

Suruga Bank Ltd.  
Financial Results for the 1st Half of FY3/25

November 28, 2024

**SURUGA** bank



I Summary of Financial Results for H1 FY3/25	page
• Key Messages	1
• Financial Results for H1 FY3/25: Forecast Comparison	2
• New Loan Disbursements	3
• Revised Earnings Forecast for FY3/25 <Non-consolidated & Consolidated>	4
• Four Elements Supporting Future Sustainable Growth	5
II Business Strategy	page
• New Business Gross Profit Outlook	6
• Community Bank	7
• Direct Bank	8
• Greater Tokyo/Wide-Area Bank	9
• Market Finance	10
• Cost Structure Reform	12
• Promoting Cloud Computing and DX of IT Platforms	13
• Status of Single Building Income Loans	14
• Investment Real Estate Loans (Status of Organizational Negotiation Partners)	15

III Initiatives Toward P/B Ratio Above 1.0x	page
• Issue Recognition and Target Setting	16
• Framework and Key Initiatives	17
• Capital Policy	18
• Capital and Business Alliance with Credit Saison	19
• Impact Assessment & Risk Analysis in “World with Interest”	20
• Impact of Rising Yen Interest Rates on Net Interest Income (Current Simulation Results)	21
• Analysis of Deposit Decline Factors and Future Response Policy	22
IV ESG/SDGs Implementation Status	page
• Value Creation Process	23
• People	24
• Governance	25
• Environment	26
• Social	28
Reference Materials	page
• Financial Results for H1 FY3/25: YoY Comparison	29
• Interest Margin Status	30
• Loan Balance, Yield, and Delinquency Rate (YoY) <Non-consolidated>	31
• Actual Credit Costs and Disclosed Claims Based on the Financial Reconstruction Law <Non-consolidated>	32
• Mid-Term Business Plan Phase 2	33
• Revision of Mid-Term Business Plan KPIs	38

Definition in this document:

Credit Saison Co., Ltd.      Credit Saison, Saison

## **I Summary of Financial Results for H1 FY3/25**

## **II Business Strategy**

## **III Initiatives Toward P/B Ratio Above 1.0x**

## **IV ESG/SDGs Implementation Status**



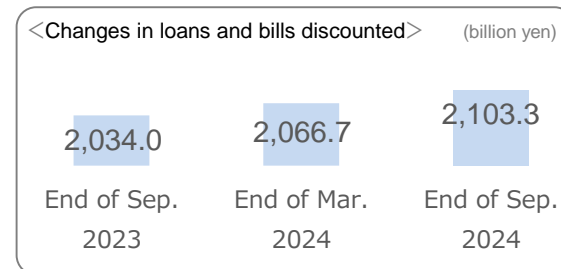
## ● Upward Revision to Full-Year Earnings Forecast Following Steady Progress in First Half of FY3/25 - Three Arrows of Mid-Term Business Plan Making Steady Progress



(First Arrow) **Core gross operating profit** (excluding gains/losses from investment trust cancellations), which is the top line, increased by ¥1.4 billion compared to the initial plan

- **New loan disbursements** reached ¥153.9 billion, achieving 61% of the initial plan (an increase of ¥51.4 billion year-on-year)

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



(Second Arrow) **Expenses** decreased by ¥0.7 billion compared to the initial plan due to steady progress in cost structure reforms



(Third Arrow) **Credit quality improvement** is demonstrated by the **steady decline** in the ratio of disclosed claims based on the Financial Reconstruction Law

- The ratio of disclosed claims based on the Financial Reconstruction Law was 9.1% (down 1.0 percentage points year-on-year)  
Excluding organizational negotiation partners, the ratio was 5.3% (down 0.7 percentage points year-on-year)
- Actual credit costs decreased by ¥2.5 billion compared to the initial plan

As a result, **non-consolidated net income for the first half increased by ¥4.0 billion compared to the initial plan**

## ● Dividend Increase Along with Upward Revision to Full-Year Earnings Forecast - Annual Dividend per Share Forecast Increased by ¥7 from Initial Forecast to ¥29



Due to progress exceeding the mid-term business plan projections, net income (non-consolidated) for September 2024 was **+¥4.0 billion [+57%]** compared to initial forecast

Main factors: Core gross operating profit +¥1.4 billion, expenses -¥0.7 billion, actual credit costs -¥2.5 billion

<Non-consolidated >

	FY9/24		Difference (B) – (A)
	Initial forecast (A)	Results (B)	
Core gross operating profit (excluding gains/losses on cancellation of investment trusts)	28.5	29.9	+1.4
Expenses (–)	18.0	17.3	(0.7)
Actual credit costs (–)	2.5	(0)	(2.5)
Gain (loss) on securities	0	0	+0
Ordinary profit	8.5	12.8	+4.3
Net income	7.0	11.0	+4.0

< Consolidated >

Consolidated ordinary profit	8.5	12.9	+4.4
Profit attributable to owners of parent	7.0	11.0	+4.0

< Main factors >

- Core gross operating profit (Top line) ➡
  - ✓ New loan disbursements in the four profit centers are progressing at a pace exceeding initial forecasts (61% progress against full-year initial plan)
- Expenses ➡
  - ✓ Decrease in property expenses due to steady progress in cost structure reform
- Actual credit costs ➡

		FY9/24	
		Initial forecast	Results
Actual credit costs total		2.5	(0)
Normal amount*	Actual credit costs arising from loans without special factors • Includes reversal of allowance for loan losses for share house-related loans (approx. -¥1.0 billion) in H1 results	0.7	(0.6)
Preventive allowances	Eligible allowances as follows	1.5	0.4
	Allowance for new suspension of repayments by some investment real estate loan customers triggered by organizational negotiations	0	(1.0)
	Allowance for claims for restructured loans that are unlikely to be recovered in the future	1.5	1.4
Corporate*	Actual credit costs arising from corporate loans	0.3	0.2

\* At the time of initial forecast announcement, 'Corporate' was included in 'Normal amount', but has been classified separately in this report



New loan disbursements in the four profit centers have achieved 61% progress against the full-year plan

➤ Full-year projection revised upward to ¥280.0 billion, an increase of ¥30.0 billion from initial forecast

<New loan disbursements>

	Beginning of term Full-year plan (A)	FY 9/24 Results (B)	Progress rate (B)/(A)	(billion yen)  Full year Projection
Origination sector	185.0	118.2	63%	215.0
Solutions business	55.0	33.0	60%	60.0
Investment real estate loans	70.0	47.6	68%	85.0
Structured finance	60.0	37.6	62%	70.0
Collaboration loans, etc.	65.0	35.6	54%	65.0
Total	250.0	153.9	61%	280.0

Upward revision of ¥30.0 billion

\*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.



**Taking into account strong H1 performance and changes in the financial and economic environment since the initial forecast, we have revised our full-year earnings forecast upward (Ordinary profit (non-consolidated) +¥3.5 billion, Net income (non-consolidated) +¥3.0 billion)**

## <Non-consolidated>

(billion yen)

	FY9/24 Results	FY3/25 forecast		Change ② – ①
		Initial forecast ①	Current forecast ②	
Core gross operating profit (excluding gains/losses on cancellation of investment trusts)	29.9	56.0	58.5	+2.5
Expenses (–)	17.3	35.5	35.0	(0.5)
Actual credit costs (–)	(0)	3.0	2.5	(0.5)
Gain (loss) on securities	0	0	0	±0
Ordinary profit	12.8	18.5	22.0	+3.5
Net income	11.0	14.5	17.5	+3.0

## <Consolidated>

(billion yen)

FY9/24 Results	FY3/25 forecast		Change (④ – ③)
	Initial forecast ③	Current forecast ④	

12.9	19.0	22.0	+3.0
11.0	14.5	17.5	+3.0

## < Assumptions Behind FY3/25 Actual Credit Cost Forecast (Non-consolidated)>

### [Normal amount]

•Actual credit costs for loans without special factors are expected to be -¥2.0 billion, a decrease of ¥1.4 billion from initial forecast, incorporating reversal of allowance for loan losses for share house-related loans (approx. -¥1.6 billion) and increase in recoveries of written-off claims

### [Preventive allowances]

•For claims suspended from repayment triggered by organizational negotiations from some investment real estate loan customers (a), we expect -¥1.5 billion, a decrease of ¥1.5 billion from initial forecast, as there were almost no additional allowances for new cases, while we expect reversal of allowance for loan losses due to progress in individual resolutions through support for voluntary sales

•Additional allowances for claims for restructured loans that are unlikely to be recovered in the future (b) are progressing largely as initially planned

•Through (a) and (b) above, preventive allowances are expected to be ¥1.5 billion, a decrease of ¥1.5 billion from initial forecast

### [Corporate]

•Expected to be ¥3.0 billion, an increase of ¥2.4 billion from initial forecast, as additional allowances will be made in H2 for some corporate loans from a preventive perspective

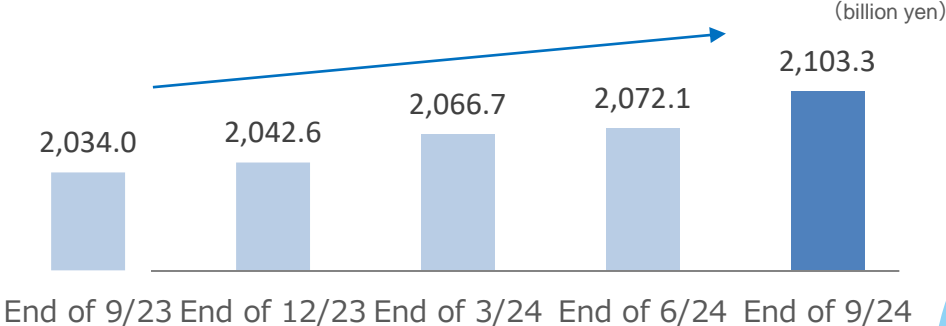
	FY9/24 Results	FY3/25	
		Initial forecast	Current forecast
Actual credit costs	(0)	3.0	2.5
Normal amount*	(0.6)	(0.6)	(2.0)
Preventive allowances	0.4	3.0	1.5
( a )	(1.0)	0	(1.5)
( b )	1.4	3.0	3.0
Corporate*	0.2	0.6	3.0

\*At the time of initial forecast announcement, 'Corporate' was included in 'Normal amount', but has been classified separately in this report



<Balance of loans and bills discounted>

Since September 2023, the balance has reversed from a declining trend to an increase



<Asset quality>

Through steady efforts toward quality improvement, the ratio of disclosed claims based on the Financial Reconstruction Law has gradually decreased

	End of 3/24	End of 9/24	Change
Ratio of disclosed claims to total credits	9.88%	9.16%	(0.72)pt
Excluding organizational negotiation partners	5.95%	5.37%	(0.58)pt

<Securities>

(billion yen)

	End of 3/24		End of 9/24	
	Fair value	Unrealized gains (losses)	Fair value	Unrealized gains (losses)
Available-for-sale securities	270.9	21.7	314.4	22.6
Stocks	46.9	25.2	48.7	27.1
Bonds	159.0	(0.9)	193.5	(2.0)
Others	64.9	(2.6)	72.1	(2.3)

Although unrealized losses on bonds expanded due to rising interest rates, overall unrealized gains/losses remain at sufficient levels. We are proceeding with portfolio restructuring focused on yen-denominated bonds, which are expected to generate stable income.

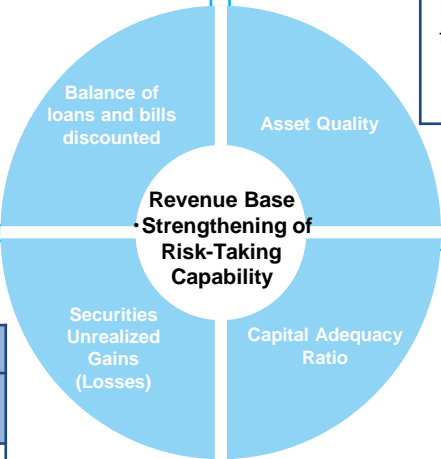
<Capital adequacy ratio>

(billion yen)

	End of 3/24	End of 9/24
Capital Adequacy Ratio	14.00%	13.91%
Total Capital (Core Capital)	258.6	261.0
Risk-Weighted Assets, etc.	1,846.2	1,876.4

\*Capital adequacy ratio after Basel III finalization (as of Sep. 30, 2024): 11.6%

Maintaining sufficient capital buffer to enable necessary risk-taking as we transition to a "world with interest"





## **I Summary of Financial Results for H1 FY3/25**

## **II Business Strategy**

## **III Initiatives Toward P/B Ratio Above 1.0x**

## **IV ESG/SDGs Implementation Status**



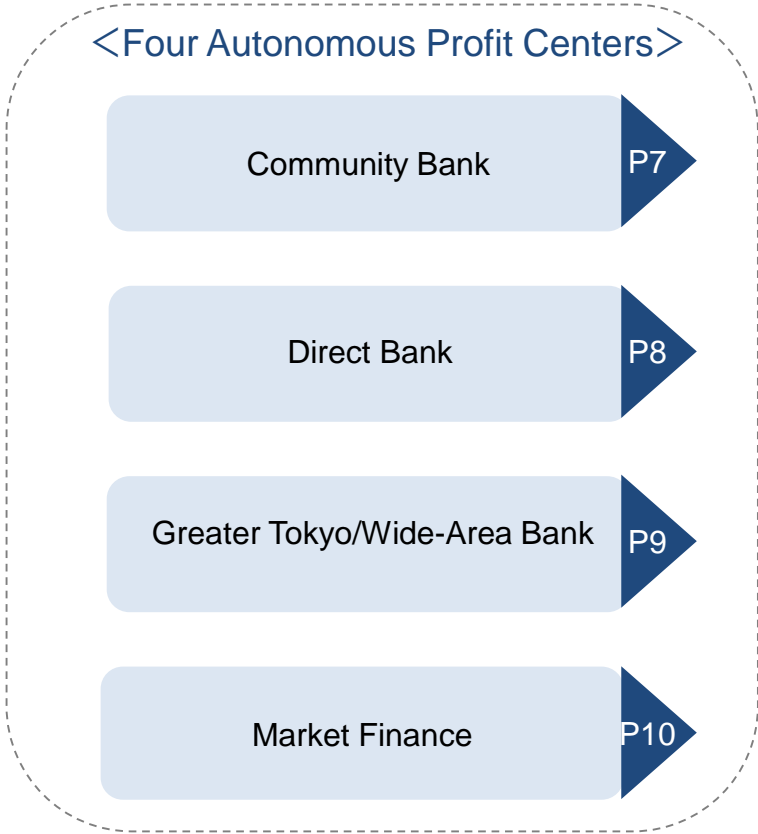
Due to steady progress in the Mid-Term Business Plan, new business gross profit for FY3/25 is expected to reach ¥17.9 billion, an increase of ¥1.9 billion compared to the initial forecast

New business gross profit (Core gross operating profit - New portfolio)

	First half of FY3/25 Results	FY3/25 Forecast		Change ② - ①
		Initial forecast ①	Current forecast ②	
Retail and Solutions Business	3.1	5.9	6.8	+0.9
Solutions Business*	1.1	2.3	2.5	+0.2
Investment Real Estate Loans	2.0	3.6	4.3	+0.7
Market Finance	5.7	10.0	11.1	+1.1
Structured Finance	2.6	4.7	5.7	+1.0
Market Operations, etc.**	3.1	5.3	5.4	+0.1
Total New Business Gross Profit (New Portfolio)	8.8	16.0	17.9	+1.9
Reference: Old Portfolio Gross Profit	21.2	40.0	40.6	+0.6

\*Solutions Business includes: Asset consulting, housing loans, unsecured loans, etc.  
 \*\*Market operations, etc. include collaboration loans, etc.

