

SURUGA bank, Ltd.
Financial Results for the 1st Half of FY3/23

November 25, 2022

SURUGA bank



I Summary of Financial Results for the 1st Half of FY3/23

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II Business strategy based on the Mid-term Management Plan

III SDGs/ESG initiatives for FY2022



Actual Results for 1H, FY3/23 (Comparison with 1H, FY3/22)

- Gross operating profit decreased 5 billion yen year-on-year to 28.5 billion yen, mainly due to a decrease in net interest income (1.9 billion yen) and a decrease in gains (losses) on bonds (3.3 billion yen).
- Net operating profit decreased by 3.5 billion yen year-on-year to 9.7 billion yen, as the decrease in gross operating profit exceeded the increase in cost reduction (1.4 billion yen).
- Actual credit costs increased 1.4 billion yen year-on-year to -5.2 billion yen (see table below left for breakdown).
- Interim net income (non-consolidated) decreased by 1.4 billion yen year-on-year to 16.1 billion yen, due to the above factors as well as gains on sales of stocks and a decrease in total income taxes.

<Non-consolidated>

(Billions of yen)

| | 1H results For FY3/22 | 1H results For FY3/23 | Year-on-year |
|---------------------------|--------------------------|--------------------------|--------------|
| Gross operating profit | 33.5 | 28.5 | (5.0) |
| Expenses | 20.2 | 18.7 | (1.4) |
| Core net operating profit | 12.9 | 12.7 | (0.1) |
| Net operating profit | 13.3 | 9.7 | (3.5) |
| Ordinary profit | 20.8 | 17.0 | (3.8) |
| Net income | 17.5 | 16.1 | (1.4) |

| | | | |
|---------------------|-------|-------|------|
| Actual credit costs | (6.6) | (5.2) | +1.4 |
|---------------------|-------|-------|------|

| | | | |
|-------------------------|------|------|-------|
| Consolidated net income | 17.8 | 16.3 | (1.4) |
|-------------------------|------|------|-------|

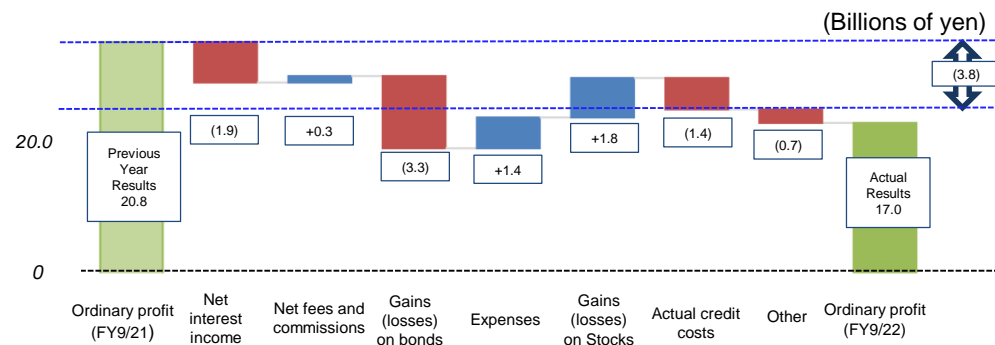
[1st half results per assumption of actual credit costs]

(Billions of yen)

| | 1st half Forecast | 1st half results |
|------------------------------|----------------------|---------------------|
| Actual credit costs | (0.5) | (5.2) |
| Normal credit costs(a) | (2.0) | (3.2) |
| Share house-related loans(b) | (2.5) | (3.2) |
| Preventive allowance(c) | 4.0 | 11 |

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

| | Main factors |
|--------------------------|--|
| Net interest income | <ul style="list-style-type: none"> Decrease in interest on loans : -3.9 (average balance factors -2.4 billion yen, yield factor -1.5 billion yen) Increase in interest and dividends on securities due mainly to dividends from subsidiaries: +1.2 billion yen |
| Net fees and commissions | Decrease in group credit life insurance premiums: -0.8 billion yen |
| Gains (losses) on bonds | Loss on redemption of multi-asset funds: -3.3 billion yen |
| Expenses | Decrease in non-personnel expenses: -0.8 billion yen |
| Gains (losses) on stocks | Gains (losses) on stocks mainly due to sales of foreign stocks: +1.8 billion yen |
| Actual credit costs | <ul style="list-style-type: none"> Elimination of the impact of the real estate collateral valuation review implemented in the previous year (+13 billion yen). Gain on reversal of provision of general allowance for loan losses due to comprehensive transfer of share house loans and lower expected loss ratio. |



* Since the figures in the above graph are rounded to the nearest unit, they may differ from the numbers in the table on the left.



- Minor revisions were made from the August 2022 announcement*, taking into account the results of the 1st half and forecasts for expenses and actual credit costs.
- Expenses are estimated at 37.5 billion yen, down 500 million yen from the previous forecast, due to the steady progress of structural reforms set forth in the Mid-term Business Plan.
- Actual credit costs were revised downward by 500 million yen from the previous forecast to 10 billion yen (see table below), with the assumption of the full-year forecast remaining unchanged and only the forecast for share house-related loans being revised.
- Net income (non-consolidated) was 9.5 billion yen, up 1 billion yen from the previous announcement. Net income (consolidated) is also expected to increase by 1 billion yen from the previous announcement to 10 billion yen.

(*) "Announcement Regarding the Revision to the Earnings Forecast" disclosed on August 10, 2022 in a timely manner.

<Non-consolidated>

| | FY3/23 Forecast of announcement on August 10 (A) | FY3/23 Forecast of announcement on November 7 (B) | Change (B)-(A) |
|---------------------------|--|---|----------------|
| Ordinary income | 77.0 | 77.0 | ±0.0 |
| Gross operating profit | 56.0 | 56.0 | ±0.0 |
| Expenses | 38.0 | 37.5 | (0.5) |
| Core net operating profit | 21.0 | 22.0 | +1.0 |
| Net operating profit | 17.0 | 17.5 | +0.5 |
| Ordinary profit | 9.0 | 10.0 | +1.0 |
| Net income | 8.5 | 9.5 | +1.0 |
| Actual credit costs | 10.5 | 10.0 | (0.5) |

<consolidated>

(Billions of yen)

| | FY3/23 Forecast of announcement on August 10 (C) | FY3/23 Forecast of announcement on November 7 (D) | Change (D)-(C) |
|--|--|---|----------------|
| | 86.0 | 86.0 | ±0.0 |
| | 10.5 | 11.0 | +0.5 |
| | 9.0 | 10.0 | +1.0 |

<Premise Behind FY3/23 Actual Credit Cost Forecast>

- Actual credit costs for non-special-factor receivables, such as share house-related borrowers and institutional negotiators, will remain unchanged from the previous announcement at 3.5 billion yen, as there is no change in the precautionary provision assumption assumed for the current period as described in (c) below, and the provision of general allowance for loan losses associated with a similar increase in expected loss ratio is still factored in.
- Actual credit costs for share house-related borrowers are expected to be (3.0) billion yen, down 500 million yen from the previous announcement, based on actual results through the 1st half of the fiscal year, since no special factors are expected in the second half of the fiscal year.
- As for the precautionary provision, as a result of close examination of trends among eligible borrowers, fewer borrowers have taken steps such as suspending repayments during the 1st half than was assumed at the beginning of the period, but provisions for the current period due to organized negotiations and other actions remain unchanged from the previous announcement at 9.5 billion yen, maintaining the assumption that the same level of provisions will occur during the period as assumed at the beginning of the period.

(Billions of yen)

| | Forecast (Full year) | | Change |
|------------------------------|----------------------|---------|--------|
| | Released 8/13 | Revised | |
| Actual credit costs | 10.5 | 10.0 | (0.5) |
| Normal credit costs(a) | 3.5 | 3.5 | ±0.0 |
| Share house-related loans(b) | (2.5) | (3.0) | (0.5) |
| Preventive allowance(c) | 9.5 | 9.5 | ±0.0 |



- Actual credit costs for share house-related borrowers were -3.2 billion yen due to the reversal of provision of general allowance for loan losses following the transfer of the fourth comprehensive transfer of share house loans in September 2022 (the transfer of the fourth batch of share house loan receivables was completed.).
- Actual credit costs other than for share house-related borrowers were -2 billion yen due to reversal of provision of general allowance for loan losses resulting from lower expected loss ratios and other factors.

Actual credit costs / allowance for loan losses (FY3/23)

(Billions of yen)

| Item | 1st half Actual credit costs | | | Allowance for loan losses |
|--------------------------------|------------------------------|-------|-------|---------------------------|
| | 1 Q | 2 Q | | |
| Share house-related loans | (0.1) | (3.0) | (3.2) | 14.1 |
| Investment real estate loans * | 0.9 | (3.2) | (2.3) | 87.5 |
| Housing loans | 0.1 | (0.5) | (0.3) | 2.6 |
| Unsecured loans | 0.0 | (0.1) | (0.0) | 3.2 |
| Monetary claims bought | 0.0 | 0.0 | (0.0) | 0.2 |
| Business financing, etc. | 0.2 | 0.4 | (0.7) | 9.1 |
| Total | 1.3 | (6.5) | (5.2) | 117.0 |

* 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% |
| September 2022 | 32.8 | 24.0 | 16.7 | 16.0 | 14.1 | 94.30% |

*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.



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

- Based on the Mid-Term Business Plan, the loan yield for the entire region that promotes the “quality” conversion of assets to middle-risk and middle-return, is 3.47% (total (E)).
- The delinquency rate for consumer loans was 6.36% (A), partly due to the fact that some customers with investment real estate loans have suspended repayment triggered by organized negotiations, but excluding these special factors, the delinquency rate for loans was 1.50% (F).
- To improve the delinquency rate, we not only provide repayment support such as modification of terms and conditions, but also continue to provide feedback to customers on information of concern such as damage to real estate discovered in our own periodic surveys, as well as consultation on changes in management companies.

(Billions of yen)

| Loan category | June 2022 | | | September 2022 | | |
|---|--------------------|--------|------------------|--------------------|--------|------------------|
| | Period-end balance | Yield | Delinquency rate | Period-end balance | Yield | Delinquency rate |
| Secured loans | 1,659.4 | 3.08% | 7.42% | 1,606.0 | 3.08% | 6.68% |
| Housing loans | 449.7 | 2.77% | 0.27% | 441.8 | 2.75% | 0.28% |
| Studio apartment loans | 136.0 | 3.37% | 2.76% | 130.0 | 3.36% | 2.82% |
| Single building apartment loans (including share house loans) | 1,040.7 | 3.13% | 11.41% | 1,001.2 | 3.14% | 10.24% |
| Other secured loans | 32.8 | 4.51% | 0.23% | 32.8 | 4.41% | 0.46% |
| Unsecured loans | 139.6 | 10.45% | 2.44% | 135.5 | 10.46% | 2.51% |
| Card loans | 95.0 | 11.78% | 0.94% | 92.8 | 11.78% | 0.94% |
| Unsecured certificate loans, etc. | 44.6 | 7.61% | 5.63% | 42.6 | 7.59% | 5.94% |
| Consumer loans (A) | 1,799.1 | 3.65% | 7.04% | 1,741.5 | 3.65% | 6.36% |
| Consumer loans(excluding organizational negotiation partners) (F) | 1,692.6 | | 2.48% | 1,636.2 | | 1.50% |
| Investment real estate loans for asset management companies (B) | 35.3 | 1.82% | — | 40.3 | 1.82% | — |
| Structured finance (C) | 76.0 | 2.27% | — | 82.7 | 2.24% | — |
| Monetary claims bought (D) | 58.9 | 1.94% | — | 97.0 | 1.95% | — |
| Total (E : A+B+C+D) | 1,969.5 | 3.51% | 6.43% | 1,961.6 | 3.47% | 5.65% |

*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 customers participating in collective bargaining default on scheduled repayments, the delinquency rate of other types of loans will be affected.

*Organizational negotiation partners are customers who have suspended repayment as a result of structured negotiations (excluding share house loans).



- The new loan disbursement plan for the full year ending March 31, 2023 is 190 billion yen, of which 92.4 billion yen was disbursed (Total: (A) + (B)).
- Disbursements of consumer loans and investment real estate loans to asset management companies remained at 31.9 billion yen, but including the expected deals to be concluded this period as of the end of October, the total amount of disbursements reached approximately 55 billion yen. New structured finance was 20.4 billion yen, a steady progress at 51% of the plan.
- As for new monetary claims bought, we purchased claims in July 2022 that meet our goal of middle-risk/middle-return (amount of claims: approx. 40 billion yen, estimated yield: 1.41%). We will continue sounding out suppliers and are considering additional purchases.
- With the prolonged spread of COVID-19, soaring material prices due to the situation in Ukraine, and the impact of the rapid depreciation of the yen, we will continue to promote loans while keeping a close eye on the business environment and market trends.

•Trend in loan execution amount promoted in the Med-Term Business Plan

| | 1H,FY3/22 | 1H,FY3/23 | Year-on-year | (Billions of yen) Forecasts for FY3/23 |
|---|-----------|-----------|--------------|--|
| Consumer loans | 14.0 | 24.1 | +10.1 | 110.0※ |
| Investment real estate loans for asset management companies | 7.3 | 7.8 | +0.5 | |
| Subtotal | 21.4 | 31.9 | +10.5 | |
| Structured finance | 20.1 | 20.4 | +0.3 | 40.0 |
| Total (A) | 41.5 | 52.4 | +10.9 | 150.0 |
| Monetary claims bought (B) | — | 39.9 | + 39.9 | 40.0 |
| Total (A) + (B) | 41.5 | 92.4 | +50.9 | 190.0 |

*The planned amount of investment real estate loans for asset management companies is included in the 110.0 billion yen of consumers loans, because we conduct the same promotional activities as for investment real estate loans for individuals.

