

# Results of 1H FY2014

**Nov. 19, 2014**

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静岡銀行

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# Results of 1H FY2014

# Results of 1H FY2014 –Nonconsolidated

Nonconsolidated (JPY bn,%)	1H FY2014	YoY Change	
		Increase/ Decrease	Rate of change
Ordinary revenue	95.4	-12.2	-11.3
Gross operating profit	79.2	-1.3	-1.7
Net interest income	58.2	-10.1	-14.8
Fees and commissions	7.7	+0.1	+1.4
Trading income	0.2	-0.1	-39.6
Other operating profit	13.0	+8.8	+210.8
[Bond-related income such as JGBs]	12.3	+8.7	+238.8
Expenses (-)	41.1	+0.3	+0.8
Actual net operating profit	38.1	-1.7	-4.2
General transfer to loan loss reserves (-)	—	—	—
Net operating profit	38.1	-1.7	-4.2
Special profit and loss	4.1	+1.9	+88.4
Bad debt written-off (-)	0.3	-0.2	-42.6
Gain on reversals from loan loss reserves	1.4	-1.2	-46.3
Gain (loss) on stocks	2.8	+2.9	—
Ordinary profit	42.2	+0.3	+0.6
Extraordinary profit and loss (of which loss on valuation of stocks of subsidiaries and affiliates)	-8.8 (-8.7)	-8.1 (-8.7)	— —
Net income before taxes	33.4	-7.9	-19.0
Corporate taxes (-)	13.6	-0.5	-3.9
Net income	19.8	-7.3	-26.9

**Ordinary revenue** -JPY 12.2bn YoY (First decrease in 2 periods)

- Ordinary revenue declined JPY 12.2bn year on year to JPY 95.4bn, mainly due to decrease in interest income (-JPY 9.8bn) and gain on sale of JGBs (-JPY 4.8bn).

**Gross operating profit** -JPY 1.3bn YoY (First decrease in 2 periods)

- Gross operating profit declined JPY 1.3bn year on year to JPY 79.2bn reflecting a decrease in net interest income (-JPY 10.1bn) due to a decrease in gain on cancellation of investment trusts, despite other operating profit increased (+JPY 8.8bn), mainly reflecting an increase in bond-related income such as JGBs.

**Net operating profit** -JPY 1.7bn YoY (First decrease in 6 periods)

- Net operating profit declined JPY 1.7bn year on year to JPY 38.1bn, mainly due to a decrease in gross operating profit (-JPY 1.3bn) and an increase in expenses (+JPY 0.3bn)

**Ordinary profit** +JPY 0.3bn YoY (Continued increase in 2 period)  
**Record High**

- Ordinary profit rose JPY 0.3bn to JPY 42.2, mainly due to an increase in gain (loss) on stocks, although gain on reversals from loan loss reserves decreased JPY 1.2bn.

**Net income** -JPY 7.3bn YoY (First decrease in 2 periods)

- Net income decreased JPY 7.3bn to JPY 19.8bn due to an increase in loss on valuation of stocks of subsidiaries and affiliates (-JPY 8.7bn) reflecting a decline in stock price of an equity method affiliate

## Results of 1H FY 2014 –Consolidated

- Posted equity in losses of affiliates, reflecting decline in stock price of an equity method affiliate
- Acquired 100% ownership of group companies directly to expand consolidated net income and closely tie up consolidated subsidiaries

Consolidated (JPY bn,%)	1H FY2014	YoY change		Comments
		Increase/ Decrease	Rate of change	
Ordinary revenue	112.6	-12.4	-10.0	First decrease in 2 periods Ordinary revenue declined due to decrease in interest income and gain on sale of JGBs
Ordinary profit	37.0	-9.0	-19.6	First decrease in 2 periods Posted equity in losses of affiliates, -JPY8.7bn, reflecting decline in stock price of an equity method affiliate
Net income (Excluding gains on negative goodwill)	24.2	-5.1	-17.3	Continued decrease in 2 periods Increased ownership ratio of group companies and booked gains on negative goodwill +JPY 2.3bn
Comprehensive income	50.7	+23.4	+85.7	Continued increase in 2 periods Comprehensive income increased due to rise in valuation difference on marketable securities

### Consolidated / Nonconsolidated ratio

	1H FY2014	YoY change Increase/ Decrease
Ordinary profit	0.87x	-0.22x
Net income (Excluding gains on negative goodwill)	1.22x (1.10x)	+0.14x (0.02x)

### Acquired wholly ownership of group companies

- Increased ownership ratio in a planned way from 2012, and 11 group companies, except Shizuoka Capital became direct wholly owned subsidiary of Shizuoka Bank

Gains on negative goodwill	JPY 2.3bn (FY2014)
Increase in consolidated net income	Approx. +JPY 2.3 bn per year
Rise in Consolidated/Nonconsolidated ratio	+0.05x

※Reference: P26

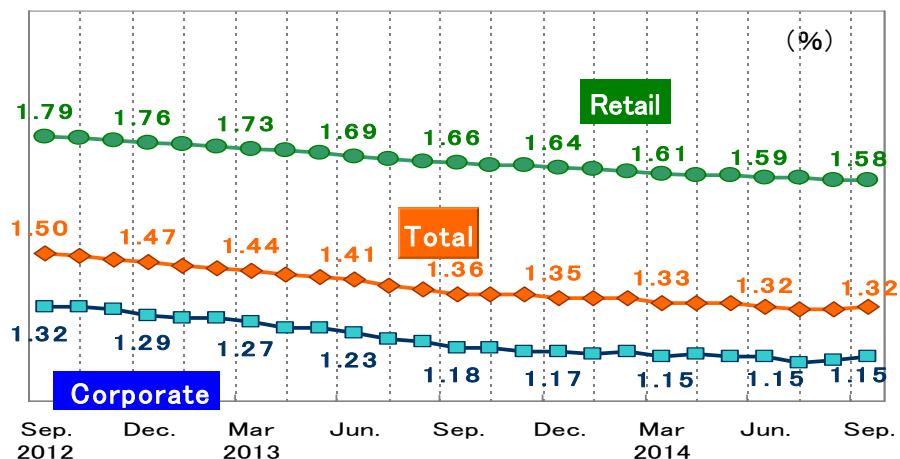
# Net interest income and loan rate

- Net interest income of 1H FY2014: JPY 58.2bn (-JPY 10,1bn YoY)
- Decline in interest rates slowed, showing the sign that the decline is coming to the end

## Break down of net interest income

(JPY bn)	1H FY2013	1H FY2014	Increase/Decrease
<b>Total</b>	<b>68.4</b>	<b>58.2</b>	<b>-10.1</b>
<b>Domestic operations</b>	<b>61.9</b>	<b>52.1</b>	<b>-9.8</b>
Of which, Interest on loans	45.3	43.4	-1.9
Interest and dividends on securities (of which interest on bonds) (of which gain on cancellation of investment trust, etc)	18.6 (5.0) (11.1)	10.5 (3.1) (4.4)	-8.1 (-1.9) (-6.7)
Interest on deposits (-)	2.1	2.0	-0.1
<b>Overseas operations</b>	<b>6.4</b>	<b>6.1</b>	<b>-0.3</b>
Of which, Interest on loans	1.7	2.4	+0.7
Interest and dividends on securities	5.9	4.6	-1.3

## Loan rates( monthly average)



## Domestic operations

(%)	1H FY2013	1H FY2014	Increase/decrease
<b>Loan rate</b>	1.39	1.30	-0.09
<b>Deposit rate</b>	0.05	0.04	-0.01
<b>Yield on securities</b>	2.24	1.28	-0.96
(Excluding gain on cancellation of investment trust, etc.)	0.94	0.78	-0.16

## Overseas operations

(%)	1H FY2013	1H FY2014	Increase/decrease
<b>Loan rate</b>	0.83	0.91	+0.08
<b>Yield on securities</b>	2.38	1.97	-0.41

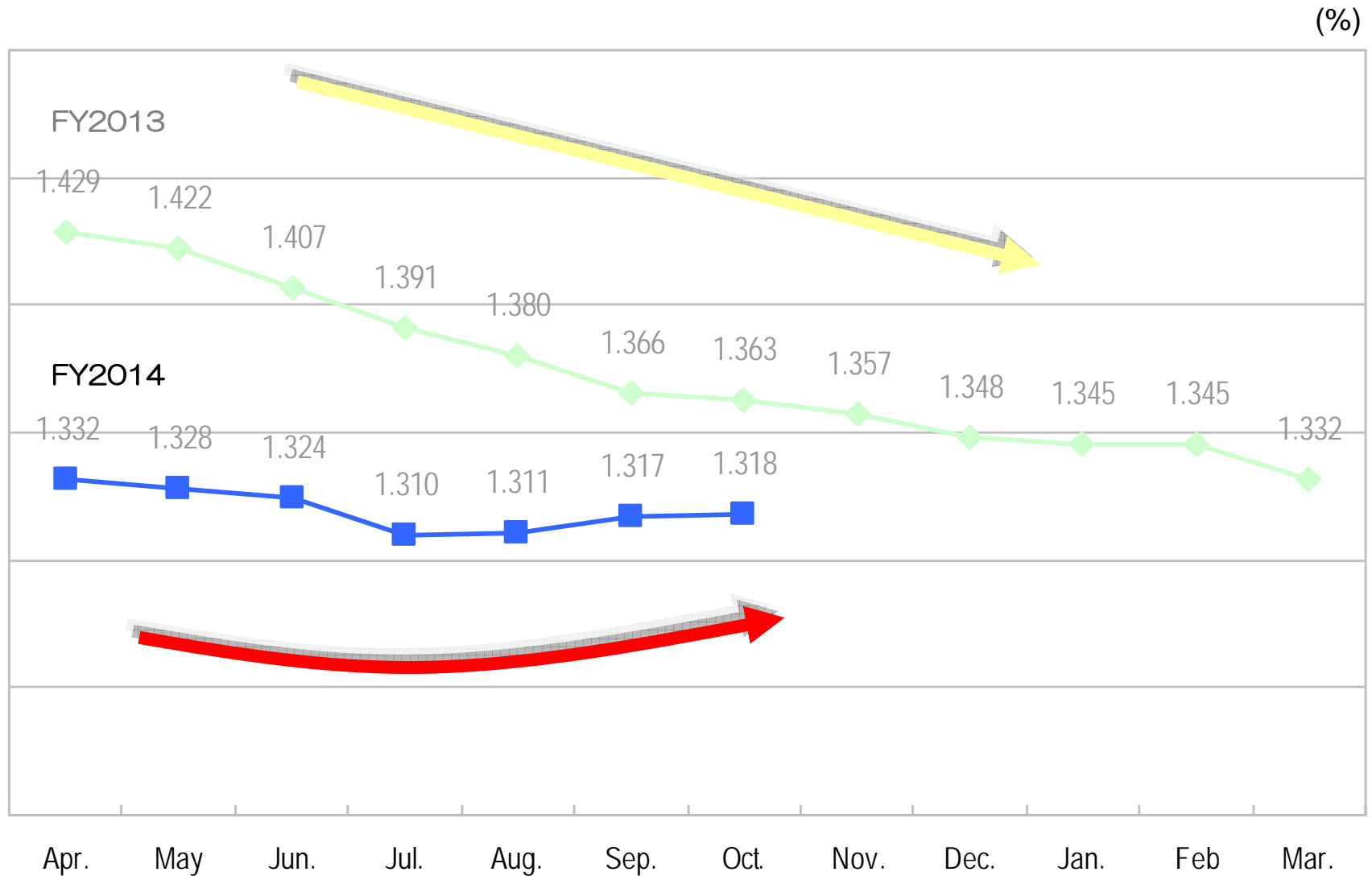
## Portfolio of yen denominated loans as end of Sep. 2014

- Increase 1.0% in short-term interest rate will result in increase JPY18.0bn in net interest income

(JPY bn,%)	Average balance	Share	Average interest rate
<b>Loans</b>	6,661.8	100.0	1.32
Of which floating rate	5,148.0	77.3	1.30
Of which fixed rate	1,513.8	22.7	1.36

## Loan rates—Monthly average

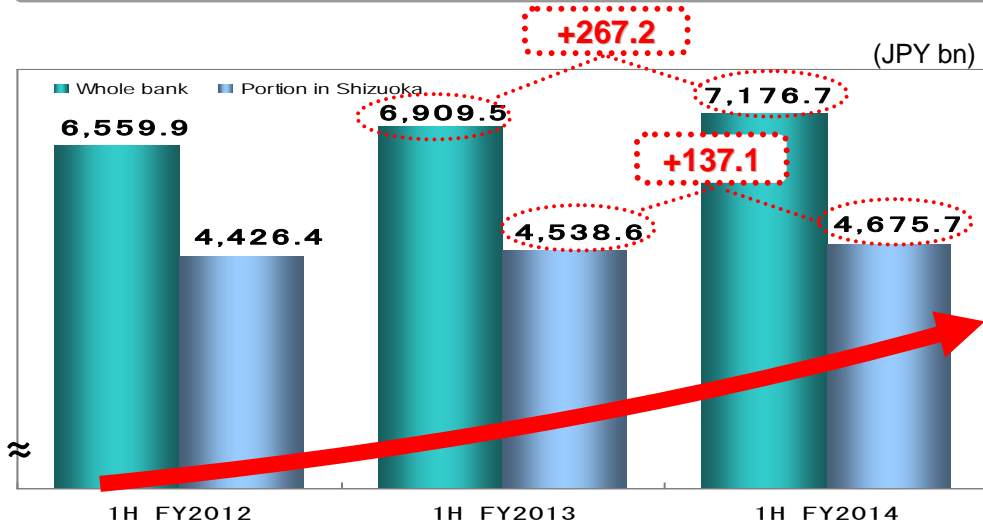
- Consistent downward trend of loan rate has changed, showing a sign that the fall in the rate is coming to the end



