

# Frequently Asked Questions



Below are the main frequently asked questions received by the Bank since the financial results briefing on May 12, 2021.

<b>Q1</b>	<b>Do you plan to further decrease ownership ratios of Monex Group? Also, do you plan to sell shares with unrealized profit such as those of Monex Group and Money Forward in order to mitigate future risks?</b>
<b>A1</b>	<p>We sold some shares of Monex Group at this time because our ownership ratios rose due to Monex's share buyback as a way to return its profit to shareholders and because both Monex and we think that appropriate level of the ratio is around 20%, the ratio as of conclusion of business and capital tie-up. Thus, we do not currently plan to lower the ratio below 20% by further selling.</p> <p>While unrealized profits of shares including Money Forward's get large, the Bank continuously decreases strategic shareholdings. As a result, unrealized profit of shares which the Bank can sell without worsening relationship with issuers as of the end of Mar. was approx. JPY 37.0bn. As our explanation so far, we will compensate increase in expenses due to launch of Nest Generation System with gain on sales of strategic shareholdings in order to maintain certain degree of profit. Thus, we do not plan at present to actively utilize unrealized profit of the two companies' shares.</p>
<b>Q2</b>	<b>Did you originally assume impairment loss of branches which you recorded in 4Q of FY2020? Also, are you likely to recognize similar loss in FY2021 as well?</b>
<b>A2</b>	<p>We recognized impairment loss on branches of approx. JPY2.9bn in 4Q. This is because we conducted review of rules on incomes in management accounting (reduction of internal transfer rate of deposit), resulting recognition of impairment loss on 43 branches. Impairment loss on branches is common issue for regional banks in extended low-interest environment. We think that we completed recognition of required amount of impairment loss.</p>
<b>Q3</b>	<b>There is a great gap between targeted consolidated ordinary profit in the 14<sup>th</sup> Medium-term Business Plan for the last year (FY2022) of JPY 80.0bn and current target of the profit for FY2021 of JPY 62.0bn. What kind of strategy are you planning to increase profit? Also, is there possibility that you modify the target?</b>
<b>A3</b>	<p>We recognize such gap. One main factor is credit-related cost. While we assume the cost of JPY 13.0bn for FY2021, our assumption on the cost as of establishment of the Medium-term Business Plan was JPY 7.0bn for each year, resulting in the gap of JPY 6.0bn. Reduction of credit-related cost to the usual level can lead to increase in profit. In addition, profit in the market division has not yet reached to the level of our initial plan. Besides, while profit in group companies are steadily growing, more profits in such areas as market credit investment, innovation, and cross-industry collaboration are needed. Although the target is high, at present we aim at achieving it.</p>

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<b>Q4</b>	<b>Regarding Shizuoka Yamanashi Alliance, have you seen any unexpected thing since establishment? Also, have you seen any synergy in tie-up between banks?</b>
<b>A4</b>	<p>Honestly speaking, we really think that this alliance is beneficial. We have new findings in every meeting, which makes us feel that there are various kinds of business opportunities. The fact that we can work on it speedily is unexpected for us in a positive way.</p> <p>We also find synergy that the two banks collaborate with mutual stimulus. For instance, there were new findings which we got by understanding scale of each item in expenses of Yamanashi Chuo Bank. Effect of JPY 1.1bn in income has been realized for five months since the establishment, and we hope that we will further increase income mainly in such areas as market credit investment and Shizugin TM Securities. We also have expectation in international business that letting customers of Yamanashi Chuo Bank utilize our overseas network can lead to new businesses.</p> <p>We hope that this alliance will be the best among various alliances in Japan.</p>

<b>Q5</b>	<b>What is your planned schedule to develop start-up supporting business?</b>
<b>A5</b>	<p>Department in charge of start-up supporting business will be established in June. Besides, Innovation Promoting Office currently considers investing in a venture fund to develop start-up supporting business. After investing in the fund, we would like to understand start-ups' view on funding (venture debt, mezzanine, etc.) as well as extend our knowledge for monetization through dispatching employees to the fund and training human resources.</p> <p>For further information, the purpose of investing in the venture fund is not only to get income but also to introduce advanced technology of start-up firms into community in Shizuoka Prefecture. We are planning to achieve this purpose by holding TECH BEAT Shizuoka every year and so on.</p>

<b>Q6</b>	<b>In what kind of background did you decide to increase dividend and to repurchase your own shares?</b>
<b>A6</b>	<p>While we refrained from capital management in COVID-19 pandemic, at this time we decided to increase dividend by JPY 3 and to repurchase our own shares as a result of taking the circumstances such as current profit level, capital adequacy ratio, and forecast on COVID-19 into considerations. Regarding dividend, we were conscious of dividend payout ratio in FY2019 (32.6%), and realized the ratio of 32.8% in FY2020 through the increase in dividend. As for share buyback, we made a decision based on our stock price level at present. We aim at shareholders return ratio of 50% or higher in medium to long run.</p>

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<b>Q7</b>	<b>Do you keep your policy unchanged to compensate expenses related to Next Generation System with gains on sales of stocks?</b>
<b>A7</b>	We forecast JPY 11.3bn as expenses related to Next Generation System in FY2021. Our plan is to compensate those expenses with extraordinary profit of JPY 6.0bn by selling stocks of Monex Group and gains on sales of other stocks, and that is reflected in our earnings forecast.

<b>Q8</b>	<b>Why did error occur after launching Next Generation System? Besides, does the system really lead to your strength to avoid “2025 digital cliff”?</b>
<b>A8</b>	<p>Errors in the system which troubled our customers have occurred since launching the system on January 4<sup>th</sup> in this year. We recognize that this project involves high difficulty in that we shift the system which we had used for longer than 30 years into open-type one with changing the system vendor. One main reason of the error is that record on customization in the old system has been in so-called black box and that we could not reflect part of it.</p> <p>Stable operation of the system will be accomplished after experiencing various events for one year. While small errors may occur in future, we would like to overcome them. We think that it is because human resources who know the old system well still remain in the Bank that we could overcome errors. Thus, what we truly feel is that it was good decision to renew the system now before 2025.</p> <p>For further information, we would like to make open-type core system a de facto standard and to enhance management as a group by utilizing the could shared within Shizuoka Bank Group, which we planned from the beginning, after achieving stable operation.</p>