September 26, 2022

To whom it may concern:

Name of Company: Suruga Bank, Ltd.
Name of Representative: Director and President: Kosuke Saga
(Code No. 8358 Tokyo Stock Exchange Prime Market)
Contact Person: Senior Executive Officer
Tatsuya Akita, General Manager, General Management Planning Headquarters
(TEL: 03-3279-5535)

Announcement Regarding Transfer of Share House-related Loan Receivables

Suruga Bank, Ltd. is subject to a petition for civil conciliation from 105 obligors (including joint and several obligors and guarantors, hereinafter simply referred to as "Claimants") of the share house-related financing. This is to inform you that 16.8 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, March 1, 2021 and March 25,2022 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.

[1] Please refer to the attachment for more about the major initiatives to support repayment of loans for investment real estate implemented by the Company.

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. Impact of the Transfer on Business Performance, etc.

In this bulk transfer of receivables, the Company expects a gain on reversal of allowance for doubtful receivables, including related loans, of approximately 2.5 billion yen. This has already been incorporated in the forecast for consolidated and non-consolidated financial results for the fiscal year ending March 31, 2023, as stated in the "Announcement Regarding the Revision to the Earnings Forecast" announced on August 10, 2022.

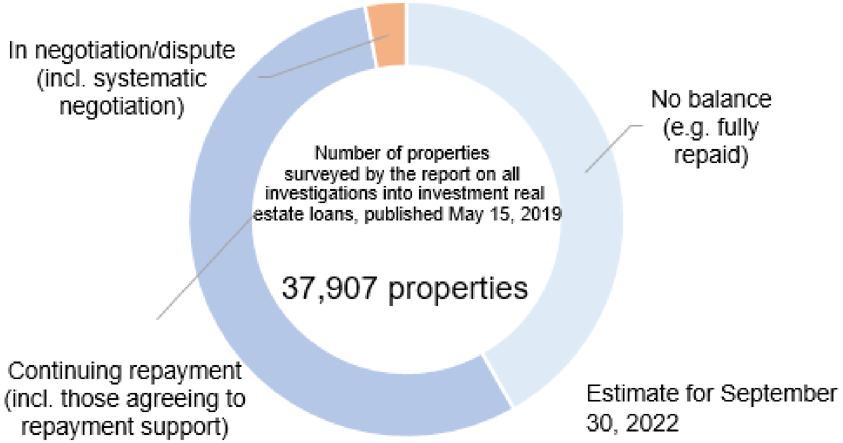
Although this transfer marks the end of our actions for the bulk transfer of share house-related loan receivables, we will continue to provide thorough customer-oriented services, including regular repayment support and consultation according to individual customer situations, through the "Share House-Related & Other Loan Customer Service Office."

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)

[Attachment : Major Initiatives to Support Repayment of Loans for Investment Real Estate]

■ Status of Major Initiatives to Support Repayment of Loans for Investment Real Estate

Major Initiatives	
	▪ June 2018: Established the Share House-Related & Other Loan Customer Service Office, conducted interviews with approximately 90% of our share house owner customers to date.Of those customers, we changed interest rates, repayment methods, and other terms and conditions for more than 70% of them. ➢ In addition to the above changes in terms and conditions, we executed the (first) batch transfer of share house-related loan receivables in March 2020, followed by a total of four subsequent batch transfers (total of 1,051 persons/1,339 properties) by September 26, 2022, completing our response. ▪ November 2018: Announced that we would conduct a survey of all loans for investment real estate (including share house loans) and sent out questionnaires to customers currently using investment real estate loans. In May 2019, along with the results of the full survey, we announced that we will provide more in-depth repayment support, including partial principal cuts, to customers with difficulty repaying their loans. Customers using investment real estate loans at the time were also notified separately by mail (approximately 20,300 customers/34,000 properties). ➢ For the partial principal cut announced in May 2019, we received requests to cut principal for 3,088 properties. ➢ Of these, 1,676 properties were in the red*. A further 1,308 within these have already agreed to partial principal cuts, rate reductions, or principal repayment modifications to support their repayment. ➢ Separate from the customers who requested this, we have provided repayment support through rate reductions and principal repayment modifications for 3,015 properties. ➢ As a result of these actions, together with the 1,339 properties from the share house receivables transfer, a total of 4,968 properties (excluding duplicates) have been addressed. (Data aggregation: Properties with dealings on or after April 2019) *One of the preconditions for considering principal reduction is that the property must be in a situation where loan repayment is difficult at the time of consultation (the property's balance of income and expenditures, including loan repayment, must be in the red). ▪ Since November 2020, we have also established a system to support the management of properties financed by investment real estate loans. Based on information obtained by site inspections on the occupancy status, damage, and other management conditions of properties financed, we provide customers with proactive proposals to improve their balance of income and expenditures. ▪ Of all properties surveyed, more than 40% have no outstanding loans and more than 50% continue to make repayments.



After approximately four years of repayment support and consultation efforts, more than 40% of the 37,907 properties surveyed have a loan balance of zero, and more than 50% continue to make repayments.

However, approximately 3% of the other loans are either under negotiation or in dispute (i.e., those for which systematic negotiations are underway or repayment support agreements have not yet been reached), and we will continue to take appropriate measures to resolve these issues.