

Annual Report

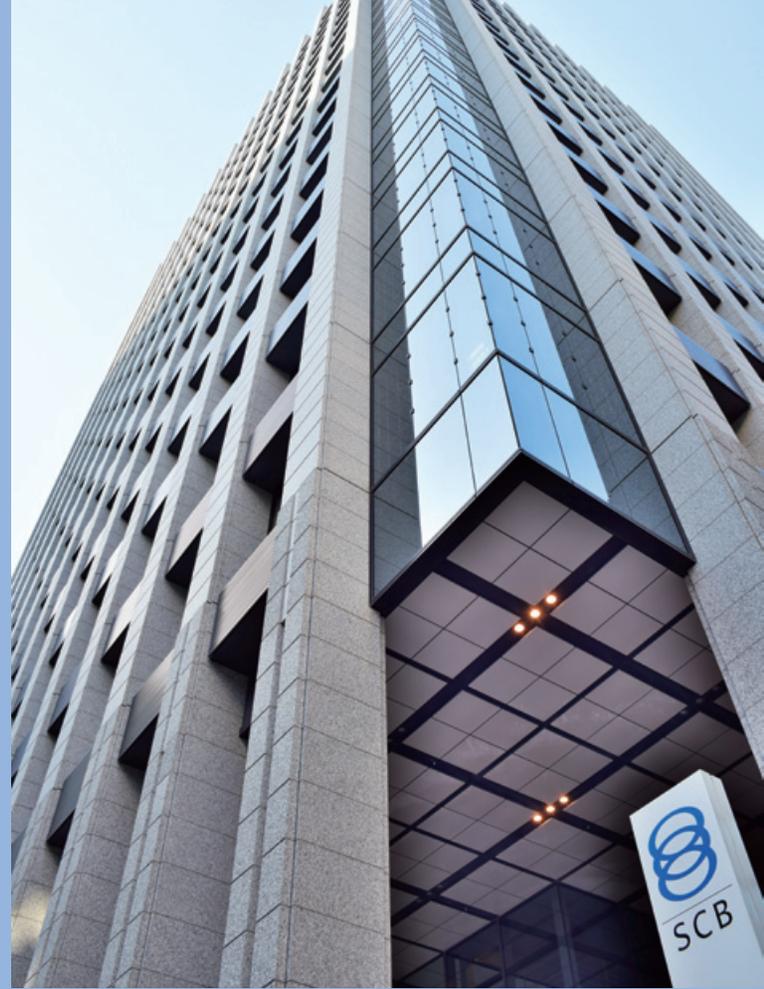
Shinkin Central Bank

2017



Shinkin Central Bank, the Central Bank for Shinkin Banks

As the central financial institution in Japan for the cooperative regional financial institutions, known as shinkin banks, the Shinkin Central Bank (hereinafter the SCB) occupies a well-established position in Japan's financial industry. Shinkin banks currently hold funds totaling some ¥137 trillion (around US\$1,229 billion).



Management Philosophy and Operational Policies

Management Philosophy

As the central bank for all shinkin banks, the SCB supports the growth of the shinkin bank industry, thereby contributing to economic development throughout Japan.

Operational Policies

1. Strengthen the corporate base, broaden operational functions, and enhance the credit standing of shinkin banks.
2. Attract stable funds from shinkin banks and diversify funding sources.
3. Upgrade market operations and develop financial services.
4. Pursue new business to reflect changing financial circumstances.
5. Contribute to regional development and revitalization hand in hand with shinkin banks.
6. Achieve sound management through efficiency, capital adequacy, and strengthened risk management.
7. Nurture professionals and create an attractive workplace.
8. Enhance public trust in the SCB.

Corporate Data (as of March 31, 2017)

Name:	Shinkin Central Bank (SCB)
Established:	June 1, 1950
Number of employees:	1,199
Domestic network:	14
Overseas network:	5
Total assets:	¥37,656 billion (\$335 billion)
Total funds:	¥36,007 billion (\$320 billion)
Paid-in capital:	¥690 billion (\$6,159 million)
Preferred shares:	¥90 billion (\$811 million)
Capital adequacy ratio (consolidated):	37.03%
Number of member Shinkin banks:	264
Long-term credit ratings: (as of July 31, 2017)	A1 (Moody's) A (S&P) A+ (R&I) AA (JCR)

* The number of employees includes full-time Directors and Corporate Auditors. Our overseas network includes Shinkin International Ltd., a subsidiary in London. The total assets and total funds are the average balances for the year ended March 31, 2017.

Financial Highlights (Non-consolidated Financial Summary)

For the years ended March 31,	Millions of Yen			Millions of US Dollars*		
	2017	2016	2015	2017	2016	2015
For the Fiscal Year						
Total income	¥ 284,018	¥ 269,675	¥ 278,236	\$ 2,531	\$ 2,393	\$ 2,315
Total expenses	235,680	213,797	197,230	2,100	1,897	1,641
Net income (loss)	41,383	40,875	60,817	368	362	506
Net business profit (loss)	42,657	50,321	74,286	380	446	618
At the Year-end						
Total assets	¥37,257,840	¥34,887,645	¥33,269,249	\$332,095	\$309,589	\$276,897
Loans and bills discounted	7,995,390	6,763,822	5,885,739	71,266	60,021	48,986
Securities	17,204,776	17,839,405	19,132,160	153,353	158,305	159,235
Total liabilities	35,654,367	33,274,483	31,861,297	317,803	295,274	265,179
Deposits	29,176,129	27,236,823	25,571,093	260,059	241,696	212,826
Debentures	2,952,900	3,055,520	3,007,780	26,320	27,114	25,033
Net assets	1,603,472	1,613,161	1,407,951	14,292	14,315	11,718

* US dollar amounts are given for convenience only, converted at the rate of ¥120.15, ¥112.69, and ¥112.19 per US\$1.00, the prevailing rate as of March 31, 2015, 2016, and 2017, respectively. Total assets and total funds amounted to ¥37,656 billion (\$335 billion) and ¥36,007 billion (\$320 billion) of the average balance at the year ended March 31, 2017.

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This material contains certain forward-looking statements. They are not guarantees of future performance and involve risks and uncertainties, while actual results may materially differ from those contained in the forward-looking statements as a result of various factors.

US dollar amounts are converted for convenience only, at ¥112.19 per US\$1.00, the prevailing rate on March 31, 2017.

Message from the President and CEO



The Shinkin Central Bank (the “SCB”) serves as the central bank for Japan’s 264 shinkin banks—regional financial institutions, that specialize in operations with small and medium-sized enterprises (SMEs).

Since its establishment in 1950, the SCB has provided a wide range of financial services in order to expand the potential of the shinkin bank industry.

Fiscal 2016 Earnings Performance

In fiscal 2016 (ended March 31, 2017), as the market environment surrounding us changed dramatically, we continued to take steps to diversify our revenue streams by further promoting globally diversified investment while taking a stronger proactive stance on financing business operating companies. As a result, ordinary income amounted to ¥48.3 billion and net income totaled ¥41.3 billion.

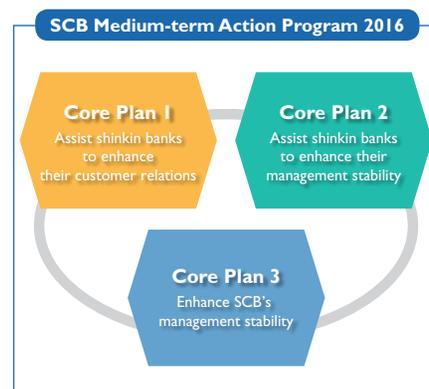
Management Plan Progress, Support for Disaster-stricken Regions

The SCB started a medium-term management plan, the “SCB Medium-term Action Program 2016,” covering the three years from fiscal 2016 through to fiscal 2018. In fiscal 2016, the first fiscal year of the plan, as one of our main measures, the SCB launched a trust banking business. Alongside the launch of this business, we developed the original trust products

as the private brand of Shinkin Bank Industry for individual customers called “Shinkin Inheritance Trust ‘Kokoro no Baton’” and “Shinkin Annual Benefit Trust ‘Kokoro no Ribbon,’” which we sell through shinkin banks, which serve as agents to handle trust agreements. Moreover, we expanded and enhanced functions and services to assist shinkin banks to enhance their customer relations. These efforts included providing shinkin banks with programs to support SMEs over each stage of their development, conducting matching services with a focus on SME’s technologies, forming new business alliances with overseas local banks, and supporting shinkin banks’ efforts to promote regional revitalization. In helping recovery following the Great East Japan Earthquake, the “Shinkin no Kizuna Reconstruction Support Project,” which we established in collaboration with the Japan NPO Center, gave assistance for NPOs engaged in providing mental health care to disaster victims and helping them rebuild their lives, and supporting regional community and cultural revitalization activities. We also provided support for recovery efforts related to the Kumamoto Earthquake such as assistance to expand sales channels for shinkin bank customers in the areas affected by the disaster.

