



# THE SHIMIZU BANK,LTD.

Annual Report 2016

## 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, 2016

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: 974  
Consolidated Capital Adequacy Ratio  
(based on domestic standards): 10.75%  
Non-Consolidated Capital Adequacy Ratio  
(based on domestic standards): 10.43%



### Consolidated Subsidiaries

As of June 30, 2016

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, 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 2016 fiscal year to share the financial highlights and our efforts of the 2015 fiscal year. We invite you to read these materials to further your understanding of the Shimizu Bank and our group partners.

Although the Japanese economy has continued its slow recovery this period, the outlook for the latter half of the year is less clear due to the economic downturn in China and other emerging Asian nations and the worsening economy in resource-rich countries caused by falling oil prices, along with the sharp appreciation of the yen and the drop in stock prices since the beginning of the year. As exports and production weaken, there is growing concern that previously robust capital investment will be pushed back. Meanwhile, although employment remains high, wage rises in major corporations are lower than a year ago, which is slowing down previously healthy consumer spending.

The economy of Shizuoka Prefecture, on which our bank is mainly founded, has shown gradual improvement, including increased capital investment in both manufacturing and non-manufacturing industries centered on large and medium-sized corporations. On the other hand, auto-related exports in particular are weakening and production is down as a result of the further economic slowdown of emerging nations and the shift of production overseas. Consumer spending has been picking up slowly amid improving employment and income conditions, but seems to be slowing down somewhat in the second half of the year.

The climate surrounding our bank is expected to become increasingly harsh due to changes in social structure and financial environment, such as the progressively declining and aging population, the hollowing out of industry following corporate overseas expansion, and the introduction of a negative-interest policy.

This is the context in which we launched our 26th medium-term business plan "Advance As One – Toward the realization of sustainable growth together with our community and customers," which will run for four years from April 2016. Following on from our 24th and 25th medium-term business plans, our vision is to demonstrate the significance of our existence by setting out the four basic policies of "improving financial intermediary functionality," "increasing productivity," "securing our business base," and "creating more dynamic human resources," based on which we will engage in priority measures.

We have previously made efforts to train personnel as a key management resource, but have now reached a stage when we give individuals greater opportunity to develop their maximum potential. Specifically, we will deepen our involvement in the corporate field, which has been our focus to date, and expand the fields in which we can show our strength through a

"customer-oriented strategy" that offers ideal solutions for individual companies, based on our interest and understanding of our customers' business. In individual fields, we will expand our bank's business areas through a market-oriented strategy of introducing products and services to the market that individual customers want, rather than simply releasing products. Through these customer-oriented and market-oriented policies, we will return to our origins as a regional bank and, by getting more closely involved in regional industry and life, contribute to regional revitalization.

At the same time, we will enhance our bank's competitiveness through increased productivity, by realizing operational reforms in pursuit of efficiency and raising awareness of time cost among all members of staff. We also fully recognize our social responsibility as a bank, and will develop a solid attitude of compliance as well as strengthen our stance on governance with the aim of increasing our corporate value.

Going forward, our employees will unite to deliver attractive products and services that meet customer needs and demonstrate the importance of our presence as a bank needed by our region. To this end, I ask all of you for your continued valuable support and patronage.

July 2016



K. Toyoshima

Katsuichiro Toyoshima  
President

## ADVANCE AS ONE

**Toward the realization of sustainable growth together  
with our community and customers**

- Amid the many changes taking place around us, we will achieve our vision of demonstrate the significance of our existence and remain a bank that is needed by the community, by honing our close relationships with the community and our customers and bringing all members of the Shimizu Bank Group together to Advance As One.
- This 26th medium-term business plan covers an important four-year period ahead of the 90th and 100th anniversaries of our foundation, during which time we will implement priority measures based on our basic policies of "improving financial intermediary functionality," "increasing productivity," "securing our business base," and "creating more dynamic human resources" in order to realize a benevolent cycle toward a future that gives each and every employee a sense of satisfaction.

Vision	Demonstrate the significance of our existence			
Period of plan	April 1, 2016 to March 31, 2020 (4 years)			
Basic policies	Improving financial intermediary functionality	Increasing productivity	Securing our business base	Creating more dynamic human resources
Target figures	① Core operational net profit ¥ <b>4</b> billion or more ② Core OHR <b>70%</b> level Cost as a proportion of core operational gross profit			
	③ Total loans to small to medium-sized companies ¥ <b>880</b> billion or more ④ Total personal deposits ¥ <b>1</b> trillion or more			



# 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.

## Network of support for overseas business



## Domestic external network

The Japan Bank for International Cooperation (JBIC)  
Daiwa Securities Co.,Ltd  
Shizuoka International Business Association(SIBA)  
MIRAI Consulting  
Meinan Group  
Orix Corporation  
Japan Halal Business Association



# 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.



All Photos by Akira Tsutsui



# Summary of Business

## Consolidated Results

Ordinary revenue increased year-on-year by JPY469million to JPY29.539billion due to factors such as increased securities related income, while ordinary expenses increased over the same period by JPY95million to JPY24.55billion due to increased service transaction fees and so on. The result of this was a JPY374million year-on-year rise in ordinary profit to JPY4.989billion. Deposits decreased by JPY50.3billion year-on-year to JPY1,349.3billion as a result of trying to improve our community-linked business base and conducting profit-focused procurement, while personal deposit assets rose JPY5.4billion over the same period to JPY1,077.3billion resulting from an increase in personal pension insurance, part of meeting diverse customer needs. Loans increased JPY19.5billion over the previous year to JPY1,065.1billion as a result of our aggressively responding to customers' funding needs as a regional bank.

