

November 12, 2018

To whom it may concern:

Name of Company: Suruga Bank, Ltd.

**Name of Representative: Michio Arikuni, Director
and President**

(Code No. 8358 First Section of Tokyo Stock Exchange)

**Contact Person: Tatsuya Akita, Senior Executive Officer,
General Manager of General Management Planning
Headquarters**

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Notice concerning filing of lawsuit for compensation of damages to the Bank against the Bank's current and former Directors and former Executive Officer concerning share house loans and other loans for income-producing real estate

1. Filing of a lawsuit for compensation of damages to the Bank against the Bank's current and former Directors and former Executive Officer

As announced in "Notice of the establishment of the 'Directors and Executive Officer's Responsibility Investigation Committee' and the 'Corporate Auditors' Responsibility Investigation Committee,'" timely disclosure dated September 14, 2018, we established the Board of Directors and Executive Officer's Responsibility Investigation Committee chaired by Tetsuo Ozawa, attorney-at-law. The Committee is investigating and examining whether or not the current and former Directors are liable for compensation of the damages to the Bank due to a violation of duty of due care as a prudent manager in the execution of duties regarding the series of problems, including inappropriate handling of share house related loans and others. On November 9 this year, we received an investigation report on the problems related to share house loans and other loans for income-producing real estate from the Directors and Executive Officer's Responsibility Investigation Committee. An outline of the judgment and the reasons is as shown in Attachment 1.

Mr. Yoichi Namekata and Ms. Emi Noge, who are the outside corporate auditors of the Bank, examined the necessity of filing a lawsuit against the current and former Directors based on the investigation report on the loan problems of the share house loans and other income-producing real estate mentioned above. As a result, in accordance with the contents of the report, and considering the positions of the current and former Directors of the Bank and the degree of involvement in the cause of responsibility, etc., they determined to file a lawsuit for compensation of part of the amount of damages to the Bank against the following current and former Directors

(or their heirs).

This is to inform that today the Bank has filed a lawsuit for compensation of damages to the Bank (action for pursuing liability) against the current and former Directors (or one's heirs) at the Shizuoka District Court as indicated below. (For this case, according to the provisions of the Company Law, the Bank is represented by the above outside corporate auditors, not Representative Directors.)

In addition, in response to the investigation report on the problems related to the above share house loans and other loans for income-producing real estate, the Board of Directors of the Bank examined the necessity of filing a lawsuit against the former Executive Officer mentioned below. As a result, according to the investigation report, the Board determined to file a lawsuit for compensation of damages to the Bank against the former Executive Officer, and we would also like to inform that today the Bank has filed a lawsuit for compensation of part of the amount of damages at the Shizuoka District Court. (For this case, the Bank is represented by Representative Directors.)

Note	
(Name of current or former Director)	(Amount of claim)
Mitsuyoshi Okano	3.5 billion yen
Late Kinosuke Okano (the litigants are his heirs)	3.5 billion yen
Toshihiko Shirai	1.1 billion yen
Kazuya Mochizuki	1.1 billion yen
Takeshi Yagi	1.1 billion yen
Yoshihiro Okazaki	1.1 billion yen
Akihiro Yoneyama	1.1 billion yen
Nobuaki Yanagisawa	1.1 billion yen

(Name of the former Executive Officer)	
Haruo Aso	1.1 billion yen

(Note 1) In the event that the damage amount increases in the future, or in other circumstances, the amount of claims may be increased.

(Note 2) We are also requesting delayed interest by 5 percent p.a. from the day following the date of service of complaint of each of the above-mentioned claims until they are paid.

(Note 3) Each amount of claim above is jointly requested to each current and former Director and the former Executive Officer who are recognized as being responsible for the damages.

We will disclose the progress of the lawsuit in a timely and appropriate manner as necessary.

The Directors and Executive Officer's Responsibility Investigation Committee is continuing the

investigation on the issue of loans to the founder's family companies. We are supposed to receive an additional report of investigation results from the Committee in the future. We will take appropriate actions in a timely manner when we receive an additional report of investigation results.

2. About not filing of claim for compensation of the damages against the current and former corporate auditors of the Bank

As announced in "Notice of the establishment of the 'Directors and Executive Officer's Responsibility Investigation Committee' and the 'Corporate Auditors' Responsibility Investigation Committee,'" the timely disclosure dated September 14 this year, we established the "Corporate Auditors' Responsibility Investigation Committee"

(Chairperson: Seiichiro Nishioka, attorney-at-law). The Committee is investigating and examining whether or not the current and former corporate auditors are liable for compensation of the damages to the Bank due to a violation of duty of due care as a prudent manager on the execution of duties regarding the series of problems, including inappropriate handling of share house related loans and others. On November 9 this year, we received an investigation report on the problems related to share house loans and other loans for income-producing real estate from the "Corporate Auditors' Responsibility Investigation Committee." An outline of the judgment and the reasons is as shown in Attachment 2.

Based on the investigation report from the Corporate Auditors' Responsibility Investigation Committee, the Bank's Board of Directors reviewed the necessity of filing a lawsuit against the current and former corporate auditors. As a result, according to the investigation report stating that the current and former corporate auditors are not liable for compensation of the damages regarding the problems related to share house loans and other loans for income-producing real estate, we would like to inform that the Board determined not to file a lawsuit for compensation of damages to the Bank against the current and former corporate auditors.

