SURUGA bank, Ltd.
Financial Results for FY3/21

May 28th, 2021

SURUGA bank

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Actual Results for FY3/21;Comparison with FY3/20

- Gross operating profit decreased 7.8 billion yen year-on-year to 72.5 billion yen, mainly due to a decline in net interest income.
- Actual credit costs increased by 9.8 billion yen year-on-year to 12.2 billion yen, mainly for share house-related borrowers and due to disappearance of special factors that were in effect the previous fiscal year.
- Net operating profit increased by 13.5 billion yen year-on-year to 50.1 billion yen, mainly due to a reversal in general allowance for loan losses (transfer to specific allowance for loan losses) resulting from lowering the classification of borrowers of share house-related loans.
- Net income (non-consolidated) decreased by 5.5 billion yen year-on-year to 18.9 billion yen due to the above factors.
- Net income (consolidated) decreased by 3.8 billion yen year-on-year to 21.4 billion yen due to factors such as a decrease in non-consolidated net income.

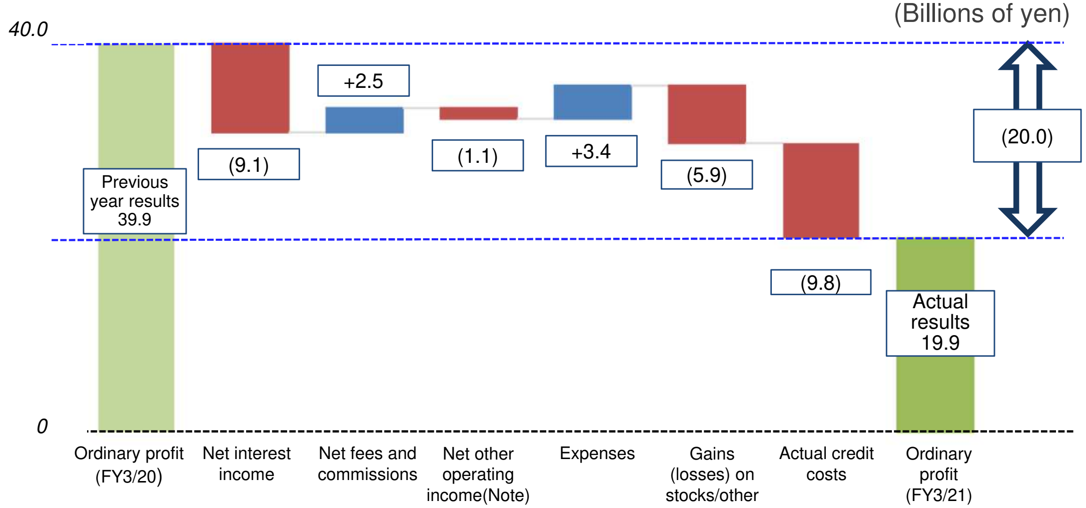
<Non-consolidated> (Billions of yen)

	Actual results for FY3/20	Actual results for FY3/21	Year-on-year
Gross operating profit	80.3	72.5	(7.8)
Expenses	43.7	40.3	(3.4)
Core net operating profit	36.3	31.1	(5.1)
Net operating profit	36.5	50.1	+13.5
Ordinary profit	39.9	19.9	(20.0)
Net income	24.4	18.9	(5.5)
Actual credit costs	2.4	12.2	+9.8
ROE (%) (Net income basis)	11.3	7.9	(3.4)
Profit attributable to owners of parent	25.3	21.4	(3.8)
Earnings per share (yen)(consolidated)	109.3	92.5	(16.8)

Factors causing variation in ordinary profit (comparison with previous year)

	Main factors
Net interest income	・Decline in interest on loans (average balance factors -7.9 billion yen, yield factors -1.9 billion yen)
Net fees and commissions	・Reduction in commission expenses due to securitization
Net other operating income	・Reduction in profit on sales of debt securitized accounts receivable (-1.9 billion yen)
Expenses	・Decrease in non-personnel expenses
Actual credit costs	・Degraded classification of borrowers of share house-related loans ・Reduction in reversal of allowance for loan losses due to full collection of loans for founder-affiliated companies (-13.4 billion yen)

(Billions of yen)



(Note)Net Other operating income excluding gains(losses) on bonds

Actual Credit Costs, Share House-related Loans <Non-consolidated>

- Actual credit costs of borrowers of share house-related loans resulted in a 0.4 billion yen reversal of allowance for loan losses for the fiscal year ended March 2021 accompanying the second bulk transfer of loans in the fourth quarter.
- The total coverage ratio for borrowers of share house-related loans increased 3.95% to 95.24% versus end of the previous fiscal year due to an increase in allowance for loan losses.
- Actual credit costs for borrowers other than share house-related loans were 5.9 billion yen for the fourth quarter and 12.7 billion yen for the fiscal year ended March 2021.

・Actual credit costs and Allowance for loan losses

(Billions of yen)

Item	1Q	2Q	3Q	4Q	Actual credit costs for FY3/21	Allowance
Share house-related loans	1.1	2.9	(0)	(4.5)	(0.4)	76.7
Investment property loans(Note)	5.0	(2.0)	3.1	5.8	12.0	59.5
Housing loans	0.8	(0.7)	0.3	(0.1)	0.2	4.3
Unsecured loans	0.3	(0.1)	0	(0)	0.1	2.7
Business financing, etc.	0	0.4	(0.4)	0.2	0.3	8.3
Total	7.3	0.4	3.1	1.3	12.2	151.8

(Note)Investment property loans: studio apartment loans, single building apartment loans, other secured loans

・Share house-related loans(Status of coverage)

	Total credit balance A	Share house loan receivables	Covered amount B	Unsecured portion C	Allowance D	Coverage ratio (B+D)/A
Mar.31,2020	192.1	154.7	72.7	119.3	102.5	91.29%
Sep.30,2020	189.1	153.5	71.8	117.3	106.5	94.31%
Mar.31,2021	135.7	107.2	52.5	83.1	76.7	95.24%

(Note 1) Based on obligors of share house-related loans.
(Note 2) Covered amount: Estimated amount, calculated by multiplying the covered amount including collateral, etc. by a certain ratio.
(Note 3) Total credit balance, share house loan receivables: Loans and bills discounted, suspense payments equivalent to loans and bills discounted, and accrued interest on loans and bills discounted.

Outstanding Balance, Yield, and Delinquency Rate by Loan Category <Non-consolidated>

- Loan yield on both consumer loans and corporate loans for property investment, which were planned to be promoted in the med-term business plan, was 3.63%.
- The rise in the delinquency rate of consumer loans (0.78% increase from the end of March 2020) was mainly due to an increase in the number of delinquent borrowers of share house-related loans, who suspended their repayment because they wished their loans to be transferred. (The delinquency rate of whole consumer loans was pushed up in part by delinquent borrowers of share house loans also being delinquent on other loans.)
- Excluding borrowers of share house-related loans, the delinquency rate for all consumer loans was 2.14% as of the end of March 2021.

(Billions of yen)

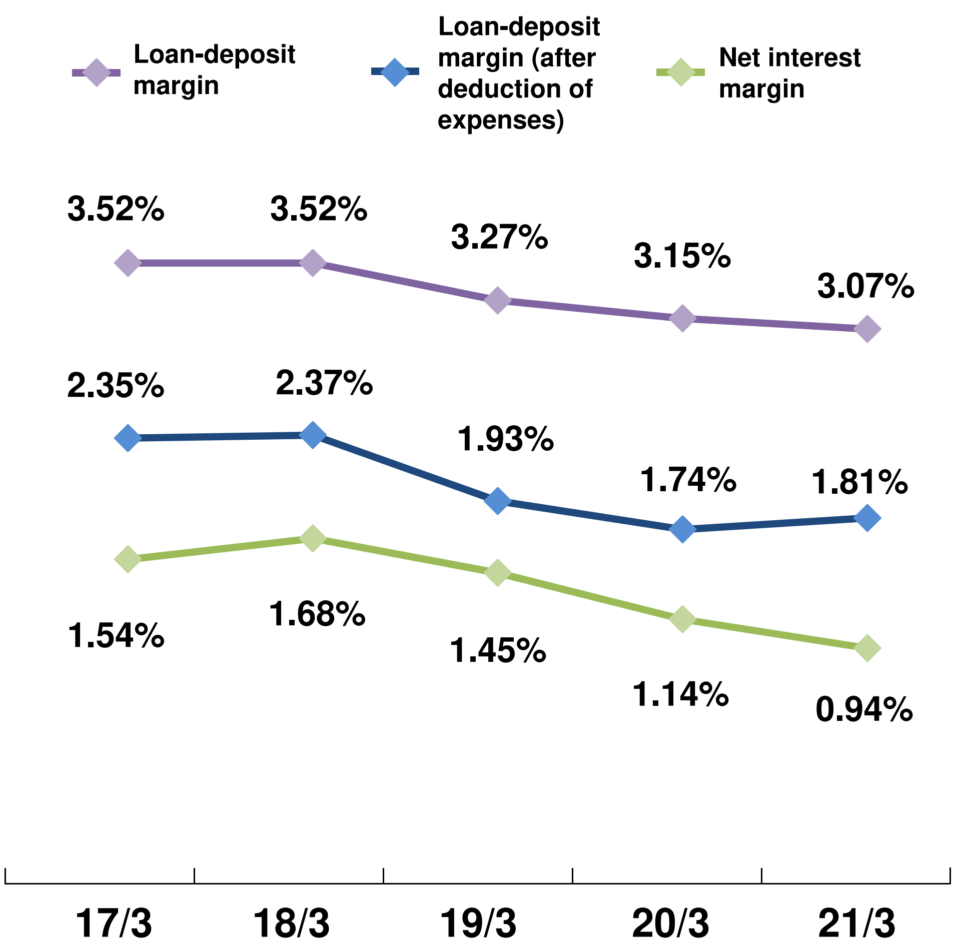
Loan category	Mar.31,2020			Mar.31,2021		
	Period-end balance	Yield	Delinquency rate	Period-end balance	Yield	Delinquency rate
Secured loans	2,099.0	3.12%	4.14%	1,905.4	3.08%	4.93%
Housing loans	551.3	2.87%	0.59%	497.9	2.83%	0.27%
Studio apartment loans	195.6	3.41%	1.65%	167.8	3.39%	1.58%
Single building apartment loans	1,156.1	3.33%	3.34%	1,096.0	3.24%	3.50%
Share house loans	154.6	1.47%	27.89%	107.1	1.40%	49.06%
Other secured loans	41.2	4.89%	1.05%	36.4	4.73%	0.58%
Unsecured loans	207.9	10.23%	1.76%	170.0	10.32%	2.17%
Card loans	138.4	11.52%	0.70%	112.8	11.69%	0.82%
Unsecured certificate loans	69.4	7.66%	3.88%	57.1	7.63%	4.83%
Consumer loans (A)	2,307.0	3.74%	3.93%	2,075.5	3.66%	4.71%
Consumer loans (excluding share house-related loans)	2,115.0		2.07%	1,939.8		2.14%
Corporate loans for property investment (B)	6.6	2.19%	-	48.6	2.18%	-
Loans for asset management companies	0.2	1.67%	-	15.1	1.95%	-
Structured finance, etc.	6.4	2.21%	-	33.5	2.28%	-
Total <(A) plus (B)>	2,313.6	3.74%	3.92%	2,124.1	3.63%	4.60%

(Note 1) Delinquency rate = Loans past due 3 months or more / Loans
(Note 2) Yield: Yield for customers (excluding guarantee fee, accrued interest), period-end balance basis
(Note 3) Yield and the delinquency rate of studio apartment loans, secured loans and consumer loans are calculated based on original claims before securitization.
(Note 4) As the balance is aggregated by loan type, if obligors of share house loans default on scheduled repayment, the delinquency rate of other loan types will be affected.

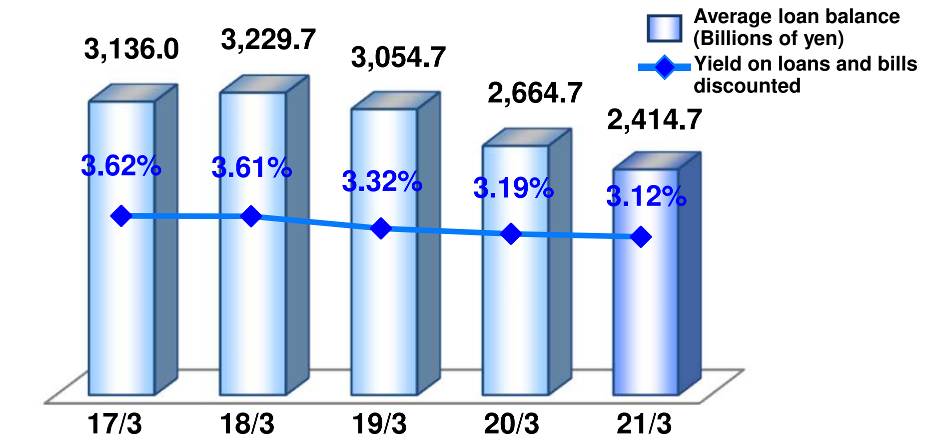
■ Yield/Margins, Loans and Deposits Yield/Average Balance <Non-consolidated>

- The loan-deposit margin increased by 0.07% year-on-year to 1.81% because the 0.14% decrease year-on-year in the expense ratio resulting from promoting the structural reform set forth in the mid-term business plan exceeded the 0.07% decrease year-on-year in yield on loans and bills discounted resulting from the continued relaxation of loan repayment conditions such as lowered interest rates.
- The net interest margin shrank by 0.20% year-on-year to 0.94% because a fall in the return on investment stemming from an increase in deposits with the Bank of Japan exceeded a decrease in funding costs resulting from a decrease in the expense ratio.
- The average loan balance decreased by 250.0 billion yen year-on-year to 2,414.7 billion yen due partly to the special factors (bulk transfer of share house-related loans of approximately 44.2 billion yen).
- The average deposit balance increased by 95.2 billion yen year-on-year to 3,194.4 billion yen.

interest margin

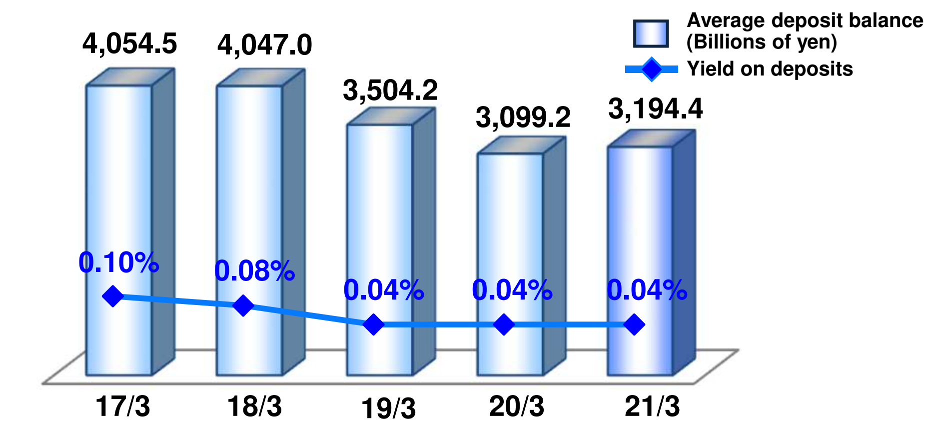


Loans (Average balance / Yield)



(Note)In FY3/20, the balance decreased by approximately ¥200 billion due to factors such as securitization of studio apartment loans, the collection of loans from the founder-affiliated companies, and the transfer of share house-related loans. The factors of the decrease in FY3/21 are referred to the above.