Securities fell JPY64.1billion year-on-year to JPY253.9billion due to our agile management and focus on market trends.

(Millions of Yen)

Consolidated Five-years Summary	2012	2013	2014	2015	2016
Ordinary Income	¥29,304	¥29,636	¥30,265	¥29,070	<b>¥29,539</b>
Ordinary Profit	4,453	3,518	3,660	4,615	<b>4,989</b>
Profit Attributable to Owners of Parent	1,636	2,430	2,077	3,400	<b>3,299</b>
Comprehensive Income	3,755	5,868	668	7,463	<b>372</b>
Total Net Assets	69,879	74,432	74,250	80,717	<b>80,528</b>
Total Assets	1,408,745	1,488,023	1,494,830	1,591,910	<b>1,483,918</b>
Net Assets per Share in Yen	7,026.55	7,571.05	7,552.19	8,329.77	<b>8,302.98</b>
Net Income per Share in Yen	171.53	254.72	217.78	356.45	<b>345.92</b>

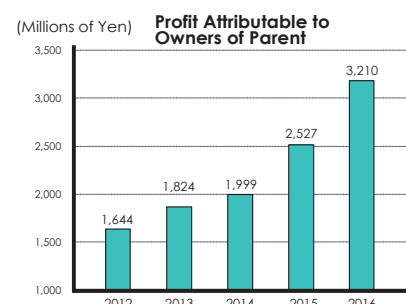
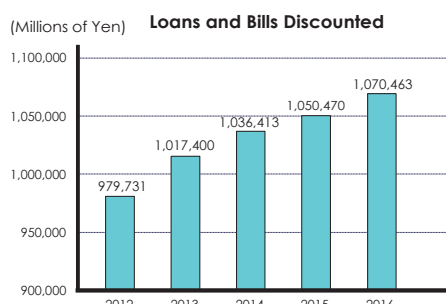
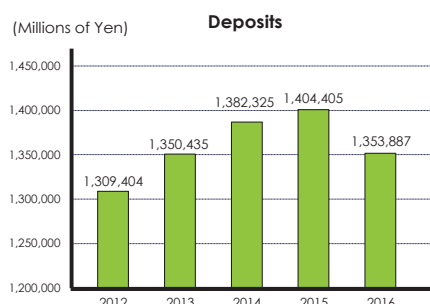
## Non-Consolidated Results

Ordinary revenue rose JPY190million from the same period a year before to JPY24.65billion due to an increase in securities related revenue and other factors. Ordinary expenses fell over the same period by JPY7million to JPY19.987billion due to decreasing operating costs and so on.

The result of this was a JPY198million year-on-year increase in ordinary profit to JPY4.662billion, and a JPY683million increase in net profit over the same period to JPY3.21billion.

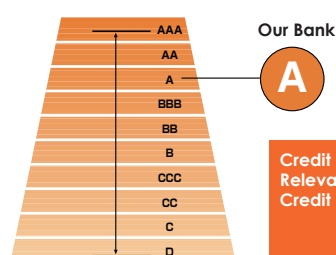
(Millions of Yen)

Non-Consolidated Five-years Summary	2012	2013	2014	2015	2016
Ordinary Income	¥24,506	¥24,905	¥25,520	¥24,459	<b>¥24,650</b>
Ordinary Profit	4,191	3,238	3,505	4,464	<b>4,662</b>
Profit Attributable to Owners of Parent	1,644	1,824	1,999	2,527	<b>3,210</b>
Capital Stock	8,670	8,670	8,670	8,670	<b>8,670</b>
Total Net Assets	66,478	71,060	70,974	77,161	<b>77,857</b>
Total Assets	1,402,363	1,482,692	1,487,974	1,584,920	<b>1,477,336</b>
Deposits	1,309,404	1,350,435	1,382,325	1,404,405	<b>1,353,887</b>
Loans and Bills Discounted	979,731	1,017,400	1,036,413	1,050,470	<b>1,070,463</b>
Securities	338,770	285,174	301,501	318,442	<b>254,296</b>
Net Assets Per Share in Yen	6,967.52	7,448.37	7,440.33	8,089.85	<b>8,161.97</b>
Cash Dividends per Share in Yen	60	60	60	60	<b>60</b>
Net Income per Share in Yen	172.37	191.24	209.55	264.99	<b>336.65</b>



## 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.



Credit Rating : A  
 Relevant Debt : long-term Preferred Debt  
 Credit Rating Agency :  
 Japan Credit Rating Agency, Ltd.  
 (As of March, 2016)

