

SURUGA bank, Ltd.

Consolidated Financial Results for the six months ended September 30, 2016

<Under Japanese GAAP>

Stock exchange listings: Tokyo (code: 8358)

URL: <http://www.surugabank.co.jp>

Representative: Akihiro Yoneyama, President

Dividend payment date: December 12, 2016

(Amounts and percentages are rounded down to the nearest million yen and first decimal places, respectively.)

1. Consolidated financial results for the six months ended September 30, 2016

(1) Consolidated operating results (% represents the change from the same period in the previous fiscal year)

	Ordinary income		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended						
September 30, 2016	70,501	1.5	28,000	(3.3)	19,219	1.2
September 30, 2015	69,434	9.8	28,975	17.6	18,989	23.5

(Note) Comprehensive income:

(a) Six months ended Sep. 30, 2016: ¥15,641 million [2.1%]; (b) Six months ended Sep. 30, 2015: ¥15,316 million [(12.5) %]

	Net income per share		Net income per share (diluted)	
	yen		yen	
Six months ended				
September 30, 2016	83.01		82.97	
September 30, 2015	80.01		79.93	

(2) Consolidated financial position

	Total assets	Total net assets	Net assets ratio
	Millions of yen	Millions of yen	%
As of			
September 30, 2016	4,438,104	315,499	7.0
March 31, 2016	4,390,146	302,237	6.8

(Reference) Shareholders' equity:

(a) As of September 30, 2016: ¥313,198 million; (b) As of March 31, 2016: ¥300,031 million

(Note) Net assets 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".

2. Dividends on common stock

	Dividends per share				
	1 st Quarter -end	2 nd Quarter -end	3 rd Quarter -end	Fiscal year -end	Total
	yen				
Fiscal year ended March 31, 2016	-	9.50	-	10.50	20.00
ending March 31, 2017	-	10.00	-	-	-
ending March 31, 2017 (forecast)	-	-	-	10.00	20.00

(Note) Revision of dividend forecasts from the latest announcement: No

3. Consolidated earnings forecasts for the fiscal year ending March 31, 2017

(% represents the change from the previous fiscal year)

	Ordinary income		Ordinary profit		Profit attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	yen
Fiscal year ending March 31, 2017	141,000	1.1	56,500	0.1	37,200	1.3	160.66

(Note) Revision of earnings forecasts from the latest announcement: No

(Notes)

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries that caused changes in the scope of consolidation): No
- (2) Changes in accounting policies, changes in accounting estimates and restatements
- (A) Changes in accounting policies due to revision of accounting standards: No
- (B) Changes in accounting policies due to reasons other than (A): No
- (C) Changes in accounting estimates: No
- (D) Restatements: No

(3) Number of issued shares (common stock)

(A) Number of issued shares (including treasury shares):	As of Sep. 30, 2016	232,139,248 shares	As of Mar. 31, 2016	232,139,248 shares
(B) Number of treasury shares:	As of Sep. 30, 2016	602,888 shares	As of Mar. 31, 2016	659,080 shares
(C) Average number of shares:	Six months ended Sep. 30, 2016	231,518,042 shares	Six months ended Sep. 30, 2015	237,332,016 shares

(Summary of non-consolidated financial results)

1. Non-consolidated financial results for the six months ended September 30, 2016

(1) Non-consolidated operating results (% represents the change from the same period in the previous fiscal year)

Six months ended	Ordinary income		Ordinary profit		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
September 30, 2016	64,114	0.2	27,469	(1.5)	19,113	3.0
September 30, 2015	63,926	9.2	27,896	16.9	18,553	23.8

Six months ended	Net income per share
September 30, 2016	yen 82.55
September 30, 2015	78.17

(2) Non-consolidated financial position

As of	Total assets	Total net assets	Net assets ratio
	Millions of yen	Millions of yen	%
September 30, 2016	4,431,916	306,650	6.9
March 31, 2016	4,381,220	293,482	6.6