# Loans (average balance)

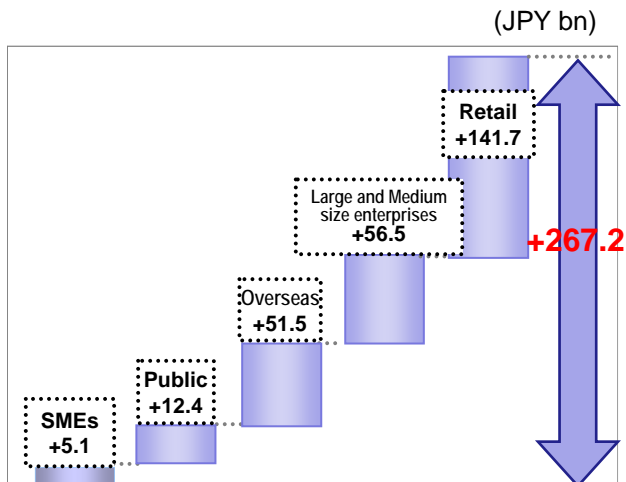
• Total loan balance (average balance) of 1H FY2014 : JPY 7,176.7bn, up JPY 267.2bn (+3.9%) YoY

Total loan balance (average balance)

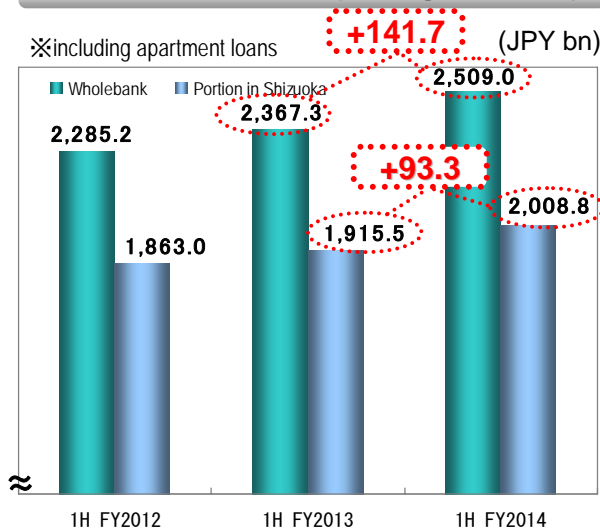


	Average balance	YoY change	Annual growth rate
Total loan balance	7,176.7bn	+267.2bn	+3.9%
Retail loan balance	2,509.0bn	+141.7bn	+6.0%
Large and Medium size enterprises	1,498.4bn	+56.5bn	+3.9%
SMEs loan balance	2,707.7bn	+5.1bn	+0.2%

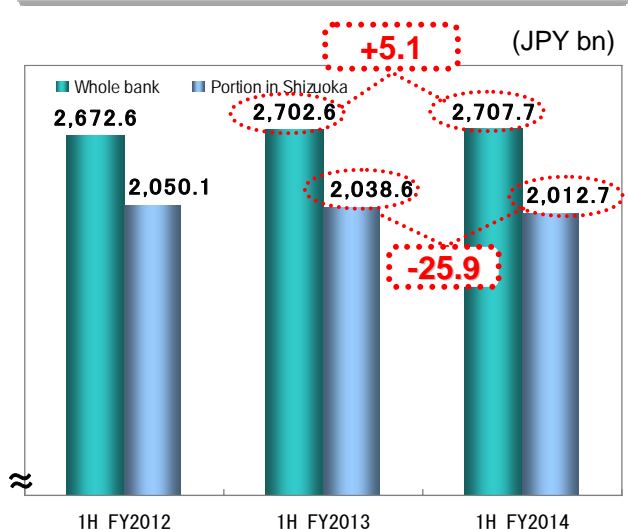
Breakdown of year-on-year change in total loan balance (average balance)



Retail loan balance (average balance)



SMEs loan balance (average balance)

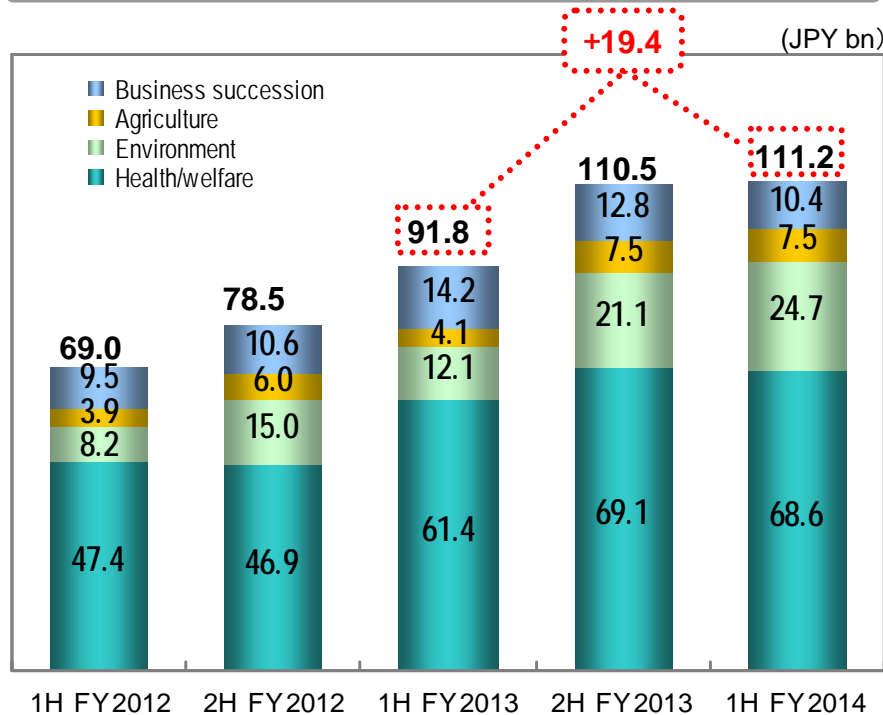




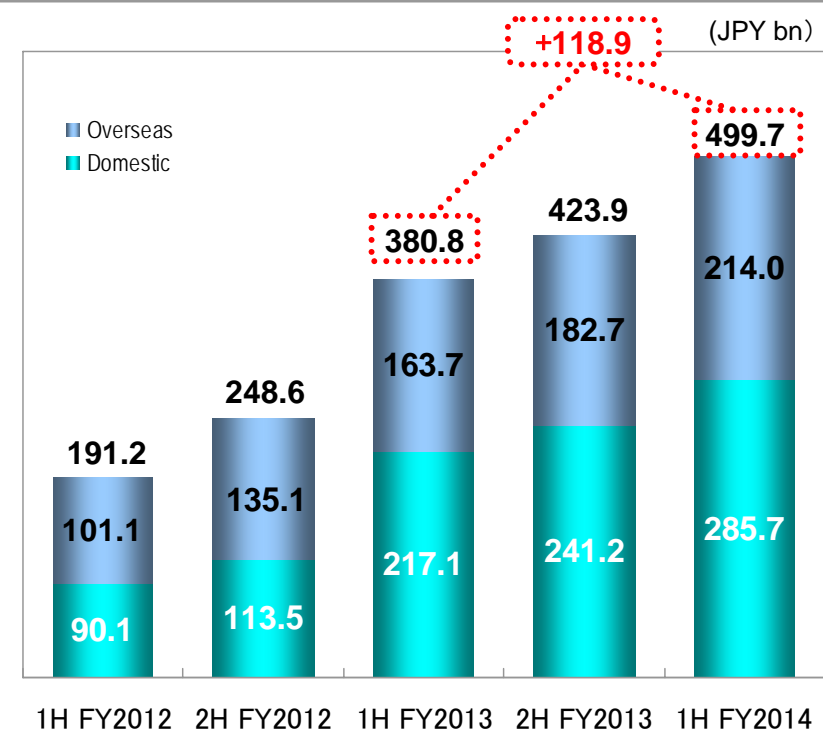
# Initiatives for Corporate Banking

- Provided funds for businesses in 4 growth fields, centered on health/welfare field: JPY 111.2bn, up JPY 19.4bn YoY
- Active support for customer's overseas entrance boosted loan in foreign currency to JPY 499.7bn, up JPY 118.9bn YoY

## Loans for growth and untapped fields



## Loan balance in foreign currency (average balance)



## Measures to support new business creation

Set up "Entrepreneur Support Desk" in Oct. 2014

Allocate a specialist to the desk to advance information providing and branches' effective support for entrepreneurs

"Shizugin Entrepreneur Awards" (3<sup>rd</sup> round will be held in FY2014)

14 winners out of a total of 333 applicants received prizes  
[Accumulated basis of 1<sup>st</sup> and 2<sup>nd</sup> round]

⇒ Fully utilize the Group's capabilities, such as sales channel development and consulting services, to actively support business growth of all the applicants

## Initiatives for business turn-around

Original loan schemes aimed at customers working to turn around their businesses

- Provide operating funding to clients that are working closely with Shizuoka Bank to improve management and turn around their businesses

**Business Support Fund: 94 cases / JPY 2,521 mil**

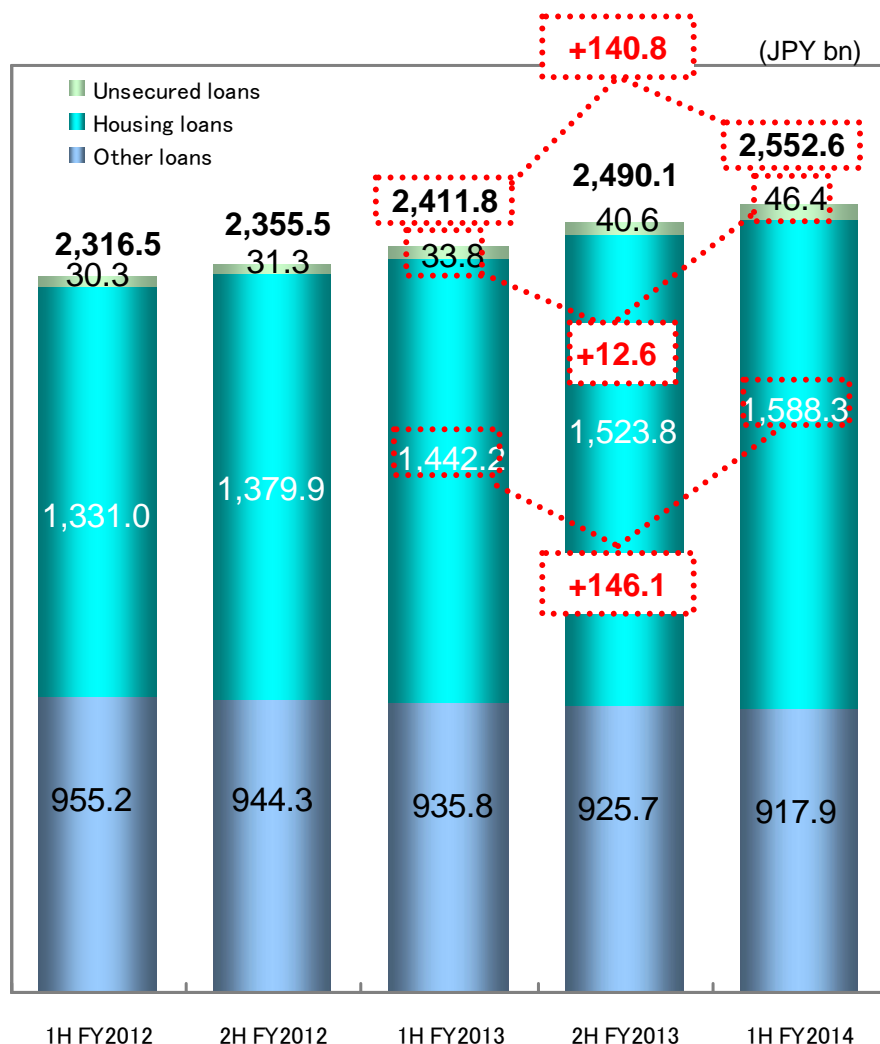
**Business turn-around Fund: 156 cases / JPY 5,225 mil**

**Total: 250 cases / JPY 7,746 mil (cumulative amount)**

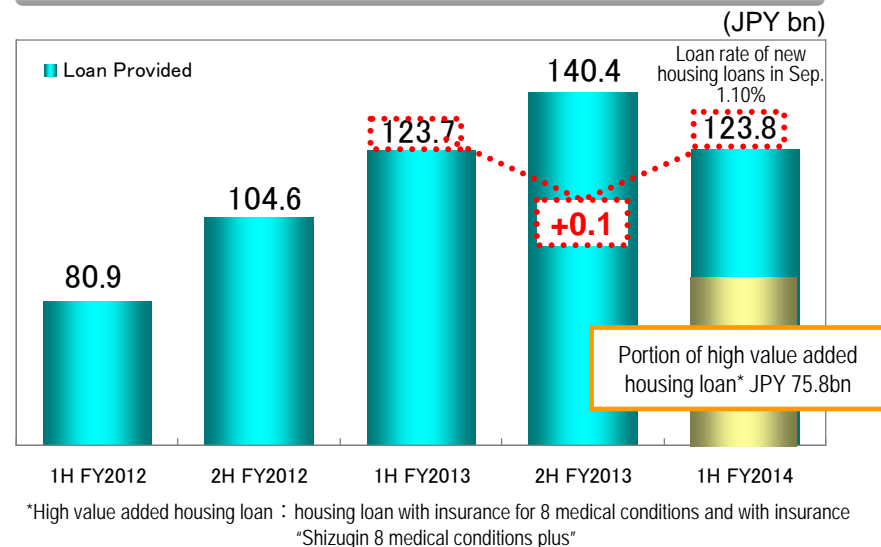
# Initiatives for Retail Banking

- Customer loan balance (term-end balance of 1H FY2014) increased to JPY 2,552.6bn, mainly due to an increase in housing loans
- In the wake of rise in consumption tax, maintained upward trend of loan balance by making reasonable amount of both housing loans and unsecured loans

