

SURUGA bank, Ltd.
Financial Results for FY3/23

May 26, 2023

SURUGA bank



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I Summary of Financial Results for FY3/23

II Business Performance Plan and Strategy for FY3/24

III ESG/SDGs

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■ Actual Results for FY3/23; Comparison with FY3/22



- Gross operating profit decreased by 21.8 billion yen year-on-year to 43.4 billion yen, mainly due to a decrease in net interest income (4.7 billion yen) and a decrease in gains (losses) on bond transactions (17.3 billion yen).
- Net operating profit decreased by 28.9 billion yen year-on-year to 7.2 billion yen, mainly due to a change in the accounting item for gain on reversal of allowance for loan losses based on accounting standards*.
- Actual credit costs decreased 17.2 billion yen year-on-year to -1.1 billion yen (see the bottom-left table for breakdown).
- Net income (non-consolidated) increased 1.6 billion yen year-on-year to 9.5 billion yen, mainly due to the above factors.

*If the sum of the provisions of general allowance for loan losses, specific allowance for loan losses, and allowance for specific overseas claims is less than the sum of the reversals of the same, the amount of the provision of each allowance shall be left blank (indicate this outside the field) and the difference shall be recorded in "Gain on reversal of allowance for loan losses" under non-recurring income.

<Non-consolidated> (Billions of yen)

	Actual results for FY3/22	Year-on-year results for FY3/23	Year-on-year
Gross operating profit	65.3	43.4	(21.8)
Expenses	39.7	36.2	(3.5)
Core net operating profit	25.0	24.0	(1.0)
Net operating profit	36.1	7.2	(28.9)
Ordinary profit	10.0	11.2	+1.1
Net income	7.8	9.5	+1.6

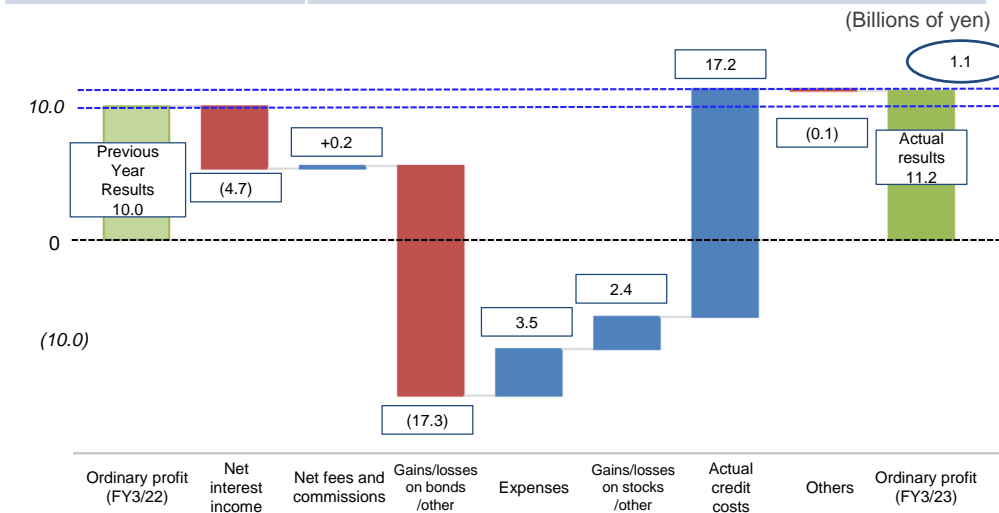
Actual credit costs	16.0	(1.1)	(17.2)
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Dividends per share	6 yen	9 yen	+ 3 yen
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<Actual Credit Costs for Fiscal 2023> (Billions of yen)		
Actual credit costs		(1.1)
Normal amount (a)	Actual credit costs arising from loans without special factors	(3.4)
Share house-related loans (b)	Actual credit costs for share house-related loans	(3.8)
Preventive allowances (c)	Allowance for: (1) claims for restructuring of loan terms and conditions on a portion of investment real estate loan customers who have newly suspended repayments triggered by organizational negotiations, and for (2) claims for restructuring of loan terms and conditions from 3Q for which normalization of recovery is unlikely	6.1

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

	Main factors
Net interest income	•Decrease in interest on loans and bills discounted (Flat balance factor: -4.6 billion yen, Yield factor: -2.1 billion yen)
Gains/losses on bonds/other	•Loss on redemption mainly due to partial cancellation of multi-asset funds: -17.3 billion yen
Expenses	•Decrease in property expenses due to progress in structural reforms: -2.6 billion yen
Gains/losses on stocks/other	•Net gains/losses on stock transactions, mainly due to sales of foreign stocks: +2.4 billion yen
Actual credit costs	•Lower expected loss ratio and reduced preventive allowance provisioning (see the bottom-left table)



*Figures in the graph above are rounded to the nearest unit and may differ from the figures in the table on the left.



- Actual credit costs for share house-related loans were -3.8 billion yen, mainly due to the lump-sum transfer of the 4th group of loans implemented in September 2022.
- Actual credit costs for loans other than share house-related loans were 2.6 billion yen, mainly due to an increase in the allowance for loan losses resulting from preventive allowance provisioning (see bottom-left on the previous page).
- As of March 31, 2023, the ratio of nonperforming claims to disclosed claims under the Financial Reconstruction Law was 10.4%, and the coverage ratio was approximately 82% based on collateral, guarantees, etc. and allowance for loan losses.

Actual credit costs (FY3/23)

(Billions of yen)

Item			Actual credit costs for FY3/23	Allowance for loan losses
	1H	2H		
Share house-related loans	(3.2)	(0.5)	(3.8)	13.6
Investment real estate loans*	(2.3)	4.8	2.5	91.0
Housing loans	(0.3)	0.2	(0.1)	2.3
Unsecured loans	(0)	0.1	0	2.8
Monetary claims bought	0	0	0	0.3
Business financing, etc.	0.7	(0.5)	0.2	8.6
Total	(5.2)	4.0	(1.1)	118.9

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

• Disclosed Claims under the Financial Reconstruction Law (as of March 31, 2023)

(Billions of yen)

	Balance	Total coverage amount			Coverage ratio
			Coverage amount by collateral and guarantees, etc.	Allowance for loan losses	
Claims against bankrupt and substantially bankrupt obligors	118.8	118.8	44.8	73.9	100%
At-risk claims	48.2	31.9	20.8	11.0	67.5%
Claims for special attention	53.2	29.2	17.1	12.1	54.9%
Total	219.3	180.0	82.8	97.2	82.0%

Ratio of disclosed amount to total credit (non-performing loan ratio)	10.4%
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Yield/Margins, Loans and Deposits Yield/Average Balance <Non-consolidated>



- Based on the Mid-Term Business Plan, the yield on loans and bills discounted for the entire region where we are promoting a switch of asset “quality” to middle-risk and middle-return, is 3.38% (total (E)).
- The delinquency rate for personal loans is 6.66% (A), partly since some customers with investment real estate loans have suspended repayment triggered by organized negotiations. However, excluding these special factors, the delinquency rate is 1.60% (F).
- In order to improve the delinquency rate of investment real estate loans, we are not only supporting repayments by changing conditions, but we are also providing feedback to customers on information of concerns such as damage and management conditions to real estate found in our own periodic surveys. Our support also continues to include potentially changing management companies.

(Billions of yen)

Loan category	March 2022			March 2023		
	Period-end balance	Yield	Delinquency rate	Period-end balance	Yield	Delinquency rate
Secured loans	1,693.1	3.09%	7.18%	1,542.6	3.05%	7.02%
Housing loans	457.6	2.79%	0.31%	430.5	2.69%	0.27%
Studio apartment loans	142.3	3.37%	2.64%	120.5	3.33%	2.97%
Single building apartment loans (including share house loans)	1,059.6	3.14%	11.05%	959.0	3.14%	10.79%
Other secured loans	33.4	4.57%	0.38%	32.4	4.26%	0.34%
Unsecured loans	145.4	10.40%	2.44%	127.8	10.47%	2.36%
Card loans	98.0	11.77%	0.89%	89.0	11.74%	0.88%
Unsecured certificate loans	47.4	7.57%	5.64%	38.7	7.54%	5.77%
Consumer loans (A)	1,838.5	3.67%	6.81%	1,670.4	3.62%	6.66%
Personal loans (excluding organizational negotiation partners, etc.) (F)	1,733.1		2.57%	1,569.3		1.60%
Investment real estate loans for asset management companies (B)	33.5	1.81%	—	57.4	1.77%	—
Structured finance, etc. (C)	68.9	2.27%	—	126.4	2.37%	—
Monetary claims bought (D)	59.7	1.89%	—	131.5	2.08%	—
Total (E : A+B+C+D)	2,000.8	3.54%	6.26%	1,985.8	3.38%	5.60%

*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.

**Organizational negotiation partners, etc." refers to loans to borrowers who have submitted a request for suspension of repayments as a result of organizational negotiations (share house-related loans are excluded)

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Earnings Forecast for FY3/24 <Non-consolidated & Consolidated>



- Gross operating profit is expected to increase by 10.5 billion yen to 54.0 billion yen, reflecting the absence of loss on disposal and loss on redemption of bonds, despite the decrease in net interest income.
- Core net operating profit is expected to decrease by 6.0 billion yen to 18.0 billion yen, mainly due to a decrease in net interest income.
- Actual credit costs are expected to be 6.5 billion yen for the full year, mainly due to 8.5 billion yen in preventive allowance provisioning.
- Net income is expected to be 8.5 billion yen on both a non-consolidated and consolidated basis.

[Non-consolidated]

	FY3/23 results (1)	FY3/24 Forecast		Year-on-year (2)-(1)
		1 st half	Full year (2)	
Ordinary income	82.7	35.0	69.0	(13.7)
Gross operating profit	43.4	27.5	54.0	+10.5
Expenses	36.2	18.5	36.0	(0.2)
Core net operating profit	24.0	9.0	18.0	(6.0)
Ordinary profit	11.2	4.5	11.5	+0.2
Net income	9.5	2.5	8.5	(1.0)
Actual credit costs	(1.1)	4.5	6.5	+7.6
Dividends per share	9 yen	7 yen	14 yen*	+5 yen

*Dividends per share of 14 yen = Interim dividend of 7 yen + Year-end dividend of 7 yen

[Consolidated]

(Billions of yen)

FY3/24 Forecast		Cons-parent differential (3)-(2)
1 st half	Full year (3)	
39.0	77.5	+8.5
4.5	12.0	+0.5
2.5	8.5	±0

<Premise Behind FY3/24 Actual Credit Cost Forecast>

[Normal amount]

Actual credit costs for loans without special factors (including share house-related loans) are expected to be -2.0 billion yen for the full year, taking into account a lower expected loss ratio.

[Preventive allowances]

We plan preventive allowances of 8.5 billion yen for the full year, taking into account additional provisions for suspension of repayments by some investment real estate loan customers triggered by organized negotiations and for claims for restructuring of loan terms and conditions from 3Q of the previous fiscal year for which normalization of recovery is unlikely.