(Reference) Shareholders' equity:

(a) As of September 30, 2016: ¥306,607 million; (b) As of March 31, 2016: ¥293,421 million

(Note) Net assets 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 the fiscal year ending March 31, 2017

(% represents the change from the previous fiscal year)

Fiscal year ending	Ordinary income		Ordinary profit		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	yen
March 31, 2017	130,000	2.1	55,000	1.0	37,000	3.3	159.80

(Disclosure regarding the execution of the interim audit process)

This report is outside the scope of the external auditor's interim audit procedure which is required by the "Financial Instruments and Exchange Act". The audit process of interim consolidated and non-consolidated financial statements has therefore not been completed as of this disclosure in this report.

(Explanation on appropriate use of forecast and other special items)

1. The company falls under the "Specified business company" pursuant to Article 17-15-2 of the Cabinet Office Ordinance regarding disclosure of company information. It has, accordingly, prepared its interim consolidated and non-consolidated financial statements for the six months ended September 30, 2016.
2. The performance forecasts and other forward-looking statements in this report are based on information currently available to the company and on certain assumptions deemed to be reasonable, and are not intended to guarantee future performance. Actual performance may differ materially depending on various factors.

(Appendix)

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Supplementary Information: “Financial Results for the six months ended September 30, 2016”

1. Qualitative information on financial results

(1) Details of operating results

As for the consolidated operating results for the six months ended September 30, 2016, ordinary income increased by ¥1.067 billion year-on-year to ¥70.501 billion. This was mainly due to an increase in interest income, reflecting an increase in interest on loans and discounts. Meanwhile, ordinary expenses increased by ¥2.042 billion year-on-year to ¥42.500 billion, mainly due to an increase in general and administrative expenses. As a result, ordinary profit decreased by ¥0.975 billion year-on-year to ¥28.000 billion. Profit attributable to owners of parent increased by ¥0.230 billion year-on-year to ¥19.219 billion.

(2) Details of financial position

As for the major account balances as of September 30, 2016 on a consolidated basis, loans and bills discounted increased by ¥47.572 billion from March 31, 2016 to ¥3,184.736 billion, mainly due to an increase in consumer loans (non-consolidated) of ¥63.408 billion.

Securities decreased by ¥5.066 billion from March 31, 2016 to ¥225.012 billion.

Deposits increased by ¥39.635 billion from March 31, 2016 to ¥4,089.129 billion, mainly due to an increase in individual deposits of ¥48.835 billion.

(3) Information on forecast information, including consolidated earnings forecasts

The earnings forecast for the fiscal year ending March 31, 2017 remains unchanged from that announced on August 5, 2016.

Consolidated	(Billions of yen)
	For the fiscal year ending March 31, 2017 (forecast)
Ordinary income	141.0
Ordinary profit	56.5
Profit attributable to owners of parent	37.2

Non-consolidated	(Billions of yen)
	For the fiscal year ending March 31, 2017 (forecast)
Ordinary income	130.0
Net operating profit	60.5
Ordinary profit	55.0
Net income	37.0
Actual credit costs	4.5

(Note) The performance forecasts and other forward-looking statements in this report are based on information currently available to the company and on certain assumptions deemed to be reasonable, and are not intended to guarantee future performance. Actual performance may differ materially depending on various factors.

2. Items regarding summary information (Notes)

(1) Changes in accounting policies, changes in accounting estimates and restatements

Not applicable.

(2) Additional information

Effective from the first half of the fiscal year ending March 31, 2017, the company has applied “Implementation Guidance on Recoverability of Deferred Tax Assets” (Accounting Standards Board of Japan “ASBJ” Guidance No.26, March 28, 2016).

