

Results of 1H FY2015

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SHIZUOKA BANK

静岡銀行

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Results of 1H FY2015

Results of 1H FY2015 –Nonconsolidated

Nonconsolidated (JPY bn,%)	1H FY2015	YoY Change	
		Increase/ Decrease	Rate of change
Ordinary revenue	103.5	+8.1	+8.5
Gross operating profit	79.0	-0.2	-0.2
Net interest income	63.5	+5.3	+9.1
Fees and commissions	7.8	+0.2	+2.1
Trading income	0.4	+0.2	+85.7
Other operating profit	7.2	-5.8	-44.6
[Gains and losses on bonds such as JGBs]	6.5	-5.8	-47.3
Expenses (-)	39.9	-1.1	-2.8
Actual net operating profit*	39.0	+1.0	+2.5
Provision for general allowance for loan losses (-)	-0.2	-0.2	—
Net operating profit	39.3	+1.2	+3.1
Special profit and loss	-1.0	-5.2	-125.4
Bad debt written-off (-)	2.6	+2.3	+818.3
Gain on reversals from loan loss reserves	—	-1.4	-100.0
Gain (loss) on stocks	1.9	-0.8	-30.0
Ordinary profit	38.2	-4.0	-9.4
Extraordinary profit and loss	-8.4	+0.4	+5.0
Net income before taxes	29.9	-3.5	-10.6
Corporate taxes (-)	11.8	-1.8	-13.1
Net income	18.1	-1.8	-8.8

*Actual net operating profit = Net operating profit + Provision for general allowance for loan losses

Ordinary revenue +JPY 8.1bn YoY (First increase in 2 periods)

- Ordinary revenue rose JPY 8.1bn year on year to JPY 103.5bn, mainly due to an increase in interest income (+JPY 5.8bn).

Gross operating profit -JPY 0.2bn YoY (Continued decrease in 2 periods)

- Gross operating profit declined JPY 0.2bn year on year to JPY 79.0bn reflecting a decrease in other operating profit (-JPY 5.8bn) mainly due to an increase in loss on sell of bonds such as JGBs, despite an increase in net interest income (+JPY 5.3bn) mainly due to an increase in gain on cancellation of investment trusts.

Net operating profit +JPY 1.2bn YoY (First increase in 2 periods)

- Net operating profit increased JPY 1.2bn year on year to JPY 39.3bn, mainly due to a decrease in expenses (-JPY 1.1bn)

Ordinary profit -JPY 4.0bn YoY (First decrease in 3 periods)

- Ordinary profit decreased JPY 4.0bn to JPY 38.2bn because NPL disposal increased (+JPY 2.3bn) due to having no gain on reversals from loan loss reserves (1H FY2014: JPY 1.4bn) recorded.

Net income -JPY 1.8bn YoY (Continued decrease in 2 periods)

- Net income decreased JPY 1.8bn to JPY 18.1bn due to a decrease in corporate taxes (-JPY 1.8bn) reflecting a decline in corporate tax rate, despite the decrease in ordinary profit (-JPY 4.0bn). As in 1H FY2014, loss on valuation of stocks of subsidiaries and affiliates (-JPY 8.3bn) was recorded in the section of extraordinary profit and loss.

Results of 1H FY2015 -Consolidated

- Ordinary revenue rose JPY +8.1bn YoY to JPY 120.7bn, ordinary profit declined JPY -5.1bn YoY to JPY 31.8bn
- As Shizugin TM Securities Co., Ltd. (securities subsidiary) highly contributed to group business performance, total of all group companies' ordinary profit increased by JPY +0.8bn YoY to 4.4bn (Shizugin TM Securities Co., Ltd.: Ordinary profit in 1H FY2015: JPY 2.1bn, +0.3bn YoY)

Consolidated (JPY bn, %)	1H FY2015	YoY change		Contents
		Increase/ Decrease	Rate of change	
Ordinary revenue	120.7	+8.1	+7.2	First increase in 2 periods Mainly due to increase in interest income and gain on sale of bonds such as JGBs.
Ordinary profit	31.8	-5.1	-13.9	Continued decrease in 2 periods Due to increase in loss on sale of bonds such as JGBs.
Net income (Excluding gains on negative goodwill)	18.5 (18.5)	-5.8 (-3.5)	-23.8 (-16.0)	Continued decrease in 3 periods Because of not recording the contribution amount of increase in ownership ratio: JPY2.3bn

Consolidated / Nonconsolidated ratio

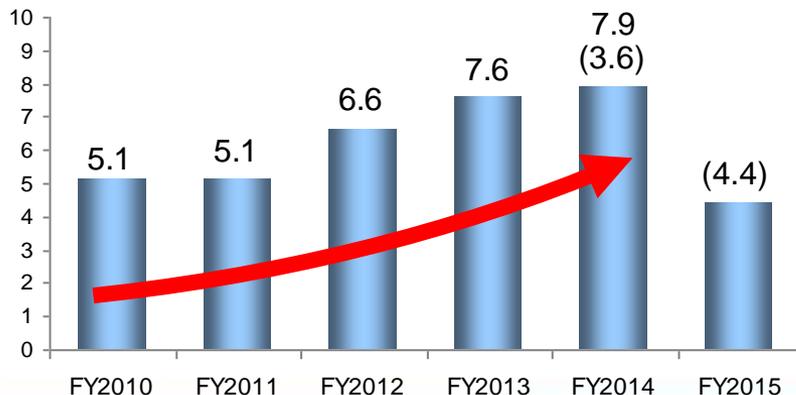
	1H FY 2015	YOY change Increase/Decrease
Ordinary profit	0.83times	-0.04times
Net income (Excluding gains on negative goodwill)	1.02times (1.02times)	-0.20times (-0.08times)

Group Companies

【Total ordinary profit of consolidated subsidiaries】

(JPY bn)

(Figures in parentheses are results in the 1H of the fiscal year)



【Increase in ownership ratio】

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 have full controlled ownership in 11 subsidiaries excluding Shizuoka Capital Co., Ltd. Since FY2014.

Consolidated Subsidiaries

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

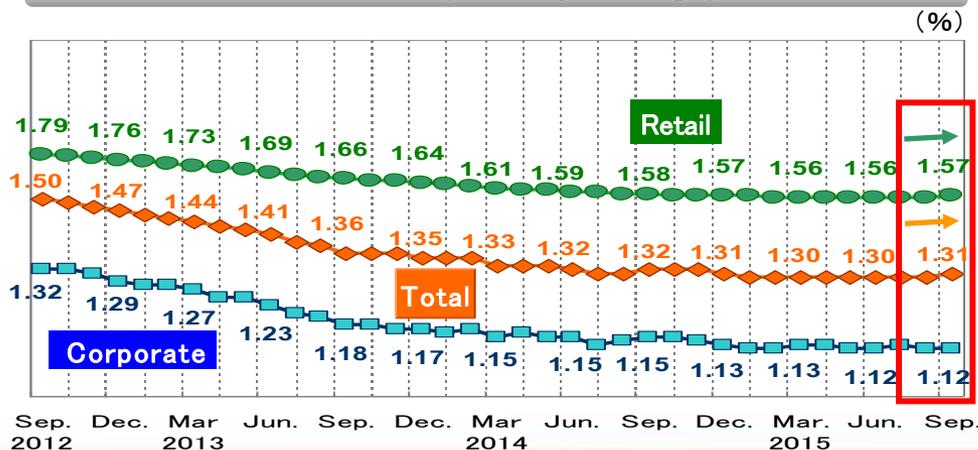
Net interest income and loan rate

- Net interest income of 1H FY2015: JPY 63.5bn (+JPY 5.3bn YoY)
- The interest on loans is almost the same as in 1H FY2014 and is about to stop declining

Break down of net interest income

(JPY bn)	1H FY2014	1H FY2015	YoY change
Total	58.2	63.5	+5.3
Domestic operations	52.1	56.2	+4.1
Interest on loans	43.4	42.3	-1.1
Interest and dividends on securities	10.5	15.1	+4.6
Interest on deposits (-)	45.8	45.7	+0.0
Overseas operations	6.1	7.3	+1.2
Interest on loans	2.4	3.4	+1.0
Interest and dividends on securities	4.6	5.6	+1.0
[Reference]			
Gains and losses on bonds such as JGBs	12.3	6.5	-5.8
Gain on sell of bonds such as JGBs	12.8	16.2	+3.4
Loss on sell of bonds such as JGBs	0.5	9.7	+9.2

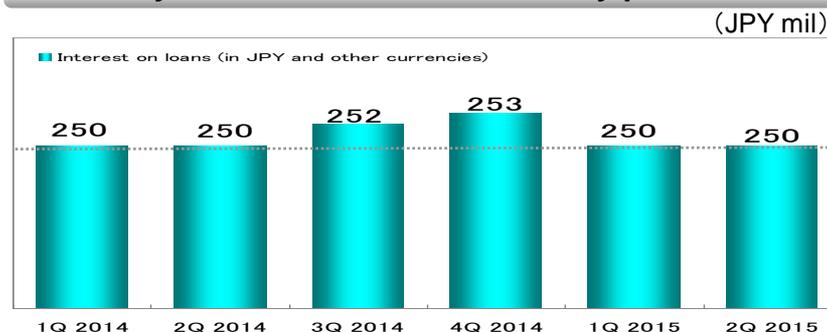
Loan rates (monthly average)



Loan and Deposit rate

(%)	1H FY2014	1H FY2015	YoY change
[Domestic Operations]			
Loan rate	1.30	1.27	-0.03
Deposit rate	0.04	0.05	+0.01
Yield on securities	1.28	2.63	+1.35
[Overseas Operations]			
Spread between investments and procurements	0.79	0.75	-0.04

Daily interest on loans (Quarterly period)



Portfolio of JPY denominated loans as the end of Sep. 2015

- A 1.0% increase in short-term interest rate will result in an increase of JPY20.0bn in net interest income

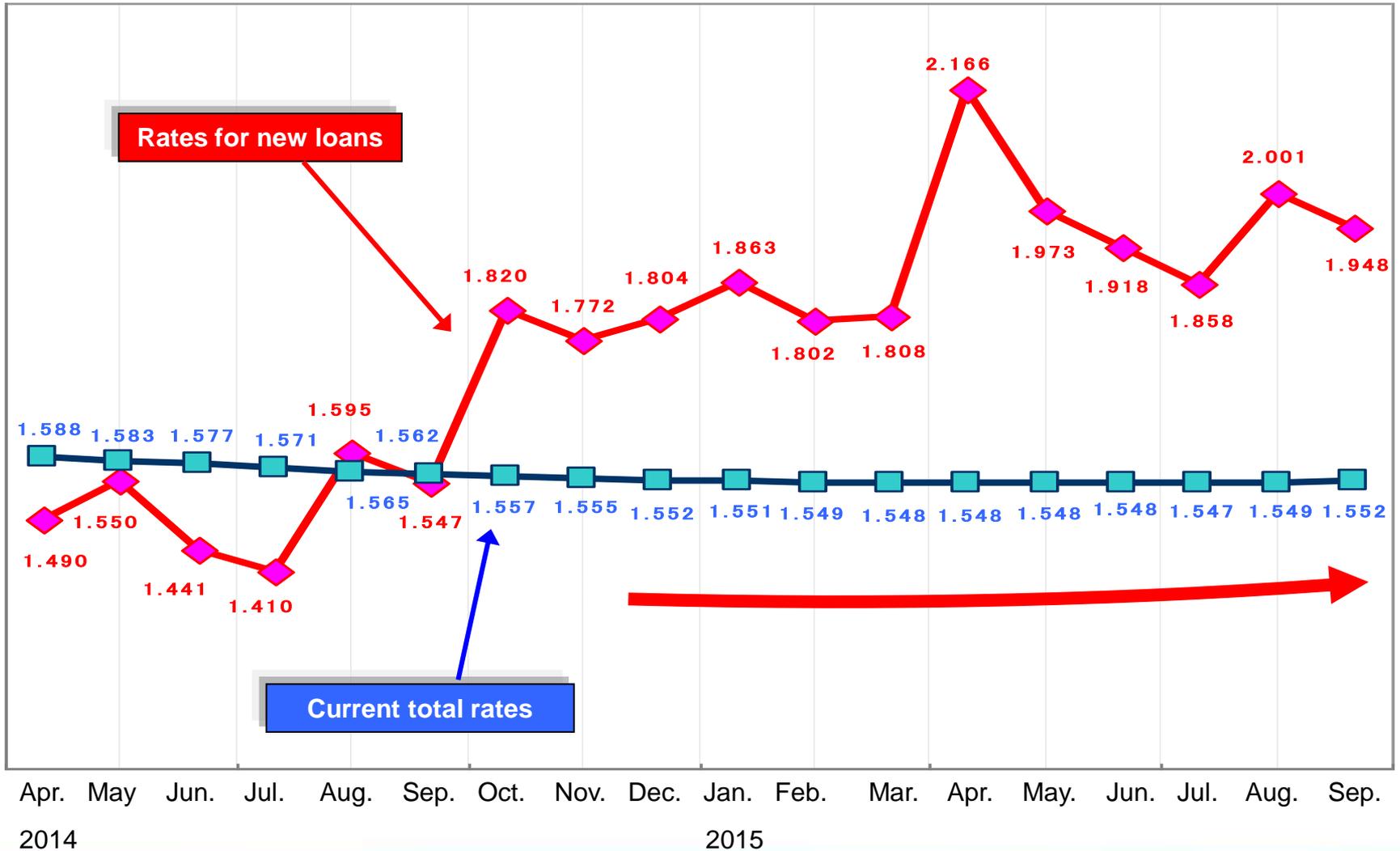
(JPY bn, %)	Average balance	Share	Average interest rate
Loans	6,698.4	100.0	1.31
Of which floating rate	5,120.5	76.4	1.32
Of which fixed rate	1,577.8	23.6	1.27

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

Loan rates for customer loans (monthly average of contract rates)

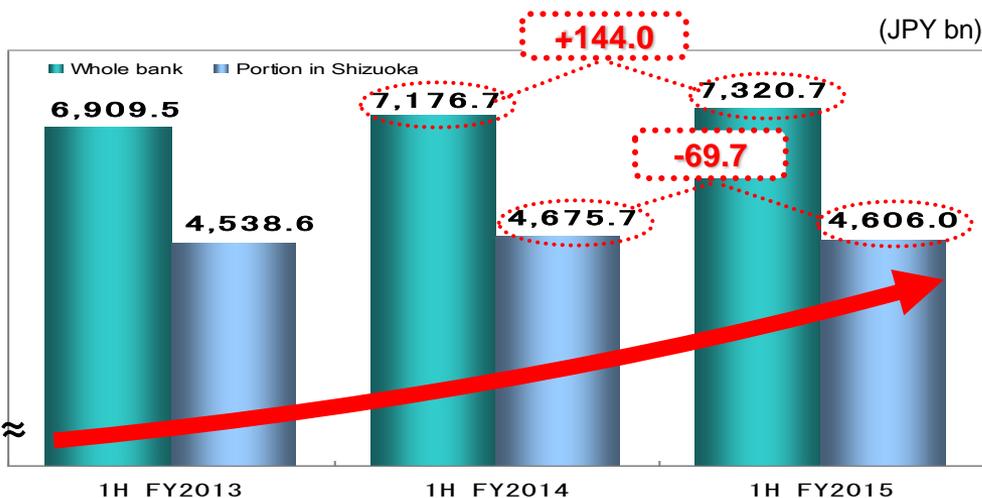
(%)



Loans (average balance)

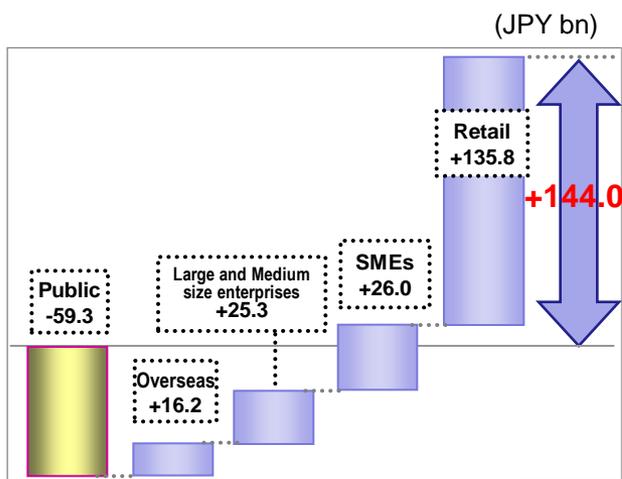
● Total loan balance (average balance) of 1H FY2015 : JPY 7,320.7bn, up JPY 144.0bn (+2.0%) YoY