(Billions of yen)

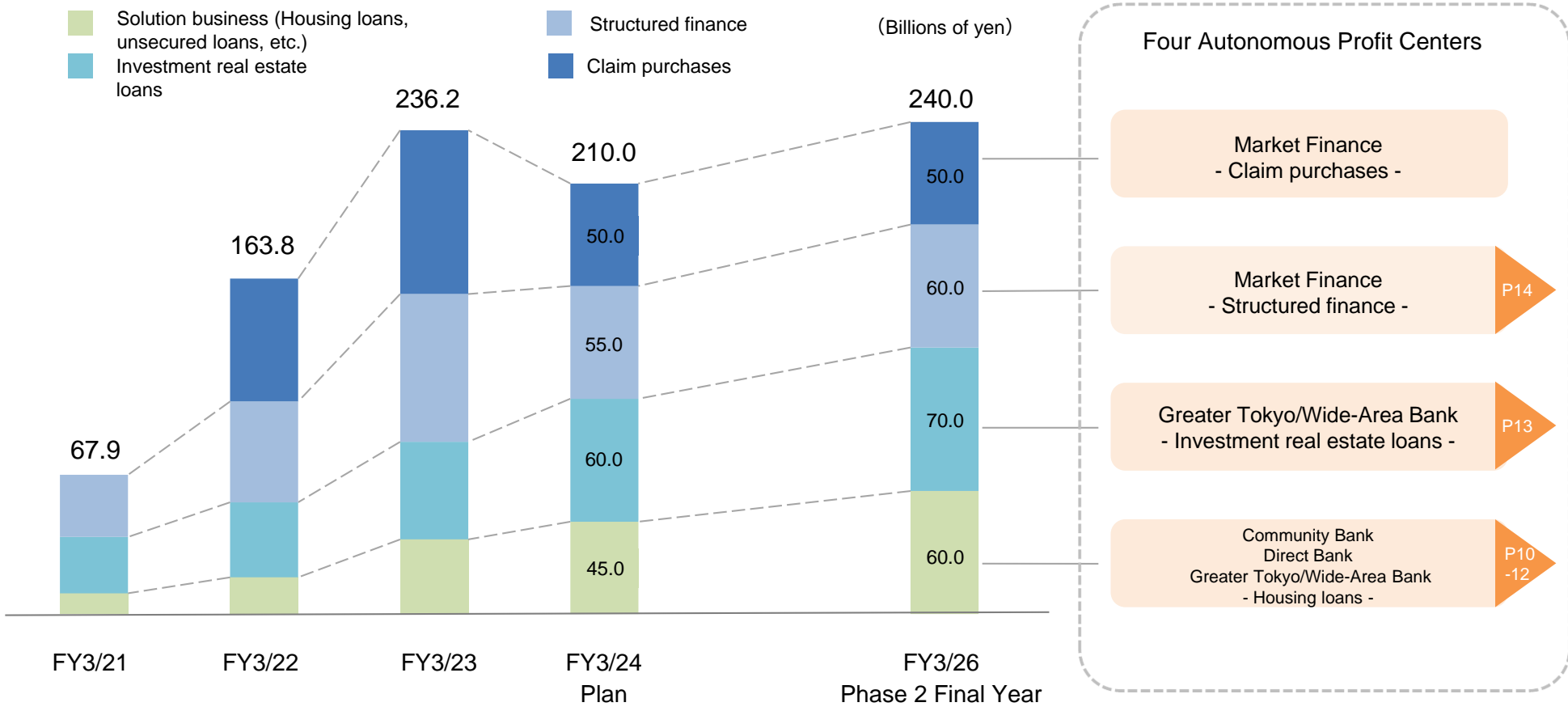
	Full year	
	1 st half	Full year
Actual credit costs	4.5	6.5
Normal amount	(1.5)	(2.0)
Preventive allowances	6.0	8.5



- In the fiscal year ended March 2023, we implemented a total of 236.2 billion yen in all business areas we are promoting, up 72.4 billion yen year-on-year. Of this total, 36.4 billion yen was disbursed by the solution business, 47.6 billion yen was disbursed for investment real estate loans, and 72.1 billion yen was disbursed in structured finance, while 79.9 billion yen was acquired for monetary claims bought.
- In the fiscal year ending March 2024, we plan for a total of 210.0 billion yen in loans (160.0 billion yen in new loans and 50.0 billion yen acquired for monetary claims bought), as we expect solid growth in the retail and solutions business areas (see page 9) and will keep an eye on market conditions in market finance, which is expected to fall below the previous year's levels.

Forecast of New Loan Disbursements, etc. *

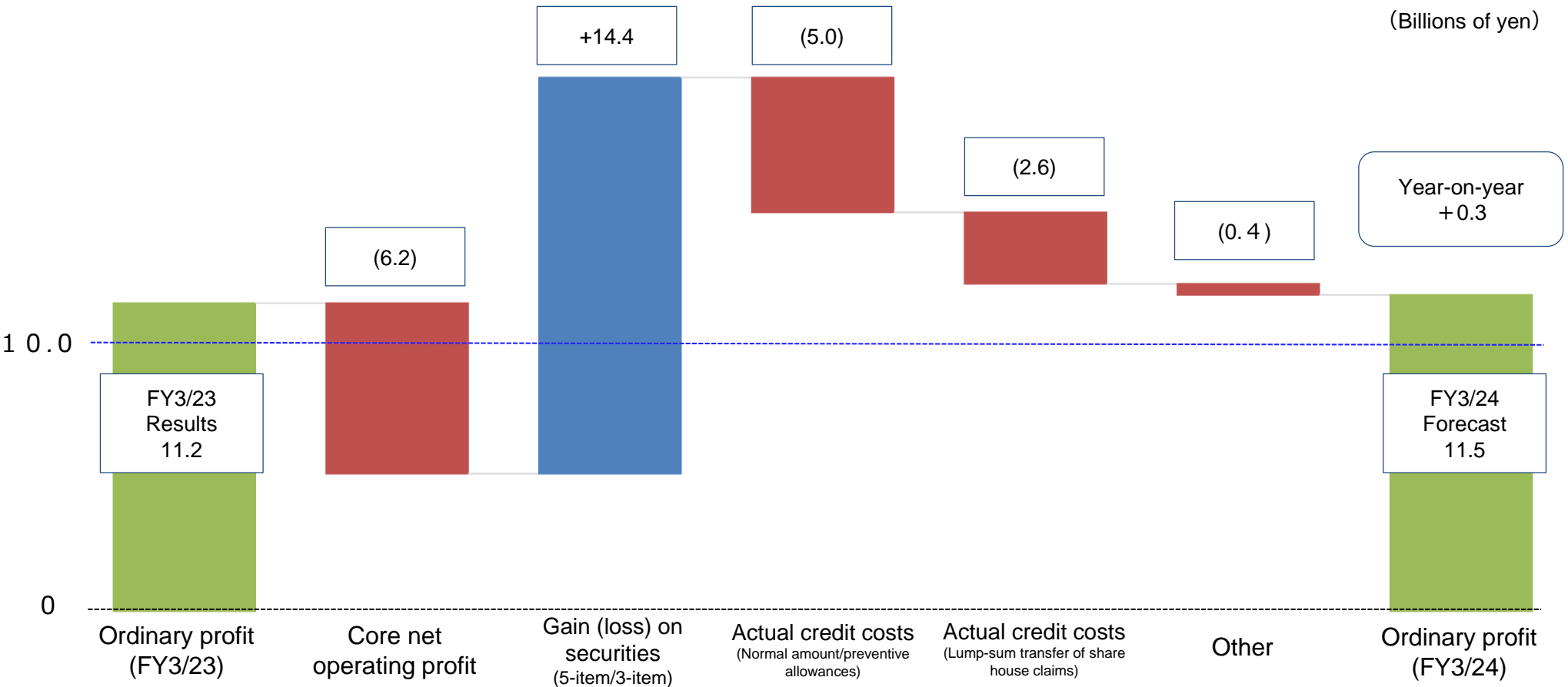
- Trends in the amount of disbursement by business area, which was projected to be promoted in the mid-term business plan





- Core gross operating profit is expected to decrease by 6.2 billion yen year-on-year, reflecting a decrease in net interest income due to a decrease in interest on loans and bills discounted.
- Gain on securities is expected to increase by 14.4 billion yen year-on-year, reflecting the absence of loss on disposal and loss on redemption of bonds.
- Expenses are expected to decrease by 200 million yen year-on-year as a result of continued efforts to reduce expenses through structural reforms, while also factoring in investments for growth.
- Actual credit costs are expected to increase by 7.6 billion yen year-on-year, taking into account normal amounts and preventive allowances (see page 4) as well as the absence of the gain on reversal of allowance for loan losses resulting from the lump-sum transfer of share house claims.

[Earnings Forecast for FY3/24 and Factors for Differences with FY3/23 Results]

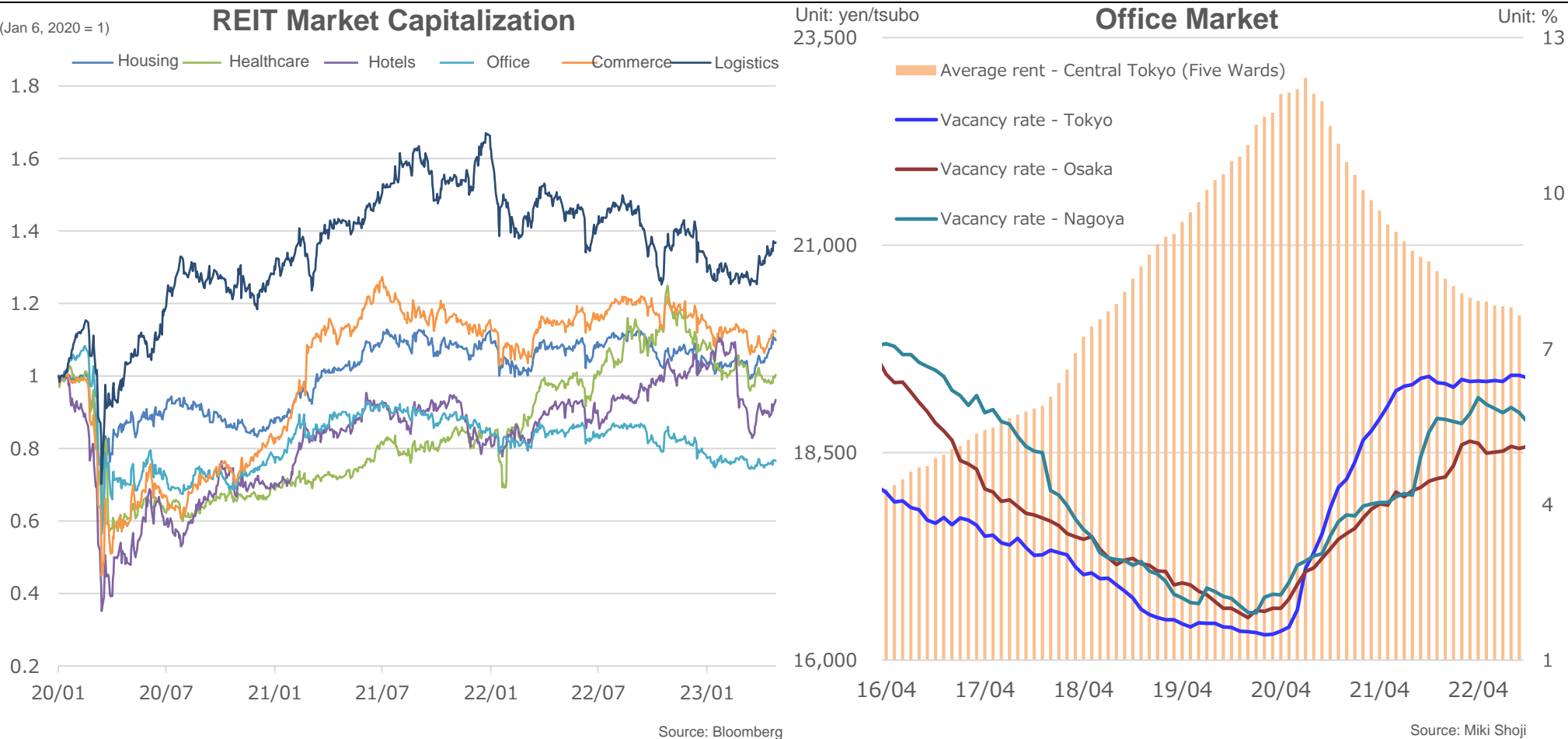


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■ The Real Estate Market's Status

