

Suruga Bank Mid-Term Business Plan
"Re:Start 2025" Phase 1
FY2019-2022

November 2019

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1. Corporate Philosophy & New Governance Measures

2. Vision and Strategy to Achieve It

3. Financial Plan

4. Sales Strategy (Top Line Strategy)

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■ Corporate philosophy

"I'm glad you're here..."
"I'm glad we met..."
this perception is our goal.

No matter how much the times change or time passes
We are committed to providing service from the customer's perspective,
staying closely in tune with their everyday life,
providing value, and helping our customers lead more prosperous lives

<Our Ambition>

We aim to serve as a bank that always thinks of customers first in any situation.

By genuinely listening to our customers and providing added value like only Suruga Bank can deliver, we aim to be the kind of bank that makes customers feel "I'm glad you're here...I'm glad we met."

To provide customers with truly satisfying service, it is vital for staff who provide these services to feel that their work is meaningful. Thus, we also want to be a company that not only customers, but also staff feel "I'm glad you're here...I'm glad we met."



- Led mainly by junior board members consisting of 20 young employees with an average age of 30, we are carrying out activities to reform our corporate philosophy from the "bottom-up."
- As a result of carefully considering 'our company's vision when achieving a customer-oriented business model' and 'what we must pursue to achieve it,' we arrived at our new corporate philosophy which expresses our aim to "be a bank that makes people think 'I'm glad you're here...I'm glad we met'".
- In realizing our new corporate philosophy, it is also vital for staff to feel that their work is meaningful and put their own ideas into action. Therefore, our ambition to retrain and rebuild each and every person is also expressed in "Our Ambition."

■ Compliance Charter

The Suruga Bank Group hereby declares that all its employees will work together in carrying out its Compliance Charter to realize our corporate philosophy and serve as an indispensable part of society. We have taken to heart the lessons from past scandals which greatly affected society, and are dedicated to ensuring they that are never again repeated by focusing efforts on setting compliance as our top management priority and establishing measures.

[Customer-Oriented Business Management]

We listen carefully to customers and offer optimal products and services that are in their best interests. We will establish trust through long-term transactions with our customers and realize sound management that leads to fair profits.

[Honest, Fair and Transparent Corporate Activities]

To meet the expectations of both customers and society in general, we will act with integrity while considering not only laws and regulations but also social norms and the public nature of banks. We will strive to detect problems early, recognize facts accurately, disclose information fairly, and respond based on appropriate judgments.

[Ensure a Healthy Work Environment]

We will value our colleagues and their families, eliminate harassment, and create an environment where all employees can enjoy work with peace of mind. We will promote a corporate culture where all employees respect each other and can freely exchange opinions regardless of their position.

[Prevent any relationships with anti-social forces]

We will prevent any relationships with anti-social forces that pose a threat to social order and people's safety, and ensure soundness and safety in our financial infrastructure.

[Act with a Sense of Ownership]

We will engage in our day-to-day work using the Compliance Charter as the standard for judging all actions, under the firm belief and sense of responsibility that each and every employee has the power to change our company.

- In order for us to achieve the target vision set in our corporate philosophy, we established a Compliance Charter that provides the standard guiding employees' actions and judgments.
- By ensuring that all employees act with an awareness of, and compliance to, the Compliance Charter, we aim to achieve a healthy organizational and corporate culture while also ensuring thorough compliance.

■ Implementing the Business Improvement Plan ①

- ◆ We submitted a business improvement plan to the Financial Services Agency in accordance with a Business Improvement Order dated October 5, 2018
- ◆ We are carrying out the improvement plan to ensure thorough compliance, realize customer-oriented business operations, and build a healthy organizational and corporate culture.

Current as of November 14, 2019

Key improvement item	Improvement measure	Improvement efforts to date
Clarification of responsibilities based on the recent disposition	Resignation of former management	In September 2018, there were a total 5 resignations: 3 representative directors and 2 executive directors
	Investigation of executive responsibility	In November 2018, a damage suit was filed against current and former directors and executive officers regarding damages related to loan issues for share houses and other income property. In December 2018, a lawsuit was filed against the current and former directors for damages related to credit management issues concerning companies associated with its founding family.
Mindset reform and governance reform (business management measures) for rebuilding the company	Transition to a company with an Audit and Supervisory Committee, and strengthened governance measures by proactively utilizing outside directors	In September 2018, an outside director was appointed to Chairman of the Supervisory Board. In June 2019, the company structure transitioned to that of a company with an Audit and Supervisory Committee. 4 of the 7 directors are outside directors. All 3 Audit and Supervisory Committee members are outside directors.
	Establishment of a Compliance System Restructuring Committee	In November 2018, a Compliance System Restructuring Committee was established. Thereafter, the structure for drastic restructuring of the compliance system was examined and implemented.
	Enhancement of the Compliance Department and Whistleblowing System	In December 2018, we expanded Compliance Department staff and set up a whistleblower response room as well as AML/CFT* office. Review was conducted of rules and procedures related to the whistleblowing system as well as the contacting environment.
	Review of the performance evaluation system	In the first half of 2018 the evaluation system, which focused on quantitative items, was revised and a new job evaluation system that focuses on qualitative items replaced it.
	Establishment of a customer-oriented business management system, and implementation of education and training to promote a healthy corporate culture	Training was administered to all employees on financing and legal compliance to ensure they have the knowledge expected of a bank employee and to promote a healthy corporate culture. Training has been conducted on a semi-annual basis since the second half of fiscal 2018.
	Conducted survey of all investment real estate loans and carried out strict actions based on the survey results	In May 2019, we announced the results of a "Survey of All Cases" conducted on all investment real estate loans to determine whether they were fraudulent. At the same time, we conducted and released the results of investigations on unsecured loans (examination of whether employees are involved in fraudulent business), violation of the prohibition of tie-in sales, violation of the bank agency services authorization system, and confirmation of the substantial controllers. In May 2019, we carried out uncompromising punishment of any employees found to be involved in fraudulent cases as a result of the above investigation.
	Overhaul of corporate philosophy	In November 2019, we formulated a new corporate philosophy from the bottom up: "To be a bank that makes people think 'I'm glad you're here... I'm glad we met'"
	Formulation of a Mid-Term Business Plan	In November 2019, we formulated and announced a new Mid-Term Business Plan based on the new corporate philosophy.

* AML/CFT: Anti-Money Laundering/Counter Financing Terrorism

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- We submitted a business improvement plan to the Financial Services Agency in accordance with a Business Improvement Order dated October 5, 2018
- Through steady implementation of this business improvement plan, we are working to ensure thorough compliance, realize customer-oriented business operations, and build a healthy organizational and corporate culture.
- We are drastically reforming all aspects of our business while promoting the active introduction and utilization of external resources to incorporate an 'external perspective'.
- The following six items represent the major improvement goals, while the status of these, currently at November 14, are as shown above.
 - (1) Clarification of responsibilities based on the recent disposition
 - (2) Mindset reform and governance reform (business management measures) for rebuilding the company
 - (3) Establishment of a management system for excluding anti-social forces and a management system to prevent money laundering and terrorist financing
 - (4) Establishment of internal audit systems and credit risk management, including loan screening management
 - (5) Elimination of transactions with companies controlled to a some degree by a founding family member
 - (6) Establishment of measures to appropriately respond to each customer individually concerning share house and other investment real estate loans.

