

# ***Presentation for Investors***

**August, 2015**

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**静岡銀行**

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***Shizuoka Prefecture –  
Our Operational Foundation***

# 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 Kazakhstan, Peru, and Qatar

## Shizuoka Prefecture indices

	Share of all-Japan		National ranking
•Population	3.71 m	2.9%	10th of 47 (2014)
•No. of households	1.53 m	2.7%	10th of 47 (2015)
•Nominal prefectural GDP	JPY 15.5 tn	3.1%	10th of 47 (FY2012)
•Per-capita income	JPY 3.195 m	-	3rd of 47 (FY2012)
•No. of business establishments	180 K	3.2%	10th of 47 (2012)
•Amount of shipments of manufactured goods, etc.	JPY 15.4 tn	5.4%	3rd of 47 (2013)
•Agricultural output	JPY 213.8 bn	2.5%	16th of 47 (2013)
•Fishery production volume	200 k tons	5.3%	4th of 47 (2014)
•No. of industrial locations*	119	4.8%	4th of 47 (2014)
•No. of new housing starts	26 k	2.8%	11th of 47 (2014)

\* Based on flash reports

## Shizuoka Prefecture economic scale

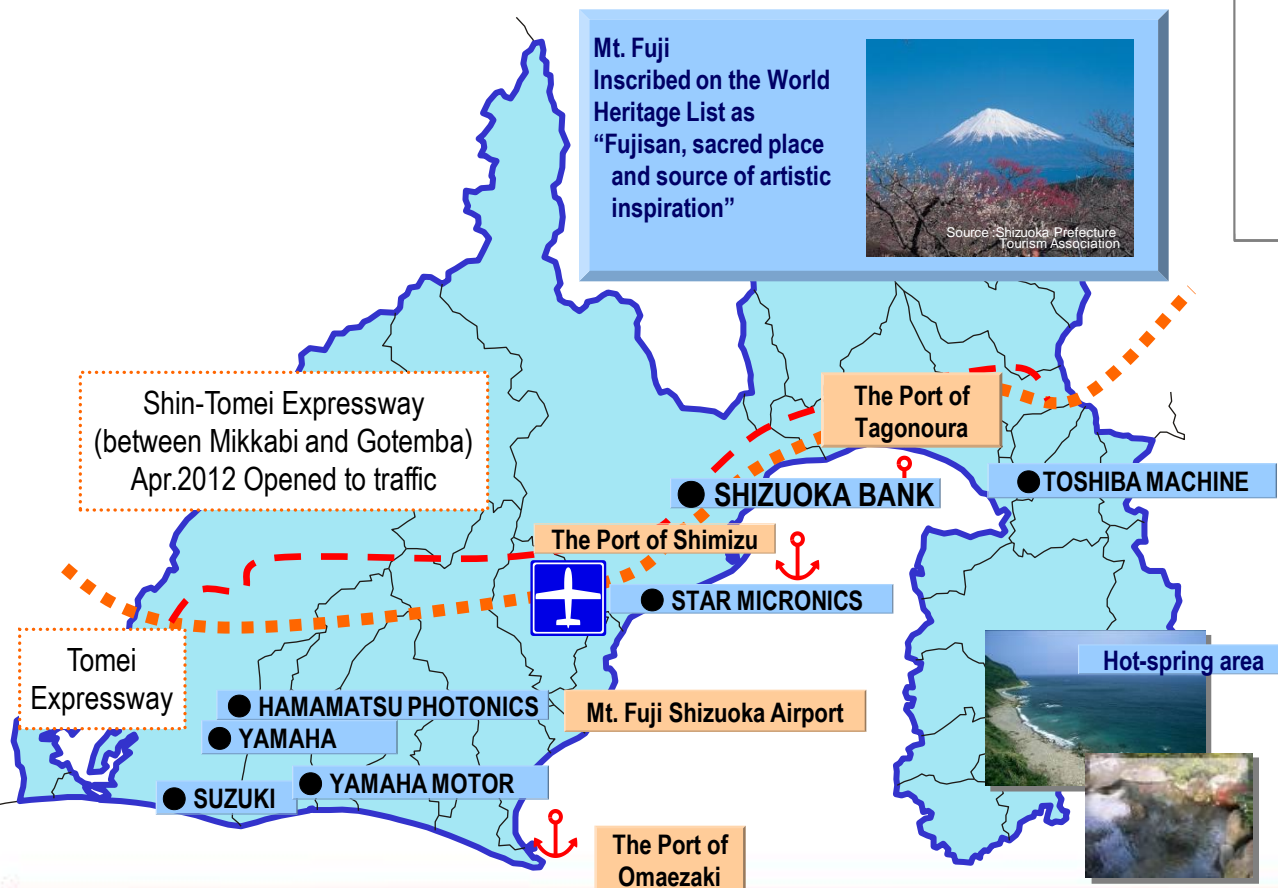
Prefectural GDP (2012, Nominal)		
Rank	Prefecture/Region	(US\$ billions)
9	Fukuoka Prefecture	215.6
<b>10</b>	<b>Shizuoka Prefecture</b>	<b>186.4</b>
11	Ibaraki Prefecture	140.1
-	4 prefectures of Shikoku	162.2
-	3 prefectures of Hokuriku	143.3
GDP comparison with countries (2012)		
Rank	Country (Region)	(US\$ billions)
51	Kazakhstan	203.5
52	Peru	192.7
53	Qatar	190.2
-	<b>Shizuoka Prefecture</b>	<b>186.4</b>
54	Ukraine	175.7
55	Kuwait	174.0

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

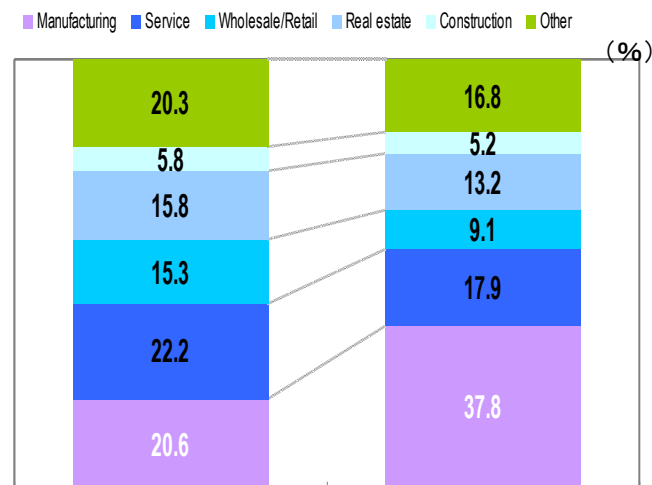
Cabinet Office , Government of Japan

# 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



Percentage distribution of Shizuoka Prefecture GDP by industry



All-Japan Shizuoka Pref.  
Source: Cabinet Office, Government of Japan, FY2012

No. of listed companies with HQs in Shizuoka Prefecture

Listing	No. of companies
TSE 1 <sup>st</sup> section	22
TSE 2 <sup>nd</sup> section	12
Mothers	1
Jasdaq	18
Total	53

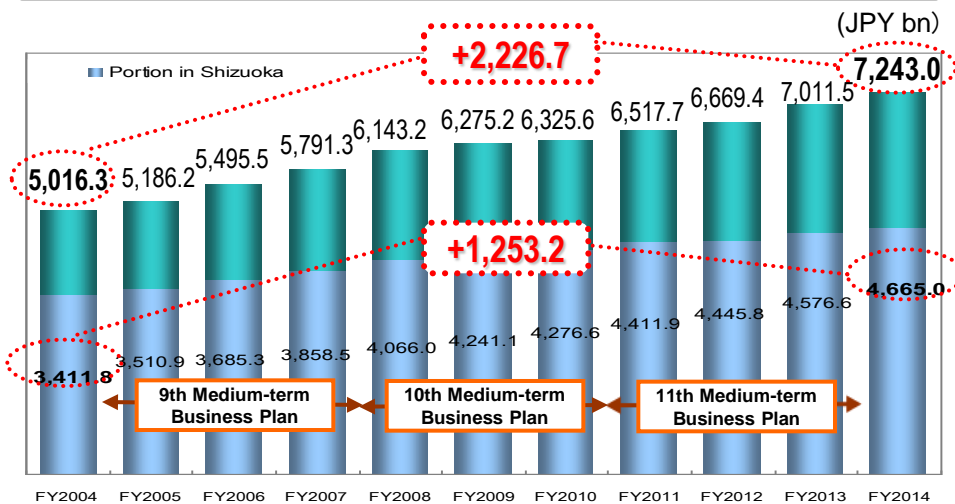
\*As of the end of Nov. 2014, companies listed on more than one exchange were counted as TSE-listed

***Distinguishing feature of  
Shizuoka Bank***

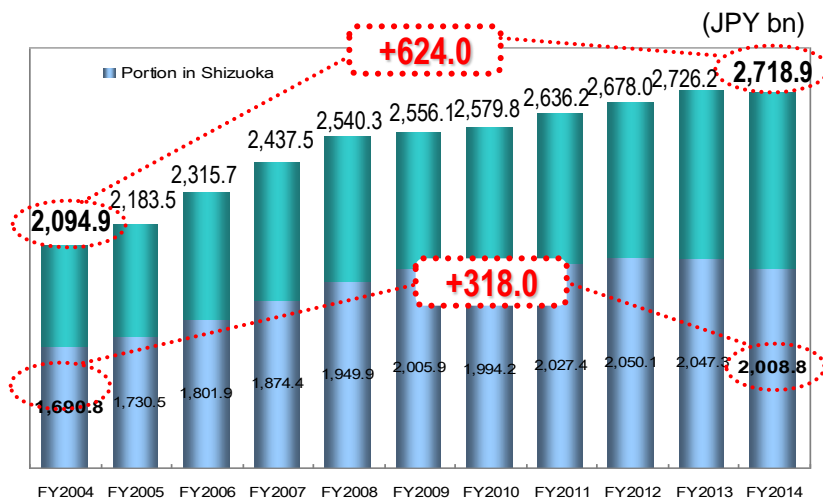
# Loans

- Total loan balance (average) increased by JPY 2,226.7bn in 10 years since FY2004, of which JPY 1,253.2bn in Shizuoka Pref.
- SME loan balance: +JPY 624.0bn, consumer loan balance: +JPY 1,123.8bn

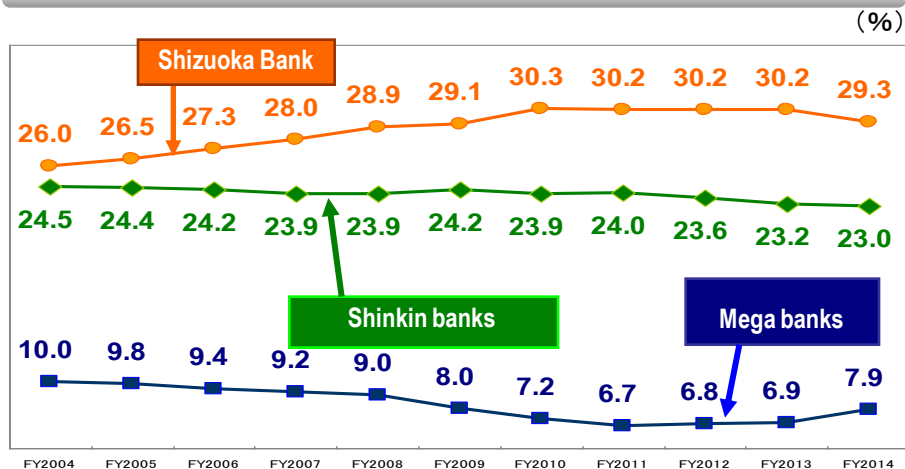
### Total loan balance (average balance)



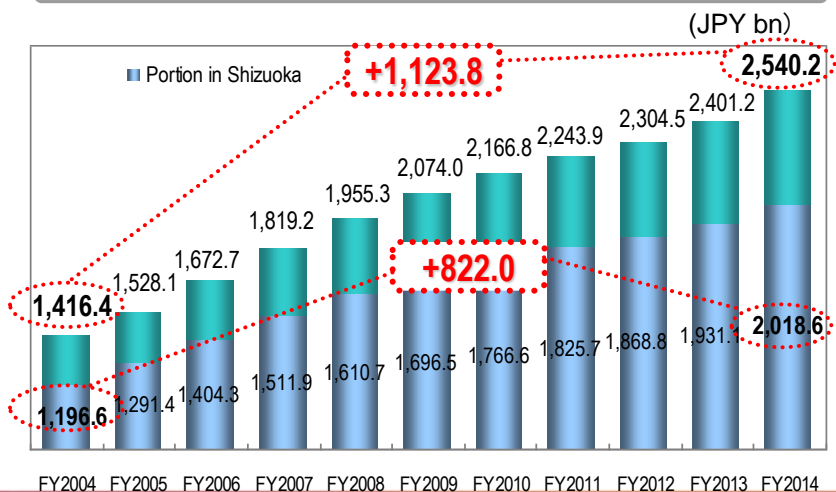
### SME loan balance (average balance)



### Share of loans in Shizuoka Prefecture



### Consumer loan balance (average balance)

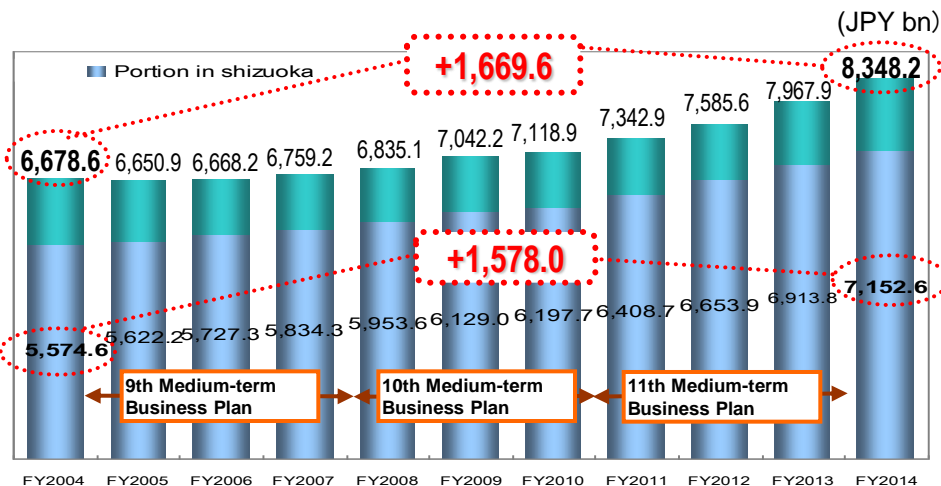




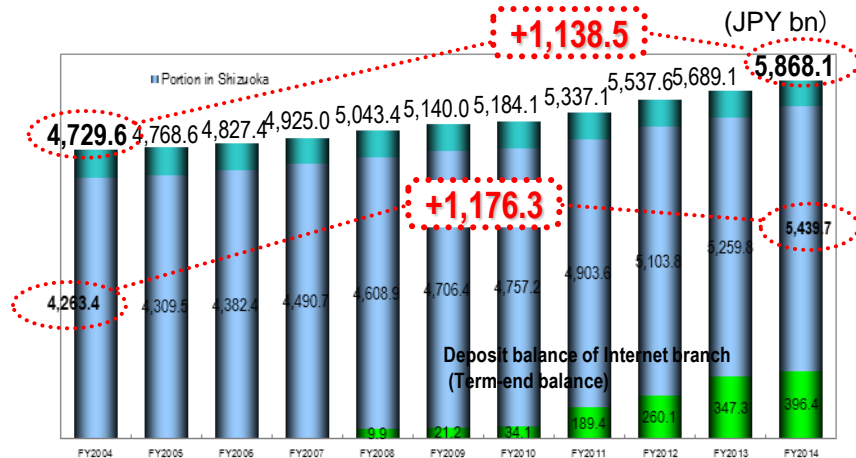
# Deposits

- Total deposit balance (average) increased by JPY 1,669.6bn in 10 years since FY2004, of which JPY 1,578.0bn in Shizuoka Pref.
- Has kept high Loan-Deposit ratio, 86.8%, while increasing both loan and deposit