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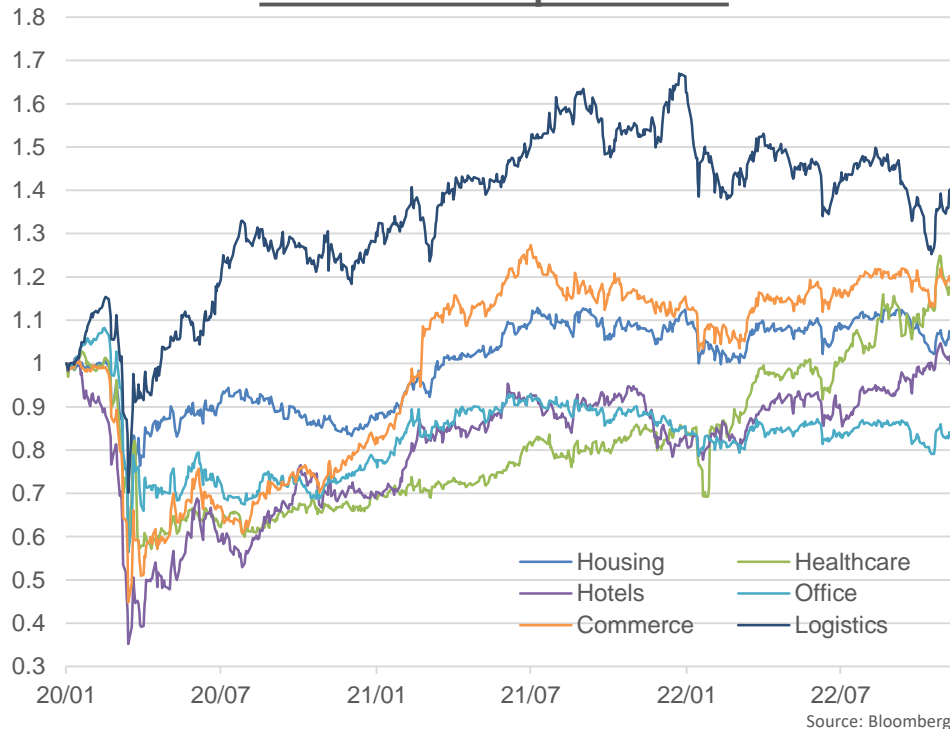


Situation of Real Estate Market

- In terms of the market capitalization of REITs, despite a short-term risk-off trend due to monetary tightening in Europe and the U.S., the market has remained firm.
- Logistics, in particular, has been strong on the back of increased use of e-commerce (EC) in the aftermath of the COVID-19 pandemic. Commercial and residential also rose compared to pre-COVID-19 pandemic levels in anticipation of the post-COVID-19 period.
- In the hotel sector, the inflow of funds has gradually increased due to the growing number of inbound visitors, etc., and the hotel sector has generally recovered to the level before the COVID-19 pandemic.
- In the office sector, rent continues to fall and vacancy rates remain high due to the advancement of remote work, etc., and have not yet reached the levels seen before the COVID-19 pandemic. In addition, a large-scale supply of office space in central Tokyo is expected in 2023, and the impact on the office market needs to be closely monitored.
- As for domestic real estate, a certain amount of foreign investment funds are expected to continue to come from abroad due to the relatively low geopolitical risk, the relatively high yield gap increasing the attractiveness of investment, and the sense of undervaluation backed by the rapid depreciation of the yen.

(Jan 6, 2020 = 1)

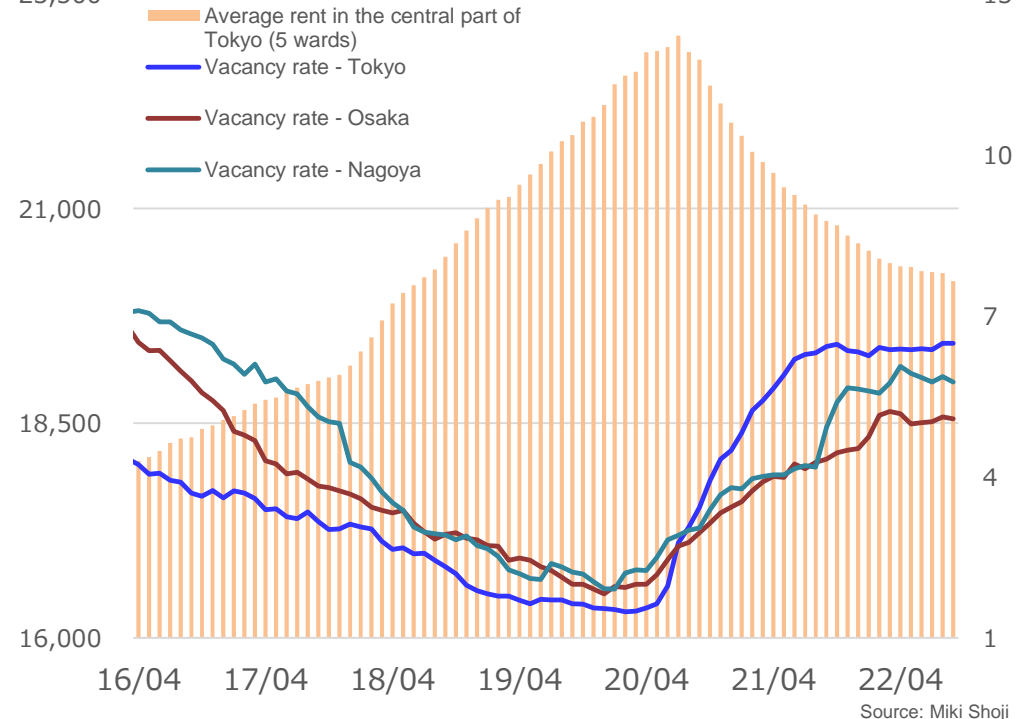
REIT Market Capitalization



Unit : Yen/Tsubo
23,500

Office Market

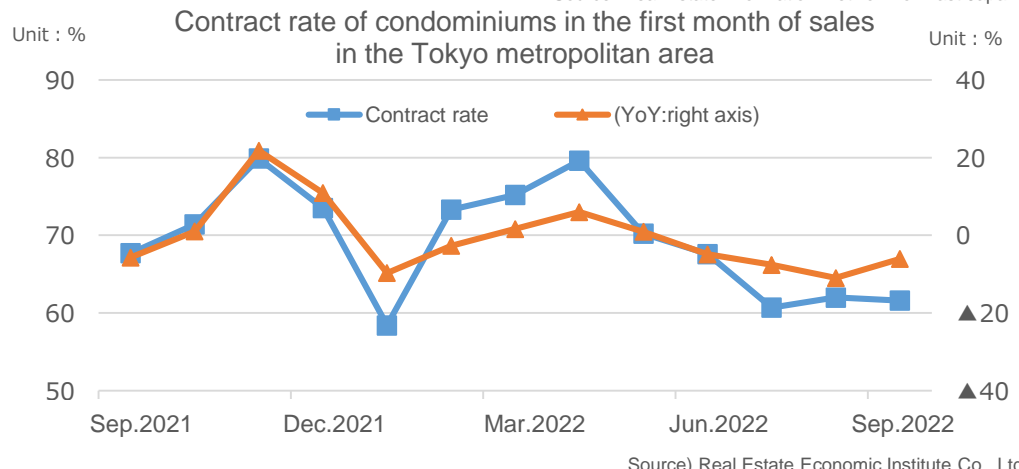
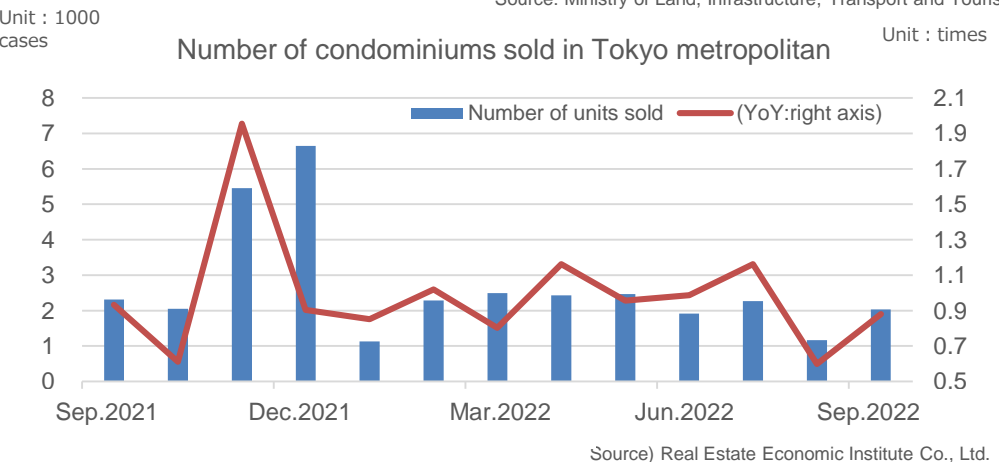
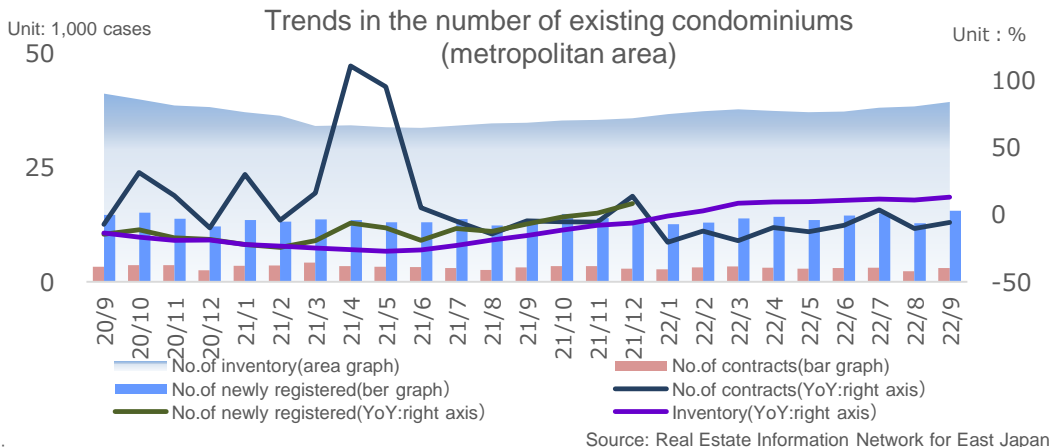
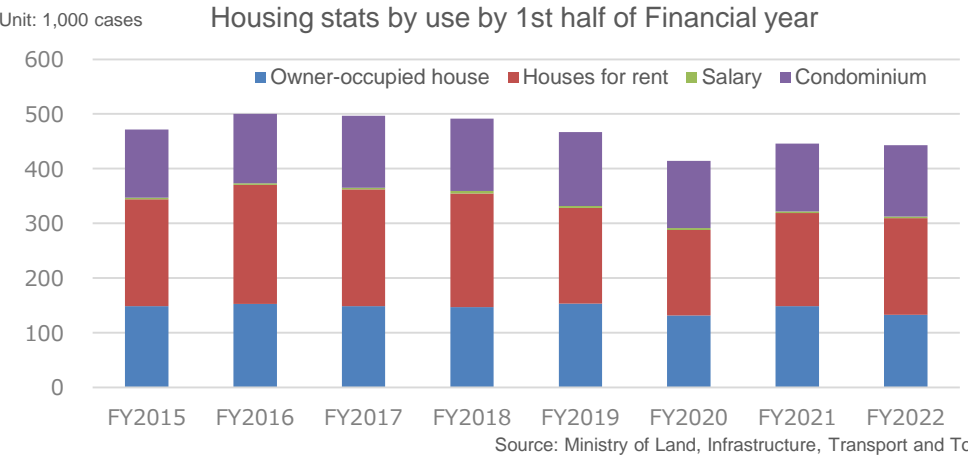
Unit : %
13



Situation of Real Estate Market



- In the housing market, the number of new owner-occupied housing starts fell below the previous year's level for the 10th consecutive month due to soaring housing prices and delays in the arrival of housing equipment, while the number of new rental housing starts exceeded the previous year's level every month, leaving the overall number of housing starts unchanged from the previous year. In the condominium market in the Tokyo metropolitan area, the number of contracts for existing condominiums, the number of condominiums sold in the metropolitan area, and the first month contract rate remained stagnant, as prices remained at a high level.
- For the time being, we will continue to monitor trends closely, as the price of laminated lumber for housing has been falling due to an oversupply of imported lumber, while the price of materials in general has been rising due to global inflation and the weak yen.
- We will continue to carefully assess these market trends and individual project risks while promoting investment real estate loans, housing loans, and structured finance.