The Corporate Auditors' Responsibility Investigation Committee is continuing the investigation on the problems of loans to the founder's family companies. We are supposed to receive an additional report of investigation results from the Committee by mid-December this year. We will take appropriate actions in a timely manner when we receive an additional report of investigation results.

3. Publication of each investigation report by the Directors and Executive Officer's Responsibility Investigation Committee and the Corporate Auditors' Responsibility Investigation Committee

The content of each of the above investigation reports received from the Directors and Executive Officer's Responsibility Investigation Committee and Corporate Auditors' Responsibility Investigation Committee shall be announced on November 14.

[Attachment 1]

Summary of Investigation Report

November 9, 2018

Suruga Bank, Ltd. Directors and Executive Officer's Responsibility
Investigation Committee

Section 1 Overview of investigation

1. Background of establishing the Directors and Executive Officer's Responsibility Investigation Committee

In response to news reports concerning the problem of share house-related loans triggered by the fact that Smart Days, Inc. ceased to make rent payments to the owners of the share houses in January 2018, Suruga Bank, Ltd. ("the Bank"), established a Crisis Management Committee (Chairperson: Hideaki Kubori, attorney-at-law) consisting of external attorneys on January 17, 2018. The Crisis Management Committee investigated and verified the facts about the share house-related loans in the Bank, and on April 24, 2018, it presented an investigation report ("the Crisis Management Committee Investigation Report") to the Bank.

After receiving the Crisis Management Committee Investigation Report, the Bank published its summary on May 15, 2018, and on the same day, in light of the importance of the situation, the Bank established a Third Party Committee consisting of three neutral and fair experts who are completely independent from the Bank (Chairperson: Naoto Nakamura, attorney-at-law). The Third Party Committee investigated and verified the facts about overall loans for income-producing real estate in the Bank, and on September 7, 2018, it presented an investigation report ("the Third Party Committee Investigation Report") to the Bank.

The Bank published the Third Party Committee Investigation Report on the same day, and taking findings and recommendations in the Report seriously, the Bank reorganized the board structure. In addition, on September 14, 2018, the Bank established the Directors and Executive Officer's Responsibility Investigation Committee ("the Committee") consisting of two outside corporate auditors who were newly appointed at the ordinary general meeting of shareholders held in June 2018 and independent external attorneys who are not in a position to have stakes or interests with the Bank or its current and former Directors and Executive Officers. The Committee shall investigate and examine from a legal perspective whether or not the current and former Directors are liable for compensation of the damages to the Bank due to a violation of duty of due care as a prudent manager in the execution of duties, as well as whether or not the current and former Executive Officers are liable for non-fulfillment of obligations to the Bank, regarding the series of problems, including inappropriate handling of loans for share houses and other income-producing real estate, that are referred to in the Third Party Committee Investigation Report.

2. Structure of the Committee

The structure of the Committee is as follows:

In addition, the Committee appointed several attorneys to assist the investigation and examination of this series of problems.

Chairperson: Tetsuo Ozawa (attorney-at-law)

Member: Yoshihiro Kataoka (attorney-at-law)

Member: Yoichi Namekata (outside corporate auditor of the Bank, attorney-at-law)

Member: Emi Noge (outside corporate auditor of the Bank, attorney-at-law)

3. Purpose of investigation and examination

Matters for investigation and examination delegated by the Bank to the Committee are as follows:

Note

[Matters for investigation]

- (1) Problems regarding loans for share houses and other income-producing real estate
- (2) Matter of the founder's family companies

[Matters for examination]

- (1) Clarification of liability of Directors and Executive Officers for compensation of damages to the Bank regarding matters for examination
- (2) Pursuit of liability of the Directors and Executive Officers who are recognized to be liable for compensation of damages (file and conduct a lawsuit)
- (3) Other matters related to the above

4. Matters for investigation in this investigation report

This investigation report covers only one of the three matters to examine mentioned above; that is, (1) problems regarding loans for share houses and other income-producing real estate (the series of problems).

As the Committee is currently examining and considering (2) matter of the founder's family companies of matters for investigation, we are supposed to present an investigation report on the matter in due course.

Section 2 Method and scope of investigation and examination

1. Method of investigation and examination

(1) Investigation of facts

Because of time constraints to file a lawsuit by the time limit, based on the facts regarding the series of problems recognized in the Crisis Management Committee Investigation Report and the Third Party Committee Investigation Report in principle, the Committee decided to investigate and examine legal responsibility of the current and former Directors and Executive Officers ("the Directors, etc.").

However, in light of the duties of the Committee to examine and judge the legal responsibility of the Directors, etc. and whether or not to file a lawsuit for their responsibilities, the Committee interviewed all the Directors, etc. (except for the deceased Mr. Kinoshige Okano) to be investigated as described below.

In addition, for judging whether or not the Directors, etc. are liable for responsibility and whether or not to file a lawsuit for their responsibility, the Committee investigated lacking

facts other than the facts that are recognized in the Crisis Management Committee Investigation Report and the Third Party Committee Investigation Report, and also investigated relevant matters that are considered reasonably necessary for carrying out the delegated matters by the Committee.

(2) Consideration of the responsibilities of the Directors, etc.

In parallel with the investigation of (1) above, the Committee worked to consider and judge whether or not the Directors, etc. of the Bank are liable for legal responsibility and whether or not to file a lawsuit for their responsibilities regarding the series of problems.

