

# SURUGA bank, Ltd.

## Consolidated financial results for the fiscal year ended March 31, 2017

<under Japanese GAAP>

Stock exchange listings: Tokyo (code: 8358)

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

Representative: Akihiro Yoneyama, President

Dividend payment date: June 2, 2017

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

### 1. Consolidated financial results for the fiscal year ended March 31, 2017

(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	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2017	145,753	4.5	58,222	3.2	42,627	16.0
March 31, 2016	139,430	6.3	56,395	5.5	36,717	11.6

(Note) Comprehensive income: (a) Fiscal year ended March 31, 2017: ¥42,776 million [46.1 %]

(b) Fiscal year ended March 31, 2016: ¥29,272 million [(35.8) %]

Fiscal year ended	Net income per share	Net income per share (diluted)	Net income on net assets	Ordinary profit on total assets	Ordinary profit on ordinary income
	yen	yen	%	%	%
March 31, 2017	184.10	184.02	13.3	1.3	39.9
March 31, 2016	156.15	156.02	12.4	1.3	40.4

(Reference) Equity in gains (losses) of affiliates: (a) Fiscal year ended March 31, 2017: ¥1 million

(b) Fiscal year ended March 31, 2016: ¥18 million

### (2) Consolidated financial position

	Total assets	Total net assets	Net assets ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	yen
March 31, 2017	4,471,725	340,379	7.5	1,459.48
March 31, 2016	4,390,146	302,237	6.8	1,296.14

(Reference) Shareholders' equity: (a) As of March 31, 2017: ¥338,029 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".

### (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 year-end
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
March 31, 2017	(43,542)	78,403	(4,635)	924,300
March 31, 2016	134,240	(13,029)	(19,163)	894,075

### 2. Dividends on common stock

	Dividends per share					Total dividends	Dividend payout ratio (Consolidated)	Dividends on net assets (Consolidated)
	1 <sup>st</sup> Quarter -end	2 <sup>nd</sup> Quarter -end	3 <sup>rd</sup> Quarter -end	Fiscal Year -end	Total			
Fiscal year ended	yen	yen	yen	yen	yen	Millions of yen	%	%
March 31, 2016	-	9.50	-	10.50	20.00	4,685	12.8	1.5
March 31, 2017	-	10.00	-	12.00	22.00	5,094	11.9	1.5
ending March 31, 2018 (forecast)	-	10.50	-	10.50	21.00		11.3	

(Note) Breakdown of fiscal year-end dividend for the fiscal year ended March 31, 2017:

(a) Ordinary dividend: ¥11.00; (b) Special dividend: ¥1.00

### 3. Consolidated earnings forecast for the fiscal year ending March 31, 2018

(% represents the change from the same period in the previous fiscal year)

	Ordinary profit		Profit attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	yen
1H, FY3/2018	30,000	7.1	20,500	6.6	88.51
FY3/2018	61,500	5.6	43,000	0.8	185.65

(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 Mar. 31, 2017	232,139,248 shares	As of Mar. 31, 2016	232,139,248 shares
(B) Number of treasury shares:	As of Mar. 31, 2017	530,965 shares	As of Mar. 31, 2016	659,080 shares
(C) Average number of shares:	Fiscal year ended March 31, 2017	231,538,348 shares	Fiscal year ended March 31, 2016	235,134,205 shares

(Reference) Summary of non-consolidated financial results

### 1. Non-consolidated financial results for the fiscal year ended March 31, 2017

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

Fiscal year ended	Ordinary income		Ordinary profit		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2017	134,286	5.5	57,160	5.0	41,728	16.5
March 31, 2016	127,267	4.5	54,432	4.9	35,807	11.4

Fiscal year ended	Net income per share	Net income per share (diluted)
	yen	yen
March 31, 2017	180.22	180.14
March 31, 2016	152.28	152.16

(2) Non-consolidated financial position

As of	Total assets	Total net assets	Net assets ratio	Net assets per share
	Millions of yen	Millions of yen	%	yen
March 31, 2017	4,465,825	331,551	7.4	1,431.41
March 31, 2016	4,381,220	293,482	6.6	1,267.58