- 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 & Kanagawa area, we will promote comprehensive proposals centered on customers, such as loans and asset consulting, through area marketing practices.
- 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
59 branches
Population: 3.68 million
Private business locations: 190,000
New housing starts: 21,271

Kanagawa area
35 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

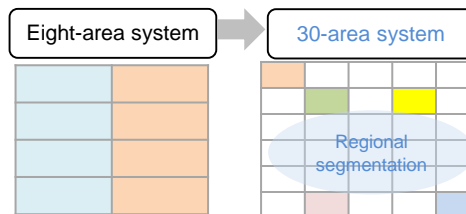


(Major branches)
ANA branch, Recruit branch,
T-point branch, D-bank branch,
Dream Direct branch

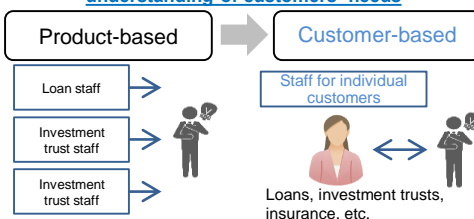
Population: as of January 1, 2022 (Ministry of Internal Affairs and Communications) / private business locations: as of June 1, 2019 (Economic Census for Business Activity) / New housing starts: FY2021 (Ministry of Land, Infrastructure, Transport and Tourism)

Direction

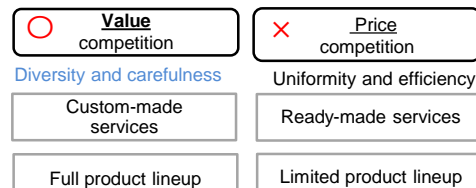
Strengthening community-based services



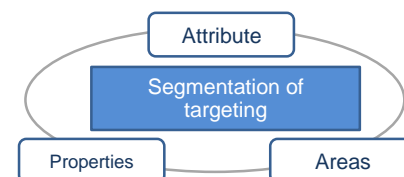
Promotion of comprehensive proposals based on understanding of customers' needs



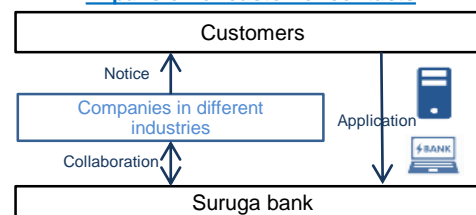
Concept of non-price competition



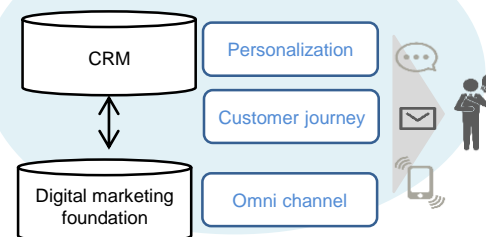
Development of niche markets



Expansion of customer contacts



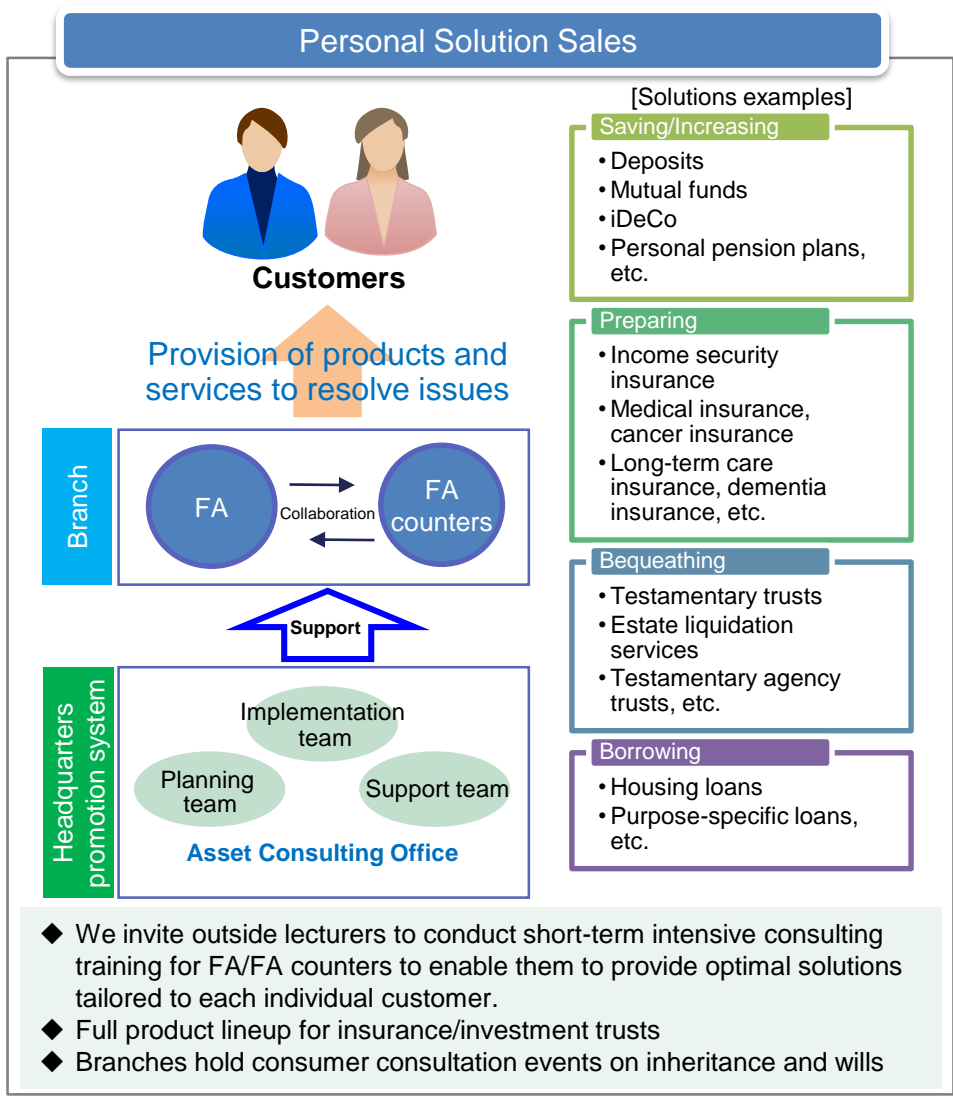
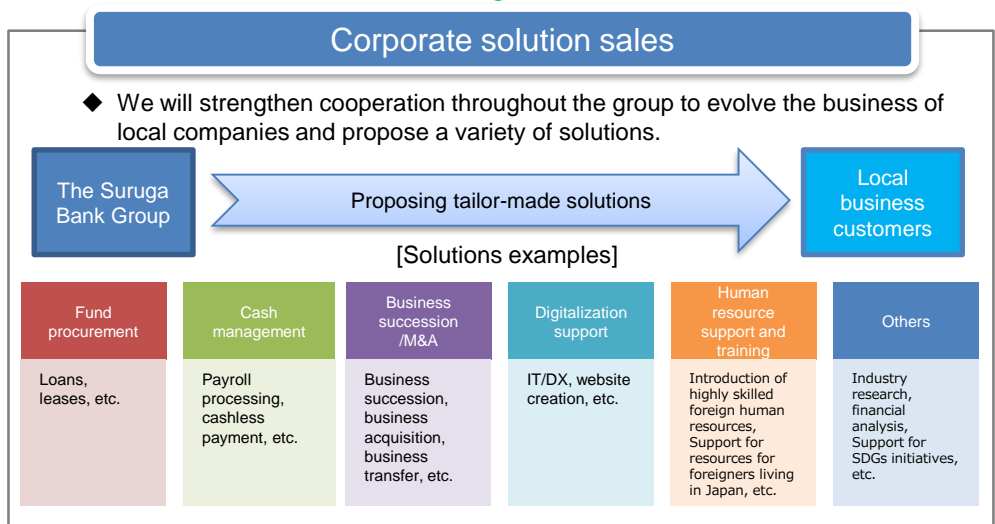
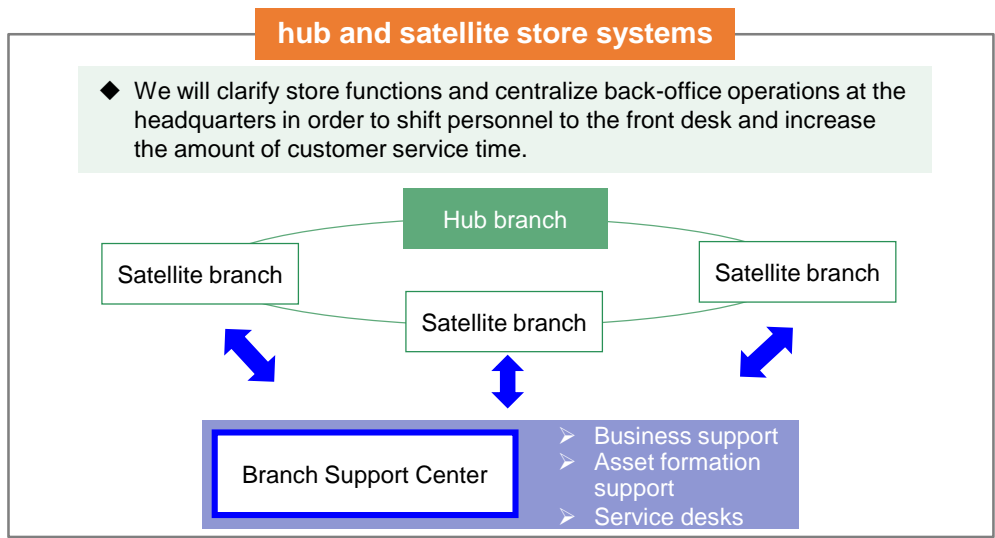
Common to markets Promotion of DX for customer relations



Individual/Corporate solution sales



- By centralizing the hub and satellite store systems and back-office operations, we will shift personnel to the front and expand customer service hours.
- In order to provide solutions to various issues faced by customers, we will promote human resource development and strengthen cooperation between sales branches and the Headquarters Promotion Department as well as within the Group.

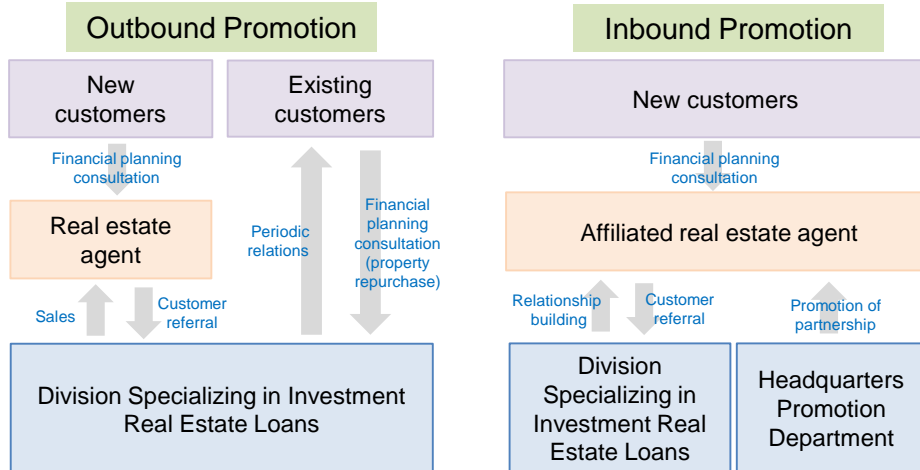


Investment Real Estate Loans



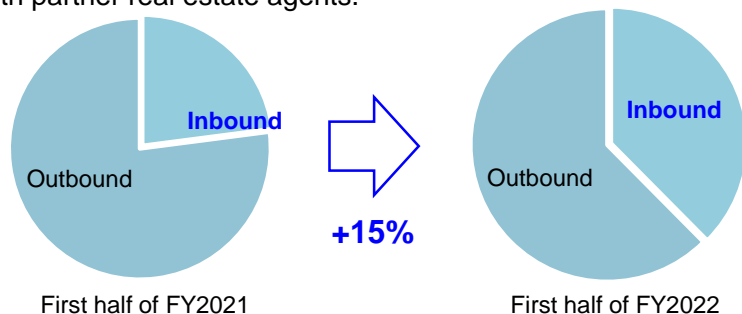
- We will work on outbound promotion by contacting real estate agents and building relationships with existing customers, and inbound promotion by deepening relationships with affiliated real estate agents.
- During the period under review, we continued to steadily extend loans to affluent and semi-affluent customers, who accounted for 56% of our total loans in terms of value.
- We are also working on promotion through online channels in collaboration with external companies to diversify our pipeline and increase the number of deals by raising awareness.

Promotion System for Investment Real Estate Loans



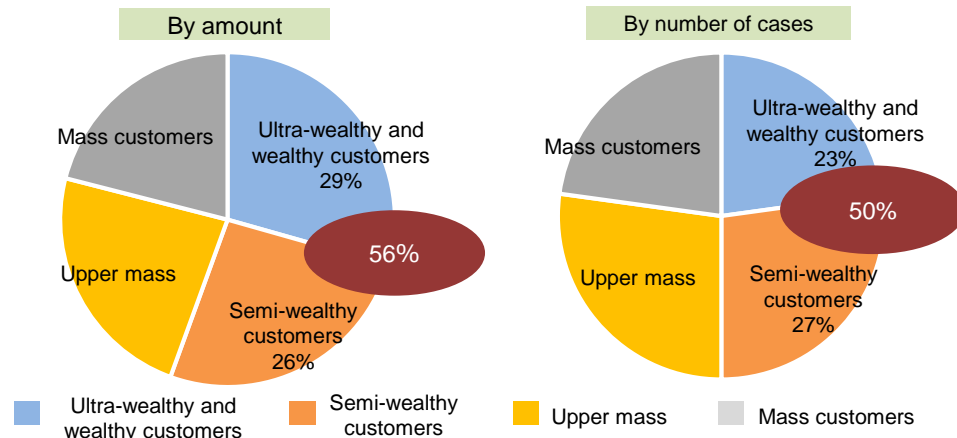
Results by promotion system

Ratio of inbound projects increased due to deepening relationships with partner real estate agents.



