

November 30, 2018

To whom it may concern:

Name of Company: Suruga Bank, Ltd.
Name of Representative: Director and President: Michio Arikuni
(Code No. 8358 First Section of Tokyo Stock Exchange)
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Submission of a business improvement plan

Based on the business improvement order issued on October 5, 2018, the Bank has today submitted a business improvement plan to the Financial Services Agency.

Once again, we would like to offer our deepest and sincere apologies for the great trouble and concern that we have caused to our customers, shareholders, partner companies, and many other stakeholders.

Through the steady execution of this business improvement plan, we will realize thorough compliance and customer-oriented business operations, and we will also build a healthy organizational climate and corporate culture.

The outline of the business improvement plan is shown in the attached sheet.

Business improvement plan

November 30, 2018

Regarding the scandal of investment real estate loans, we have taken the Third Party Committee investigation report and the FSA administrative actions seriously, and will drastically revise the business operations system. For that purpose, we will actively utilize not only internal resources but also external resources. As a specific example, in place of the previous Compliance Committee, we will establish the "Compliance System Restructuring Committee" by inviting Mr. Hideaki Sudo, attorney-at-law, from outside as Chairman, which will restructure the overall business operations system, focusing on the compliance system. In addition, we also intend to proactively introduce and utilize external resources as well as promote the fundamental reform of all aspects of our management by incorporating "external perspectives."

Chapter 1 Background and root cause of the problem ("Founder's family-centered" corporate culture)

The founder's family had been controlling the Bank for a long time which consequently fostered the founder's family-centered corporate culture, where we sought excessively short-term profits, lacking awareness of the roles of a bank and a listed company. As a result, governance and compliance stopped functioning, lacking any customer-oriented business operation principles.

Therefore, recognizing that the precondition for our reform is the fundamental revision of the "founder's family-centered corporate culture" which was the root cause of this scandal, we will rebuild the corporate governance system as well as the compliance system and all of us will work together towards thorough "customer-oriented business operations."

Chapter 2 Clarification of management responsibilities based on this disposition

1. Pursuit of liability of the founder's family

On September 7, 2018, Chairman Okano resigned. On November 12, 2018, as described later, the Bank filed a lawsuit for compensation for damages to the Bank against the former Chairman Okano and the heirs of the late Mr. Kinosuke Okano who had promoted investment real estate loans as Vice President until July 2016, based on the judgment of the "Directors, etc. Responsibility Investigation Committee."

Furthermore, we are making efforts to collect any questionable loans to the founders' family companies, and the damage incurred from these loans are being further investigated by the "Directors, etc. Responsibility Investigation Committee." In the event that liability is recognized by the Committee, we will file a claim for additional compensation for damages to the Bank.

Regarding the shares of the Bank held by the founder's family (about 13%), we intend to make the utmost efforts to dissolve the shareholding relationship.

2. Pursuit of management responsibilities of senior management (Directors, Corporate

Auditors, Executive Officers)

Recognizing that our Directors, Corporate Auditors and Executive Officers of the Bank have significant management responsibility for incurring the situation, and in order to clarify their legal responsibility for the series of cases, on September 14, 2018, we established the "Directors, etc. Responsibility Investigation Committee (Chairman: Tetsuo Ozawa, attorney-at-law)" consisting of external attorneys-at-law and outside corporate auditors who are all in an independent position having no stakes or interests in the Bank, and the "Corporate Auditors Responsibility Investigation Committee (Chairman: Seiichiro Nishioka, attorney-at-law)" consisting of external lawyers who are also in an independent position having no stakes or interests in the Bank, and they have examined the senior management's legal responsibilities.

After their examination, considering the position of each current and former Director and Executive Officer, as well as the degree of their involvement in the cause of responsibility for the loan problem concerning the share houses and other real estate for investment, on November 12, 2018, we filed a lawsuit for compensation for 3.5 billion yen in total as part of the damages (action for pursuing liability) as described below.

On the other hand, in accordance with the judgment of the "Corporate Auditors Responsibility Investigation Committee" that the current and former corporate auditors are not liable for the damages, we have decided not to file a lawsuit for compensation for damages against them.

The "Directors, etc. Responsibility Investigation Committee" and the "Corporate Auditors Responsibility Investigation Committee" are continuing their investigation of the loans to the founder's family companies.

