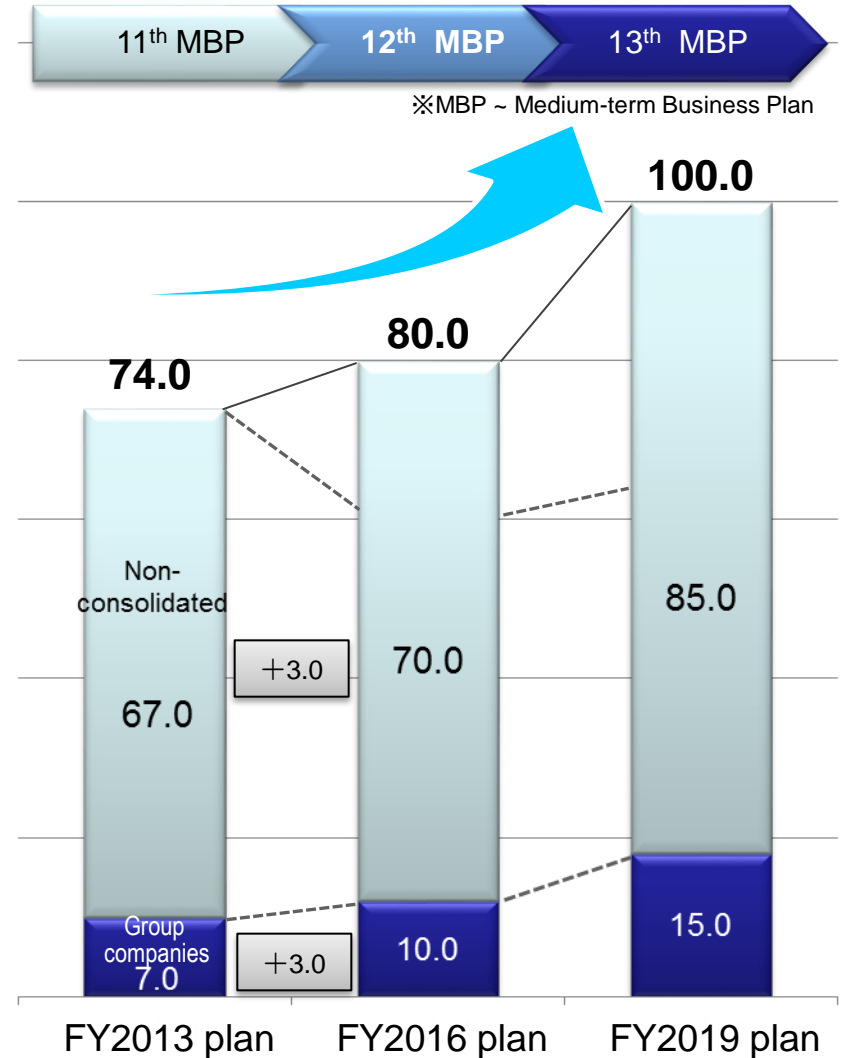
Target figures (consolidated)

(JPY bn)

	11 th Medium-term Business plan	12 th Medium-term Business Plan
	FY2013 plan	FY2016 plan
Ordinary profit	74.0	80.0 or more
Net income	46.0	50.0 or more
Common Equity Tier I ROE	6.56%	6% level
OHR	54.7%	Around 55%
Common Equity Tier I ratio	15.25%	Around 14%
Shareholder return	50% or more in medium term	50% or more in medium term

〔Consolidated ordinary profit〕

(JPY bn)



Active investments and vision to reach for in the 13th Medium-term Business Plan

- Actively invest to build a robust operating structure that supports our growth strategy for the drive of top line and future developments including business mergers

JPY100-billion active investments

System-related	Approx. JPY 30bn
Construction of branches and new HQ	Approx. JPY 25bn
New businesses	Approx. JPY 45bn
Total	Approx. JPY 100bn

Investment goals

- ◇ **Upgrade marketing approach**
Use EBM and other advanced marketing techniques, and offer tailored products and services
- ◇ **Link up outlet channels**
Shift to an omni-channel marketing approach well-tuned to customer needs and lifestyles
- ◇ **Sophisticate risk management, increase business efficiency**
Apply wider-ranging information into risk management and reform work styles to achieve better efficiency
- ◇ **Capitalize on new ventures**
Offer new services and move into new business domains

The Vision to reach for after the 13th Medium-term Business Plan

Expand existing business fields and customer segments

Grow the Group's business through strategic investments

Increase points of contact with customers

Boost productivity

Achieve JPY100bn of consolidated ordinary profit

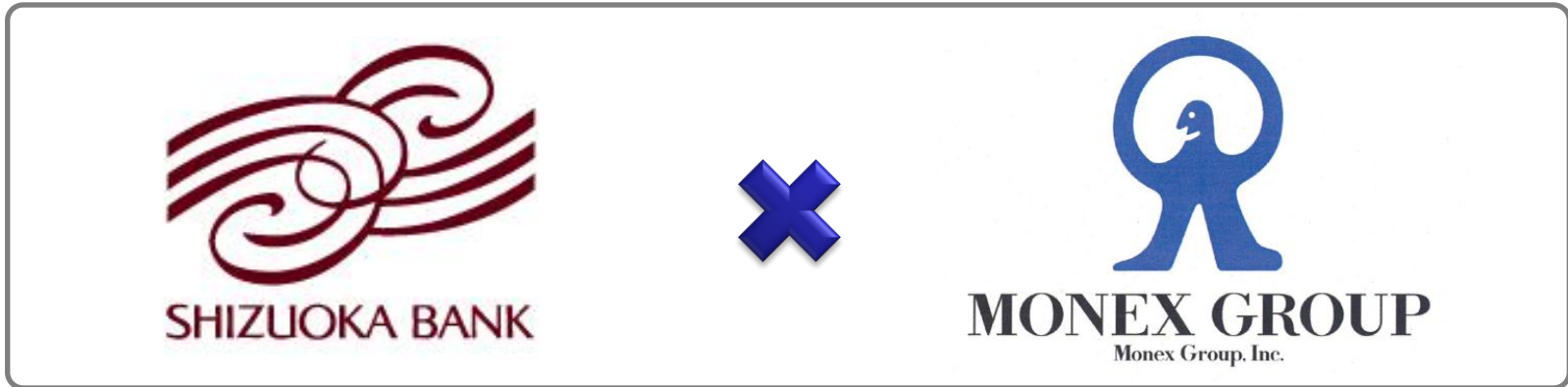
Build single flexible platform that enable us to link core systems of other business entities

Equip flexibility and agility for new ventures with other industries

Actively invest to invert the trend of top line performance and ensure sustainable growth

Capital and business alliance with Monex Group, Inc.

