

SURUGA bank, Ltd.
Financial Results for FY3/22

May 27th, 2022

SURUGA bank



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Actual Results for FY3/22; Comparison with FY3/21

- Gross operating profit decreased 7.2 billion yen to 65.3 billion yen, mainly due to a decrease in net interest income of 6.3 billion yen.
- Net operating profit decreased 13.9 billion yen to 36.1 billion yen due to a decrease of 7.3 billion yen in reversal of general reserve for possible loan losses.
- Real credit costs increased by 3.7 billion yen from the previous fiscal year to 16 billion yen (see the left table below).
- Net income (non-consolidated) decreased by 11 billion yen year on year to 7.8 billion yen due to the above factors.

<Non-consolidated>

(Billions of yen)

	Actual results for FY3/21	Actual results for FY3/22	Year-on-year
Gross operating profit	72.5	65.3	(7.2)
Expenses	40.3	39.7	(0.6)
Core net operating profit	31.1	25.0	(6.1)
Net operating profit	50.1	36.1	(13.9)
Ordinary profit	19.9	10.0	(9.8)
Net income	18.9	7.8	(11.0)

Real credit costs	12.2	16.0	+3.7
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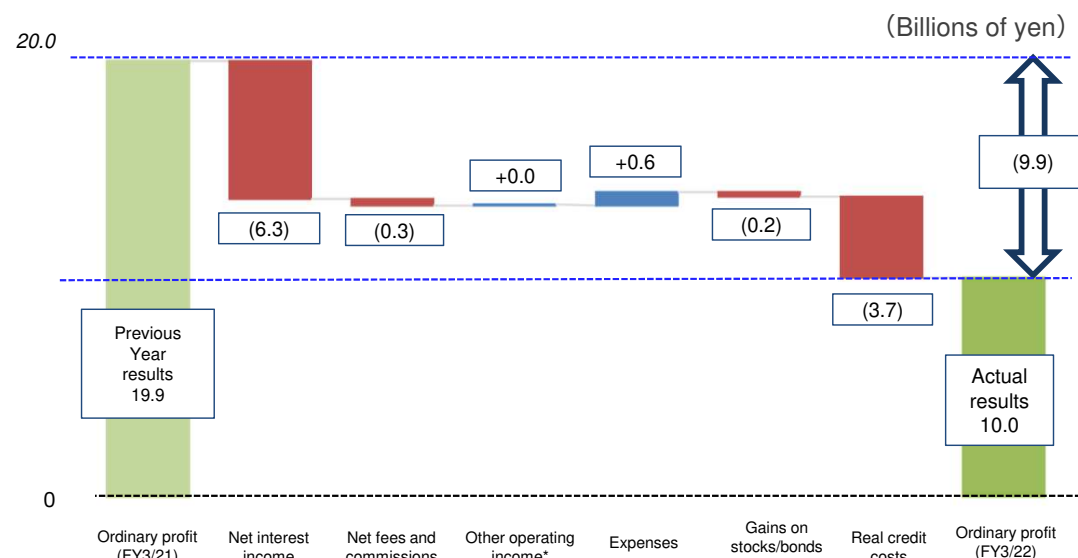
<Real Credit Costs for Fiscal 2022>

(Billions of yen)

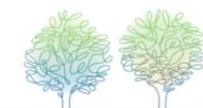
Real credit costs		16.0
Normal amount (a)	Real credit costs arising from non-special-factor receivables	(0.6)
Share house-related loans (b)	Real credit costs to share house borrowers	3.9
Comprehensive transfer of share house loans (c)	Gain on reversal of reserve for possible loan losses due to the implementation of the Group III share house loan transfer	(14.7)
Preventive allowances (d)	Taking into account the situation in which some of our clients who are using real estate loans for investment other than share-house loans are engaged in systematic negotiations, we made additional allowances ahead of schedule compared to ordinary loans.	40.4
Revised secured mortgage collateral (e)	We reviewed the categories based on our company's periodic review rules.	(13.0)

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

	Main factors
Net interest income	• Decline in interest on loans (average balance factors -5.1 billion yen, yield factors -2.5 billion yen)
Net other operating income	• Loss on sale of private REITs recorded in the previous fiscal year
Expenses	• Decrease in personnel expenses
Real credit costs	• Additional provisions were made for investment real estate loans other than share house loans as precautionary provisions (see the table below left).



*Excludes gains/losses on bonds.



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

- The real credit cost of the share house-related borrowers decreased by 20.2 billion yen due to the collective transfer of loans by the third group in Q4.
- Real credit costs for real estate loans for investment other than those for share-house related loans amounted to 36.1 billion yen, mainly due to the implementation of precautionary provisions for those who have suspended repayments to some of their clients through systematic negotiations (see page 1).
- As of the end of March 2022, the outstanding balance of share house-related borrowers was 53.6 billion yen, representing a 96.87% preservation rate, as a result of the past 3 consolidated loan transfers.

• Real credit costs/allowance for loan losses (FY3/22)

Item					Real credit costs for FY3/22	(Billions of yen) Allowance for loan losses
	1 Q	2 Q	3 Q	4 Q		
Share house-related loans	1.2	(8.0)	1.4	(14.8)	(20.2)	25.7
Investment real estate loans*	1.9	(1.3)	11.2	24.4	36.1	91.9
Housing loans	(0)	(0.7)	0.2	(0.2)	(0.7)	3.1
Unsecured loans	0.1	(0)	0.1	0	0	3.4
Monetary claims bought	—	—	0.1	0	0.2	0.2
Business financing, etc.	0.1	0.1	0.3	0	0.5	8.6
Total	3.4	(10.1)	13.3	9.4	16.0	133.1

*Includes studio apartment loans, single building apartment loans, and other secured loans.

• Coverage status on share house-related loans

	Total credit balance A	Share house-related loans	Mortgage collateral or guarantee B	Unsecured portion C	Allowance D	Coverage ratio (B + D)/A
March 2019	250.3	201.9	91.4	158.8	139.3	92.20%
March 2020	192.1	154.7	72.7	119.3	102.5	91.29%
March 2021	135.7	107.2	52.5	83.1	76.7	95.24%
March 2022	53.6	41.9	26.2	27.4	25.7	96.87%

*Based on obligors of share house-related loans.

*Mortgage collateral or guarantee: Calculated by multiplying the estimated amount of collateral, etc. by a fixed rate (revised in first half of current fiscal year)

*Total credit balance, share house-related loans: Loans and bills discounted, suspense payments equivalent to loans and bills discounted, and accrued interest on loans and bills discounted.



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

- The loan yield of the whole area promoted for the conversion of asset "quality" to middle risk/middle return is 3.54% (total (E)).
- The delinquency rate for individual loans remained high for share house-related lenders due to the suspension of repayment of loans associated with the 4th Group's request for lump-sum transfer of loans, and some customers who are using investment real estate loans have suspended repayment as a result of organized negotiations. In addition to these factors, the balance of personal loans, which is the denominator, decreased, resulting in a 2.10% increase in the delinquency rate from the end of the previous period to 6.81% (A).
- In order to improve the delinquency rate of investment real estate loans, we not only provide repayment support such as modification of terms and conditions, but we also carried out actions such as feedback to customers of information on real estate damage and other concerns discovered in our own periodic surveys and provided consultation on changes in management companies, etc. Significant changes in the delinquency status of loans without special factors has not been observed.

(Billions of yen)

Loan category	March 2021			March 2022		
	Period-end balance	Yield	Delinquency rate	Period-end balance	Yield	Delinquency rate
Secured loans	1,905.4	3.08%	4.93%	1,693.1	3.09%	7.18%
Housing loans	497.9	2.83%	0.27%	457.6	2.79%	0.31%
Studio apartment loans	167.8	3.39%	1.58%	142.3	3.37%	2.64%
Single building apartment loans	1,096.0	3.24%	3.50%	1,017.7	3.21%	8.96%
Share house loans	107.1	1.40%	49.06%	41.8	1.39%	61.91%
Other secured loans	36.4	4.73%	0.58%	33.4	4.57%	0.38%
Unsecured loans	170.0	10.32%	2.17%	145.4	10.40%	2.44%
Card loans	112.8	11.69%	0.82%	98.0	11.77%	0.89%
Unsecured certificate loans	57.1	7.63%	4.83%	47.4	7.57%	5.64%
Consumer loans (A)	2,075.5	3.66%	4.71%	1,838.5	3.67%	6.81%
Consumer loans (excluding share house-related loans)	1,939.8		2.14%	1,784.9		5.37%
Investment real estate loans for asset management companies (B)	15.1	1.95%	—	33.5	1.81%	—
Structured finance, etc. (C)	33.5	2.28%	—	68.9	2.27%	—
Monetary claims bought (D)	—	—	—	59.7	1.89%	—
Total (E : A+B+C+D)	2,124.1	3.63%	4.60%	2,000.8	3.54%	6.26%

*Delinquency rate = Loans past due for three months or more / loan balance. *Yield: Yield for customers (excluding guarantee fee and accrued interest), period-end balance basis.

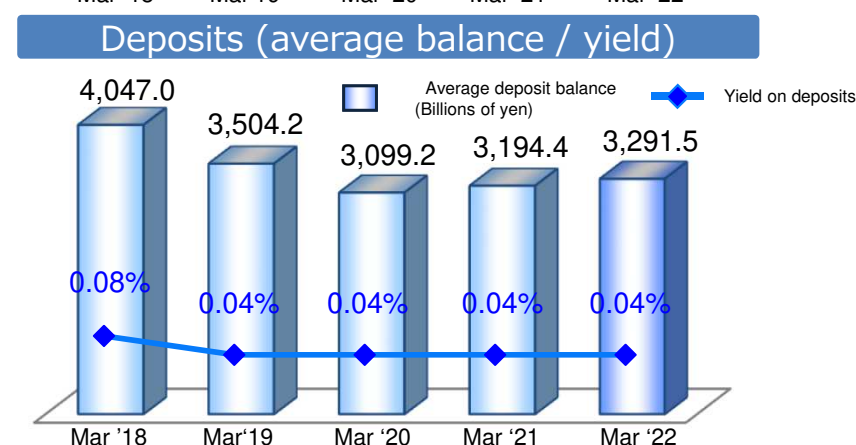
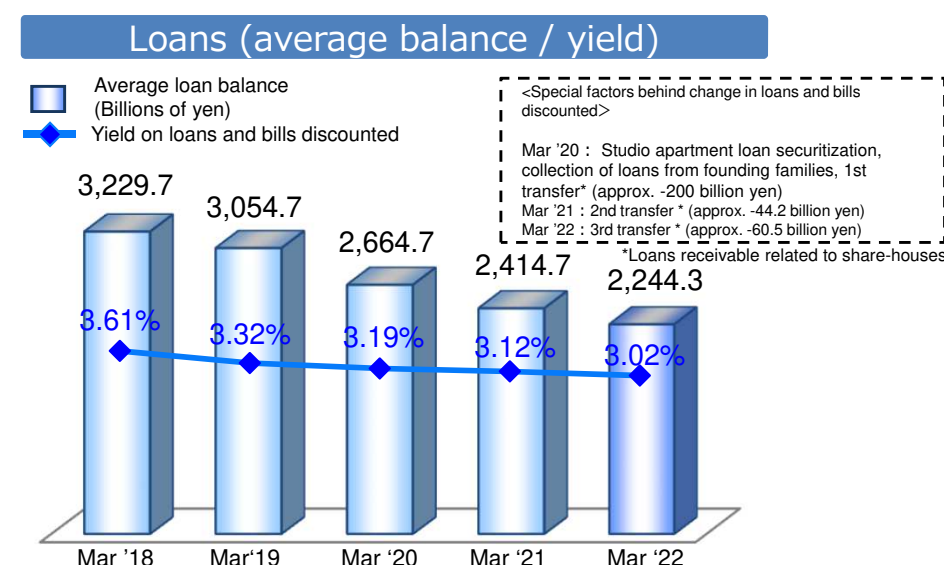
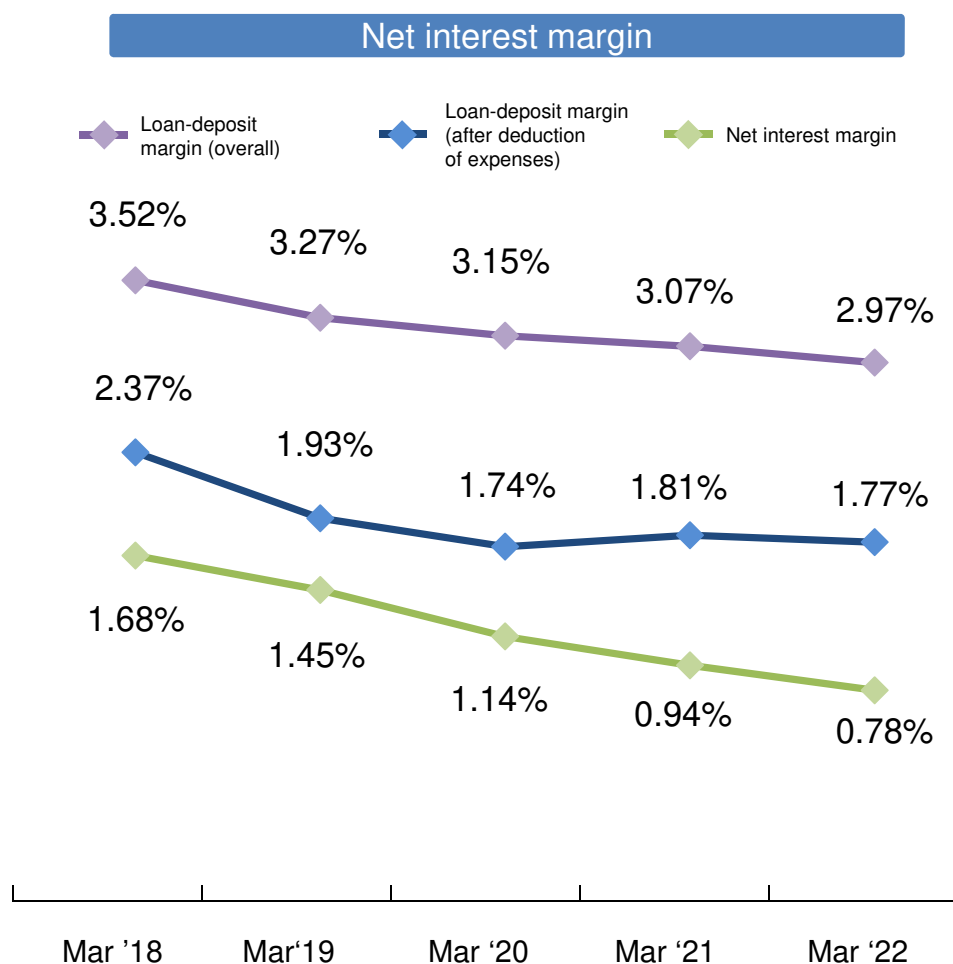
*Yield and delinquency rate of studio apartment loans, secured loans, consumer loans, and the total (A+B+C+D) are calculated based on original claims before securitization.