(Reference) Shareholders' equity: (a) As of March 31, 2017: ¥331,527 million; (b) As of March 31, 2016: ¥293,421 million

(Note) Net assets ratio =  $\{(\text{Total net assets} - \text{Subscription rights to shares}) / \text{Total assets}\} \times 100$

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

### 2. Non-consolidated earnings forecast for the fiscal year ending March 31, 2018

(% represents the change from the same period in the previous fiscal year)

	Ordinary profit		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	yen
1H, FY3/2018	29,000	5.5	20,000	4.6	86.35
FY3/2018	60,000	4.9	42,000	0.6	181.34

(Note) This report is outside the scope of the external auditor's audit procedure.

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

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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\* Financial results for the fiscal year ended March 31, 2017 supplementary information

## 1. Overview of operating results, etc.

### (1) Overview of operating results

In the fiscal year ended March 31, 2017, the Japanese economy witnessed signs of moderate recovery on the back of the improvement in labor market conditions, as reflected in the higher effective job-to-applicant ratio and lower unemployment rate. In the first half of the fiscal year, the business sentiment among Japanese companies, particularly the exporters, deteriorated. This was primarily due to the appreciation of the yen led by the volatility in the global financial markets, which was caused by the weakness in the Chinese economy and the UK's decision to exit the EU (Brexit). The economy then steadily recovered thanks to policy actions, such as the US Federal Reserve's decision to delay the increase in policy rates and the Japanese government's decision to postpone the consumption tax hike. Moreover, the business sentiment improved thanks to the depreciation of the yen and the rise in stock prices, reflecting heightened expectations for a US economic recovery following Donald Trump's victory at the US presidential election in November. Meanwhile, price movements have lacked momentum and have been insufficient for the economy to overcome deflation, as evidenced by the year-on-year decline in the consumer price index, which also remained negative month-on-month in the first few months of the New Year.

Under such business conditions, consolidated ordinary income increased by ¥6.323 billion year-on-year to ¥145.753 billion. This was mainly due to the growth in interest income reflecting the rise in interest on loans and discounts. Meanwhile, Ordinary expenses increased by ¥4.495 billion year-on-year to ¥87.530 billion, mainly due to an increase in general and administrative expenses. As a result, ordinary profit increased by ¥1.827 billion year-on-year to ¥58.222 billion, and profit attributable to owners of parent increased by ¥5.910 billion year-on-year to ¥42.627 billion.

Operating results on a non-consolidated basis were as follows:

#### (A) Gross operating profit

Gross operating profit increased by ¥5.520 billion year-on-year to ¥110.852 billion on the back of the rise in net interest income of ¥5.372 billion.

#### (B) Expenses

Expenses increased by ¥1.311 billion year-on-year to ¥47.240 billion.

#### (C) Net operating profit

Core net operating profit increased by ¥4.680 billion year-on-year to ¥63.445 billion, mainly due to an increase in net interest income of ¥5.372 billion.

Net operating profit increased by ¥4.208 billion year-on-year to ¥63.611 billion, mainly due to an increase in core net operating profit.

(Note) Core net operating profit = Net operating profit + Provision for general allowance for loan losses  
- Gains (losses) on bonds

#### (D) Ordinary profit

Ordinary profit increased by ¥2.728 billion year-on-year to ¥57.160 billion, mainly due to an increase in net operating profit of ¥4.208 billion.

#### (E) Net income

Net income increased by ¥5.921 billion year-on-year to ¥41.728 billion, mainly due to an increase in profit before income taxes of ¥5.043 billion and a decrease in total income taxes of ¥0.878 billion.

#### (F) Net credit costs

Disposal of non-performing loans increased by ¥3.452 billion year-on-year to ¥9.165 billion. Meanwhile, reversal of allowance for loan losses increased by ¥1.906 billion year-on-year to ¥2.590 billion. As a result, net credit costs increased by ¥1.546 billion year-on-year to ¥6.575 billion.