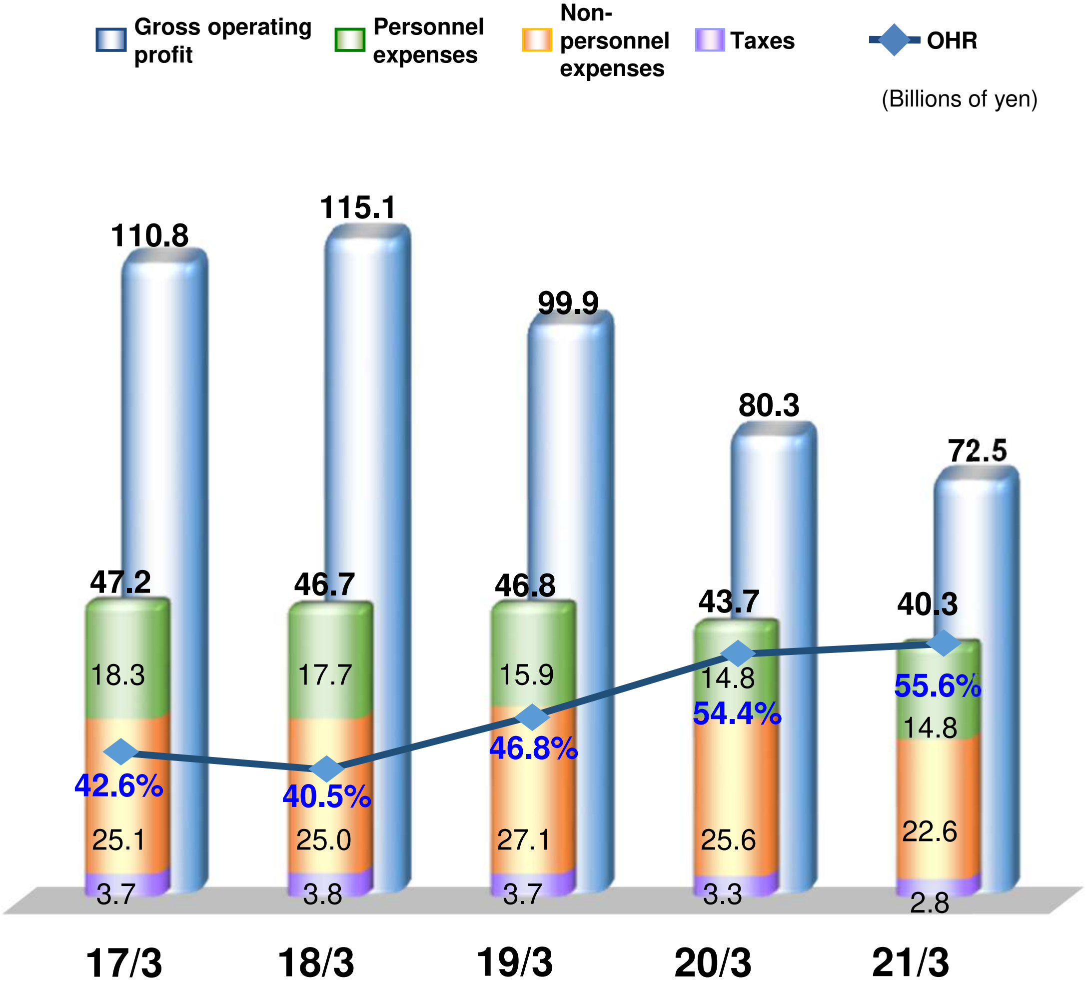
Deposits (Average balance / Yield)



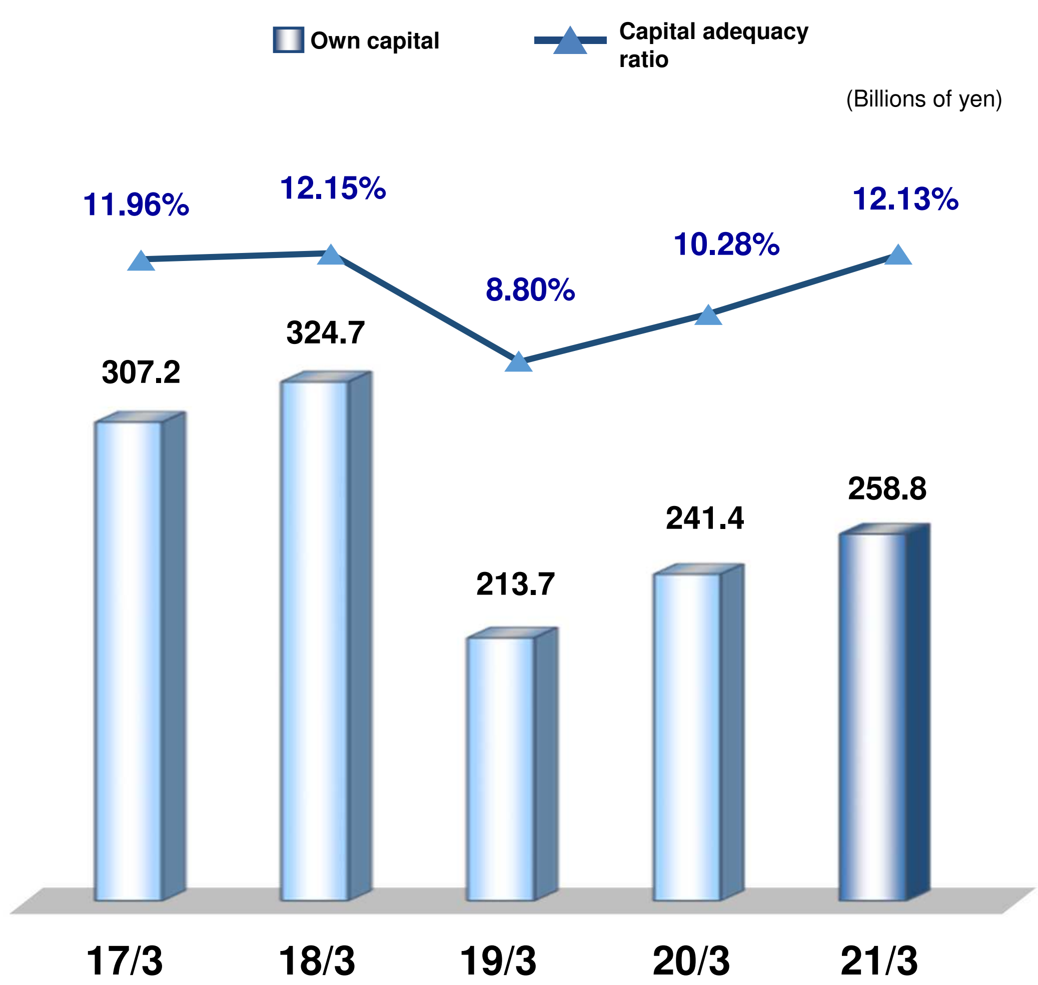
Trends in Expenses, OHR, and Capital Adequacy Ratio <Non-consolidated>

- OHR increased by 1.2% year-on-year to 55.6% due to a decrease in gross operating profit despite efforts to reduce expenses based on the structural reforms set forth in the mid-term business plan.
- Capital adequacy ratio (non-consolidated) rose by 1.85% year-on-year to 12.13%, due to an increase in own capital and a decrease in risk-weighted assets. (12.39% on a consolidated basis)

Trends in Expenses & OHR



Trends in Capital & Capital Adequacy Ratio



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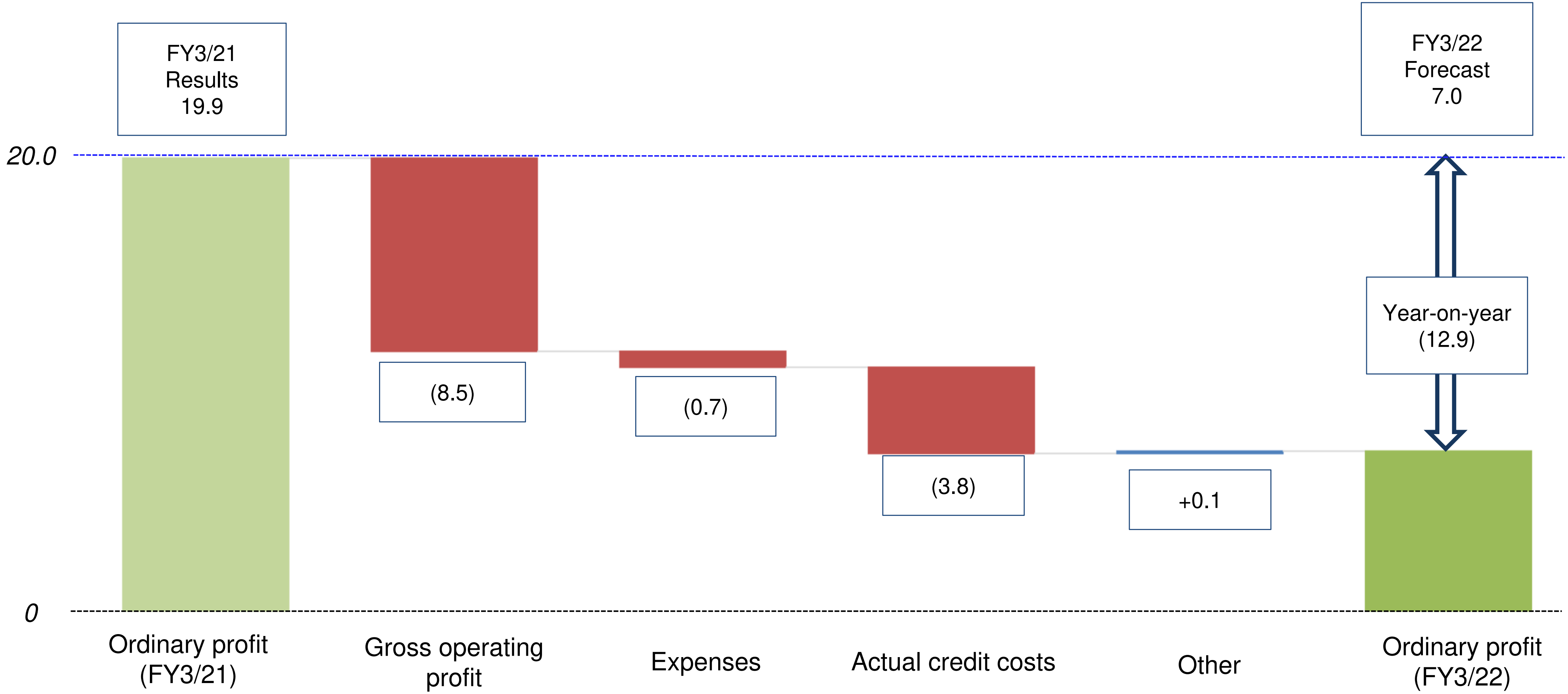
Assumptions for Earnings Forecast for FY3/22 (Comparison with FY3/21)

- Gross operating profit is expected to decline by 8.5 billion yen year-on-year, taking into account the following factors of interest on loans and discounts.
  (1) Disbursement of new loans of 120.0 billion yen
  (2) Decline in interest rates of new loans in line with the aim to shift to medium-risk/medium-return business models where risk is lower than in the past.
  (3) Decrease in yield on loans and bills discounted due to relaxation of loan repayment conditions such as lowered interest rates for existing borrowers.
- Expenses are expected to increase by 0.7 billion yen year-on-year, reflecting the temporary burden of expenses for such as branch relocation.
- Actual credit costs are expected to increase by 3.8 billion yen year-on-year to 16.0 billion yen, estimating additional provisions for share house loans and for a bulk transfer of loans in the second half of the fiscal year, and additional provisions to prepare for future credit risks of single building apartment loans.