The Shizuoka Bank, Ltd. and Monex Group, Inc. held a capital and business alliance on April 2, 2014



Combine our respective resources to bring the best user experience to our customers and boost the overall quality of our financial services

Create a unique and improved financial experience for our retail customers, through actively implementing leading edge technology and ideas in the online space

Got 19.54% of stakes in Monex Group from ORIX Corporation at the cost of JPY 24.4bn on April 7th, 2014



Add Monex Group as equity method affiliate

【Outline of Monex Group】

Monex Group, with its affiliates, is the only online securities group in the world that has a retail customer base in Japan, the United States, and China (Hong Kong), and provides online financial services for individual investors as its principal business

Date of Incorporation	: August, 2004		
Capital	: JPY 10,394 millions	Total assets	: JPY916,958 millions
Employees	: 994 persons (of which, 314 in Japan and 614 in the US)		
Headquarters	: Kojimachi, Chiyoda-ku, Tokyo		
Overseas Branches	: Florida, Beijing, Hong Kong, Sidney, London, Costa Rica		
Rating	: BBB (JCR)	(as of December, 2013)	

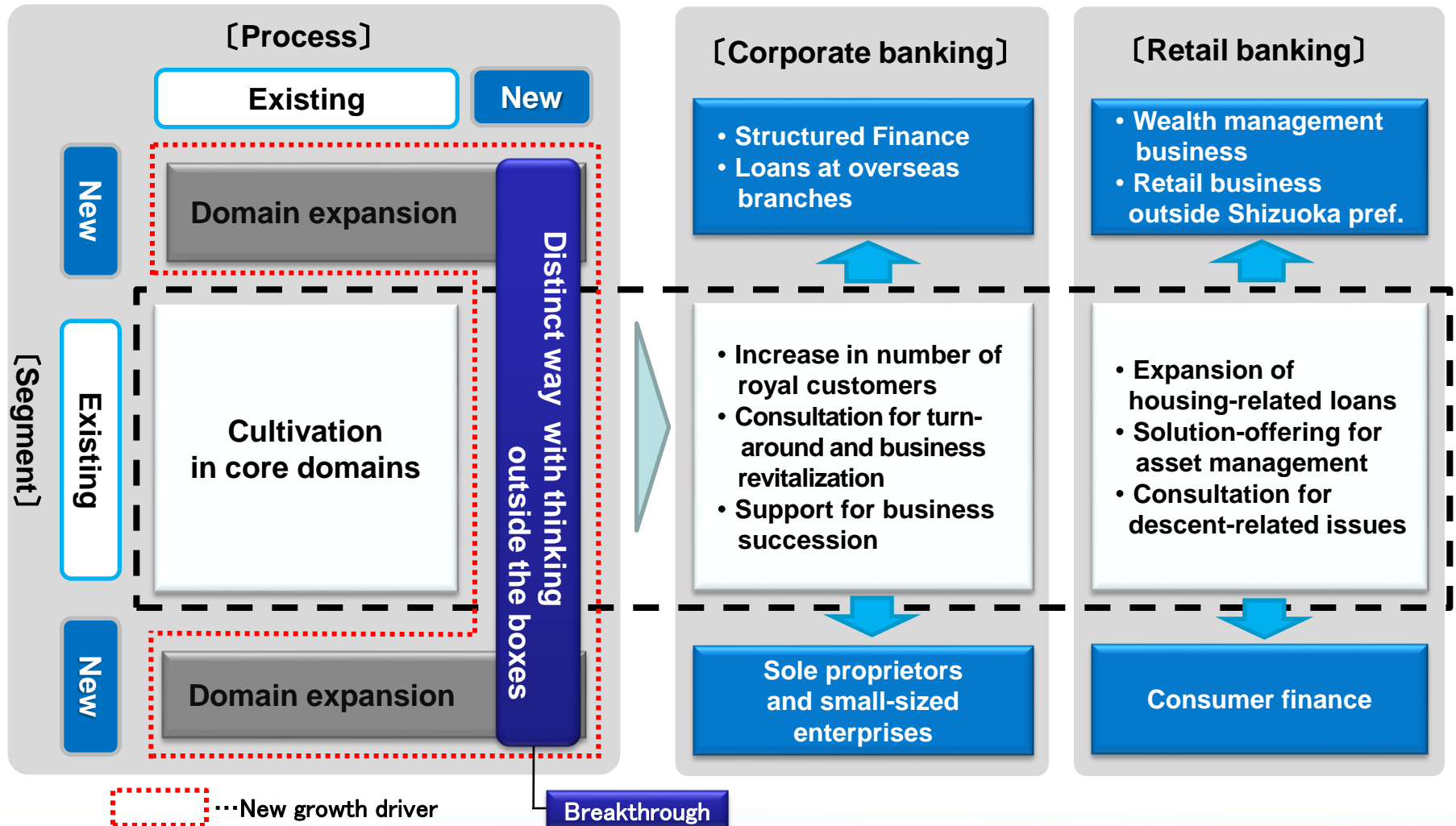
【Basic Strategies – Top line growth – 】

Refine region-based relationship banking

Challenge on the new business fields and profitable opportunities

Expansion of customer base

- Tackle further growth in core business domains, acquire business opportunities outflowing from Shizuoka pref. to other cities and overseas, and create fresh opportunities in untapped segments and domains
- Strategically allocate managerial resources according to the scale and growth potential of each region and the severity of competitive situations



- Aim to be No.1 bank for supporting regional development projects
- Make the best use of our customer base inside and outside Shizuoka prefecture, financial expertise including turn-around finance, and cooperation with local public agencies and other financial institutions for enhancement of the growth potential and creation of profitable opportunities

Environment surrounding regional economy

Movement of customer's production base to overseas

Aging and decreasing population

Decrease in business entities and labor force

Change of industrial structure

Create profit opportunities

Enhance growth potential in region

Initiatives for regional regeneration

Involvement in regional development projects

- Tie-up with local public agencies and other business partners
- Provide informative and financial supports
- Industry-government-academia-bank cooperation for industrial cluster
- Attract companies from other prefectures and commercial facilities to Shizuoka prefecture

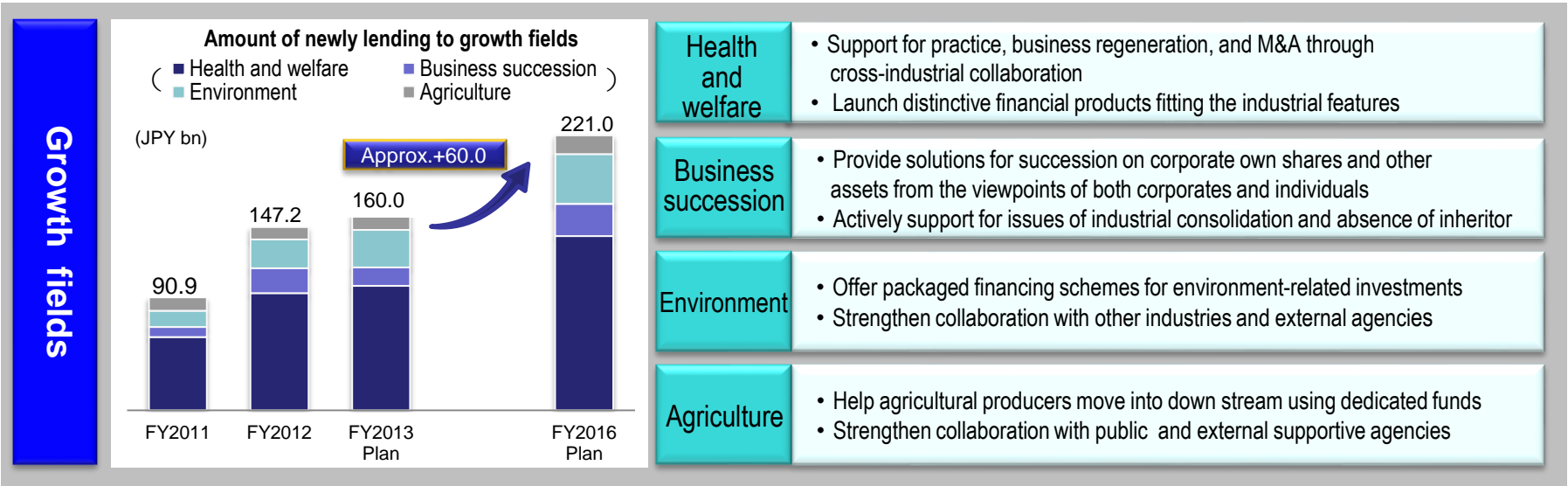
Cooperation with other regional banks and local financial institutions