*As the balance is aggregated by loan type, if borrowers of share house loans or customers participating in collective bargaining default on scheduled repayments, the delinquency rate of other types of loans will be affected.



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

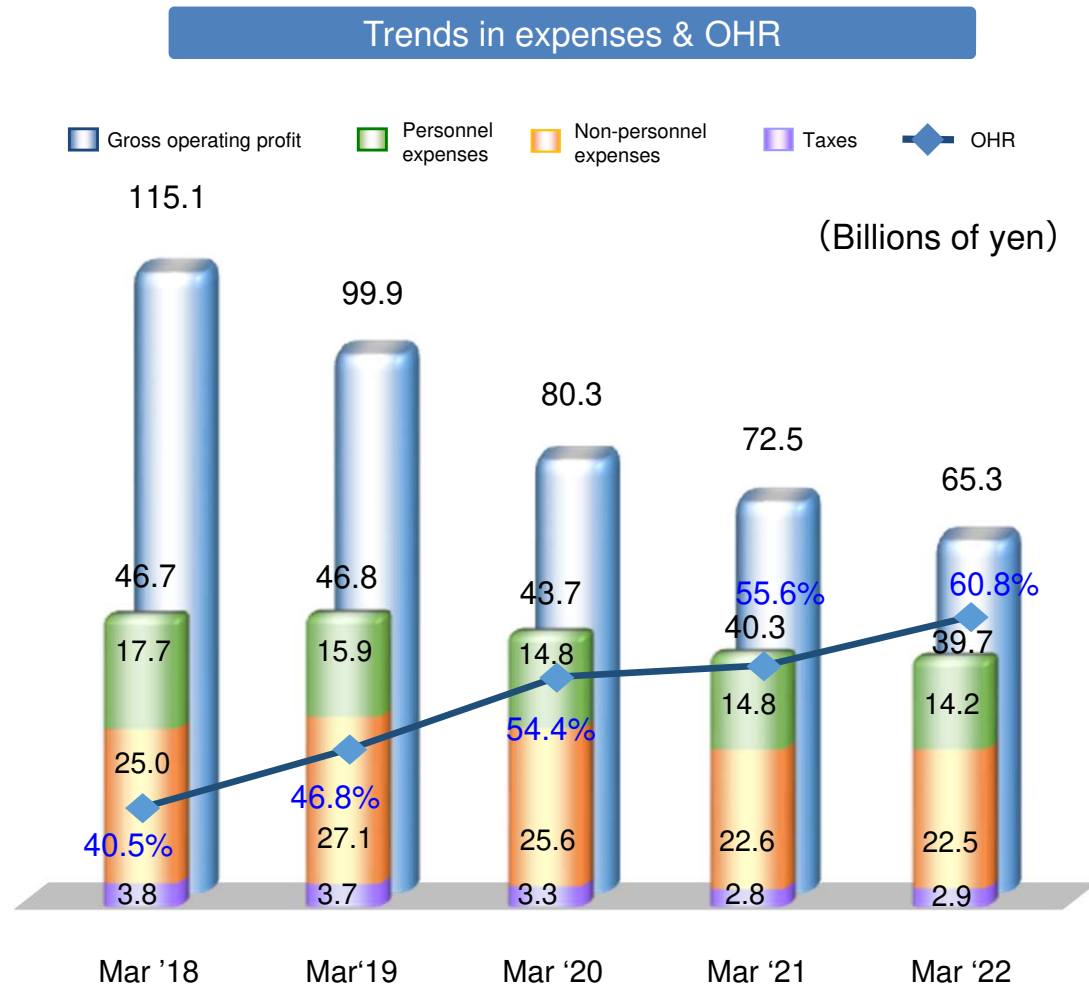
- The interest rate on loans and deposits decreased by 0.04% to 1.77% from the previous fiscal year due to a decline in the loan yield (down 0.10% from the previous fiscal year) caused by a decline in the loan execution rate compared to the previous fiscal year 2018 following the shift to a business model of medium-risk, middle-return that reduces risks, as well as the continuation of measures to reduce the loan execution rate associated with changes in conditions, which exceeded the decline in the expense ratio (down 0.06% from the previous fiscal year).
- Net interest margin fell 0.16% to 0.78%.
- The balance of outstanding loans decreased by 170.3 billion yen from the previous year to 2,244.3 billion yen, partly due to special factors (consolidated transfer of loans related to share houses).
- The balance of deposits increased by 97 billion yen to 3,291.5 billion yen.





Trends in Expenses and OHR <Non-consolidated>

- OHR rose 5.2% to 60.8% due to a decline in gross operating profit despite steady progress in cost cutting.
- As part of the structural reforms set forth in the Mid-term Business Plan, in order to realize the optimization of the store network, store consolidation and closure (13 stores) and store relocation (7 stores) are being promoted, taking into account such factors as the strengthening of sales force and cost reduction through resource consolidation, the number of store visitors, and maintaining convenience for existing customers.



◆ Optimization of store networks for structural reforms set out in the Mid-term Business Plan

<Elimination and consolidation of branches>

Consideration of consolidation and closure from the viewpoint of enhancing sales capabilities and reducing costs through resource consolidation and proximity of stores

Areas	Target stores
Tokyo metropolitan area	•Futako Tamagawa Branch •Kawasaki Branch •Tama Plaza Branch •Midtown Branch
Other major urban areas	•Sendai Branch •Hiroshima Branch •Kyoto Branch
Kanagawa	•Keio University Branch Office
Shizuoka	•Well-D Nagaizumi Branch Office •Denmacho Branch •Numazu Shizuura Branch •Izu Chuo Branch •Numazu Ashitaka Branch (Scheduled for Jun 2022)

<Store relocation>

Relocate the following stores based on customer convenience and store maintenance costs

Areas	Target stores
Other major urban areas	•Fukuoka Branch •Nagoya Branch (Scheduled for Jul 2022)
Kanagawa	•Fujisawa Branch •Atsugi Branch
Shizuoka	•Shizuoka Branch •Numazu Minami Branch •Fuji-Yoshiwara Branch



■ Trends in Adequacy Ratio <Non-consolidated>

- The non-consolidated capital adequacy ratio rose 0.22% to 12.35% from the previous fiscal year (12.68% on a consolidated basis) even after the repurchase of treasury stock in March 2022 worth 17.6 billion yen.
- The figure is higher than the 10% target set for the final year of Phase 1 of the Mid-term Business Plan.

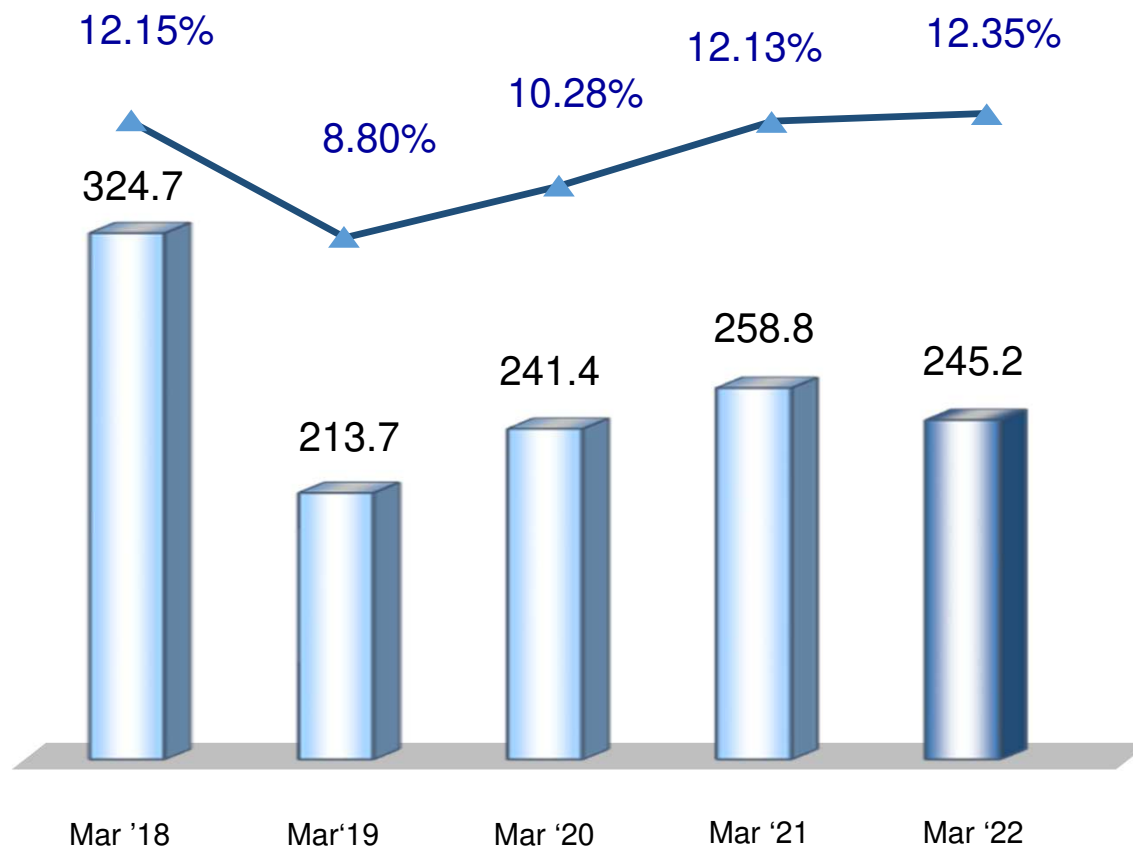
Trends in capital & capital adequacy ratio

Own capital



Capital adequacy ratio

(Billions of yen)



◆ Acquisition of treasury stock

18.7% of the outstanding shares (excluding treasury stock) before the share repurchase

Method of acquisition : Off-floor purchase of treasury stock (ToSTNet -3)

Date of acquisition : March 9, 2022

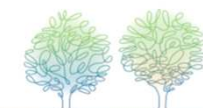
Total number of shares : 43,414,000 shares to be acquired

Total cost: : 17.6 billion yen

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Earnings Forecast for FY3/23 <Non-consolidated & Consolidated>

- Gross operating profit is expected to decrease by 6.3 billion yen to 59 billion yen, reflecting a decrease in net interest income.
- Core net operating profit is expected to decrease by 4 billion yen to 21 billion yen, mainly due to a decrease in gross operating profit, despite a decrease in expenses.
- The real credit cost is projected to be 7.5 billion yen in the first half and 6 billion yen in the second half of the annual 13.5 billion yen.
- Net income is expected to be 6.5 billion yen on a non-consolidated basis and 7 billion yen on a consolidated basis.

[Non-consolidated]

	FY3/22 Results (1)	FY3/23 Forecast		Year-on-year (2)-(1)
		Full year (2)		
		1 st half		
Ordinary income	83.6	38.5	76.0	(7.6)
Gross operating profit	65.3	30.0	59.0	(6.3)
Expenses	39.7	19.5	38.0	(1.7)
Core net operating profit	25.0	10.5	21.0	(4.0)
Ordinary profit	10.0	3.0	7.5	(2.5)
Net income	7.8	2.5	6.5	(1.3)
Real credit costs	16.0	7.5	13.5	(2.5)
Dividends per share	6.0 yen		6.0 yen	±0 yen

[Consolidated]

(Billions of yen)

FY3/23 Forecast		Cons-parent differential (3)-(2)
1 st half	Full year (2)	
42.5	84.0	+8.0

3.0	8.0	+0.5
2.5	7.0	+0.5

<Premise Behind FY3/23 Real Credit Cost Forecast>

- Real credit costs for non-special-factor receivables, such as share-house-related borrowers and institutional negotiators, are expected to be 5.5 billion yen for the full year, with provision for general reserve for possible loan losses due to a rise in the expected loss ratio as a result of preventive provision made in the previous fiscal year.
- The real credit cost to share house-related borrowers is assumed to be minus 2 billion yen for the full year, taking into account the gain on reversal of allowance for loan losses in the first half of the fiscal year due to the implementation of the lump-sum transfer of share house loan claims by the fourth group.
- As for the precautionary provision, we plan to make additional provision of 10 billion yen for the full year, taking into account the state of systematic negotiations among some clients using real estate loans for investment other than share house loans.
(* Additional reserves for the previous fiscal year and the current fiscal year are expected to provide a certain level of benefits.)