# 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."

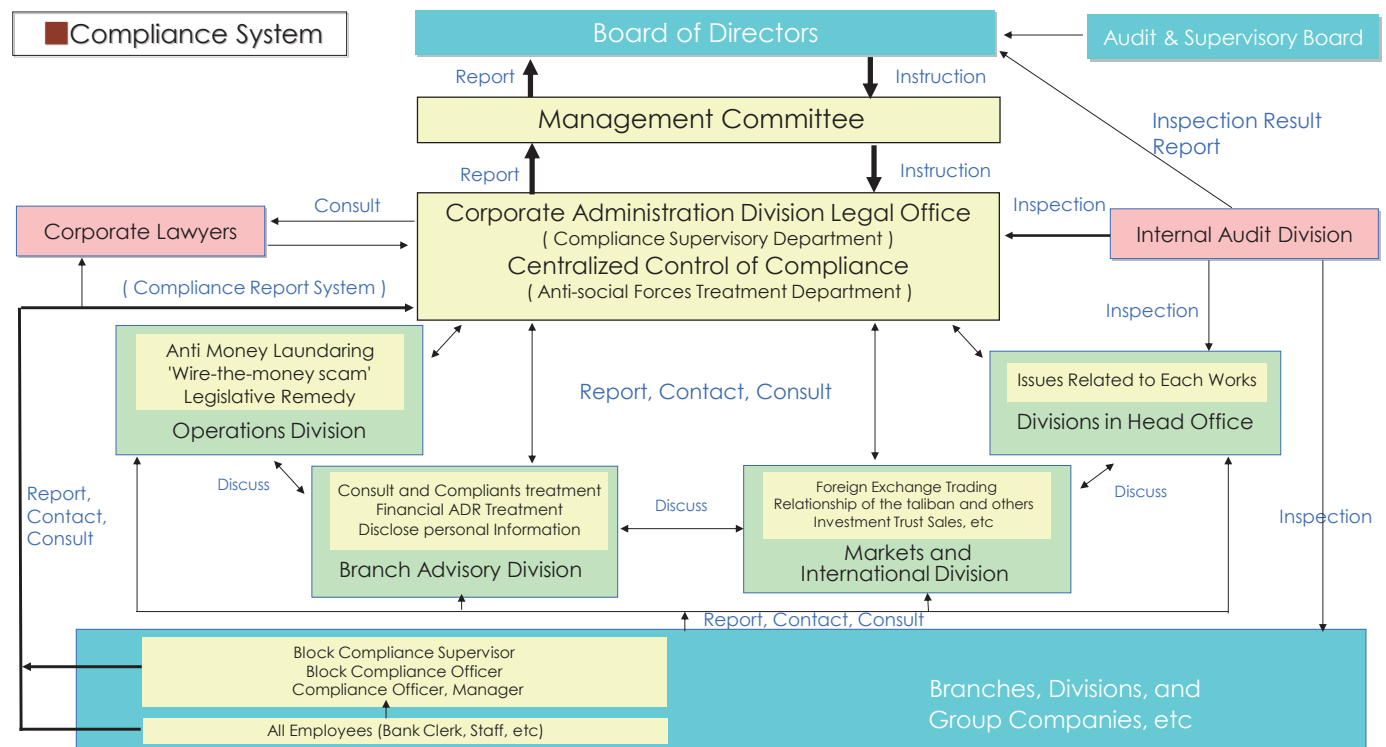
## Establishing a framework for compliance

For through 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 overseas 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**

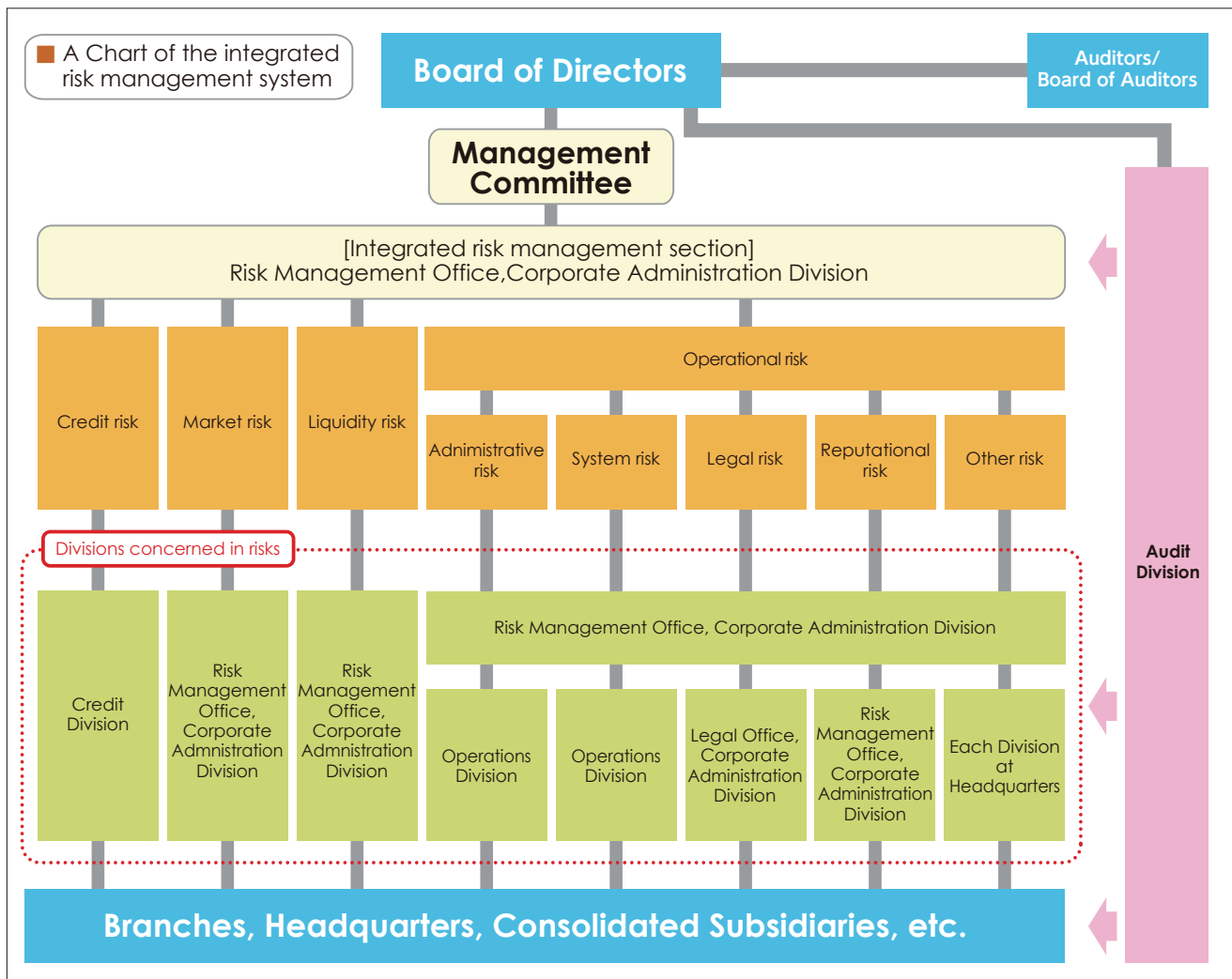
Due to their public nature and critical economic function, banks are required to exclude anti-social forces from financial transactions. For this reason, the Shimizu Bank has created a basic policy that we will stand firmly against anti-social forces which pose a threat to the order and safety of civic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