Specifically, the Committee examined and analyzed judicial precedents judging on Directors' violation of duty of due care as a prudent manager on the execution of their duties, including obligation to monitor and supervise internal operations and to build an internal control system, as well as some literature discussing these, to explore the legal principle in precedents of action for pursuit of liability of Directors. Judging whether or not the Directors, etc. are liable for responsibility based on the facts recognized in (1) above, and verifying the amount of damages to the Bank caused by the series of problems, the Committee worked to demarcate legal responsibility of the Directors, etc. and damages which have a reasonable causal relationship with liability of the Directors, etc.

2. Scope of investigation and examination

(1) Matters for investigation and examination

In investigating and examining matters delegated by the Bank, the Committee investigated and examined mainly the following matters.

- (a) whether or not Directors violated obligation to supervise misconduct and other actions that occurred.
- (b) whether or not Directors violated duty of due care as a prudent manager concerning building an internal control system.
- (c) whether or not Executive Officers violated duty of due care in the course of their duties.
- (d) reasonable causal relationship between violation of obligation by Directors, etc. and the damages

(2) Target persons for investigation and examination

The scope of the Directors, etc. who are targeted for the above investigation and examination are the following Directors (including those who have retired) and Executive Officer who the Committee determined may have legal liability for the series of problems.

- (1) Directors (including those who have retired)

Mr. Mitsuyoshi Okano (former Representative Director and Chairperson/CEO)

(hereinafter called "Mr. Mitsuyoshi")

Late Mr. Kinosuke Okano (former Representative Director and Vice President/COO)
(hereinafter called "Mr. Kinosuke")

Mr. Akihiro Yoneyama (Former Representative Director and President/COO)
(hereinafter called "Mr. Yoneyama")

Mr. Toshihiko Shirai (former Representative Director and Senior Managing
Director/CCO responsible for Administration Planning Department) (hereinafter called
"Mr. Shirai")

Mr. Kazuya Mochizuki (former Senior Managing Director/CFO responsible for
Management Administration Department and Financial Market Department)
(hereinafter called "Mr. Mochizuki")

Mr. Yoshihiro Okazaki (former Senior Managing Director/General Manager
of Sales Headquarters) (hereinafter called "Mr. Okazaki")

Mr. Nobuaki Yanagisawa (former Managing Director responsible for Loan
Screening Department) (hereinafter called "Mr. Yanagisawa")

Mr. Takeshi Yagi (current Director responsible for Business Department)
(hereinafter called "Mr. Yagi")

Mr. Michio Arikuni (current Representative Director and President)
(hereinafter called "Mr. Arikuni")

Mr. Yoshinori Ando (outside Director) (hereinafter called "Mr.
Ando")

Ms. Kanoko Ohishi (outside Director) (hereinafter called "Ms.
Ohishi")

Mr. Makoto Naruke (outside Director) (hereinafter called "Mr.
Naruke")

(2) Executive Officer

Mr. Haruo Aso (former Senior Managing Executive Officer/Sales Headquarters, Head
of Personal Bank Department) (hereinafter called "Mr. Aso") and other Executive
Officers

Section 3 Summary of this case

Since this investigation report is a summary version, only the items of the summary shall be
described and details shall be omitted.

The items described in the summary are as follows:

1. Outline of the Bank

- (1) Outline of the organization
- (2) Outline of loans for income-producing real estate, etc.
- (3) About share house loans

2. Course of facts

- (1) Overview

(2) Important facts

3. About risks of share house loans

- (1) Risks similar to risks of other loans for income-producing real estate
- (2) Specific risks of share house loans

4. Many inappropriate or fraudulent acts occurred, which resulted in provision of a large amount of share house loans

- (1) Lack of risk analysis of share house loans and lack of appropriate response after risks materialized
- (2) Execution of loans without substantial loan screening
- (3) Serious problems in the business flow
- (4) Information cut-off
- (5) Lack of awareness of compliance
- (6) Other acts devoid of appropriate credit risk management
- (7) Spread of misconduct

Section 4 Bank's Directors' duty of due care required in carrying out loan execution

As judged by the Supreme Court on November 9, 2009 (Keishu Vol. 63, No. 9, p. 1117), directors of a bank, before carrying out loan execution, shall have duty to take considerable measures, including examining the borrower's management situation and financial conditions and obtaining collateral or mortgage in principle ("credit security measures") in order to secure the loan and prevent the situation where it is unable to collect the principal and interest, and determine to execute the loan after confirming the safety of the loan. This is a legal duty.

Based on this premise, Section 5 will discuss the violation of the Directors' duty of due care as a prudent manager from the viewpoint of measures to secure an individual credit and obligation to monitor and supervise the credit, and Section 6 will discuss it from the viewpoint of obligation to build an internal control system concerning credit security measures.

Section 5 Whether or not there was violation of the obligation to monitor and supervise share house loans

1. Concept of obligation to monitor and supervise in this case

Directors of a bank are obliged to monitor and supervise credit security measures.

In this case, each Director failed to take considerable measures to secure share house loans. It should be understood that while they recognized or could have recognized the risk of serious damages to the Bank by continuing execution of share house loans without substantial credit security measures, they should be obliged to take considerable measures to avoid damages in accordance with their positions and responsibility.

