Suruga Bank Ltd.

Summary of Financial Results for Q1 of FY3/25

August 8, 2024

スルガ銀行

■ Highlights of Financial Results for Q1 of FY3/25

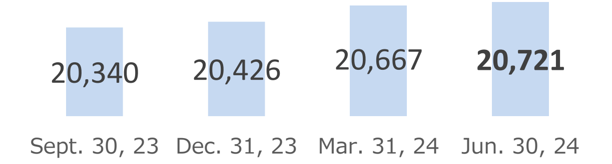
- **First-quarter performance saw steady progress: Steady progress is being made with the Three Arrows of the Mid-Term Business Plan**

(First Arrow) Core gross operating profit (excluding gains/losses from investment trust cancellations), which is the top line, increased by 0.4 billion yen year-on-year, reaching 28% of the full-year plan.
New business gross profit increased by 2.1 billion yen year-on-year.

- New loan disbursements reached 67.2 billion yen,
- reaching 26% progress of the full-year plan (an increase of 21.4 billion yen year-on-year).

As new loan disbursements continued to perform well, loans and bills discounted also remained steady.

(Balance of loans and bills discounted) (billion yen)



(Second Arrow) Expenses decreased by 0.6 billion yen year-on-year due to steady progress in cost structure reforms, reaching 25% of the full-year plan.

(Third Arrow) Improvement of credit quality: The ratio of disclosed claims based on the Financial Reconstruction Law decreased steadily.

- The ratio of disclosed claims based on the Financial Reconstruction Law was 9.4%. (-0.8pt year-on-year) Excluding organizational negotiation partners, the ratio was 5.5%. (-0.7pt year-on-year)
- Improvement of credit quality led to a year-on-year reduction in actual credit costs of 1.8 billion yen.
- Progress in voluntary sales and other factors among organizational negotiation partners also contributed to the decrease in actual credit costs.

As a result, **quarterly net income (non-consolidated) increased year-on-year by 3.4 billion yen, reaching 46% of the full-year plan.**

- **Capital policy: Plan for the repurchasing of treasury stock (disclosed Apr. 4, 2024)**

A plan to implement part of the plan for repurchasing treasury stock through ToSTNeT-3 was announced on August 8, 2024. After the ToSTNeT-3 implementation, we will continue to aim to accomplish this plan.

■ Q1 Results for FY3/25: YoY Comparison

- Core gross operating profit (excluding gains on cancellation of investment trusts) increased by 0.4 billion yen year-on-year to 15.4 billion yen, mainly due to increases in net interest income and net fees and commissions.
- Expenses decreased by 0.6 billion yen year-on-year to 9 billion yen due to steady progress in cost structure reforms.
- Actual credit costs decreased by 1.8 billion yen year-on-year to -1.2 billion yen, mainly due to a reduction in additional provisions for restructured loans for which normalization of recovery is unlikely and progress in voluntary sales and other factors among organizational negotiation partners.
- Quarterly net income (non-consolidated) increased by 3.4 billion yen year-on-year to 6.8 billion yen.

(Non-consolidated) (billion yen)

	FY6/23 (A)	FY6/24 (B)	YoY (B) - (A)
Core gross operating profit (excluding gains/losses from investment trust cancellations)	14.9	15.4	+0.4
Of which new business gross profit	2.4	4.5	+2.1
Expenses (-)	9.6	9.0	(0.6)
Actual credit costs (-)	0.6	(1.2)	(1.8)
Gain (loss) on securities	(0.01)	(0)	+0.01
Ordinary profit	4.6	7.5	+2.9
Quarterly net income	3.3	6.8	+3.4

(Consolidated)

	FY6/23 (A)	FY6/24 (B)	YoY (B) - (A)
Consolidated ordinary revenue	20.9	22.2	+1.3
Consolidated ordinary profit	4.7	7.5	+2.8
Quarterly net income attributable to owners of parent	3.5	6.8	+3.3

(Main factors for increase/decrease)

- Core gross operating profit
  - ✓ Increase in new business gross profit driven by growth in loans and bills discounted across four profit centers (Loan and bills discounted balance at the end of the year increased by 5.4 billion year-on-year)
  - ✓ Increase in interest and dividends on securities
  - ✓ Improvement in net fees and commissions due to an increase in loan-related fees and a decrease in group credit life insurance premiums
- Expenses
  - ✓ Decrease in property expenses due to steady progress in cost structure reforms
- Actual credit costs

(billion yen)

			FY6/23	FY6/24
Actual credit costs			0.6	(1.2)
	Normal amount	Actual credit costs arising from loans without special factors	(1.6)	(0.6)
	Preventive allowances	The below are provisions for subject loans	2.2	(0.6)
		Provisions for some investment real estate loan customers who newly stopped repayments following organizational negotiations	0.1	(0.6)
		Precautionary allowance for claims for restructured loans that are unlikely to be recovered in the future	2.1	0

New Loan Disbursements

- In the first quarter of FY3/25, new loan disbursements were 67.2 billion yen, reaching 26% of the full-year plan.
- New loans in the origination segment were 56.0 billion yen, reaching 30% of the full-year plan.
- For collaboration loans, etc., there has been steady progress in our partnership with Credit Saison, which began in November 2023, with 11.1 billion yen implemented.
- We recognize that the business environment, including the real estate market, remains uncertain. Therefore, we will carefully scrutinize and select cases individually while promoting loan activities.