- 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

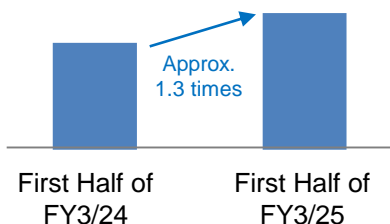




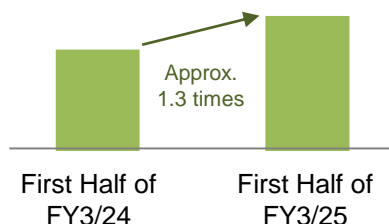
The Community Bank, operating in our home markets of Shizuoka and Kanagawa Prefectures, is making progress in both personal solutions business and corporate solutions business

## Personal Solutions Business

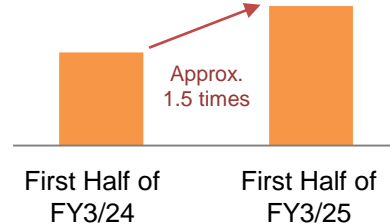
### Housing Loan Disbursements



### Unsecured Loan Disbursements



### New Investment Trust and Insurance Sales



## Initiatives to Increase Sticky Deposits

- Customer Communication Initiative "Continuation of the 100-Person Program"
- Implementation of account-based sales utilizing campaigns centered on "First Time with Suruga Series 2024"
- Sharing model patterns for acquiring multiple business relationships based on successful cases

## ■ Building Models for Acquiring Multiple Business Relationships



## Corporate Solutions Business

### Sustainable Management

- SDGs Initiative Support
- Business Succession
- M&A Support...etc.

### Management Support

- Business Financing
- Cashless Payment Support
- Human Resources Support
- Employee Seminars...etc.

### Corporate Solutions Business

Expanding Foundation through Management Issue Support

### Operational Efficiency

- Internet Banking
- Cashless Payment Support
- IT and Digital Transformation Support
- Equipment Implementation Support...etc.

### Shizuoka CB

- Expanding regional corporate foundation
- Focus on targeted corporate lending
- Proposing flexible funding solutions

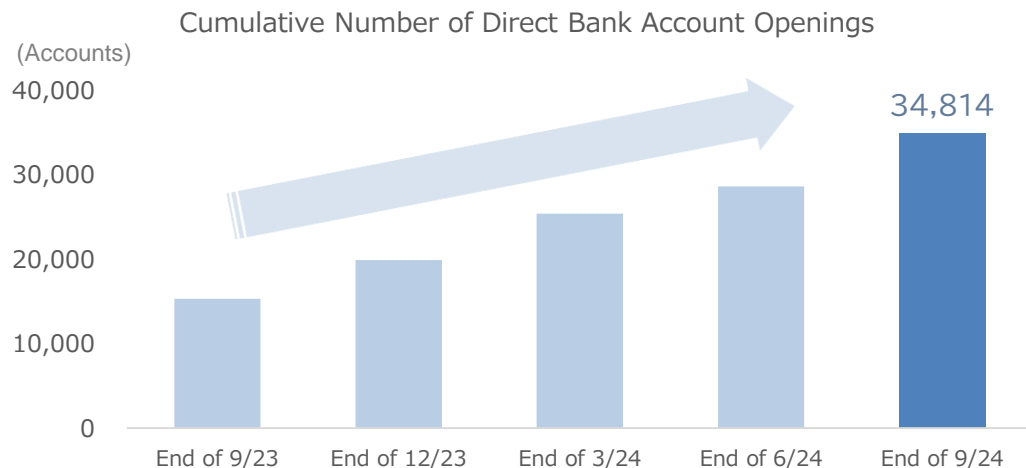
### Kanagawa CB

- Deepening expertise in personal loan areas
  - Focus on synergies with corporate solutions
  - Expanding to sole proprietors and freelancers



Expanding our customer base by offering everyday accounts and purpose-specific loans to customers nationwide through non-face-to-face transactions primarily via web and smartphone channels, while strengthening also collaboration focused on Financial Inclusion (FI) including non-Japanese customers

## Progress of Direct Bank and FI Promotion



### Initiatives to Promote New Accounts and Multiple Business Relationships

#### [ANA Branch] Winter Mile Present Campaign\*

- ① New account opening
- ② New Smart Bank Service usage of ¥100,000 or more
- ③ New purpose-specific loan usage of ¥500,000 or more



\*Campaign period has ended

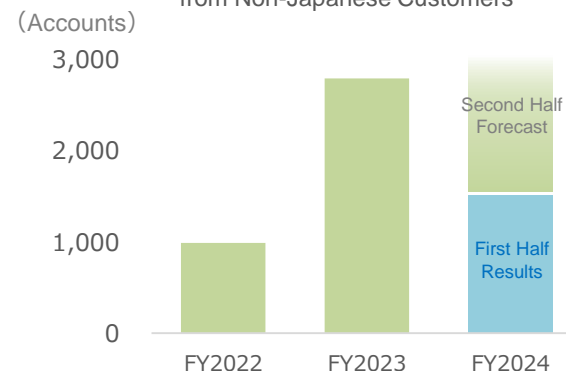
#### [V-Point Branch] Suruga V-V Campaign

- ① New account opening + Cashless payment registration
- ② Cashless payment charges, account transfer (automatic withdrawal)
- ③ New card loan contracts and usage

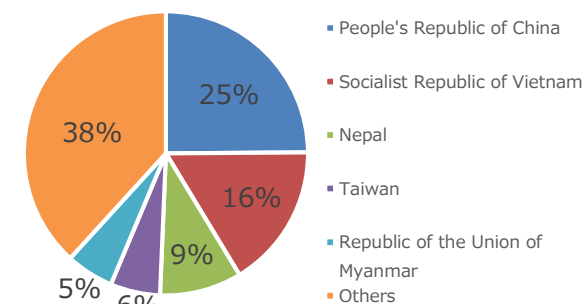


## Financial Inclusion (FI) for Non-Japanese Customers

Number of FI-Related Product Applications from Non-Japanese Customers



Composition of Financial Instrument Contract Holders by Country/Region (October 1, 2023 - September 30, 2024)



## Purpose-Specific Loans

- First half FY2024 loan disbursements increased 17% year-on-year, showing steady progress
- Promoting through both web and physical channels with priority areas defined by funding purpose





"Enhanced consulting capabilities through one-on-one engagement, leading to increased presence in Greater Tokyo and wide-area markets"

Common Approach Guidelines

Loan Promotion with a Customer-Centric Focus

Dialogue

Understand the Needs

Issue Analysis

Credit Expertise

Proposals

One-on-One Engagement

Personalized consulting tailored to each customer

Enhanced Consulting Services

- Transfer of expertise enabling continuous consulting for customers
- Development of highly specialized personnel capable of addressing diverse customer needs

Housing Loans

New Loan Disbursement Trends

- New loan disbursements increased 78% year-on-year
- Added Credit Saison-guaranteed housing loan lineup (from October 2023)

Breakdown of Cases (by number of transactions)

New borrowers (FY2024)

High-value cases 7%

Non-Japanese customers 40%

Guaranteed housing loans 34%

Others 19%

- High-value cases and cases for non-Japanese customers account for approximately half of new loan transactions (approximately 60% on a monetary basis)
- Providing customized loan products flexibly tailored to customer needs based on area characteristics
- Usage has increased as Credit Saison-guaranteed housing loans have gained market penetration

Investment Real Estate Loans

Trend in New Loan Disbursements

- New loan disbursements increased 35% year-on-year
- Over 60% from semi-affluent and above segments

Segment Breakdown (by number of cases)

New borrowers (FY2024)

Mass segment 14%

Upper-mass segment 25%

Semi-affluent segment 31%

Ultra-affluent and affluent segments 30%

61%

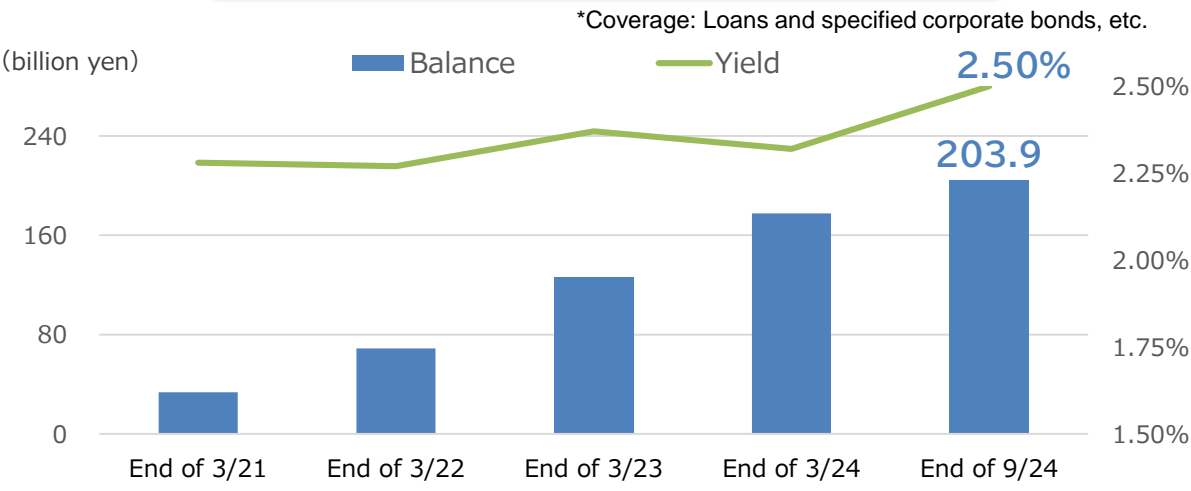
- Usage of high-value loans is expanding among wealthy customers. As our presence grows, direct inquiries from customers are also increasing.
- Through strengthened relationships resulting from the placement of specialist staff at loan consultation desks, we are seeing deeper business relationships, including an expansion in new customer development and repeat business from existing customers.

Note: Segments are defined by the company based on NRI research and classified according to financial assets held at the time of screening

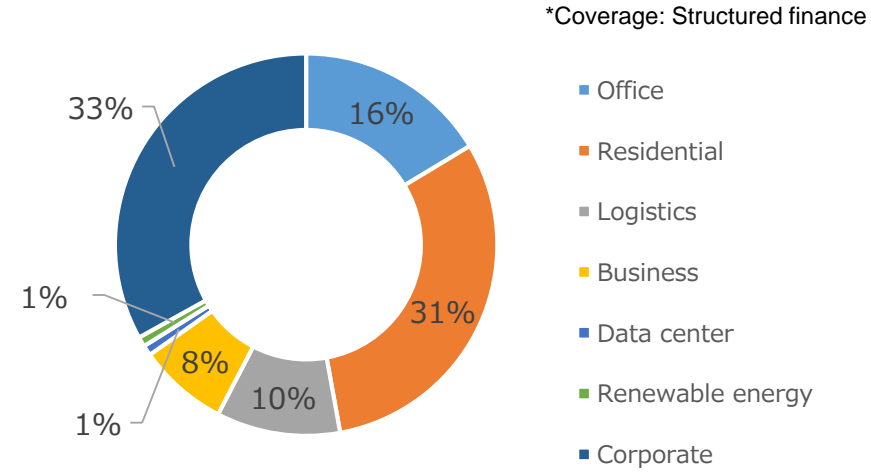


While competitive players are increasing, we are strengthening our discerning capabilities and risk management framework further to build a high-quality asset portfolio with appropriate risk diversification

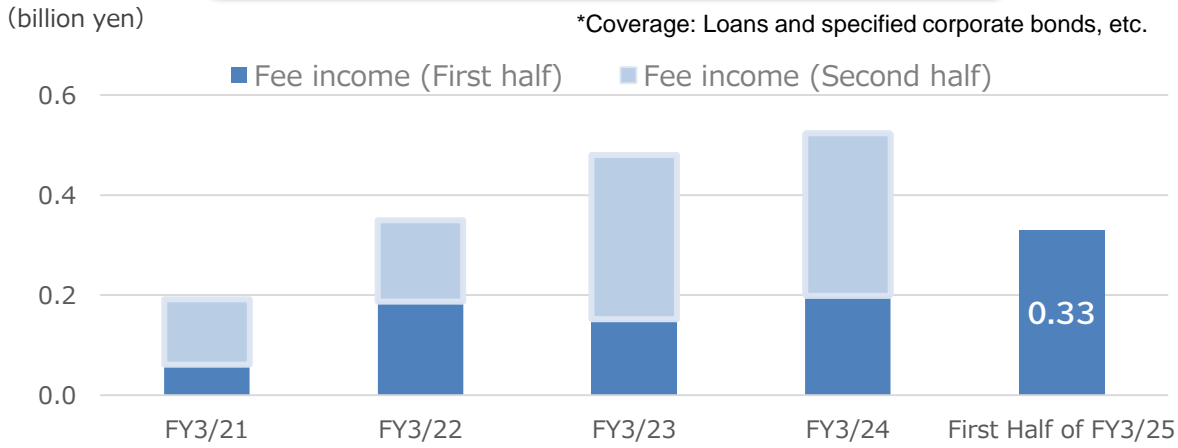
Structured Finance-Related Balance/Yield Trends



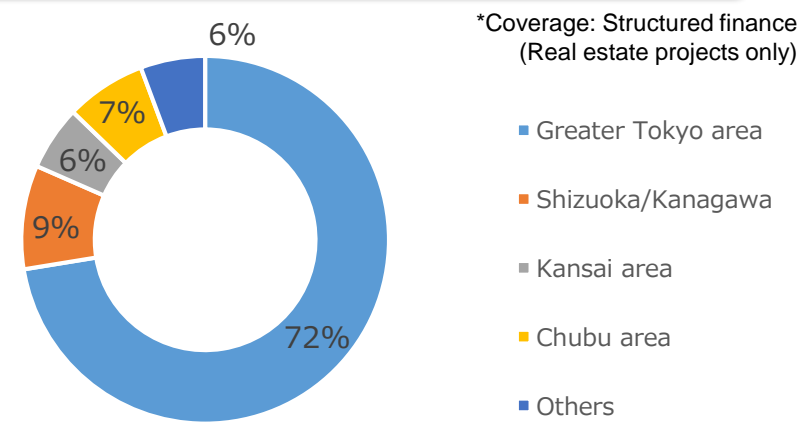
Balance Composition by Type (as of September 30, 2024)