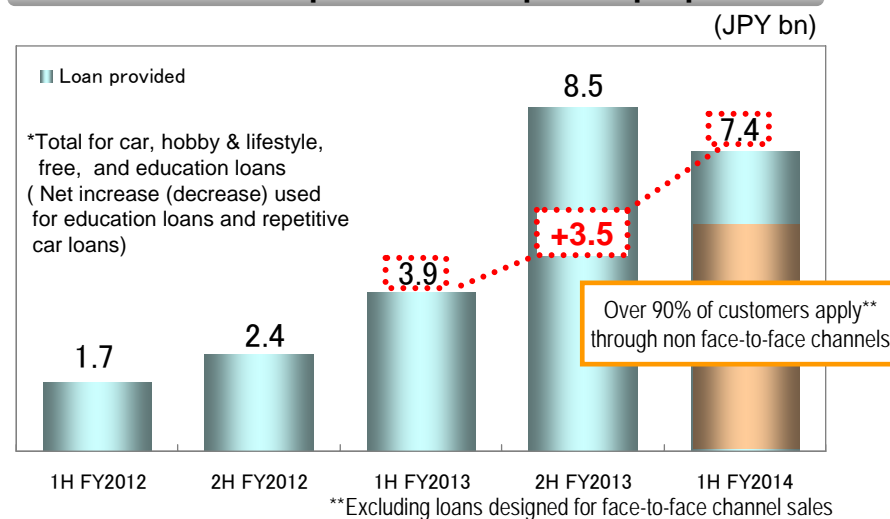
Consumer loan balance (term-end balance)



Housing loan provided



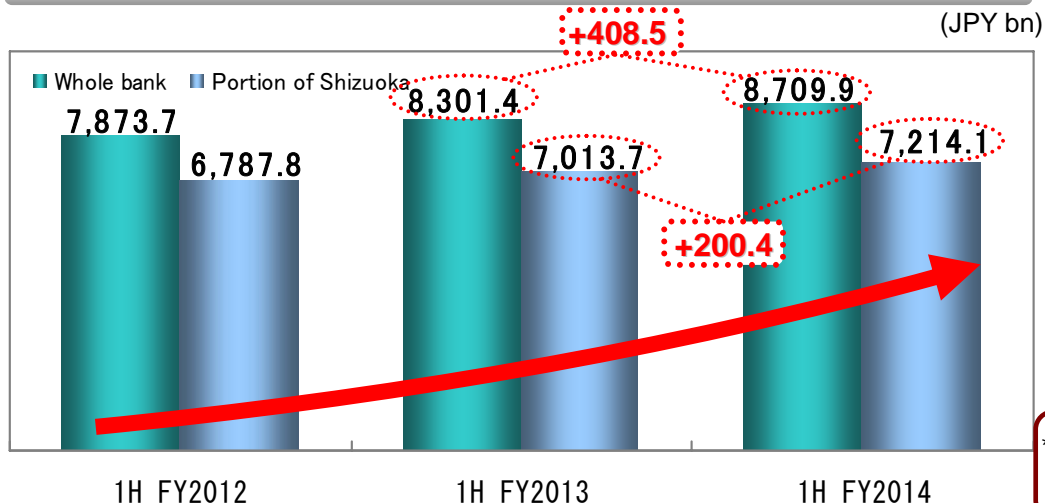
Unsecured loan provided for specific purpose\*



# Deposits

- Deposit balance (average balance) of 1H FY2014: JPY 8,709.9bn, up JPY 408.5bn(+4.9%) YoY
- Loan-Deposit ratio (excluding NCD):87.1%, remained high

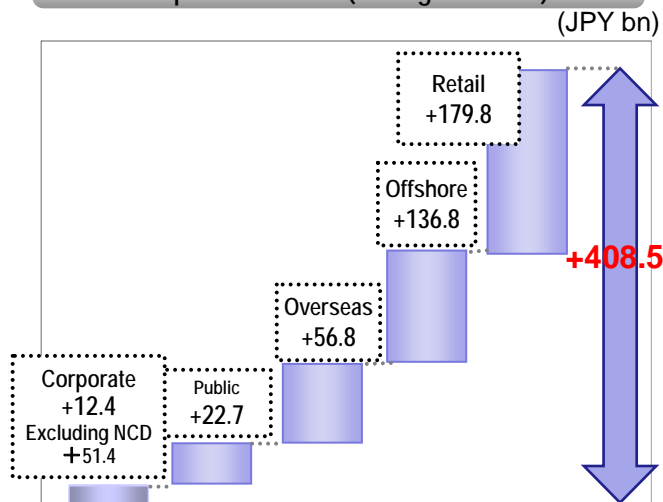
## Deposit balance (average balance)



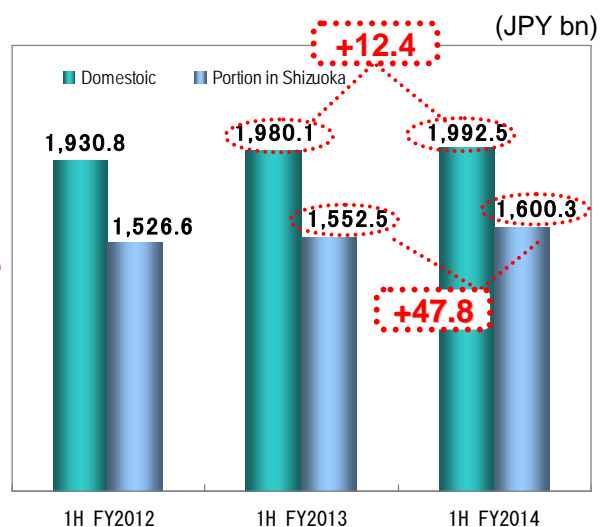
	Average balance	YoY change	Annual growth rate
Total deposit balance	8,709.9bn	+408.5bn	+4.9%
Deposit balance in Shizuoka	7,214.1bn	+200.4bn	+2.9%
Corporate deposit balance	1,992.5bn	+12.4bn	+0.6%
Retail deposit balance	5,822.4bn	+179.8bn	+3.2%
Portion in Internet branch	374.3bn	+99.2bn	+36.1%

\* Number of accounts/deposit balance of the Internet Branch exceeded 100,000 accounts/JPY 400bn deposit balance by the end of Sep. 2014

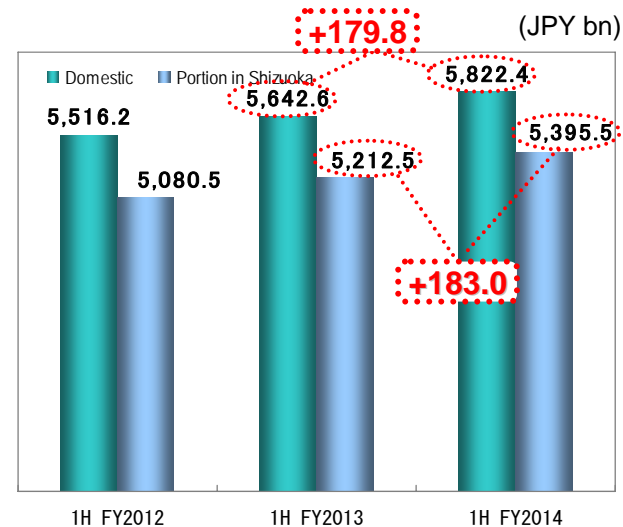
## Breakdown of year-on-year changes in deposits balance (average balance)



## Corporate deposit balance (average balance)



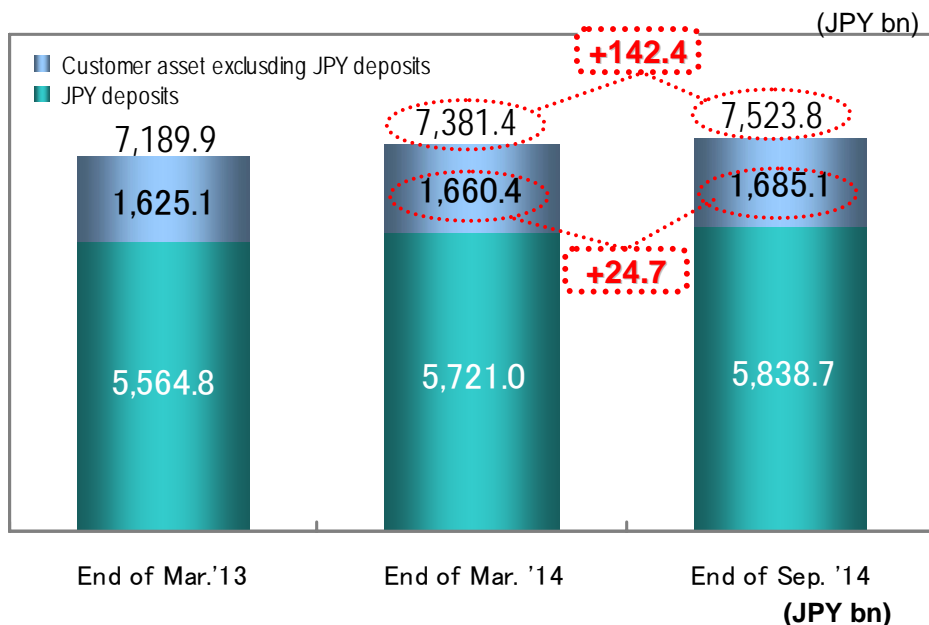
## Retail deposit balance (average balance)



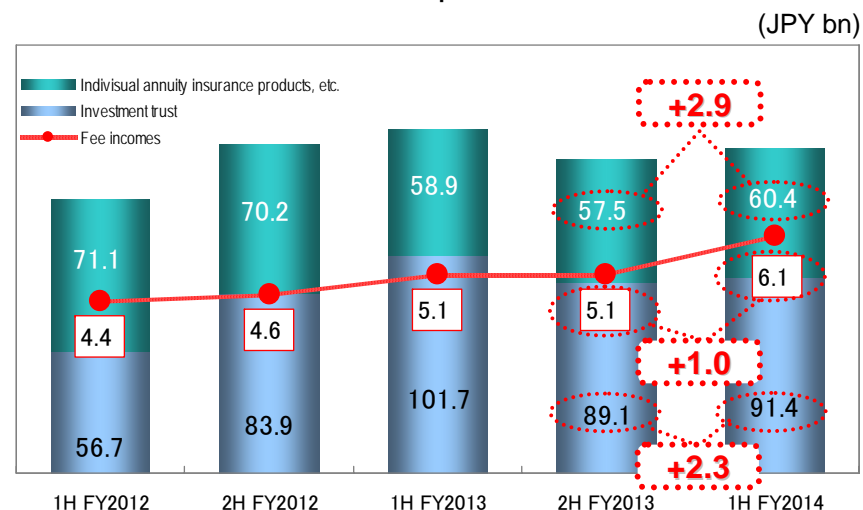
# Customer assets and fee incomes

- Customer assets (including the balance of Shizugin TM Securities) was JPY 7,523.8bn (+JPY 142.4bn from the end of March 2014), of which balance of customer asset, excluding JPY deposits, was JPY 1,685.1bn (+JPY24.7bn)

## Customer assets (term-end balance)

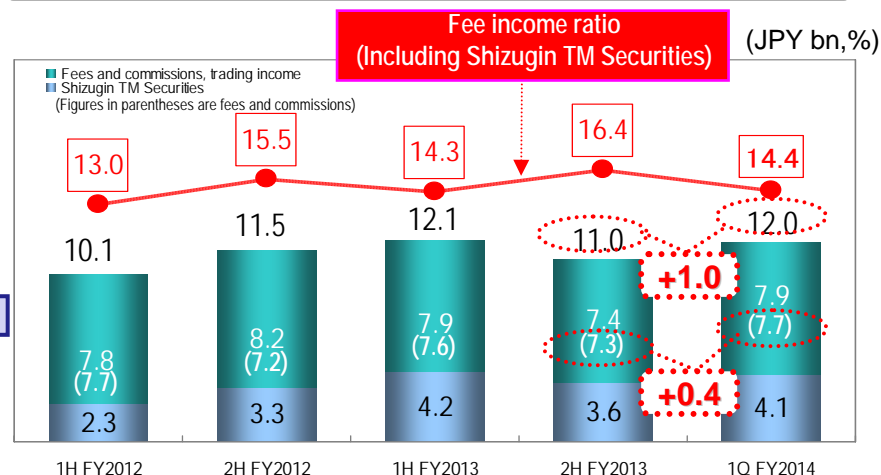


## Sales and fee income from offering investment trust and insurance products



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

Customer asset excluding JPY deposits	End of Mar. '14	End of Sep. '14	Increase /decrease
Individual annuity insurance	949.3	973.3	+24.0
Public bonds	215.9	172.6	-43.3
Investment trusts	15.1	17.3	+2.2
Foreign currency deposits	29.9	30.7	+0.8
Shizugin TM Securities (Portion of Investment trust)	450.2 (335.0)	491.2 (362.8)	+41.0 (+27.8)
<b>合計</b>	<b>1,660.4</b>	<b>1,685.1</b>	<b>+24.7</b>