(billion yen)

	FY6/23 (A)	FY6/24 (B)	Growth (B-A)/(A)	Full-year plan (C)	Progress rate (B)/(C)
Origination segment	45.8	56.0	22%	185.0	30%
Solutions Business	10.5	16.1	53%	55.0	29%
Investment real estate loans	14.6	20.7	41%	70.0	29%
Structured finance	20.7	19.1	(7%)	60.0	31%
Collaboration loans, etc.	–	11.1	–	65.0	17%
Total	45.8	67.2	46%	250.0	26%

Note 1: Amount of new loans (acquisitions) in the areas for promotion following the Suruga Bank Mid-term Business Plan—"Re:Start 2025"
Note 2: Solution business = housing loans, unsecured loans, etc.
Note 3: Investment real estate loans include investment real estate loans for asset management companies
Note 4: Structured finance includes specified corporate bonds; Collaboration loans, etc. includes monetary claims bought

■ Loan Balance, Yield, and Delinquency Rate <YoY/Non-consolidated>

- As of June 30, 2024, the balance was 1,964.4 billion yen, and the yield was 3.16% for all areas for promotion in the Mid-Term Business Plan [total (E)].
- Beyond just providing repayment support through loan modifications, we also offer assistance in property management, including providing feedback to customers on information of concerns such as damage and management conditions to real estate found in our own periodic surveys and consultations on changing management companies. As a result, the delinquency rate for personal loans, excluding organizational negotiation partners, [F] decreased by 0.40 percentage points year-on-year, reaching 1.21%.
- However, the delinquency rate for personal loans, including those who have stopped repayments following negotiations for investment real estate loans of organizational negotiation partners, [A] was 6.72%.

(billion yen)

	Jun. 2023			Jun. 2024		
	Balance	Yield	Delinquency rate	Balance	Yield	Delinquency rate
Secured loans	1,509.0	3.04%	7.15%	1,402.0	2.91%	7.12%
Of which housing loan	426.0	2.67%	0.35%	422.2	2.52%	0.35%
Of which investment real estate loans	1,050.7	3.15%	10.11%	948.9	3.05%	10.36%
Unsecured loans	123.8	10.47%	2.41%	110.0	10.48%	1.66%
Consumer loans (A)	1,632.8	3.60%	6.79%	1,512.0	3.46%	6.72%
Personal loans (excluding organizational negotiation partners, etc.) (F)	1,533.7		1.61%	1,419.2		1.21%
Corporate investment real estate loans (B)	65.7	1.76%	–	112.3	1.68%	–
Structured finance (C)	143.3	2.34%	–	193.5	2.39%	–
Collaboration loans, etc. (D)	127.6	2.23%	–	146.5	2.21%	0.03%
Total ([E]: [A]+[B]+[C]+[D])	1,969.6	3.36%	5.62%	1,964.4	3.16%	5.18%

Note 1: Delinquency rate = Loans past due for three months or more / loan balance.
Note 2: Yield = Yield for customers (excluding guarantee fee and accrued interest), period-end balance basis.
Note 3: Segmented by the areas for promotion following the Suruga Bank Mid-term Business Plan—“Re:Start 2025”
Investment real estate loans include investment real estate loans for asset management companies, and structured finance includes specified corporate bonds
Collaboration loans are loans made jointly or in partnership with other companies (loan participations, purchases of corporate loans, etc.)
Note 4: Organizational negotiation partners, etc." refers to loans to borrowers who have submitted a request for suspension of repayments as a result of organizational negotiations

Capital policy

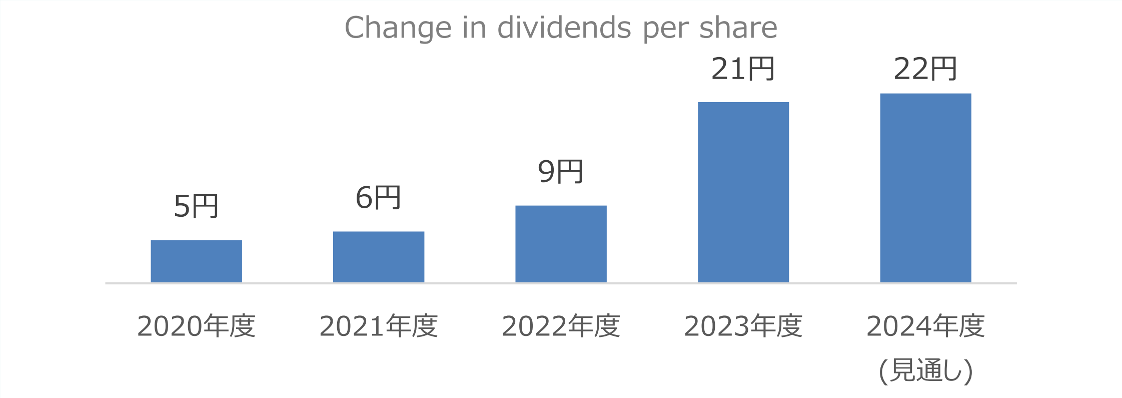
- We will continue to improve shareholder returns based on the Basic Shareholder Returns Policy in the Mid-Term Business Plan.
- As disclosed May 10, 2024, dividends are expected to increase for the fourth consecutive year, with dividends per share reaching 22 yen.
- Regarding the repurchasing of treasury stock, as per the plan disclosed on April 4, 2024, we disclosed on August 8, 2024, that we will implement part of the stock acquisition through ToSTNeT-3.
  We plan to continue share acquisition until the upper limit of the repurchase quota is reached, even after the ToSTNeT-3 implementation.

Basic Shareholder Returns Policy	Our policy is to strive to enhance shareholder returns after considering the optimal balance between capital soundness and investment for growth.	
(Reference) Mid-Term Business Plan KPI	Capital adequacy ratio 10% or higher (Basel III endgame)	Note 1: Any unrealized loss on securities is deducted from core capital Note 2: The actual capital adequacy ratio as of Jun. 30, 2024, was 11.95% (disclosed value in the financial results report: 14.27%)

(Dividend policy)

Our basic policy is to maintain stable dividends, targeting a dividend payout

	FY2022	FY2023	FY2024 forecast
Dividends per share	9 yen	21 yen	22 yen
Dividend payout ratio	16%	27.8%	29.2%



(Repurchasing of treasury stock)

・We will flexibly implement shareholder return measures that contribute to the improvement of capital efficiency, taking into account business performance, capital conditions, growth investment opportunities, and market conditions, including the stock price.