Structured Finance-Related Fee Income Trends



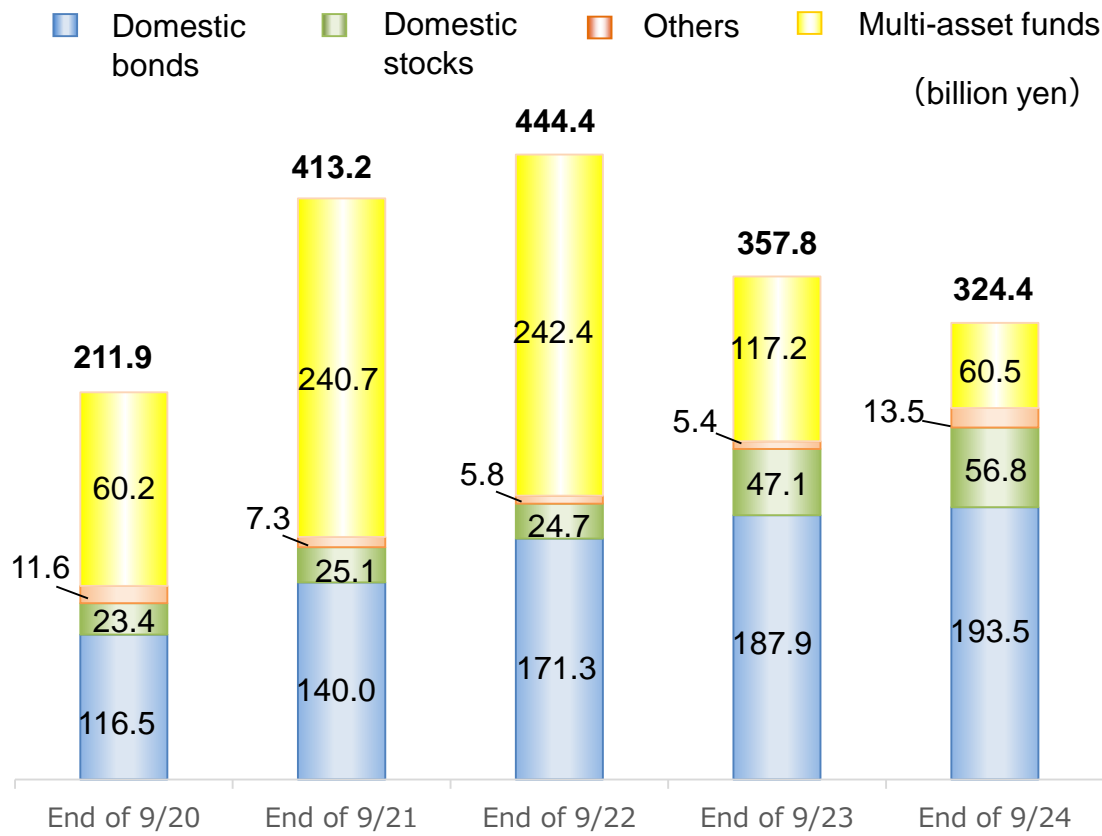
Balance Composition by Property Location (as of September 30, 2024)





We plan to continue building our securities portfolio "with a focus on Japanese bonds, maintaining a cautious stance" while closely monitoring interest rate conditions and other factors

Securities Portfolio



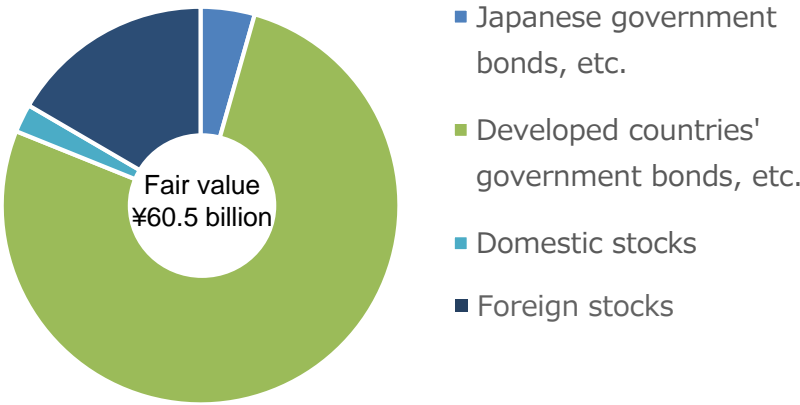
As of September 30, 2024  
Securities-to-deposits ratio: 10.3%  
100BPV for yen bonds: ¥-11.7 billion

Unrealized Gains (Losses) on Securities

•Net unrealized gains (losses) on securities marked to market (billion yen)

	As of March 31, 2024		As of September 30, 2024	
	Fair value	Net unrealized gains (losses)	Fair value	Net unrealized gains (losses)
Available-for-sale securities	270.9	21.7	314.4	22.6
Stocks	46.9	25.2	48.7	27.1
Bonds	159.0	(0.9)	193.5	(2.0)
Multi-asset funds	60.4	(2.5)	60.5	(2.4)
Others	4.5	(0)	11.5	(0)

•Multi-asset Fund Investment Asset Classes (as of September 30, 2024)







Cost structure reforms are progressing steadily, leading to a ¥0.5 billion downward revision in expenses forecast for FY2024

**Cost Structure Reform**

Incorporating expanded new human capital investment while completing cost structure reforms representing a 27% reduction compared to FY2018

	FY2018 Results	First Half Results	FY2024 Forecast	FY2025 Revised Plan
Expenses	46.8	17.3	35.0	34.0

(billion yen)

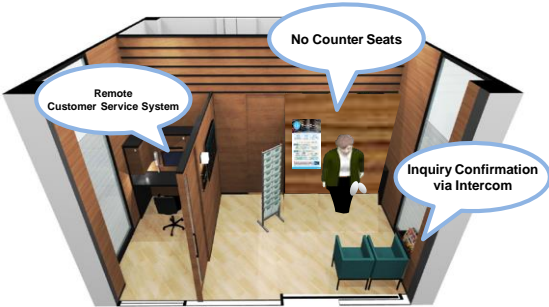
Changes in Number of Manned Branch Locations

As of March 31, 2019	As of March 31, 2024	Number of consolidations, closures and relocations*		Forecast as of March 31, 2025
		First half	Second half	
120 branches	92 branches	3 branches	3 branches	86 branches

\*Based on counts excluding branch-in-branch locations. "Relocation" refers to transitions to branch-in-branch format. (Reference: As of March 31, 2024, there were 5 branch-in-branch locations)

Introduction of Streamlined Branch Functions

Loan Plaza



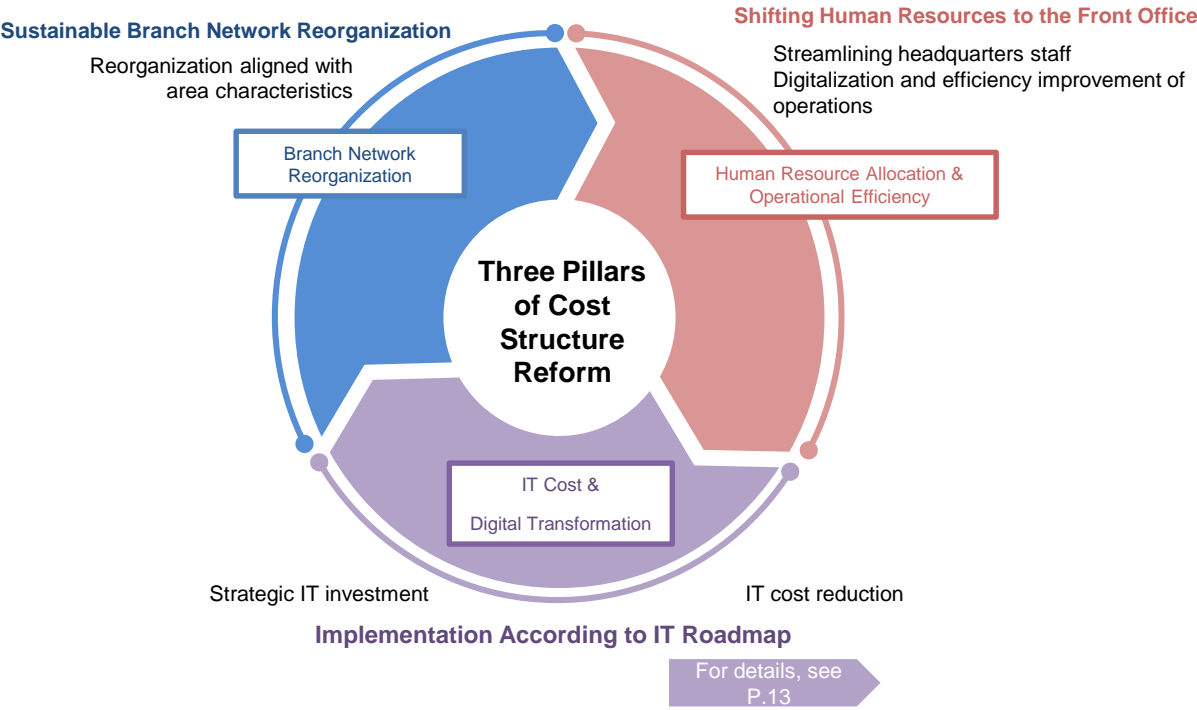
No Cash Handling

Remote Operational Support from Headquarters

Customer Appointments via Web Booking



Sapporo Loan Plaza:  
Branch interior with no counter seats



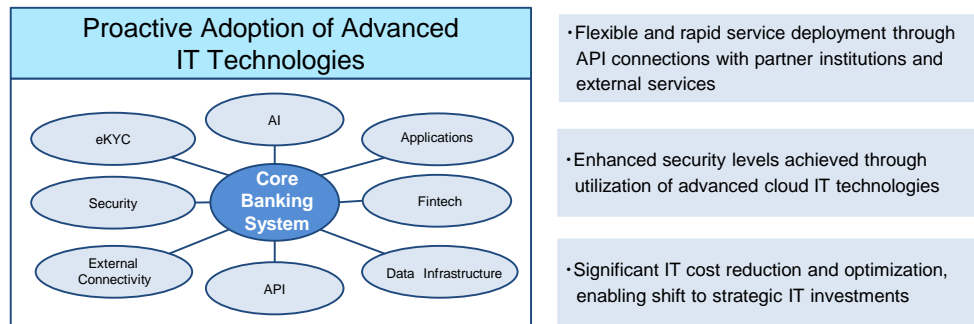




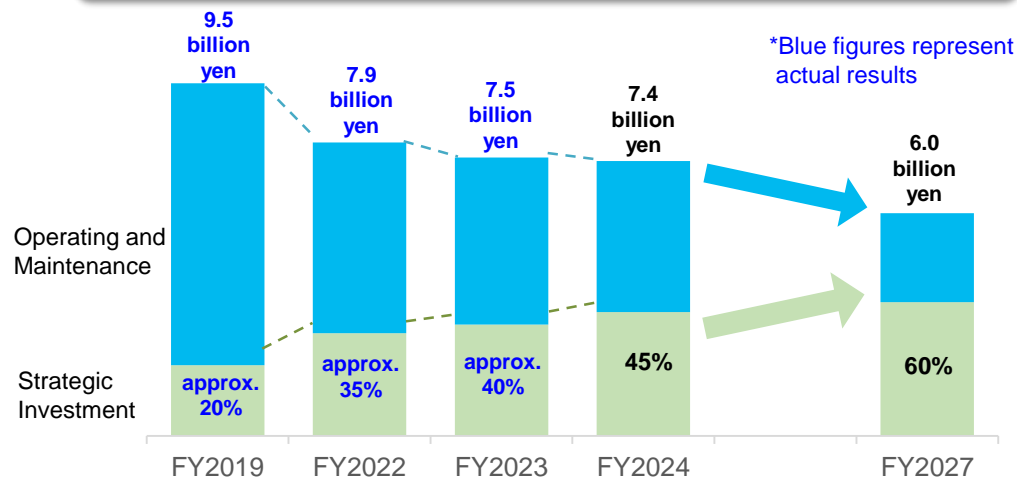
## Core Banking System Cloud Migration Project to Launch Next Year; Accelerating Expansion of Generative AI Usage

### Core Banking System Cloud Migration Project

- Core banking system cloud migration project to launch in fiscal year 2025 (service launch scheduled for May 2026)
- Schedule, implementation framework, risks and countermeasures have been formulated in preparation for project initiation



### IT Cost Reduction and Strategic IT Investment Status



### Focus Areas and Measures for FY2024

#### Expansion of Generative AI Usage

- Expanding usage across all employees (from May 2024)
- Enhancing operational efficiency and automation through AI learning of internal procedures, manuals, and FAQs
- Examining AI applications in customer relations, including advancement of call center operations

#### Smartphone App Enhancement

- Adding and expanding functions including address change services
- Considering implementation of Public Personal Authentication (JPKI) using My Number Card
- Planned launch of "Kotora" money transfer service
- Implementing improvements for functions frequently requested in customer surveys



#### Digital Branch Transformation

- Expanding self-service operations through SMA-Navi
- Improving customer convenience through tablet UI enhancement

#### Data Analytics Platform Enhancement

- Initiating framework development, schedule formulation, and examination of issues and risks for core banking system cloud migration
- Achieving data utilization through centralized management of currently dispersed internal data



#### AML Enhancement

- Strengthening and advancing measures against money laundering and other financial crimes
- Implementing enhanced monitoring of high-risk transactions and risk-blocking measures including internet banking restrictions to prevent investment fraud and limit damage escalation

#### Cybersecurity Enhancement Measures

- Evolution from perimeter security to Zero Trust architecture
- Initiatives for cybersecurity guideline compliance and consideration of third-party assessments
- Securing and developing cybersecurity talent



## Continuing initiatives to improve asset quality to achieve the Medium-Term Business Plan KPI of average actual credit cost ratio of 10bps (from FY2026 onward)

### Disclosed Claims under the Financial Reconstruction Law and Coverage Status (as of September 30, 2024)

(billion yen)

	Disclosed Claims under the Financial Reconstruction Law(A)	Coverage Ratio		
		Collateral Value*1(B)	Allowance/Guarantee Coverage(C)	Coverage Ratio(B+C)/A
Organizational Negotiation Partners	84.9	32.9	51.8	99.7%
Excluding Organizational Negotiation Partners*2	86.4	35.9	24.7	70.2%

\*1 While collateral valuations for loan-related claims typically use 90% of the value calculated by the cost approach, etc., these figures represent 100% of such valuations. For income-generating properties securing investment real estate loans, the ratio of claim transfer amounts to collateral value in past claim transfers has exceeded 200%.

\*2 "Excluding Organizational Negotiation Partners" shows figures related to single building income loans.

### Balances and Delinquency Status by Borrower Classification (Excluding Organizational Negotiation Partners) (as of September 30, 2024)

(billion yen)

Borrower Classification	Loan-Related Claims*4	Single Building Income Loans*5	
			No Delinquency
Normal	1,435.4	379.6	379.6
Needs Attention*3	465.6	400.9	397.9
Under Watch	44.4	36.1	35.6
Potentially Bankrupt	52.7	39.0	37.3
Virtually/Legally Bankrupt	21.2	17.7	2.6
Total	2,019.4	873.5	853.2

\*3 Classified as "Needs Attention" even without delinquency if tax returns cannot be obtained or if the cash flow from the financed property is negative

\*4 Loan-Related Claims: Loans and bills discounted, customers' liabilities for acceptances and guarantees, foreign exchanges, loaned securities, provisional payments equivalent to loans, and accrued interest on loans

\*5 Including corporate investment real estate loans

### Initiatives to Improve Asset Quality

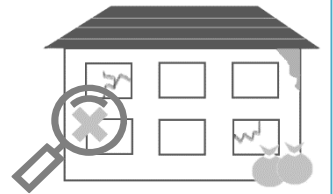
Enhance asset quality through regular communication with customers based on periodic surveys, collaborating with property management companies, real estate firms, and other professional partners

#### On-site Inspections

Bank employees conduct visits to verify property and surrounding conditions

(Examples of property damage discovered)

- ✓ Peeling exterior paint and ceiling boards
- ✓ Cracked window panes
- ✓ Abandoned bulky waste, etc.