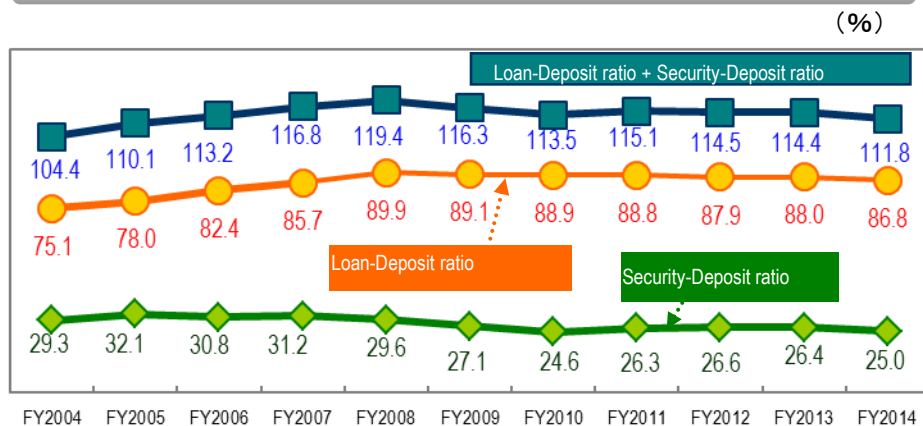
Deposit balance (average balance)



Retail deposit balance in domestic branches (average balance)



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



External ratings

- Has received higher credit ratings from two overseas agencies, Moody's and Standard & Poor's, and one Japanese agency, R&I

	Long-term Ratings	Short-term Ratings
Moody's	A1	P-1
Standard & Poor's	A+	A-1
R & I	AA	-

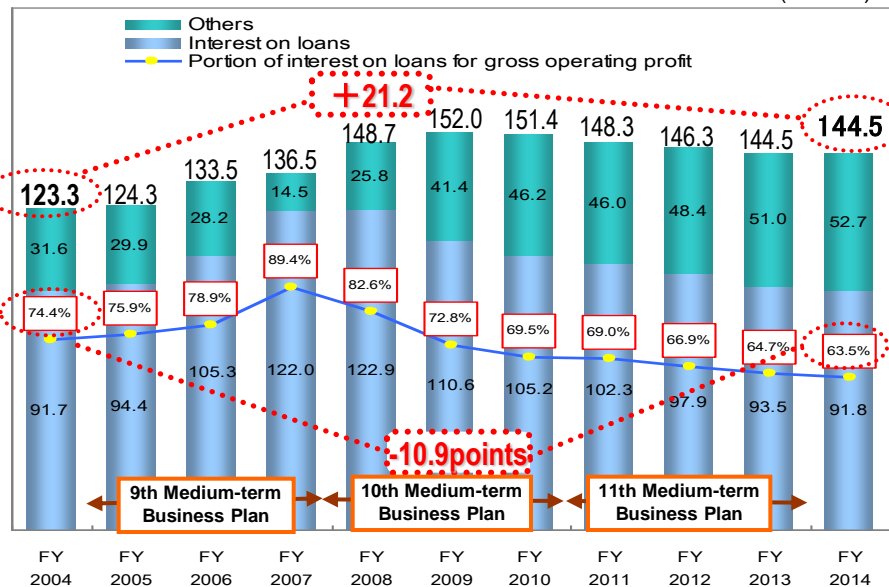


# Profit levels and improvement of productivity

- Gross operating profit stably increased totally over JPY 20bn for 10 years
- Productivity improvement led by IT investment and BPR has contributed to strict cost control and stable surplus in net income

## Gross operating profit and interest on loans

(JPY bn)



## Improvement of productivity

### <9th Medium-term Business Plan>

- Launch of active IT investment and centralized processing BPR
- Introduced new terminals at sales branches
- Upgraded loan support system
- Centralized processing for loan back-office workload (Centralized storage of loan bookkeeping and debt documents)

### <10th Medium-term Business Plan>

- Increased efficiency through IT investment and the expansion of centralized processing
- Back-office workload reduced at sales branches by 60%
- Repositioned back-office staff in sales positions

### <11th Medium-term Business Plan>

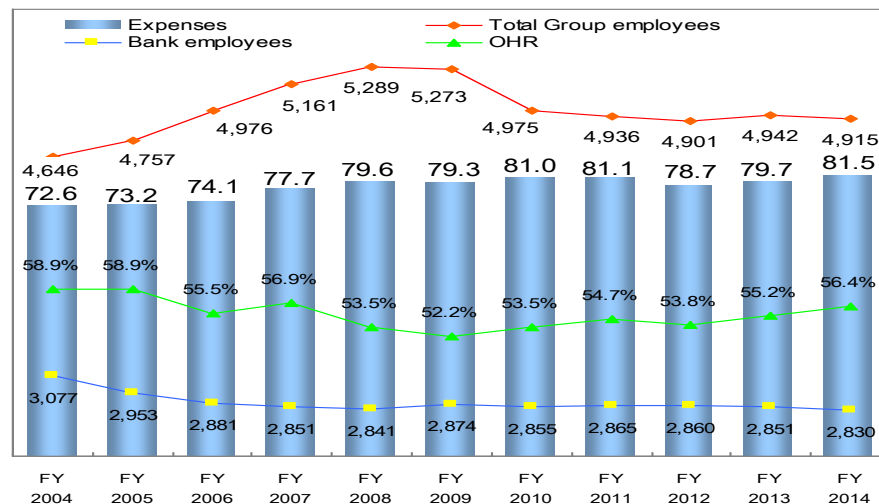
- Extended productivity improvements to the front office workload
- Reduce workload for consumer loan sales staff by 60%

### <12th Medium-term Business Plan>

- Started the operation of new SHIZUGIN Headquarter Tower (since Jan. 2015)
- Established new work-style (Free-Address, Paper-less)

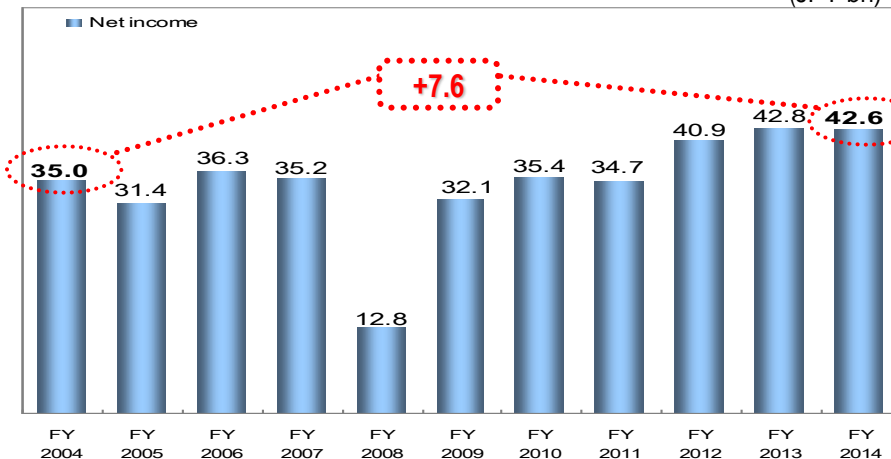
## Expenses and number of personnel

(JPY bn, Employees)



## Net income

(JPY bn)



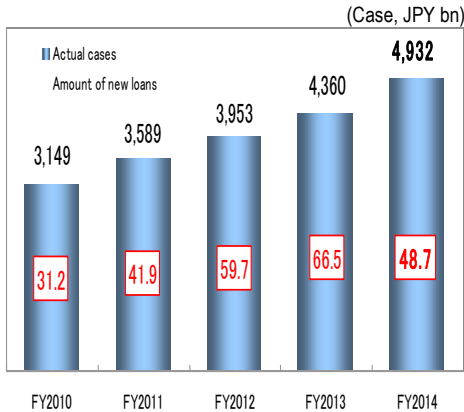
# Region-based Relationship Banking

- Have further developed the relationship with customers by providing three pillars of solutions, that are, business matching services, support for business restructuring and turn-around, and “Shizuginship”

## Business matching services

- Supporting our customers to expand their business by creating new sales opportunities

[Trend in case]



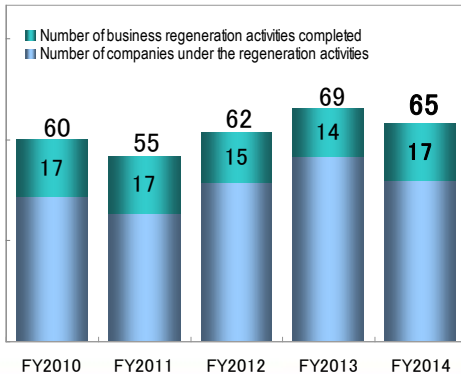
- Have regularly held Shizugin @gricom (agricom), a business networking event to link companies in the agricultural, forestry and fisheries sector and the food processing sector with buyers since February 2006.
- Have held 11th Shizugin @gricom (agricom) in July 2014

⇒ Closed 17 deals on the day

## Support for business restructuring and turn-around

- Reviewing of terms of repayment and utilizing external agencies and business regeneration fund to support business restructuring and turn-around

(Case)

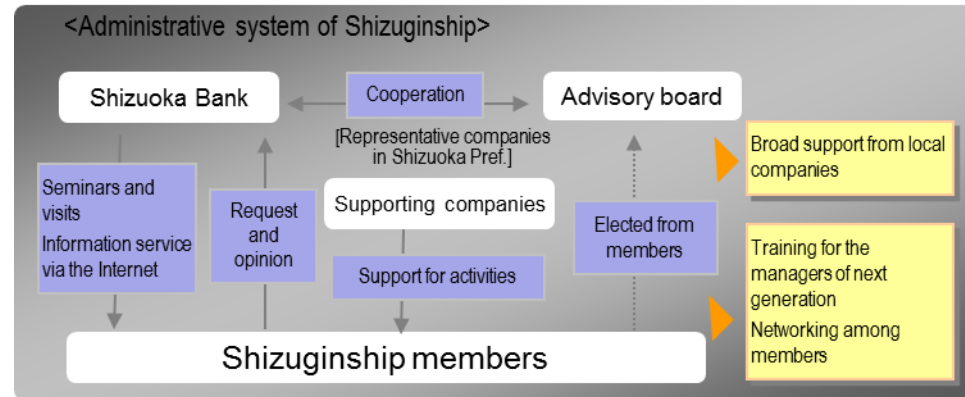


- From 2005, completed roughly 170 case of business restructuring

Maintained local economy by upholding about 14,000 employments

## “Shizuginship” – training club for the next generation managers

- A membership-based service aimed at developing local businesses and the Shizuoka Prefecture economy by improving the management skills of young managers earmarked as future business leaders
- Launched in April 2007, Shizuginship provides learning and networking opportunities to members
- Support Companies, consisting of leading companies in Shizuoka provide opportunities of site visits and dispatch lecturers to support
- Shizuginship has been managed in harmony with regional society



[No. of member: (As of the end of March 2015)]

- 832 companies, 1,250 members
- No. of participant for seminars and visits of FY2014 : 1,580

[Activity achievement in FY2014]

Content	Activity achievement
Divisional forum (Central / Eastern / Western area)	4 Forums
Lectures by top executive and specialists	10 Lectures
Seminar	Total 39 Courses
• Executive program	6 Course
• Middle management program	31 Courses
• Basic program	2 Course

# ***Results of 1Q FY2015***

# Results of FY2014 – Consolidated and Non-consolidated

## Consolidated

(JPY bn, %)	FY2014	YoY change	
		Increase/Decrease	Rate of change
Ordinary revenue	211.6	-9.3	-4.2
Ordinary profit	75.1	+0.4	+0.6
Net income (Excluding gains on negative goodwill)	49.9 (47.6)	+3.2 (+0.9)	+6.9 (+2.1)

## Non-consolidated

(JPY bn, %)	FY2014	YoY change	
		Increase/Decrease	Rate of change
Ordinary revenue	175.4	-10.7	-5.7
Gross operating profit	144.5	-0.0	-0.0
Net interest income	114.7	-11.5	-9.1
Fees and commissions	15.6	+0.8	+5.5
Trading income	0.6	+0.1	+19.6
Other operating profit	13.5	+10.6	+361.3
[Bond-related income such as JGBs]	13.1	+11.2	+578.0
Expenses (-)	81.5	+1.8	+2.2
Actual net operating profit *	63.0	-1.8	-2.8
Net operating profit	63.0	-1.8	-2.8
Special profit and loss	4.1	+1.7	+66.5
Bad debt written-off (-)	0.5	-0.4	-45.8
Gain on reversals from loan loss reserves	0.1	-0.4	-86.1
Gain (loss) on stocks	5.3	+2.5	+91.1
Ordinary profit	67.1	-0.1	-0.2
Net income	42.6	-0.2	-0.4

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

## Consolidated/Non-consolidated Ratio

Solid performance of the Group companies resulted in increases in consolidated/non-consolidated ratios

(times)	FY2014	YoY change
Ordinary profit	1.11	+0.00
Net income (Excluding gains on negative goodwill)	1.17 (1.12)	+0.08 (+0.03)

## Breakdown of net interest income

(JPY bn)	FY2013	FY2014	YoY change
<b>Total</b>	<b>126.2</b>	<b>114.7</b>	<b>-11.5</b>
<b>Domestic operations</b>	<b>113.9</b>	<b>104.2</b>	<b>-9.7</b>
Interest on loans	89.6	86.3	-3.3
Interest and dividends on securities	27.9	21.2	-6.7
Interest on deposits (-)	4.0	3.9	-0.1
<b>Overseas operations</b>	<b>12.3</b>	<b>10.5</b>	<b>-1.8</b>
Interest on loans	3.9	5.5	+1.6
Interest and dividends on securities	10.8	7.3	-3.5

## [Reference]

<b>Bond-related income</b>	<b>1.9</b>	<b>13.1</b>	<b>+11.2</b>
Gain on sell of bonds	19.0	14.6	-4.4
Loss on sell of bonds	17.0	1.5	-15.5

# Results of 1Q FY2015 – Consolidated and Non-consolidated

<b>Consolidated</b> (JPY bn, %)	1Q FY2014	1Q FY2015	YoY change	Progress (year basis)
Ordinary revenue	65.4	73.2	+7.8	33.7
Ordinary profit	32.1	31.1	-1.0	40.4
Net income (Excluding Gains on negative goodwill)	24.0 (21.8)	21.3 (21.3)	-2.7 (-0.5)	42.6

<b>Non-consolidated</b> (JPY bn, %)	1Q FY2014	1Q FY2015	YoY change	Progress (year basis)
Ordinary revenue	57.3	64.8	+7.5	36.0
Gross operating profit	48.8	47.4	-1.4	32.2
Net interest income	33.0	39.3	+6.3	—
Fees and commissions	3.8	3.7	-0.1	—
Trading income	0.1	0.2	+0.1	—
Other operating profit	11.9	4.2	-7.7	—
[Bond-related income such as JGBs]	(11.6)	(3.9)	(-7.7)	—
Expenses (-)	20.9	20.3	-0.6	25.0
Actual net operating profit	28.0	27.1	-0.9	—
Net operating profit	28.0	27.1	-0.9	41.1
Special profit and loss	2.7	2.7	—	—
Bad debt written-off (-)	0.2	0.1	-0.1	—
Gain on reversals from loan loss reserves	0.0	0.8	+0.8	—
Gain (loss) on stocks	2.6	1.5	-1.1	—
Ordinary profit	30.6	29.8	-0.8	43.8
Net income	20.9	20.8	-0.1	47.3

## Overview: Results of 1Q FY2015 – Consolidated

**Ordinary revenue** +JPY 7.8bn YoY

- Ordinary revenue grew by JPY 7.8bn year on year to JPY 73.2bn, mainly due to an increase in interest income (+JPY 5.1bn).

**Ordinary profit** -JPY 1.0bn YoY

- Ordinary profit decreased JPY 1.0bn year on year to JPY 31.1bn, mainly due to a JPY 8.7bn increase in ordinary expenses such as loss on sell of bonds.

## Overview: Results of 1Q FY2015 – Non-consolidated

**Ordinary revenue** +JPY 7.5bn YoY

- Ordinary revenue rose by JPY 7.5bn year on year to JPY 64.8bn, mainly due to a JPY 6.4bn increase in interest income such as interest and dividends on securities.

**Ordinary profit** -JPY 0.8bn YoY

- Ordinary profit declined JPY 0.8bn year on year to JPY 29.8bn, mainly due to an decrease in gain on sell of stocks (-JPY 1.1bn), although gain on reversals from loan loss reserves increased JPY 0.8bn.

