



# THE SHIMIZU BANK, LTD.

## Annual Report 2014

### Profile

The Shimizu Bank, Ltd. was established in 1928 with the merger of six banks and has always been a valuable partner of the local community. The Bank has its headquarters in Shizuoka City, which has the Shimizu Port, the largest in the prefecture. Shimizu Port, located halfway between Tokyo and Osaka, plays a significant role in international trade and economic development. We will provide customers with a wide range of financial services, seek further business expansion as a customer-friendly bank and contribute to the development of the local community.



### Bank Data

As of March 31, 2014

Head Office 2-1 Fujimicho, Shimizu-ku, Shizuoka-shi, Shizuoka 424-0941 Japan

Date of Incorporation: July 1, 1928  
 Paid-up Capital: ¥8,670,500,000  
 Number of Branches: 77  
 Number of Sub-branches: 1  
 Number of Employees: 1,002  
 Consolidated Capital Adequacy Ratio (based on domestic standards): 11.93%  
 Non-Consolidated Capital Adequacy Ratio (based on domestic standards): 11.57%



### Consolidated Subsidiaries

As of June 30, 2014

| Name of Company                                   | Capital (Millions of Yen) | Ratio of Voting Right | Ratio of Voting Right (Other Group Companies) | Established       | Line of Business                                   |
|---|---------------------------|-----------------------|---|-------------------|--|
| The Shimizu Business Service Co., Ltd.            | 10                        | 100.00%               | —   | December 10, 1981 | Calculating cash                                   |
| The Shimizugin Career Up Co., Ltd.                | 30                        | 100.00%               | —   | October 22, 1990  | Delegation of personnel                            |
| The Shimizu General Maintenance Co., Ltd.         | 30                        | 100.00%               | —   | December 24, 1991 | Management of real estate                          |
| The Shimizu Regional Economy Research Center, INC | 12                        | 100.00%               | —   | October 28, 1965  | Financial and economic research services, Training |
| The Shimizu Lease and Card Co., Ltd.              | 60                        | 16.01%                | 45.32%  | April 14, 1999    | Leasing, Factoring, Credit card                    |
| The Shimizu Credit Guarantee Co., Ltd.            | 50                        | 5.00%                 | 90.00%  | November 1, 1978  | Credit guaranteeing                                |
| The Shimizu General Computer Service Co., Ltd.    | 30                        | 5.00%                 | 50.00%  | July 1, 1989      | Calculation operations                             |

# Message

We want to thank all of our customers for your continued patronage at the Shimizu Bank and our group partners. We have put together a packet of Disclosure Materials the 2014 fiscal year to share the financial highlights and our efforts of the 2013 fiscal year. We invite you to read these materials to further your understanding of the Shimizu Bank and our group partners.

Japan's economy in the current period has become stronger, with business results seeing recovery owing to the effects of the current administration's economic policies and corrections meant to counteract a strong yen, and the peace of mind in spending in both households and businesses has been improved, and domestic demand has increased its bedrock. Public investments are up, and money is being put into equipment investments once again. The period saw many efforts being undertaken in industries related to growth fields such as power generation business using renewable energy, with activity in mega-solar endeavors and more. As for personal consumption, increases in residential investment and sales of luxury goods showed strong movement due to the wealth effect due to rising stock prices, and there has been a last-minute surge in demand just before consumption tax increases took effect.

In terms of the economy of Shizuoka Prefecture, the primary service area for the Shimizu Bank, conditions continued to improve, particularly for large corporations in the industries of transport equipment, general machinery, electrical machinery thanks to the recovery of domestic demand and a partial improvement in overseas markets. Consumer spending showed steady growth thanks to gradual improvement in the employment and income environment. There was also an upsurge of interest in tourist sites due to events such as the registration of Mt. Fuji as a World Heritage Site, and the number of hotel guests and visitors to tourist facilities increased.

It was in this context that we launched our 25th Medium-term Management Plan, which we call "Combined Rush '14-'15," in April of 2014. Following last year's 24th Medium-term Management Plan, we have made it our ideal to "demonstrate the significance of our existence," and our three basic policies are "strengthen sales and support," "improve management quality," and "strengthen human resources." To "strengthen sales and support," bolstering solutions consulting business and expanding our customer base by reconstructing sales structure and expanding on points of contact with customers, simultaneously advancing management improvements and business revitalization support. Toward "improve management quality", we pursue efficiency through BPR and push low-cost operation, aiming for maximum efficacy at minimal costs. We will also move forward with bolstering market operating strength as well as functions and cooperation between group companies, working to continue to strengthen the business management system, while continuing to make our internal management even more deeply aware of how to protect customers such as the elderly in Japan's aging society. Finally, as part of our policy to "strengthen human resources", we have filled out our training curriculum and are bolstering efforts toward OJT, and are establishing a culture that encourages self-guided study by employees through a dedicated website for training. We believe that by increasing the skills and knowledge of every individual working at our banks and educating our employees to enable them to provide optimal solutions to our customers will tie into our work toward our other two policies of "strengthen sales and support" and "improving management quality".

We want to build relationships of trust by deepening our local community-based financing and providing financial services appropriate to the life stage of each individual customer, with all the Shimizu Bank employees and executives coming together as one to embody a "demonstration of the significance of our existence."

We look forward to serving and supporting our customers, and we want to take this opportunity to thank you and request your continued patronage.