[Earnings Forecast for FY3/22 and Factors for Differences with FY3/21 Results]

(Billions of yen)



Earnings Forecast for FY3/22 <Non-consolidated & Consolidated>

- Core net operating profit is expected to decline 8.1 billion yen year-on-year to 23.0 billion yen, mainly due to a decrease in ordinary income and an increase in expenses.
- Actual credit costs are expected to be 14.0 billion yen in the first half of FY3/22 out of 16.0 billion yen for the full year, including an additional provision for allowance for loan losses due to suspension of repayment of share house loans by more than half of borrowers who wish their loans to be transferred.
- Net income is expected to be 6.0 billion yen on a non-consolidated basis and 7.0 billion yen on a consolidated basis.

[Non-consolidated]

	FY3/21 Results (1)	FY3/22 Forecast			Year-on-year (2)-(1)
		First half	Second half	Full year (2)	
Ordinary income	89.2	39.5	38.5	78.0	(11.2)
Gross operating profit (A)	72.5	32.5	31.5	64.0	(8.5)
Expenses (B)	40.3	21.0	20.0	41.0	+0.7
Core net operating profit	31.1	11.5	11.5	23.0	(8.1)
Ordinary profit	19.9	(2.5)	9.5	7.0	(12.9)
Net income	18.9	(3.0)	9.0	6.0	(12.9)
Actual credit costs (C)	12.2	14.0	2.0	16.0	+3.8
RA gross operating profit (A-C)	60.3	18.5	29.5	48.0	(12.3)
OHR (B/A)	55%	64%	63%	64%	+9%
Capital adequacy ratio	12.13%	12.10%		12.56%	+0.43%
Dividends per share	5.0 yen	-		5.0 yen	± 0 yen

[Consolidated] (Billions of yen)

	FY3/22 Forecast		
	First half	Full year (3)	Cons-parent differential (3)-(2)
Ordinary income	44.0	87.0	+9.0
Ordinary profit	(2.0)	8.0	+1.0
Net income	(2.5)	7.0	+1.0

Earnings Forecast for FY3/22 <Comparison with KPI in Final Fiscal Year of Phase 1 of Mid-term Business Plan>

- Although the FY3/22 plan will be lower than the KPI in terms of RA gross operating profit and OHR, we will aim to achieve the KPI in the final fiscal year of the mid-term business plan by steadily disbursing new loans, providing finely-tuned response to existing borrowers, and reducing expenses.

(Billions of yen)

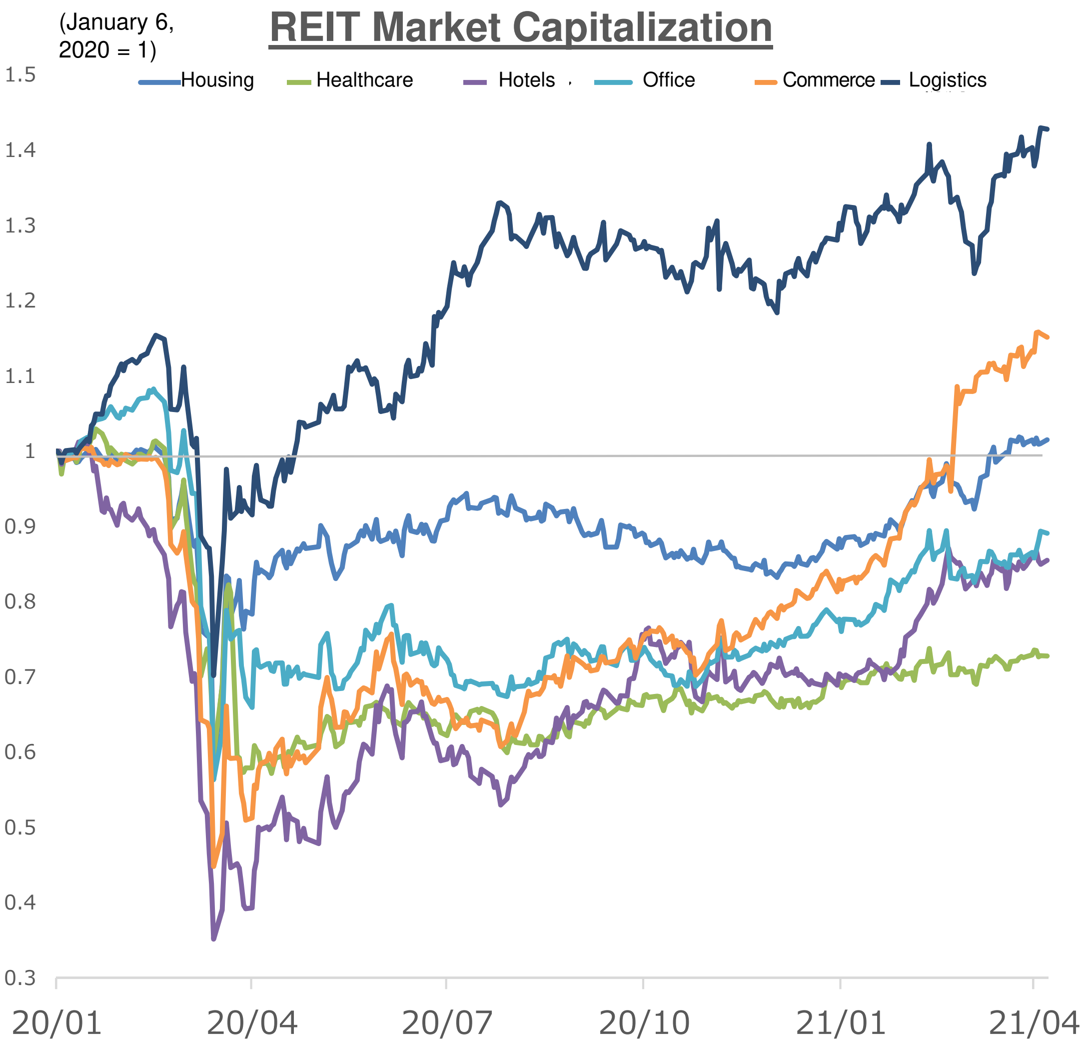
		FY3/21 Results	FY3/22 Forecast	FY3/23 (Final Fiscal Year of Phase 1) [KPI]
Non-consolidated	**RA gross operating profit** (Note1)	**60.3**	**48.0**	**49.0**
	OHR (Note2)	**55%**	**64%**	**Less than 60%**
	Net income	**18.9**	**6.0**	**6.0**
	Capital adequacy ratio	**12.1%**	**12.5%**	**More than 10%**
Consolidated	**Profit attributable to owners of parent**	**21.4**	**7.0**	**7.0**

(Note1) RA (Risk Adjusted) Gross Operating Profit = Gross Operating Profit - Actual Credit Costs
(Note2) OHR (Overhead Ratio) = Expenses / Gross Operating Profit

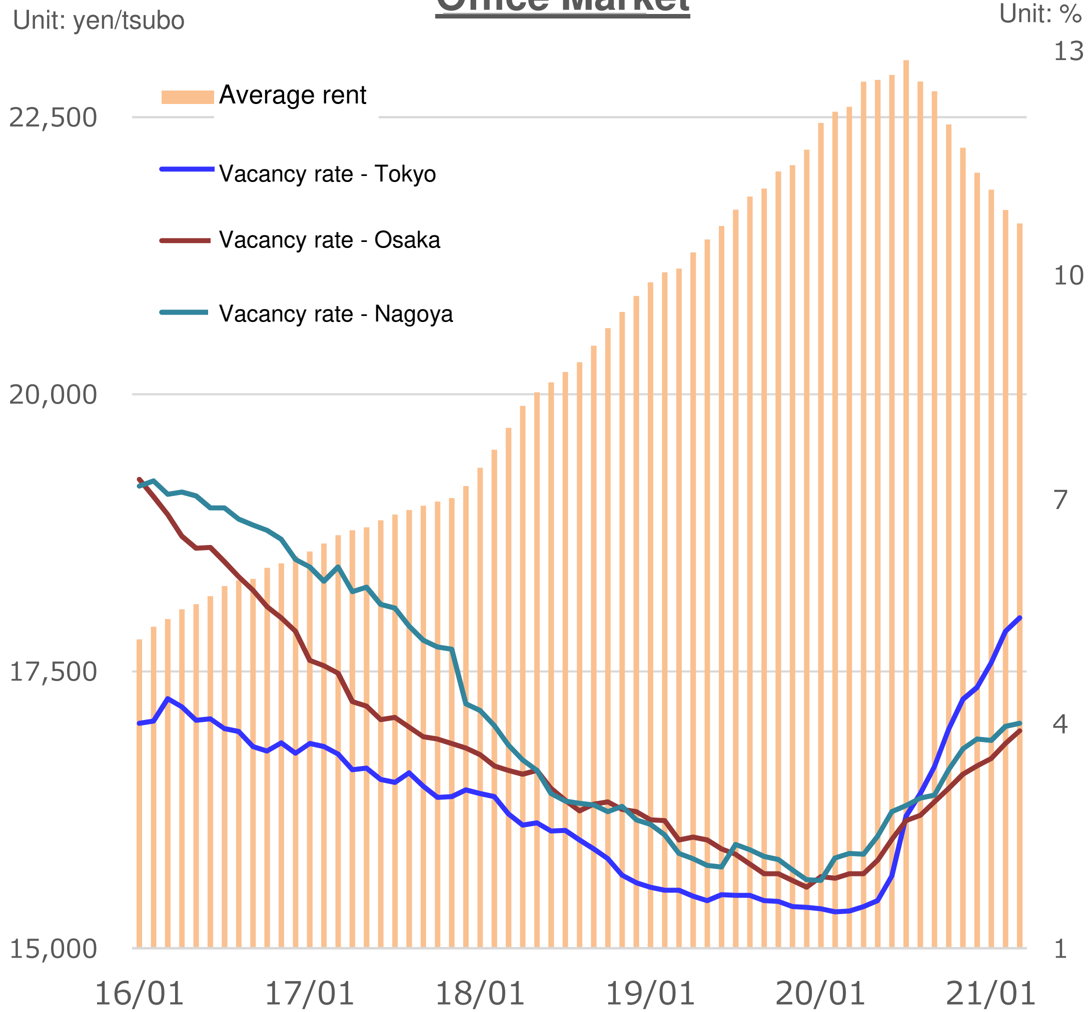
Situation of Real Estate Market

- The REIT market capitalization declined after February 2020 due to the COVID-19 pandemic and the issuance of declaration of a state of emergency, but recovered moderately after the resumption of economic activities. Since then, investment funds have flowed into the Japanese REIT market as the risk-on market appears to be taking place due to the large-scale additional economic measures in the United States and expectation for the expansion of COVID-19 vaccination.
- In particular, the logistic REIT has been strong against the backdrop of increasing use of e-commerce in the COVID19 pandemic. The commercial REIT also rose higher than that before the COVID-19 pandemic with a view to the post-COVID-19 era.
- The office market capitalization has been on a recovery trend, in part due to a move to review communication work, although there have been signs of a decline in rent and an increase in vacancy rates due to the progress of remote work and other factors.
- The impact of the COVID-19 pandemic will be limited as new investment funds from overseas investors have flowed into Japan's relatively stable real estate market against the backdrop of the expansion of global monetary easing.

REIT Market Capitalization



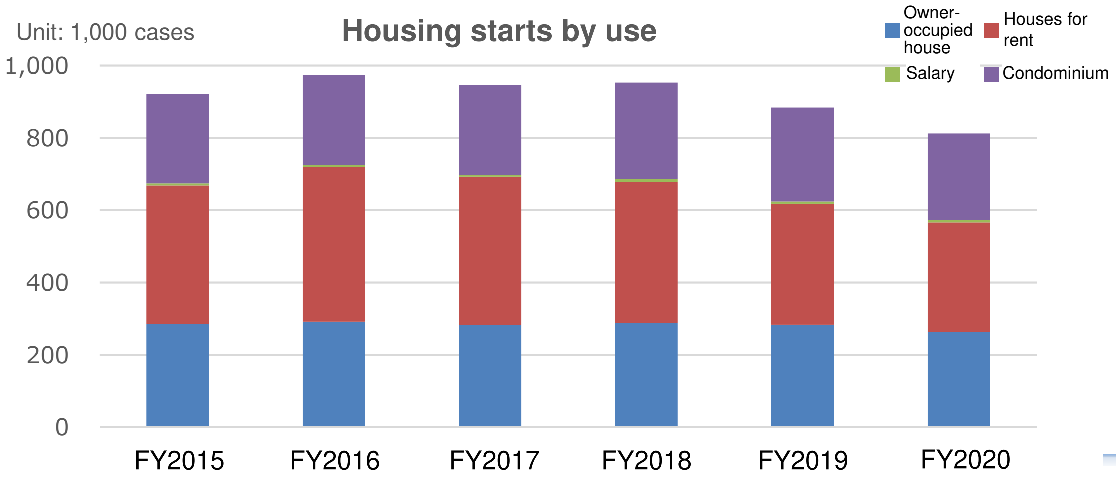
Office Market



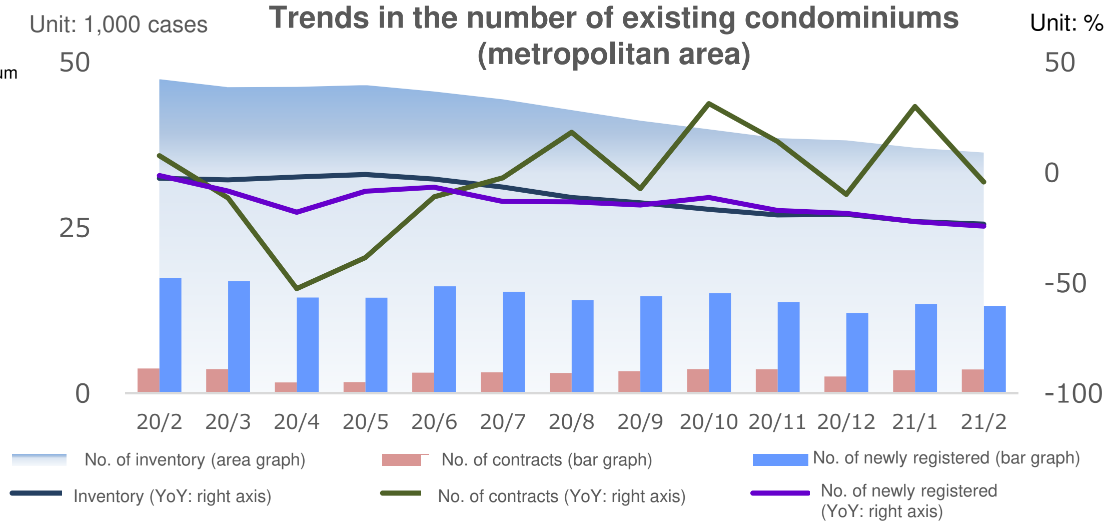
Source) Miki Shoji Co., Ltd.

