

Suruga Bank

Financial Results for FY3/24

May 24, 2024

SURUGA bank



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[Definition of terms in this document](#)

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I Summary of Financial Results for FY3/24

II Business Strategy

III Initiatives to Achieve P/B Ratio Above 1.0

■ Actual Results for FY3/24: YoY Comparison



(Non-consolidated)

(billion yen)

	FY3/23 (A)	FY3/24 (B)	YoY comparison (B) - (A)
Core gross operating profit (excluding gains/losses on cancellation of investment trusts)	60.2	58.5	(1.7)
Of which, new business gross profit	7.7	11.3	+3.6
Expenses (－)	36.2	35.1	(1.0)
Actual credit costs (－)	(1.1)	(2.0)	(0.8)
Loss on securities	(14.4)	(5.1)	+9.2
Ordinary profit	11.2	20.1	+8.8
Net income	9.5	15.0	+5.4
ROE (net income basis)	3.87%	5.67%	+1.80 pt

(Actual Credit Costs)

		FY3/23	FY3/24
Actual credit costs total		(1.1)	(2.0)
Normal amount	Actual credit costs arising from loans without special factors (including share house-related loans)	(7.3)	(5.0)
Preventive allowances	Eligible allowances as follows	6.1	3.0
	Allowance for new suspension of repayments by some investment real estate loan customers triggered by organizational negotiations	2.0	(0.1)
	Allowance for claims for restructured loans that are unlikely to be recovered in the future	4.1	3.1

(Consolidated)

(billion yen)

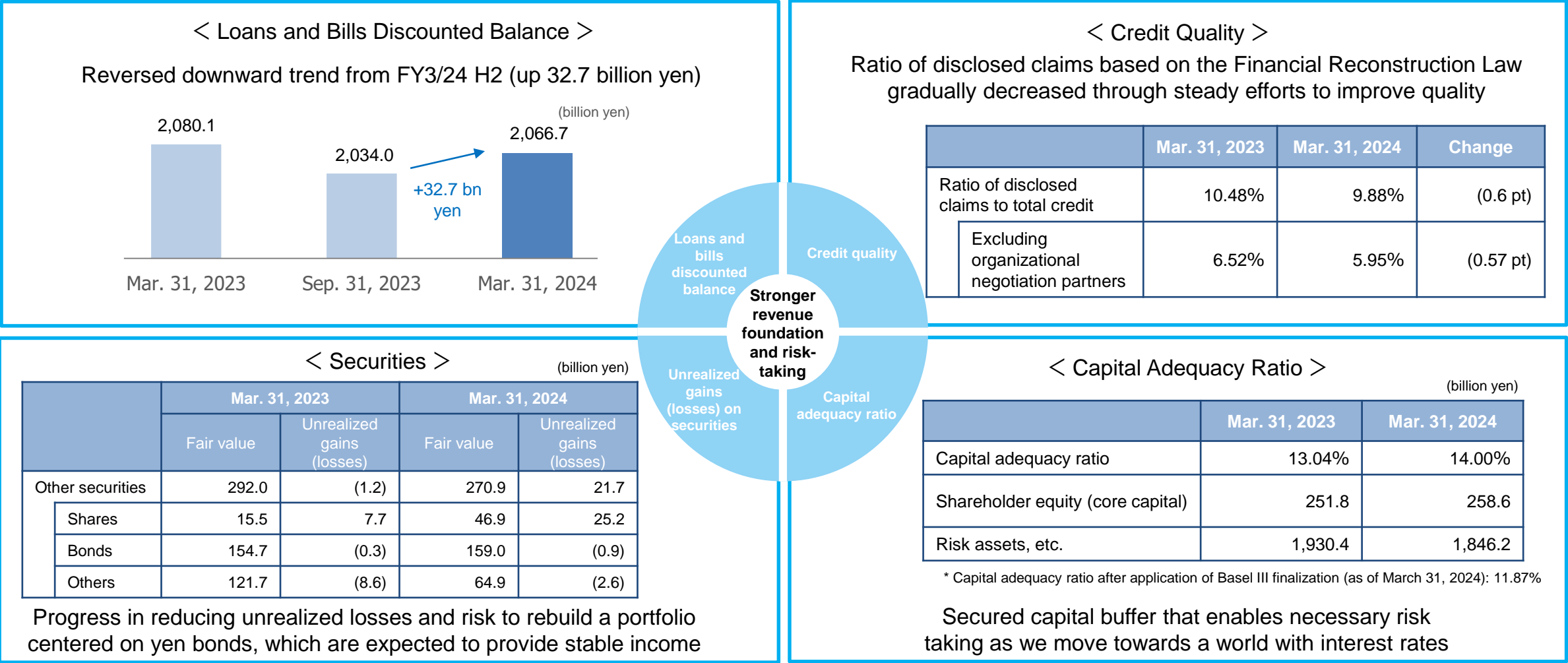
	FY3/23 (A)	FY3/24 (B)	YoY comparison (B) - (A)
Consolidated ordinary revenue	92.4	91.4	(0.9)
Consolidated ordinary profit	13.2	20.6	+7.3
Profit attributable to owners of parent	10.5	15.3	+4.7

Both consolidated and non-consolidated ordinary profit and net income up for second consecutive year

- **FY3/24 actual results (non-consolidated YoY comparison)**
Ordinary profit up 78%
Net income up 57%
ROE up 1.8 pt
- **Dividend ¥ 21 (up ¥ 12)**



Progress in strengthening earnings base and risk-taking capabilities that will lead to future sustainable growth





New loan disbursements in the Bank’s origination sector are steadily growing with a growth rate of 42% for FY3/24

(billion yen)

	FY3/22	FY3/23	FY3/24	FY3/25	FY3/26 (Phase 2 final year)
Origination sector	103.8	156.2	222.7	185.0	195.0
Solutions business	19.9	36.4	51.7	55.0	65.0
Investment real estate loans	34.7	47.6	83.0	70.0	70.0
Structured finance	49.2	72.1	87.9	60.0	60.0
Collaboration loans, etc.	59.9	79.9	25.8	65.0	65.0
Total	163.8	236.2	248.6	250.0	260.0



* New loan disbursements (acquired) by portfolio area since mid-term business plan “Re:Start 2025”
* Solutions business (housing loans, unsecured loans, etc.)
* Investment real estate loans include those for corporate clients
* Structured finance includes specified corporate bonds, etc., while collaboration loans include monetary claims bought, etc.
* Difference between forecast (structured finance: ¥77.0 bn) and actual results (¥87.9 bn) announced on April 4, 2024:
Recoveries from refinancing and use of available lines of credit such as commitment lines



In FY2025, plan to steadily accumulate new business gross profit and take another step toward improving quality of loan portfolio
In the securities segment, related losses are expected to disappear as we move from restructuring to gradual accumulation stage

(Non-consolidated) (billion yen)

		FY3/24 results ①	FY3/25 forecast		YoY comparison ② - ①
			Full year ②		
			1 st half		
Core gross operating profit (excluding gains/losses on cancellation of investment trusts)		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
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)
Dividends per share (full year is cumulative)		21 yen	11 yen	22 yen	+1 yen

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

(Assumptions Behind FY3/25 Actual Credit Cost Forecast)

[Normal amount]

Actual credit costs for loans without special factors are expected to be close to zero for the full year, due in part to lower than expected loss ratio

[Preventive allowances]

We plan preventive allowances of 3.0 billion yen for the full year, taking into account additional provisions for claims whose repayments are suspended due to organized negotiations by some customers with investment real estate loans and for restructured loans for which normalization of recovery is unlikely.

(Consolidated) (billion yen)

FY3/25 forecast		Non/consolidated difference (③ - ②)
Full year ③		
1 st half		
8.5	19.0	+0.5
7.0	14.5	±0

	(billion yen)	
	1 st half	Full year
Actual credit costs	2.5	3.0
Normal amount	1.0	0
Preventive allowances	1.5	3.0

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III Initiatives to Achieve P/B Ratio Above 1.0



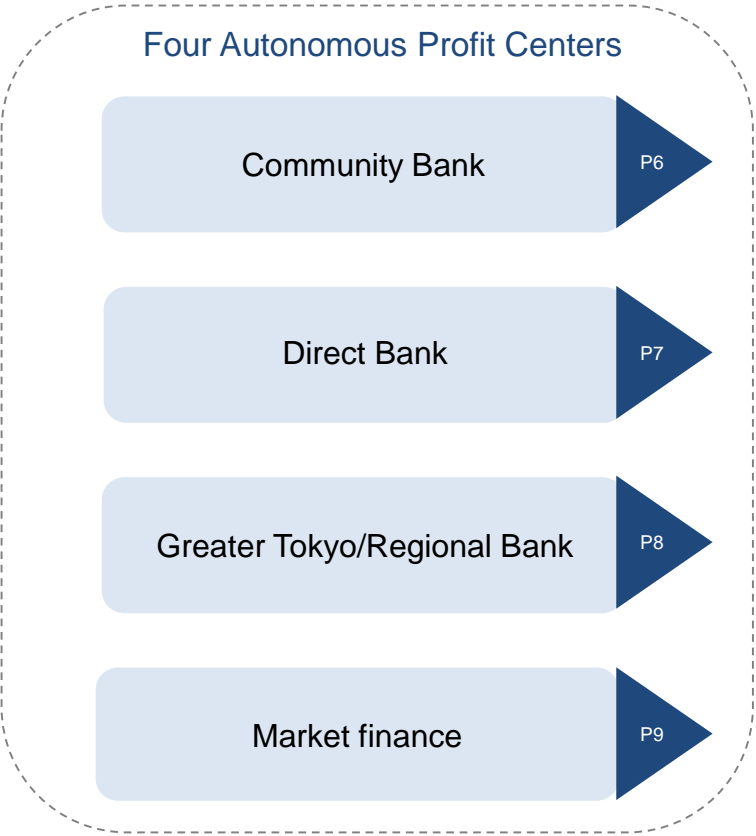
Thanks to steady progress with the mid-term business plan, gross profit from new businesses in FY2025 is expected to grow by 4.6 billion yen year on year

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

(billion yen)					
		FY3/24 results (A)	FY3/25 forecast (B)		Change (B) - (A)
			1 st half		
Retail/Solution businesses		4.5	2.8	5.9	+1.4
	Solution business*	1.7	1.0	2.3	+0.5
	Investment real estate loans	2.7	1.7	3.6	+0.8
Market finance		6.8	5.0	10.0	+3.1
	Structured finance	3.9	2.2	4.7	+0.8
	Market operations, etc.**	2.9	2.8	5.3	+2.3
New business gross profit (new portfolio) total		11.3	7.9	16.0	+4.6
Reference: Old portfolio gross profit		47.1	20.7	40.0	(7.1)

* Solution business includes asset consulting, housing loans, unsecured loans, etc.
** Market operations, etc. include collaboration loans, etc.

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

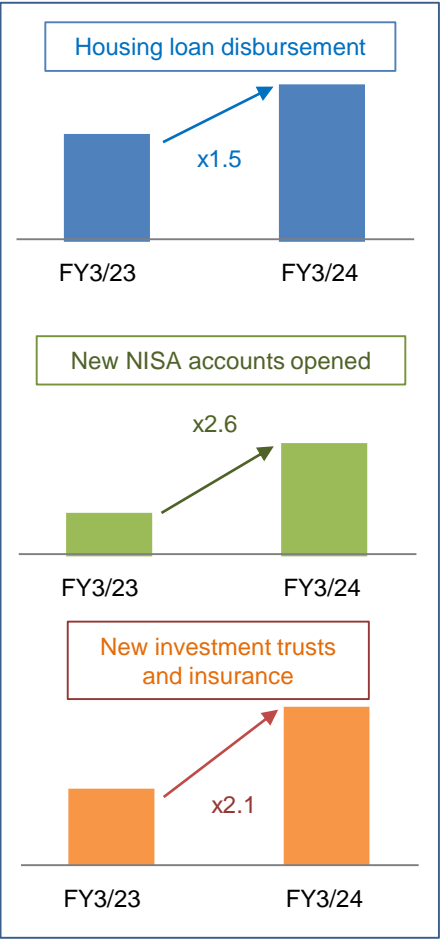
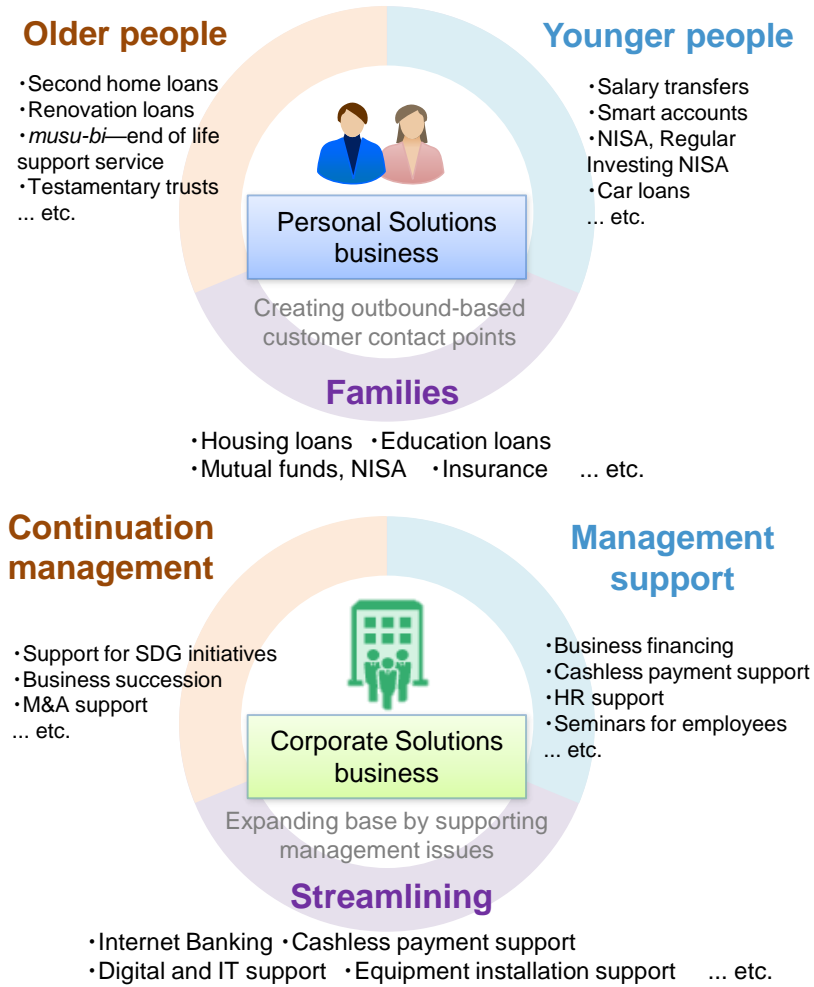