Total loan balance (average balance)

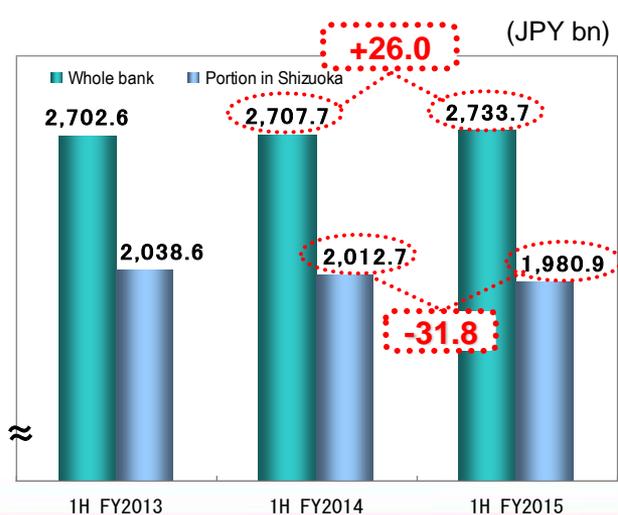


	Average balance	YoY change	Annual growth rate
Total loan balance	7,320.7bn	+144.0bn	+2.0%
SMEs loan balance	2,733.7bn	+26.0bn	+1.0%
Retail loan balance	2,644.8bn	+135.8bn	+5.4%
Large and Medium size enterprises	1,523.7bn	+25.3bn	+1.7%

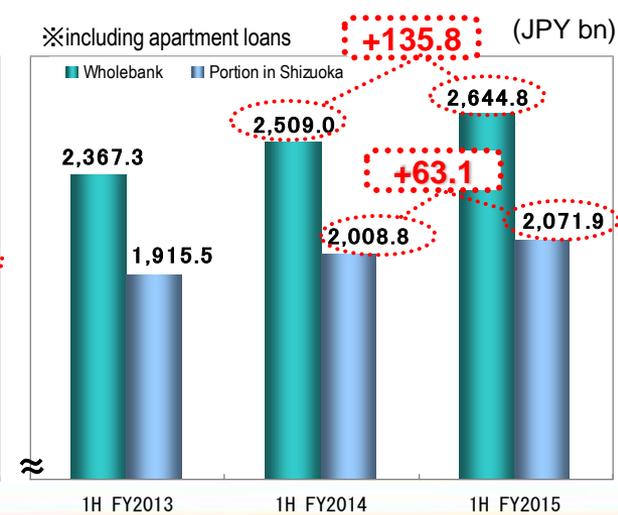
Breakdown of year-on-year change in total loan balance (average balance)



SMEs loan balance (average balance)



Retail loan balance (average balance)

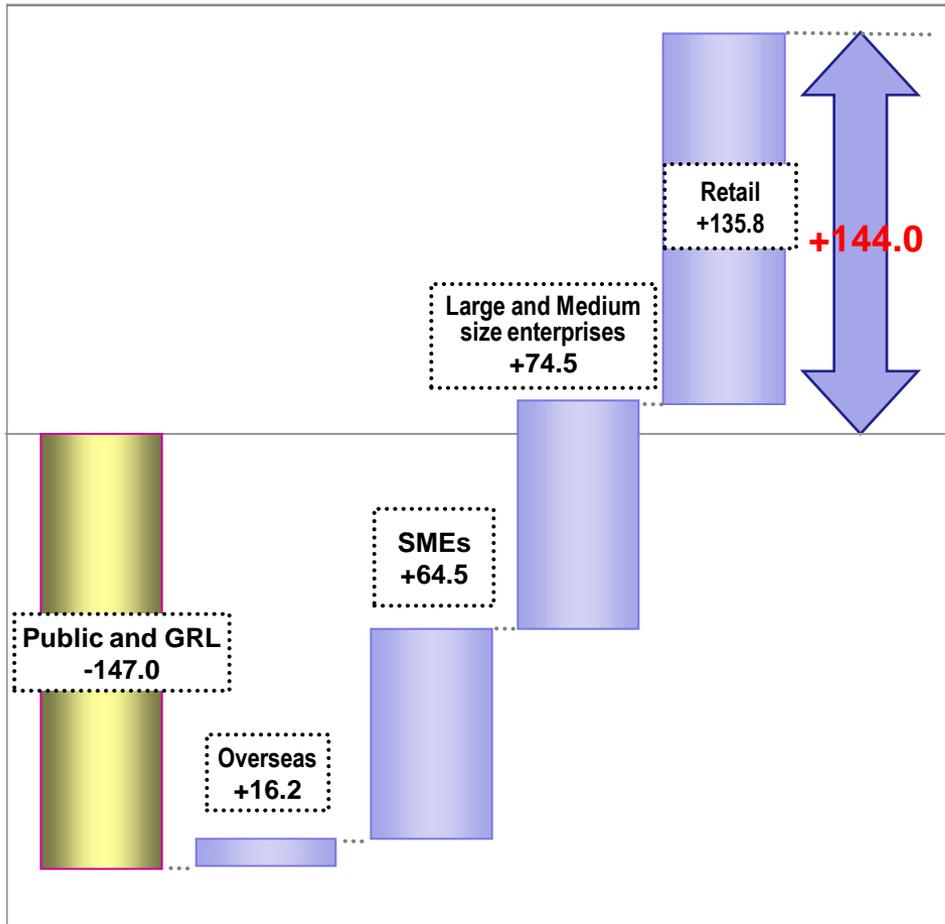


Loans excluding government-related loans (average balance)

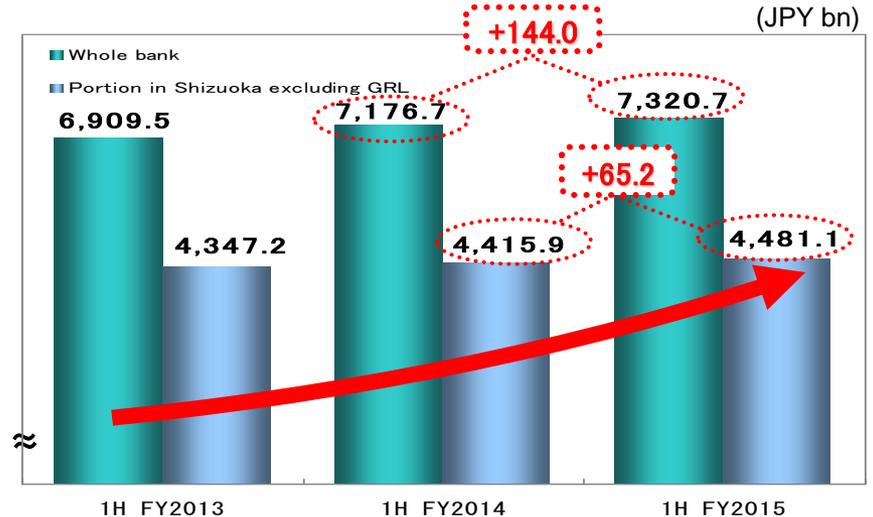
- Total loan balance (average balance) of 1H FY2015: JPY 7,320.7bn, up JPY 144.0bn (+2.0%) YoY
 - Loan balance in Shizuoka excluding government-related loans (GRL)*: JPY 4,481.1bn, up JPY 65.2bn
- *Loans guaranteed by the Government, etc.

Breakdown of year-on-year change in loan balance excluding government-related loans

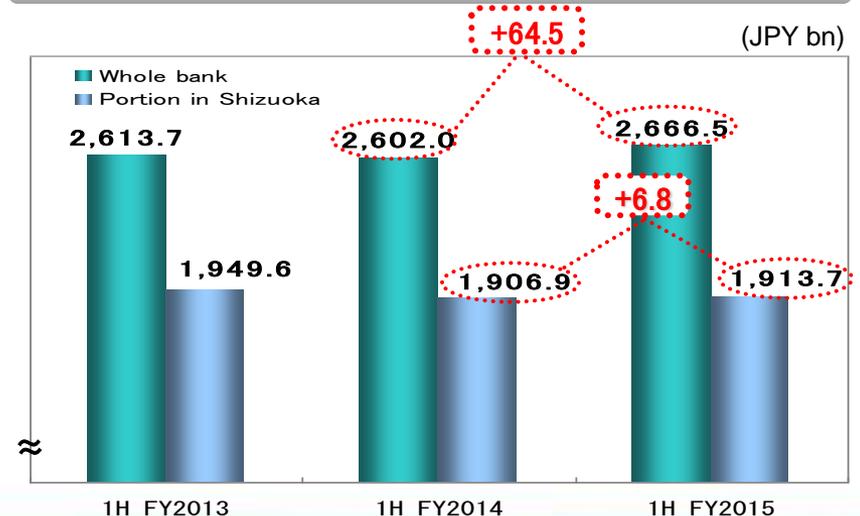
Government-related loans which are classified as loans for Large size enterprises and SMEs are excluded in the figure below.



Total loan balance (average balance)



SMEs loan balance excluding GRL (average balance)



Initiatives for Corporate Banking

- Posted specialized human resources on growing fields, centered on medical/welfare business
(Loan provided for customers on growing fields in 1H FY2015: JPY 104.2bn)
- Active support for customer's overseas entrance boosted loan in foreign currency to JPY 629.0bn, +JPY 129.3bn 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 1H FY2015: 1,577 cases/JPY 69.1bn

Environment

- Generated demand for funds by supporting the installation of energy-efficient equipment
- Provided support for capital investment related to renewable energy
- Loans in 1H FY2015: 210 cases/JPY 15.4bn

Agriculture

- "Shizugin@gricom" events to promote Shizuoka produce to buyers
- Deployed 14 agricultural business advisers
- Loans in 1H FY2015: 181 cases/JPY 8.8bn

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 1H FY2015: 129 cases/JPY 10.9bn

Measures to support new business creation

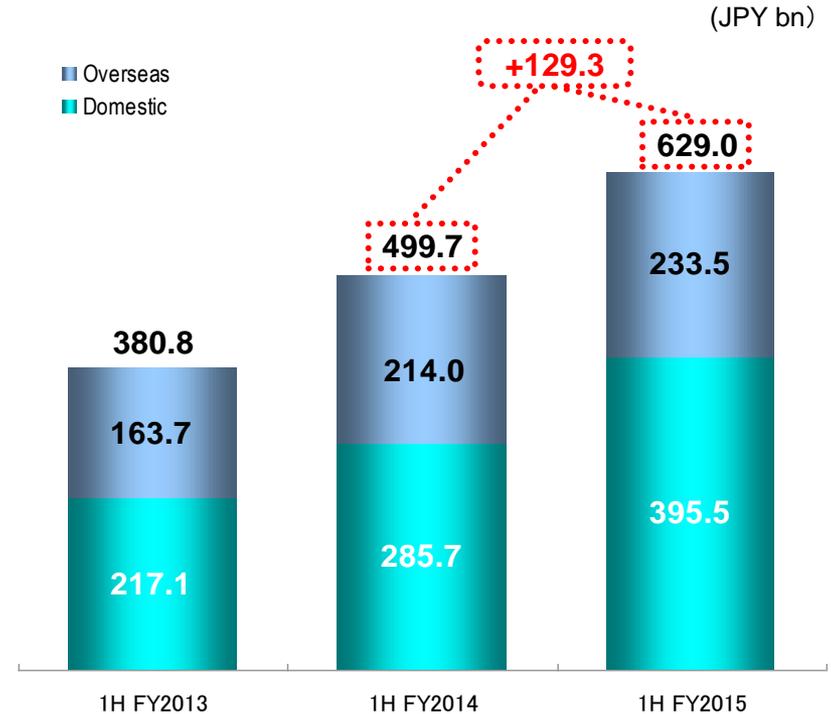
"Shizugin Entrepreneur Awards"

- 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 20 award winners from the 1st to the 3rd round:
New loans: 25 cases/JPY 360mil Investments: 6 cases/JPY 147mil

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: 125 cases/JPY 3,272mil

Business turn-around Fund: 290 cases/JPY 9,401mil

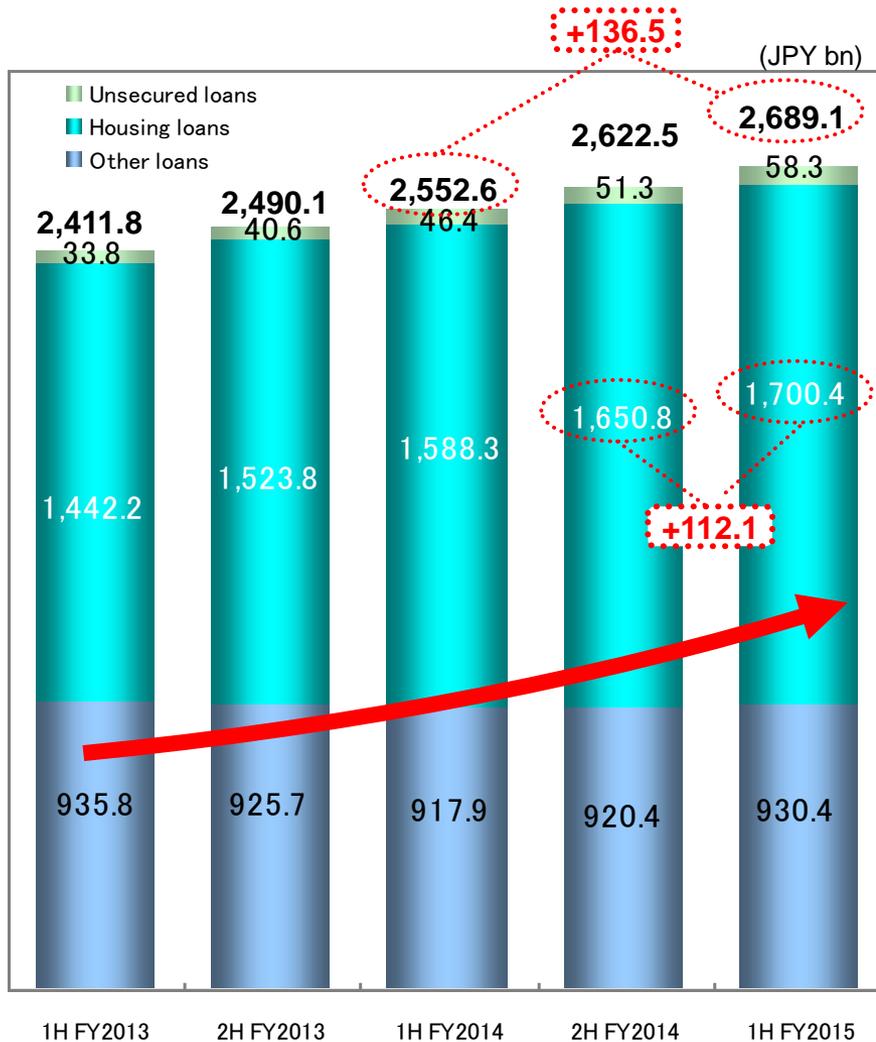
Total: 415 cases/JPY 12,673mil

(Cumulative amount)

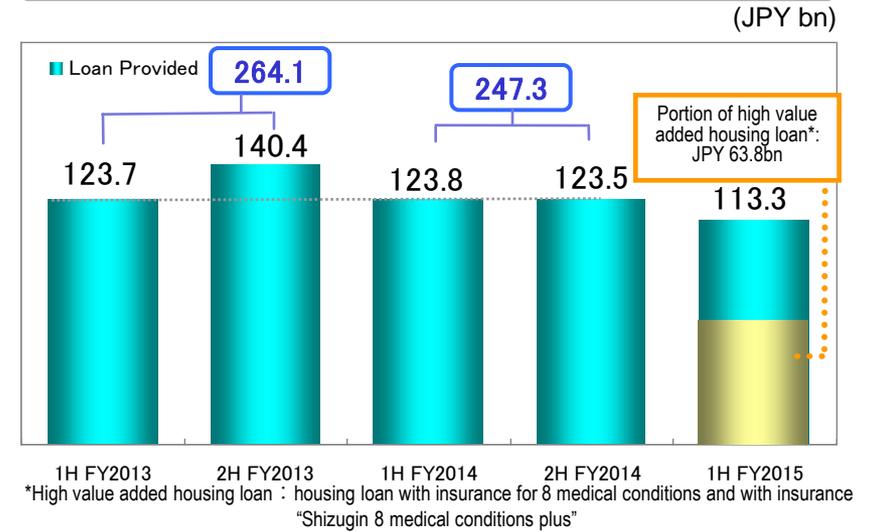
Initiatives for Retail Banking

- 1H FY2015 term-end customer loan balance: JPY 2,689.1bn (+JPY 136.5bn from the end of 1H FY2014)
- Maintained upward trend of loan balance by making reasonable amount of both housing loans and unsecured loans

Customer loan balance (term-end balance)



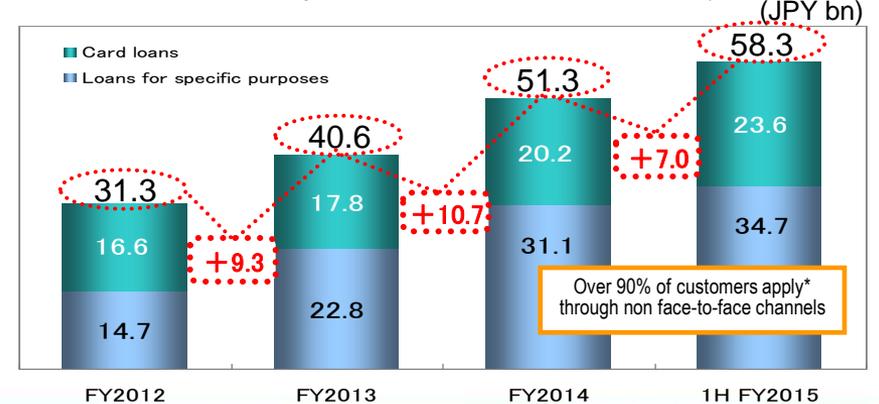
Housing loan provided



Balance of unsecured loan

A new card loan has been launched in Jul. 2015.