3. Consolidated financial statements

(1) Consolidated balance sheets

(Millions of yen)

	As of March 31, 2016	As of Sep. 30, 2016
Assets		
Cash and due from banks	897,074	902,854
Call loans and bills bought	3,006	3,756
Trading account securities	50	71
Money held in trust	1,046	1,092
Securities	230,078	225,012
Loans and bills discounted	3,137,164	3,184,736
Foreign exchanges	3,534	2,723
Lease receivables and investment assets	5,531	5,472
Other assets	43,196	41,804
Tangible fixed assets	50,849	51,351
Intangible fixed assets	30,007	29,218
Net defined benefit asset	5,276	5,742
Deferred tax assets	2,120	2,902
Customers' liabilities for acceptances and guarantees	3,476	3,378
Allowance for loan losses	(22,265)	(22,011)
Total assets	4,390,146	4,438,104
Liabilities		
Deposits	4,049,494	4,089,129
Borrowed money	2,085	1,295
Foreign exchanges	13	18
Other liabilities	27,653	23,888
Provision for bonuses	716	726
Provision for directors' bonuses	153	-
Net defined benefit liability	258	266
Provision for directors' retirement benefits	3,248	3,191
Provision for reimbursement of deposits	276	240
Provision for contingent loss	262	194
Deferred tax liabilities	271	275
Acceptances and guarantees	3,476	3,378
Total liabilities	4,087,908	4,122,604
Net assets		
Capital stock	30,043	30,043
Capital surplus	-	5
Retained earnings	253,182	269,971
Treasury shares	(750)	(687)
Total shareholders' equity	282,475	299,333
Valuation difference on available-for-sale securities	16,121	12,535
Deferred gains or losses on hedges	(83)	(68)
Remeasurements of defined benefit plans	1,517	1,399
Total accumulated other comprehensive income	17,556	13,865
Subscription rights to shares	61	43
Non-controlling interests	2,144	2,257
Total net assets	302,237	315,499
Total liabilities and net assets	4,390,146	4,438,104

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

(Millions of yen)

	For the six months ended Sep. 30, 2015	For the six months ended Sep. 30, 2016
Ordinary income	69,434	70,501
Interest income	58,912	60,617
Interest on loans and discounts	55,372	59,511
Interest and dividends on securities	2,983	607
Fees and commissions	6,427	6,774
Other ordinary income	2,909	2,178
Other income	1,184	931
Ordinary expenses	40,458	42,500
Interest expenses	2,234	2,157
Interest on deposits	2,179	2,068
Fees and commissions payments	7,476	6,984
Other ordinary expenses	1,816	1,892
General and administrative expenses	24,544	26,194
Other expenses	4,387	5,271
Ordinary profit	28,975	28,000
Extraordinary income	9	2
Gain on disposal of non-current assets	9	2
Extraordinary losses	321	147
Loss on disposal of non-current assets	321	147
Profit before income taxes	28,663	27,856
Income taxes - current	10,630	7,698
Income taxes - deferred	(1,081)	826
Total income taxes	9,549	8,525
Profit	19,113	19,331
Profit attributable to non-controlling interests	124	111
Profit attributable to owners of parent	18,989	19,219

Consolidated statements of comprehensive income

(Millions of yen)

	For the six months ended Sep. 30, 2015	For the six months ended Sep. 30, 2016
Profit	19,113	19,331
Other comprehensive income		
Valuation difference on available-for-sale securities	(3,547)	(3,584)
Deferred gains or losses on hedges	40	14
Remeasurements of defined benefit plans, net of tax	(290)	(118)
Total other comprehensive income	(3,797)	(3,689)
Comprehensive income	15,316	15,641
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	15,180	15,528
Comprehensive income attributable to non-controlling interests	136	112

(3) Consolidated statements of changes in net assets

For the six months ended September 30, 2015

(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			(2,728)		(2,728)
Profit attributable to owners of parent			18,989		18,989
Purchase of treasury shares				(5)	(5)
Disposal of treasury shares		68		53	122
Net changes of items other than shareholders' equity					
Total changes of items during period	-	68	16,260	48	16,377
Balance at end of current period	30,043	21,082	246,184	(16,062)	281,247