# Risk Management System

Because of changes in the surrounding environment of the financial institutions, the risks banks face are increasingly diverse and have become complex. As financial institutions have the responsibility to safely and effectively manage the deposits they receive from customers, it is increasingly important to upgrade the risk control system, which is used to properly control various risks according to their characteristics. Shimizu Bank is fully aware of the significance of risk management and endeavors to strengthen our risk management system.

## Risk Management System

Shimizu Bank stipulated the "Integrated risk management provisions" as basic provisions on risk management, and established a risk management system, in which the Board of Directors plays the central role. Based on the provisions, the Bank draws up "Risk Management Regulations" and "Risk Management Procedures" according to various risk categories which prescribe the specific management methods, etc., as well as reporting to the Board of Directors and the Management Committee. The Bank formulates its risk management plan every fiscal year to control risks effectively, and identifies, analyzes and assesses risks based on these plans.



## Integrated Risk Management

From the perspective of enhancing soundness in management, Shimizu Bank comprehensively identifies major risks that the bank faces, compares them with our corporate strength (equity capital), then establishes a self-controlling type risk management environment, as well as addressing the tasks of enhancing risk management so as to maintain a proper risk management environment.



# Risk Management System

## Credit risk management

Shimizu Bank collectively administers loans and bills discounted, assets with a credit risk, and off-balance sheet assets, managing credit risk of the Bank itself and its consolidated subsidiaries.

Our screening system is composed of two sections, Sales Promotion and Screening, in order to maintain and improve the soundness of loan assets. In addition, the Bank strictly manages credits above a certain level by screening and passing a resolution for financing policy at the Management Meeting, which consists of the Executives.

Moreover, the Bank defined its credit policy (the basic code of conduct for financing) to clarify the bank's basic action guidance in the loan business, and thoroughly enforces it among our bank clerks, so as to maintain and improve the level of our bank clerks' observation of the financing rules.

A credit rating system was introduced to measure the credit risk of borrowers with a unified standard, and it is utilized to set lending rate guidelines according to creditworthiness. Furthermore, in terms of credit management, the Bank endeavors to manage appropriate portfolios, to disperse risks, and to ensure stable profits by measuring risk quantities with the credit rating system, etc. and acknowledging the status of loan concentration in specific business types, etc.

## Market risk management

The Shimizu Bank manages market risk to securely earn stable profits through market transactions. The Bank has installed both a front office and back office in the Markets and International Division, as well as a middle office in the Risk Management Office of the Corporate Administration Division, which is the Department concerned with risk, thus establishing a system of mutual checks and balances.

The status of measured risks is reported at the Board of Directors and Management Meeting so that the Executives can accurately acknowledge and appropriately make decisions on the market risks.

## Liquidity risk management

The Bank manages funds daily, weekly, and monthly at the Markets and International Division, which is a fund raising management section, while the Risk Management Office of the Corporate Administration Division, which is the department concerned with risk, manages the risks.

In addition, as a preparation for contingencies, the Bank set two phases of emergencies and prepares to secure financing methods according to respective situations.

## Operational risk management

The Bank recognizes administrative risk, system risk, legal risk, reputational risk, and other risks as operational risk; endeavors to prevent such risks from becoming tangible; and minimizes the impacts caused by such risks when they become apparent.

Regarding administrative risk, for the purpose of establishing a routine of impartial and swift office work, the Bank has been improving the quality of office work through the creation of various rules on office work, implementation of training programs, and centralization at the headquarters of the branch office work.

In relation to system risk management, the Bank uses as its core banking system "PROBANK-R2" created by Fujitsu Ltd. We established a backup center for "PROBANK-R2", reinforcing security against disasters (like the Tokai earthquake), whose occurrence is a concern. Moreover, the Internal Audit Division audits the computing systems and programs regularly, auditing system development and the administrative status of system operations, and verifying the effectiveness of risk management.

The legal risk is the risk in which the Bank suffers losses by violating laws and regulations, etc. The Shimizu Bank places the observance of laws and regulations, etc. as its priority issue in management to avoid the occurrence of the legal risk, and vigorously addresses actions to strengthen our preparedness to further observe laws and regulations.

Reputational risk is the risk suffered from unexpected damages by media coverage, etc. about the entire financial industry and our bank. The Bank takes measures, such as establishing rules and manuals which prescribe our actions, to prevent circulation of unfounded rumors and to respond to them.

The Bank has also established internal control systems to appropriately manage other operational risk, respectively.

In order to be ready for emergency events such as natural disasters, and to continue or swiftly restore our essential business in order to provide stable financial function to our customers, Shimizu Bank established an action plan that assumes the outbreak of a state of emergency, and has built a business continuity management based on this plan.

