

SURUGA bank, Ltd.

Consolidated Financial Results for First Quarter of Fiscal Year Ending March 31, 2016
 <under Japanese GAAP>

Stock Exchange: Tokyo (code: 8358)
 URL: <http://www.surugabank.co.jp>
 Representative: President Mitsuyoshi Okano

(Japanese yen amounts of less than one million and the first decimal place have been rounded down.)

1. Consolidated Financial Results for the first quarter (from April 1, 2015 to June 30, 2015)

(1) Operating Results

(Unit: Millions of Yen, %: Changes from the same period of the previous fiscal year)

	Ordinary Income		Ordinary Profit		Profit Attributable to Owners of Parent	
	Amount	%	Amount	%	Amount	%
First Quarter						
Ended June 30, 2015	35,214	15.3%	14,723	28.7%	9,721	40.1%
Ended June 30, 2014	30,536	5.6%	11,435	13.4%	6,936	12.8%

(Note1) Comprehensive Income: First quarter ended June 30, 2015: ¥10,050 million (19.1%); First quarter ended June 30, 2014: ¥8,433 million (22.0%)

(Note2) Percentages shown in Ordinary Income, Ordinary Profit and Profit Attributable to Owners of Parent and Comprehensive Income are the increase (decrease) from the same period of the previous fiscal year.

	Net income per Share		Net income per Share(Diluted)	
	Amount	%	Amount	%
First Quarter				
Ended June 30, 2015	¥40.96		¥40.92	
Ended June 30, 2014	¥29.31		¥29.27	

(2) Financial Position

(Unit: Millions of Yen, except percentages)

	Total Assets		Total Net Assets		Own Capital Ratio	
	Amount	%	Amount	%	Amount	%
June 30, 2015	4,316,081		299,517		6.8%	
March 31, 2015	4,284,990		292,128		6.7%	

(Reference) Own Capital: June 30, 2015: ¥297,427 million; March 31, 2015: ¥290,056 million

(Note) Own Capital Ratio = (Total Net Assets - Subscription Rights to Shares - Non-controlling Interests) / Total Assets * 100

2. Dividends on Common Stock

	Annual Cash Dividends per Share				
	1 st Quarter-End	2 nd Quarter-End	3 rd Quarter-End	Fiscal Year-End	Total
Fiscal year ended March 31, 2015	—	¥8.50	—	¥11.50	¥20.00
Fiscal year ending March 31, 2016	—	—	—	—	—
Fiscal year ending March 31, 2016 (Forecasts)	—	¥9.50	—	¥9.50	¥19.00

(Note1) Revision of forecasts for dividends for quarter in review: No

(Note2) Details of dividends for the fiscal year-end of the fiscal year ended March 31 2015:

(a) Ordinary dividends: ¥10.50 (b) Commemorative dividends: ¥1.00

3. Consolidated Earnings Forecasts (for the fiscal year ending March 31, 2016) (Unit: Millions of Yen, except per share data)

	Ordinary Income		Ordinary Profit		Profit Attributable to Owners of Parent		Net income per Share	
	Amount	%	Amount	%	Amount	%	Amount	%
Six months								
Ending September 30, 2015	67,500	6.8%	26,900	9.2%	17,600	14.5%	¥74.15	
Fiscal year								
Ending March 31, 2016	134,500	2.5%	53,400	△0.0%	35,300	7.3%	¥148.73	

(Note1) Percentages shown in Ordinary Income, Ordinary Profit and Profit Attributable to Owners of Parent are the increase (decrease) from the same period of the previous fiscal year.

(Note2) Revision of earnings forecasts for quarter in review: No

※Note

(1) Changes in the scope of consolidated significant subsidiaries during the three months ended June 30, 2015: No

(2) Adoption of simplified accounting methods for the preparation of quarterly consolidated financial statements: Yes

Note: For details, please refer to the “Adoption of particular accounting methods for quarterly consolidated financial statements” in the section 2. Items regarding summary information (notes) on page 3.

(3) Changes in accounting policies, accounting estimates and restatements.

(A) Changes due to revision of accounting standards: Yes

(B) Changes due to reasons other than (A): No

(C) Changes in accounting estimates: No

(D) Restatements: No

Note: For details, please refer to the “Changes in accounting policies, accounting estimates and restatements” in the section 2 “Items regarding summary information (notes)” on page 3.