	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							(2,728)
Profit attributable to owners of parent							18,989
Purchase of treasury shares							(5)
Disposal of treasury shares							122
Net changes of items other than shareholders' equity	(3,558)	40	(290)	(3,808)	(23)	136	(3,696)
Total changes of items during period	(3,558)	40	(290)	(3,808)	(23)	136	12,680
Balance at end of current period	18,114	(60)	3,323	21,377	88	2,095	304,809

For the six months ended September 30, 2016

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	30,043	-	253,182	(750)	282,475
Changes of items during period					
Dividends of surplus			(2,430)		(2,430)
Profit attributable to owners of parent			19,219		19,219
Purchase of treasury shares				(2)	(2)
Disposal of treasury shares		5		65	70
Net changes of items other than shareholders' equity					
Total changes of items during period	-	5	16,789	62	16,857
Balance at end of current period	30,043	5	269,971	(687)	299,333

	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	16,121	(83)	1,517	17,556	61	2,144	302,237
Changes of items during period							
Dividends of surplus							(2,430)
Profit attributable to owners of parent							19,219
Purchase of treasury shares							(2)
Disposal of treasury shares							70
Net changes of items other than shareholders' equity	(3,586)	14	(118)	(3,690)	(17)	112	(3,595)
Total changes of items during period	(3,586)	14	(118)	(3,690)	(17)	112	13,261
Balance at end of current period	12,535	(68)	1,399	13,865	43	2,257	315,499

(4) Notes on going-concern assumption

Not applicable.

(5) Significant subsequent events

(Partial changes to the retirement benefit plan)

On October 1, 2016, the company partially shifted from a defined benefit corporate pension plan to a defined contribution pension plan and lowered the benefit interest rate assumption.

The accounting treatments set forth in “Guidance for Accounting Standard for Transfer between Retirement Benefit Plans” (Accounting Standards Board of Japan (“ASBJ”) Guidance No.1, January 31, 2002) and “Practical Solution on Accounting for Transfer between Retirement Benefit Plans” (ASBJ Practical Issue Task Force (“PITF”) No.2, revised February 7, 2007) have been applied regarding these changes, and the financial impact is currently being reviewed.

4. Non-consolidated financial statements

(1) Non-consolidated balance sheets

(Millions of yen)

	As of March 31, 2016	As of Sep. 30, 2016
Assets		
Cash and due from banks	896,454	902,200
Call loans	3,006	3,756
Trading account securities	50	71
Money held in trust	1,046	1,092
Securities	234,032	230,970
Loans and bills discounted	3,137,614	3,184,679
Foreign exchanges	3,534	2,723
Other assets	34,412	33,833
Other	34,412	33,833
Tangible fixed assets	49,463	49,985
Intangible fixed assets	27,462	26,754
Prepaid pension cost	3,177	3,735
Deferred tax assets	2,477	3,242
Customers' liabilities for acceptances and guarantees	4,096	3,997
Allowance for loan losses	(15,607)	(15,126)
Total assets	4,381,220	4,431,916
Liabilities		
Deposits	4,056,482	4,097,611
Foreign exchanges	13	18
Other liabilities	22,452	19,334
Income taxes payable	10,744	7,885
Lease obligations	539	522
Other	11,169	10,925
Provision for bonuses	674	679
Provision for directors' bonuses	153	-
Provision for retirement benefits	78	-
Provision for directors' retirement benefits	3,246	3,189
Provision for reimbursement of deposits	276	240
Provision for contingent loss	262	194
Acceptances and guarantees	4,096	3,997
Total liabilities	4,087,737	4,125,266
Net assets		
Capital stock	30,043	30,043
Capital surplus	18,585	18,591
Legal capital surplus	18,585	18,585
Other capital surplus	-	5
Retained earnings	230,096	246,779
Legal retained earnings	30,043	30,043
Other retained earnings	200,052	216,736
Reserve for advanced depreciation of non-current assets	59	59
General reserve	103,032	103,032
Retained earnings brought forward	96,961	113,644
Treasury shares	(750)	(687)
Total shareholders' equity	277,974	294,726
Valuation difference on available-for-sale securities	15,525	11,944
Deferred gains or losses on hedges	(78)	(63)
Total valuation and translation adjustments	15,446	11,880
Subscription rights to shares	61	43
Total net assets	293,482	306,650
Total liabilities and net assets	4,381,220	4,431,916