- Provide risk money to communities with broad network among regional banks and other financial institutions
- B to B business for other financial institutions

Application of financial expertise

- finance for turn-around and business revitalization
- Reinforce servicing business to support customer's business transformation and liquidation
- Arrange public-private partnership and other schemes

- Provide top-level business solutions dedicating to diversified business issues with strengthening cross-industrial collaboration
- Expand the scope of customer base by initiatives focusing on small businesses



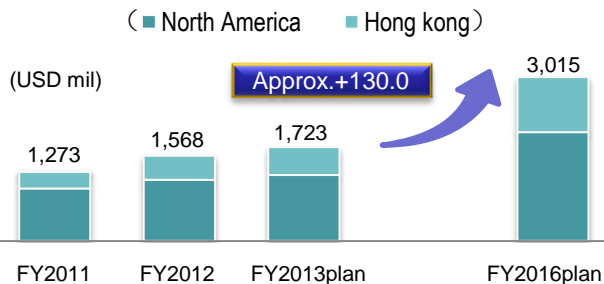
- Challenge to open up new fields, including non-Japanese company deals and market-oriented indirect financing, for sustainable growth even in harder circumstance surrounding financial institutions

International Banking Strategy

Pursue overseas loans

- Place more staffs to overseas branches
- Acquire new accounts including non-Japanese

Average loan balance of overseas branches



Develop support for customer's overseas entry

The 11th Medium-term Business Plan

○ Consult and support for entry into overseas markets

Made alliance with 12 local financial institutions and covered 8 countries and regions

The 12th medium-term Business Plan

○ Serve unmet needs for customer's local operations

- Expand the network (Latin America, uncovered Asian countries)
- Bolster the existing network, such as profit sharing

Market-oriented indirect finance

Project Arrangement

- Take a lead role in private-sector regional development projects
- Use regional bank networks and cooperate with financial institutions in the prefecture

Project participation

- Undertake mezzanine and equity financing for projects led by the bank
- Identify potential projects with risk-return based stance

Loan distribution

- Create earning opportunities by sales of loan assets
- Rebalance the bank's credit portfolio by buying and sales of loan assets

Develop business aiming at financial institutions

Global network

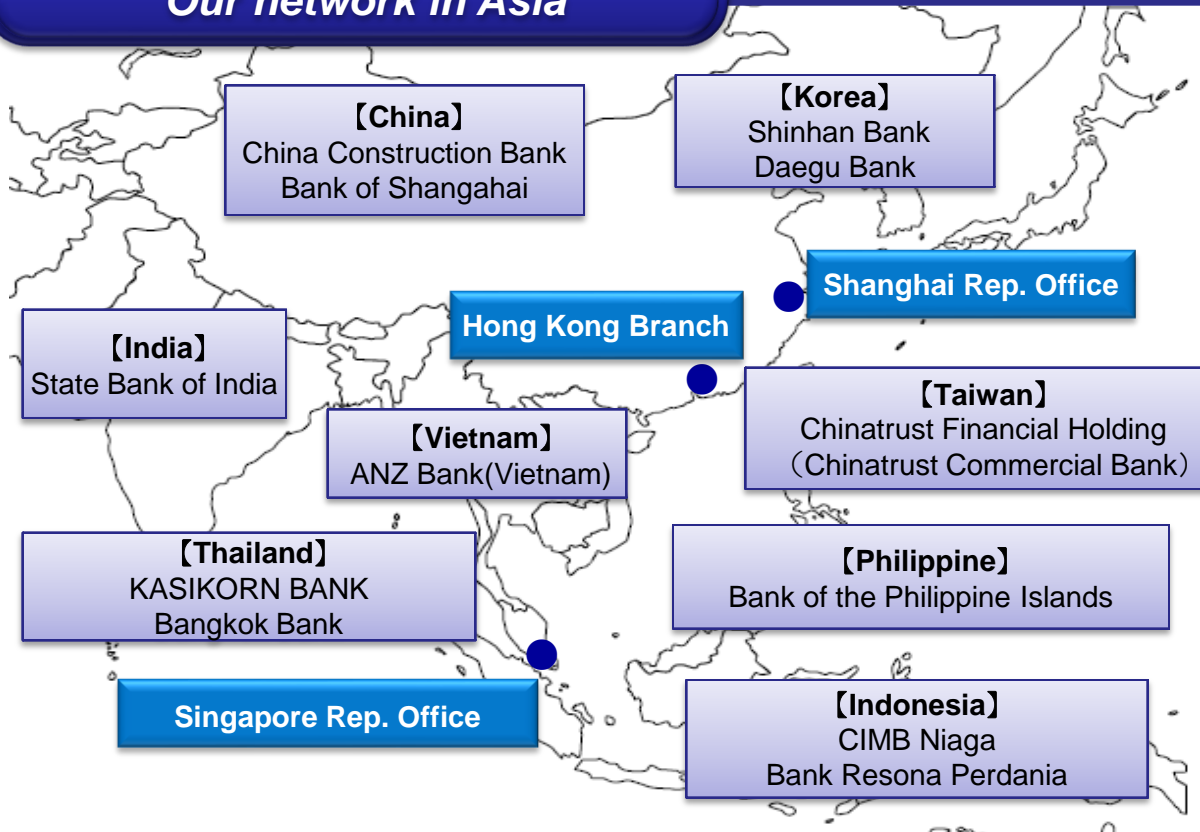
Global network



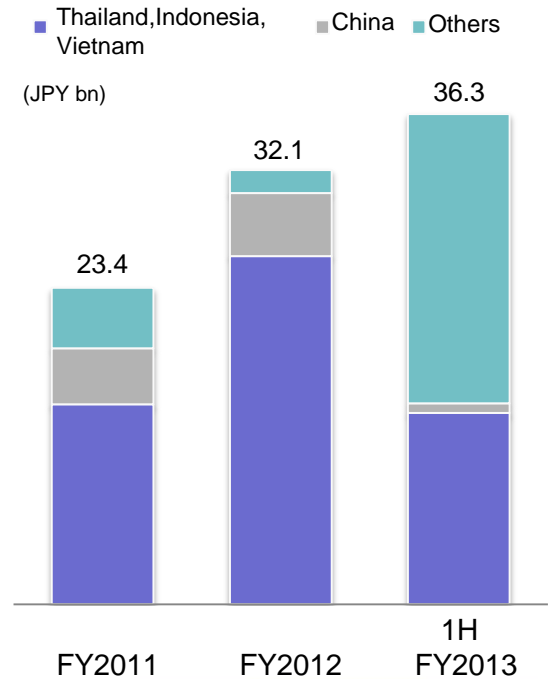
International Department

- Manage and control for overseas strategy
- Support Customers for overseas expansion

Our network in Asia



Amount Newly lending related for overseas entry



【Retail Banking①】 Pursuing growth of housing-related loans

- Had increased housing loan balance sustainably by launch of high value added products and progress of BPR in the 11th Medium-term Business Plan
- Keep the momentum of growth in housing-related loan balance by introduction of other value-added products and reformation of sales force structure in the 12th Medium-term Business Plan

