

(Translation - this translation is prepared for reference purposes only)

Summary of the criteria for partial principal reduction

- Suruga Bank, Ltd. (the “Bank”) will consider the possibility of partially reducing the amount of principal, whose ceiling amount shall be the difference between (i) the amount a customer owner has paid to acquire the relevant real property and (ii) the accumulated value of such real property (meaning the amount calculated based on factors such as the roadside land price appraised at the time of the acquisition; details are to be explained at individual consultations).
- The partial principal reduction can apply to real properties where the loan repayment is difficult (i.e., the expenditure as to the property (including loan repayment) is greater than income from the property) at the time when the Bank receives individual consultations, where an improper act was committed by the Bank at the time of the execution of the loan agreement and where such improper act and the relevant customer owner’s investment decision are found to fall within the scope of reasonable and probable causation (please note that even if the Bank has committed an improper act, it is not always the case that the improper act and the relevant customer owner’s investment decision are found to fall within the scope of reasonable and probable causation). In cases where the income/expenditure status of a property should have been different if residents could be properly recruited for the property, the Bank will correct the income/expenditure status to examine the possibility of applying the partial principal reduction to the property.
- If the above requirements are satisfied, the Bank will first examine the reduction of the applicable interest rate prior to the examination of the partial principal reduction. Please be understood that the partial principal reduction shall not be applied if the deficit of a real property is eliminated as a result of the interest rate reduction.
- If the deficit is not eliminated even upon such interest rate reduction, then the Bank will calculate the settlement amount payable by the Bank in light of the circumstances such as the degree of involvement of the Bank in the improper act at the time of the execution of the loan agreement.

- The Bank will partially reduce the amount of principal by setting off the settlement amount payable by the Bank against the amount of loan payable by the customer owner.
- Rulings over issues concerning the implementation of the criteria for partial principal reduction, such as whether an improper act by the Bank and the relevant customer owner's investment decision fall within the scope of reasonable and probable causation or the degree of involvement of the Bank in the improper act, shall be referred to neutral and fair third parties by means of civil conciliation by court, settlement mediated by private ADR organizations or otherwise.
- * With respect to the tax treatment concerning partial principal reduction outlined above, the Bank has confirmed that if the principal is partially reduced to cover losses to customer owners' assets incurred as a result of the Bank's improper acts income tax should not be levied on such reduction as a general rule.
- * With customer owners who are not entitled to the partial principal reduction, the Bank is ready to consult over problems of any kind concerning their loan repayment. The Bank will sincerely and properly deal with issues such as possible changes in the repayment terms depending on the circumstances of individual customer owners.