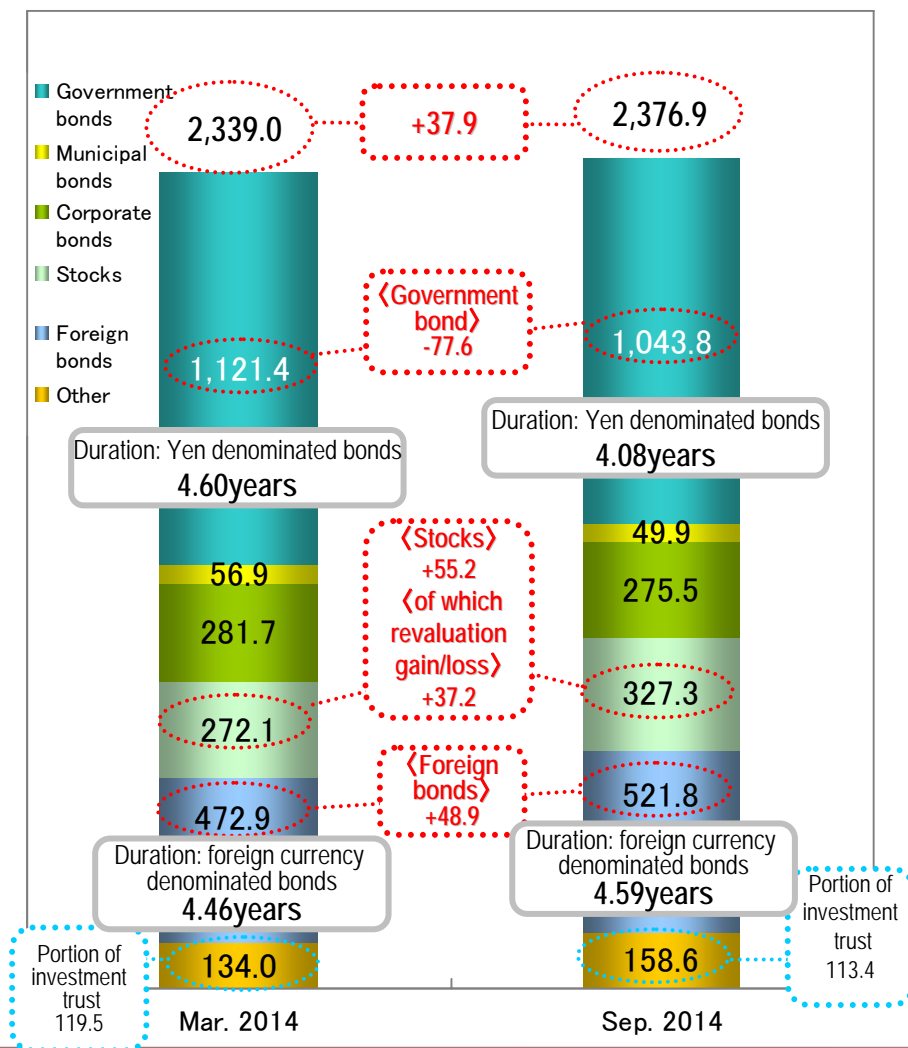


# Securities

- Total balance of securities (term-end balance) : JPY2,376.9bn (+JPY 37.9bn from the end of March 2014)  
Gains and losses from the revaluation of securities: JPY216.4bn (+JPY 35.8bn from the end of March 2014)
- Secured JPY 12.3bn capital gains from timely trade of JGBs, keeping up with the market trend

## Securities

(JPY bn)



## Gains and losses on securities

(JPY bn)	1H FY2013	1H FY2014	Increase/Decrease
<b>Gains and losses on JGBs</b>	<b>3.6</b>	<b>12.3</b>	<b>+8.7</b>
Gain on sale of JGBs	17.6	12.8	-4.8
Loss on sale of JGBs (-)	14.0	0.5	-13.5
<b>Gains and losses on stocks</b>	<b>-0.1</b>	<b>2.8</b>	<b>+2.9</b>
Gain on sale of stocks	0.1	2.8	+2.7
Devaluation of stocks (-)	0.2	0.0	-0.2
<b>Interest and dividends on securities</b>	<b>24.5</b>	<b>15.1</b>	<b>-9.4</b>
Gain on cancellation of investment trusts, etc	11.1	4.4	-6.7

## Gains and losses from the revaluation of securities

(JPY bn)	End of Mar. 2014	End of Sep. 2014	Increase/Decrease
<b>Gains and losses from the revaluation of securities</b>	<b>180.6</b>	<b>216.4</b>	<b>+35.8</b>
Stocks	153.7	190.9	+37.2

## Break-even level of revaluation gains or losses / 10BPV

	Levels at which revaluation gains and losses is zero		TOPIX10P/10BPV
<b>Stocks</b>	Nikkei stock average	JPY 5,656	JPY2.44bn
<b>Yen-denominated bonds</b>	5-year JGB	0.31%	JPY5.61bn
<b>Foreign-currency bonds</b>	10-year US Treasury Note	2.69%	JPY2.62bn

# Credit-related Costs

- Credit-related costs in 1H FY2014: -JPY 1.1bn(+JPY1.0bn YoY), Credit-related cost rate: -0.03%(+0.03%)
- Credit-related cost subsequently remained at low levels

## Breakdown of credit-related costs

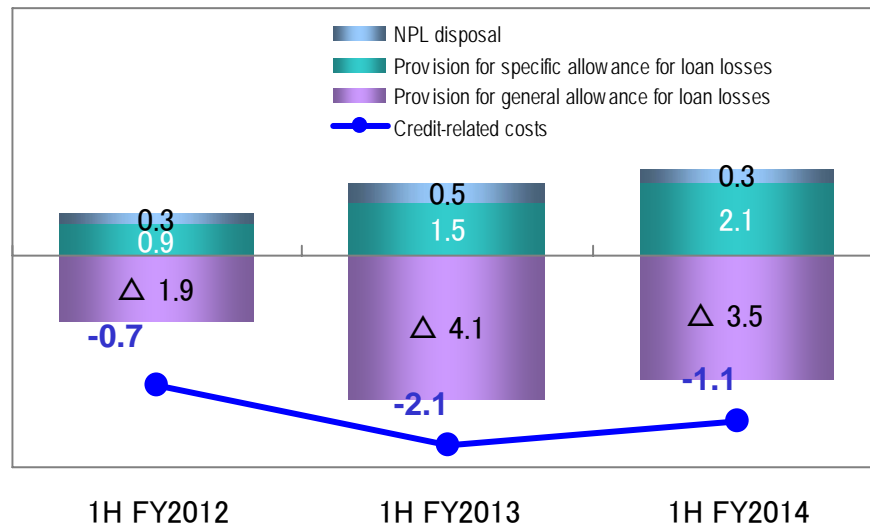
(JPY bn)	1H FY2013	1H FY2014	YoY change
NPL disposal (1)	0.5	0.3	-0.2
Gain on reversals from loan loss reserves* (2)	2.6	1.4	-1.2
Provision for general allowance for loan losses	-4.1	-3.5	+0.6
Provision for specific allowance for loan losses	1.5	2.1	+0.6
Total (1)-(2)	-2.1	-1.1	+1.0

(JPY bn)	
Changes in credit rating, etc	4.2
Decrease in the value of collaterals	0.2
Upgrade of credit rating, decrease in loan and credit balances by foreclosure ,etc	-2.3
<b>Total</b>	<b>2.1</b>

\*Gain on reversals from loan loss reserves is the net amount for provision for general allowance for loan losses and provision for specific allowance for loan losses

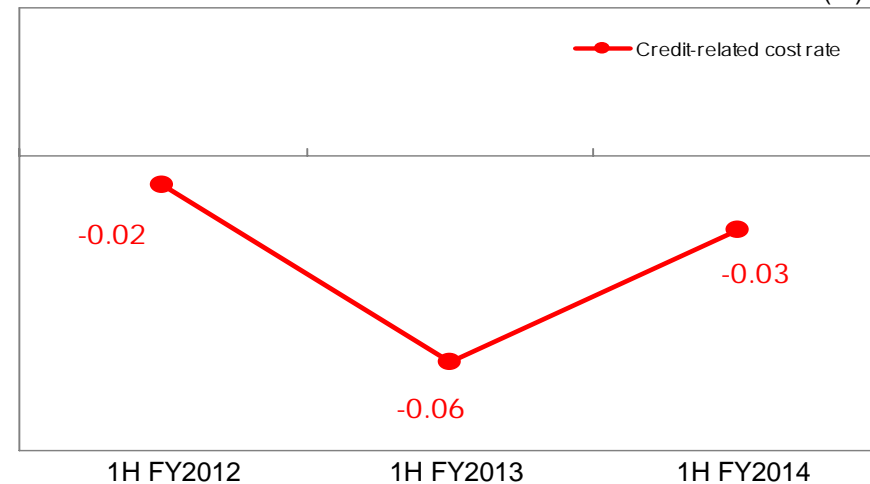
## Credit-related costs

(JPY bn)



## Credit-related cost rate

(%)

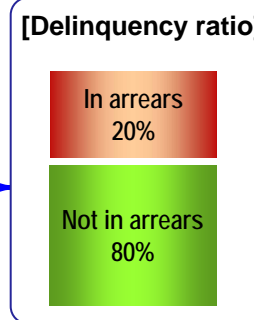
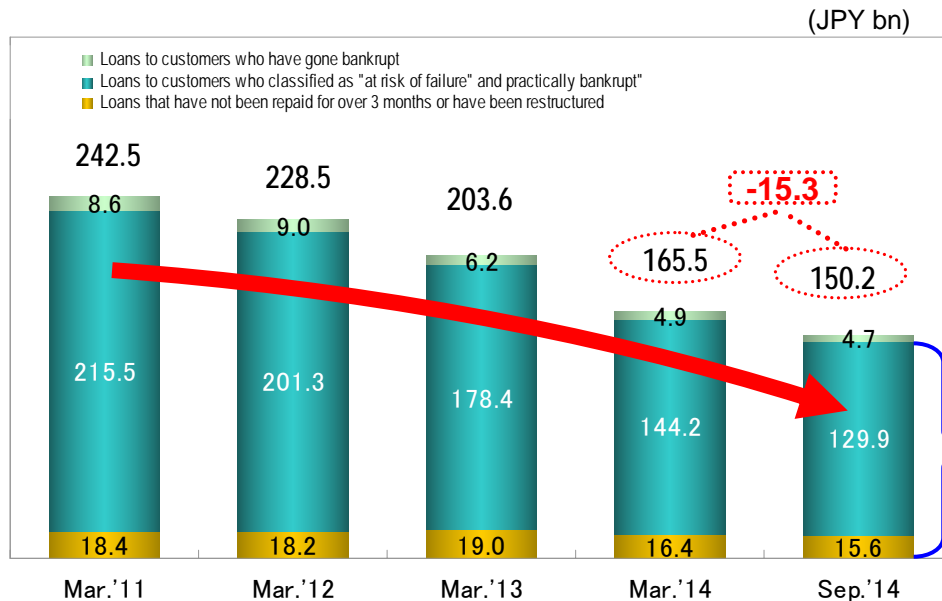


\* Credit-related cost rate = Credit-related costs / Average loan balance

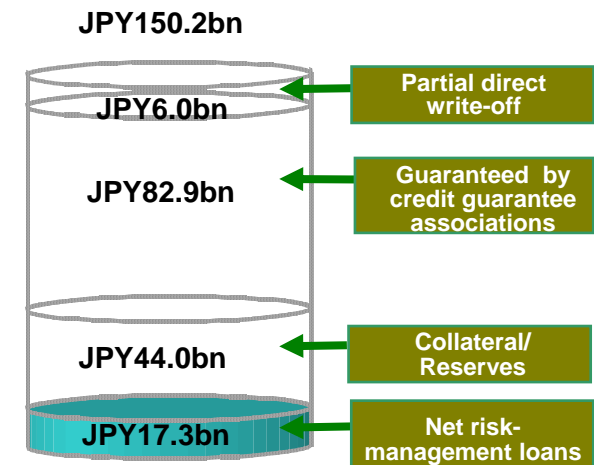
# Risk-management loans

- Total risk-management loans : JPY 150.2bn, the ratio of risk-management loans: 2.06%
- Net risk-management loans : JPY 17.3bn, the ratio of net risk-management loans: 0.23%
- Maintained soundness of the bank's asset

Trends in Risk-management loans



Net risk-management loans



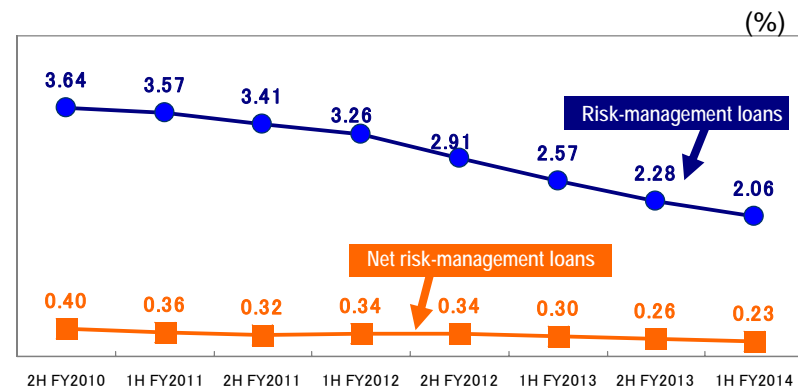
NPL removal from the balance sheet

(JPY bn)	FY 2013	1H FY2013	1H FY2014
New recognition of NPLs	+33.5	+18.7	+13.5
Removal from the balance sheet (NPL to borrowers classified as "at risk of failure" or riskier categories)	-71.6 (-63.2)	-38.7 (-35.1)	-28.8 (-26.2)
<b>Risk-management loans</b>	<b>165.5</b>	<b>183.6</b>	<b>150.2</b>