Amount ratio of investment real estate loans by customer segment

*Customer segments are classified based on their financial assets at the time of loan screening.
Period: April 1, 2022 to September 30, 2022

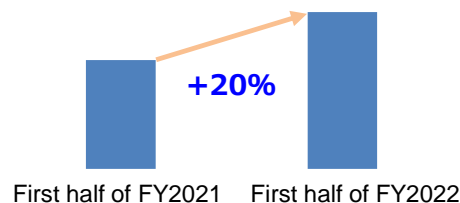


Reference: NRI market classification is applied to segments (amount of net financial assets held)

Status of promotion through online channels

Number of online applications

Increase in online applications due to growing recognition



MFS MORTGAGE FINANCIAL SOLUTIONS

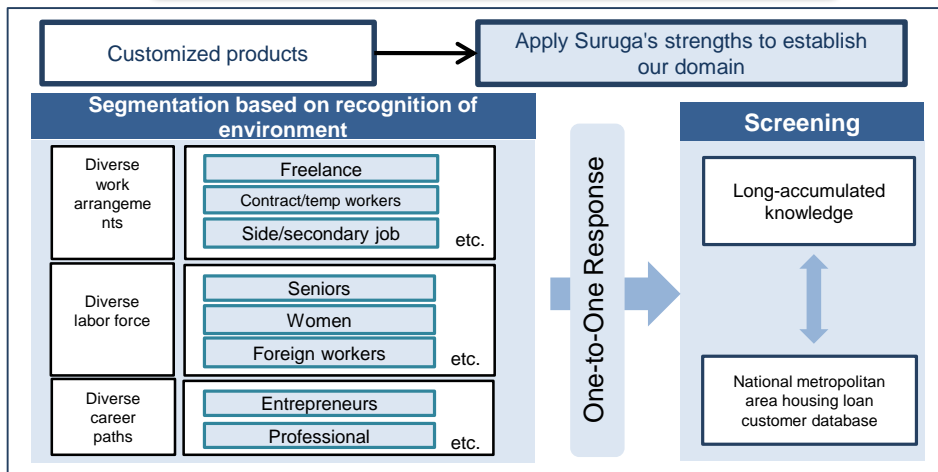
We have been handling inquiries from customers who wish to refinance their investment real estate loans through INVASE, an online platform operated by MFS.

Housing Loans



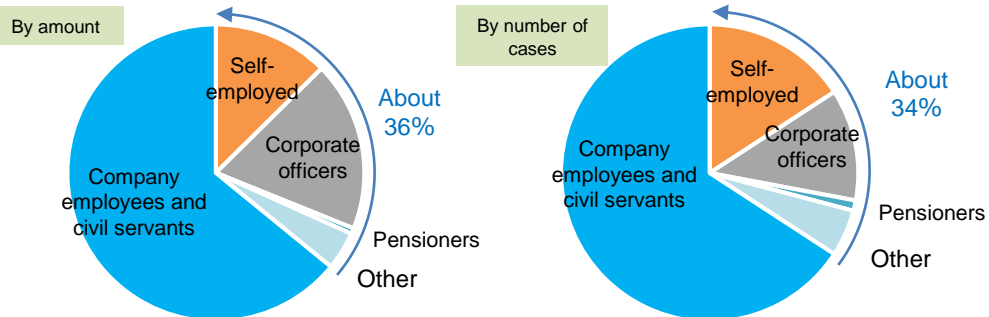
- We provide housing loans to various segments of customers based on the characteristics of their areas through our tailor-made response and screening expertise accumulated over the years.
- We collaborated with external companies and established the “Direct Housing Loan Center,” a specialized department, to strengthen housing loan promotion through direct channels.

Housing loan strategy



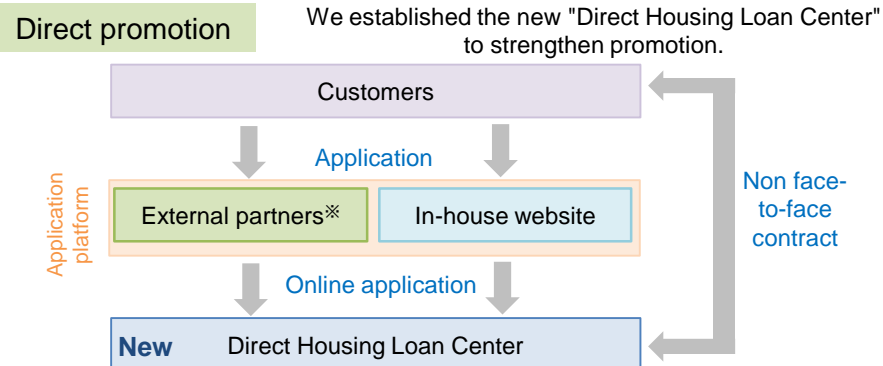
Amount ratio of housing loans by customer segment

*Segment sampling period: April 1, 2021 to September 30, 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. |

Housing loan promotion through direct channels



*External partners



We accept inquiries from customers considering a housing loan through Mogecheck, an online home mortgage comparison site used by more than 60,000 users.

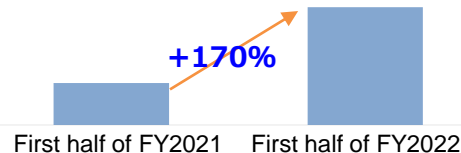


We offer our housing loans through "Ieru Dandori," a housing loan platform commissioned by more than 2,500 housing providers nationwide to connect prospective housing loan applicants with financial institutions.



We participated in Sugohaya, an information site for housing loan screening services operated by Recruit. We also expanded our proposal opportunities and achieved efficient promotion.

Number of online applications

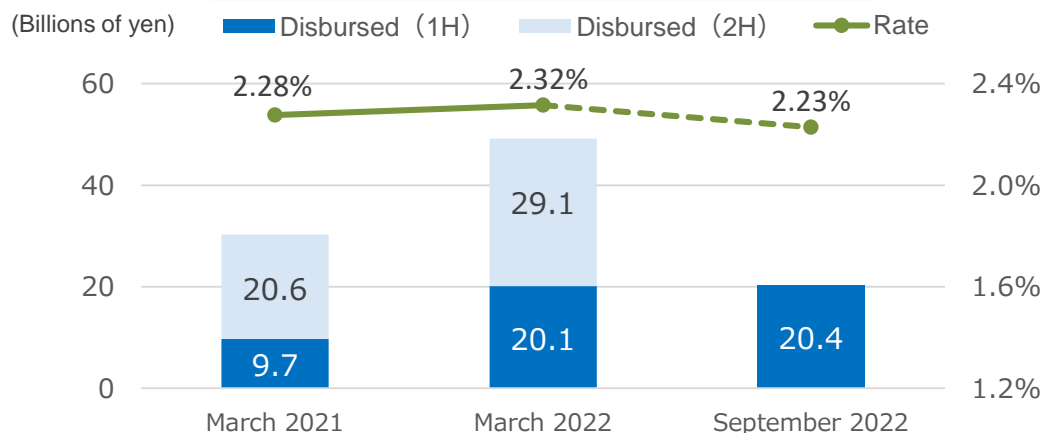


There was a significant year-on-year increase in the number of housing loan applications submitted online, due in part to growing demand for non face-to-face services.

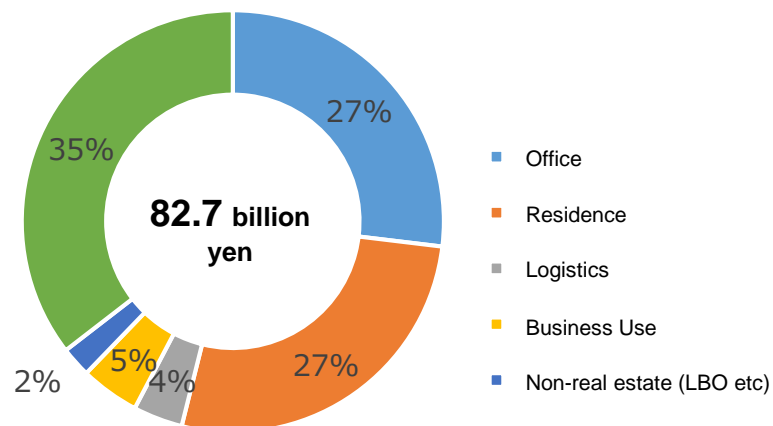


- For the period under review, new loans amounted to 20.4 billion yen, with a disbursement rate of 2.23%. In addition, the balance of loans outstanding as of September 30, 2022 was 82.7 billion yen.
- We are working on LBOs and other non-real estate projects, paying attention to risk diversification and building a portfolio of middle risk and middle return.

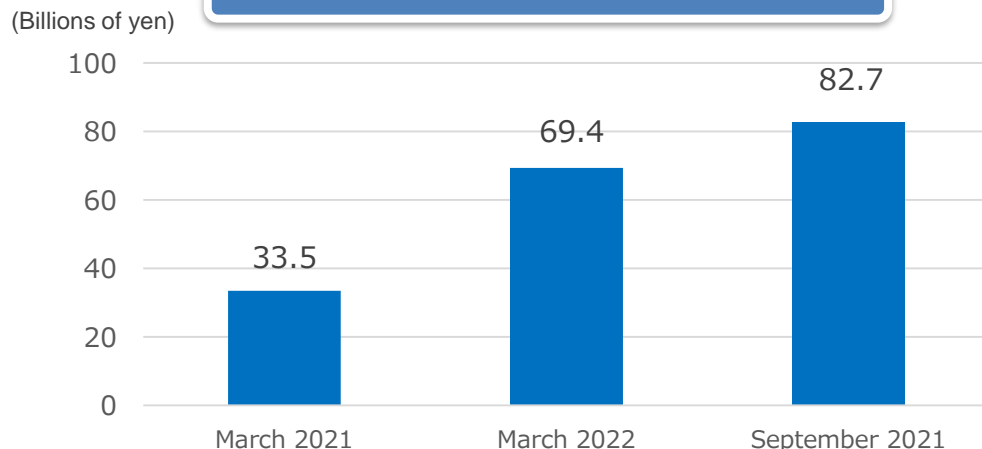
Trends in financing amount / Forecast



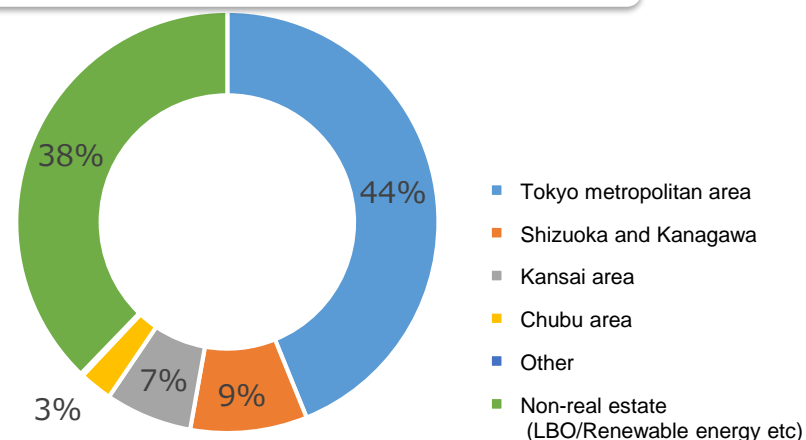
Balance composition ratio by category (September 30, 2022)



Balance of loans receivable



Composition ratio by property area (September 30, 2022)

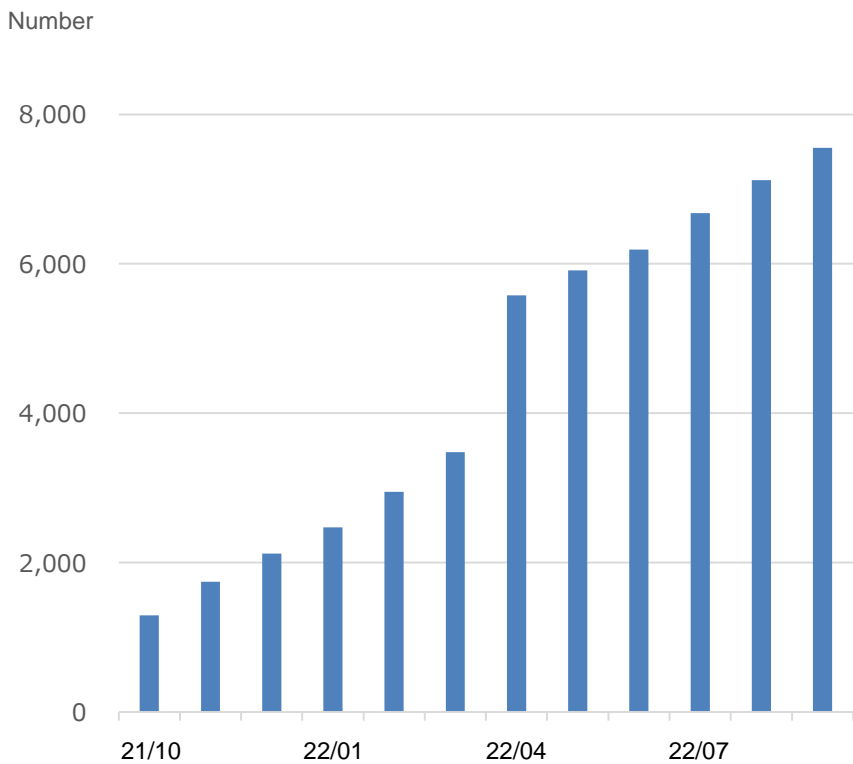




- To expand our customer base, we are strengthening sales online, focusing on smartphone accounts, and we aim to increase the account utilization rate through a system of refunds based on account usage, including account transfers and charges.
- In the area of loans for specific purposes, we are building a system to make loans for specific purposes available in major cities*, with the aim of increasing the number of partner locations where we can send customers.