1. Credit examination done in 30 min at fastest
2. All transaction done through the Internet
3. Fund provided on the day of application

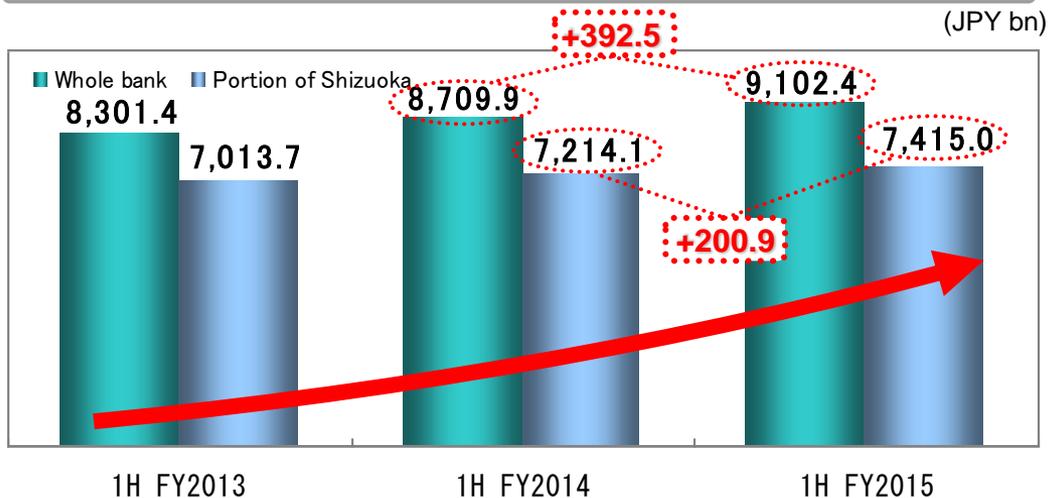


*Excluding loans designed for face-to-face channel sales

Deposits

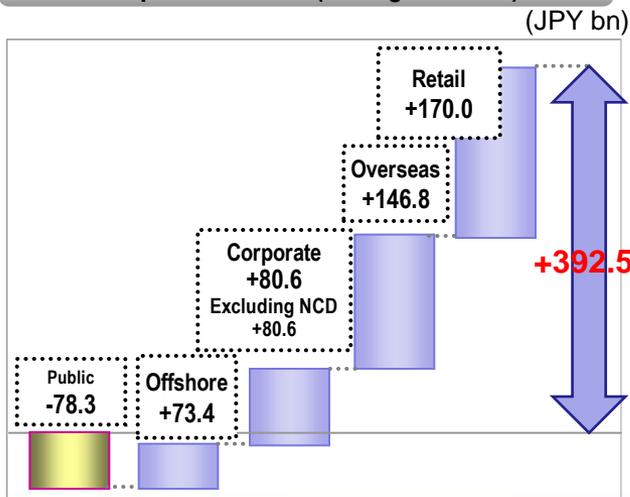
- Deposit balance (average balance) of 1H FY2015: JPY 9,102.4bn, up JPY 392.5bn (+4.5%) YoY
- Loan-Deposit ratio (excluding NCD): 84.5%, remained high

Deposit balance (average balance)

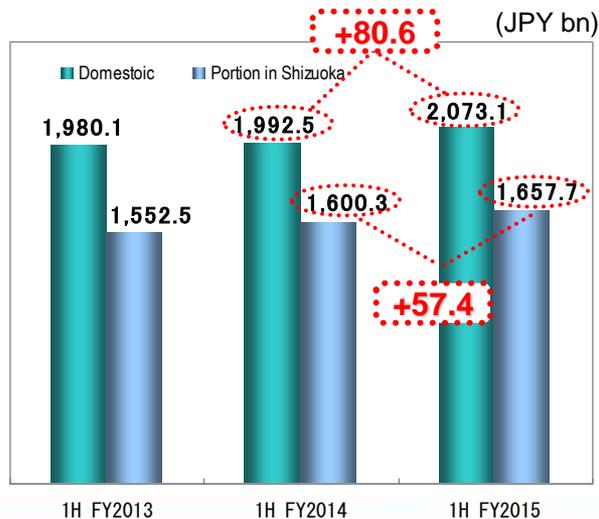


	Average balance	YoY change	Annual growth rate
Total deposit balance	9,102.4bn	+392.5bn	+4.5%
Deposit balance in Shizuoka	7,415.0bn	+200.9bn	+2.8%
Corporate deposit balance	2,073.1bn	+80.6bn	+4.0%
Retail deposit balance	5,992.4bn	+170.0bn	+2.9%
Portion in Internet branch	409.0bn	+34.7bn	+9.3%

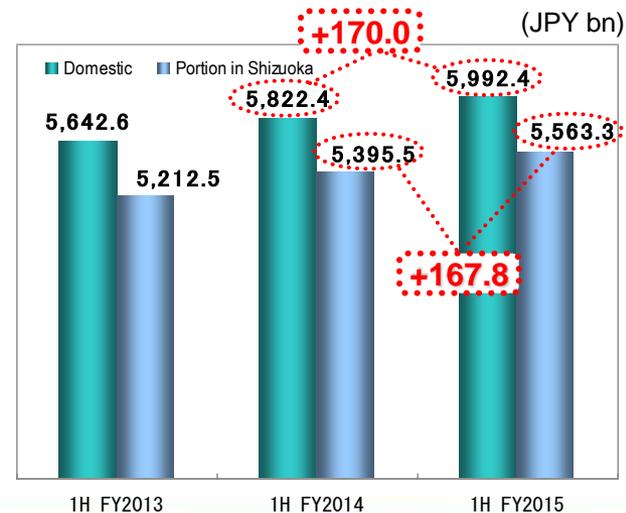
Breakdown of year-on-year changes in deposits balance (average balance)



Corporate deposit balance (average balance)



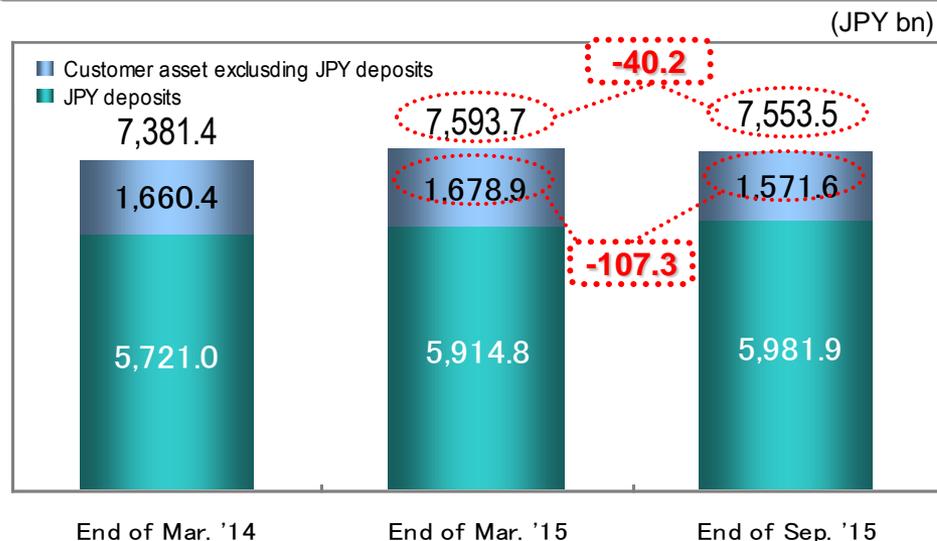
Retail deposit balance (average balance)



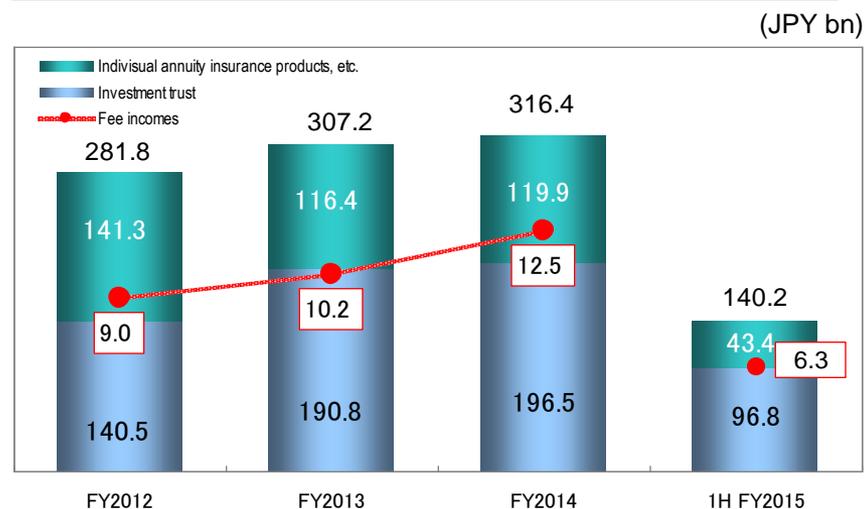
Customer assets and fee incomes

- Customer assets (including the balance of Shizugin TM Securities) was JPY 7,553.5bn (-JPY 40.2bn from the end of March 2015), of which balance of customer asset, excluding JPY deposits, was JPY 1,571.6bn (-JPY 107.3bn)
- Have been increasing the percentage of recurring premium policies in the sales of insurance products to stabilize revenue from insurance sales

Customer assets (term-end balance)



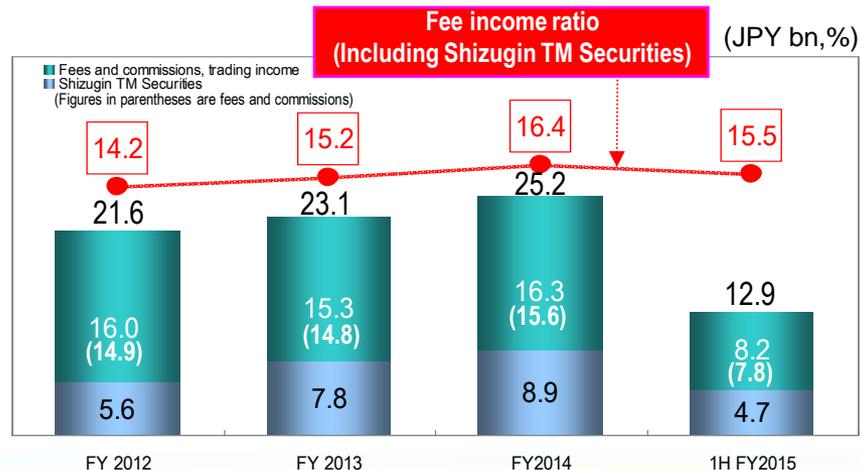
Sales and fee income from offering investment trust and insurance products



Balance of individual annuity insurance products, etc. and investment trusts

Individual annuity insurance products, etc.	FY2013	FY2014	1H FY2015	Change from the end of FY2014
Balance (JPY bn)	949.3	951.8	899.6	-52.2
Percentage of				
Level premium policies	10%	17%	36%	—
Single premium policies	90%	83%	64%	—
Investment trusts	FY2013	FY2014	1H FY2015	Change from the end of FY2014
Balance (JPY bn)	350.2	434.6	416.8	-17.8
Portion in Shizuoka Bank	15.2	20.3	20.4	+0.1
Portion in Shizugin TM Securities	335.0	414.3	396.4	-17.9

Fee incomes (Shizuoka Bank / Shizugin TM Securities)



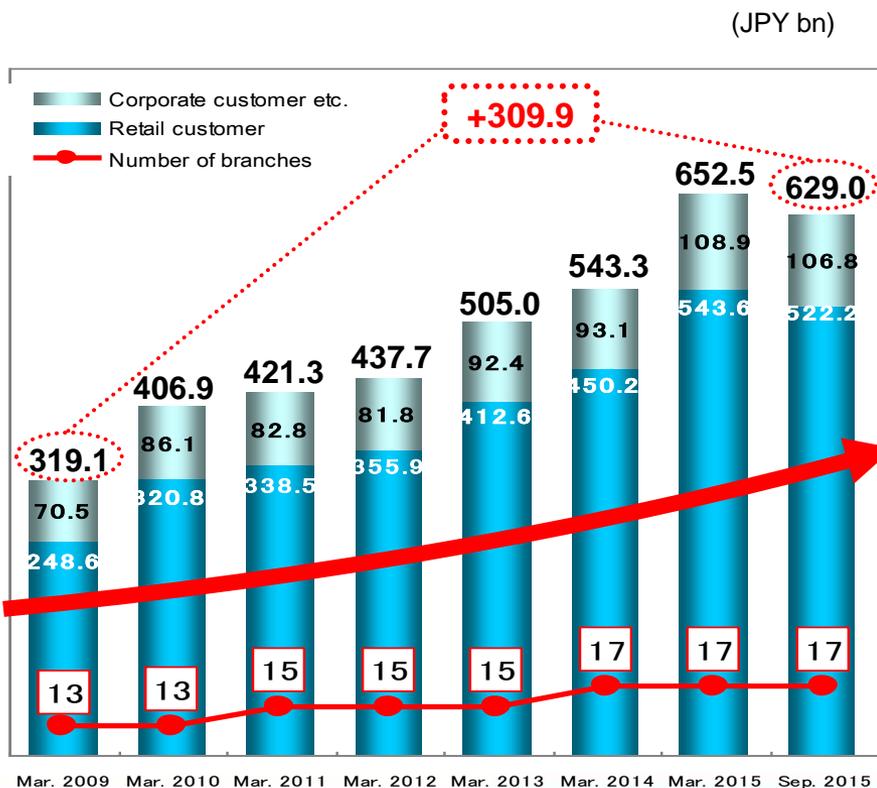
Shizugin TM Securities Co., Ltd.