Future Business Strategy

The SCB has positioned fiscal 2017, the second year of the medium-term management plan, as a “year for striving to build a sustainable business model for the next 10 years.” Amid rapid change in the political, financial and economic situation all over the world, technological innovation has advanced, as seen with the development of fintech. Today, the operating environment surrounding Japanese financial institutions is on the cusp of a major transition. The SCB seeks to respond appropriately to these changes, and we will implement specific measures under the plan in an effort to build a sustainable business model for the medium to long term at the shinkin banks and



build a rock-solid management stability at the SCB. We have also made it a high-priority management agenda to support the recovery from the Great East Japan Earthquake and the Kumamoto Earthquake, and will continue to provide various forms of support according to the needs of the affected areas.

Mitsuo Tanabe

Mitsuo Tanabe
President and CEO
July 2017

Corporate Management and Auditors



Koji Sato
Chairman of the Board of Directors



Mitsuo Tanabe
President and Chief Executive Officer



Katsuo Akiyama
Deputy President



Hiroyuki Shibata
Deputy President



Hajime Hioki
Senior Managing Director

Chairman of the Board of Directors (Part-time)

Koji Sato

President and Chief Executive Officer

Mitsuo Tanabe

Deputy Presidents

Katsuo Akiyama
Hiroyuki Shibata

Senior Managing Director

Hajime Hioki

Managing Directors

Norihiro Takano
Hiroshi Sudo
Keisuke Izutsu

Directors

Toshio Muroi
Yuzuru Nishino
Naoki Hemmi
Takehiko Murotani
Hiromichi Chisaka

Director and Executive Consultant

Hiroshi Nakahara

Directors (Part-time)

Masatoshi Masuda
Toshihisa Sato
Daisuke Watanabe
Hiroshi Hiramatsu
Tetsuji Hara
Kazuo Kobayashi
Kazuhiko Jinbo
Kiyoshi Yamachi

Kenichiro Mimuro
Masatoshi Takahashi
Minoru Kondo
Yutaka Nunogaki
Hiroyuki Hashimoto
Hiroshi Tsuboi
Akihiro Hasui
Hiromi Nomura
Kenichi Toyozumi

Corporate Auditor

Naoya Okajima

Corporate Auditors (Part-time)

Takashi Abe
Seiji Hino
Masamichi Narita
Akio Okuyama

(As of July 31, 2017)

Powerful, TSE-listed Financial Institution

The SCB has the dual roles of operating as both the central financial institution for shinkin banks, and an independent financial institution.

The SCB is the central financial institution in Japan for the nationwide network of shinkin banks, comprising 264 banks and approximately 7,400 branches.

Japan's shinkin banks have an extremely important role in the financial industry, holding around ¥137 trillion (\$1,229 billion) in deposits (refer to page 20 "What Are Shinkin Banks?").

The SCB provides various financial products and services, and uses the abundant funds deposited from shinkin banks throughout Japan to invest in marketable securities in the financial markets in Japan and overseas, as well as to provide loans to operating companies and so forth.

Here we explain the two main roles of the SCB.

The Roles of the SCB Roles as a Central Bank

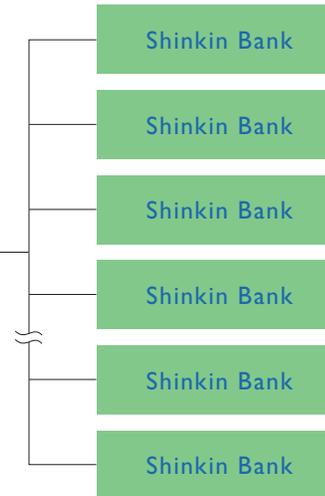
(1) Supplementing Shinkin Banks' Operations
Japan's 264 shinkin banks play a key role in supporting regional economies by lending to local organizations and small and medium-sized enterprises (SMEs).

However, individual shinkin banks throughout Japan sometimes encounter restrictions in performing their banking functions because of their scale and limitations on their business area.

To address this issue, the SCB and its eight subsidiaries work together as a group to provide various financial products and services to shinkin banks. In this way, the SCB supplements services that shinkin banks cannot perform easily or efficiently on an individual basis, and enables shinkin banks to respond rapidly to changes in their management environment, such as diversification and increasing sophistication of customers' needs and intensifying competition from other business categories.

Specifically, the SCB provides shinkin banks with various deposit and loan products so they can respond to their customers' needs and enhance their competitiveness. The SCB also provides a variety of services to shinkin banks to support their initiatives on the key measures of "SMEs," "individuals," and "communities" (refer to page 7 "Assist Shinkin Banks to Enhance Their Customer Relations").

The SCB also acts as a clearing house be-



Number of shinkin banks: 264
 Total assets: ¥151,227 billion (\$1,347 billion)
 Number of branches: 7,361
 Number of employees: 109,587
 Number of members: 9,264,892

(As of March 31, 2017)

tween shinkin banks in the same way that the Bank of Japan acts as a clearing house between banks. In addition, the SCB's role includes acting as a clearing house between shinkin banks and other financial institutions and making lump sum payments of public utilities charges received by shinkin banks.

In addition, the SCB provides support for shinkin banks' risk management, including consultations on fund management, and assists with their human resource development by providing training and so forth.

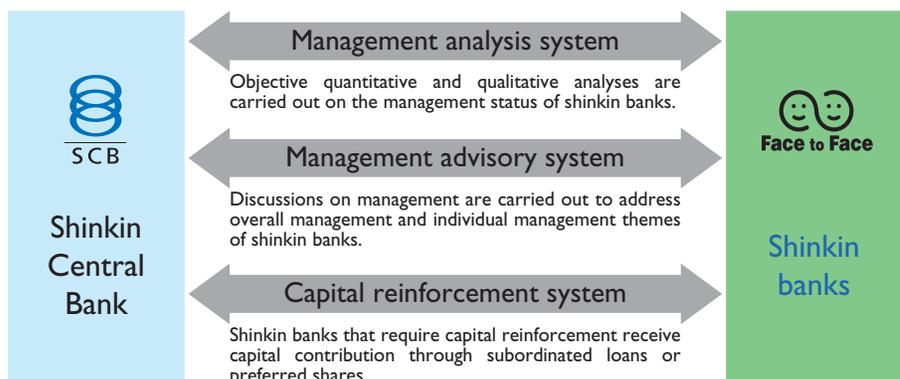
(2) Maintaining and Improving Creditworthiness of the Shinkin Bank Industry

The SCB performs the role of a consultant for shinkin banks, and operates the "Shinkin Bank Management Reinforcement System." The SCB also strives to prevent deterioration of

shinkin bank management by providing management analysis of shinkin banks and information to help resolve management issues. If a shinkin bank should come to require financial support despite these measures, the SCB shall supply capital in an effort to maintain and improve the creditworthiness of the shinkin bank industry.

Japanese financial institutions have experienced several major crises including the issue of the disposal of bad loans following the collapse of the bubble economy and the global financial crisis triggered by the Lehman Brothers bankruptcy. During such unstable periods for the financial system, however, the SCB played a crucial role in maintaining confidence in the shinkin bank industry and contributed to the stability of Japan's financial system.

The Shinkin Bank Management Reinforcement System



Role as an Independent Financial Institution

(1) Comprehensive Financial Services Provider
The SCB conducts deposit-related operations, lending operations and foreign exchange operations—the core functions of a financial institution—and issues debentures.

The SCB also fulfills its role as a “comprehensive financial services provider” by undertaking, either itself or through its subsidiaries, auxiliary operations such as underwriting public bonds, handling private placement bonds, and issuing personal loan guarantees, as well as peripheral operations including the provision of trusts, securities, investment management, and M&A-related advice.

(2) One of Leading Institutional Investors in Japan

The SCB has assets under management of approximately ¥37 trillion (\$332 billion) as of March 31, 2017. Of this, it invests approximately ¥17 trillion (\$153 billion) in securities—mainly as government bonds, corporate bonds, and foreign securities—and approximately ¥11 trillion (\$100 billion) in short-term money markets.

The SCB fulfills an important role in Japan’s money and securities markets as a leading institutional investor.

(3) Contributor to Regional Development
The SCB provides loans to local governments, operating companies, private finance initiatives, etc., for the purpose of helping develop and revitalize communities.

Also, it proactively supports shinkin banks in their efforts to resolve issues confronting communities and SMEs. The SCB thus fulfills its role as a contributor to regional development together with shinkin banks.