July 2014



*K. Toyoshima*

Katsuichiro Toyoshima  
President

*N. Yamada*

Noriji Yamada  
Chairman

## COMBINED RUSH '14-'15

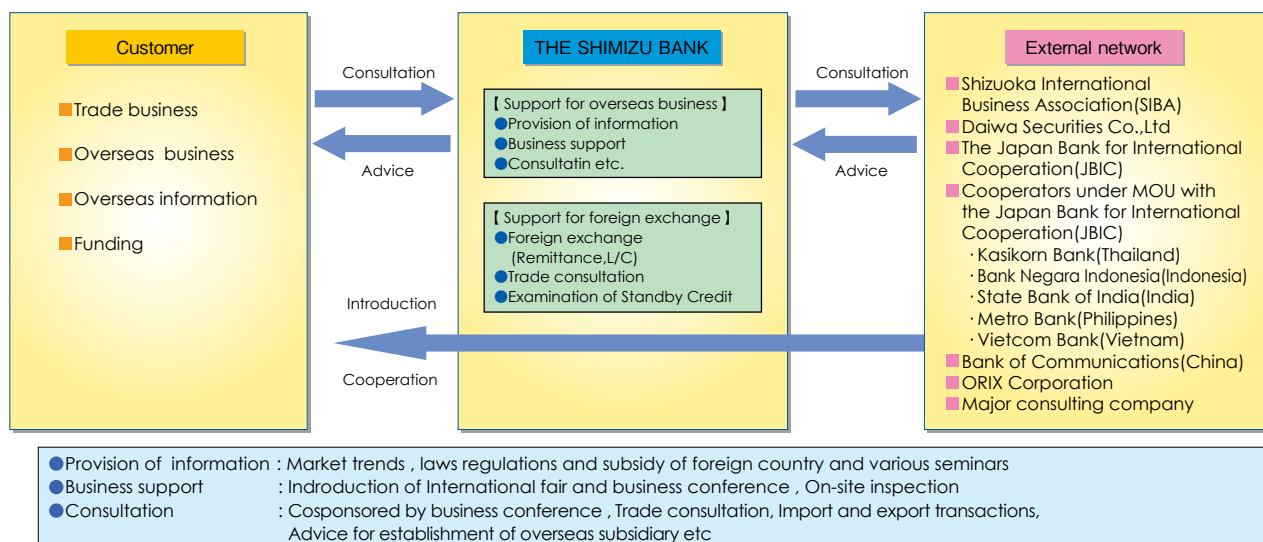
In line with the 25th Medium-term Management Plan, the Shimizu Bank want to build relationships of trust by deepening our local community-based financing and providing financial services appropriate to the life stage of each individual customer, with all the Shimizu Bank employees and executives coming together as one to embody a "demonstration of the significance of our existence".

In an effort to grow together with the region, bank employees will focus our combined power on carrying out our plans meant to allow us to adapt to changes in the business environment and adopt a brave stance. We are calling our plan to do all this "Combined Rush '14-'15," and its three basic policies are "strengthen sales and support", "improve management quality", and "strengthen human resources".



## Support for Overseas Business Development

We made our efforts to continue to meet the customer needs of overseas business development through expansion of external network. In June of 2013, we formed a business alliance with Bank of Communications(China). And we formed a business alliance with Metro Bank(Philippines) in July of 2013, and Vietcom Bank(Vietnam) in December of 2013 under MOU with Japan Bank for International Cooperation(JBIC). In December of 2013, we also formed a business alliance with ORIX Corporation and by its cooperation of the company, which is widely providing financial services in domestic and international, we more deeply expanded overseas business development for the customer. Also for we support the customer's overseas sales development, in September of 2013, we opened "Visiting tour in Factory network business conference of Japan and China" and conducted the customer in Shanghai of China.



# Mt. Fuji – our symbol –



## Mt. Fuji and The Shimizu Bank

Mt. Fuji is the highest mountain in Japan, located on the border of Shizuoka prefecture, and is widely known as a symbol of Japan, at home and abroad, for its elegant appearance.

We have published a calendar about Mt. Fuji every year since 1969 and have been using a corporate logo since 1974 whose design includes images of Mt. Fuji and Gulf of Suruga.

In June of 2013, Mt. Fuji was registered as a World Heritage Site.

In line with the growing recognition of Mt. Fuji across the world, we intend to further strengthen "demonstrate the significance of our existence" for individual customers.



Photo by Akira Tsutsui

THE SHIMIZU BANK, LTD.

# Summary of Business

## Consolidated Results

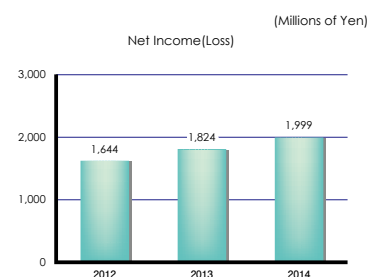
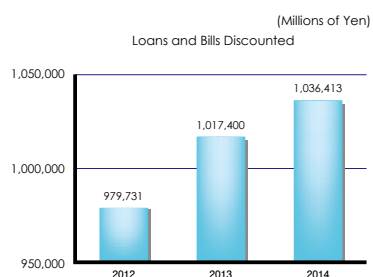
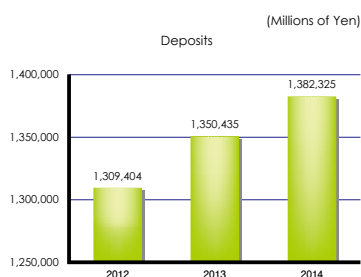
Operating income was JPY 30.265 billion, an increase of JPY 628 million from the previous term, owing primarily to an increase in interest and dividends on securities. Operating expenses were JPY 26.64 billion, an increase of JPY 486 million from the previous term, because of the costs of the system migration and the like. Consequently, operating profit reached JPY 3.66 billion, a JPY 142 million increase from the previous term. Deposits increased to JPY 1,377.4 billion, an increase of JPY 31.4 billion from the end of the preceding term as a result of our efforts to expand our business base in the local community. The total of personal assets under management reached JPY 1,048.3 billion, an increase of JPY 20.9 billion from the end of the previous term, due to an increase in personal deposits while accommodating the diversifying needs of customers. On account of positively meeting capital demands from customers as a regional financial institution, outstanding loans and discounts reached JPY 1,031.4 billion, an increase of JPY 20 billion from the end of the previous term. Outstanding securities increased by JPY 16.3 billion from the previous term to JPY 301.2 billion, as a result of agile securities management while watching market trends.

| Consolidated Five-year Summary     | Millions of Yen |           |           |           |           |
|------------------------------------|-----------------|-----------|-----------|-----------|-----------|
|                                    | 2010            | 2011      | 2012      | 2013      | 2014      |
| Operating Income                   | ¥29,863         | ¥30,788   | ¥29,304   | ¥29,636   | ¥30,265   |
| Operating Profit                   | 3,631           | 3,545     | 4,453     | 3,518     | 3,660     |
| Net Income                         | 3,449           | 3,037     | 1,636     | 2,430     | 2,077     |
| Comprehensive Income               | -               | 843       | 3,755     | 5,868     | 668       |
| Net Assets                         | 66,439          | 66,702    | 69,879    | 74,432    | 74,250    |
| Total Assets                       | 1,353,833       | 1,416,408 | 1,408,745 | 1,488,023 | 1,494,830 |
| <b>Net Assets per Share in Yen</b> | 6,691.82        | 6,703.33  | 7,026.55  | 7,571.05  | 7,552.19  |
| <b>Net Income per Share in Yen</b> | 361.42          | 318.34    | 171.53    | 254.72    | 217.78    |