The 11th Medium-term Business Plan

- Launch of high value added product (creditor group insurance for 8 medical conditions)
- Progress of BPR ⇒ reduced 60% of housing loan work load

The 12th Medium-term Business Plan

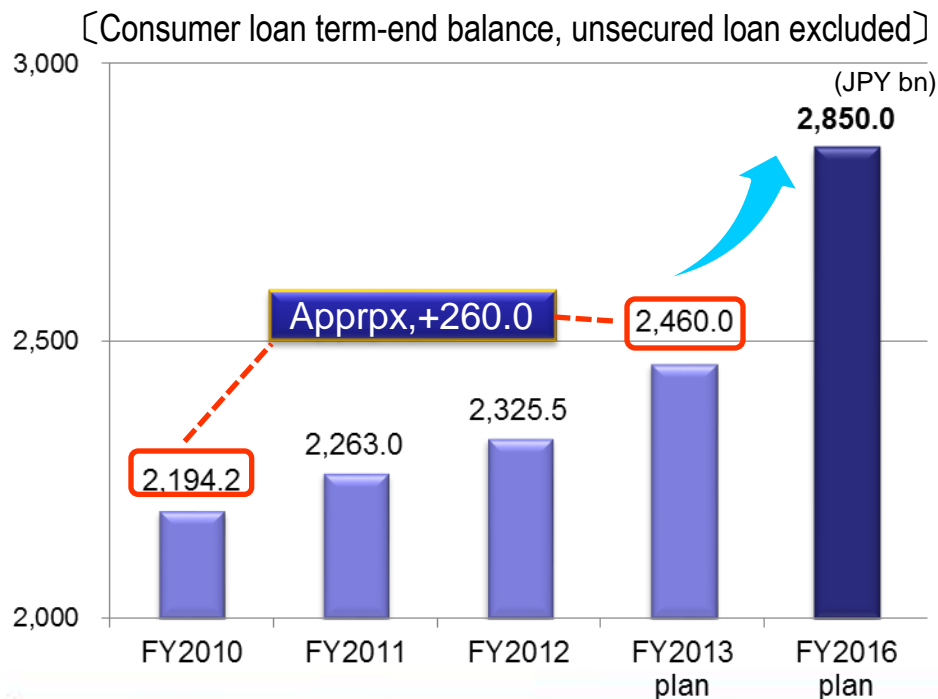
Development of new customer segments

- Improve the coverage of creditor group insurance
- Develop affiliated loan with housing makers
- Capture financing demand of used home and reform

Reformation of sales force structure

- Extend weekend operations at loan center
- Assign specialists for apartment loan
- Renew housing loan credit screening system

Increase housing-related loan balance further



【Retail banking②】 Consumer finance

- Implement product, sales channel, promotion and business process innovations to expand business with existing customers and win new customers, with the aim of expanding the unsecured loan balance

Product

- Introduce online application to all products
- Launch new products for untapped segment

Promotion

- Realize “One to One Sales”
- Utilize ATM, Smart phone , and SNS as low-cost channels

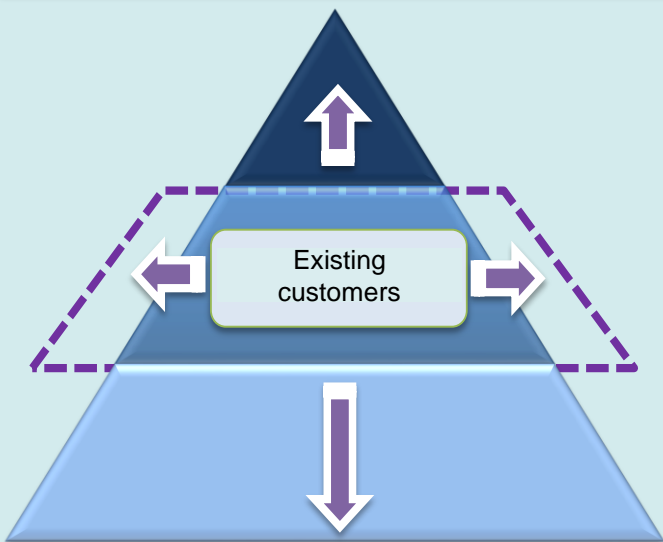
Channel

- Explore new business opportunities with internet
- Utilize existing corporate customer base