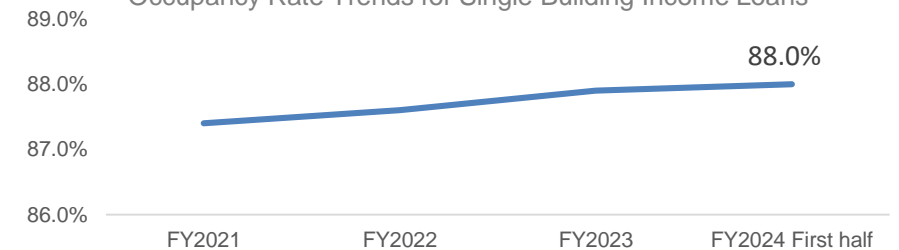


#### Improvement Proposals

- Regular reporting to customers on property conditions
- Support through loan modification and other measures to secure maintenance funds



### Occupancy Rate Trends for Single Building Income Loans



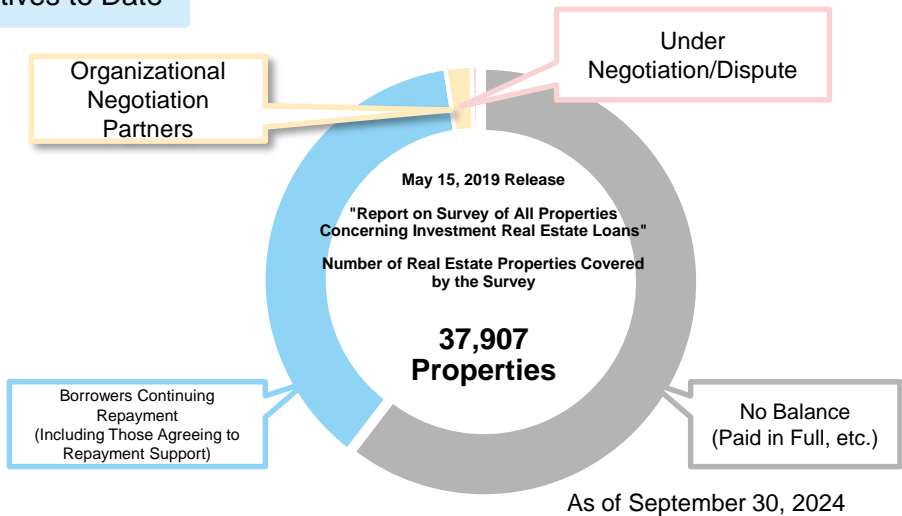
#### <Survey Details>

- Covers real estate properties of customers with single building income loans of ¥50 million or more (Approximately 7,000 properties, covering about 90% of total loan balance)

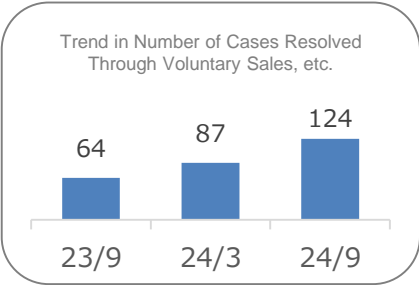
# Investment Real Estate Loans (Status of Organizational Negotiation Partners)



## Status of Initiatives to Date



After approximately five years of repayment support and consultation efforts, about 60% of the 37,907 properties surveyed have a loan balance of zero, and about 40% are maintaining loan repayment. However, organizational negotiations are being conducted with Suruga Bank on 807 properties\* (2.1% of 37,907), and we will continue to take appropriate measures to resolve these issues.



\*Due to voluntary sales and other factors, 124 properties were no longer in organizational negotiations from the end of September 2022 to the end of September 2024.

⇒ The coverage status for claims under organizational negotiation has a 99% coverage ratio through collateral and loan loss provisions (details on P14)

## Basic Approach to Future Actions

- 1 From the viewpoint of achieving **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 Furthermore, 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**.
- 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" released on November 12, 2024.

**I Summary of Financial Results for H1 FY3/25**

**II Business Strategy**

**III Initiatives Toward P/B Ratio Over 1.0x**

**IV ESG/SDGs Implementation Status**



Strengthening growth foundations and providing unique value based on "differentiation rather than superiority" to achieve PBR above 1.0x

Current Analysis

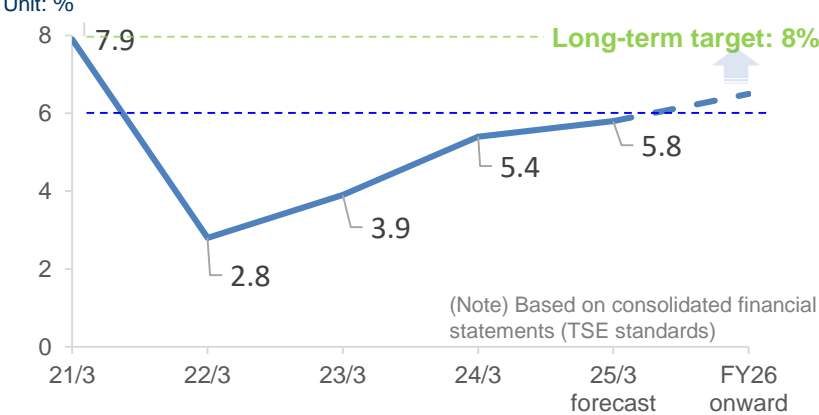
◆ Comparison with Listed Regional Banks

Unit: times/%

	PBR	PER	ROE
Our Bank	0.59	14.30	5.8
Listed Regional Banks Average	0.52	11.06	3.9

(Source) QUICK  
• PBR/PER figures are on a consolidated preferred basis (as of end of September 2024)  
• ROE is based on consolidated financial statements (TSE standards); Our Bank's figure is forecast for FY2025, Listed Regional Banks Average is actual results for FY2024

◆ Historical ROE Performance and Target Level



◆ Estimated Cost of Capital

Estimate based on CAPM	6% range
Estimate based on PBR/ROE	7~9%

- Our current estimated cost of capital is approximately 6-9%

ROE Target for Achieving PBR Above 1.0x

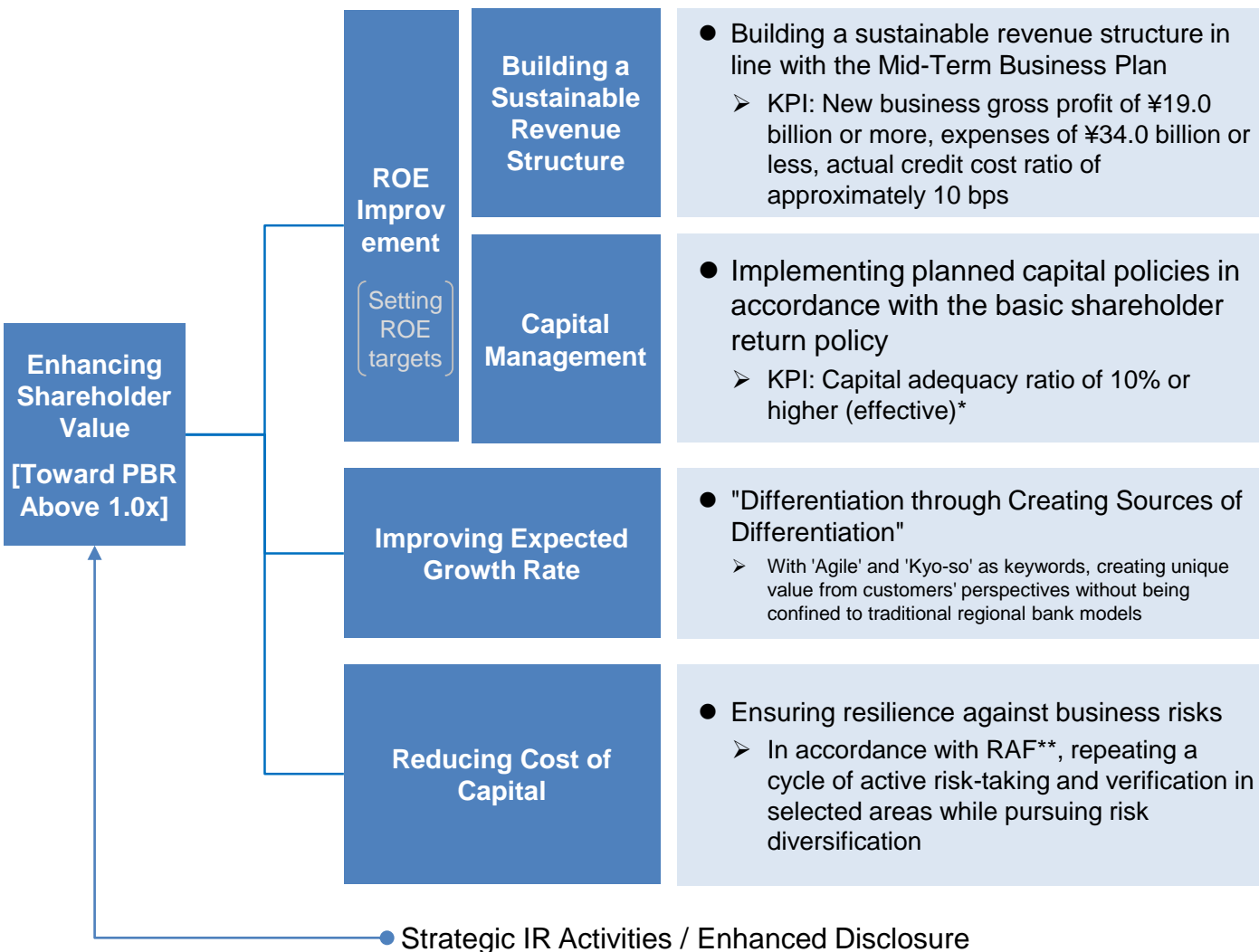
Targeting average ROE of 6% or higher after FY2026 (following revenue structure reconstruction under current Mid-Term Business Plan), aiming for 8% or higher in the long term

Recognition of Issues

- Improving ROE is our most critical challenge for achieving PBR above 1.0x
- While ROE bottomed out at the end of FY2021 and is showing signs of improvement, it has yet to reach target levels
- With the minimum cost of equity capital estimated at 6%, we plan to accelerate the reconstruction of our revenue structure to consistently maintain ROE at 6% or higher



## Framework for Achieving PBR Above 1.0x



## Key Initiatives

- Growth in new business gross profit driven by four autonomous profit centers
- Completion of cost structure reforms
- Stabilization of actual credit costs at a low level through improved credit quality
- Stable dividends targeting a payout ratio of approximately 30%
- Repurchasing of treasury stock: Flexibly implementing shareholder return measures that contribute to improved capital efficiency, taking into account business performance, capital conditions, growth investment opportunities, and market conditions including stock prices
- Controlling the ratio of cross-shareholdings
- Providing solutions from Suruga's unique perspective starting from what customers are unhappy with
- Evolving the partnership with Credit Saison to create a *Neo Finance Solution Company* together
- Examining business impacts and risks in an "interest rate environment"
- Securities: Transitioning to a more stable revenue structure
- Promoting ESG/SDGs initiatives

\* Based on Basel III endgame. Any unrealized loss on securities is deducted from core capital

\*\* Risk Appetite Framework



Treasury stock: ¥6.5 billion to be acquired by September / Annual dividend per share forecast revised upward to ¥29 (up ¥8 from previous year)

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

<Dividend Policy>

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

	Before revision	After revision
Annual dividend per share (cumulative)	22 yen	29 yen
Of which: Interim dividend	11 yen	14.5 yen
Of which: Year-end dividend (forecast)	11 yen	14.5 yen

<Treasury Stock Repurchase Policy>

Flexibly implementing 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 stock prices

	FY2024 Results
Number of shares to be repurchased	6,000,000 shares
Acquisition cost	¥6.5 billion
Repurchase period	May 13, 2024 to September 17, 2024

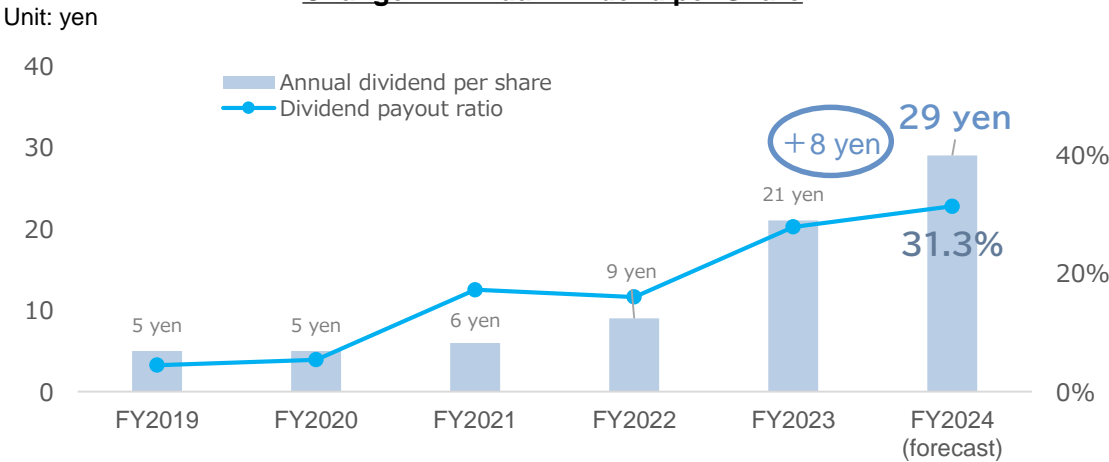
<Cross-Shareholding Reduction Target>

Aiming to reduce the total book value of cross-shareholdings to within 10% of consolidated net assets by the end of fiscal year 2028

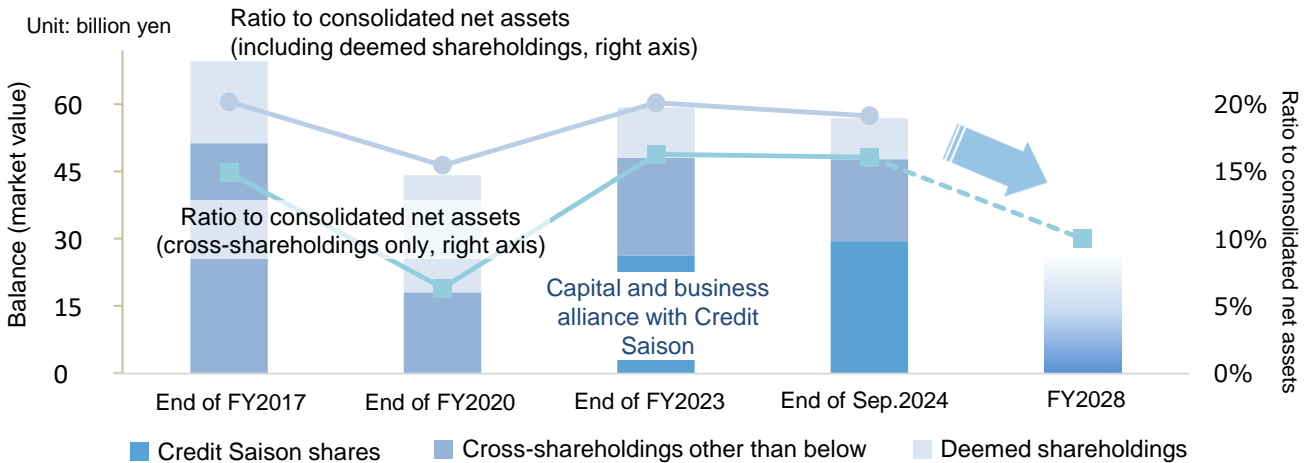
Amount reduced in FY2023  
Cross-shareholdings: ¥3.8 billion  
Deemed shareholdings: ¥16.0 billion