Situation of Real Estate Market

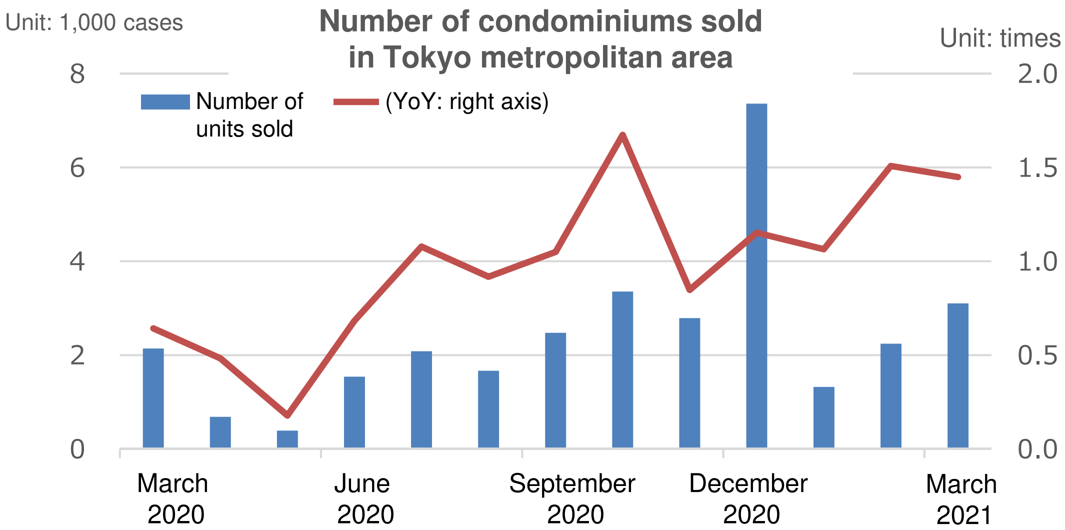
- For actual demand in the housing market, although the supply level has been on a downward trend due to a decrease in the number of housing starts and a decrease in the inventory for existing condominiums, demand has been strong and the market is firm, as shown by the number of condominiums sold in the Tokyo metropolitan area, the number of existing condominiums contracted, and the contract rate in the first month of sales in the Tokyo metropolitan area after the declaration of a state of emergency was lifted in May 2020.
- The Bank promotes each of investment real estate loans, housing loans, and structured finance while carefully monitoring market trends and individual transaction risks.



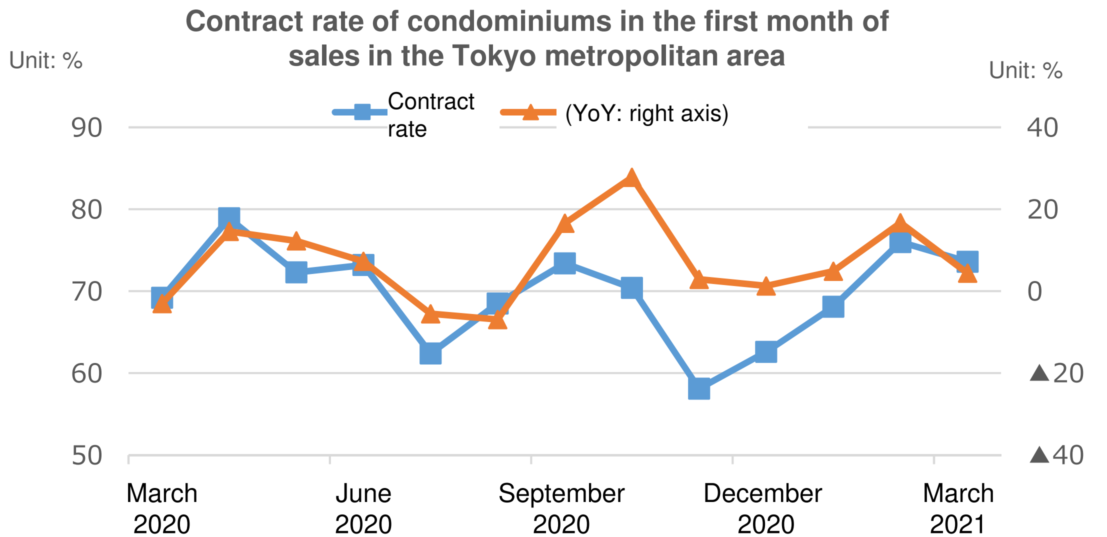
Source: Ministry of Land, Infrastructure, Transport and Tourism



Source: Real Estate Information Network for East Japan



Source) Real Estate Economic Institute Co., Ltd.



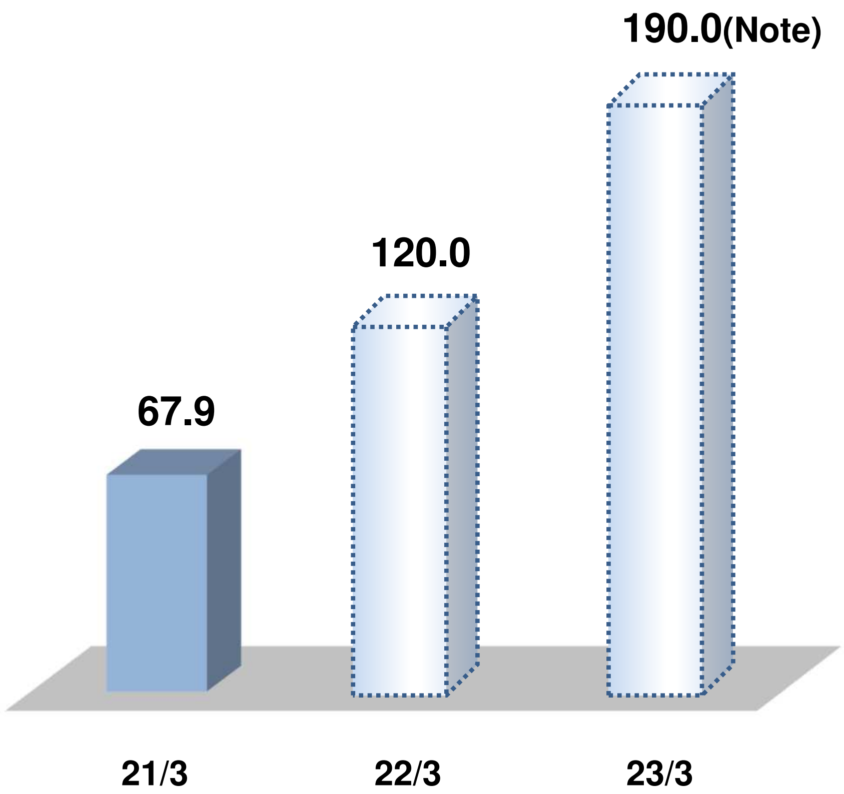
Source) Real Estate Economic Institute Co., Ltd.

Forecast of New Loans Disbursed

- In the fiscal year ended March 2021, loans of 67.9 billion yen were disbursed under the plan of 70.0 billion yen for the full fiscal year amid the severe impact of the COVID-19 pandemic where a state of emergency was declared two times. Of the total, 37.5 billion yen was disbursed in consumer loans and investment real estate loans for asset management companies, while 30.3 billion yen was disbursed in structured finance.
- In the fiscal year ending March 2022, we will promote sales by effectively using non-face-to-face tools, such as online interview, aiming to disburse a new target of 120.0 billion yen.
- In addition to the 120.0 billion yen new loan disbursement plan, we will consider purchasing loans from the market, if their appropriate economic conditions are secured, in order to strike a balance between the amount of new loans and the repayment of existing loans, excluding the decrease due to special factors such as the transfer of share-house loans and exemption for repayment of part of the principal amount of investment real estate loans and other loans.

Forecast of the amount of new loans disbursed

(Billions of yen)



(Note)Final fiscal year of Phase 1 of Mid-term Business Plan “Re: start 2025”

Forecast of the amount of new loans disbursed

- Trends in the amount of disbursement by business area, which was planned to be promoted in the mid-term business plan

(Billions of yen)

	FY3/20	FY3/21	FY3/22
Consumer loans	6.2	22.6	90.0
Loans for asset management companies Investment real estate loans	0.2	14.9	(Note) -
Subtotal	6.4	37.5	90.0
Structured finance	6.4	30.3	30.0
Total	12.8	67.9	120.0

(Note)The planned amount of investment real estate loans for asset management companies is included in the 90.0 billion yen of consumers loans, because we conduct the same promotional activities as for investment real estate loans for individuals.

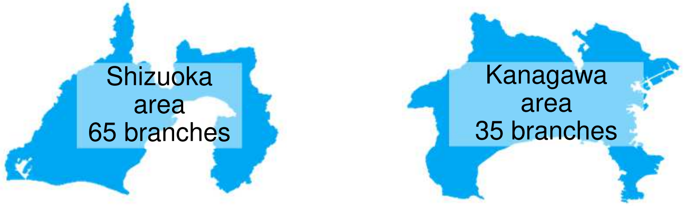
■ FY3/22 Sales Policy

- Positioning “Shizuoka and Kanagawa areas,” “Metropolitan area and other major urban areas,” and “Direct” as key markets, we will aim to evolve into our own model of “closer and more considerate to customers” in each market.
- In the “Shizuoka and Kanagawa areas,” we will reorganize all of our branches from the current eight-area system to the 30-area system with the aim of establishing closer relationships with local customers. Then we will promote sales activities, not based on products or focusing on one-size-fits-all promotion, but the understanding of customers’ needs and comprehensive proposals from customers’ perspective based on area characteristics.

Our market

■ Shizuoka and Kanagawa areas

Community-based development based on the branch network in the local area



■ Tokyo metropolitan area and other major urban areas

Development **focused on secured loans** in five metropolitan areas

(Metropolitan area)
Sales in Tokyo, Shibuya, Shinjuku, Midtown, Omiya, Chiba, and other urban areas
(Other major urban areas)
Sapporo, Nagoya, Osaka, Fukuoka

■ Direct

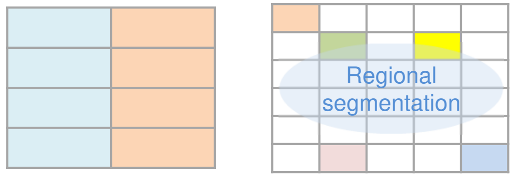
Net development centered on **collaboration with companies in different industries**

(Major branches)
ANA branch, Recruit branch, T-point branch, So-net branch, D-bank branch, Dream Direct branch

Direction

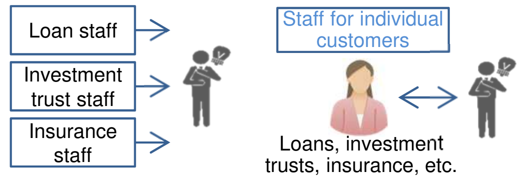
Strengthening community-based services

Eight-area system → 30-area system



Promotion of comprehensive proposals based on understanding of customers’ needs

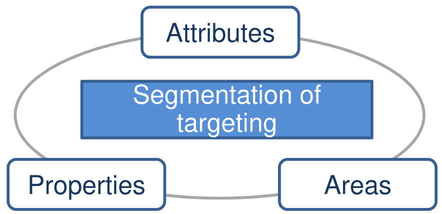
Product-based → Customer-based



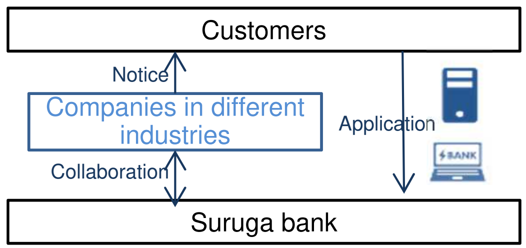
Concept of non-price competition

○ Value competition	× Price competition
Diversity and carefulness	Uniformity and efficiency
Custom-made services	Ready-made services
Full product lineup	Limited product lineup

