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To whom it may concern:

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Status of the main points of progress of the business improvement plan

On October 5, 2018, the Bank was ordered by the Financial Services Agency to suspend part of its business operations and to improve its business operations under the provisions of Article 26 of the Banking Act. Accordingly, we submitted a business improvement plan to the Financial Services Agency on November 30, 2018, and since then, we have reported the progress of the business improvement plan to the Financial Services Agency every 3 months starting at the end of December 2018.

As for the business suspension order, since the business suspension period ends today, April 12, 2019, we would like to announce the major progress of the business improvement plan to date.

1. The main points of progress of the business improvement plan

(1) The clarification of management responsibilities

Based on the findings by the "Committee to Investigate the Responsibilities of Directors, etc.,," on November 12, 2018, we filed a lawsuit for compensation of damages to the Bank totaling 3.5 billion yen against the former and current management's liability for improper loans for share-houses and investment real estate. In addition, on December 27, 2018, we filed another lawsuit against the current and former management for damages to the Bank, totaling 3.2 billion yen, in addition to the aforementioned 3.5 billion yen, in order to pursue the responsibility of the current and former management for inappropriate loans for the founder's family companies.

(2) The status of restructuring the governance system

1) The "Compliance System Restructuring Committee" (Hereinafter referred to as "Restructuring Committee"), which was established in November 2018 and chaired by lawyer Hideaki Sudo, is promoting a fundamental reform of our Bank's compliance system. The Committee's specific activities are as follows:

<Formulation and Declaration of the Compliance Charter>

We have formulated and declared the Compliance Charter that will serve as the basis for all actions and decisions taken by the Bank and all of its officers and employees. The Compliance Charter stipulates the following:

- 1) Customer-oriented business operations
- 2) Honest, fair and transparent corporate activities
- 3) Ensuring a healthy work environment
- 4) Blocking all relations with anti-social forces
- 5) Taking ownership of actions

<Clarification of the Three Lines of Defense>

Clarifying our compliance risk management framework called the "Three Lines of Defense," for the first line of defense at branch offices, we ensure the education and training of branch managers to identify risk ownership and we assign the compliance leader who plays the role of the second line of defense. For the second line of defense, we also ensure training and education to strengthen the Compliance Department, and for the third line of defense, we have established an independent verification system by the Internal Audit Department.

<Formulation of Compliance Program>

As a specific action plan for the promotion of compliance and compliance risk management, we have formulated a compliance program for the first half of fiscal 2019. The program focuses on activities to promote the understanding and dissemination of the Compliance Charter, improve risk management capabilities by each of the three lines of defense, promote appropriate responses to risk information such as whistleblowing, promote measures to block relations with anti-social forces, prevent money laundering, and combat terrorist financing.

<Re-establishment of the Compliance Committee>

In April 2019, we re-established the Compliance Committee as a compliance deliberative body, and in response to risk information such as fraudulent acts, we collect and aggregate information to the Restructuring Committee as well as implement the formation of investigation teams and instruct them to investigate.

The Compliance Committee will work under the guidance and supervision of the Reconstruction Committee for the time being.

As described above, the Restructuring Committee has been working on the overall compliance system design, operation, monitoring, and implementation of improvement measures.

In addition, within the Restructuring Committee, we have set up subcommittees to address each compliance issue respectively, such as taking measures against money laundering and the financing of terrorism, responding to whistleblowing, implementing training and education for customer-oriented business operations and compliance, and enhancing internal audits, where external attorneys at law with expertise are appointed to strengthen the functions.

- 2) The "Corporate Culture and Governance Reform Committee (Reform Committee)" established in June 2018 reforms the base of governance, including basic policies for internal control. The Reform Committee practically fulfills functions of the nomination and compensation committee, and works diligently on the appointment of management officers, including branch managers, and the review of the performance evaluation system.

3) The Bank is preparing to transition to a Company with an Audit and Supervisory Committee at the Ordinary General Meeting of Shareholders to be held in June 2019. This is in order to enhance the supervisory function of the Board of Directors with the aim of further strengthening its governance structure.

(3) The status of training of all employees to create a sound corporate culture

For the purpose of practicing "customer-oriented business operations," "thorough compliance," and the "establishment of a healthy work environment," we have provided various training programs to all bank employees who were absent from regular work for a certain period of time in order for them to acquire necessary knowledge on the basics of the lending business, compliance with laws and regulations, a sense of public mission, and a customer-oriented mind-set, so that we have been developing a sound corporate culture.

In addition, the Bank conducts compliance studies for all bank employees (study meetings where they discuss on-site case studies), facilitation training to stimulate discussion, training for lending personnel to strengthen their basic lending capabilities, and special training for mid-career employees.

We also measure the effectiveness of all training programs.

[The status of the implementation of training]

1) Training for all bank employees

During the period from December 17, 2018 to the end of March 2019, we conducted a six-day training for all bank employees at each level. We adopted a curriculum as the basis for creating a new Suruga Bank on our own initiative (to strengthen "compliance," "business knowledge" and the "elimination of harassment" in particular), based on the understanding and agreement of every single person in management and employees.

