

SURUGA bank, Ltd.

Consolidated Financial Results for Fiscal Year 2015, ended March 31, 2016

<under Japanese GAAP>

Stock exchange listing: Tokyo (code: 8358)
 URL: <http://www.surugabank.co.jp>
 Representative: President Mitsuyoshi Okano
 Date of payment of fiscal year-end dividends: June 1, 2016

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

1. Consolidated financial results for fiscal year 2015 (from April 1, 2015 to March 31, 2016)

(1) Consolidated operating results

(% represents the change from the previous fiscal year)

Fiscal year ended	Ordinary income		Ordinary profit		Profit attributable to owners of parent	
	¥ Million	%	¥ Million	%	¥ Million	%
March 31, 2016	139,430	6.3	56,395	5.5	36,717	11.6
March 31, 2015	131,114	8.0	53,405	15.8	32,891	19.1

(Note) Comprehensive income: (a) Fiscal year 2015: ¥29,272 million [(35.8) %] (b) Fiscal year 2014: ¥45,662 million [49.1%]

Fiscal year ended	Net income per share	Net income per share (diluted)	Net income on own capital	Ordinary profit on total assets	Ordinary profit on ordinary income
	¥	¥	%	%	%
March 31, 2016	156.15	156.02	12.4	1.3	40.4
March 31, 2015	138.82	138.64	12.1	1.2	40.7

(Reference) Equity in gains (losses) of affiliates: (a) Fiscal year 2015: ¥18 million (b) Fiscal year 2014: ¥65 million

(2) Consolidated financial position

As of	Total assets	Total net assets	Own capital ratio	Net assets per share
	¥ Million	¥ Million	%	¥
March 31, 2016	4,390,146	302,237	6.8	1,296.14
March 31, 2015	4,284,990	292,128	6.7	1,222.40

(Reference) Own capital: (a) As of March 31, 2016: ¥300,031 million (b) As of March 31, 2015: ¥290,056 million

(Note) Own capital ratio = {(Total net assets - Subscription rights to shares - Non-controlling interests) / Total assets} × 100

This ratio is not calculated based on the Capital Adequacy Ratio Notification.

(3) Consolidated cash flows

Fiscal year ended	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at fiscal year-end
	¥ Million	¥ Million	¥ Million	¥ Million
March 31, 2016	134,240	(13,029)	(19,163)	894,075
March 31, 2015	98,740	(893)	(3,301)	792,033

2. Dividends on common stock

Fiscal year	Annual cash dividends per share					Total cash dividends (Annual)	Dividend payout ratio (Consolidated)	Dividends on net assets (Consolidated)
	1 st Quarter -end	2 nd Quarter -end	3 rd Quarter -end	Fiscal Year -end	Annual			
	¥	¥	¥	¥	¥	¥ Million	%	%
ended March 31, 2015	—	8.50	—	11.50	20.00	4,743	14.4	1.7
ended March 31, 2016	—	9.50	—	10.50	20.00	4,685	12.8	1.5
ending March 31, 2017 (forecast)	—	10.00	—	10.00	20.00		12.4	

(Note) Breakdown of fiscal year-end dividend per share for fiscal year 2014:

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

3. Consolidated earnings forecasts for fiscal year 2016 (from April 1, 2016 to March 31, 2017)

(% represents the change from the corresponding period of the previous fiscal year)

Six months ending	Ordinary income		Ordinary profit		Profit attributable to owners of parent		Net income per share
	¥ Million	%	¥ Million	%	¥ Million	%	¥
Sep. 30, 2016	69,000	(0.6)	26,400	(8.8)	17,600	(7.3)	76.03
Fiscal year ending Mar. 31, 2017	141,000	1.1	56,500	0.1	37,200	1.3	160.70

※Notes

(1) Changes in significant consolidated subsidiaries during the fiscal year: No

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

① Changes in accounting policies due to revision of accounting standards: Yes

② Changes in accounting policies due to reasons other than above ①: No

③ Changes in accounting estimates: No

④ Restatements: No

(3) Number of common stock issued

① Number of shares issued
(including treasury shares):

As of Mar. 31, 2016	232,139,248 shares	As of Mar. 31, 2015	258,139,248 shares
As of Mar. 31, 2016	659,080 shares	As of Mar. 31, 2015	20,855,687 shares
Fiscal year 2015	235,134,205 shares	Fiscal year 2014	236,928,205 shares

② Number of treasury shares:

③ Average number of shares issued
during the fiscal year:

(Reference) Summary of non-consolidated financial results

1. Non-consolidated financial results for fiscal year 2015 (from April 1, 2015 to March 31, 2016)

(1) Non-consolidated operating results

(% represents the change from the previous fiscal year)

Fiscal year ended	Ordinary income		Ordinary profit		Net income	
	¥ Million	%	¥ Million	%	¥ Million	%
March 31, 2016	127,267	4.5	54,432	4.9	35,807	11.4
March 31, 2015	121,773	7.7	51,850	14.2	32,135	16.6

Fiscal year ended	Net income per share	Net income per share (diluted)
	¥	¥
March 31, 2016	152.28	152.16
March 31, 2015	135.63	135.45

(2) Non-consolidated financial position

As of	Total assets	Total net assets	Own capital ratio	Net assets per share
	¥ Million	¥ Million	%	¥
March 31, 2016	4,381,220	293,482	6.6	1,267.58
March 31, 2015	4,272,054	282,450	6.6	1,189.87

(Reference) Own Capital: (a) As of March 31, 2016: ¥293,421 million (b) As of March 31, 2015: ¥282,337 million

(Note) Own capital ratio = {(Total net assets - Subscription rights to shares) / Total assets} × 100

This ratio is not calculated based on the Capital Adequacy Ratio Notification.