	FY2024 plan Disclosed April 4, 2024	Of which off-auction treasury stock trading (ToSTNeT-3) Disclosed August 8, 2024
Shares repurchased	6,000,000 shares (upper limit)	4,000,000 shares (upper limit)
Acquisition cost	7.0 billion yen (upper limit)	Approx. 4.1 billion yen (upper limit)
Repurchase period	May 13, 2024 to Sept. 30, 2024	Aug. 9, 2024 8:45

(Reference materials)

- Disclosed April 4, 2024: Announcement Regarding the Establishment of a Quota for the Repurchase of Treasury Stock (Repurchase of treasury stock pursuant to the provisions of Article 156, Paragraph 1 of the Companies Act based on the provisions of the Articles of Incorporation pursuant to the provisions of Article 459, Paragraph 1, item (i) of the Companies Act)
- Disclosed August 8, 2024: Announcement regarding treasury stock repurchasing trading through off-auction treasury stock repurchase trading (ToSTNeT-3)

Reference Materials

Actual Results for FY6/24: YoY Comparison

Finances

(Non-consolidated)

(billion yen)

	FY6/23 (A)	FY6/24 (B)	YoY comparison (B) - (A)
Core gross operating profit (excluding gains/losses from investment trust cancellations)	14.9	15.4	+0.4
Expenses (-)	9.6	9.0	(0.6)
Personnel expenses	3.4	3.3	(0)
Actual credit costs (-)	0.6	(1.2)	(1.8)
Gain (loss) on securities	(0.01)	(0)	+0.01
Other non-recurring gains (losses)	(0.1)	(0)	+0
Ordinary profit	4.6	7.5	+2.9
Extraordinary gains (losses)	(0.4)	0.5	+1.0
Quarterly net income	3.3	6.8	+3.4

(Consolidated)

Consolidated ordinary revenue	20.9	22.2	+1.3
Consolidated ordinary profit	4.7	7.5	+2.8
Quarterly net income attributable to owners of parent	3.5	6.8	+3.3

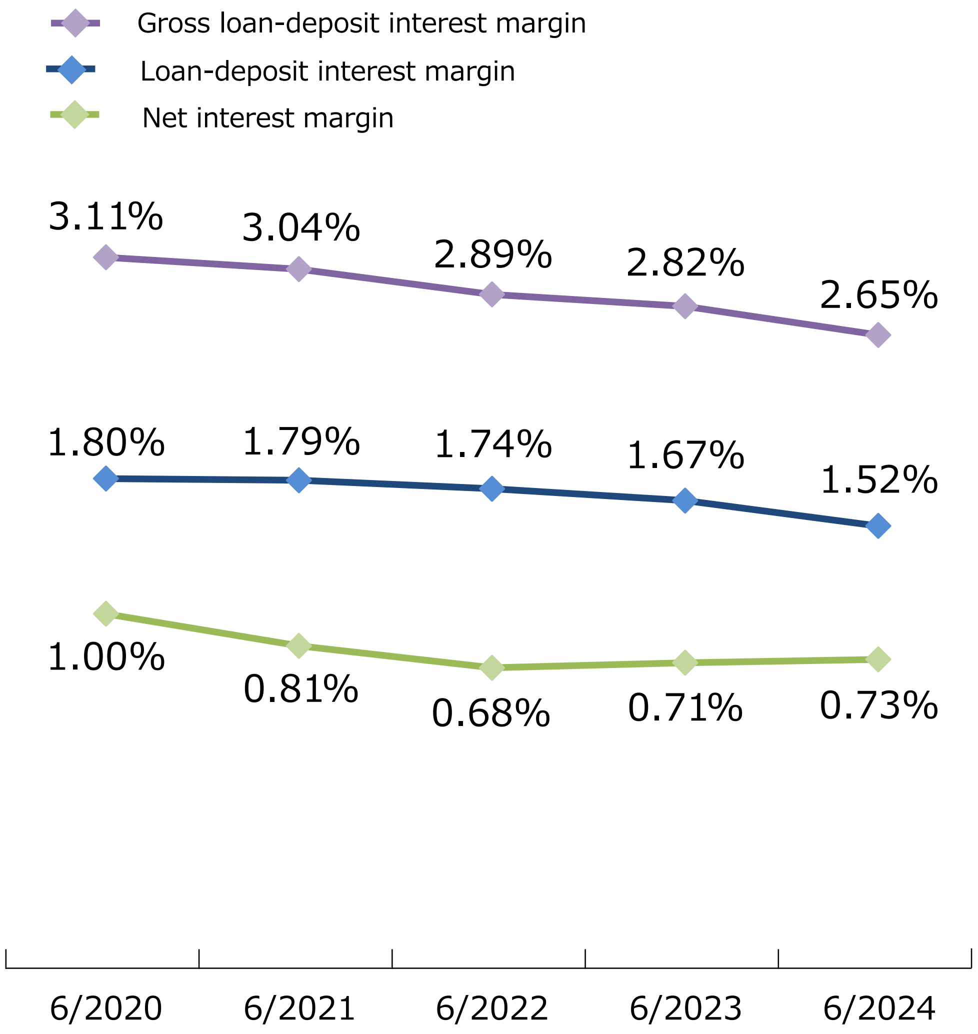
(Main factors contributing to changes [non-consolidated, YoY])

