



March 25, 2022

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)

Contact Person: Senior Executive Officer

Tatsuya Akita, General Manager, General Management Planning Headquarters

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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 404 obligors (including joint and several obligors, hereinafter simply referred to as “Claimants”) of the share house-related financing. This is to inform you that 60.5 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

On October 5, 2018, 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. 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, under the business improvement plan submitted to the Financial Services Agency on November 30, 2018.

As part of these measures, we transferred share house-related loan receivables to a third party on March 25, 2020 and March 1, 2021 in an effort to quickly resolve issues with customers who are using share house-related loans (hereafter referred to as the “bulk transfer of previously executed loans”).

This transfer was executed under the same scheme as the bulk transfer of previously executed loans. As with the bulk transfer of previously executed loans, this transfer only covered the shared housing-related loans and did not cover any other investment real estate-related loans.

2. Regarding the Transfer

This transfer was made based on 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 owned by each of them.

The Company's share house-related financing was executed for newly built properties without a track record of operation based on 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. As a result, the customers purchased share house properties at prices higher than the prevailing market prices, suffering losses from the so-called high price grabbing. When executing the share house-related financing, there were cases in which the Company took inappropriate measures, 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.

The Tokyo District Court is scheduled to approve mediation as stipulated in Article 16 of the Civil Conciliation Act, and as a result, the issues surrounding the share house-related loan between the Petitioners and the Company will be resolved.

3. Future Prospects

As a result of this bulk transfer of receivables, the Company expects a gain on reversal of allowance for doubtful receivables of approximately 14.6 billion yen (the "Gain on Reversal"), including related loans. The Gain on Reversal will exceed the forecast (10 billion yen) for the bulk transfer of share house loan receivables in the breakdown of Forecast of Actual Credit Expenses for the Fiscal Year Ending March 31, 2022 on page 2 of the Interim Financial Results for the Fiscal Year Ending March 31, 2022¹ dated November 26, 2021, which is available on the Company's website, since the precautionary allowance mentioned in the same breakdown is expected to be higher than the forecast, the full-year consolidated and non-consolidated forecasts for the fiscal year ending March 31, 2022, which were announced on February 10, 2022, remain unchanged. If revisions are deemed necessary in the future, they will be announced promptly. 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)

1) <https://www.surugabank.co.jp/surugabank/investors/irinfo/2021/pdf/211126.pdf>

(English) https://www.surugabank.co.jp/apa/2021nov_e/SurugaBank2111_E.pdf