- Growth in top line of Shizugin TM Securities Co., Ltd (securities subsidiary) highly contributed to performance of the Group
- Customer asset: JPY 629.0bn, increased by JPY 309.9bn from the end of Mar. 2009 after the collapse of Lehman Brothers

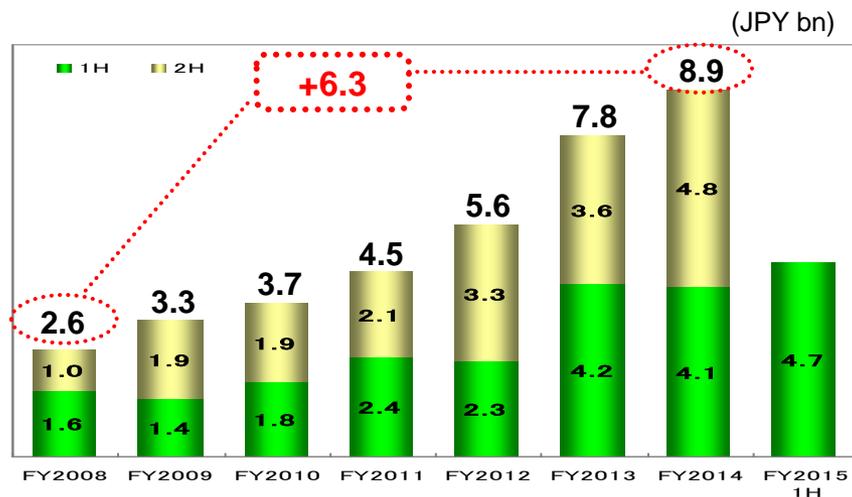
【Overview of Shizugin TM Securities, Co., Ltd.】

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

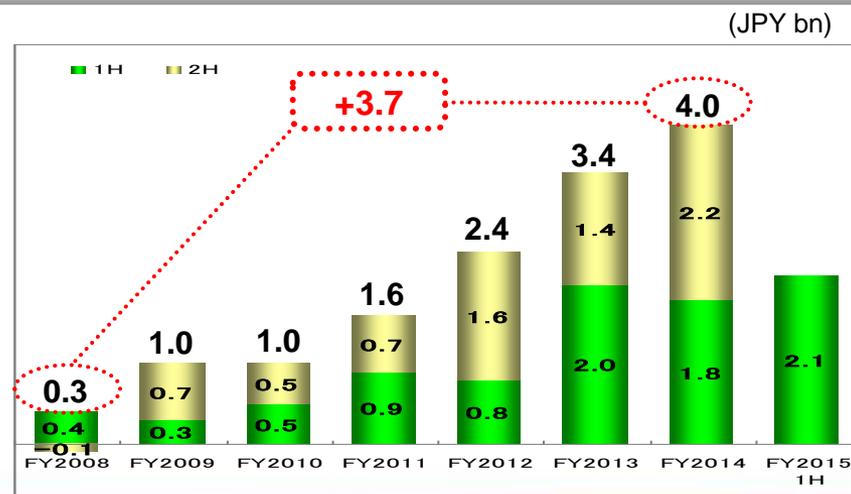
Customer asset (year-end balance) and number of branches



Ordinary revenue



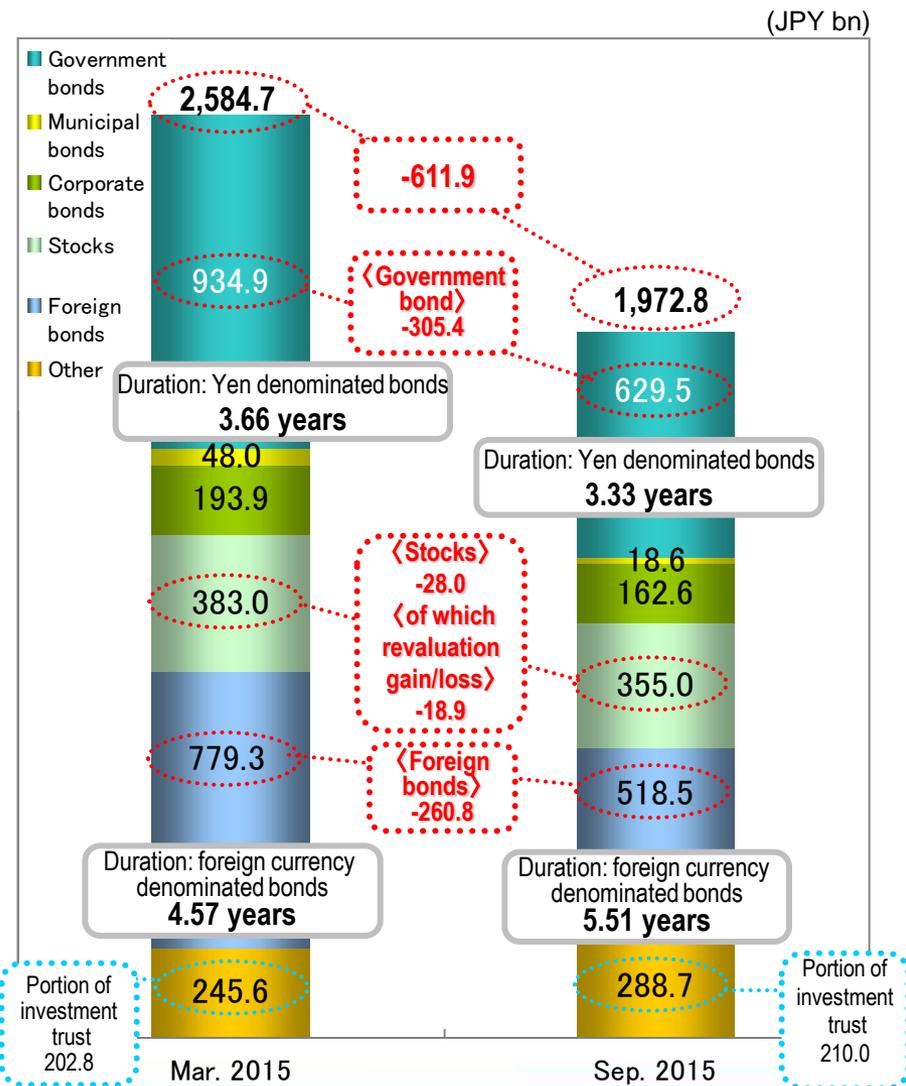
Ordinary profit



Securities

- Total balance of securities (term-end balance) : JPY1,972.8bn (-JPY 611.9bn from the end of March 2015)
Gains from the revaluation of securities: JPY 232.6bn (-JPY 52.9bn from the end of March 2015)
- Secured JPY 8.9bn gain on cancellation of investment trusts and JPY 6.5bn gain from timely trade of bonds such as JGBs, keeping up with the market trend

Securities



Gains and losses on securities

(JPY bn)	1H FY2014	1H FY2015	Increase/Decrease
Gain on cancellation of investment trusts	4.4	8.9	+4.5
Gains and losses on bonds such as JGBs	12.3	6.5	-5.8
Gain on sell of bonds such as JGBs	12.8	16.2	+3.4
Loss on sell of bonds such as JGBs(-)	0.5	9.7	+9.2
Gains and losses on stocks	2.8	1.9	-0.9
Gain on sell of stocks	2.8	1.9	-0.9
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 Sep. 2015	Increase/Decrease
Gains and losses from the revaluation of securities	285.5	232.6	-52.9
Stocks	238.8	219.9	-18.9
Nikkei stock average	19,206.99	17,388.15	-1,818.84

[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 5,476	JPY 2.20bn
Yen-denominated bonds	5-year JGB	0.320%	JPY 2.70bn
Foreign-currency bonds	10-year US Treasury Note	2.150%	JPY 3.17bn

Credit-related costs

● Credit-related costs in 1H FY2015: JPY 2.3bn(+JPY 3.4bn YoY), Credit-related cost rate: 0.06% (+0.09%)

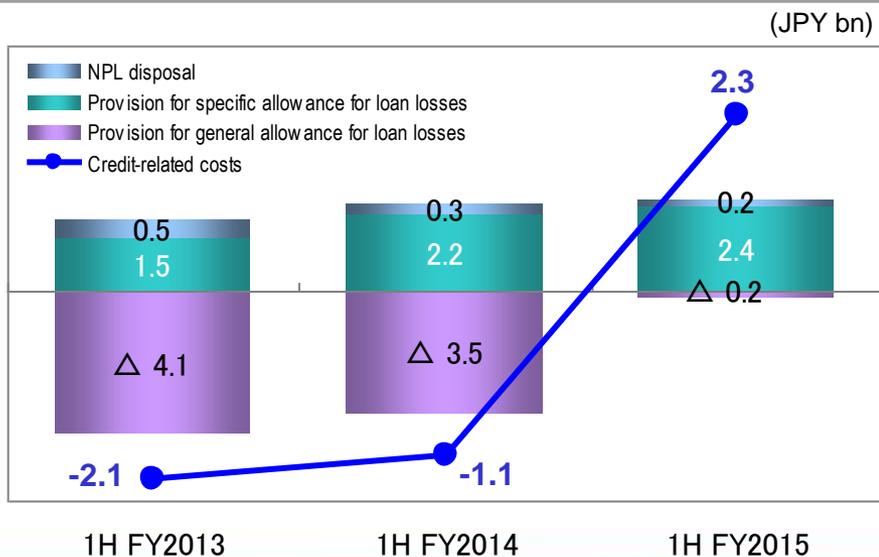
Breakdown of credit-related costs

(JPY bn)	1H FY2014	1H FY2015	YoY change
Provision for general allowance for loan losses (1)	-3.5	-0.2	+3.3
Provision for specific allowance for loan losses (2)	2.2	2.4	+0.2
Other NPL disposal* (3)	0.3	0.2	-0.1
Credit-related Costs (1)+(2)+(3)	-1.1	2.3	+3.4

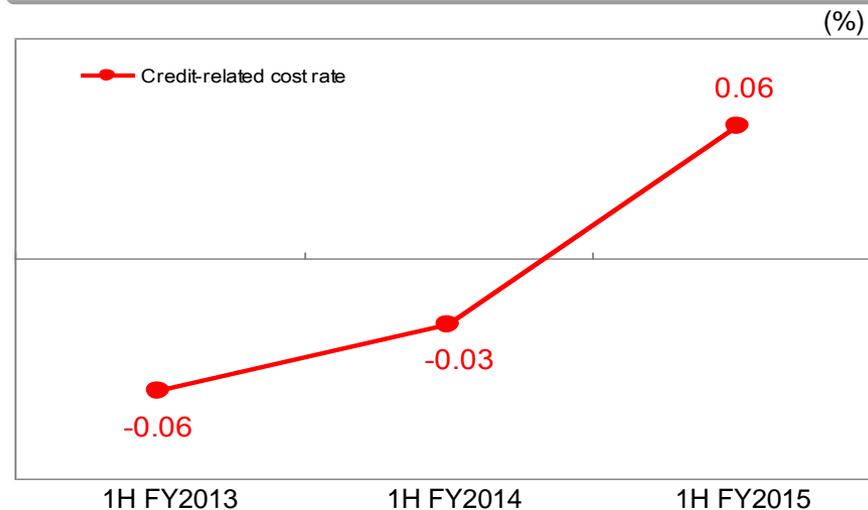
*Including provision for the estimated future payments to credit guarantee corporations, provision for allowance for accidental losses, and losses on sell of loans

(JPY bn)	
Changes in credit rating, etc	4.5
Decrease in the value of collaterals	0.1
Upgrade of credit rating, decrease in loan and credit balances by foreclosure ,etc	-2.2
Total	2.4

Credit-related costs



Credit-related cost rate

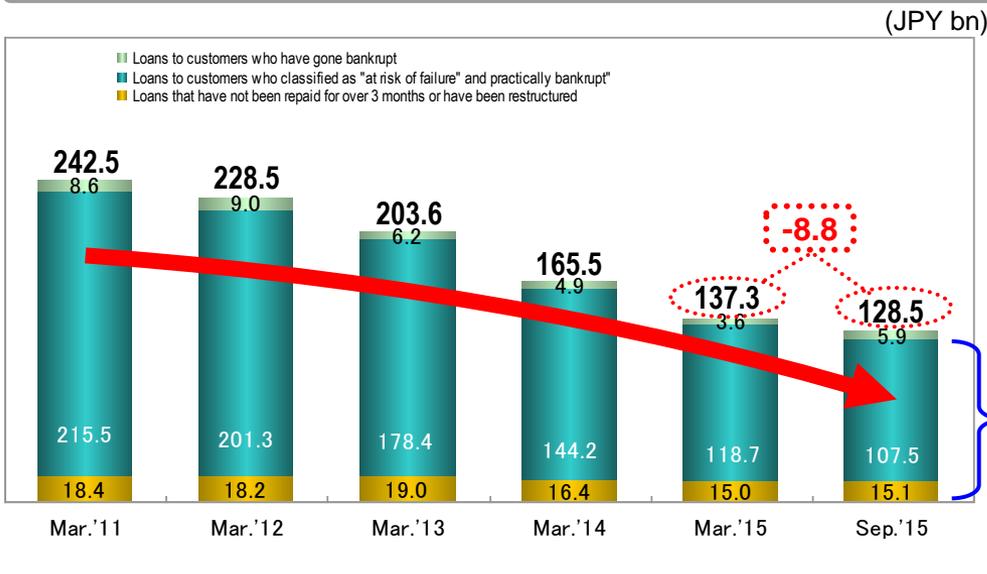


* Credit-related cost rate = Credit-related costs / Average loan balance

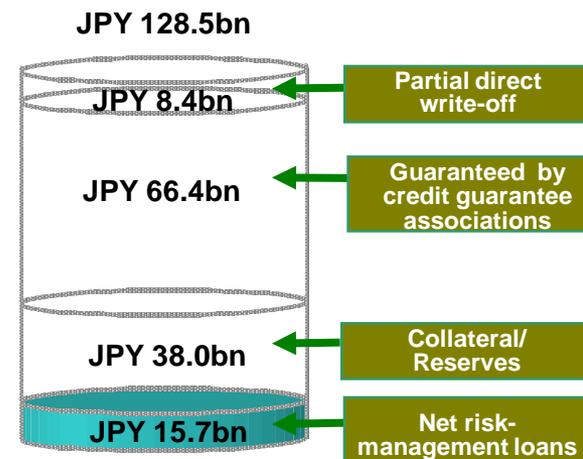
Risk-management loans

- Total risk-management loans at the end of Sep. 2015: JPY 128.5bn, the ratio of risk-management loans: 1.73%
- Net risk-management loans : JPY 15.7bn, the ratio of net risk-management loans: 0.21%
- 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

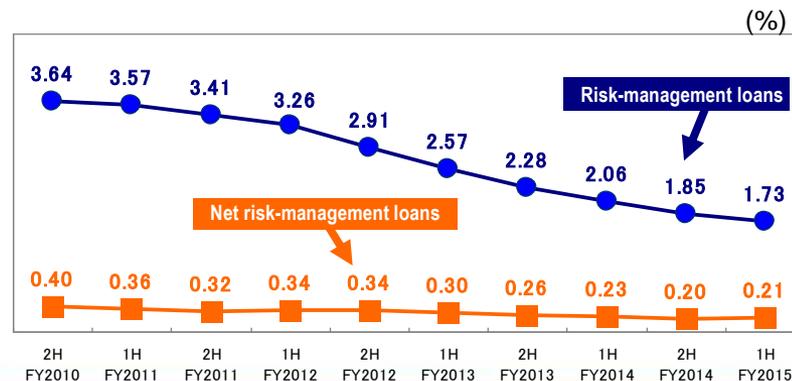
(JPY bn)	FY 2014	1H FY2015
New recognition of NPLs	+27.2	+14.3
Removal from the balance sheet (NPL to borrowers classified as "at risk of failure" or riskier categories)	-55.4 (-51.1)	-23.1 (-21.6)
Risk-management loans	137.3	128.5

-8.8

[Breakdown of JPY 21.6bn]

(JPY bn)	
Collected from borrower/set off against deposit account	2.7
Collateral disposal/subrogated to guarantor	7.0
Reclassified to better categories	9.0
Loans sold-off	2.5
Direct write-off of loans	0.4