Actual credit costs increased by ¥1.160 billion year-on-year to ¥5.571 billion.

(Note) Net credit costs = Provision for general allowance for loan losses  
+ Disposal of non-performing loans – Reversal of allowance for loan losses

(Note) Actual credit costs = Net credit costs – Recoveries of written-off claims

## (2) Overview of financial position

As for major account balances on a consolidated basis, loans and bills discounted came in at ¥3,253.723 billion, up by ¥116.559 billion year-on-year. This was mainly due to the steady growth in consumer loans through continuing to engage primarily in the retail banking business. Securities were ¥148.527 billion, down by ¥81.551 billion year-on-year. Deposits were ¥4,095.509 billion, up by ¥46.015 billion year-on-year.

Major account balances on a non-consolidated basis were as follows:

### (A) Loans and bills discounted

Loans and bills discounted came in at ¥3,253.790 billion, up by ¥116.176 billion year-on-year, mainly due to the growth in consumer loans. Consumer loans were ¥2,907.349 billion, up by ¥135.051 billion year-on-year. The average balance of loans and bills discounted in the year was ¥3,136.010 billion, up by ¥132.002 billion year-on-year.

### (B) Securities

Securities were ¥154.340 billion, down by ¥79.692 billion year-on-year.

### (C) Deferred tax assets (liabilities)

Deferred tax liabilities came in at ¥0.018 billion, mainly due to a decrease in deferred tax assets reflecting partial changes to the retirement benefit plan and an increase in deferred tax liabilities reflecting an increase in unrealized gains on securities.

### (D) Deposits

Deposits were ¥4,105.455 billion, up by ¥48.973 billion year-on-year. Individual deposits were ¥3,190.837 billion, up by ¥104.930 billion year-on-year. The average balance of deposits in the year was ¥4,054.508 billion, up by ¥41.898 billion year-on-year.

As for cash flows on a consolidated basis, cash flows from operating activities were a net outflow of ¥43.542 billion (compared to a net inflow of ¥134.240 billion in the previous fiscal year), given that outflows mainly arising from an increase in loans and bills discounted exceeded inflows mainly arising from an increase in deposits. Cash flows from investing activities were a net inflow of ¥78.403 billion (compared to a net outflow of ¥13.029 billion in the previous fiscal year), mainly due to proceeds from redemption of securities. Cash flows from financing activities were a net outflow of ¥4.635 billion (compared to a net outflow of ¥19.163 billion in the previous fiscal year), mainly due to dividend payments. As a result, cash and cash equivalents as of March 31, 2017 were ¥924.300 billion, up by ¥30.225 billion year-on-year (compared to ¥894.075 billion as of March 31, 2016).

### (3) Future outlook

Japan recently witnessed signs of economic recovery, including an improvement in the diffusion index of business sentiments among large manufacturers in the March 2017 “Short-term economic survey of enterprises in Japan (Tankan)” for the second consecutive period. However, cautious views have persisted given the uncertainties around US policies and the global political situation. In this context, the Bank of Japan’s negative interest rate policy is expected to exert positive effects on the real economy, by stimulating housing and capital investments. The Japanese government’s policies under its growth strategy should also generate positive effects. 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.

In consideration of the above, earnings forecast for the fiscal year ending March 31, 2018 is as follows:

Non-consolidated		(Billions of yen)	
	1H, FY3/2018	FY3/2018	
Net operating profit	31.5	65.0	
Ordinary profit	29.0	60.0	
Net income	20.0	42.0	
Actual credit costs	2.3	4.5	
ROE (Net income basis)	12.75 %	13.46 %	

Consolidated		(Billions of yen)	
	1H, FY3/2018	FY3/2018	
Ordinary profit	30.0	61.5	
Profit attributable to owners of parent	20.5	43.0	

(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. 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.