Defendants of the lawsuit and the amount of compensation claimed for damages (a total of 3.5 billion yen claimed jointly and severally)

Names of current and former Directors	Amount of claim
Mitsuyoshi Okano	3.5 billion yen
The 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	Amount of claim
Haruo Aso	1.1 billion yen

The two Directors decided to voluntarily return part of their Director's remuneration as described below.

Names of the Directors	Amount of voluntarily returned remuneration
Michio Arikuni	30% of monthly

Takeshi Yagi

remuneration (until the next
general meeting of
shareholders)
30% of monthly
remuneration (until the next
general meeting of
shareholders)

Chapter 3 Awareness raising and governance (management control system) reform to restructure the Bank

The Bank will continue to work on building business models that can respond to customer needs, centering on the "retail business."

The Bank used to provide customer-oriented products and services such as personal loans for women and single persons. Returning to that principle, we will be entering into a niche market where demand for funds is expected to grow.

In the future retail business, we will strengthen the online office, reinforce ties with existing alliances and achieve new alliances, and also work on the sales of systems developed by the Bank.

Regarding investment real estate loans, after a fundamental review of their operations during the business suspension period, we are scheduled to establish a robust compliance system where we take customer-oriented measures that truly contribute to their asset-building needs by limiting the number of staff and branch offices in charge.

When building future business models, with the premise of compliance with laws and regulations, and a customer-oriented business operations system, we will aim for an appropriate and reasonable level of profitability, departing from the excessive profit-first principle.

Section 1 Restructuring governance

1. Corporate Culture and Governance Reform Committee

In June 2018, we established the Corporate Culture and Governance Reform Committee. The committee consists of four outside Directors, three outside corporate auditors, and two internal Directors, playing the role of a substantial nomination and compensation committee chaired by an outside Director (Ms. Shione Kinoshita, attorney-at-law).

We will consider the transition from the existing company with a Board of Corporate Auditors to a company with an Audit Committee, etc.

2. Enhancing the functions of the Board of Directors and the Board of Corporate Auditors

(1) Rebuilding and strengthening the management team

We will hold an extraordinary general meeting of shareholders as early as possible in

2019, and rebuild and strengthen the management team in order to build sustainable business models in the future.

(2) Proactive utilization of outside officers

We have been strengthening our governance functions since June 2018 by appointing four outside Directors. We also have further strengthened our governance by appointing an outside Director (Mr. Yoshinori Ando) as Chairman of the Board of Directors since September 2018.

In addition, in June 2018, we appointed two new outside corporate auditors, restructuring the Board of Corporate Auditors to include three outside corporate auditors (Mr. Seiichi Shimada, Ms. Emi Noge, and Mr. Yoichi Namekata) among the five corporate auditors.

(3) Strengthening the secretariat of the Board of Directors and the Board of Corporate Auditors

In order to collect and consolidate information as a prerequisite for the supervisory and checking functions of the Board of Directors, and to make the Board of Directors function more effectively, we have established the secretariat of the Board of Directors, consisting of two dedicated employees. The secretariat will be the contact point for any information required by the Board of Directors and will play the role of providing appropriate information to the Board of Directors to support them in their monitoring management.

In order to consolidate information as a prerequisite for the audit function of the Board of Corporate Auditors, we also enhanced the secretariat by adding one dedicated employee, making a total of two dedicated employees. In addition, we have newly appointed a corporate lawyer as a member of the Board of Corporate Auditors to improve its functions. The corporate lawyer will be actively engaged in audit activities such as participating in important meetings, including exchanges of opinions with the Board of Corporate Auditors and accounting auditors, and observing important audits.

(4) Establishment of the Compliance System Restructuring Committee

On November 27, 2018, we established the "Compliance System Restructuring Committee" based on a resolution of the Board of Directors with the aim of drastically reviewing and rebuilding our compliance system. Activities of the Compliance System Restructuring Committee are described below.

3. Compliance System Restructuring Committee, etc.

(1) Establishment of the Compliance System Restructuring Committee

The Compliance System Restructuring Committee (hereinafter referred to as the "Restructuring Committee") consists of four members: Chairman Mr. Hideaki Sudo, attorney-at-law, Mr. Hiroshi Sasaki (Senior Executive Officer invited from outside in September 2018), the President, and Tetsuya Ohno, attorney-at-law, who is an expert in compliance, responses to anti-social forces, and countermeasures against money

laundrying and terrorist financing. In addition, a corporate auditor designated by the Board of Corporate Auditors joins the Restructuring Committee as an observer.