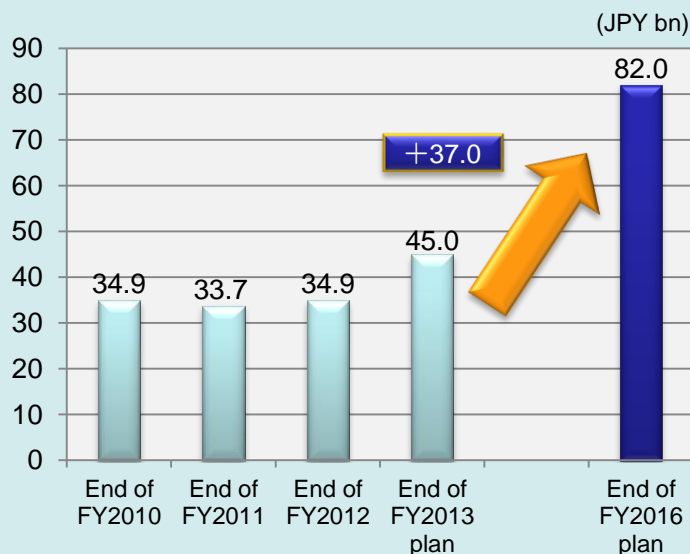
Process

- Offer best-fit products for customers' life stage based on EBM analysis

Cultivate existing segments and attain new segments



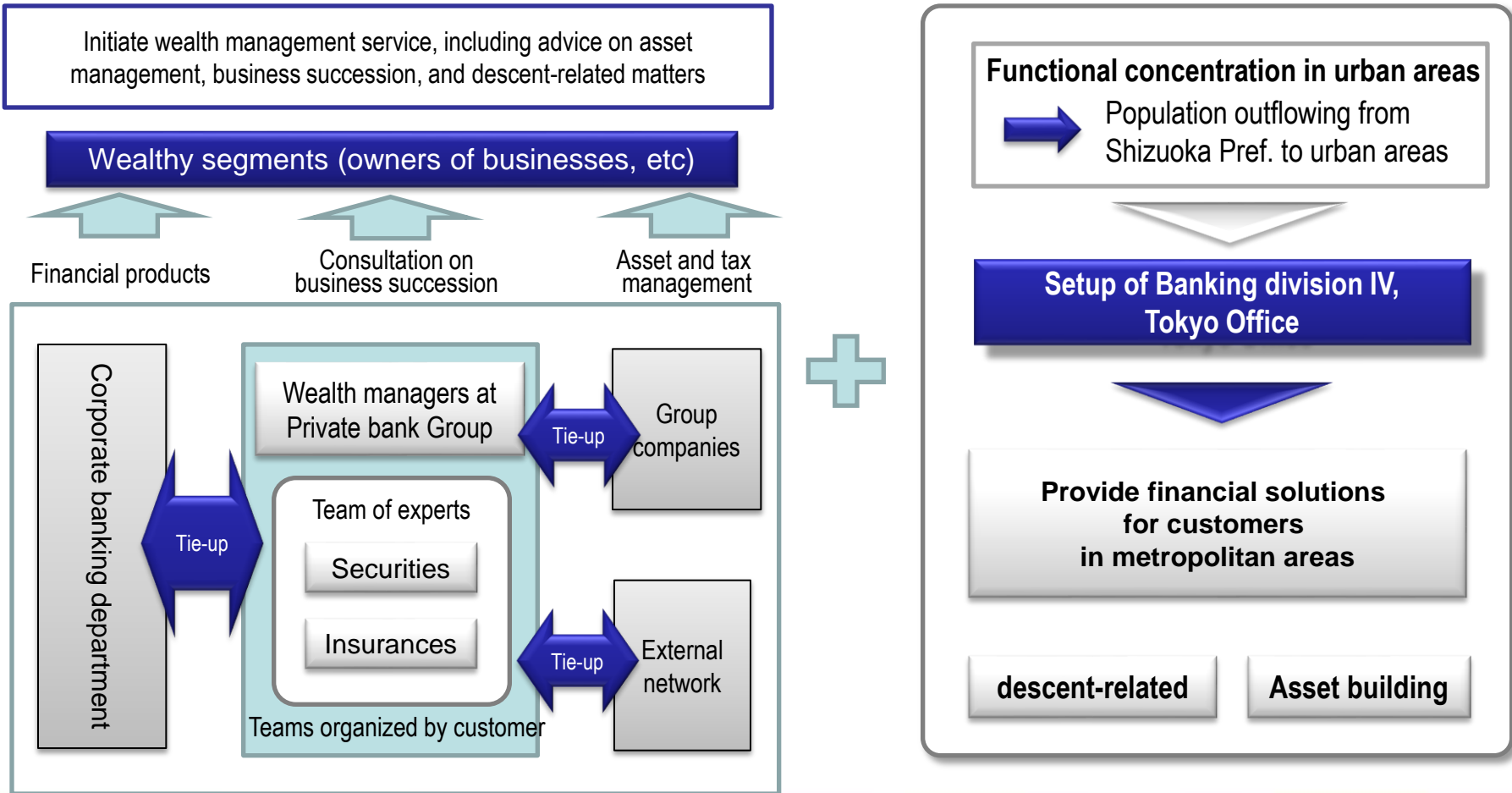
Target figures of unsecured loan balance



Reform business structure to increase unsecured loan by 10bn annually

[Retail banking③] Solution-based approach for individual customers

- Initiate “Wealth Management Service” and establish distinctive business model for regional bank in this field
- Created “Banking Division IV, Tokyo Office” to meet demands for asset building and descent in Metropolitan areas

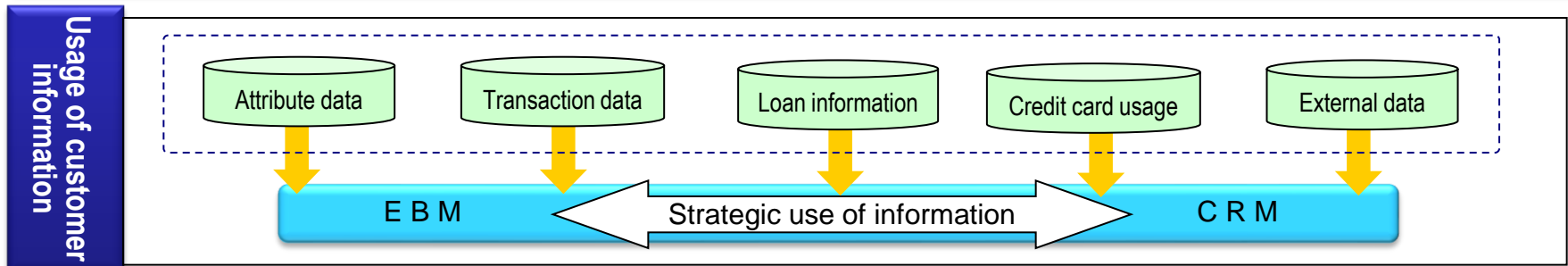


【Basic Strategies – Operational system –】

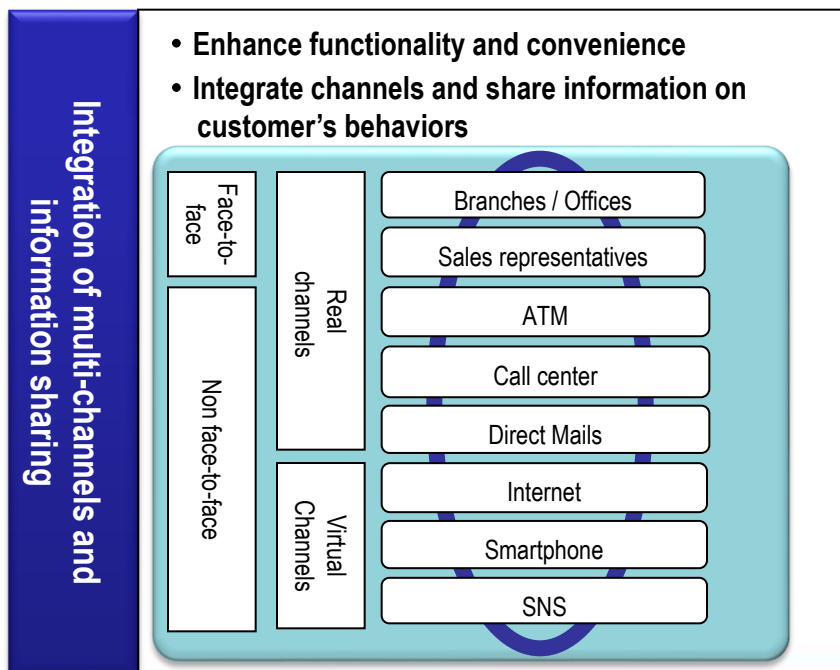
Build the flexible and robust operating structure

Channel strategy ~ Channel evolution and integration

- Evolve both face-to-face and non-face-to-face channels and realize effective sales through the integration of these channels



Detect unusual transactions through the integrated system and distribute marketing information to each channels



Build information analysis / prediction models and seamless linkage of channels

Offer tailored services and products at optimum timings and channels

- Build a next-generation IT system that can deliver advanced, flexible financial services and realize a robust, highly productive operating structure that supports new business reforms

Financial systems

Increase business days and business hours

- Adaptable to different branch formats
- Capable of service provision 24 hours a day, 365 days a year

Create on-demand products

Enable the creation of products tailored to customer lifestyles and needs

Speed up product development

Launch products at the right time by accelerating the product development

Offer a wider choice of multicurrency services

Offer the same yen-based services in other currencies

Multi-brand, single platform

Respond agilely and flexibly to future developments such as business mergers with companies in other sectors

Backbone systems

Data platforms

Use EBM and CRM to provide products and services

Channel integration platforms

- Share information among channels
- Build branches focusing on consulting services

System maintenance

High-level security and stability

- Use open source middleware
- Adopt the same vendor for one-stop maintenance services

Upgrade the backup center

Minimize the impact of emergency situations on customers

Create a next-generation IT system to support business innovation

【Basic Strategies – Branding –】

Add more value to 「Shizugin」 brand

Initiatives for corporate social responsibility

- Using the new headquarter building and corporate activities based on the global standard, we will work to secure even greater support from, and strengthen relations with, all our stakeholder groups – shareholders and the market, customers, the community, and employees – in order to boost the value of the Shizugin brand

Activities based on World Standard

- Each employee takes action with aspiring to world standard
- Contribute for regional society in the term of economy, social, and environment

Construction of new headquarters

Harmonious coexistence with region

- Reinforce business continuity systems for financial infrastructure and operate as disaster prevention centers*
*Build and locate bank branches so that they can be used as community evacuation centers
- Install the latest energy-saving equipments and focus on using environmentally friendly office supplies