Overseas Networks and Correspondent Banks

The SCB has offices in New York, Hong Kong, Shanghai, Bangkok, and London. In addition to proactively collecting information on local areas, the SCB supports the overseas expansion of shinkin banks’ customers. As of March 31, 2017, the SCB had 230 overseas correspondent banks with main branches in 48 countries.



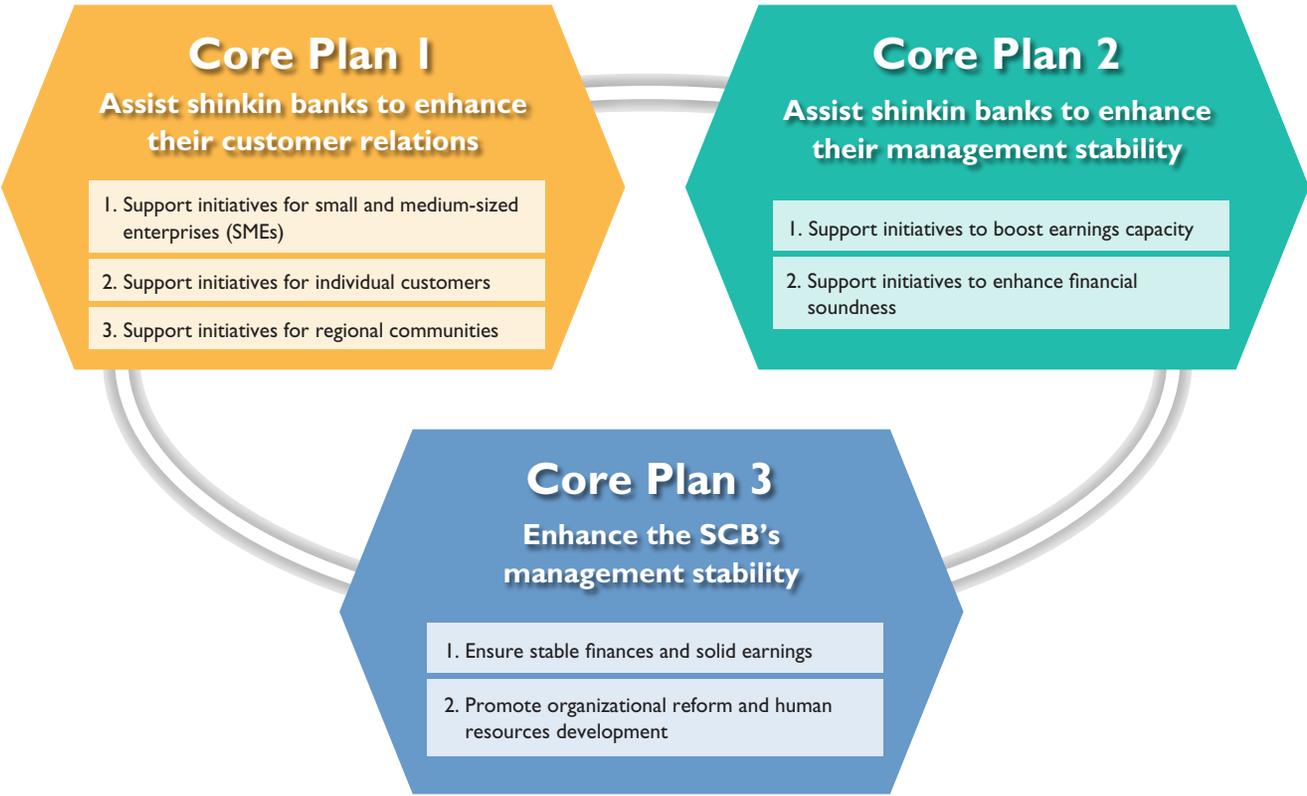
Management Issues and Strategies

Initiatives for the Next 10 Years

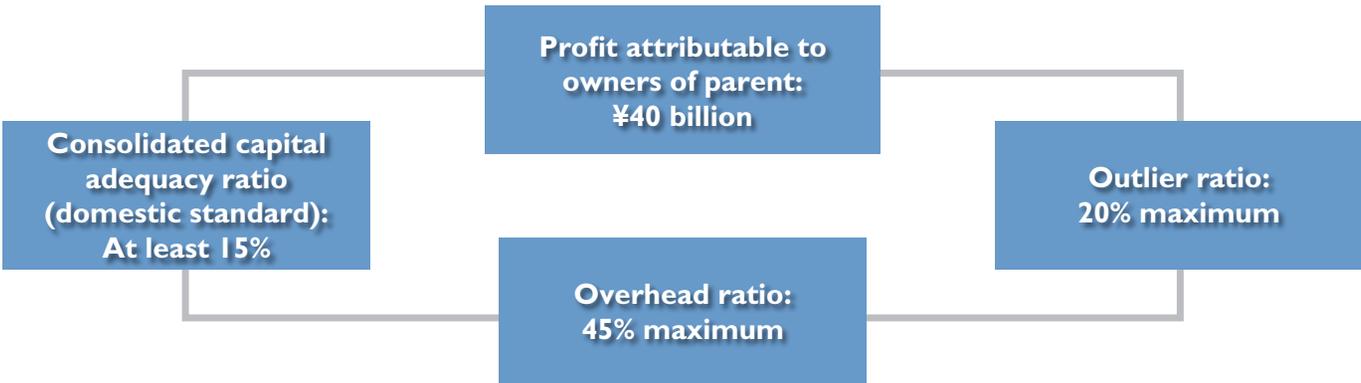
As the first year of the medium-term management plan, the “SCB Medium-term Action Program 2016,” fiscal 2016 was positioned as a year to take a step forward on enhancing customer relations and management stability for the next 10 years. The SCB worked to assist shinkin banks to enhance their customer relations and enhance their management stability, and in order to implement these measures in a timely and appropriate manner, the SCB took steps to enhance the SCB’s management stability.

We will explain the characteristic initiatives of the core plans below.

The SCB Medium-term Action Program 2016–Management Plan Overview (FY2016–2018)



Target Figures



Assist Shinkin Banks to Enhance Their Customer Relations

The SCB supports the initiatives of shinkin banks by assisting them to expand their service lineups for SMEs and individual customers, and to help revitalize regional communities.

• Support SMEs during Development

The SCB provides shinkin banks with programs to support SMEs over each stage of their development—such as establishment, growth, maturation and succession. In fiscal 2016, the SCB added an “energy field loan entry support program.” The SCB will continue to revise and expand its support programs, while working together with the SCB’s consolidated subsidiary Shinkin Capital Co., Ltd. and external specialists to step up support for shinkin banks that are expected to provide stronger consulting services to their customers.

• Business Matching Services

The SCB’s matching services are intended to expand the sales channels for shinkin bank customers. Initially the services focused on food, but the SCB has been widening the scope to other fields. In fiscal 2016, the SCB established a system for its customers to sell their traditional artisan products and home and kitchen products on an e-commerce website operated by Amazon Japan G.K.. The SCB also collaborated with NineSigma Japan, Inc., which operates a technology matching website and related services, to match SMEs that have advanced technologies with large corporations.

• Overseas Expansion

The SCB utilizes its network of three offices in Asia (Hong Kong, Shanghai, and Bangkok) and nine allied banks to support sales channel expansion for shinkin bank customers who

are expanding overseas. In fiscal 2016, the SCB formed business alliances with BDO Unibank, Inc. in the Philippines and with Banco Mercantil del Norte, S.A. in Mexico, its first alliance outside the Asian region, to enhance its overseas support capabilities in areas where shinkin bank customers are expanding their operations.

• Trust Business Services to Individuals

As Japan’s population ages and property taxes are strictly enforced, there is growing demand for inheritance-related products that facilitate the transfer of assets between generations. In January 2017, the SCB started providing two products to individual customers through shinkin banks, which serve as agents to handle trust agreements. “Shinkin Inheritance Trust ‘Kokoro no Baton’” enables individual customers to leave the necessary funds for their families by completing a simple procedure, and “Shinkin Annual Benefit Trust ‘Kokoro no Ribbon’” uses the non-taxable gift allowance to gift funds. During fiscal 2017, the number of shinkin banks providing these products is expected to reach around Shinkin 150 shinkin banks.

• Progress on Assets under Management

Recognizing the trend of people shifting from saving to asset buildup, the SCB is working to realize stable asset buildup for individual customers and ensure customer first operation management. To facilitate this, the SCB will commence development of a new system designed to strengthen compliance in over-the-counter investment trust sales at shinkin banks, enhance customer service capabilities, optimize their operations, and so forth. The SCB will also work with the SCB’s consolidated subsidiaries Shinkin Securities Co., Ltd. and Shinkin

Asset Management Co., Ltd. in a united SCB Group effort to bolster progress on assets under management in the shinkin bank industry.