■ Implementing the Business Improvement Plan ②

Key improvement item	Improvement measure	Improvement efforts to date
Establishment of a management system for excluding anti-social forces and a management system to prevent money laundering and terrorist financing	Elimination of dealings with anti-social forces	We have revised rules, business procedures, etc., to clarify policies on dealings with suspected anti-social forces, and implemented procedures to eliminate transactions based on comprehensive discussions with police.
	Establishment of a system to detect dealings etc. that involve anti-social forces, suspicious transactions, and substantial controllers of businesses	In December 2018, to avoid human error, we established and began operation of a system that blocks anti-social forces from opening new accounts. We also established and started operation of a system for detecting suspicious transactions among corporate transactions, as well as a system to prevent inadequate verification of whose is in legal control of a business. This system has been fully familiarized with all employees and is being monitored by headquarters.
Establishment of internal audit systems and credit risk management, including loan screening management	Establishment of the specialized department "AML/CFT Office," and integration of measures to utilize external experts	In December 2018, we established an AML/CFT Office. We have also integrated measures to utilize the advice and training of external experts.
	Strengthening authority of the Loan Screening Department	In December 2018, the position of the Loan Screening Department head was raised from the level of an executive officer to a senior executive officer to strengthen the authority of the Loan Screening Department and enhance checks-and-balances.
	Ensuring independence of the Internal Audit Department and the effectiveness of audits	In December 2018, the position of the Internal Audit Department head was raised from the level of an executive officer to a senior executive officer to ensure independence of the Internal Audit Department and enhance checks-and-balances.
	Three-Line Defense enhancements	To enhance the functionality of our Three-Line Defense, an improvement plan was formulated to clarify the roles of first line (sales), second line (loan screening and compliance) and third line (internal audit) defenses. Education and training was individually conducted for each of the three lines. In November 2018, the name of the business audit department was changed to "Internal Audit Department" and a system conforming to improvement plan began operation.
	Strengthening of credit risk management measures for investment real estate loans	In April 2019, we introduced an external system that calculates the value of real estate based on DSCR* and future income of loan-financed properties. A review of sales and business processes was also conducted.
	Establishment of a real estate management system	In May 2019, we established a system to centrally manage real estate-related agents, which integrates transaction history, negative or unbeneficial information, anti-social forces information, and allows us to screen transactions.
	Formation of a team dedicated to investment real estate loans	In May 2019, a small team of specialists was formed to resume investment loan activities, which had been suspended until that time. Members include the members who experienced the Compliance Division or Loan Screening Department to ensure a structure capable of operating with a customer-oriented stance.
Elimination of transactions with companies controlled to a some degree by a founding family member	Limited secured loan handling locations	In May 2019, secured loans (excluding investment real estate loans) were limited to locations that have a loan officer on staff.
	Elimination of capital relationships Full recovery of loaned amounts	In October 2019, all shares owned by the founding family were sold to Nojima Corporation, thereby eliminating the capital relationship of family members. In October 2019, a repayment agreement was signed for all loans extended to founders and family companies. All loan transactions are also scheduled to be recovered within FY2019.
Establishment of measures to appropriately respond to each customer individually with regard to share house and other investment real estate loans.	Establishment of an office for handling share house related matters	In June 2018, an office for handling share house related matters was established, under the direct control of the president. We are working with customers through changing conditions etc. in cooperation with relevant departments.
	Customer support	We strive to attentively and thoroughly listen to each customer's situation, and provide optimal solutions that, as best possible, gain their consent and understanding without being unreasonably fixated on rigid procedural, one-size-fits-all solutions. In May 2019, we began conducting partial principal reductions. The principal reduction rate, etc. are being calculated through discussions and such with customers.

*DSCR (Debt Service Coverage Ratio) = Net Operating Profit / Principal and Interest Repayment Amount

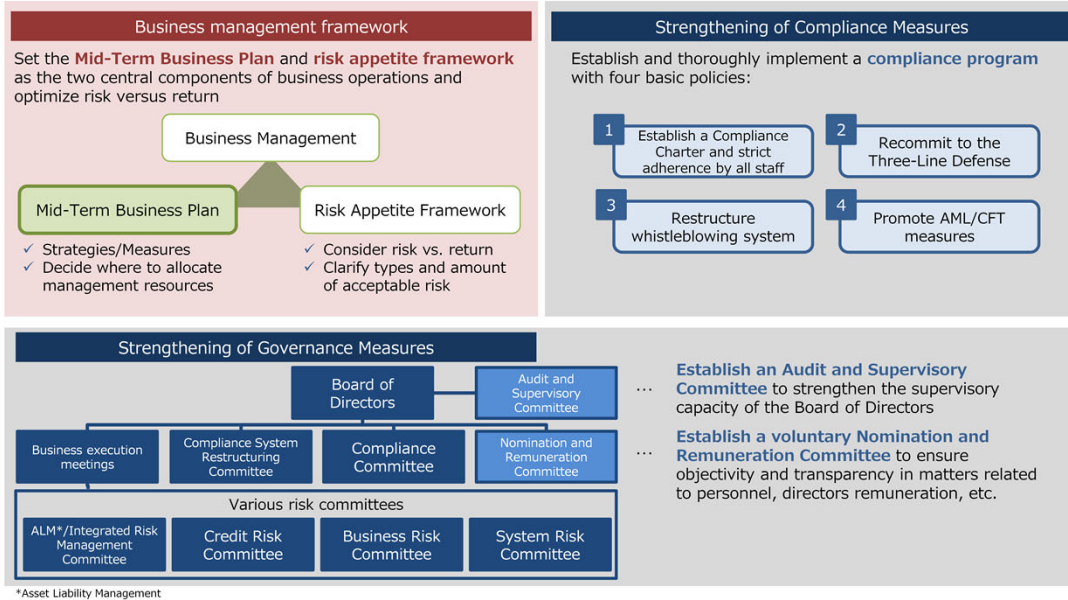
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- With regard to share house and other investment real estate loans, as measures to support customers having difficulty with loan repayment, we have not only applied existing measures such reducing rates and modifying conditions, but also taken it a step further by starting to cut some of the principal.
- We will continue striving to attentively and thoroughly listen to each customer's situation, and provide optimal solutions that, as best possible, win their consent and understanding without being unreasonably fixated on rigid procedural, one-size-fits-all solutions.

■ Corporate Governance

- ◆ To build a sustainable business model, in addition to thorough compliance, we are also focusing efforts on improving business execution in ways that maximize our strategy, measures, and business resource allocation based on clear identification of risk appetite.
- ◆ While strengthening the supervisory capacity of our Board of Directors, we are also aiming to realize highly transparent corporate governance.

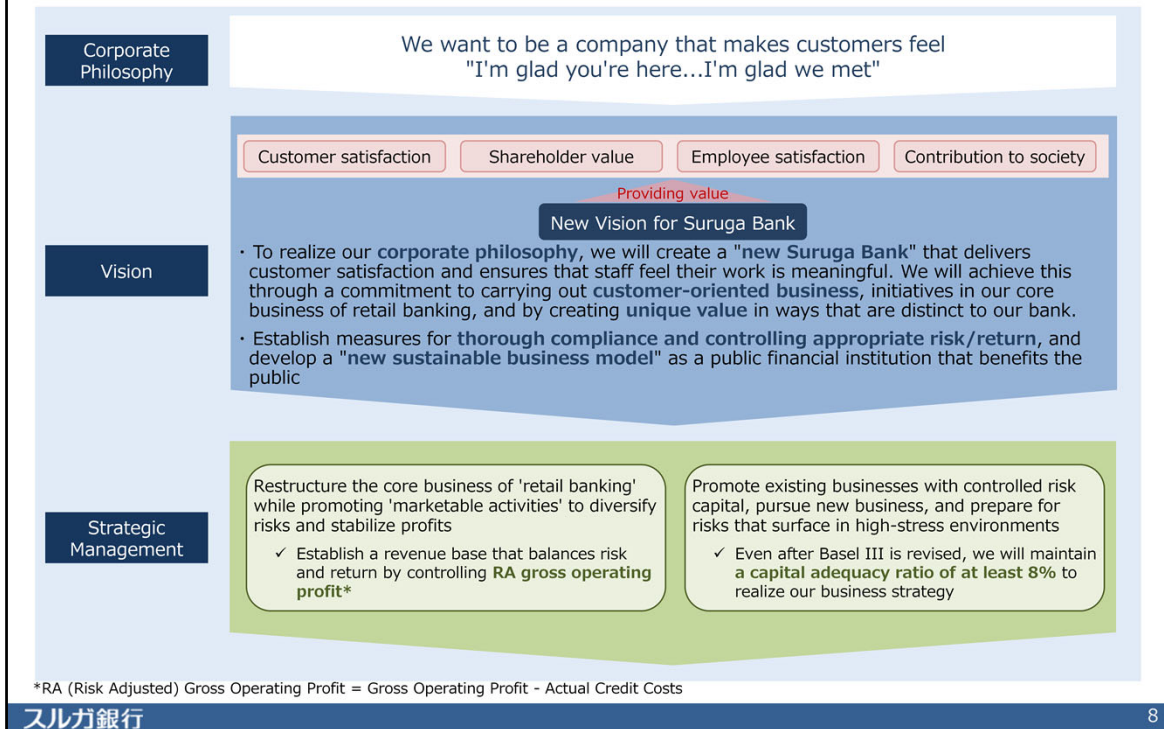


- Under the new business framework, we aim to optimize risk versus return based on two central components: our Mid-Term Business Plan and Risk Appetite Framework.
- To strengthen compliance measures, we have formulated a compliance program with 4 basic policies set as its specific action plan.
- We have also formulated the structure for robust governance measures; transitioned to being a company with an Audit and Supervisory Committee; and established a voluntary Nomination and Remuneration Committee. Our goals are to strengthen the supervisory capacity of the Board of Directors, as well as achieve corporate governance that ensures objectivity and transparency.