Status of dialogue in FY2024  
Shares that have transitioned to available for sale: Market value ¥4.8 billion (Including companies planning phased dissolution of cross-shareholdings, excluding deemed shareholdings)

Change in Annual Dividend per Share



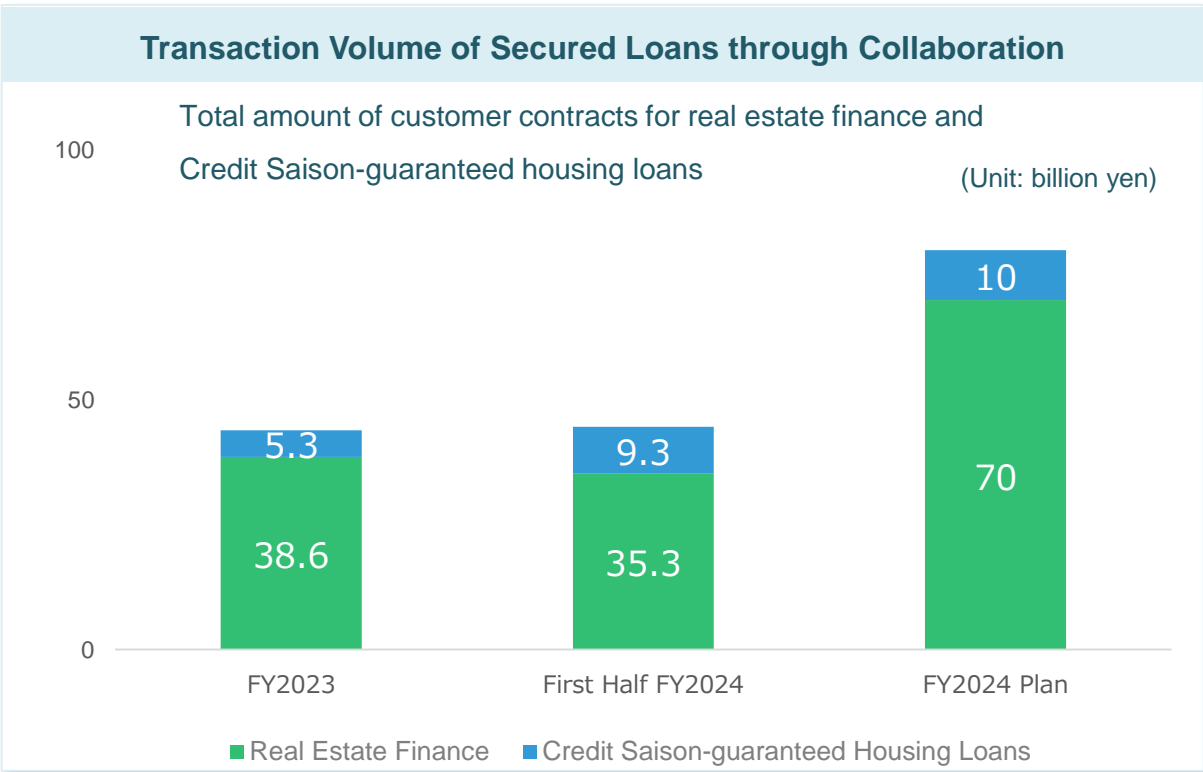
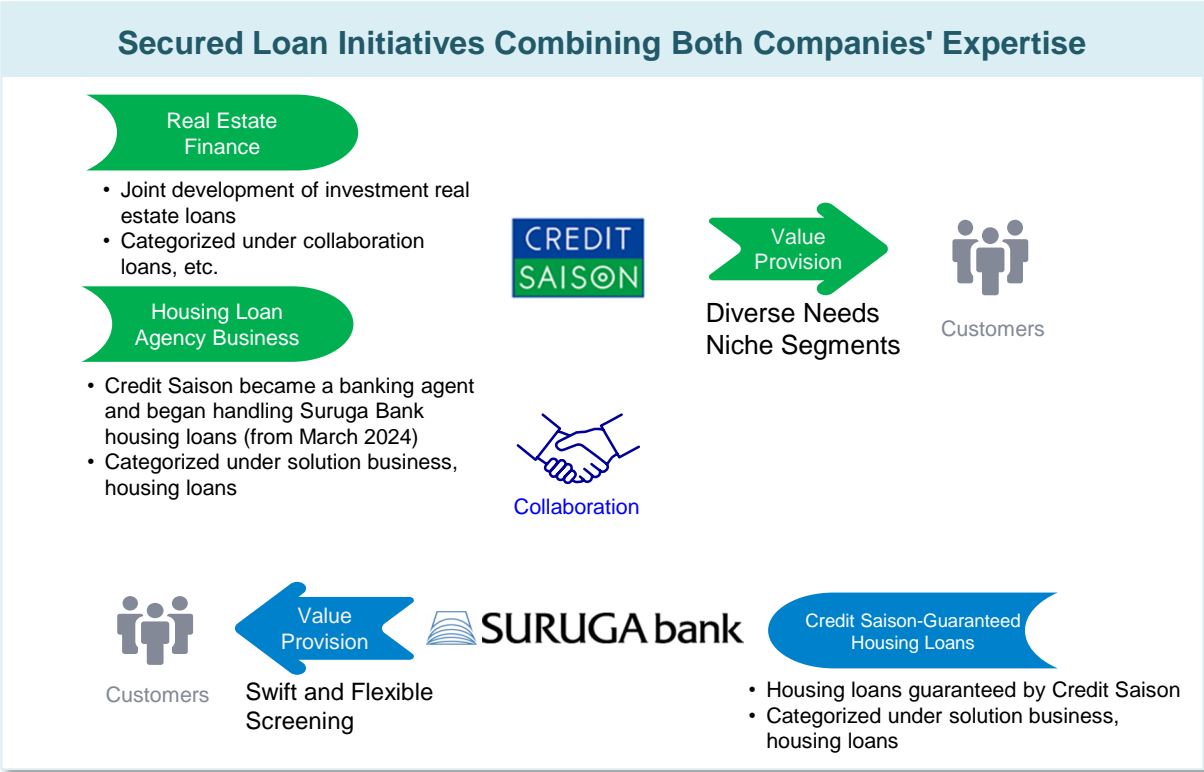
Changes in Cross-Shareholding Balance (Market Value Basis)







Creating a "Neo Finance Solution Company" that addresses all "concerns" and "inconveniences" by maximizing and seamlessly integrating both companies' retail expertise

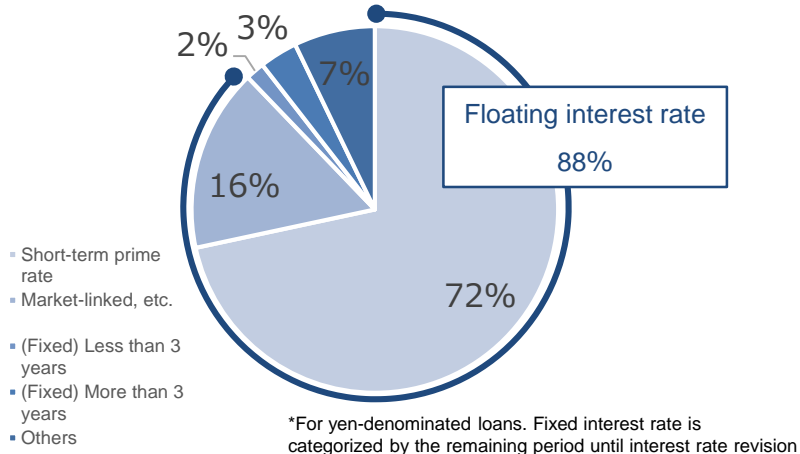




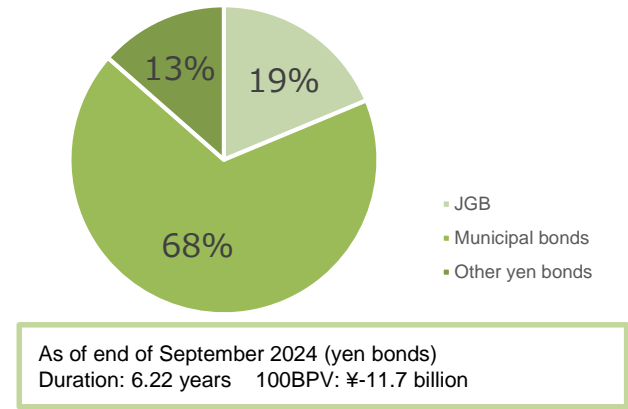


Building a loan portfolio centered on floating interest rates, which positively impacts earnings during interest rate increases

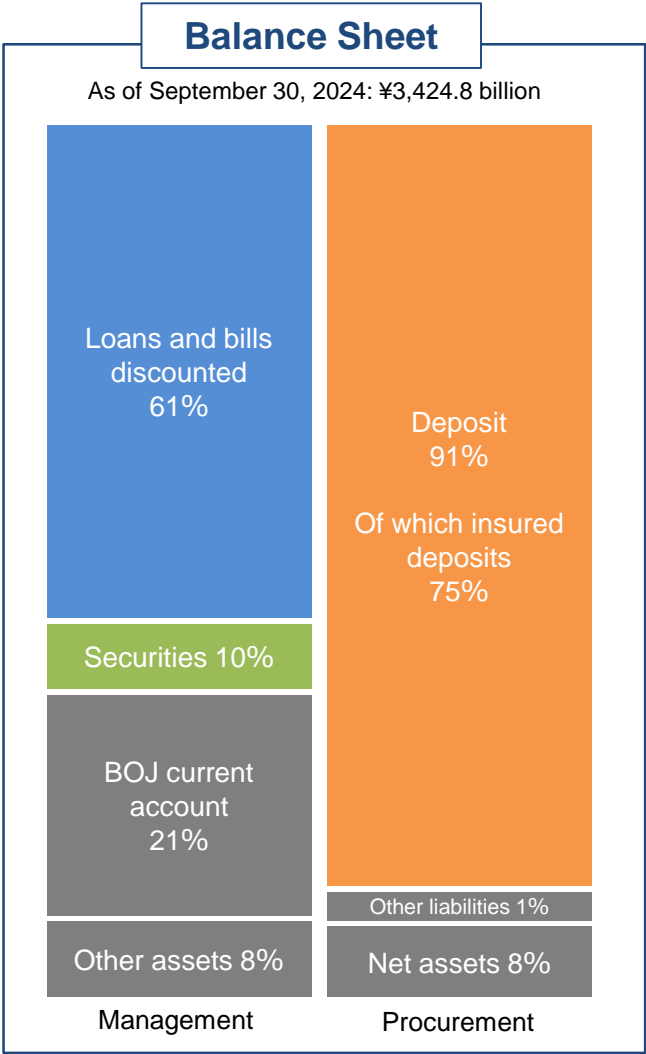
Loans and bills discounted  
(Composition by base interest rate)



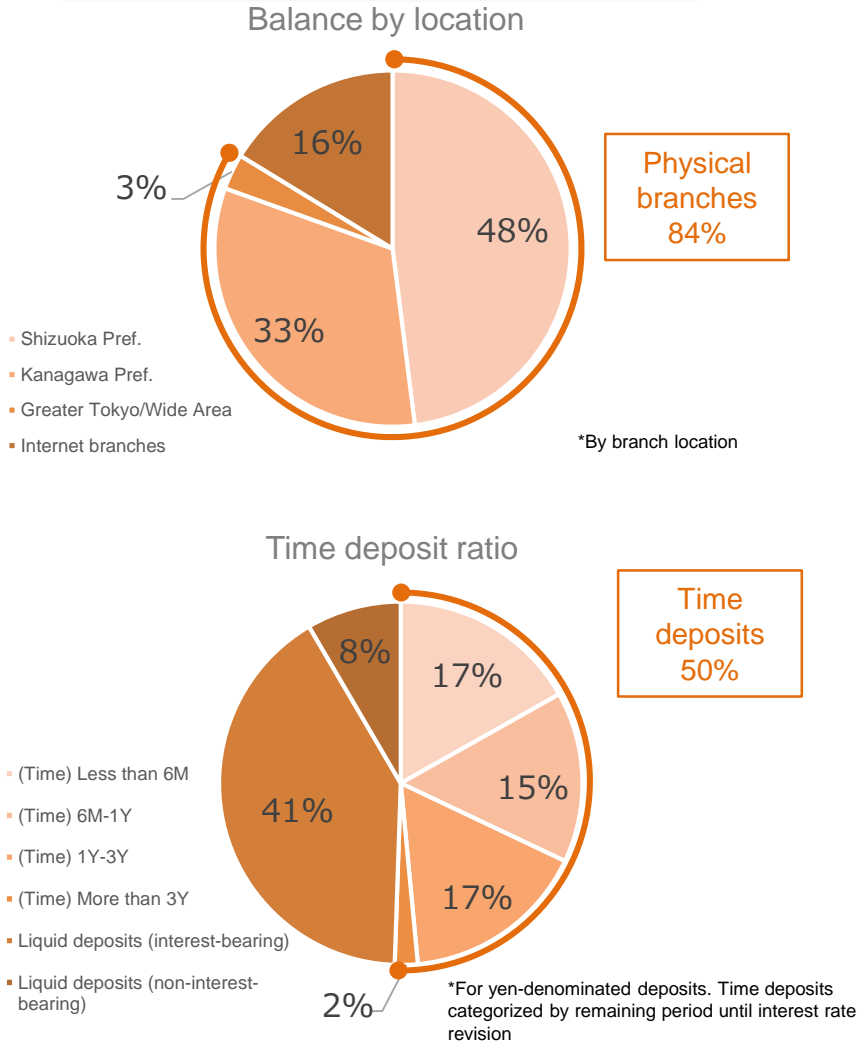
Securities (Composition of yen bonds)



Balance Sheet



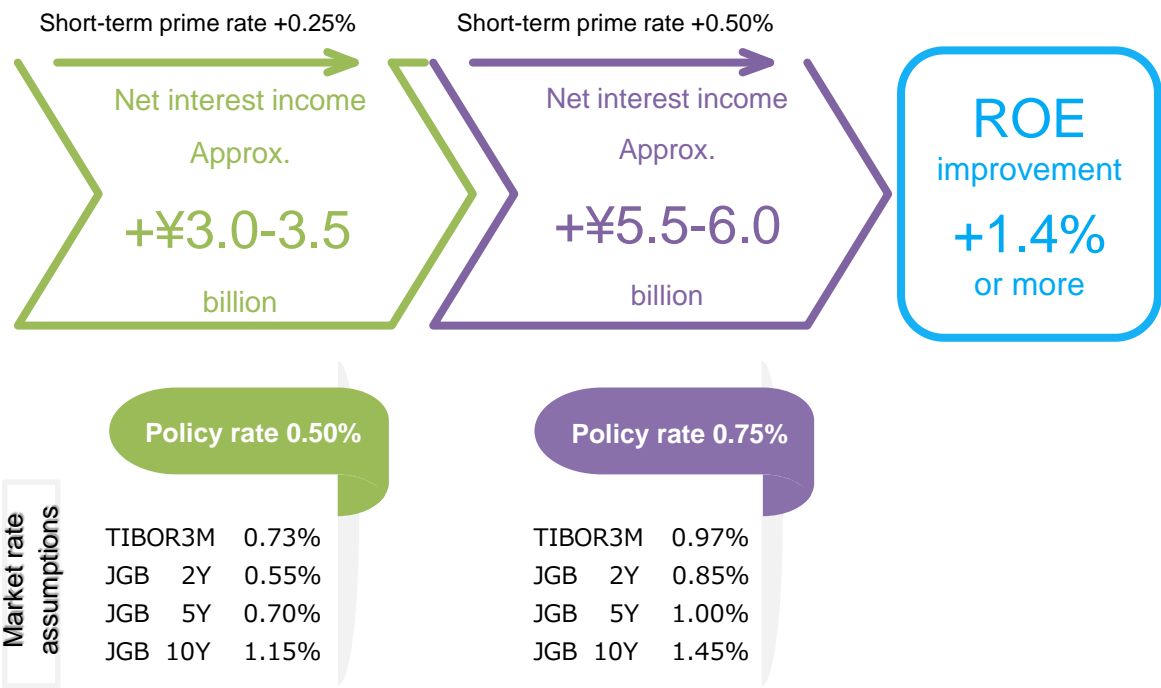
Deposits





When short-term prime rate rises by +25bps, net interest income impact is +¥3.0-3.5 billion.