(2) Non-consolidated statements of income

(Millions of yen)

	For the six months ended Sep. 30, 2015	For the six months ended Sep. 30, 2016
Ordinary income	63,926	64,114
Interest income	55,986	57,033
Interest on loans and discounts	52,459	55,940
Interest and dividends on securities	2,970	596
Fees and commissions	5,954	6,130
Other ordinary income	849	224
Other income	1,136	725
Ordinary expenses	36,029	36,644
Interest expenses	2,228	2,161
Interest on deposits	2,179	2,068
Fees and commissions payments	7,487	7,019
Other ordinary expenses	32	184
General and administrative expenses	22,900	24,186
Other expenses	3,379	3,091
Ordinary profit	27,896	27,469
Extraordinary income	9	1
Extraordinary losses	317	141
Profit before income taxes	27,588	27,330
Income taxes - current	10,278	7,431
Income taxes - deferred	(1,243)	785
Total income taxes	9,035	8,216
Profit	18,553	19,113

(3) Non-consolidated statements of changes in net assets

For the six months ended September 30, 2015

(Millions of yen)

	Shareholders' equity							
	Capital stock	Capital surplus			Retained earnings			
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		
						Reserve for advanced depreciation of non-current assets	General reserve	Retained earnings brought forward
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								(2,728)
Profit								18,553
Purchase of treasury shares								
Disposal of treasury shares			68	68				
Net changes of items other than shareholders' equity								
Total changes of items during period	-	-	68	68	-	-	-	15,824
Balance at end of current period	30,043	18,585	1,580	20,166	30,043	57	103,032	109,939

	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	(2,728)		(2,728)					(2,728)
Profit	18,553		18,553					18,553
Purchase of treasury shares		(5)	(5)					(5)
Disposal of treasury shares		53	122					122
Net changes of items other than shareholders' equity				(3,592)	41	(3,551)	(23)	(3,575)
Total changes of items during period	15,824	48	15,941	(3,592)	41	(3,551)	(23)	12,366
Balance at end of current period	243,073	(16,062)	277,220	17,565	(57)	17,507	88	294,816

For the six months ended September 30, 2016

(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		
					Reserve for advanced depreciation of non-current assets	General reserve	Retained earnings brought forward	
Balance at beginning of current period	30,043	18,585	-	18,585	30,043	59	103,032	96,961
Changes of items during period								
Dividends of surplus								(2,430)
Profit								19,113
Purchase of treasury shares								
Disposal of treasury shares			5	5				
Net changes of items other than shareholders' equity								
Total changes of items during period	-	-	5	5	-	-	-	16,683
Balance at end of current period	30,043	18,585	5	18,591	30,043	59	103,032	113,644

	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	230,096	(750)	277,974	15,525	(78)	15,446	61	293,482
Changes of items during period								
Dividends of surplus	(2,430)		(2,430)					(2,430)
Profit	19,113		19,113					19,113
Purchase of treasury shares		(2)	(2)					(2)
Disposal of treasury shares		65	70					70
Net changes of items other than shareholders' equity				(3,581)	14	(3,566)	(17)	(3,584)
Total changes of items during period	16,683	62	16,751	(3,581)	14	(3,566)	(17)	13,167
Balance at end of current period	246,779	(687)	294,726	11,944	(63)	11,880	43	306,650

(4) Notes on going-concern assumption

Not applicable.