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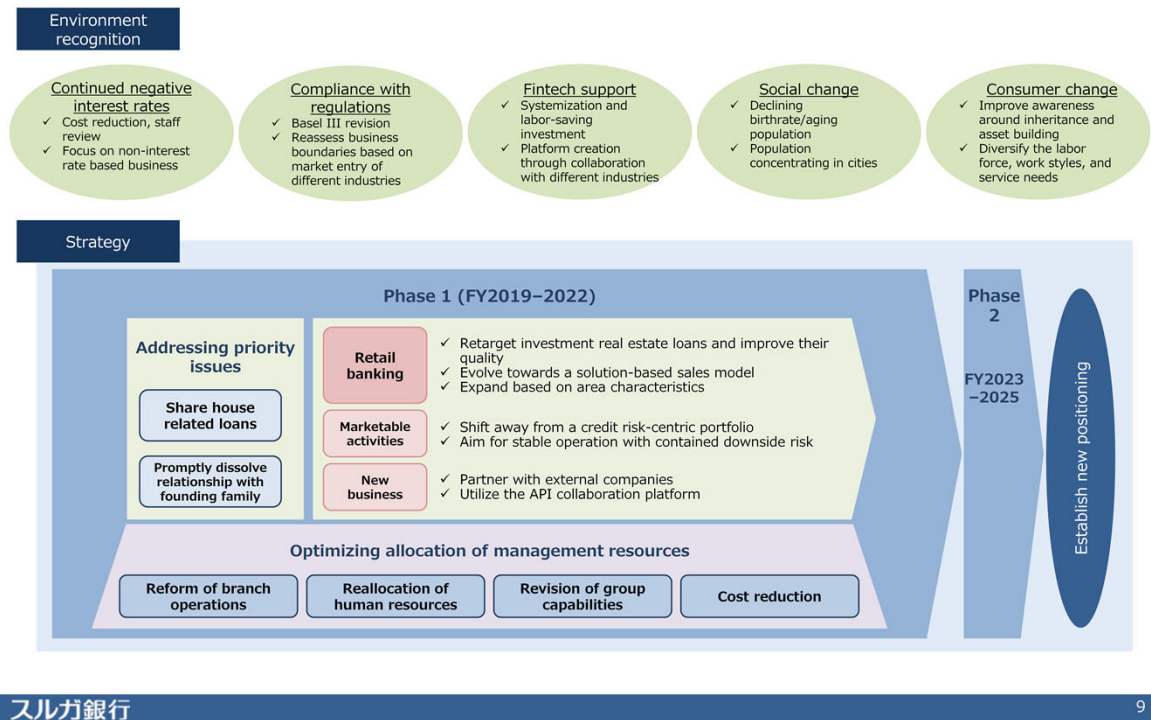
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■ Suruga Bank Mid-Term Business Plan - "Re:Start 2025" (Period: FY2019–2025)



- Our vision is to create a "new Suruga Bank" that can provide value to shareholders, employees, and society, which we will achieve through a commitment to carrying out customer-oriented business and achieving true customer satisfaction by providing unique value through our specialty area of retail banking.
- We will 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.
- The business strategy for realizing this vision consists of two pillars:
 - ① Building a revenue base that balances risk and return by promoting marketable activities aimed at rebuilding our core business of retail banking, as well as diversifying risk and stabilizing earnings
 - ② Promoting existing business while pursuing new business, by applying risk capital control in a manner that considers risk versus return, and also bolstering equity capital to prepare for risks that tend to surface in high-stress environments.

■ Basic Strategy for Phase 1



- In our Mid-Term Business Plan up to FY2025, we plan to reestablish a sustainable business model over the next three years as Phase 1 of the plan.
- In the current business environment, it is necessary to respond to continued negative interest rates, regulation revisions, and fintech trends. Meanwhile, in today's social environment, banks are expected to respond to the growing awareness of inheritance & asset building as well as ever-diversifying customer needs.
- Amid a difficult environment, we must continue to make retail banking our core business and aim to develop businesses that are different from those in the past while leveraging our knowledge and expertise.
- We will focus on retargeting investment real estate loans and reforming the “quality” of assets. We will also shift away from a credit-risk centric portfolio, and promote securities with varying risk profiles. We need to pursue the challenge of creating new businesses unique to our company by drawing on the strengths of alliances and API collaboration platform.
- We aim to establish a new position by striving to optimize the allocation of management resources who support our basic strategy and completing priority issues quickly.

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■ Financial Plan Overview (1/3) Target Management Indices

Units: 100 million yen

		FY2019 (Forecast)	FY2022 (Plan)
Non-consolidated	RA gross operating profit*1	620	490
	OHR*2	55%	Up to 60%
	Net income	150	60
	Capital adequacy ratio*3	9.5%	Over 10%
Consolidated	Net income	155	70

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

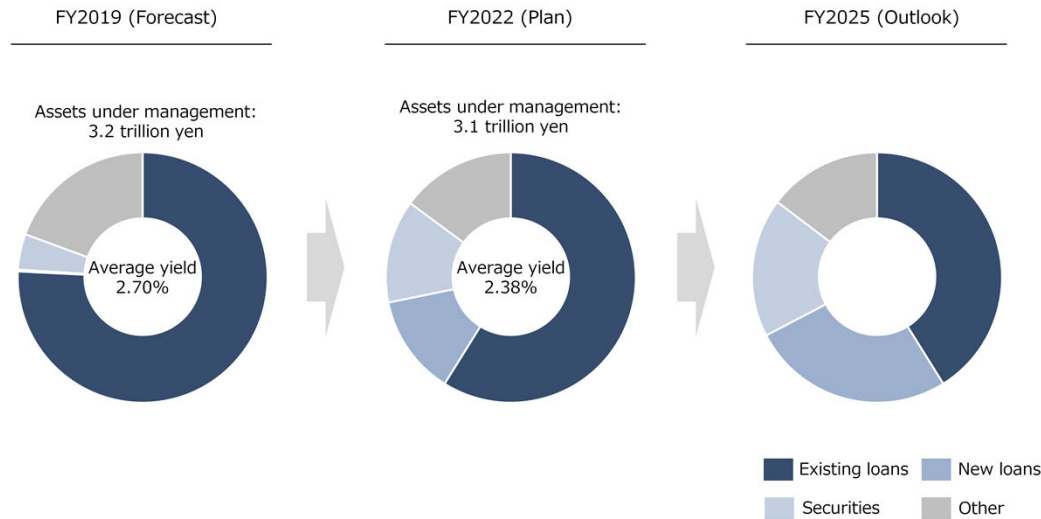
*2 OHR (Over Head Ratio) = Expenses / Gross Operating Profit

*3 Although Basel III is expected to be revised around late March 2022 (Domestic standard banks are not yet decided), it is not included in the above indices (assumed impact is around -2%)

- For RA gross operating profit, which represents our main business profit including actual credit costs, we forecast a decrease of around 13 billion yen in FY2022 versus FY2019. However, OHR should remain within 60% due to cost reductions; non-consolidated net income should be 6 billion yen; and the capital adequacy ratio is planned to be over 10%.
- We plan to improve the gap between consolidated and non-consolidated figures by boosting profitability and reviewing functions across the entire group. Through this we plan to increase consolidated current net profit by 7 billion yen.

■ Financial Plan Overview (2/3) Asset Allocation

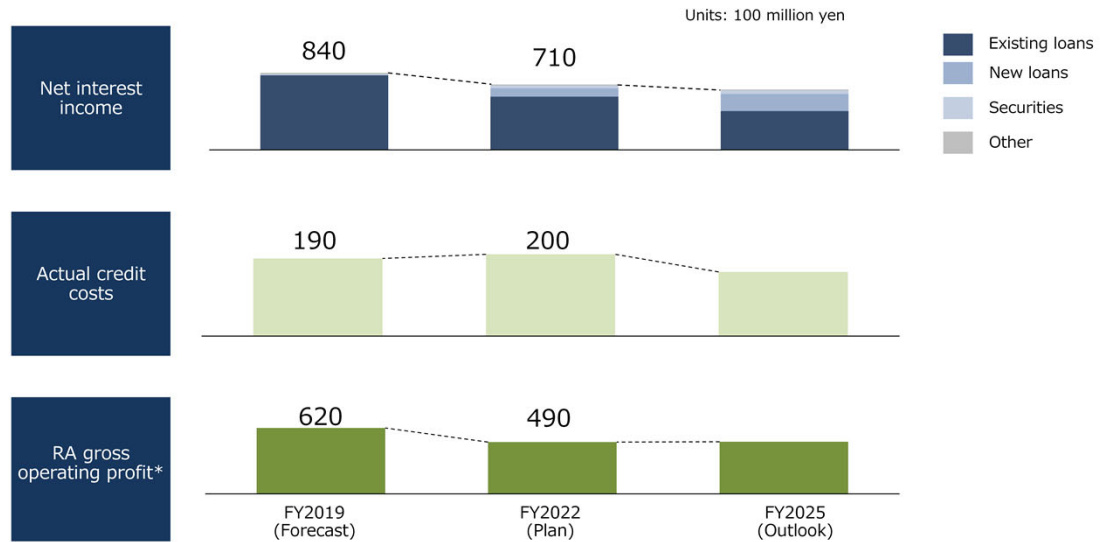
- ◆ Shifting our asset allocation to a middle risk–middle return profit structure with less risk than ever before
- ◆ Also promoting marketable activities to diversify risk and stabilize profit



- By building up a new portfolio of loans that controls risk and promoting marketable activities, although a decline in average yield is expected, these efforts will shift our asset allocation towards a middle risk–middle return profit structure.