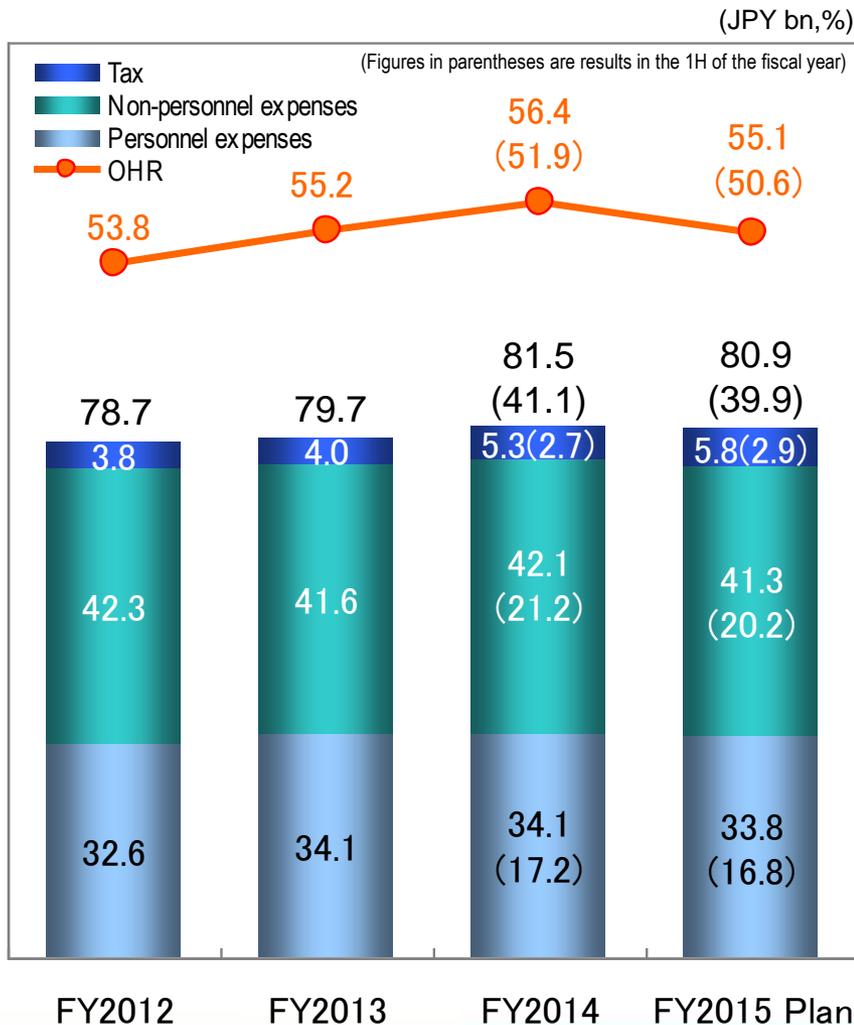
The ratio of risk-management loans



Expenses and Strategic investments

- Expenses in 1H FY2015: JPY 39.9bn (-JPY 1.1bn YoY)
- OHR (Non-consolidated): 50.6% (-1.3 points YoY)

Expenses and OHR (annual basis)



Strategic investments in the 12th Medium-term Business Plan

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

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



【SHIZUGIN Headquarters Tower】



【Teleconference system】



【Free-address office system】

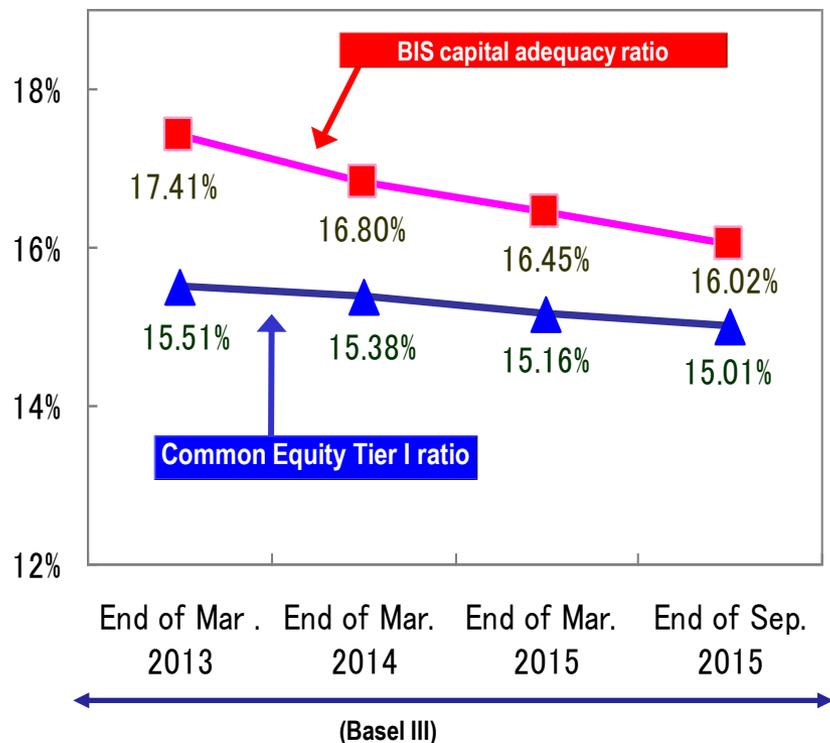
Capital adequacy ratio

- The Basel III capital adequacy ratio at the end of Sep. 2015 was 16.02%

Common Equity Tier I ratio : 15.01%

(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 40.6bn	JPY 780.9bn	5.2%

Changes in capital and risk-adjusted assets

【Basel III】	(JPY bn)	End of	End of	Change from the
		Mar. '15	Sep. '15	
Capital*		854.4	828.1	-26.3
Common Equity Tier I		787.3	775.9	-11.4
Other Tier I		1.9	1.0	-0.9
Tier II		65.2	51.2	-14.0
Risk-adjusted assets		5,192.0	5,167.7	-24.3
Total credit-risk adjusted assets		4,884.5	4,854.9	-29.6
Amount corresponding to market risk		11.3	12.0	+0.7
Amount corresponding to operational risk		296.2	300.8	+4.6

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

[Other index related to the Basel III]

(End of Sep. 2015)

- Liquidity coverage ratio: 123.4% (Regulatory level 60% and over)
- Leverage ratio: 6.93% (ditto 3% in trial period*)

*Until Mar. 2018

Shareholder return

- Target of shareholder return ratio in 12th Medium-term Business Plan: 50% or more in medium term
- For FY2015, annual dividend of JPY 20.00 per share is planned, and a buyback of shares has been implemented (buyback period: Aug. 3rd – Aug. 25th, 2015, number of shares bought back: 4.767mil, total amount of repurchase: JPY 6.999bn)

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 70th anniversary dividend

(Figures in parentheses are semi-annual dividend per share)

Profit distribution to shareholders

*Portion implemented in 1H of the fiscal year

(JPY bn,%)

	FY2012	FY2013	FY2014	FY2015E	FY '05 – '14 (10years)
Annual dividend (1)	9.7	9.7	9.9	12.3	Accumulated total 90.6
Repurchase of shares (2) (Shares bought back: million shares)	8.2 (10)	22.7 (20)	11.3 (10)	*7.0 (5)	Accumulated total 88.4
Shareholder returns (3)=(1)+(2)	18.0	32.4	21.2	19.3	Accumulated total 179.0
Net income (4)	40.9	42.8	42.6	44.0	Accumulated total 344.0
Dividend payout ratio (1)/(4)x100	23.78	22.78	23.24	27.90	Average 26.32
Shareholder return ratio (3)/(4)x100	43.93	75.73	49.82	43.80	Average 52.01
[Reference]					Average in 5years
ROE (Consolidated : Net income basis)	7.43	5.78	5.74	—	5.89

Shareholder return - Share buybacks, Trends in EPS /BPS

- We have regularly bought shares back since FY1997, with a total of 196 million shares repurchased over the same period (supporting steady increases in EPS and BPS)

Historical share buybacks

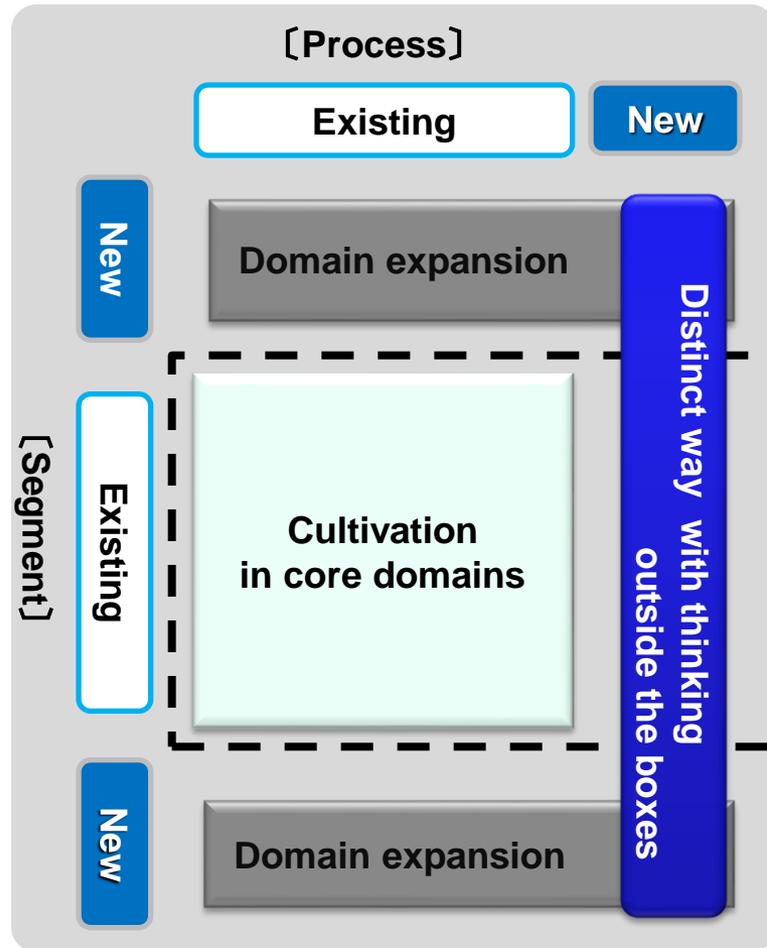
	Shares bought back (thousand shares)	Repurchase amount of shares (JPY mil)	Number of shares cancelled (thousand shares)	Cancellation amount (JPY mil)	Shareholder return ratio (%)	EPS(JPY)	BPS(JPY)
FY1997	7,226	9,997	7,226	9,997	90.3	20.39	587.56
FY1998	6,633	9,142	6,633	9,142	86.7	20.12	627.64
FY1999	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
FY2015	4,767	6,999	—	—	—	—	—
Total	195,811	186,873	140,404	128,892	(up to FY2014) 61.5	—	—

*For FY2015, portion implemented by the end of Oct. is recorded

***Progress
in the 12th Medium-term Business Plan***

Progress in the 12th Medium-term Business Plan

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



Advance market-oriented indirect finance
 【Interest & Fee income in 1H FY2015: JPY 2.1bn】

Tokyo Office Banking Division III
〔Corporate banking〕

Structured Finance

- Advance relationship banking
- Increase in number of loyal customers

Untapped Segment
 New scheme & products

Provide funds for business turn-around
 415 cases/JPY 12.7bn
 Loan for individual business owners (Apr. 2015)
 Balance: JPY 0.7bn

Promote loans for asset building
 Loans provided: JPY 77.3bn
 【Interest in 1H FY2015: JPY 1.0bn】

Tokyo Office Banking Division IV
〔Retail banking〕

Wealth management business

- Expansion of housing-related loans
- Solution-offering for asset management
- Consultation for descent-related issues

Consumer finance
 Improvement of non-face-to-face Channel

Expand sales of unsecured loans
 Increase in unsecured loan balance: JPY 7.0bn
 New card loan (Jul. 2015)
 Balance: JPY 1.5bn

Develop new business with Monex Group and different types of business companies

...New business Field

New business development with different types of business companies

Money Forward, Inc. 【Capital and business tie-up Sep., 2015】

【Business overview】 Provision of automated household budget and asset management services (more than 2.5 million subscribers), cloud accounting services for SMEs (more than 0.4 million subscribers), and cloud services for medical institutes (from Nov. 9th)

【Business cooperation】

- Creating **easy-to-use financing models** (aimed at SMEs, individuals), drawing heavily on the expertise and ideas of Shizuoka Bank and Money Forward
- Providing **asset management services for individuals in a wide range of fields** based on Money Forward's services and Shizuoka Bank's financial expertise

Providing optimized financial services using advanced IT



HOUSALL Corporation 【Joint-venture established Sep., 2015, two employees including an outside director on loan】

【Business overview】 Outsourcing and business matching in the housing sector (provision of solutions to housing companies, etc.)

【Business cooperation】

- Helping **revitalize the local economy, regenerate the region** and aim to **expand financial product sales** channels by **linking local companies with HOUSALL**, which operates a housing service platform with potential applications in many sectors

Expanding financial product sales channels through regional revitalization



Commons Asset Management, Inc. 【Capital and business tie-up formed Oct., 2015】

【Business overview】 An asset management company offering products such as its flagship Commons 30 Fund (investors aged under 50 account for roughly 70% of the client base)

【Business cooperation】

- Utilizing Commons Asset Management products and services, which are popular among younger investors, to provide **long-term asset management services to working people and younger investors**

Strengthening the sustainability of banking transactions and related income



Identify new growth opportunities to support sustained growth and strengthen the earnings base

Direction of the new business development

【The 12th Medium-term Business Plan】 Challenge on the new business field

Expanding sales of investment trust to the asset-building (younger) customer segment



Expanding sales channels of housing and reform loans by increasing contact points with customers



New business field

Providing financial services on the Fintech business field



Expanding security business through non face-to-face channels




Promoting housing and reform loans through non face-to-face channels



Real branches: expanding and digging down customer segments Internet: for customers who prefer non face-to-face channels

【The 11th Medium-term Business Plan】 Cultivation in core domains

Existing

【Expanding the business of the Internet branch】
Started opening accounts of the new card loan in Jul. 2015
⇒ Strengthening operation on investment side

【Schedule of the Next-Generation System Development】



Projected performance in FY2015

Projected performance in FY2015

【Consolidated】				(JPY bn)
	FY2014 (A)	FY2015E (B)	YoY (B-A)	(Ref.) 1H FY2015
Ordinary revenue	211.6	232.0	20.4	120.7
Ordinary profit	75.1	77.0	1.9	31.8
Net income	49.9	50.0	0.1	18.5

【Nonconsolidated】				(JPY bn)
	FY2014 (A)	FY2015E (B)	YoY (B-A)	(Ref.) 1H FY2015
Ordinary revenue	175.4	195.0	19.6	103.5
Gross operating profit	144.5	147.1	2.6	79.0
Net interest income	114.7	123.1	8.4	63.5
Fees and commissions	15.6	15.7	0.1	7.8
Trading income	0.6	1.6	1.0	0.4
Other operating profit	13.5	6.7	-6.8	7.2
(Bond-Related income such as JGBs)	13.1	5.1	-8.0	6.5
Expenses (-)	81.5	80.9	-0.6	39.9
Provision for general allowance for loan losses (-)	—	-2.0	-2.0	-0.2
Net operating profit	63.0	68.2	5.2	39.3
Special profit and loss	4.1	-0.2	-4.3	-1.0
Ordinary profit	67.1	68.0	0.9	38.2
Net income	42.6	44.0	1.4	18.1
Credit-related costs (-)	0.4	1.6	1.2	2.3

Reference

Overview of the 12th Medium-term Business Plan

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

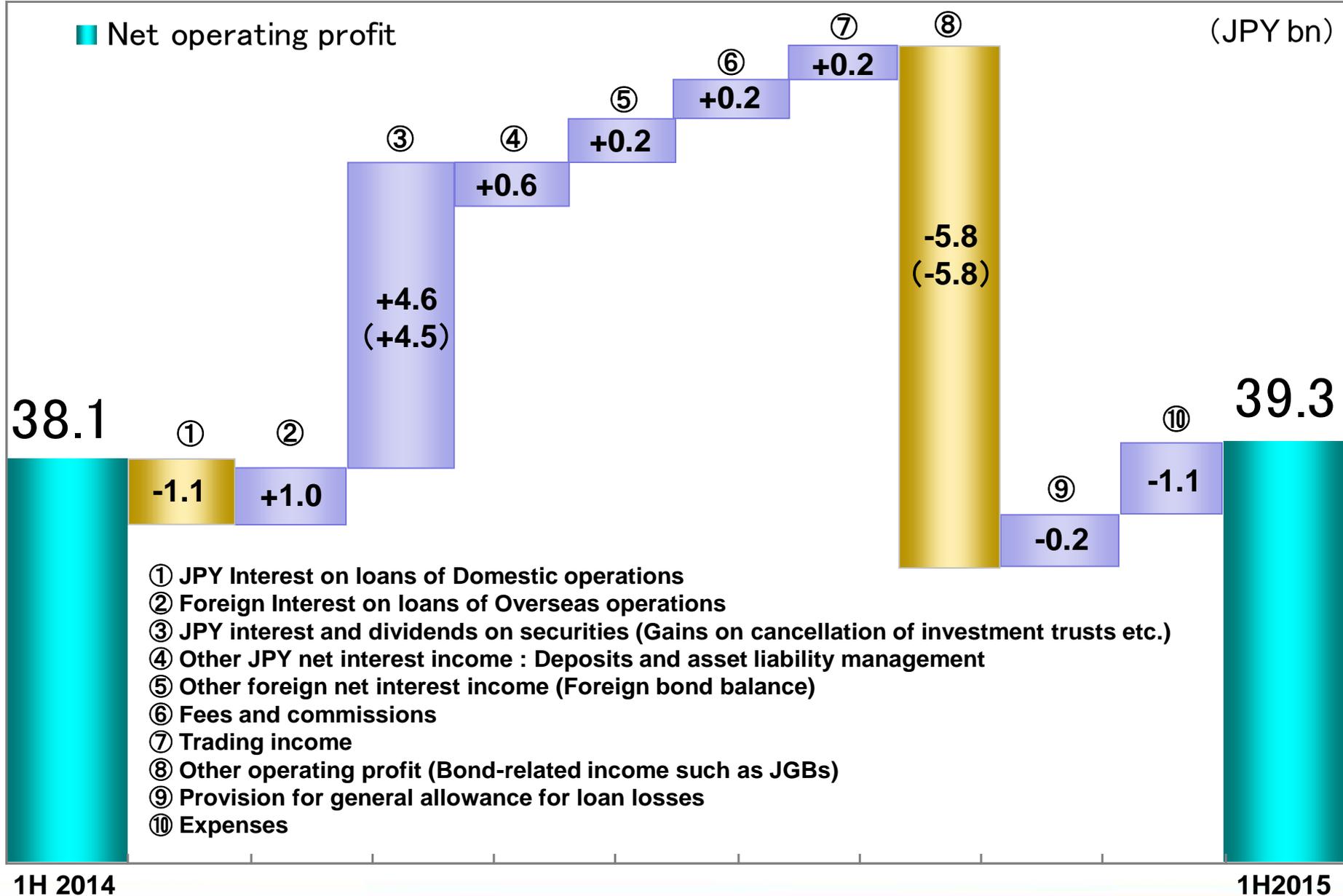
Branding

- Add more value to 「Shizugin」 brand

Target figures (consolidated)