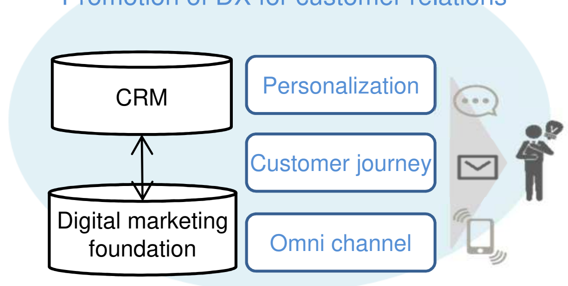
Development of niche markets



Expansion of customer contacts

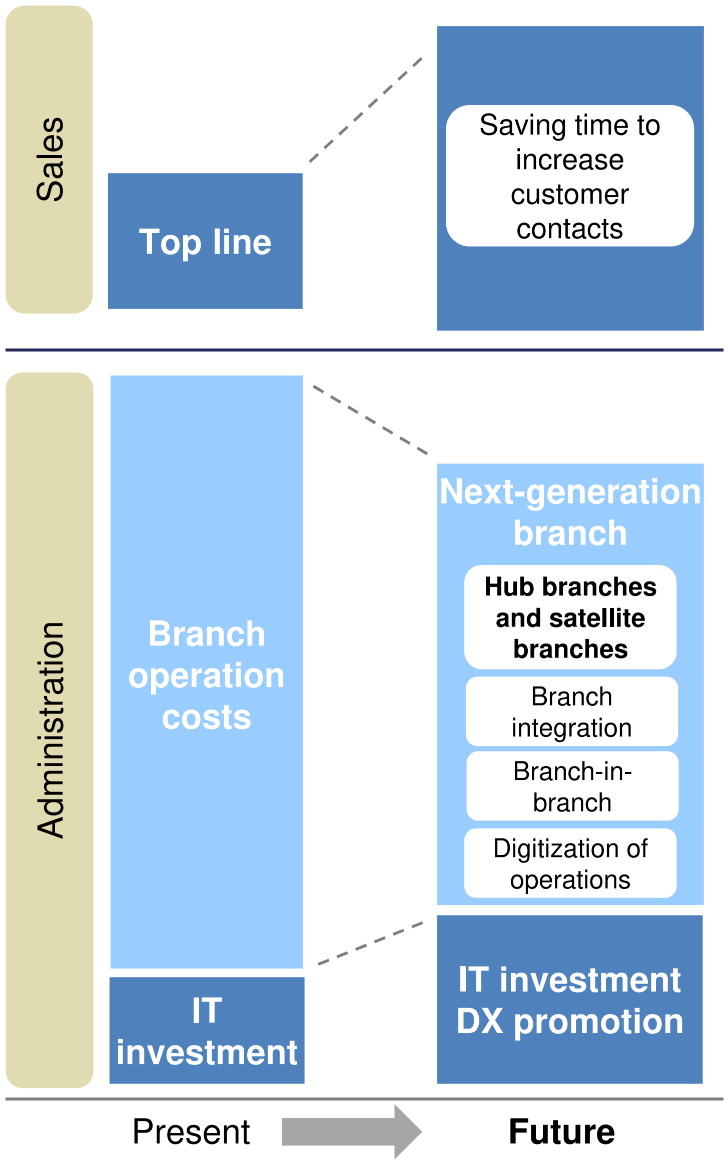


Common to markets
Promotion of DX for customer relations



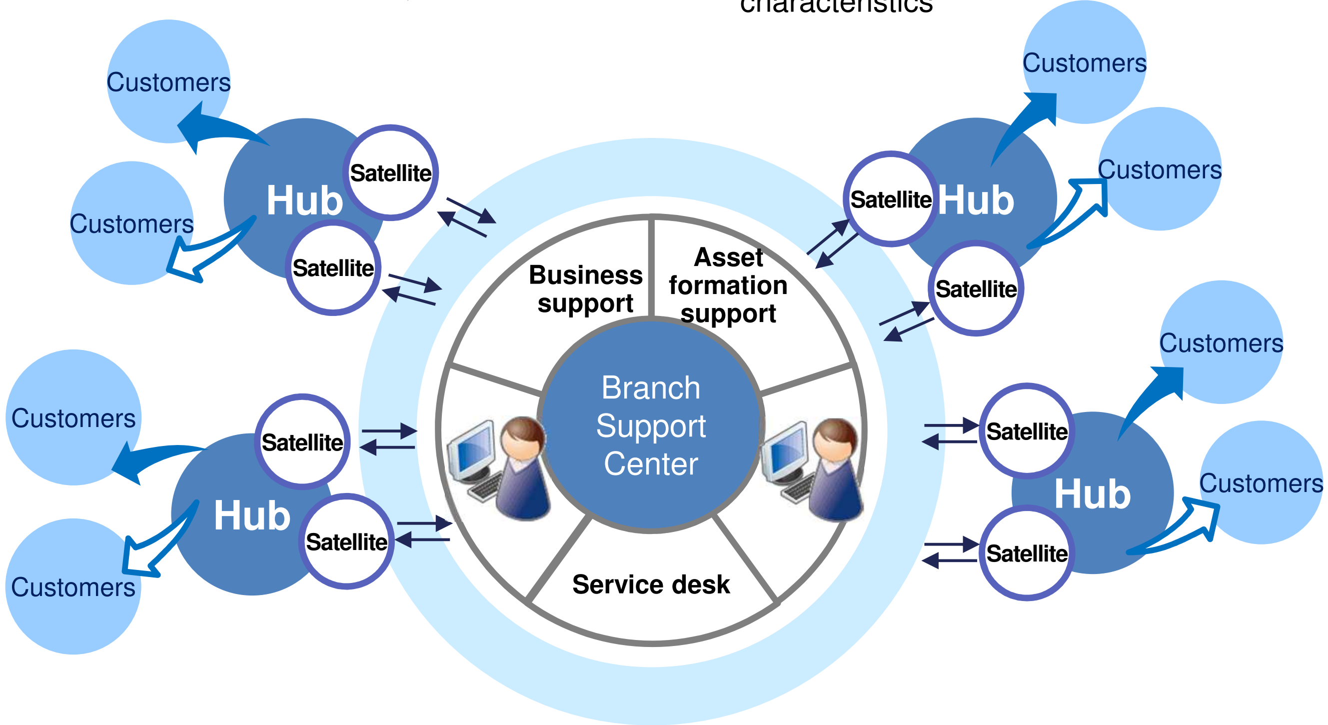
(Shizuoka and Kanagawa Areas) Strengthening close ties with local communities by reforming the area system and branch network

- The branch network was reorganized to the 30-area network by reforming the hub and satellite branch network, with the aim of developing further community-based sales activities. Branches are categorized into hub and satellite branches, and their role of sales will be clarified.
- By centralizing branches' back office operations into the headquarters, we aim to improve the efficiency of branch functions and achieve both the expansion of customer contacts and the reduction of operational and branch management costs through a variety of sales styles.



Shizuoka / Kanagawa: Eight-area system → 30-area system

- Further closer ties with local customers
- Developing solution sales based on area characteristics



Digitization of operations

- Promotion of self-service through tablet terminals
- Promotion of digital passbooks
- Expansion of internet banking functions

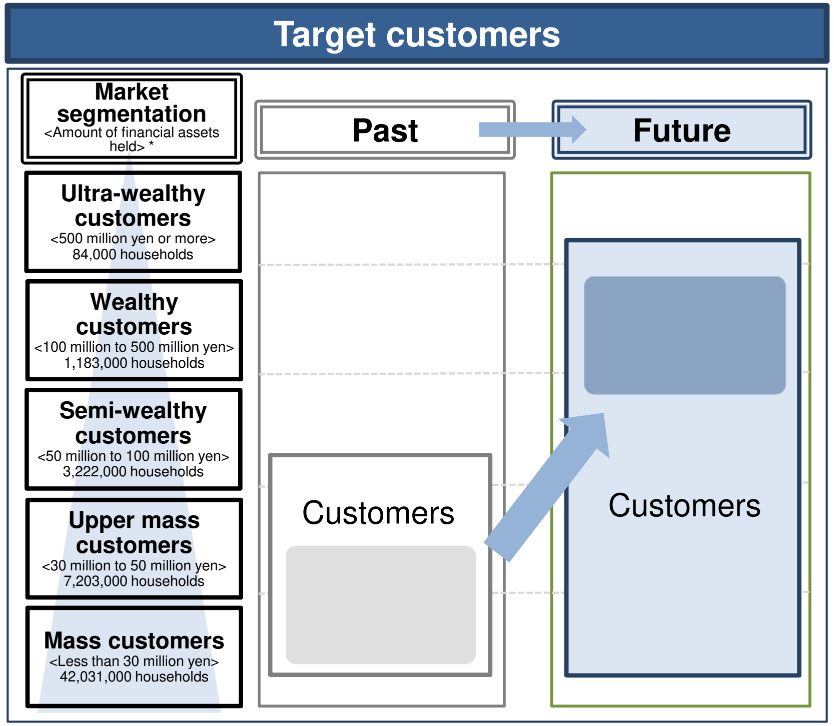
Review of branch development and branch management

- Review of service functions at each branch
- Review of ATM locations
- Elimination and consolidation of branches

Investment real estate Loans

- We disbursed 66% (60% in the first half of the fiscal year) of the investment real estate loans in the full fiscal year to wealthy and semi-wealthy customers, expanding transactions with the target groups specified in the mid-term business plan.
- The number of non-face-to-face applications received through our website, which started in the second half of the fiscal year, has increased, while the number of direct consultations with new individual customers has also been on the rise.

Customer segments specified in the mid-term business plan

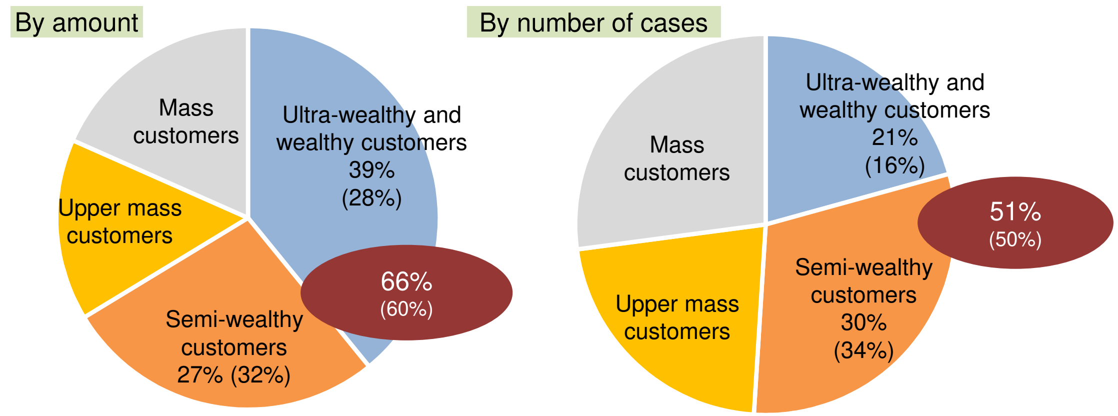


(Quote) NRI estimates

Amount ratio of investment real estate loans by customer segment

The share of transactions with wealthy customers, including ultra-wealthy customers, who are positioned as key customers, has been growing.

Customer segments are classified based on their financial assets at the time of loan screening.
Period: April 1, 2020 to March 31, 2021



Figures in parentheses are from data as of the end of the first half of fiscal 2020.

- Ultra-wealthy and wealthy customers: have financial assets worth 100 million yen or more
- Semi-wealthy customers: have financial assets worth 50 million yen or more but less than 100 million yen
- Upper mass customers: have financial assets worth 30 million yen or more but less than 50 million yen
- Mass customers: have financial assets worth less than 30 million yen

(Note)Investment real estate loans include studio apartment loans, single building apartment loans, other secured loans.

Status of receiving consultations on our investment real estate loans

Status of receiving consultations	With deepened understanding of the Bank's investment real estate loans, especially among major listed real estate agents, the number of our customer referrals has increased.	The launch of notification of our financial products and non-face-to-face reception of consultations on real estate portal sites in December 2020 has resulted in an increase in direct consultations from new individual customers.

Housing Loans

- We developed Suruga's own housing loan strategy through our long-standing strength of customized services and loan screening know-how based on a database accumulated over a long term.
- Focusing on the introduction of customers from real estate agents, we have received an increasing number of direct consultations from new individual customers as our housing loans gains more and more publicity.
- We revised existing financial instruments to meet new lifestyles and senses of values and customers' needs, and provided loans to self-employed and freelance customers.

Initiatives to increase housing loans

Collaboration with external companies (MFS and iYell) started in May 2021.

MFS MORTGAGE FINANCIAL SOLUTIONS

MFS operates an online platform **"MOGE CHECK"** used by more than a total of 60,000 applicants for housing/real estate investment loans.
MFS develops a data matching service that introduces to housing loan applicants the most suitable financial institution according to their annual income and other attributes.

iYell

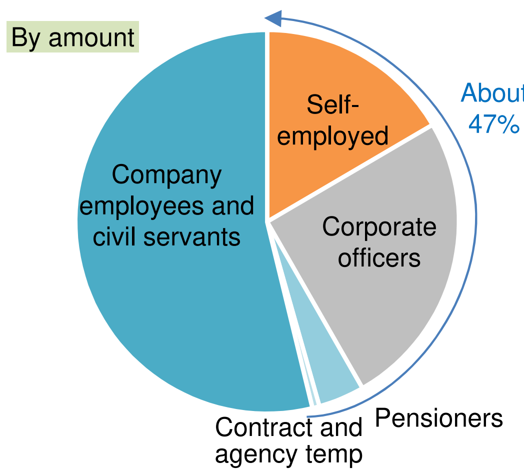
iYell operates a housing loan platform that introduces housing loan applicants to financial institutions through a smartphone application **"iYell Dandori"** from more than 2,500 housing operators nationwide.

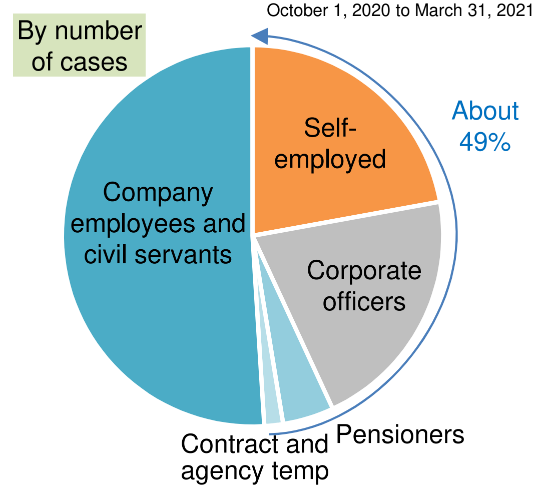
Through collaboration with the aforementioned external companies, we can provide loan applicants with appropriate loans, which will lead to an increase in the number of consultations and proposals.