• Initiatives for Regional Revitalization

Shinkin banks are making regional revitalization efforts in their role as the best supporter for community. To provide active support for these, the SCB and the Nippon Foundation teamed up in an initiative to support shinkin banks and local companies in their regional revitalization projects through the Nippon Foundation’s Wagamachi fund. The fund will provide up to ¥10 million in assistance per project for a total of around ¥1.0 billion. This initiative will create new flows of money in regional areas and provide more effective solutions for community issues and support development of leaders for regional revitalization.

Assist Shinkin Banks to Enhance Their Management Stability

The SCB provides products and services that will help to “boost earnings capacity” and “enhance financial soundness” of shinkin banks, while progressively expanding its support of human resources development by, for example, dispatching the professionals needed by shinkin banks.

• Provision of Investment Products Leveraging Trust Banking Business

To diversify investment tools by shinkin banks, the SCB is leveraging its trust banking business functions, aiming to provide an investment product called “SCB Global Trust” that spreads investment across diverse asset classes overseas.

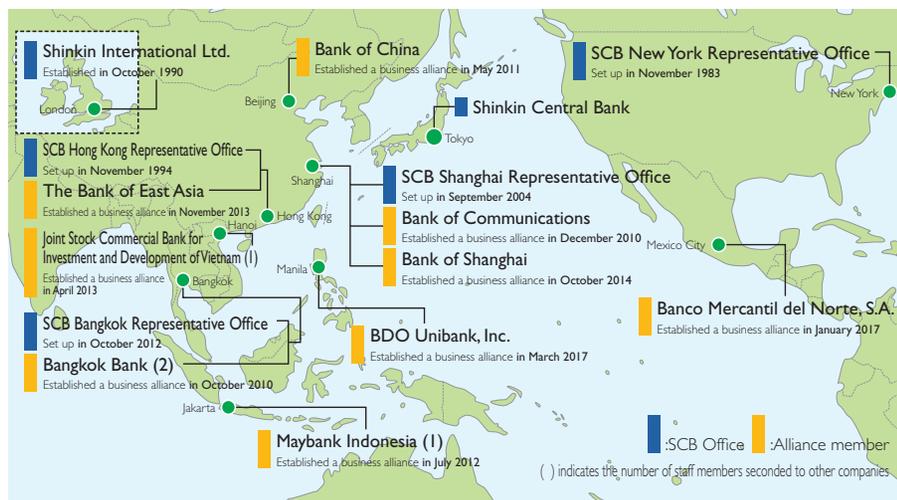
• Centralization of Deposit Assessment Operations

To improve operational efficiency and reduce costs, the SCB is taking steps to centralize common operations in the shinkin bank industry. As an initial step, the SCB is building an operation processing system for centralizing deposit assessment operations* at each shinkin bank.

* Deposit assessment operations: An operation conducted by financial institutions to respond to requests for a statement of transaction status of individual and corporate deposit accounts from public institutions such as local public entities.

Enhance the SCB’s Management Stability

In order to make steady progress in carrying out the first and second core plans of the “SCB Medium-term Action Program 2016,” the SCB works to enhance its own financial



and earnings stability through organizational reform and human resources development over the medium to long term.

• **Stable Earnings**

The SCB aims to diversify its revenue streams through measures such as promoting diversified investment and strengthening loans to corporations. In fiscal 2016, to expand the customer base and increase transaction opportunities, the SCB established the customer introduction system, for receiving introductions to local listed companies and other entities that shinkin banks have strong relationships with.

• **Preparing for Stricter Financial Regulations**

Ahead of the expected stricter financial regulations, the SCB intends to systematically devise companywide countermeasures, while closely monitoring all relevant regulatory trends.

• **Enhancing Operation Management Systems**

The SCB is examining utilization of RPA* for increasing efficiency and reducing labor in its existing operations by identifying pre-defined operations and so forth that can be executed based on certain processing rules, from the perspectives of reducing costs, improving productivity, and improving quality.

*RPA: Robotic Process Automation. A system

for increasing the efficiency of operations by automating certain decisions by using software with robotic functions incorporated.

• **Developing Human Resources**

The SCB sets up human resources development programs for each area of its operations and provide its employees with training to become experts. It also continues its efforts to make its workplace environment dynamic, giving employees reason to find worth and pride in their work, while raising motivation and ensuring that female employees can thrive on the job.

Helping Recovery Following the Great East Japan Earthquake and the Kumamoto Earthquake

Since the earthquakes, the shinkin bank industry has been making coordinated efforts to support the reconstruction of areas that sustained major damage.

Support Achievements of “Shinkin no Kizuna” Reconstruction Support Project

To support recovery from the Great East Japan Earthquake, the SCB and the Japan NPO Center jointly established the “Shinkin no Kizuna Reconstruction Support Project.” Using donations received from the “Shinkin no Kizuna Reconstruction Support Fixed-term Deposit” offered by shinkin banks nationwide, the fund has provided a total of ¥360 million in assistance since fiscal 2015 for 111 projects of NPOs and others working to provide mental health care to disaster victims and helping them rebuild their lives, and supporting regional community and cultural revitalization activities.



Mental health care through artistic activities

Support for Expanding Sales Channels of Shinkin Bank Customers in Disaster Affected Areas

Listing on Business Matching Website between Shinkin Banks

A special Kumamoto recovery support page has been set up in the business matching information page of the “Shinkin Information Sharing Platform,” which is operated by the SCB.

Recovery Support Sales Event

A recovery support sales event was held at the SCB head office with specialty products from Tohoku and Kumamoto. The event featured 40 products made by 25 customers from 15 shinkin banks.

Posting in the Electronic Brochure “Shinkin no Ippin”

To help shinkin bank customers in Kumamoto to expand their sales channels, a special Kumamoto recovery support page was added to the electronic brochure “Shinkin no Ippin,” which features products and so forth of shinkin bank customers.



Overseas Networks

The SCB has offices in New York, Hong Kong, Shanghai, Bangkok, and London. In addition to proactively collecting information on local areas, the SCB supports the overseas expansion of shinkin banks' customers.

The overseas representative offices also help Japan-side human resource development programs by accepting trainees, visitors and missions from shinkin banks.

New York Representative Office

Since the Overseas Economic Institute of the SCB opened its New York office in November 1983, the New York Representative Office has been researching US markets and assisting head office explore new investment opportunities.

Taking advantage of its location at the center of global financial activities, the New York Representative Office is well placed to identify the latest financial market trends and obtain information vital to the SCB's treasury operations.

The New York office offers wide-ranging support by providing shinkin banks with information on the fast-changing US and Latin America's economy and financial markets.

Hong Kong Representative Office

Since a Hong Kong office was set up in November 1994, it has supported the activities of shinkin bank customers in Asian countries. It has done this by providing information such as that on local bank services, legal systems, tax systems, and employment, particularly for its customers in southern China, Taiwan, and the Philippines. The Hong Kong office, meanwhile, provides shinkin banks and their customers with economic and financial data, and information on the investment environment in Asian countries.

Shanghai Representative Office

Set up in September 2004, the Shanghai office has been providing information relating to economic and financial conditions, the investment and loan environment, and the laws, taxation regimes, and employment situation of each region for shinkin bank customers expanding to China and those planning such a move.

Bangkok Representative Office

This office opened in October 2012, and provides shinkin bank customers expanding, or planning to expand, to Thailand and neighboring countries with information on the relevant economic and financial conditions, the invest-

ment and financing environment, as well as local laws, taxation, and employment.

Shinkin International Ltd. (London)

Shinkin International Ltd. was established in London in October 1990 as a locally incorporated company to conduct securities business in order to expand investment opportunities for the shinkin bank industry.

The company arranges eurobonds in a strong relationship with issuing bodies and offers these securities to the shinkin bank industry in close cooperation with Shinkin Securities Co., Ltd., another subsidiary of the SCB. The company also serves its customers' secondary market-trading needs, and provides any market information required.

Support for overseas expansion of SMEs

• Alliances with local banks overseas

The SCB is forming business alliances with local banks overseas to enhance and strengthen its capability to support shinkin bank customers in the Asia region.

The SCB provides a wide range of support to shinkin bank customers who conduct business overseas such as by opening local bank accounts, and providing local currency denominated financing based on standby L/C.

The SCB further expanded its overseas network by forming alliances with the Banco Mercantil del Norte, S.A. in Mexico, its first alliance outside the Asian region, in January 2017 and with BDO Unibank, Inc. in Philippines in March 2017.

In addition, the SCB seconded two employees to Bangkok Bank and one employee to

Maybank Indonesia and Joint Stock Commercial Bank for Investment and Development of Vietnam respectively.