2. Non-consolidated earnings forecasts for fiscal year 2016 (from April 1, 2016 to March 31, 2017)

(% represents the change from the corresponding period of the previous fiscal year)

	Ordinary income		Ordinary profit		Net income		Net income per share
	¥ Million	%	¥ Million	%	¥ Million	%	¥
Six months ending Sep. 30, 2016	63,500	(0.6)	26,000	(6.7)	17,500	(5.6)	75.60
Fiscal year ending Mar. 31, 2017	130,000	2.1	55,000	1.0	37,000	3.3	159.84

(Note on implementation status of audit procedures)

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

The audit procedures of consolidated and non-consolidated financial statements have not been completed at the time of the disclosure of this report.

(Explanation regarding appropriate use of forward-looking statements, and other notes)

The description of future performance in 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. Actual performance may differ from the forecasts due to various factors.

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※ SUPPLEMENTARY INFORMATION for Fiscal Year 2015, ended March 31, 2016

1. Analysis of operating results and financial position

(1) Analysis of operating results

Japanese economy witnessed signs of moderate recovery in the early stages in the first half of the fiscal year ended March 31, 2016, on the back of the improvement in corporate earnings and the employment situation, among other factors. The economy then came to a standstill, as reflected in the deterioration of the business sentiment especially among exporting companies. This was primarily due to the appreciation of the yen caused by the volatility in the global financial markets, driven by downside risks in the emerging markets such as China and concerns around the rising interest rates in the U.S.

Under such business conditions, consolidated ordinary income increased by ¥8.316 billion compared with the previous fiscal year, to ¥139.430 billion. This was mainly due to the growth in interest income, reflecting an increase in interest on loans and discounts. Meanwhile, ordinary expenses increased by ¥5.327 billion compared with the previous fiscal year, to ¥83.035 billion. This was mainly due to the increase in fees and commissions payments, as well as other expenses. As a result, ordinary profit increased by ¥2.990 billion compared with the previous fiscal year, to ¥56.395 billion. Profit attributable to owners of parent increased by ¥3.826 billion compared with the previous fiscal year, to ¥36.717 billion.

The status of operating results on a non-consolidated basis was as follows.

① Gross operating profit

Gross operating profit increased by ¥5.880 billion compared with the previous fiscal year, to ¥105.332 billion mainly due to an increase in net interest income by ¥7.200 billion.

② Expenses

Expenses increased by ¥0.329 billion compared with the previous fiscal year, to ¥45.929 billion.

③ Net operating profit

Core net operating profit increased by ¥5.905 billion compared with the previous fiscal year, to ¥58.765 billion mainly due to an increase in net interest income by ¥7.200 billion.

Net operating profit increased by ¥5.551 billion compared with the previous fiscal year, to ¥59.403 billion mainly due to an increase in core net operating profit by ¥5.905 billion.

※ Core net operating profit = Net operating profit + Provision for general allowance for loan losses - Gains (losses) related to bonds

④ Ordinary profit

Ordinary profit increased by ¥2.582 billion compared with the previous fiscal year, to ¥54.432 billion mainly due to an increase in net operating profit by ¥5.551 billion.

⑤ Net income

Net income increased by ¥3.672 billion compared with the previous fiscal year, to ¥35.807 billion mainly due to an increase in income before income taxes by ¥3.171 billion and a decrease in total income taxes by ¥0.501 billion.

⑥ Net credit costs

Disposal of non-performing loans increased by ¥1.502 billion compared with the previous fiscal year, to ¥5.713 billion. Allowance for loan losses is reversed, however, reversal of allowance for loan losses decreased by ¥1.801 billion compared with the previous fiscal year, to ¥0.684 billion. As a result, net credit costs increased by ¥3.303 billion compared with the previous fiscal year, to ¥5.029 billion.

Actual credit costs increased by ¥3.432 billion compared with the previous fiscal year, to ¥4.411 billion.

※Net credit costs = Provision for general allowance for loan losses + Disposal of non-performing loans - Reversal of allowance for loan losses

※Actual credit costs = Net credit costs - Recoveries of written-off claims

⑦ Earnings forecasts for the fiscal year ending March 31, 2017

Japan recently witnessed signs of an economic slowdown, such as the decline in the diffusion index of business sentiments among large manufacturers in the March 2016 “short-term economic survey of enterprises in Japan (Tankan)”. Looking forward, however, the Japanese economy is expected to turn around given the continued favorable employment situation, as well as the anticipated recovery in private consumption driven by real income growth. The Bank of Japan’s negative interest rate policy should also exert positive effects on real economy, by stimulating housing and capital investments. Moreover, the Japanese government’s policy actions based on its growth strategy is also expected to have a positive impact on the economy.

In light of such business conditions, Suruga Bank, as a life and business navigator (“DREAM NAVIGATOR”), will strive to offer further value-added products and services to customers. At the same time, we will make efforts to improve on our profitability and sound financial position.

Taking into account the above, earnings forecasts for the fiscal year ending March 31, 2017 are as follows.

<Non-consolidated> (Unit: Billions of Yen)

	Six months ending September 30, 2016 (forecast)	Fiscal year ending March 31, 2017 (forecast)
Ordinary income	63.5	130.0
Net operating profit	28.5	60.5
Ordinary profit	26.0	55.0
Net income	17.5	37.0
Actual credit costs	2.3	4.5

<Consolidated> (Unit: Billions of Yen)

	Six months ending September 30, 2016 (forecast)	Fiscal year ending March 31, 2017 (forecast)
Ordinary income	69.0	141.0
Ordinary profit	26.4	56.5
Profit attributable to owners of parent	17.6	37.2

(Note) The description of future performance in 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. Actual performance may differ from the forecasts due to various factors.