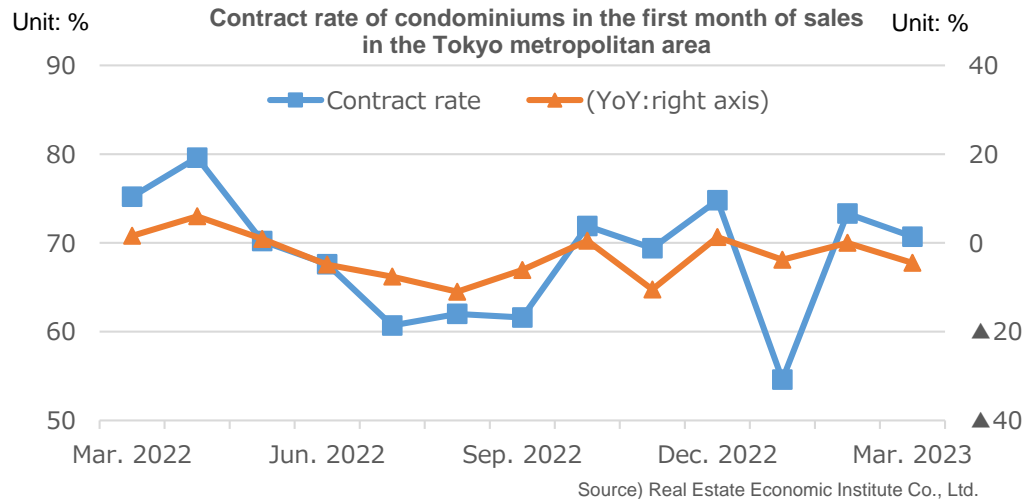
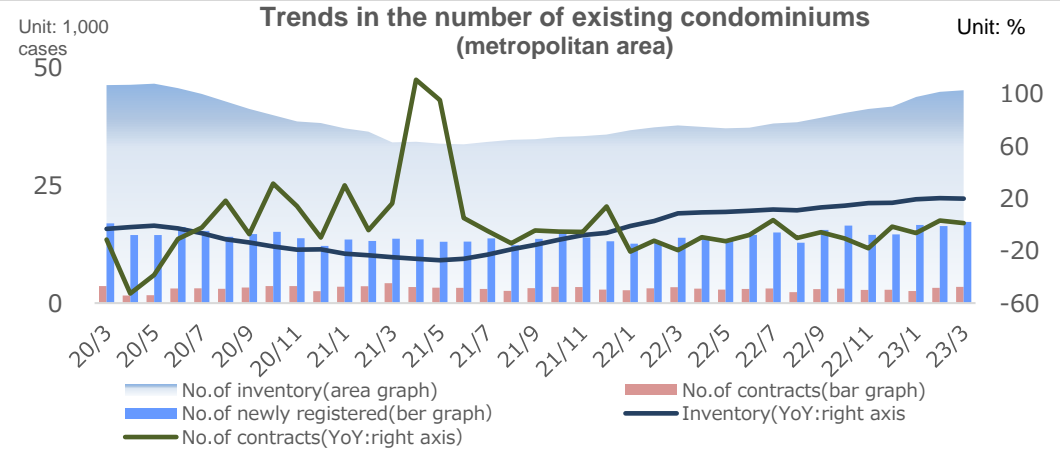
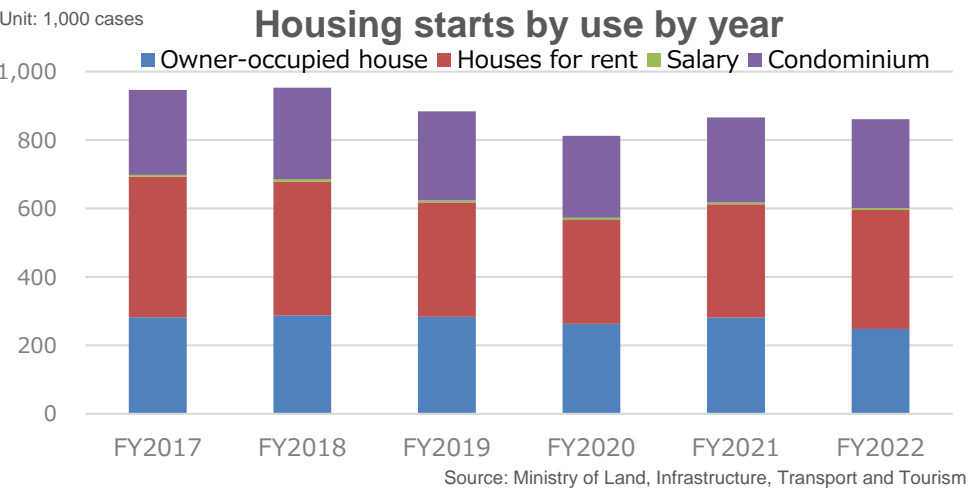
- REIT market capitalization remained steady despite the risk-off trend due to monetary tightening in the U.S. and Europe and the Bank of Japan's expansion of long-term interest rate volatility.
- The logistics area was particularly strong on the back of expanded use of e-commerce (EC) amid the COVID-19 pandemic. Commercial and residential areas also grew compared to pre-pandemic levels, with a view to the post-COVID world.
- Hotels are seeing a gradual inflow of funds as inbound tourism recovers, but there are also signs of weakness in the return of Chinese tourists, and levels are falling below pre-pandemic levels.
- For offices, rents continue to fall and vacancy rates remain high due to factors such as advancement in remote work, and have not yet reached pre-pandemic levels. Plus, a large supply of office space in central Tokyo is coming in 2023, and its impact must be closely monitored.
- For domestic real estate, there is relative attractiveness for investment due to low geopolitical risk and a yield gap maintained by the ongoing monetary easing policy, as well as a sense of affordability due to the weak yen. However, interest rate disparities require attention as interest rates in Europe and the U.S. rise.





The Real Estate Market's Status

- In the housing market, housing starts overall were generally unchanged year-on-year. The number of new owner-occupied housing starts was sluggish, falling below the previous year's level in all months due to soaring housing prices and delivery delays of housing equipment, while the number of new rental housing starts exceeded the previous year's levels in all months. In the condominium market in the Tokyo metropolitan area, the number of contracts for existing condominiums, the number of condominiums sold in the Tokyo metropolitan area, and the first month contract rate were all stagnant, as prices remained in a high range.
- While the current oversupply of imported lumber and other materials has caused the price of laminated lumber for housing to decline, global inflation and a weak yen have caused material prices in general to continue to rise, trends we will continue to monitor closely.
- Our company will carefully assess these market trends and the risks associated with individual projects and promote investment real estate loans, housing loans, and structured finance.





- Reorganized the four business areas in the second phase of our Mid-Term Business Plan into an organization in which each profit center takes the initiative in promoting its own business.
- Core gross operating profit from the new portfolio areas for promotion is expected to increase by 2.1 billion yen year-on-year to 9.8 billion yen.
- In particular, the retail and solutions business is expected to increase 1.5 billion yen year-on-year to 3.9 billion yen (66% growth).
- Core gross operating income from old portfolio areas is expected to decrease by 8.2 billion yen year-on-year to 44.2 billion yen, mainly due to decreasing balances.

Four Autonomous Profit Centers



¹Community Bank: Sales organization including sales offices in the Shizuoka area (58 branches) and Kanagawa area (35 branches)

²Greater Tokyo/Wide-Area Bank: Sales organizations including sales offices and promotion departments in the five major metropolitan areas (Greater Tokyo area [5 branches + 3 departments] and other metropolitan areas [4 branches])
(Number of branches is as of March 31, 2023)

New Business Gross Profit (Core Gross Operating Profit, New Portfolio)

(Billions of yen)

	3/23 Results	3/24 Outlook	Change
Retail/Solution Businesses	2.3	3.9	+1.5
Solution Business ¹	0.8	1.5	+0.6
Investment real estate loans	1.5	2.4	+0.8
Market Finance	5.4	5.9	+0.5
Structured finance	2.3	3.5	+1.2
Market operations, etc. ²	3.0	2.3	(0.6)
New Portfolio Total	7.7	9.8	+2.1

Old Portfolio	52.4	44.2	(8.2)
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¹Solution Business includes asset consulting, housing loans, unsecured loans, etc.

²Market operations, etc. includes claim purchases

- New Portfolio: Revenue from goods and services issued on or after April 2020
- Old Portfolio: Revenue from goods and services contracted on or before March 2020



- To establish account-based sales in the personal solution business while promoting human resource development to become a lifelong partner building high-quality, long-term relationships and keeping close connections with customers. In the corporate solution business, the Group will continue to focus on business matching to help local companies solve their management issues and revitalize the local community by leveraging partnerships with the Suruga Bank Group, partner companies, experts, and other organizations.
- For each area, we will verify profitability commensurate with regional characteristics and fulfill the profit center role.

Personal Solutions

Direction

First Pillar

Expanding share with customers

Shifting to account sales

Second Pillar

Securing originality for target segments

Strengthening targeting and proposal capabilities based on area characteristics

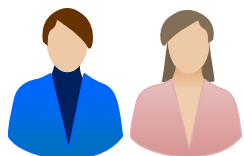
Third Pillar

Creating contact points, mainly outbound

• Enhancing loan officers
• Enhancing financial advisors (FAs)

■ Hundred Customer Program

We aim to increase our market share among customers, which is the first pillar of our business, and to build long-term relationships with customers in order to increase customer loyalty and become a lifelong partner maintaining close connections with customers. To this end, FAs and FACs in each area will be assigned to 100 customers under the "Hundred Customer Program" to deepen their understanding of each customer's "AID" and make optimal proposals to resolve them.



Customers



FAs/FACs

Understanding "AID"
• Communication sheets
• Utilizing CRM
Eliminating "AID",
making optimal proposals



Proposal process

Corporate Solutions

Providing solutions beyond overall management

Financial

- Business financing with appropriate assessment
- Utilizing public institutional loans such as SDGs guarantees
- Improving cash flow through factoring and leasing, etc.

Management support

- Internet banking and other fund management services
- Cashless payment support
- Streamlining settlement operations with business cards, etc.

Continuation management

- Business succession, M&A
- Matching for human resources support and development
- Support for non-Japanese customers, etc.

■ New Solutions via Partner Companies

Support for SDG initiatives

Mitsui Sumitomo Insurance Company, Limited and MS&AD InterRisk Research & Consulting, Inc. have started offering the "Suruga SDGs Initiatives Support Service" for corporate and sole proprietor customers.

Health support

In December 2022, we began referrals of health promotion-related services provided by Meiji Yasuda Life Insurance Company to our business partners.

Environment

In March 2023, we began referrals for our corporate and sole proprietor customers to e-dash Co., Ltd., which provides a CO2 emissions visualization and reduction service platform.



- We will continue to strengthen expansion of web-based transactions, mainly through smart accounts, in order to expand the customer base. We provide accounts usable for a wide range of transactions through returning value to customers and cross-selling proposals for bank transfer/balance charging/other transactions.
- We will continue to strengthen our product design and promotion strategy to match various categories such as use of funds (auto/education/dental) and FI target segments (non-Japanese).

Direct Bank Strategy

Targeting

Customers who have trouble accessing finance or want to improve their wellbeing

Non-Japanese residents

Elderly

Young customers

Well-being-conscious customers

etc.

Unique Suruga Value Provided

Product lineup

- Smart accounts
 - musu-bi
 - Accounts exclusively for non-Japanese customers without permanent residency
 - Auto loans for non-Japanese customers, etc.
- Loans by purpose
- Auto loans, educational loans, bridal loans
 - Dental loans, animal healthcare loans
 - Road bike purchase loans, golfer's loans
 - Musical instrument/audio equipment purchase loans, etc.