• Providing Information

In addition to printed materials, such as the *International Business Support Office Monthly* and the *China Business Guidebook*, the SCB provides shinkin banks and their customers with up-to-date information in a variety of formats, including overseas investment seminars. From time to time we also provide investment climate survey reports that focus on Asia, and the latest information from our overseas networks.

• Overseas Business Consultations

Our officers with expertise in trade finance or direct investment in foreign countries provide advice about the foreign investment environment, local legal issues and market conditions to the customers of Shinkin banks who are running a business or planning to start a business abroad.

In addition, we also provide individual consultation to customers about business operations abroad, helping to resolve unique problems in other countries.

Expansion into Asia by Shinkin Bank Customers



Source: Eleventh Survey on the Overseas Business of Shinkin Bank Customers (2015)

Business Overview

Earnings Performance

Looking at the financial results for fiscal 2016 overall, operating income amounted to ¥284 billion (\$2,531 million), up ¥14 billion (\$128 million), or 5.3%, year on year. The increase mainly reflected an increase in gains on sales of bonds associated with the sell-offs of hedged securities, which outweighed a decline in interest income due to a decline in interest rates. Meanwhile, operating expenses came to ¥235 billion (\$2,100 million), up ¥22 billion (\$196 million), or 10.3%, year on year, mainly reflecting an increase in financial derivative expenses associated with the unwinding of hedge transactions, which was partially offset by a decline in fund procurement expenses following the decline in interest rates.

As a result, ordinary income came to ¥48 billion (\$430 million), a decline of ¥7 billion (\$68 million), or 13.6%, year on year. However, net income was mainly flat year on year at ¥41 billion (\$368 million), reflecting a decline in income taxes.

Funding

In fiscal 2016 (ended March 31, 2017), the total amount of funding increased ¥2,505 billion (\$22,334 million) year on year, for a total of ¥35,148 billion (\$313,298 million). Of this figure, deposits received came to ¥29,176 billion (\$260,059 million), an increase of ¥1,939 billion (\$17,286 million), which mainly comprised fixed-term deposits from shinkin banks.

After deducting redemptions, debentures at the end of fiscal 2016 came to ¥2,952 billion (\$26,320 million), down ¥102 billion (\$914 million) during the fiscal year, including ¥476 billion (\$4,248 million) in debentures issued by the SCB.

Borrowed money amounted to ¥3,019 billion (\$26,918 million), a year-on-year increase of ¥669 billion (\$5,963 million), mainly comprising borrowings under a funding provision to support increased lending by the Bank of Japan and foreign currency denominated repurchase transactions.

Asset Management

The amount of assets under management in fiscal 2016 increased ¥1,982 billion (\$17,672 million), or 5.7%, to ¥36,636 billion (\$326,555 million).

Mainly due to lower government bond holdings, outstanding invested securities decreased ¥634 billion (\$5,656 million), or 3.5%, to ¥17,204 billion (\$153,353 million) at fiscal year end.

As a result chiefly of an increase in loans to business corporations and national and government agencies and organizations, loans and bills discounted increased ¥1,231 billion (\$10,977 million), or 18.2%, during the year under review to ¥7,995 billion (\$71,266 million).

The outstanding amount of short-term money market assets rose ¥1,493 billion (\$13,314 million) year on year, or 15.3%, to ¥11,230 billion (\$100,101 million). This primarily reflects Bank of Japan current deposit increases.

Securities

As of March 31, 2017, the outstanding amount of securities was ¥17,204 billion (\$153,353 million).

Government bonds, corporate bonds, and other domestic securities accounted for ¥12,058 billion (\$107,481 million), and foreign securities for ¥4,173 billion (\$37,197 million).

In terms of foreign securities, the SCB mainly invests in safe assets, which include government-secured financial institution bonds and government-agency bonds in major developed countries.

To advance its diversified investment portfolio, the SCB also invests in such risk assets as stocks and investment trust funds not subject to interest risk, while optimizing its portfolio in response to shifts in the financing and investment environment.

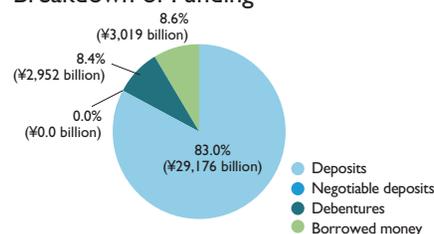
The SCB also carries out interest rate swaps and other derivative trading, to hedge risks linked to assets under management.

Loans and Bills Discounted

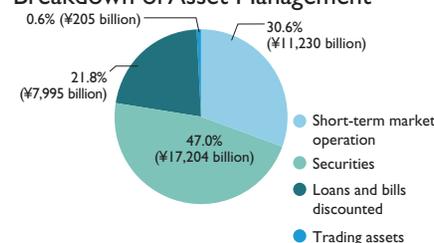
The SCB conducts a variety of loan-related business. As of March 31, 2017, the outstanding amount of loans and bills discounted was ¥7,995 billion (\$71,266 million). Of the total amount, loans to shinkin bank customers through those banks accounted for ¥257 billion (\$2,298 million), while direct loans to such parties as national and government agencies and organizations, regional public corporations, and charitable organizations accounted

for ¥4,696 billion (\$41,863 million). Direct loans to business corporations accounted for ¥2,392 billion (\$21,323 million).

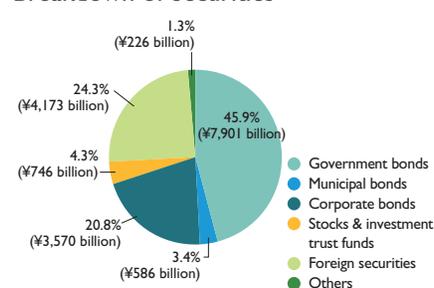
Breakdown of Funding*



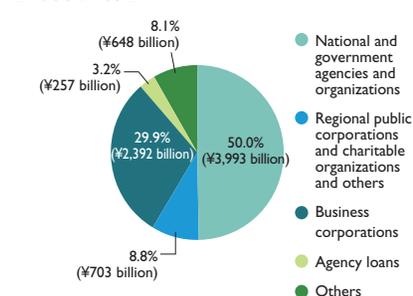
Breakdown of Asset Management*



Breakdown of Securities*



Breakdown of Loans and Bills Discounted*



* As of March 31, 2017.

Ordinary Income and Net Income (Non-consolidated)

(Millions of yen)

	FY2012	FY2013	FY2014	FY2015	FY2016
Ordinary income (loss)	41,163	48,651	81,198	55,971	48,342
Net income (loss)	32,024	35,396	60,817	40,875	41,383

Capital Adequacy

Outline

The SCB's equity capital, as defined under regulations concerning capital adequacy ratio, mainly comprises common shares from member shinkin banks, public issues of preferred shares that supplement common shares, and internal reserves accumulated to date by the SCB.

The SCB raises funds through the issuance of general common shares and specific common shares. The dividend payout ratio for specific common shares differs from that for general common shares.

Furthermore, in accordance with the SCB's articles of incorporation, the amount of residual assets distributed per specific common share is limited to a maximum of ¥100,000 per share. This makes it possible to raise funds by issuing common shares without diluting the residual assets distributed to preferred shareholders.

According to transitional measures based on new Japanese domestic standards for regulations concerning capital adequacy ratio, equity capital also includes fixed-period and perpetual subordinated loans.

Enhancing Capital Adequacy

Recognizing that increasing equity capital is the most important way to secure the sound management of financial institutions, the SCB has raised capital in phases, while accumulating internal reserves.

Raising Capital

In order to improve and enhance its financial position in preparation for possible changes in the regulatory framework, the SCB raised ¥200 billion (\$1,782 million) in specific common shares from the shinkin bank industry, with September 30, 2015 as the payment date.

Therefore, there is no dilution in the distribution of residual assets for the preferred shareholders.

* If the capital increase by general common shares is determined, instead by specific common shares, a dilution will be caused in the distribution of residual assets for preferred shareholders. In this case, there is no change in the normal policy to conduct anti-dilution measures.

Consolidated Capital Adequacy Ratio

The SCB's consolidated capital adequacy ratio at March 31, 2017, was 37.03%.

Equity capital, the numerator for calculating the capital adequacy ratio, amounted to ¥1,764 billion (\$15,729 million).

Risk assets, the denominator for calculating the capital adequacy ratio, amounted to ¥4,765 billion (\$42,476 million).

Risk Management and Capital Adequacy Assessment

The SCB has implemented policies to manage its capital adequacy as part of its integrated risk management. The capital assessment division evaluates capital adequacy using a holistic approach, measuring various types of risks under uniform criteria and comparing quantified risks with the SCB's capital.

In order to assess the potential impacts of shock on its capital, the SCB conducts stress testing to estimate losses under various scenarios and the probability of their occurrence.