The curriculum incorporates the knowledge of external instructors to objectively understand the differences between our rules and perceptions and those from the outside. In addition, we eliminated a listening-based curriculum but organized a curriculum that requires self-thinking where we conducted interactive training with a flow of "personal work - group work - sharing among groups and participants" in mind.

2) The implementation of compliance studies

To date, we have held four study sessions at all Departments and each branch office, incorporating two-way discussions on past cases of harassment and violations of laws and regulations.

3) Training to strengthen basic lending capabilities

We conducted training to strengthen basic lending capabilities (a one-day course on six subjects, including compliance, screening, loan management, etc.) for all loan officers at branch offices (284 officers).

4) Special training for mid-career employees

For mid-career employees (108 employees), in addition to training for all bank employees, we conducted a one-day training program aimed at acquiring high ethical standards and expertise as a financial professional.

5) Compliance officer qualification acquired by all employees

In order to raise the awareness of compliance among all employees, we have all employees take the examination of the "Compliance Officer Bank Course" sponsored by the Kinzai Institute for Financial Affairs, Inc., which is mainly held by managers and compliance officers at branch offices.

The passing rate was approximately 91.4% as of April 10, and we aim to have all bank employees acquire the certification by the end of April.

6) Other

In addition to collective training, we started "video training" for all bank employees on March 28 to provide them with opportunities to learn more. In the future, we will continue to distribute the contents of the training through videos as necessary so that more employees can learn and deepen their knowledge.

*These training programs will continue to be implemented in the human resources development program starting in fiscal year 2019.

(4) The status of investigation of all cases of investment real estate loans
The number of loan properties subject to the investigation is about 38,000. The investigation procedure is as follows:

- (i) We sent questionnaires to customers who own properties subject to the investigation (Approx. 23,000 owners), and at the same time, we requested that they provide us with relative materials they held in hand when returning the questionnaire.
- (ii) Checking the materials provided with the returned questionnaire with the screening materials held in the Bank
- (iii) For those customers who have not provided us with materials in hand, we carefully reviewed the screening materials held in the Bank (for [2] and [3], we obtained cooperation from an external team specializing in fraud investigation).
- (iv) Investigations based on complaints and bad information on the Bank
- (v) Individual interviews with the Bank's employees conducted by the lawyer team to clarify their involvement in fraudulent cases or suspected fraudulent cases

Although the investigation has been completed, we are currently in the process of compiling the results of the investigation, and this process will take some time. The final results of the investigation will be announced at the time of the earnings announcement scheduled in mid-May. As a result of our investigation, we will take strict disciplinary measures against those who are found to be involved in fraudulent cases.

(5) The status of the establishment of a management system to eliminate anti-social forces as well as to prevent money laundering and terrorist financing

We have established the dedicated "AML/CFT (prevention of money laundering and terrorist financing) Office" within the Compliance Department, which is responsible for eliminating anti-social forces, preventing money laundering, and combating the financing of terrorism, which were previously shared by multiple Departments.

Under the guidance of the Proact Law Office, which is represented by lawyer Akira Takeuchi, Vice Chairman of the Civil Intervention and Violence Committee of the Japan Federation of Bar Associations, the Office has been overhauling its structure, including fundamental reviewing of the elimination of anti-social forces, prevention of anti-money laundering and anti-terrorist financing activities, the development of regulations, the establishment of monitoring systems, and the termination of transactions with anti-social forces.

Regarding the "Deficiencies in the management system to deal with anti-social forces" which was pointed out by the FSA in the business improvement order issued on October 5, 2018, we revised the rules and business procedures to clarify the response policy for parties suspected of being anti-social forces, and based on the response policy, we thoroughly inquired to the police and we dissolved, or are otherwise in the process of dissolving, transactions with them.

To prevent any recurrence of such deficiencies, the Bank has ensured that all officers and employees understand the revised rules and business procedures regarding transactions with anti-social forces, and to prevent human errors, we have completed system construction to block the opening of new accounts by anti-social forces and have commenced its operation. Also, regarding the "Insufficient system to detect suspicious corporate transactions" and the "Inadequate identification of the substantial controller of a corporation" which were also pointed out, we have completed system construction to prevent deficiencies and have started its operation.

(6) The status of the credit risk management system

For investment real estate loans, we have introduced an external system that calculates the DSCR (Debt Service Coverage Ratio) for each property based on market data and an expected future decline in rent, as well as the aggregate value of net income which the real estate for investment is expected to generate in the future and its present value (income-approach value). We will utilize the system for future investment real estate loans. Based on objective data obtained from a third-party organization, we will eliminate inappropriate incidents such as the falsification of rent rolls.

With regard to documents to confirm customer owners' assets and income, we ensure that we receive and confirm the original documents from them directly and record the receipt and confirmation of such documents. We also ensure that we verify and record their intention and understanding at the time of the contract.