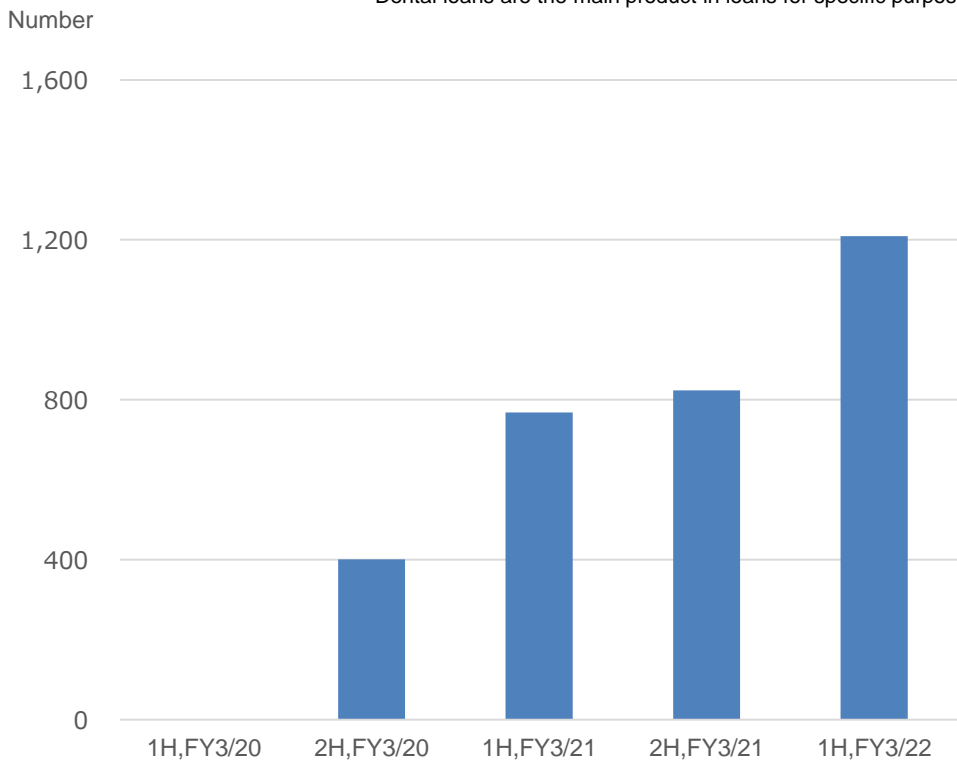
*Major cities: Tokyo, Kanagawa, Chiba, Saitama, Shizuoka, Aichi, Osaka

Number of smartphone accounts opened



Dental loans* application trends

*Dental loans are the main product in loans for specific purposes.

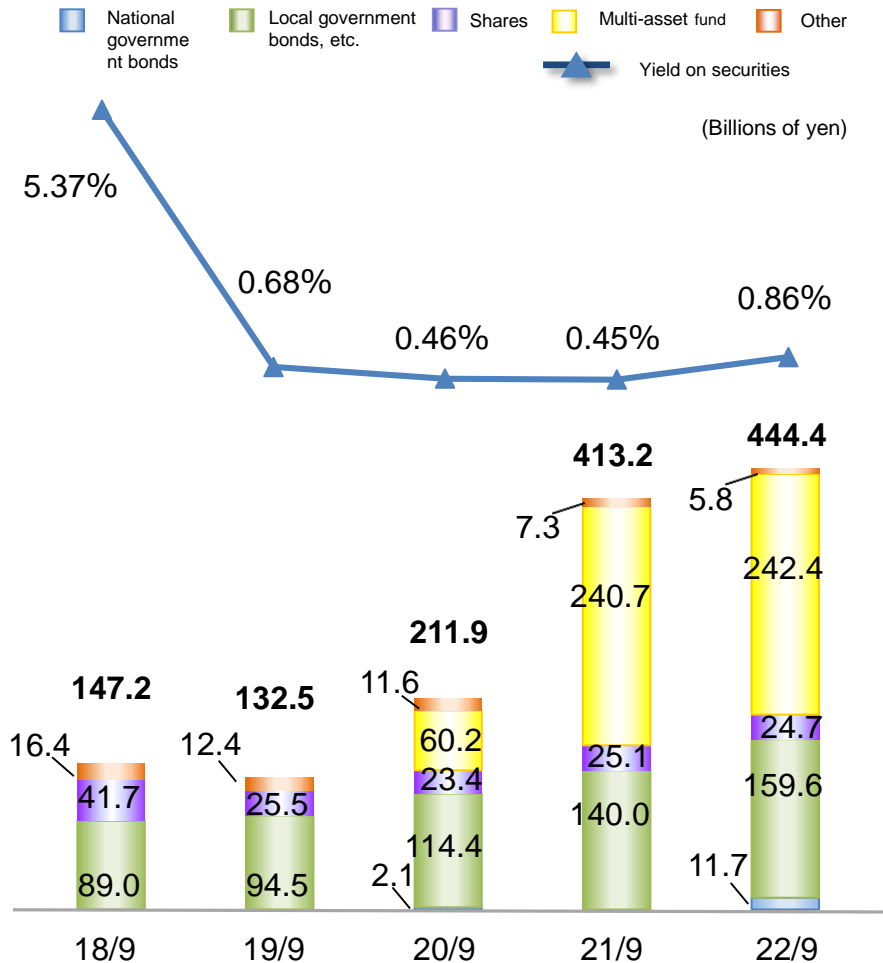




Securities Management

- In response to changes in the market environment, such as rising overseas interest rates, this current period, we sold a portion (35 billion yen) of our multi-asset fund, which has relatively high risk among our securities portfolio, to reduce risk during the current fiscal year. In addition, the multi-asset fund is currently allocated in a risk-controlled manner.
- Our policy is to control the portfolio while taking into account the market environment and the status of surplus funds.

Securities portfolio



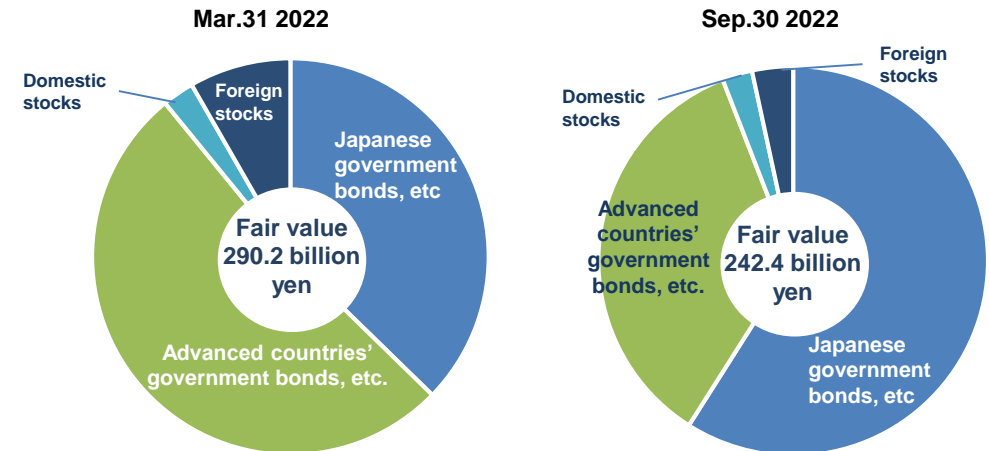
Unrealized gains (losses) on securities

Valuation difference on available-for-sale securities

(Billions of yen)

| | Mar.31 2022 | | Jun.30 2022 | | Sep.30 2022 | |
|------------------|-------------|-------------------------------|-------------|-------------------------------|-------------|-------------------------------|
| | Fair value | Net unrealized gains (losses) | Fair value | Net unrealized gains (losses) | Fair value | Net unrealized gains (losses) |
| Other securities | 454.2 | (1.4) | 460.7 | (14.6) | 432.6 | (15.8) |
| Shares | 15.8 | 7.5 | 16.3 | 8.0 | 16.6 | 8.4 |
| Bonds | 143.5 | (0.3) | 162.5 | (0.7) | 171.3 | (1.2) |
| Multi-asset fund | 290.2 | (9.7) | 277.1 | (22.8) | 242.4 | (22.5) |
| Other | 4.5 | 1.0 | 4.6 | 0.8 | 2.1 | (0.4) |

Portfolio of multi-asset fund





- 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 540 billion yen were classified as loans requiring special attention.
- The majority of loans requiring caution include loans that are not delinquent as of September 30, 2022.
- In FY2022, we plan to conduct periodic inspections of approximately 8,500 of the single building apartment loans, and as of the end of September 2022, we had completed inspections of approximately 4,000 properties (47% complete). We provide in-depth support in terms of property management, including reporting to the borrower on the property management status, etc. identified in the survey, with the aim of maintaining and increasing the rank of the classification of obligor.

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

(Billions of yen)

| Borrower classification | Credit claims such as loans *2 | Portion of single building apartment loans | |
|--|--------------------------------|--|------------------------|
| | | Portion of single building apartment loans | Portion not delinquent |
| Normal clients | 1,197.9 | 254.7 | 254.7 |
| Clients requiring special attention (*1) | 650.1 | 543.2 | 539.2 |
| Clients requiring corrective action | 80.3 | 68.1 | 65.2 |
| Clients at high risk of bankruptcy | 46.6 | 29.7 | 26.3 |
| Virtual bankruptcy clients/bankruptcy | 115.3 | 104.4 | 4.4 |
| Total | 2,090.4 | 1,000.3 | 889.8 |

*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 at the end of September 2022: 88.2% (Survey results for occupancy rate in fiscal 2021: 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.
- Targets include investment real estate for borrowers with a single-building revenue loan balance of at least ¥50 million (number of properties eligible for single-building revenue loans: approximately 8,500, covering more than 90% of the properties based on balance).
- In FY 2022, measures to prevent the spread of COVID-19 were continued and the measures were carefully implemented.



- 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”.
- The fourth and final comprehensive transfer of shared housing loans were transferred in September 2022, thus completing all comprehensive transfer of loans to customers who filed for mediation as a group at the end of August 2021.
- 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

For details, please refer to the next page, "Major Efforts to Support Repayment of Investment Real Estate Loans".

- ✓ 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.
- ✓ 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 Mar 25, 2020 and Mar 1, 2021, Mar 25 2022, Sep 26 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 debtors, 44.0 billion yen in claims) |
| The second transfer was carried out in March 2021. | (285 debtors, 44.2 billion yen in claims) |
| The third transfer was carried out in March 2022. | (404 debtors, 60.5 billion yen in claims) |
| The fourth transfer was carried out September 2022. | (105 debtors, 16.8 billion yen in claims) |
| Total | (1,051 debtors, 165.5 billion yen in claims) |

The fourth comprehensive transfer of loans was completed on September 26, 2022.

■ Major efforts to support repayment of investment real estate loans



- We have been providing various kinds of repayment support to customers using investment real estate loans since 2018, including rate reductions and changes in principal repayment amounts, in addition to exemption for repayment of part of the principal of loans and the comprehensive transfer of loans.
- Of all properties surveyed (37,907), over 40% were fully repaid as of September 30, 2022, and over 50% are continuing repayment.

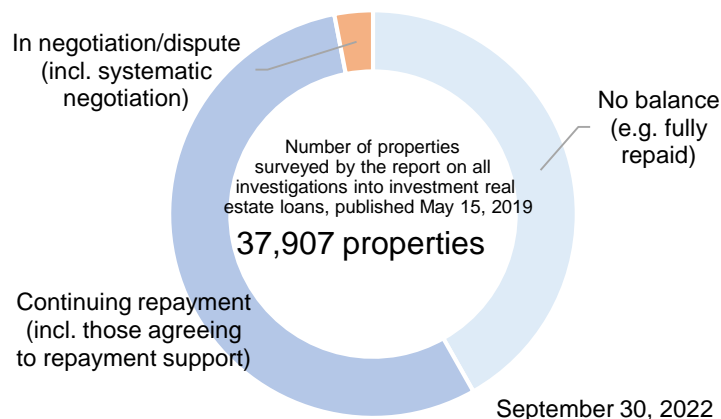
Major Initiatives

From the attachment of “Announcement Regarding Transfer of Share House-related Loan Receivables” disclosed on September 26, 2022.