■ Financial Plan Overview (3/3) Actual Credit Costs and Profit Trends

- ◆ Net interest income and actual credit costs decreased due to the decreasing balance of existing loans
- ◆ The plan will maintain a certain level of RA gross operating profit from FY2022 as a result of building up an inventory of middle risk–middle return loans

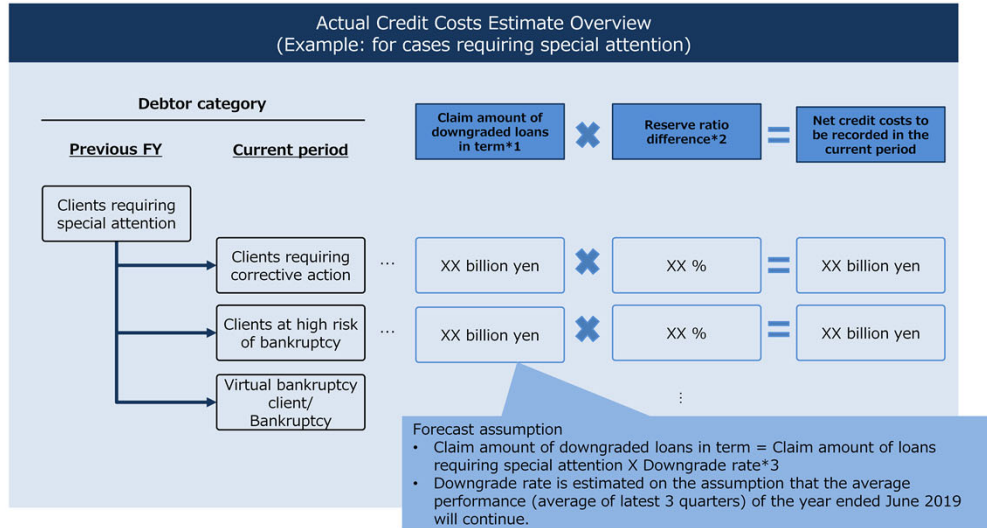


*RA (Risk Adjusted) Gross Operating Profit = Gross Operating Profit - Actual Credit Costs

- Shifting our asset allocation to a middle risk–middle return profit structure will have the effect of reducing net interest income.
- In Phase 1, RA gross operating profit will decline to 49.0 billion yen due to a conservative estimate of actual credit costs. After that, they are expected to maintain the same level due to actual credit costs peaking.

Actual Credit Costs Forecast (1/4) Forecast Assumptions (1)

- ◆ Actual credit costs are forecast by taking into account debtor category changes over time (average of the latest three quarters)
- ◆ Since the share house related issue came to light, we have minimized contacting people who are in arrears. Actual credit costs are estimated conservatively by applying the latest performance which includes significant debtor category downgrades



*1 Downgraded claim amount: Amount of loans etc. whose debtor category was downgraded (worsened) in the current FY.

*2 Reserve rate difference: The difference between the reserve rate before and after the downgrade. Reserve rate is based on results ending June 2019

*3 Downgrade rate: Ratio of claims, among claims in previous FY, whose debtor category was downgraded

- 'Downgrading' is the transition down to a lower debtor category, while the 'downgrade rate' is the rate of this transition.
- Actual credit costs are calculated by estimating, for each quarter, the remaining balance in each debtor category based on the downgrade rate and multiplying this by the reserve ratio difference that corresponds to the debtor category.
- Even when a delinquency occurs, we estimate conservatively by using actual downgrade results that reflect the current situation of issuing minimal reminders to customers.

■ Actual Credit Costs Forecast (2/4)
Forecast Assumptions (2) Single Income Property Loan

- ◆ Partly due to changes in self-assessment standards*, loans of approx. 850 billion yen are classified as loans requiring special attention
- ◆ At present, most loans are not delinquent. However, taking into account the impact on the future actual credit costs, the estimate takes into account the occupancy rates of loaned properties

Balances by Debtor Category (as of end of September 2019)

Units: 100 million yen

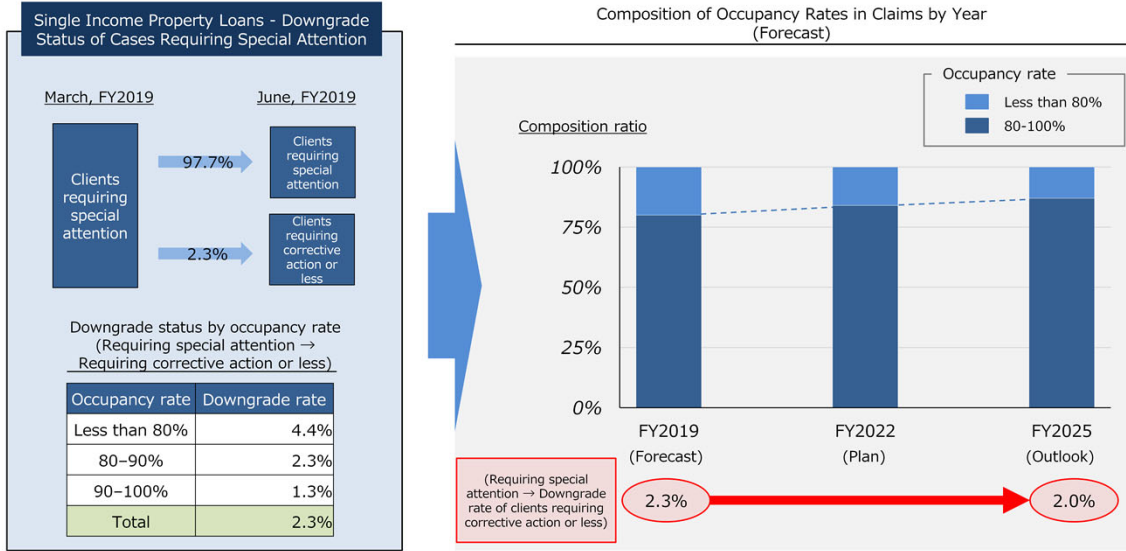
Debtor category	Credit claims such as loans	Portion of single income property loans (excluding share house cases)	Portion not delinquent
Normal client	12,164	1,995	1,995
Clients requiring special attention*	10,449	8,515	8,311
Clients requiring corrective action	1,862	655	567
Clients at high risk of bankruptcy	992	267	215
Virtual bankruptcy client/Bankruptcy	1,423	187	7
Total	26,891	11,619	11,094

*Loans are categorized as requiring special attention if tax return documents are not received or the loan property has negative cash flow even if not delinquent

- A single income property loan is a loan for the purpose of purchasing a single building for investment purposes, such as a residential condominium or apartment.
- The balance for single income property loans is around 1.2 trillion yen, but around 70%, or 850 billion of these are loans requiring special attention.
- As a result of the changes in self-assessment standards at the end of September 2018, loans are categorized as requiring special attention if a tax return documents are not received or the loan property has a negative cash flow even if not delinquent. Most are not overdue at this point in time.
- While most loans requiring special attention are not overdue at this time, there are concerns over the cash flow of loan properties. Therefore, when estimating actual credit costs, these estimates are made based on a detailed analysis that takes into account the occupancy rates of loaned properties.

■ Actual Credit Costs Forecast (3/4)
 Single Income Property Loan: Estimates after Applying a Downgrade Rate for each Occupancy Rate

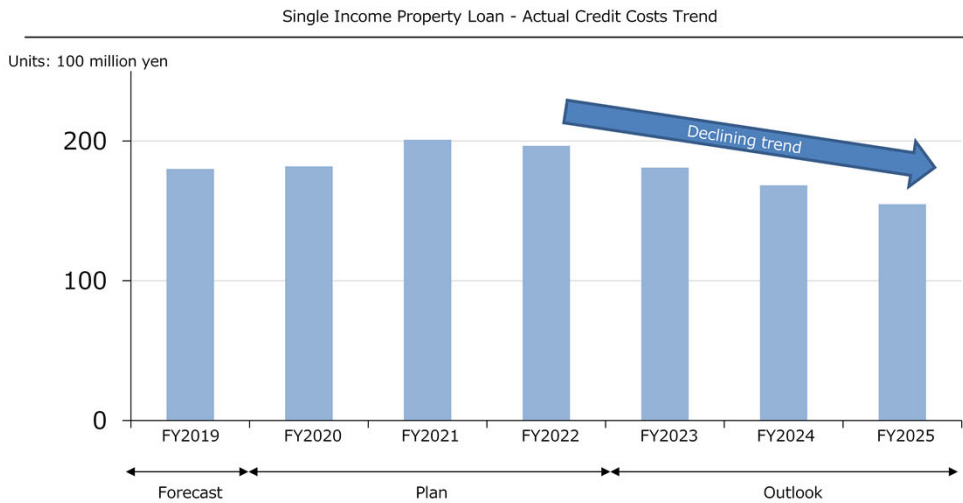
- ◆ Loans of properties with low occupancy rates tend to have higher downgrade rates
- ◆ By the number of claims on low occupancy rate properties decreasing due to downgrades, the proportion of claims on high occupancy rate properties will increase, which will improve the downgrade rate over the long term



- The lower the occupancy rate, the higher the downgrade rate tends to become. Especially when the occupancy rate falls under 80%, the downgrade rate can be as high as 4.4%.
- Over the long term, by taking into account the downgrade rate for each rate of occupancy (the lower the occupancy rate, the higher the downgrade rate), we can expect the downgrade rate to improve over time since the proportion of loans on low-occupancy-rate properties will decline as the proportion of loans on high-occupancy-rate properties increases.