Risk limits and risk exposure are reported to senior management at the Risk Management Committee and at other meetings. The Risk Management Committee deliberates measures in response to the results of capital adequacy assessments, and implements measures as deemed necessary.

Capital Adequacy Ratio (Domestic Standard*)

(%, billions of yen)

		FY2012	FY2013	FY2014	FY2015	FY2016
Consolidated	Capital adequacy ratio	33.57	37.86	36.40	41.10	37.03
	Amount of capital	1,422	1,692	1,656	1,824	1,764
	Amount of risk-weighted assets	4,236	4,469	4,551	4,439	4,765
Non-consolidated	Capital adequacy ratio	33.42	37.84	36.46	42.38	38.28

* Figures for FY2012 are based on the previous standard; figures for FY2013 to FY2016 are based on the new standard.

Asset Quality

Risk-Monitored Loans

The amount of risk-monitored loans as of the end of March 2017 was ¥106 million (\$0.9 million) for loans to bankrupt borrowers, ¥10,954 million (\$97 million) for delinquent loans, ¥9 million (\$0.0 million) for loans past due three months or more, and ¥30,672

million (\$273 million) for restructured loans.

Total risk-monitored loans increased ¥5,153 million (\$45 million) to ¥41,743 million (\$372 million) during the fiscal year.

The ratio of total risk-monitored loans to total loans remained as low at 0.52%, and the

soundness of the SCB's loan assets remained high.

Risk-monitored Loans (Non-consolidated)

(%, millions of yen)

	End of March 2016	End of March 2017	Increase or Decrease
Loans to bankrupt borrowers	135	106	(29)
Delinquent loans	5,517	10,954	5,437
Loans past due three months or more	24	9	(15)
Restructured loans	30,912	30,672	(240)
Total risk-monitored loans (A)	36,590	41,743	5,153
Partial direct write-offs	310	204	(106)
Total loans (B)	6,763,822	7,995,390	1,231,568
Ratio of total risk-monitored loans to total loans (%) (A/B)	0.54	0.52	(0.02)

Risk-monitored Loans (Consolidated)

(%, millions of yen)

	End of March 2016	End of March 2017	Increase or Decrease
Loans to bankrupt borrowers	135	106	(29)
Delinquent loans	5,517	10,954	5,437
Loans past due three months or more	24	9	(15)
Restructured loans	30,912	30,672	(240)
Total risk-monitored loans (A)	36,590	41,743	5,153
Partial direct write-offs	310	204	(106)
Total loans (B)	6,763,824	7,995,391	1,231,567
Ratio of total risk-monitored loans to total loans (%) (A/B)	0.54	0.52	(0.02)

Asset Assessment under the Financial Reconstruction Law

As of the end of March 2017, bankrupt and quasi-bankrupt assets amounted to ¥204 million (\$1 million), doubtful assets ¥10,857 million (\$96 million), and substandard assets ¥30,682 million (\$273 million).

Accordingly, the total amount of bad debts under the Financial Reconstruction Law increased ¥5,153 million (\$45 million) to ¥41,743 million (\$372 million).

The coverage ratio of bad debts (the total of claims deemed collectible with collateral and guarantees and the allowance for possible loan losses divided by total bad debts) was 72.78%.

Bankrupt and quasi-bankrupt assets are recorded for the remaining amount after deducting the amounts deemed collectible with collateral and guarantees, while doubtful assets are recorded for the loss-expected amount of

the remaining amount after similarly deducting the amounts deemed collectible with collateral and guarantees, respectively, in the specific allowance for possible loan losses.

For substandard assets, the anticipated loss ratio is calculated based on the loan loss ratio and recorded in the general allowance for doubtful accounts.

Asset Assessment under the Financial Reconstruction Law (Non-consolidated)

(%, millions of yen)

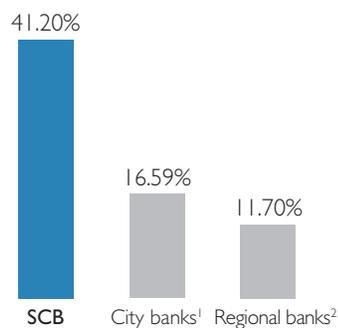
	End of March 2016	End of March 2017	Increase or Decrease
Bankrupt and quasi-bankrupt assets	253	204	(49)
Doubtful assets	5,399	10,857	5,458
Substandard assets	30,936	30,682	(254)
Total claims under the Financial Reconstruction Law (FRL) (A)	36,590	41,743	5,153
Normal claims	6,832,763	8,060,144	1,227,381
Partial direct write-offs	310	204	(106)
Total loans (B)	6,869,354	8,101,888	1,232,534
Ratio of total claims under the FRL to total loans (%) (A/B)	0.53	0.51	(0.02)
Total coverage amounts on disclosed claims under the FRL (C)	25,151	30,383	5,232
Coverage ratio (%) (C/A)	68.73	72.78	4.05

Important Management Indices

As the central financial institution for shinkin banks, the SCB strives to attain and maintain sound management.

Consolidated capital Adequacy Ratio (%)

(As of September 30, 2016)



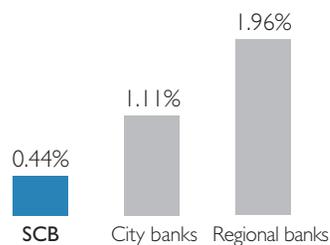
37.03%

(As of March 31, 2017)

Notes: 1. Average of 5 city banks
2. Average of 64 regional banks
Source: Bank disclosure documents

Nonperforming Loan Ratio (%)

(As of September 30, 2016)



0.52%

(As of March 31, 2017)

Note: NPL ratio = total risk-monitored loans/total loans.
Source: Japanese Bankers Association

Long-term Credit Rating

(As of July 31, 2017)

Moody's	S&P	R&I	JCR
A1	A	A ⁺	AA

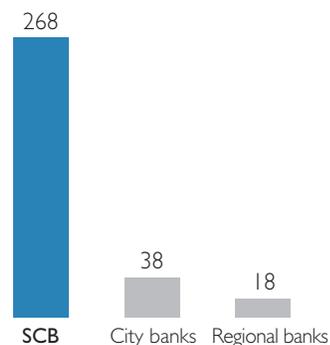
Note: Symbols indicating credit rating are assigned by each rating agency.

The SCB promotes streamlining of management through ongoing sweeping restructuring.

Funds per Employee

(As of September 30, 2016)

(Millions of US dollars)



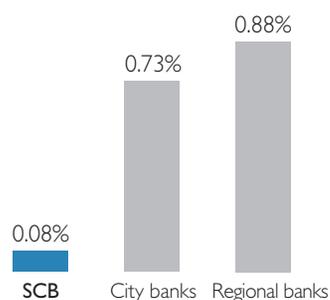
\$237 million

(As of March 31, 2017)

Notes: 1. Total funds = deposits + CDs + debentures
2. US dollar amounts are converted for convenience only, at ¥101.05 and ¥112.19 per US\$1.00, the prevailing rate on September 30, 2016 and March 31, 2017, respectively.
Source: Japanese Bankers Association

Ratio of Expenses (%)

(As of September 30, 2016)



0.08%

(As of March 31, 2017)

Note: Ratio of expenses = total expenses / (deposits + CDs + debentures) average outstanding balance
Source: Japanese Bankers Association

Corporate Governance

The SCB strives to maintain fairness and transparency in its management by fortifying our corporate governance system as we implement various operational strategies. The SCB's goal is to gain the trust of all our stakeholders by demonstrating the strong commitment to establishing a rigorous corporate governance system and to becoming an ever more distinguished financial institution well respected in society.

Institutional Structure

General Assembly of Representatives

The SCB is a cooperative financial institution comprising 264 shinkin banks nationwide (as of March 31, 2017) that are its members and investors. The General Assembly of Representatives, equivalent to the general meeting of shareholders in a joint-stock company, is held annually to elect directors and resolve important issues.

Board of Directors

The SCB's Board of Directors, comparable to the Board of Directors in a joint-stock company, holds regular meetings nine times per year, and makes decisions regarding important business matters.

The Board of Directors includes 13 full-time directors, and 18 part-time directors. In accordance with Article 32, paragraph 4 of the Shinkin Bank Act, the SCB's Articles of Incorporation stipulate that more than half the total number of board members must be executive officers of shinkin banks. As such, part-time directors are selected from among the presidents or board chairs of shinkin banks from each region in Japan. There are no board members corresponding to the outside directors as defined by the Companies Act.

The SCB is confident that the appropriate check on management provided by the part-time directors ensures that supervision and safeguard functions are in place and have a high degree of objectivity and transparency in business operations.

Corporate Auditors

The SCB's corporate auditors, comparable to the corporate auditors of a joint-stock company, audit the execution of duties by the directors.