Work style reformation

- Introduce free-address office style
- Streamline workflows with paperless procedures
- Review conference style



Gain trust and appreciation from each stakeholder

Add more value to 「Shizugin」 brand

Enhance corporate value

- Raise shareholder's satisfaction and market evaluation through the execution of shareholder return and fair disclosure at right time so as to enhance the corporate value

Shareholder Return

< Profit distribution > (JPY)	3year-total 9 th plan	3year-total 10 th plan	3year-total 11 th plan(E)
Dividend (1) (bn)	25.4	26.9	28.0
Purchase of treasury stock (2) (bn)	12.6	19.0	45.4
Net income (3) (bn)	102.8	80.3	117.6
Shareholder return ratio ((1)+(2)) / (3)	36.96%	57.17%	62.50%
	FY2007	FY2010	FY2013E
Annual dividend per share	13.00	13.00	15.00

- Shareholder return projected in the 12th medium-term business plan

Shareholder return ratio

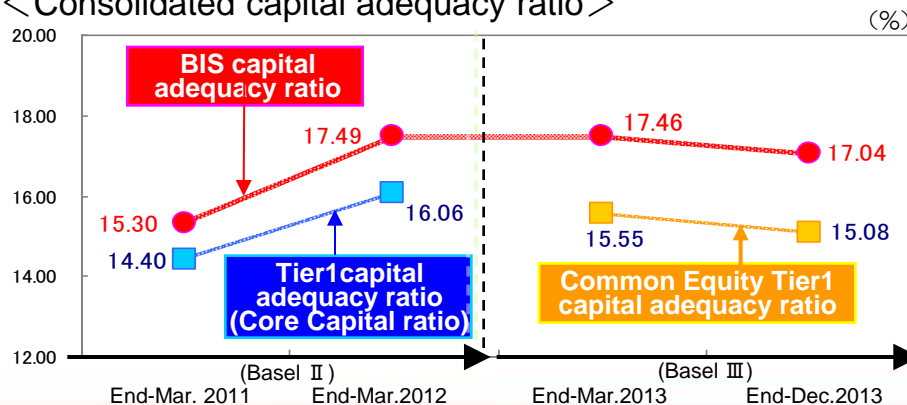
- Share buyback at appropriate time
- Target: 50% or more of shareholder return in medium term

Appropriate disclosure

- Effectively conduct IR activities

Capital adequacy ratio

< Consolidated capital adequacy ratio >



- Capital adequacy ratio projected in the 12th medium-term business plan

Maintain soundness of capital structure

- Maintain consolidated Common Equity Tier1 capital adequacy ratio at around 14%

Improve capital efficiency

- Increase capital efficiency by taking risk for appropriate return



**Strengthening of consolidated business
operation as Shizugin group**

Group strategy

- Every group company contributes as profit center to maximize consolidated profit
- Enhance the flexibility of group-wide business operation by getting more stakes in group companies

Group Companies

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.

Shizuoka Bank (Europe) S.A.

Shizugin General Service Co., Ltd.

Shizugin Mortgage Service Co., Ltd.

Shizugin Business Create Co., Ltd.

Shizugin Saison Card Co., Ltd.

Contribute to maximize consolidated profit

Move ahead with “Independence” and “Collaboration” to earn more from external parties and reinforce supportive function for banking operations

Get more stakes in group companies

Raise Consolidated profit

Get higher stakes in group companies so as to raise the level of consolidated profit

Enhance the flexibility of group business operation

Enhance flexibility of group business operations for business consolidation, in-source, and dividend policy of group companies

Target figures

Outline of Target figures

Targets for the 12th Medium-term Business Plan

(JPY bn)

		FY2012	FY2013 plan	FY2016 plan	Planned increase during 3-year period
Consolidated basis	Ordinary profit	71.3	74.0	80.0 or more	+6.0
	Net income	57.0	46.0	50.0 or more	+4.0
	Common Equity Tier I ROE	8.32%	6.56%	6% level	-
	OHR	53.7%	54.7%	Around 55%	-
	Common Equity Tier I ratio	-	15.25%	Around 14%	-

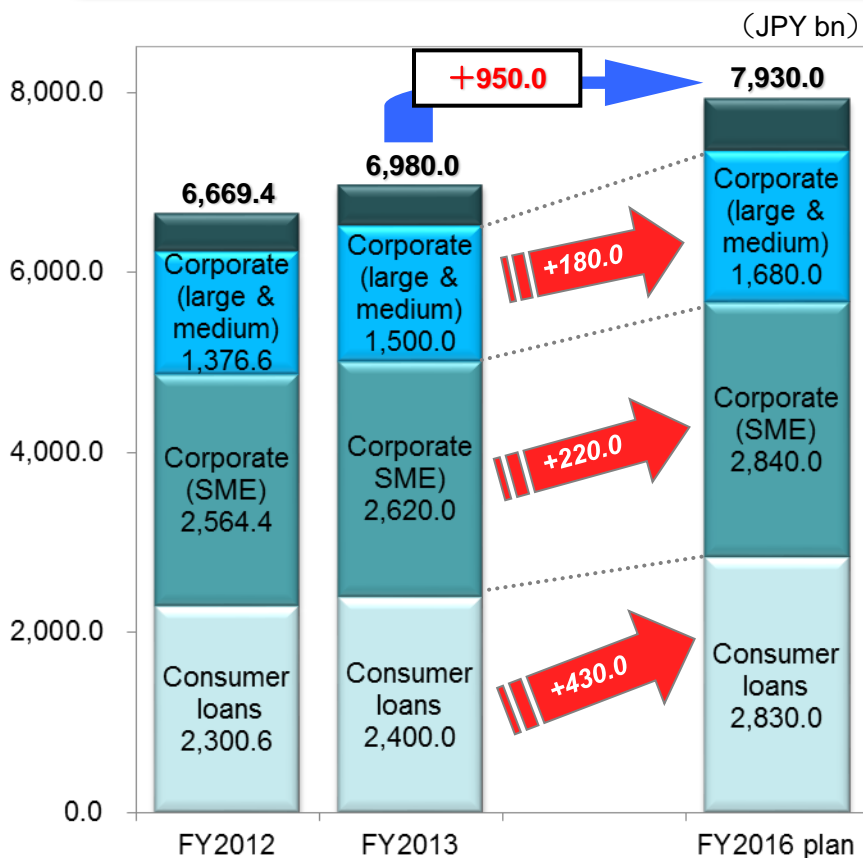
Non-Consolidated basis	Gross operating profit	146.3	144.7	163.0	+18.3
	Expenses (△)	78.7	79.7	89.8	+10.1
	Actual net operating profit	67.6	65.0	73.0	+8.0
	Ordinary profit	65.2	67.0	70.0	+3.0
	Net income	40.9	42.0	45.0	+3.0
	Shareholder return ratio	43.93%	76.35%	50% or more in Medium term	-
	Average loan balance	6,669.4	6,980.0	7,930.0	+950.0
	Average deposit balance	7,987.7	8,260.0	9,160.0	+900.0