(2) Mission of the Restructuring Committee

The Restructuring Committee will fundamentally review and restructure our compliance system in place of the previous Compliance Committee. The Restructuring Committee shall report to the Board of Directors.

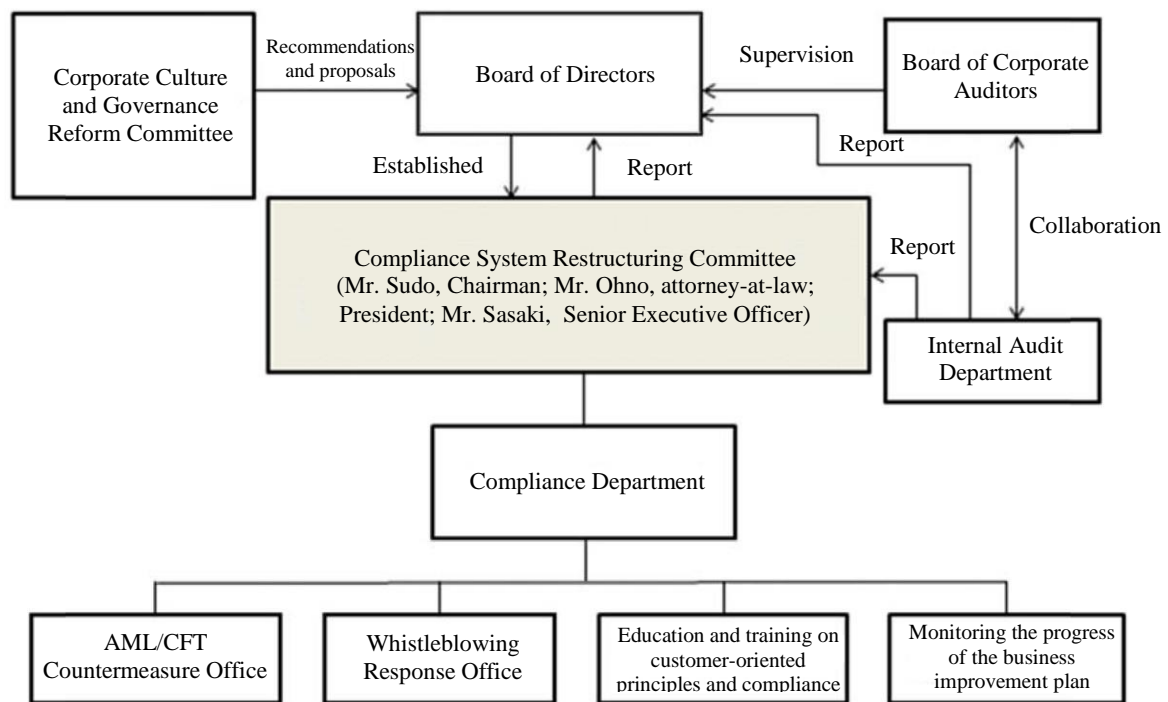
Within the Compliance Department which implements the duties of the Restructuring Committee, we will assign expert external lawyers to direct and supervise the entire process of restructuring the compliance system from institutional design (Plan), operations (Do), monitoring (Check), to the implementation of improvement measures (Action). Within the Compliance Department for example, we will set up subcommittees and a response office for the following measures, where we will also assign expert external lawyers to execute various compliance measures.

- Education and training (including harassment training) to establish customer-oriented business operations, raise awareness throughout the Bank and foster a sound corporate culture
- Restructuring the internal whistle-blowing system
- Restructuring the management system regarding responses to anti-social forces, and countermeasures against money laundrying and terrorist financing

The Restructuring Committee will also monitor the progress of the business improvement plan (monitor the situation of responses to customers conducted by the Office to Support Customer Owners of Share Houses and Others, and the situation of responses to the founder's family companies problem).

(3) Consolidation of information to the Restructuring Committee

We will build a mechanism that can consolidate the various risk information such as information on whistleblowing, information on customers' complaints, information on responses to anti-social forces, information on countermeasures against money laundrying and terrorist financing, etc. which is communicated to the Restructuring Committee in a timely and appropriate manner.