## ALM System

The Bank regularly holds Management Meetings, which mainly consist of Executives, and the ALM Earnings Management Committee which in turn consists of General Managers, to examine proper assets and liability structures, etc. based on the financial and economic environment and forecasts of future interest rates, etc., so that the bank can fully exert the functions of ALM, with the goal to maximize profits while managing assets and liabilities in an integral manner balanced with adequate risks.

# Corporate Data

## Consolidated Balance Sheets

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S.Dollars)
	March 31,2015	March 31,2016	March 31,2016
<b>Assets</b>			
Cash and Due from Banks	¥194,095	¥131,417	\$1,166,285
Trading Account Securities	221	388	3,449
Money Held in Trust	1,201	1,200	10,658
Securities	318,174	253,983	2,254,026
Loans and Bills Discounted	1,045,630	1,065,150	9,452,881
Foreign Exchanges	522	609	5,411
Lease Receivables and Investment Assets	9,691	9,787	86,865
Other Assets	8,285	5,316	47,183
Tangible Fixed Assets	19,524	19,729	175,094
Buildings, Net	8,971	8,871	78,730
Land	9,288	9,320	82,713
Leased Assets, Net	78	17	159
Construction in Progress	0	0	2
Other Tangible Fixed Assets	1,185	1,519	13,488
Intangible Fixed Assets	873	1,256	11,146
Software	703	1,013	8,993
Lease Assets	8	5	46
Other Intangible Fixed Assets	161	237	2,107
Net Defined Benefit Asset	477	-	-
Deferred Tax Assets	330	1,258	11,171
Customers' Liabilities for Acceptances and Guarantees	2,773	2,769	24,580
Allowance for Loan Losses	(9,891)	(8,951)	(79,442)
<b>Total Assets</b>	<b>1,591,910</b>	<b>1,483,918</b>	<b>13,169,311</b>

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S.Dollars)
	March 31,2015	March 31,2016	March 31,2016
<b>Liabilities</b>			
Deposits	¥1,399,738	¥1,349,389	\$11,975,414
Negotiable Certificates of Deposit	68,215	5,000	44,373
Borrowed Money	19,788	25,999	230,740
Foreign Exchanges	26	5	49
Bonds Payable	10,000	10,000	88,746
Other Liabilities	7,257	6,439	57,146
Provision for Bonuses	522	506	4,492
Net Defined Benefit Liability	2,361	3,142	27,888
Provision for Directors' Retirement Benefits	106	93	825
Provision for Reimbursement of Deposits	45	43	382
Deferred Tax Liabilities	357	-	-
Acceptances and Guarantees	2,773	2,769	24,580
<b>Total Liabilities</b>	<b>1,511,193</b>	<b>1,403,389</b>	<b>12,454,642</b>
<b>Net Assets</b>			
Capital Stock	8,670	8,670	76,947
Capital Surplus	5,272	5,272	46,793
Retained Earnings	58,475	61,202	543,155
Treasury Shares	(294)	(298)	(2,647)
Total Shareholders' Equity	72,125	74,847	664,249
Valuation Difference on Available-for-Sale Securities	7,177	5,218	46,309
Deferred Gains or Losses on Hedges	0	0	0
Remeasurements of Defined Benefit Plans	147	(882)	(7,831)
Total Accumulated Other Comprehensive Income	7,325	4,335	38,478
Subscription Rights to Shares	-	18	164
Non-Controlling Interests	1,266	1,327	11,777
<b>Total Net Assets</b>	<b>80,717</b>	<b>80,528</b>	<b>714,669</b>
<b>Total Liabilities and Net Assets</b>	<b>1,591,910</b>	<b>1,483,918</b>	<b>13,169,311</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 ¥112.68 per U.S.\$1, the approximate rate of exchange prevailing on March 31,2016.

## Consolidated Statement of Income

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S.Dollars)
	Years ended March 31, 2015	Years ended March 31, 2016	Years ended March 31, 2016
<b>Ordinary Income</b>	<b>¥29,070</b>	<b>¥29,539</b>	<b>\$262,157</b>
Interest Income	18,320	17,348	153,963
Interest on Loans and Discounts	14,028	13,426	119,159
Interest and Dividends on Securities	4,213	3,842	34,099
Interest on Call Loans	1	1	11
Interest on Deposits with Banks	76	77	685
Other Interest Income	0	0	7
Fees and Commissions	8,162	8,430	74,816
Other Ordinary Income	1,056	2,459	21,825
Other Income	1,530	1,301	11,552
Recoveries of Written off Claims	2	-	-
Others	1,528	1,301	11,552
<b>Ordinary Expenses</b>	<b>24,454</b>	<b>24,550</b>	<b>217,875</b>
Interest Expenses	1,254	1,062	9,430
Interest on Deposits	862	846	7,512
Interest on Negotiable Certificates of Deposit	82	43	385
Interest on Call Money	11	10	96
Interest on Borrowings and Rediscounts	64	68	603
Interest on Bonds	229	88	780
Other Interest Expenses	4	5	51
Fees and Commissions Payments	4,475	4,751	42,167
Other Ordinary Expenses	314	894	7,935
General and Administrative Expenses	17,180	16,457	146,050
Other Expenses	1,229	1,384	12,290
Provision of Allowance for Loan Losses	985	943	8,377
Others	243	440	3,913
<b>Ordinary Income</b>	<b>4,615</b>	<b>4,989</b>	<b>44,282</b>
<b>Extraordinary Income</b>	<b>938</b>	<b>-</b>	<b>-</b>
Gain on Bargain Purchase	938	-	-
<b>Extraordinary Losses</b>	<b>84</b>	<b>50</b>	<b>446</b>
Loss on Disposal of non-Current Assets	4	2	21
Impairment Loss	79	47	425
Income Before Income Taxes and Non-Controlling Interests	5,469	4,939	43,835
Income Taxes - Current	1,488	1,465	13,007
Income Taxes - Deferred	567	111	989
Total Income Taxes	2,055	1,577	13,997
Profit	3,413	3,362	29,838
Profit Attributable to Non-Controlling Interests	13	63	559
<b>Profit Attributable to Owners of Parent</b>	<b>3,400</b>	<b>3,299</b>	<b>29,278</b>