(2) Analysis of financial position

As for the status of major accounts on a consolidated basis, the balance of loans and bills discounted as of March 31, 2016 increased by ¥126.416 billion from the position as of March 31, 2015, to ¥3,137.164 billion. This was mainly due to the steady growth in the balance of consumer loans as a result of continuing to engage primarily in the retail banking business. The balance of securities as of March 31, 2016 increased by ¥1.326 billion from the position as of March 31, 2015, to ¥230.078 billion. The balance of deposits as of March 31, 2016 increased by ¥96.648 billion from the position as of March 31, 2015, to ¥4,049.494 billion.

The status of major accounts on a non-consolidated basis was as follows.

① Loans and bills discounted

The balance of loans and bills discounted as of March 31, 2016 increased by ¥126.304 billion from the position as of March 31, 2015, to ¥3,137.614 billion. This was mainly due to the growth in the balance of consumer loans. The balance of consumer loans as of March 31, 2016 increased by ¥162.093 billion from the position as of March 31, 2015, to ¥2,772.298 billion. The average balance of loans and bills discounted during the fiscal year ended March 31, 2016 increased by ¥120.206 billion compared with the previous fiscal year, to ¥3,004.008 billion.

② **Securities**

The balance of securities as of March 31, 2016 increased by ¥1.187 billion from the position as of March 31, 2015, to ¥234.032 billion.

③ **Deferred tax assets (liabilities)**

Deferred tax assets of ¥2.477 billion were recorded mainly due to a decrease in unrealized gains and losses on securities.

④ **Deposits**

The balance of deposits as of March 31, 2016 increased by ¥97.285 billion from the position as of March 31, 2015, to 4,056.482 billion. The balance of individual deposits increased by ¥196.486 billion, to ¥3,085.907 billion. The average balance of deposits during the fiscal year ended March 31, 2016 increased by ¥199.461 billion compared with the previous fiscal year, to ¥4,012.610 billion.

As for the status of cash flows on a consolidated basis, cash flows from operating activities were a net inflow of ¥134.240 billion (A net inflow of ¥98.740 billion in the previous fiscal year). This was due to that the amount of inflows arising mainly from a net decrease in call loans and a net increase in deposits exceeded the amount of outflows arising mainly from a net increase in loans and bills discounted. Cash flows from investing activities were a net outflow of ¥13.029 billion (A net outflow of ¥0.893 billion in the previous fiscal year). This was mainly due to purchase of securities. Cash flows from financing activities were a net outflow of ¥19.163 billion (A net outflow of ¥3.301 billion in the previous fiscal year). This was mainly due to purchase of treasury shares and payment of cash dividends. As a result, the balance of cash and cash equivalents as of March 31, 2016 increased by ¥102.042 billion from ¥792.033 billion as of March 31, 2015, to ¥894.075 billion.

(3) **Dividend policy and dividends for fiscal year 2015 and 2016**

Under our basic policy, we will seek to enhance shareholder returns through cash dividends, taking into consideration the company's overall financial results and business environment, among other factors. Meanwhile, we intend to accumulate retained earnings with the objective of reinforcing our growth potential and competitiveness in order to enhance our corporate value.

For the fiscal year ended March 31, 2016, the company has decided to pay a year-end dividend of ¥10.5 per share and an annual dividend of ¥20.0 per share (note that an annual dividend of ¥20.0 per share, including an ordinary dividend of ¥19.0 per share and a commemorative dividend of ¥1.0 per share, was paid in the fiscal year ended March 31, 2015), based on the company's financial results and other factors.

For the fiscal year ending March 31, 2017, the company is forecasting an annual dividend of ¥20.0 per share (including an interim dividend of ¥10.0 per share).

2. Management policy

(1) Principal management policy

The Suruga Bank group's mission is to assist our customers in making their dreams come true on a clear timeline. In light of this mission, we are striving to offer value-added products and services at the various stages in our customers' lives. Also, we aim to maximize the corporate value of the group as a whole by building a robust earnings base and financial position, and by engaging actively in new businesses.

(2) Targeted management indices (Non-consolidated)

Financial targets for the fiscal year ending March 31, 2017 are as follows

Targeted management indices	Financial targets for the fiscal year ending March 31, 2017
Net income	¥37.0 billion
ROE (Net income basis)	13.44 %
EPS (Net income per share)	¥ 159.84

(3) Medium-to long-term management strategy

In April 2016, Suruga Bank launched a new management vision, namely "Aim 25", for the period between fiscal years 2016 and 2025. In response to the rapid changes in the environment surrounding our customers, under "Aim 25", we aim not only to address the apparent needs of our customers, but also to provide more active and proactive assistance in making our customers' dreams come true. In other words, we will attempt to be the life and business navigator ("DREAM NAVIGATOR") at the various stages of our customers' business and personal lives.

In light of this vision, we will allocate management resources efficiently across our five core businesses: personal loans, housing loans, asset management support, life support, and small and medium-sized corporate lending. We will also endeavor to further expand our operating base and to offer more convenient products and services.