(4) Number of common shares issued at the end of period

(A) Number of shares issued (including treasury shares):

June 30, 2015	258,139,248 shares	March 31, 2015	258,139,248 shares
June 30, 2015	20,805,693 shares	March 31, 2015	20,855,687 shares
June 30, 2015	237,317,877 shares	June 30, 2014	236,621,683 shares

(B) Number of treasury shares:

(C) Average outstanding shares for the three months ended:

(Statement relating to the status of the quarterly review procedures)

This quarterly report is not subject to the quarterly review procedures, which are based on the Financial Instruments and Exchange Law.

The audit procedures are not finished at the time of release of these financial statements.

(Notes for using forecasts information etc.)

The description of future performance of this report is based on information, which is presently available and certain assumptions which are considered to be reasonable, and it does not guarantee future performance. Please take note that future performance may differ from forecasts.

[Appendix]

○ Contents of the appendix

1. Qualitative information on the first quarter financial statement	
(1) Description of business performance	2
(2) Description of financial position.....	2
(3) Description of forward-looking information such as consolidated earnings forecast.....	2
2. Items regarding summary information (notes)	
(1) Adoption of particular accounting methods for quarterly consolidated financial statements.....	3
(2) Changes in accounting policies, accounting estimates and restatements.....	3
3. Quarterly consolidated financial statements	
(1) Quarterly consolidated balance sheets.....	4
(2) Quarterly consolidated statements of income and quarterly consolidated statements of comprehensive income	5
(3) Note for the assumption of going concern.....	7
(4) Note for material changes in shareholders' equity.....	7
(5) Significant subsequent event.....	7
Reference Data.....	8

1. Qualitative information on the first quarter financial statement

(1) Description of business performance

With regard to the profit and loss situation on a consolidated basis ordinary income increased by ¥4.678 billion from the same period of the previous fiscal year to ¥35.214 billion owing to factors such as gains from increase in interest on loans and discounts and from increase in interest and dividends on securities.

Ordinary expenses totaled ¥20.491 billion, increased by ¥1.390 billion year-on-year due to factors such as increase in fees and commissions payments and other expenses.

As a result, ordinary profit increased by ¥3.288 billion compared with the same period of the previous fiscal year to ¥14.723 billion.

Profit attributable to owners of parent during the period increased by ¥2.785 billion year-on-year, to ¥9.721 billion.

(2) Description of financial position

With regard to our main accounts on a consolidated basis at the end of the period, balance of deposits increased by ¥29.492 billion to ¥3.982338 trillion from the end of the previous fiscal year, as the balance of individual deposits grew ¥41.963 billion.

Balance of loans and bills discounted totaled ¥2.989055 trillion, decreased by ¥21.693 billion from the end of the previous fiscal year, although the personal loan balance (non-consolidated) increased by ¥12.468 billion.

Balance of securities totaled ¥229.910 billion, increased by ¥1.158 billion from the end of the previous fiscal year.

(3) Description of forward-looking information such as consolidated earnings forecast

There is no change in forecasts for the year ending March 31, 2016 from the figures published on May 12, 2015.

Consolidated

(Millions of Yen)

	Six months ending September 30, 2015	Fiscal year ending March 31, 2016
Ordinary income	67,500	134,500
Ordinary profit	26,900	53,400
Profit attributable to owners of parent	17,600	35,300

Non-consolidated

	Six months ending September 30, 2015	Fiscal year ending March 31, 2016
Ordinary income	62,500	123,500
Net business profit	28,000	56,500
Ordinary profit	26,500	52,500
Net income	17,500	35,000
Credit-related expenses in real terms	1,500	3,000

(Note) The description of future performance of this report is based on information, which is presently available and certain assumptions which are considered to be reasonable, and it does not guarantee future performance. Please take note that future performance may differ from forecasts.

2. Items regarding summary information (notes)

(1) Adoption of particular accounting methods for quarterly consolidated financial statements

The Company calculates tax expenses for the Company and its consolidated subsidiaries by multiplying a reasonably estimated effective tax rate by net income before taxes for the current quarter.