[Breakdown of JPY 26.2bn]

(JPY bn)	Value
Collected from borrower/ set off against deposit account	3.1
Collateral disposal/ subrogated to guarantor	10.4
Reclassified to better categories	9.3
Loans sold-off	3.4
Direct write-off of loans	-

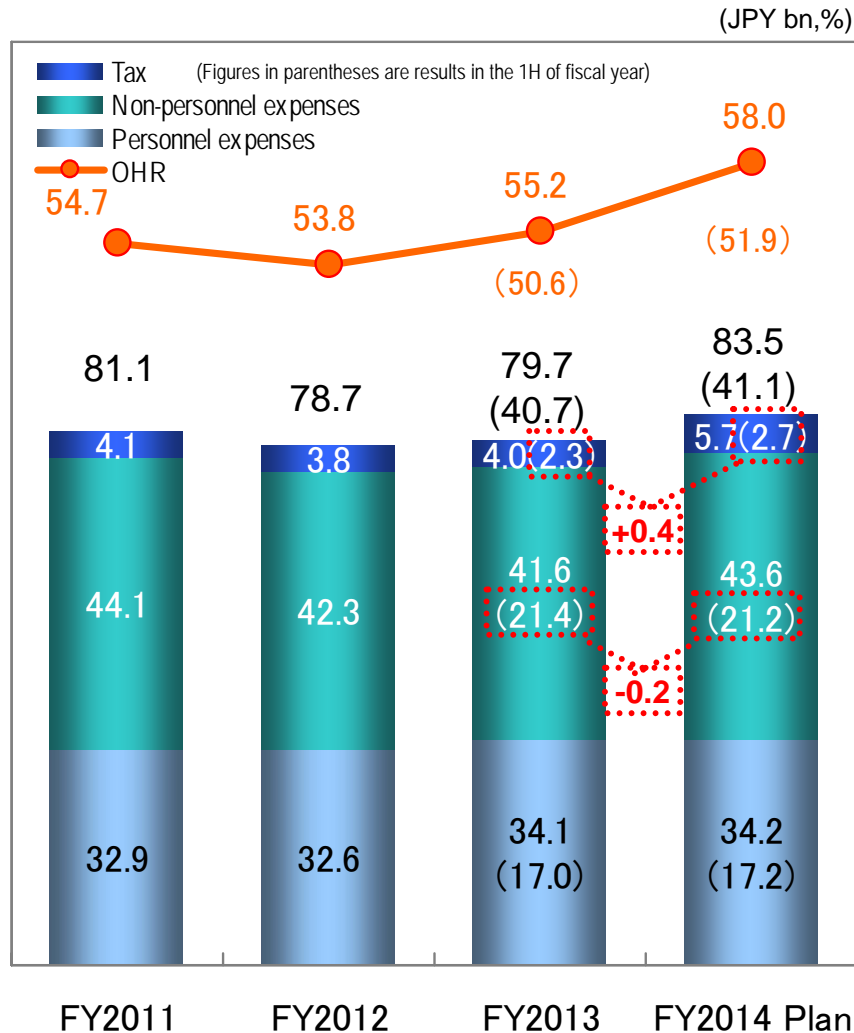
The ratio of risk-management loans



# Expenses

- Expenses in 1H FY2014: JPY 41.1bn (+JPY 0.3bn YoY, -1.2bn against our plan)
- While making strategic invests to support growth in top line, we try to achieve cost reduction

## Expenses and OHR (annual basis)

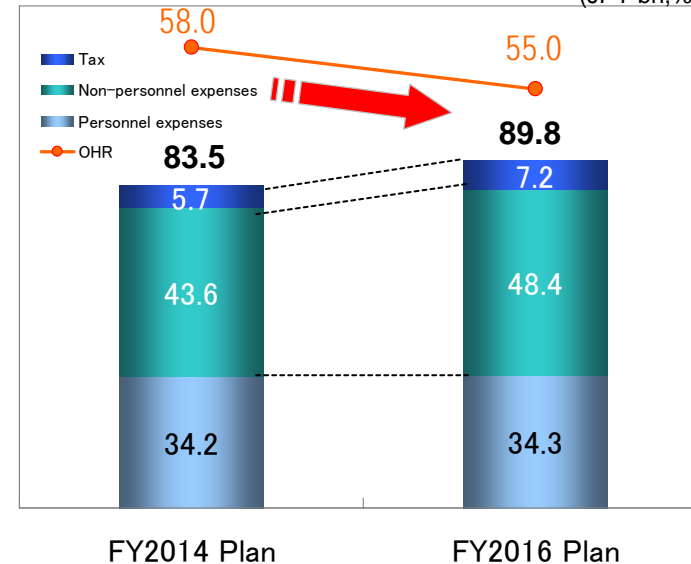


## Active investments in 12<sup>th</sup> Medium-term Business Plan

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

## Projected expenses in 12<sup>th</sup> Medium-term Business Plan

Despite rising costs, we expect to maintain the overhead ratio at around 55% in FY2016 (final year of medium-term business plan), supported by growth in the top line.

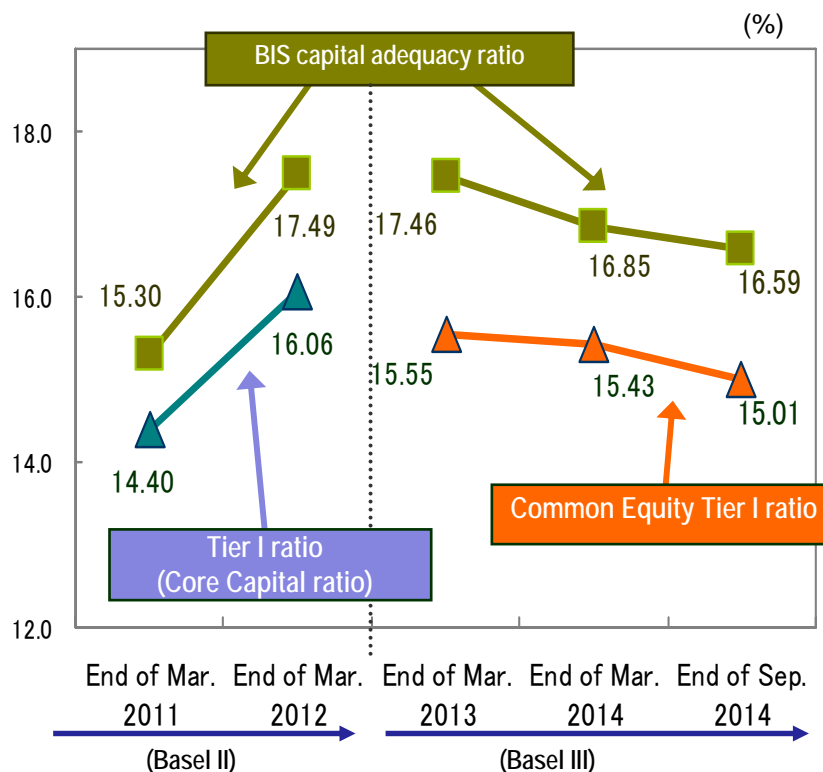




# Capital adequacy ratio

- The Basel III capital adequacy ratio at the end of Sep. 2014 was 16.59%.  
Common Equity Tier I ratio : 15.01%  
(From the end of Mar. 2013, we adopted to Basel III criteria for the calculation of capital adequacy ratio)

BIS capital adequacy ratio ( consolidated basis)



Changes in capital and risk-adjusted assets

【Basel III】	(JPY bn)	End-Mar. '14	End-Sep. '14	Change from end-Mar. '14
Capital*		782.9	802.8	+19.9
Common Equity Tier I		716.8	726.2	+9.4
Other Tier I		0.7	1.0	+0.3
Tier II		65.4	75.6	+10.2
Risk-adjusted assets		4,643.6	4,837.6	+194.0
Total credit-risk adjusted assets		4,333.2	4,528.0	+194.8
Amount corresponding to market risk		12.7	12.5	-0.2
Amount corresponding to operational risk		297.7	297.1	-0.6

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

Outlier ratio (nonconsolidated basis)

Amount of maximum risk	Tier I+Tier II	Outlier ratio
JPY 37.9bn	JPY 764.7bn	5.0%

[Estimation based on criteria in the Basel III text released in December 2010 (End-Mar. 2014 basis) ]

- Liquidity coverage ratio: 110.5%(Regulatory level 100% and over)
- Net stable funding ratio: 125.7%(ditto over 100%)
- Leverage ratio: 6.82%(ditto 3% in trial period)

# Shareholder return

- Target of shareholder return ratio in 12<sup>th</sup> Medium-term Business Plan: 50% or more in medium term
- In FY2014, we bought back 10 million shares at JPY 11.3bn from July 1<sup>st</sup> to July 24

## Dividend trends

- Plan to pay annual year dividend of JPY 16.00 per share for FY2014, JPY 8.00 for each interim and year-end dividend

	FY2011	FY2012	FY2013	FY2014E
Annual dividend per share	JPY 13.50	*JPY 15.00	JPY 15.50	JPY 16.00 (8.0)
Dividend yield	1.58%	1.42%	1.53%	—

\*Include 70<sup>th</sup> anniversary dividend

(Interim dividend)

## Profit distribution to shareholders

	FY2011	FY2012	FY2013	FY2014E	(JPY bn,%)
Annual dividend (1)	8.9	9.7	9.7	9.9	FY '09 – '13 (5years) Accumulated total 46.2
Repurchase of shares (2) (Shares bought back: million shares)	14.6	8.2	22.7	*11.3	Accumulated total 64.4
Shareholder returns (3)=(1)+(2)	23.5	18.0	32.4	21.2	Accumulated total 110.6
Net income (4)	34.7	40.9	42.8	41.0	Accumulated total 185.8
Dividend payout ratio (1)/(4)x100	25.54	23.78	22.78	24.14	Average 24.85
Shareholder return ratio (3)/(4)x100	67.60	43.93	75.73	51.74	Average 59.53

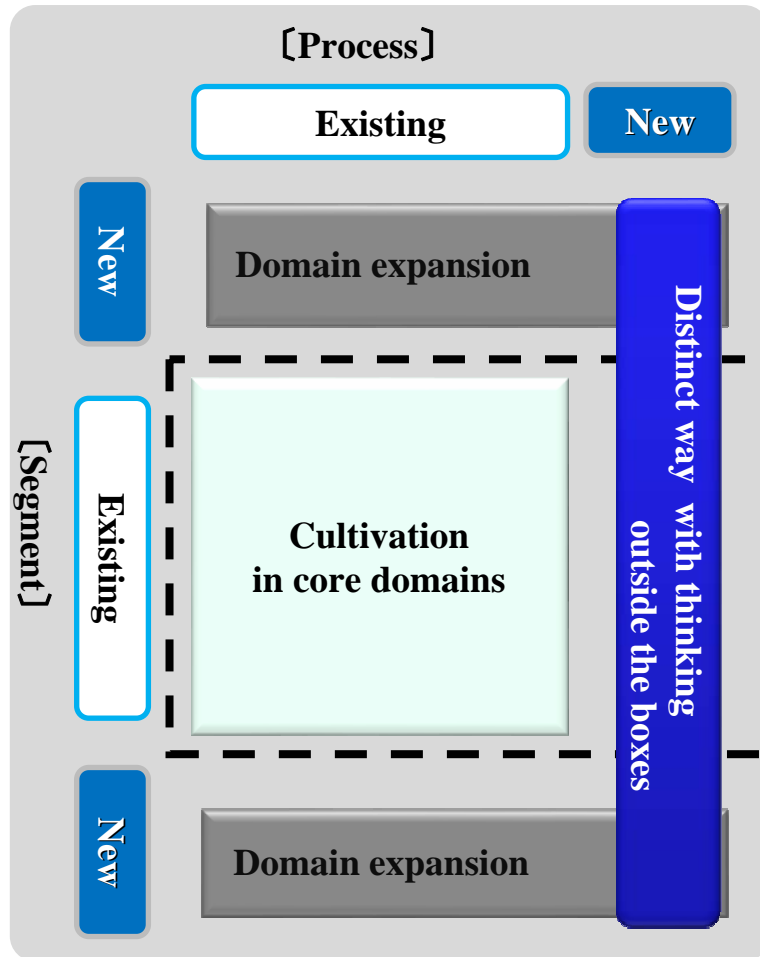
\*The amount in FY2014 is only an actual amount in 1H FY2014