(4) Issues to be addressed

Every financial institution is required to fulfill its role in facilitating financing as an operator of financial infrastructure. Against this backdrop, it is becoming increasingly critical for financial institutions to establish a flexible system to provide credit, to boost capital to strengthen management stability, and to formulate unique management strategies to enhance profitability. As for our company, which is primarily engaged in the retail banking business, we aim to contribute to the development of the national economy by providing financing for personal consumption. Furthermore, we are focused on offering support and advice to help our customers enrich their lives, and on proposing new lifestyles through initiatives such as "d-labo", a platform that offers customers the opportunity to "change my life", "think of my life" and "enjoy my life".

The Suruga Bank group acts in compliance with the applicable laws and regulations. We will endeavor to address our customers' needs that evolve with the times, and to offer value-added products and services at the various stages of our customers' lives as a life and business navigator ("DREAM NAVIGATOR") that makes our customers' dreams come true. Moreover, we will work to enhance the profitability and to build the sound financial position of the group as a whole, while striving as a group to offer "high quality services that exceed our customers' expectations" and to become a partner that assists in "making our customers' dreams come true on a timeline".

3. Basic approach to the selection of accounting standards

The Suruga Bank group intends to apply Japanese accounting standards for the foreseeable future, taking into consideration the comparability of consolidated financial statements across reporting periods and companies. As for the adoption of International Financial Reporting Standards (IFRS), we will respond appropriately to the various developments in Japan and overseas.

4. Consolidated financial statements

(1) Consolidated balance sheets

(Unit: Millions of Yen)

	As of March 31, 2015	As of March 31, 2016
Assets		
Cash and due from banks	794,594	897,074
Call loans and bills bought	127,102	3,006
Trading account securities	107	50
Money held in trust	1,114	1,046
Securities	228,752	230,078
Loans and bills discounted	3,010,748	3,137,164
Foreign exchanges	2,563	3,534
Lease receivables and investment assets	5,458	5,531
Other assets	46,173	43,196
Tangible fixed assets	49,954	50,849
Buildings, net	11,496	13,097
Land	25,468	25,427
Leased assets, net	0	9
Construction in progress	591	235
Other tangible fixed assets	12,397	12,079
Intangible fixed assets	30,743	30,007
Software	27,780	27,308
Goodwill	2,201	2,071
Leased assets	—	11
Software in progress	346	231
Other intangible fixed assets	415	384
Net defined benefit asset	6,288	5,276
Deferred tax assets	440	2,120
Customers' liabilities for acceptances and guarantees	3,620	3,476
Allowance for loan losses	(22,673)	(22,265)
Total assets	4,284,990	4,390,146
Liabilities		
Deposits	3,952,846	4,049,494
Borrowed money	2,535	2,085
Foreign exchanges	3	13
Other liabilities	25,847	27,653
Provision for bonuses	707	716
Provision for directors' bonuses	140	153
Net defined benefit liability	249	258
Provision for directors' retirement benefits	3,099	3,248
Provision for reimbursement of deposits	327	276
Provision for contingent loss	342	262
Deferred tax liabilities	3,142	271
Acceptances and guarantees	3,620	3,476
Total liabilities	3,992,862	4,087,908

(Unit: Millions of Yen)

	As of March 31, 2015	As of March 31, 2016
Net assets		
Capital stock	30,043	30,043
Capital surplus	21,013	—
Retained earnings	229,924	253,182
Treasury shares	(16,110)	(750)
Total shareholders' equity	264,870	282,475
Valuation difference on available-for-sale securities	21,673	16,121
Deferred gains or losses on hedges	(101)	(83)
Remeasurements of defined benefit plans	3,613	1,517
Total accumulated other comprehensive income	25,185	17,556
Subscription rights to shares	112	61
Non-controlling interests	1,959	2,144
Total net assets	292,128	302,237
Total liabilities and net assets	4,284,990	4,390,146

**(2) Consolidated statements of income
and consolidated statements of comprehensive income**

Consolidated statements of income

(Unit: Millions of Yen)

	Fiscal Year 2014 (from April 1, 2014 to March 31, 2015)	Fiscal Year 2015 (from April 1, 2015 to March 31, 2016)
Ordinary income	131,114	139,430
Interest income	109,458	118,650
Interest on loans and discounts	105,953	113,552
Interest and dividends on securities	2,535	3,989
Interest on call loans and bills bought	153	112
Interest on deposits with banks	712	830
Other interest income	103	164
Fees and commissions	12,544	13,022
Other ordinary income	5,145	4,932
Gains on sales of bonds	15	39
Gains on redemption of bonds	1,097	797
Other	4,032	4,095
Other income	3,965	2,824
Reversal of allowance for loan losses	1,592	—
Recoveries of written off claims	1,036	923
Gain on sales of stocks and other securities	387	187
Share of profit of entities accounted for using equity method	65	18
Other	883	1,696
Ordinary expenses	77,708	83,035
Interest expenses	4,039	4,685
Interest on deposits	3,948	4,557
Interest on call money and bills sold	0	—
Interest on borrowings and rediscounts	23	21
Other interest expenses	67	106
Fees and commissions payments	13,667	14,915
Other ordinary expenses	3,434	3,703
Loss on sales of bonds	0	—
Loss on redemption of bonds	121	199
Other	3,312	3,503
General and administrative expenses	48,372	48,940
Other expenses	8,194	10,791
Provision of allowance for loan losses	—	879
Written-off of loans	3,820	4,744
Losses on devaluation of stocks and other securities	609	0
Other	3,764	5,167
Ordinary profit	53,405	56,395
Extraordinary income	30	26
Gain on disposal of non-current assets	10	26
Gain on reversal of subscription rights to shares	20	—
Extraordinary losses	1,075	509
Loss on disposal of non-current assets	1,075	489
Impairment loss	—	19
Profit before income taxes	52,360	55,912
Income taxes – current	17,537	19,426
Income taxes – deferred	1,848	(387)
Total income taxes	19,385	19,039
Profit	32,975	36,873
Profit attributable to non-controlling interests	83	156
Profit attributable to owners of parent	32,891	36,717