## 3. Consolidated financial statements and notes

## (1) Consolidated balance sheets

	(Millions of yen)	
	As of March 31, 2016	As of March 31, 2017
<b>Assets</b>		
Cash and due from banks	897,074	927,519
Call loans and bills bought	3,006	2,276
Trading account securities	50	72
Money held in trust	1,046	1,149
Securities	230,078	148,527
Loans and bills discounted	3,137,164	3,253,723
Foreign exchanges	3,534	2,885
Lease receivables and investment assets	5,531	5,479
Other assets	43,196	56,909
Tangible fixed assets	50,849	51,906
Buildings, net	13,097	13,983
Land	25,427	25,564
Leased assets, net	9	12
Construction in progress	235	0
Other tangible fixed assets	12,079	12,345
Intangible fixed assets	30,007	28,591
Software	27,308	25,681
Goodwill	2,071	1,942
Leased assets	11	8
Software in progress	231	571
Other intangible fixed assets	384	388
Net defined benefit asset	5,276	7,787
Deferred tax assets	2,120	860
Customers' liabilities for acceptances and guarantees	3,476	3,340
Allowance for loan losses	(22,265)	(19,305)
<b>Total assets</b>	<b>4,390,146</b>	<b>4,471,725</b>
<b>Liabilities</b>		
Deposits	4,049,494	4,095,509
Borrowed money	2,085	1,540
Foreign exchanges	13	40
Other liabilities	27,653	25,503
Provision for bonuses	716	715
Provision for directors' bonuses	153	173
Net defined benefit liability	258	279
Provision for directors' retirement benefits	3,248	3,280
Provision for reimbursement of deposits	276	287
Provision for contingent loss	262	169
Deferred tax liabilities	271	505
Acceptances and guarantees	3,476	3,340
<b>Total liabilities</b>	<b>4,087,908</b>	<b>4,131,346</b>

	(Millions of yen)	
	As of March 31, 2016	As of March 31, 2017
Net assets		
Capital stock	30,043	30,043
Capital surplus	—	4
Retained earnings	253,182	291,063
Treasury shares	(750)	(606)
Total shareholders' equity	282,475	320,504
Valuation difference on available-for-sale securities	16,121	17,153
Deferred gains or losses on hedges	(83)	(61)
Remeasurements of defined benefit plans	1,517	433
Total accumulated other comprehensive income	17,556	17,525
Subscription rights to shares	61	24
Non-controlling interests	2,144	2,325
Total net assets	302,237	340,379
Total liabilities and net assets	4,390,146	4,471,725



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

(Millions of yen)

	For the fiscal year ended March 31, 2016	For the fiscal year ended March 31, 2017
Ordinary income	139,430	145,753
Interest income	118,650	124,718
Interest on loans and discounts	113,552	121,045
Interest and dividends on securities	3,989	2,578
Interest on call loans and bills bought	112	38
Interest on deposits with banks	830	805
Other interest income	164	250
Fees and commissions	13,022	13,443
Other ordinary income	4,932	4,393
Gains on sales of bonds	39	2
Gains on redemption of bonds	797	473
Other	4,095	3,917
Other income	2,824	3,198
Reversal of allowance for loan losses	—	927
Recoveries of written off claims	923	1,339
Gain on sales of stocks and other securities	187	129
Share of profit of entities accounted for using equity	18	1
Other	1,696	800
Ordinary expenses	83,035	87,530
Interest expenses	4,685	4,287
Interest on deposits	4,557	4,069
Interest on borrowings and rediscounts	21	14
Other interest expenses	106	203
Fees and commissions payments	14,915	14,326
Other ordinary expenses	3,703	3,647
Loss on redemption of bonds	199	310
Other	3,503	3,336
General and administrative expenses	48,940	51,500
Other expenses	10,791	13,768
Provision of allowance for loan losses	879	—
Written-off of loans	4,744	9,381
Losses on sales of stocks and other securities	—	7
Losses on devaluation of stocks and other securities	0	636
Other	5,167	3,744
Ordinary profit	56,395	58,222
Extraordinary income	26	2,170
Gain on disposal of non-current assets	26	36
Gain on revision of retirement benefit plan	—	2,134
Extraordinary losses	509	335
Loss on disposal of non-current assets	489	335
Impairment loss	19	—
Profit before income taxes	55,912	60,057
Income taxes - current	19,426	15,781
Income taxes - deferred	(387)	1,488
Total income taxes	19,039	17,270
Profit	36,873	42,787
Profit attributable to non-controlling interests	156	159
Profit attributable to owners of parent	36,717	42,627