Specifically, it should be understood that if Representative Directors or Directors who were directly related to the loan business (in this case Directors in charge of sales and loan screening) recognized or could have recognized that no substantial credit security measures had been taken

for the execution of share house loans, they should have been obliged to immediately suspend the execution of share house loans until substantial credit security measures were taken, and if they recognized or could have recognized sufficient facts to suspect that credit security measures on share house loans had not been taken, they should have been obliged to start examining whether or not substantial credit security measures had been taken for share house loans. If these measures are not taken, it means that they have violated obligation to monitor and supervise.

Then, if Directors other than the Directors who were directly related to the loan business recognized or could have recognized sufficient facts to suspect that substantial credit security measures had not been taken for execution of share house loans, they should have been obliged to report such suspect to the Board of Directors and corporate auditors and request them to investigate it. Failure to fulfill the obligation above shall result in a violation of obligation to monitor and supervise as a Director.

2. Each Director's violation of the obligation to monitor and supervise

Based on the above criteria, the Committee recognizes each Director's violation of the obligation to monitor and supervise as follows:

(1) Mr. Kinosuke

Mr. Kinosuke, who was Representative Director, Vice President, and COO, was obliged to start investigating whether or not substantial credit security measures were taken for share house loans as of the end of January 2016 at the latest. His negligence of this obligation is recognized as a violation of the obligation to monitor and supervise.

(2) Mr. Mitsuyoshi

Mr. Mitsuyoshi, who was Representative Director and Chairperson, and CEO, was obliged, as of July 5, 2017 when the fourth SAKT meeting was held, to immediately suspend share house loans until substantial credit security measures were taken. His negligence of this obligation is regarded as a violation of the obligation to monitor and supervise.

Even if it is assumed that he was not obliged to undertake duty of due care to immediately suspend share house loans, he was considered to be obliged to start investigation of whether or not substantial credit security measures were taken, and at least he violated this obligation.

(3) Mr. Okazaki and Mr. Yagi

Both Mr. Okazaki, who was Director in charge of the Sales Department as well as General Manager of the Sales Headquarters since April 2017, and Mr. Yagi, who was Director in charge of the Loan Screening Department, as of the end of December 2016 at the latest, were obliged to start investigating whether or not substantial credit security measures were taken for share house loans. Their negligence of this obligation is recognized as a violation of the obligation to monitor and supervise.

(4) Mr. Yanagisawa, Mr. Shirai, and Mr. Yoneyama

Mr. Yanagisawa, who was Managing Director in charge of the Screening Department, Mr. Shirai, who was Representative Senior Managing Director, and Mr. Yoneyama, who was Representative Director and President, had been obliged, as of July 5, 2017 when the fourth SAKT meeting was held, to immediately suspend share house loans until substantial credit security measures were taken. Their negligence of this obligation is regarded as a violation of the obligation to monitor and supervise.

Even if it is assumed that he was not obliged to undertake duty of due care to immediately suspend share house loans, he was considered to be obliged to start investigation of whether or not substantial credit security measures were taken, and at least he violated this obligation.

(5) Mr. Mochizuki

Mr. Mochizuki, who was Senior Managing Director, was obliged, as of July 5, 2017 when the fourth SAKT meeting was held, to report to the Board of Directors and corporate auditors that it was suspicious that substantial credit security measures had not been taken, and request them to investigate that. His negligence of this obligation is regarded as a violation of the obligation to monitor and supervise.

(6) Mr. Arikuni and outside Directors

It is not considered that Mr. Arikuni, who was Director, and Mr. Naruke, Mr. Ando, and Ms. Ohishi, who were outside directors, recognized or could have recognized sufficient facts to suspect that credit security measures for share house loans had not been taken, and they violated obligation to monitor and supervise.

Section 6 Whether or not Directors violated duty of due care as a prudent manager concerning building an internal control system

1. Concept of obligation to build an internal control system in this case

In the event of functional failure of the internal control system regarding credit security measures, Directors who recognized or could have recognized it might have an obligation to take appropriate measures to build an internal control system. However, in the event that damage was caused by multiple functional failures and any functional failure was recognized or could have been recognized, whether or not the obligation to establish an internal control system was violated would be considered in a comprehensive manner, depending on the position of each Director and the nature of the functional failure.

Specifically, in the event that Representative Directors and Directors who are directly related to the loan business (in this case, Directors in charge of sales and loan screening) recognized or could have recognized any functional failure of the internal control system concerning credit security measures, they should have been obliged to build an internal control system, and if the other Directors recognized or could have recognized this, they should have been obliged to report the functional failure of the internal control system to the Board of Directors and

corporate auditors and request the Board of Directors to build an internal control system.

2. Violation of duty of due care as a prudent manager concerning building an internal control system

Based on the above criteria, the Committee recognizes each Director's violation of duty of due care as a prudent manager concerning building an internal control system as follows:

(1) Mr. Kinosuke

Mr. Kinosuke had been obliged, as of the end of January 2016 at the latest, to take appropriate measures to build an internal control system concerning credit security measures, and for his negligence of this obligation it is recognized he violated duty of due care as a prudent manager.

(2) Mr. Mitsuyoshi

Mr. Mitsuyoshi had been obliged, as of July 5, 2017 when the fourth SAKT meeting was held, to take appropriate measures to build an internal control system concerning credit security measures, and for his negligence of this obligation it is recognized he violated duty of due care as a prudent manager.

However, Mr. Mitsuyoshi, who was the founder, Representative Director and Chairperson, and CEO, was expected to build an internal control system of the Bank at an earlier point.