## Non-consolidated Results

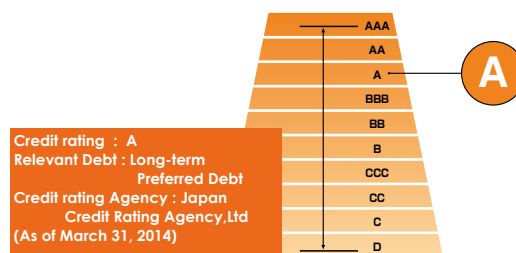
Operating income was JPY 25.52 billion, an increase of JPY 615 million from the previous term, due to increases in interest and dividends on securities. Operating expenses were JPY 22.014 billion, an increase of JPY 348 million from the previous term, because of the costs of the system migration and the like. As a result, operating profit was JPY 3.505 billion, an increase of JPY 266 million from the previous term.

| Consolidated Five-year Summary         | Millions of Yen |           |           |           |           |
|--|-----------------|-----------|-----------|-----------|-----------|
|  | 2010            | 2011      | 2012      | 2013      | 2014      |
| Operating Income                       | ¥24,423         | ¥25,333   | ¥24,506   | ¥24,905   | ¥25,520   |
| Operating Profit                       | 3,423           | 3,265     | 4,191     | 3,238     | 3,505     |
| Net Income                             | 3,438           | 3,078     | 1,644     | 1,824     | 1,999     |
| Common Stock                           | 8,670           | 8,670     | 8,670     | 8,670     | 8,670     |
| Net Assets                             | 63,250          | 63,394    | 66,478    | 71,060    | 70,974    |
| Total Assets                           | 1,345,707       | 1,409,868 | 1,402,363 | 1,482,692 | 1,487,974 |
| Deposits                               | 1,255,582       | 1,292,464 | 1,309,404 | 1,350,435 | 1,382,325 |
| Loans and Bills Discounted             | 966,350         | 969,457   | 979,731   | 1,017,400 | 1,036,413 |
| Securities                             | 253,928         | 295,382   | 338,770   | 285,174   | 301,501   |
| <b>Net Assets per Share in Yen</b>     | 6,627.46        | 6,643.52  | 6,967.52  | 7,448.37  | 7,440.33  |
| <b>Cash Dividends per Share in Yen</b> | 60              | 60        | 60        | 60        | 60        |
| <b>Net Income per Share in Yen</b>     | 360.30          | 322.61    | 172.37    | 191.24    | 209.55    |



## Credit Rating

Credit rating is assigned to debts as follows:  
Concerning the relevant debt, a credit rating agency, which is a fair and disinterested third party, rates the certainty of payment of its principals and interest on a contractual basis, and such rating is represented using a simple code.



# Compliance System

At the Shimizu Bank group, our awareness of our social responsibility and public duties has led us to make compliance a top priority, building an effective compliance system that will help us earn the trust of our customers and the local communities we share.

Our management in particular is actively engaged in compliance issues and is working with executives and employees of all of the companies in our group to foster awareness on these issue and create a corporate culture in which "compliance is the foundation for everything."

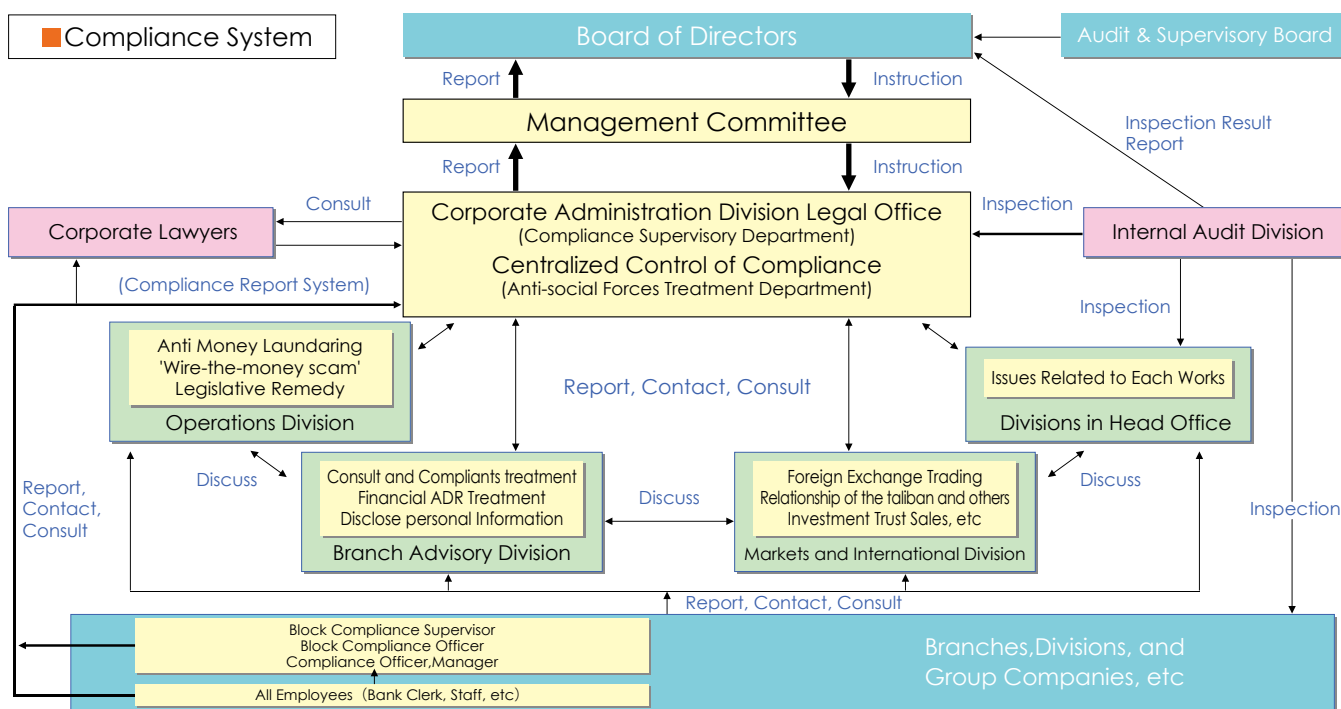
## Establishing a Framework for Compliance

For thorough compliance, the Shimizu Bank has created a "Legal and Regulatory Compliance Policy" as our basic policy for compliance in keeping with our management policy. This Compliance Policy is widely disseminated across the Shimizu Bank group.