## Consolidated statements of comprehensive income

	(Millions of yen)	
	For the fiscal year ended March 31, 2016	For the fiscal year ended March 31, 2017
Profit	36,873	42,787
Other comprehensive income		
Valuation difference on available-for-sale securities	(5,523)	1,052
Deferred gains or losses on hedges	18	21
Remeasurements of defined benefit plans, net of tax	(2,095)	(1,084)
Total other comprehensive income	(7,600)	(10)
Comprehensive income	29,272	42,776
(Breakdown)		
Comprehensive income attributable to owners of parent	29,087	42,596
Comprehensive income attributable to non-controlling interests	185	180

## (3) Consolidated statements of changes in net assets

For the fiscal year ended March 31, 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	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

For the fiscal year ended March 31, 2017

(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			(4,745)		(4,745)
Profit attributable to owners of parent			42,627		42,627
Purchase of treasury shares				(4)	(4)
Disposal of treasury shares		4		148	152
Net changes of items other than shareholders' equity					
Total changes of items during period	—	4	37,881	143	38,029
Balance at end of current period	30,043	4	291,063	(606)	320,504

	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							(4,745)
Profit attributable to owners of parent							42,627
Purchase of treasury shares							(4)
Disposal of treasury shares							152
Net changes of items other than shareholders' equity	1,031	21	(1,084)	(31)	(36)	180	112
Total changes of items during period	1,031	21	(1,084)	(31)	(36)	180	38,141
Balance at end of current period	17,153	(61)	433	17,525	24	2,325	340,379

## (4) Consolidated statements of cash flows

	(Millions of yen)	
	For the fiscal year ended March 31, 2016	For the fiscal year ended March 31, 2017
<b>Cash flows from operating activities</b>		
Profit before income taxes	55,912	60,057
Depreciation	6,261	6,819
Impairment loss	19	—
Amortization of goodwill	129	129
Increase (decrease) in allowance for loan losses	(407)	(2,959)
Increase (decrease) in provision for bonuses	9	0
Increase (decrease) in provision for directors' bonuses	13	20
Increase (decrease) in net defined benefit liability	(2,959)	(5,260)
Increase (decrease) in provision for directors' retirement benefits	149	31
Increase (decrease) in provision for reimbursement of deposits	(51)	11
Increase (decrease) in provision for contingent loss	(79)	(92)
Gain on fund management	(118,650)	(124,718)
Financing expenses	4,685	4,287
Loss (gain) related to securities	(824)	348
Loss (gain) on money held in trust	182	(150)
Loss (gain) on disposal of non-current assets	463	298
Net decrease (increase) in trading account securities	57	(22)
Net decrease (increase) in loans and bills discounted	(126,416)	(116,558)
Net increase (decrease) in deposit	96,647	46,015
Net increase (decrease) in borrowed money (excluding subordinated borrowings)	(450)	(545)
Net decrease (increase) in deposit (excluding deposit paid to Bank of Japan)	(439)	(219)
Net decrease (increase) in call loans	124,095	729
Net decrease (increase) in foreign exchanges - assets	(970)	648
Net increase (decrease) in foreign exchanges - liabilities	10	27
Net decrease (increase) in lease receivables and investment assets	(72)	51
Net decrease (increase) in cash collateral paid for financial instruments assets	—	(10,057)
Proceeds from fund management	118,078	124,157
Payments for finance	(3,426)	(3,373)
Gain on revision of retirement benefit plan	—	(2,134)
Compensation for damage income	4,172	—
Other, net	(3,079)	(2,235)
Subtotal	<u>153,058</u>	<u>(24,694)</u>
Income taxes paid	(18,818)	(18,848)
Net cash provided by (used in) operating activities	<u>134,240</u>	<u>(43,542)</u>
<b>Cash flows from investing activities</b>		
Purchase of securities	(60,579)	(44,964)
Proceeds from sales of securities	33,499	2,041
Proceeds from redemption of securities	20,833	127,912
Increase in money held in trust	(114)	—
Decrease in money held in trust	—	49
Purchase of property, plant and equipment	(3,806)	(4,193)
Proceeds from sales of property, plant and equipment	26	37
Purchase of intangible assets	(2,880)	(2,479)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(8)	—
Net cash provided by (used in) investing activities	<u>(13,029)</u>	<u>78,403</u>
<b>Cash flows from financing activities</b>		
Cash dividends paid	(4,983)	(4,745)
Purchase of treasury shares	(14,364)	(4)
Proceeds from sales of treasury shares	184	115
Net cash provided by (used in) financing activities	<u>(19,163)</u>	<u>(4,635)</u>
Effect of exchange rate change on cash and cash equivalents	(6)	(0)
Net increase (decrease) in cash and cash equivalents	<u>102,041</u>	<u>30,225</u>
Cash and cash equivalents at beginning of period	792,033	894,075
Cash and cash equivalents at end of period	<u>894,075</u>	<u>924,300</u>