## Consolidated Statement of Comprehensive Income

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S.Dollars)
	Years ended March 31, 2015	Years ended March 31, 2016	Years ended March 31, 2016
<b>Profit</b>	<b>¥3,413</b>	<b>¥3,362</b>	<b>\$29,838</b>
<b>Other Comprehensive Income</b>	<b>4,050</b>	<b>(2,990)</b>	<b>(26,536)</b>
Valuation Difference on Available-for-Sale Securities	3,710	(1,959)	(17,392)
Deferred Gains or Losses on Hedges	0	(0)	(2)
Remeasurements of Defined Benefit Plans	339	(1,030)	(9,141)
<b>Comprehensive Income</b>	<b>7,463</b>	<b>372</b>	<b>3,301</b>
Comprehensive Income Attributable to Owners of the Parent	7,464	309	2,748
Comprehensive Income Attributable to Non-Controlling Interests	(0)	62	553

## Notes

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# Consolidated Statements of Changes in Equity

Years ended March 31, 2015

(Millions of Yen)

	Shareholders' Equity				
	Capital Stock	Capital Surplus	Retained Earnings	Treasury Shares	Total Shareholders' Equity
Balance at April 1, 2014	¥8,670	¥5,272	¥55,129	(¥290)	¥68,781
Cumulative Effects of Changes in Accounting Policies			518		518
Adjusted Balance at April 1, 2014	8,670	5,272	55,648	(290)	69,300
Changes of Items During Period					
Dividends of Surplus			(572)		(572)
Profit Attributable to Owners of Parent			3,400		3,400
Purchase of Treasury Shares				(3)	(3)
Disposal of Treasury Shares		(0)		0	0
Net Changes of Items Other Than Shareholders' Equity					
Total Changes of Items During Period	-	(0)	2,827	(3)	2,824
Balance at March 31, 2015	8,670	5,272	58,475	(294)	72,125

	Accumulated Other Comprehensive Income				Subscription Rights to Shares	Non-Controlling Interests	Total Net Equity
	Valuation Difference on Available-for-Sale Securities	Deferred Gains Or Losses on Hedges	Remeasurements of Defined Benefit Plans	Total Accumulated Other Comprehensive Income			
Balance at April 1, 2014	¥3,452	¥0	(¥191)	¥3,260	-	¥2,208	¥74,250
Cumulative Effects of Changes in Accounting Policies							518
Adjusted Balance at April 1, 2014	3,452	0	(191)	3,260	-	2,208	74,768
Changes of Items During Period							
Dividends of Surplus							(572)
Profit Attributable to Owners of Parent							3,400
Purchase of Treasury Shares							(3)
Disposal of Treasury Shares							0
Net Changes of Items Other Than Shareholders' Equity	3,724	0	339	4,064	-	(941)	3,123
Total Changes of Items During Period	3,724	0	339	4,064	-	(941)	5,948
Balance at March 31, 2015	7,177	0	147	7,325	-	1,266	80,717

Years ended March 31, 2016

(Millions of Yen)

	Shareholders' Equity				
	Capital Stock	Capital Surplus	Retained Earnings	Treasury Shares	Total Shareholders' Equity
Balance at April 1, 2015	¥8,670	¥5,272	¥58,475	(¥294)	¥72,125
Cumulative Effects of Changes in Accounting Policies			-		-
Adjusted Balance at April 1, 2015	8,670	5,272	58,475	(294)	72,125
Changes of Items During Period					
Dividends of Surplus			(572)		(572)
Profit Attributable to Owners of Parent			3,299		3,299
Purchase of Treasury Shares				(4)	(4)
Disposal of Treasury Shares		-		-	-
Net Changes of Items Other Than Shareholders' Equity					
Total Changes of Items During Period	-	-	2,726	(4)	2,722
Balance at March 31, 2016	8,670	5,272	61,202	(298)	74,847

	Accumulated Other Comprehensive Income				Subscription Rights to Shares	Non-Controlling Interests	Total Net Equity
	Valuation Difference on Available-for-Sale Securities	Deferred Gains Or Losses on Hedges	Remeasurements of Defined Benefit Plans	Total Accumulated Other Comprehensive Income			
Balance at April 1, 2015	¥7,177	¥0	¥147	¥7,325	-	¥1,266	¥80,717
Cumulative Effects of Changes in Accounting Policies							-
Adjusted Balance at April 1, 2015	7,177	0	147	7,325	-	1,266	80,717
Changes of Items During Period							
Dividends of Surplus							(572)
Profit Attributable to Owners of Parent							3,299
Purchase of Treasury Shares							(4)
Disposal of Treasury Shares							-
Net Changes of Items Other Than Shareholders' Equity	(1,959)	(0)	(1,030)	(2,989)	18	60	(2,910)
Total Changes of Items During Period	(1,959)	(0)	(1,030)	(2,989)	18	60	(188)
Balance at March 31, 2016	5,218	0	(882)	4,335	18	1,327	80,528

## Notes

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# Consolidated Statements of Changes in Equity

Years ended March 31, 2016

(Thousands of U.S.Dollars)