	12 th 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

Net operating profit

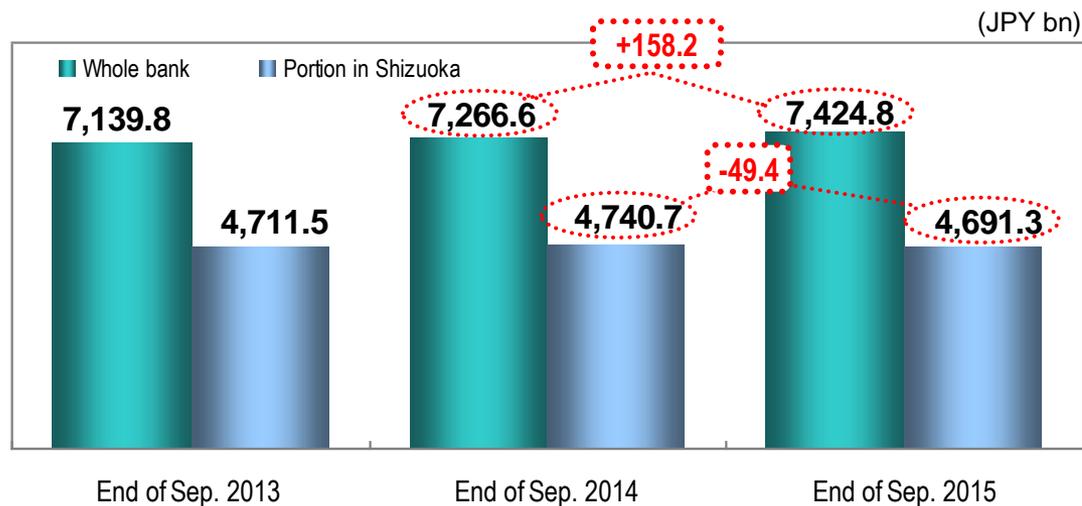


- ① JPY Interest on loans of Domestic operations
- ② Foreign Interest on loans of Overseas operations
- ③ JPY interest and dividends on securities (Gains on cancellation of investment trusts etc.)
- ④ Other JPY net interest income : Deposits and asset liability management
- ⑤ Other foreign net interest income (Foreign bond balance)
- ⑥ Fees and commissions
- ⑦ Trading income
- ⑧ Other operating profit (Bond-related income such as JGBs)
- ⑨ Provision for general allowance for loan losses
- ⑩ Expenses

Loans (term-end balance)

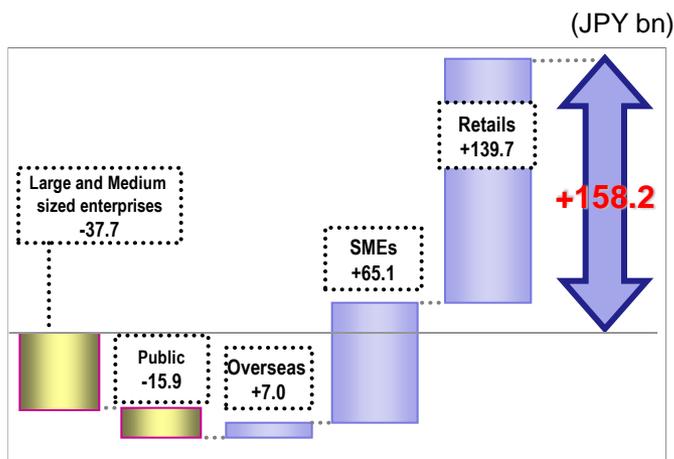
● Total loan balance (term-end balance) of 1H FY2015: JPY 7,424.8bn, +JPY 158.2bn (+2.2%) YoY

Total loan balance (term-end balance)

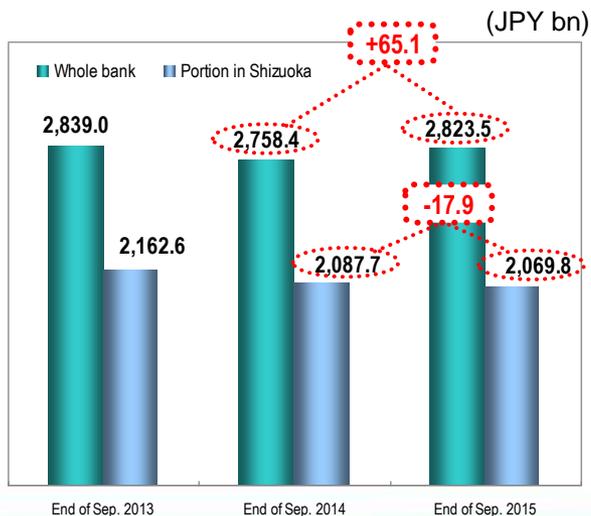


	Term-end balance	YoY change	Annual growth rate
Total loan balance	7,424.8bn	+158.2bn	+2.2%
SMEs loan balance	2,823.5bn	+65.1bn	+2.4%
Retail loan balance	2,696.0bn	+139.7bn	+5.5%
Large and Medium sized enterprises	1,507.1bn	-37.7bn	-2.4%

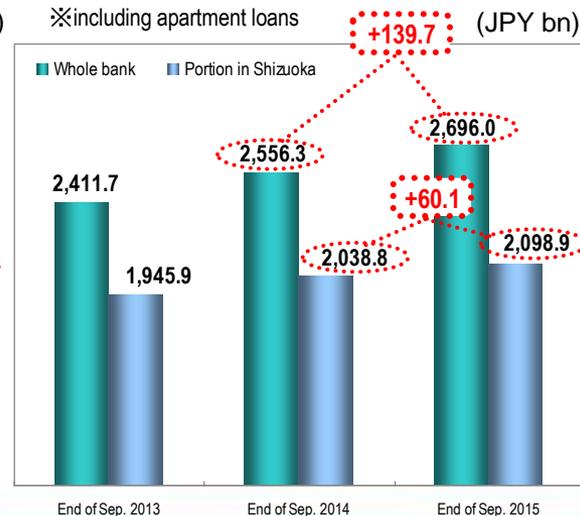
Breakdown of year-on-year change in total loan balance (term-end balance)



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 3.6bn (JPY 0.8bn for real estate and JPY 0.3bn for construction)
- Unexpected Loss (UL) for all industries : JPY 43.9bn

Contemporary status of business loans to particular industries

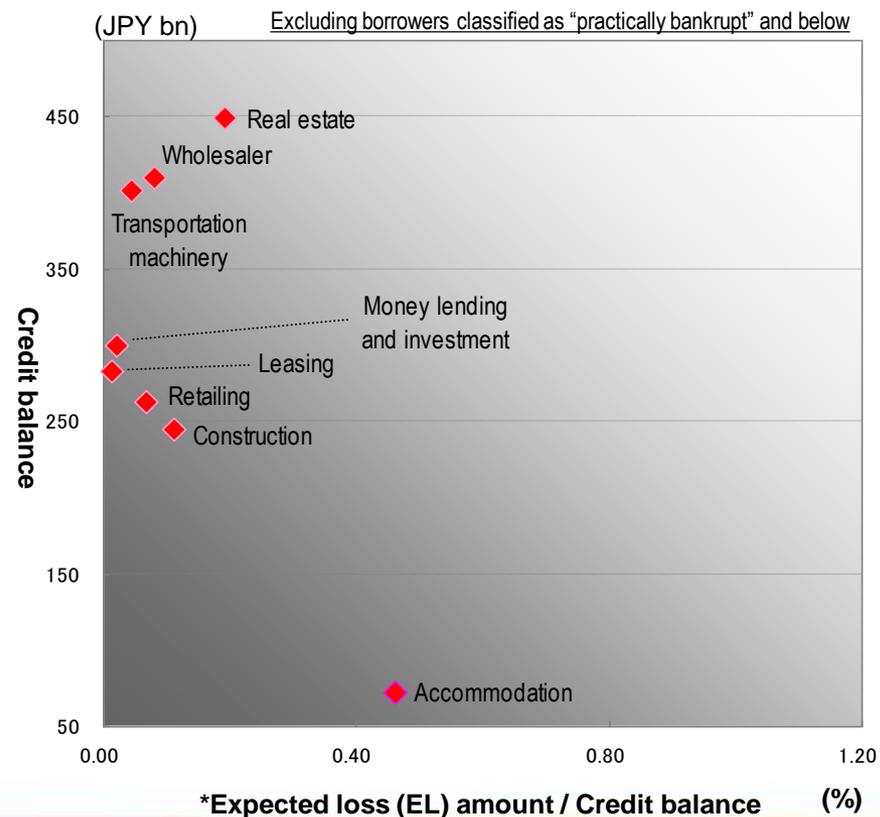
[Credit balance (as of the end of Sep. 2015)]

(JPY bn, %)

	Balance	Composition ratio	YoY change
All industries	4,995.5	100.0	-0.2
Real estate	449.6	9.0	+16.5
Wholesaler *	410.1	8.2	-3.5
Money lending and investment	300.4	6.0	-81.2
Transportation machinery	401.6	8.0	+14.3
Construction	244.7	4.9	-4.2
Retailer	263.3	5.3	-4.3
Leasing	283.0	5.7	+35.1
Accommodation	72.1	1.4	-0.2

* excluding a general trading companies

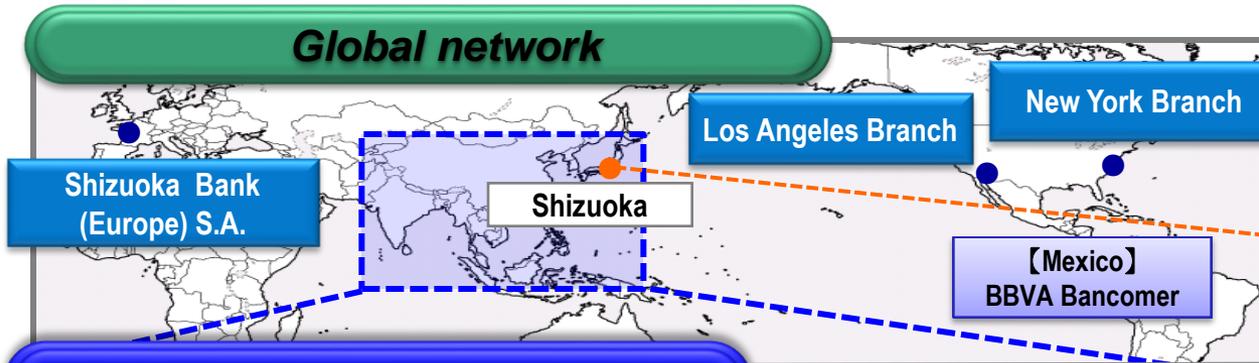
[Credit balance vs. expected loss rate*]



Global network

- Global network (3 branches/2 rep. offices/1 subsidiary) and 12 partner banks in 8 countries/regions in Asia