(Billions of yen)

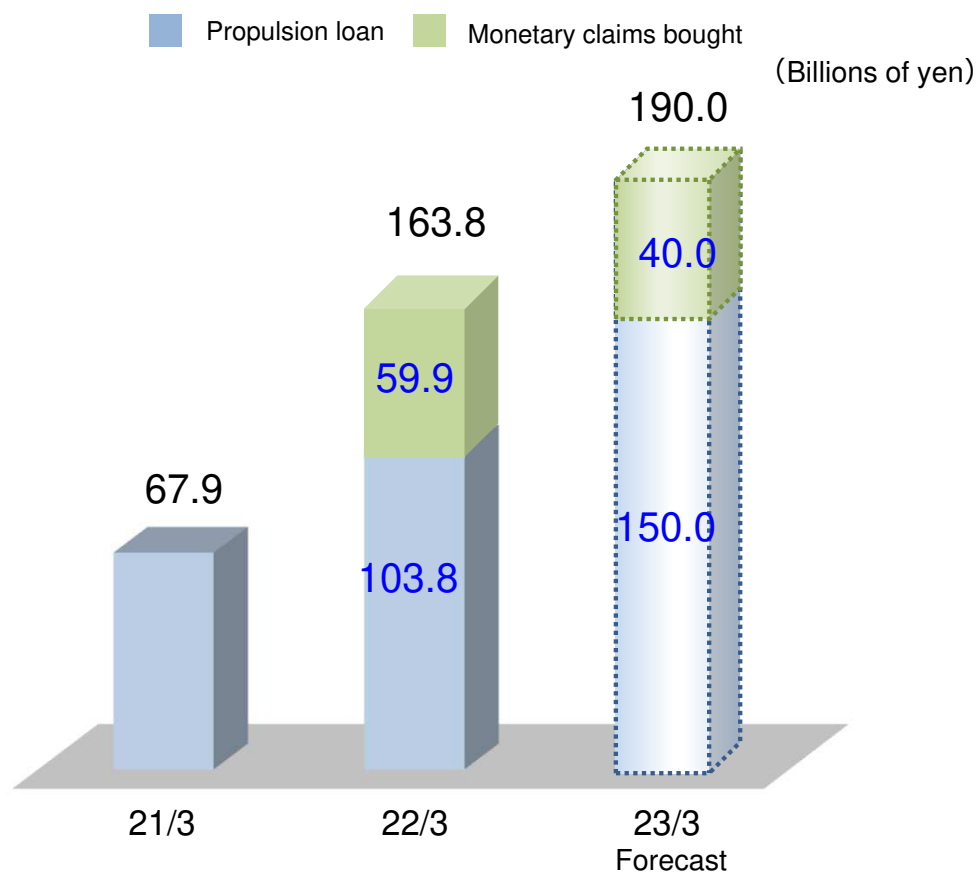
	Full year	
	1 st half	Full year
Real credit costs	7.5	13.5
① Normal amount	3.5	5.5
② Share house-related loans	(2.0)	(2.0)
③ Preventive allowances	6.0	10.0

Assumptions Underlying Earnings Forecasts for FY3/23< New Loan Assumptions >



- In the fiscal year ended March 2022, we implemented a total of 163.8 billion yen in all business areas we are promoting, with the aim of transforming "quality" into a middle-risk, middle-return approach. Of this total, 54.5 billion yen was disbursed for consumer loans and investment real estate loans for asset management companies, while 49.2 billion yen was disbursed in structured finance, and 59.9 billion yen was acquired for monetary claims bought.
- In the fiscal year ending March 2023, we plan to extend new loans of 150 billion yen and acquire monetary claims bought of 40 billion yen, and promote sales by making effective use of non-face-to-face tools.

Forecast of New Loan Disbursements *



*Amount of new execution (acquisition) of business areas promoted by consumer loans, investment real estate loans for asset management companies, structured finance, monetary claims bought, etc.

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

(Billions of yen)

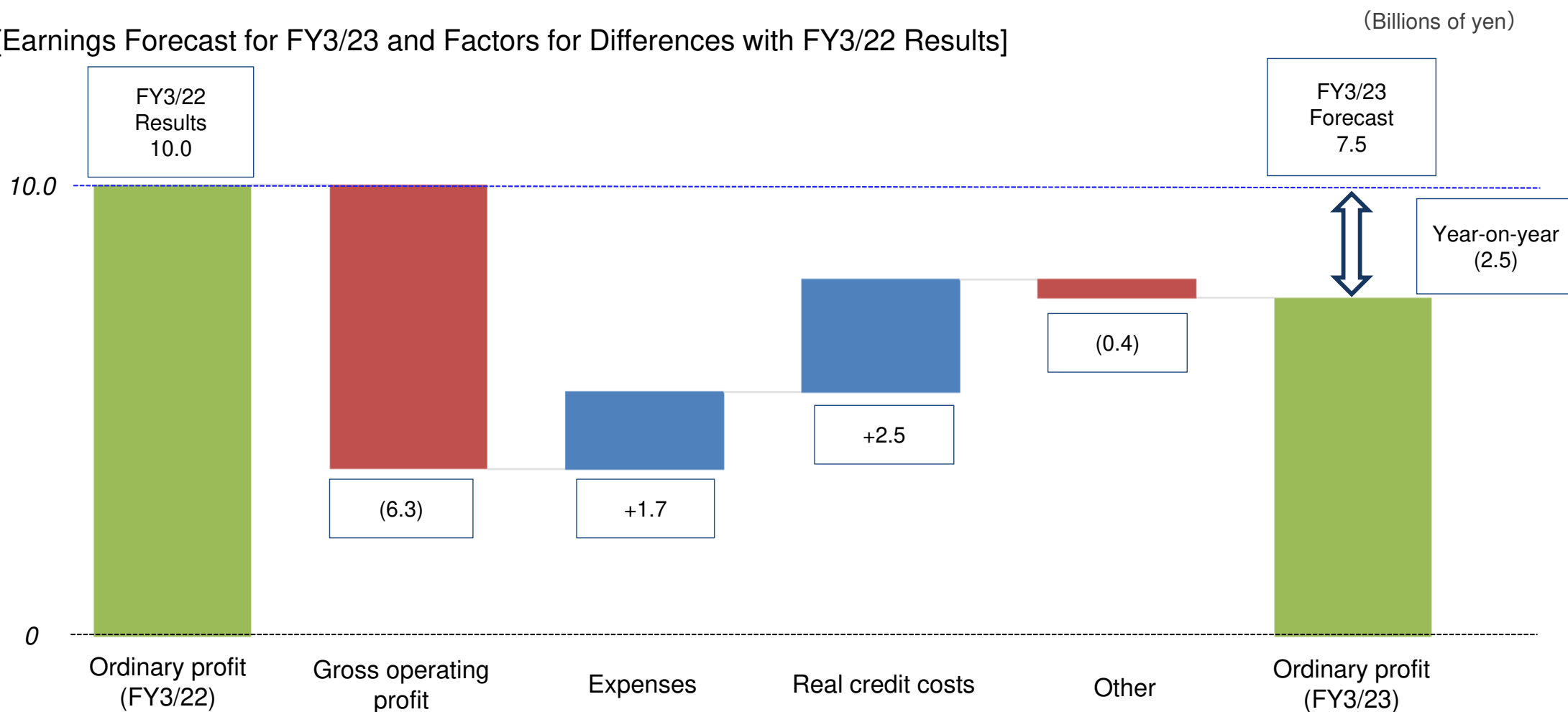
	FY3/21	FY3/22	FY3/23 forecast
Consumer loans	22.6	35.5	110.0
Loans for asset management companies Investment real estate loans	14.9	19.0	※ —
Subtotal	37.5	54.5	110.0
Structured finance	30.3	49.2	40.0
Total (A)	67.9	103.8	150.0
Monetary claims bought (B)	—	59.9	40.0
Total total (A)+(B)	67.9	163.8	190.0

* The projected amount of investment real estate loans for asset management companies is included in 190 billion yen of consumers loans in the graph on the left, because we conduct the same promotional activities as for investment real estate loans for individuals.

Assumptions Underlying Earnings Forecasts for FY3/23 <Reasons for Differences from the Previous Fiscal Year>

- The new loan disbursement amount is projected to be 190 billion yen, and the new disbursement rate is assumed to be about 2% on the assumption of "quality" conversion to middle risk and middle return.
- Gross operating profit is expected to decreased by 6.3 billion yen from the previous year, reflecting a decrease in net interest income due to a decrease in interest on loans.
- Expenditures are expected to decrease by 1.7 billion yen from the previous fiscal year as a result of ongoing structural reforms outlined in the Mid-term Business Plan.
- Real credit costs are expected to decrease by 2.5 billion yen from the previous fiscal year, estimating additional provisions for the purpose of proactively reflecting future credit risk, such as the fourth comprehensive transfer of share house loans and single building apartment loans.

[Earnings Forecast for FY3/23 and Factors for Differences with FY3/22 Results]



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



- In the final year of the Mid-term Business Plan, the earnings forecast is that RA gross operating profit and OHR will be below KPI, but net income (non-consolidated and consolidated) will be at the projected level. The capital adequacy ratio is assumed to be higher than the KPI.
- The new loan disbursement amount in the business area to be promoted is projected to be 190 billion yen as per the Mid-term Business Plan.
- The company plans to spend 38 billion yen, down 2 billion yen from its Mid-term Business Plan, as it has advanced structural reforms.

(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)	49.3	45.5	49.0
	OHR (Note2)	60%	64%	Less than 60%
	Net income	7.8	6.5	6.0
	Capital adequacy ratio	12.3%	13.1%	More than 10%
Consolidated	Profit attributable to owners of parent	7.9	7.0	7.0
Other indicators	New Loan (Note3)	163.8	190.0	190.0
	Expenses	39.7	38.0	40.0
	Personnel expenses (reduction rate from FY 2018)	(10.6%)	(11.3%)	(8%)

(Note1) RA (Risk Adjusted) Gross Operating Profit = Gross Operating Profit – Real Credit Costs

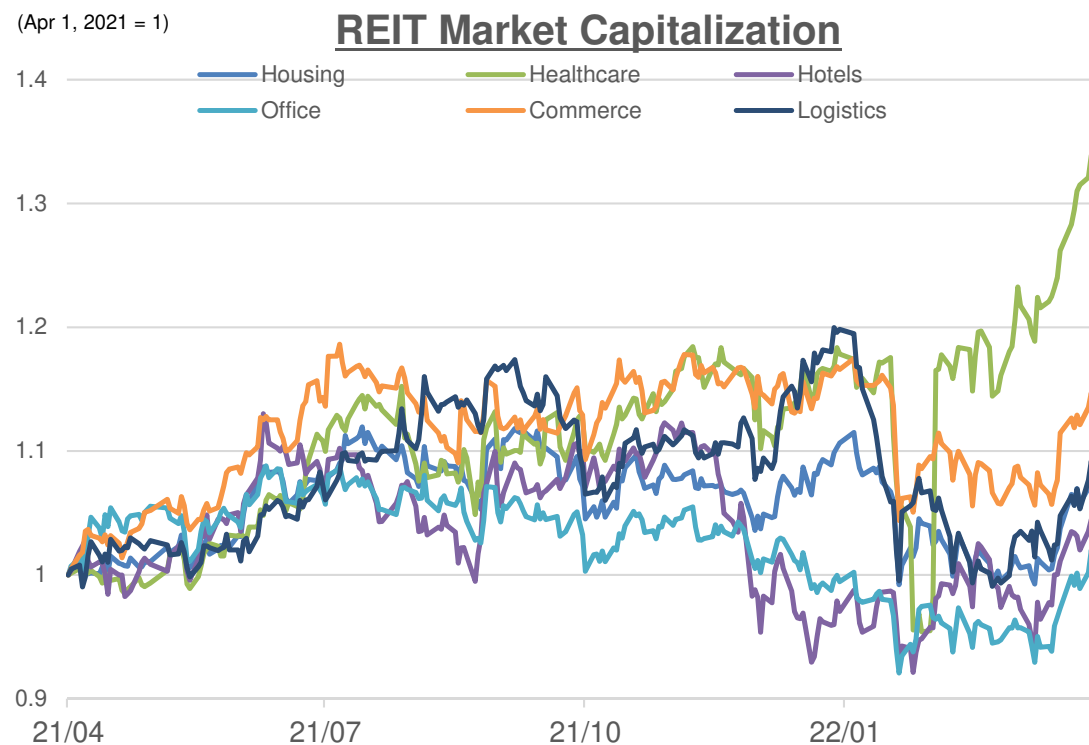
(Note2) OHR (Overhead Ratio) = Expenses / Gross Operating Profit

(Note3) New loan : Amount of new execution (acquisition) of business areas promoted by consumer loans, investment real estate loans for asset management companies, structured finance, monetary claims bought, etc.