The community bank, which operates locally in Shizuoka and Kanagawa prefectures, made progress in both its personal solution business and corporate solution business in fiscal 2023. In particular, inquiries were up for housing loans, personal loans, and asset consulting, and we will continue to build account sales tailored to the specific area

Greater Solutions Proposals

FY2024 Policies



Personal Solutions business—Greater support for active seniors & asset-builders

Helping customers lead more affluent lives with a wide range of products including personal loans and finance, insurance, and the new NISA



Corporate Solutions business—Expanding the base of local businesses

Dialogue with business partner companies, funding proposals, and astute support for sustainable growth

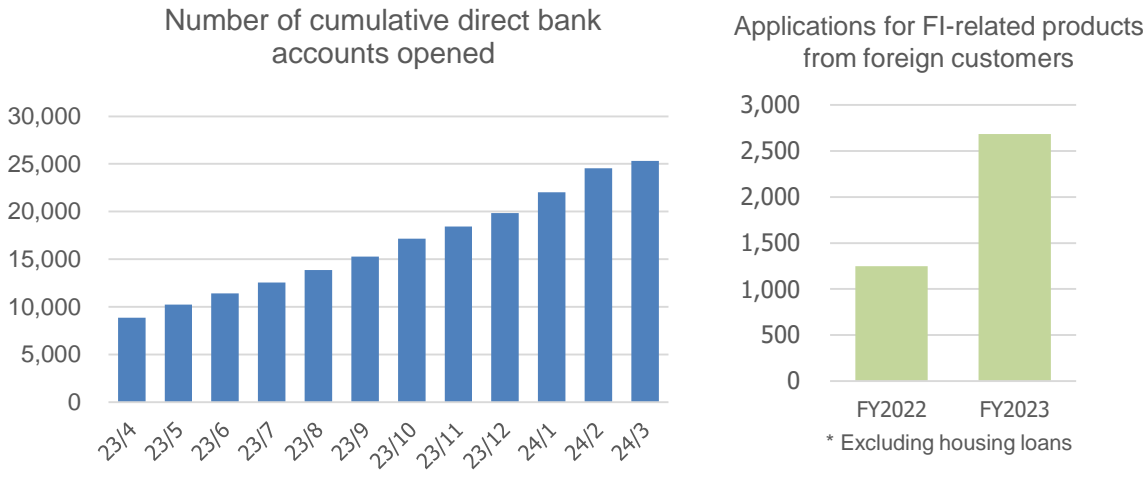
Talent development—Continuing to put customer first, improving skills in all aspects

Passes on older employees' experience to younger employees and fosters a sense of unity by sharing their knowledge for optimal proposals



Expanding customer base by offering personal loans and accounts to suit customer lifestyles nationwide, with online and mobile banking as the main channels. We will continue to further strengthen our collaboration on the theme of financial inclusion (FI), including banking for non-Japanese customers

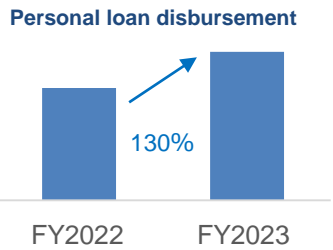
Direct Banking and FI



Personal Loans

• In FY2023, the number of applications and disbursements remained steady at more than 130% year on year

• Key areas defined according to use of funds with both online and in-branch promoted



Wide product lineup to meet customer financial needs

Dental loans

Reskilling loans

Car loans

Vet bill loans

Musical instrument/audio equipment loans

Fertility treatment support loans

Education loans

Main Products

Money Laundering and Crime Prevention Measures

Detecting fraud when opening an account

- Since 2021, Suruga Bank has been using ACSiON's online identity verification service, proost. With highly accurate online ID verification we are able to detect unauthorized account opening by fraudsters
- In May 2024, ACSiON introduced its fraud detection platform, Detecker, to detect fraudulent information from customers when opening mobile accounts

Customer management

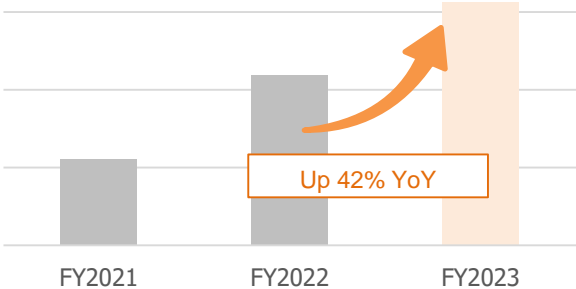
- Being able to offer accounts to non-Japanese customers online has enabled the accurate and efficient management of information such as residency and period of stay
- Verifications required after any period of stay is renewed is also done on an individual customer basis



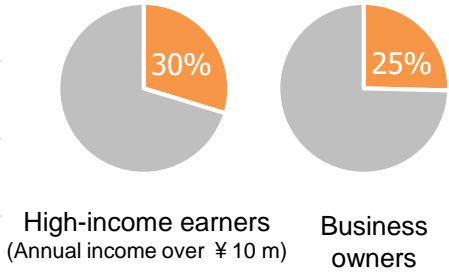
Enhanced “one-to-one” consulting capabilities, growing presence in the Greater Tokyo and regional markets

Loans

New disbursements

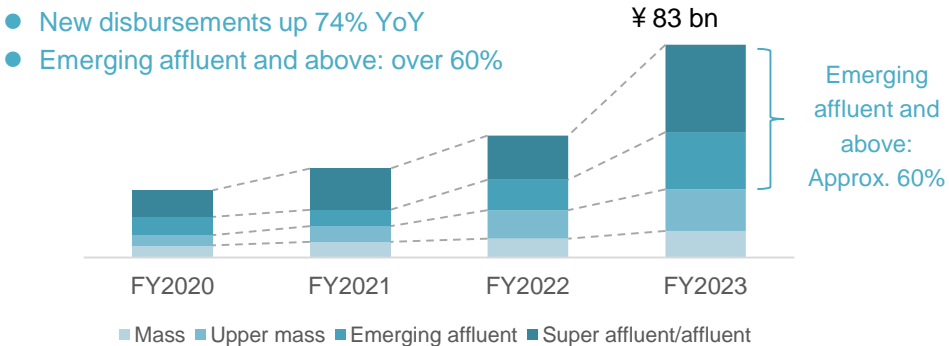


New borrowers (FY2023)



- Credit Saison guaranteed housing loans added to product lineup (from October 2023)

New disbursements by client segment



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

Future Initiatives

- Supporting customers' desired housing styles by continuing to provide consulting services that are tailored to their needs
- Provide flexible loan products based on area characteristics
- Meet a wide range of needs with housing loans guaranteed by Credit Saison

Loans tailored to the customer



Enhanced consulting

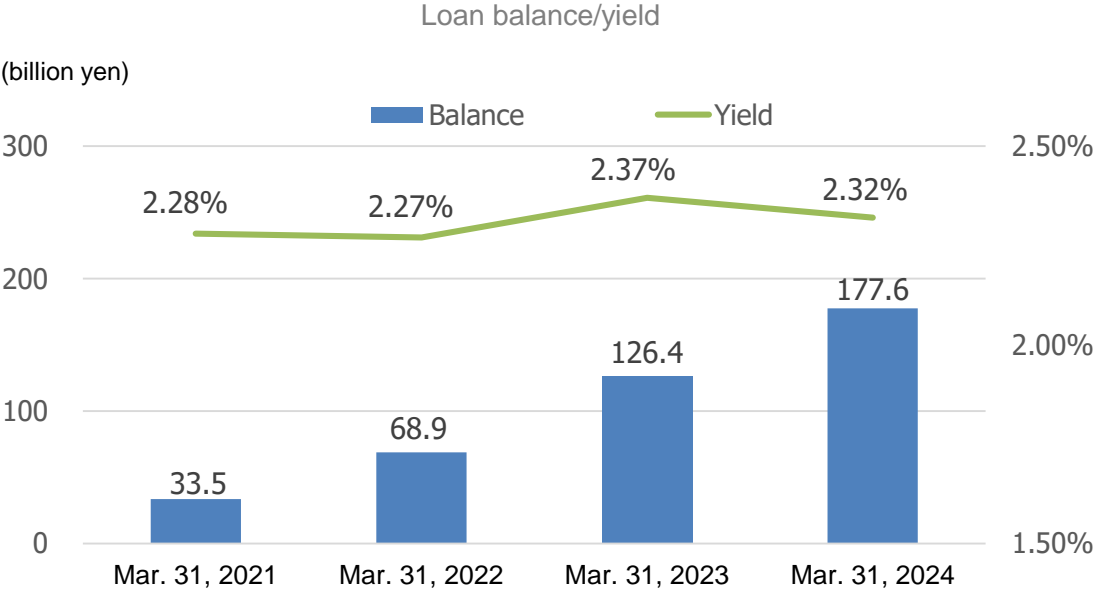
- Passing on expertise to enable consistent consulting to customers
- Cultivate highly specialized talent capable of responding to a wide range of customer needs

- Sales structure with a dedicated team
- Flexible product design to meet diverse needs
- Expanding scope by developing new partner companies, expanding business through wider deals and stronger relationships

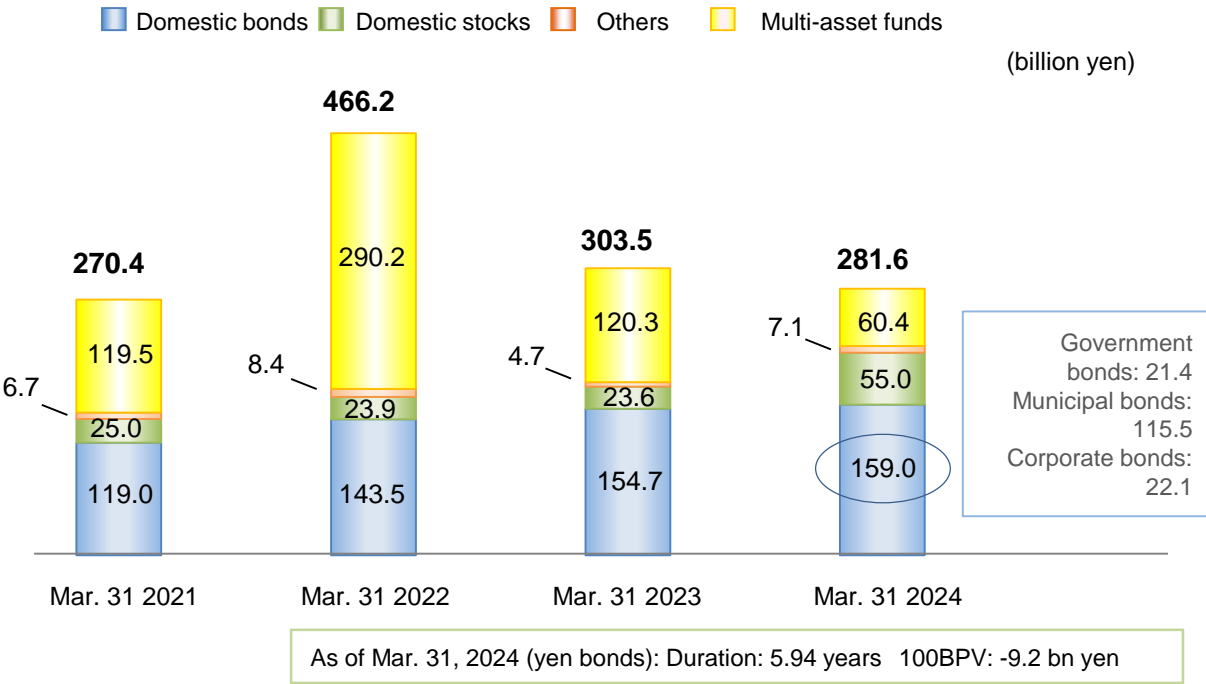


Building a high-quality asset portfolio with diversified risk to ensure resilience even in a world with interest rates while investing further in human capital

Structured finance



Securities portfolio



Talent development

- We are working to strengthen our ability to make decisions and respond by providing practical experience, including negotiating with all stakeholders
- We are improving the skills of individuals through regular study sessions and support for acquiring qualifications such as bonuses (we rank first among local banks in number of qualifications for real estate securitization*)

* As of April 2024

- Training that incorporates knowledge of external experts, support for acquiring qualifications, etc., including talent development programs using external management companies and dispatching young employees to external short-term training programs
- Systematic job rotation within departments to provide employees with a wide range of practical experience and improve their skills



Discussions underway on three themes to create a Neo Finance Solutions Company

Key Areas			
Theme	Products and services collaboration	Sophisticated marketing	Joint use of management resources
	Create new value by combining products and services of both companies	Develop a marketing approach that leverages digital skills and databases of both companies	Promote effective joint use of management resources of both companies
Initiatives and Ideas	<ul style="list-style-type: none">➤ Provide support services for foreign customers by combining expertise of both companies with Credit Saison’s rent guarantee as key➤ Provide loans to SME business owners, such as Saison lessees, and private business owners	<ul style="list-style-type: none">➤ Develop housing loans for Saison Card members utilizing both companies’ databases<ul style="list-style-type: none">* Banking agency business launched from March 25, 2024➤ Joint development of digital marketing schemes	<ul style="list-style-type: none">➤ Joint use of IT tools and resources➤ Improved efficiency through mutual use of backyard functions➤ Greater human resource exchange, and collaboration between both Group companies➤ Develop new markets, including partners of both companies

Through full use of the retail expertise of both companies and seamless collaboration, we will create a **Neo Finance Solutions Company** that starts by solving all kinds of problems and customers’ disadvantages (anxiety, inconvenience, dissatisfaction).