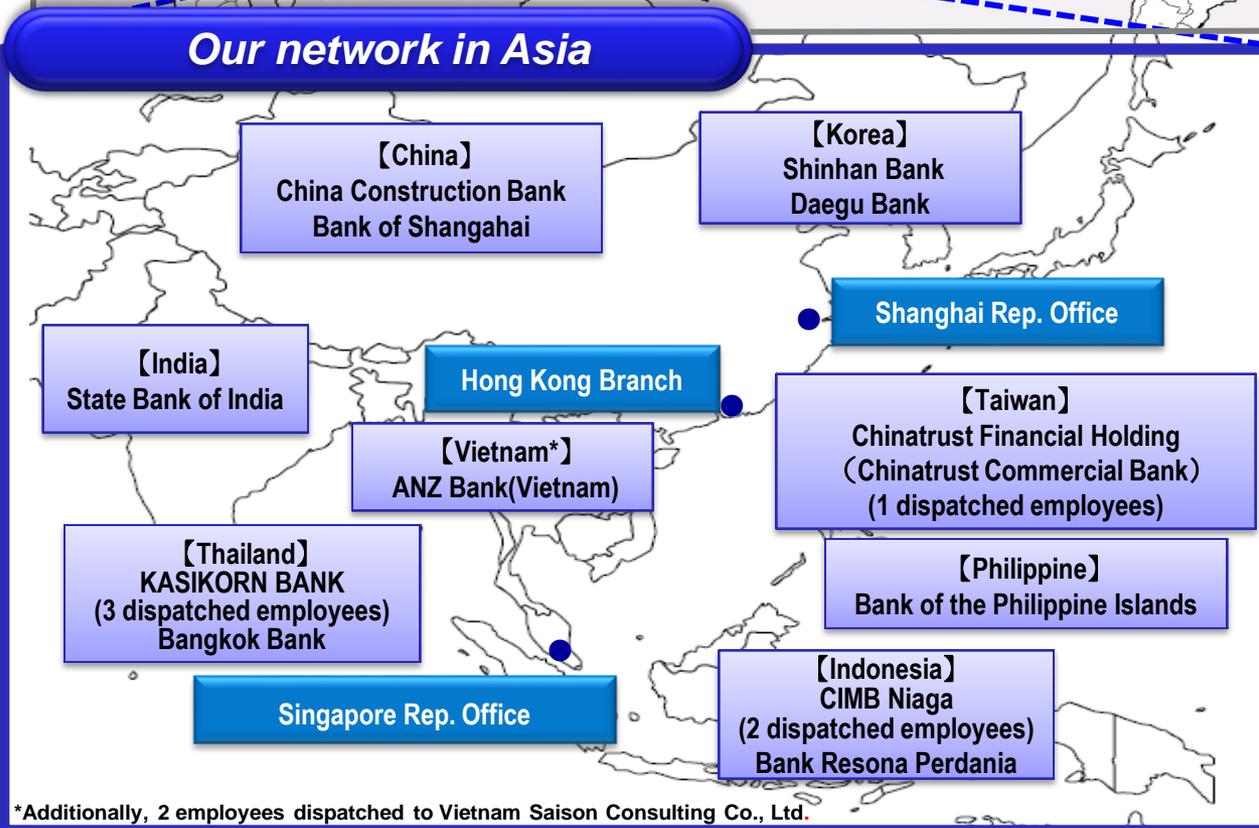
Global network



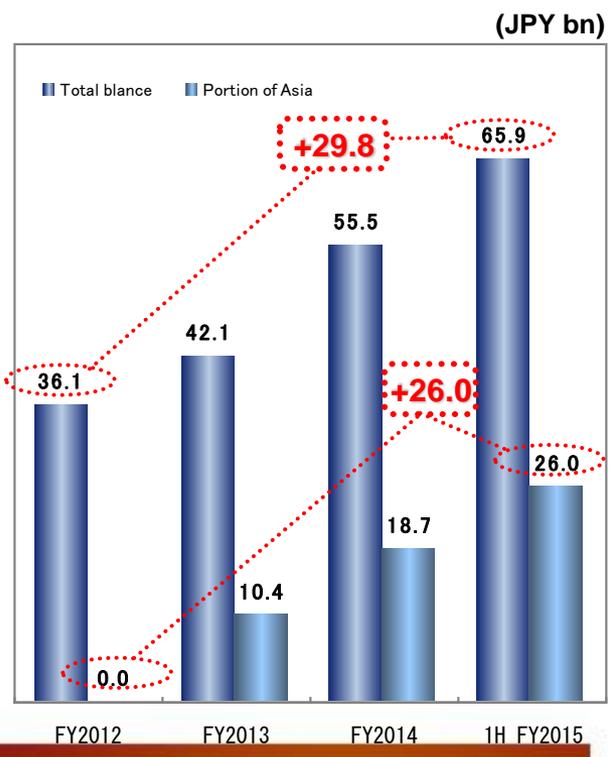
International Department

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

Our network in Asia



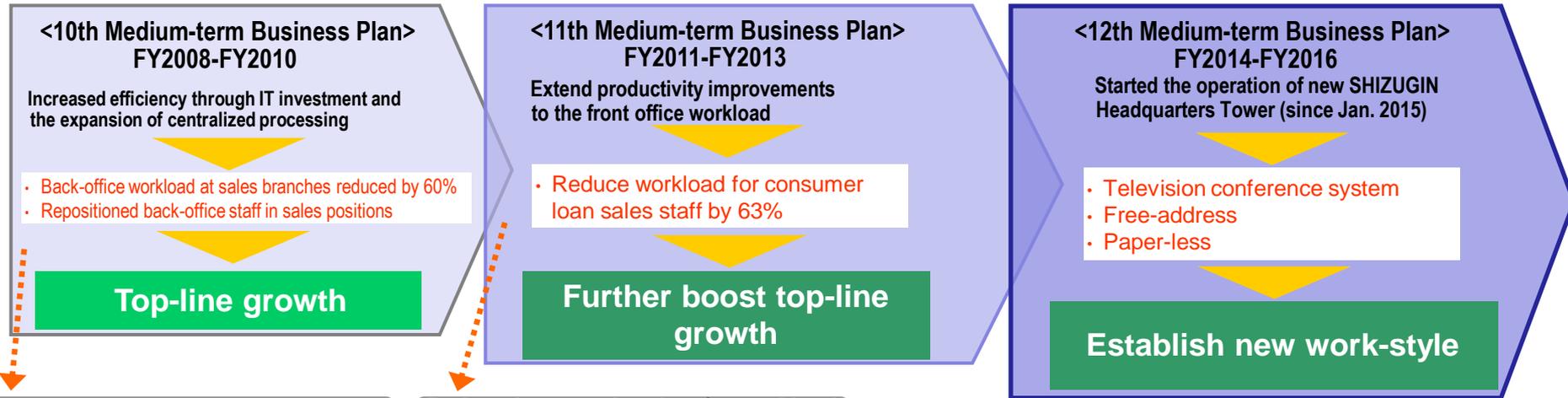
Loan balance for Non-Japanese company (term-end balance)



*Additionally, 2 employees dispatched to Vietnam Saison Consulting Co., Ltd.

Improvement of productivity - BPR

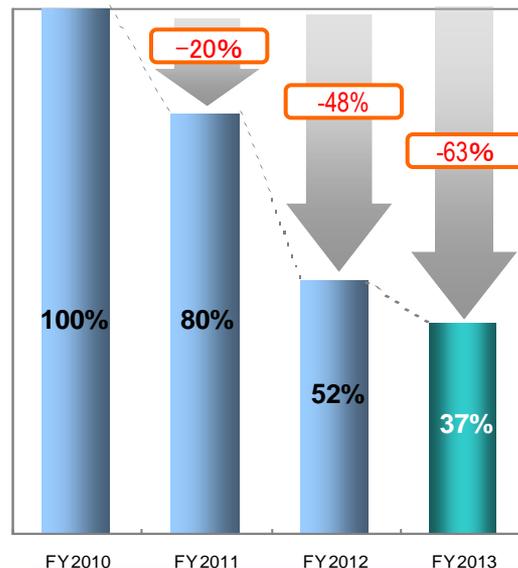
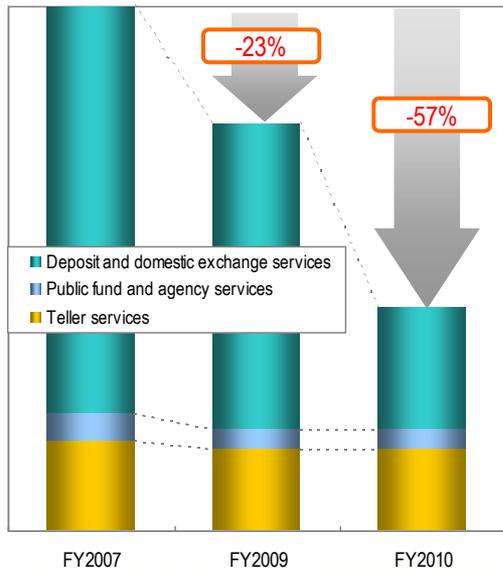
- An ongoing BPR program increased front-office staff without boosting the overall headcount
→ make it possible to achieve sustainable top-line growth



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

Group companies

- FY2015 1H the total ordinary revenue of 11 major consolidated subsidiaries was JPY 26.0bn (+JPY 1.1bn YoY) and the ordinary profit was JPY 4.4bn (+JPY 0.8bn YoY)

(JPY bn)

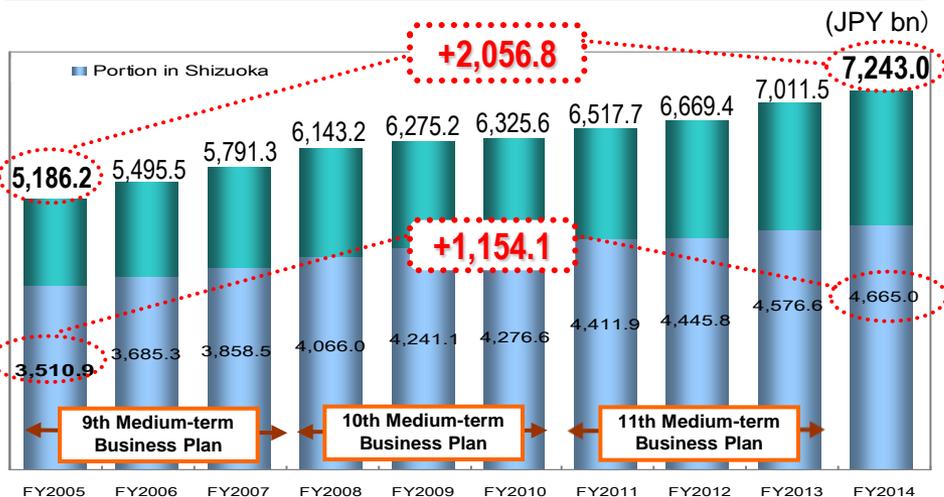
Company name	Business	Ordinary revenue	Ordinary Profit		
			YoY change	YoY change	
Shizugin Management Consulting Co., Ltd.	Corporate and financial management advisory services	0.6	+0.1	0.1	+0.1
Shizugin Lease Co., Ltd.	Leasing	12.3	+0.4	0.8	+0.1
Shizuoka Computer Service Co., Ltd.	Computer system development and operation	2.3	-0.3	0.1	+0.0
Shizugin Credit Guaranty Co., Ltd.	Guarantee of housing loans, etc.	1.3	+0.3	1.0	+0.2
Shizugin DC Card Co., Ltd.	Credit card and guarantee of consumer loans	1.0	+0.0	0.2	-0.0
Shizuoka Capital Co., Ltd.	Public-offering assistance Support for corporate rehabilitation	0.2	+0.1	0.1	+0.1
Shizugin TM Securities Co., Ltd.	Securities	4.7	+0.7	2.1	+0.3
Shizuoka Bank (Europe) S.A.	Finance and securities-related services	0.2	-0.0	0.1	+0.0
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	0.9	+0.0	0.0	+0.0
Shizugin Business Create Co., Ltd.	Operation center for remittance and bill collection	1.9	-0.2	0.0	-0.0
Total(11 companies)		26.0	+1.1	4.4	+0.8
Shizugin Saison Card Co., Ltd.*	Credit card and guarantee of consumer loans	1.0	+0.1	0.1	+0.1

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

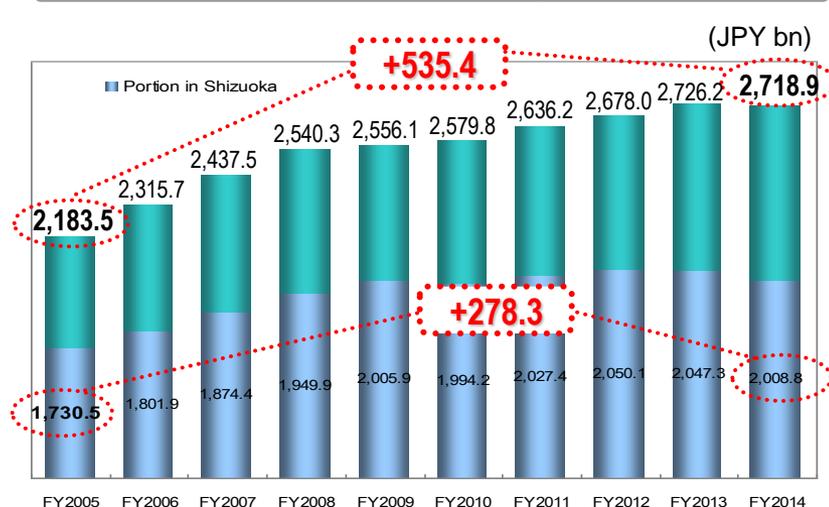
Loans

- Total loan balance (average) increased by JPY 2,056.8bn in 10 years since FY2005, of which JPY 1,154.1bn in Shizuoka Pref.
- SME loan balance: +JPY 535.4bn, consumer loan balance: +JPY 1,012.1bn

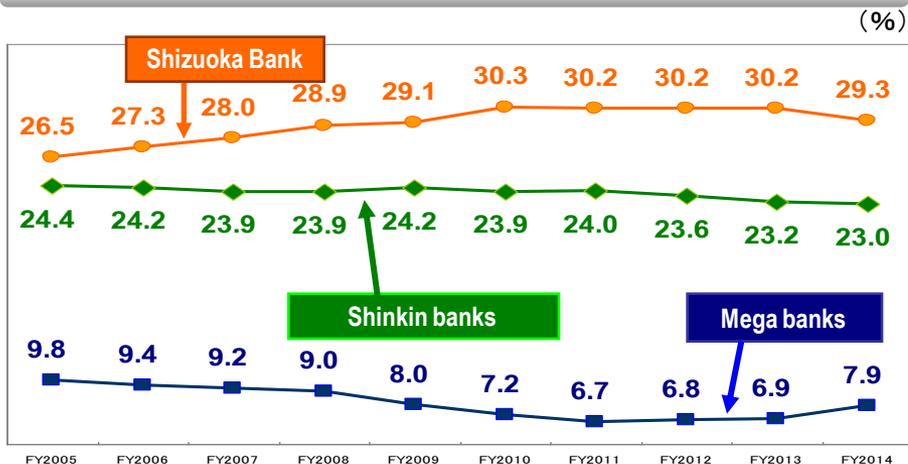
Total loan balance (average balance)



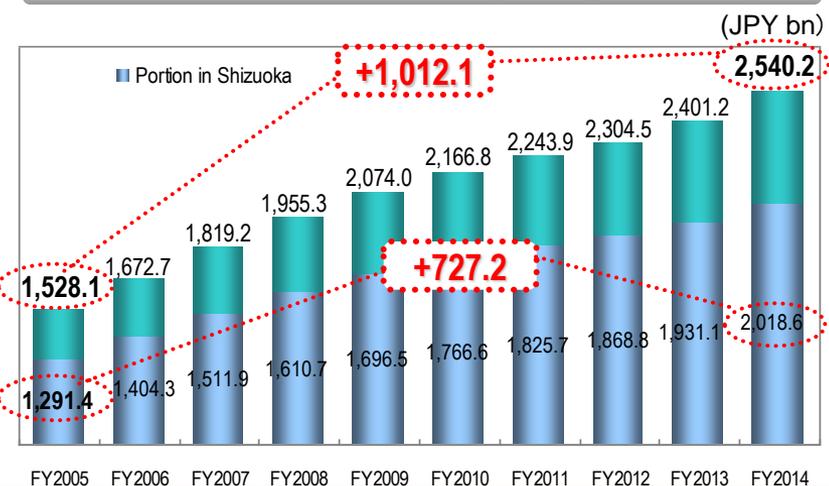
SME loan balance (average balance)



Share of loans in Shizuoka Prefecture



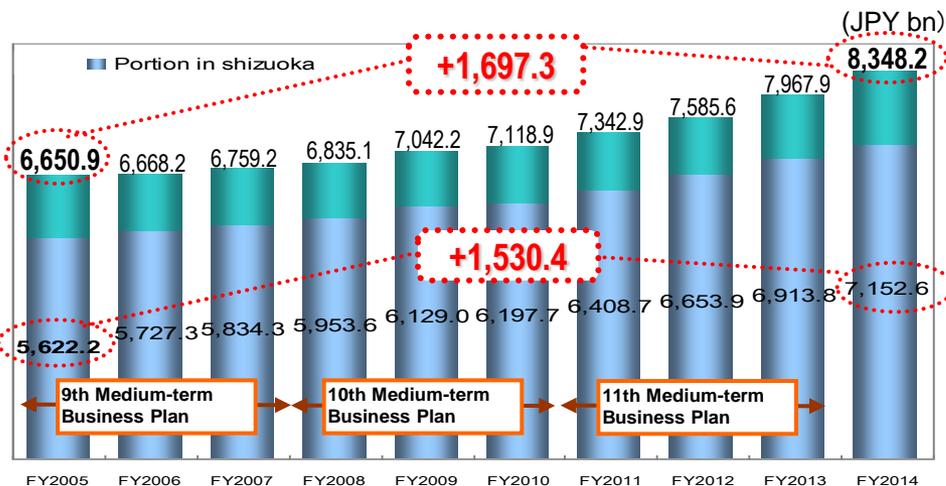
Consumer loan balance (average balance)



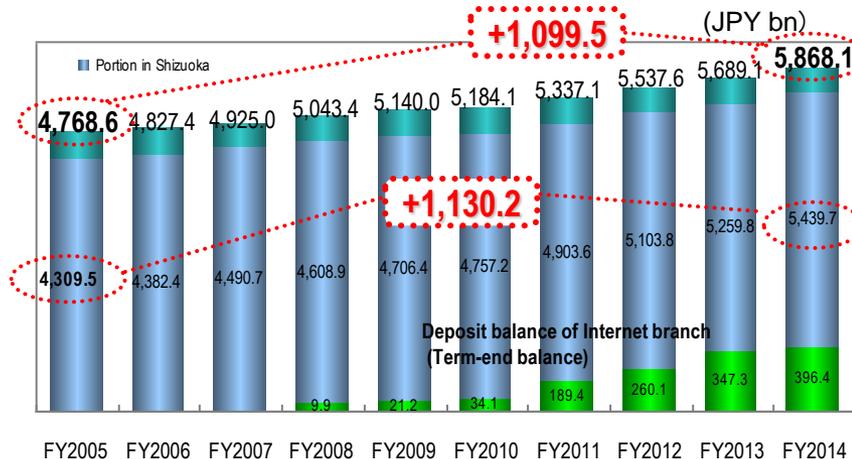
Deposits

- Total deposit balance (average) increased by JPY 1,697.3bn in 10 years since FY2005, of which JPY 1,530.4bn in Shizuoka Pref.
- Has received higher credit ratings from two overseas and one Japanese agencies

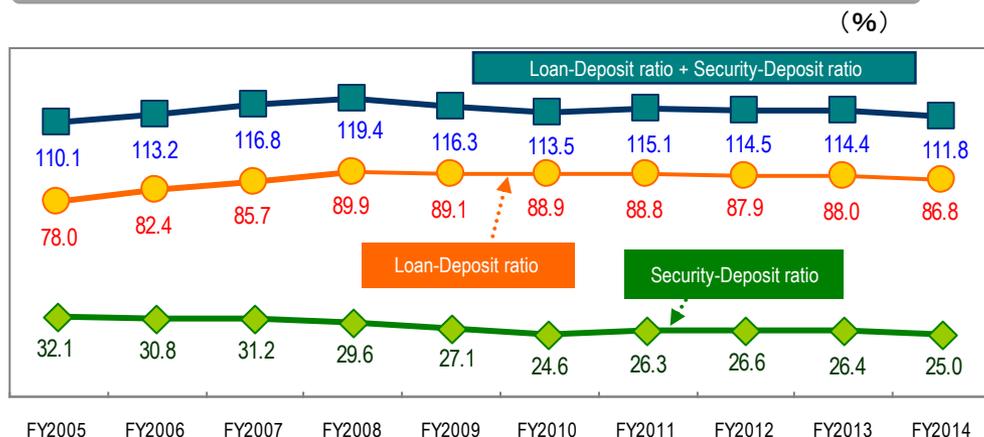
Deposit balance (average balance)



Retail deposit balance in domestic branches (average balance)



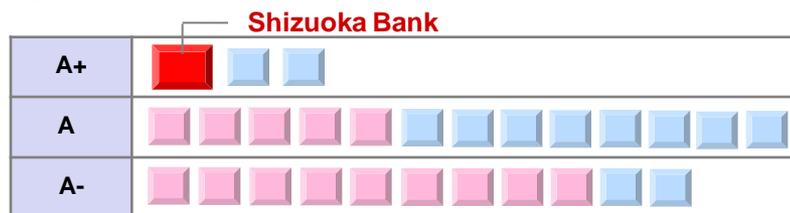
Loan-Deposit ratio / Security-Deposit ratio (excluding NCD)



External ratings

- Has received higher credit ratings from two overseas and one Japanese agencies

< Standard & Poor's >



Regional banks

Except for regional banks (Mega banks, Trust banks etc.)