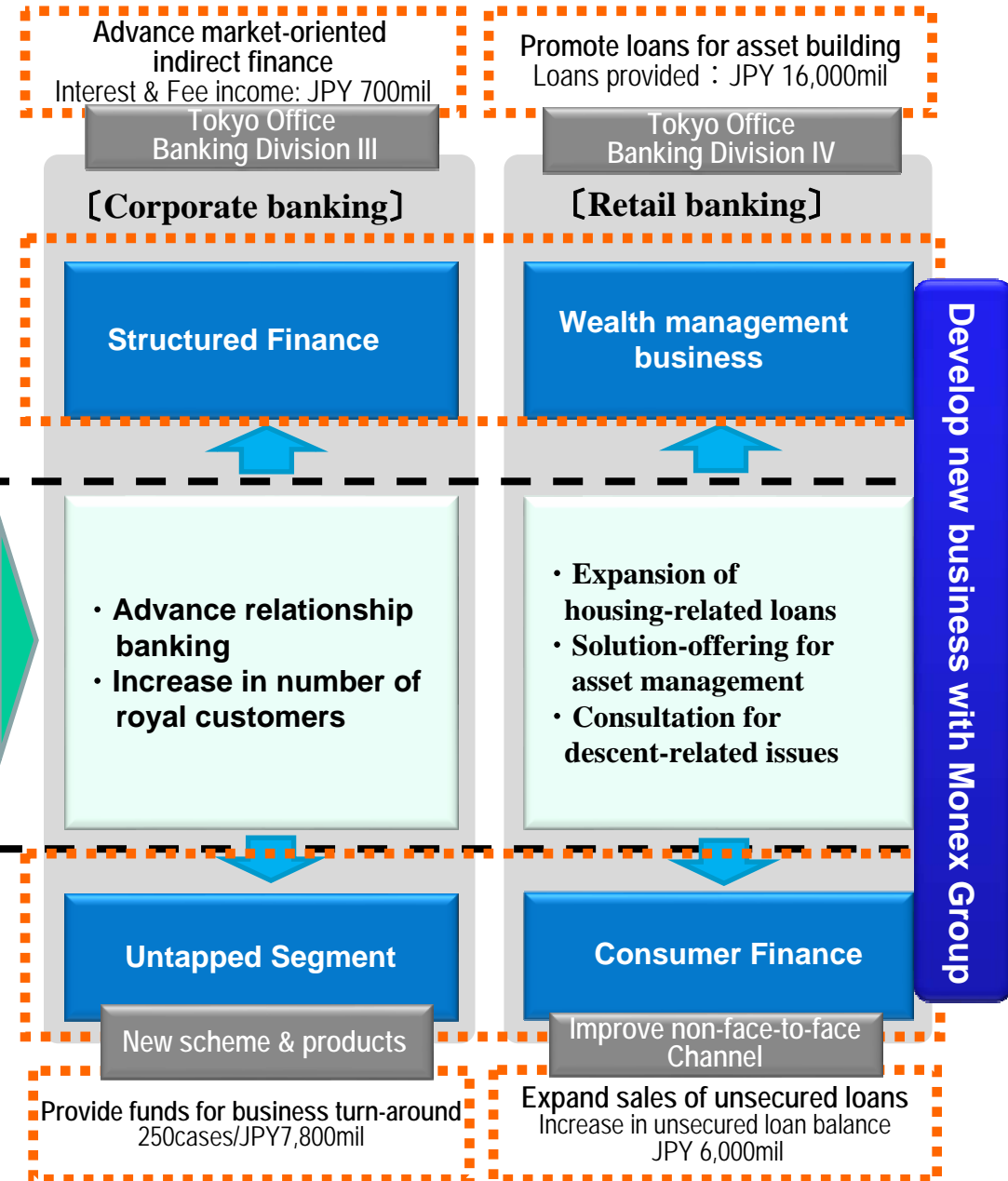
**Progress  
in the 12<sup>th</sup> Medium-term Business Plan**

# Progress in the 12<sup>th</sup> Medium-term Business Plan

Challenge on the new business field in 12th Medium-term business plan



...New business Field





# **Projected performance in FY2014**

# Projected performance in FY2014

<b>Nonconsolidated</b>	(JPY bn)	FY2013	FY2014E	Change from FY2013
Ordinary revenue		186.1	180.0	-6.1
Gross operating profit		144.5	144.0	-0.5
Expenses (-)		79.7	83.5	+3.8
Net operating profit		64.7	60.5	-4.2
Ordinary profit		67.2	64.0	-3.2
Net income		42.8	41.0	-1.8

	(JPY bn)	FY2013	FY2014E	Change from FY2013
Credit-related costs		0.5	0.9	+0.4
Provision for general allowance for loan losses		-4.6	-3.0	+1.6
Bad debt written-off		5.1	3.9	-1.2
Provision for specific allowance for loan losses		4.1	3.0	-1.1

<b>Consolidated</b>	(JPY bn)	FY2013	FY2014E	Change from FY2013
Ordinary revenue		220.9	215.0	-5.9
Ordinary profit		74.7	74.0	-0.7
Net income		46.7	47.5	+0.8

# References

# Overview of the 12<sup>th</sup> Medium-term Business Plan

## The 12<sup>th</sup> Medium-term Business Plan (12<sup>th</sup> 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    | <ul style="list-style-type: none"> <li>• Refine region-based relationship banking</li> <li>• Challenge on the new business fields and profitable opportunities</li> </ul> |
| Operational system | <ul style="list-style-type: none"> <li>• Build the flexible and robust operating structure</li> </ul>   |
| Branding           | <ul style="list-style-type: none"> <li>• Add more value to 「Shizugin」 brand</li> </ul>  |

## Target figures (consolidated)

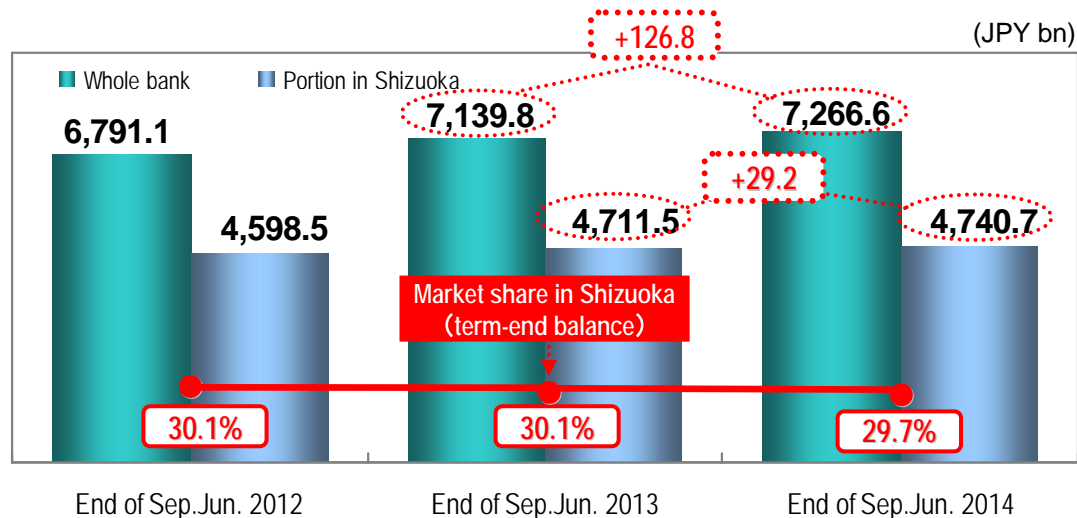
	11 <sup>th</sup> Medium-term Business plan	12 <sup>th</sup> Medium-term Business Plan
	FY2013 plan	FY2016 plan
Ordinary profit	74.0	80.0 or more
Net income	46.0	50.0 or more
Common Equity Tier I ROE	6.56%	6% level
OHR	54.7%	Around 55%
Common Equity Tier I ratio	15.25%	Around 14%
Shareholder return	50%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



# Loans (term-end balance)

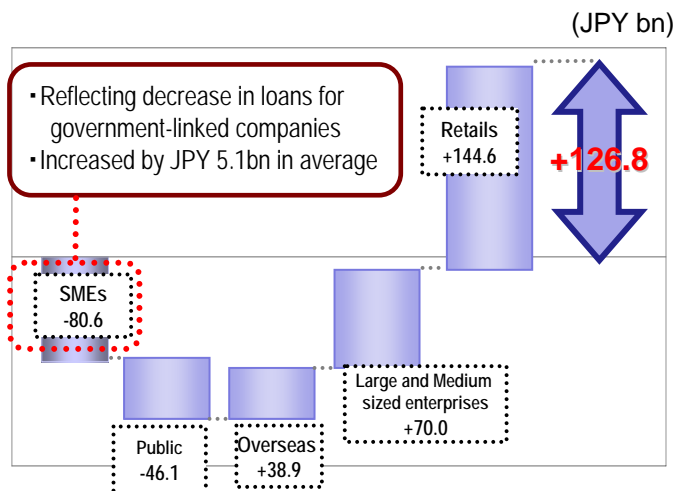
- Total loan balance (term-end balance) of 1H FY2014: JPY 7,266.6bn, up JPY 126.8bn (+1.8%) YoY

## Total loan balance (term-end balance)

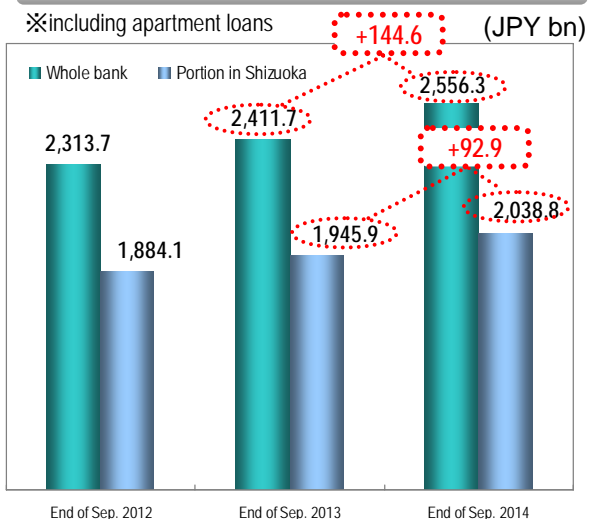


	Term-end balance	YoY change	Annual rate
Total loan balance	7,266.6bn	+126.8bn	+1.8%
SMEs loan balance	2,758.4bn	-80.6bn	-2.8%
Retail loan balance	2,556.3bn	+144.6bn	+6.0%
Large and Medium sized enterprises	1,544.8bn	+70.0bn	+4.7%

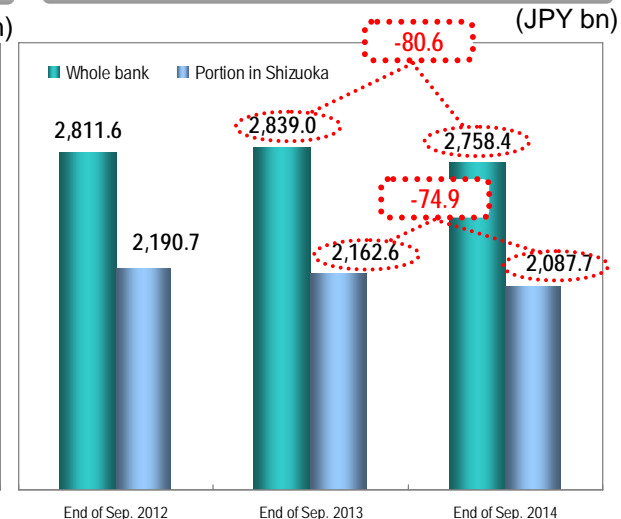
## Breakdown of year-on-year change in total loan balance (term-end balance)



## Retail loan balance (term-end balance)



## SMEs loan balance (term-end balance)



# Loans - Loans by industries

- Business loans to each industry such as real estate, construction, leasing, money lending and investment account for less than 9% of loan balance for all industries respectively. There is no concentrated exposure to any of these specific industries
- Expected Loss (EL) for all industries : JPY 4.0bn (JPY 0.8bn for real estate and JPY 0.3bn for construction)
- Unexpected Loss (UL) for all industries : JPY 40.6bn

## Contemporary status of business loans to particular industries

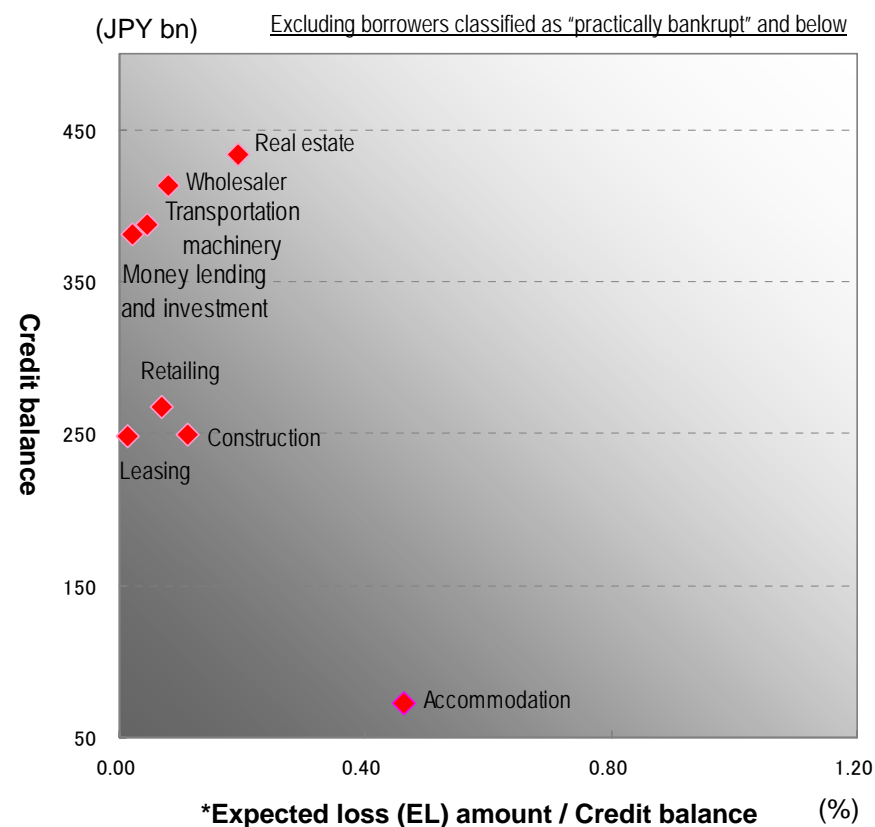
[ Credit balance (as of the end of Sep. 2014) ]

(JPY bn, %)

	Balance	Composition ratio	YoY change
All industries	4,995.7	100.0	+24.5
Real estate	433.1	8.7	+10.5
Wholesaler *	413.6	8.3	-15.8
Money lending and investment	381.6	7.6	+80.9
Transportation machinery	387.3	7.8	+16.6
Construction	248.9	5.0	-24.1
Retailer	267.6	5.4	-8.7
Leasing	247.9	5.0	-5.4
Accommodation	72.3	1.4	-5.0