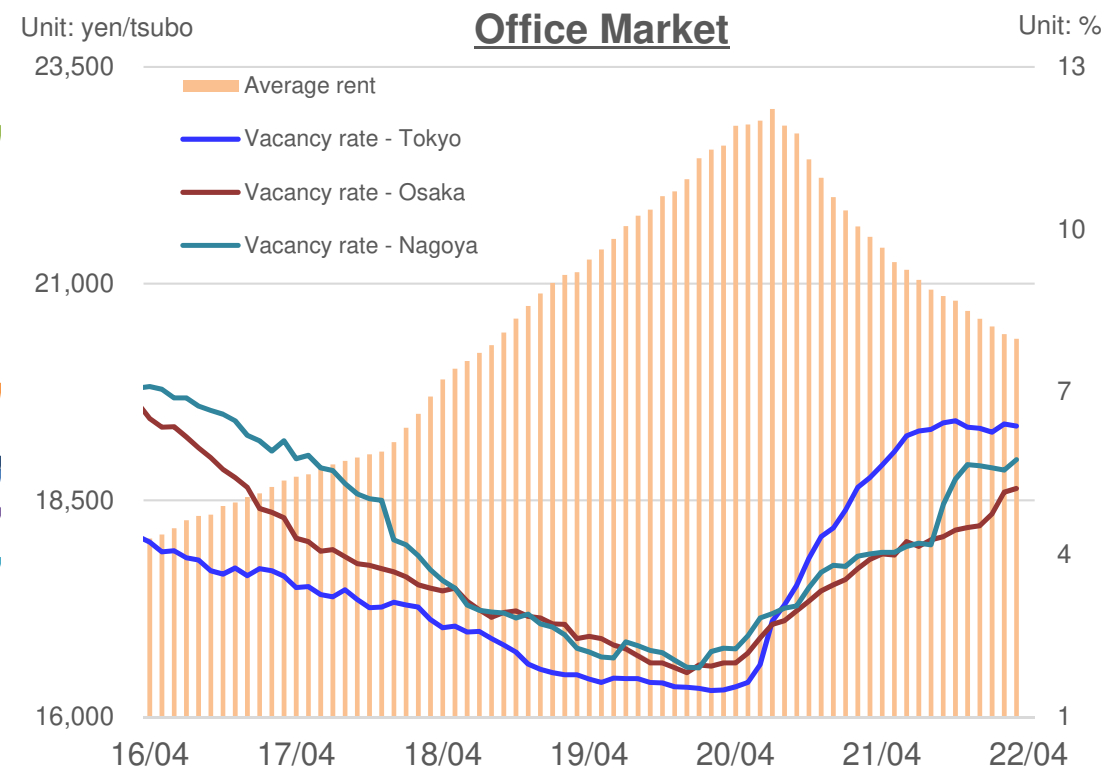


■ The Real Estate Market's Status

- In terms of the market capitalization of REITs, investment capital inflows in the first half of fiscal 2021 were driven by the resumption of economic activity under living with COVID-19, rising inflationary pressures, and the inclusion of Japanese REITs in overseas stock indexes. In the second half of the year, although the market faced a severe environment with rising interest rates at home and abroad, the re-spread of the COVID-19 caused by the Omicron variant, and geopolitical risks, it has kept rebound and recovery because of expectation for overcoming concerns for each risk from the beginning of March.
- In particular, the logistic REIT has been strong against the backdrop of increasing use of e-commerce in the COVID-19 pandemic. The commercial REIT also rose higher than that before the COVID-19 pandemic with sights set on the post-COVID-19 era.
- In offices, although rents continue to fall due to the development of remote work and the vacancy rate remains high, the outflow of investment funds is limited.
- Foreign investment funds are expected to remain at a certain level, partly because the yield gap in domestic real estate has become more attractive to investors as a result of the shift in monetary policy around the world and the rise in interest rates in Europe and the United States, and partly because of a sense of undervalue against the backdrop of the weak yen.



Source: Bloomberg

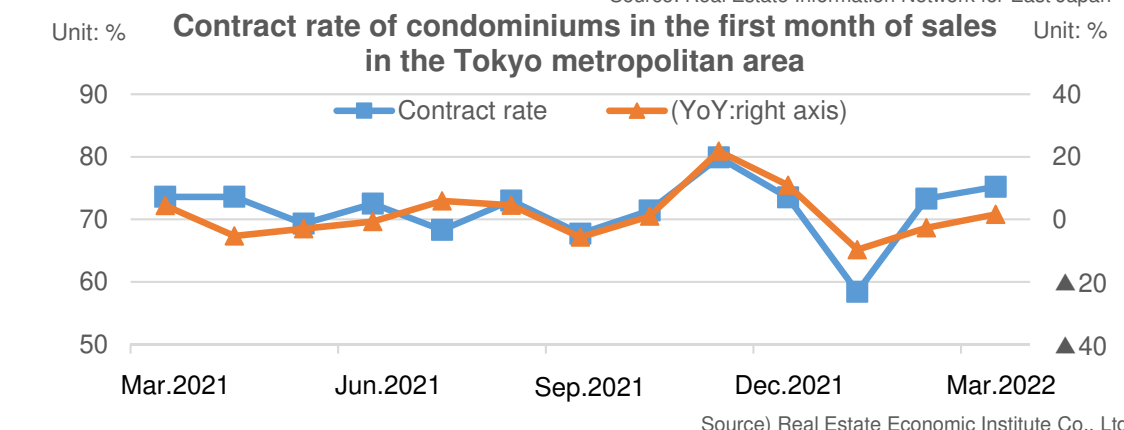
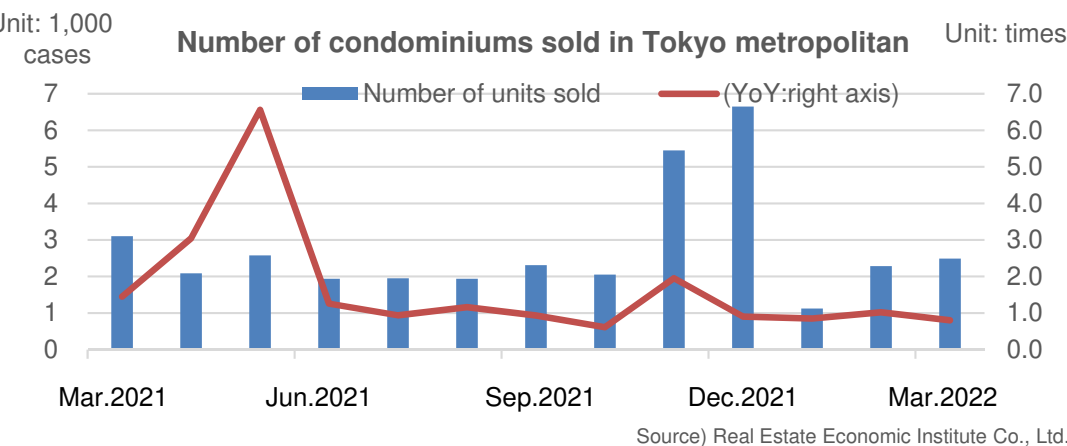
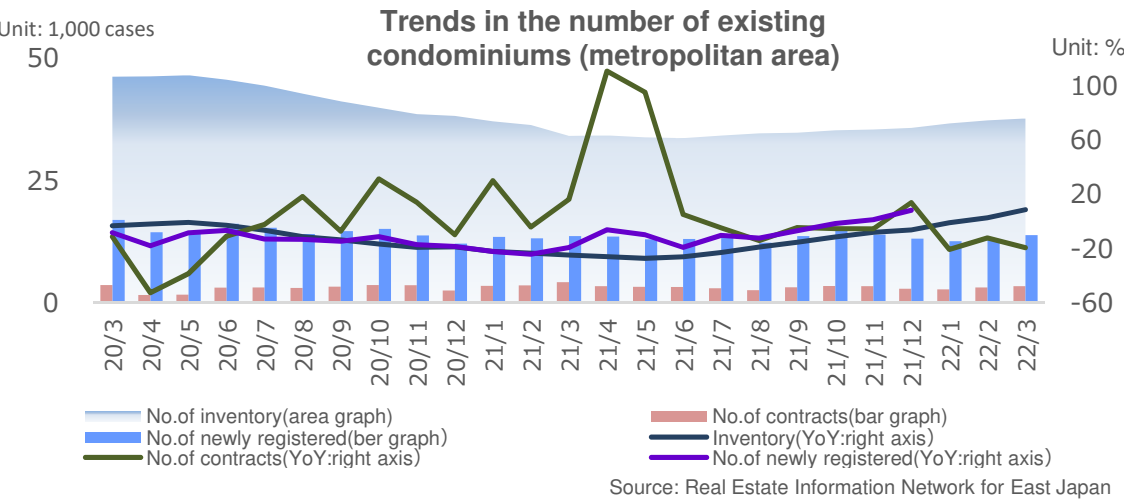
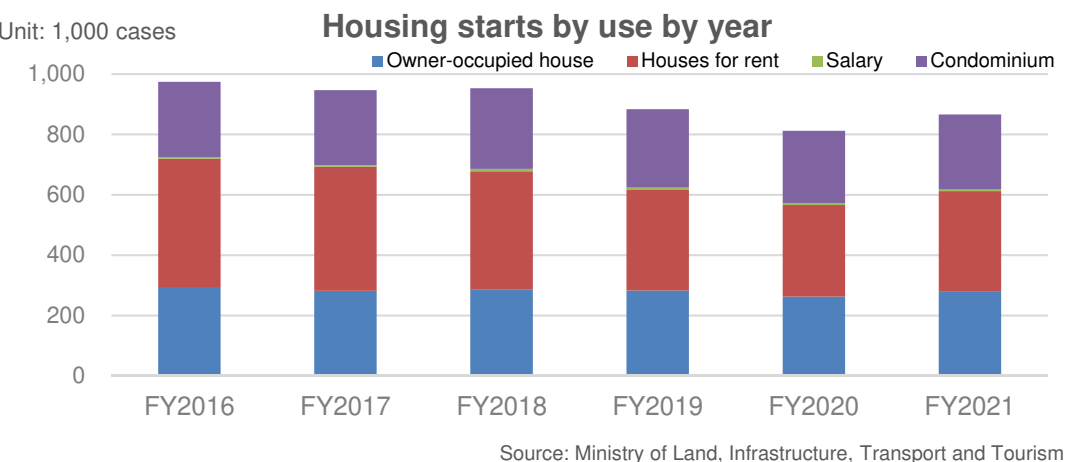


Source: Miki Shoji



The Real Estate Market's Status

- In the housing market, the number of housing starts has increased compared to the previous year, and the number of used condominiums in stock has also been on an upward trend, suggesting that supply will gradually recover. In terms of demand, although there was a temporary decline due to the re-spread of COVID-19 caused by Omicron variant and other mutants, there was a recovery trend in the number of condominiums sold in the Tokyo metropolitan area and the first-month contract rate for condominiums in the Tokyo metropolitan area. However, because supply constraints under COVID-19 and impact from the state of affairs at Ukraine, wood prices are rising, leading to concerns that demand will decline as rising material prices are passed on to housing prices.
- Our company carefully assesses these market trends and the risks associated with individual projects and promotes investment real estate loans, housing loans, and structured finance.



Sales Policy



- The first phase of the Mid-term Business Plan aims to build a sustainable business model through initiatives in the core retail banking business.
- In the “Shizuoka and Kanagawa areas,” reorganization to a 30 area system was completed in fiscal 2021. Based on the characteristics of the area, we are promoting comprehensive customer proposals.
- In the “metropolitan and regional areas,” the Group specializes in the promotion of secured loans mainly in the five major metropolitan areas with large markets.
- In "Direct," we are using digital technology to expand customer contacts and digital marketing to create optimal proposals for customers.