At monthly expanded management meetings, members of bank management including the president meet with outside corporate lawyers to discuss matters concerning compliance.

In addition, we have established the Legal Office within the Corporate Administration Division to supervise compliance and entrusted that office with centralized control of information pertaining to compliance issues and providing guidance on the laws and regulations officers and employees must observe.

Furthermore, we have assigned individuals to be in charge of compliance at each division and branch to facilitate coordination with the office that oversees compliance (the Legal Office) and exhaustively enforce observance of laws and regulations. The Shimizu Bank also assigns regional compliance supervisor and the like in order to properly address compliance issues in relevant divisions.



### ● Legal and Regulatory Compliance Policy

#### **Bolster Readiness for Legal and Regulatory Compliance**

Regarding the observance of laws and regulations, which the Shimizu Bank and its group companies have already recognized as a top priority, we will continue to foster awareness of compliance and instill it in all executives and employees at all of our group companies to make sure that they all understand it and get into the habit of applying it.

#### **Preventing Legal and Regulatory Violations**

We have taken action to prevent legal and regulatory violations by forming a corporate culture which allows us to detect weaknesses and problem areas in our efforts toward legal and regulatory compliance, reflect on past conduct, and make improvements in those areas promptly.

### **Systems Targeting Anti-social Forces**

Due to their public nature and critical economic function, banks are required to exclude anti-social forces from financial transactions. For this reason, the Shimizu Bank has created a basic policy that we will stand firmly against anti-social forces which pose a threat to the order and safety of civic life, and will not provide any favors to such forces.

In addition, at the Shimizu Bank we have given the Corporate Administrative Division the task of collecting, analyzing, and centrally managing information pertaining to anti-social forces, and have established a system whereby the bank systematically addresses such issues and excludes anti-social forces from business transactions in cooperation with external special agencies including law enforcement and the national and prefectural centers for the elimination of boryokudan (violent crime syndicates).

Furthermore, in order to make it clear that we exclude anti-social forces from our business, we have also introduced clauses regarding the exclusion of "boryokudan" crime syndicates in basic loan agreements and in our rules concerning deposits and other services. We require all customers to comply with an agreement by which they express and affirm that they are not associated with any anti-social forces.

# Corporate Data

## Consolidated Balance Sheets

|   | (Millions of Yen)            | (Millions of Yen)            | (Thousands of U.S.Dollars)   |
|---|------------------------------|------------------------------|------------------------------|
|   | Years ended<br>March 31,2013 | Years ended<br>March 31,2014 | Years ended<br>March 31,2014 |
| <b>Assets</b>   |                              |                              |                              |
| Cash and Due from Banks                               | ¥87,631                      | ¥123,208                     | US\$1,197,129                |
| Call Loans  | 70,000                       | 5,000                        | 48,581                       |
| Trading Account Securities                            | 206                          | 253                          | 2,463                        |
| Money Held in Trust                                   | 1,800                        | 1,800                        | 17,497                       |
| Securities  | 284,899                      | 301,265                      | 2,927,178                    |
| Loans and Bills Discounted                            | 1,011,388                    | 1,031,426                    | 10,021,632                   |
| Foreign Exchanges                                     | 724                          | 590                          | 5,735                        |
| Lease Receivables and Investment Assets               | 9,194                        | 9,543                        | 92,729                       |
| Other Assets  | 5,832                        | 5,070                        | 49,270                       |
| Tangible Fixed Assets                                 | 20,472                       | 20,311                       | 197,351                      |
| Buildings   | 10,066                       | 9,545                        | 92,744                       |
| Land  | 9,081                        | 9,174                        | 89,142                       |
| Lease Assets  | 345                          | 207                          | 2,014                        |
| Construction in Progress                              | 0                            | -                            | -                            |
| Other Tangible Fixed Assets                           | 978                          | 1,384                        | 13,450                       |
| Intangible Fixed Assets                               | 954                          | 802                          | 7,800                        |
| Software  | 686                          | 611                          | 5,940                        |
| Lease Assets  | 38                           | 18                           | 175                          |
| Others Intangible Fixed Assets                        | 230                          | 173                          | 1,684                        |
| Deferred Tax Assets                                   | 1,780                        | 2,336                        | 22,704                       |
| Customers' Liabilities for Acceptances and Guarantees | 3,077                        | 2,756                        | 26,782                       |
| Allowance for Possible Loan Losses                    | (9,938)                      | (9,536)                      | (92,655)                     |
| <b>Total Assets</b>                                   | <b>1,488,023</b>             | <b>1,494,830</b>             | <b>14,524,199</b>            |

|   | (Millions of Yen)            | (Millions of Yen)            | (Thousands of U.S.Dollars)   |
|---|------------------------------|------------------------------|------------------------------|
|   | Years ended<br>March 31,2013 | Years ended<br>March 31,2014 | Years ended<br>March 31,2014 |
| <b>Liabilities</b>  |                              |                              |                              |
| Deposits  | ¥1,346,000                   | ¥1,377,456                   | US\$13,383,761               |
| Negotiable Certificates of Deposit  | 31,900                       | -                            | -                            |
| Call Money  | 3,978                        | -                            | -                            |
| Borrowed Money  | 4,046                        | 10,454                       | 101,578                      |
| Foreign Exchanges   | 10                           | 16                           | 161                          |
| Bonds with Notes  | 8,000                        | 18,000                       | 174,893                      |
| Bonds with Warrants   | 5,999                        | -                            | -                            |
| Other Liabilities   | 6,683                        | 7,813                        | 75,918                       |
| Reserve for Employees' Bonus  | 559                          | 529                          | 5,142                        |
| Reserve for Employees' Retirement Benefits                                | 3,190                        | -                            | -                            |
| Net Defined Benefit Liabilities   | -                            | 3,379                        | 32,836                       |
| Reserve for Directors' Retirement Benefits                                | 110                          | 115                          | 1,126                        |
| Reserve for Reimbursement of Deposits                                     | 35                           | 58                           | 564                          |
| Acceptances and Guarantees  | 3,077                        | 2,756                        | 26,782                       |
| <b>Total Liabilities</b>  | <b>1,413,591</b>             | <b>1,420,580</b>             | <b>13,802,765</b>            |
| <b>Net Assets</b>   |                              |                              |                              |
| Common Stock  | 8,670                        | 8,670                        | 84,245                       |
| Capital Surplus   | 5,272                        | 5,272                        | 51,231                       |
| Retained Earnings   | 53,624                       | 55,129                       | 535,651                      |
| Treasury Stock  | (287)                        | (290)                        | (2,826)                      |
| Total Shareholders' Equity  | 67,279                       | 68,781                       | 668,302                      |
| Net Unrealized Gain (Loss) on Securities Available for Sale, Net of Taxes | 4,951                        | 3,452                        | 33,543                       |
| Net Deferred Gain (Loss) on Hedging Instruments, Net of Taxes             | (0)                          | 0                            | 0                            |
| Remeasurements of Defined Benefit Plans                                   | -                            | (191)                        | (1,865)                      |
| Total Accumulated Other Comprehensive Income                              | 4,951                        | 3,260                        | 31,678                       |
| Minority Interests  | 2,201                        | 2,208                        | 21,453                       |
| <b>Total Net Assets</b>   | <b>74,432</b>                | <b>74,250</b>                | <b>721,434</b>               |
| <b>Total Liabilities and Net Assets</b>                                   | <b>1,488,023</b>             | <b>1,494,830</b>             | <b>14,524,199</b>            |