Net interest income **+0.1 billion yen**	・Decrease in interest on loans and bills discounted: -1.0 billion yen (Average balance factor: -0.1 billion yen, Yield factor: -0.8 billion yen) ・Increase in interest and dividends on securities: +1.1 billion yen
Net fees and commissions **+0.3 billion yen**	・Increase in loan-related fees: +0.2 billion yen ・Decrease in group credit life insurance premiums: -0.1 billion yen
Expenses **-0.6 billion yen**	・Decrease in property expenses: -0.5 billion yen
Actual credit costs **-1.8 billion yen**	・Normal amount: +1.0 billion yen ・Preventive allowances: -2.8 billion yen (For more details, refer to the table on the bottom right of page 2)
Extraordinary gains (losses) **+1.0 billion yen**	・ Recording profit from fixed asset disposal: 0.7 billion yen ・ Partial drop off in impairment losses on fixed assets: -0.3 billion yen

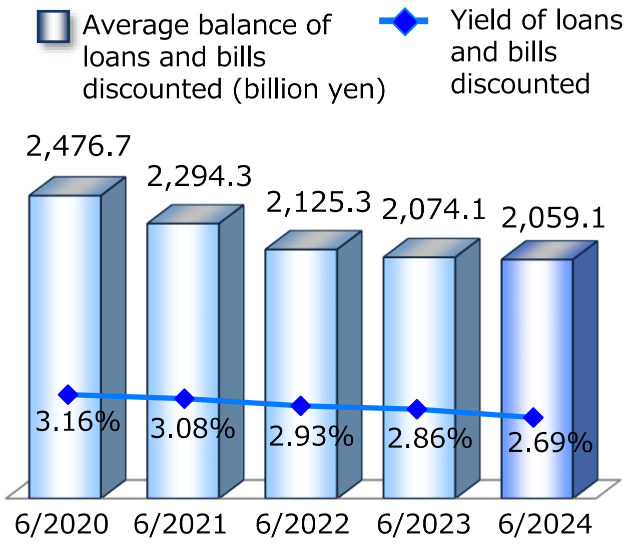
Note: All figures in green are YoY

Interest Margin

Interest margin, etc.

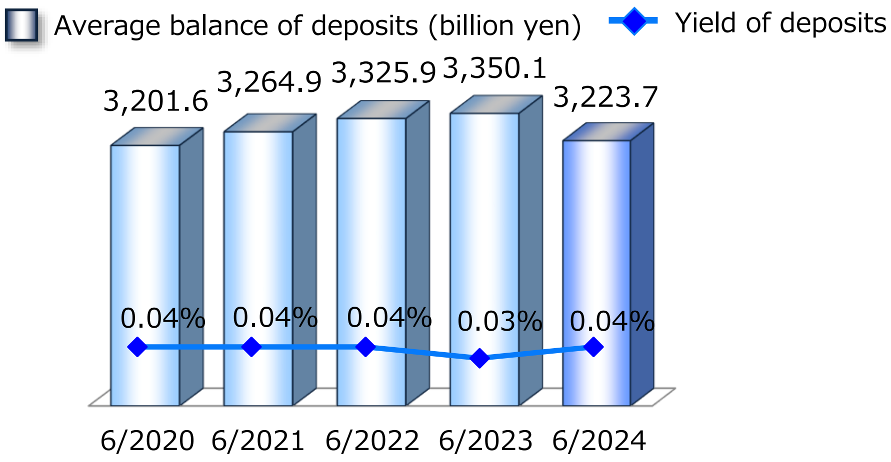


Yield and average balance of loans and bills discounted



(Special factors affecting loans and bills discounted [year-on-year])
Jun. 2021 Transfer of share house claims (approx. -44.2 billion yen)
Jun. 2022 Transfer of share house claims (approx. -60.5 billion yen)
Jun. 2023 Transfer of share house claims (approx. -16.8 billion yen)
Note: The periods in which the above factors have an impact are listed.
(The above differs from the actual date of the procedures, etc.)

Yield and average balance of deposits



■ Actual Credit Costs and Actual Credit Costs and Disclosed Claims Based on the Financial Reconstruction Law (Non-consolidated)

・Actual credit costs (FY6/24)

(billion yen)

Item	Actual credit costs	Allowance for loan losses
Investment real estate loans*1	(1.3)	91.6
Housing loans	0.1	1.8
Unsecured loans	(0)	1.9
Collaboration loans, etc.*2	0	0.2
Business financing, etc.	0	7.0
Total	(1.2)	102.7

*1: Investment real estate loans include studio apartment loans, single building income loans, other secured loans
*2: Collaboration loans are loans made jointly or in partnership with other companies (loan participations, purchases of corporate loans, etc.)

・Disclosed Claims based on the Financial Reconstruction Law (as of June 30, 2024)

(billion yen)

	Balance	Total coverage amount	Coverage amount by collateral and guarantees, etc.	Allowance for loan losses	Coverage ratio
Claims against bankrupt and substantially bankrupt operability	109.3	109.3	41.9	67.3	100%
At-risk claims	52.7	34.3	22.2	12.1	65.0%
Claims for special attention	34.6	21.2	12.9	8.2	61.1%
Total	196.7	164.8	77.2	87.6	83.7%

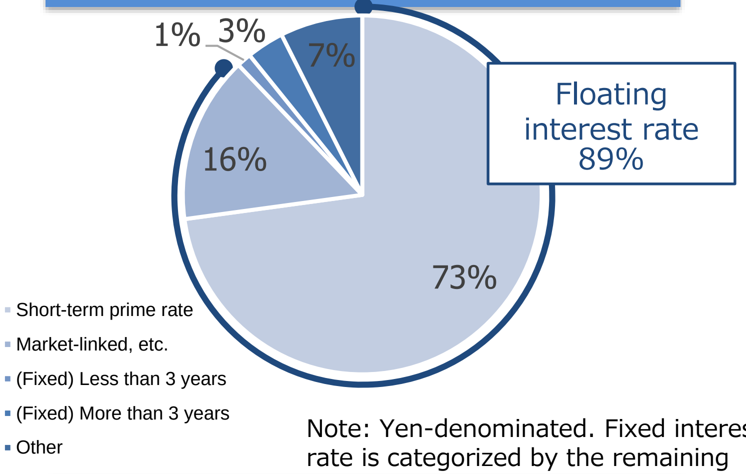
Ratio of disclosed amount to total credit (disclosed claims ratio)	9.4%