	Shareholders' Equity				
	Capital Stock	Capital Surplus	Retained Earnings	Treasury Shares	Total Shareholders' Equity
Balance at April 1, 2015	\$76,947	\$46,793	\$518,955	(\$2,609)	\$640,087
Cumulative Effects of Changes in Accounting Policies			-		-
Adjusted Balance at April 1, 2015	76,947	46,793	518,955	(2,609)	640,087
Changes of Items During Period					
Dividends of Surplus			(5,078)		(5,078)
Profit Attributable to Owners of Parent			29,278		29,278
Purchase of Treasury Shares				(38)	(38)
Disposal of Treasury Shares		-		-	-
Net Changes of Items Other Than Shareholders' Equity					
Total Changes of Items During Period	-	-	24,200	(38)	24,161
Balance at March 31, 2016	76,947	46,793	543,155	(2,647)	664,249

	Accumulated Other Comprehensive Income				Subscription Rights to Shares	Non-Controlling Interests	Total Net Equity
	Valuation Difference on Available-for-Sale Securities	Deferred Gains Or Losses on Hedges	Remeasurements of Defined Benefit Plans	Total Accumulated Other Comprehensive Income			
Balance at April 1, 2015	\$63,695	\$2	\$1,310	\$65,008	-	\$11,242	\$716,338
Cumulative Effects of Changes in Accounting Policies							-
Adjusted Balance at April 1, 2015	63,695	2	1,310	65,008	-	11,242	716,338
Changes of Items During Period							
Dividends of Surplus							(5,078)
Profit Attributable to Owners of Parent							29,278
Purchase of Treasury Shares							(38)
Disposal of Treasury Shares							-
Net Changes of Items Other Than Shareholders' Equity	(17,386)	(2)	(9,141)	(26,530)	164	534	(25,831)
Total Changes of Items During Period	(17,386)	(2)	(9,141)	(26,530)	164	534	(1,669)
Balance at March 31, 2016	46,309	0	(7,831)	38,478	164	11,777	714,669

## Notes

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# Consolidated Statement of Cash Flows

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S.Dollars)
	Years ended March 31,2015	Years ended March 31,2016	Years ended March 31,2016
<b>Cash Flows from Operating Activities</b>			
Income Before Income Taxes and Non-Controlling Interests	¥5,469	¥4,939	\$43,835
Depreciation	1,302	1,256	11,146
Impairment Loss	79	47	425
Gain on Bargain Purchase	(938)	-	-
Increase (Decrease) in Allowance for Loan Losses	354	(939)	(8,337)
Increase (Decrease) in Reserve for Employees' Bonuses	(7)	(15)	(140)
Decrease (Increase) in Net Defined Benefit Assets	(183)	477	4,241
Increase (Decrease) in Net Defined Benefit Liability	(802)	780	6,927
Increase (Decrease) in Reserve for Directors' Retirement Benefits	(9)	(13)	(117)
Increase(Decrease) in Provision for Reimbursement of Deposits	(12)	(1)	(17)
Gain on Fund Management	(18,320)	(17,348)	(153,963)
Financing Expenses	1,254	1,062	9,430
Loss(Gain) Related to Securities	(2,013)	(2,730)	(24,235)
Loss (Gain) on Money Held in Trust	(11)	(12)	(111)
Loss(Gain) on Disposal of Non-Current Assets	4	2	21
Net Decrease (Increase) in Trading Account Securities	31	(167)	(1,483)
Net Decrease (Increase) in Loans and Bills Discounted	(14,204)	(19,519)	(173,233)
Net Increase (Decrease) in Deposit	22,282	(50,349)	(446,833)
Net Increase (Decrease) in Negotiable Certificates of Deposit	68,215	(63,215)	(561,018)
Net Increase (Decrease) in Borrowed Money (Excluding Subordinated Borrowings)	9,333	6,211	55,124
Net Decrease (Increase) in Deposit (Excluding Deposit Paid to Bank of Japan)	(151)	(25)	(221)
Net Decrease (Increase) in Call Loans	5,000	-	-
Net Decrease (Increase) in Foreign Exchanges Assets	68	(87)	(776)
Net Increase (Decrease) in Foreign Exchanges Liabilities	10	(21)	(189)
Net Decrease (Increase) in Lease Receivables and Investment Assets	(629)	(543)	(4,824)
Proceeds from Fund Management	18,550	17,699	157,074
Payments for Finance	(1,340)	(1,086)	(9,640)
Other, net	(7,682)	758	6,733
<b>Subtotal</b>	<b>85,652</b>	<b>(122,841)</b>	<b>(1,090,184)</b>
Income Taxes Paid	(1,692)	(1,553)	(13,789)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>83,960</b>	<b>(124,395)</b>	<b>(1,103,974)</b>
<b>Cash Flows from Investing Activities</b>			
Purchase of Securities	(426,436)	(320,066)	(2,840,494)
Proceeds from Sales of Securities	416,469	332,100	2,947,286
Proceeds from Redemption of Securities	5,849	51,976	461,279
Decrease in Money Held in Trust	611	12	115
Purchase of Tangible Fixed Assets	(813)	(1,099)	(9,758)
Purchase of Intangible Fixed Assets	(338)	(693)	(6,152)
Proceeds from Sales of Tangible Fixed Assets	168	109	975
<b>Net Cash Provided by (Used in) Investing Activities</b>	<b>(4,490)</b>	<b>62,340</b>	<b>553,249</b>
<b>Cash Flows from Financing Activities</b>			
Repayments of Lease Liabilities	(147)	(70)	(628)
Redemption of Subordinated Bonds	(8,000)	-	-
Purchase of Treasury Shares	(3)	(4)	(38)
Proceeds from Sales of Treasury Shares	0	-	-
Cash Dividends Paid	(571)	(570)	(5,060)
Dividends Paid to Non-Controlling Interests	(2)	(2)	(18)
<b>Net Cash Provided by (Used in) Financing Activities</b>	<b>(8,724)</b>	<b>(647)</b>	<b>(5,746)</b>
<b>Effect of Exchange Rate Changes on Cash and Cash Equivalents</b>	<b>(9)</b>	<b>(0)</b>	<b>(1)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>70,735</b>	<b>(62,703)</b>	<b>(556,472)</b>
<b>Cash and Cash Equivalents at Beginning of Period</b>	<b>121,765</b>	<b>192,500</b>	<b>1,708,383</b>
<b>Cash and Cash Equivalents at End of Period</b>	<b>192,500</b>	<b>129,797</b>	<b>1,151,911</b>