When short-term prime rate rises by +50bps, net interest income impact is +¥5.5-6.0 billion, with ROE improvement of +1.4% or more.



- 【Calculation Assumptions】
- Base portfolio: As of September 30, 2024 (Non-consolidated: loans and bills discounted, deposits, securities, BOJ current account, etc.)
  - Impact on net interest income calculated as the difference between the base scenario and above scenarios (showing only main indicators)
  - Base scenario market rates remain flat from September 30, 2024 (housing loans remain flat from October 1, 2024)
  - For interest rate revisions and redemptions, reinvestment in same (or similar) products assumed, reflecting above market rate assumptions
  - Estimated pass-through rates for market rate changes (approximate): Loans 90%, Liquid deposits 40%, Time deposits 70%
  - Indirect effects of interest rate environment changes, such as increased credit costs due to rising rates, are not included
  - ROE calculations use expected consolidated net assets for FY2024 (two-period average)



Deposit balance decreased, primarily in public funds where interest rate competition is intense. Individual deposit balance also decreased, but investment product balance increased through enhanced asset consulting.

➤ Going forward, we plan to focus on both "deposit volume" and "improving stickiness"

## <Deposit Balance by Customer Type>

Unit: billion yen

	End of March 2024 (A)	End of September 2024 (B)	Change (B) - (A)
Total deposits	3,250.4	3,134.9	(115.5)
Of which: Individual	2,610.9	2,557.6	(53.3)
Of which: Corporate	422.1	418.9	(3.2)
Of which: Public funds	217.3	158.3	(59.0)

## <Investment Product Balance in Individual Customer Assets>

	End of March 2024 (A)	End of September 2024 (B)	Change (B) - (A)
Investment products	125.2	136.4	+11.2
Of which: Foreign currency deposits	1.8	1.0	(0.8)
Safe custody of government bonds, etc.	4.6	7.4	+2.8
Investment trusts	71.4	73.4	+2.0
Individual annuity insurance	23.6	28.2	+4.6
Single premium whole life insurance	23.7	26.3	+2.6

**I Summary of Financial Results for H1 FY3/25**

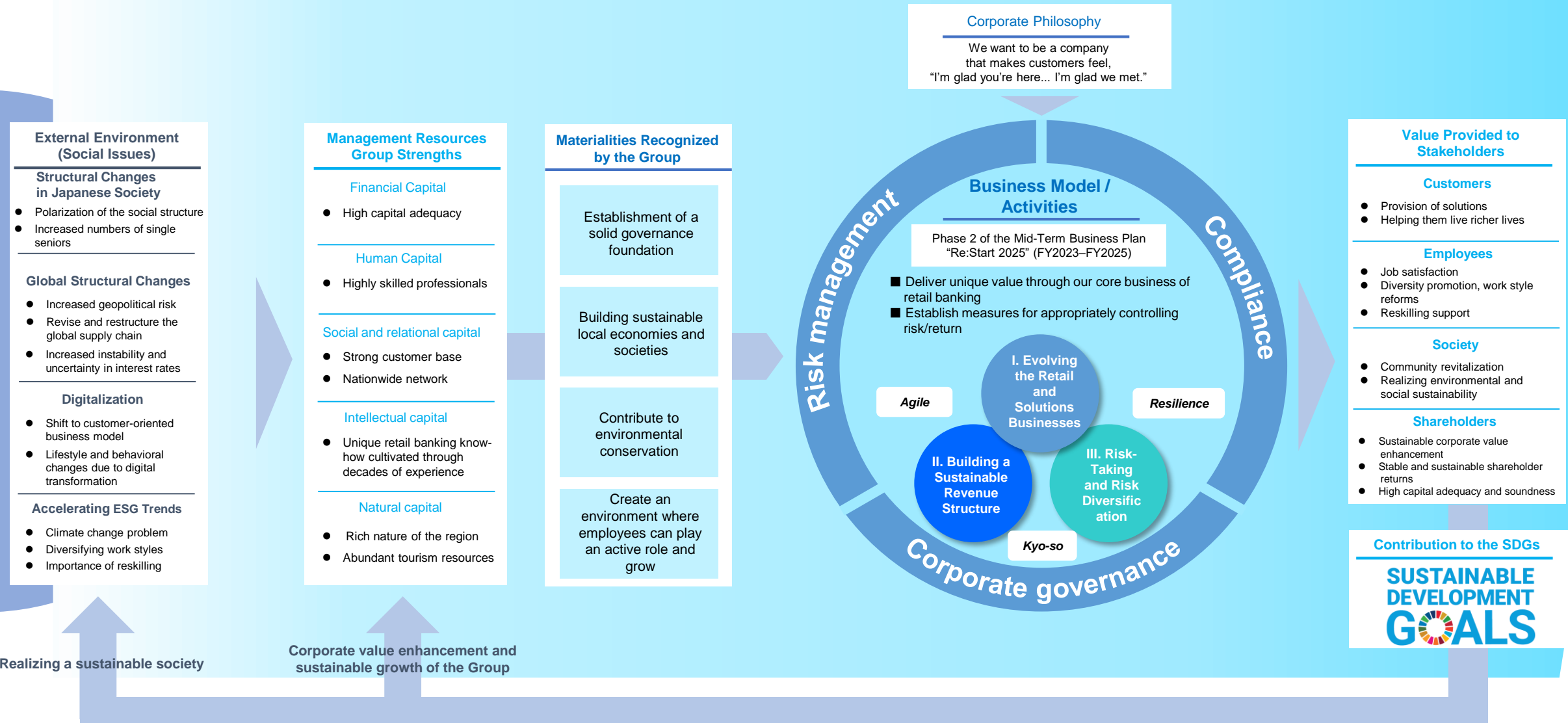
**II Business Strategy**

**III Initiatives Toward P/B Ratio Above 1.0x**

**IV ESG/SDGs Implementation Status**



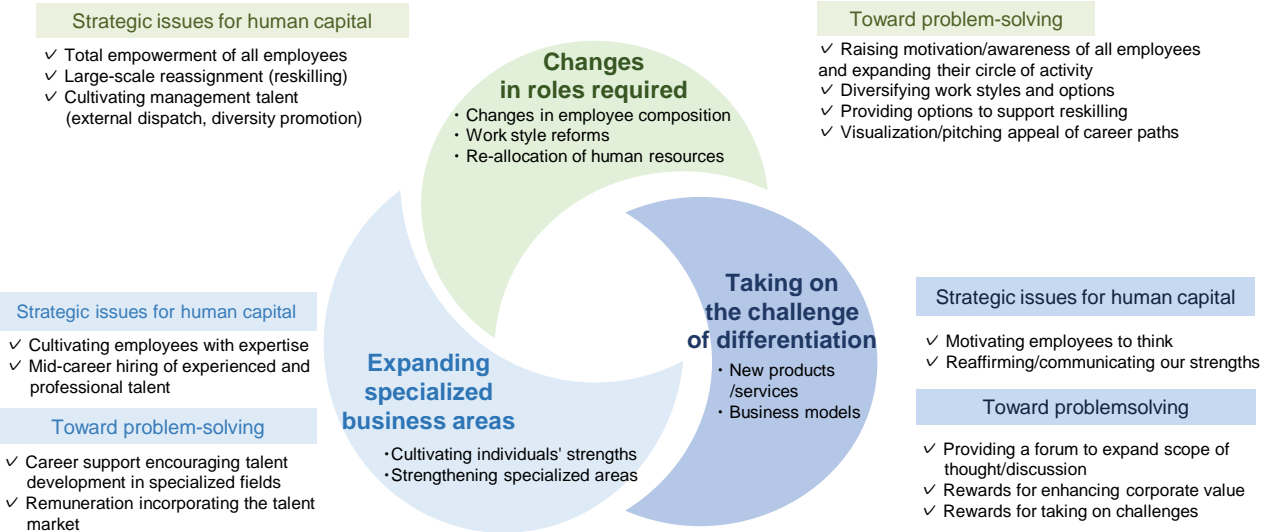
We will realize the creation of value for stakeholders through the provision of services that address the challenges of customers and communities.



Creating an Environment Where Employees Can Thrive and Grow - Suruga Bank Group's Materiality -

Our corporate philosophy aims to be "an entity that makes employees feel 'I'm glad you're here... I'm glad we met.'" As our group strives to meet expectations and fulfill responsibilities to external stakeholders, we believe that creating an environment where employees can pursue their daily work with enthusiasm, feeling a sense of purpose, accomplishment, and growth, is crucial for all stakeholders.

Human Capital Strategy



■ KPIs

Item	Target	FY2023 Results
Investing in new talent cultivation (3-year total)	¥250 million or more	¥64 million
Percent of female managers	30%+	31.9%
Childcare leave utilization rate (annual)	100% (men and women)	100% for both men and women
Overall satisfaction in employee motivation survey	60%+	55.2%

Employee Career Support and Diversity Promotion

Base Pay Increase / Starting Salary Raise

To secure talented personnel and enhance job satisfaction, we implemented a base pay increase in July 2024, resulting in an average wage increase of approximately 7.5% for general employees. Furthermore, starting with new employees joining in fiscal year 2025, we have raised the starting salary to up to 260,000 yen and are expanding the number of new hires.

Creating an Environment for Continued Employment Until Age 70 (Supporting Veteran Employees)

<Example Initiatives>

- Meister Position  
Employees with sufficient skills and experience in their respective fields are certified as "Meisters" and receive compensation based on the pre-age 54 salary structure
- Senior FA (Financial Advisor) Position  
Employees engaged in FA/FA counter operations receive bonuses in addition to their senior annual salary based on performance. This supports strategic placement of personnel in the FA field and promotes active roles for employees aged 55 and above

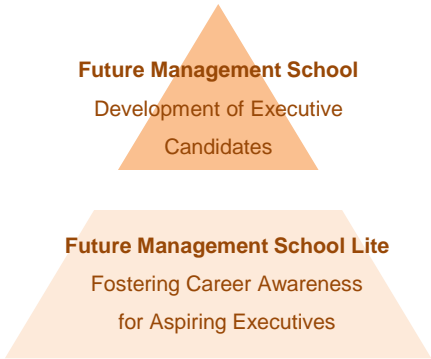
- Women's Leadership Development Program -

Future Management School

We provide internal and external training to raise perspective by fostering awareness as potential executive candidates, and to acquire necessary abilities, knowledge, and experience for career advancement. Additionally, each participant is assigned an executive officer mentor to support the development of women leaders.

Future Management School Lite

「This training program was established based on proposals from Future Management School participants. It cultivates career awareness among female employees and broadens the base of women aspiring to executive positions while providing opportunities to build internal networks and consider career paths.



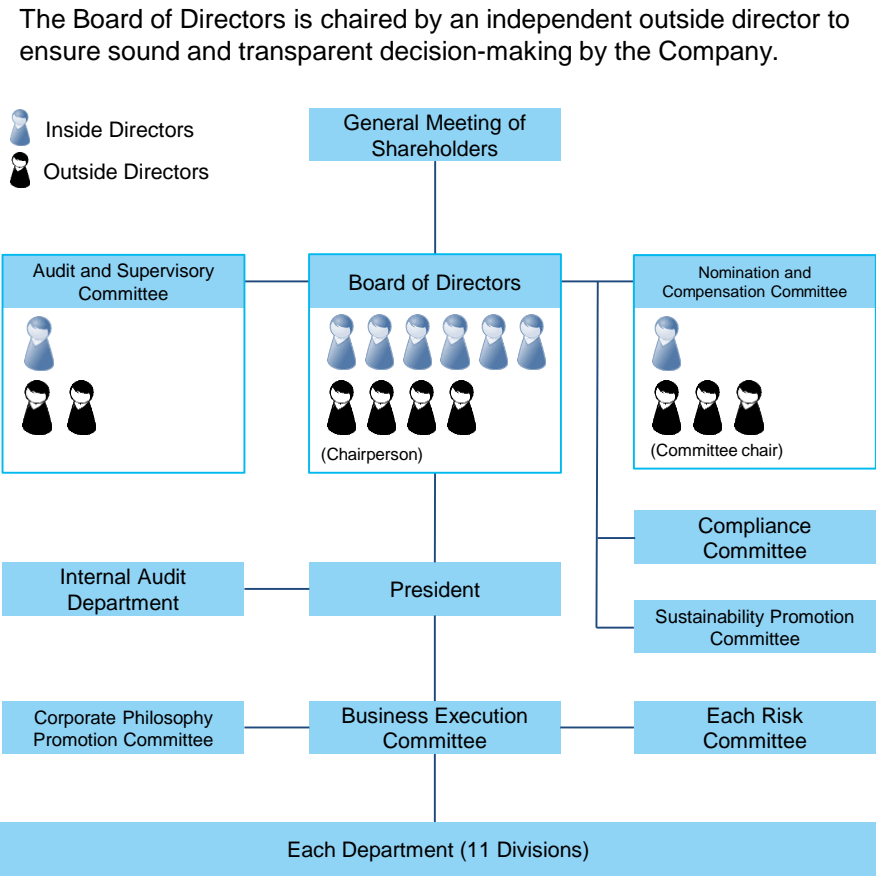
- Hierarchical Structure -



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



■ Director Election Policies and Procedures

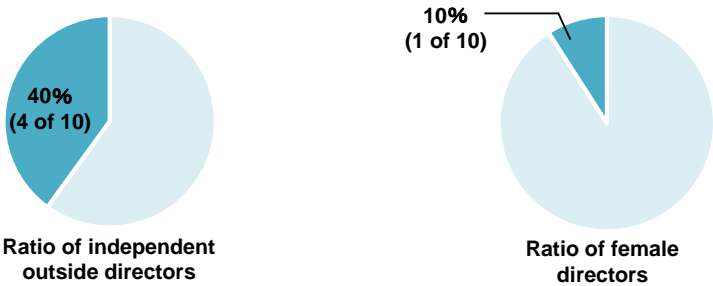
Directors

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



■ 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.



