

# Frequently Asked Questions



Below are the main frequently asked questions received by the Bank since the financial results briefing on Nov. 16, 2020.

<b>Q1</b>	<b>Please explain following aspects with regard to comprehensive business alliance with Yamanashi Chuo Bank; (1) background, (2) scale of mutual investment, (3) breakdown of effect of JPY 10.0bn (in category)</b>
<b>A1</b>	<p>(1) We have continuously examined mutual alliance with Yamanashi Chuo Bank in consideration of change in movement of people and things due to opening of expressway between Shizuoka Pref. and Yamanashi Pref., and with the aim of supporting administrative partnership over a wide area in financial terms. We have made a judgment that this comprehensive business alliance will enable both banks to jointly utilize service lineup broadened through cross-industry collaboration and function of group companies within Shizuoka Bank Group, leading to realization of benefit.</p> <p>(2) Investment is not assumed in the comprehensive business alliance. Rather, it is a proof that both banks will work on the alliance seriously, and investment amount will be limited (extent that composition of major shareholders is not affected).</p> <p>(3) We expect that both banks will respectively enjoy effect of JPY 5.0bn from the alliance. In addition, we assume that effect of increase in top line will be 70% and that of decrease in expense will be 30%.</p> <p>While we have rough estimate of effect in each category at present, we will explain it in future based on the progress because project team of the alliance has just started in Nov.</p>

<b>Q2</b>	<b>How large do you assume asset size in balance sheet and risk asset size with regard to ecosystem of regional innovation? In addition, how large do you expect income from investment in venture fund for the first 3 years?</b>
<b>A2</b>	<p>We plan to make an investment as an anchor investor and to develop human resources in establishment of ecosystem of regional innovation. While we will decide the detailed activities in future, our current plan is investment in venture fund, supply of money including venture debt, and acquisition of fees and commissions. Our project is that this business will grow to be as large as market credit investment at present (20 – 30 people) as a business to grow and support venture firms.</p> <p>Investment in venture fund is activity to promote regional innovation in our 10-Year Strategy, and now is not the time to announce income target for three years. While there are some examples of venture investment by other banks, we believe that we have advantage because alliance and relationship with different industries can be foundation for our investment.</p>

# SHIZU-GIN

# Frequently Asked Questions

<b>Q3</b>	<b>How do you plan to react to the special remuneration system by Bank of Japan?</b>
<b>A3</b>	We do not consider business merger for the purpose of acquiring eligibility of the system. On the other side, our view is that decrease of OHR by 4% is achievable by steadily practicing the 14 <sup>th</sup> Medium-term Business Plan and we would like to achieve the target at the latest in the 3 <sup>rd</sup> year of the Plan. As we have about JPY 1.5tn in due from Bank of Japan, use of the remuneration system will result in effect of JPY 1.0 – 1.5bn.

<b>Q4</b>	<b>What is the condition for you to buy own shares?</b>
<b>A4</b>	As of the end of the 1H FY2020, effect of COVID-19 has not yet completely ended, and we remain our plan of credit related cost as JPY 13.0bn. We will consider repurchase of shares when we can have an outlook on the end of COVID-19 and its effect on customers.

<b>Q5</b>	<b>In what kind of industries did the loan increase? In addition, do you expect that deposits and loans which increased in FY2020 will remain in future fiscal year?</b>
<b>A5</b>	<p>Loans are not concentrated in specific industry like automobiles but diversified in various industries including service industry. By the way, as paradigm shift is happening in all industries, we should further focus on diversification in future.</p> <p>Besides, majority of the loans related to COVID-19 remain in the Bank's deposits. Those deposits are expected to be drawn down in future, and we need to pay close attention to such movement. At present, we do not see trend of deposits to go out.</p>

<b>Q6</b>	<b>Is there any downside risk for 2H FY2020 due to COVID-19 which is currently identified?</b>
<b>A6</b>	<p>Our plan of annual credit related cost was JPY 13.0bn (JPY 10.0bn including JPY 7.0bn of COVID-19-related for 1H, and JPY 3.0bn without COVID-19-related for 2H), but the actual credit related cost for 1H was only JPY 4.8bn including JPY 2.0bn of COVID-19-related.</p> <p>While we have not identified any downside risk for 2H, we think that it will take long time for things to return to before COVID-19 pandemic. For instance, it will take at least 1 or 2 years for demand in accommodation industry including demand for tourism from abroad to return.</p> <p>We use average maturity and set long calculation period in calculation of general allowance for loan losses, and compute credit related cost conservatively. We will continue the method in future.</p>