Consolidated statements of comprehensive income

(Unit: Millions of Yen)

	Fiscal Year 2014 (from April 1, 2014 to March 31, 2015)	Fiscal Year 2015 (from April 1, 2015 to March 31, 2016)
Profit	32,975	36,873
Other comprehensive income		
Valuation difference on available-for-sale securities	10,779	(5,523)
Deferred gains or losses on hedges	(88)	18
Remeasurements of defined benefit plans, net of tax	1,996	(2,095)
Total other comprehensive income	12,687	(7,600)
Comprehensive income	45,662	29,272
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	45,517	29,087
Comprehensive income attributable to non-controlling interests	145	185

(3) Consolidated statements of changes in net assets
Fiscal Year 2014 (from April 1, 2014 to March 31, 2015)

(Unit: Millions of Yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	30,043	20,278	203,340	(16,626)	237,035
Cumulative effects of changes in accounting policies			(2,046)		(2,046)
Restated balance	30,043	20,278	201,294	(16,626)	234,989
Changes of items during period					
Dividends of surplus			(4,261)		(4,261)
Profit attributable to owners of parent			32,891		32,891
Purchase of treasury shares				(42)	(42)
Disposal of treasury shares		735		558	1,294
Net changes of items other than shareholders' equity					
Total changes of items during period	—	735	28,629	515	29,880
Balance at end of current period	30,043	21,013	229,924	(16,110)	264,870

	Accumulated other comprehensive income				Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	10,955	(13)	1,617	12,560	406	1,813	251,816
Cumulative effects of changes in accounting policies							(2,046)
Restated balance	10,955	(13)	1,617	12,560	406	1,813	249,770
Changes of items during period							
Dividends of surplus							(4,261)
Profit attributable to owners of parent							32,891
Purchase of treasury shares							(42)
Disposal of treasury shares							1,294
Net changes of items other than shareholders' equity	10,717	(88)	1,996	12,625	(294)	145	12,477
Total changes of items during period	10,717	(88)	1,996	12,625	(294)	145	42,358
Balance at end of current period	21,673	(101)	3,613	25,185	112	1,959	292,128

Fiscal Year 2015 (from April 1, 2015 to March 31, 2016)

(Unit: Millions of Yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	30,043	21,013	229,924	(16,110)	264,870
Changes of items during period					
Dividends of surplus			(4,983)		(4,983)
Profit attributable to owners of parent			36,717		36,717
Purchase of treasury shares				(14,364)	(14,364)
Disposal of treasury shares		92		143	235
Retirement of treasury shares		(21,106)	(8,474)	29,581	—
Net changes of items other than shareholders' equity					
Total changes of items during period	—	(21,013)	23,258	15,360	17,604
Balance at end of current period	30,043	—	253,182	(750)	282,475

	Accumulated other comprehensive income				Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	21,673	(101)	3,613	25,185	112	1,959	292,128
Changes of items during period							
Dividends of surplus							(4,983)
Profit attributable to owners of parent							36,717
Purchase of treasury shares							(14,364)
Disposal of treasury shares							235
Retirement of treasury shares							—
Net changes of items other than shareholders' equity	(5,552)	18	(2,095)	(7,629)	(51)	185	(7,495)
Total changes of items during period	(5,552)	18	(2,095)	(7,629)	(51)	185	10,109
Balance at end of current period	16,121	(83)	1,517	17,556	61	2,144	302,237

(4) Consolidated statements of cash flows

(Unit: Millions of Yen)

	Fiscal Year 2014 (from April 1, 2014 to March 31, 2015)	Fiscal Year 2015 (from April 1, 2015 to March 31, 2016)
Cash flows from operating activities		
Profit before income taxes	52,360	55,912
Depreciation	5,830	6,261
Impairment loss	—	19
Amortization of goodwill	129	129
Increase (decrease) in allowance for loan losses	(2,737)	(407)
Increase (decrease) in provision for bonuses	39	9
Increase (decrease) in provision for directors' bonuses	—	13
Increase (decrease) in net defined benefit liability	(999)	(2,959)
Increase (decrease) in provision for directors' retirement benefits	197	149
Increase (decrease) in provision for reimbursement of deposits	45	(51)
Increase (decrease) in provision for contingent loss	(181)	(79)
Gain on fund management	(109,458)	(118,650)
Financing expenses	4,039	4,685
Loss (gain) related to securities	(769)	(824)
Loss (gain) on money held in trust	(168)	182
Loss (gain) on disposal of non-current assets	1,065	463
Net decrease (increase) in trading account securities	(68)	57
Net decrease (increase) in loans and bills discounted	(132,025)	(126,416)
Net increase (decrease) in deposit	143,188	96,647
Net increase (decrease) in borrowed money (excluding subordinated borrowings)	(270)	(450)
Net decrease (increase) in deposit (excluding deposit paid to Bank of Japan)	510	(439)
Net decrease (increase) in call loans	56,193	124,095
Net decrease (increase) in foreign exchanges – assets	1,294	(970)
Net increase (decrease) in foreign exchanges – liabilities	(1)	10
Net decrease (increase) in lease receivables and investment assets	99	(72)
Proceeds from fund management	108,696	118,078
Payments for finance	(3,493)	(3,426)
Compensation for damage income	—	4,172
Other, net	(6,406)	(3,079)
Subtotal	117,109	153,058
Income taxes paid	(18,369)	(18,818)
Net cash provided by (used in) operating activities	98,740	134,240
Cash flows from investing activities		
Purchase of securities	(77,444)	(60,579)
Proceeds from sales of securities	33,974	33,499
Proceeds from redemption of securities	50,102	20,833
Increase in money held in trust	(41)	(114)
Purchase of property, plant and equipment	(3,962)	(3,806)
Proceeds from sales of property, plant and equipment	20	26
Purchase of intangible assets	(3,542)	(2,880)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(8)
Net cash provided by (used in) investing activities	(893)	(13,029)
Cash flows from financing activities		
Cash dividends paid	(4,261)	(4,983)
Purchase of treasury shares	(42)	(14,364)
Proceeds from sales of treasury shares	1,003	184
Net cash provided by (used in) financing activities	(3,301)	(19,163)
Effect of exchange rate change on cash and cash equivalents	15	(6)
Net increase (decrease) in cash and cash equivalents	94,560	102,041
Cash and cash equivalents at beginning of period	697,472	792,033
Cash and cash equivalents at end of period	792,033	894,075