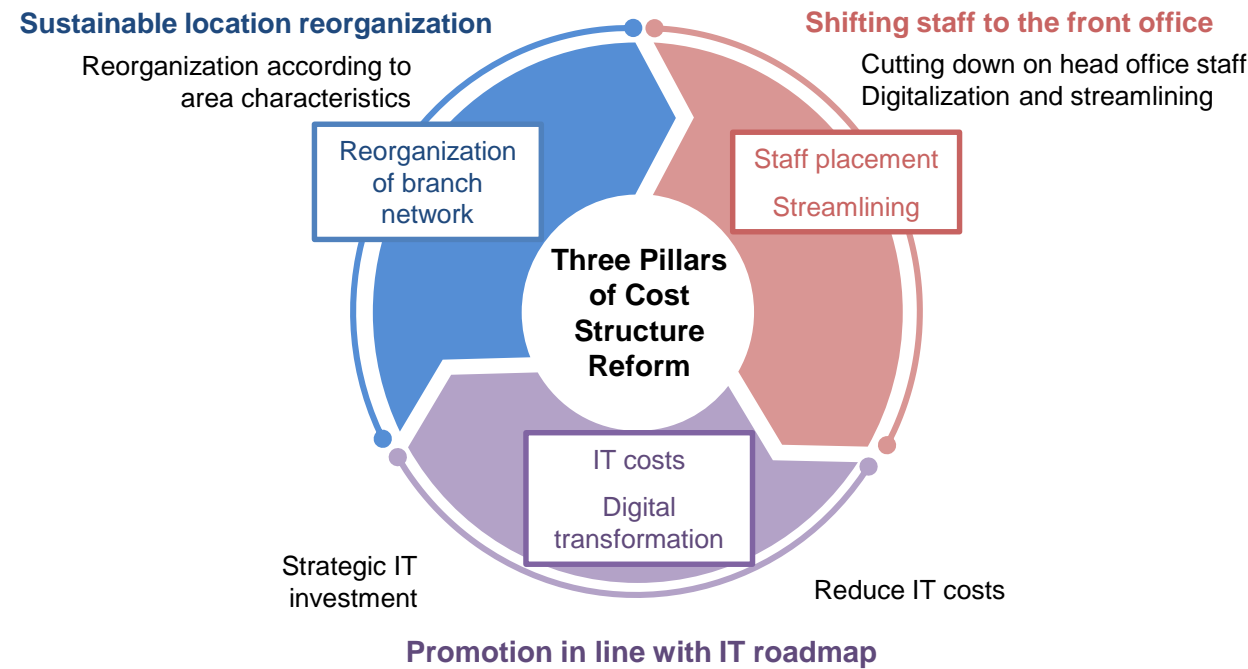
While continuing to push forward with cost structure reforms, we will aggressively invest in human capital, the foundation for sustainable growth

Cost structure reform

Cost structure reform brings expenses down 27% compared to FY2018, even with wider new investment in human capital

	FY2018 results	FY2023 results	FY2024 forecast	FY2025 revised projections
Expenses	¥ 46.8 bn	¥ 35.1 bn	¥ 35.5 bn	<u>¥ 34.0 bn</u>
Of which, personnel expenses	¥ 15.9 bn	¥ 13.4 bn	¥ 14.0 bn	<u>¥ 14.0 bn</u>

* Underlined figures are revised values from “Revisions to Mid-term Business Plan KPIs” news release announced on April 4, 2024

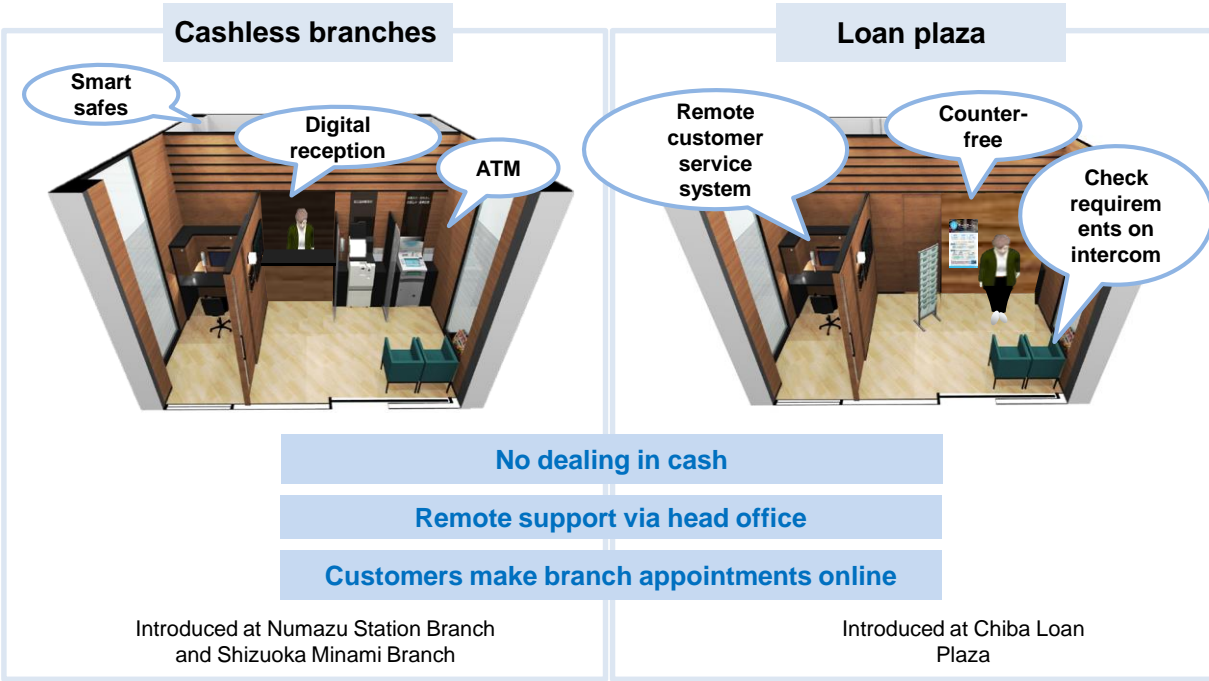


Number of branches

Mar. 31, 2024	Number of branch mergers and relocations*		Mar. 31, 2025 forecast
	H1	H2	
92	2	4	86

* Relocation refers to a branch-in-branch move and is counted as one location

New streamlined branches





Continued efforts to improve credit quality and achieve mid-term business plan KPI of an average actual credit cost ratio of 10 bps (from FY2026)

Disclosed claims under the Financial Reconstruction Law and coverage (as of March 31, 2024)

(billion yen)

	Disclosed claims under Financial Reconstruction Act (A)	Coverage ratio		
		Appraised collateral*1 (B)	Allowance/guarantee coverage (C)	Coverage ratio (B + C) / A
Organizational negotiation partners	87.3	34.0	52.9	99.5%
Non-organizational negotiation partners*2	94.1	38.3	27.8	70.3%

*1 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%.

*2 "Non-organizational negotiation partners" shows the total for single building income loans

Balance and delinquency by type of borrower (excluding organizational negotiation partners, etc.) (as of March 31, 2024)

(billion yen)

Borrower classification	Credit claims such as loans*4	Single building income loans*5	
			Not delinquent
Normal clients	1,346.4	350.7	350.7
Clients requiring special attention*3	506.0	432.9	430.9
Clients requiring corrective action	47.6	39.3	38.9
Clients at high risk of bankruptcy	52.5	38.8	36.5
Virtual bankruptcy clients/bankruptcy	27.5	22.7	3.2
Total	1,980.1	884.6	860.4

*3 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

*4 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

*5 Including investment real estate loans for corporate clients

Efforts to improve credit quality

Aim to improve credit quality by communicating regularly with customers based on periodic surveys, and collaborating with management companies, real estate companies, experts and other partner companies

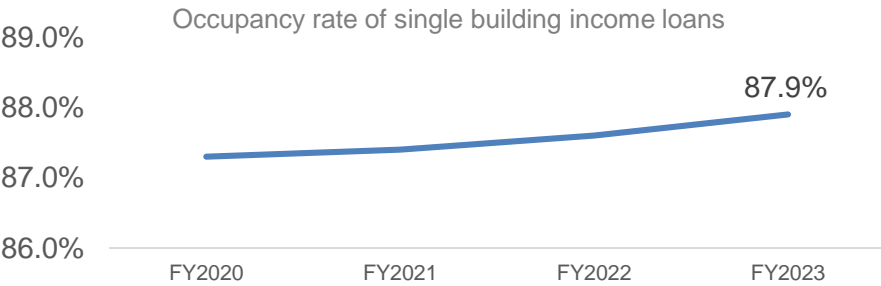
On-site evaluation

Bank employees visit to check property and surrounding conditions (Examples of property damage discovered)

- ✓ Peeling exterior wall paint and ceiling panels
- ✓ Cracks in window glass
- ✓ Oversize garbage left on-site, etc.

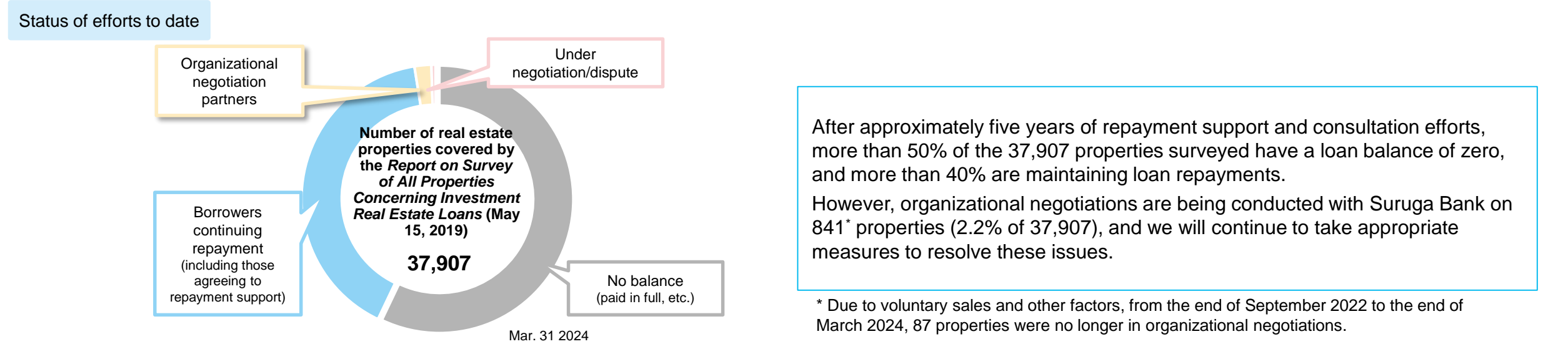
Improvement suggestions

- Reporting condition of property, etc. to customers as appropriate
- Help in modifying loan terms and conditions to raise funds for repairs, etc.



Survey content:

- Covers customer properties with a single building income loan balance of 50 million yen or more (approx. 8,200 properties, 90% of total outstanding balance)



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 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.

* For details of our response, please refer to the *Status of Our Response to Loans for Investment Real Estate Other Than Shared Housing*, released on April 4, 2024.



Digital transformation with face-to-face and non-face-to-face channels to provide flexible and speedy services through in-house development in strategic areas (customer digital contact points such as smartphone apps)

Strengthening face-to-face and non-face-to-face digital channels

Enhanced Smartphone App

- Launch AI chatbot, foreign language support services
- View significantly more past transactions on the app, eliminating the need for bankbooks

More online applications

- Shifting online branch account opening to advanced identity verification using eKYC
- Improved application process for card loans for better user experience

In-branch digitalization

- Add more and more services to the tablet menu (SMA-Navi) for customers
- Cashless store operations centralized at sales office support center

Advanced data analysis infrastructure

- Build a flexible and agile next-generation IT infrastructure that utilizes cloud technology
- Greater sales support and communication functions

Areas and measures to be addressed in FY2024

Enhanced Smartphone App

- Greater functionality on the app with change of address and other functions



Suruga Bank App



In-branch digitalization

- Expand self-service operations through the use of tablet terminals (SMA-Navi) for customers



SMA-Navi

Advanced data analysis infrastructure

- Investigate set up and plan for cloud accounts



Wider use of generative AI

- Expanded use from limited number of employees at HQ and branch offices to all employees
- Greater streamlining and automation through AI learning of internal business procedures, manuals, FAQs, etc.

Tighter money laundering measures

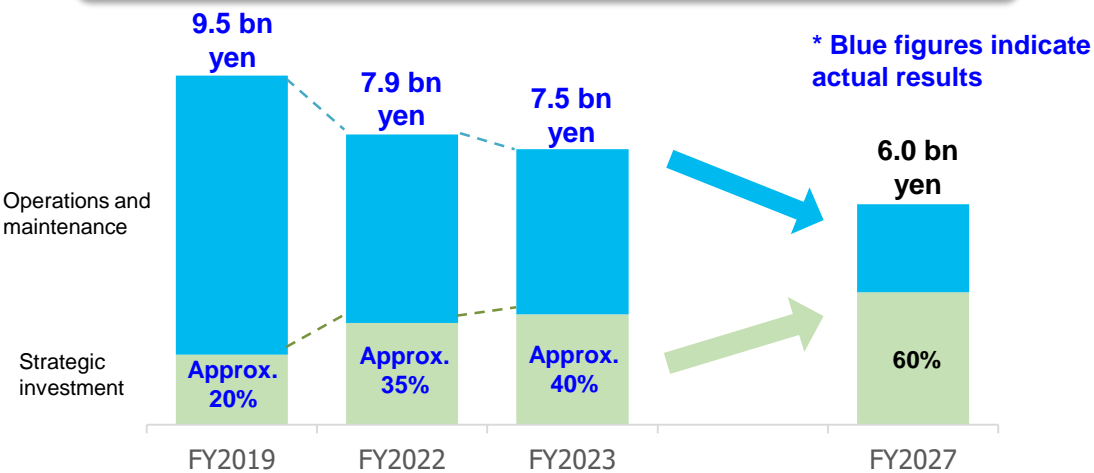
- Initiatives to strengthen and improve measures against money laundering, etc.
- Strengthen measures to prevent fraud in online banking and account opening, etc.