### Notes

1. The Japanese yen figures are rounded down to the nearest one million yen in this financial report.
2. Figures stated in U.S.dollars are translated solely for convenience at the rate of ¥102.92per U.S.\$1, the approximate rate of exchange prevailing on March 31, 2014.

## Consolidated Statements of Income

|   | (Millions of Yen)             | (Millions of Yen)             | (Thousands of U.S.Dollars)    |
|---|-------------------------------|-------------------------------|-------------------------------|
|   | Years ended<br>March 31, 2013 | Years ended<br>March 31, 2014 | Years ended<br>March 31, 2014 |
| <b>Operating Income</b>                           | ¥29,636                       | ¥30,265                       | US\$294,064                   |
| Interest Income                                   | 18,519                        | 18,404                        | 178,818                       |
| Interest on Loans and Discounts                   | 15,709                        | 14,866                        | 144,444                       |
| Interest and Dividends on Securities              | 2,726                         | 3,481                         | 33,829                        |
| Interest on Call Loans                            | 64                            | 20                            | 202                           |
| Interest on Deposits with Banks                   | 2                             | 34                            | 335                           |
| Other Interest Income                             | 16                            | 0                             | 6                             |
| Fees and Commissions                              | 7,961                         | 7,929                         | 77,048                        |
| Other Operating Income                            | 2,466                         | 1,515                         | 14,723                        |
| Other Income                                      | 689                           | 2,415                         | 23,473                        |
| Recovery of Written-off Claims                    | 4                             | 1                             | 11                            |
| Others  | 684                           | 2,414                         | 23,462                        |
| <b>Operating Expenses</b>                         | 26,118                        | 26,604                        | 258,496                       |
| Interest Expenses                                 | 1,197                         | 1,249                         | 12,142                        |
| Interest on Deposits                              | 927                           | 892                           | 8,669                         |
| Interest on Negotiable Certificates of Deposit    | 5                             | 5                             | 57                            |
| Interest on Call Money                            | 14                            | 44                            | 428                           |
| Interest on Borrowings and Rediscounts            | 51                            | 54                            | 533                           |
| Interest on Bonds and Notes                       | 169                           | 220                           | 2,138                         |
| Interest on Bonds with Warrants                   | 5                             | 5                             | 58                            |
| Other Interest Expenses                           | 22                            | 26                            | 256                           |
| Fees and Commissions                              | 4,574                         | 4,575                         | 44,457                        |
| Other Operating Expenses                          | 296                           | 195                           | 1,895                         |
| General and Administrative Expenses               | 17,366                        | 17,441                        | 169,461                       |
| Other Expenses                                    | 2,683                         | 3,143                         | 30,539                        |
| Provision for Possible Loan Losses                | 1,654                         | 2,516                         | 24,452                        |
| Others  | 1,029                         | 626                           | 6,087                         |
| <b>Operating Profit (Loss)</b>                    | 3,518                         | 3,660                         | 35,567                        |
| <b>Extraordinary Profit</b>                       | 518                           | 84                            | 818                           |
| Gain on Disposal of Fixed Assets                  | -                             | 84                            | 818                           |
| Gain on Bargain Purchase                          | 518                           | -                             | -                             |
| <b>Extraordinary Loss</b>                         | 107                           | 17                            | 166                           |
| Loss on Disposal of Fixed Assets                  | 2                             | 1                             | 19                            |
| Impairment Loss                                   | 104                           | 15                            | 147                           |
| Income Before Income Taxes and Minority Interests | 3,928                         | 3,727                         | 36,219                        |
| Income Taxes - Current                            | 663                           | 1,289                         | 12,527                        |
| Income Taxes - Deferred                           | 713                           | 285                           | 2,778                         |
| Total Income Taxes                                | 1,377                         | 1,575                         | 15,306                        |
| Income Before Minority Interests                  | 2,551                         | 2,152                         | 20,913                        |
| Minority Interests in Income                      | 120                           | 74                            | 726                           |
| <b>Net Income</b>                                 | 2,430                         | 2,077                         | 20,187                        |

## Consolidated Statements of Comprehensive Income

|   | (Millions of Yen)             | (Millions of Yen)             | (Thousands of U.S.Dollars)    |
|---|-------------------------------|-------------------------------|-------------------------------|
|   | Years ended<br>March 31, 2013 | Years ended<br>March 31, 2014 | Years ended<br>March 31, 2014 |
| Income Before Minority Interests  | ¥2,551                        | ¥2,152                        | US\$20,913                    |
| Other Comprehensive Income  | 3,317                         | (1,484)                       | (14,422)                      |
| Net Unrealized Gain (Loss) on Securities Available for Sale, Net of Taxes | 3,317                         | (1,484)                       | (14,422)                      |
| Net Deferred Gain (Loss) on Hedging Instruments, Net of Taxes             | 0                             | 0                             | 0                             |
| <b>Comprehensive Income</b>   | 5,868                         | 668                           | 6,491                         |
| Comprehensive Income Attributable to Owners of the Parent                 | 5,760                         | 578                           | 5,620                         |
| Comprehensive Income Attributable to Minority Interests                   | 108                           | 89                            | 871                           |

### Notes

1. The Japanese yen figures are rounded down to the nearest one million yen in this financial report.
2. Figures stated in U.S.dollars are translated solely for convenience at the rate of ¥102.92per U.S.\$1, the approximate rate of exchange prevailing on March 31, 2014.