**(5) Notes to consolidated financial statements
(Notes on going-concern assumption)**

Not applicable.

(Change in accounting policies)

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 fiscal year ended March 31, 2016. As a result, any change resulting from our company’s ownership interests in its subsidiary when our 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 fiscal year ended March 31, 2016, subsequent measurement of the provisional amount recognized based on the purchase price allocation due to the completion of accounting for the business combination is reflected in the 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 fiscal year ended March 31, 2015 presented herein.

The aforementioned accounting standards are adopted on or after the beginning of the fiscal year ended March 31, 2016 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 consolidated financial statements for the fiscal year ended March 31, 2016.

(Segment information)**1. Summary of reportable segment**

The reportable segments of the Suruga Bank group are components for which discrete financial information is available, and that are subject to regular review to allocate management resources and to evaluate their results.

The group consists of Suruga Bank, which mainly engages in the banking business, and its consolidated subsidiaries that engage in businesses such as money lending, leasing, banking clerical work, credit card services and credit guarantee. Of the reportable segments, Suruga Bank represents the “banking” segment, which includes businesses such as deposits, loans, foreign exchange and credit card services.

2. Method of calculating ordinary income, profit or loss, assets and other items by reportable segment

Segment profit is reported on an ordinary profit-basis.

Inter-segment internal ordinary income is based on arm's length prices.

3. Information on ordinary income, profit or loss, assets and other items by reportable segment

Fiscal Year 2015 (from April 1, 2015 to March 31, 2016)

(Unit: Millions of Yen)

	Reportable segment	Others	Total	Adjustments	Amount recorded in the consolidated financial statements
	Banking				
Ordinary income					
Ordinary income to external customers	127,027	12,662	139,689	(259)	139,430
Inter-segment internal ordinary income	240	1,802	2,042	(2,042)	—
Total	127,267	14,464	141,732	(2,301)	139,430
Segment profit	54,432	1,662	56,095	299	56,395
Segment assets	4,381,220	42,650	4,423,870	(33,724)	4,390,146
Other items					
Depreciation	6,021	240	6,261	—	6,261
Impairment loss	19	—	19	—	19
Increase in tangible fixed assets and intangible fixed assets	6,257	429	6,686	—	6,686

(Note1) Ordinary income is equivalent to net sales reported by companies in other industries.

(Note2) “Others” consists of businesses operated by consolidated subsidiaries (such as money lending, leasing, banking clerical work, credit card services and credit guarantee) which are not included in the reportable segments.

(Note3) “Adjustments” are as follows.

(1) The negative adjustment of ¥259 million in ordinary income to external customers consists of the following: reversal of unrealized profits (¥406 million), equity in gains of affiliates (¥18 million), and reversal of allowance for loan losses in the “banking” segment (– ¥684 million).

(2) The adjustment of ¥299 million in segment profit consists of the following: amortization of goodwill (– ¥129 million), equity in gains of affiliates (¥18 million), and deduction of inter-segment transactions (¥411 million).

(3) The negative adjustment of ¥33,724 million in segment assets consists of the following: deduction of inter-segment transactions (–¥35,867 million), adjustment of net defined benefit assets (¥2,098 million), and adjustment of shares in equity-method affiliates (¥44 million).

(Note4) Segment profit is adjusted to ordinary profit as reported in the consolidated statements of income.

(Per share data)

		Fiscal year 2015 (from April 1, 2015 to March 31, 2016)
Net assets per share	Yen	1,296.14
Net income per share	Yen	156.15
Net income per share (diluted)	Yen	156.02

(Note) The basis for calculation is as follows.

1. Net assets per share

		As of March 31, 2016
Total net assets	Millions of Yen	302,237
Amount excluded from net assets	Millions of Yen	2,205
of which: Subscription rights to shares	Millions of Yen	61
of which: Non-controlling interests	Millions of Yen	2,144
Net assets attributable to common stock at the fiscal year-end	Millions of Yen	300,031
Number of common stock at the fiscal year-end used for the calculation of net assets per share	Thousands of shares	231,480

2. Net income per share and net income per share (diluted)

		Fiscal year 2015 (from April 1, 2015 to March 31, 2016)
Net income per share		
Profit attributable to owners of parent	Millions of Yen	36,717
Amount not attributable to common stockholders	Millions of Yen	—
Profit attributable to owners of parent attributable to common stock	Millions of Yen	36,717
Average number of common stock during the fiscal year	Thousands of shares	235,134
Net income per share (diluted)		
Adjustment for profit attributable to owners of parent	Millions of Yen	—
Increase in number of common stock	Thousands of shares	188
of which: Subscription rights to shares	Thousands of shares	188
Outline of dilutive shares which were not included in the calculation of “net income per share (diluted)” because they do not have dilutive effect		—

(Significant subsequent events)

Not applicable.