Our understanding of the market

■ Shizuoka and Kanagawa areas

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

Shizuoka area
61 branches
Population: 3.68 million
Private business locations: 190,000
New housing starts: 21,271

Kanagawa area
36 branches
Population: 9.22 million
Private business locations: 370,000
New housing starts: 63,864

■ Tokyo metropolitan area and other major urban areas

Development focused on secured loans in five metropolitan areas

9 branches and three departments
New housing starts: 430,393
(Share of nationwide statistics: 50.3%)

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

*Total prefectures with branches

■ Direct

Net development centered on collaboration with companies in different industries

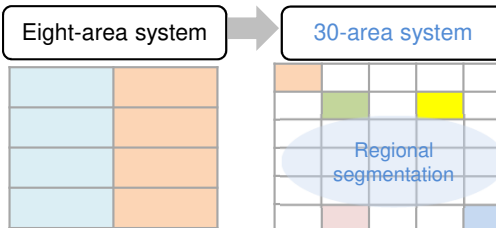


(Major branches)
ANA branch, Recruit branch, T-point branch, D-bank branch, Dream Direct branch

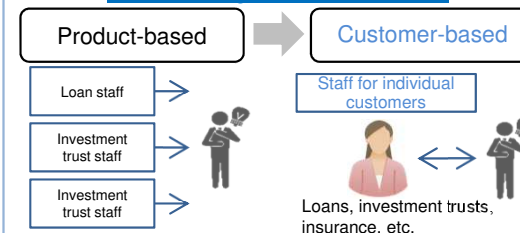
Population: as of January 1, 2022 (Ministry of Internal Affairs and Communications) / private business locations: as of June 1, 2019 (Economic Census for Business Activity) / New housing starts: FY2021 (Ministry of Land, Infrastructure, Transport and Tourism)

Direction

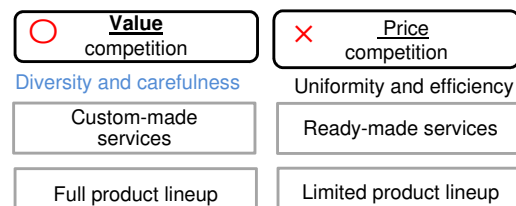
Strengthening community-based services



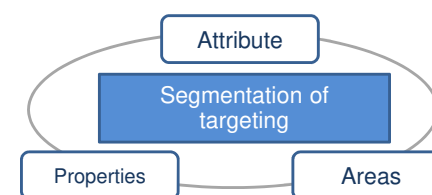
Promotion of comprehensive proposals based on understanding of customers' needs



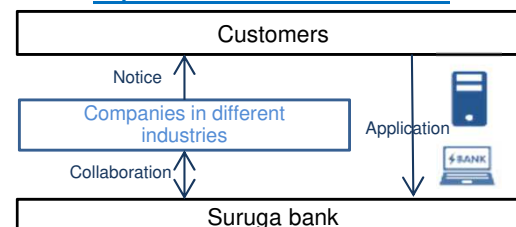
Concept of non-price competition



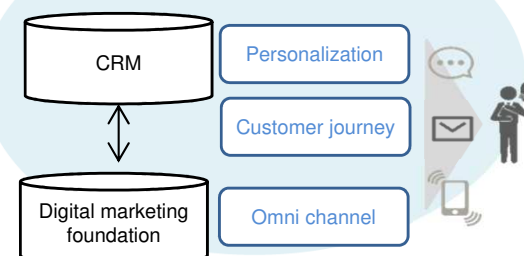
Development of niche markets



Expansion of customer contacts



Common to markets Promotion of DX for customer relations



■ Creation of sales personnel and time by improving operational efficiency as well as solution sales

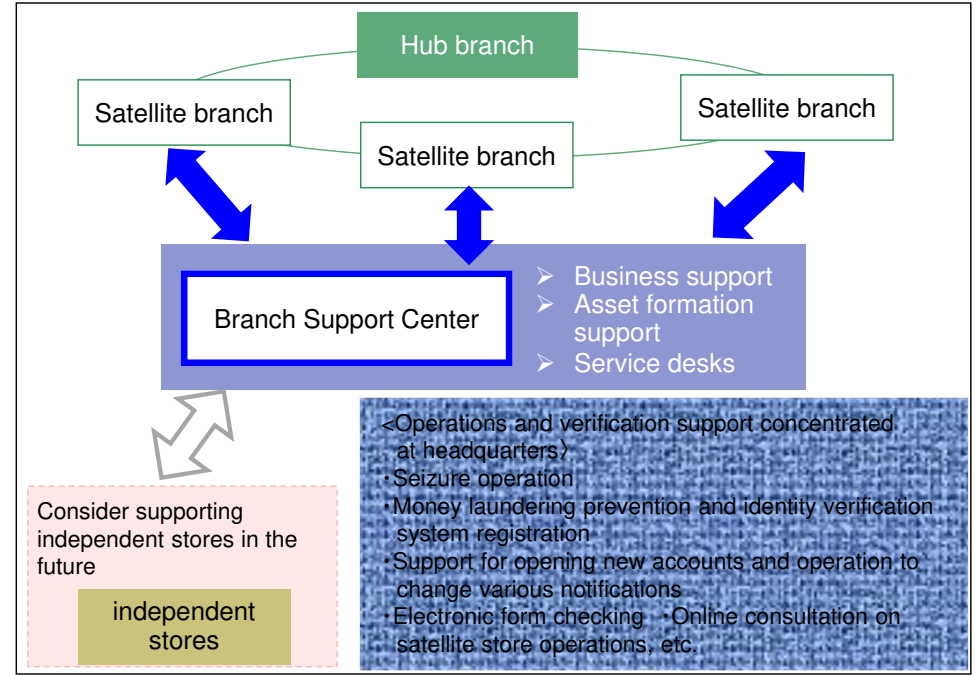


- By centralizing the hub and satellite store systems and back-office operations, the company will shift personnel to the front desk and expand customer service hours.
- Establishing a system to provide solutions to customers' various problems by being close to them and opening up communication more.

Expansion of hub and satellite store systems

◆ Generating personnel and time to expand contact with customers through the development of hub and satellite systems, which will serve as the pivot for reviewing store functions, and the concentration of back-office operations at headquarters

hub and satellite store systems



By the end of March 2022, we had expanded our hub and satellite store network to 65 stores.
Created approximately 5,500 hours/month (equivalent to approximately 36 full-time employees)
*Calculated from actual figures from December 2021 to March 2022 after expansion of 65 stores

Expanding customer contact by utilizing personnel and time saved

Solution Sales

Personal Solution Sales

➢ FA * 1 (Financial Advisor) in Shizuoka and Kanagawa
➢ FA counters * 2 installed at each store

<Promotion system>

Asset Consulting Office

Planning team

Implementation team

Support team

Support

↕

FA

↕

FA counters

Deliver the right solution with high expertise

➔

Customers

NEW Started handling the end-of-life support service "musu-bi"

< Visualize your assets >	< Prepare for the day >	< My style "farewell" >
● Creating Asset Lists	● Funeral insurance	● Introduction of funeral style
● Safe deposit box service		

*1) Specialized in asset consulting business (45 as of March 31, 2022)
*2) Engaged in both sales branch and asset consulting services (150 as of the end of March 2022)

Corporate solution sales

➢ Establish a system that enables the entire Suruga Bank Group to cooperate to solve problems faced by businesses in Shizuoka and Kanagawa, which are its main bases.

➢ Cooperate with local tax accountant corporations and actively utilize outside knowledge

Corporate Consulting Dept.

• Stationed at major bases

• Sharing of knowledge and know-how

Branch office

• Understanding customer issues

• Service delivery contact

• Storage and utilization of information

Group/External Company

• Expert knowledge

• Consulting

• Provision of various services



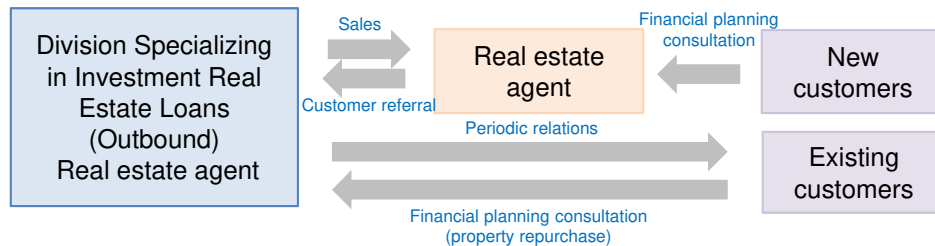
Investment Real Estate Loans

- The Division Specializing in Investment Real Estate Loans was reorganized into two divisions: the Outbound Promotion Division and the Inbound Promotion Division establishing an efficient and effective business management system.
- In outbound promotion, we will increase the number of projects through regular relationships with existing customers as well as real estate agents.
- We will continue to focus on transactions with high-net-worth customers, which are positioned as priority targets in our Mid-term Business Plan.

Promotion System for Investment Real Estate Loans

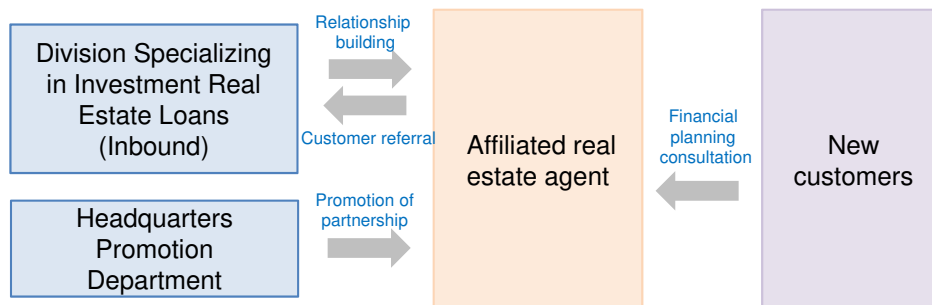
Outbound Promotion

We will strengthen contact with a wide range of real estate agents, including brokerage firms and condominium developers, and strengthen our approach to existing wealthy and semi-wealthy customers.



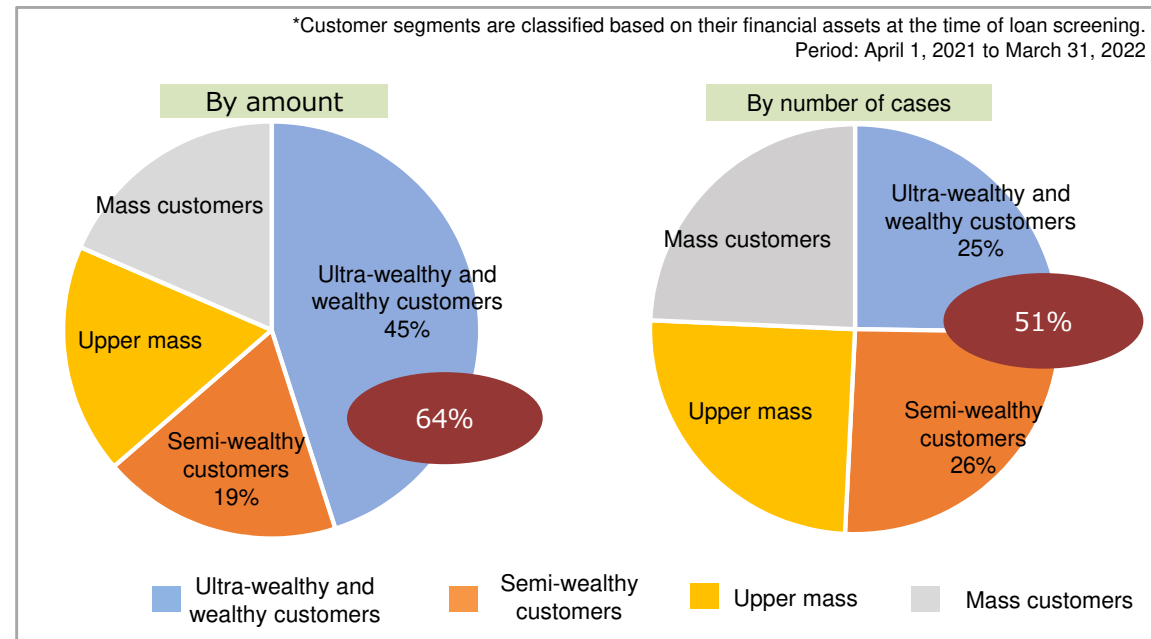
Inbound Promotion

The Division Specializing in Investment Real Estate Loans and Headquarters Promotion Department will work together to further deepen relationships with affiliated real estate agents and increase the number of inbound projects while aiming to secure stable projects.



Amount ratio of investment real estate loans by customer segment

- We will continue to focus on transactions with wealthy customers, including the super wealthy.

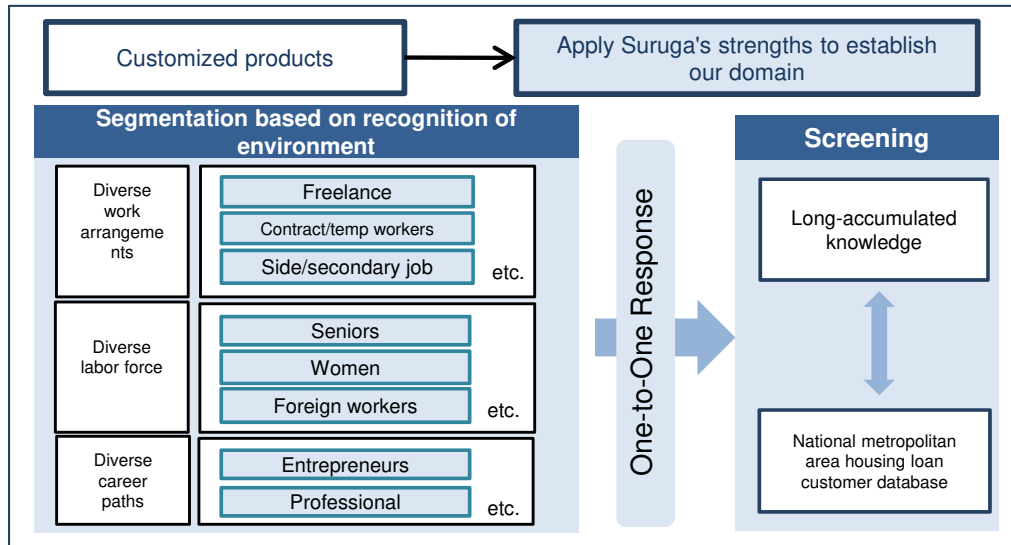


Housing Loans



- We offer a full lineup of housing loans tailored to customers and areas in various segments, using our custom-made services and examination know-how accumulated over many years.
- We work with local governments and external companies to increase inbound projects.
- In response to changes in lifestyles caused by the COVID-19, we will continue to improve customer convenience and operational efficiency through contract procedures, etc.