Amount ratio of housing loans by customer segment

We provide various customer segments with housing loans by area in different measures.(Ratios of loans for customers other than company employees and civil servants have been on an upward trend.)

Segment sampling period: October 1, 2020 to March 31, 2021





Local	**Community-based measures for employees of our corporate customers in Shizuoka and Kanagawa Prefectures, etc.**
Metropolitan	**Measures for secured loans targeted at areas, segments, usage scenarios, etc.**

New measures and promotion of housing loans

■ Reinforcement of support for the purchase of villas and second houses in local areas

The features of "Second house and resort loan" were revised and enhanced to enable flexible response (December 2020).

■ Web-based application for preliminary examination

We established a system to complete applications for preliminary examination of secured loans on our website. (December 2020)

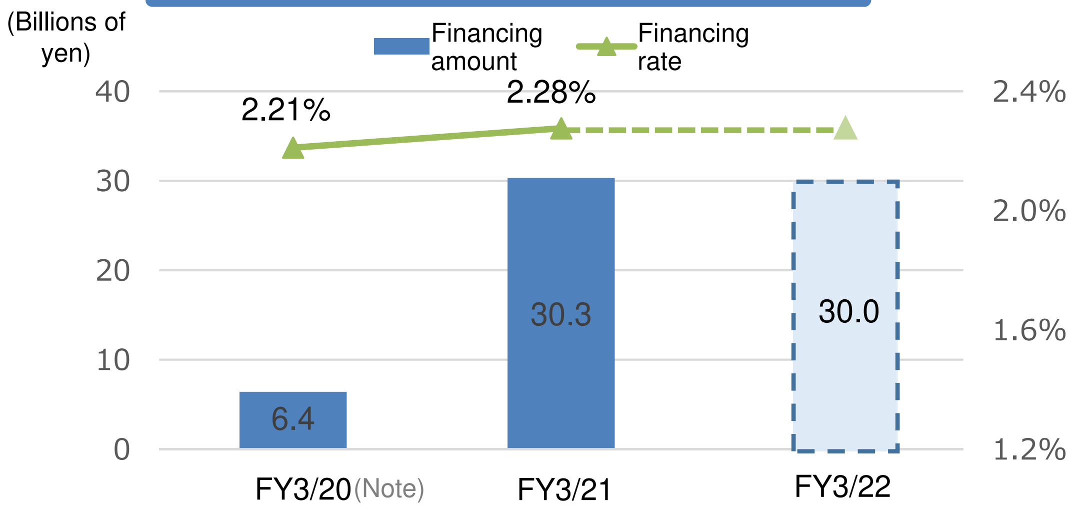
■ Increase in direct consultations from new individual customers

Among the number of consultations received via website and inbound calls, the percentage of direct consultations from individual customers without real estate agents: 58% in Q3 → 67% in Q4

Structured Finance

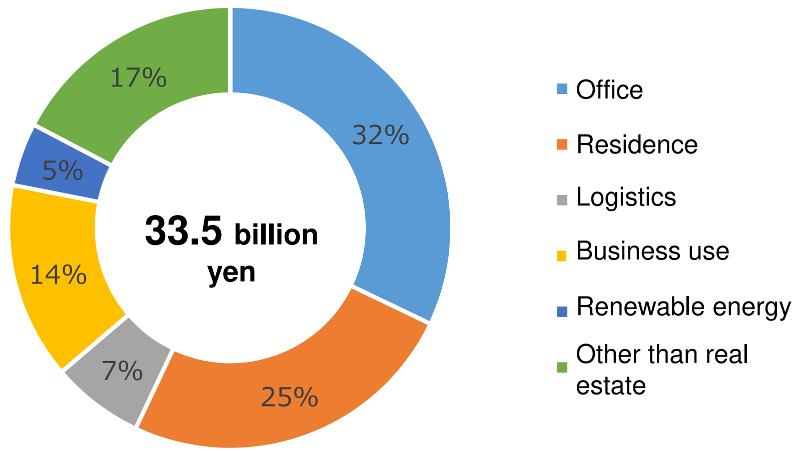
- In the fiscal year ended March 2021, new disbursements totaled 30.3 billion yen at the rate of 2.28%. The outstanding balance as of the end of March 2021 was 33.5 billion yen.
- We have gradually expanded our management resources in terms of both sales and management and have built a medium-risk and medium-return portfolio while diversifying property types and areas.

Trends in financing amount / Forecast

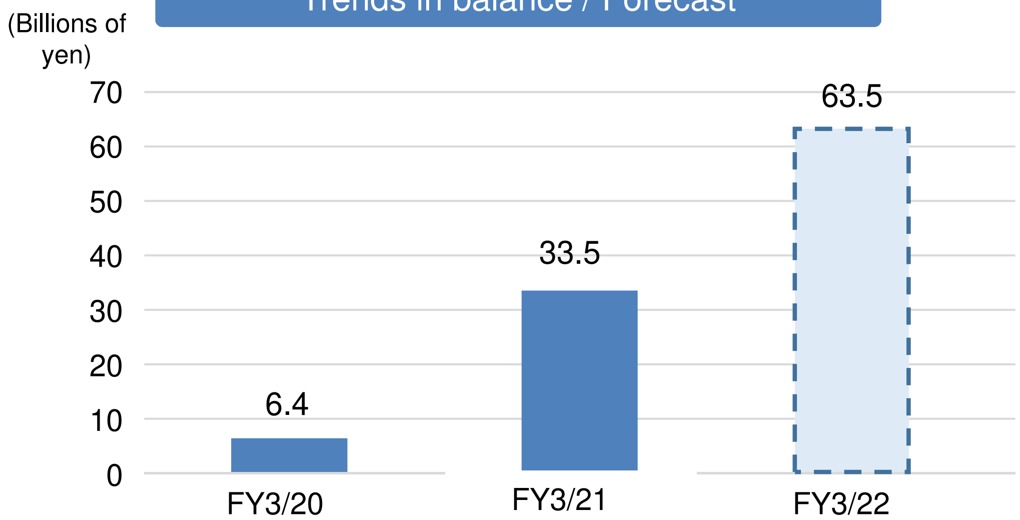


(Note)Started in October 2019

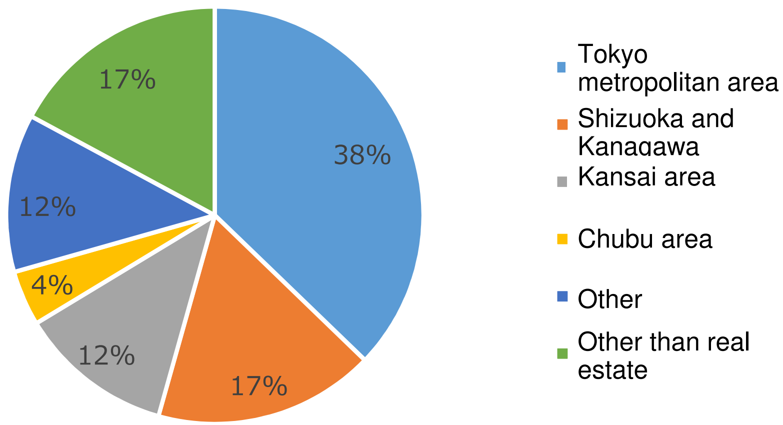
Balance composition ratio (as of Mar.31,2021)



Trends in balance / Forecast



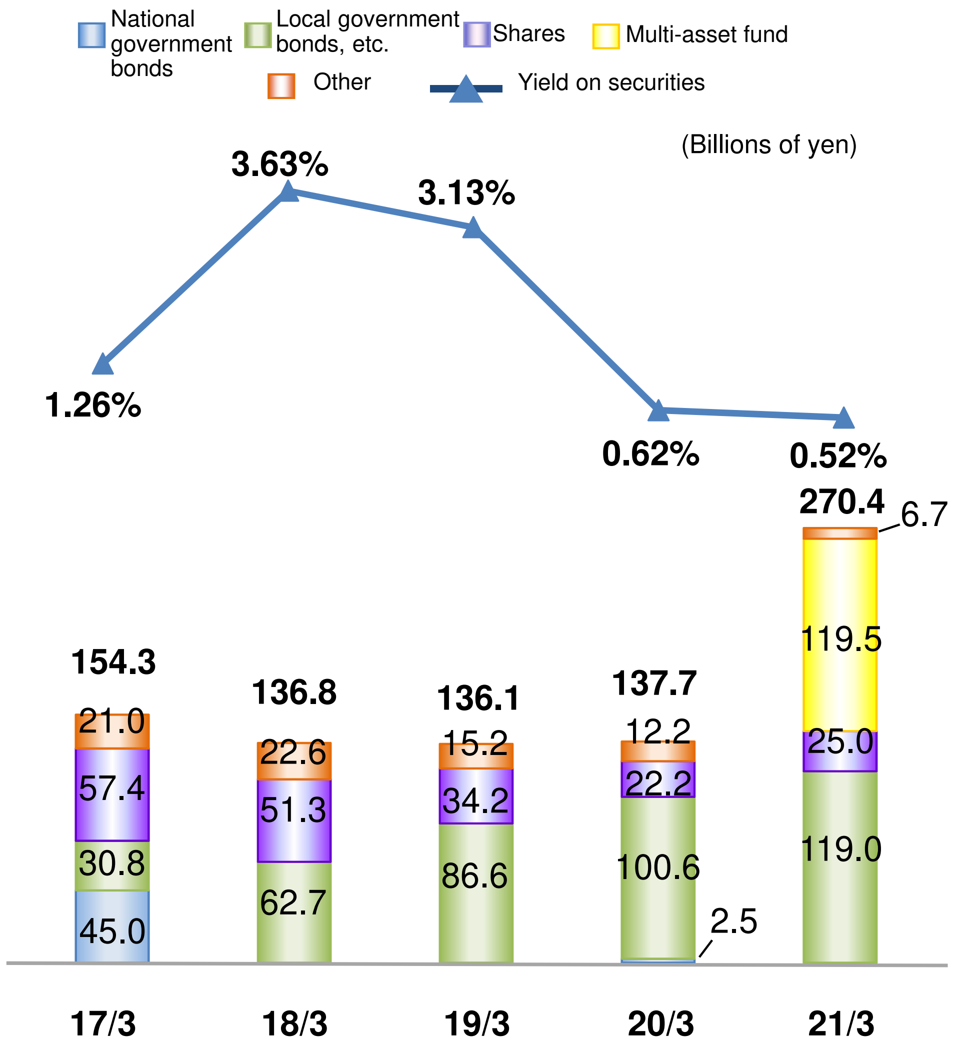
Property area composition ratio (Mar.31,2021)



Securities Management

- We started investment in multi-asset funds in the first half of the fiscal year ended March 2021 (outstanding balance as of March 31, 2021 was 119.5 billion yen). Even at the end of the fiscal year when the yield on U.S. treasuries rose sharply, net total losses remained at -0.1 billion yen, including unrealized losses of -0.4 billion yen and realized gains of 0.3 billion yen, thanks to effective portfolio management.
- Under the policy to invest in highly liquid assets to diversify risks and stabilize earnings, we have set a target yield of 0.7%.
- We will establish an ALM and risk management system to ensure stable operations with limited downside risks.

Securities portfolio



Unrealized gains (losses) on securities

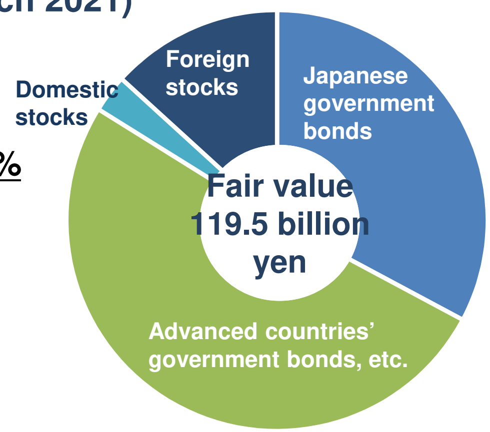
・Valuation difference on available-for-sale securities (Billions of yen)

	Mar.31,2020		Mar.31,2021		Year-on-year
	Fair value	Net unrealized gains (losses)	Fair value	Net unrealized gains (losses)	Fair value
Other securities	118.6	6.7	258.4	9.5	+139.7
Shares	14.1	5.8	16.9	8.6	+2.7
Bonds	103.1	0.2	119.0	0.3	+15.9
Multi-asset fund*	-	-	119.5	(0.4)	+119.5
Other	1.4	0.6	2.8	0.9	+1.4

(Note)New investment started under the securities management policy specified in the mid-term business plan.