Note: Ratio of disclosed claims based on the Financial Reconstruction Law excluding organizational negotiation partners = 5.5%

Portfolio Structure

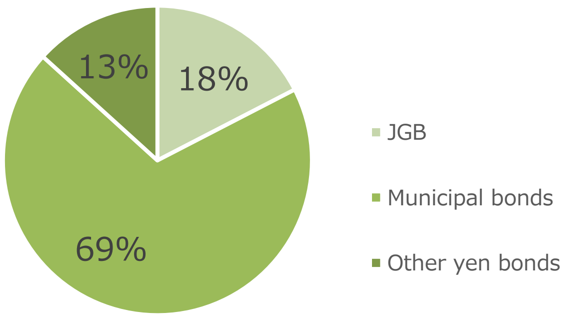
We plan to increase interest rates for saving accounts (+8 basis points) and short-term prime lending rates (+15 basis points) (base rate increase date: Sept. 2)

Loans and bills discounted (Composition by base interest rate)



Note: Yen-denominated. Fixed interest rate is categorized by the remaining

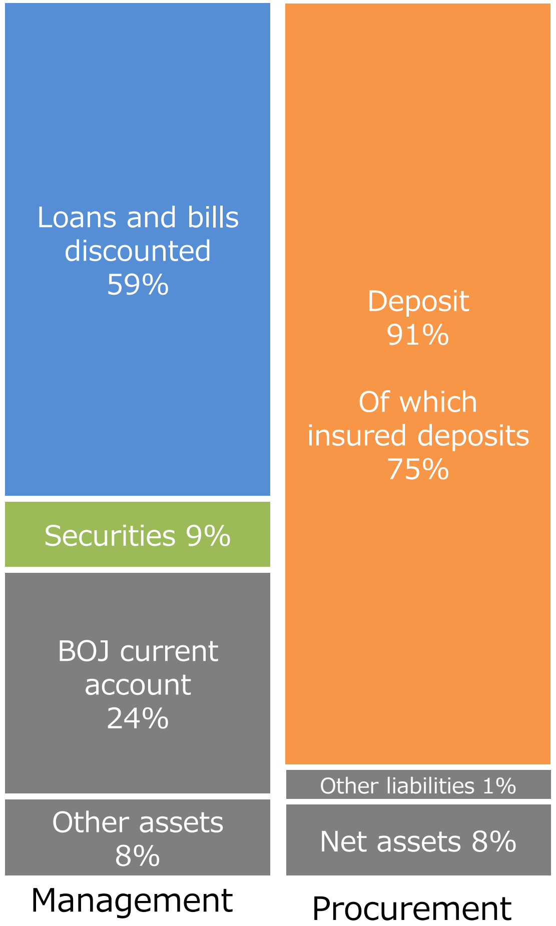
Securities (Composition of yen bonds)



As of Jun. 30, 2024 (yen bonds)
Duration: 6.39 years
100BPV: -11.5 billion yen

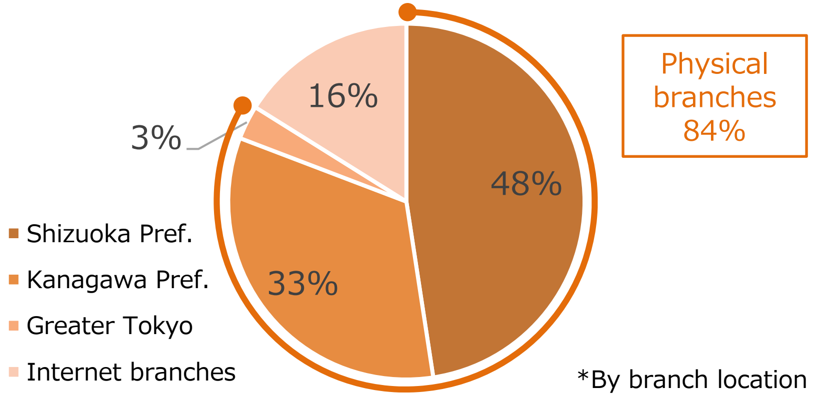
Balance sheet

3,508.4 billion yen as of Jun. 30, 2024



Deposit

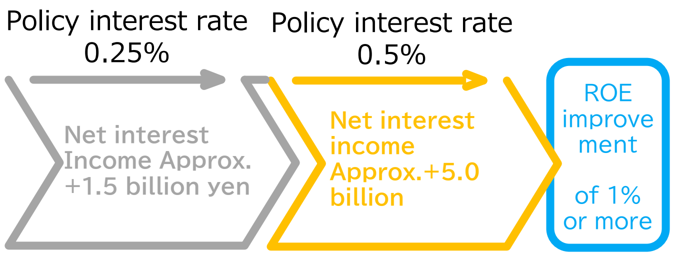
Balance by location



*By branch location

Impact of rising yen interest rates on net interest income

Repo sting



Reference: Main assumptions

Unsecured calls O/N		0.25%	0.50%
JGB	2Y	0.35%	0.70%
JGB	5Y	0.50%	0.90%
JGB	10Y	1.00%	1.40%

Portfolio As of end Dec 2023
Note: Impact amounts are compared respectively with those before the yen interest rate rise

Earnings Forecast for FY3/25 (Non-consolidated & Consolidated)

Reposting | Finances

For FY3/25, we plan to steadily increase new business gross profit while making further progress in improving the quality of the loan portfolio. Additionally, as the securities portfolio transitions from a restructuring phase to a progressive accumulation phase, we expect to see a drop in related losses.

