

Frequently Asked Questions



Below are the main frequently asked questions received by the Bank since the financial results briefing on Nov. 15, 2021.

Q1	Do you currently have any specific image on development of new business fields which is enabled through revise of Banking Act? Besides, what quantitative effect on financial performance do you expect?
A1	We will examine development of new business fields in detail from now on. Our image is to provide what is required by the community and what we cannot currently provide through existing 13 subsidiaries. One example is consulting and worker dispatching businesses on IT system by taking advantage of our Next Generation System which has recently started. Moreover, we will examine feasibility of company specializing in investment, debt collection business, regional trading company, and so on while expanding regional businesses. While it is difficult to clearly show quantitative target at present, our aim is to build a new pillar for growth with image to grow to a corporate group with consolidated ordinary profit larger than JPY 80.0bn, which we aim in the 14 th Medium-term Business Plan. We will prepare to show some policy when we start the holding company structure in Oct. 2022.

Q2	What kind of specific strategy do you plan in order to enhance independence of Group companies?
A2	<p>Under the current structure, there is a strong sense within the Group that the Bank is a parent and subsidiaries are children, and dependence on sales by the Bank tends to be strong. While we aim at higher independence of Group companies by positioning them at the same level with the Bank through transformation to holding company structure, that cannot be achieved without change in mindset. Personnel system is important in that context.</p> <p>Until now, positions as president in Group companies were almost always for those who retired from executive positions in the Bank. Yet, various career paths based on Group-wide personnel management is important in the future. For instance, relatively young people in level of general managers of department or section in the Bank will be appointed as president of Group companies and will go back to the Bank afterwards, or people in level of senior executives in the Bank will be selected as executives in the holding company after serving as president of Group companies. Besides, we should appropriately manage treatment while considering balance of income level among the Bank and other Group companies.</p> <p>While we announced transformation to the holding company in September, we have implemented some measures to reinforce collaboration within the Group so far, including human resources interaction of more than 150 people in total since April 2020, and appointment of 2 people in level of branch managers as president of Group companies.</p>

Q3	How fast do you plan to increase execution of sustainable finance to achieve target?
A3	Results in 1H FY2021 is JPY 51.1bn while target for FY2021 is JPY 100.0bn, showing favorable progress. We recognize from our interview to regional companies that approx. 70% of our customers have not yet started initiatives for decarbonization. We expect that execution of sustainable finance grows steadily every year through enlightenment and activities to stimulate finance needs. I would like you to understand as of now that the execution will gradually increase, while it will largely depend on progress of shift to EV or decarbonization by major automobile manufacturers as manufacturing related to automobile is main industry in Shizuoka Prefecture.

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Q4	How will loan balance and net interest income increase compared to current level if you achieve your target in amount of sustainable finance of JPY 2tn (including environment finance of JPY 1tn)?
A4	We have computed this target by comprehensively taking into consideration amount assumed to necessary within Shizuoka Prefecture and market share of the Bank. We currently do not estimate the level on how sustainable finance will increase loan amount or net interest income. We think that sustainable finance will lead to various types of income such as fee incomes from corporate customers and income from worker dispatching business as well as net interest income. We will promote sustainable finance while supporting local economy, and further enhance disclosure on it under the next Medium-term Business Plan.
Q5	Do mega banks conduct aggressive sales on sustainable finance to regional companies? How fast do you expect enlightenment of decarbonization to customers to lead to actual achievement?
A5	Mega banks do not take major roles in this field in Shizuoka Prefecture. It is only Shizuoka Bank Group that provides positive impact finance to SMEs in Shizuoka Prefectures, and we would like to lead decarbonization within the community through these initiatives. We do not think that enlightenment to our customers immediately leads to actual achievement as approx. 70% of our customers have not yet started initiatives for decarbonization.
Q6	What kind of exception do you assume while your policy is not to extend loan to coal-fired power generation plants “in principle”? Do you think loan amount to such plants should be zero soon? Or, do you regard coal-fired power generation as necessary on certain condition in transition period to reusable energy?
A6	Exception to the “principle” is to extend loans which the Bank has already committed such as use of existing commitment lines, and we do not plan to conclude new commitment-line contracts. As reduction of CO2 emission is global trend, we basically should follow it. We need to make efforts in order to achieve our target to reduce CO2 emission in FY2030 by 60% compared to that in FY2013. Our basic policy on loans to coal-fired power generation plants is to reduce them. While most of those loans will mature by FY2040, we may achieve our target sooner if we can use debt assignment.
Q7	What effect do you expect the “Climate Response Financing Operations” by Bank of Japan to have on sustainable finance?
A7	Response to climate change is a social issue. We think it important for us to show our attitude to lead banking industry on this issue by setting an example through use of “Climate Response Financing Operations”. Thus, we have applied to the operation from the beginning.
Q8	Have you met requirement for the “Special Deposit Facility” by Bank of Japan on the basis in FY2021? If so, what impact do you expect on your financial performance? Moreover, do you reflect it in the earning forecast?
A8	We have met the requirement for FY2021. While we expect increase in profit by approx. JPY 1.0bn in FY2021, we do not reflect it in the earning forecast.