Stronger cyber security measures

- Cloud-based security services for advanced security
- Investigate measures to comply with cybersecurity guidelines
- Secure and develop cybersecurity-literate human resources



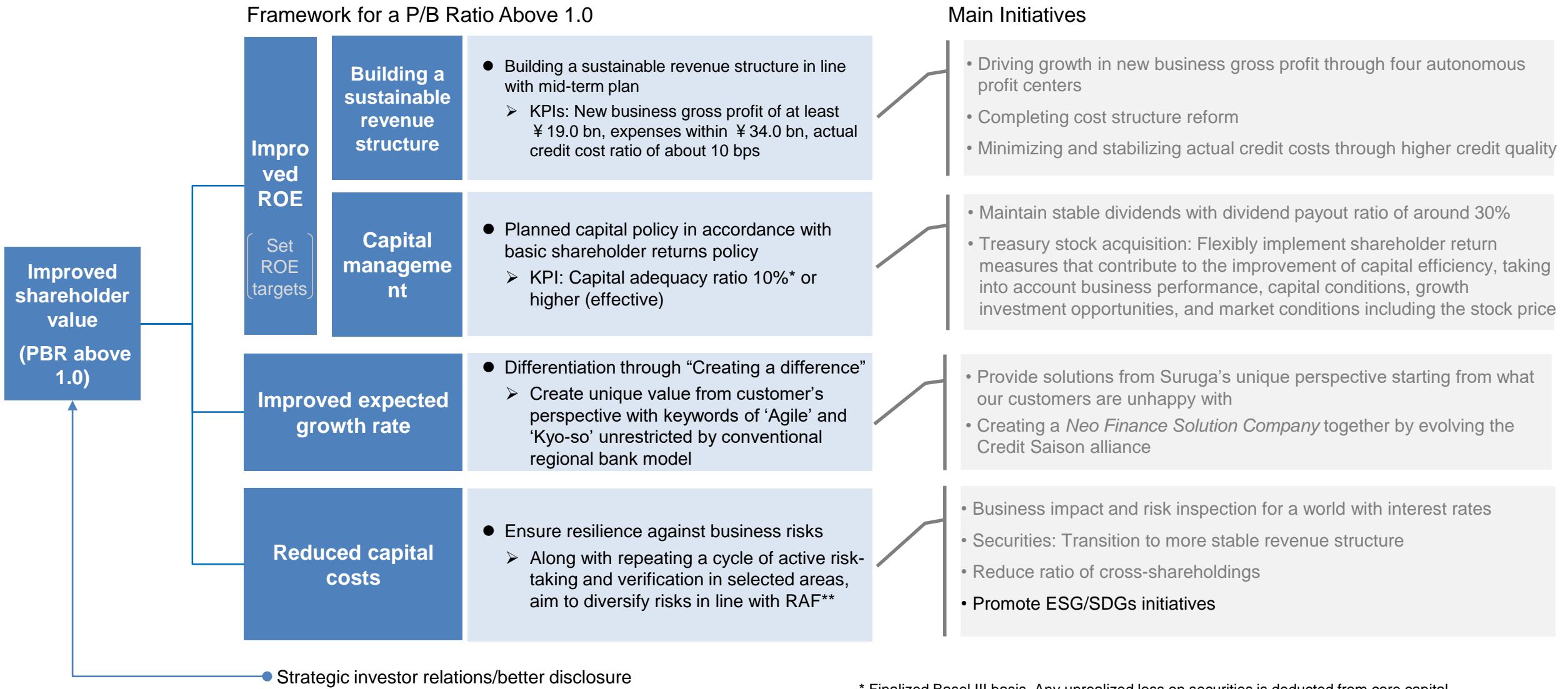
IT cost reduction and strategic IT investment



I Summary of Financial Results for FY3/24

II Business Strategy

III Initiatives to Achieve P/B Ratio Above 1.0



Main Initiatives

- Driving growth in new business gross profit through four autonomous profit centers
- Completing cost structure reform
- Minimizing and stabilizing actual credit costs through higher credit quality
- Maintain stable dividends with dividend payout ratio of around 30%
- Treasury stock acquisition: 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
- Provide solutions from Suruga’s unique perspective starting from what our customers are unhappy with
- Creating a *Neo Finance Solution Company* together by evolving the Credit Saison alliance
- Business impact and risk inspection for a world with interest rates
- Securities: Transition to more stable revenue structure
- Reduce ratio of cross-shareholdings
- Promote ESG/SDGs initiatives

* Finalized Basel III basis. Any unrealized loss on securities is deducted from core capital.
** Risk Appetite Framework

Greater investment in human capital and sustainability promotion,
while further solidifying foundation for growth to achieve a P/B ratio over 1.0

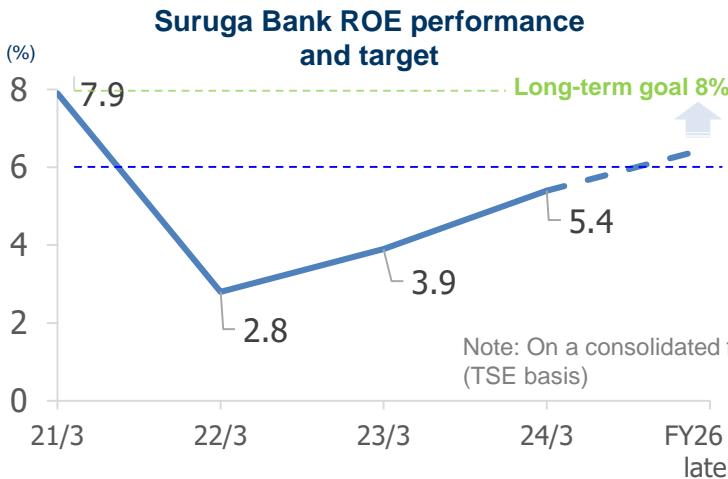
Current analysis

Comparison with listed regional banks

Mar. 31 2024 (Ratio / %)

	PBR	PER	ROE
Suruga Bank	0.59	14.30	5.4
Listed regional banks average	0.44	12.86	3.9

Source: QUICK
PBR and PER are on a consolidated preferred basis
ROE is on a consolidated financial basis (TSE basis)



Capital cost estimations

Estimates based on CAPM	6% level
Estimates based on PBR and ROE	7–9%

- Our perceived cost of capital at this time is about 6–9%

Awareness of issues

- Our most important issue is to improve ROE to achieve a P/B ratio above 1.0
- ROE bottomed out at the end of FY2021 and is improving, but is still somewhat off target level
- While we believe that the minimum level of the cost of shareholders' equity is 6%, we recognize the need to accelerate restructuring of the revenue structure to reach 6% or higher as soon as possible

ROE target for P/B ratio above 1.0

ROE from FY2026 onwards (after rebuilding revenue structure under current medium-term plan)
is on average 6% or more, aiming for over 8% in the long term

Pushing forward with capital policy based on the basic shareholder return policy and policy for reducing cross-shareholdings as set out in the mid-term business plan

Shareholder Returns

Basic policy	Our policy is to strive to enhance shareholder returns after considering the optimal balance between capital soundness and investment for growth
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Dividend Policy

Our basic policy is to maintain stable dividends, targeting a dividend payout ratio of around 30%

	FY2022	FY2023	FY2024 forecast
Dividends per share	9 yen	21 yen	22 yen
Profit attributable to owners of parent	¥ 10.5 bn	¥ 15.3 bn	¥ 14.5 bn
Dividend payout ratio	16%	27.8%	29.2%

Treasury stock acquisition policy

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.

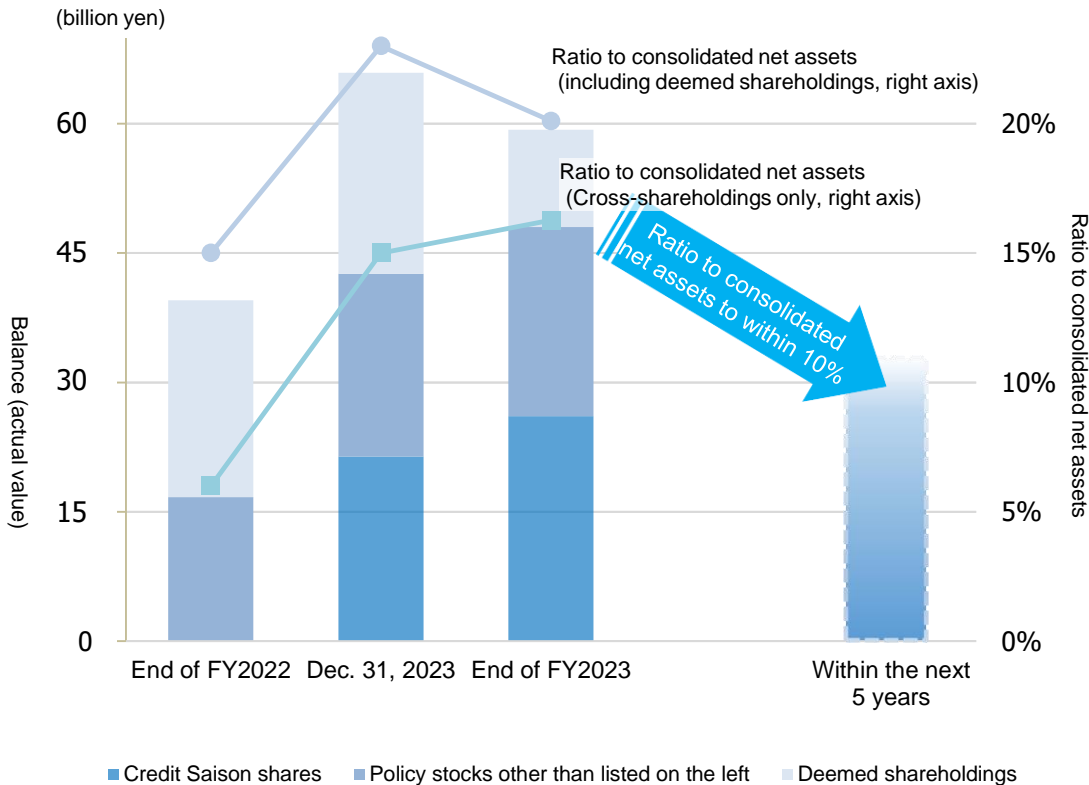
	FY2023 results	FY2024 projection (limit)
Shares acquired	30,660,000*	6,000,000
Acquisition cost	¥ 21.9 bn**	¥ 7.0 bn
Acquisition period	August 17, 2023 to March 1, 2024	May 13, 2024 to September 30, 2024

* 35 million shares to be retired in April 2024 (including treasury stock held from before FY2023)

** ¥ 4.8 bn return in FY2023 after deducting disposal of treasury stock through third-party allotment to Credit Saison (¥ 17.1 bn)