**Net income** Slight YoY decline

- There was only a slight decrease in net income year on year to JPY 20.8bn due to a decline in income tax (-JPY 0.7bn) caused by a lowered effective tax rate.

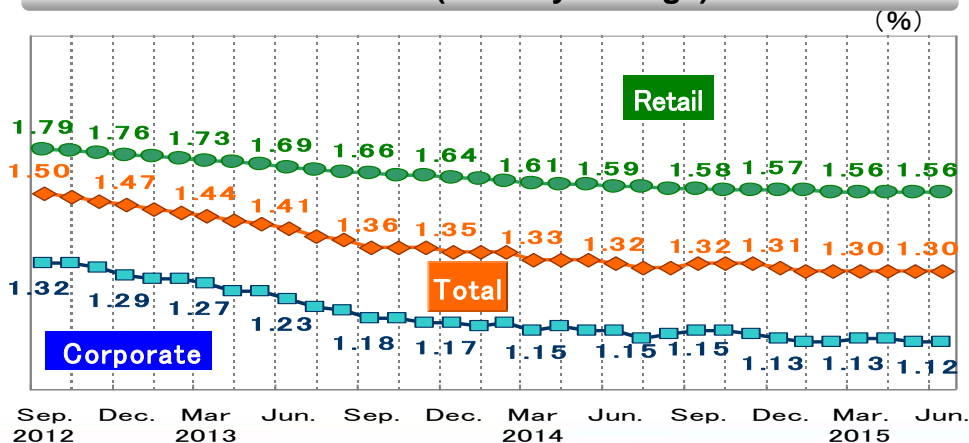
# Net interest income and loan rate

- Net interest income of 1Q FY2015: JPY 39.3bn (+JPY 6.3bn YoY)
- The interest on loans is about to stop declining, due to growing volume of loans with higher interest rate in retail banking

## Break down of net interest income

	1Q FY2014	1Q FY2015	YoY change
<b>Total</b>	<b>33.0</b>	<b>39.3</b>	<b>+6.3</b>
<b>Domestic operations</b>	<b>29.4</b>	<b>35.6</b>	<b>+6.2</b>
Interest on loans	21.6	21.0	-0.6
Interest and dividends on securities	8.6	15.2	+6.6
Interest on deposits (-)	1.0	1.0	+0.0
<b>Overseas operations</b>	<b>3.6</b>	<b>3.7</b>	<b>+0.1</b>
Interest on loans	1.1	1.7	+0.6
Interest and dividends on securities	3.0	2.9	-0.1
<b>[Reference]</b>			
<b>Bond-related income</b>	<b>11.6</b>	<b>3.9</b>	<b>-7.7</b>
Gain on sell of bonds	11.6	12.8	+1.2
Loss on sell of bonds	0.0	8.8	+8.8

## Loan rates (monthly average)

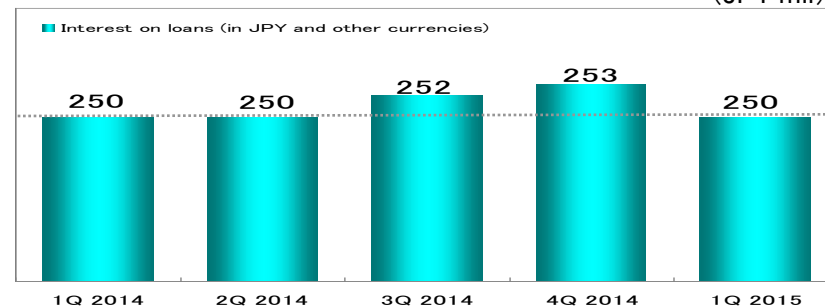


## Loan and Deposit rate

(%)	1Q FY2014	1Q FY2015	YoY change
<b>[Domestic Operations]</b>			
Loan rate	1.31	1.27	-0.04
Deposit rate	0.05	0.05	+0.00
Yield on securities	2.10	5.31	+3.21
<b>[Overseas Operations]</b>			
Spread between investments and Procurements	0.97	0.76	-0.21

## Daily interest on loans (Quarterly period)

(JPY mil)



## Portfolio of JPY denominated loans as the end of Jun. 2015

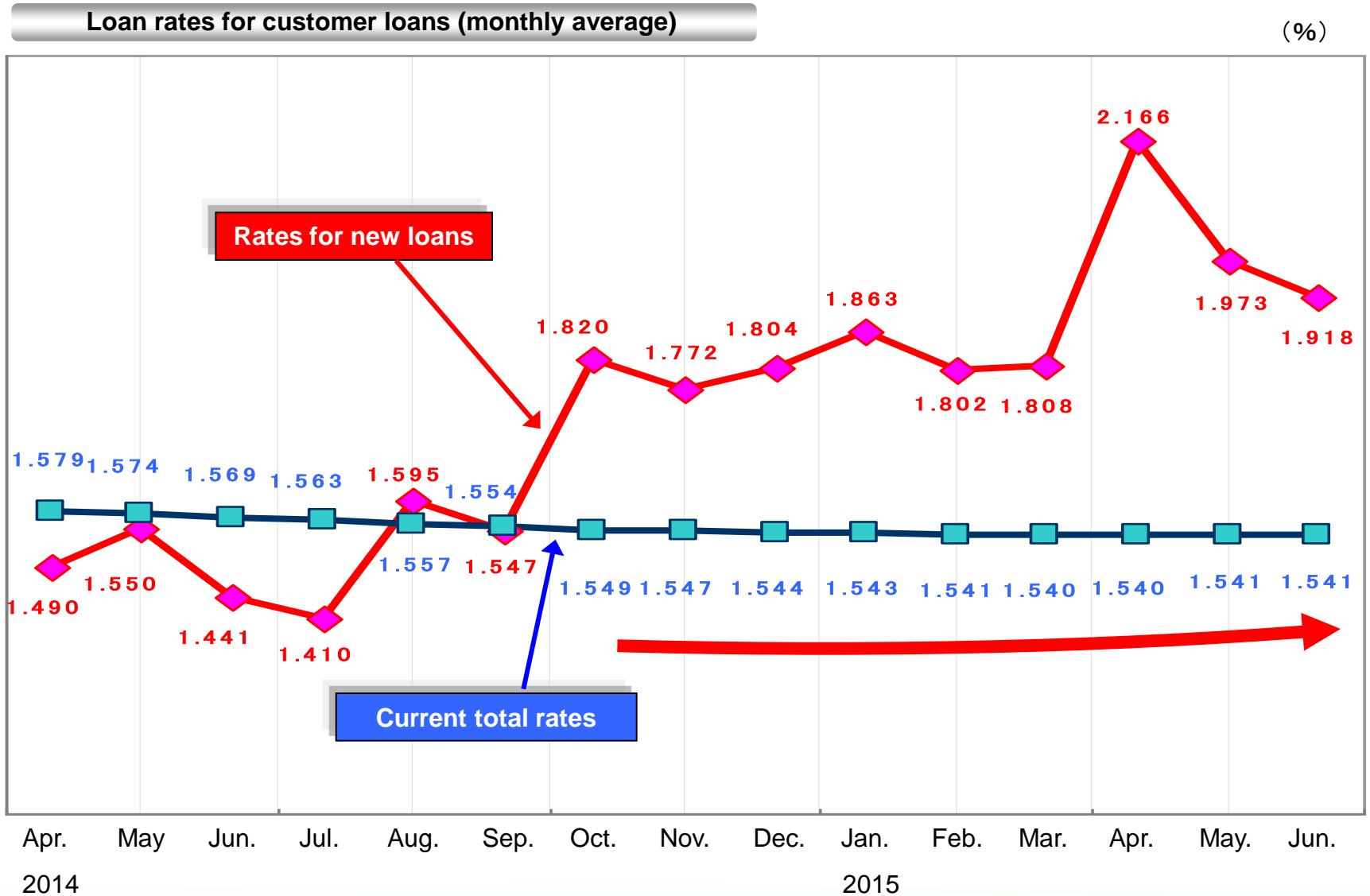
- A 1.0% increase in short-term interest rate will result in an increase of JPY18.0bn in net interest income

(JPY bn, %)	Average balance	Share	Average interest rate
<b>Loans</b>	6,686.3	100.0	1.30
Of which floating rate	5,136.5	76.8	1.30
Of which fixed rate	1,549.9	23.2	1.29



# Loan rates for Retail Banking

- Total loan rates for customer loans have started to go up as rates for new loans have been higher than current total rates since Oct. 2014

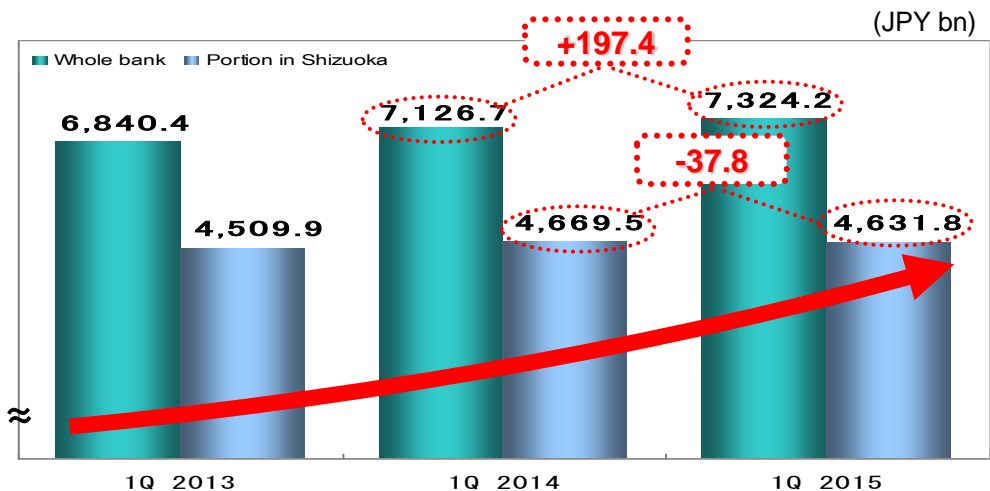




# Loans (average balance)

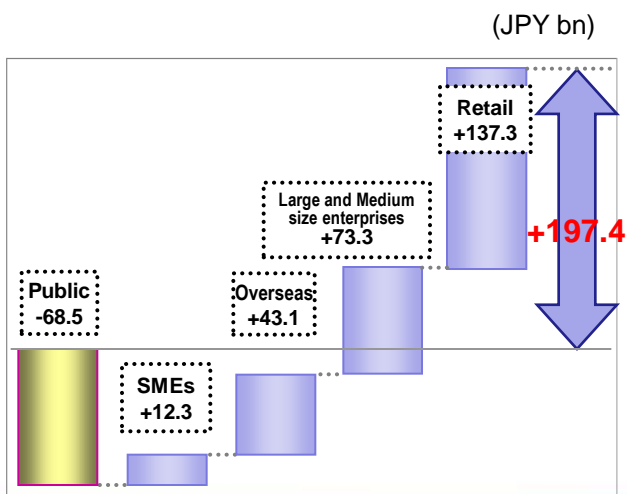
● Total loan balance (average balance) of 1Q FY2015 : JPY 7,324.2bn, +JPY 197.4bn (+2.8%) YoY

## Total loan balance (average balance)

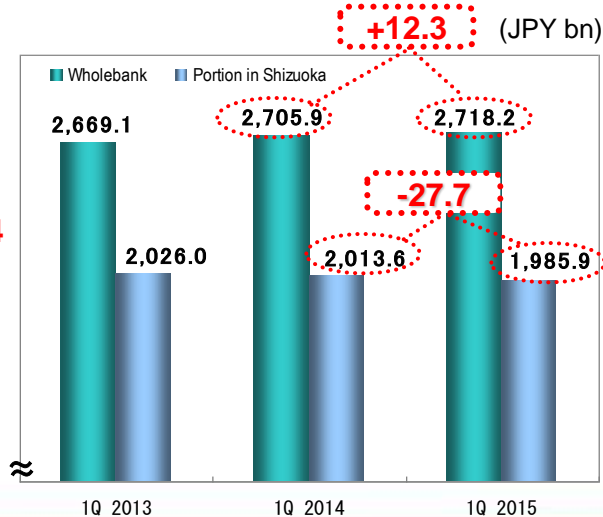


	Average balance	YoY change	Annual growth rate
Total loan balance	7,324.2bn	+197.4bn	+2.8%
SMEs loan balance	2,718.2bn	+12.3bn	+0.5%
Retail loan balance	2,632.0bn	+137.3bn	+5.5%
Large and Medium size enterprises	1,545.3bn	+73.3bn	+5.0%

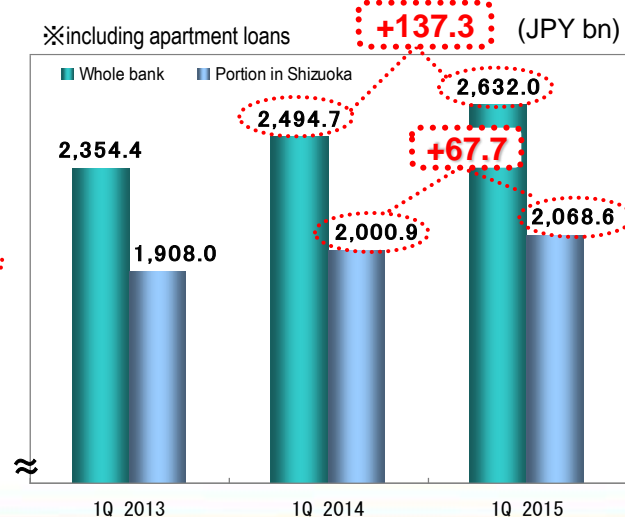
## Breakdown of year-on-year change in total loan balance (average balance)



## SMEs loan balance (average balance)



## Retail loan balance (average balance)



# Initiatives for Corporate Banking

- Posted specialized human resources on growing fields, centered on medical/welfare business
- Active support for customer's oversea entrance boosted loan in foreign currency to JPY 630.1bn, +JPY 81.2bn YoY

## Initiatives for growth and untapped fields

### Health and Welfare

- 10 qualified specialists in medical/welfare business management
- Supported openings and expansions of business in this field
- Loans in FY2014: 2,992 cases/JPY 141.1bn  
(1Q FY2015: 716 cases/JPY 34.2bn)

### Environment

- Generated demand for funds by supporting the installation of energy-efficient equipment
- Provided support for capital investment related to renewable energy
- Loans in FY2014: 481 cases/JPY 41.2bn  
(1Q FY2015: 78 cases/JPY 4.0bn)

### Agriculture

- "Shizugin@gricom" events to promote Shizuoka produce to buyers
- Deployed 14 agricultural business advisers
- Loans in FY2014: 312 cases/JPY 14.3bn  
(1Q FY2015: 90 cases/JPY 3.5bn)

### Business Succession

- "Shizuginship" to help train next generation business leaders
- Business succession support including share transfers and M&As (16 M&A contracts signed in FY2014)
- Loans in FY2014: 262 cases/JPY 23.5bn  
(1Q FY2015: 52 cases/JPY 4.4bn)

## Measures to support new business creation

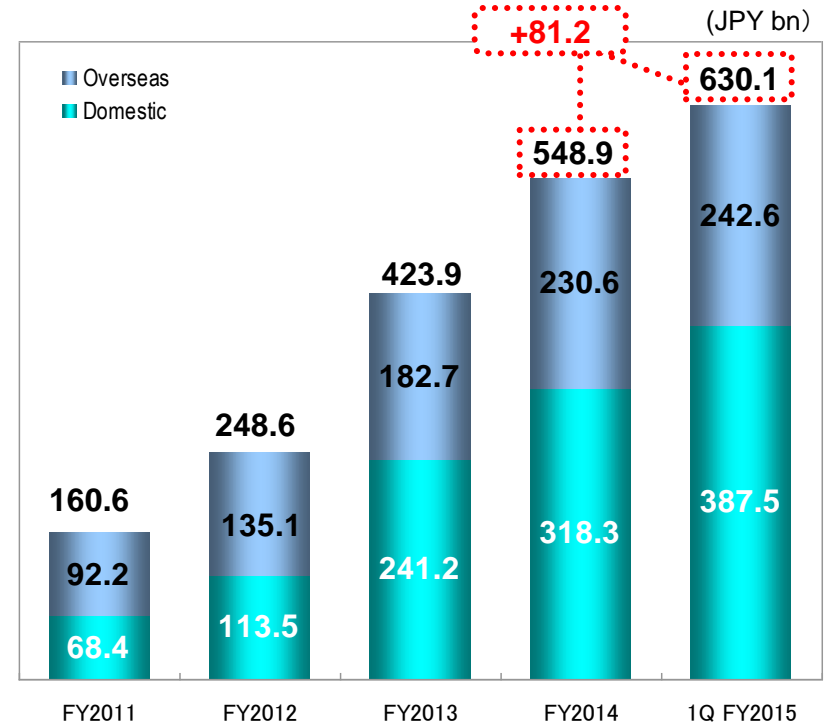
### "Shizugin Entrepreneur Awards"