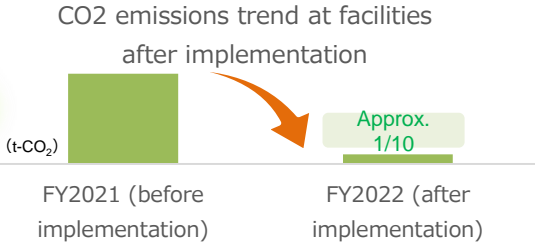
Contributing to Environmental Conservation - Suruga Bank Group's Materiality -

While Shizuoka Prefecture possesses abundant forest and marine resources as well as tourism resources including Mt. Fuji and Suruga Bay, it faces numerous environmental challenges such as declining public benefits of forests, decreasing marine resources, waste management issues, and marine plastic pollution. To ensure sustainable development of both the region and our group, we are actively promoting initiatives that contribute to solving these challenges.

Decarbonization Initiatives

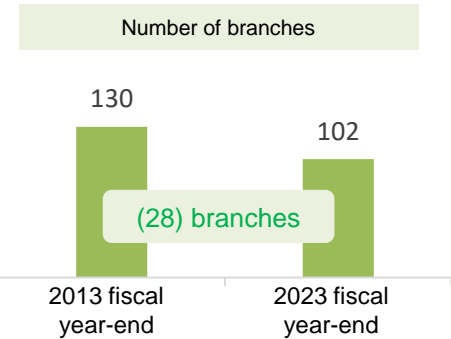
■ Introduction of CO2-free electricity (annual reduction effect of 2,500 tons)

- Shizuoka Green Electricity
- Green Basic Plan
- Uchicchi Electricity

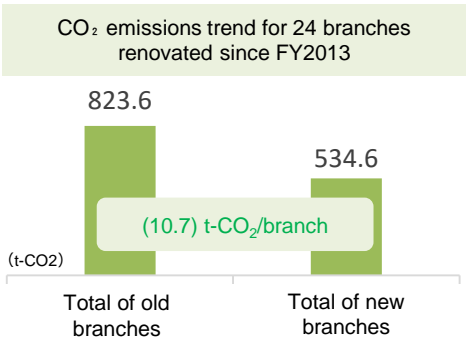


■ Reorganization of Branch Network and Promotion of Eco-friendly Offices

- Aiming to optimize branch functions and network
- When renovating branches, environmentally friendly equipment is installed, with many new branches obtaining CASBEE Shizuoka A-rank and CASBEE Kanagawa A-rank certifications

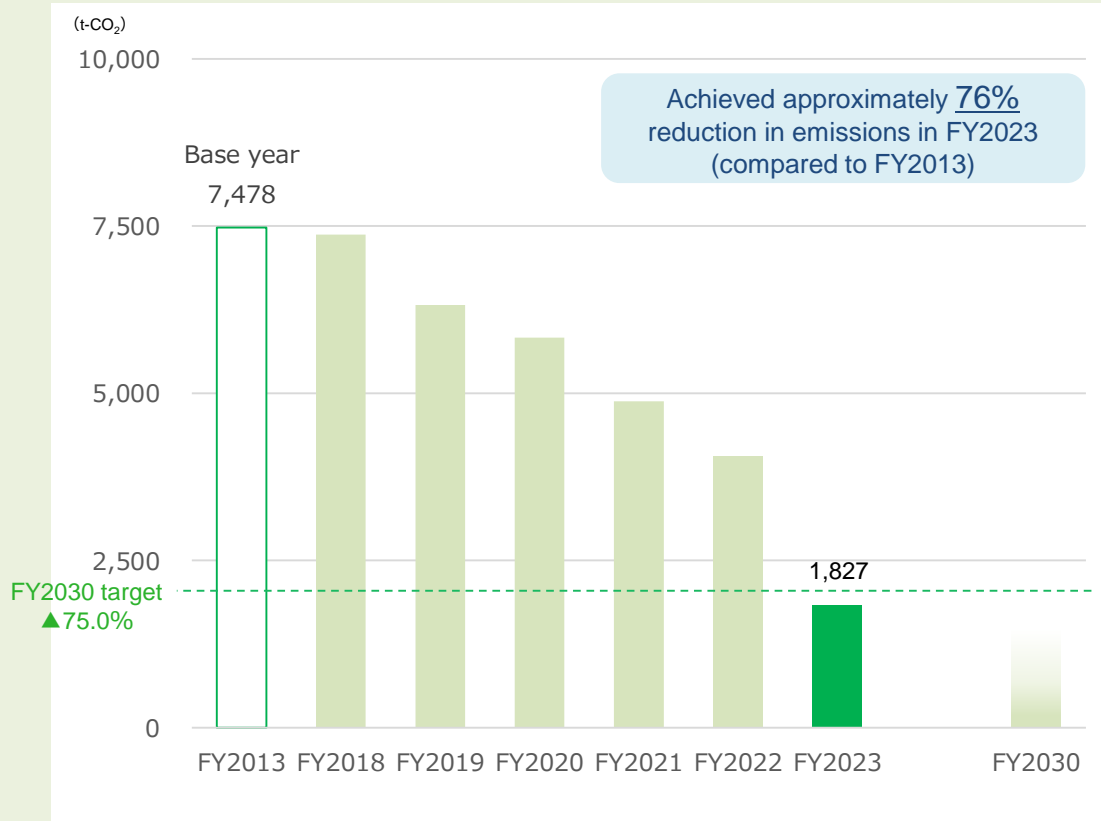


\*Branch-in-branch locations counted as one branch



\*Comparison of emissions for one year before and after eco-office conversion

Greenhouse Gas (CO2) Emissions Trend (Scope 1 + Scope 2)







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

While Shizuoka Prefecture possesses abundant forest and marine resources as well as tourism resources including Mt. Fuji and Suruga Bay, it faces numerous environmental challenges such as declining public benefits of forests, decreasing marine resources, waste management issues, and marine plastic pollution. To ensure sustainable development of both the region and our group, we are actively promoting initiatives that contribute to solving these challenges.

Collaboration with Local Governments and Other Organizations

● Participation in "Shizuoka Prefecture SDGs Business Award 2024 - Recognizing Environmental Businesses Creating the Future"

This award was established in fiscal year 2021 as a program to recognize environmental businesses that are creating the future.

We have been participating as a cooperation partner since its establishment. In collaboration with Shizuoka Prefecture, the organizer, we support the expansion and promotion of environmental businesses undertaken by selected organizations.



● Participation in "Y-SDGs Financial Task Force"

We are participating in the "Y-SDGs Financial Task Force" established under the leadership of Yokohama City. Through promoting the Yokohama City SDGs certification system "Y-SDGs," providing consultation for certification, and offering financial products and services utilizing "Y-SDGs," we conduct awareness-raising activities to promote SDGs initiatives among small and medium-sized enterprises in Yokohama City.

● Signing of "Zero Carbon City Partnership Agreement" with Fukuroi City, Shizuoka Prefecture

We have signed a "Zero Carbon City Partnership Agreement" with Fukuroi City, Shizuoka Prefecture, which has declared itself a "Zero Carbon City" and established "Promotion of Zero Carbon among Fukuroi City Business Operators" as one of its priority projects. In collaboration with the city, we will contribute to realizing a decarbonized society in the region by providing services that support decarbonization management for local businesses.

● Shizuoka GX Support

A cloud service for corporate customers that visualizes greenhouse gas (GHG\*) emissions. By providing this service to local small and medium-sized enterprises and collaborating with local governments, we will support our customers' decarbonization management and contribute to achieving decarbonization in regional communities.\*Abbreviation for Greenhouse Gas.



Investment and Financing Support

● Participation in "Shinsei Green Loan\*" organized by SBI Shinsei Bank, Ltd.

Borrower:	Kumagaya Commercial Development GK (SPC of APL Group)
Use of Funds:	Acquisition costs for real estate trust beneficiary rights backed by Nitto Mall (Kumagaya City, Saitama Prefecture) and renovation costs including energy-saving improvement work
Environmental Benefits and Alignment with Social Issues (Evaluated by SBI Shinsei Bank):	The project is expected to contribute primarily to SDGs "Goal 7: Affordable and Clean Energy," "Goal 9: Industry, Innovation and Infrastructure," "Goal 11: Sustainable Cities and Communities," and "Goal 13: Climate Action." Furthermore, the Japanese government aims to "ensure energy-saving performance at the level of ZEH/ZEB standards on average for housing and building stock by 2050 by promoting energy-saving renovations and installation of energy-efficient equipment in existing housing and buildings." The evaluation concluded that this aligns with the government's recognition of challenges and policies.

## Building a Sustainable Regional Economy and Society - Suruga Group's Materiality -

We contribute to the realization of a sustainable regional economy and society by cooperating and collaborating with municipalities and private enterprises in various fields related to regional revitalization, working to resolve regional issues and promote revitalization.

### Cycling Project

#### Partnership Agreements for Cycling Promotion

We have entered into "Partnership Agreements for Cycling Promotion" with numerous municipalities, organizations, and private corporations, aiming to create new tourism value and revitalize local communities through the promotion of cycle tourism in conjunction with regional tourism resources. In the first half of fiscal year 2024, we signed new agreements with two additional municipalities.

##### <Sagamihara City, Kanagawa Prefecture>



##### <Kanagawa Prefecture>



#### Shizuoka University × Izu City, Shizuoka Prefecture × Suruga Bank Joint City Promotion

We conducted a city promotion campaign "Exploring Izu City Geosites by Bicycle" in collaboration with three parties: Izu City, which owns and operates the "Kano Base" satellite office; Shizuoka University, which operates the eastern satellite "Sanyo Juku" at the facility; and our bank, which operates "Cycle Station KANO BASE".



### Financial Education and Disaster Prevention Training

#### Financial Education for Elementary School Students: Suruga Bank Tour

As part of the "Discover Local Jobs! Elementary School Career Experience Program" organized by the Eastern Shizuoka Regional Bureau, we host financial education tours for elementary school students called "Suruga Bank Tour: Let's Think About Money and Banking!"



#### SAISON Money School

As an initiative to support financial literacy development in our local communities, we co-hosted a financial seminar called "SAISON Money School" focusing on asset utilization, in collaboration with our capital and business alliance partner, Credit Saison Co., Ltd. In this seminar, our asset consulting staff serve as instructors, providing easy-to-understand explanations for beginners about key points of asset building and an overview of the new NISA system.



#### Disaster Prevention Training with Azul Claro Numazu

Based on our partnership agreement with Azul Claro Numazu, we conducted disaster prevention training at our "Suruga Ground" (\*designated evacuation site by Numazu City), in cooperation with the Nunakita-cho and Takenohana Neighborhood Associations, Self-Defense Forces, and administrative agencies.



# Reference Materials



<Non-consolidated>

(billion yen)

	FY 9/23 Results (A)	FY 9/24 Results (B)	YoY comparison (B) - (A)
Core gross operating profit (excluding gains/losses from investment trust cancellations)	29.5	29.9	+0.4
Expenses (-)	18.2	17.3	(0.8)
Personnel expenses	6.7	6.7	+0
Actual credit costs (-)	(1.2)	(0)	+1.2
Gain (loss) on securities	0	0	+0
Other non-recurring gains (losses)	0	0.1	+0.1
Ordinary profit	12.5	12.8	+0.3
Extraordinary gains (losses)	(0.6)	0.2	+0.9
Net income	9.3	11.0	+1.7

<Consolidated>

Consolidated ordinary revenue	43.9	42.5	(1.4)
Consolidated ordinary profit	12.8	12.9	+0.1
Profit attributable to owners of parent	9.5	11.0	+1.4

<Main factors contributing to changes [non-consolidated, YoY comparison]>

Net interest income <b>(-0.2 billion yen)</b>	•Decrease in interest on loans and bills discounted: -1.5 billion yen (Average balance factor: +0.1 billion yen, Yield factor: -1.6 billion yen) •Increase in interest and dividends on securities: +1.2 billion yen
Net fees and commissions <b>(+0.5 billion yen)</b>	•Increase in loan-related fees: +0.6 billion yen
Expenses <b>(-0.8 billion yen)</b>	•Decrease in property expenses: -0.8 billion yen
Actual credit costs <b>(+1.2 billion yen)</b>	•Normal amount: +2.8 billion yen •Preventive allowances: -1.8 billion yen *(Reference) See table on bottom right of page 2
Extraordinary gains (losses) <b>(+0.9 billion yen)</b>	•Recording of gains on disposal of fixed assets: +0.7 billion yen •Partial drop off in impairment losses on fixed assets: -0.2 billion yen

※Note: ( ) indicates YoY comparison



## Interest margin, etc.

◆ Gross loan-deposit interest margin
 ◆ Loan-deposit interest margin
 ◆ Net interest margin

Gross loan-deposit interest margin: 3.07%, 3.01%, 2.87%, 2.80%, 2.63%

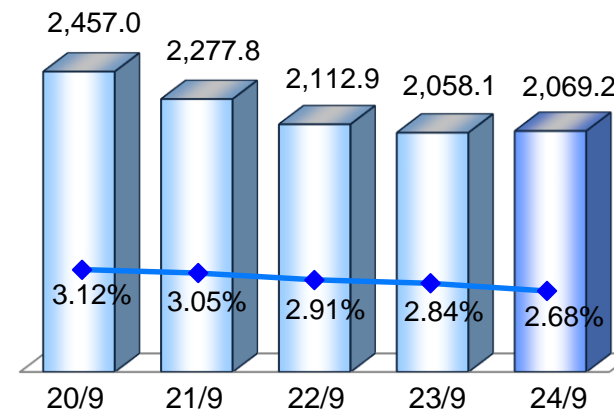
Loan-deposit interest margin: 1.79%, 1.78%, 1.76%, 1.71%, 1.54%

Net interest margin: 0.96%, 0.81%, 0.78%, 0.74%, 0.71%

20/9 21/9 22/9 23/9 24/9

## Yield and average balance of loans and bills discounted

■ Average balance of loans and bills discounted (billion yen)
 ◆ Yield of loans and bills discounted



<Special factors affecting loans and bills discounted [year-on-year]>

Sep. 2021: Transfer of share house claims (approx. -44.2 billion yen)

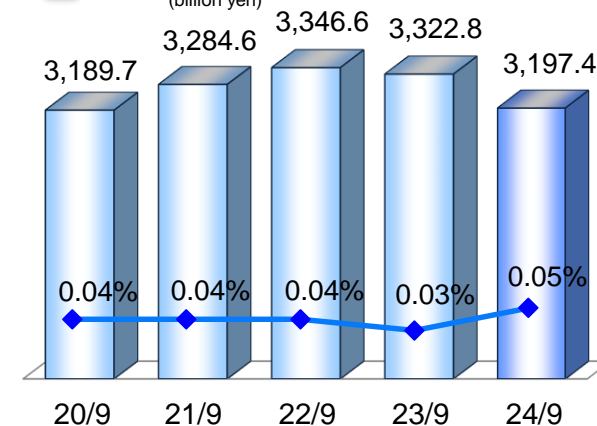
Sep. 2022: Transfer of share house claims (approx. -60.5 billion yen)