(4) Enhancement of the Compliance Department

The Compliance Department has been staffed by 18 employees in total, who have experience in business planning, legal affairs, internal auditing, and systems. We will be substantially increasing the number of staff members to 30 in the future, and will assign more personnel as necessary.

The Compliance Department has the functions of the secretariat of the Restructuring Committee and plays a leading role in the overall implementation of various compliance measures.

We will appoint external lawyers within the Compliance Department, and strengthen compliance activities under the direction of Chairman Sudo of the Restructuring Committee.

(5) Term of the Restructuring Committee

Unlike the ordinary Compliance Committee, the Restructuring Committee is a special emergency committee, fundamentally restructuring our compliance system. Therefore, for the time being, many external experts such as external lawyers will deal with the issues, but when the Restructuring Committee determines that the restructuring is completed and we can manage our compliance system independently, the mission will end and we will move to the next phase (activities in normal times).

It is also the responsibility of the external experts to communicate their expertise and knowledge to the persons in charge so that we can promptly carry out compliance-related work on our own.

4. Restructuring the internal whistleblowing system

We will set the internal whistleblowing system under the direct control of the Restructuring Committee and in the future establish an independent "Whistleblowing Response Office" in order to restructure the process flow of "Information reception" → "Identify informed facts" → "Fact investigation" → "Fact finding" → "Disposition, implementation of improvement measures, etc." → "Feedback to the whistleblower," and we will manage and operate the process in an integrated manner. As part of the whistleblowing system, we will establish a mechanism to strictly protect the informants, and will utilize external law firms and external specialized companies to receive the whistleblowing information in order to enhance the reliability of the system. We will make efforts to ensure our employees are aware of the whistleblowing system through education and training, and encourage them to actively use it to prevent harassment.

In addition, we will create a system which allows the Whistleblowing Response Office to centrally understand the signs of misconduct and any information that serves to identify misconduct, including complaints brought to the customer consultation center, etc., as well as other whistleblowing information from outside.

5. Review of the target setting and the performance evaluation system

We will completely abolish all excessive sales quotas that became a breeding ground for misconduct.

Bearing in mind customer-oriented business operations and to be consistent with the medium-term management plan which is currently in development (will apply from April 2019), we will change the target setting to a build-up approach reflecting market analysis results based on the perception of sales employees, and the characteristics and personnel structure in each area, making it rational and reasonable. For the second half of FY2018, no sales targets have been set.

In addition, although the previous performance evaluation system was short-term and too sales-oriented, focused on evaluating the achievement of numerical targets, we have introduced a mid- and long-term job evaluation system where we emphasize more qualitative aspects such as attitude and work motivation, starting from the first half of FY2018. In the future, we will aim to develop a performance evaluation system that will lead to the development of human resources and the improvement of corporate culture by understanding the operational situation, then reviewing and improving the system as necessary.

6. Personnel disposition

We have disciplined all the persons who are to be disciplined as described below after strictly implementing the necessary procedures, including interviews with the team of external lawyers, specifying reasons for disposition, and giving them opportunities to explain.

The persons to be disciplined were sales persons who were involved in the falsifying of documents related to customers' own funds, tampering with property rent rolls and continuing transactions with denied channels, as well as their supervisors (including Executive Officers and Directors). We disciplined a total of 117 persons (19 persons were demoted, 24 persons were suspended from duty or promotion, 44 persons' salaries

were reduced, and 30 persons were rebuked).

7. Response to either bad news provided by or instructions to report from the authorities

In the past, when either bad news was provided by or instructions to report were received by the authorities, we had no rules on the methods of investigation, etc., and we were hesitant to investigate the sales division. As a result, there were cases where a different report from the actual situation was made to the authorities.

We have decided that in the event that either bad news is provided by or instructions to report are received from the authorities, we shall immediately report that information to the Restructuring Committee (changed to the Compliance Committee after the compliance system has been established. Hereinafter referred to as the same). The Restructuring Committee will give instructions to the Compliance Department about the investigation method, have them conduct an investigation under the supervision of the Committee, and verify the findings. When the Restructuring Committee approves the result of the verification, we shall report to the authorities as well as to the Board of Directors.

Section 2 Training all the Bank's officers and employees to acquire the knowledge they should have as a banker regarding the loan business and compliance with laws and regulations so that a sound corporate culture can be fostered

1. Purpose

For the purpose of practicing "customer-oriented business operations," "thorough compliance," and to "maintain a healthy work environment," all officers and employees of the Bank will leave their daily work for a certain period of time and receive training in order to acquire the fundamental knowledge they should have as a banker (basic knowledge of the loan business, compliance with laws and regulations, sense of public mission, and customer-oriented principles, etc.), aiming to foster a healthy corporate culture.