- We established the “Share House-Related & Other Loan Customer Service Office” in June 2018 and have conducted interviews with approximately 90% of our share house owner customers to date. we changed interest rates, repayment methods, and other terms and conditions for more than 70% of them. Subsequently, as noted on the previous page, we conducted a total of four subsequent batch transfers (total of 1,051 persons/1,339 properties) to our share house owner customers.
- We announced in November 2018 that we would conduct a survey of all loans for investment real estate (including share house loans) and sent out questionnaires to customers currently using investment real estate loans. In May 2019, along with the results of the full survey, we announced that we will provide more in-depth repayment support, including partial principal cuts, to customers with difficulty repaying their loans. Customers using investment real estate loans at the time were also notified separately by mail (approximately 20,300 customers/34,000 properties).
 - We received requests to partially cut principal for 3,088 properties.
 - Of these, 1,676 properties were in the red*. A further 1,308 within these have already agreed to partial principal cuts, rate reductions, or principal repayment modifications to support their repayment.
 - Separate from the customers who requested this, we have provided repayment support through rate reductions and principal repayment modifications for 3,015 properties.
 - As a result of these actions, together with the 1,339 properties from the share house receivables transfer, a total of 4,968 properties (excluding duplicates) have been addressed.

*One of the preconditions for considering principal reduction is that the property must be in a situation where loan repayment is difficult at the time of consultation (the property's balance of income and expenditures, including loan repayment, must be in the red).

- Since November 2020, we have also established a system to support the management of properties financed by investment real estate loans. Based on information obtained by site inspections on the occupancy status, damage, and other management conditions of properties financed, we provide customers with proactive proposals to improve their balance of income and expenditures.



After approximately four years of repayment support and consultation efforts, more than 40% of the 37,907 properties surveyed in all have a loan balance of zero, and more than 50% are continuing repayment.

However, approximately 3% of the other loans are either under negotiation or in dispute (i.e., those for which systematic negotiations are underway or repayment support agreements have not yet been reached), and we will continue to take appropriate measures to resolve these issues.

I Summary of Financial Results for the 1st Half of FY3/23

II Business strategy based on the Mid-term Management Plan

III SDGs/ESG initiatives for FY2022

- To promote our contribution to environmental protection, we endorsed the TCFD recommendations and started to respond to climate change risks.

Contribution to environmental preservation - Suruga Group's Materiality

■ Endorsement and efforts in TCFD* recommendations

*Task Force on Climate-related Financial Disclosures

We have expressed our endorsement of the December 2021 TCFD recommendations, and based on the recommended framework, we are working to address climate change risks by disclosing information on climate-related risks and opportunities.

● Governance

- ✓ We recognize contributions to environmental preservation, including addressing climate change, as one of the materialities of our group, and promote SDGs/ESGs as our basic policy for each of our materiality-related initiatives.
- ✓ The IR Office manages the progress of SDGs/ESG initiatives as key management monitoring item and reports regularly to the Executive Committee, while the Board of Directors supervises the status of initiatives.
- ✓ The Integrated Risk Management Committee, chaired by the General Manager of the IR Office and attended by the President and Vice President, manages the progress of climate-related risks and opportunities, reports and discusses their contents to the Executive Committee on a regular basis, and supervises efforts at the Board of Directors' meetings.

● Strategies

We have organized climate change-related risks and opportunities as follows, and have prioritized scenario analysis with respect to physical risks, which have a particularly large impact.

[Climate change risks]

| | |
|------------------|--|
| Transition risks | We recognize the possibility of an increase in credit risk for our customers due to the impact of climate-related policy and regulatory tightening in the process of transitioning to a decarbonized society. As of March 31, 2022, our carbon-related assets (electricity, gas, energy, etc.) accounted for less than 0.1% of our total credit balance, so we recognize that the impact is limited. |
| Physical risks | We recognize that natural disasters such as flooding caused by climate change may increase credit risk due to deterioration of business performance or damage to collateral value resulting from stagnation of customers' businesses. |

[Opportunities]

We will create business opportunities by providing sustainable finance and transition finance for customers to adapt to climate change, as well as solutions to support the transition to a decarbonized society.

[Scenario analysis]

| | |
|---------------------|--|
| Risk events | Occurrence of flooding (flood risk) |
| Scenario used | PCP 8.5 (4°C scenario) in the IPCC* report |
| Subject of analysis | Personal real estate-backed properties in Japan (approx. 40,000 properties) |
| Analysis method | We estimate the increase in credit costs due to collateral value damage and business stagnation in the event of a major flood, etc., by overlaying the location of the collateral property with hazard maps. |
| Analysis results | The maximum increase in credit costs by 2050 is about 2.7 billion yen , and the impact is considered to be limited. |

*Intergovernmental Panel on Climate Change

● Risk management

- ✓ We regard climate change risk as one of the important risks that can significantly affect our business operations, strategies, and financial plans, and we will work to build a structure to manage climate change risk within the framework of integrated risk management.
- ✓ We will work to build a structure to manage credit risk, risks associated with our tangible fixed assets, operational risk, and other risks based on the impact of climate change risk on our loans.
- ✓ For investments and loans in sectors that have a high potential for environmental and social impact, we have established an investment and loan policy (sector policy).

For details of the investment and loan policy (sector policy), please refer to the following link.

- HP/Company Info/Sustainability/Investment and Loan Policy (Sector Policy)

https://www.surugabank.co.jp/surugabank/corporate/sustainability/sector_policy.html



● Indicators and targets

CO2 emissions target for FY2030 is a 46% reduction compared to FY2013

*Monitoring indicators: Scope 1 (direct) + Scope 2 (indirect) CO2 emissions

- In order to contribute to building sustainable local economies and societies, we will strengthen cooperation with local governments and private companies, aiming to spread the SDGs to local companies.

Building Sustainable Local Economies and Societies - The Suruga Group's Materiality

Strengthening partnerships with local governments

We are utilizing the registration/certification systems introduced by local governments to achieve the SDGs, and are working together with them to solve local issues.

Registration as an Oimachi SDGs Partner*

*This is a system to register companies and organizations that work together with Oimachi, Kanagawa Prefecture, in activities to promote the SDGs for the achievement of the SDGs as Oimachi SDGs Partners.



Oimatsuda Branch

Registration as an Odawara SDGs Partner*

*This is a system to register companies, universities, organizations, etc. that are working together with Odawara City toward sustainable urban development and the achievement of the SDGs as Odawara SDGs Partners.



Odawara Branch



OdawaraEast Branch

We provide preferential services for businesses certified under the Yokohama City SDGs Certification System Y-SDGs.

Businesses certified under the Yokohama SDGs Certification System Y-SDGs will be given preferential treatment when they use our business matching service by returning the commissions we receive.

- Lifestyle support services for foreigners provided by KUROFUNE (incentive for the first year's usage fee)
- Recruitment (preferential hiring costs) of highly skilled foreign human resources (engineers) provided by One Terrace

Launch of Suruga SDGs Initiative Support Service

In cooperation with Mitsui Sumitomo Insurance, and MS&AD InterRisk Research & Consulting, we have launched the Suruga SDGs Initiatives Support Service for corporate and sole proprietor customers.

(Purpose)

Through this service, we provide feedback on the status of our clients' SDGs initiatives and the degree to which they have achieved them, and work with them to find solutions to their issues, with the aim of enhancing their corporate value. In addition, we also support the formulation of an SDGs Declaration and external PR based on the customer's request.

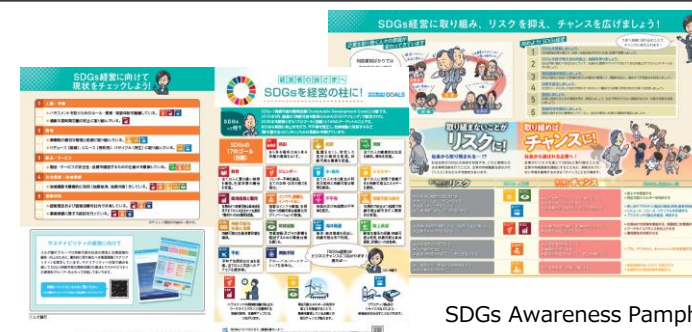
- We are providing advanced support to local companies, NAC and Miroku, in the formulation of their SDGs Declarations, which was announced on the same day as the service launch.

| | Type of business | Address |
|--------------------|--|---|
| NAC Inc. | Wholesale of general packaging materials | Shimizu-cho, Sunto-gun, Shizuoka Prefecture |
| Miroku Corporation | Planning, development, manufacturing and sales of hand tool products | Mishima City, Shizuoka Prefecture |

Please see below for each company's SDGs declaration and our support achievements.

- HP/Corporate Customers/Products & Services/Suruga SDGs Initiatives Support Service

<https://www.surugabank.co.jp/surugabank/houjin/service/sdgs/corp.html>



SDGs Awareness Pamphlet

Building Sustainable Local Economies and Societies - The Suruga Group's Materiality

Initiatives to achieve financial inclusion

In response to the growing need for financial inclusion that provides financial knowledge, expertise, and access to financial services so that all people can enjoy financial stability throughout their lives, we have considered and launched various initiatives through the establishment of the FI Planning Office/Promotion Office with the mission of providing reassurance to customers who do not have access to financial services.

Expansion of products/services

Designated account for foreign customers

Through the use of smartphone accounts, we have launched the first savings account at a regional bank* that allows foreign customers to open an account with a smartphone at our exclusive online branch, D-Bank Branch. For foreign customers who were previously unable to open an account due to residency status or other reasons, we offer an ordinary savings account that can be used for salary transfers, utility bill payments, etc., in which everything can be done online

*According to our own research

Auto loans for foreign customers without permanent residency

We have begun offering the "Foreigner Support Plan," an auto loan for foreign nationals who do not have permanent residency. Applications can be made online, and the loan can be repaid at convenience store ATMs with a special card issued after signing the contract, making it available to foreign nationals living throughout Japan.

Multilingual support to improve convenience for foreign customers

- ✓ We have introduced Phone Interpretation Services, a telephone interpretation service provided by Polyglot Link, so that customers can consult with us in languages other than Japanese when contacting our call center.
- ✓ WOVN.io, a website language conversion solution from Wovn Technologies, has been introduced to provide multilingual support for a portion of the D-Bank branch website, the online account opening system, and the auto loan page for foreign customers.

Reassuring consulting in the age of 100 years of life, converting customers' anxiety into peace of mind

[Musu-bi services]

As part of our asset consulting services, we have begun offering "musu-bi," a support service for end-of-life planning. We will help you to think about how to tie up your life in your own way along with your life planning in the age of 100 years of life.

Visualization of your assets
Assistance in creating asset lists
Storage and organization of important documents

Preparing your final days
Funeral insurance information

Saying farewell in your own manner
Funeral styles



Pamphlet



Future direction and goals

- ✓ We will enhance the financial wellbeing of our foreign customers by providing them with living accounts and meeting their borrowing needs that lead to financial and emotional stability in Japan.
- ✓ We aim to develop and expand products and services to solve financial problems faced by not only foreign customers but also the elderly and the young.

Building Sustainable Local Economies and Societies - The Suruga Group's Materiality

■ Suruga Bank Cycling Project

The Suruga Bank Cycling Project aims to create new tourism value by promoting cycle tourism in coordination with local tourism resources, and supports the local service and tourism industries by providing detailed tourism information that takes advantage of the mobility of bicycles.

Cooperation with municipalities and general associations

In the first period of FY2022, we signed partnership Agreements for Promoting Bicycles with five new municipalities and general incorporated associations, contributing to building a foundation for further regional cooperation as a driving force for cycle tourism.

- We signed an agreement with Mt. Fuji Suruga Ferry General Incorporated Association (April 11, 2022).

We conduct PR activities for cycling routes incorporating Prefectural Route 223 (Fujisan), the only sea route in Japan certified as a specialized route for tourism.



City promotion: Suruichi



View from the photo spot on the ship

- Signed agreement with Fujisawa, Kanagawa Prefecture (May 19, 2022)

Sharing footage of bicyclists touring courses set for each theme focusing Fujisawa's sightseeing spots, including historical sites and famous landmarks.



Fujisawa Mayor Suzuki and Fujikyun ♥



City Promotion: Fujisawa Kyun♥Pota

- Signed agreement with Hadano, Kanagawa Prefecture (June 17, 2022)

Sharing footage of bicyclists touring courses set for each theme, focusing on historical sites and spring water spots in Hadano, also known as Meisui no Sato (Village of Famous Water).



City promotion: Hadakuru



- Signed an agreement with Fuji, Shizuoka Prefecture (July 26, 2022)

Holding cycling events that take advantage of the topography of Fuji, which covers an area from 0 m above sea level to Mt. Fuji, and sharing footage of bicyclists touring courses set for each theme, focusing on sightseeing spots such as historical sites and famous places in Fuji.



Cycling event: Fujiyama Power-line Trail Ride



City promotion: Logo mark

- Signed an agreement with Numazu City, Shizuoka Prefecture (August 30, 2022)

Sharing footage of bicyclists touring courses set for each theme, focusing on sightseeing spots in Numazu, including historical sites and places of interest, as part of the agreement project, and plans to hold a cycling event.