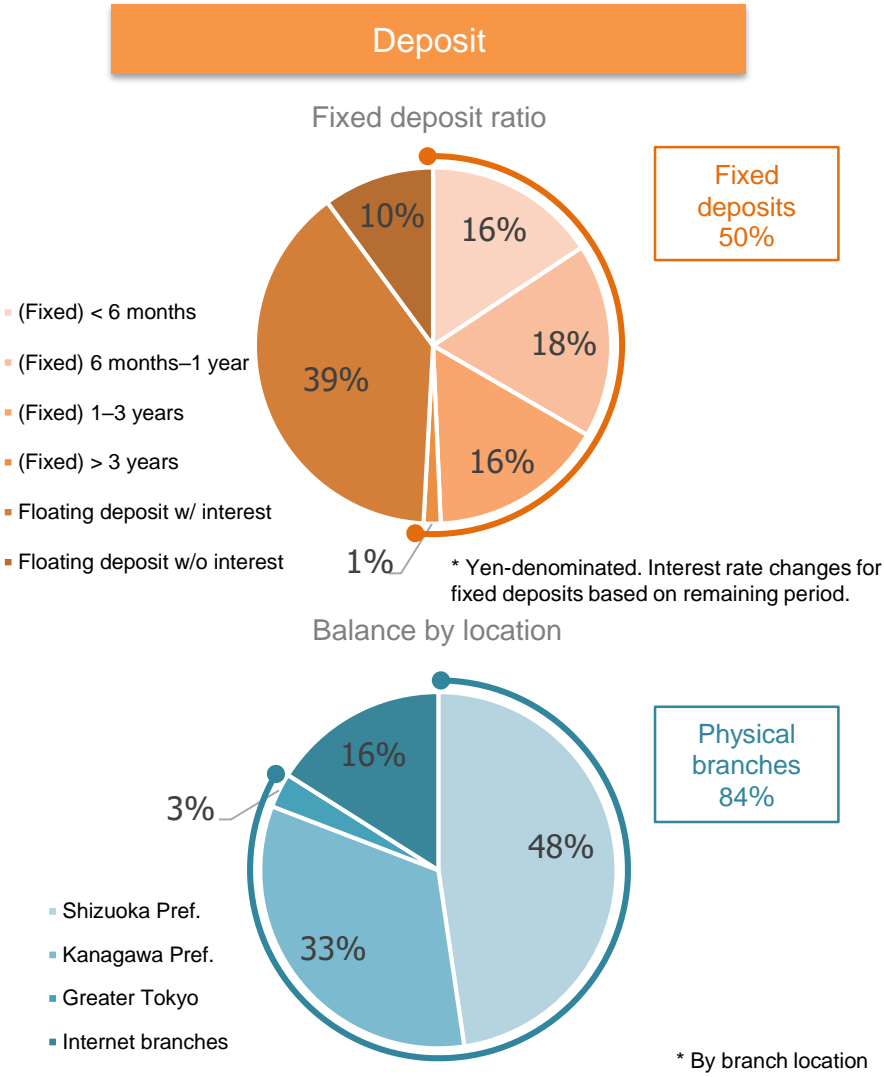
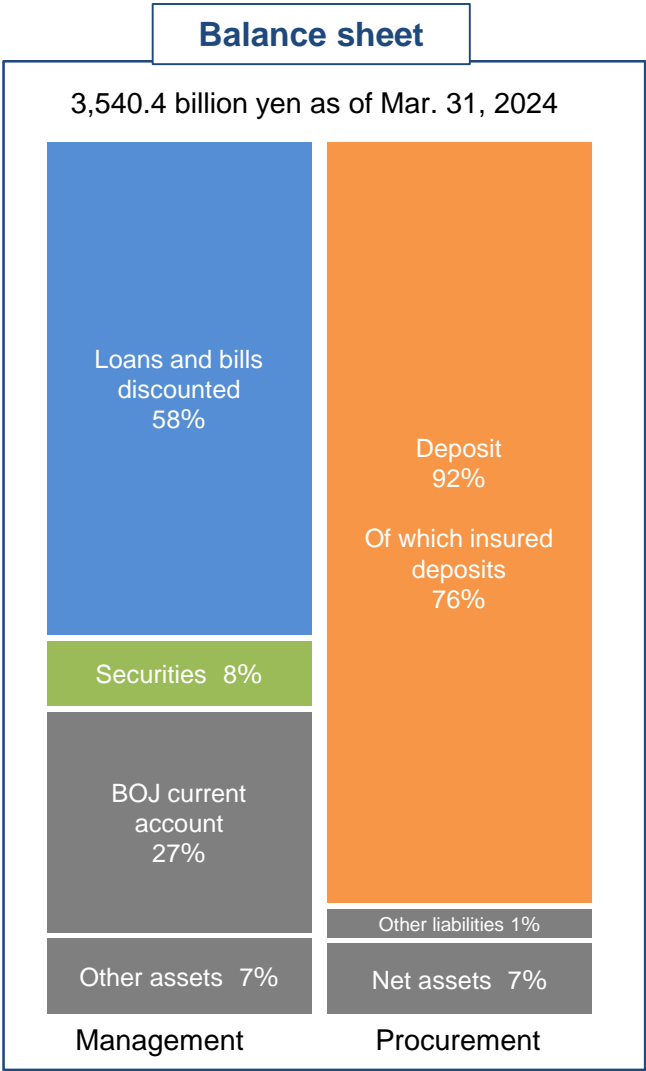
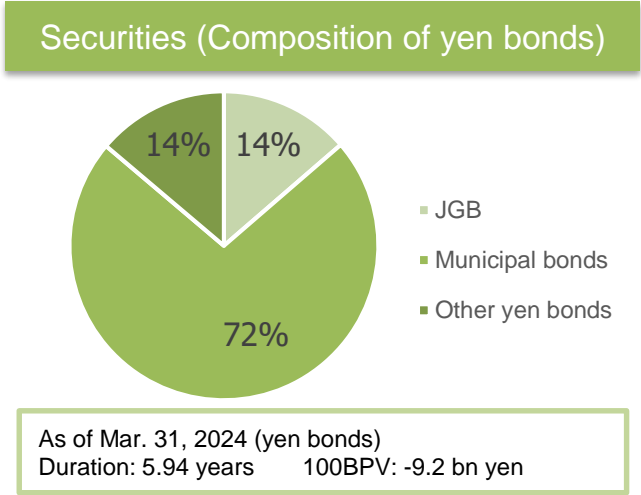
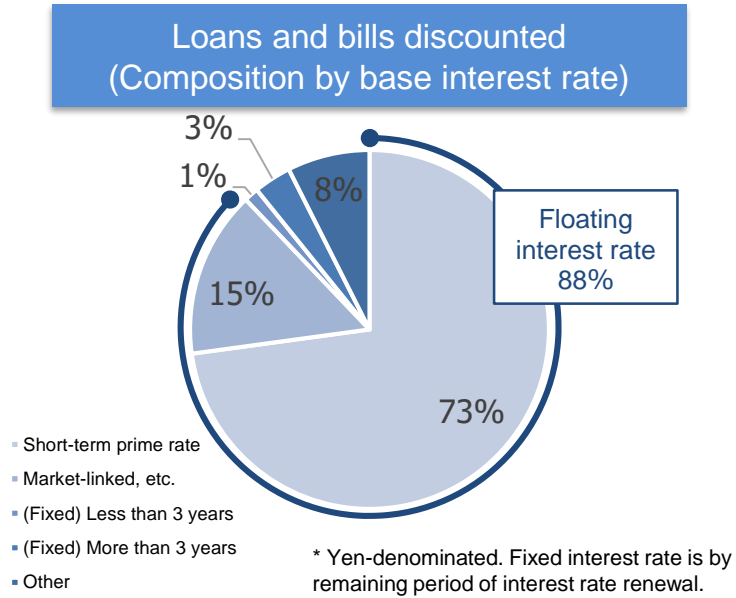
Reference: Mid-term plan KPIs: Capital adequacy ratio 10% or higher (effective)
Any unrealized loss on securities is deducted from core capital.

Cross-Shareholdings



Sales of cross-shareholdings during FY2023: ¥ 3.8 bn
(including deemed shareholdings: ¥ 16.0 bn)

Our loan portfolio is dominated by variable interest rates so when interest rates rise, we expect a positive impact on profits





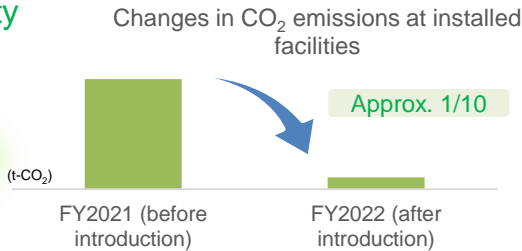
Contributions to Environmental Preservation—The Suruga Bank Group’s Materiality

Shizuoka Prefecture is rich with forests, marine resources and sightseeing spots, such as Mt. Fuji and Suruga Bay, but faces many environmental issues, including a fall in the use of forests for public interest, a decline in marine resources as well as the problems of waste and marine plastic. For the sustainable development of the region and our Group, we are actively promoting initiatives that help solve these issues.

Decarbonization initiatives

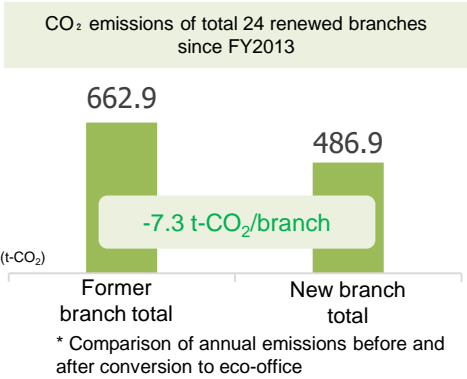
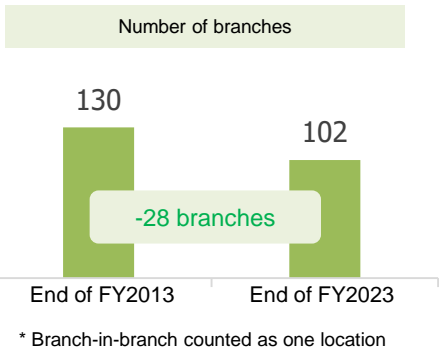
■ Introduction of CO₂-free electricity

- Shizuoka Green Electricity
- Green Basic Plan
- Uchicchi Electricity



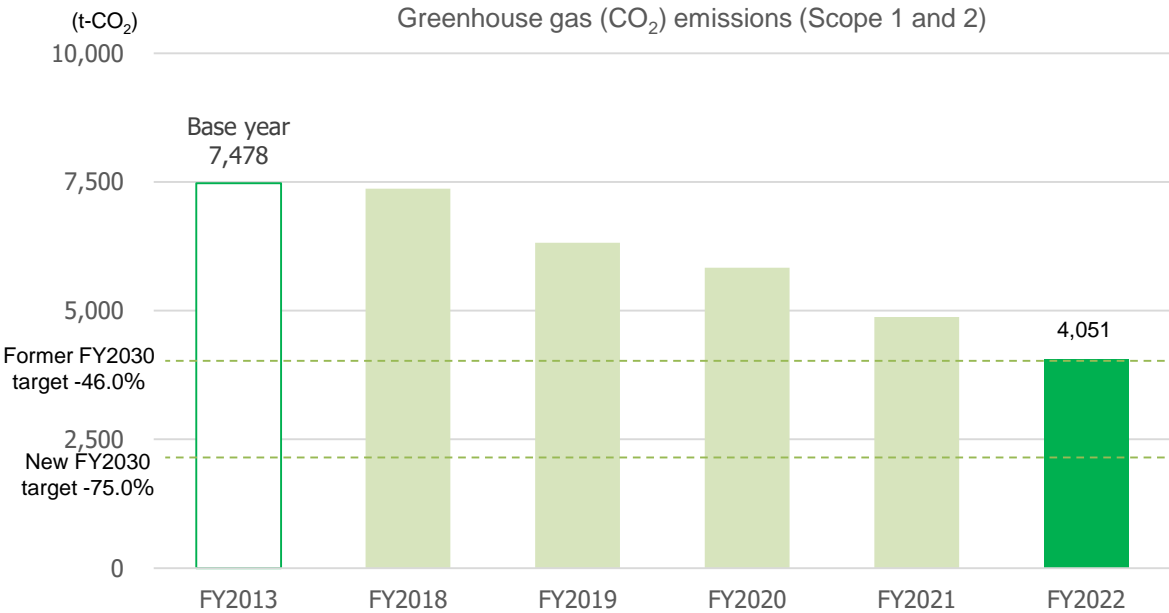
■ Reorganization of office network and move to eco-offices

- Aim to optimize branch functions and network
- When renovating branches, we introduced environmentally friendly equipment, and many new branches received CASBEE Shizuoka A rank and CASBEE Kanagawa A rank



Resetting of reduction targets for greenhouse gas (CO₂) emissions

Based on progress in reducing greenhouse gas (CO₂) emissions ahead of schedule, we have increased our reduction target for FY2030



Creating an environment where employees can thrive and grow—The Suruga Bank Group’s Materiality

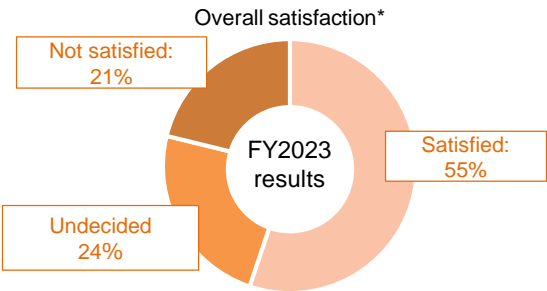
For Suruga Bank to grow further, a virtuous cycle of improving employee engagement and greater investment in human capital is essential. To promote this virtuous cycle, we have been actively implementing a “listening ⇄ human capital investment” initiative since last year.

Employees’ wishes

■ Employee motivation questionnaire

Target FY2025 overall satisfaction 60% or more

To improve employee motivation, a survey of all employees is conducted every fiscal year in order to understand their current situation.



- Survey topics
- Overall satisfaction: 1 question
 - Employee feelings and attitudes: 32 questions
 - Awareness of actual conditions in the workplace: 20 questions
 - Evaluation system / education and training: 16 questions
 - Evaluation and awareness of the Bank: 16 questions
 - Other: 24 questions

* Overall satisfaction: In the question, “Overall, how satisfied are you with your current job/company/workplace?”, the percentage of respondents who answered “Satisfied” out of the options of “Satisfied,” “Undecided,” “Dissatisfied”

Awareness of issues through survey analysis

The results of the past year’s questionnaire showed that while “ease of working” in the organization scored high, “satisfaction” with work and “motivation/pride” in work (sense of accomplishment, fulfillment, and self-discretion) scored low. Based on the results of these questionnaires, we are looking at and implementing measures to improve motivation.

Specific measures to improve the workplace environment

Measures to increase motivation and pride

Fast promotion system

By relaxing the requirement for a certain level of practical experience for the recruitment exam and allowing employees to take exams earlier, young employees are encouraged to go for promotions.

Career vision meetings

Career groups have been set up based on skills where employees are encouraged to engage in dialogue with their department heads about what part of the groups interests them, as an opportunity for employees to think about their careers.

MIRAI-Management School training program

Supporting the medium- to long-term development of female leaders through internal and external training to acquire the skills, knowledge, and experience necessary for career advancement.

Internal recruitment system

As part of their career development and in order to support the challenge and growth of employees, applicants are given roles primarily in highly specialist departments.

Creation of an environment where employees can work until the age 70 (activities to support older employees)

In order to share and participate in Suruga’s vision of expecting employees to work and contribute until the age of 70, we provide opportunities and support systems for such participation, and develop personnel policies for older employees.

■ Revision to human capital investment KPI

The amount of new human capital investment during the second phase of the mid-term business plan (3-year total) has been revised to incorporate further investments in human capital.