2. Method

(1) Repeated and ongoing training to foster a healthy corporate culture

Compliance training will be intensively implemented in order to eliminate the previous corporate culture where compliance was neglected, and to foster a healthy corporate culture. This training will include a training course of six business days in principle where the trainees will be completely separated from their daily work (planned to be carried out for all officers and employees by March 2019). We also plan to continue the training after the first half of FY2019, as ongoing awareness is indispensable in fostering a healthy corporate culture.

(2) Proactive invitation of external lecturers, level-specific training for a specific purpose

We will conduct level-specific training as well as group-specific training for a specific purpose for Directors, Executive Officers, Senior Executives, mid-career employees, young employees, mid-career employees from other companies and part-time workers.

We will proactively utilize external lawyers and consulting companies as instructors, and will implement training that largely incorporates "external perspectives."

As was pointed out in the Third Party Committee's report and the administrative disposition of the Financial Services Agency, there was a prevalence of harassment and excessive reprimanding behind the previous misconduct. We will strengthen training aimed at eradicating these areas in particular.

Following recommendations from the Corporate Culture and Governance Reform Committee, we will make the training interactive such as through group meetings, etc. by drastically reforming the curriculum to encourage people to think for themselves. In order to measure the effect of each training course, we will verify the degree of the trainees' understanding by conducting a questionnaire, checking the content of each trainee's statements during role-playing and group meetings, etc.

Section 3 Investigation of all investment real estate loans

In order to clarify the whole picture of the scandals, recognize the problems, thoroughly inform all officers and employees, and raise the awareness of compliance throughout the Bank, we will investigate all investment real estate loans during the business suspension period and report the findings to the Board of Directors and the Restructuring Committee.

The outline of the structure of the investigation team is as follows:

- General Director: Osamu Sudo, attorney-at-law
- External lawyer team: About 10 lawyers
- External certified public accountant and forensic team: KPMGFAS (about 20 persons)
- Secretariat and investigation assistants (bank employees): 30 persons

Chapter 4 Establishment of a management system to eliminate anti-social forces as well as a management system to prevent money laundering and terrorist financing

1. System building

(1) Establishment of a dedicated department "AML/CFT Countermeasure Office"

We will set up an "AML/CFT Countermeasure Office (10 employees)" which will integrate and specialize in businesses regarding responding to anti-social forces, and countermeasures against money laundering and terrorist financing within the Compliance Department (December 2018).

(2) Building a system which is led by external experts

We signed a consulting agreement with an external consulting company in July 2018, and signed another consulting agreement with lawyer Akira Takeuchi (Vice Chairman of the Committee to Eliminate Racketeering by Interceding in Civil Disputes and Threatening the Use of Violence at the Japan Federation of Bar Associations) in September 2018, establishing a system to obtain specialized advice from both parties concerning businesses related to measures against anti-social forces, and money laundering and terrorist financing.

2. Specific responses

(1) Transactions with anti-social forces

- The Compliance Department and the Loan Screening Headquarters are providing compliance training for employees at branch offices in order to prevent the provision of credit facilities and increases in credit balances for those who have been identified as anti-social forces, including cases where existing customers have been newly identified as anti-social forces, ensuring that we prevent similar cases from occurring in the future. We will improve the response manual (planned to be revised in December 2018) for cases where customers are identified as anti-social forces, in order to prevent similar cases from occurring in the future.

- We have conducted compliance training for all Heads of Departments and branch offices as well as all Managers and Officers at all branch offices in order to prevent allowing those who have been identified as anti-social forces, including cases where existing customers have been newly identified as anti-social forces, to open a new account, ensuring that we prevent similar cases from occurring in the future. The Headquarters also monitors transactions for this purpose.

In addition, we will build a system to block any new transactions by those who have been identified as anti-social forces by the end of December 2018 and improve the response manual in order to prevent any recurrence.

(2) Checking suspicious transactions of corporations

- With regard to suspicious transactions of corporations, we have conducted compliance training for all Heads of Departments and branch offices as well as all Managers and Officers at all branch offices, with examples of specific cases that are applicable to suspicious transactions, ensuring that even a slightly suspicious transaction should be reported to the Compliance Department without fail.

