



March 1, 2021

To whom it may concern:

Name of Company: Suruga Bank, Ltd.
Name of Representative: Director and President: Kosuke Saga
(Code No. 8358 First Section of Tokyo Stock Exchange)
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General Manager of General Management Planning
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Announcement Regarding Transfer of Share House-related Loan Receivables

Suruga Bank, Ltd. is subject to a petition for civil conciliation from 285 obligors (including joint and several obligors, hereinafter simply referred to as "Claimants") of the share house-related financing. This is to inform you that 44.2 billion yen of share house-related loan receivables have been transferred to a third party (hereinafter the "Transfer") based on the conciliation recommendation of the Tokyo District Court's Conciliation Committee.

Note

1. Circumstances of the Transfer

The Company received an order for business improvement including partial suspension of business from the Financial Services Agency based on Article 26 of the Banking Act on October 5, 2018. In response to this, the Company has considered and implemented all measures possible as a financial institution to assist customers who have had difficulty repaying share house-related loans and other loans for investment real estate, on the basis of the business improvement plan submitted to the Financial Services Agency on November 30, 2018.

As a part of these measures, the Company transferred the share house-related loan receivables to a third party on March 25, 2020 with the aim of quickly resolving issues with customers currently using share house-related loans (hereinafter the "Initial Transfer").

This latest transfer was carried out using the same scheme as the Initial Transfer. As was the case with the Initial Transfer, this Transfer only share house-related loan receivables, and not other loan receivables related to investment property.

2. Regarding the Transfer

The Transfer has been executed on the basis of the conciliation recommendation of the Tokyo District Court's Conciliation Committee. The outline is as follows.

- Acknowledging its liability for payment of a certain amount of settlement money to each of the Claimants with regard to the share house-related loans, the Company offset its liabilities with the share house-related loan liabilities of each of the Claimants at an equivalent amount, and transferred the post-offset loan receivables to a third party.
- After the above-mentioned offset and the Transfer, each of the Claimants provided substitute performance of their loan obligations using the collateral property that each owned.

The Company's share house-related financing was executed for newly built properties without a track record of operation on the basis of unrealistic business plans under conditions different from general investment real estate-related financing in that the market was immature and there were few similar properties to compare with. As a result, the customers purchased share house properties at prices higher than the market price, and suffered losses from so-called high price grabbing. When executing the share house-related financing, there were cases in which the Company responded inappropriately, for instance, failing to conduct sufficient analysis of the risks inherent in share houses that are not found in general investment real estate-related financing and overlooking the unrealistic nature of the business plans.

Based on the court's conciliation committee's determination that the Company is typically liable for damages based on tort regarding the share house-related loans, the Company accepted that it is liable to pay the Claimants settlement money based on the conciliation recommendation.

In the coming days, conciliation as prescribed in Article 16 of the Act for Conciliation of Civil Affairs is due to be concluded in Tokyo District Court to achieve a final resolution of the issues between the Claimants and the Company regarding share house-related financing

3. Future Prospects

As a result of this bulk transfer of receivables, the Company expects a reversal of approximately ¥ 6.5 billion in the allowance for doubtful accounts, including related loans. This has already been factored into the full-year consolidated earnings forecast for the fiscal year ending March 31, 2021, which was announced on February 12, 2021.

The Company will continue to provide sincere support according to the situation of each customer at its "Share House-Related & Other Loan Customer Service Office" and to work to resolve the share house-related financing issues and to establish a customer-oriented business structure.

Contact number for the "Share House-Related & Other Loan Customer Service Office" :
0120-010-636

Address : Suruga Bank, Ltd., 1-7-1 Nihonbashi Muromachi, Chuo-ku, Tokyo.

Business Hours : 9 : 00 - 18 : 00 (except Saturday, Sunday, national holidays and New Year's season)