Before revision **over ¥100 m** → After revision **over ¥250 m**

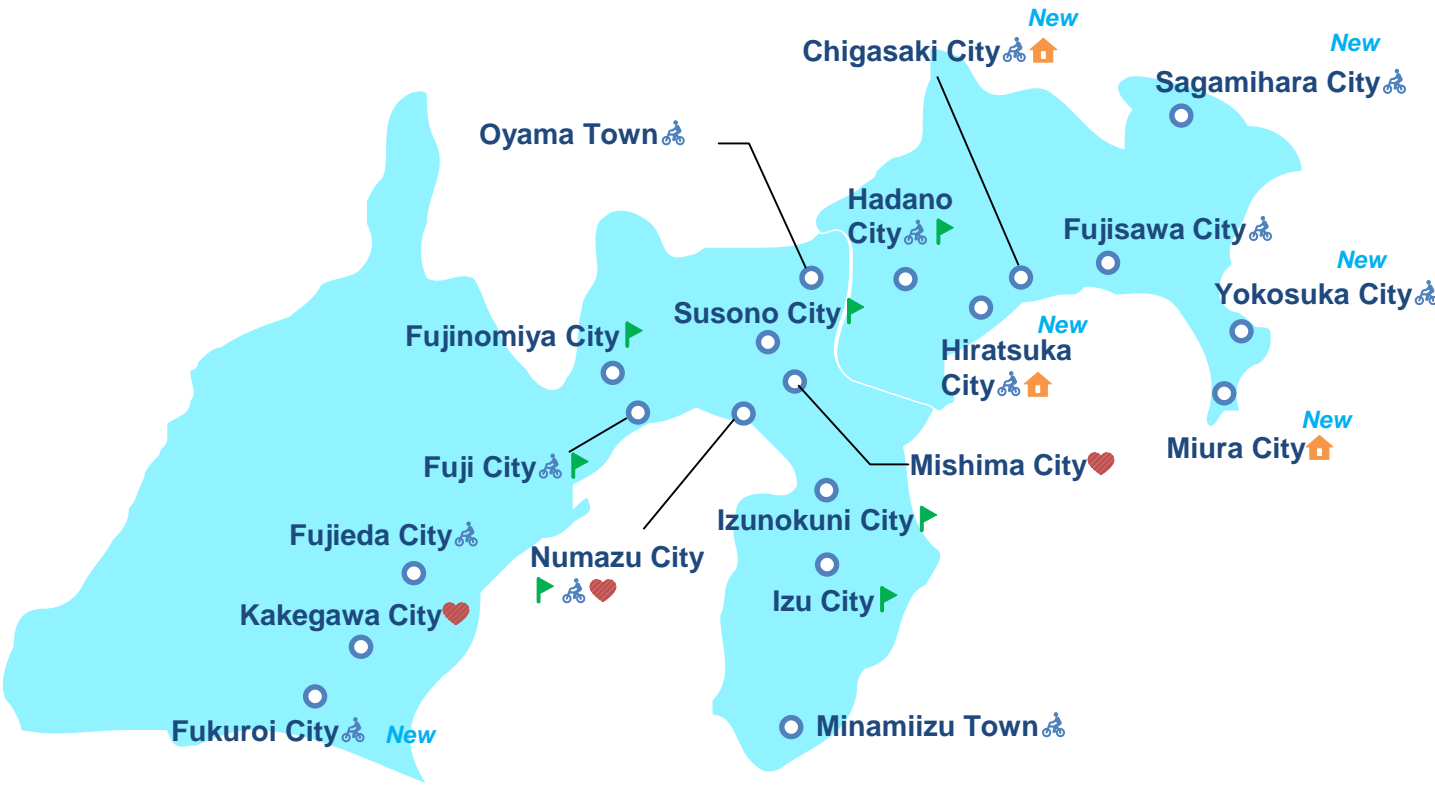
Building Sustainable Local Economies and Societies—The Suruga Group’s Materiality

We will help to create sustainable regional economies and society by concluding agreements with cities, towns, and private companies, working together and cooperating in various fields related to regional revitalization to solve regional issues and revitalize regions.

■ Collaborating with local governments

As of Apr. 30, 2024

- Partnership Agreement on Bicycle Promotion
- Agreement on Migration and Settlement
- Agreements on Bequests
- Other Agreements on Regional Revitalization, etc.
- New..... Partners since FY2023



■ Collaboration with private companies, etc.

As of Apr. 30, 2024

	Agreements concluded with (in no particular order)
	Izu Peninsula Geopark and Tourism Bureau; Daytona Corp.; Roots Sports Japan; Conference in Shizuoka on the Creation of a Sanctuary for Sport Cyclists; Izukyu Corporation; Kona Resort Inc.; Tokinosumika Co., Ltd.;Sompo Japan Insurance Inc.; TEPCO Power Grid, Incorporated; Pleasure, Co., Ltd.; Walkride Co., Ltd.; Tokyu Hotels & Resorts Co., Ltd.; Fuji-san Suruga Bay Ferry; Shonan Bicycle Tourism Promotion Council New
	Japanese Red Cross Society Shizuoka Branch, Shizuoka University
	Meiji Yasuda Life Insurance Company, Azul Claro Numazu

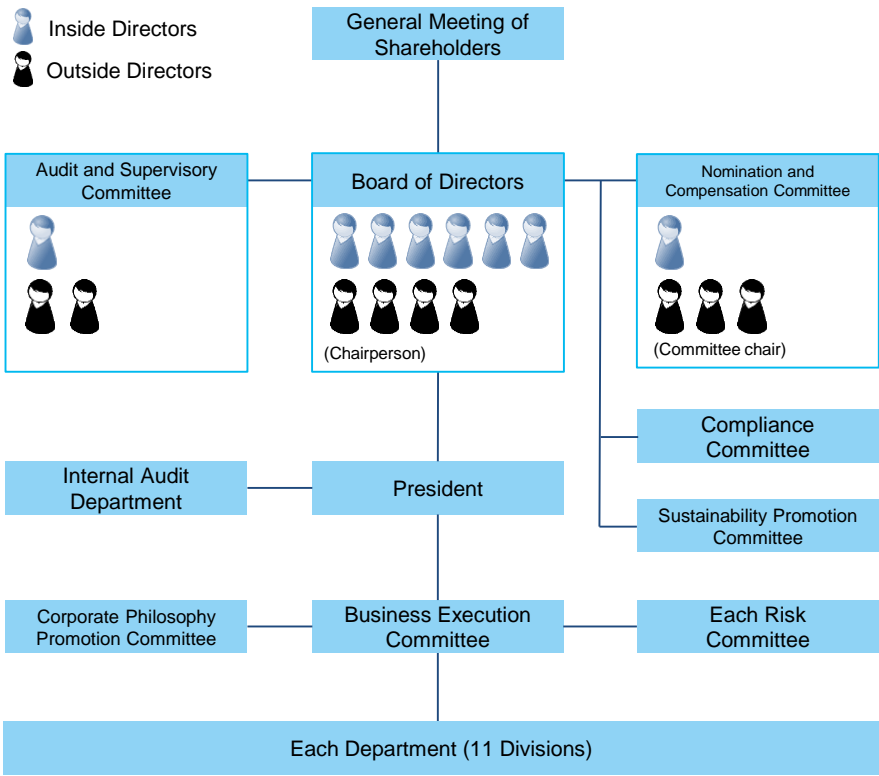


Establishment of a Solid Governance Foundation—The Suruga Group’s Materiality

The Group is working to strengthen its governance with the materiality of establishing a solid governance foundation, and with the corporate philosophy of “I’m glad you’re here... I’m glad we met” at the heart of its business.

■ Corporate Governance Structure Chart

The Board of Directors is chaired by an independent outside director to ensure sound and transparent decision-making by the Company.



* Based on the management structure to be proposed at the 213th Annual General Meeting of Shareholders.

■ Director Election Policies and Procedures

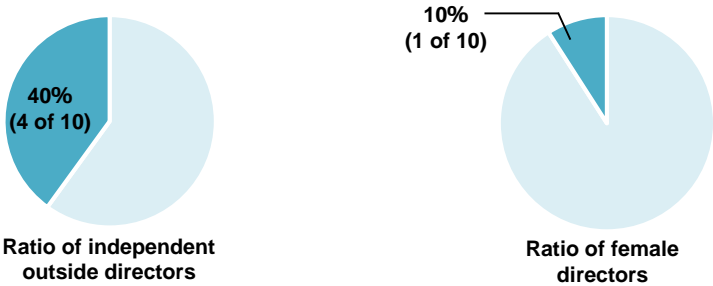
Directors

To ensure a high level of objectivity and transparency, we have adopted the following policies for the Board of Directors to select and/or dismiss senior management and to nominate candidates for director. An arbitrary Nomination and Compensation Committee (chaired by an independent outside director and composed of a majority of independent outside directors) will give full consideration to candidates based on their background, track record, and evaluation, as well as to the current situation and performance of the Company, etc. The Committee will then make its recommendations to the Board of Directors, and the Board will reach a resolution with due respect to the proposal. For directors who are also members of the Audit and Supervisory Committee, a decision will be made after approval is obtained from the Audit and Supervisory Committee.

Representative Director

Given that the appointment and dismissal of the Representative Director is the most important strategic decision of the Company, the arbitrary Nomination and Compensation Committee (chaired by an independent outside director and composed of a majority of independent outside directors), in response to a request from the Board of Directors, spends sufficient time and resources deliberating on the background, performance, evaluation, and suitability of the candidates. The Committee will then make its recommendations to the Board of Directors, and the Board will reach a resolution with due respect to the proposal in an objective, timely, and transparent manner.

■ Composition of Directors



* Based on the management structure to be proposed at the 213th Annual General Meeting of Shareholders.

■ Establishment of a whistleblowing system

To centrally manage internal reports from employees and risk information received from external sources, a specialized department, the Internal Whistleblowing Office, has been established. Additionally, an Audit and Supervisory Committee Reporting Desk that handles reports regarding directors and executive officers, as a point of contact independent from senior management, has also been established. Internal reports, including whistleblowing, customer complaints and feedback, as well as risk information received from external sources, such as the Japanese Bankers Association, are centrally managed by the Internal Whistleblowing Office to create a workplace environment where employees can work with peace of mind.



Toward FY2025 (the final year of the mid-term business plan): Accelerate the mid-term business plan strategy (restructuring of the profit structure based on the three arrows) and aggressively invest in human capital and business infrastructure for the next stage (future growth)

(billion yen)

	FY3/24	FY3/25 forecast	FY3/26 projection
Core gross operating profit (excluding gains/losses on cancellation of investment trusts)	58.5	56.0	—
Of which, new business gross profit	11.3	16.0	19.0
Expenses (—)	35.1	35.5	34.0
Actual credit costs (—)	(2.0)	3.0	—
Loss on securities	(5.1)	0	—
Ordinary profit	20.1	18.5	17.0
Net income	15.0	14.5	—
Profit attributable to owners of parent	15.3	14.5	13.5

Capital adequacy ratio (Finalized Basel III basis)	11.87%	—	10% or over (effective)
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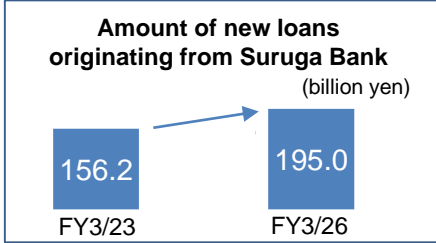
* Blue outlines indicate KPIs in the mid-term business plan

Arrow 1: New business gross profit growth

* Sub-KPIs in the mid-term business plan

Driven by steady progress in the Credit Saison alliance and growth in new loan disbursements

	FY3/23	FY3/26 projection
Retail/Solution businesses	¥ 2.3 bn	¥ 7.5 bn
Market finance	¥ 5.4 bn	¥ 11.5 bn
Total new business gross profit	¥ 7.7 bn	¥ 19.0 bn



Arrow 2: Completing cost structure reform

Completed cost structure reform with expenses down 27% compared to FY2018, while factoring in greater investment in new human capital

	FY2018 results	FY2022 results	FY2025 revised projections	Phase 2 reduction amount
Expenses	¥ 46.8 bn	¥ 36.2 bn	¥ 34.0 bn	(¥ 2.2 bn)

-27%

Arrow 3: Stabilizing actual credit costs at low levels

Efforts to improve credit quality

* Intended pace for FY2025 and beyond = Actual credit cost ratio of about 10 bps
(about ¥2 bn/year)

Reference Materials

(Non-consolidated)

(billion yen)

	FY3/23 results (A)	FY3/24 results (B)	YoY comparison (B) - (A)
Core gross operating profit (excluding gains/losses on cancellation of investment trusts)	60.2	58.5	(1.7)
Expenses (－)	36.2	35.1	(1.0)
Personnel expenses	13.6	13.4	(0.2)
Actual credit costs (－)	(1.1)	(2.0)	(0.8)
Loss on securities	(14.4)	(5.1)	+9.2
Other non-recurring gains (losses)	0.2	(0.1)	(0.3)
Ordinary profit	11.2	20.1	+8.8
Extraordinary gains (losses)	(1.2)	(1.1)	+0
Net income	9.5	15.0	+5.4

(Consolidated)

Consolidated ordinary revenue	92.4	91.4	(0.9)
Consolidated ordinary profit	13.2	20.6	+7.3
Profit attributable to owners of parent	10.5	15.3	+4.7

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

Net interest income	<ul style="list-style-type: none">• Decrease in interest on loans and bills discounted: -3.4 billion yen (decrease in average balance: -1.0 billion yen, decrease in yield: -2.4 billion yen)• Decrease in interest and dividends on securities: -1.3 billion yen• Increase in interest on monetary receivables purchased: +1.3 billion yen
Expenses	<ul style="list-style-type: none">• Decrease in personnel expenses: -0.2 billion yen• Decrease in property expenses: -1.0 billion yen
Actual credit costs	<ul style="list-style-type: none">• Loss on reversal of allowance for loan losses resulting from the lump-sum transfer of share house loans: +2.5 billion yen• Allowance for new suspension of repayments by some investment real estate loan customers triggered by organizational negotiations: -2.1 billion yen• Precautionary allowance for claims for restructured loans that are unlikely to be recovered in the future: -1.0 billion yen
Loss on securities	<ul style="list-style-type: none">• Decrease in gains (losses) on bond transactions: +9.4 billion yen
Extraordinary gains (losses)	<ul style="list-style-type: none">• Partial reversal of impairment loss on fixed assets: +0.3 billion yen



(Non-consolidated)

(billion yen)

	Earnings forecast		Results
	Beginning of term	Announced Feb. 9	
Core gross operating profit (excluding gains/losses on cancellation of investment trusts)	54.0	57.5	58.5
Expenses (－)	36.0	36.0	35.1
Actual credit costs (－)	6.5	(1.0)	(2.0)
Loss on securities	0	(6.0)	(5.1)
Ordinary profit	11.5	17.0	20.1
Net income	8.5	11.5	15.0

(Consolidated)

Consolidated ordinary revenue	77.5	87.5	91.4
Consolidated ordinary profit	12.0	17.5	20.6
Profit attributable to owners of parent	8.5	12.0	15.3

Factors causing difference between forecast and actual results

- Core net operating profit ➡
 - ✓ Increase in interest on loans and bills discounted, mainly due to the accumulation of loans and bills discounted primarily in the four profit centers
 - ✓ Improved net fees and commissions due to increase in loan-related fees and decrease in group credit life insurance

- Expenses ➡
 - ✓ Decrease in property expenses due to steady progress in cost structure reform