In addition, we have established the "Real Estate Agent Management System" which centrally manages real estate brokers, rent guarantee companies, sub-lease companies, and construction companies related to investment real estate loans and other real estate-secured loans, as well as individuals related to such loans. With this system, we have strengthened credit risk management and the elimination of bad loans by incorporating internal databases and external information on anti-social forces.

In order to ensure the independence of the Screening Department and to fully exercise its check-and-balance function, the position of General Manager of the Screening Department has been upgraded to Senior Executive Officer since December 2018.

(7) The status of the establishment of the internal audit system

Regarding internal audits, under the guidance of attorneys at law of the Reconstruction Committee and external specialized institutions, we conducted a risk assessment based on the Bank's inherent risks and completed trials of risk-based audits by the end of March 2019 based on the results of the risk assessment, and we will fully implement risk-based audits from April. In this way, we will monitor and evaluate the state of risk ownership at branch offices, which is the first line of the three lines of defense, as well as the independence of the Screening Department, which is the second line of defense, and report them to the Board of Directors and strengthen cooperation with the Board of Auditors. Under the guidance of an external specialized institution, we will continue to conduct quality assessments to evaluate the effectiveness of internal audits at each individual audit, and we will also conduct self-checks on a regular basis in order to maintain and improve audit quality. In addition, the quality assessment by an external specialist shall be periodically conducted to further enhance the quality assessment. In addition, in order to strengthen the authority of the Internal Audit Department and to make full use of the check-and-balance function, we have upgraded the position of General Manager of the Internal Audit Department to Senior Executive Officer

since December 2018.

(8) The status of dissolving transactions with family companies

The Bank has formed a response team consisting of outside experts to negotiate with the founding family for the sale of shares held by them and the collection of receivables from them, while considering all possible legal and practical options. In doing so, with regard to loans to family-owned companies, we are gradually collecting loans that became due by offsetting against their deposits and selling off real estate held by the family-owned companies.

The Bank is currently in the process of consulting with potential partners for business tie-up in order to further promote fundamental management reforms and stabilize management. As for the Bank's shares held by family-owned companies, we will work out dissolving the capital relationship with them while taking into account the business tie-up negotiations.

(9) The status of the establishment of a system to appropriately respond to individual debtors regarding share-house loans and other investment real estate loans

To date, we have negotiated with approximately 890 customer owners for share-house loans, and have concluded agreements with approximately 90% of these owners to reduce interest rates and change repayment terms and conditions. We will continue to sincerely respond to their requests.

For the reduction of the principal amount, we have consulted with the tax office about tax treatment. The Bank confirms that, in principle, income tax is not levied on customer owners when the principal amount is reduced as compensation for damages incurred to their assets by our fraudulent acts. Based on this, we will establish the criteria for the reduction of the principal amount as early as possible and respond to each owner's situation. In this case, we would officially ask the customer owners to come to the Office to Support Customer Owners of Share Houses and Others.

2. The resumption of investment real estate loans

For investment real estate loans, which were the subject of an order to suspend part of its business operations, and housing loans for a residential and rental house with a residential area of less than 1/2, after we have completed compiling the investigation of all cases and revealed the whole picture of problems concerning investment real estate loans, and obtained the approval of our resumption by the Compliance System Restructuring Committee, we are scheduled to resume operations after the earnings announcement which is scheduled in mid-May. To ensure thorough compliance, we plan to reorganize our sales structure by forming a small team specializing in investment real estate loans, whose members include those who have experience in the Compliance Department and the Screening Department.

In addition, in order to eliminate bad real estate agents, we will thoroughly enter and update information on real estate agents in the "Real Estate Agent Management System" and appropriately manage not only information on the agent institution but also personal information on the person in charge.

In light of the fact that excessive quotas have become a hotbed of fraudulent acts, the relevant Department will not set targets for the time being, but will respond to customers' needs, placing top priority on compliance.

3. Investigation of personal loans

In response to media reports that Bank employees may have been involved in fraudulent business practices, we are currently conducting an analysis of customer complaints from the past, forensics, and interviews with Bank employees by attorneys at law as to

whether they were involved in fraudulent business practices typified by date business practices with regard to personal loans in general, including the case in question. We are preparing to provide information on the results of this investigation along with publishing the results of investigations of all cases of investment real estate loans.

4. Cancellation of the Extraordinary General Meeting of Shareholders

In our summary of financial statements for the second quarter of the fiscal year ended March 2019, which was dated November 14, 2018, we announced that we would hold an extraordinary general meeting of shareholders as soon as possible to replace the incumbent director, against whom the Bank has filed a liability lawsuit. As mentioned above, the Bank is currently in the process of discussing the details of business tie-up with potential partners in order to further promote fundamental management reforms and stabilize management. As the discussions include the appointment of directors and corporate auditors as a matter of course, we have judged that it is not realistic to hold an extraordinary general meeting of shareholders in close proximity to the ordinary general meeting of shareholders. Therefore, we have decided not to hold an extraordinary general meeting of shareholders before the ordinary meeting and will announce the next management framework at the ordinary general meeting of shareholders.

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