(2) Changes in accounting policies, accounting estimates and restatements

ASBJ Statement No. 21, “Revised Accounting Standard for Business Combinations” (released on September 13, 2013, hereinafter the “Accounting Standard for Business Combinations”), ASBJ Statement No. 22, “Revised Accounting Standard for Consolidated Financial Statements” (released on September 13, 2013, hereinafter the “Consolidated Accounting Standard”), ASBJ Statement No. 7, “Revised Accounting Standard for Business Divestitures” (released on September 13, 2013, hereinafter the “Accounting Standard for Business Divestitures”) and others have been applied effective from the first quarter of the fiscal year ending March 31, 2016. As a result, any change resulting from the Company’s ownership interests in its subsidiary when the Company retains control over the subsidiary is accounted for as Capital surplus, and acquisition related costs are expensed in the year in which the costs are incurred. For any business combinations on or after the beginning of the current first quarter, subsequent measurement of the provisional amount recognized based on the purchase price allocation due to the completion of accounting for the business combination are reflected in the quarterly consolidated financial statements for the period to which the date of that business combination occurs. In addition, the presentation method of Net income was amended as well as “Minority interests” to “Non-controlling interests.” To reflect these changes in presentation, adjustments have been made to the consolidated financial statements for the prior first quarter and the prior fiscal year presented herein.

The aforementioned accounting standards are adopted as of the beginning of the current first quarter and thereafter, according to the transitional treatment provided for in Paragraph 58-2 (4) of the Accounting Standard for Business Combinations, Paragraph 44-5 (4) of the Consolidated Accounting Standard and Paragraph 57-4 (4) of the Accounting Standard for Business Divestitures.

There is no effect of these changes on the quarterly consolidated financial statements for the current first quarter.

3. Quarterly consolidated financial statements

(1) Quarterly consolidated balance sheets

(Millions of Yen)

	As of Mar. 31, 2015	As of Jun. 30, 2015
Assets		
Cash and due from banks	794,594	877,642
Call loans and bills bought	127,102	96,653
Trading account securities	107	193
Money held in trust	1,114	1,169
Securities	228,752	229,910
Loans and bills discounted	3,010,748	2,989,055
Foreign exchanges	2,563	2,987
Lease receivables and investment assets	5,458	5,420
Other assets	46,173	44,372
Tangible fixed assets	49,954	50,182
Intangible fixed assets	30,743	30,731
Net defined benefit asset	6,288	6,575
Deferred tax assets	440	414
Customers' liabilities for acceptances and guarantees	3,620	3,614
Allowance for loan losses	△22,673	△22,842
Total assets	4,284,990	4,316,081
Liabilities		
Deposits	3,952,846	3,982,338
Borrowed money	2,535	2,565
Foreign exchanges	3	8
Other liabilities	25,847	20,723
Provision for bonuses	707	15
Provision for directors' bonuses	140	—
Net defined benefit liability	249	243
Provision for directors' retirement benefits	3,099	3,156
Provision for reimbursement of deposits	327	247
Provision for contingent loss	342	374
Deferred tax liabilities	3,142	3,276
Acceptances and guarantees	3,620	3,614
Total liabilities	3,992,862	4,016,563
Net assets		
Capital stock	30,043	30,043
Capital surplus	21,013	21,062
Retained earnings	229,924	236,916
Treasury shares	△16,110	△16,074
Total shareholders' equity	264,870	271,948
Valuation difference on available-for-sale securities	21,673	22,060
Deferred gains or losses on hedges	△101	△49
Remeasurements of defined benefit plans	3,613	3,468
Total accumulated other comprehensive income	25,185	25,478
Subscription rights to shares	112	95
Non-controlling interests	1,959	1,995
Total net assets	292,128	299,517
Total liabilities and net assets	4,284,990	4,316,081

(2) Quarterly consolidated statements of income and quarterly consolidated statements of comprehensive income

Quarterly consolidated statements of income

(Millions of Yen)

