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## Notice Regarding Recording of Loss due to Sale of Securities and Revision of Full-year Earnings Forecast for the fiscal year ending March 2024

In light of the solid performance of core gross operating profit, the prospect of a decrease in actual credit costs, and the fact that the Suruga Bank is projected to record losses due to sales of securities, the Bank has revised its earnings forecast (previously announced on November 6, 2023) as follows.

### 1. Revisions to earnings forecast

Revision of consolidated earnings forecast for the fiscal year ending March 2024 (April 1, 2023 to March 31, 2024)

	Ordinary income	Ordinary profit	Profit attributable to owners of parent	Net income per share
	Millions of yen	Millions of yen	Millions of yen	Yen
Previous forecast (A)	81,000	14,500	10,000	49.62
Revised forecast (B)	87,500	17,500	12,000	59.50
Change (B-A)	6,500	3,000	2,000	
Change (%)	8.0	20.7	20.0	
(Reference) Previous year results FY3/23	92,403	13,266	10,576	56.15

Revision of non-consolidated earnings forecast for the fiscal year ending March 2024 (April 1, 2023 to March 31, 2024)

	Ordinary income	Ordinary profit	Net income	Net income per share
	Millions of yen	Millions of yen	Millions of yen	Yen
Previous forecast (A)	73,000	14,000	10,000	49.62
Revised forecast (B)	79,500	17,000	11,500	57.02
Change (B-A)	6,500	3,000	1,500	
Change (%)	8.9	21.4	15.0	
(Reference) Previous year results FY3/23	82,794	11,267	9,537	50.63

## 2. Main reasons for revision, etc.

### (1) Sale of some cross-shareholdings and restructuring of securities portfolio

Suruga Bank's policy is to reduce the balance of shares held for strategic investment purposes. In accordance with this policy, we have decided to proceed with the sale of some cross-shareholdings. Moreover, with regard to measures to improve the quality of our securities portfolio implemented up to the third quarter, we will proceed in restructuring the securities portfolio through additional reductions primarily in multi-asset funds that have suffered valuation losses. As a result, we expect to record a loss of 6 billion yen in securities-related gains/losses for the full year.

With our aim to build a more stable profit structure, there will be no change to our securities investment policy as we intend to progressively build a portfolio centered on yen bonds while taking into account the market environment.

Securities-related gains (losses) forecast for the fiscal year ending March 2024 (non-consolidated)

(Millions of yen)

	Q3 results	Full year forecast	Change
Gains (losses) on securities*	(2,253)	(6,000)	(3,747)

\* Total gains/losses on bonds, such as government bonds, and gains/losses on stocks, etc.

(Reference) Excerpt from corporate governance report

Principle 1.4 Cross-Shareholdings

(1) Policy Regarding Cross-Shareholdings

- The Company's policy is to reduce the balance of shares held for policy investment purposes (hereinafter referred to as "cross-shareholdings") after sufficient dialogue with business partners.
- The Company will hold cross-shareholdings when it is judged to contribute to the enhancement of corporate value over the medium to long term from the perspective of facilitating and strengthening the building of stable, medium to long term business relationships with business partners; business alliances; alliance business development; and so forth.
- The Board of Directors will review the significance, economic rationality over the medium to long term, and future prospects of all cross-shareholdings to determine the appropriateness of holding these shares.

### (2) Earnings forecast for the full year ending March 2024

Consolidated and non-consolidated earnings forecasts will be revised in consideration of the expected sale of some cross-shareholdings and reduction of valuation losses aimed at improving the quality of the securities portfolio as described in (1) above, and in light of the Bank's solid core gross operating profit and the fact that actual credit costs are expected to be lower than the previously announced forecasts.

### (3) Dividend forecast

The Bank's basic policy for shareholder returns is to improve returns by considering the optimal balance between the soundness of capital and investments for growth. Upon which, the Bank's basic policy for dividends is a stable dividend with a payout ratio of approximately 30%.

Although we expect an increase in (full-year) profit attributable to owners of parent and other factors as a result of this revision to our earnings forecast, we have decided to leave our year-end dividend forecast unchanged, taking into account that we are currently in the process of purchasing treasury stock\* and the number of treasury shares held at the end of the fiscal year has not yet been determined.

In light of the changes in the business environment surrounding the Bank since the announcement of the Mid-Term Business Plan at the beginning of this fiscal year, such as the capital and business alliance\* with Credit Saison, the Bank is currently considering a partial revision to the Plan, including the stated KPIs, and hopes to announce the revised Mid-Term Business Plan by the beginning of the next fiscal year. The year-end dividend forecast will be determined, and announced soon thereafter, in accordance with the Bank's basic policy on shareholder returns, taking all of the above into consideration.

\* Please refer to the “Announcement Regarding the Establishment of a Quota for the Repurchase of Treasury Stock” and “Notice Concerning the Capital and Business Alliance Between Credit Saison Co., Ltd. and Suruga Bank, Ltd.” published on May 18, 2023.

Reference:

Non-consolidated earnings forecast for the full year ending March 2024 (Billions of yen)

	Revised forecast	Previous forecast	Change
Ordinary income	79.5	73.0	6.5
Core gross operating profit* <sup>1</sup>	57.5	56.0	1.5
Expenses	36.0	36.0	—
Core net operating profit	21.5	20.0	1.5
Gains (losses) on securities	(6.0)	(2.5)	(3.5)
Ordinary profit	17.0	14.0	3.0
Net income	11.5	10.0	1.5
Actual credit costs	(1.0)	4.0	(5.0)
Normal amount	(5.0)	(3.0)	(2.0)
Preventive allowances* <sup>2</sup>	4.0	7.0	(3.0)
(a)	0	0.5	(0.5)
(b)	4.0	6.5	(2.5)

\*1 Core gross operating profit: The forecast does not include gains/losses from the redemption of investment trusts.

\*2 Preventive allowances: Allowance for (a) suspension of repayments by some investment real estate loan customers triggered by organized negotiations, and for (b) restructured loans for which normalization of recovery is unlikely.

Note: The performance forecasts in this report are based on information currently available to the company and on certain assumptions deemed to be reasonable. Actual performance may differ.