## (5) Notes to consolidated financial statements

### (Notes on going-concern assumption)

Not applicable.

### (Change in accounting policies, changes in accounting estimates and restatements)

Not applicable.

### (Additional information)

#### (A) Application of “Implementation Guidance on Recoverability of Deferred Tax Assets”

Effective from the fiscal year ended 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).

#### (B) 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. The financial impact resulted in the booking of an extraordinary income of ¥2.134 billion for the fiscal year ended March 31, 2017.

## (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, clerical agency services, credit card services and credit guarantee. Of the reportable segments, Suruga Bank represents the “banking” segment, which includes businesses such as deposits, loans, 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

For the fiscal year ended March 31, 2017

(Millions of yen)

	Reportable segment	Others	Total	Adjustments	Amount recorded in the consolidated financial statements
	Banking				
Ordinary income					
Ordinary income to external customers	134,002	13,412	147,414	(1,661)	145,753
Inter-segment internal ordinary income	283	1,818	2,102	(2,102)	-
Total	134,286	15,231	149,517	(3,764)	145,753
Segment profit	57,160	1,322	58,482	(260)	58,222
Segment assets	4,465,807	48,053	4,513,861	(42,135)	4,471,725
Other items					
Depreciation	6,591	228	6,819	-	6,819
Increase in tangible fixed assets and intangible fixed assets	6,368	305	6,673	-	6,673

(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, clerical agency services, credit card services and credit guarantee) which are not included in the reportable segments.

(Note3) “Adjustments” are as follows:

- (1) The negative adjustment of ¥1,661 million in ordinary income to external customers consists of the following: adjustment of provision for allowance for loan losses in “Others” (- ¥1,663 million) and equity in gains of affiliates (¥1 million).
- (2) The negative adjustment of ¥260 million in segment profit consists of the following: amortization of goodwill (- ¥129 million), equity in gains of affiliates (¥1 million) and deduction of inter-segment transactions (- ¥132 million).
- (3) The negative adjustment of ¥42,135 million in segment assets consists of the following: deduction of inter-segment transactions (- ¥42,804 million), adjustment of net defined benefit assets (¥622 million) and adjustment of shares in equity-method affiliates (¥46 million).

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

## (Per share data)

		For the fiscal year ended March 31, 2017
Net assets per share	yen	1,459.48
Net income per share	yen	184.10
Net income per share (diluted)	yen	184.02

(Note) The basis for calculation is as shown in the tables below.