・Portfolio of multi-asset fund (As of the end of March 2021)

Target yield 0.7%



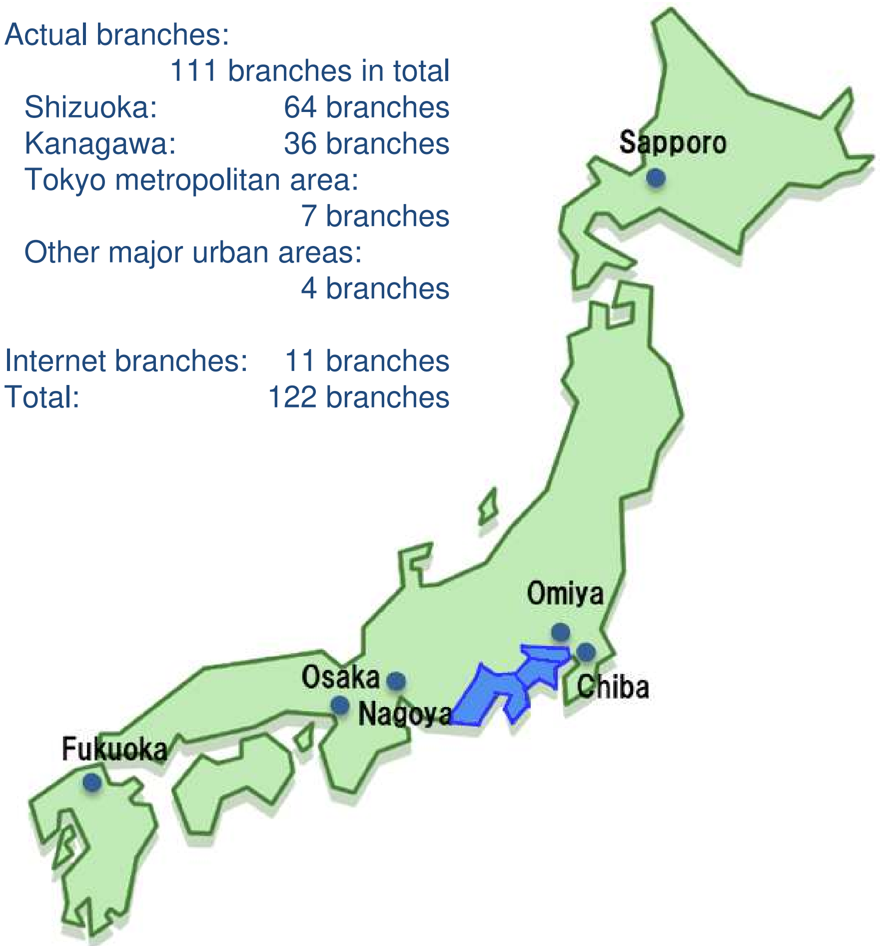
Structural Reform: Restructuring the Branch Network

- In the Tokyo metropolitan and other major urban areas, we consolidated six branches to centralize management resources, and promote sales with the aim of strengthening sales capabilities and thorough compliance management.
- In the Shizuoka and Kanagawa areas, we streamlined operations by consolidating three branches, including planned branches, as of May 28, 2021, taking into account regional contribution and convenience for existing customers, such as the proximity between branches, the number of visiting customers, and relationships with local governments.

・Branch network (as of April 30, 2021)

Actual branches:
111 branches in total
Shizuoka: 64 branches
Kanagawa: 36 branches
Tokyo metropolitan area: 7 branches
Other major urban areas: 4 branches

Internet branches: 11 branches
Total: 122 branches



・Elimination and consolidation of branches

Areas	Applicable branches	Integration month
Tokyo metropolitan area	Futakotamagawa Branch	July 2020
	Kawasaki Branch	August 2020
	Tamaplaza Branch	January 2021
Other major urban areas	Sendai Branch	June 2020
	Hiroshima Branch	October 2020
	Kyoto Branch	November 2020
Kanagawa	Keio University Sub-Branch	June 2020
Shizuoka	Well-D Nagaizumi Sub-Branch	April 2021
	Tenmacho Branch	June 2021 (scheduled)

Response to Borrowers of Share House-related Loans

- In order to finally resolve the share house-related loan issue, which is one of the priority issues in the first phase of the mid-term business plan, we have been taking measures tailored to their individual circumstances, focusing on the unprecedented exemption for repayment of part of the principal amount of loans as well as bulk transfer of loans.
- For the exemption for repayment of part of the principal amount, we completed sending the primary calculation notice of exemption amount by the end of February 2021.
- We completed a second comprehensive transfer of share house loans in March 2021, following March 2020.
- In March 2021, we informed our applicable borrowers that those who request the above scheme will be required to file a petition for civil conciliation by the end of August 2021.
- For borrowers of investment real estate loans other than share house loans, we will respond in good faith in accordance with their individual circumstances, including exemption for repayment of part of the principal amount.

Response to customers since FY2018

✓ We established the "Office to Support Customer Owners of Share Houses and Others" whereby we have carefully responded based on each customer's circumstances, including lowering the loan interest rate and deferred repayment of the principal amount for a certain period. At the same time, we have considered taking all possible options as a financial institution, including exemption for repayment of part of the principal amount of the loan using ADR.

✓ At present, we have not taken legal action if the share house-related loan has become delinquent.

✓ We adopt the DC method for calculation of allowance for possible losses for share house-related loans. If the loan is delinquent for more than a month, we provide 100% allowance for the unsecured amount.

Exemption for repayment of part of the principal amount of the loan

<Repayment support scheme>

Details: "Exemption for repayment of part of the principal amount of loans for share houses and other investment real estate loans" issued on May 15, 2019

Applicable: Share house loans and other investment real estate loans

Content: If the borrower has a rental loss on the property, including loan repayment, when they individually requested exemption for repayment of part of the principal amount of the loan, from the perspective of fair share of loss and in view of the difficulty in their loan repayment, we calculate the loan repayment amount correspondent to the settlement amount we are responsible for, which will be offset with their repayment amount upon mutual consent.

Status: The acceptance of applications was closed on November 30, 2019. We completed sending to the borrowers who applied for the exemption a primary calculation notice of the exemption amount, by the end of February 2021.
For borrowers who request the next step, we will take a civil conciliation or authorized ADR procedure (deadline for petition: August 31, 2021).

Comprehensive transfer of loans

<subrogation scheme>

Ref.: "Announcement Regarding Transfer of Share House-related Loan Receivables" issued on March 25, 2020 and March 1, 2021

Target: share house loans

Content: Before we executed share house loans, we did not sufficiently analyze share house-specific risks associated with general investment real estate loans, including inappropriate action such as ignoring impracticability of business plans. Given that the conciliation committee of the court recognized that we have an obligation to compensate for damages, based on typical unlawful behaviors, we agreed to carry the obligation to pay the petitioners the settlement amount based on the conciliation recommendation. After offsetting our claims with our obligation to pay the settlement amount, we will make a comprehensive transfer of share house loans.

Status: The first transfer was implemented in March 2020. (257 borrowers for 44.0 billion yen)
The second transfer was implemented in March 2021. (285 borrowers for 44.2 billion yen)
For the remaining customers, we have recommended that they file a group petition for civil conciliation by the end of August 2021.

Reflection in and progress of the business forecasts

✓ We expect to implement the third and subsequent comprehensive transfers in the fiscal year ending March 2022. According to the intention of the remaining borrowers, most of them wished for a comprehensive transfer of their loans, and we expect an increase in credit costs on the assumption of the occurrence of repayment suspension associated with the transfer. <4.0 billion yen for full fiscal year (including 3.0 billion yen in the 1st half of the fiscal year)>

✓ The third comprehensive transfer is expected to be implemented in the second half of the fiscal year. As many more borrowers than before wish for a comprehensive transfer before the deadline for filing a petition in August, the scale of transfer is expected to expand, where the level of the transfer value is expected to be the same as that of the second transfer conducted in March 2021. We expect a reversal of allowance for loan losses. <Full fiscal year (2nd half of the fiscal year) -13.0 billion yen>

Status of Single Building Apartment Loans (Except for Share House-related Loans)

- Due to strict self-assessment based on the changes in the self-assessment standards at the end of September 2018, non-delinquent loans of approximately 700.0 billion yen were classified as loans requiring special attention.
- As of the end of March 2021, most loans were not delinquent.
- We made regular examination of about 9,000 properties out of those for single building apartment loans and confirmed the occupancy status. We will aim to maintain or upgrade the classification of borrowers by providing them with in-depth support for property management, including reporting to them the management status of the property.
- In fiscal year ending March 2022, we will expect additional provisions to prepare for future credit risks.

Loan balance of single building apartment loans by classification of borrowers and delinquency status (as of March 31, 2021)

(Billions of yen)

Borrower classification	Credit claims such as loans(Note2)	Portion of single building apartment loans (excluding share house cases)	Portion not delinquent
Normal clients	1,112.2	192.8	192.8
Clients requiring special attention(Note1)	856.9	700.6	696.5
Clients requiring corrective action	164.1	101.7	98.3
Clients at high risk of bankruptcy	91.2	39.8	37.6
Virtual bankruptcy clients/bankruptcy	100.4	38.9	3.6
Total	2,325.0	1,074.1	1,028.9

(Note1)Loans are classified as requiring special attention if tax return documents are not received or the loan property has negative cash flow even if not delinquent.

(Note2)Credit claims such as loans: Loans and bills discounted, customers' liabilities for acceptances and guarantees, foreign exchanges, securities lent, suspense payments equivalent to loans and bills discounted, accrued interest on loans and bills discounted

Occupancy rate of single building apartments (periodic survey)

Occupancy rate in fiscal 2020: 87.3%

(Survey results for occupancy rate in fiscal 2019: 86.7%)

<Survey>
- In principle, the person in charge of bank loans visits the location of property to check not only the occupancy status but also the physical condition of the property and management status.
- If any damage on the property or abnormal management is found, it will be reported to the borrower.
- The survey is to be conducted on investment properties owned by borrowers where each borrower's loan balance is 50 million yen or more.
(the number of targeted single building apartments: about 9,000, accounting for more than 90% of the loan balance)

For preparation for future credit risks

For financial forecast for fiscal year ending March 2022, we expect additional provision of 19.0 billion yen to prepare for future credit risks.

✓ With respect to the single building apartment loans, we carefully examine the status of each borrower to review the criteria of borrower classification and consider changing the method of provision.
(At present, we have no plan to adopt forward looking provisions.)

✓ We are considering taking a more conservative estimation method for allowance from a perspective of preparing for anticipated future risks, even if loans are not delinquent at present.

Reorganization of the Group

- In order to review and consolidate group functions and optimize management resources, we have restructured the companies within the Group.
- We reviewed the guarantee business, which was duplicated among three subsidiaries within the Group, and integrated it into DIRECTONE Co., Ltd. At the same time, we integrate the leasing business to enhance synergistic effects.

・Suruga Bank Group (as of the end of March 2021)

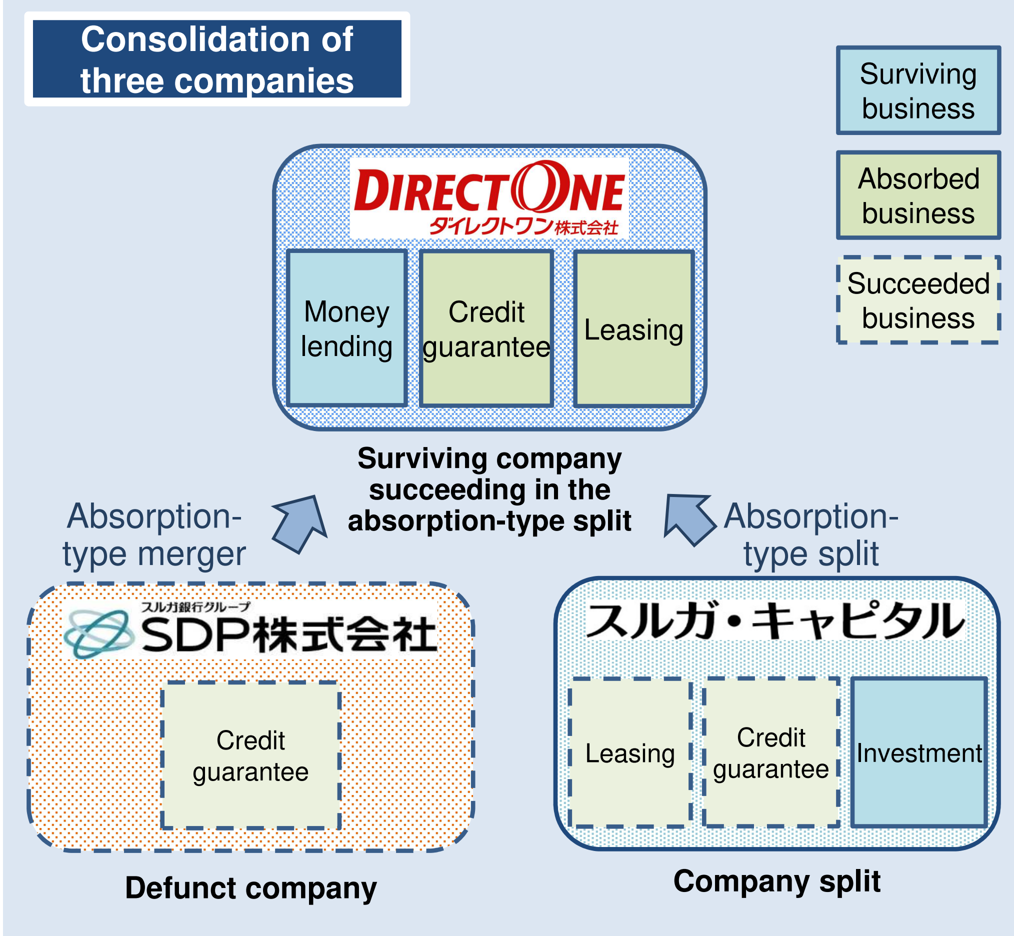
Company name	Main business
Suruga Bank	Banking and credit card
Suruga Staff Service Co., Ltd.	Temporary workers dispatching services
DIRECTONE Co., Ltd.	Moneylending, leasing, and guarantee operations
A.P.I.	Printing
Suruga Card Co., Ltd.	Credit card
Suruga Capital Co., Ltd.	Investment
Suruga Computer Service Co., Ltd.	Clerical agency services and system engineering

・Clearing company

Company name	Liquidation month and year	Main business
LNP	November 2020	Insurance policy solicitation
CHUBU SERVICER Co., Ltd.	March 2021	Servicer

(Note)LNP transferred its insurance policy solicitation business in May 2020.

・Review of credit guarantee function



Ⅰ Summary of Financial Results for FY3/21

Ⅱ Business Performance Plan for FY3/22

Ⅲ TOPICS

Initiatives for SDGs

• Taking into account the social responsibilities requested by stakeholders and diversifying social and environmental issues, we have identified priority issues that must be addressed by the Group in light of its business opportunities and risks, and also formulated important issues (materiality) to realize a sustainable society and maintain and improve its corporate value.