Housing loan strategy



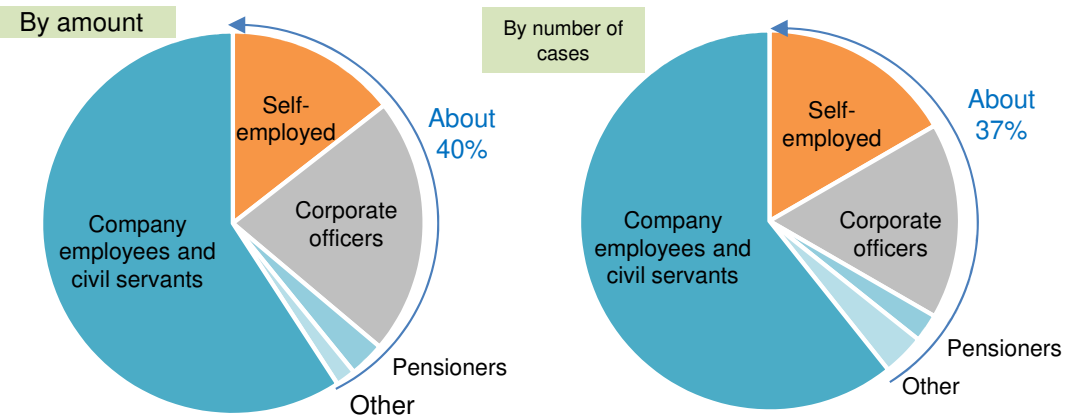
Cooperation with local governments and external companies

Local government	<ul style="list-style-type: none"> ■ Residential Mortgage Loans for Migrants and Residents A housing loan exclusively for users of the migration and settlement support system implemented by local governments in Shizuoka and Kanagawa Prefectures. In April 2022, we concluded a Partnership Agreement with Chigasaki City, Kanagawa Prefecture to Promote Migration and Settlement for Regional Revitalization.
External companies	<ul style="list-style-type: none"> ■ Collaboration with MFS and iYell Collaboration with housing loan platform operators MFS and iYell enables us to match with our core customer base. ■ SUUMO-affiliated housing loan Introducing SUUMO Affiliated Housing Loan of Recruit Branch and sending customers through Sugosoku, a housing loan information site operated by Recruit.

Amount ratio of housing loans by customer segment

We provide various customer segments with housing loans by area in different measures.

*Segment sampling period: April 1, 2021 to March 31, 2022



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.

Improving customer convenience in contract procedures

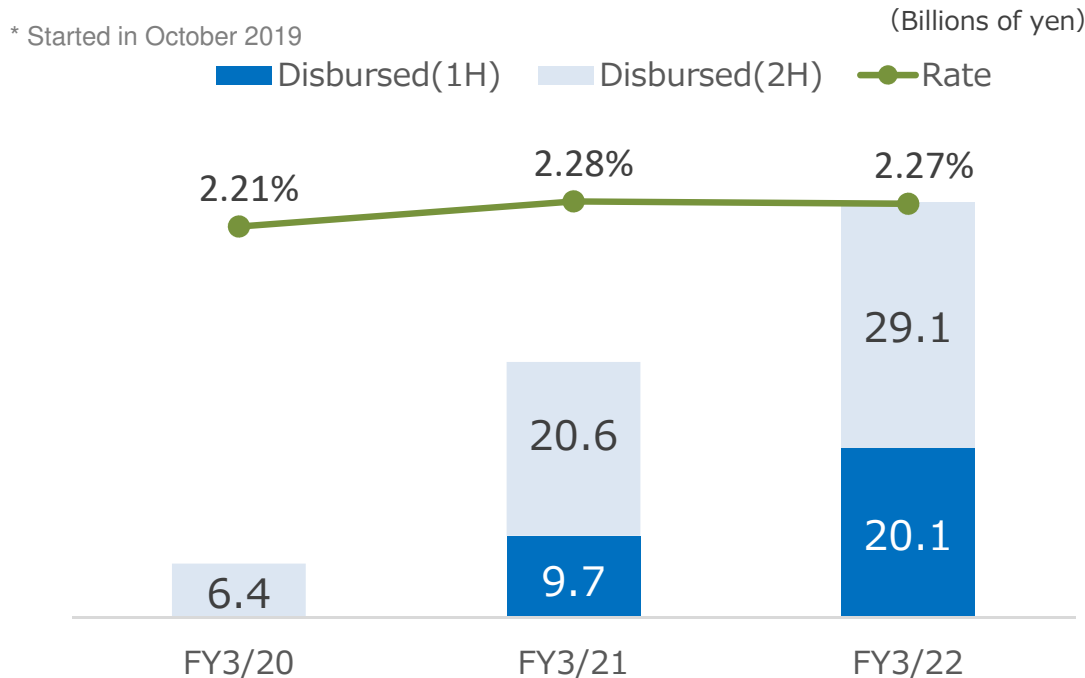
With the strengthening of Direct (see page 13) housing loan promotion and the increase in non-face-to-face needs due to the COVID-19 pandemic, we will improve customer convenience by utilizing the web conference system and introducing postal mail contracts.

Structured Finance



- In the fiscal year ended March 2022, new disbursements amounted to 49.2 billion yen, at a disbursement rate of 2.27%. As of the end of March 2022, there were outstanding loans of 68.9 billion yen.
- We will continuously improve our ability to assess real estate properties, and we will also work on LBOs and other non-real estate projects to build a portfolio of middle risk and middle return.
- By expanding and developing human resources, accumulating organizational knowledge, collaborating with the audit department and external experts, and other measures, we are promoting the development of a framework for risk management and governance while maintaining mobility.

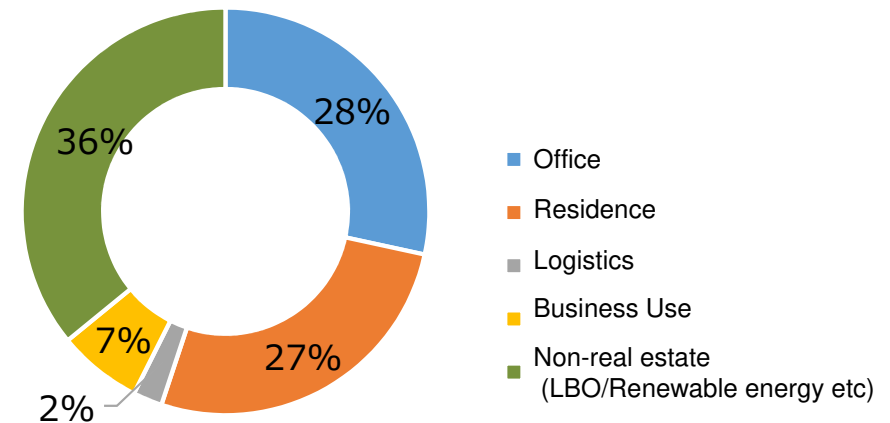
Trends in financing amount / Forecast



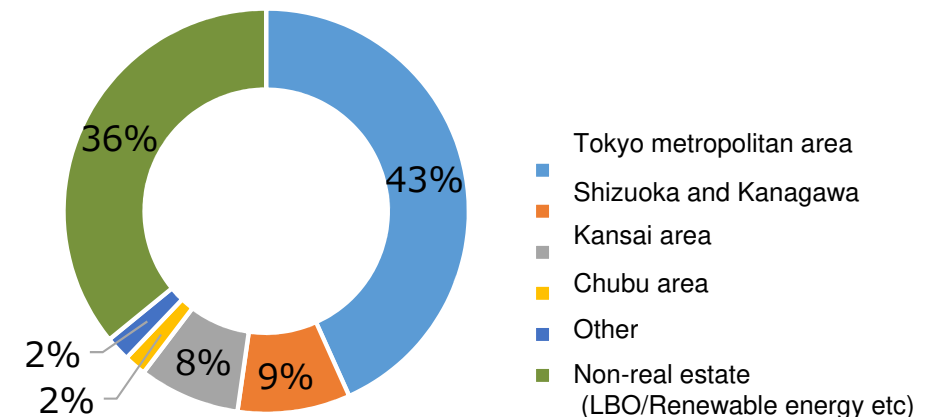
<Changes in the number of employees>

March 2020	March 2021	March 2022
6 people	13 people	21 people

Balance composition ratio by category (March 31, 2022)



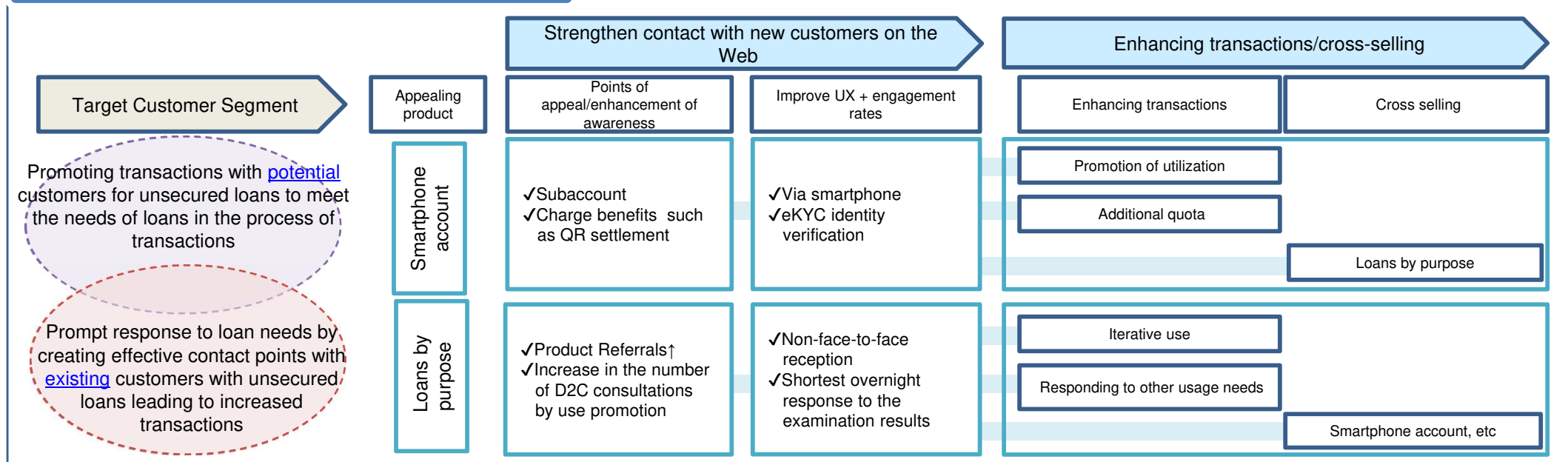
Composition ratio by property area (March 31, 2022)





- In order to expand our company's customer base, we are promoting smartphone accounts on the Internet and at stores. We are making proposals for other transactions based on transaction data such as QR settlement and account transfer.
- Purpose-based loans are being promoted in major cities with the aim of increasing the number of customers (e.g. dental clinics).
- In order to effectively enhance/cross-sell transactions, our data, including account data, is constantly updated and provided in real-time and MA tools are used to share information in a timely manner.
- In addition to the above unsecured loan promotion activities, we are taking on initiatives that lead to the development of new markets based on the theme of cooperative measures with existing alliance partners and FI.

Unsecured Loan Promotion Strategy by Segment



Our company Alliance × Expansion of non-face-to-face business

■ Alliance strategy with external companies

Establish and promote new collaborative models with other companies (finance/other industries)

Collaboration with companies aiming to enter the financial business based on the theme of FI

Improvement and expansion of products and services provided with existing alliance partners

■ Utilization and expansion of non-face-to-face sales

Plan and implement digitization of customer contacts and our company business flow

Expansion of products and services that enable "online consultation/application -> contract" to be handled in a non-face-to-face manner

Working with tech companies to improve UI/UX and improve sales and operational efficiency

Development of new markets



Direction of FI Promotion Office Activities



【Development of our company products for each target customer with the aim of solving social issues】

【Environment recognition】

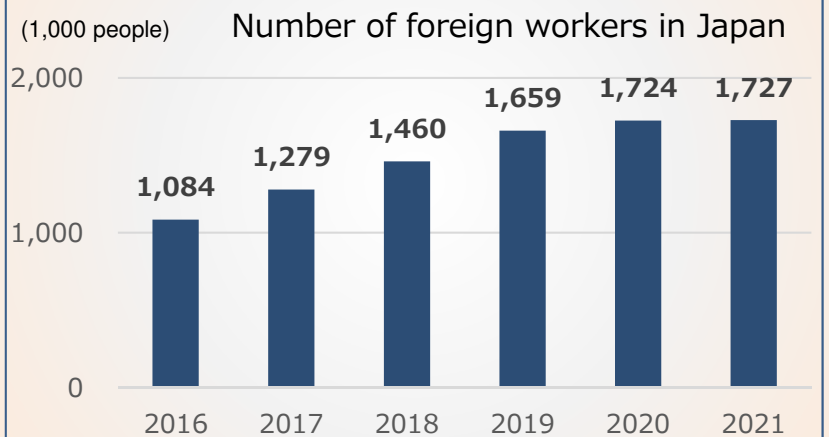
There are people who have trouble talking about their financial concerns.

Solving financial worries leads to a more peace of mind.

More opportunities and choices in life.

【Key Target Customers】

Workers with foreign nationality
(regardless of whether they have permanent residency or not)
• Increasing year by year



Source: Ministry of Health, Labour and Welfare

People who have difficulty getting a loan

【Exclusive merchandise】

Account exclusively for foreign nationals

- Customers with foreign nationality who do not have permanent residency can open accounts from their smartphones.
- Cash card with Visa debit function can be selected.

Auto loans for those of foreign nationalities

- Foreign nationals can apply if they have a visa with no restrictions on employment.
- It can be used not only for cars, but also for various purposes such as motorcycles, licenses, and vehicle inspection fees.

【Expanding tie-ups to enhance product development, improvement, notification, cooperation, etc.】



KUROFUNE



ONE TERRACE



GMS
Global Mobility Service Inc.