(3) Mr. Okazaki and Mr. Yagi

Mr. Okazaki and Mr. Yagi had been obliged, as of the end of December 2016 at the latest, to take appropriate measures to build an internal control system concerning credit security measures, and for their negligence of this obligation it is recognized they violated duty of due care as a prudent manager.

(4) Mr. Yanagisawa, Mr. Shirai, and Mr. Yoneyama

Mr. Yanagisawa, Mr. Shirai, and Mr. Yoneyama had been obliged, as of July 5, 2017 when the fourth SAKT meeting was held, to take appropriate measures to build an internal control system concerning credit security measures, and for their negligence of this obligation it is recognized they violated duty of due care as a prudent manager.

(5) Mr. Mochizuki

Mr. Mochizuki had been obliged, as of July 5, 2017 when the fourth SAKT meeting was held, to report the functional failure of the internal control system to the Board of Directors and corporate auditors and request them to build it, and for his negligence of this obligation it is recognized that he violated duty of due care as a prudent manager.

(6) Mr. Arikuni and outside Directors

It is not considered that Mr. Arikuni, and outside Directors Mr. Naruke, Mr. Ando, and Ms. Oishi, recognized or could have recognized the functional failure of the internal control system concerning the credit security measures or that they violated duty of due care as a prudent manager concerning building an internal control system.

Section 7 Whether or not the Executive Officer violated obligation to the Bank

Mr. Aso, who was Senior Executive Officer and CO-COO, and General Manager of Customer Support Headquarters, had been obliged, as of May 27, 2016 when a share house meeting was held, to stop new share house loans immediately, or report to the Directors in charge, at executive meetings and management meetings, the risk of continuing share house loans as they were, in order to eliminate the possibility of further damage.

However, Mr. Aso did not take any specific countermeasure, or make any report, and continued share house loans aimlessly.

Thus, since Mr. Aso violated the obligation to stop handling share house loans as of May 27, 2016 at the latest, or to report the risk of continuing share house loans as they were to the Directors in charge, at executive meetings and management meetings, it is considered that he violated the obligation to execute his duties faithfully and devotedly as an Executive Officer.

Section 8 Violation of duty of due care by the Directors, etc. and damages to the Bank

1. The Committee's concept of damages to the Bank

The Bank, primarily, should have stopped executing the share house loan at an earlier time and conducted necessary investigation, but it was delayed due to Directors' violation of duty of due care as a prudent manager and the Executive Officer's violation of duty. That is, the Bank was primarily executing share house loans that should not have been executed, and among those loans, loans that become uncollectible are damage that has a reasonable causal relationship with violation of duty of due care (violation of duty).

The Committee considers that 30% of the share house loans executed after the occurrence of violation of duty would be uncollectible, by taking into consideration the historical bad debt ratio, etc. The Committee clarified the amount of execution of share house loans by separating them for each time each Director and the Executive Officer violated duty of due care (violation of duty) and decided that an equivalent to 30% of the execution amount is regarded as damage having a reasonable causal relationship with violation of duty of due care as a prudent manager (violation of duty).

In the event that the Bank determines to actually request compensation from each of the Directors, etc., it should specify the amount to be claimed by taking into consideration their position, role and contribution degree, the possibility of collection, the amount of actual losses at this time, litigation costs, etc.

2. Violation of obligation to monitor and supervise share house loans and damage to the Bank

Based on the Committee's concept of damage to the Bank, the Committee recognizes the amount of damage as follows:

(1) Mr. Kinoshita

The amount of damage having a reasonable causal relationship with Mr. Kinoshita's violation of obligation to monitor and supervise is 30,710.58 million yen.

(2) Mr. Okazaki and Mr. Yagi

The amount of damage having a reasonable causal relationship with Mr. Okazaki's and Mr. Yagi's violation of obligation to monitor and supervise is 8,661.21 million yen.

(3) Mr. Mitsuyoshi, Mr. Yanagisawa, Mr. Shirai, and Mr. Yoneyama

The amount of damage having a reasonable causal relationship with Mr. Mitsuyoshi's, Mr. Yanagisawa's, Mr. Shirai's, and Mr. Yoneyama's violation of obligation to monitor and supervise is 4,311.87 million yen (in the event that obligation arises to immediately suspend the execution of share house loans) or 3,449.58 million yen (in the event that obligation arises to start investigation).

(4) Mr. Mochizuki

The amount of damage having a reasonable causal relationship with Mr. Mochizuki's violation of obligation to monitor and supervise is 3,449.58 million yen.

3. Directors' violation of duty of due care as a prudent manager concerning building an internal control system

(1) Mr. Kinoshita

The amount of damage having a reasonable causal relationship with Mr. Kinoshita's violation of duty of due care as a prudent manager concerning building an internal control system is 30,710.58 million yen.

(2) Mr. Okazaki and Mr. Yagi

The amount of damage having a reasonable causal relationship with Mr. Okazaki's and Mr. Yagi's violation of duty of due care as a prudent manager concerning building an internal control system is 8,661.21 million yen.

(3) Mr. Mitsuyoshi, Mr. Yanagisawa, Mr. Shirai, and Mr. Yoneyama

The amount of damage having a reasonable causal relationship with Mr. Mitsuyoshi's, Mr.

Yanagisawa's, Mr. Shirai's, and Mr. Yoneyama's violation of duty of due care as a prudent manager concerning building an internal control system is 3,449.58 million yen.