(Other note)**(Final judgment)**

Our Company has filed a lawsuit against IBM Japan to the Tokyo District Court on March 6, 2008, based upon the reasons that the project of the new main system development we outsourced to IBM Japan had fallen through due to the fault of IBM Japan.

Tokyo District Court rendered the judgement on March 29, 2012, in which it ruled IBM Japan to pay ¥7.413 billion and delinquent charges that was equivalent to the actual damage we suffered. IBM Japan appealed to the Tokyo High Court on March 30, 2012. 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 is recorded in other expenses (¥24 million) as losses related to the lawsuit for the fiscal year ended March 31, 2016. And the amount on reversal caused by the realization of the unrealized profits, which have been eliminated in the intercompany transactions related to the lawsuit is recorded in other income (¥406 million) for the fiscal year ended March 31, 2016.

5. Non-consolidated financial statements

(1) Non-consolidated balance sheets

(Unit: Millions of Yen)

	As of March 31, 2015	As of March 31, 2016
Assets		
Cash and due from banks	794,264	896,454
Cash	27,162	26,515
Due from banks	767,102	869,939
Call loans	127,102	3,006
Trading account securities	107	50
Trading government bonds	2	2
Trading local government bonds	105	48
Money held in trust	1,114	1,046
Securities	232,845	234,032
Government bonds	145,141	145,059
Local government bonds	220	4,159
Corporate bonds	1,712	2,003
Stocks	61,360	56,282
Other securities	24,409	26,526
Loans and bills discounted	3,011,310	3,137,614
Bills discounted	1,785	1,557
Loans on bills	32,069	27,885
Loans on deeds	2,631,980	2,741,061
Overdrafts	345,475	367,109
Foreign exchanges	2,563	3,534
Due from foreign banks (our accounts)	763	2,018
Foreign bills bought	0	0
Foreign bills receivable	1,799	1,515
Other assets	37,536	34,412
Prepaid expenses	2,950	1,777
Accrued income	9,030	9,169
Initial margins of futures markets	200	200
Derivatives other than for trading – assets	1,372	286
Other	23,982	22,979
Tangible fixed assets	48,613	49,463
Buildings, net	10,879	12,430
Land	24,885	24,855
Leased assets, net	589	538
Construction in progress	591	235
Other tangible fixed assets	11,667	11,403
Intangible fixed assets	28,153	27,462
Software	27,377	26,886
Software in progress	369	201
Other intangible fixed assets	406	375
Prepaid pension cost	1,467	3,177
Deferred tax assets	—	2,477
Customers' liabilities for acceptances and guarantees	4,244	4,096
Allowance for loan losses	(17,268)	(15,607)
Total assets	4,272,054	4,381,220

(Unit: Millions of Yen)

	As of March 31, 2015	As of March 31, 2016
Liabilities		
Deposits	3,959,197	4,056,482
Current deposits	57,730	59,595
Ordinary deposits	1,146,701	1,190,612
Saving deposits	19,175	17,626
Deposits at notice	110,256	92,700
Time deposits	2,392,384	2,540,483
Other deposits	232,948	155,463
Foreign exchanges	3	13
Foreign bills sold	3	13
Other liabilities	19,915	22,452
Income taxes payable	9,918	10,744
Accrued expenses	4,419	5,775
Unearned revenue	134	114
Deposits received from employees	786	795
Lease obligations	590	539
Derivatives other than for trading – liabilities	788	1,958
Other	3,279	2,525
Provision for bonuses	670	674
Provision for directors' bonuses	140	153
Provision for retirement benefits	484	78
Provision for directors' retirement benefits	3,095	3,246
Provision for reimbursement of deposits	327	276
Provision for contingent loss	342	262
Deferred tax liabilities	1,181	—
Acceptances and guarantees	4,244	4,096
Total liabilities	3,989,603	4,087,737
Net assets		
Capital stock	30,043	30,043
Capital surplus	20,097	18,585
Legal capital surplus	18,585	18,585
Other capital surplus	1,511	—
Retained earnings	227,248	230,096
Legal retained earnings	30,043	30,043
Other retained earnings	197,205	200,052
Reserve for advanced depreciation of non-current assets	57	59
General reserve	103,032	103,032
Retained earnings brought forward	94,115	96,961
Treasury shares	(16,110)	(750)
Total shareholders' equity	261,279	277,974
Valuation difference on available-for-sale securities	21,157	15,525
Deferred gains or losses on hedges	(99)	(78)
Total valuation and translation adjustments	21,058	15,446
Subscription rights to shares	112	61
Total net assets	282,450	293,482
Total liabilities and net assets	4,272,054	4,381,220

(2) Non-consolidated statements of income

(Unit: Millions of Yen)