Announcing our company exclusive products to networks and customers of each partner

【Multilingual services as target customers diversify】

Introduction of multilingual website solutions (WOVN)

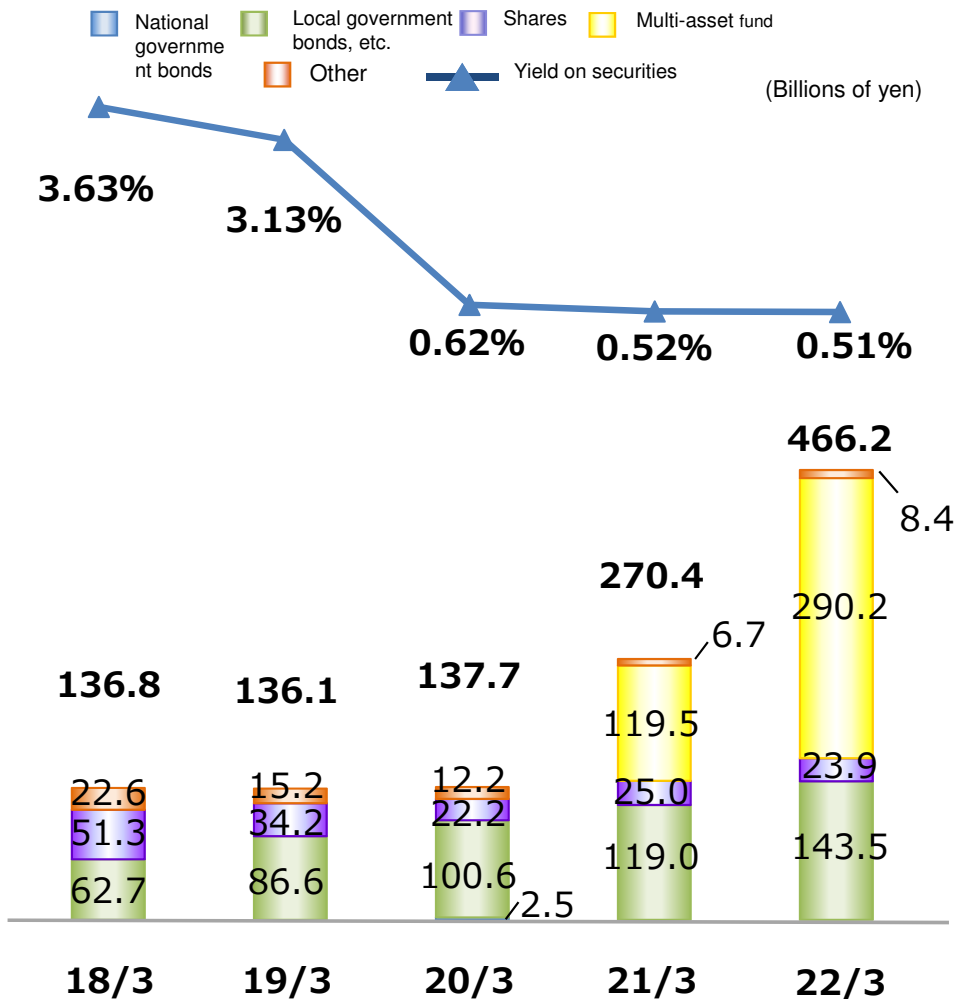
Launching interpretation services at our call centers (Polyglot Link)



Securities Management

- The balance of investment in the multi-asset fund, which started investing in fiscal 2020, stood at 290.2 billion yen at the end of March 2022.
- In 2022, overseas interest rates rose sharply, the crisis in Ukraine happened, and stock prices adjusted. As a result, the multi-asset fund had a valuation loss of 9.7 billion yen, and after taking into account realized gains, the overall loss was 8.2 billion yen.
- The target yield is 1.3% (net of costs) under a policy of diversifying risks and stabilizing profits by investing in highly liquid assets.
- We will control our portfolio while closely monitoring the market environment.

Securities portfolio



Unrealized gains (losses) on securities

Valuation difference on available-for-sale securities

(Billions of yen)

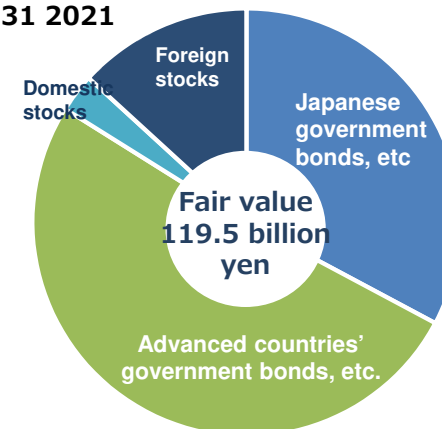
	Mar.31 2021		Mar.31 2022		Y on Y
	Fair value	Net unrealized gains (losses)	Fair value	Net unrealized gains (losses)	Fair value
Other securities	258.4	9.5	454.2	(1.4)	+195.7
Shares	16.9	8.6	15.8	7.5	(1.0)
Bonds	119.0	0.3	143.5	(0.3)	+24.4
Multi-asset fund*	119.5	(0.4)	290.2	(9.7)	+170.7
Other	2.8	0.9	4.5	1.0	+1.6

*New investment started under the securities management policy specified in the Mid-term Business Plan.

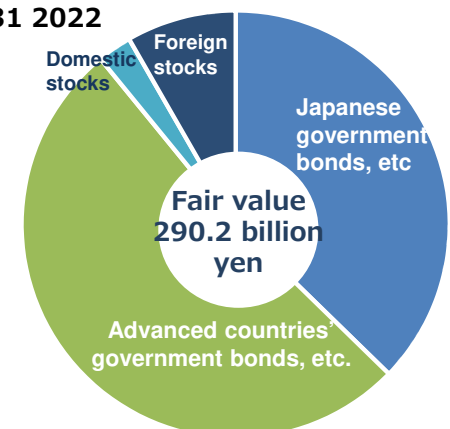
Portfolio of multi-asset fund

Target yield 1.3% (after costs)

Mar.31 2021



Mar.31 2022



■ 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*1 at the end of September 2018, non-delinquent loans of approximately 560 billion yen were classified as loans requiring special attention.
- As of the end of March 2022, 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.

Loan balance of single building apartment loans by classification of borrowers and delinquency status (End of March 2022)

(Billions of yen)

Borrower classification	Credit claims such as loans *2	Portion of single building apartment loans (excluding share house cases)	
			Portion not delinquent
Normal clients	1,167.4	239.9	239.9
Clients requiring special attention (*1)	693.3	568.1	565.7
Clients requiring corrective action	90.5	66.6	64.0
Clients at high risk of bankruptcy	65.8	39.7	37.0
Virtual bankruptcy clients/bankruptcy	134.1	93.3	4.4
Total	2,151.3	1,007.7	911.2

*1 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.

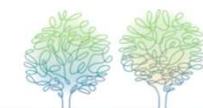
*2 Credit claims such as loans: Loans and bills discounted, customers' liabilities for acceptances and guarantees, foreign exchanges, securities lent, suspense payments equivalent to loans and bills discounted, accrued interest on loans and bills discounted

Occupancy rate of single building apartments (periodic survey)

Occupancy rate in fiscal 2021: 87.4% (Survey results for occupancy rate in fiscal 2020: 87.4%)

<Survey>

- In principle, the person in charge of bank loans visits the location of the 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 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)
- In FY 2022, measures to prevent the spread of COVID-19 were continued and the measures were carefully implemented.



■ Response to Borrowers of Share House-related Loans

- In order to finally solve the share house-related loan problem, which is one of the priority issues in the first phase of the Mid-term Business Plan, we are continuing to respond to each customer's individual circumstances, focusing on unprecedented initiatives such as “the partial cut in principal” and “the comprehensive transfer of loans”.
- We implemented comprehensive transfer of share house loans 3 times, in March 2020, 2021, and 2022. The fourth is scheduled to be implemented in the first half of fiscal 2022, and, by the end of August 2021, we plan to complete all procedures for customers who have filed for collective arbitration, as well as to complete the comprehensive transfer of loans.
- For customers who are using investment real estate loans, etc., other than share house loans, in addition to a partial cut in principal, the policy is to take a serious response according to each customer's individual circumstances.

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. By the end of February 2021, we completed sending to the borrowers who applied for the exemption a primary calculation notice of the exemption amount. For borrowers who request the next step, we are proceeding with a civil conciliation or authorized ADR procedure.

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, March 25 2022

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 carried out in March 2020. (257 borrowers for 44.0 billion yen)
The second transfer was carried out in March 2021. (285 borrowers for 44.2 billion yen)
The third was implemented in March 2022 (404 debtors, 60.5 billion yen in claims).
It is scheduled to be completed by the fourth implementation in the first half of fiscal 2022.

Reflection in and progress of the business forecasts

- ✓ In the first half of fiscal 2022, it is expected that the forth comprehensive transfer of loans will be implemented. By the end of August 2021, we plan to complete all actions of comprehensive transfer of loans for customers who have requested the comprehensive transfer of loans and have filed for collective arbitration for this matter.

I Summary of Financial Results for FY3/22

II Business Performance Plan for FY3/23

III TOPICS



Fiscal 2021 SDGs Initiatives

- We support the recommendations of the TCFD to further contribute to environmental conservation. We established an investment and loan policy (sector policy).
- We aim to create an environment in which employees can play an active role, to achieve a work-life balance, and to increase employee motivation.
- We are contributing to regional revitalization through close cooperation with companies and local governments on bicycle promotion and the development of city promotions.

Contributing to Environmental Conservation - The Suruga Group's Materiality -

■ Supporting TCFD * Recommendations



In December 2021, we expressed our support for the recommendations of the TCFD and disclosed information on climate-related risks and opportunities based on the recommended framework in four areas: Governance, Strategy, Risk Management, and Indicators and Targets. In the future, we will further analyze and improve the disclosure of information on climate change.

*Climate Financial Disclosure Task Force

The target for CO2 emissions in FY 2030 is a 46% reduction from FY 2013 levels.

***Monitoring Indicator: Scope 1 (Direct) + Scope 2 (Indirect) CO2 Emissions**

■ Establishment of investment and loan policy (Sector Policy)

In order to clarify policies for specific sectors that have a significant impact on the environment and society through transactions, we have established and announced policies (Sector Policies) concerning investments and loans in specific sectors as responsible providers of funds.

■ Introduction of Shizuoka Green Denki * CO2-free electricity from Shizuoka Prefecture

As part of our efforts to realize a decarbonized society, we have changed the electricity used at stores and other facilities in Shizuoka Prefecture to "Shizuoka Green Denki" electricity, which emits no CO2 emissions. This project is expected to reduce annual CO2 emissions by approximately 215 tons.

Facilities introduced (10 facilities) Shimizu Branch, Miho Branch Office, Shizuoka Branch, Shizuoka Minami Branch, Shizuoka Higashi Branch, Shimada Branch, Fukuroi Branch, Haibara Branch, Sagara Branch, employee dormitory



地球にやさしく、未来をあかろく。



* Chubu Electric Mirize Co., Ltd. supplies electricity produced in Shizuoka Prefecture with zero CO2 emissions. We have achieved zero CO2 emissions by utilizing the environmental value and local production value derived from renewable energy sources such as hydroelectric power plants utilizing the abundant water resources of the Oigawa, Tenryugawa, Fujigawa and Abegawa rivers located in Shizuoka Prefecture.

Development of an environment where employees can play an active role and grow - Materiality of the Suruga Group -

■ Promoting Diversity



- As an employer conforming to the standards set forth in the Act on Promotion of Women's Participation and Advancement, we received the highest rank of "Eruboshi" (the third level).



Eruboshi certification mark (the third level)

With the aim of creating a workplace in which female employees play an active role, our company has actively promoted female employees to management positions, provided support for long-term career development, and expanded its maternity and paternity leave systems. We will continue to respond to the increasing diversity of society and strive to create a workplace environment where each and every employee, regardless of gender or age, can work energetically and demonstrate their abilities to the fullest.

- The Kakegawa Branch was certified as AAA, the highest level of the Kakegawa City Child-Raising Friendly Business Office *.

* From FY 2017, the city and certified social insurance and labor consultants have been examining offices and other facilities in Kakegawa City that are actively working to create an environment in which employees can balance work and child raising, and have certified them in three levels (AAA, AA, A).



Certified Logo Mark

< Initiatives for Child Care Support >

- Online return to work program during childcare leave so that employees can return to work smoothly after childcare leave
- When employees return to work, they are transferred to work locations near their homes or daycare centers at the request of employees.
- Review of working hours system
Shorter working hours :
Maximum extension until preschool age
Exemption from overtime work:
Extension until elementary school age



<Certification Issuance Ceremony>

At the same time, we are fostering a corporate culture to promote the system, deploying personnel with consideration for health during pregnancy, and providing after-sales care until returning to work.



Building a Sustainable Local Economy and Society: The Suruga Group's Materiality



■ Suruga Bank Cycling Project

The Suruga Bank Cycling Project was launched in 2010. We have developed the initial purpose of "to promote the enjoyment of road bicycles" and we aim to create new tourism value by promoting cycling tourism in cooperation with local tourism resources, and support local service and tourism industries by providing detailed tourism information utilizing the mobility of bicycles.

Cooperation with local governments and private companies

In FY 2021, we signed partnership agreements for promoting bicycles with 13 local governments and private companies, including 4 new private companies. As a leader in cycle tourism, we will continue to contribute to building the foundation for regional cooperation.