Sep. 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

■ Average balance of deposits (billion yen)
 ◆ Yield of deposits



20/9 21/9 22/9 23/9 24/9





(billion yen)

	Sep. 2023			Sep. 2024		
	Balance	Yield	Delinquency rate	Balance	Yield	Delinquency rate
Secured loans	1,474.3	3.00%	7.12%	1,374.3	2.89%	7.01%
Housing loans	422.1	2.64%	0.36%	419.8	2.48%	0.33%
Investment real estate loans	1,020.2	3.12%	10.14%	922.7	3.04%	10.28%
Other secured loans	32.0	4.15%	0.27%	31.7	3.92%	0.18%
Unsecured loans	120.0	10.49%	2.07%	107.5	10.47%	1.49%
Card loans	85.6	11.69%	0.85%	79.9	11.53%	0.54%
Unsecured certificate loans	34.4	7.51%	5.11%	27.6	7.41%	4.24%
Personal loans (A)	1,594.4	3.57%	6.74%	1,481.9	3.44%	6.61%
Personal loans (excluding organizational negotiation partners, etc.) (F)	1,496.5		1.48%	1,390.3		1.05%
Corporate investment real estate loans (B)	76.8	1.74%	—	128.9	1.81%	—
Structured finance, etc. (C)	145.8	2.31%	—	203.9	2.50%	—
Collaboration loans, etc. (D)	134.2	2.20%	0.02%	165.5	2.14%	0.04%
Total (E = A + B + C + D)	1,951.4	3.31%	5.51%	1,980.3	3.13%	4.95%

\* 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



• Actual credit costs (Six months ended Sep. 30, 2024)

(billion yen)

Item	Actual credit costs	Allowance for loan losses
Investment real estate loans*	(0.5)	90.7
Housing loans	0.2	1.7
Unsecured loans	(0)	1.6
Collaboration loans, etc.*	0	0.3
Business financing, etc.	0.3	7.3
Total	(0)	101.8

\*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 based on the Financial Reconstruction Law (As of September 30, 2024)

(billion yen)

	Balance	Total coverage amount			Coverage ratio
			Portion secured by collateral or guarantees, etc.	Allowance for loan losses	
Claims against bankrupt and substantially bankrupt obligors	105.5	105.5	40.6	64.8	100%
Claims with collection risk	53.0	36.1	21.8	14.3	68.1%
Claims for special attention	34.7	20.0	12.5	7.4	57.6%
Total	193.3	161.7	75.0	86.7	83.6%

Ratio of disclosed claims to total credit (non-performing loan ratio)	9.1%
---	------

Ratio of disclosed claims excluding organizational negotiation partners to total credit	5.3%
---	------



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

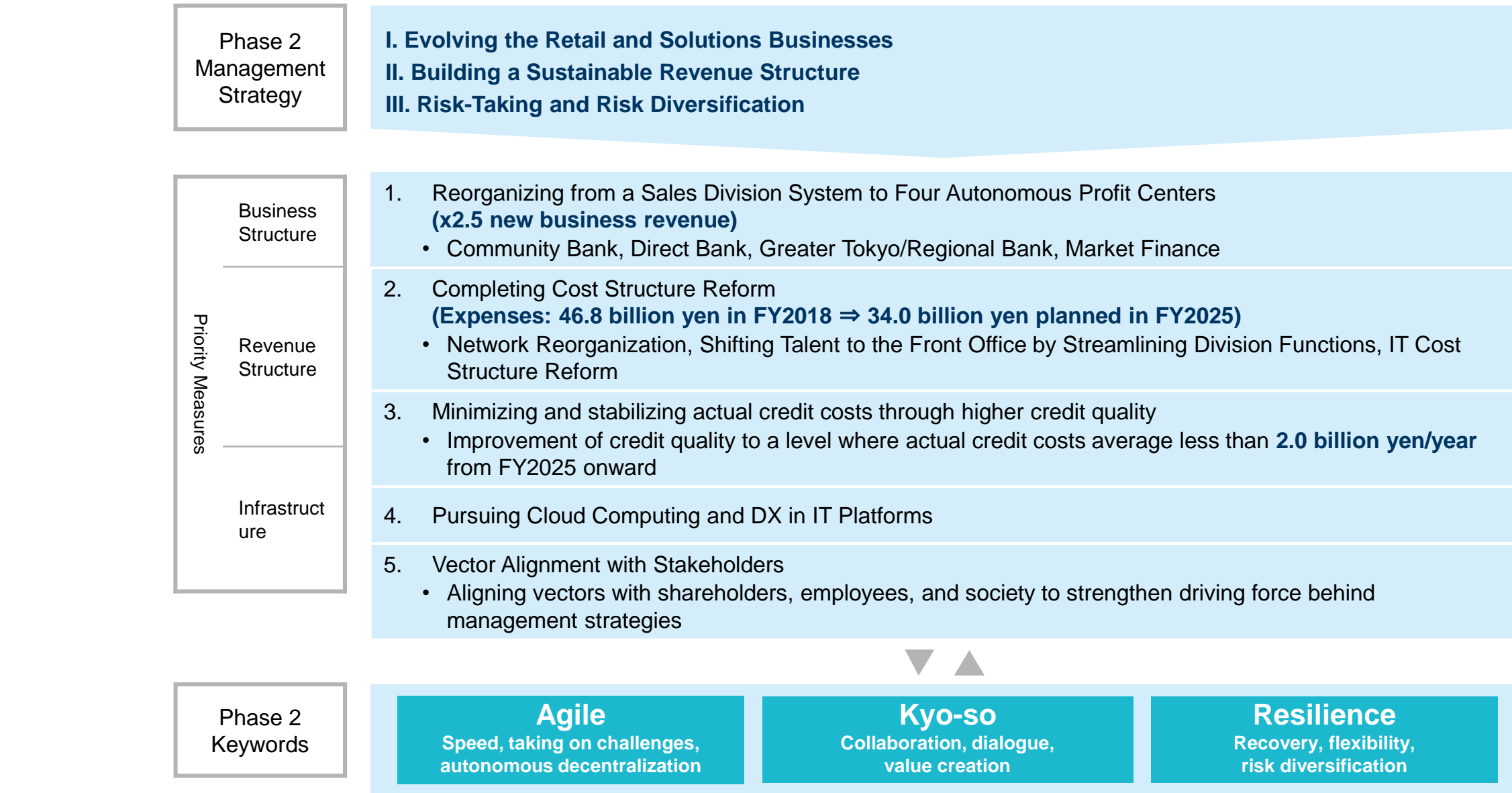
We will counteract the decline in the top line due to the collection of existing loans and pivot to a sustainable revenue structure with **three measures. Namely, growth of new business revenue through four autonomous profit centers, cost structure reform, and minimizing and stabilizing actual credit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

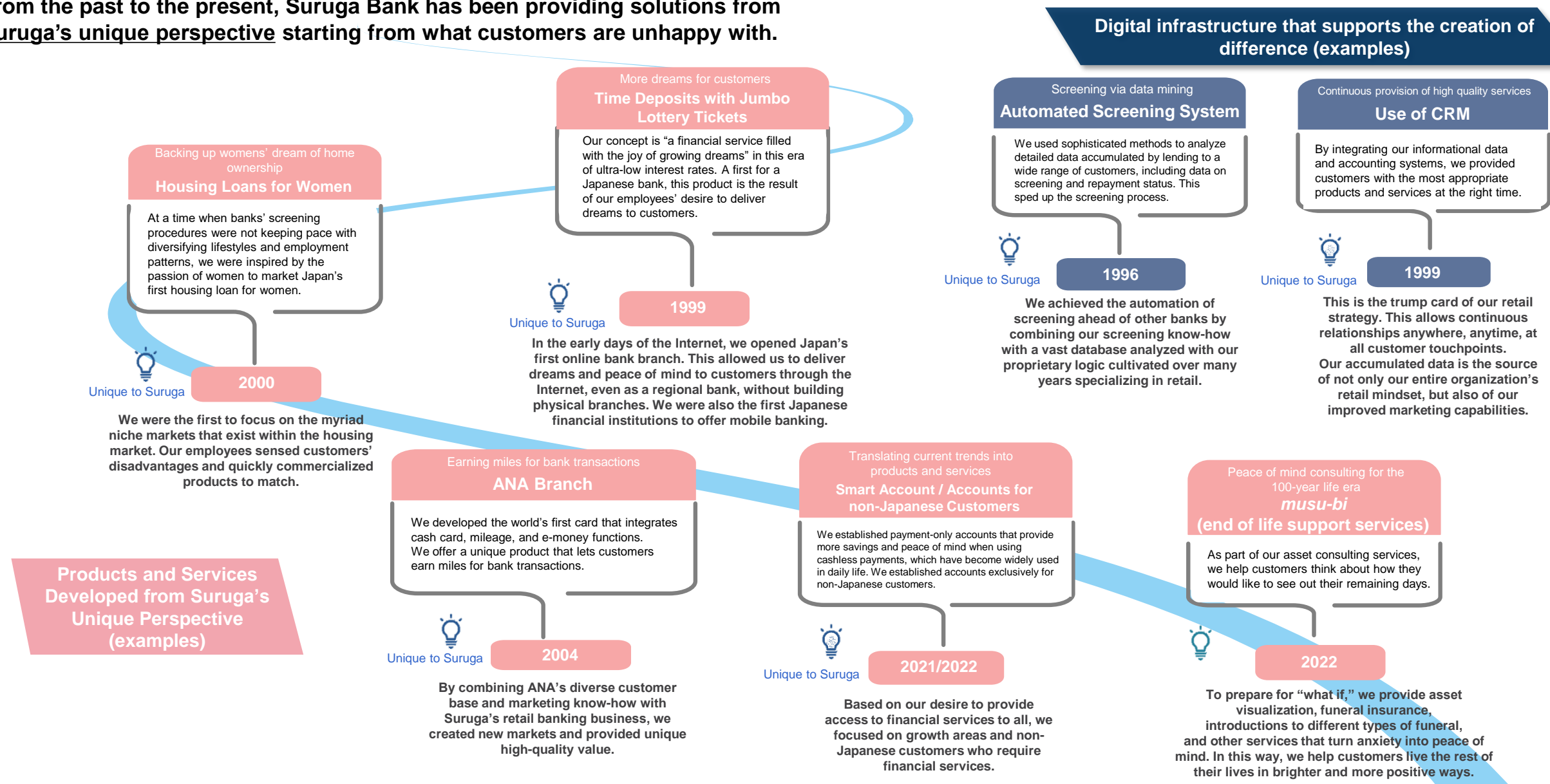




\* The above KPIs, etc. are based on the revised mid-term business plan KPIs announced on April 4, 2024



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
<b>Retail/Solution Businesses</b>	<b>7.5</b>	<b>2.3</b>	<b>+5.2</b>
Solution Business* <sup>1</sup>	3.0	0.8	+2.2
Investment real estate loans	4.5	1.5	+3.0
<b>Market Finance</b>	<b>11.5</b>	<b>5.4</b>	<b>+6.1</b>
Structured finance	5.0	2.3	+2.7
Market operations, etc.* <sup>2</sup>	6.5	3.0	+3.5
<b>New Portfolio Total</b>	<b>19.0</b>	<b>7.7</b>	<b>+11.3</b>

↑ 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

\* 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)**

## Building a Sustainable Revenue Structure with the “Three Arrows”

Decrease in core gross operating profit from old portfolio

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

**(-19.0 billion yen)**

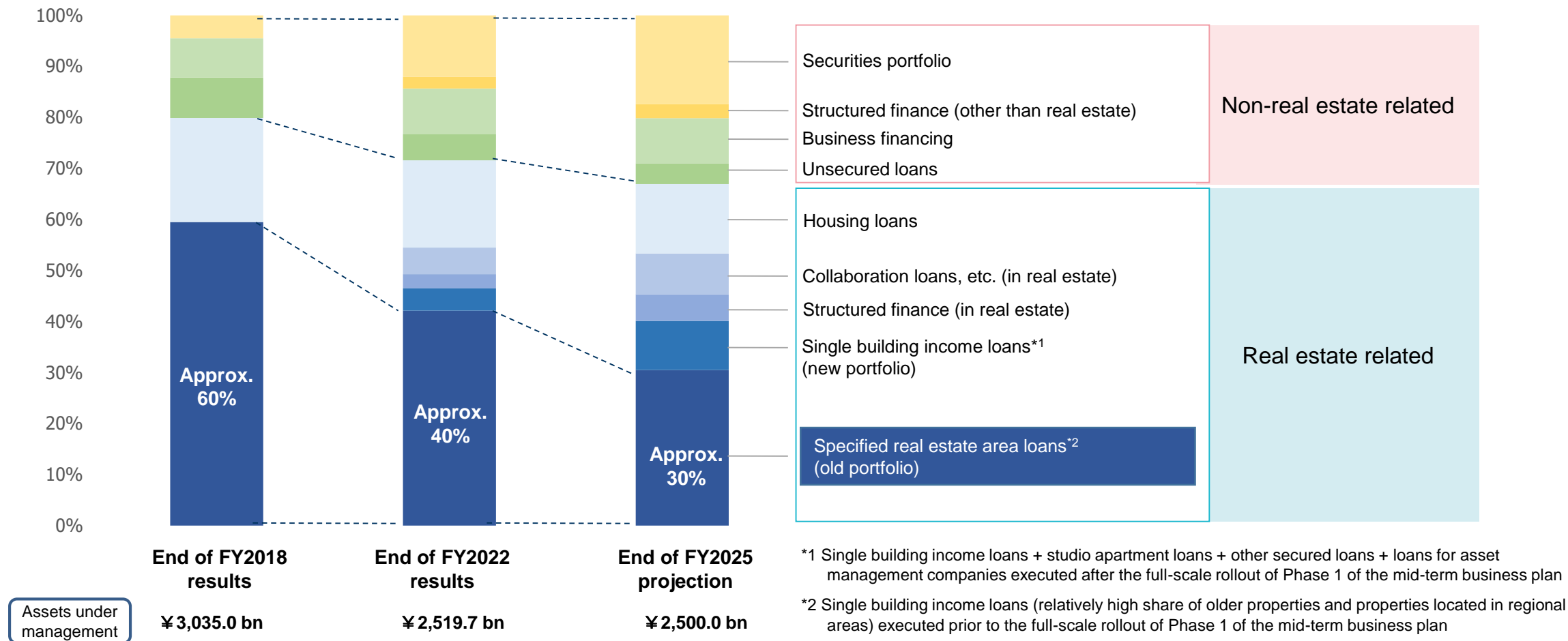
Definition of New/Old Portfolios

- 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



<Inquiries>

IR Office, Suruga Bank, Ltd.

**Tel:** +81-3-3279-5536

**e-mail:** [ir.koho@surugabank.co.jp](mailto:ir.koho@surugabank.co.jp)

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 performance may differ materially from the targets contained in the present material due to changes in the business environment.

This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.