- Currently, only the branch offices judge whether or not a transaction is suspicious based on a suspicious transaction account list. In the future, after a primary judgment at the branch office, the Business Administration Headquarters and the Compliance Department will work together to make a secondary judgment, thereby trying to prevent omitted reporting of suspicious transactions.

- We will build a system to detect suspicious transactions of corporations by the end of March 2019.

(3) Confirmation of the substantial controller of a corporation

- We have instructed all Heads of Departments and branch offices as well as Managers and Officers at all branch offices to confirm the substantial controller of a corporation at the time that a specific transaction occurs, such as opening a new account, and conducted training in this regard ensuring that confirmation of the substantial controller is not omitted. The Headquarters will also monitor the status of confirming the substantial controller of corporations.

- We will build a system which blocks all transactions if the substantial controller is not

registered when opening a new account by March 2019.

(4) Strengthening inquiries to the police authorities

- With regard to those who have been identified as anti-social forces by the Bank, we will promptly make inquiries regarding as many such entities as possible to the police authorities based on importance and need rather than selecting relatively easier entities to deal with, aiming to promptly eliminate transactions with them.

Chapter 5 Establishment of a credit risk management system, including internal loan screening management, and establishment of an internal audit system

1. Three Line Defense

Recognizing the importance of the "Three Line Defense," we will strengthen the function of each of the front line (sales), the second line (loan screening and compliance), and the third line (internal audit).

(1) Sales (front line)

In order to foster awareness (awareness of risk ownership) that sales is the primary compliance entity, we will implement thorough education and training as described in Chapter 3, Section 2.

(2) Loan screening and compliance (second line)

• Loan screening

In order to strengthen the authority of the loan screening division so that it can fully carry out its checks of the sales division, we will upgrade the responsibility level of the Head of Loan Screening Headquarters to Senior Executive Officer from December 2018. We will thoroughly eliminate any pressure from the sales side to the loan screening division so as to maintain independence and fairness in loan screening through strict operation of the compliance system.

• Compliance

As stated above (Chapter 3, Section 1), the Restructuring Committee will drastically rebuild the compliance system.

(3) Internal Audit Department (third line)

In addition to ensuring independence of the Internal Audit Department by placing it directly under the Board of Directors, we have had regular exchanges of views with the Board of Corporate Auditors since September 2018, strengthening collaboration. In addition, we will periodically report the status of internal audits to the Restructuring Committee and if there are any important findings, we will promptly share them with the Board of Directors, the Board of Corporate Auditors, and the Restructuring Committee.

In order to carry out sufficient checks, from December 2018, we will upgrade the level of responsibility of the Head of the Internal Audit Department to Senior Executive

Officer and assign specialized employees to the audit staff to ensure effective audits.

We have received consulting advice from external specialized agencies for the purpose of enhancing our internal audits (transition to risk-based audits) since July 2018, and from April 2019, we plan to start the audit of branch offices and the Headquarters based on the consulting results. In addition, we will continue to receive consulting advice and assessments of internal audit content after April 2019 to improve audit quality.

(4) Executive appointment system

From the first half of FY2019, we will start to operate a system whereby business experience in the second or third line is a condition for appointment as an executive. This will raise awareness of the risk ownership of first-line executives and promote recognition of the importance of the second and third lines throughout the Bank.

2. Credit risk management system

The channel management system, which depended too heavily on information from real estate brokerage firms which had introduced to us customers who wanted loans, will be restructured by December 2018 as a "Real Estate-related Companies Management System" which will cover real estate management companies and sublease companies in order to eliminate transactions with bad channels. We will register a wide range of information in the system, enabling unified management.

To fully understand the beginning of any unfavorable change as early as possible, the Loan Screening Headquarters has started conducting loan portfolio analysis, including verifying the deviation and default rate of each kind of loan, and the deviation in the share of specific real estate channels in each sales base, and reporting this to the Board of Directors. We will report various credit risk analysis materials to the Board of Directors on a regular basis in the future.

With respect to credit risk management of individual transactions, we will comprehensively review the previous system which calculated the amount of collateral value without considering future risk, etc. based on the rent described in the submitted rent roll. Specifically, we will calculate a rental income fluctuation simulation, considering regional characteristics and traits, and calculate the appropriate rental price from market data. For this purpose, we plan to develop the required systems by March 2019. In the future, we will ensure that the loan screening division reinforced as described above will properly function regarding the credit risk management of such individual transactions.