■ Actual Credit Costs Forecast (4/4)
Forecast Assumptions (2) Single Income Property Loans Outlook

- ◆ Actual credit costs remain high in the short term based on the conservative assumption that many debtor category downgrades will continue
- ◆ From 2023 onwards, loans on properties with low occupancy rates will decrease, causing actual credit costs to also decrease.



- Because the debtor category downgrade is estimated conservatively, we can assume that actual credit costs will remain high in Phase 1.
- From 2023 onwards, loans on properties with low occupancy rates will decrease, causing actual credit costs to decrease.

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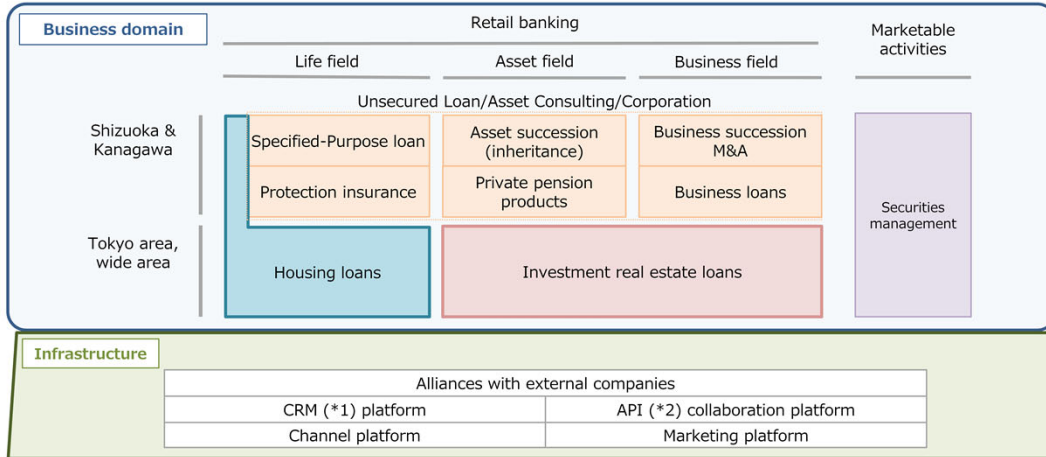
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■ Sales Strategy Overview

◆ In the first phase, we will lay the foundation for a sustainable business model based on our unique retail infrastructure

Key Points

- Utilizing knowledge and expertise built up over the decades, personal loans will continue to be a pillar of our retail banking business
- Improve financial support capabilities to solve customer issues
- Promote marketable activities in order to shift away from loan-centered portfolio and stabilize profit



*1 Customer Relationship Management *2 Application Programming Interface

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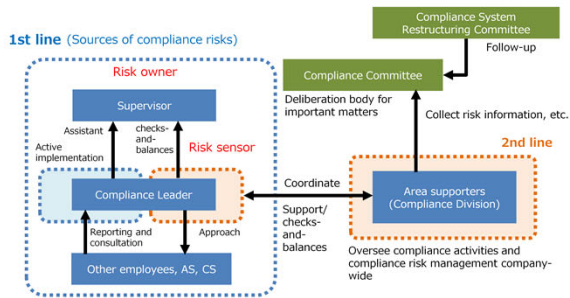
- By incorporating new perspectives into the unique infrastructure and know-how we have built up and refined over decades, we will establish middle risk–middle return retail banking which involves less risk than our previous activities.
- There are 3 key points:
 - ① Our past strengths of investment real estate, housing, and unsecured personal loans are the primary sources of earnings.
 - ② We will improve our financial support capabilities for solving a wide range of problems in our customers' lifetimes and businesses.
 - ③ We will promote securities investment for the purposes of portfolio diversification and income stabilization.
- In local areas of Shizuoka and Kanagawa, and a broad range of other areas around Tokyo, we will expand business in three segments of "life," "assets," and "business" based on the unique characteristics of each area.

■ Sales Structure with Improved Compliance and Risk Management

- ◆ Establish Compliance Leaders at each sales office/headquarters to ensure full compliance and risk management
- ◆ Review sales and business processes in investment real estate loans to prevent fraud

Strengthening of compliance systems at sales sites

■ Compliance Promotion/Compliance Risk Management Structure



Compliance Leader

Functions as the second line in sales offices, etc.

- Actively ensure compliance
- Risk sensor
- Training (OJT)

Compliance Area Supporters

Support compliance leaders

- Monitor efforts through regular visits to sales offices, etc.
- Reporting line is to Compliance Division

Strengthening of risk management in investment real estate loans

Application acceptance and contract

- Investigate all client-introducing real estate agents and eliminate unfavorable agents
- Interview clients and confirm authenticity of required documents
- Form a dedicated team

Loan screening

- For properties acquired from external specialist contractors, evaluate based on profitability (DSCR)

Post-execution management (Principle)

- Once a year, receive tax return, etc., from clients to confirm rental income and expenditures
- Conduct field surveys on investment properties once a year

- We have established Compliance Leaders with the powers of the second line rank in our Three-Line Defense at all sales offices and headquarters to ensure full compliance and risk management.
- In coordination with Compliance Area Supporters assigned to the Compliance Division, we are ensuring a clear reporting line for fraud cases and implementing checks-and-balances.
- We have also reviewed the marketability of investment real estate loans, sales, and work processes, strengthening our management of both operational and credit risks.

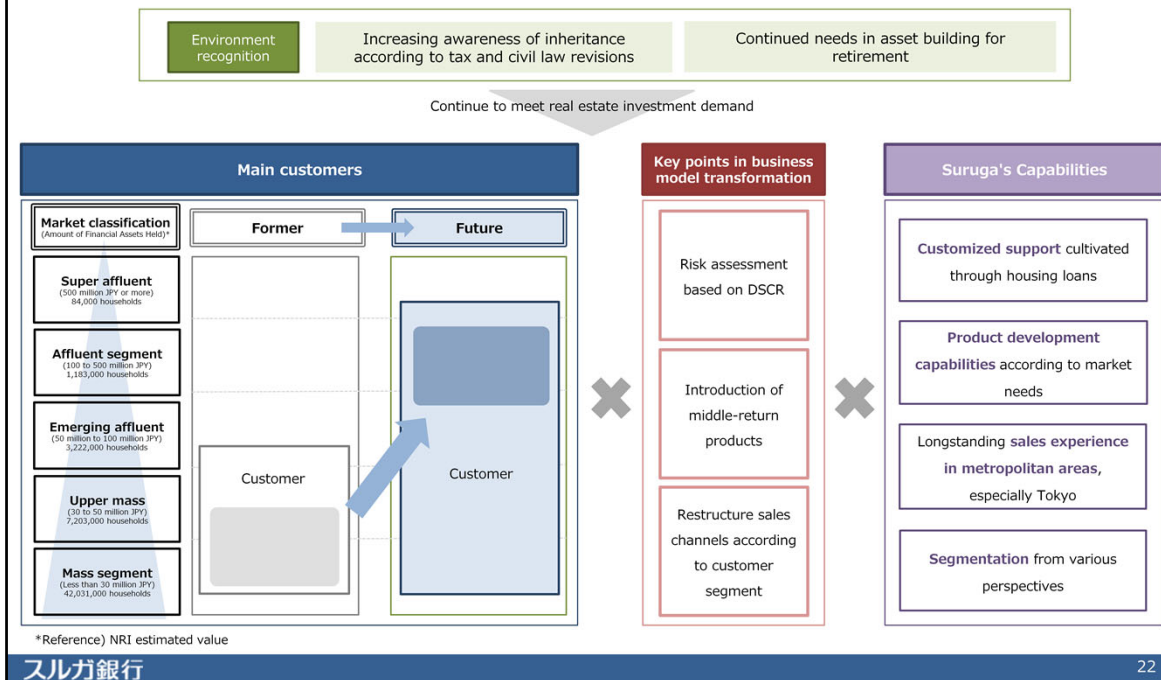
■ New Loan Disbursements				
	FY2022 (plan)	Market Opportunities	Strategy	
Investment real estate loans	Individual	120 billion yen	<ul style="list-style-type: none"> Continues to be a firm need for handling real estate-based inheritance or asset building In general, financial institutions are conservative in their lending attitudes towards investment properties 	<ul style="list-style-type: none"> In addition to carrying out thorough compliance and risk management, also transition to a middle risk–middle return business model that takes advantage of our capabilities
	Corporation	10 billion yen	<ul style="list-style-type: none"> In the domestic real estate market, there are asset finance opportunities with middle risk–middle return in the real estate investment market suitable for professionals and businesses 	<ul style="list-style-type: none"> Carefully scrutinize information with an emphasis on using information from reliable sources, and work to improve our strengths in the real estate field
Housing loans	50 billion yen	<ul style="list-style-type: none"> The highly-individualized mortgage market that we focused on to date still exists in the market 	<ul style="list-style-type: none"> Develop highly individualized markets using an in-house platform that combines the capabilities of marketing, customer response, and appraisal 	
Unsecured loans	10 billion yen	<ul style="list-style-type: none"> There are firmly established financial needs for addressing life events and QOL* Even more attractive markets can be opened up by uncovering other potential needs 	<ul style="list-style-type: none"> Differentiate our company from competitors through superior customer solution-proposing capabilities by boosting our marketing sophistication in the areas of data analysis and customer contact 	
Total	190 billion yen			

*Quality of Life

- Based on the current market environment and management resources, we plan to issue 190 billion yen worth of new loans by FY2022.
- As far as investment real estate loans, in addition to implementing comprehensive compliance and risk management, we also intend to shift to a middle risk–middle return business model. The company also plans to generate 130 billion yen by focusing efforts on asset finance for business operators.
- Housing loans are planned to reach 50 billion yen taking advantage of the strengths that our company has built up to date in developing highly-individualized markets.
- Unsecured loans are planned to achieve 10 billion yen by boosting our ability to propose solutions through sophisticated marketing.