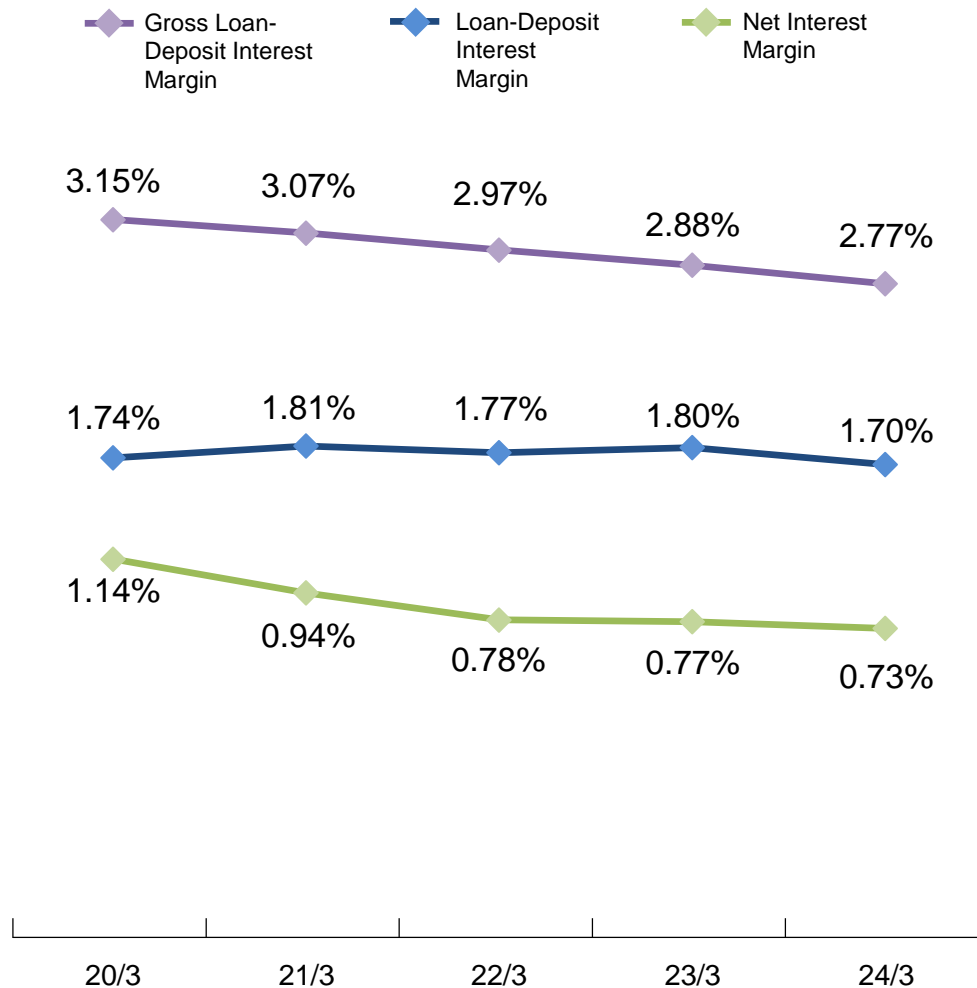
Actual credit costs ➡ (billion yen)

	Earnings forecast		Results
	Beginning of term	Announced Feb. 9	
Actual credit costs	6.5	(1.0)	(2.0)
Normal amount	(2.0)	(5.0)	(5.0)
Preventive allowances	8.5	4.0	3.0

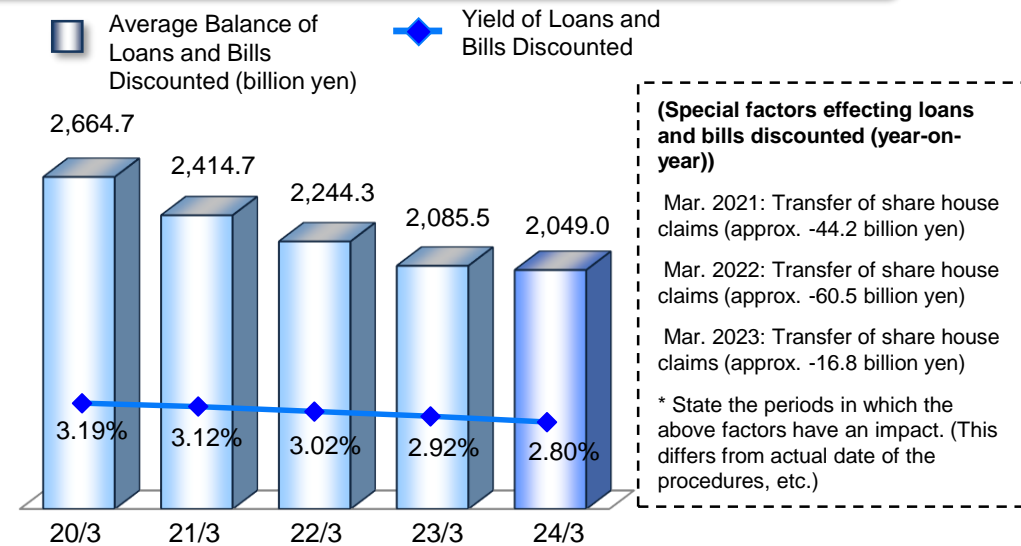
- Loss on securities ➡
 - ✓ Decrease in gains (losses) on bond transactions mainly due to reduced appraised loss on bonds and multi-asset funds, which, in an attempt to improve the quality of the securities portfolio were not expected at the beginning of the term



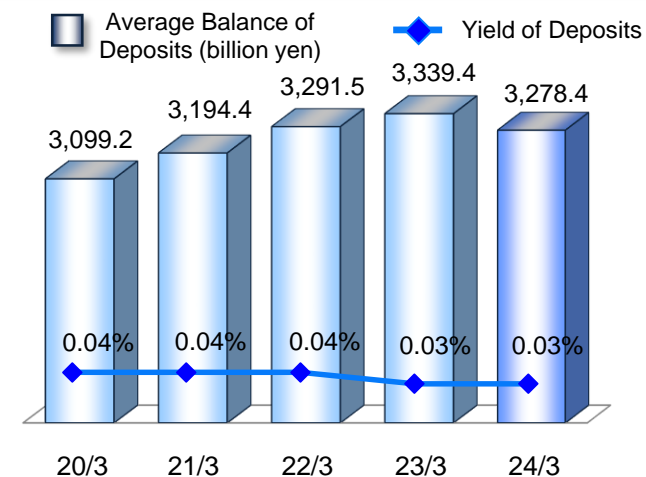
Interest Margin, etc.



Yield and Average Balance of Loans and Bills Discounted



Yield and Average Balance of Deposits





• Actual credit costs (FY3/24)

(billion yen)

Item	Actual credit costs	Allowance for loan losses
Investment real estate loans*	(0.6)	96.0
Housing loans	(0.1)	1.8
Unsecured loans	0.1	2.2
Collaboration loans, etc.*	(0)	0.2
Business financing, etc.	(1.3)	7.2
Total	(2.0)	107.6

* Investment real estate loans: Studio apartment loans, single building income loans, other secured loans

* Collaboration loans are loans made jointly or in partnership with other companies (loan participations, purchases of corporate loans, etc.)

• Disclosed Claims under the Financial Reconstruction Law (as of March 31, 2024)

(billion yen)

	Balance	Total coverage amount	Coverage amount by collateral and guarantees, etc.		Coverage ratio
			Coverage amount by collateral and guarantees, etc.	Allowance for loan losses	
Claims against bankrupt and substantially bankrupt obligors	113.9	113.9	43.2	70.6	100%
At-risk claims	53.3	34.6	22.4	12.2	65.0%
Claims for special attention	37.9	22.7	13.6	9.1	59.9%
Total	205.2	171.3	79.3	91.9	83.5%

Ratio of disclosed amount to total credit (non-performing loan ratio)	9.8%
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(billion yen)

	Mar. 2023			Mar. 2024		
	Balance	Yield	Delinquency rate	Balance	Yield	Delinquency rate
Secured loans	1,542.6	3.05%	7.02%	1,424.3	2.94%	7.21%
Housing loans	430.5	2.69%	0.27%	420.8	2.56%	0.29%
Investment real estate loans	1,079.6	3.16%	9.91%	972.1	3.07%	10.44%
Other secured loans	32.4	4.26%	0.34%	31.4	4.06%	0.23%
Unsecured loans	127.8	10.47%	2.36%	113.5	10.50%	1.78%
Card loans	89.0	11.74%	0.88%	82.6	11.63%	0.63%
Unsecured certificate loans	38.7	7.54%	5.77%	30.8	7.47%	4.88%
Personal loans (A)	1,670.4	3.62%	6.66%	1,537.9	3.50%	6.81%
Personal loans (excluding organizational negotiation partners, etc.) (F)	1,569.3		1.60%	1,442.4		1.38%
Corporate investment real estate loans (B)	57.4	1.77%	—	101.8	1.69%	—
Structured finance, etc. (C)	126.4	2.37%	—	177.6	2.32%	—
Collaboration loans, etc. (D)	131.5	2.08%	—	141.1	2.15%	0.03%
Total (E = A + B + C + D)	1,985.8	3.38%	5.60%	1,958.6	3.20%	5.35%

* Delinquency rate = Loans past due for three months or more / loan balance.

* Yield: Yield to customers (before guarantee fees and accrued interest), end-of-year balance basis

* Classified by portfolio area in the mid-term business plan Re:Start 2025

Corporate investment real estate loans include those to asset management companies, etc. Structured finance includes specified corporate bonds, etc.

Collaboration loans are loans made jointly or in partnership with other companies (loan participations, purchases of corporate loans, etc.)

* Organizational negotiation partners, etc. refers to loans to borrowers who have submitted a request for suspension of repayments as a result of organizational negotiations

Corporate
Philosophy

Vision

Phase 2
Management
Strategy

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

Shared in Phase 1 & 2

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.

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.”

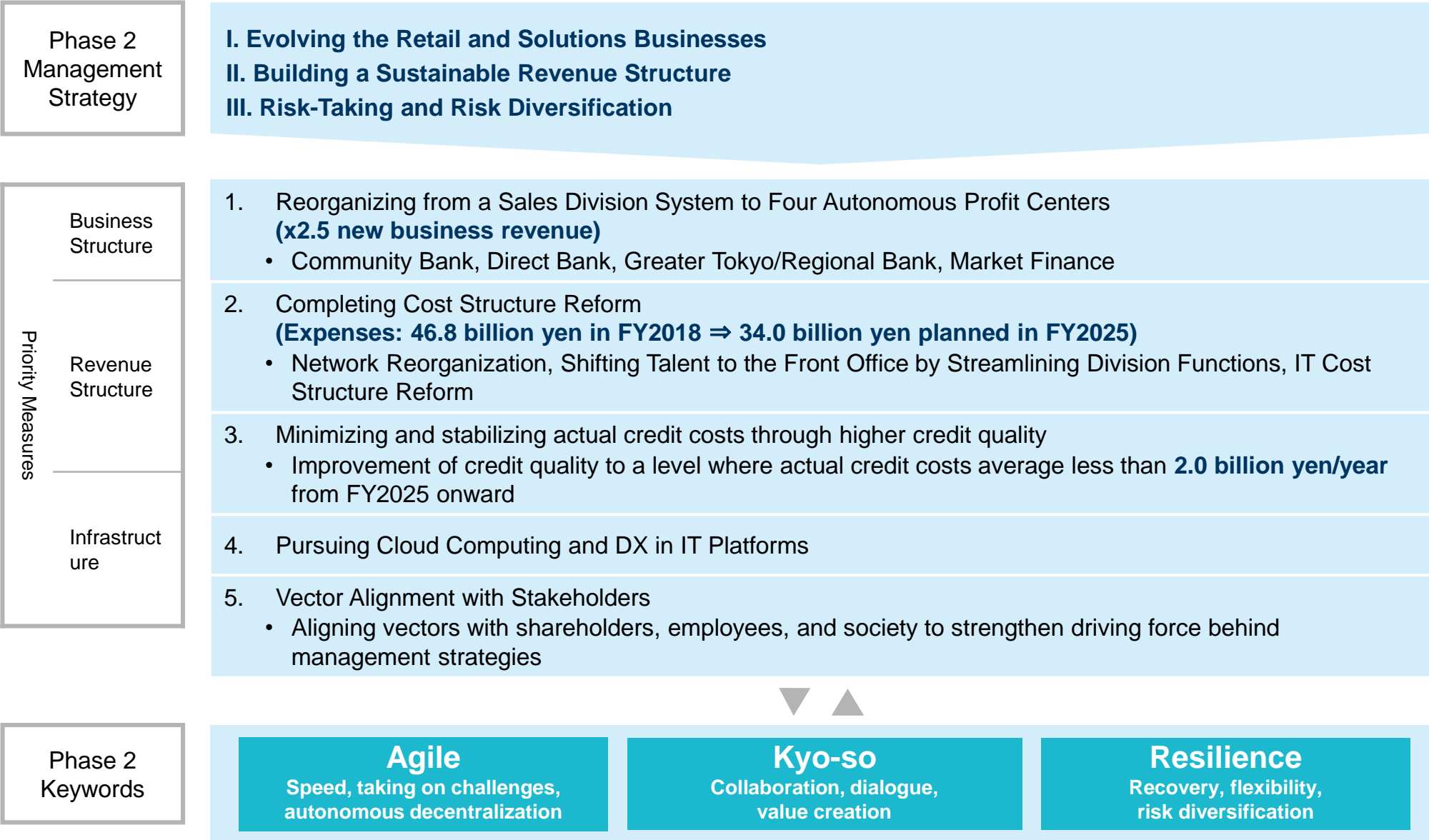
II. Building a Sustainable Revenue Structure