- 20 winners out of a total of 435 applicants received prizes in the past 3 rounds
- The 3rd round was held in FY2014 with the new honors of "Woman entrepreneur award" and "Rookie award" in addition to the honors of "The highest award" and "Award for excellent work"

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

- Financial support for the 14 award winners from the 1st and 2nd round:  
New loans: 18 cases/JPY 222mil Investments: 3 cases/JPY 44mil

## Loan balance in foreign currency (average balance)



## 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: 111 cases/JPY 2,868mil

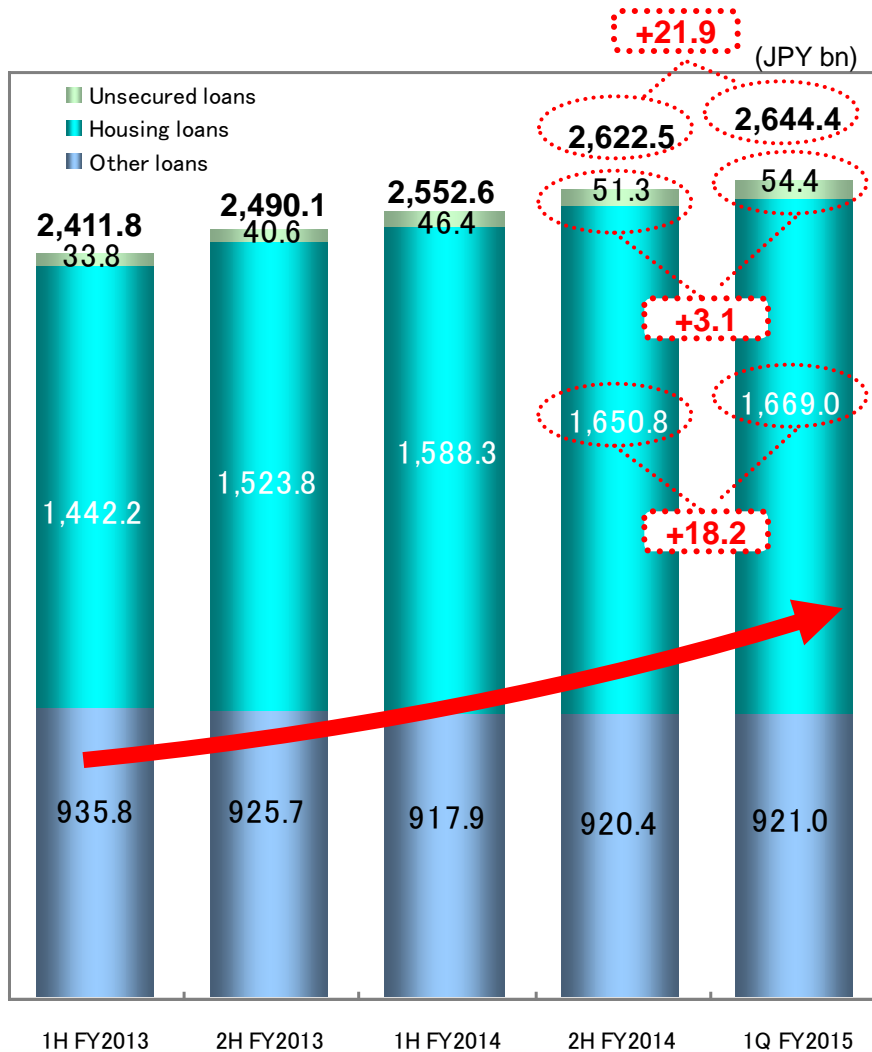
Business turn-around Fund: 250 cases/JPY 7,774mil

Total: 361 cases/JPY 10,642mil (Cumulative amount)

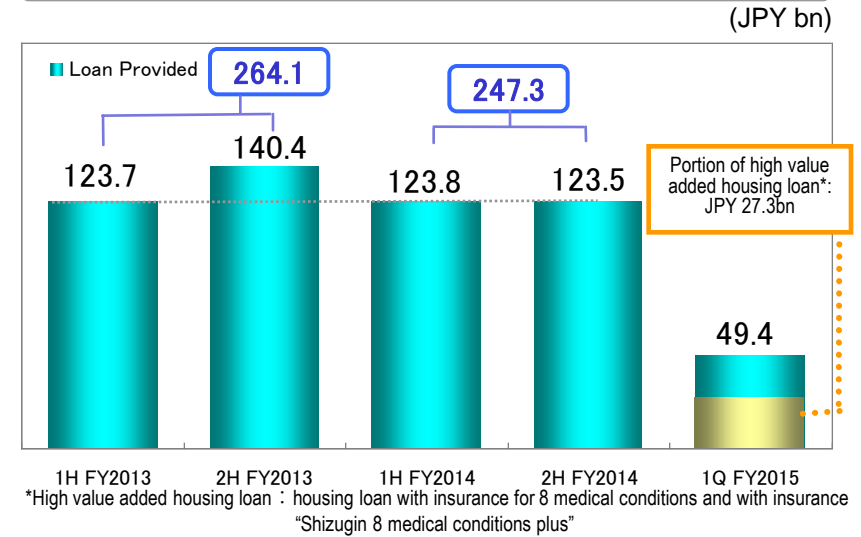
# Initiatives for Retail Banking

- 1Q FY2015 term-end customer loan balance: JPY 2,644.4bn (+JPY 21.9bn from the end of FY2014)
- Maintained upward trend of loan balance by making reasonable amount of both housing loans and unsecured loans

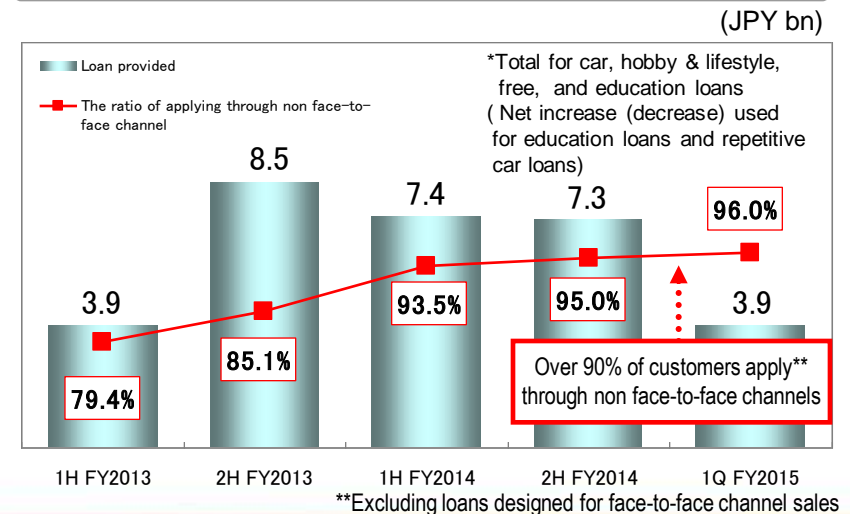
Customer loan balance (term-end balance)



Housing loan provided



Unsecured loan provided for specific purpose\*

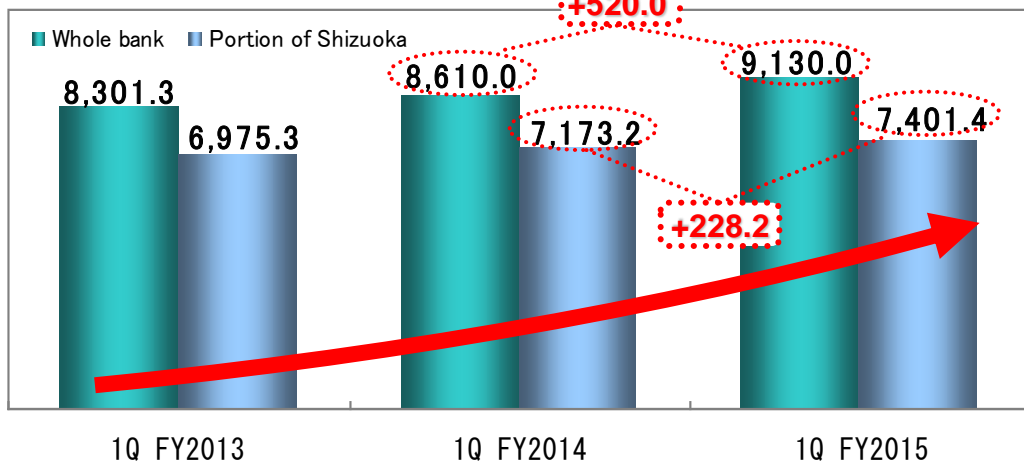


# Deposits

• Deposit balance (average balance) of 1Q FY2015: JPY 9,130.0bn, +JPY 520.0bn (+6.0%) YoY

## Deposit balance (average balance)

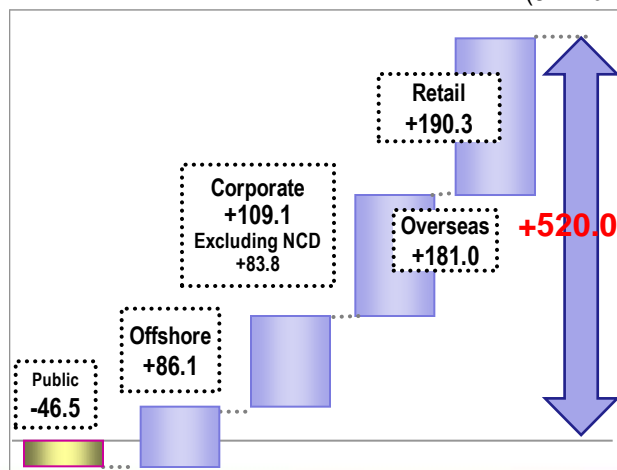
(JPY bn)



	Average balance	YoY change	Annual growth rate
Total deposit balance	9,130.0bn	+520.0bn	+6.0%
Deposit balance in Shizuoka	7,401.4bn	+228.2bn	+3.2%
Corporate deposit balance	2,096.3bn	+109.1bn	+5.5%
Retail deposit balance	5,953.2bn	+190.3bn	+3.3%
Portion in Internet branch	398.0bn	+47.7bn	+13.6%

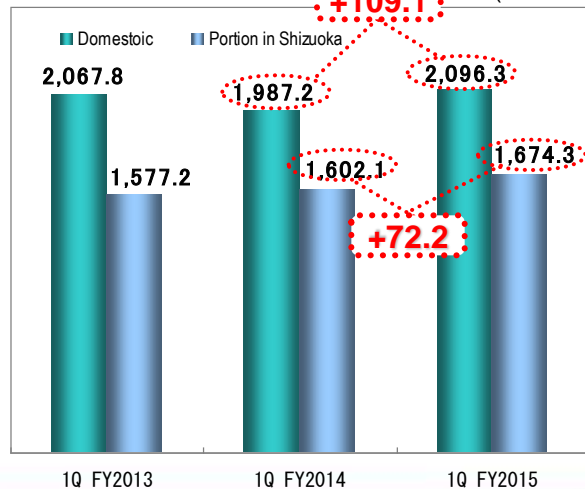
## Breakdown of year-on-year changes in deposits balance (average balance)

(JPY bn)



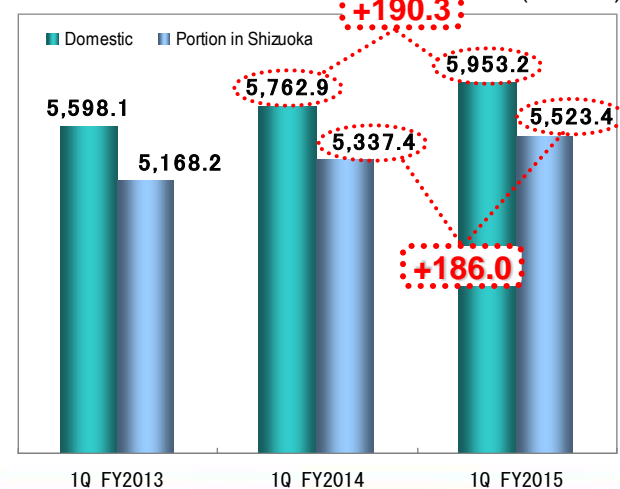
## Corporate deposit balance (average balance)

(JPY bn)



## Retail deposit balance (average balance)

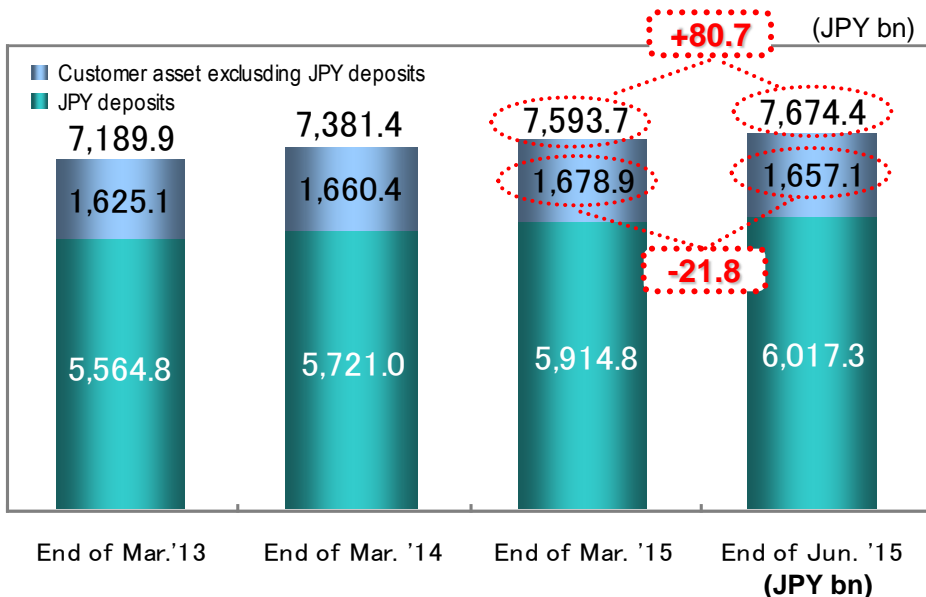
(JPY bn)



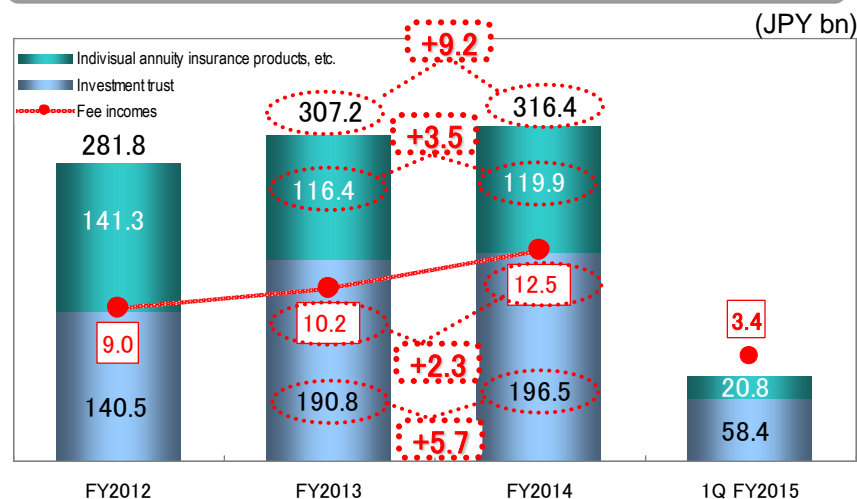
# Customer assets and fee incomes

- Customer assets (including the balance of Shizugin TM Securities) was JPY 7,674.4bn (+JPY 80.7bn from the end of FY2014), of which customer asset balance, excluding JPY deposits, was JPY 1,657.1bn (-JPY 21.8bn)
- Steady sales of investment trusts have led to well-balanced increases of asset balance, sales amount, and fees