## Consolidated Statements of Changes in Net Assets

Years ended March 31, 2013

(Millions of Yen)

|  | Shareholders' Equity |                 |                   |                |  | Total Shareholders' Equity |
|--|----------------------|-----------------|-------------------|----------------|--|----------------------------|
|  | Common Stock         | Capital Surplus | Retained Earnings | Treasury Stock |  |                            |
| Balance at the Beginning of Current Period           | ¥8,670               | ¥5,272          | ¥51,766           | (¥285)         |  | ¥65,423                    |
| Changes of Items During the Period                   |                      |                 |                   |                |  |                            |
| Dividends from Surplus                               |                      |                 | (572)             |                |  | (572)                      |
| Net Income   |                      |                 | 2,430             |                |  | 2,430                      |
| Purchase of Treasury Stock                           |                      |                 |                   | (1)            |  | (1)                        |
| Net Changes of Items Other Than Shareholders' Equity |                      |                 |                   |                |  |                            |
| Total Changes of Items During the Period             | -                    | -               | 1,857             | (1)            |  | 1,856                      |
| Balance at the End of Current Period                 | 8,670                | 5,272           | 53,624            | (287)          |  | 67,279                     |

|  | Accumulated Other Comprehensive Income                                   |  |   |  | Minority Interests | Total Net Assets |
|--|--|--|---|--|--------------------|------------------|
|  | Net Unrealized Gain(Loss) on Securities Available for Sale, Net of Taxes | Net Deferred Gain(Loss) on Hedging Instruments, Net of Taxes | Remeasurements of Defined Benefit Plans | Total Accumulated Other Comprehensive Income |                    |                  |
| Balance at the Beginning of Current Period           | ¥1,617   | (¥0)   | -                                       | ¥1,617                                       | ¥2,838             | ¥69,879          |
| Changes of Items During the Period                   |  |  |   |  |                    |                  |
| Dividends from Surplus                               |  |  |   |  |                    | (572)            |
| Net Income   |  |  |   |  |                    | 2,430            |
| Purchase of Treasury Stock                           |  |  |   |  |                    | (1)              |
| Net Changes of Items Other Than Shareholders' Equity | 3,333  | 0  | -                                       | 3,334  | (637)              | 2,696            |
| Total Changes of Items During the Period             | 3,333  | 0  | -                                       | 3,334  | (637)              | 4,553            |
| Balance at the End of Current Period                 | 4,951  | (0)  | -                                       | 4,951  | 2,201              | 74,432           |

Years ended March 31, 2014

(Millions of Yen)

|  | Shareholders' Equity |                 |                   |                |  | Total Shareholders' Equity |
|--|----------------------|-----------------|-------------------|----------------|--|----------------------------|
|  | Common Stock         | Capital Surplus | Retained Earnings | Treasury Stock |  |                            |
| Balance at the Beginning of Current Period           | ¥8,670               | ¥5,272          | ¥53,624           | (¥287)         |  | ¥67,279                    |
| Changes of Items During the Period                   |                      |                 |                   |                |  |                            |
| Dividends from Surplus                               |                      |                 | (572)             |                |  | (572)                      |
| Net Income   |                      |                 | 2,077             |                |  | 2,077                      |
| Purchase of Treasury Stock                           |                      |                 |                   | (3)            |  | (3)                        |
| Net Changes of Items Other Than Shareholders' Equity |                      |                 |                   |                |  |                            |
| Total Changes of Items During the Period             | -                    | -               | 1,505             | (3)            |  | 1,501                      |
| Balance at the End of Current Period                 | 8,670                | 5,272           | 55,129            | (290)          |  | 68,781                     |

|  | Accumulated Other Comprehensive Income                                   |  |   |  | Minority Interests | Total Net Assets |
|--|--|--|---|--|--------------------|------------------|
|  | Net Unrealized Gain(Loss) on Securities Available for Sale, Net of Taxes | Net Deferred Gain(Loss) on Hedging Instruments, Net of Taxes | Remeasurements of Defined Benefit Plans | Total Accumulated Other Comprehensive Income |                    |                  |
| Balance at the Beginning of Current Period           | ¥4,951   | (¥0)   | -                                       | ¥4,951                                       | ¥2,201             | ¥74,432          |
| Changes of Items During the Period                   |  |  |   |  |                    |                  |
| Dividends from Surplus                               |  |  |   |  |                    | (572)            |
| Net Income   |  |  |   |  |                    | 2,077            |
| Purchase of Treasury Stock                           |  |  |   |  |                    | (3)              |
| Net Changes of Items Other Than Shareholders' Equity | (1,499)  | 0  | (191)                                   | (1,691)                                      | 6                  | (1,684)          |
| Total Changes of Items During the Period             | (1,499)  | 0  | (191)                                   | (1,691)                                      | 6                  | (182)            |
| Balance at the End of Current Period                 | 3,452  | 0  | (191)                                   | 3,260  | 2,208              | 74,250           |

Years ended March 31, 2014

(Thousands of U.S. Dollars)

|  | Shareholders' Equity |                 |                   |                |  | Total Shareholders' Equity |
|--|----------------------|-----------------|-------------------|----------------|--|----------------------------|
|  | Common Stock         | Capital Surplus | Retained Earnings | Treasury Stock |  |                            |
| Balance at the Beginning of Current Period           | US\$84,245.00        | US\$51,231.00   | US\$521,026.00    | (US\$2,793.00) |  | US\$653,710.00             |
| Changes of Items During the Period                   |                      |                 |                   |                |  |                            |
| Dividends from Surplus                               |                      |                 | (5,561)           |                |  | (5,561)                    |
| Net Income   |                      |                 | 20,187            |                |  | 20,187                     |
| Purchase of Treasury Stock                           |                      |                 |                   | (33)           |  | (33)                       |
| Net Changes of Items Other Than Shareholders' Equity |                      |                 |                   |                |  |                            |
| Total Changes of Items During the Period             | -                    | -               | 14,625            | (33)           |  | 14,591                     |
| Balance at the End of Current Period                 | 84,245               | 51,231          | 535,651           | (2,826)        |  | 668,302                    |