	Fiscal Year 2014 (from April 1, 2014 to March 31, 2015)	Fiscal Year 2015 (from April 1, 2015 to March 31, 2016)
Ordinary income	121,773	127,267
Interest income	104,390	112,248
Interest on loans and discounts	100,907	107,171
Interest and dividends on securities	2,517	3,968
Interest on call loans	153	112
Interest on deposits with banks	712	830
Interest on interest swaps	—	0
Other interest income	99	164
Trust fees	0	0
Fees and commissions	11,714	12,004
Fees and commissions on domestic and foreign exchanges	2,440	2,387
Other fees and commissions	9,273	9,616
Other ordinary income	1,209	911
Gains on foreign exchange transactions	95	73
Gain on trading account securities transactions	0	0
Gains on sales of bonds	15	39
Gains on redemption of bonds	1,097	797
Other income	4,458	2,103
Reversal of allowance for loan losses	2,485	684
Recoveries of written off claims	747	618
Gain on sales of stocks and other securities	387	183
Gain on money held in trust	168	—
Other	669	617
Ordinary expenses	69,922	72,835
Interest expenses	4,022	4,681
Interest on deposits	3,949	4,558
Interest on call money	0	—
Interest on interest swaps	2	5
Other interest expenses	71	117
Fees and commissions payments	13,718	14,952
Fees and commissions on domestic and foreign exchanges	866	873
Other fees and commissions	12,852	14,078
Other ordinary expenses	121	199
Loss on sales of bonds	0	—
Loss on redemption of bonds	121	199
General and administrative expenses	45,564	45,482
Other expenses	6,495	7,519
Written-off of loans	2,249	2,916
Losses on devaluation of stocks and other securities	609	0
Loss on money held in trust	—	182
Other	3,636	4,419
Ordinary profit	51,850	54,432
Extraordinary income	20	26
Gain on disposal of non-current assets	—	26
Gain on reversal of subscription rights to shares	20	—
Extraordinary losses	1,071	488
Loss on disposal of non-current assets	1,071	468
Impairment loss	—	19
Profit before income taxes	50,799	53,970
Income taxes – current	16,852	18,672
Income taxes – deferred	1,811	(508)
Total income taxes	18,664	18,163
Profit	32,135	35,807

(3) Non-consolidated statements of changes in net assets
Fiscal Year 2014 (from April 1, 2014 to March 31, 2015)

(Unit: Millions of Yen)

	Shareholders' equity							
	Capital stock	Capital surplus			Legal retained earnings	Retained earnings		
		Legal capital surplus	Other capital surplus	Total capital surplus		Other retained earnings		Retained earnings brought forward
					Reserve for advanced depreciation of non-current assets	General reserve		
Balance at beginning of current period	30,043	18,585	776	19,362	30,043	55	103,032	68,291
Cumulative effects of changes in accounting policies								(2,046)
Restated balance	30,043	18,585	776	19,362	30,043	55	103,032	66,244
Changes of items during period								
Dividends of surplus								(4,261)
Profit								32,135
Purchase of treasury shares								
Disposal of treasury shares			735	735				
Provision of reserve for reduction entry						2		(2)
Net changes of items other than shareholders' equity								
Total changes of items during period	—	—	735	735	—	2	—	27,870
Balance at end of current period	30,043	18,585	1,511	20,097	30,043	57	103,032	94,115

	Shareholders' equity			Valuation and translation adjustments			Subscription rights to shares	Total net assets
	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments		
	Total retained earnings							
Balance at beginning of current period	201,421	(16,626)	234,200	10,614	(12)	10,602	406	245,210
Cumulative effects of changes in accounting policies	(2,046)		(2,046)					(2,046)
Restated balance	199,375	(16,626)	232,154	10,614	(12)	10,602	406	243,163
Changes of items during period								
Dividends of surplus	(4,261)		(4,261)					(4,261)
Profit	32,135		32,135					32,135
Purchase of treasury shares		(42)	(42)					(42)
Disposal of treasury shares		558	1,294					1,294
Provision of reserve for reduction entry	—		—					—
Net changes of items other than shareholders' equity				10,543	(86)	10,456	(294)	10,162
Total changes of items during period	27,873	515	29,124	10,543	(86)	10,456	(294)	39,286
Balance at end of current period	227,248	(16,110)	261,279	21,157	(99)	21,058	112	282,450

Fiscal Year 2015 (from April 1, 2015 to March 31, 2016)

(Unit: Millions of Yen)

	Shareholders' equity							
	Capital stock	Capital surplus			Legal retained earnings	Retained earnings		
		Legal capital surplus	Other capital surplus	Total capital surplus		Other retained earnings		Retained earnings brought forward
					Reserve for advanced depreciation of non-current assets	General reserve		
Balance at beginning of current period	30,043	18,585	1,511	20,097	30,043	57	103,032	94,115
Changes of items during period								
Dividends of surplus								(4,983)
Profit								35,807
Purchase of treasury shares								
Disposal of treasury shares			92	92				
Retirement of treasury shares			(1,604)	(1,604)				(27,976)
Provision of reserve for reduction entry						1		(1)
Net changes of items other than shareholders' equity								
Total changes of items during period	—	—	(1,511)	(1,511)	—	1	—	2,846
Balance at end of current period	30,043	18,585	—	18,585	30,043	59	103,032	96,961

	Shareholders' equity			Valuation and translation adjustments			Subscription rights to shares	Total net assets
	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments		
	Total retained earnings							
Balance at beginning of current period	227,248	(16,110)	261,279	21,157	(99)	21,058	112	282,450
Changes of items during period								
Dividends of surplus	(4,983)		(4,983)					(4,983)
Profit	35,807		35,807					35,807
Purchase of treasury shares		(14,364)	(14,364)					(14,364)
Disposal of treasury shares		143	235					235
Retirement of treasury shares	(27,976)	29,581	—					—
Provision of reserve for reduction entry	—		—					—
Net changes of items other than shareholders' equity				(5,632)	20	(5,611)	(51)	(5,663)
Total changes of items during period	2,847	15,360	16,695	(5,632)	20	(5,611)	(51)	11,032
Balance at end of current period	230,096	(750)	277,974	15,525	(78)	15,446	61	293,482