(Non-consolidated) (billion yen)

	FY3/24 Results ①	FY3/25 forecast First half	FY3/25 forecast Full-year ②	YoY comparison ② - ①
Core gross operating profit (excluding gains/losses from investment trust cancellations)	58.5	28.5	56.0	(2.5)
Of which new business gross profit	11.3	7.9	16.0	+4.6
Expenses (-)	35.1	18.0	35.5	+0.3
Actual credit costs (-)	(2.0)	2.5	3.0	+5.0
Gain (loss) on securities	(5.1)	0	0	+5.1
Ordinary profit	20.1	8.5	18.5	(1.6)
Net income	15.0	7.0	14.5	(0.5)

	FY3/24 Results ①	FY3/25 forecast First half	FY3/25 forecast Full-year ②	YoY comparison ② - ①
Dividends per share (full-year total)	21 yen	11 yen	22 yen	+1 yen

Note: Dividends per share of 22 yen = Interim dividend of 11 yen + Year-end dividend of 11 yen

(Consolidated) (billion yen)

	FY3/25 forecast First half	FY3/25 forecast Full-year ③	Cons-parent differential (③ - ②)
Ordinary profit	8.5	19.0	+0.5
Net income	7.0	14.5	±0

(Premise Behind FY3/25 Actual Credit Cost Forecast [Non-consolidated])

[Normal amount]
Actual credit costs for loans without special factors are expected to be minimal for the full year, due to reasons such as a lower expected loss ratio.

[Preventive allowances]
We anticipate preventive allowances to be 3.0 billion yen for the full year. This is in consideration of loans under repayment suspension following negotiations for investment real estate loans of organizational negotiation partners and for restructured loans for which normalization of recovery is unlikely.

(billion yen)

	First half	Full-year
Actual credit costs	2.5	3.0
Normal amount	1.0	0
Preventive allowances	1.5	3.0

Reposting

MTP

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

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

Shared in Phase 1 & 2

Vision

・To realize our **corporate philosophy**, we will create a **"new Suruga Bank"** that delivers customer satisfaction and ensures that staff feel their work is meaningful. We will achieve this through a commitment to carrying out **customer-oriented business**, initiatives in our core business of retail banking and by **creating unique value** in ways that are distinct to our bank.

・We will also establish measures for **thorough compliance and controlling appropriate risk/return**, and develop a **"new sustainable business model"** as a public financial institution that benefits the public.

Phase 2 Management Strategy

I. Evolving the Retail and Solutions Businesses

We will **create sources of differentiation** founded in resolving customers' worries, inconveniences, dissatisfactions, etc., leading them to say **"I'm glad you're here... I'm glad we met."**

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.

Namely, **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 areas*1.

*1 Single 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

Mid-Term Business Plan Initiative Policies

Reposting | MTP

Phase 2 Management Strategy	I. Evolving the Retail and Solutions Businesses II. Building a Sustainable Revenue Structure III. Risk-Taking and Risk Diversification

Priority measures

Business structure	1. Reorganizing from a Sales Division System to Four Autonomous Profit Centers **(x2.5 new business revenue)** • Community Bank, Direct Bank, Greater Tokyo/Wide-Area Bank, Market Finance
Revenue structure	2. Completing cost structure reform **(Expenses: 46.8 billion yen in FY2018 ⇒ 34.0 billion yen planned in FY2025)** • Network reorganization, shifting talent to the front office by streamlining division functions, IT cost structure reform
Revenue structure	3. Minimizing and stabilizing actual credit costs through higher credit quality • Improvement of credit quality to a level where actual credit costs average less than **2.0 billion yen per year** from FY2025 onward.
Infrastructure	4. Pursuing cloud computing and DX in IT platforms
Infrastructure	5. Vector alignment with stakeholders • Aligning vectors with shareholders, employees, and society to strengthen the driving force behind management strategies

Phase 2 Keywords

- **Agile** — Speed, taking on challenges, autonomous decentralization
- **Kyo-so** — Collaboration, dialogue, value creation
- **Resilience** — Recovery, flexibility, risk diversification

Note: The above KPIs, etc., are based on the revised mid-term business plan KPIs announced on April 4, 2024.

From the past to the present Sugurga Bank has been providing solutions from Suruga's unique perspective starting from what our customers are unhappy with.

Products and Services Developed from Suruga's Unique Perspective(examples)

Backing up women's dream of home ownership
Housing loans for women

At a time when banks' screening procedures were not keeping pace with diversifying lifestyles and employment patterns, we were inspired by the passion of women to market Japan's first housing loan for women.

2000

Unique to Suruga

We were the first to focus on the myriad niche markets that exist within the housing market. Our employees sensed customers' disadvantages and quickly commercialized products to match.

More dreams for customers
Time Depostis with Jumbo Lottery Tickets

Our concept is "a financial service filled with the joy of growing dreams" in this era of ultra-low interest rates. A first for a Japanese bank, this product is the result of our employees' desire to deliver dreams to customers.

1999

Unique to Suruga

In the early days of the Internet, we opened Japan's first online bank branch. This allowed us to deliver dreams and peace of mind to customers through the Internet, even as a regional bank, without building physical branches. We were also the first Japanese financial institution to offer mobile banking.

Earning miles for bank transactions
ANA Branch

We developed the world's first card that integrates cash card, mileage, and e-money functions. We offer a unique product that lets customers earn miles for bank transactions.

2004

Unique to Suruga

By combining ANA's diverse customer base and marketing know-how with Suruga's retail banking business, we created new markets and provided unique, high-quality value.

Translating current trends into products and services
Smart Account / Accounts for non-Japanese Customers

We established payment-only accounts that provide more savings and peace of mind when using cashless payments, which have become widely used in daily life.
We established accounts exclusively for non-Japanese customers.

2021/2022

Unique to Suruga

Based on our desire to provide access to financial services to all, we focused on growth areas and non-Japanese customers who require financial services.