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

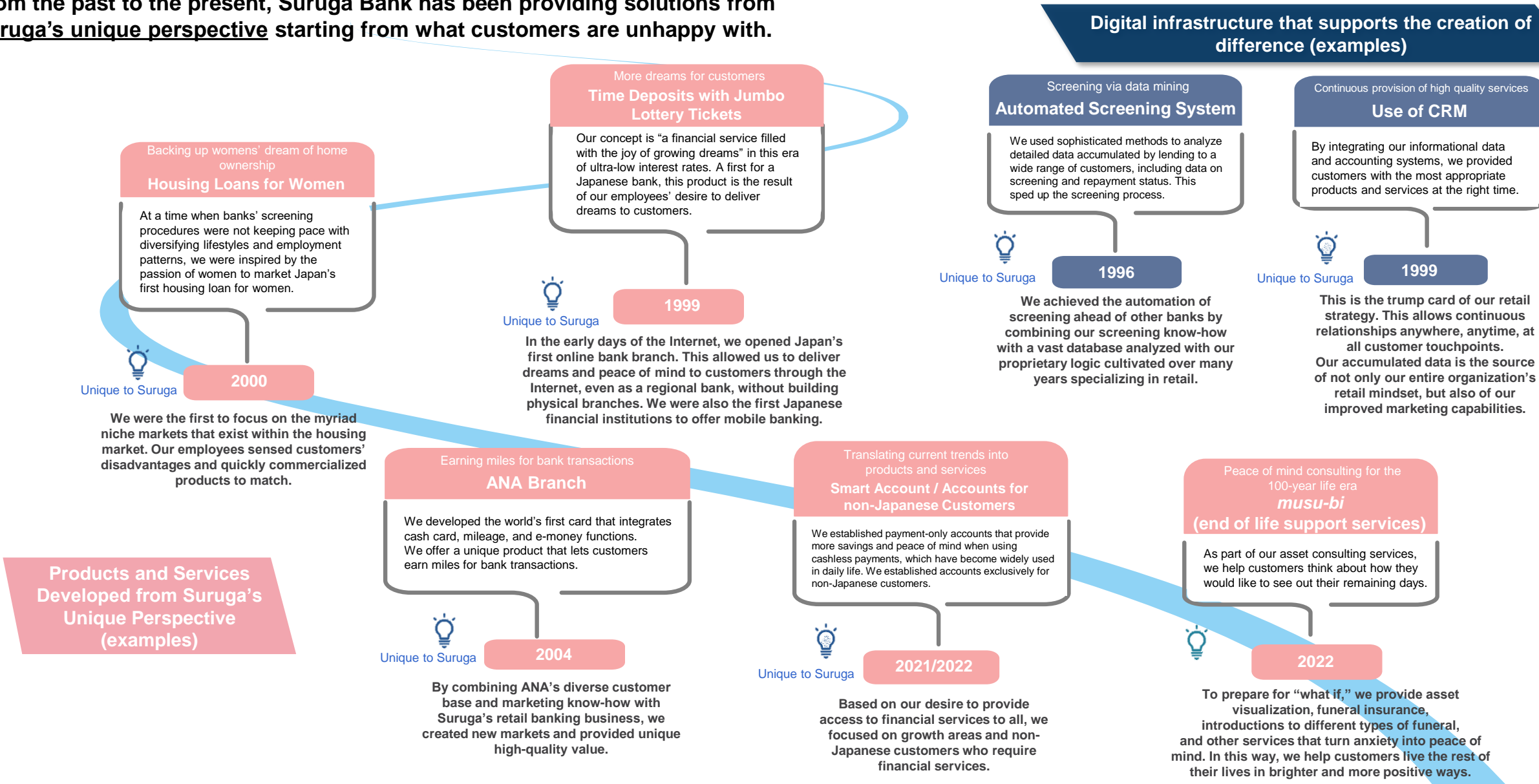
In accordance with **the Risk Appetite Framework (RAF)**, we will repeat a cycle of active risk-taking and verification in selected areas, diversifying away from our traditional risk structure concentrated in specific real estate areas*1.

*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



* 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, Suruga Bank has been providing solutions from Suruga's unique perspective starting from what customers are unhappy with.





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
Solution 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

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

2.5 times (billions of yen)

Expenses

- As part of Management Strategy II (Building a Sustainable Revenue Structure), we plan to complete cost structure reforms and increase human capital investment

* Expenses: ¥36.2 bn (FY2022) ⇒ ¥34.0 bn (FY2025)

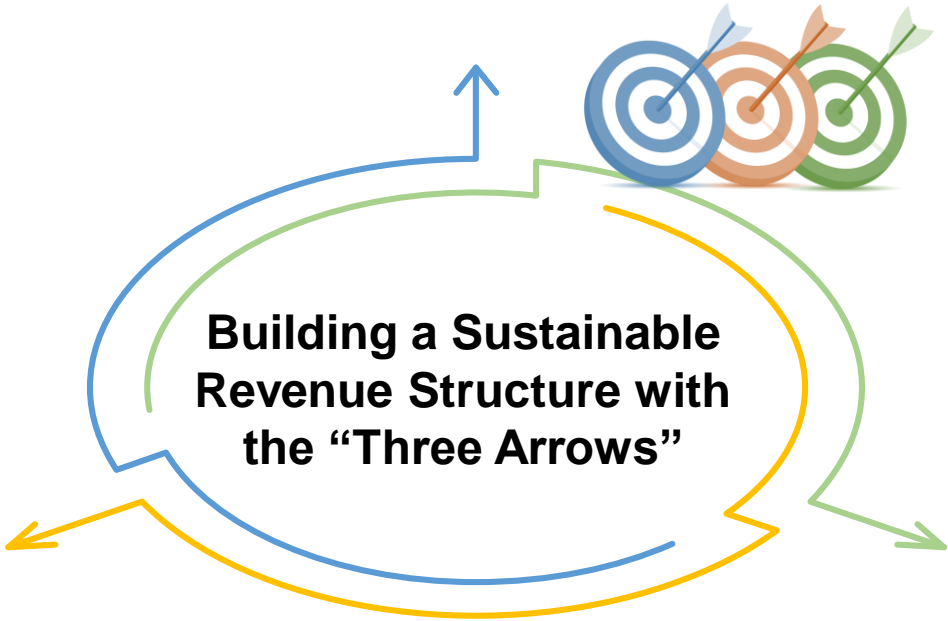
(-2.2 billion yen)

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).

* Actual credit costs: Approx. ¥9.0 bn (FY2020–2022 average)
→ Average under 2.0 billion yen per year from FY2025

(Approx. -7.0 billion yen)



Decrease in core gross operating profit from old portfolio

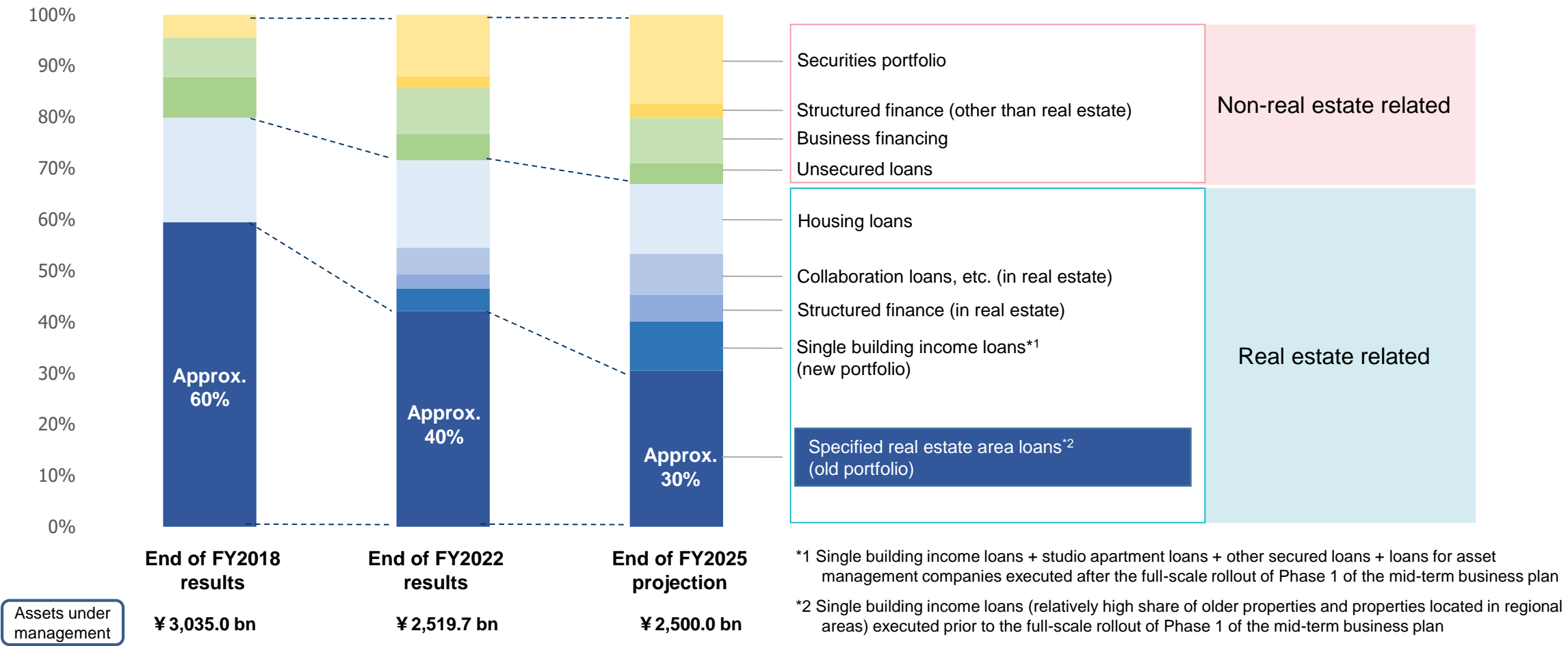
52.5 billion yen → 33.5 billion yen
(FY2022) (FY2025)
(-19.0 billion yen)

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.

Change in composition of assets under management from FY2018 to FY2025



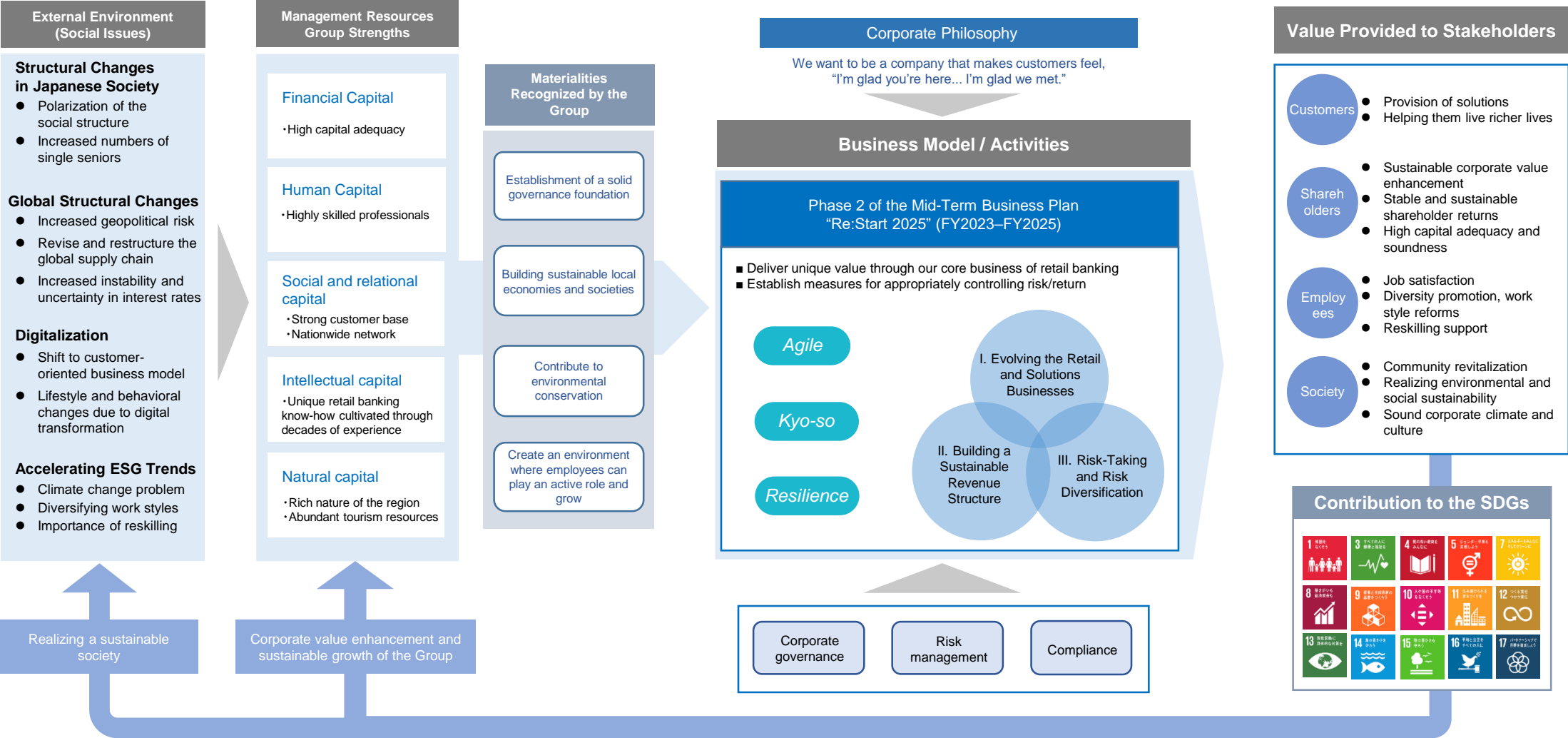
The ratio of conventional specified real estate areas to total assets under management is planned to decrease to approx. 30% (end of FY2025) after falling from approx. 60% (end of FY2018) to approx. 40% (end of FY2022)



		Initial Projections		Actual/Revised Projections*		Notes
		FY2023	FY2025	FY2023	FY2025	
Main KPIs	Ordinary profit	¥ 11.5 bn	¥ 13.0 bn	¥ 20.1 bn	¥ 17.0 bn	
	Net income (Consolidated)	¥ 8.5 bn	¥ 11.0 bn	¥ 15.3 bn	¥ 13.5 bn	• Profit attributable to owners of parent
	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)
	Expenses	¥ 36.0 bn	¥ 32.5 bn or less	¥ 35.1 bn	¥ 34.0 bn or less	
	Actual credit cost ratio	30 bps	Approx. 15 bps	-9 bps	Approx. 10 bps	• Intended pace for FY2025 and beyond • Actual credit costs / Average loans and bills discounted × 10,000 (Loans and bills discounted = Loans + Monetary claims bought)

* 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

We will realize the creation of value for stakeholders through the provision of services that address the challenges of customers and communities.





<Inquiries>

IR Office, SURUGA Bank, Ltd.

Tel: +81-3-3279-5536

e-mail: ir.koho@surugabank.co.jp

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