(4) Mr. Mochizuki

The amount of damage having a reasonable causal relationship with Mr. Mochizuki's violation of duty of due care as a prudent manager concerning building an internal control system is 1,204.8 million yen.

4. Executive Officer's violation of duty and damage to the Bank

The amount of damage having a reasonable causal relationship with Mr. Aso's violation of duty is 29,836.47 million yen (in the event that obligation arises to immediately suspend the execution of share house loans) or 22,073.91 million yen (in the event that obligation arises to report the risk of share house loans at management meetings).

5. Damage caused by trust defamation

Due to the occurrence of the series of problems, trust in the Bank's governance was lost, and the credibility of the Bank remarkably deteriorated.

Damage to the Bank caused by the deterioration of its credibility leading to customer defection, etc. would be at least 100 million yen.

This is also a damage suffered by the Bank due to violation of duties of Directors and Executive Officers who are legally liable.

End

[Attachment 2]

Investigation Report (Summary Version)

November 9, 2018

Suruga Bank, Ltd. Corporate Auditors' Responsibility Investigation Committee

Section 1 Overview of investigation

1. Background of establishing the Corporate Auditors' Responsibility Investigation Committee

In response to news reports concerning the problem of share house-related loans triggered by the fact that Smart Days, Inc. ceased to make rent payments to the owners of the share houses in January 2018, Suruga Bank, Ltd. ("the Bank"), established a Crisis Management Committee (Chairperson: Hideaki Kubori, attorney-at-law) consisting of external attorneys on January 17, 2018. The Crisis Management Committee investigated and verified the facts about the share house-related loans in the Bank, and on April 24, 2018, it presented an investigation report ("the Crisis Management Committee Investigation Report") to the Bank.

After receiving the Crisis Management Committee Investigation Report, the Bank published its summary on May 15, 2018, and on the same day, in light of the importance of the situation, considering it indispensable to fulfill its accountability to stakeholders, the Bank established a Third Party Committee consisting of three neutral and fair experts who are completely independent from the Bank (Chairperson: Naoto Nakamura, attorney-at-law) in order to conduct a thorough investigation of the case and probe the cause. The Third Party Committee investigated and verified the facts about overall loans for income-producing real estate in the Bank without limiting to share house loans, and on September 7, 2018, it presented an investigation report ("the Third Party Committee Investigation Report") to the Bank.

The Bank published the Third Party Committee Investigation Report on September 7, 2018, and taking findings and recommendations in the report seriously, the Bank reorganized the Board structure and announced measures to renovate the corporate culture, reform business models, and build and develop a corporate governance system.

In addition, on September 14, 2018, the Bank established the Directors and Executive Officer's Responsibility Investigation Committee consisting of two outside corporate auditors who were newly appointed at the ordinary general meeting of shareholders held in June 2018 and independent external attorneys who are not in a position to have stakes or interests with the Bank or its current or former Directors and Executive Officers. The Committee shall investigate and examine from a legal point of view whether or not the current and former Directors are liable for compensation of the damages to the Bank due to a violation of duty of due care as a prudent manager in the execution of duties, as well as whether or not the current and former Executive Officers are liable for non-fulfillment of obligations to the Bank, regarding the series of problems, including inappropriate handling of loans for share houses and other income-producing real estate, that are referred to in the Third Party Committee Investigation Report ("the series of problems").

The Director and Executive Officer's Responsibility Investigation Committee investigated the facts and judged the responsibility for the execution of duties by the current and former Directors and current and former Executive Officers concerning the series of problems, and on November 9, 2018, presented an investigation report ("the Directors and Executive Officer's Responsibility Investigation Committee Investigation Report").

On September 14, 2018, the Board of Directors of the Bank established the Corporate

Auditors' Responsibility Investigation Committee (Chairperson: Seiichiro Nishioka, attorney-at-law, "the Committee") consisting of three independent external attorneys who are not in a position to have stakes or interests with the Bank. The Committee shall investigate and examine from a legal point of view whether or not the current and former corporate auditors are liable for compensation of the damages to the Bank due to a violation of duty of due care as a prudent manager on the execution of duties regarding the series of problems.

2. Structure of the Committee

The structure of the Committee is as follows: In addition, the Committee appointed several attorneys to assist investigation and examination of the series of problems.

Chairperson: Seiichiro Nishioka (attorney-at-law)

Committee member: Ryuji Uwatoko (attorney-at-law)

Committee member: Takaharu Kanayama (attorney-at-law)

3. Purpose of investigation and examination

Matters for investigation and examination delegated by the Board of Directors of the Bank to the Committee are as follows:

Note

[Matters for investigation]

- (1) Problems regarding loans for share houses and other income-producing real estate
- (2) Matter of the founder's family companies

[Matters for examination]

- (1) Clarification of liability of corporate auditors for compensation of damages to the Bank regarding matters for examination
- (2) Pursuit of liability of corporate auditors who are recognized to be liable for damages (file and conduct a lawsuit)
- (3) Matters related to the above

4. Matters for investigation in this investigation report

This investigation report covers only one of the three matters for examination mentioned above; that is, problems regarding loans for share houses and other income-producing real estate (the series of problems).

As for (2) the matter of the founder's family companies for investigation, the Committee is currently examining and considering, and is expected to present an investigation report on the matter in due course.