Business Areas

Enhancing customer contact points through the use of digital technology, including collaboration with companies in other industries



(Main branches)
ANA Branch
Recruit Branch
T Point Branch
D Bank Branch
Dream Direct Branch

Our strengths



CRM specialized for retail



Diverse communication methods

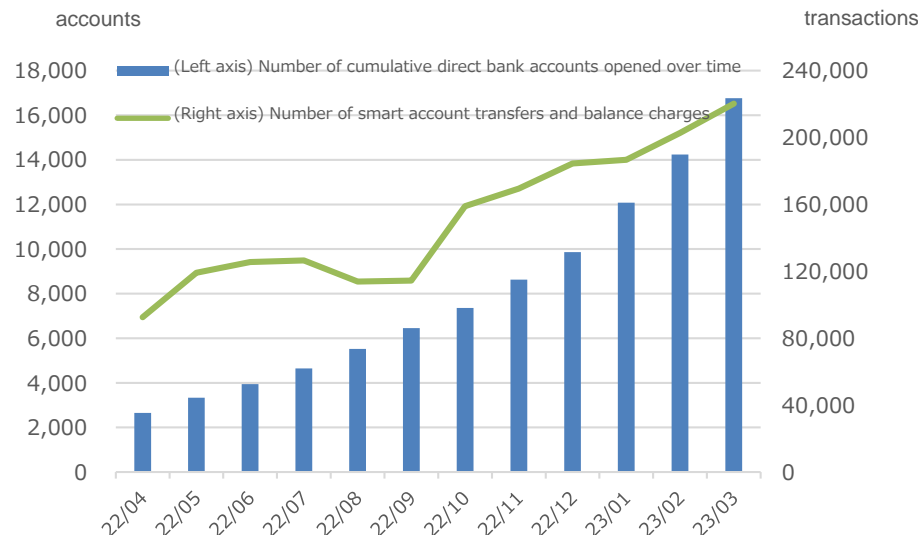


Marketing



Utilizing digital solutions

Number of Direct Bank Accounts Opened Over Time



*Cumulative number of main Internet branch accounts within the direct bank opened since April 2022

Smart account key points

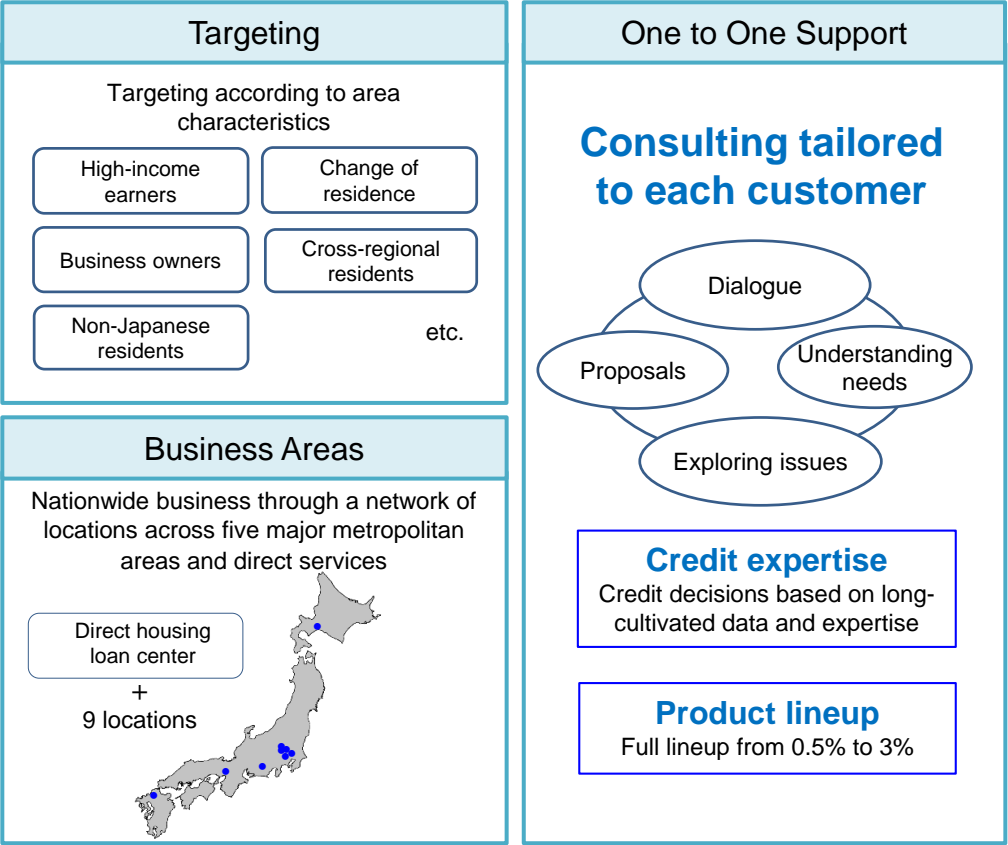
- ✓ Can complete application on a cellphone/non-face-to-face in Japan, where more than 90% of cellphones are now smartphones
- ✓ Addressing demand for payment-only accounts as cashless payments become increasingly popular
- ✓ Providing Suruga-unique return benefits for QR payment balance charging, etc.
- ✓ Streamlining and tightening identity verification operations by utilizing eKYC
- ✓ Transaction statement confirmation and other banking transactions provided via mobile app





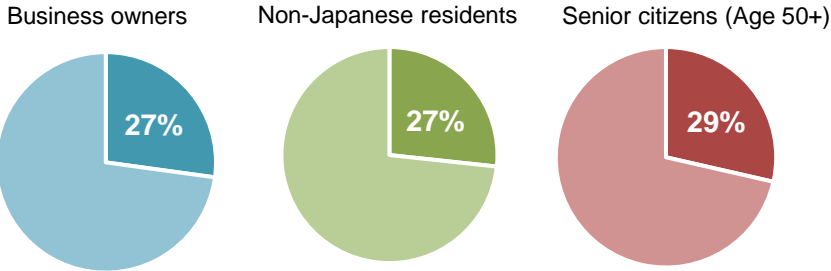
- Due in part to growing needs for non-face-to-face interaction, the number of web-based housing loan applications increased by 130% year-on-year.
- By determining the characteristics of each area and providing products that meet the needs of key targets (high-income earners, business owners, non-Japanese residents, those changing residences, and those living in two locations), we aim to build long-term relationships originating in homes and to provide personalized financial solutions.

Housing Loan Strategy



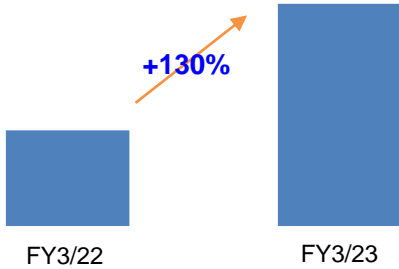
Share of Housing Loan by Customer Segment

Share by number of loans



*Segment selection period: April 1, 2022 to March 31, 2023

Number of Web Applications





- In investment real estate loans, we expect to execute 60 billion yen in new loans in organic and inorganic areas in the fiscal year ending March 2024.
- We will continue to enhance our presence in the real estate market through product development and revisions and sales activities that meet the needs of our customers and the market.

Investment Real Estate Loan Strategy

Organic areas

- Polished, professional sales structure with a dedicated team
- Flexible product development capabilities tailored to diverse needs and property locations
- Tailor-made support cultivated in the housing loan business

Inorganic areas

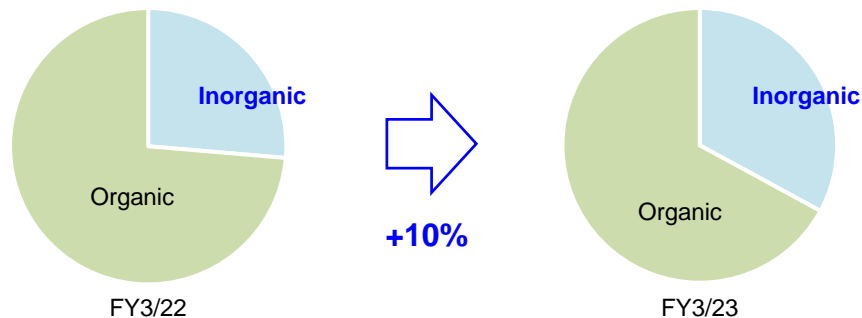
- Alliances through deepening transactions with partner companies
- Expanding transaction volume through stronger relationships with partner companies
- Expanding scope by developing new partner companies

Unique value proposition

- Providing optimal services based on a customer-oriented approach
- Proprietary screening system combining factors such as asset background, property value, etc.
- Upgrading talent capabilities to improve solution skills

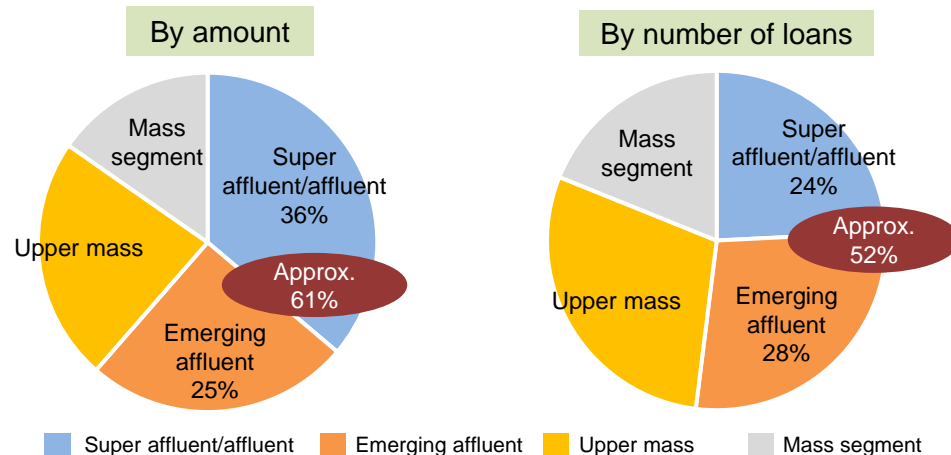
Loan Results by Promotion Structure

Ratio of inorganic loans increased due to deepening relationships with real estate partners



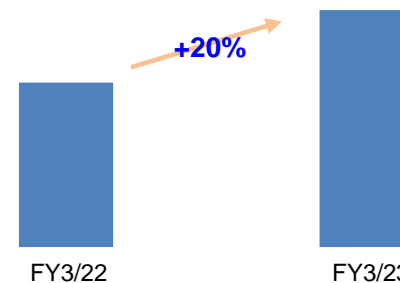
Share of Investment Real Estate Loans by Customer Segment (By Amount Disbursed)