In addition, we have started taking photos and recording original documents such as passbooks to prevent counterfeiting and falsification. Furthermore, regarding the confirmation documents for borrowers' own funds, etc., the loan operation procedure will be changed by March 2019 to the effect that the Loan Screening Headquarters will confirm such documents at the time of the circular approval application (Ringi) in addition to confirmation at the branch office.

In order to avoid promoting violations of the Bank agency business by real estate agents, etc., we are asking them from time to time not to take part in any inappropriate

solicitations or explanations to our customers. In addition, from the viewpoint of customer-oriented business operations, before concluding a contract with the customer, the Bank's staff will directly confirm their needs, explain the contents of the contract, and leave records of such. In this way, we will continue strict management in the future.

Chapter 6 Elimination of transactions with the business group (family companies) under the influence of the founder's family

1. Dissolution of capital relationship with the founder's family

We will continue to work on the founder and the founder's family companies to sell the shares they hold in the Bank in order to dissolve the capital relationship at an early stage.

2. Collecting loans to the family companies

Although we will make efforts to collect all loans to the family companies, in case some portion of these loans becomes uncollectable, we will file claims for repayment of loans, etc. against the debtors of the family companies. We also plan to file a lawsuit for compensation for damages to the Bank against those Directors, etc. who were involved in loans to the family companies and who were recognized as being responsible by the above "Directors, etc. Responsibility Investigation Committee" and the "Corporate Auditors Responsibility Investigation Committee."

In addition, we will regularly discuss with those in the family companies to comprehensively consider both the dissolution of the capital relationship with them and their loan repayment plan, etc., and will steadily dissolve the capital relationship and collect the loans from them. As for the loans to the family companies, we will properly conduct credit management and report to the Board of Directors until all the loans are fully collected.

Chapter 7 Establishment of a system to respond appropriately to individual borrowers with respect to loans for share houses and other investment real estate loans

In June 2018, we established the "Office to Support Customer Owners of Share Houses and Others," and we have responded to requests for changes in lending conditions for those who have difficulties repaying loans for share houses or other investment real estate.

To make further efforts, we will be implementing the following initiatives in order to resolve this problem as soon as possible.

1. Response policy

We will earnestly address the following four points in order to respond to customers promptly, fairly and appropriately.

- (1) We will make efforts to carefully and adequately listen to each customer's specific circumstances in order to provide the optimal solution which the customer can understand and agree to as much as possible without falling into a routine or one-size-fits-all operation.

- (2) For customers who currently have difficulty repaying, we will give in-depth consideration to every possible option as a financial institution, offering them support including partial loan forgiveness.
- (3) Among those cases where contracts for unsecured loans, etc. were signed at the time the loans were executed, for those loans that are not deemed to be economically reasonable for customers, we will address them appropriately after carefully examining the individual contract circumstances and the contract details, etc.
- (4) We will develop a system where we can respond to customers' complaints appropriately and promptly.

2. Roles of the management team

- (1) With respect to the Office to Support Customer Owners of Share Houses and Others under the direct control of the President, the President will take responsibility for developing an appropriate and effective system and for defining the direction.
- (2) In order to accelerate the speed of decision-making to solve problems such as the share houses problem, the Board of Directors will clearly indicate its policy and procedures, and oversee our efforts to solve the problems.

3. Responding to customers

- (1) For the convenience of customers coming to the Bank, we will establish a system where we can respond to customers on weekends as well as on weekday nights.
- (2) For those customers who don't have time to come to the Bank, we will set our toll-free hours from 8:30 a.m. to 8:00 p.m., 7 days a week.
- (3) Based on customers' requests, we will proactively make contact with our customers, making effective use of various contact methods (telephone, e-mail, letters, visits, etc.).

4. Utilization of external organizations

- (1) We have concluded outsourcing consulting agreements with major real estate companies (Mitsui Fudosan Realty Co., Ltd., Nomura Real Estate Development Co., Ltd., and Nomura Real Estate Urban Net Co., Ltd.) to receive advice about improving the profitability of share houses and others.
- (2) We will have the external lawyer team oversee our overall customer response.
- (3) We will cooperate closely with each ADR organization for our response to customers.

End