Peace of mind consulting for the 100-year life era
musu-bi (end-of-life support services)

As part of our asset consulting services, we help customers think about how they would like to see out their remaining days.

2022

To prepare for "what if," we provide asset visualization, funeral insurance, introductions to different types of funeral, and other services that turn anxiety into peace of mind. In this way, we help customers live the rest of their lives in brighter and more positive ways.

Digital infrastructure that supports creating sources of differentiation (examples)

Screening via data mining
Automated Screening System

We used sophisticated methods to analyze detailed data accumulated by lending to a wide range of customers, including data on screening and repayment status. This sped up the screening process.

1996

Unique to Suruga

We achieved the automation of screening ahead of other banks by combining our screening know-how with a vast database analyzed with proprietary logic cultivated over many years specializing in retail.

Providing high-quality, continuous service
Use of CRM

By integrating our informational data and accounting systems, we provided customers with the most appropriate products and services at the right time.

1999

Unique to Suruga

This is the trump card of our retail strategy. This allows continuous relationships anywhere, anytime, at all customer touchpoints. Our accumulated data is the source of not only our entire organization's retail mindset, but also of our improved marketing capabilities.

Management strategy II. Building a Sustainable Revenue Structure

Reposting | MTP

New business gross profit (core gross operating profit, new portfolio)

- Through Management Strategy I (Evolving the Retail and Solutions Businesses), new business gross profit is projected to grow by 2.5 times compared to FY2022.

Breakdown of new business gross profit	FY2025 Revised projections	FY2022 Results	Change
Retail/Solution Businesses	**7.5**	**2.3**	**+5.2**
Solutions Business*1	3.0	0.8	+2.2
Investment real estate loans	4.5	1.5	+3.0
Market Finance	**11.5**	**5.4**	**+6.1**
Structured finance	5.0	2.3	+2.7
Market operations, etc. *2	6.5	3.0	+3.5
New Portfolio Total	**19.0**	**7.7**	**+11.3**

2.5 times (billions of yen)

*1 Solution Business includes asset consulting, housing loans, unsecured loans, etc.
*2 Market operations, etc. include collaboration loans, etc.

Expenses

- As part of Management Strategy II (Building a Sustainable Revenue Structure), we plan to complete cost structure reforms and increase human capital investment
- Note: Expenses: ￥36.2 bn (FY2022) → ￥34.0 bn (FY2025) **(-2.2 billion yen)**

Actual credit costs

- We plan to stabilize actual credit costs at a low level by proactively taking measures to improve credit quality of single building income loans (other than those for share houses).
- Note: Actual credit costs = Approx. 9.0bn (FY2020-2022 average)
  → Average under 2.0 billion yen per year from FY2025

(Approx. -7.0 billion yen)

Building a Sustainable Revenue Structure with the "Three Arrows"

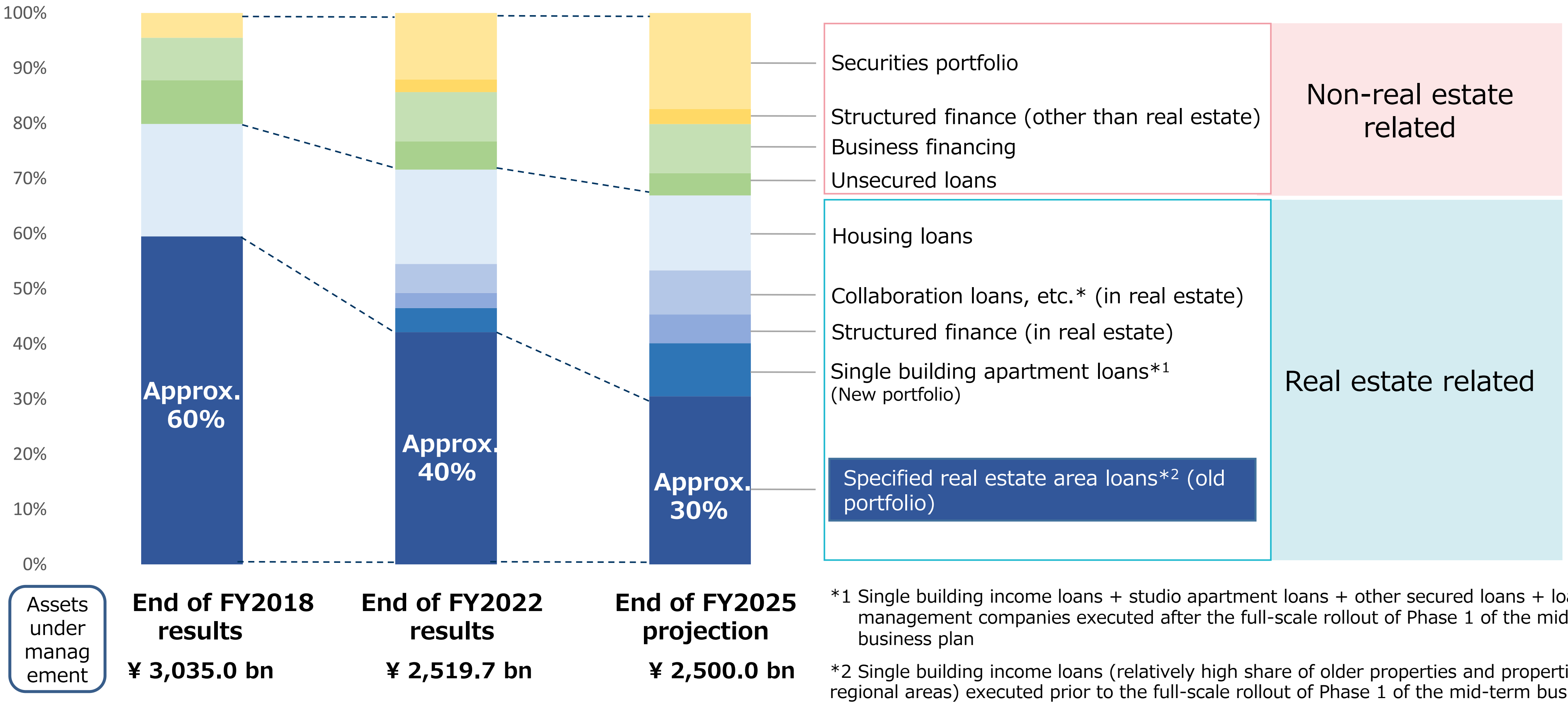
Decrease in core gross operating profit from old portfolio
52.5 billion yen (FY2022) → 33.5 billion yen (FY2025)
(-19.0 billion yen)