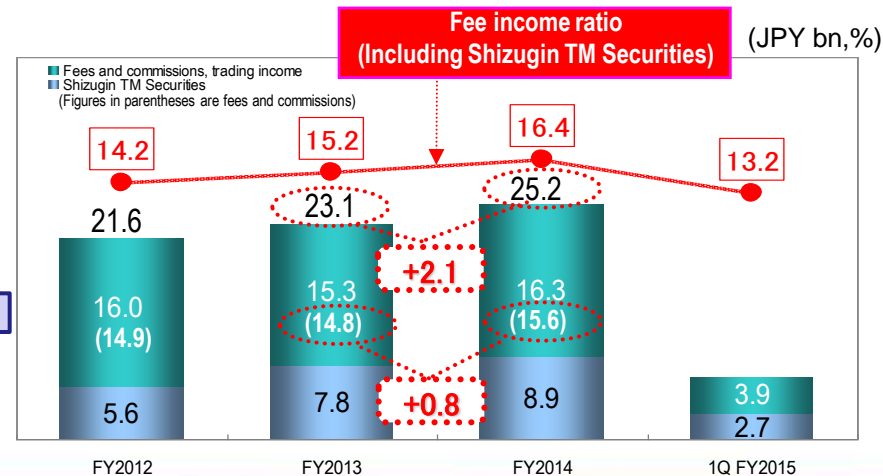
## Customer assets (term-end balance)



## 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.'15	End of Jun.'15	Increase /decrease
Individual annuity insurance	951.8	935.4	-16.4
Public bonds	134.4	114.4	-20.0
Investment trusts	20.3	21.4	+1.1
Foreign currency deposits	28.8	28.5	-0.3
Shizugin TM Securities (Portion of Investment trust)	543.6 (414.3)	557.4 (427.3)	+13.8 (+13.0)
<b>Total</b>	<b>1,678.9</b>	<b>1,657.1</b>	<b>-21.8</b>

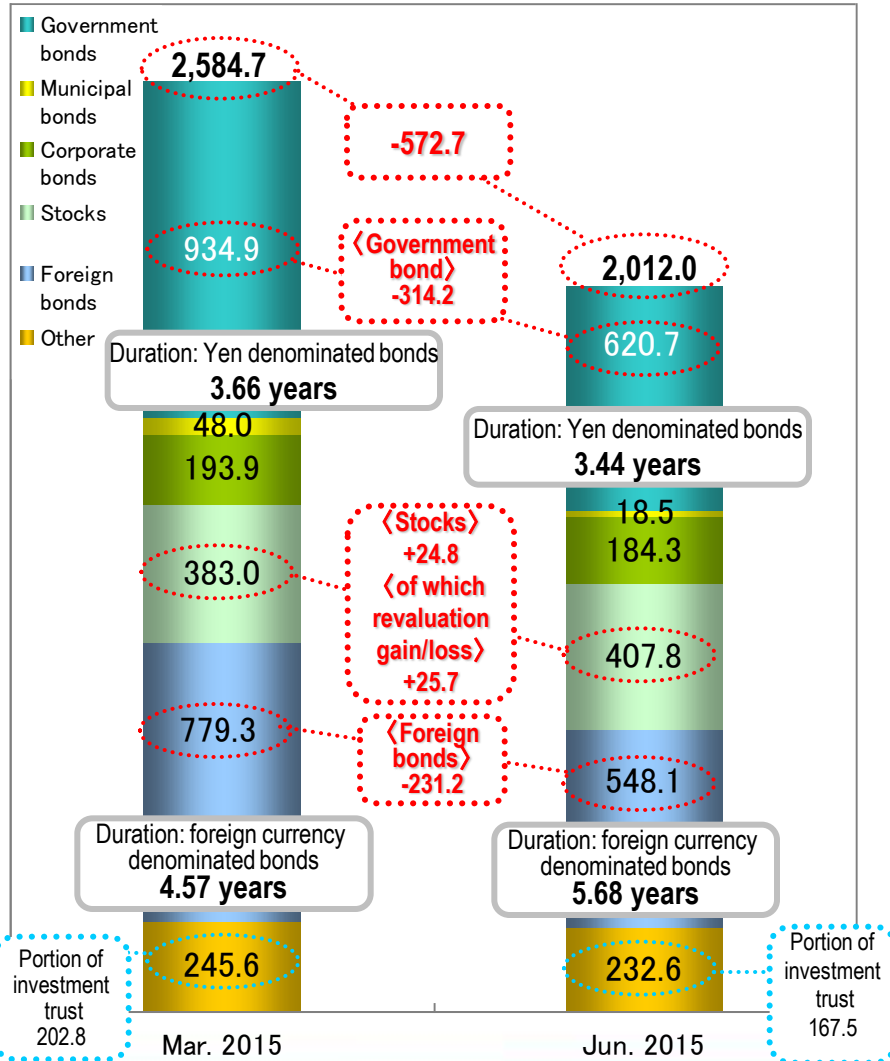
Change from End of Mar.'15 to End of Jun.'15: **+14.1**

# Securities

- Total balance of securities (term-end balance) : JPY2,012.0bn (-JPY 572.7bn from the end of March 2015)  
Gains from the revaluation of securities: JPY 284.1bn (-JPY 1.4bn from the end of March 2015)
- Secured JPY 3.9bn capital gains from timely trade of bonds, keeping up with the market trend

## Securities

(JPY bn)



## Gains and losses on securities

(JPY bn)	1Q FY2014	1Q FY2015	Increase/Decrease
Gains and losses on bonds	11.6	3.9	-7.7
Gain on sell of bonds	11.6	12.7	+1.1
Loss on sell of bonds (-)	0.0	8.8	+8.8
Gains and losses on stocks	2.6	1.5	-1.1
Gain on sell of stocks	2.6	1.5	-1.1
Devaluation of stocks (-)	0.0	0.0	-0.0

## Gains and losses from the revaluation of securities

(JPY bn)	End of Mar. 2015	End of Jun. 2015	Increase/Decrease
Gains and losses from the revaluation of securities	285.5	284.1	-1.4
Stocks	238.8	264.6	+25.7

## [Ref.] Break-even level of revaluation gains or losses / 10BPV

	Levels at which revaluation gains and losses is zero		TOPIX10P/10BPV
Stocks	Nikkei stock average	JPY 5,597	JPY 2.50bn
Yen-denominated bonds	5-year JGB	0.34%	JPY 2.80bn
Foreign-currency bonds	10-year US Treasury Note	2.31%	JPY 3.39bn



# Credit-related Costs

- Credit-related costs in 1Q FY2015: -JPY 0.7bn, Credit-related cost rate: -0.03%
- Credit-related cost subsequently remained at low levels

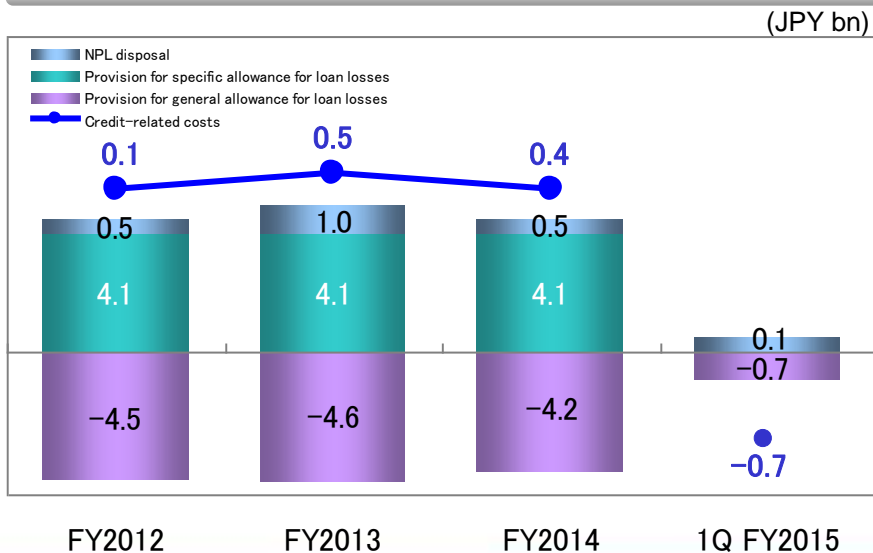
## Breakdown of credit-related costs

(JPY bn)	1Q FY2014	1Q FY2015	YoY change
NPL disposal (1)	0.2	0.1	-0.1
Gain on reversals from loan loss reserves* (2)	0.0	0.8	+0.8
Provision for general allowance for loan losses	-0.4	-0.7	-0.3
Provision for specific allowance for loan losses	0.4	-0.0	-0.4
<b>Total (1)-(2)</b>	<b>0.2</b>	<b>-0.7</b>	<b>-0.9</b>

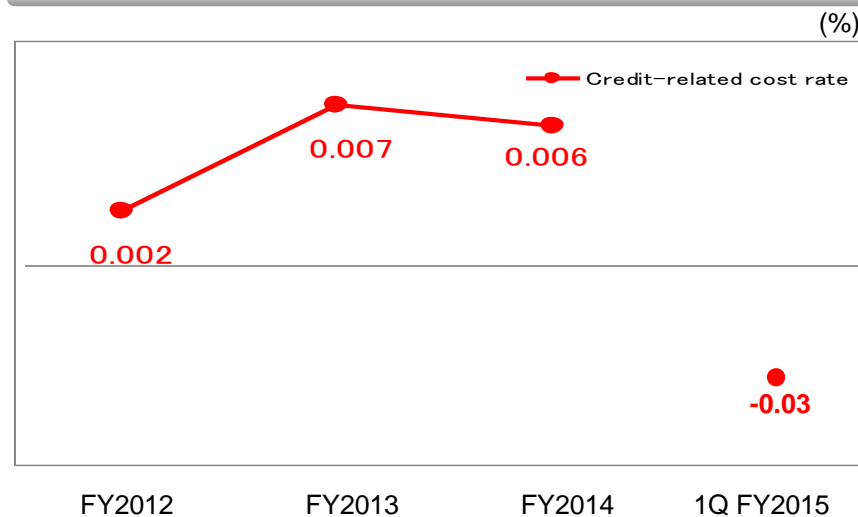
\*Gain on reversals from loan loss reserves is the net amount for provision for general allowance for loan losses and provision for specific allowance for loan losses

(JPY bn)	
Changes in credit rating, etc	1.0
Decrease in the value of collaterals	0.0
Upgrade of credit rating, decrease in loan and credit balances by foreclosure, etc	-1.0
<b>Total</b>	<b>-0.0</b>

## Credit-related costs



## Credit-related cost rate



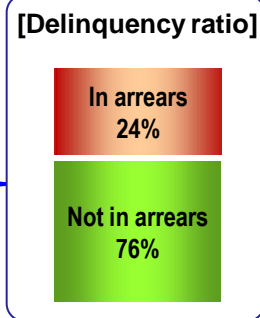
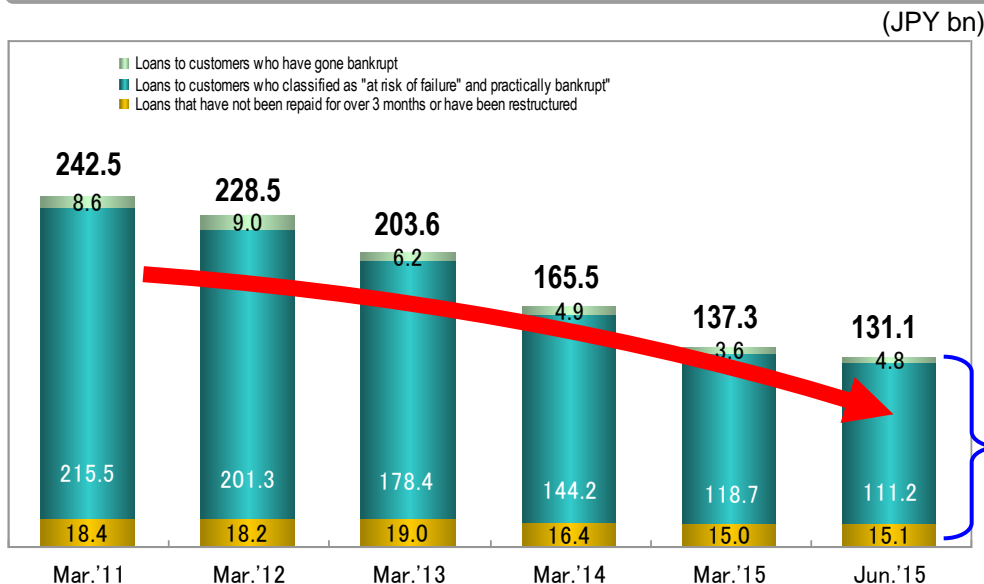
\* Credit-related cost rate = Credit-related costs / Average loan balance



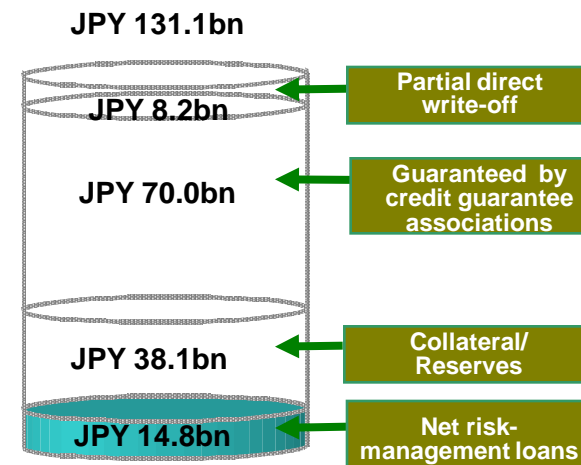
# Risk-management loans

- Total risk-management loans at the end of Jun. 2015: JPY 131.1bn, the ratio of risk-management loans: 1.78%
- Net risk-management loans : JPY 14.8bn, the ratio of net risk-management loans: 0.20%
- Maintained soundness of the bank's asset, steadily reducing risk-management loans from the peak balance of JPY 242.5bn after the collapse of Lehman Brothers

## Trends in Risk-management loans



## Net risk-management loans



## NPL removal from the balance sheet

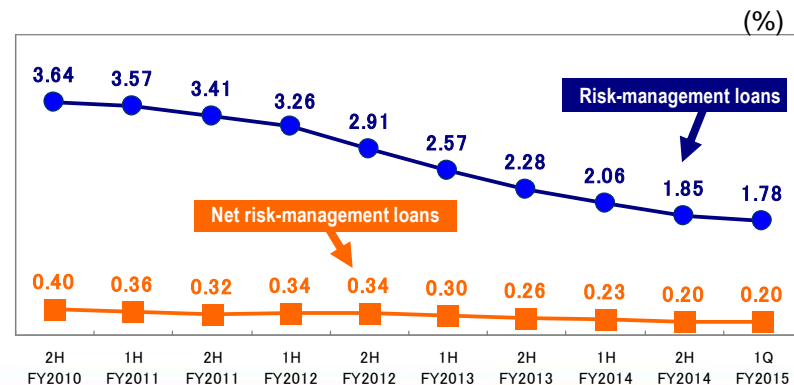
(JPY bn)	FY 2014	1Q FY2015
New recognition of NPLs	+27.2	+4.8
Removal from the balance sheet (NPL to borrowers classified as "at risk of failure" or riskier categories)	-55.4 (-51.1)	-11.0 (-10.8)
<b>Risk-management loans</b>	<b>137.3</b>	<b>131.1</b>

-6.1

[Breakdown of JPY 10.8bn] (JPY bn)

Collected from borrower/ set off against deposit account	1.3
Collateral disposal/ subrogated to guarantor	3.9
Reclassified to better categories	5.6
Loans sold-off	-
Direct write-off of loans	-