< Other external ratings >

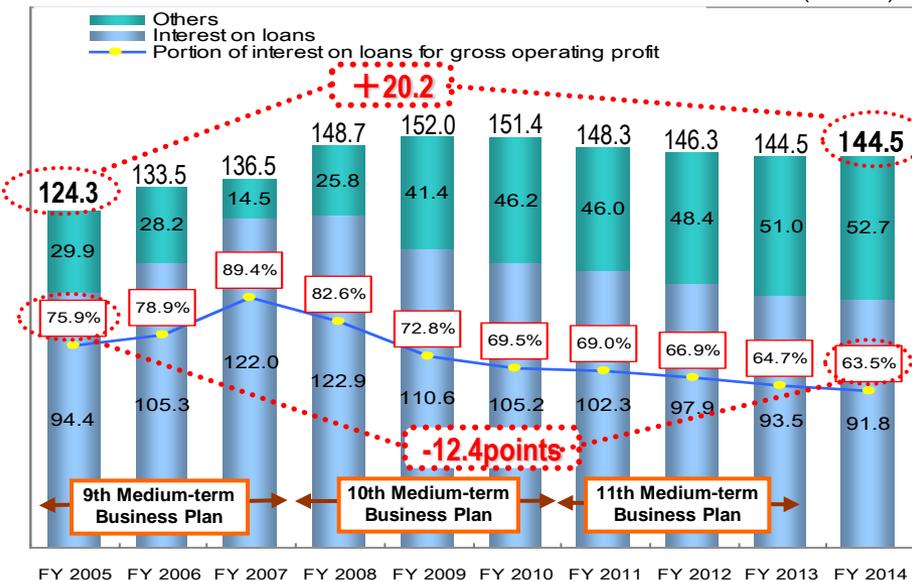
Moody's	A1	R&I	AA
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Profit levels and improvement of productivity

- 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 Net income increased totally over JPY 11bn for 10 years

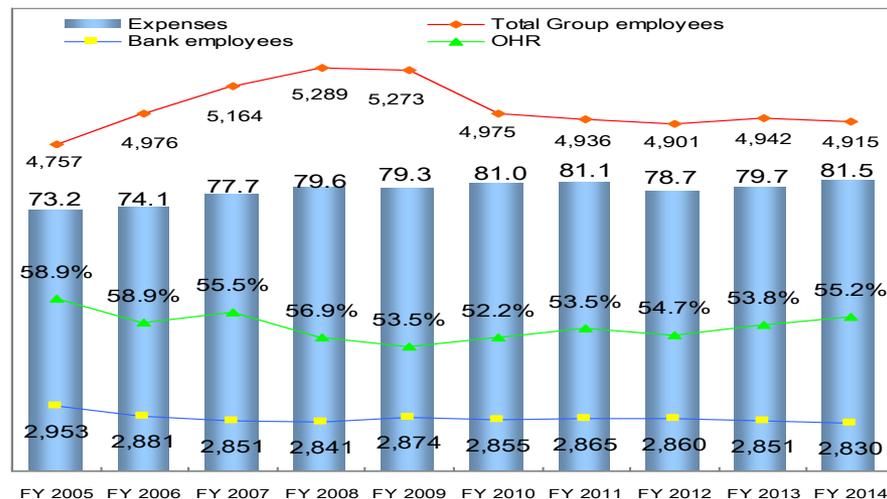
Gross operating profit and interest on loans

(JPY bn)



Expenses and number of personnel

(JPY bn, Employees)



Net income

(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)

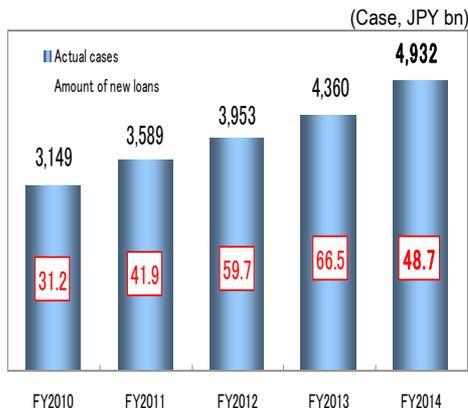
Region-based Relationship Banking

- 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]



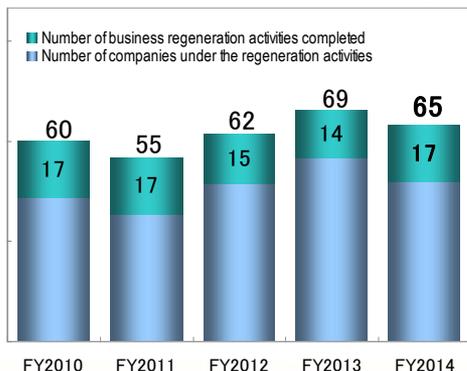
- Have regularly held Shizugin @gricom (agricom), a business networking event to link companies in the agricultural, forestry and fisheries sector and the food processing sector with buyers since February 2006.
- Have held 12th Shizugin @gricom (agricom) in August 2015

⇒ Closed 6 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)

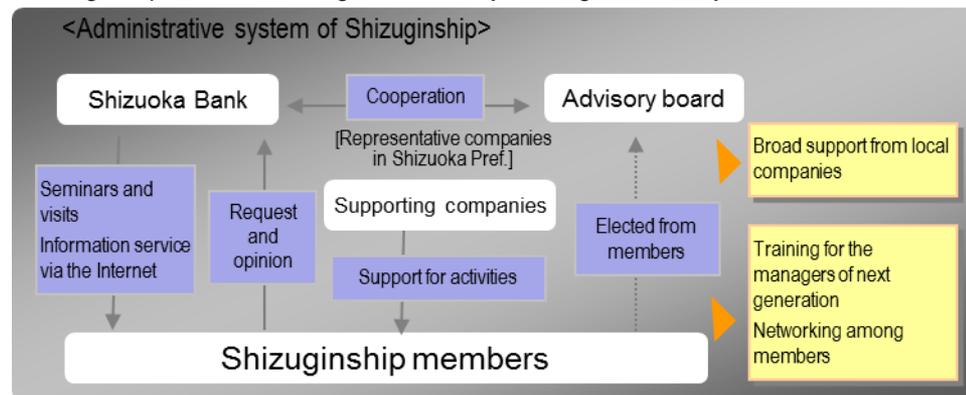


- From 2005, completed roughly 170 case of business restructuring

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 September 2015)]

- 826 companies, 1,241 members
- No. of participant for seminars and visits of FY2015 : 768

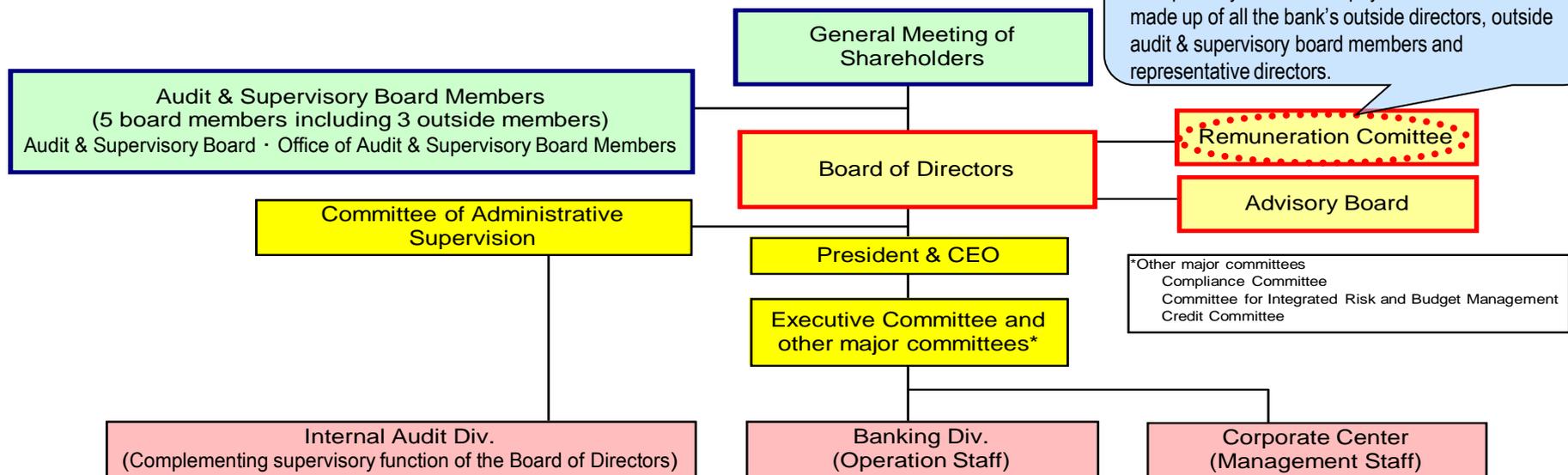
[Activity achievement in FY2015]

Content	Activity achievement
Divisional forum	1 Forums
Lectures by top executive and specialists	7 Lectures
Seminar	Total 18 Courses
• Executive program	6 Courses
• Middle management program	3 Courses
• Basic program	9 Courses
Inspection tour	1 tours

Corporate Governance Structure

- As the foundation for fulfilling corporate social responsibility, The Shizuoka Bank Group is strengthening its management systems to enhance corporate value

Shizuoka Bank Group's Corporate Governance System



Outside Directors • Outside Audit & Supervisory Board Members

2 Outside Directors / 10 All Members

Kumi Fujisawa	President, SophiaBank Limited
Kazuyasu Kato	Former President and Chief Executive Officer, Kirin Holdings Co., Ltd.

3 Outside Audit & Supervisory Board Members / 5 All Members

Mitsuhiro Ishibashi	Former Director and Executive Vice President, Nippon Life Insurance Company
Kazuo Kouzuki	President and Chief Executive Officer, Tokio Marine & Nichido Career Service Co., Ltd.
Yoshihiro Yamashita	President, Yamashita Yoshihiro Law Office

- One third of bank's directors and audit & supervisory members are outside appointments
- Shizugin is using the independent opinions of these individuals in decision making, oversight and auditing of the Shizuoka Bank Group
⇒ Increase corporate value

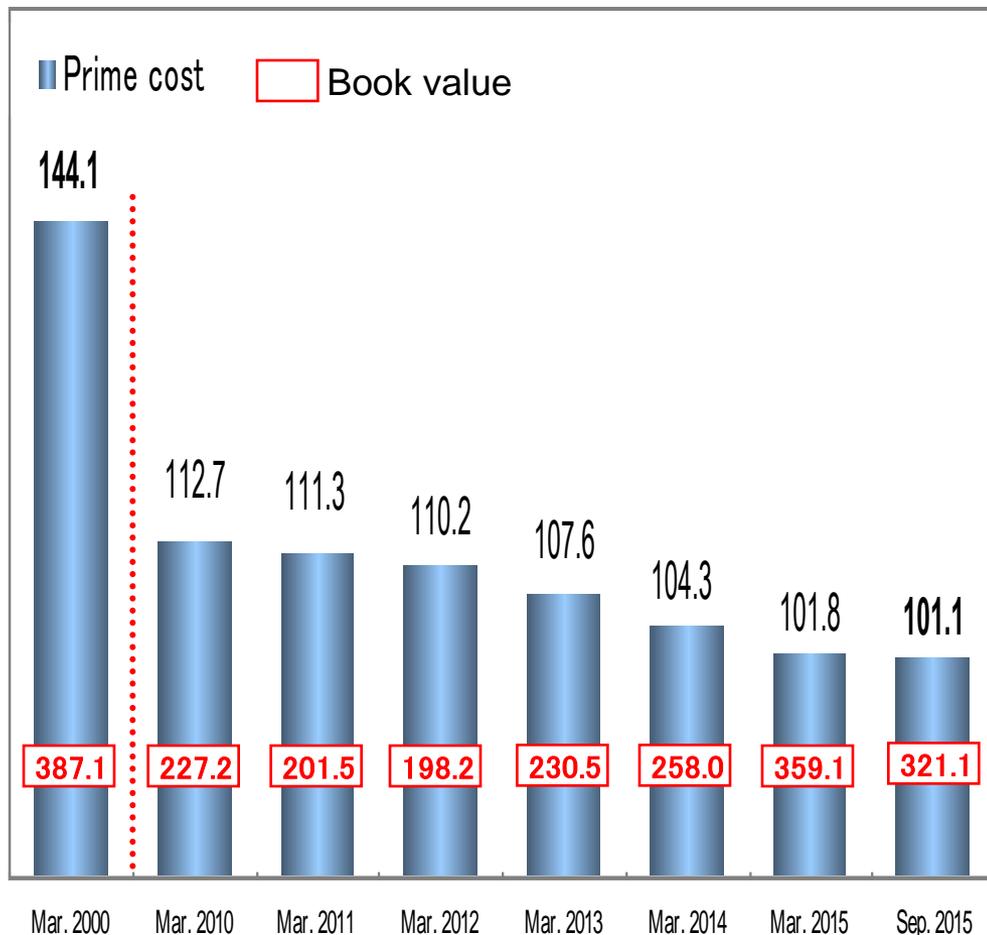
*All have submitted notification to the Tokyo Stock Exchange of their independent director status

Strategic shareholdings

- Only holding strategic shareholdings when justified from the standpoint of business investment, strengthening business relationships, or contributing to the regional economy
- Reviewing the reasons and assess the economic rationale for strategic shareholdings on a regular basis, reducing the holding value of the shares as required

Prime cost of strategic shareholdings*

(JPY bn)



*Except for equity method affiliate

Policy on strategic shareholdings (Corporate Governance Code : general principles 1-4)

The bank only holds strategic shareholdings when justified from the standpoint of business investment, strengthening business relationships, or contributing to the regional economy

The bank also regularly reviews the rationale for holding the shares based on profitability, share prices and other criteria

Shares deemed to be no longer important for the bank are sold on the market after taking into consideration the impact on market conditions and other factors

The bank also works to ensure appropriate and efficient management, taking into account the level of equity capital and the use of other assets in operations such as lending

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	3.1%	10th of 47 (2014)
•Amount of shipments of manufactured goods, etc.*	JPY 15.8 tn	5.3%	3rd of 47 (2014)
•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	117	4.7%	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
10	Shizuoka Prefecture	186.4
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
-	Shizuoka Prefecture	186.4
54	Ukraine	175.7
55	Kuwait	174.0

*Sources: Economic and Social Research Institute (ESRI)

Cabinet Office , Government of Japan

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.



SHIZUOKA BANK

静岡銀行