Section 2 Method and scope of investigation and examination

1. Method of investigation and examination

(1) Investigation of facts

Based on the facts regarding the series of problems recognized in the Crisis Management Committee Investigation Report and the Third Party Committee Investigation Report in principle, as well as investigation results and facts recognized by the Directors and Executive Officer's Responsibility Investigation Committee, the Committee decided to investigate and examine legal responsibility of the current and former corporate auditors.

However, in light of the duties of the Committee to examine and judge the legal responsibility of the current and former corporate auditors and whether or not to file a lawsuit for their responsibilities, the Committee interviewed all the current and former corporate auditors to be investigated as described below.

In addition, for judging whether or not corporate auditors are liable for responsibility and whether or not to file a lawsuit for their responsibility, the Committee investigated lacking facts other than the facts that are recognized in the Crisis Management Committee Investigation Report and the Third Party Committee Investigation Report, and also investigated relevant matters that are considered reasonably necessary for carrying out the delegated matters by the Committee.

(2) Consideration of the responsibilities of the current and former corporate auditors

In parallel with the investigation of (1) above, the Committee worked to consider and judge whether or not the current and former corporate auditors of the Bank are liable for legal responsibility and whether or not to file a lawsuit for their responsibilities regarding the series of problems.

Specifically, the Committee examined and analyzed judicial precedents judging violation of corporate auditors' duty of due care as a prudent manager in the execution of their duties, including obligation to supervise Directors' execution of duties and building an internal control system, as well as some literature discussing these, explored the legal principle in precedents of action for pursuit of liability of corporate auditors, and Judged whether or not the corporate auditors are liable for responsibility based on the facts recognized in the (1) investigation above.

2. Scope of investigation and examination

(1) Matters for investigation and examination

In investigating and examining matters delegated by the Board of Directors of the Bank, the Committee investigated and examined mainly the following matters:

- a) Whether or not the current and former corporate auditors are liable for compensation of damages to the Bank based on violation of duty of due care as a prudent manager concerning share house loans.
- b) Whether or not the current and former corporate auditors are liable for compensation of damages to the Bank based on violation of duty of due care as a prudent manager concerning Directors' building an internal control system.

(2) Target persons for investigation and examination

The scope of the current and former corporate auditors who are targeted for the above investigation and examination are the following corporate auditors (including those who have retired) who the Committee determined may have legal liability for the series of problems.

Mr. Masaaki Hirose (former full-time corporate auditor, hereinafter called Mr. Hirose)
Mr. Takashi Tsuchiya (full-time corporate auditor, hereinafter called Mr. Tsuchiya)
Mr. Toshiyuki Haibara (full-time corporate auditor, hereinafter called Mr. Haibara)
Ms. Shione Kinoshita (former outside corporate auditor - current outside director, hereinafter called Ms. Kinoshita)
Mr. Seiichi Shimada (outside corporate auditor, hereinafter called Mr. Shimada)
Mr. Tetsuo Ito (former outside corporate auditor, hereinafter called Mr. Ito)

Section 3 Summary of this case

Since this investigation report is a summary version, only the items of the summary shall be described and details shall be omitted.

The items described in the summary are as follows:

1. Outline of the Bank

- (1) Outline of the organization
- (2) Outline of the corporate auditors' audit system and activities
- (3) Outline of loans for income-producing real estate, etc.
- (4) About share house loans

2. Course of facts

- (1) Overview
- (2) Important facts

3. About risks of share house loans

- (1) Risks similar to risks of other loans for income-producing real estate
- (2) Specific risks of share house loans

4. Many inappropriate or fraudulent acts occurred, which resulted in provision of a large amount of share house loans

- (1) Lack of risk analysis of share house loans and lack of appropriate response after risks materialized
- (2) Execution of loans without substantial loan screening
- (3) Serious problems in the business flow
- (4) Information cut-off
- (5) Lack of awareness of compliance

(6) Spread of misconducts

Section 4 Criteria for judgment of corporate auditors' duty of due care as a prudent manager

Corporate auditors are obliged to audit Directors' execution of duties whether or not there are any misconduct, violation of laws and regulations and the articles of incorporation, or noticeably unfair practices (significantly irrational acts deviating from the principle of management judgment).

It is reasonable to judge the extent and contents of corporate auditors' duty of due care as a prudent manager on the basis of the following criteria in general.

In the case where there are no signs of suspicion of Directors' illegal acts or remarkably unfair business execution (illegal acts, etc.) (during normal times), as long as auditors audit in accordance with reasonable auditing standards for corporate auditors, in principle, they are deemed to have fulfilled their duty of due care as corporate auditors.

In the event that corporate auditors acknowledge signs of suspicion of an illegal act, etc. (abnormal time), they are obliged to investigate the existence of illegal act, etc., and as a result of the investigation, if they have rational reasons and sufficient evidence to suspect that an illegal act, etc. has been conducted, they are obliged to report this to the Board of Directors and recommend further investigation, etc. to find the fact. If it becomes obvious that there is an illegal act or the like and it is necessary to stop it promptly, they are obliged to take measures such as requesting an injunction of the act of the Director.

In addition, in the event that corporate auditors acknowledge signs to suspect that there are serious facts in violation of the duty of due care by Directors in building and operating an internal control system, the auditors are obliged to take appropriate measures, including investigation, recording in the audit report, reporting to the Board of Directors, and recommending corrective measures for deficiencies in the internal control system.