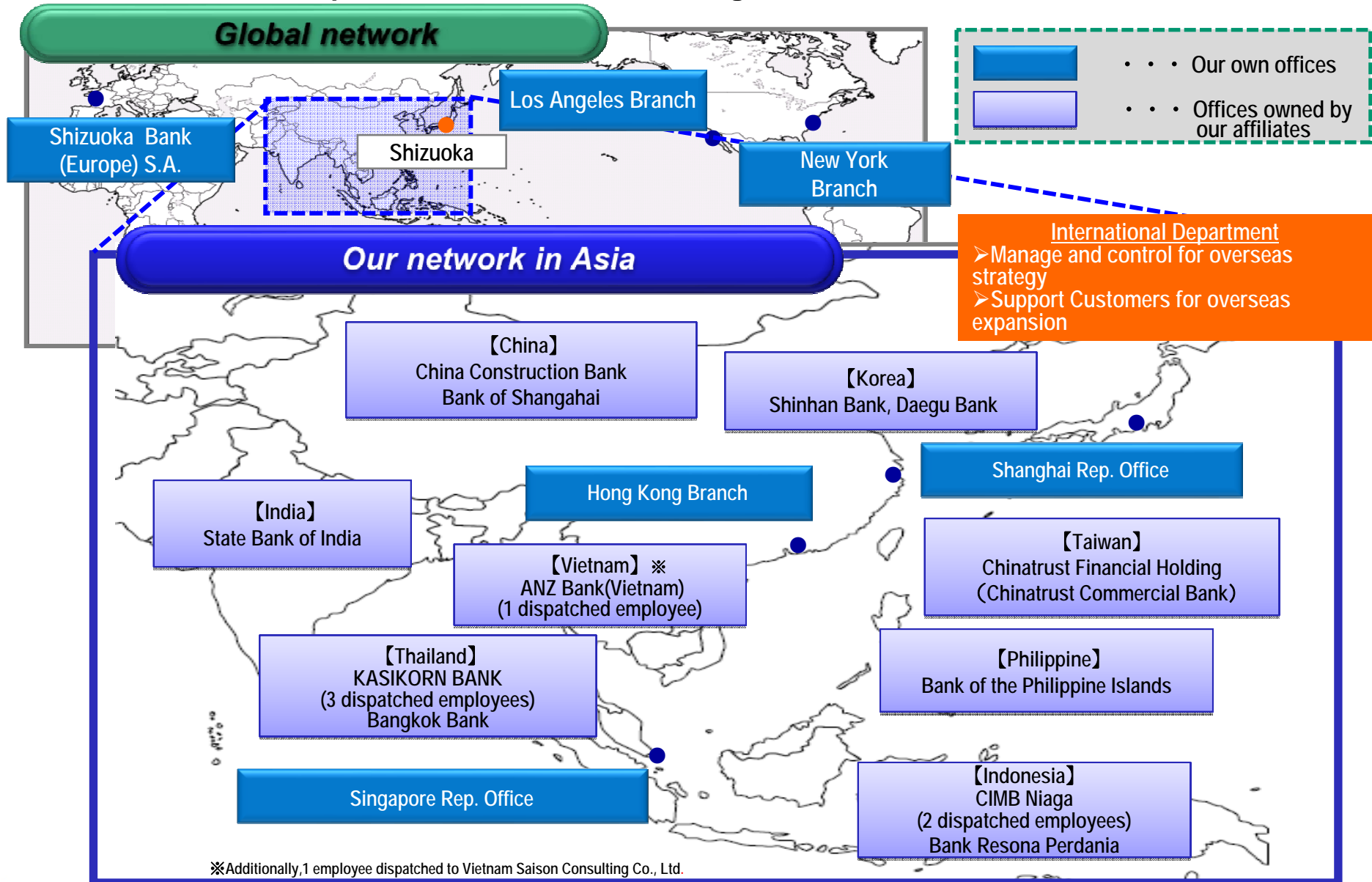
\* excluding a general trading companies

[ Credit balance vs. expected loss rate\* ]



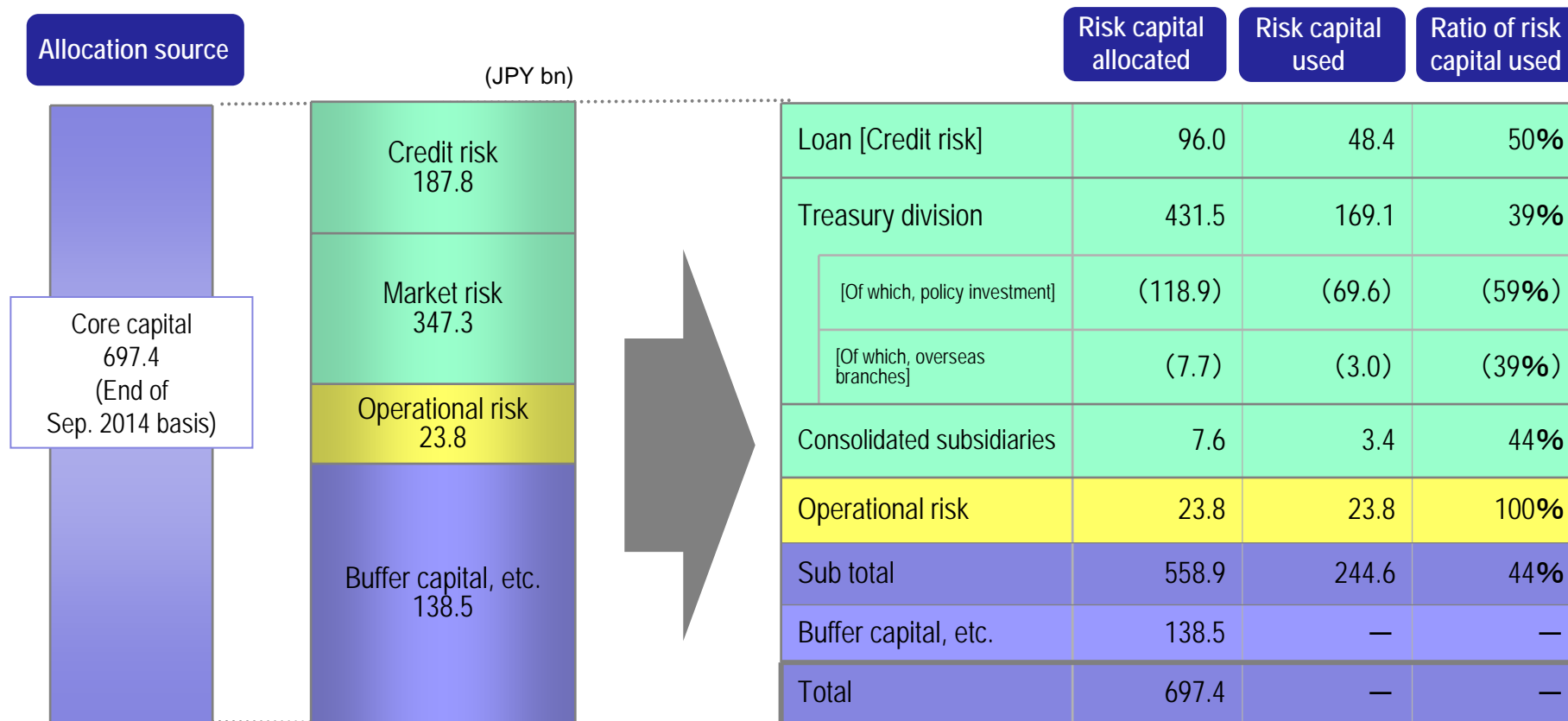
# Initiatives for Corporate Banking –Network in Asia

- Actively supporting our business clients' overseas expansion strategies through a network of overseas sites and 12 partner banks in 8 countries/region



# Allocation of risk capital

- Allocation of risk capital for the 1H FY2014 amounted to JPY 697.4bn, of which JPY 187.8bn was allocated to credit risk, JPY 347.3bn to market risk, JPY 23.8bn to operational risk, and JPY 138.5bn to buffer capital, etc
- JPY 48.4bn for loans [credit risk] and JPY 169.1bn for the Treasury division was used for the 1H FY2014



- Core capital=common equity Tire I (Basel III standard), excluding other marketable securities valuation difference
- Risk capital amount=<Market risk> | VaR |  
 <Credit risk> (1) | UL | (loan balance includes bad debt written off, CVAs)  
 (2) Basel III capital requirement amount (designated loan claims, credit linked loan, securitization transactions, investment trusts, and investment funds)  
 <Operational risk> Amount equivalent to operational risk
- Buffer capital is kept aside for emergencies such as the anticipated Great Earthquake and other unquantifiable risks.

## Shareholder return- Share buybacks, Trends in EPS /BPS

- We have regularly bought back shares since FY1997, with a total of 191 million shares repurchased over the same period (supporting steady increases in EPS and BPS)

### Historical share buybacks

	Shares bought back (thousand shares)	Repurchase amount of shares (JPY mil)	Number of shares cancelled (thousand shares)	Cancellation amount (JPY mil)	Shareholder return ratio (%)	EPS(JPY)	BPS(JPY)
FY1997	7,226	9,997	7,226	9,997	90.3	20.39	587.56
FY1998	6,633	9,142	6,633	9,142	86.7	20.12	627.64
FY1999	8,357	9,143	8,357	9,143	51.4	34.14	650.95
FY2000	24,954	23,281	24,954	23,281	152.0	23.73	792.16
FY2001	8,234	8,267	8,234	8,267	165.4	10.26	742.73
FY2002	29,928	23,107	—	—	229.4	16.56	721.33
FY2003	10,712	8,566	30,000	23,381	50.8	37.20	831.76
FY2004	—	—	—	—	17.1	49.41	875.93
FY2005	—	—	—	—	22.5	44.24	1,019.15
FY2006	—	—	—	—	25.3	51.20	1,077.85
FY2007	10,000	12,621	10,000	10,130	61.8	49.89	997.20
FY2008	—	—	—	—	70.8	18.34	903.32
FY2009	5,000	3,996	5,000	4,638	40.6	46.01	998.21
FY2010	20,000	14,980	20,000	15,957	67.2	51.75	1,016.34
FY2011	20,000	14,575	—	—	67.6	52.44	1,097.55
FY2012	10,000	8,239	20,000	14,953	43.9	62.79	1,204.31
FY2013	20,000	22,642	—	—	75.7	67.84	1,257.63
FY2014	10,000	11,315	—	—	—	—	—
<b>Total</b>	<b>191,044</b>	<b>179,874</b>	<b>140,404</b>	<b>128,891</b>		<b>—</b>	<b>—</b>

\*The amount in FY2014 is only an actual amount by the end of Oct. 2014

## Group companies

- The total ordinary revenue of 11 major consolidated subsidiaries was JPY 24.9bn (- JPY 0.1bn YoY) and the ordinary profit was JPY 3.7bn (-JPY 0.5bn YoY)

(JPY bn)

Company name	Business	Ordinary revenue	YoY change	Ordinary Profit	YoY change
Shizugin Management Consulting Co., Ltd.	Corporate and financial management advisory services	0.6	+0.0	0.1	+0.0
Shizugin Lease Co., Ltd.	Leasing	11.9	-0.3	0.7	-0.1
Shizuoka Computer Service Co., Ltd.	Computer system development and operation	2.6	+0.3	0.1	-0.0
Shizugin Credit Guaranty Co., Ltd.	Guarantee of housing loans, etc.	1.1	+0.0	0.8	+0.0
Shizugin DC Card Co., Ltd.	Credit card and guarantee of consumer loans	0.9	-0.0	0.2	-0.0
Shizuoka Capital Co., Ltd.	Public-offering assistance Support for corporate rehabilitation	0.2	-0.1	0.0	-0.1
Shizugin TM Securities Co., Ltd.	Securities	4.1	-0.1	1.8	-0.2
Shizuoka Bank (Europe) S.A.	Finance and securities-related services	0.3	-0.0	0.0	-0.1
Shizugin General Service Co., Ltd.	Fee-based job placement service, general administration	0.5	±0.0	0.0	-0.0
Shizugin Mortgage Service Co., Ltd.	Appraisal of real estate for loan collateral Operation center for loans	0.8	+0.0	-0.0	-0.0
Shizugin Business Create Co., Ltd.	Operation center for remittance and bill collection	2.1	-0.1	0.0	+0.0
<b>Total(11 companies)</b>		<b>24.9</b>	<b>-0.1</b>	<b>3.7</b>	<b>-0.5</b>
Shizugin Saison Card Co., Ltd.*	Credit card and guarantee of consumer loans	0.9	+0.2	0.0	+0.0

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

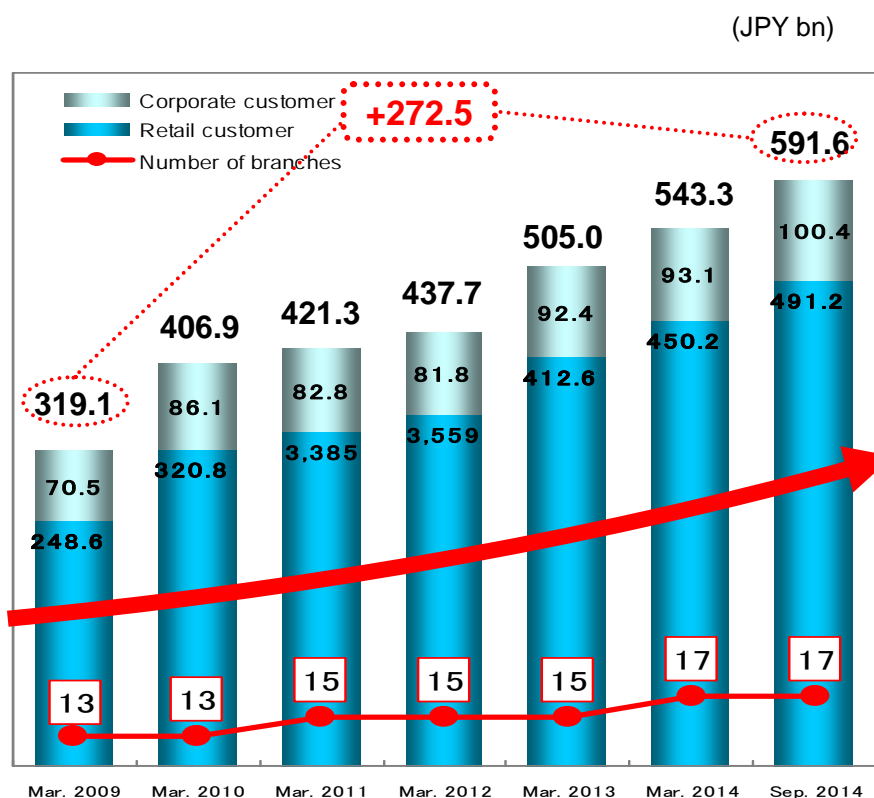
# Shizugin TM Securities Co., Ltd.