## 1. Net assets per share

		As of March 31, 2017
Total net assets	Millions of yen	340,379
Amount deducted from total net assets	Millions of yen	2,349
of which, Subscription rights to shares	Millions of yen	24
of which, Non-controlling interests	Millions of yen	2,325
Net assets attributable to common stock at the fiscal year-end	Millions of yen	338,029
Number of common stock at the fiscal year-end used for the calculation of net assets per share	Thousands of shares	231,608

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

		For the fiscal year ended March 31, 2017
Net income per share		
Profit attributable to owners of parent	Millions of yen	42,627
Amount not attributable to common shareholders	Millions of yen	-
Profit attributable to common shareholders of parent	Millions of yen	42,627
Average number of common stock for the fiscal year	Thousands of shares	231,538
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	103
of which, Subscription rights to shares	Thousands of shares	103
Antidilutive securities which were not included in the calculation of net income per share (diluted)		-

## (Significant subsequent events)

Not applicable.



## 4. Non-consolidated financial statements

## (1) Non-consolidated balance sheets

(Millions of yen)

	As of March 31, 2016	As of March 31, 2017
<b>Assets</b>		
Cash and due from banks	896,454	926,783
Cash	26,515	26,917
Due from banks	869,939	899,866
Call loans	3,006	2,276
Trading account securities	50	72
Trading government bonds	2	2
Trading local government bonds	48	70
Money held in trust	1,046	1,149
Securities	234,032	154,340
Government bonds	145,059	45,001
Local government bonds	4,159	28,243
Corporate bonds	2,003	2,666
Stocks	56,282	57,426
Other securities	26,526	21,002
Loans and bills discounted	3,137,614	3,253,790
Bills discounted	1,557	1,676
Loans on bills	27,885	22,047
Loans on deeds	2,741,061	2,844,173
Overdrafts	367,109	385,892
Foreign exchanges	3,534	2,885
Due from foreign banks (our accounts)	2,018	1,834
Foreign bills bought	0	0
Foreign bills receivable	1,515	1,050
Other assets	34,412	48,611
Prepaid expenses	1,777	2,779
Accrued income	9,169	9,723
Initial margins of futures markets	200	200
Derivatives other than for trading - assets	286	846
Other	22,979	35,062
Tangible fixed assets	49,463	50,569
Buildings, net	12,430	13,335
Land	24,855	24,991
Leased assets, net	538	496
Construction in progress	235	0
Other tangible fixed assets	11,403	11,744
Intangible fixed assets	27,462	26,212
Software	26,886	25,309
Software in progress	201	523
Other intangible fixed assets	375	379
Prepaid pension cost	3,177	7,165
Deferred tax assets	2,477	—
Customers' liabilities for acceptances and guarantees	4,096	3,951
Allowance for loan losses	(15,607)	(11,983)
<b>Total assets</b>	<b>4,381,220</b>	<b>4,465,825</b>

	(Millions of yen)	
	As of March 31, 2016	As of March 31, 2017
<b>Liabilities</b>		
Deposits	4,056,482	4,105,455
Current deposits	59,595	63,147
Ordinary deposits	1,190,612	1,265,642
Saving deposits	17,626	17,297
Deposits at notice	92,700	76,239
Time deposits	2,540,483	2,557,174
Other deposits	155,463	125,954
Foreign exchanges	13	40
Foreign bills sold	13	40
Other liabilities	22,452	20,232
Income taxes payable	10,744	8,000
Accrued expenses	5,775	6,730
Unearned revenue	114	104
Deposits received from employees	795	798
Lease obligations	539	497
Derivatives other than for trading - liabilities	1,958	867
Other	2,525	3,233
Provision for bonuses	674	667
Provision for directors' bonuses	153	173
Provision for retirement benefits	78	—
Provision for directors' retirement benefits	3,246	3,277
Provision for reimbursement of deposits	276	287
Provision for contingent loss	262	169
Deferred tax liabilities	—	18
Acceptances and guarantees	4,096	3,951
<b>Total liabilities</b>	<b>4,087,737</b>	<b>4,134,274</b>
<b>Net assets</b>		
Capital stock	30,043	30,043
Capital surplus	18,585	18,590
Legal capital surplus	18,585	18,585
Other capital surplus	—	4
Retained earnings	230,096	267,078
Legal retained earnings	30,043	30,043
Other retained earnings	200,052	237,034
Reserve for advanced depreciation of non-current as	59	59
General reserve	103,032	103,032
Retained earnings brought forward	96,961	133,943
Treasury shares	(750)	(606)
<b>Total shareholders' equity</b>	<b>277,974</b>	<b>315,104</b>
Valuation difference on available-for-sale securities	15,525	16,480
Deferred gains or losses on hedges	(78)	(58)
<b>Total valuation and translation adjustments</b>	<b>15,446</b>	<b>16,422</b>
Subscription rights to shares	61	24
<b>Total net assets</b>	<b>293,482</b>	<b>331,551</b>
<b>Total liabilities and net assets</b>	<b>4,381,220</b>	<b>4,465,825</b>