Identification of materiality issues	Selection and determination of materiality issues	Suruga Bank group's materiality issues	Suruga Bank group's initiatives	Relevant SDGs
We identified materiality issues by referring to the four pillars of "stakeholder capitalism metric/ measurement standards" proposed by the World Economic Forum in 2020.	We analyzed and evaluated elemental information on both what our Group values and what stakeholders do, and formulated "materiality" issues that are important to both sides.	Our Group's materiality are the following four issues. Each materiality issue, which is not independent but organically linked with the other issues, is an integral part of fulfilling our responsibilities to all stakeholders.	We promote the following initiatives in order to solve internal and external issues of each of the four themes listed as materiality. Each initiative, which is linked to the SDGs, will contribute to the achievement of sustainable development goals. We will continue to improve and enhance their effectiveness.	
Principles of governance	**What Suruga Bank Group values** **Corporate Philosophy** **Compliance Charter** **Mid-term Business Plan "Re:Start2025"** **History** **X** **What stakeholders value and expect from the Suruga Bank Group** **Employees** **Customers** **Regional community** **Shareholders** **Regulatory authorities** **Global environment**	**Establish a solid foundation for governance**	●Penetration of the corporate philosophy ●Enhancement of corporate governance ●Establishment of a solid compliance system ●Realization of customer-oriented business operations ●Strengthening of measures to prevent financial crimes	
People		**Create an environment where employees can play an active role and grow**	●Human resource development system to support employees to grow ●Enhancement of work-life balance measures ●Promotion of diversity and employment of people with disabilities ●Initiatives to improve the mental and physical health of employees ●Initiatives to increase the motivation of employees	
Prosperity		**Building sustainable local economies and societies**	●Responding to diverse customer needs through retail banking ●Providing solutions to local companies and businesses ●Contributing to regional revitalization through partnerships with local governments ●Initiatives for Business Continuity Plan (BCP) ●Supporting culture, art, and sports for children who will be future leaders	
Planet		**Contribute to environmental conservation**	●Participation and cooperation in local environmental conservation activities ●Reducing environmental impact by promoting digitization of business procedures and operations ●Promotion of environmental measures for branch facilities	

Community Contribution Activities —Cycling Project/Soccer—

- We contribute to the revitalization of local communities through the promotion of bicycle tourism in collaboration with local tourism resources as well as the dissemination of detailed tourist information by taking advantage of the mobility of bicycles.
- We conducted a disaster drill with the cooperation of local resident associations and municipalities based on “Partnership Agreement for the Promotion of Social Cooperation Activities” with Azul Claro Numazu.

Cooperation with municipalities and local companies

- In fiscal 2020, we signed the “Partnership Agreement on Bicycle Promotion” with the following municipalities and local companies.

Month of agreement	Partner
June 2020	Shizuoka Creation of Sacred Place for Cycle Sports Conference (Chairperson: Governor Heita Kawakatsu)
June 2020	Hiratsuka, Kanagawa
December 2020	Daytona Co., Ltd. (Mori-machi, Shizuoka Prefecture)
December 2020	IZUKYU CORPORATION (Ito, Shizuoka Prefecture)
January 2021	Kona Resort Co., Ltd. (Numazu, Shizuoka Prefecture)
March 2021	Tokinosumika Co., Ltd. (Gotenba, Shizuoka Prefecture)

- To co-create new regional value, we signed “Partnership Agreement for the Promotion of Social Cooperation Activities” with Azul Claro Numazu.

Soccer players of Azul Claro Numazu

Regional revitalization through bicycles

City Promotion Disseminating information about sightseeing spots in various areas during bike touring via SNS and the Web

・Hiratsuka LaLa Pota (Hiratsuka, Kanagawa Prefecture)

・Izu Pota (IZUKYU CORPORATION)

・RIDE Oigawa (Oigawa Basin Cycle Tourism Council)

・Izu for Adults (Beautiful Izu Creation Center)

Cycling event In view of the spread of the COVID-19 pandemic, we provided special support for divided cycling events.

Mount Fuji One-Round Cycling Fuji-ichi

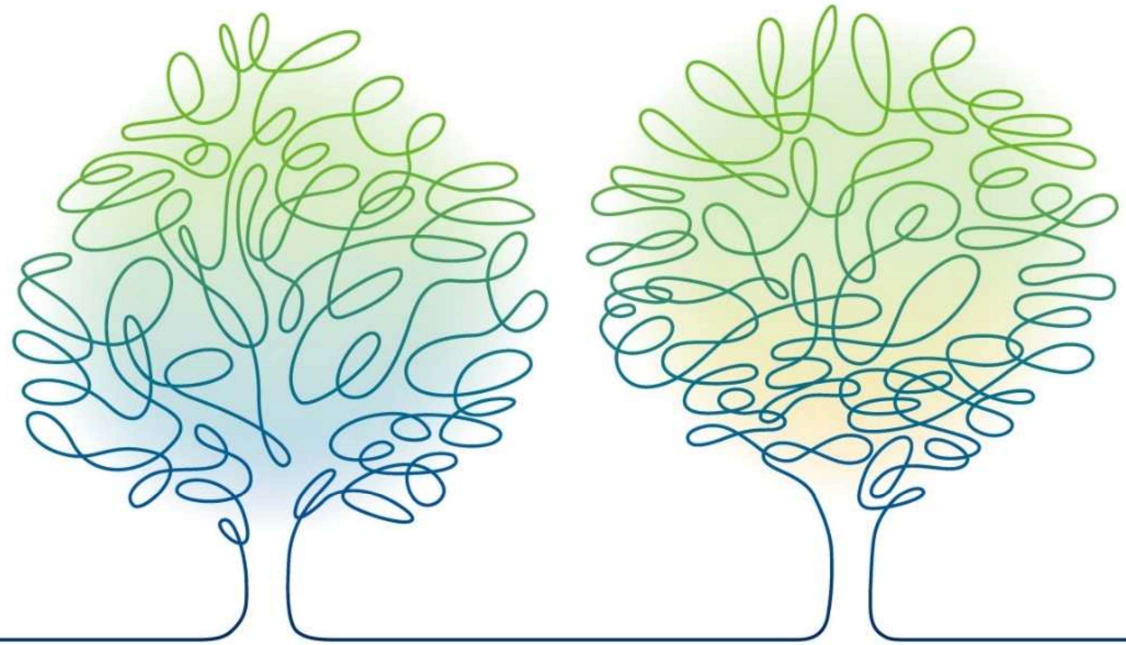
Izu Peninsula One -Round Cycling Izu-ichi

Reference Materials

Corporate Philosophy

“I’m glad you’re here...
I’m glad we met...”
This perception is our goal.

No matter how much the times change or time passes, we are committed to providing service from the customer’s perspective, staying closely in tune with their everyday lives providing value, and helping our customers lead more prosperous lives.



<Our Ambition>
We aim to serve as a bank that always thinks of customers first in any situation.

By genuinely listening to our customers and providing added value that only Suruga Bank can deliver, we aim to be the kind of bank that makes customers feel “I’m glad you’re here...I’m glad we met.”
To provide customers with truly satisfying service, it is vital for staff members who provide these services to find their work meaningful. Thus, we also strive to be a company that makes not customers, but also staff members feel “I’m glad you’re here... I’m glad we met.”

SURUGA bank

Suruga Bank Mid-Term Business Plan —"Re:Start 2025" (Period: FY2019-FY2025)

Corporate Philosophy

We want to be a company that makes customers feel,
"I'm glad you're here... I'm glad we met."

Vision

Customer satisfaction | Shareholder value | Employee satisfaction | Contribution to society

Providing value

New Vision for Suruga Bank

- To realize our **corporate philosophy**, we will create a "**new Suruga Bank**" that delivers customer satisfaction and ensures that staff feel their work is meaningful. We will achieve this through a commitment to carrying out **customer-oriented business**, initiatives in our core business of retail banking, and by creating **unique value** in ways that are distinct to our bank.
- We will also establish measures for **thorough compliance and controlling appropriate risk/return**, and develop a "**new sustainable business model**" as a public financial institution that benefits the public.

Strategic Management

Restructure the core business of "retail banking" while promoting "marketable activities" to diversify risks and stabilize profits.

✓ Establish a revenue base that balance risk and return by controlling **RA gross operating profit***.

Promote existing businesses with controlled risk capital, pursue new business, and prepare for risks that surface in high-stress environments.

✓ Even after Basel III is revised, we will maintain **a capital adequacy ratio of at least 8%** to realize our business strategy.

* RA (Risk Adjusted) Gross Operating Profit = Gross Operating Profit - Actual Credit Costs

Basic Strategy for Phase 1

Environment recognition

Continued negative interest rates
- ✓ Cost reduction and staff review
- ✓ Focus on non-interest-rate-based business

Compliance with regulations
- ✓ Basel III revision
- ✓ Reassess business boundaries based on market entry of different industries

FinTech support
- ✓ Systemization and labor-saving investment
- ✓ Platform creation through collaboration with different industries

Social change
- ✓ Declining birthrate/aging population
- ✓ Population concentrating in cities

Consumer change
- ✓ Improve awareness around inheritance and asset building
- ✓ Diversification of labor force, work styles, and service needs

Strategy

Phase 1 (FY2019 - FY2022)

Addressing priority issues
- Share house-related loans
- Promptly dissolve relationship with founding family

Retail banking
- ✓ Retarget investment real estate loans and improve their quality
- ✓ Evolve toward a solution-based sales model
- ✓ Expand based on area characteristics

Marketable activities
- ✓ Shift away from a credit risk-centric portfolio
- ✓ Aim for stable operation with contained downside risk

New business
- ✓ Partner with external companies
- ✓ Utilize the API collaboration platform

Optimizing allocation of management resources
- Reform of branch operations
- Reallocation of human resources
- Revision of Group capabilities
- Cost reduction

Phase 2

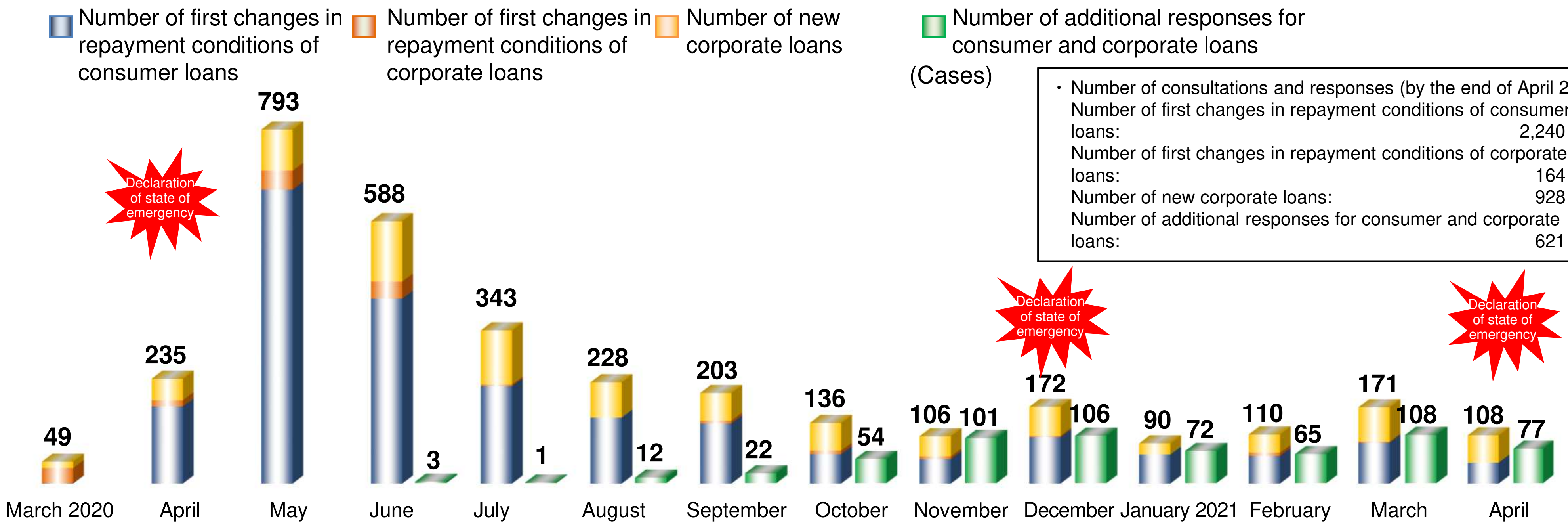
FY2023 - FY2025

Establish new positioning

COVID-19 Pandemic Response

Placing the highest priority on the lives and health of customers, employees, and their family members, we will provide necessary financial services as financial infrastructures essential for maintaining social functions.

[Number of consultations related to COVID-19 and loan responses]



- Number of consultations and responses (by the end of April 2021)
  - Number of first changes in repayment conditions of consumer loans: 2,240 cases
  - Number of first changes in repayment conditions of corporate loans: 164 cases
  - Number of new corporate loans: 928 cases
  - Number of additional responses for consumer and corporate loans: 621 cases

Expected impact of a protracted pandemic and the fourth wave of COVID-19

Main businesses	Expected impact
Impact on new loans	• In association with economic stagnation or contraction, new loans may be stagnant. • As it becomes difficult to examine the property for loan execution, which also makes it difficult to screen the loan, new loans may be stagnant.
Impact on existing loans	• Declines in the price of land and properties may increase actual credit costs. • As borrowers' repayment sources such as rent income and other income may decrease, actual credit costs may increase because of our support for borrowers with relaxation of repayment conditions. • Associated with economic stagnation or contraction, actual credit costs may increase due to worsening corporate earnings.

SURUGA bank

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The foregoing material contains statements regarding future business performance. These statements are not intended as guarantees of any specific future performance, which is subject to a variety of risks and uncertainties. Actual future business results may differ from the targets contained in the present material, due to unpredictable changes in the external business environment.