*Segment selection period: April 1, 2022 to March 31, 2023



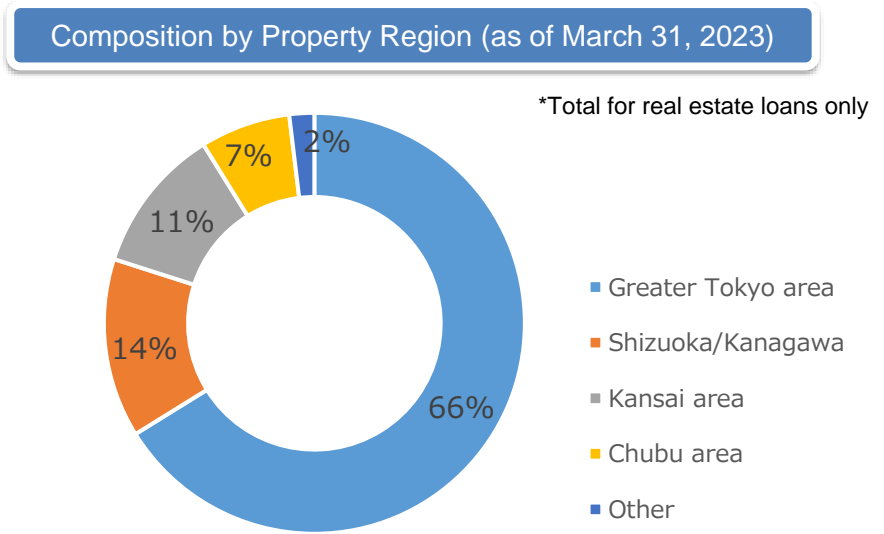
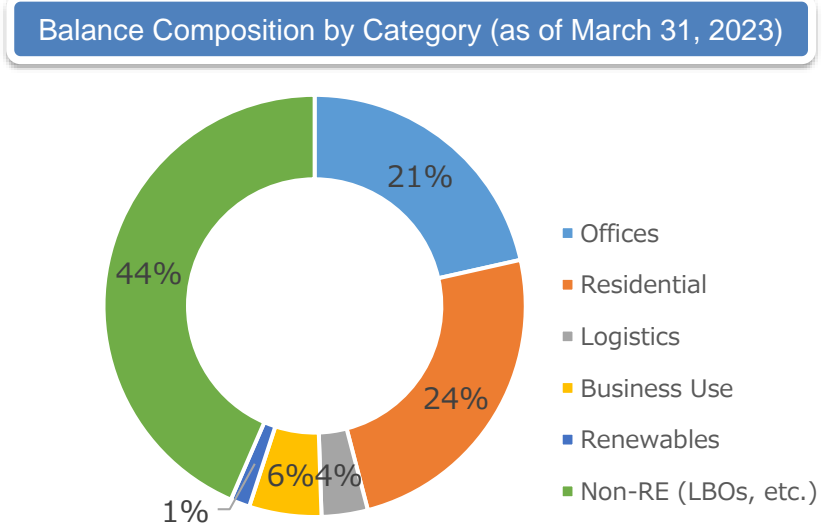
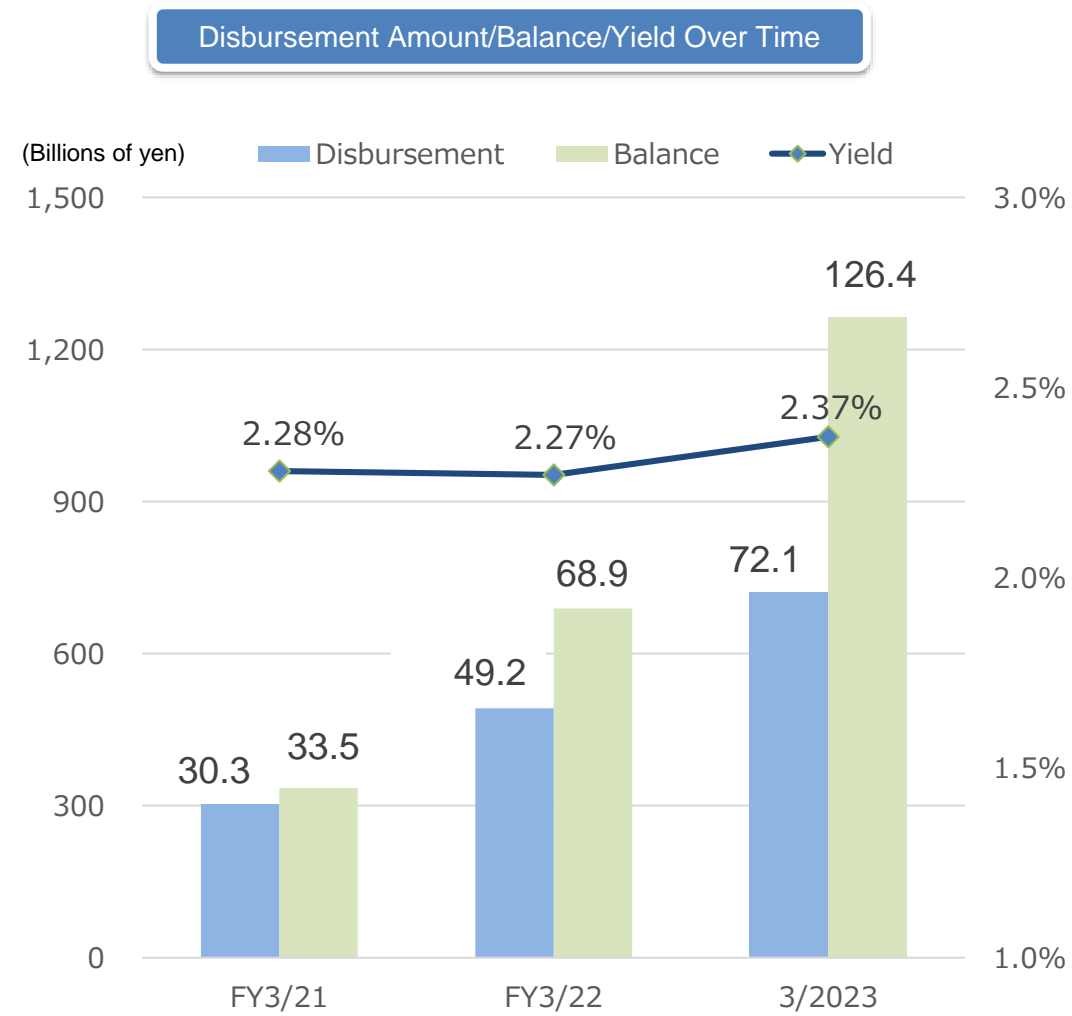
Reference: Segments are based on NRI research and classified by financial assets held at the time of the research

Number of Web Applications





- In structured finance, we expect to execute 55 billion yen in new disbursements in the fiscal year ending March 2024.
- We will continue to carefully select high quality claims with controlled risk, paying attention to changes in the market environment, while being conscious of overall portfolio diversification through diversification of asset class, position, location, etc.

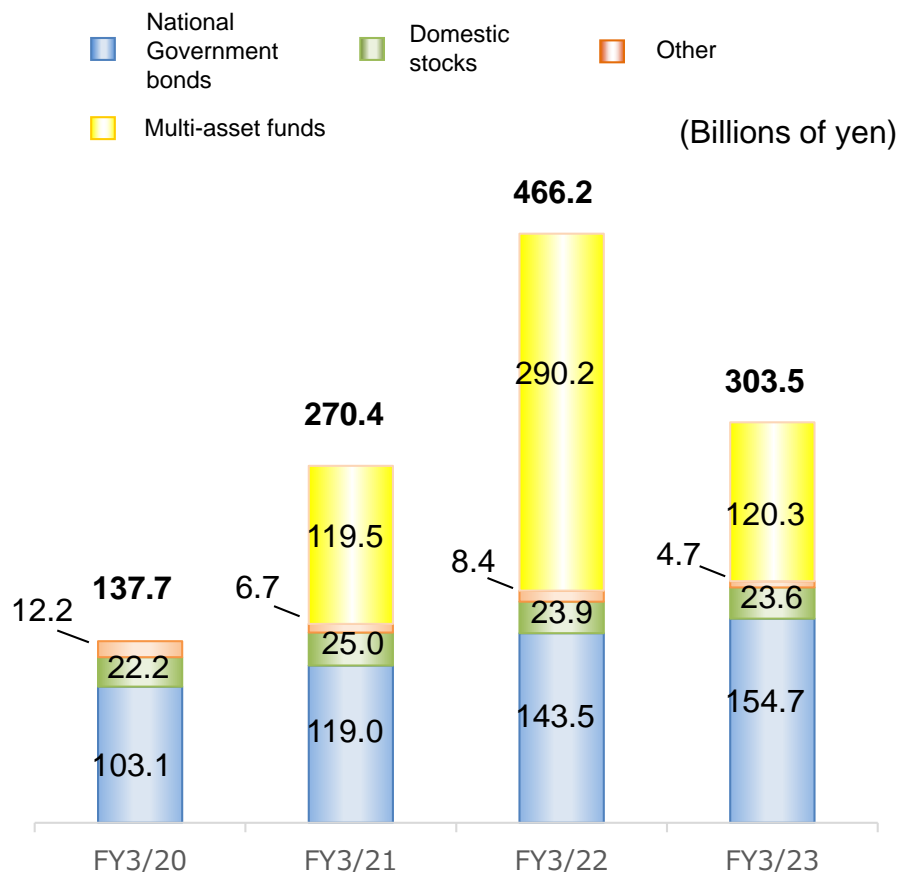




Market Finance: Securities Management

- In order to restructure our securities portfolio, a portion of multi-asset funds and bonds, which had been carrying valuation losses, were sold in the previous fiscal year to reduce the balance. As a result, the valuation loss, which was 20 billion yen at Dec. 31, 2022, was reduced to 1.2 billion yen at Mar. 31, 2023. In addition, we are maintaining a risk-controlled multi-asset fund portfolio.
- Aiming to build a more stable profit structure, we intend to progressively build a portfolio centered on yen bonds, taking into account the market environment.

Securities portfolio



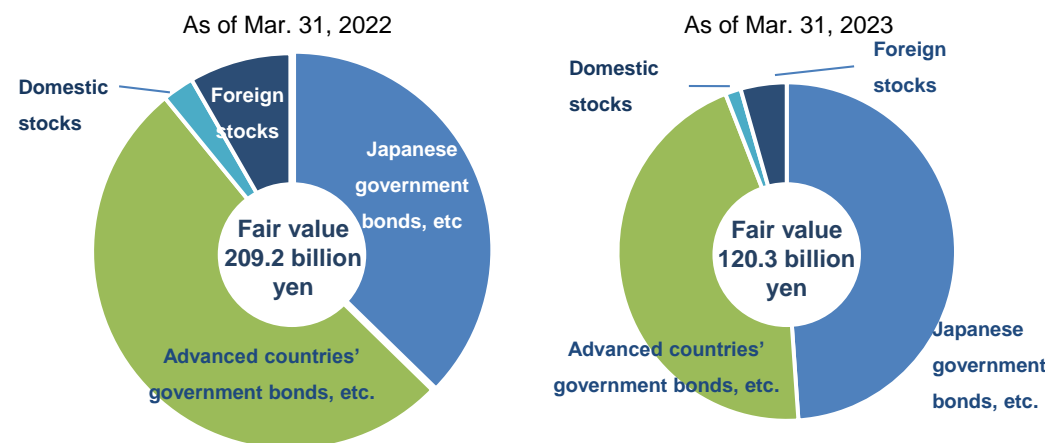
Unrealized gains (losses) on securities

•Valuation difference on available-for-sale securities

(Billions of yen)

	Mar.31 2022		Dec.31 2022		Mar.31 2023	
	Fair value	Net unrealized gains (losses)	Fair value	Net unrealized gains (losses)	Fair value	Net unrealized gains (losses)
Other securities	454.2	(1.4)	446.2	(20.0)	292.0	(1.2)
Shares	15.8	7.5	15.6	7.6	15.5	7.7
Bonds	143.5	(0.3)	187.0	(3.9)	154.7	(0.3)
Multi-asset fund	290.2	(9.7)	241.6	(23.3)	120.3	(8.6)
Other	4.5	1.0	1.9	(0.4)	1.3	(0)

•Multi-asset fund investment asset classes





- Due to strict self-assessment based on the changes in the self-assessment standards¹ in September 2018, non-delinquent loans of approximately 500 billion yen were classified as loans requiring special attention.
- Of loans requiring special attention, as of the end of March 2023, most loans were not delinquent.
- In fiscal 2022, we made regular examination of about 8,500 of single building income loan properties, confirming an 87.6% occupancy rate. We will provide our unique support for property management, such as reporting to customers on the property management status, etc. identified in the survey, and referrals to specialists, with the aim of maintaining or increasing the debtor's ranking in the borrower category.