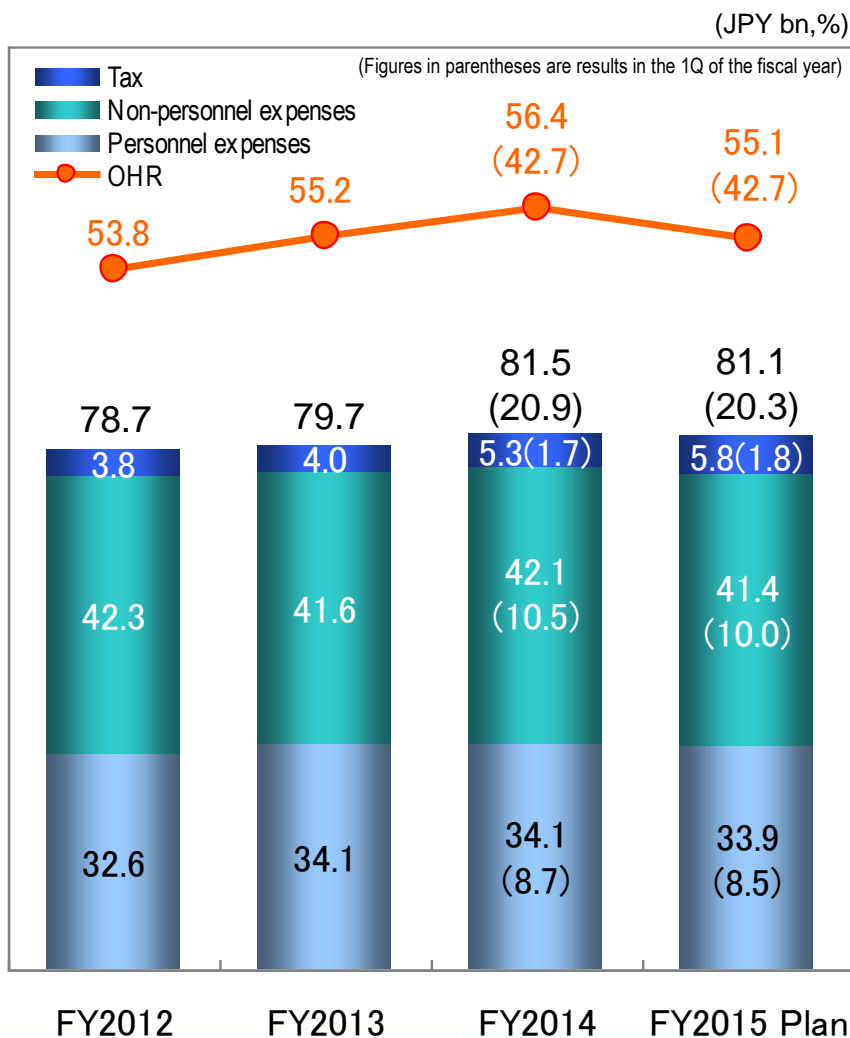
## The ratio of risk-management loans



# Expenses and Strategic investments

- Expenses in 1Q FY2015: JPY 20.3bn (-JPY 0.6bn YoY)
- OHR (Non-consolidated): 42.7% (+0.0 points YoY)

## Expenses and OHR (annual basis)



## Strategic investments in the 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>

## “SHIZUGIN Headquarters Tower” started operation (Jan. 2015)



【SHIZUGIN Headquarters Tower】



【Teleconference system】



【Free-address office system】

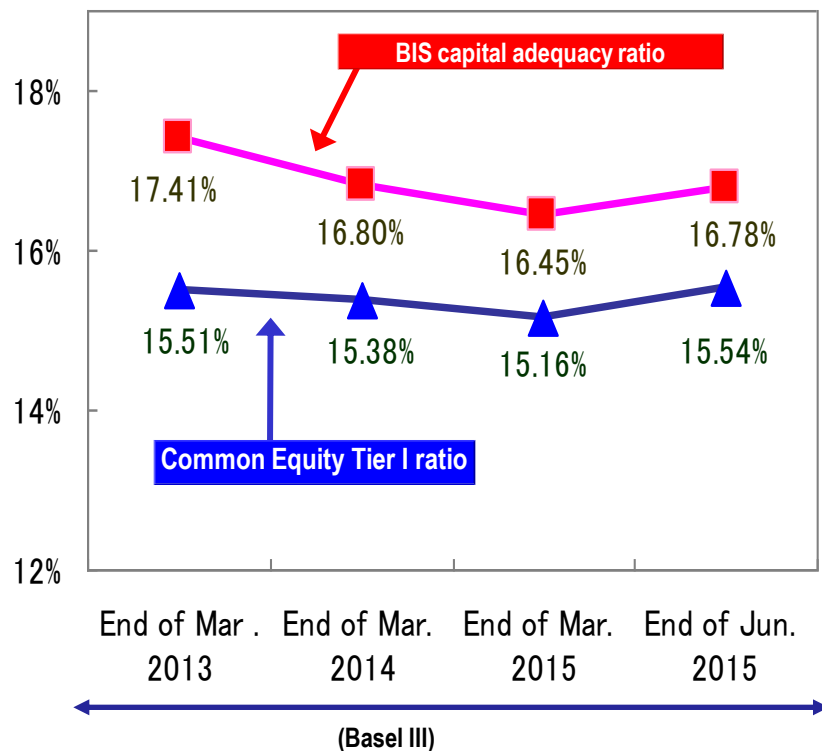
# Capital adequacy ratio

- The Basel III capital adequacy ratio at the end of Jun. 2015 was 16.78%

Common Equity Tier I ratio : 15.54%

(From the end of Mar. 2013, we adopted Basel III criteria for the calculation of capital adequacy ratio)

## BIS capital adequacy ratio ( consolidated basis)



## Outlier ratio (non-consolidated basis)

Amount of maximum risk	Tier I+Tier II	Outlier ratio
JPY 41.4bn	JPY 822.5bn	5.0%

## Changes in capital and risk-adjusted assets

【Basel III】	(JPY bn)	End of Mar. '15	End of Jun. '15	Change from end of Mar. '15
		Capital*	854.4	871.0
Common Equity Tier I		787.3	806.5	+19.2
Other Tier I		1.9	1.6	-0.3
Tier II		65.2	62.9	-2.3
Risk-adjusted assets		5,192.0	5,189.8	-2.1
Total credit-risk adjusted assets		4,884.5	4,882.7	-1.8
Amount corresponding to market risk		11.3	11.0	-0.3
Amount corresponding to operational risk		296.2	296.2	±0.0

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

## [Other index related to the Basel III]

(End of Jun. 2015)

- Liquidity coverage ratio: 121.6% (Regulatory level 60% and over)
- Leverage ratio: 7.10% (ditto 3% in trial period\*)

\*Until Mar. 2018

# Shareholder return

- Target of shareholder return ratio in 12<sup>th</sup> Medium-term Business Plan: 50% or more in medium term
- For FY2015, annual dividend of JPY 20.00 per share is planned, and buyback of 5 million shares has been announced (buyback period: Aug. 3<sup>rd</sup> – Aug. 31<sup>st</sup>, 2015)

## Dividend trends

	FY2011	FY2012	FY2013	FY2014	FY2015E
Annual dividend per share (Interim dividend)	JPY 13.50 (6.5)	*JPY 15.00 (8.0)	JPY 15.50 (7.5)	JPY 16.00 (8.0)	JPY 20.00 (10.00)

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

## Profit distribution to shareholders

(JPY bn,%)

	FY2011	FY2012	FY2013	FY2014	FY '05 – '14 (10years)
Annual dividend (1)	8.9	9.7	9.7	9.9	Accumulated total 90.6
Repurchase of shares (2) (Shares bought back: million shares)	14.6 (20)	8.2 (10)	22.7 (20)	11.3 (10)	Accumulated total 88.4
Shareholder returns (3)=(1)+(2)	23.5	18.0	32.4	21.2	Accumulated total 179.0
Net income (4)	34.7	40.9	42.8	42.6	Accumulated total 344.0
Dividend payout ratio (1)/(4)x100	25.54	23.78	22.78	23.24	Average 26.32
Shareholder return ratio (3)/(4)x100	67.60	43.93	75.73	49.82	Average 52.01

[Reference]

ROE (Consolidated : Net income basis)	5.23	7.43	5.78	5.74
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Average in 5years

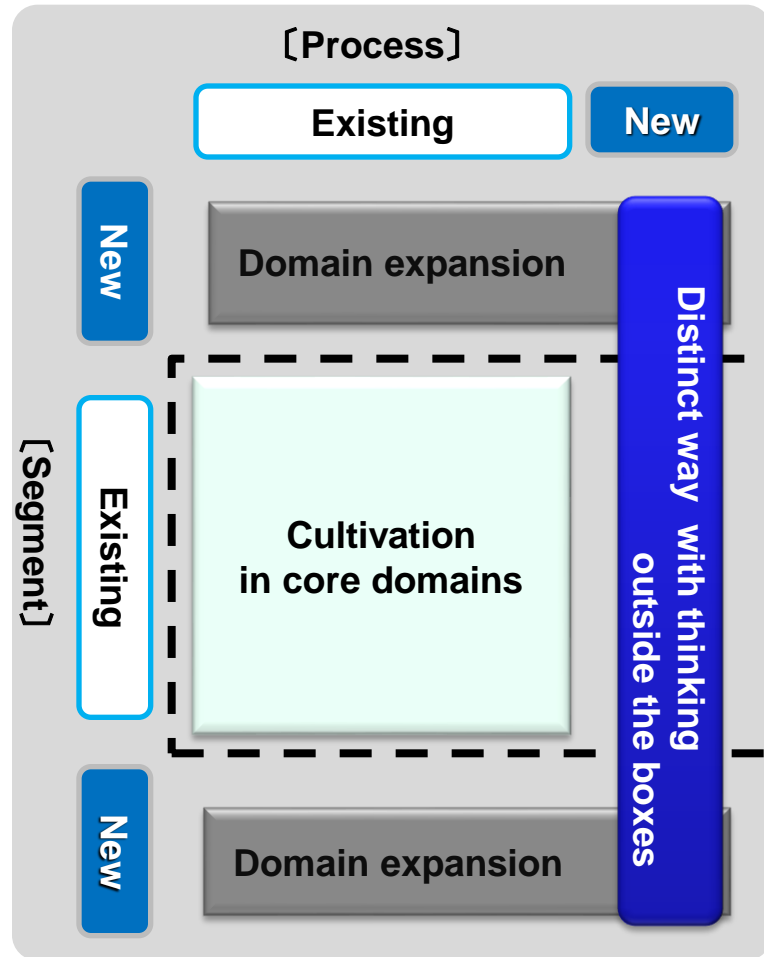
5.89



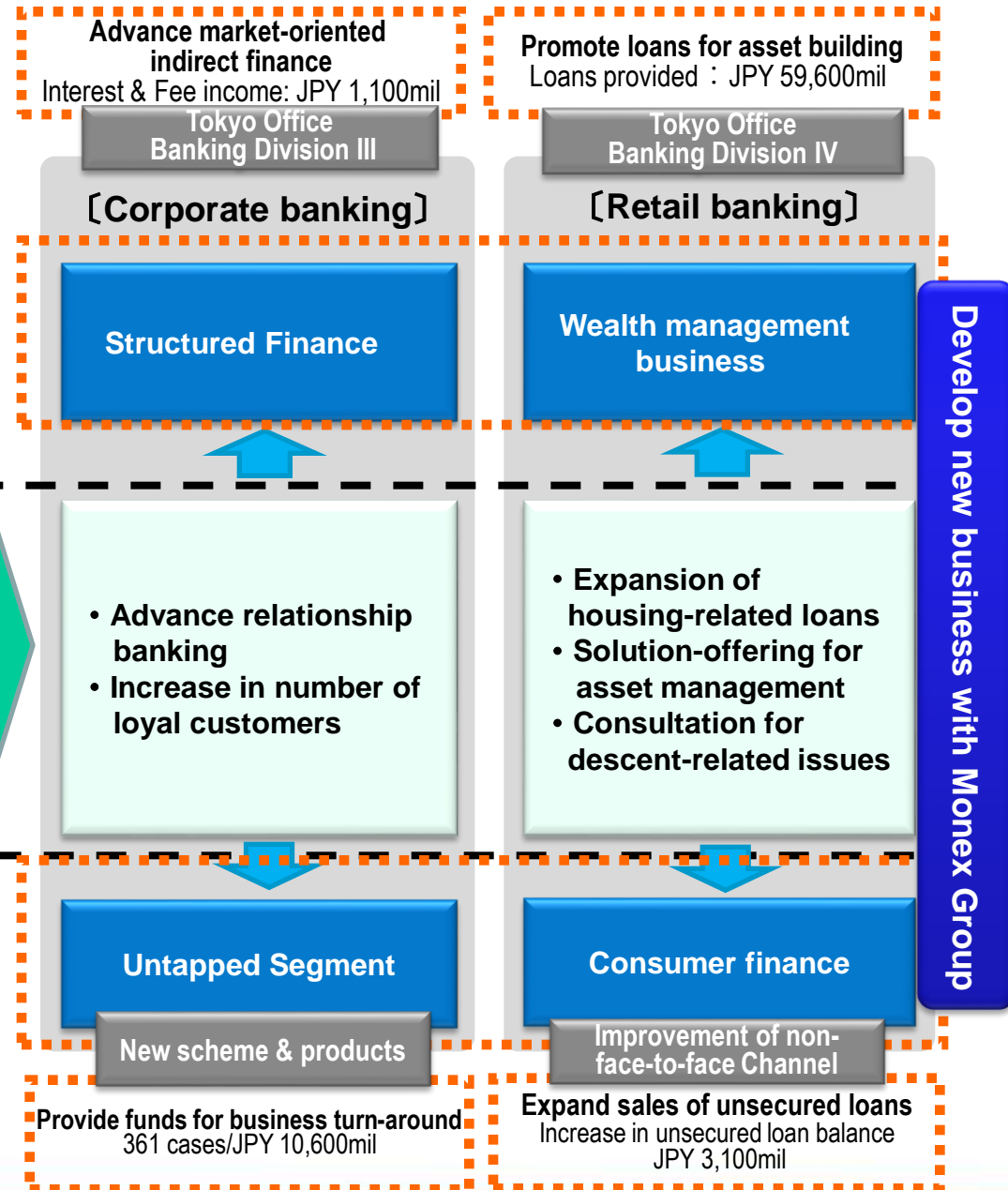
***Progress  
in the 12<sup>th</sup> Medium-term Business Plan***

# 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 FY2015***



# Projected performance in FY2015

<b>Non-consolidated</b>	(JPY bn)	FY2014	FY2015E	Change from FY2014
Ordinary revenue		175.4	180.0	+4.6
Gross operating profit		144.5	147.1	+2.6
Expenses (-)		81.5	81.1	-0.4
Net operating profit		63.0	66.0	+3.0
Ordinary profit		67.1	68.0	+0.9
Net income		42.6	44.0	+1.4

	(JPY bn)	FY2014	FY2015E	Change from FY2014
Credit-related costs (-)		0.4	1.2	+0.8
Bad debt written-off (-)		0.5	1.2	+0.7
Gain on reversal from loan loss reserves		0.1	0.0	-0.1
Provision for general allowance for loan losses (-)		-4.2	-2.0	+2.2
Provision for specific allowance for loan losses (-)		4.1	2.0	-2.1

<b>Consolidated</b>	(JPY bn)	FY2014	FY2015E	Change from FY2014
Ordinary revenue		211.6	217.0	+5.4
Ordinary profit		75.1	77.0	+1.9
Net income		49.9	50.0	+0.1



# ***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

- 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

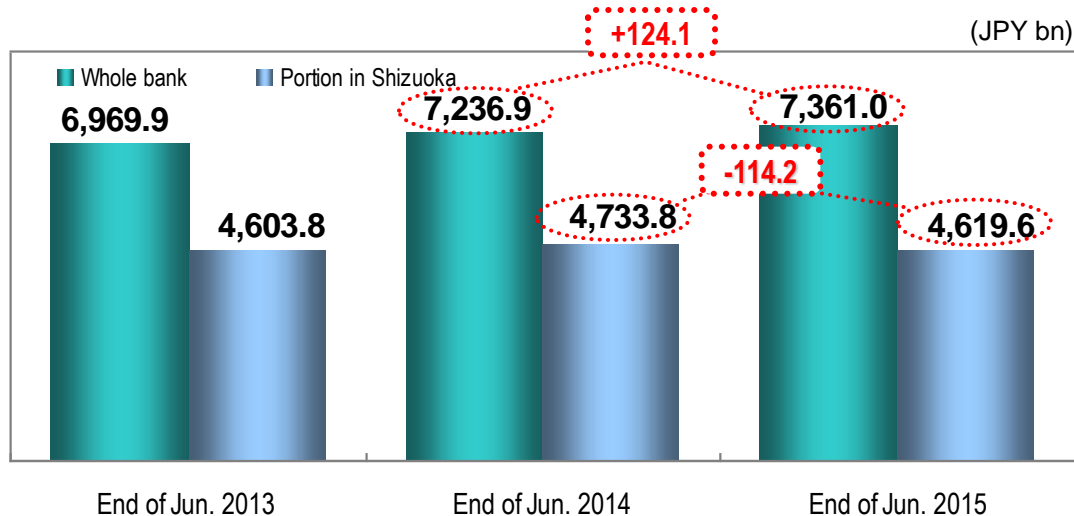
## Target figures (consolidated)