Reference

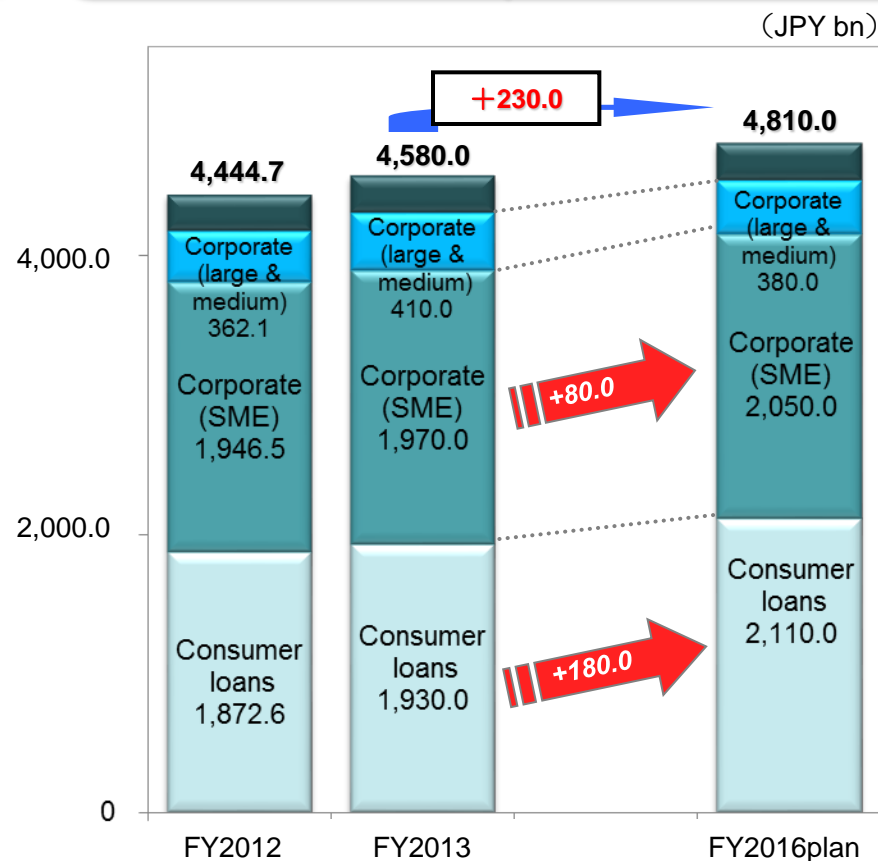
Loans

- Total average loan balances in FY2016 : JPY 7,930.0bn
(up JPY 950.0bn , annual growth +4.3% from FY2013)
- Total average loan balances in Shizuoka prefecture : JPY 4,810.0bn
(up JPY 230.0bn , annual growth +1.6% from FY2013)
- Expand SME and consumer loans in Shizuoka to increase the market share further

Total loan balances (average balances)



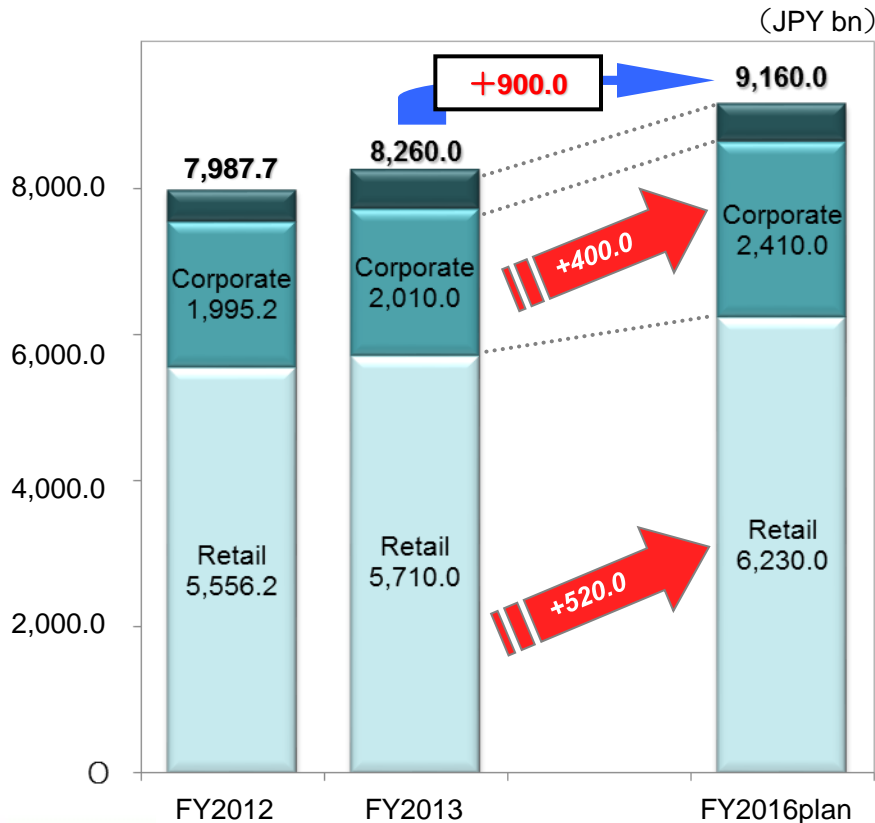
Total loan balances (average balances) in Shizuoka prefecture



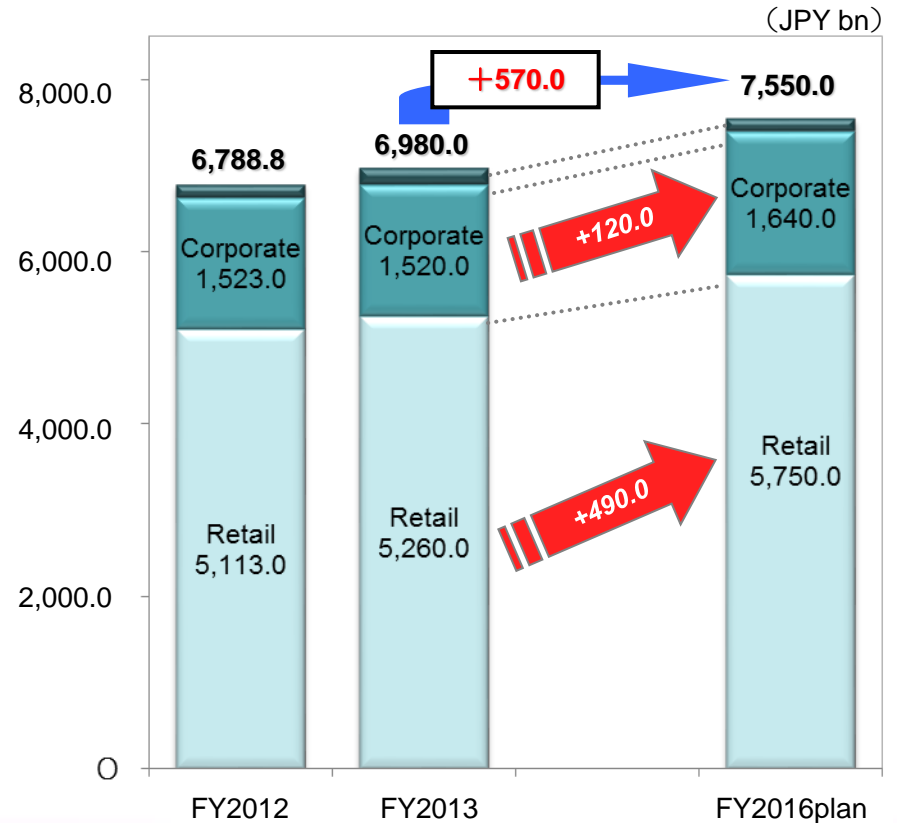
Deposits

- Total average deposit balances in FY2016 : 9,160.0bn
(up JPY JPY900.0bn, annual growth +3.5% from FY2013)
- Total average deposit balances in Shizuoka prefecture : 7,550.0bn
(up JPY JPY570.0bn, annual growth +2.6% from FY2013)
- Grow deposits at the same pace as loans on the brief that deposit is the basis of banking business