Definition of New/Old Portfolios
- New Portfolio: Revenue from goods and services contracted in or after April 2020
  Old Portfolio: Revenue from goods and services contracted in or before March 2020

- **The turning point towards a sustainable revenue structure is fast approaching due to accelerated growth in new business gross profit, etc.**

Reposting MTP

Change in composition of assets under management from FY2018 to FY2025



*1 Single building income loans + studio apartment loans + other secured loans + loans for asset management companies executed after the full-scale rollout of Phase 1 of the mid-term business plan

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

The ratio of conventional specified real estate areas to total assets under management is planned to decrease to approx. 30% (end of FY2025) after falling from approx. 60% (end of FY2018) to approx. 40% (end of FY2022)

Mid-Term Business Plan KPI Revisions

Reposting

MTP

		Initial Projections FY2023	Initial Projections FY2025	Actual/Revised projections* FY2023	Actual/Revised projections* FY2025	Notes
Main KPIs	**Ordinary profit**	¥ 11.5 bn	¥ 13.0 bn	**¥ 20.1 bn**	**¥ 17.0 bn**	
Main KPIs	**Net income** (Consolidated)	¥ 8.5 bn	¥ 11.0 bn	**¥ 15.3 bn**	**¥ 13.5 bn**	・Profit attributable to owners of parent
Main KPIs	**Capital adequacy ratio** (Finalized Basel III basis)	—	10% or more (effective)	**11.87%**	**10% or more(effective)**	・Any unrealized loss on securities is deducted from core capital
Secondary KPIs Key action indicators for achieving main KPIs	**New business gross profit**	¥ 9.8 bn	¥ 16.0 bn or more	**¥ 11.3 bn**	**¥ 19.0 bn or more**	・Revenue from goods and services issued on or after April 2020 ・Based on core business gross profit (excluding gains on cancellation of investment trusts)
Secondary KPIs Key action indicators for achieving main KPIs	**Expenses**	¥ 36.0 bn	¥ 32.5 bn or less	**¥ 35.1 bn**	**¥ 34.0 bn or less**	
Secondary KPIs Key action indicators for achieving main KPIs	**Actual credit cost ratio**	30 bps	Approx. 15 bps	**-9bps**	**Approx. 10 bps**	・Intended pace for FY2025 and beyond ・Actual credit costs / Loans and bills discounted (average balance) × 10,000(Loans and bills discounted = Loans + Purchased monetary claims)

- Figures for FY2023 are actual results announced on May 10, 2024.

FY2025 figures are revised medium-term business plan KPIs announced on April 4, 2024.

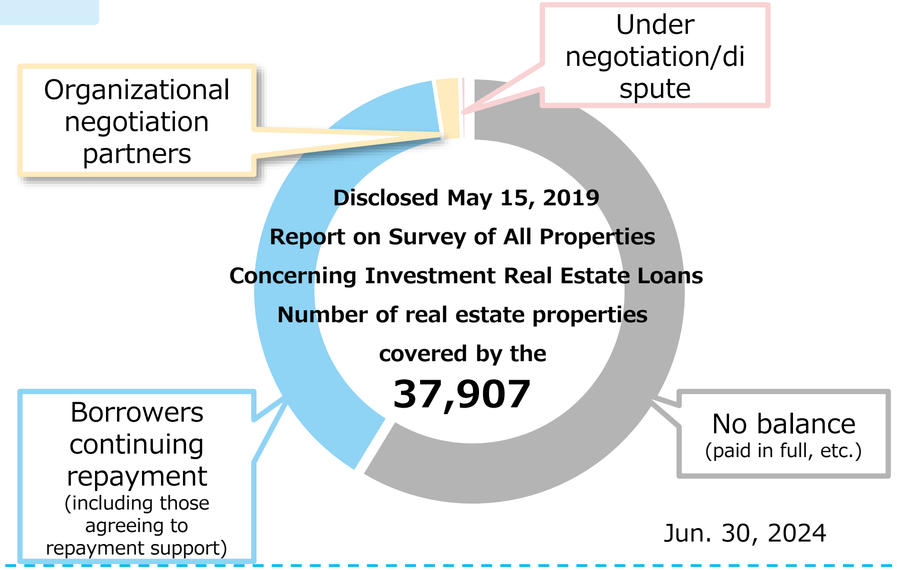
Note: All figures and indicators are Suruga Bank non-consolidated unless otherwise stated

■Status of Investment Real Estate Loans and Organizational Negotiation Partners

Reposting

Figures updated

Status of efforts to date



After approximately five years of repayment support and consultation efforts, more than approximately 60% of the 37,907 properties surveyed have a loan balance of zero, and more than 40% are ,maintaining loan repayment.

However, organizational negotiations are being conducted with Suruga Bank on 819* (2.2% of 37,907), and we will continue to take appropriate measures to resolve these issues.

* Due to voluntary sales and other factors, from the end of September 2022 to the end of June this year, 109 properties were no longer in organizational negotiations.

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 banks are 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.

Note: For details of our response, please refer to the Status of Our Response to Loans for Investment Real Estate Other Than Shared Housing (Updated), released on August 8, 2024.

SURUGA bank

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