|  | Accumulated Other Comprehensive Income                                   |  |   |  | Minority Interests | Total Net Assets |
|--|--|--|---|--|--------------------|------------------|
|  | Net Unrealized Gain(Loss) on Securities Available for Sale, Net of Taxes | Net Deferred Gain(Loss) on Hedging Instruments, Net of Taxes | Remeasurements of Defined Benefit Plans | Total Accumulated Other Comprehensive Income |                    |                  |
| Balance at the Beginning of Current Period           | US\$48,110.00  | (US\$0.00)   | -                                       | US\$48,110.00                                | US\$21,388.00      | US\$723,209.00   |
| Changes of Items During the Period                   |  |  |   |  |                    |                  |
| Dividends from Surplus                               |  |  |   |  |                    | (5,561)          |
| Net Income   |  |  |   |  |                    | 20,187           |
| Purchase of Treasury Stock                           |  |  |   |  |                    | (33)             |
| Net Changes of Items Other Than Shareholders' Equity | (14,567)   | 0  | (1,865)                                 | (16,432)                                     | 65                 | (16,366)         |
| Total Changes of Items During the Period             | (14,567)   | 0  | (1,865)                                 | (16,432)                                     | 65                 | (1,775)          |
| Balance at the End of Current Period                 | 33,543   | 0  | (1,865)                                 | 31,678                                       | 21,453             | 721,434          |

## Notes

1. The Japanese yen figures are rounded down to the nearest one million yen in this financial report.
2. Figures stated in U.S. dollars are translated solely for convenience at the rate of ¥102.92 per U.S.\$1, the approximate rate of exchange prevailing on March 31, 2014.

## Consolidated Statements of Cash Flows

|   | (Millions of Yen)             | (Millions of Yen)             | (Thousands of U.S.Dollars)    |
|---|-------------------------------|-------------------------------|-------------------------------|
|   | Years ended<br>March.31, 2013 | Years ended<br>March.31, 2014 | Years ended<br>March.31, 2014 |
| <b>Cash Flows from Operating Activities</b>                                 |                               |                               |                               |
| Income Before Income Taxes and Minority Interests                           | ¥3,928                        | ¥3,727                        | US\$36,219                    |
| Depreciation and Amortization   | 1,413                         | 1,386                         | 13,470                        |
| Impairment Loss   | 104                           | 15                            | 147                           |
| Gain on Disposal of Fixed Assets  | -                             | (84)                          | (818)                         |
| Gain on Bargain Purchase  | (518)                         | -                             | -                             |
| Increase (Decrease) in Allowance for Possible Loan Losses                   | (1,270)                       | (402)                         | (3,911)                       |
| Increase (Decrease) in Reserve for Employees' Bonuses                       | (6)                           | (30)                          | (294)                         |
| Increase (Decrease) in Reserve for Employees' Retirement Benefits           | (44)                          | (3,190)                       | (31,004)                      |
| Increase (Decrease) in Net Defined Benefit Liability                        | -                             | 3,085                         | 29,975                        |
| Increase (Decrease) in Reserve for Directors' Retirement Benefits           | 9                             | 5                             | 54                            |
| Increase (Decrease) in Reserve for Reimbursement of Deposits                | 8                             | 22                            | 221                           |
| Interest Income   | (18,519)                      | (18,404)                      | (178,818)                     |
| Interest Expenses   | 1,197                         | 1,249                         | 12,142                        |
| Loss (Gain) on Securities   | (1,929)                       | (3,059)                       | (29,729)                      |
| Loss (Gain) on Money Held in Trust  | (14)                          | (12)                          | (117)                         |
| Loss (Gain) on Disposal of Fixed Assets                                     | 2                             | 1                             | 19                            |
| Net Decrease (Increase) in Trading Account Securities                       | (50)                          | (47)                          | (457)                         |
| Net Decrease (Increase) in Loans and Bills Discounted                       | (36,573)                      | (20,038)                      | (194,695)                     |
| Net Increase (Decrease) in Deposits   | 40,801                        | 31,456                        | 305,638                       |
| Net Increase (Decrease) in Negotiable Certificates of Deposit               | 31,900                        | (31,900)                      | (309,949)                     |
| Net Increase (Decrease) in Borrowed Money Excluding Subordinated Borrowings | (784)                         | 6,408                         | 62,264                        |
| Net Decrease (Increase) in Due from Banks Other than the Bank of Japan      | (62)                          | (131)                         | (1,278)                       |
| Net Decrease (Increase) in Call Loans                                       | (70,000)                      | 65,000                        | 631,558                       |
| Net Increase (Decrease) in Call Money                                       | 3,156                         | (3,978)                       | (38,654)                      |
| Net Decrease (Increase) in Foreign Exchange Assets                          | 36                            | 134                           | 1,308                         |
| Net Increase (Decrease) in Foreign Exchange Liabilities                     | (22)                          | 6                             | 64                            |
| Net Decrease (Increase) in Lease Receivables and Investment Assets          | (485)                         | 150                           | 1,460                         |
| Interest Received   | 18,194                        | 18,884                        | 183,484                       |
| Interest Paid   | (1,437)                       | (1,389)                       | (13,497)                      |
| Other, net  | (4,271)                       | (4,304)                       | (41,827)                      |
| <b>Subtotal</b>   | <b>(35,236)</b>               | <b>44,561</b>                 | <b>432,974</b>                |
| Income Taxes Paid   | (452)                         | (757)                         | (7,364)                       |
| <b>Net Cash Provided by (Used in) Operating Activities</b>                  | <b>(35,688)</b>               | <b>43,803</b>                 | <b>425,609</b>                |
| <b>Cash Flows from Investing Activities</b>                                 |                               |                               |                               |
| Purchases of Securities   | (232,793)                     | (200,733)                     | (1,950,379)                   |
| Proceeds from Sales of Securities   | 243,530                       | 151,660                       | 1,473,580                     |
| Proceeds from Maturities of Securities                                      | 54,810                        | 37,843                        | 367,694                       |
| Decrease in Money Held in Trust   | 14                            | 11                            | 110                           |
| Purchases of Tangible Fixed Assets  | (670)                         | (317)                         | (3,084)                       |
| Purchases of Intangible Fixed Assets  | (222)                         | (168)                         | (1,637)                       |
| Proceeds from Sales of Tangible Fixed Assets                                | 111                           | 101                           | 988                           |
| Purchases of investments in subsidiaries                                    | (221)                         | -                             | -                             |
| <b>Net Cash Provided by (Used in) Investing Activities</b>                  | <b>64,559</b>                 | <b>(11,601)</b>               | <b>(112,727)</b>              |
| <b>Cash Flows from Financing Activities</b>                                 |                               |                               |                               |
| Cash Dividends Paid   | (571)                         | (570)                         | (5,542)                       |
| Cash Dividends Paid to Minority Shareholders                                | (2)                           | (2)                           | (20)                          |
| Purchases of Treasury Stock   | (1)                           | (3)                           | (33)                          |
| Repayments of Lease Liabilities   | (174)                         | (175)                         | (1,700)                       |
| Redemption of Bonds with Warrants   | -                             | (5,999)                       | (58,287)                      |
| Proceeds from issuance of subordinated bond                                 | -                             | 10,000                        | 97,162                        |
| <b>Net Cash Provided by (Used in) Financing Activities</b>                  | <b>(749)</b>                  | <b>3,249</b>                  | <b>31,577</b>                 |
| <b>Effect of Exchange Rate Changes on Cash and Cash Equivalents</b>         | <b>(9)</b>                    | <b>(5)</b>                    | <b>(58)</b>                   |
| <b>Net Increase (Decrease) in Cash and Cash Equivalents</b>                 | <b>28,111</b>                 | <b>35,445</b>                 | <b>344,400</b>                |
| <b>Cash and Cash Equivalents at Beginning of Period</b>                     | <b>58,207</b>                 | <b>86,319</b>                 | <b>838,705</b>                |
| <b>Cash and Cash Equivalents at End of Period</b>                           | <b>86,319</b>                 | <b>121,765</b>                | <b>1,183,105</b>              |