Loan balance of single building apartment loans by classification of borrowers and delinquency status (as of March 31, 2023)

(Billions of yen)

Borrower classification	Credit claims such as loans ^{*2}	Balance of single building apartment loans	
			Not delinquent
Normal clients	1,250.5	249.1	249.1
Clients requiring special attention ^{*1}	608.8	512.4	509.0
Clients requiring corrective action	65.4	55.4	53.7
Clients at high risk of bankruptcy	47.2	32.5	30.2
Virtual bankruptcy clients/bankruptcy	118.8	108.6	4.3
Total	2,090.7	958.2	846.5

^{*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

Disclosed Claims Under the Financial Reconstruction Law and Coverage Status (as of March 31, 2023)

(Billions of yen)

	Disclosed claims under the Financial Reconstruction Act (A)	Coverage ratio		
		Appraised collateral value ^{*3} (B)	Allowances/guarantees (C)	Coverage ratio (B+C)/A
Organizational negotiation partners	89.4	34.5	53.9	98.9%
Non-organizational negotiation partners ^{*4}	102.6	39.4	30.3	68.0%

^{*3}Normally, 90% of the total valuation method amount is used for collateral valuation of loans and other credit-related claims, but figures here use 100% of the total valuation method amount. Note that in the past, the ratio of the amount of claims transferred to the collateral valuation for income-producing properties for investment real estate loan financing has exceeded 200%.

^{*4}"Non-organizational negotiation partners" shows the total for single building income loans

Occupancy rate of single building apartments (periodic survey)

Occupancy rate in fiscal 2022: 87.6%

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

Survey content:

- Covers customer properties with a single building income loan balance of 50 million yen or more (Approx. 8,500 properties, 90% of total outstanding balance)
- Fundamental procedure is for our staff to visit the subject property to check not only occupancy status, but also for any property damages and management status
- For any discovery of property damage, abnormality in property management, etc., information is shared with customers and we consult with them on how to respond

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- Through the introduction of CO2-free electricity and the promotion of eco-offices, we aim to realize a decarbonized society.

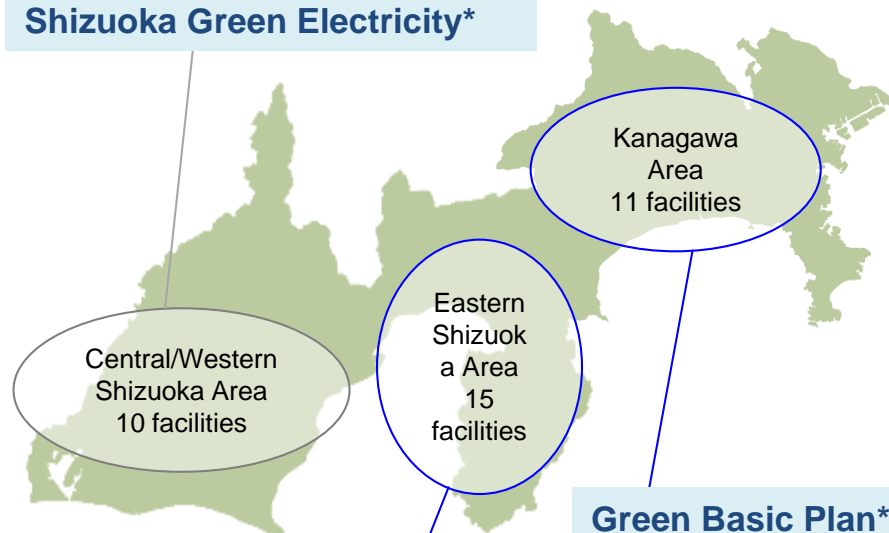
Contribution to environmental preservation - Suruga Group's Materiality

■ Introduction of CO2-free electricity

We have newly introduced electricity with zero CO2 emissions for use in branches and other locations within the Tokyo Electric service area. As of May 2023, we have introduced three types of CO2-free electricity and expect to reduce annual CO2 emissions by about 2,500 tons.

*Electricity with zero CO2 emissions produced in Shizuoka Prefecture and provided by Chubu Electric Power Miraiz Co., Inc.

Shizuoka Green Electricity*



Green Basic Plan*

*Effectively CO2-free menu that utilizes environmental value derived from renewable energy power plants provided by TEPCO Energy Partner, Inc.

Uchicchi Electricity*

*Effectively CO2-free menu that utilizes environmental value derived from hydroelectric power plants in Shizuoka Prefecture provided by TEPCO Energy Partner, Inc.

■ Conversion of Shimizu Branch into an eco-office

In April 2023, the Shimizu Branch reopened as an eco-office. We also used carbon offsets with its building materials, which in conjunction with environmentally friendly facilities such as the use of eco-glass and LED lighting have achieved the CASBEE Shizuoka A rank.

We will continue to install environmentally friendly equipment during store reopenings to contribute to environmental preservation.

* CASBEE (Comprehensive Assessment System for Built Environment Efficiency): A method to evaluate the environmental performance of buildings and the various environmental impacts generated by construction, maintenance, management, etc. from a multifaceted and objective perspective. CASBEE Shizuoka takes into account the regional characteristics of Shizuoka Prefecture and related systems. In this system, the A rank is the second highest rating following the S rank.



Exterior: Eco-glass



Carbon offset product shipping certificate



Interior: LED lighting and ceiling fans

- In Phase 2 of the Mid-Term Business Plan, we are organizing management issues from the perspective of human capital and engaging in measures with three focuses contributing to sustainable corporate value enhancement.
- We are taking various measures aimed at improving employee engagement, empowering employees over 55 years old, and recruiting human resources with diverse values.

Creating an environment where employees can thrive and grow - Suruga Group's Materiality

■ Human capital

Basic Policies in Phase 2 of the Mid-Term Business Plan (Vectors with Employees)

In Phase 2 of our Mid-Term Business Plan, we will continue to regard our employees as **valued assets** and invest more than ever in human capital.

Three Focuses of Measures for Sustainable Corporate Value Enhancement

Changes in roles required of employees

- Raising motivation/awareness of all employees and expanding their circle of activity
- Diversifying work styles and options
- Support options for reskilling
- Visualizing career paths

Expanding specialized business areas

- Career support encouraging talent development in specialized fields
- Remuneration in consideration of the talent market

Taking on the challenge of differentiation

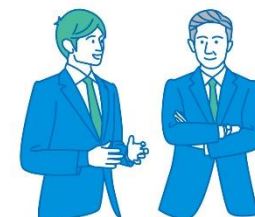
- Providing a forum to expand scope of thought/discussion
- Rewards for enhancing corporate value
- Rewards for taking on challenges

● Introducing a share remuneration plan for executives

- Introduced to increase employee engagement, share interests with shareholders, and raise awareness of the need to contribute to increasing corporate value from a long-term perspective
- Already introduced for directors/executive officers and expanding the scope to include senior management, consisting of heads of sales offices and divisions, etc.

● Introducing a Meister System to support the activities of veteran employees

- Introduced with the aim of strategically allocating human resources and motivating veteran employees over 55 years old
- Employees with sufficient skills and experience in their respective fields are recognized as Meisters and paid according to the salary scale applicable for employees 54 or younger



● Introducing rehiring program for preferential treatment of former employees in mid-career hiring

- Preferential treatment to former employees who left due to marriage/childcare/nursing care/etc. in mid-career hiring selection process
- Aiming to hire talent with diverse values

● Preferential treatment encouraging new graduate candidates declining our offer to change jobs

- Introduced with the aim of expanding the recruitment of human resources with knowledge and experience in other industries and companies, as well as new ideas not found among our employees
- Preferential treatment for new graduates who declined our job offer if they wish to be considered for mid-career recruitment within 3 years of graduation. Candidates are fast-tracked to the final interview



- Through the Partnership Agreement on Bicycle Promotion with municipalities and companies, we will contribute to building a foundation for further regional cooperation.

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.

Collaborating with municipalities/companies

In the second half of fiscal 2022, we signed the Partnership Agreements on Bicycle Promotion with three new municipalities/companies.

● Signed agreement with Tokyu Hotels Co., Ltd.

Working with Tokyu Hotels, which owns several facilities highly-suited to cycling, to increase the number of people interacting with the city through cycling. A cycling event to journey around Izu Peninsula and city promotions to communicate the region's attractions are planned. Tokyu Hotels will also continue to enhance services for cyclists at the hotels it manages.



City Promotion: Tokyu Hotel bicycle travel



● Agreement signed with Minamiizu Town, Shizuoka Prefecture

We held events connecting the KANO BASE Cycle Station* and Minamiizu Town to propose new cycling options to people. In addition, we are promoting the town through various themed cycling courses, with a focus on the Geopark and other unexplored tourist spots, using social media for messaging.

*An activity base for cycling promotion in the Izu Peninsula, established by Suruga Bank in Izu City in September 2021.



Cycling event: JU-ZA Minamiizu RIDE



City Promotion: Minamiizu®Puttering

● Signed agreement with Fujieda City, Shizuoka Prefecture

We will work on three agreed projects in cooperation with Fujieda City, which promotes the use of bicycles as secondary transportation and a share cycle service.

- (1) Conduct city promotions to disseminate information on Fujieda City's tourism resources
- (2) Organize cycling events to promote Fujieda City's cycling environment
- (3) Formulate a model cycling course for Fujieda City



Cycling Event: Tour de SURUGA Fujieda Stage, 100 km



City Promotion: Edapota



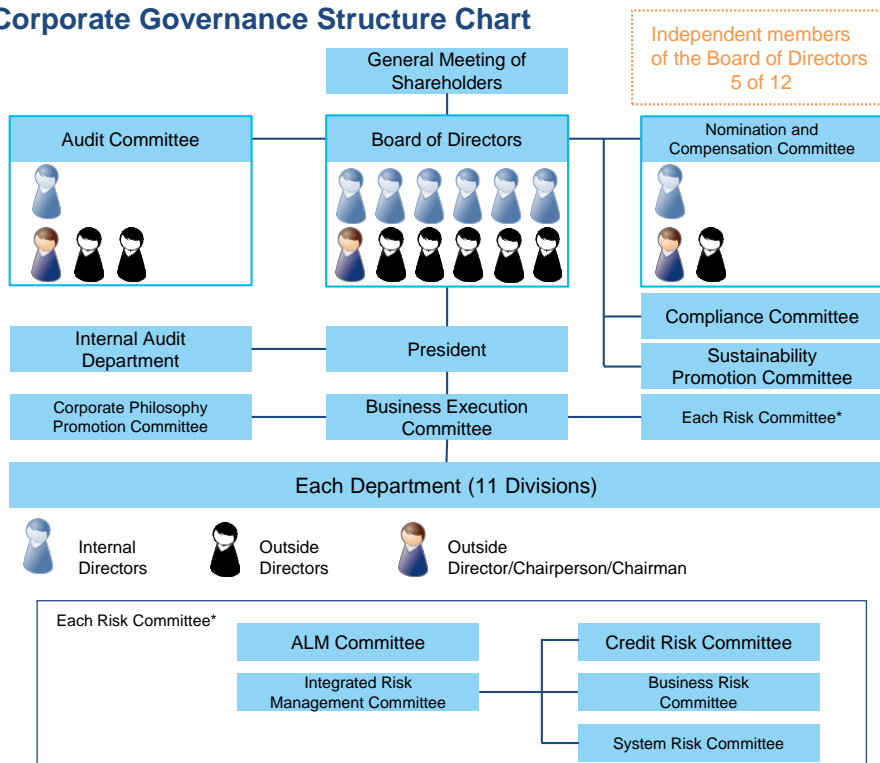
- In fiscal 2023, we will add two new outside directors (including one independent outside director) to our governance structure, aiming for a high level of transparency and further improvement of governance.
- The Sustainability Promotion Committee was established with the aim of realizing sustainable, long-term value creation through the promotion of the retail and solutions businesses.