The SCB appoints one full-time corporate auditor and two part-time corporate auditors from among the presidents and board chairs of shinkin banks, and two part-time corporate auditors who are not executives of the SCB or shinkin banks (non-member corporate auditors), equivalent to outside corporate auditors as defined by the Companies Act. Non-member corporate auditors are appointed from among persons who meet the requirements stipulated in Article 32, paragraph 5 of the Shinkin Bank Act. There are no stipulations of standards or guidelines regarding independence for the appointment of non-

member corporate auditors. The SCB is confident that non-member corporate auditors are able to utilize their professional knowledge and experience to conduct audits from an independent perspective.

One of the non-member corporate auditors is a certified accountant with a wealth of knowledge and experience regarding finance and accounting.

There are no particularly notable conflicts of interest between the SCB and non-member corporate auditors.

General Meeting for Preferred Shares

A general meeting for preferred shareholders may be held to protect their property rights under the Law Concerning Preferred Shares of Cooperative Financial Institutions.

Part-time Directors and Corporate Auditors

The General Affairs Division provides information and other support for part-time directors, and the staff members exclusively assisting corporate auditors under their direction provide the same for part-time corporate auditors, in order to facilitate the timely and appropriate execution of duties by part-time directors and corporate auditors.

Checks on Business Operations

Execution of Business Operations

At the SCB, the Board of Directors makes decisions on important business operations. Based on those decisions, the president presides over the SCB's business operations and the Deputy president and other full-time directors assist the president.

In addition, the SCB has established the Executive Committee to deliberate and make decisions on important managerial matters, including ones to be resolved by the Board of Directors and those to be reported to the Board of Directors.

The SCB has also established various committees of the Executive Committee to facilitate robust discussions on all aspects of its business operations. To ensure that deliberations and decisions are carried out on a cross-organizational basis, each committee comprises several directors and general managers of divisions.

Supervision and Checks

At the SCB, the Board of Directors supervises the execution of business by the directors. More than half of the Board of Directors are executive officers of shinkin banks, thereby ensuring that the Board of Directors fulfills its checking functions.

Audits

To facilitate audits of the directors' execution of duties, the corporate auditors at the SCB attend Board of Directors' and other important meetings. The corporate auditors also receive reports from directors regarding their execution of duties, and inspect the

minutes of the Executive Committee and other important documents. In addition, the corporate auditors hold regular meetings with independent corporate auditors to exchange opinions and information.

Dedicated staff members are assigned to assist the corporate auditors to ensure that directions are given efficiently, and to help them perform their duties in a timely and appropriate manner.

Internal Audit System

The SCB is building an internal audit system that aims to realize efficient and effective business operations by utilizing the Internal Audit Division that is independent from operational divisions and branches. The Internal Audit Division examines and assesses the legal and regulatory compliance status, risk management status, and operations management status, of each division, branch, and affiliated company of the SCB, to make sure that they are functioning appropriately and effectively. When deemed necessary, the Internal Audit Division issues guidance so that corrective measures may be undertaken.

In addition, each division and branch is required to carry out its own internal inspections for the prevention and early detection of administrative errors.

Use of Outside Specialists

The SCB has appointed Ernst & Young Shin-Nihon LLC as its corporate auditor.

The SCB utilizes the expertise of outside specialists, including independent auditors, attorneys, and tax accountants. To effectively handle more sophisticated and diversified operational requirements, the SCB consults with, and receives advice from, such specialists on a regular basis and as the need arises.

Appropriate Information Disclosure

The SCB's preferred shares are listed on the Tokyo Stock Exchange. The SCB strives to maintain appropriate disclosure of corporate information, pursuant to the Financial Instruments and Exchange Law, other related laws, and the Securities Listing Regulations of the Tokyo Stock Exchange. The SCB also strives to maintain transparency in its management through appropriate disclosure.

Improving Internal Control Systems

The SCB regards compliance as the basic premise of all business activities. The SCB continues to strengthen and operate internal control systems, based on a policy of maintaining reliable financial reporting, managing risks flexibly and effectively in response to those characteristics, and implementing internal audits by utilizing the Internal Audit Division, which is independent from the operational divisions and branches.

Strengthening the Compliance System

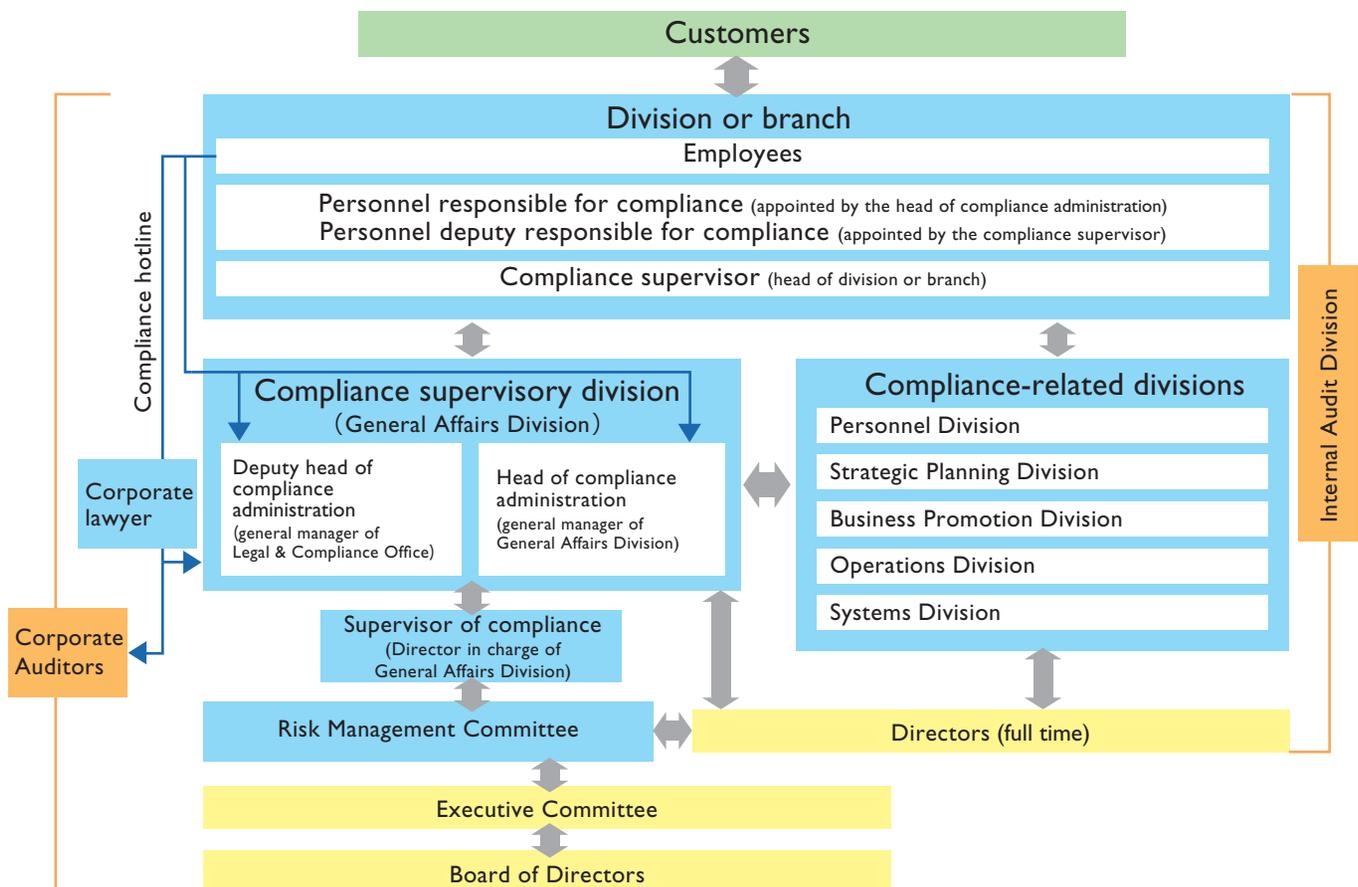
The SCB views compliance as one of the highest-priority management agendas. In line with this stance, the SCB is carrying out the measures outlined below as it strives to further strengthen its compliance system.