	Three months ended Jun. 30, 2014	Three months ended Jun. 30, 2015
Ordinary income	30,536	35,214
Interest income	26,095	30,369
(Interest on loans and discounts)	25,395	27,351
(Interest and dividends on securities)	456	2,745
Fees and commissions	3,072	3,146
Other ordinary income	988	1,246
Other income	380	451
Ordinary expenses	19,101	20,491
Interest expenses	957	1,086
(Interest on deposits)	946	1,058
Fees and commissions payments	3,474	3,913
Other ordinary expenses	823	908
General and administrative expenses	12,429	12,347
Other expenses	1,416	2,234
Ordinary profit	11,435	14,723
Extraordinary income	0	7
Gain on disposal of non-current assets	0	7
Extraordinary losses	551	192
Loss on disposal of non-current assets	551	192
Income before income taxes and minority interests	10,883	14,538
Income taxes	3,959	4,798
Profit	6,923	9,739
Profit (loss) attributable to non-controlling interests	△12	17
Profit attributable to owners of parent	6,936	9,721

Quarterly consolidated statements of comprehensive income

(Millions of Yen)

	Three months ended Jun. 30, 2014	Three months ended Jun. 30, 2015
Profit	6,923	9,739
Other comprehensive income		
Valuation difference on available-for-sale securities	1,603	405
Deferred gains or losses on hedges	△28	51
Remeasurements of defined benefit plans, net of tax	△64	△145
Total other comprehensive income	1,510	311
Comprehensive income	8,433	10,050
(Breakdown)		
Comprehensive income attributable to owners of parent	8,434	10,014
Comprehensive income attributable to non-controlling interests	△0	36

(3) Note for the assumption of going concern

Not applicable.

(4) Note for Material Changes in Shareholders' Equity

Not applicable.

(5) Significant subsequent event

Final judgement

With regard to the litigation the Company filed in relation to the new main system development, the Tokyo High Court rendered the judgement on September 26, 2013, in which it ruled IBM Japan to pay ¥4.172 billion and delinquent charges and dismissed the whole counterclaim by IBM Japan, the amount of which was equivalent to ¥12.551 billion. While the Company and IBM Japan had filed appeals and petitions for writs of certiorari to the Supreme Court, it dismissed all of the appeals and petitions on July 8, 2015. Accordingly, the above judgement of the Tokyo High Court became final and the litigation ended.

The balance between the amount of the total payment by IBM Japan based upon the aforementioned finalized judgement and the amount of the recorded temporary payment and so forth related to the lawsuit will be recorded as losses in the next consolidated accounting quarterly period.

(Reference data)

【Non-consolidated】

(1) Interest margin

All operations

	Three months ended June 30, 2015		Three months ended June 30, 2014 (b)	March 31, 2015
	(a)	(a) - (b)		
Yield on Loans and bills discounted A	3.52	0.08	3.44	3.49
Yield on deposits B	0.10	0.00	0.10	0.10
Loan - deposit margin A - B	3.41	0.07	3.34	3.39
Loan - deposit margin (after deduction from expense ratio)	2.21	0.12	2.09	2.19
Net interest margin	1.54	0.30	1.24	1.35

(%)

Domestic operations

	Three months ended June 30, 2015		Three months ended June 30, 2014 (b)	March 31, 2015
	(a)	(a) - (b)		
Yield on Loans and bills discounted A	3.53	0.08	3.45	3.51
Yield on deposits B	0.10	0.01	0.09	0.10
Loan - deposit margin A - B	3.43	0.07	3.36	3.41
Loan - deposit margin (after deduction from expense ratio)	2.21	0.10	2.11	2.20
Net interest margin	1.58	0.30	1.28	1.39

(%)

(2) OHR

	Three months ended June 30, 2015		Three months ended June 30, 2014 (b)	March 31, 2015
	(a)	(a) - (b)		
OHR	43.2	△6.8	50.0	45.8

(%)

(3) The capital adequacy ratio

	As of June 30, 2015		As of June 30, 2014 (b)	As of March 31, 2015
	(a)	(a) - (b)		
The capital adequacy ratio (Domestic standard)	12.08	0.46	11.62	11.59

(%)

(4)ROE, ROA

	Three months ended June 30, 2015		Three months ended June 30, 2014 (b)	March 31, 2015
	(a)	(a) - (b)		
ROE	14.68	2.82	11.86	13.92
ROA	0.90	0.22	0.68	0.78

(%)

* ROE: Net income per average own capital

ROA: Net income per average total assets