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

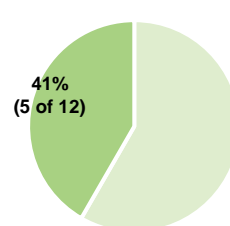
Basic Philosophy of Corporate Governance

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

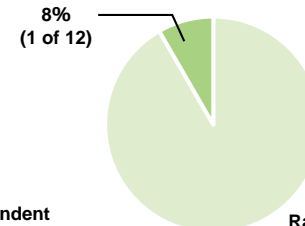


Composition of Directors



Ratio of independent outside directors

*This is based on the management structure to be proposed at the 212th Annual General Meeting of Shareholders.



Ratio of female directors

Compensation for directors

✓ Introduction of post-issuance stock compensation system

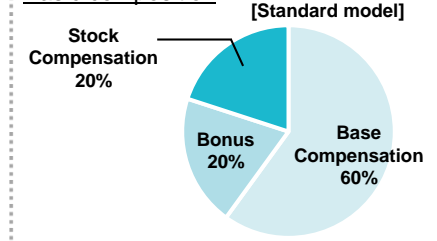
In 2020, we introduced a post-issuance stock compensation plan for directors (excluding outside directors and Audit Committee members) to clarify the connection between their compensation and the Company's performance and stock value, and to raise their awareness of the need to contribute to improving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

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 largescale correction of past fiscal years' financial results.

Basic composition



Sustainability Promotion System

*See also: Announcement Regarding the Establishment of the Sustainability Promotion Committee (March 17, 2023)



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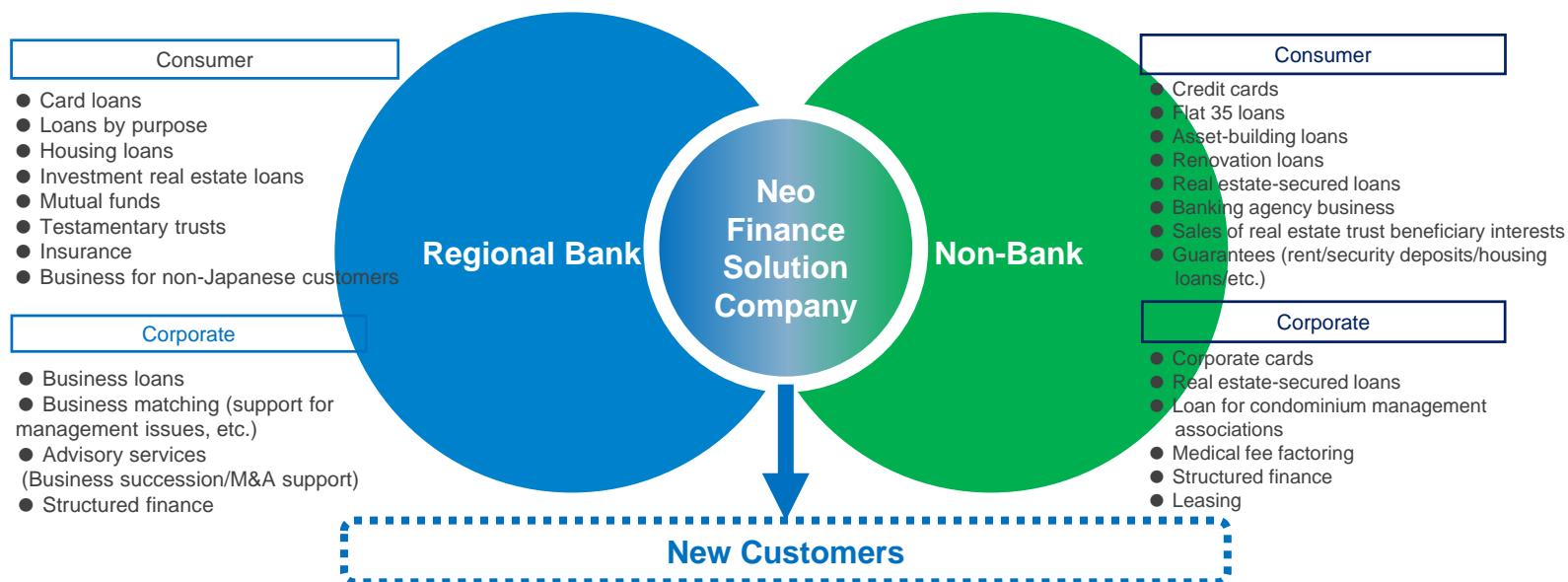
III ESG/SDGs

IV TOPICS



Mutual Vision

Through full use of the retail expertise of both companies and seamless collaboration, creating a **"Neo Finance Solution Company"** transcending conventional financial institution archetypes and starting from resolution of troubles and other "AID."



Overview of the Capital and Business Alliance

1. Capital Alliance Details

- (1) Suruga Bank acquires Credit Saison shares: 8,224,700 shares of common stock (5.0% of voting rights) for approximately 15.5 billion yen
 - (2) Credit Saison acquires Suruga Bank shares: 35,089,000 shares of common stock (15.72% of voting rights) for approximately 17.1 billion yen
- In both *(1) and (2), each party allots common shares to the counterparty by way of treasury stock disposal via third-party allotment, and the counterparty acquires such shares.

2. Business Alliance Details

Implementing the following:

- (1) Establishment of Saison Branch and acquisition of bank agency business by Credit Saison;
- (2) Joint commercialization of Saison Platinum Business Card;
- (3) Collaboration in housing loan business;
- (4) Joint development of real estate finance

The two companies will also consider collaboration in areas other than those mentioned above.

3. Mutual Director Dispatch

In order to further deepen the cooperation between the two companies and strengthen their respective governance systems, each company may nominate one candidate for outside director of the other company.

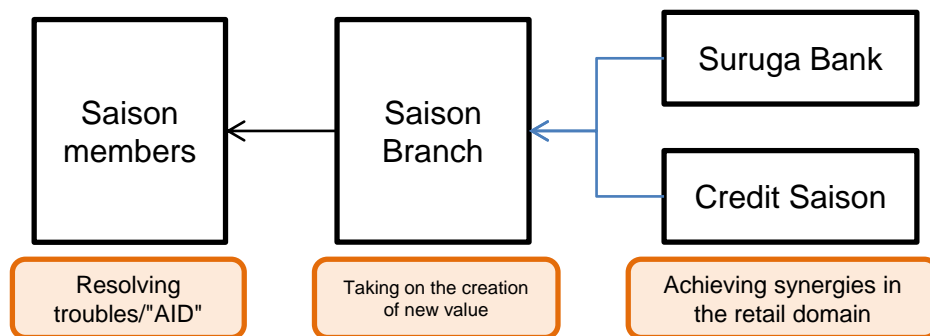
Requirements for Agreement Effectiveness:

- (1) A proposal to elect the director candidate recommended by the counterparty as a director is approved at the ordinary general meetings of shareholders of both companies to be held in June 2023
- (2) Credit Saison obtains approval as a major bank shareholder in accordance with Article 52-9(1) of the Banking Act
- (3) The Securities Registration Statement based on the Financial Instruments and Exchange Act for the disposal of common stock of both companies becomes effective, and the necessary permissions and approvals, etc. from the relevant authorities are obtained for carrying out the disposal of treasury stock



➤ Suruga Bank establishes the Saison Branch and Credit Saison acquires banking agency business

- Suruga Bank establishes an Internet-only branch (tentative name: Saison Branch) for Credit Saison's Saison members, offering products and services unique to the branch jointly developed by the two companies. (Specific details to be discussed by both companies)
- An initiative to provide branch accounts for Saison members, subject to Credit Saison's permission to engage in the banking agency business with Suruga Bank as the affiliated bank.
- An initiative in which Credit Saison guarantees loans provided at the Saison Branch.



➤ Joint commercialization of the Saison Platinum American Express® Card

- Providing the Saison Platinum Business American Express® Card issued by Credit Saison, allowing Suruga Bank's affluent customers and SME owners to enjoy the special benefits of various supplementary privileges in addition to the business benefits offered to them.

* "American Express" is a registered trademark of American Express. Credit Saison Co., Ltd. uses this under license from American Express.

➤ Collaboration in the housing loan business

- Suruga Bank sells new Credit Saison-guaranteed housing loans, expanding both Suruga Bank's housing loan business and Credit Saison's credit guarantee business.

➤ Joint development of the real estate finance business

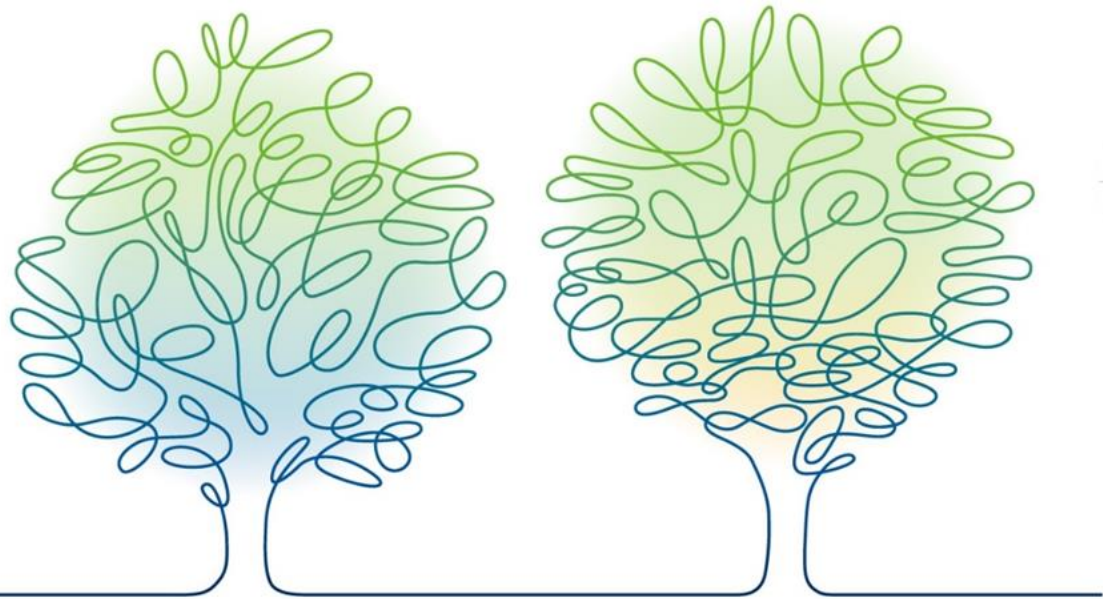
- The two companies will combine their expertise and resources in real estate finance to enhance their presence in the market.

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

Vision

**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

- 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.