City Promotion: #Numachari Stamp Point puttering



Building Sustainable Local Economies and Societies - The Suruga Group's Materiality

Financial education

Tour of Suruga Bank (for elementary school students)

As part of the Summer Vacation Independent Study Course sponsored by the East Shizuoka Regional Office, fifth- and sixth-grade elementary school students and their parents were invited to Suruga Bank's Head Office for a classroom lecture on the role of money and the main jobs of banks, as well as to gain hands-on experience as lobby personnel and other work-related activities.



Classroom lecture:
"What is Money?"
"What is a bank?"



Hands-on lecture:
"Let's hold a bundle of cash!"



Hands-on lecture:
"Let's hold a bundle of cash!"

Occupational discussions (for junior high school students)

As a participating partner of the "Canvas for the Future☆" initiative of TEPCO Power Grid, our employees held occupational discussions at Kannami Higashi Junior High School and Susono Higashi Junior High School as part of activities to nurture the next generation who will lead Shizuoka in the future.



Kannami Higashi Junior High School



Susono Higashi Junior High School

Financial classes (for junior high school and high school students)

With the aim of improving financial literacy, our employees gave financial lessons to local junior high school and high school students on the theme of money, while sharing their own experiences as lecturers.

[Kitago Junior High School (Oyama, Shizuoka Prefecture)]



[Gotemba Nishi High School (Gotemba City, Shizuoka Prefecture)]



Lectures (for local business owners and local government officials)

We co-sponsored the Shizuoka University Eastern Satellite Seminar Series at KANO Base, where we are also a tenant, and gave a lecture on our role in case studies of financial inclusion and a concept leading to solutions for vacant houses in rural areas, which is a regional issue.



Lecture



Discussion

- In order to embody our Corporate Philosophy and Compliance Charter, we aim to further improve our governance.

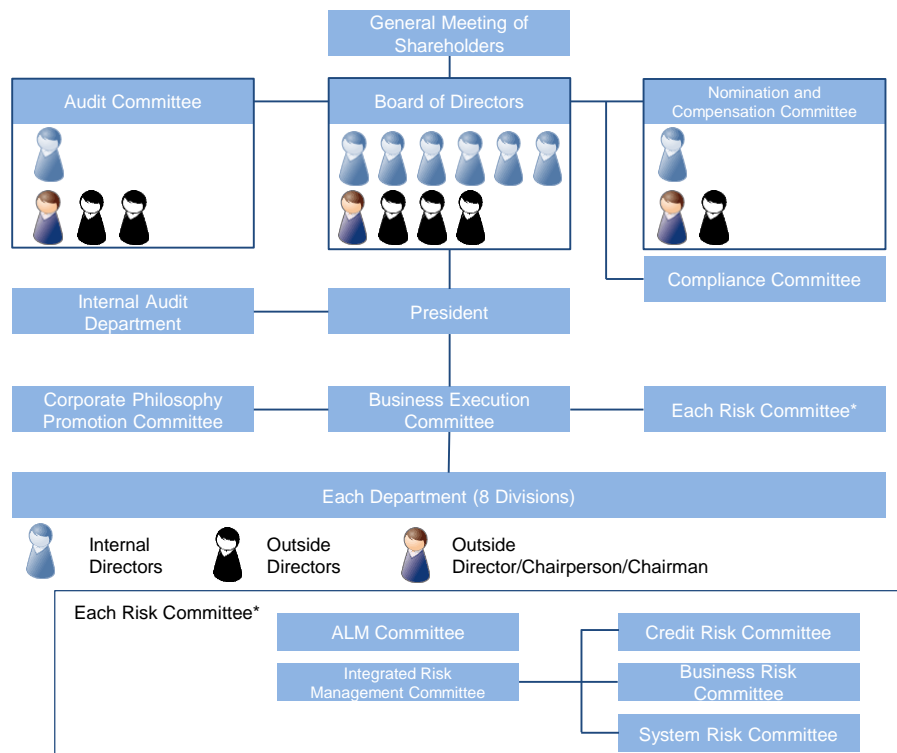
Establishment of a Solid Governance Foundation - The Suruga Group's Materiality

Basic Philosophy of Corporate Governance

In order to realize our corporate philosophy, "I'm glad you're here... I'm glad we met...", we have established and put into practice a Compliance Charter as a standard of conduct for our officers and employees. By putting this into practice, we strive to achieve thorough compliance and customer-oriented business operations, foster a sound organizational climate and corporate culture, and enhance our corporate value.

Corporate Governance Structure Chart

September 30, 2022



Composition of Directors



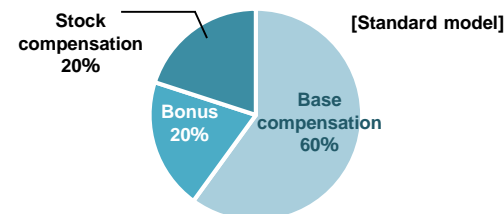
Compensation for directors

✓ Introduction of post-issuance stock compensation system

In 2020, we introduced a post-issuance stock compensation plan for directors (excluding outside directors and Audit Committee members) to clarify the connection between their compensation and the Company's performance and stock value, and to raise their awareness of the need to contribute to improving the Company's performance and increasing its corporate value over the medium to long term.

[Basic structure]

Compensation for directors (excluding outside directors and Audit Committee members) consists of three parts. The three parts include the base compensation (cash) based on the role and position of each director, the bonus (cash) as short-term incentive compensation, and stock compensation (stock) as medium- to long-term incentive compensation. Depending on the role and position of each director, the compensation structure is designed to encourage medium- to long-term improvement of corporate value by increasing the ratio of incentive compensation from the viewpoint of increasing commitment to improving corporate performance and corporate value.

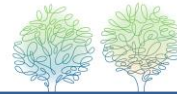


From the viewpoint of preventing excessive risk-taking and appropriately supervising directors, compensation for outside directors and Audit Committee members is not linked to business performance, and consists only of base compensation.

[Forfeiture of stock compensation (Clawback and Malus clauses)]

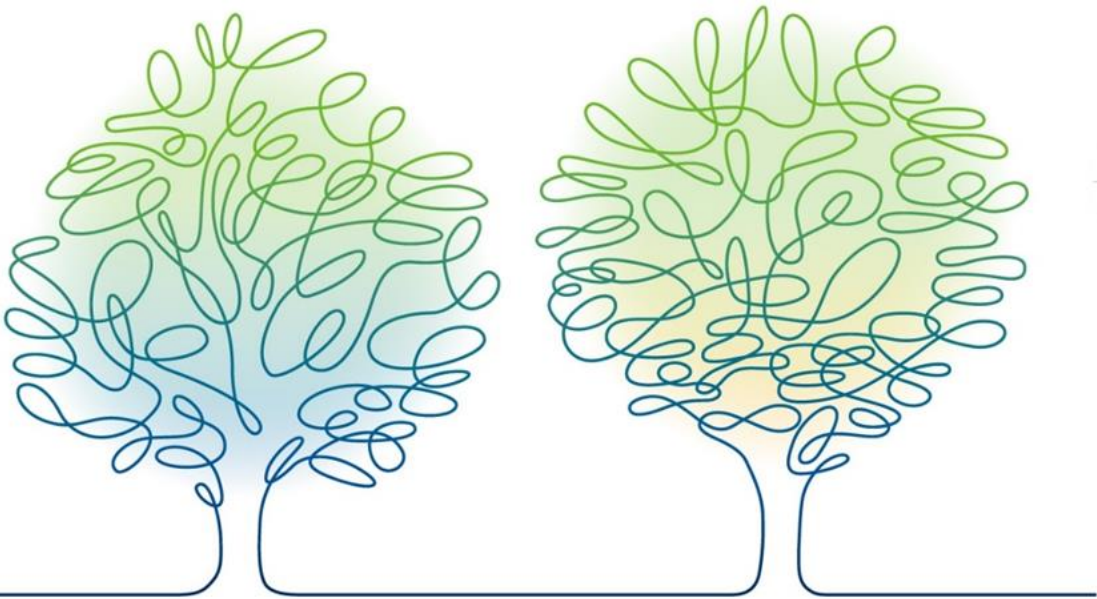
We have established clauses (Clawback and Malus clauses) in our stock issuance rules that require forfeiture of all or part of the stock compensation in order to curb excessive risk-taking, ensure sound management, and prevent serious misconduct such as accounting fraud or large-scale correction of past fiscal years' financial results.

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.”



スルガ銀行



Corporate Philosophy

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

Vision



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***.

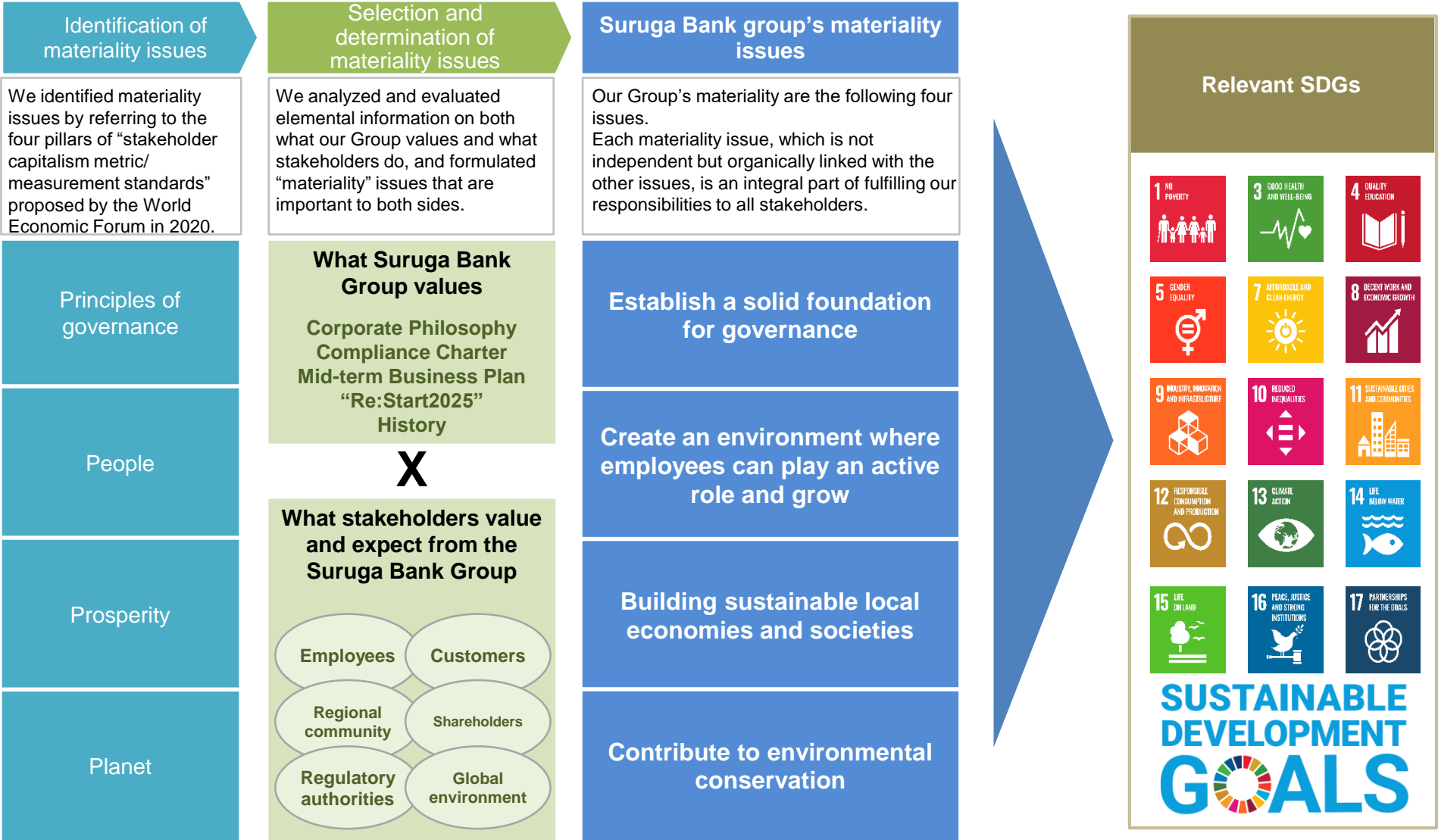
Promote existing businesses with controlled risk capital, pursue new business, and prepare for risks that surface in high-stress environments.