	12 <sup>th</sup> Medium-term Business Plan	
	FY2014	FY2016 plan
Ordinary profit	75.1	80.0 or more
Net income	49.9	50.0 or more
Common Equity Tier I ROE	6.34%	6% level
Consolidated ROE	5.74%	-
OHR	55.7%	Around 55%
Common Equity Tier I ratio	15.16%	Around 14%
Shareholder return	49.82%	50% or more in medium term

# Loans (term-end balance)

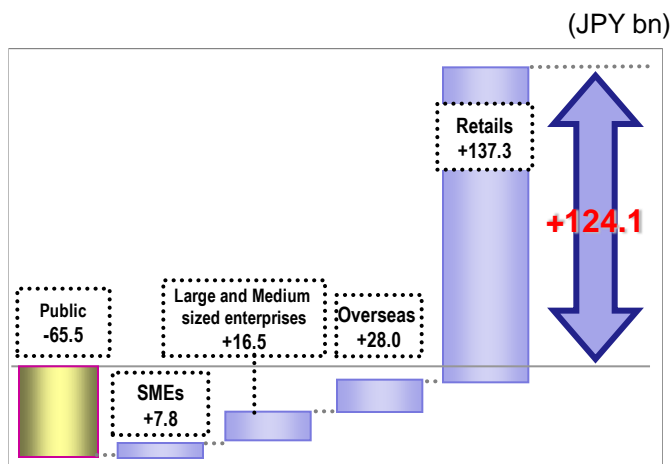
● Total loan balance (term-end balance) of 1Q FY2015: JPY 7,361.0bn, +JPY 124.1bn (+1.7%) YoY

## Total loan balance (term-end balance)

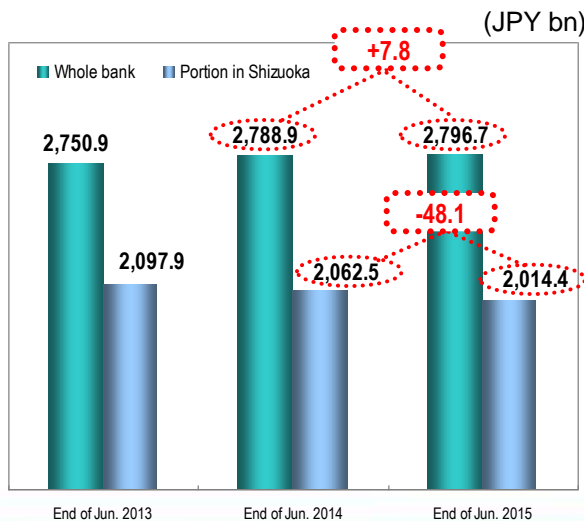


	Term-end balance	YoY change	Annual growth rate
Total loan balance	7,361.0bn	+124.1bn	+1.7%
SMEs loan balance	2,796.7bn	+7.8bn	+0.3%
Retail loan balance	2,649.3bn	+137.3bn	+5.5%
Large and Medium sized enterprises	1,494.3bn	+16.5bn	+1.1%

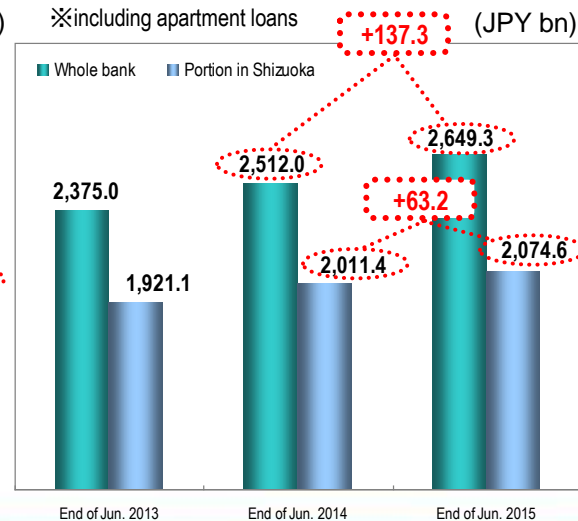
## Breakdown of year-on-year change in total loan balance (term-end balance)



## SMEs loan balance (term-end balance)



## Retail 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, respectively. There is no concentrated exposure to any of these specific industries
- Expected Loss (EL) for all industries : JPY 4.1bn (JPY 0.8bn for real estate and JPY 0.3bn for construction)
- Unexpected Loss (UL) for all industries : JPY 42.9bn

## Contemporary status of business loans to particular industries

[ Credit balance (as of the end of Mar. 2015) ]

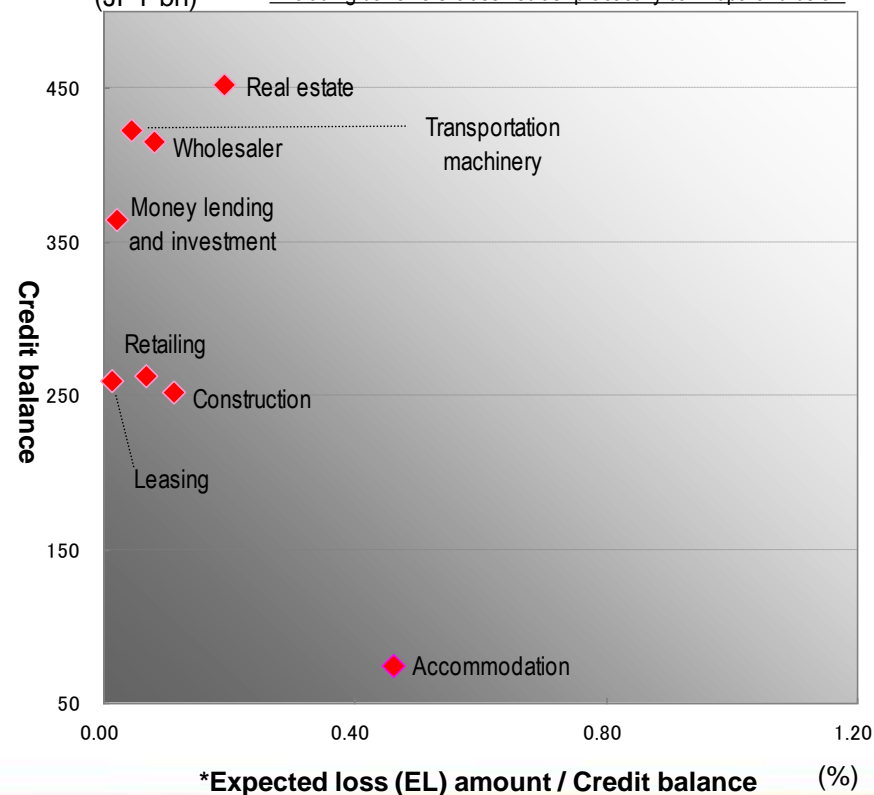
(JPY bn, %)

	Balance	Composition ratio	YoY change
All industries	5,036.8	100.0	-2.3
Real estate	452.8	9.0	+24.0
Wholesaler *	415.3	8.2	-12.2
Money lending and investment	365.0	7.2	+11.0
Transportation machinery	422.6	8.4	+45.1
Construction	251.9	5.0	-14.7
Retailer	262.6	5.2	-7.9
Leasing	259.6	5.2	+18.7
Accommodation	74.0	1.5	-1.9

\* excluding a general trading companies

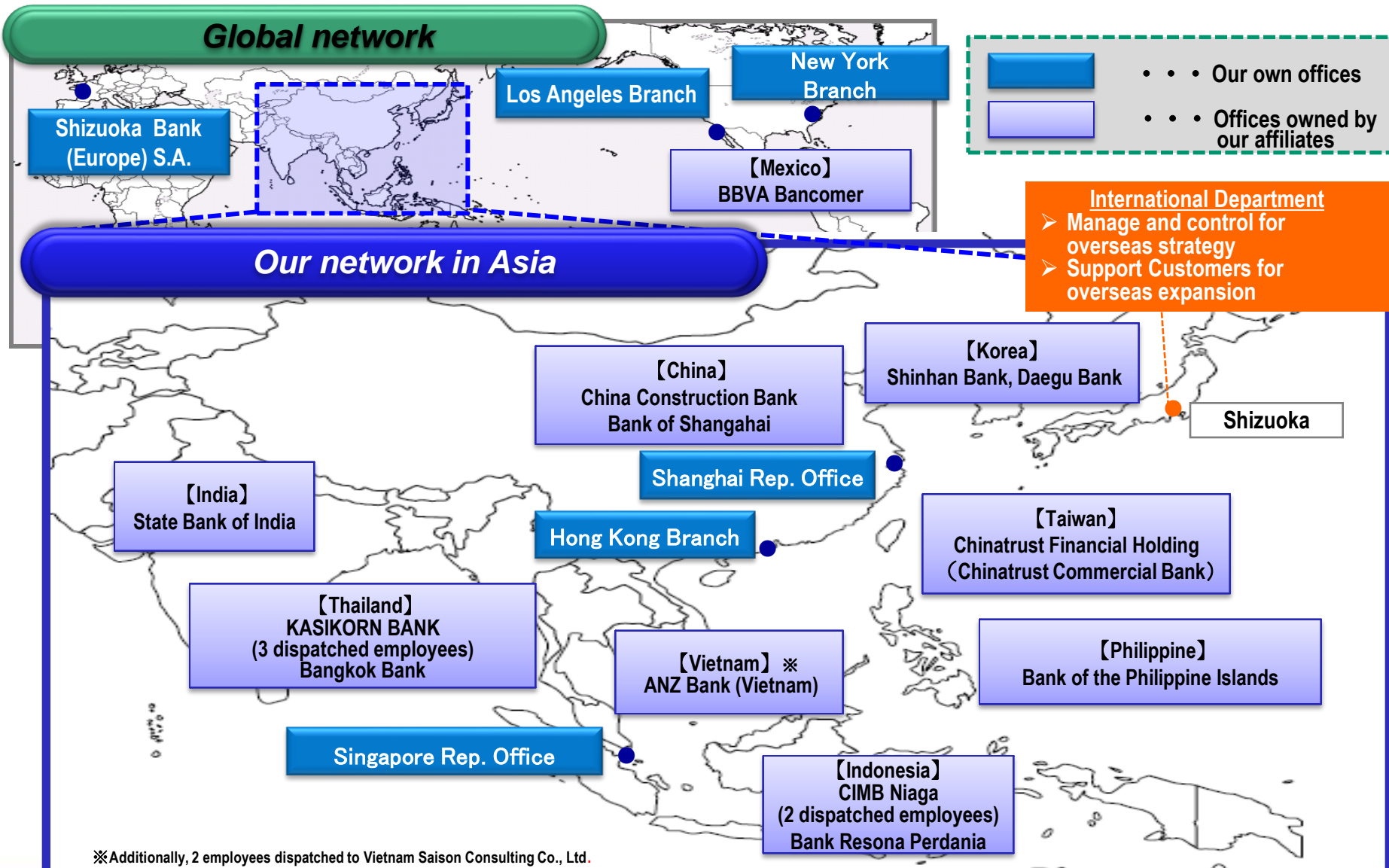
[ Credit balance vs. expected loss rate\* ]

(JPY bn) Excluding borrowers classified as "practically bankrupt" and below



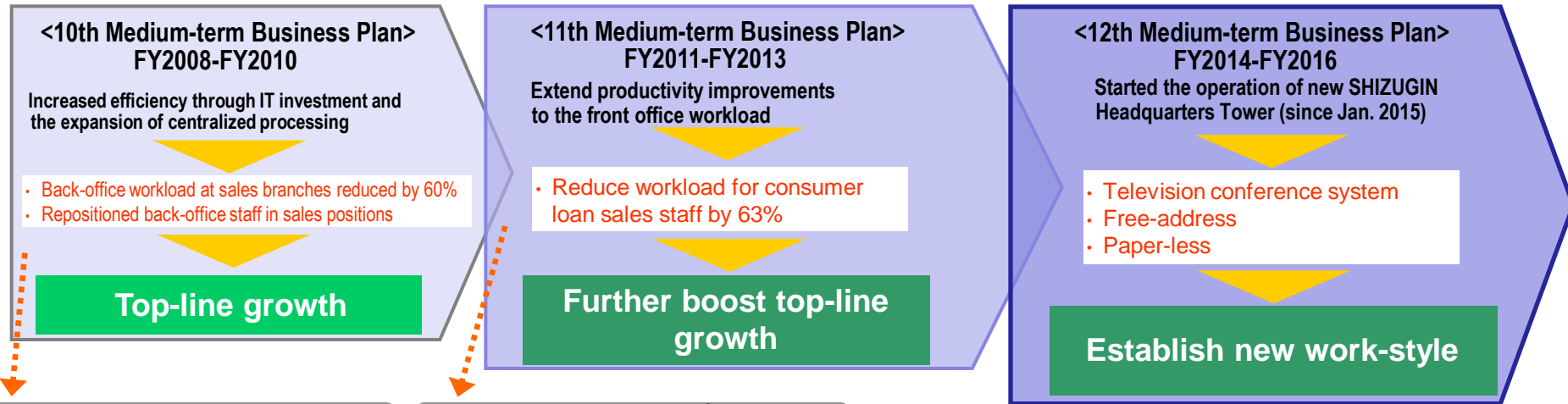
# Global network

- Global network (3 branches/2 rep. offices/1 subsidiary) and 12 partner banks in 8 countries/regions in Asia
- Made a new business alliance with BBVA Bancomer in Mexico Nov. 2014



# Improvement of productivity - BPR

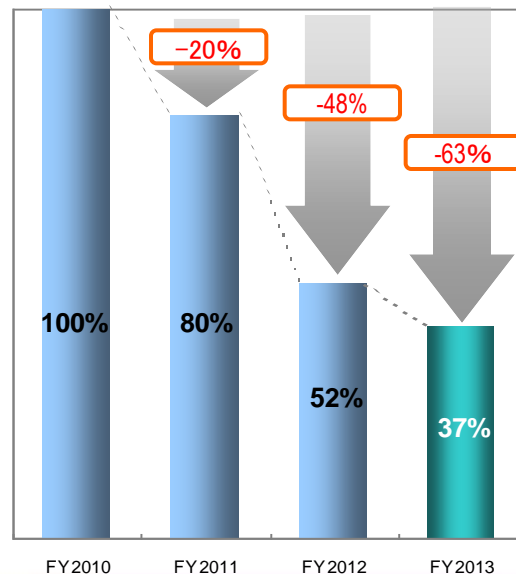
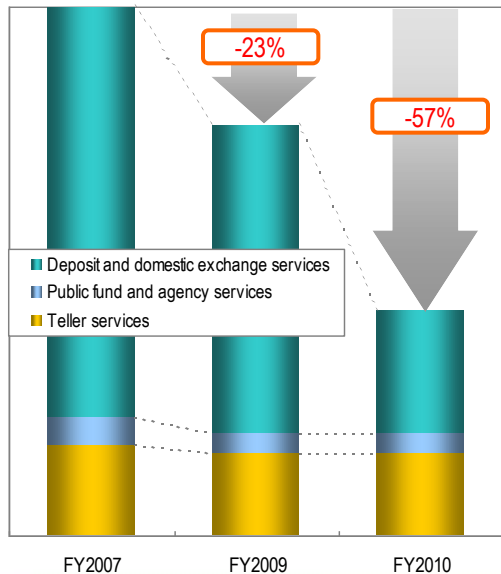
- An ongoing BPR program increased front-office staff without boosting the overall headcount  
→ make it possible to achieve sustainable top-line growth



Workload reduction of branches

Reduced processing time for workload of consumer loan

Number of personnel



	End-Mar. 2008	End-Mar. 2013	End-Mar. 2014	End-Mar. 2015	Change from end-Mar. 2008
Front-office	2,411	3,070	3,128	3,027	+616
Of which, bank employees	1,794	2,261	2,262	2,235	+441
Back-office/assisting	1,693	942	925	958	-735
Of which, bank employees	548	44	35	32	-516
Shizuoka Bank	5,164	4,901	4,942	4,915	-249
Of which, bank employees	2,851	2,860	2,851	2,830	-21