Shared in Phase 1 & 2

Phase 2
Strategic
Management

I. Evolving the Retail and Solution Businesses

We will create **sources of differentiation** founded in resolving AID (Worries, inconveniences, dissatisfactions, etc) for our customers, leading them to say “**we are happy to have you**” or “**we are happy to meet you.**”

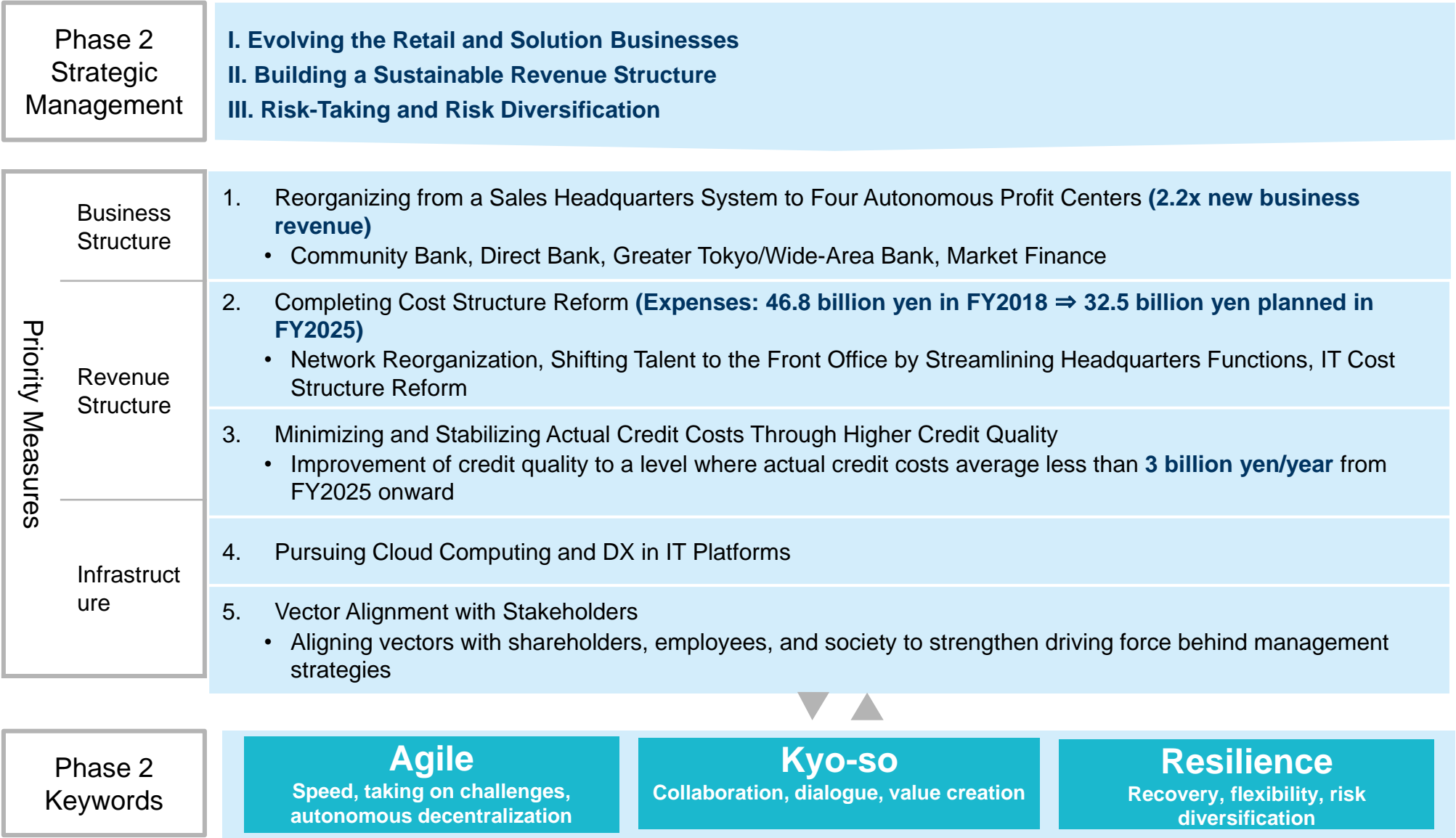
II. Building a Sustainable Revenue Structure

We will counteract the decline in the top line due to the collection of existing loans and pivot to a sustainable revenue structure with three measures: **growth of new business revenue through four autonomous profit centers**, **cost structure reform**, and **minimizing and stabilizing actual credit costs through higher credit quality**


III. Risk-Taking and Risk Diversification

In accordance with the **Risk Appetite Framework (RAF)**, we will repeat a cycle of active risk-taking and verification in selected areas, diversifying away from our traditional risk structure concentrated in specific real estate areas²

²Single building income properties (relatively high share of older properties and properties located in regional areas) executed prior to the full-scale rollout of Phase 1



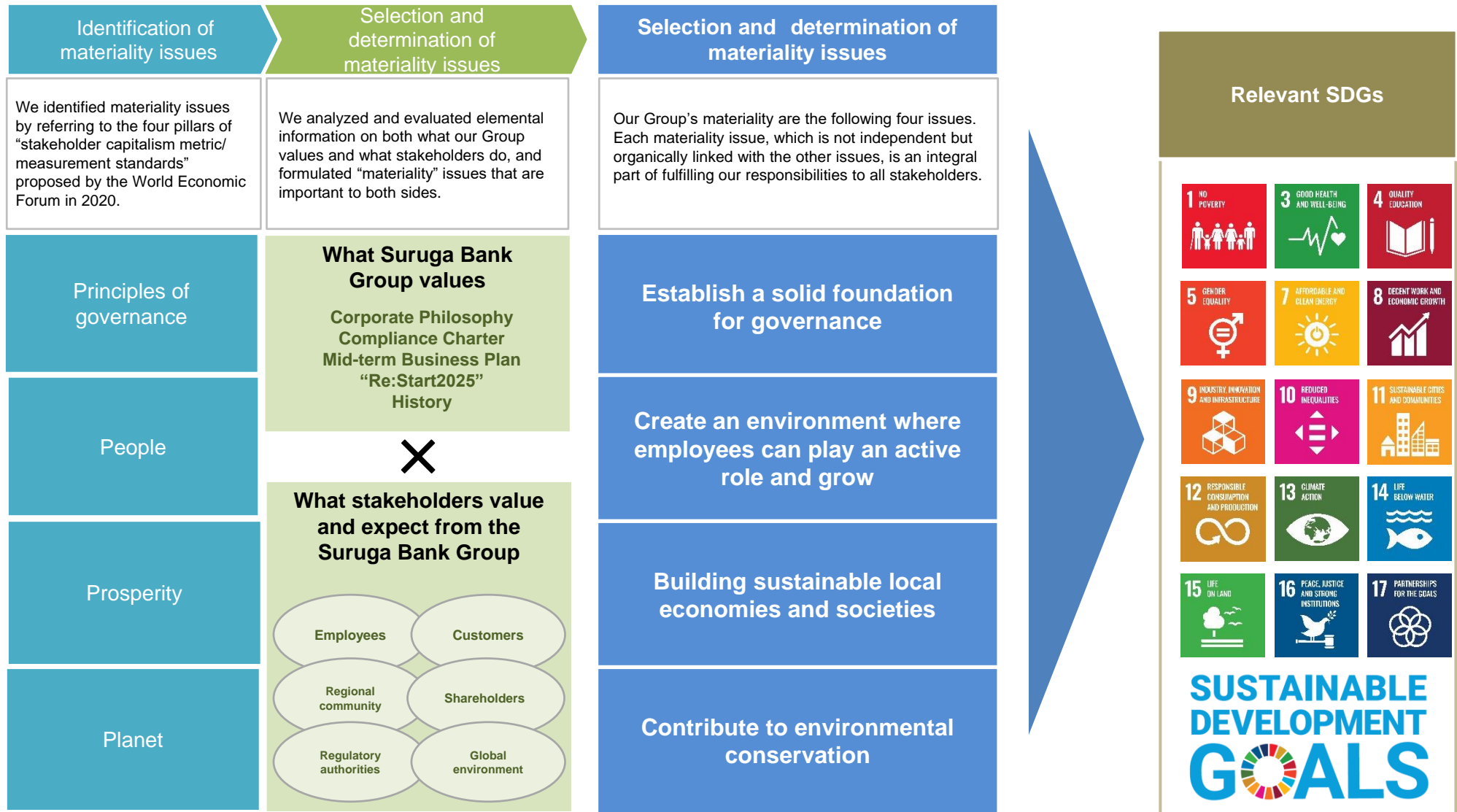


		FY2022 Results	FY2025 Plan	Notes
Main KPIs	Ordinary income	11.2 billion yen	13.0 billion yen	
	Net income (Consolidated)	10.5 billion yen	11.0 billion yen	• Profit attributable to owners of parent
	Capital adequacy ratio (Based on finalized Basel III)	11.39%	10%+ (effective)	• Any unrealized loss on securities is deducted from core capital
				
Secondary KPIs Key action indicators for achieving main KPIs	New business gross profit	7.7 billion yen	16.0+ billion yen	<ul style="list-style-type: none"> • Revenue from goods and services issued on or after April 2020 • Based on core business gross profit (excluding gains on cancellation of investment trusts)
	Expenses	36.2 billion yen	Less than 32.5 billion yen	
	Actual credit cost ratio	-5 bps	Approx. 15 bps	<ul style="list-style-type: none"> • Intended cruising speed for FY2025 and beyond • Actual credit costs / Loans and bills discounted (average balance) × 10000 (Loans and bills discounted = Loans + Purchased monetary claims)

*Figures/indicators without "consolidated" are for Suruga Bank (non-consolidated)



- 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.



■ Special efforts for investment real estate 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".
- 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, "Status of Investment Real Estate Loans and Organizational Negotiation Partners"

- ✓ 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>

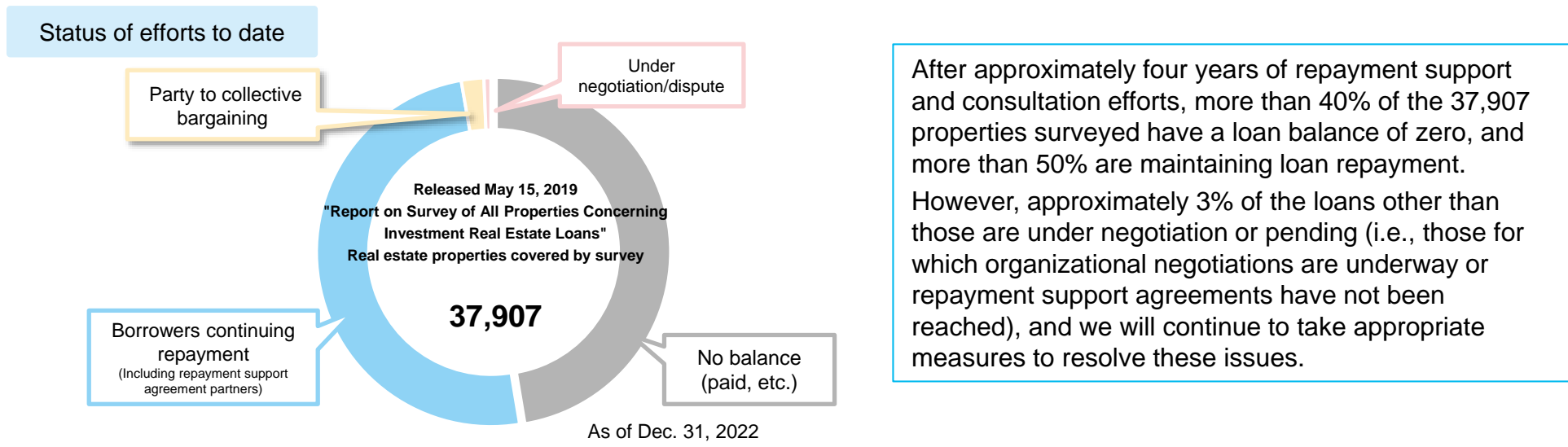
Ref.: "Announcement Regarding Transfer of Share House-related Loan Receivables" issued on Mar 25, 2020 and Mar 1, 2021, Mar 25 2022, Sep 26 2022

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.



Basic approach to future action

- 1 From the viewpoint of striking **early settlements**, we are **actively cooperating in clarifying loan circumstances** in **certain types of cases** where the bank is likely to be found liable in tort in a lawsuit.
- 2 In addition, there have been several cases in which the sale of investment real estate has led to full repayment, and we are also moving forward with **proposals to consider voluntary sales of real estate**.
- 3 With regard to investment real estate loan cases, each case **has its own very individual qualities**, and we believe it is necessary to **consider the unique circumstances of each case individually** when determining whether and to what degree there is an obligation to compensate for damages.



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.