■ Investment Real Estate Loans

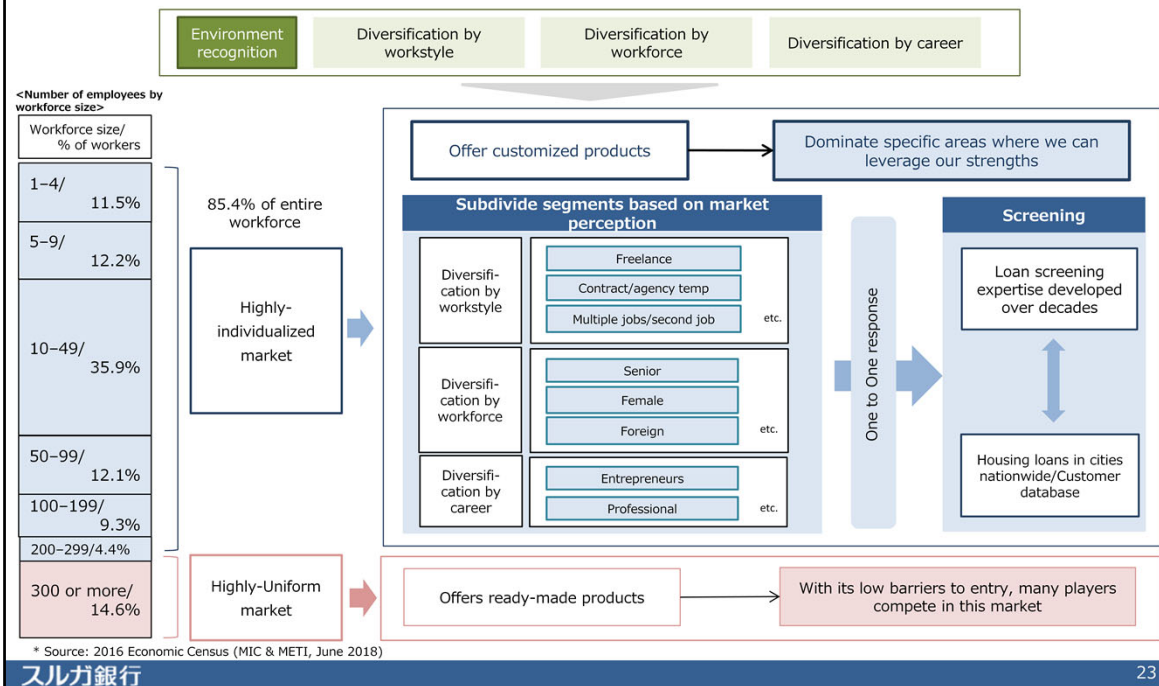
◆ Shifting our business model towards a middle risk–middle return strategy, and resuming investment real estate loans



- We recognize a stable demand for real estate investment based on a growing need to handle inheritance and asset building for retirement.
- As we resume loaning activities for investment real estate loans, we are shifting to a middle risk–middle return business model by providing loans to affluent segments, which carries less risk than our previous model.
- While drawing on the strengths of our company's capabilities and clearly assessing risks through quantitative indicators such as DSCR, we are also introducing middle-return products and re-establishing sales channels according to our customer base in order to transition to our new business model.
- We aim to continue improving value for customers by staying closely in tune with each customer's needs and honing our overall appraisal skills.

■ Housing Loans

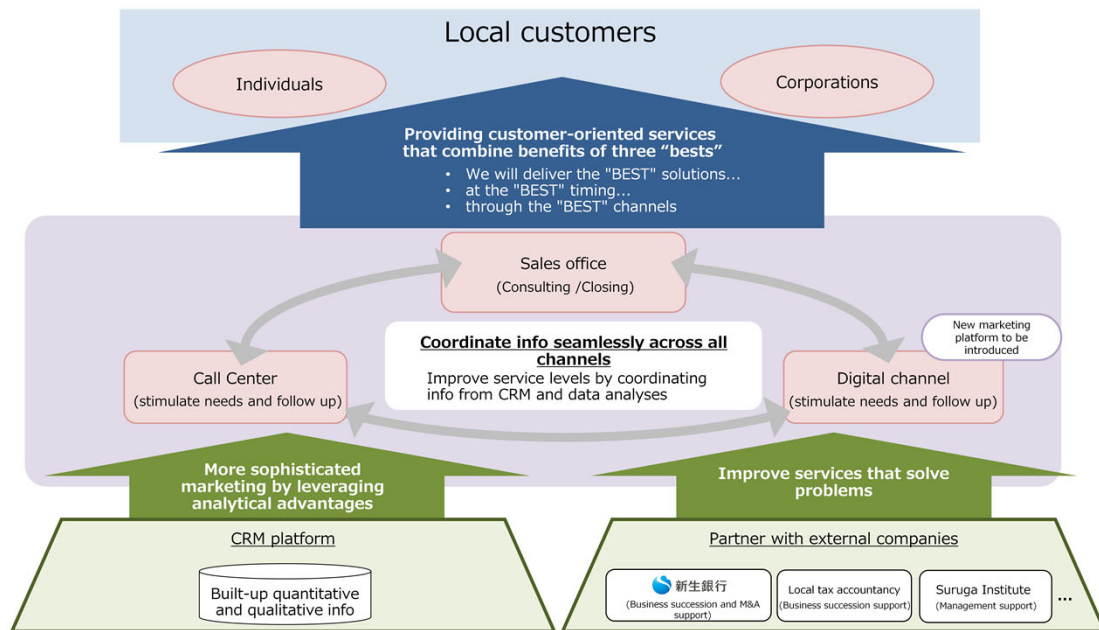
◆ Using our in-house platform, we will re-launch customized mortgages in markets that we have traditionally excelled in



- Housing loans, an area where we had always excelled, will relaunch under an in-house platform.
- In the market catering to large company employees, who account for only around 15% of the workforce, there is fierce competition among several players due to the high uniformity and many ready-made products available.
- In contrast, we have secured a business area unique to our company by providing customized products in the highly individualized market which accounts for the remaining roughly 85% of all employees.
- In today's highly diversified society, our core competencies lie in custom products tailored to each customer which are based on subdividing segments according to changes in the environment, and loan screening expertise based on a database we have built up over the years.

■ Unsecured Loan/Asset Consulting/Corporation

◆ We will improve the quality of our solution-proposing capabilities and contribute to communities by utilizing a CRM platform, collaborating with external companies, and organically linking information



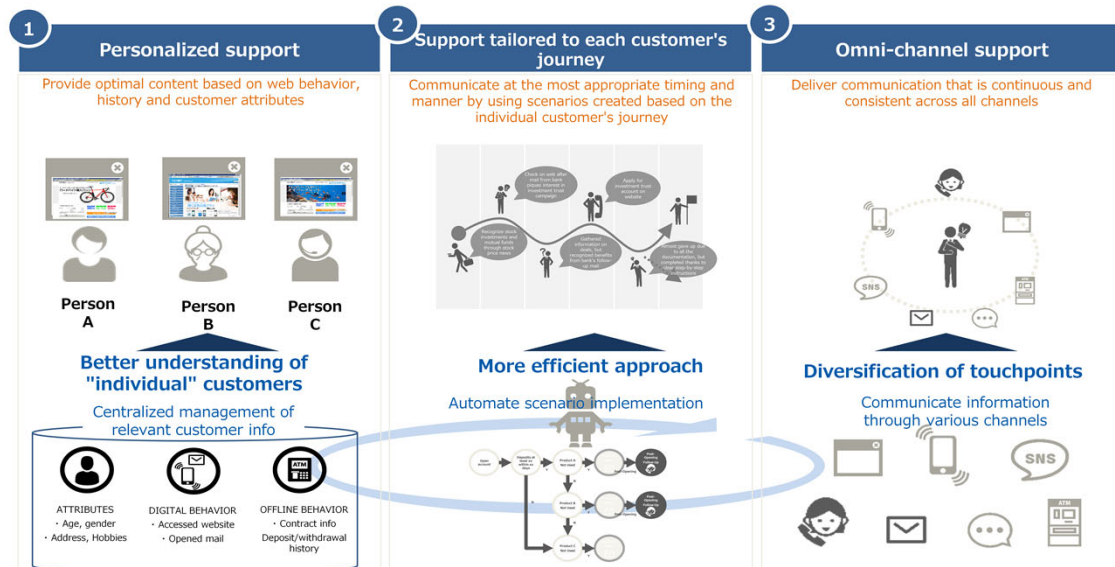
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- By leveraging our marketing advantages and boosting the quality of our solution-proposing capabilities, we are realizing lifetime support for individual customers as well as business support for our corporate customers.
- We propose optimal solutions by coordinating CRM info—which contains quantitative information such as financial transactions and qualitative information such as conversation details—in each channel, integrating both "digital" and "human" elements.
- In the corporate sector, we will also utilize our knowledge of external companies to improve service quality, which includes our business succession with Shinsei Bank as well as M&A business alliances.
- In the years to come, we will continue to contribute to local communities through customer-oriented business activities that strive to propose solutions for customers at the best timing and best channel for them.