Section 5 Whether or not the corporate auditors violated duty of due care as a prudent manager concerning share house loans

1. Whether or not they violated duty of due care as a prudent manager concerning daily auditing

The daily audit activities that the corporate auditors were conducting; that is, formulation and preparation of audit policies and audit plans, the details thereof, attendance at the Board of Directors' and other important meetings, allocation of their duties, the state of cooperation with accounting auditors, the procedure and details of visiting audits (on-site audits), etc., were in accordance with the auditing standards of the Bank's auditors, and there is no particular inappropriateness as to auditing methods that a banks' corporate auditors should take. With respect to the fact that their on-site audits were focused on interviewing, it is not deemed unreasonable from a viewpoint that the number of auditors and time spent for auditing were limited. Therefore, unless signs of Directors' illegal acts were recognized, it is not deemed that there was a violation of duty of due care as corporate auditors.

2. Whether or not each corporate auditor recognized or could have recognized signs of the

illegal acts, and whether or not he or she violated duty of due care as a prudent manager

(1) Mr. Hirose

Mr. Hirose did not recognize signs that suggested a mere skeleton of loan screening, alteration and falsification of loan-related documents, circumventing transactions with channels whose transactions had been suspended, etc. during the term of office, and had little opportunity to recognize those signs. In addition, with regard to the deficiency of risk analysis and reactive measures concerning share house loans, although he recognized that share house loans were being executed and it was difficult to check the occupancy status of share houses, he did not recognize specific problems such as a low occupancy rate of share houses or that actual rents were considerably lower than sub lease fees. He also did not recognize that bad agents were dealing with share houses and the total amount of share house loans was rapidly increasing.

Therefore, it is not deemed that Mr. Hirose recognized or could have recognized signs of Directors' illegal acts, etc. during the term of office and it is not recognized that he violated duty of due care as a corporate auditor.

(2) Mr. Tsuchiya

Mr. Tsuchiya did not recognize, since the Crisis Management Committee was established until the series of problems were revealed, signs that suggested a mere skeleton of loan screening, alteration and falsification of loan-related documents, circumventing transactions with channels whose transactions had been suspended, etc. during the term of office, and had little opportunity to recognize such signs. In addition, with regard to the deficiency of risk analysis and reactive measures concerning share house loans, although he recognized that share house loans were being executed and it was difficult to check the occupancy status, and the total amount of share house loans was rapidly increasing, he did not recognize specific problems such as a low occupancy rate of share houses or that actual rents are considerably lower than sub lease fees. He also did not recognize that bad agents were dealing with share houses.

Therefore, it is not deemed that Mr. Hirose recognized or could have recognized signs of Directors' illegal acts, etc. before the series of problems were revealed, and it is not recognized that he violated duty of due care as a corporate auditor.

(3) Mr. Haibara

Mr. Haibara did not recognize, since the Crisis Management Committee was established until the series of problems were revealed, signs that suggested a mere skeleton of loan screening, alteration and falsification of loan-related documents, circumventing transactions with channels whose transactions had been suspended, etc. and had little opportunity to recognize such signs. In addition, with regard to the deficiency of risk analysis and reactive measures concerning share house loans, although he recognized that share house loans were being executed and it was difficult to check the occupancy status, and the total amount of share house loans was rapidly increasing, he did not recognize specific problems such as a low occupancy rate of share houses or that actual rents are considerably lower than sub lease fees. He also did not recognize that bad agents were dealing with share houses.

Therefore, it is not deemed that Mr. Haibara recognized or could have recognized signs of Directors' illegal acts, etc. before the series of problems were revealed, and it is not recognized

that he violated duty of due care as a corporate auditor.

(4) Ms. Kinoshita, Mr. Shimada, and Mr. Ito

Ms. Kinoshita, Mr. Shimada, Mr. Ito, who were outside corporate auditors, had difficulty finding signs to suspect the soundness of share house loans until the Board of Directors' meeting on October 19, 2017. At this point, the Bank was shifting to take a negative stance towards share house loans, grasping and reviewing the overall picture of share house loans, and even if the outside corporate auditors had requested the Directors to further investigate the problem, they couldn't have prevented the occurrence or expansion of damage.

Therefore, it is not recognized that Ms. Kinoshita, Mr. Shimada, and Mr. Ito violated duty of due care as a corporate auditor.

Section 6 Whether or not corporate auditors violated duty of due care as a prudent manager concerning Directors' building an internal control system

Although the system itself to ensure business appropriateness, which was resolved at the Board of Directors of the Bank, was fair and reasonable, there were many deficiencies in its operation, including inadequate risk analysis and management system of the share house loans, lack of independence of the Loan Screening Department and dysfunction of loan screening, dysfunction of the business flow in the Sales Division, and information cut-off.

However, it is not deemed that each corporate auditor recognized or could have recognized any fact; that is, lack of independence of the Loan Screening Department and dysfunction of loan screening, dysfunctions of business flow in the Sales Division, or information cut-off. In addition, with regard to the deficiency of the risk analysis and management system of share house loans, there is room to consider that each corporate auditor could have recognized that it was difficult to check the occupancy status of share houses, and that the risk analysis of share house loans was not conducted at the time of product development, but even if he or she had recognized or could have had recognized only these facts, it would have been difficult to suspect that the internal control system of the Bank substantially ceased to function.

Therefore, it is not recognized that each corporate auditor violated the duty of due care as a prudent manager concerning Directors' building an internal control system, etc.

End