## Notes

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# Board of Directors and Corporate Auditors

As of June 30, 2016

● **Chairman**  
Noriji Yamada

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

● **Senior Managing Director**  
(Representative Director)  
Akihiro Mochizuki

● **Managing Directors**  
Shigeru Nonoyama  
Ayato Mochizuki

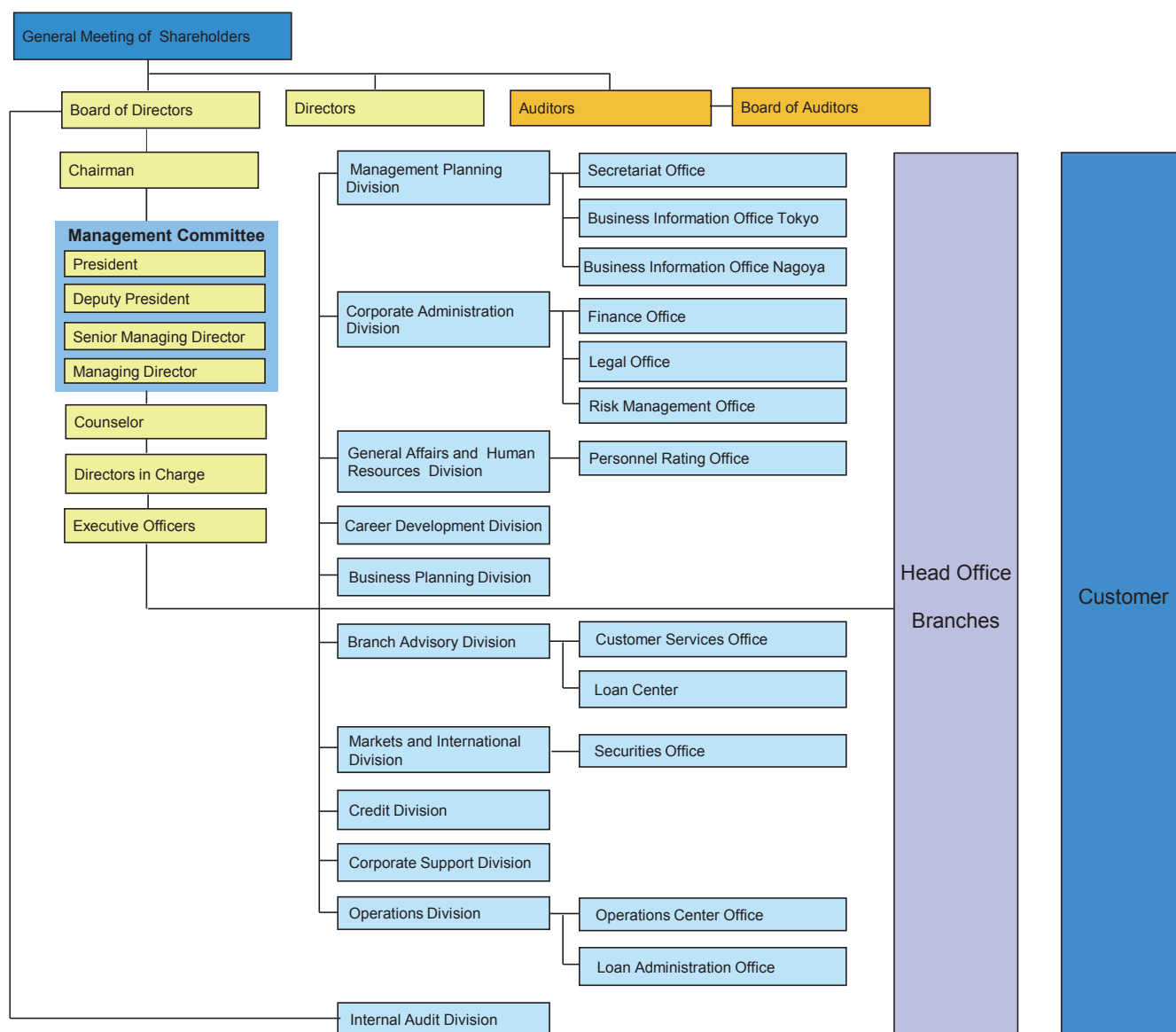
● **Directors**  
Sumiko Suzuki  
Fujio Kaneda  
Keiko Higashi  
Naoyuki Shirakawa  
Syunji Usami  
Yasuhiro Iwayama

● **Corporate Auditors**  
Kazuhito Kobayashi  
Akihiro Sei  
Youichiro Ito  
Kazuaki Isobe

● **Managing Executive Officers**  
Syuji Sano  
Masashi Harada  
Fumitoshi Yabuzaki  
Yoshiaki Harada

## Organization Chart

As of March 31, 2016



**THE SHIMIZU BANK, LTD.**

**MARKETS AND INTERNATIONAL DIVISION**

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