■ More Sophisticated Digital Marketing

◆ In FY2020, we will build a new digital marketing platform to achieve a more sophisticated marketing system



Source: Prepared by Suruga Bank based on NRI materials

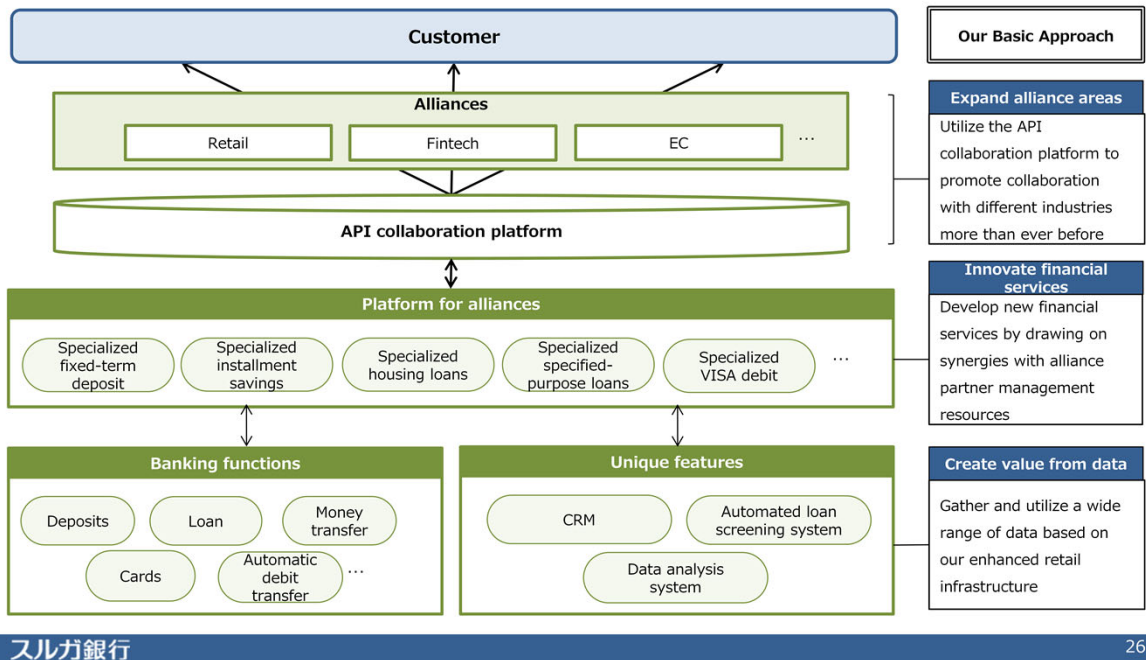
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- With the advancement of IT, the digital channel has grown to become an essential contact point with customers. Given this background, we will build a digital marketing infrastructure in FY2020.
- Building this infrastructure will help us realize the sophisticated marketing shown above, allowing us to:
 - ① Provide optimal content that is personalized based on web behavior, history, etc.
 - ② Approach customers at the most appropriate timing by using scenarios created based on the individual customer's journey
 - ③ Deliver communication that is continuous and consistent across all channels.
- We are committed to continuing to improve financial services by enhancing our retail infrastructure through strategic IT investments.

■ Retail Infrastructure × Alliance Directionality

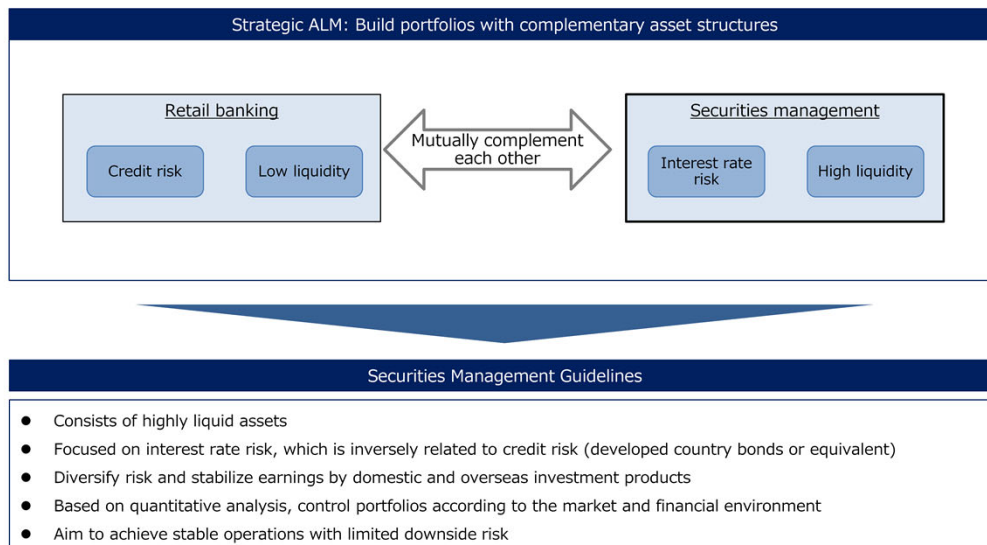
◆ Using our original retail infrastructure as a platform, expand customer contact through API collaboration with companies from various industries



- Advances in technologies such as API and AI have opened up new possibilities for delivering innovative financial services, as well as provided an opportunity to expand both our customer base and revenue.
- Based on our unique retail infrastructure, we can provide customized financial services to customers in the alliance.
- Going forward, we plan to continue expanding customer contact points by utilizing the API collaboration platform and coordinating with as many multivarious industries as possible.
- We will continue to pursue the challenge of "innovating new financial services" by merging our company's management resources with those of our alliance partners.

■ Marketable Activities

- ◆ Diversify risk and stabilize earnings by managing securities with properties that complement credit risk



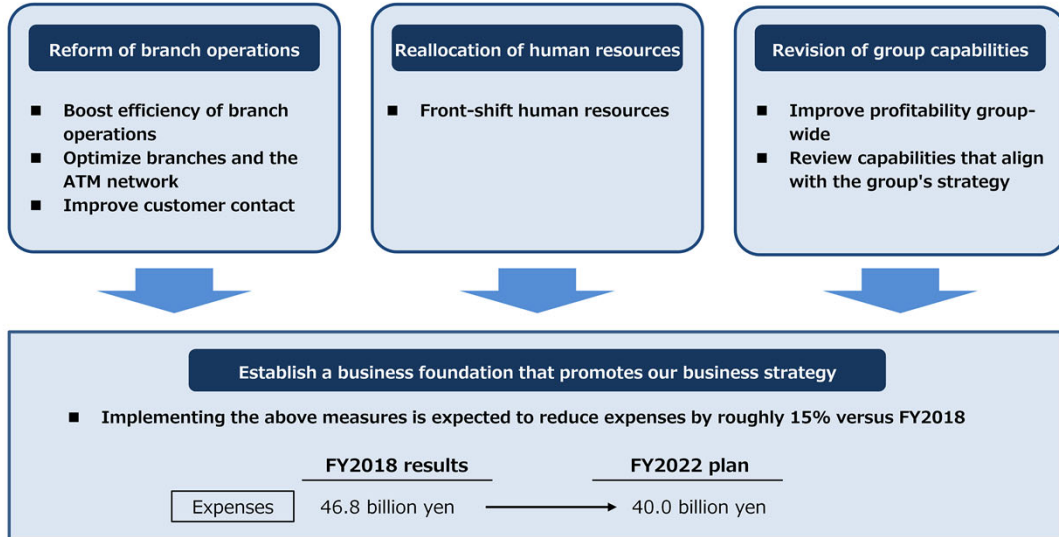
- We promote securities investments with different risk profiles from retail banking.
- While basing investment targets on products with dependable market liquidity, such as government bonds in developed countries, we also aim to diversify risks and stabilize profits by controlling portfolios, including loans, according to the market and financial environment.