## (2) Non-consolidated statements of income

(Millions of yen)

	For the fiscal year ended March 31, 2016	For the fiscal year ended March 31, 2017
Ordinary income	127,267	134,286
Interest income	112,248	117,238
Interest on loans and discounts	107,171	113,588
Interest and dividends on securities	3,968	2,558
Interest on call loans	112	38
Interest on deposits with banks	830	804
Interest on interest swaps	0	—
Other interest income	164	248
Trust fees	0	1
Fees and commissions	12,004	12,001
Fees and commissions on domestic and foreign exchanges	2,387	2,441
Other fees and commissions	9,616	9,559
Other ordinary income	911	546
Gains on foreign exchange transactions	73	70
Gain on trading account securities transactions	0	—
Gains on sales of bonds	39	2
Gains on redemption of bonds	797	473
Other income	2,103	4,497
Reversal of allowance for loan losses	684	2,590
Recoveries of written off claims	618	1,004
Gain on sales of stocks and other securities	183	129
Gain on money held in trust	—	150
Other	617	622
Ordinary expenses	72,835	77,125
Interest expenses	4,681	4,299
Interest on deposits	4,558	4,069
Interest on interest swaps	5	8
Other interest expenses	117	221
Fees and commissions payments	14,952	14,327
Fees and commissions on domestic and foreign exchanges	873	885
Other fees and commissions	14,078	13,441
Other ordinary expenses	199	310
Loss on trading account securities transactions	—	0
Loss on redemption of bonds	199	310
General and administrative expenses	45,482	47,436
Other expenses	7,519	10,752
Written-off of loans	2,916	7,160
Losses on devaluation of stocks and other securities	0	636
Loss on money held in trust	182	—
Other	4,419	2,955
Ordinary profit	54,432	57,160
Extraordinary income	26	2,170
Gain on disposal of non-current assets	26	36
Gain on revision of retirement benefit plan	—	2,134
Extraordinary losses	488	316
Loss on disposal of non-current assets	468	316
Impairment loss	19	—
Profit before income taxes	53,970	59,013
Income taxes - current	18,672	15,214
Income taxes - deferred	(508)	2,071
Total income taxes	18,163	17,285
Profit	35,807	41,728

(3) Non-consolidated statements of changes in net assets  
For the fiscal Year ended March 31, 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	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

For the fiscal year ended March 31, 2017

(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								(4,745)
Profit								41,728
Purchase of treasury shares								
Disposal of treasury shares			4	4				
Net changes of items other than shareholders' equity								
Total changes of items during period	—	—	4	4	—	—	—	36,982
Balance at end of current period	30,043	18,585	4	18,590	30,043	59	103,032	133,943

	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	(4,745)		(4,745)					(4,745)
Profit	41,728		41,728					41,728
Purchase of treasury shares		(4)	(4)					(4)
Disposal of treasury shares		148	152					152
Net changes of items other than shareholders' equity				954	20	975	(36)	938
Total changes of items during period	36,982	143	37,129	954	20	975	(36)	38,068
Balance at end of current period	267,078	(606)	315,104	16,480	(58)	16,422	24	331,551