- Growth in top line of Shizugin TM Securities Co., Ltd (securities subsidiary) contributed highly to group business performance
- Customer asset: JPY 591.6bn, increased by 272.5bn in 5.5 years after Lehman Shock

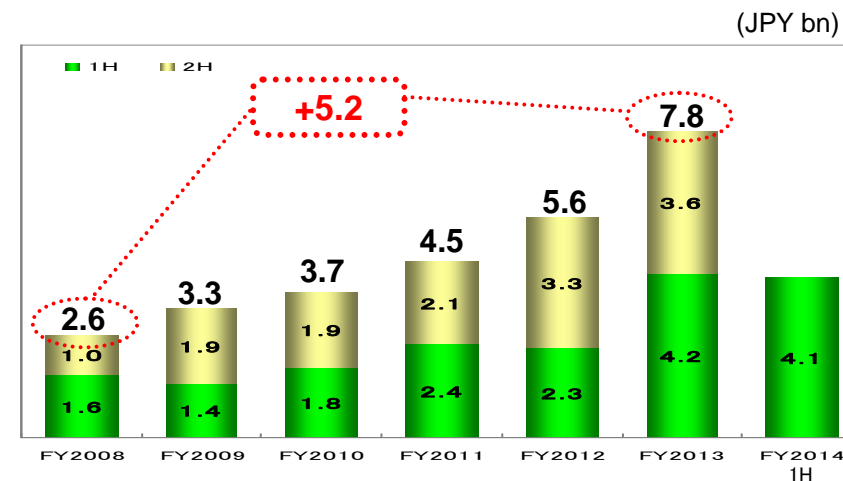
## 【Overview of Shizugin TM Securities, Co., Ltd.】

Establishment : December 2000  
 Capital Stock : JPY 3.0bn  
 Number of Branches : 17 (End of Sep. 2014)

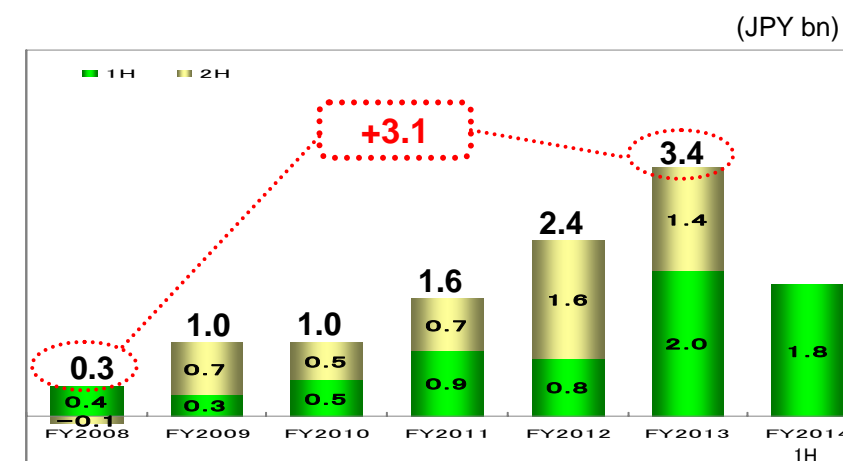
## Customer asset (year-end balance) and number of branches



## Ordinary revenue



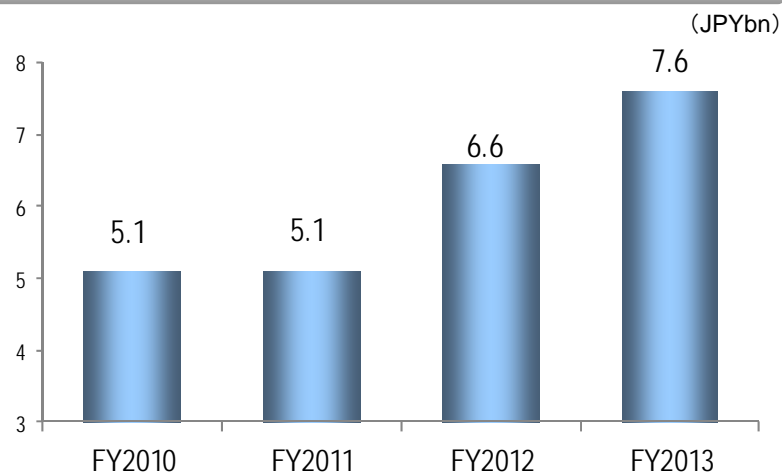
## Ordinary profit



## Group strategy – Increase in ownership ratio

- Total of ordinary profit of group subsidiaries increased by 50% in 11th Medium-term Business Plan
- Raised the ownership ratio of 6 consolidated subsidiaries, such as Shizugin Lease Co., Ltd., to 100% in order to expand consolidated net income and closely tie up consolidated subsidiaries. We currently have direct wholly ownership in 11 subsidiaries excluding Shizuoka Capital Co., Ltd.

Total ordinary profit of consolidated subsidiaries



### Gains on negative goodwill

Gains on negative goodwill in 1Q FY2014 : JPY 2.3 bn

### Increase in consolidated net income

Positive impact of roughly JPY 2.3bn per year

### Increase in consolidated/nonconsolidated ratio

Increase by roughly 0.05x due to rise in consolidated net income

Consolidated subsidiaries	Ownership ratio	Consolidated subsidiaries	Ownership ratio
Shizugin Management Consulting Co., Ltd.	100.00%	Shizugin TM Securities Co., Ltd.*	100.00%
Shizugin Lease Co., Ltd.*	100.00%	Shizuoka Bank (Europe) S.A.	100.00%
Shizuoka Computer Service Co., Ltd.*	100.00%	Shizugin General Service Co., Ltd.	100.00%
Shizugin Credit Guaranty Co., Ltd.*	100.00%	Shizugin Mortgage Service Co., Ltd.	100.00%
Shizugin DC Card Co., Ltd.*	100.00%	Shizugin Business Create Co., Ltd.	100.00%
Shizuoka Capital Co., Ltd.*	50.00%**	Shizuoka Liquidity Reserve Limited.***	100.00%

\*Increase in ownership ratio

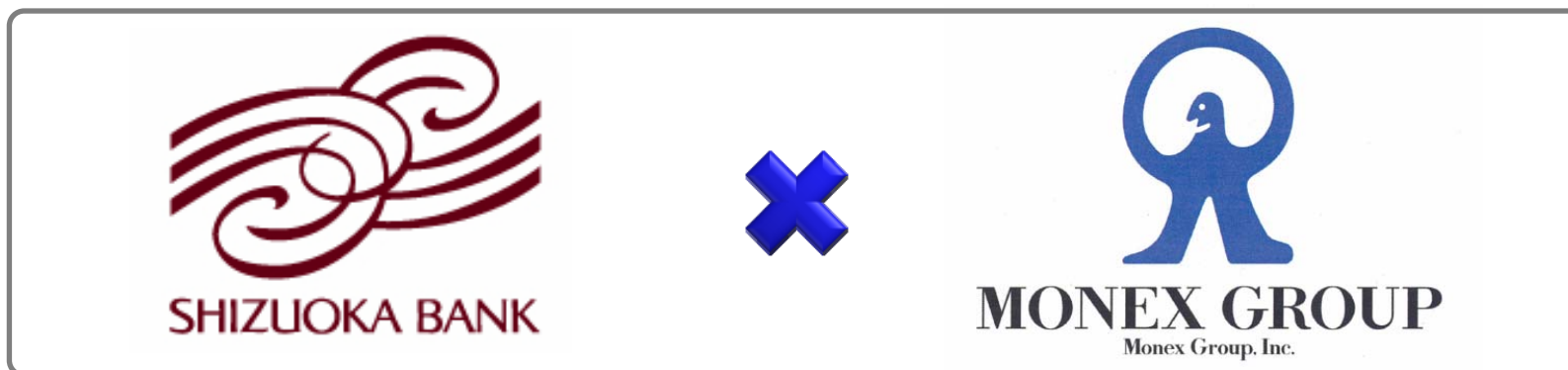
\*\*Consolidated basis

\*\*\* SPC, established in Aug. 2014



## Active investments - 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 20% of stakes in Monex Group from ORIX Corporation and so on



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 : JPY987,044 millions

Headquarters : Kojimachi, Chiyoda-ku, Tokyo

Overseas Branches : Florida, Beijing, Hong Kong, Sidney, London, Costa Rica

Rating : BBB (JCR)

(as of Sep, 2014)

**A committee led by senior management at both companies has been established to develop a new business model**

# Economic scale of Shizuoka Prefecture

- Accounts for 3% share of all-Japan. Ranks 10th in the scale of economy among prefectures
- Has greater GDP than total GDP of 4 prefectures in Shikoku or 3 prefectures in Hokuriku
- Compared to countries ,its GDP is ranked next to the Czech, Pakistan, and Algeria

## Shizuoka Prefecture indices

	Share of all-Japan		National ranking
●Population	3.72 m	2.9%	10th of 47 (2013)
●No. of households	1.46m	2.7%	10th of 47 (2012)
●Nominal prefectural GDP	JPY 15.6tn	3.1%	10th of 47 (FY2011)
●Per-capita income	JPY 3.162 m	-	2nd of 47 (FY2011)
●No. of business establishments	180K	3.2%	10th of 47 (2012)
●Amount of shipments of manufactured goods, etc.*	JPY 15.3tn	5.4%	3th of 47 (2013)
●Agricultural output	JPY 211.4bn	2.5%	16th of 47 (2012)
●Fishery production volume	190k tons	5.2%	3rd of 47 (2013)
●No. of industrial locations*	77	4.1%	6th of 47 (2013)
●No. of new housing starts	30k	2.9%	10th of 47 (2013)

\* Based on flash reports

## Shizuoka Prefecture economic scale

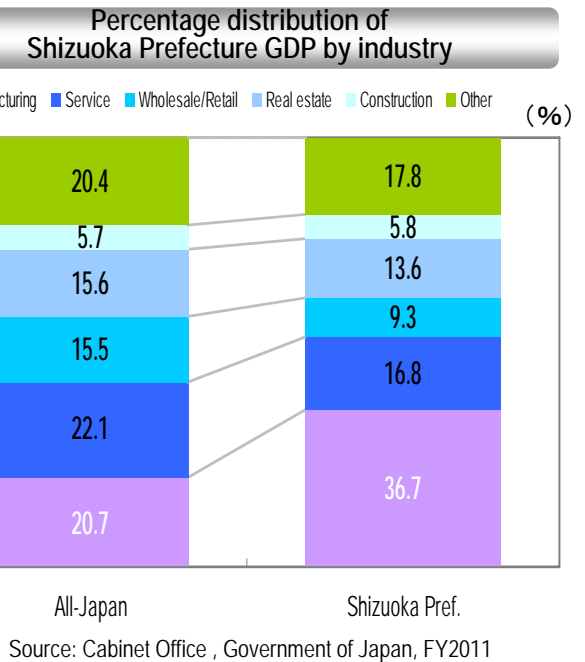
Prefectural GDP (2011, Nominal)		
Rank	Prefecture/Region	(US\$ billions)
9	Fukuoka Prefecture	227.0
<b>10</b>	<b>Shizuoka Prefecture</b>	<b>196.9</b>
11	Ibaraki Prefecture	145.0
-	4 prefectures of Shikoku	175.3
-	3 prefectures of Hokuriku	150.4
GDP comparison with countries (2011)		
Rank	Country (Region)	(US\$ billions)
47	Czech	216.1
48	Pakistan	213.7
49	Algeria	199.3
-	<b>Shizuoka Prefecture</b>	<b>196.9</b>
50	Kazakhstan	188.0
51	Iraq	185.8

\*Sources: Economic and Social Research Institute (ESRI)

Cabinet Office , Government of Japan

# Economy in Shizuoka Prefecture and current state

- Positioned as distribution hub between Tokyo and Osaka/Kyoto
- Represents leading manufacturing prefecture in Japan
- Owns a lot of export-driven companies related to handling machinery of transportation and music instrument and so forth
- Has many of representative tourist locations coming from its rich natural environments



No. of listed companies with HQs in Shizuoka Prefecture

Listing	No. of companies
TSE 1 <sup>st</sup> section	23
TSE 2 <sup>nd</sup> section	11
Mothers	1
Jasdaq	19
<b>Total</b>	<b>54</b>

\*As of end Mar. 2014, companies listed on more than one exchange were counted as TSE-listed

**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.**