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2. Vision and Strategy to Achieve It
3. Financial Plan
4. Sales Strategy (Top Line Strategy)
5. Structural Reform (Cost Strategy)
6. Local Initiatives

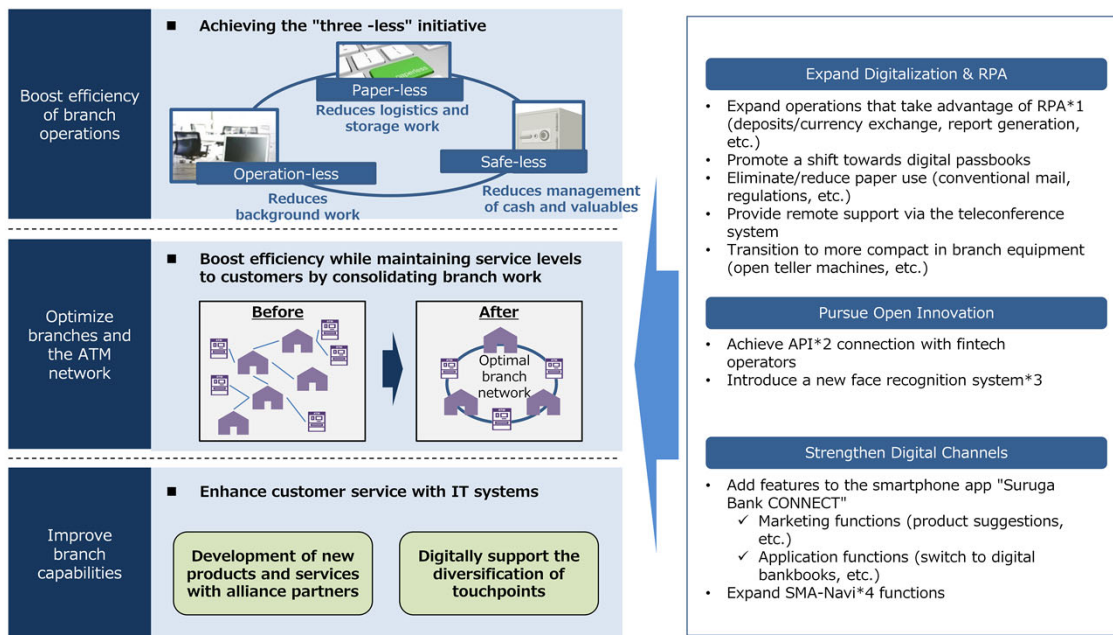
■ Overview of Structural Reform

- ◆ Establish a business foundation that promotes our new business strategy by implementing efforts that include not only "reform of branch operations," "reallocation of human resources," and "revision of group capabilities," but also optimization of management resources.



- We plan to implement structural reforms from the perspective of branches, human resources, and group functions; establish a business foundation that promotes new business strategies; and reduce expenses by 15% versus FY2018.

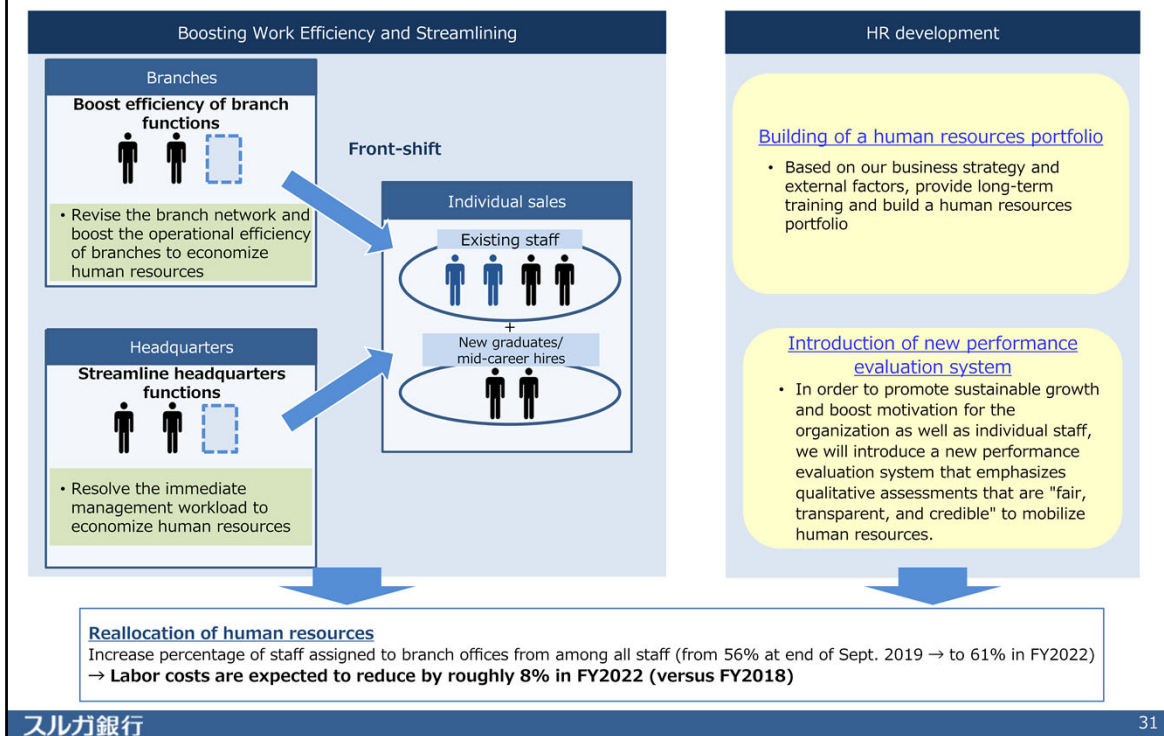
■ Reform of Branch Operations



*1 Robotic Process Automation *2 Application Programming Interface *3 System for concluding contracts online, such as opening an account just with online procedures
*4 SMA-Navi: Next-Generation sales branch channel (sales branch tablet device system)

- With regard to branch operational reforms, we plan to boost operational efficiency by implementing a "three -less" policy; namely, "safe-less," "paper-less," and "operation-less."
- By restructuring branches and ATM networks, we plan to centralize work, revise ATM operations, and boost efficiency.
- Also, by expanding digitalization, pursuing open innovation, and strengthening digital channels, we intend to further enhance branch functions, boost work efficiency and provide new value to customers.

■ Reallocation of Human Resources



- We are resolving the immediate management workload by overhauling branch operations in order to boost efficiency and solve priority issues quickly, and by doing this we are promoting the front-shifting of human resources.
- While reallocation of human resources will increase the ratio of employees assigned to sales offices to 61% by FY2022, overall personnel expenses are expected to be reduced by around 8% versus FY2018.

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■ Contribution to Regional Revitalization

- ◆ We contribute to regional revitalization through industry-academia-government-finance collaboration and the promotion of cycling activities

Regional revitalization via industry-academy-government-finance collaboration

PHARMA VALLEY PROJECT

- This project implements manufacturing, human-development and community-building with the goal of making the prefecture number one in the world, with specific focus on "promoting health/overcoming disease" and "establishing an economic base"



Regional revitalization through cycling activities

SURUGA BANK ROAD BIKE PROJECT

- These 3 cycle stations serve as bases from which to hold events that connect cyclists and local communities on a diverse range of cycling courses
- Shares info for cyclists through SNS, etc.



- Suruga Bank is dedicated to working towards the revitalization of communities and helping to solve social issues through its main business, which is firmly seated in SDGs.
- We have been a supporter of an initiative for concentrating advanced medical and health industries at the base of Mount Fuji since its inception in 2001 through the "Pharma Valley Project," an industry-academia-government-finance collaboration that Shizuoka Prefecture is promoting mainly in the eastern part of the prefecture.
- We will continue to actively participate in this project that implements manufacturing, human-development and community-building with the goal of making the prefecture number one in the world in terms of health and longevity.
- As bicycle tourism promotion has been gaining momentum in Shizuoka Prefecture, we continue to contribute to regional revitalization by promoting cycling activities including the sponsorship of cycling events with partners with which we have entered partnership agreements.

■ Environmental Consciousness

◆ Ongoing promotion of introducing environmentally-friendly equipment whenever branches are reopened or newly established

Eco-Office Initiatives

Introduction of environmental and human-friendly facilities		
LED lighting that dims automatically	Installation of solar panels on branch building rooftops	
Use of eco-glass	Solar power monitor, in-store display	
Use of recycled materials	Installation of ceiling fans	

Many new branches have obtained the following certification:

- CASBEE Shizuoka A-Rank
- CASBEE Kanagawa A-Rank

What is CASBEE (Comprehensive Assessment System for Built Environment Efficiency)?

The Comprehensive Assessment System for Built Environment Efficiency (CASBEE) is a system that requires property owners who are building or renovating large-scale buildings to submit a plan, whose outline is published by the prefecture, that describes the measures incorporated in the building to address global warming and the evaluation of these measures. Its purpose is to encourage the development of buildings with better environmental performance through the market.

- When establishing or reopening branches, we install environmentally-friendly equipment and actively promote eco-office practices. Many of our new branches have obtained CASBEE Shizuoka A-Rank or CASBEE Kanagawa A-Rank certification.
- In addition to the examples introduced, we will continue to develop a variety of activities aimed at creating a better future with a renewed feeling with gratitude toward local communities.



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For inquiries concerning this document:
Public Relations Office, Corporate Planning Division

TEL: 03-3279-5536

EMAIL: ir.koho@surugabank.co.jp

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