## Notes

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## Board of Directors and Corporate Auditors

As of June 30, 2014

● **Chairman**  
(Representative Director)  
Noriji Yamada

● **Managing Directors**  
Masaki Sano  
Shigeru Nonoyama

● **Corporate Auditors**  
Kazuhito Kobayashi  
Toshiaki Iwaoka

● **Managing Executive Officers**  
Akihiro Sei  
Syuji Sano

● **President**  
(Representative Director)  
Katsuchiro Toyoshima

● **Directors**  
Sumiko Suzuki  
Fuji Kaneda

Keisuke Takeshita  
Youichiro Ito

Yasuhiro Iwayama  
Masashi Harada

● **Senior Managing Director**  
Akihiro Mochizuki

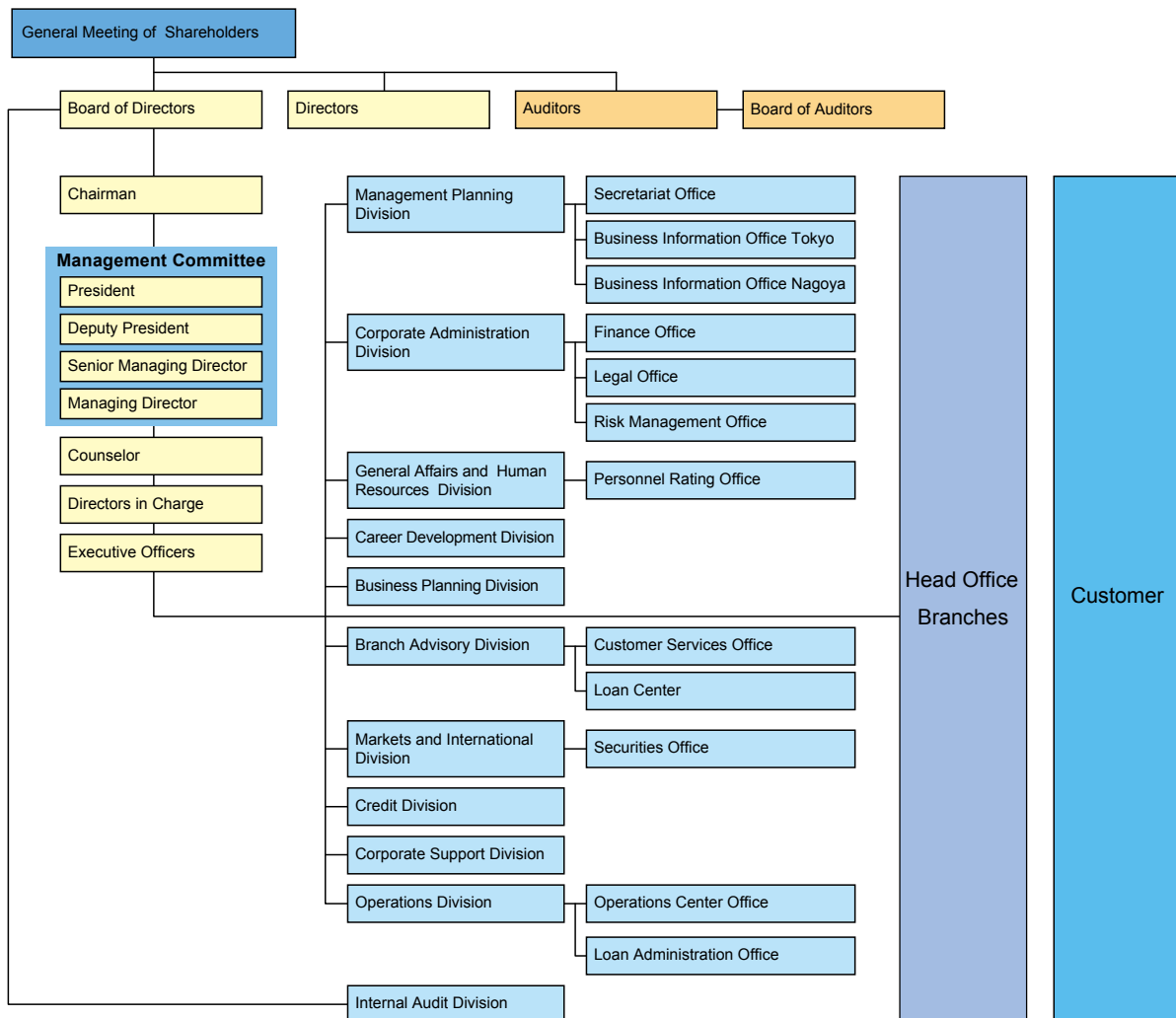
Naaki Tobayama  
Naoyuki Shirakawa  
Ayato Mochizuki  
Syunji Usami

Kazuaki Isobe

● **Executive Officer**  
Fumitoshi Yabuzaki

## Organization Chart

As of March 31, 2014



**THE SHIMIZU BANK, LTD.**

**MARKETS AND INTERNATIONAL DIVISION**

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