<Partners as of the end of March 2022>

Contract area	Subjected area
Utsukushi Izu Sozo Center	Izu Peninsula Area, Shizuoka Prefecture
Koyama-cho, Shizuoka Prefecture	Koyama-cho, Shizuoka Prefecture
Roots Sports Japan	Shizuoka Prefecture
Shizuoka Prefecture Cycle Sports Area Creation Council	Shizuoka Prefecture
Hiratsuka City, Kanagawa Prefecture	Hiratsuka City, Kanagawa Prefecture
Daytona Corporation	Shizuoka and Kanagawa Prefectures
IZUKYU CORPORATION	Izu Peninsula Area, Shizuoka Prefecture
Kona Resort	Izu Peninsula Area, Shizuoka Prefecture
Tokinosumika	Gotemba Area, Shizuoka Prefecture
Sompo Japan Insurance Inc <i>New</i>	Shizuoka and Kanagawa Prefectures
TEPCO Power Grid <i>New</i>	Shizuoka Prefecture
WALKRIDE <i>New</i>	Shizuoka and Kanagawa Prefectures
PLEASURE <i>New</i>	Izu Peninsula Area, Shizuoka Prefecture

City promotion (information on sightseeing spots in each area by bicycle is sent via SNS and Web)

•Hiratsuka LaLa POTA *
(Hiratsuka City, Kanagawa Prefecture)



•Izunokuni Marugoto Pottering
(Izunokuni City, Shizuoka Prefecture)



*Short for "pottering". Pottering refers to a light bike ride, like a walk, in the suburbs.

•Miyapota *
(Fujinomiya City, Shizuoka Prefecture)



•Shizuchari Touring
(Shizuoka City, Shizuoka Prefecture)



Cycling event

With the spread of COVID-19, many premium rides are held in small groups that are not crowded with people.



Nagaizumi-cho Ride Ashtaka Sansui-jinja Shrine Hillclimb 30 km



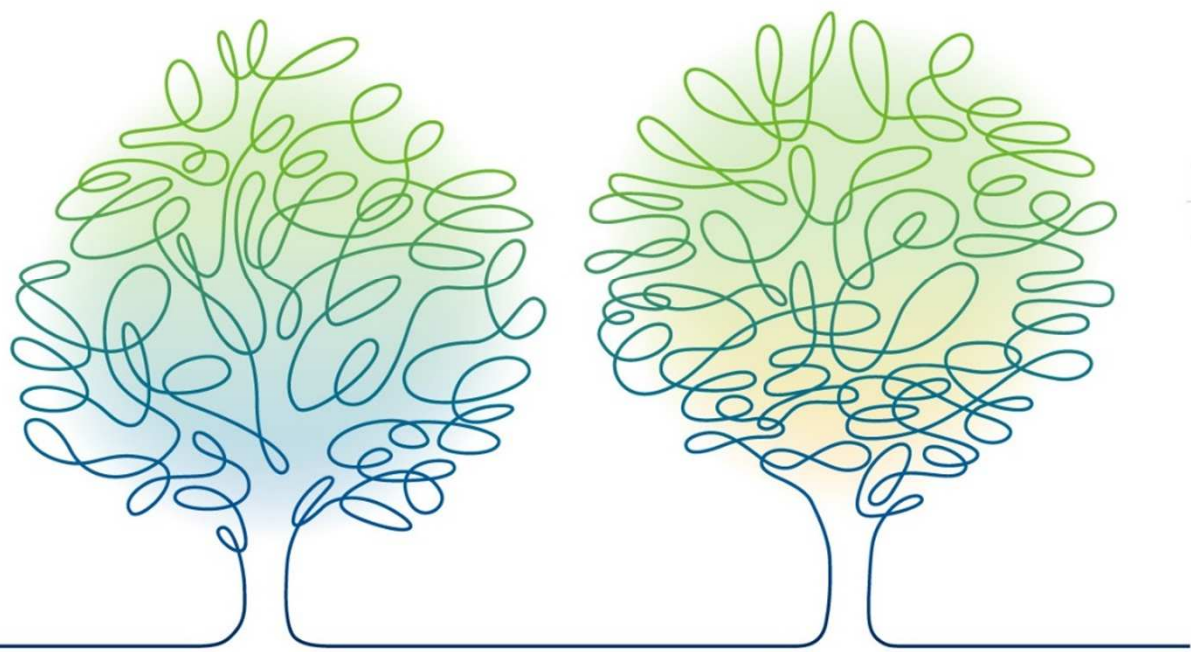
One Lap Cycling Around Mount Fuji: Fuji-ichi

Reference Materials



“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.”





Corporate
Philosophy

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

Customer satisfaction

Shareholder value

Employee satisfaction

Contribution to society

Providing value

New Vision for Suruga Bank

Vision

- 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 - Real 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

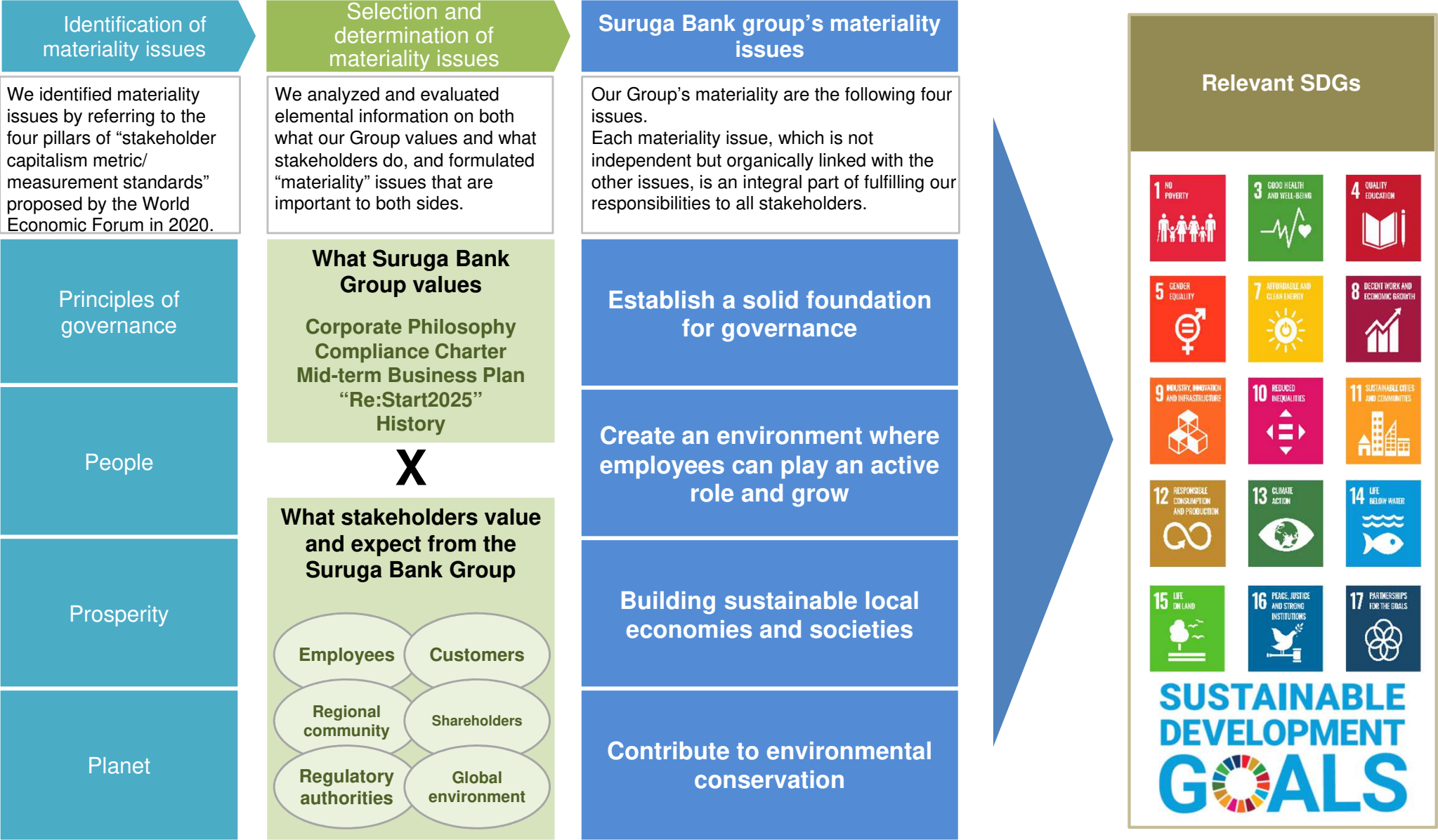
FY2023 - FY2025

Establish new positioning



■ Initiatives for SDGs

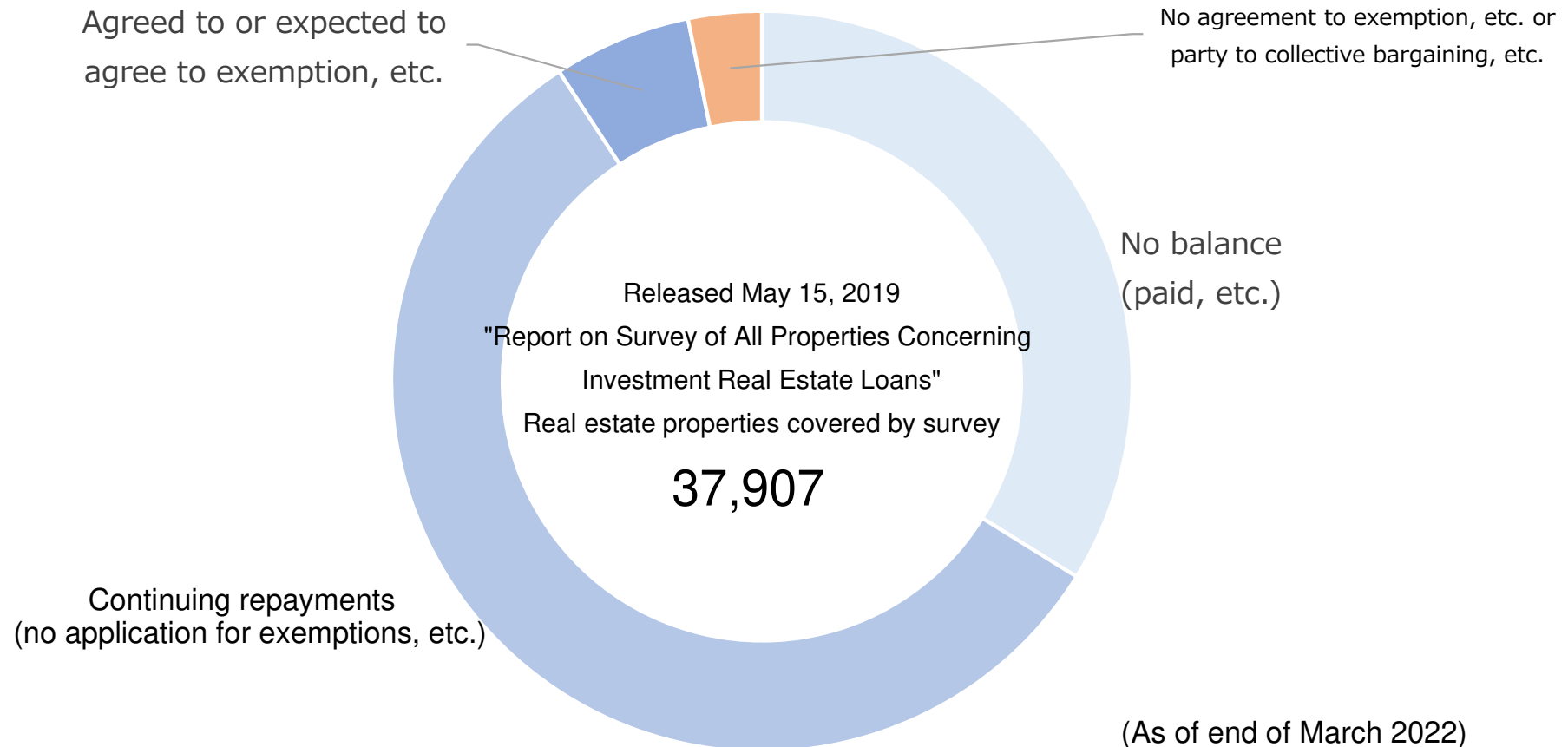
• Taking into account the social responsibilities requested by stakeholders and diversifying social and environmental issues, we have identified priority issues that must be addressed by the Group in light of its business opportunities and risks, and also formulated important issues (materiality) to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



■ State of Response to Customers of Investment Real Estate Loans



- We continue our sincere response to customers of investment real estate loans through special measures such as exemption for repayment of part of the principal amount of loans and the comprehensive transfer of loans for share houses.
- In about three years, around 40% of property owners have an outstanding loan balance of 0, while around 50% are continuing to repay without having requested an exemption for repayment of part of the principal amount of loans or comprehensive transfer of loans, or having engaged in collective bargaining.
- While around 10% of property owners with an outstanding loan balance have not requested an exemption for repayment of part of the principal amount of loans or comprehensive transfer of loans, and have not participated in collective bargaining, around two-thirds of those have responded or are expected to respond, such as by consenting with the Bank to procedures for an exemption for repayment of part of the principal amount of loans or requesting a comprehensive transfer of share house loans including future scheduled amounts.
- The remaining property owners other than this group have not requested an exemption for repayment of part of the principal amount of loans, reached an agreement with the Bank, or engaged in collective bargaining such as by entrusting a law firm or other entity. The Bank continues to respond sincerely toward a resolution with these property owners.





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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.