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Q9	We have an impression that target level of net interest income for FY2021 is higher than result in FY2020. How do you evaluate the result in 1H FY2021, and how likely are you to achieve the annual target?
A9	Progress rate in 1H to annual target is 50.2%. Increase in profit from investment trust is expected as stock price level continues to be favorable. In addition, effect of “Special Deposit Facility” by Bank of Japan is not reflected in annual target. Thus, we are not worried so much about achievement of the target.

Q10	How large is the effect of cross-industry collaboration on profit? How do you estimate the possibility for future growth? Which partners do you expect to be a pillar in future?
A10	Collaboration with Monex Group generates profit based on the equity-method investment balance of JPY 2.4bn, increasing the consolidated profit. As for venture capital funds, we see some dividends due to exits, contributing to our profit. In the field of housing loans, we receive 8,854 applications for loan through 4 partners. While the fact that only small portion of applications lead to execution is an issue, applications which consequently lead to execution do contribute to our profit. We do not put together profits from cross-industry collaboration as they are dispersedly recorded in various levels of income, but we will consider reinforcing disclosure in future.

Q11	Do you think it necessary to expand the Alliance in order to further strengthen market credit investment?
A11	While we have so far explained our plan to invite some banks in the field of market credit investment, that was not so successful. That is probably because expertise in credit review and risk management is required in this field. The Alliance with Yamanashi Chuo Bank has enabled both banks to jointly work on such investment by sharing know-how and establishing rules partly through personnel interaction. We expect that other regional banks have strong needs in this field, and thus further expansion is possible by inviting other banks through alliance and so on.

Q12	How do you evaluate your current CET1 ratio? What is your policy on level of surplus capital and use of it in future? What do you think on the balance between investment for growth and shareholders return?
A12	<p>CET1 ratio as of the end of Sep. 2021 is 16.60%, slightly higher than that as of the end of Mar. 2021. Yet, that includes effect of valuation difference on available-for-sale securities, and CET1 ratio excluding that effect is not so large. We do not expect risk asset to stay at current level since we plan to increase investment trust in 2H. Our policy is to generate enough return by appropriately increasing risk asset. We should also consider effect of Basel III Finalization. While we have so far explained that it will lower the ratio by 2.7pt according to our conservative trail calculation in Sep. 2017, we will again perform trail calculation by using data as of the end of Sep. 2021 and talk about it in future investor presentations. We will further reinforce growth strategy including development of new business fields after transformation to holding company structure. We will examine our policy on shareholders return after the transformation by considering balance among dividend, share buyback, and investment for growth.</p> <p>※ We do not change our policy on shareholders return from “50% or higher in medium and long term (consolidated)” as of now.</p>

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