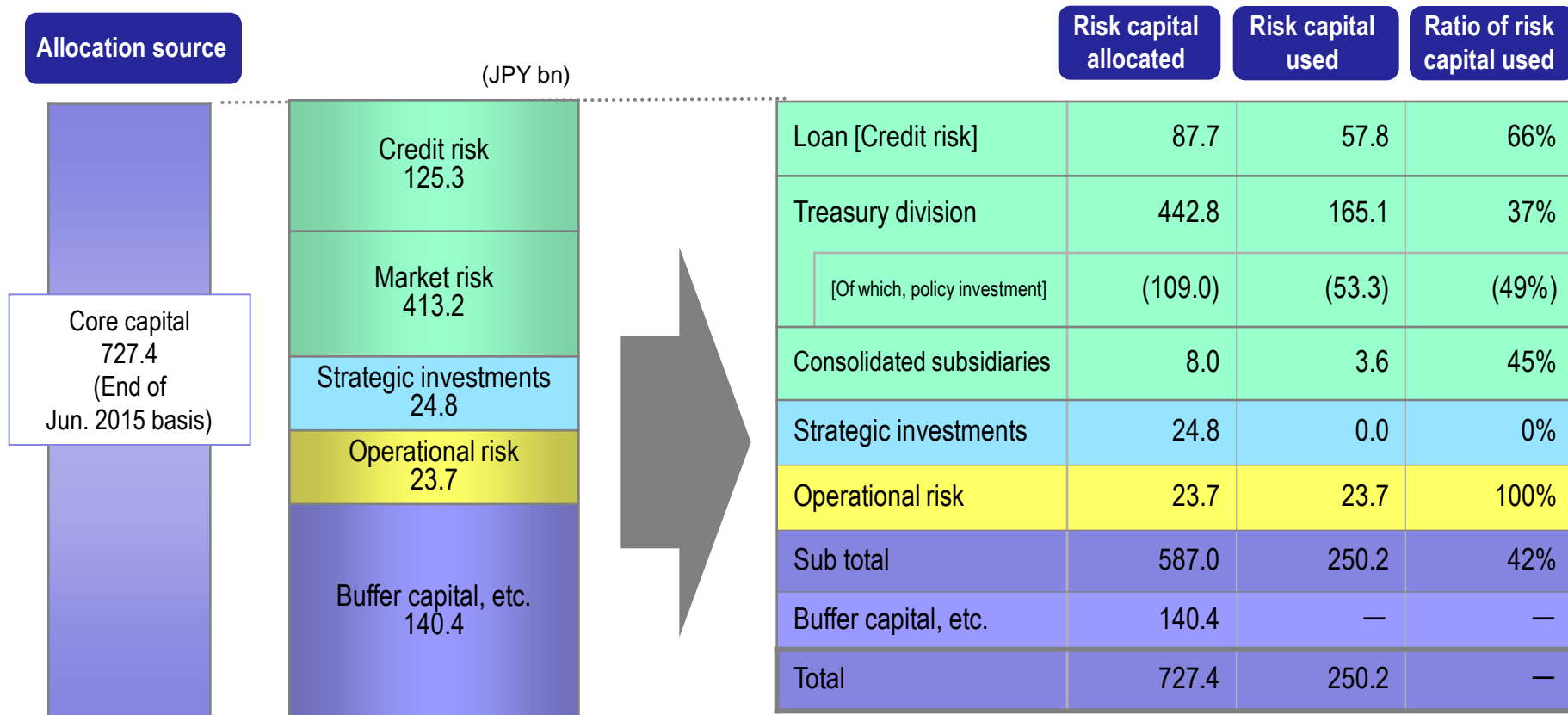
\* Assume the amount of business in the FY2007 is set to 100

\* Assume the amount of business in the FY2010 is set to 100



# Allocation of risk capital

- Allocation of risk capital for the 1Q FY2015 amounted to JPY 727.4bn, of which JPY 125.3bn was allocated to credit risk, JPY 413.2bn to market risk, JPY 24.8bn to strategic investment, JPY 23.7bn to operational risk, and JPY 140.4bn to buffer capital, etc
- JPY 57.8bn for loans [credit risk] and JPY 165.1bn for the Treasury division was used for the 1Q FY2015



- 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, securitization transactions, investment funds, and private placement REIT)
- <Operational risk> Amount equivalent to operational risk
- Buffer capital is kept aside for emergencies such as the anticipated Great Earthquake and other unquantifiable risks

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

- We have regularly bought shares back 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	—	—	49.8	68.46	1,440.68
<b>Total</b>	<b>191,044</b>	<b>179,874</b>	<b>140,404</b>	<b>128,891</b>	<b>Average: 61.5</b>	<b>—</b>	<b>—</b>

# Group companies

- The total ordinary revenue of 11 major consolidated subsidiaries was JPY 13.5bn (+JPY 1.6bn YoY) and the ordinary profit was JPY 2.5bn (-JPY 0.9bn YoY)

(JPY bn)

Company name	Business	Ordinary revenue	Ordinary Profit		
			YoY change	YoY change	
Shizugin Management Consulting Co., Ltd.	Corporate and financial management advisory services	0.3	+0.0	0.1	+0.0
Shizugin Lease Co., Ltd.	Leasing	6.3	+0.5	0.4	+0.1
Shizuoka Computer Service Co., Ltd.	Computer system development and operation	1.2	-0.1	0.0	+0.0
Shizugin Credit Guaranty Co., Ltd.	Guarantee of housing loans, etc.	0.7	+0.1	0.5	+0.1
Shizugin DC Card Co., Ltd.	Credit card and guarantee of consumer loans	0.5	+0.0	0.1	-0.0
Shizuoka Capital Co., Ltd.	Public-offering assistance Support for corporate rehabilitation	0.1	+0.0	0.1	+0.0
Shizugin TM Securities Co., Ltd.	Securities	2.7	+1.0	1.3	+0.7
Shizuoka Bank (Europe) S.A.	Finance and securities-related services	0.1	-0.0	0.0	-0.0
Shizugin General Service Co., Ltd.	Fee-based job placement service, general administration	0.2	+0.0	0.0	+0.0
Shizugin Mortgage Service Co., Ltd.	Appraisal of real estate for loan collateral Operation center for loans	0.4	+0.0	0.0	+0.0
Shizugin Business Create Co., Ltd.	Operation center for remittance and bill collection	1.0	-0.1	0.0	-0.0
<b>Total(11 companies)</b>		<b>13.5</b>	<b>+1.6</b>	<b>2.5</b>	<b>+0.9</b>
Shizugin Saison Card Co., Ltd.*	Credit card and guarantee of consumer loans	0.5	+0.1	0.1	+0.0

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

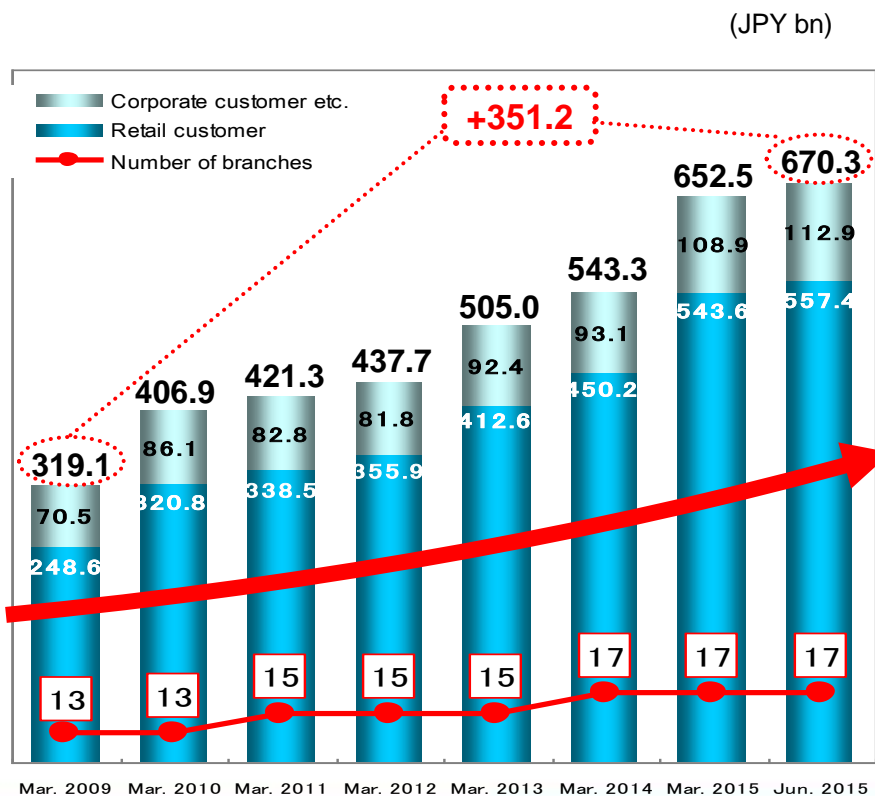
# Shizugin TM Securities Co., Ltd.

- Growth in top line of Shizugin TM Securities Co., Ltd (securities subsidiary) highly contributed to performance of the Group
- Customer asset: JPY 670.3bn, increased by JPY 351.2bn from the end of Mar. 2009 after the collapse of Lehman Brothers

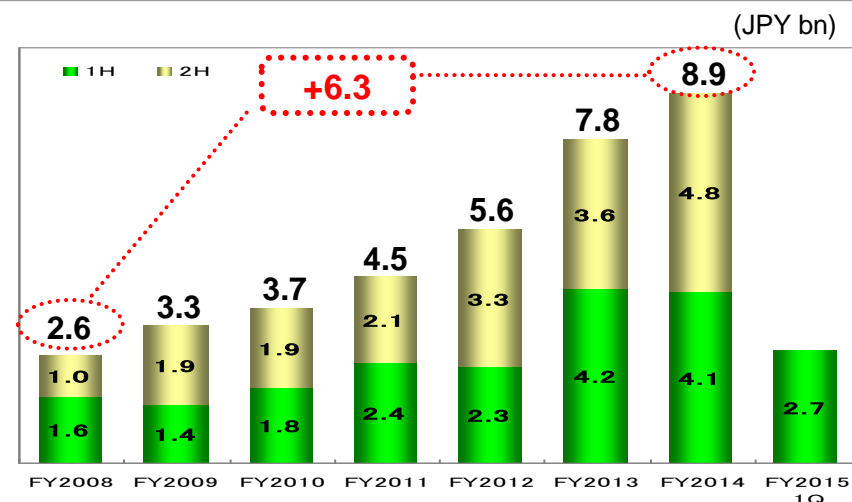
## 【Overview of Shizugin TM Securities, Co., Ltd.】

Establishment : December 2000  
 Capital Stock : JPY 3.0bn  
 Number of Branches : 17 (End of Mar. 2015)

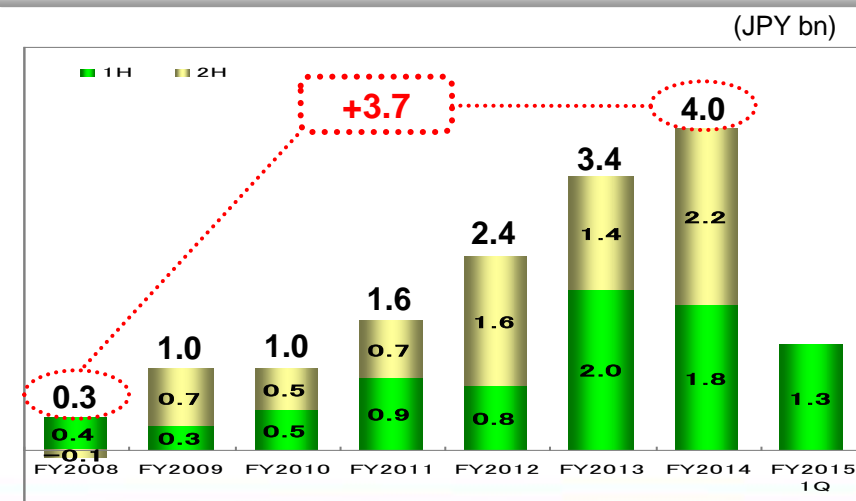
## Customer asset (year-end balance) and number of branches



## Ordinary revenue



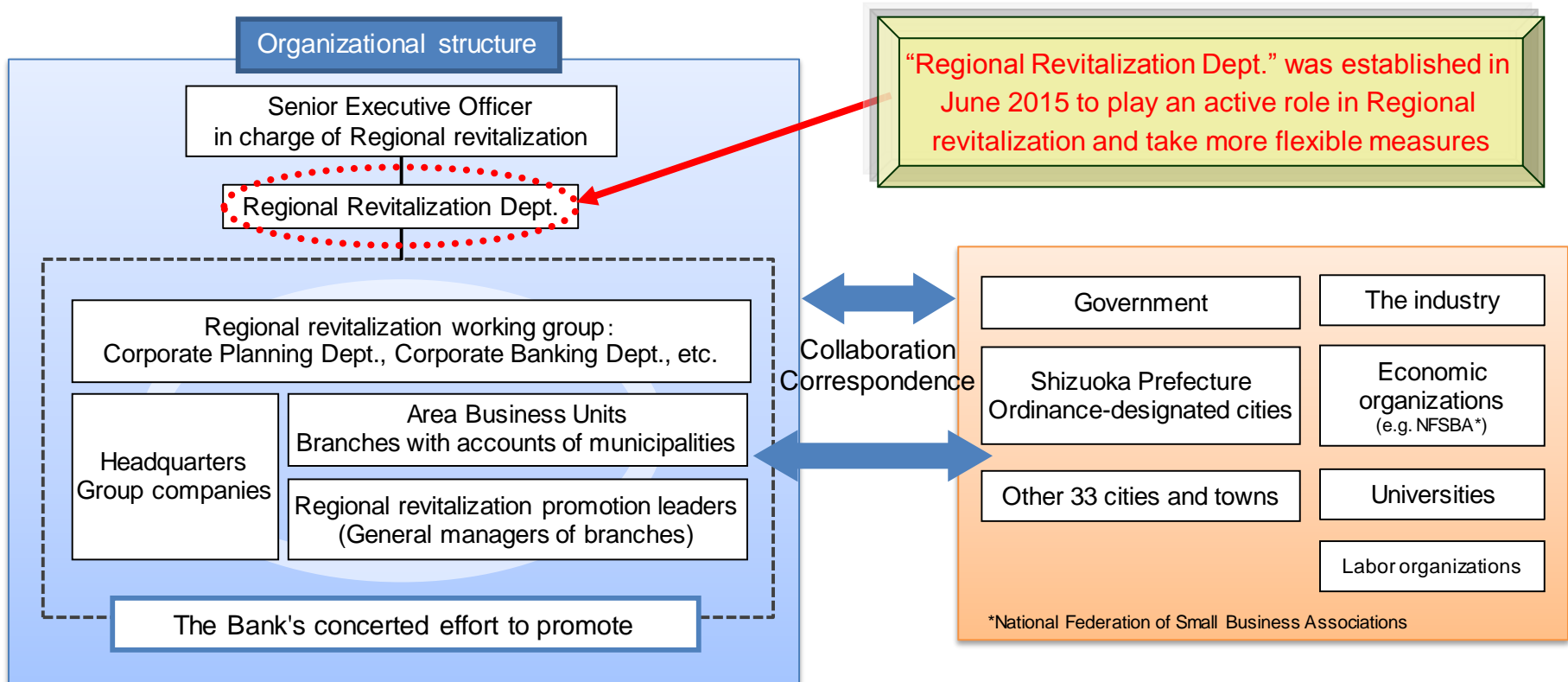
## Ordinary profit



# Initiatives for Regional revitalization

- Regional revitalization is to realize “the sustainable development of regions” and “the maintenance of energetic society in Japan” by overcoming the problem of population decline and ensuring economic growth, with “a vision for the local population” and “regional comprehensive strategies” formulated by each region to promote a strategy fit for its circumstances
- Actively participating in initiatives related to Regional revitalization in close collaboration with local municipalities, the industry, universities, etc., utilizing the various knowledge that has been cultivated

## Shizuoka Bank’s system to promote regional revitalization



**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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