Total deposit balances(average balances)



Total deposit balances(average balances)
in Shizuoka prefecture



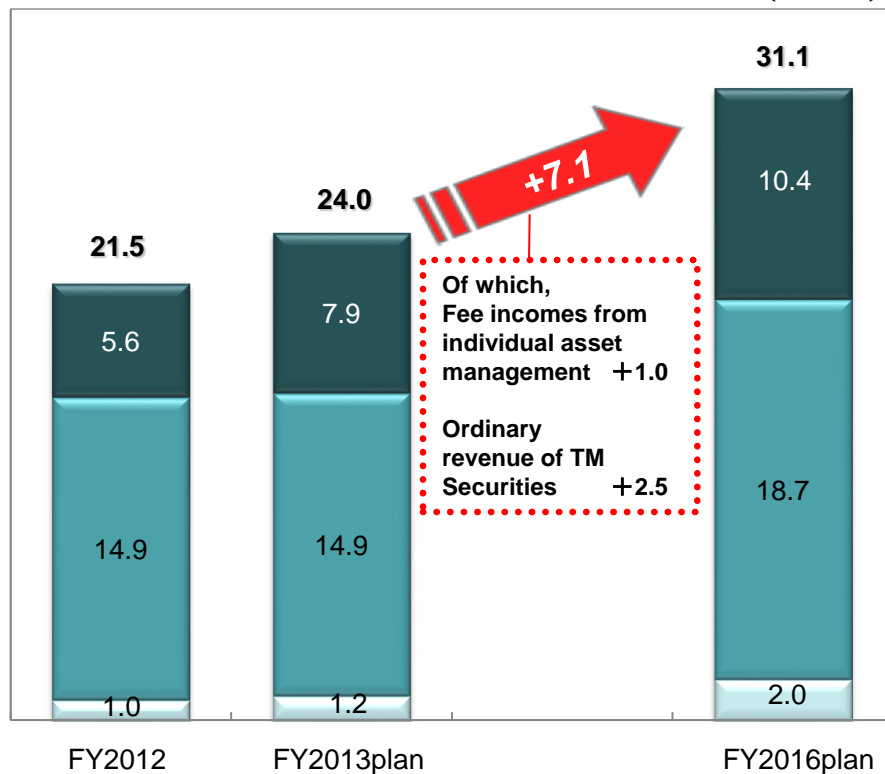
Fee incomes

- Increase JPY +7.1bn of fee income by acquiring more deals with corporate customers and public municipal governments, and offer a wide range of solutions led by Shizugin group, and tailored solutions to wealthy segments

Fee incomes

■ Trading incomes
 ■ Fees and commissions
 ■ Ordinary revenue of TM Securities

(JPY bn)



Main initiatives

Acquiring more deals with corporate customers and public municipal agencies

- Deal with business succession and M&A
- Promote fee-charging business matching
- Gain arrangement fees from regional development deals
- Handle market-oriented indirect finance
- Initiate B to B business for other financial institutions

Offering a wide range of solutions led by Shizugin group

- Promote invest trusts with securities firms
- Deal with insurances for business entities and ones on split payments

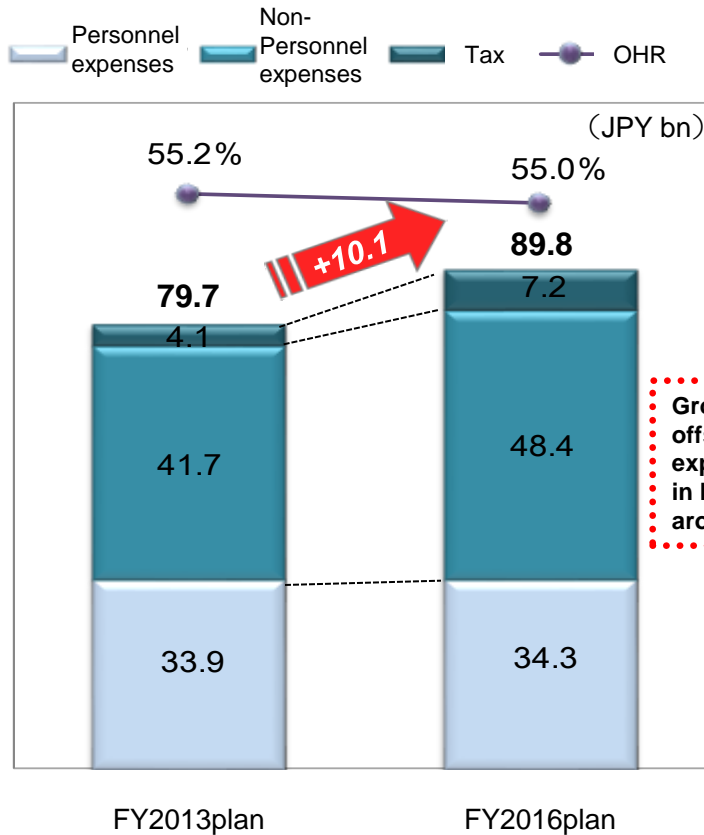
Tailored solutions to wealthy segments

- Offer wealth management services dealing with the combination of asset management, business succession, and descent issues

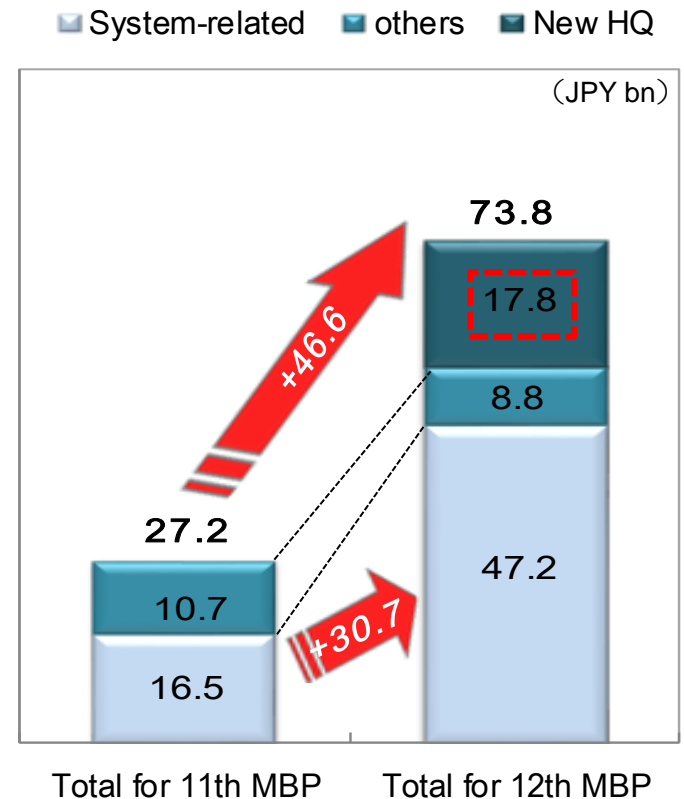
Expenses

- Increase expenses in FY2016 by + JPY 10.1 bn to JPY 89.8 bn compared to in FY2013 due to big projects including construction of new headquarters and development of the next generation systems, and rise in the consumption tax
- Increase investments in the 12th Medium-term Business Plan by + JPY 46.6bn compared to in the 11th plan

Expenses and OHR



Investments



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



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