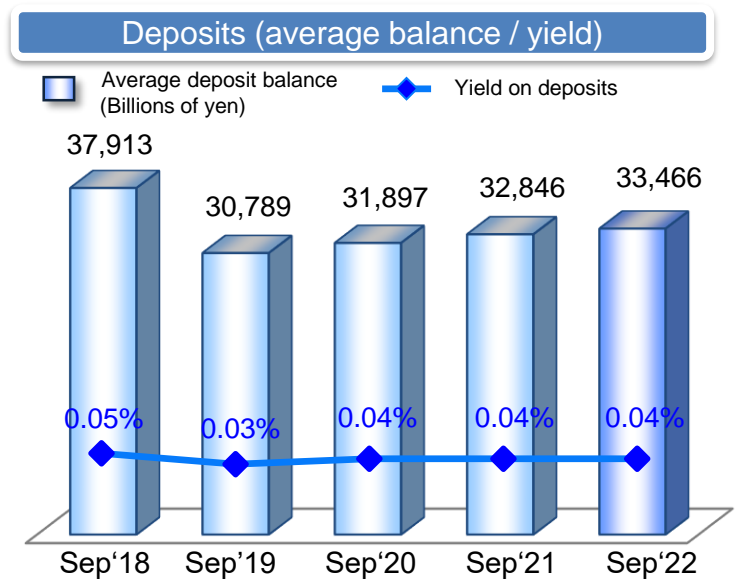
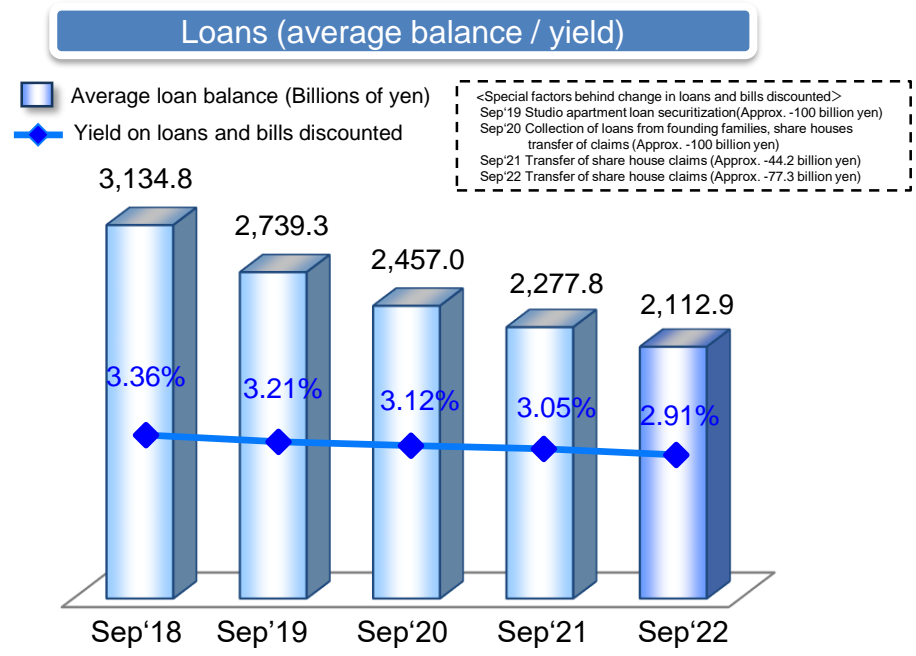
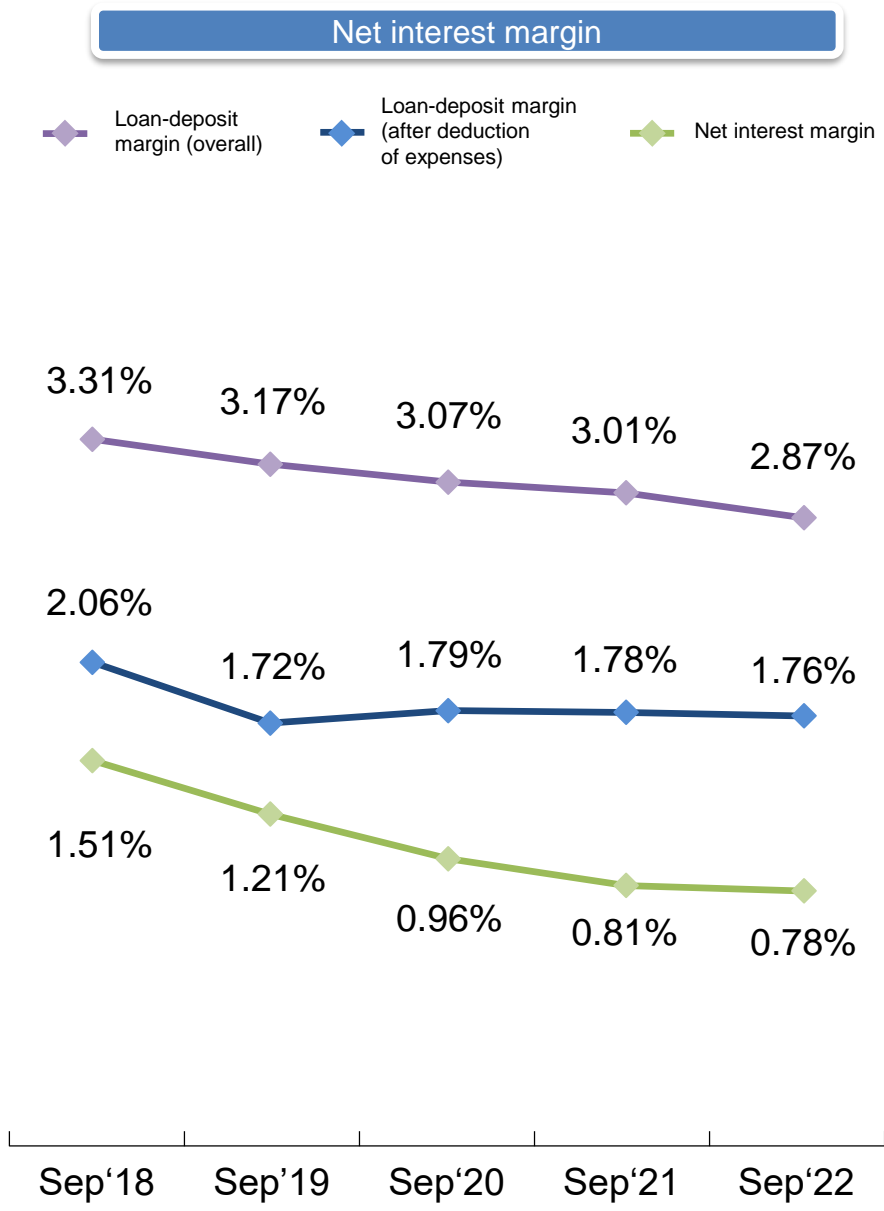
- ✓ Even after Basel III is revised, we will maintain a **capital adequacy ratio of at least 8%** to realize our business strategy.

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

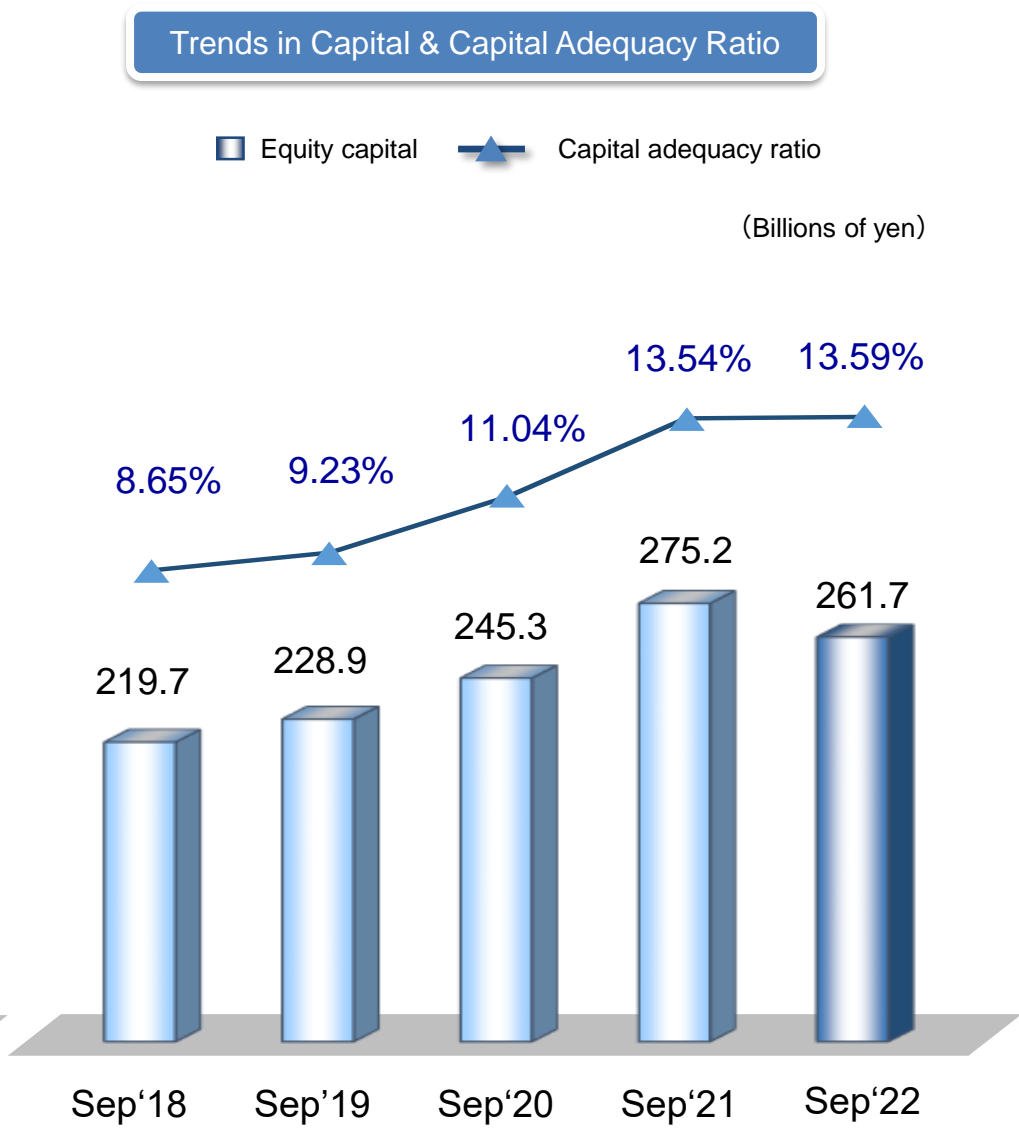
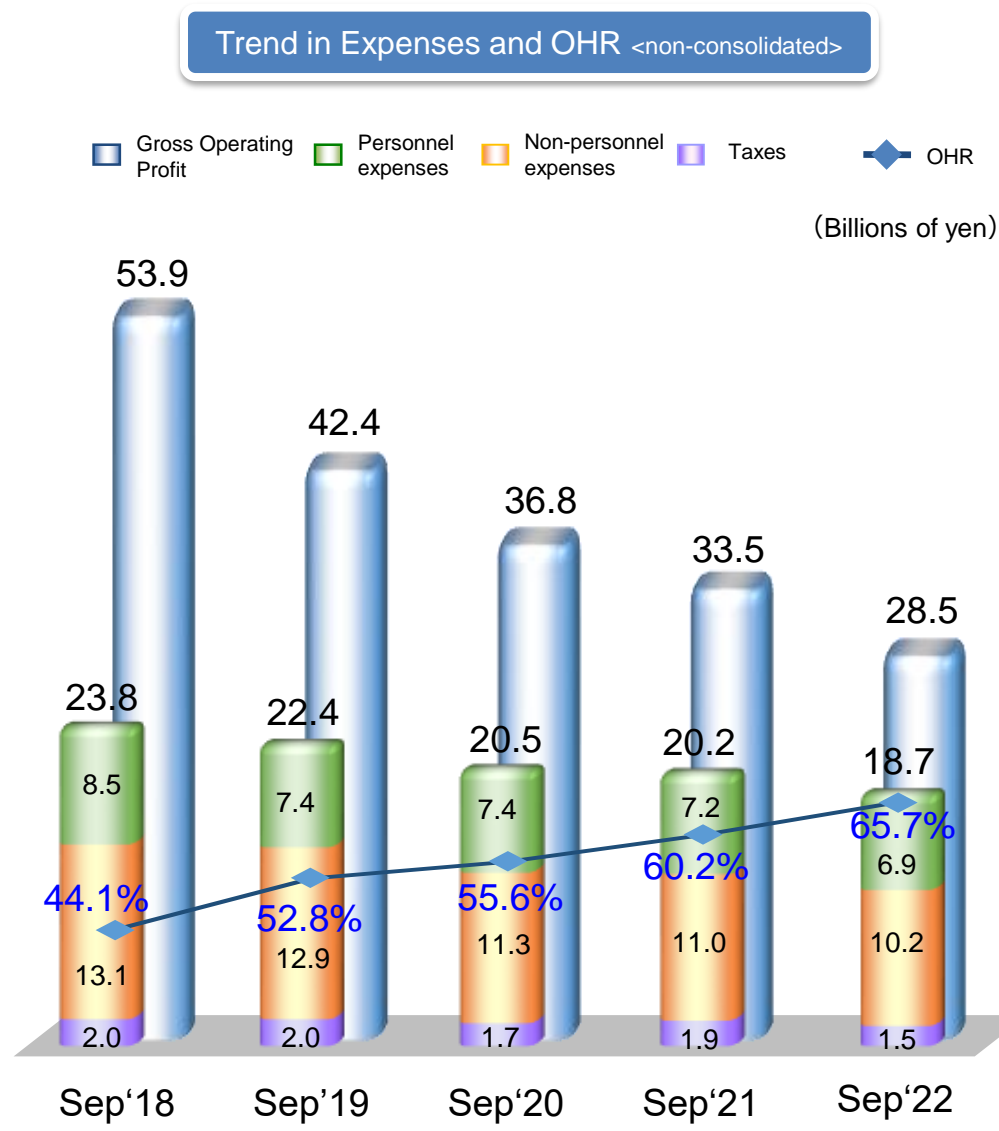


• Taking into account the social responsibilities requested by stakeholders and diversifying social and environmental issues, we have identified priority issues that must be addressed by the Group in light of its business opportunities and risks, and also formulated important issues (materiality) to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





Trends in Expenses, OHR, and Capital





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.