Compliance System

1. The SCB has formulated the Shinkin Central Bank Code of Ethics, which stipulates the ethical rules and behavior standards that must be upheld by all SCB directors and employees.
2. In order to improve customer protection and satisfaction, the SCB formulates Customer Protection Control Policy.
3. The SCB formulates an annual Compliance Program, which lays out its specific compliance plan for each fiscal year.
4. To clarify the rules to be followed by directors and employees, the SCB has compiled a Compliance Manual as a practical compliance handbook.
5. A compliance supervisory division and compliance-related divisions have been set up, and their respective roles clarified. A compliance supervisor and deputy, both responsible for compliance, are appointed to each division and branch of the SCB.
6. In order to deliberate compliance issues, customer protection issues, and serious accidents, the SCB has established the Risk Management Committee.
7. In addition to conducting regular lectures and training seminars for directors and employees, each division and branch also carries out its own training programs as part of the SCB's efforts to strengthen compliance education.
8. The audit items used by the Internal Audit Division include compliance-related items, and internal audits include investigation of whether the compliance system is functioning adequately.
9. In cases of compliance violation, reports from the heads of the divisions or branches concerned are promptly called for, and appropriate actions are taken to prevent a recurrence.
10. The SCB operates a hotline to facilitate reporting of compliance breaches by directors and employees. The SCB also has in place strict measures to protect whistle-blowers.
11. Pursuant to the Law on Sales of Financial Products, the SCB has formulated and made public its Financial Products Solicitation Policy. To ensure that solicitation is carried out fairly, important points regarding a product must be explained to the customer at the time of sale.
12. Pursuant to the Law on Protection of Personal Information, the SCB has published its Personal Information Protection Policy on its internet website. The SCB takes necessary and appropriate safety measures to protect personal information.
13. In addition to publishing its Outline for Managing Conflicts of Interest on its internet website, pursuant to the Shinkin Bank Act and the Financial Instruments and Exchange Law, the SCB is taking appropriate management steps to ensure that customers' interests are not wrongfully violated.
14. Based on the financial Alternative Dispute Resolution (ADR) system, to respond expeditiously, fairly, and appropriately to customers' inquiries, complaints, disputes, and other issues, the SCB has overhauled its internal management system and is striving to enhance its reliability.

The SCB intends to review and update the content of its Compliance Manual and other policies on an ongoing basis. All SCB directors and employees are working to maintain strict compliance through coordination among related divisions, and by strengthening internal education programs.

Compliance System Overview



Risk Management

Learning from the experience of the financial crisis, the SCB is exhaustively implementing more highly detailed and thorough processes to manage risk by pursuing more sophisticated integrated, market, and credit risk management and other measures while also advancing predictor and interim management for credit control.

Basic Policy on Risk Management

In the wake of the global financial crisis, financial institutions face significant changes in economic and financial market conditions and other aspects of their operating environment. To respond promptly and appropriately to these changes, financial institutions require very finely tuned risk management.

The SCB has positioned risk management as a key management priority for ensuring sound management and securing adequate profits. All directors and employees conduct their daily duties with a full awareness of the importance of risk management.

The SCB classifies risk in two broad categories—risk that must be controlled and risk that must be absolutely minimized—and manages the risks accordingly. The types of risk that must be controlled are market, liquidity, and credit risks. The type of risk that must be minimized is operational risk. The Risk Management Division coordinates the management of different risks to provide comprehensive risk management.

The SCB has also established cross-organizational bodies—the Risk Management Committee, ALM Committee, and Credit Committee,—to manage risk from a Bank-wide perspective. These committees deliberate and

make decisions on specific issues relating to their respective risk management functions based on the policies determined by the Board of Directors and the Executive Committee.

To ensure the effectiveness of its risk management systems, the SCB has also established the Internal Audit Division—a body independent from its risk management systems—to monitor the SCB’s risk management activities.

Integrated Risk Management

To manage risk in a comprehensive manner, the SCB employs the integrated risk management method to cope with quantifiable risk.

Integrated risk management is a way to manage its diverse risks by calculating them with uniform criteria, such as the Value-at-Risk (VaR) method, and comparing their aggregated value to the institution’s overall financial strength (i.e., capital adequacy).

For market risk and credit risk, the SCB calculates the VaR. For the calculation of operational risk capital requirements, the SCB employs the basic indicator approach, proposed under regulations concerning capital adequacy ratios.

The SCB defines capital under its integrated risk management system and allocates quantitative risk limits, operation-

al risk and other types of risk.* Separately, the SCB estimates losses under various stress scenarios as part of its efforts to monitor potential impacts on capital.

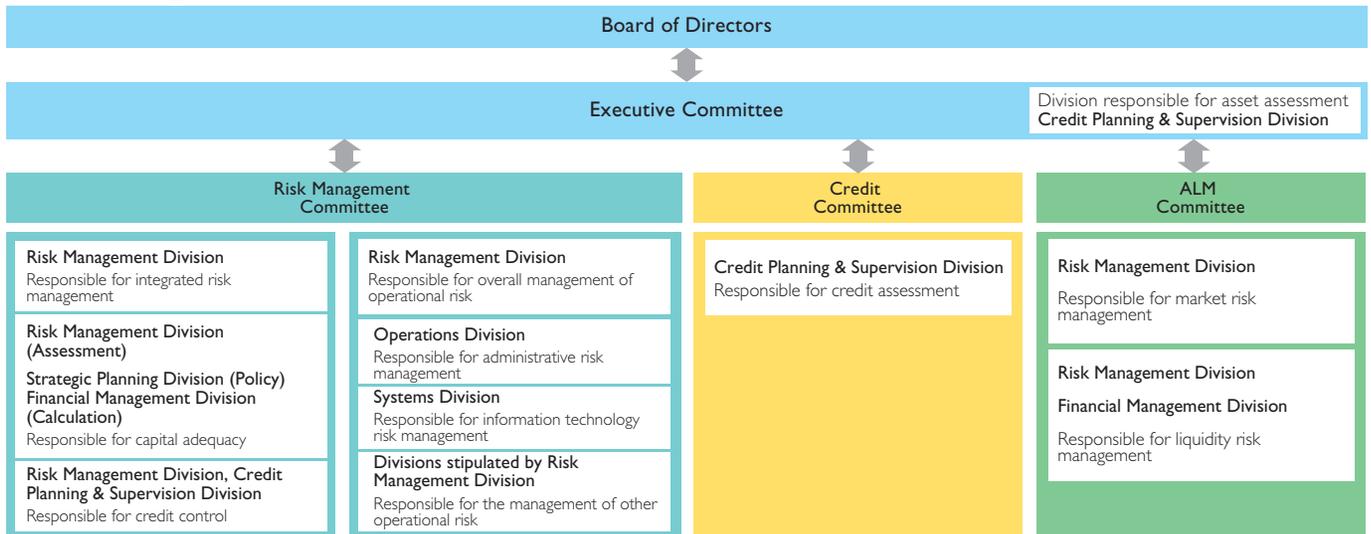
The quantitative risk limits and reserve amounts for each fiscal year are determined by the Executive Committee following deliberation by the Risk Management Committee. The Risk Management Division, which oversees integrated risk management, measures the amount of risk exposure both during and at the end of each month, to ensure that quantitative limits for each type of risk are not exceeded. The Risk Management Division provides reports on risk status to senior management and related divisions through the Risk Management Committee.

*With regard to subsidiaries within the SCB’s scope of consolidation, the SCB monitors risk exposure at each subsidiary and allocates capital commensurate with the amount of risk. These allocations enable subsidiaries to take risks.

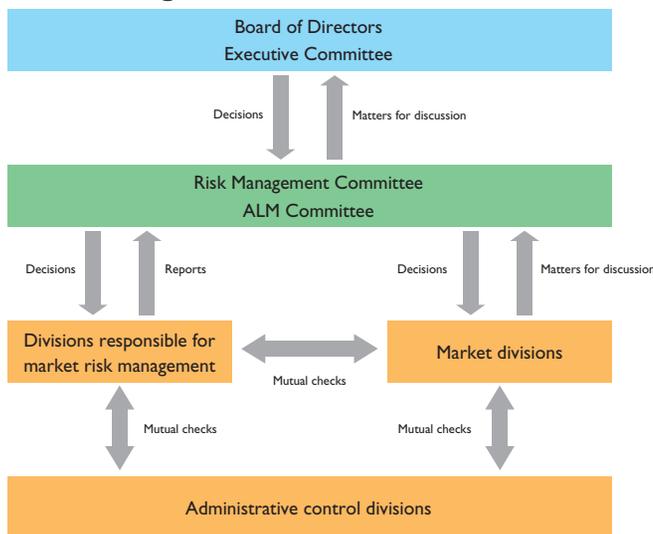
Risk Categories

Category		Description
Must be controlled	Market risk	Market risk is the risk of loss resulting from fluctuations in asset or liability values (including off-balance-sheet items), due to changes in such market risk factors as interest rates, stock prices, and exchange rates. This includes the risk of loss due to changes in earnings generated by assets and liabilities.
	Liquidity risk	Liquidity risk is the risk that a financial institution will be unable to generate sufficient cash inflow to meet required cash outflows; and the risk of loss resulting from the unavoidable need to procure funds at much higher interest rates than normal (cash flow risk); and the risk that market transactions will become either impossible, or that transactions must be carried out at very unfavorable prices due to market disruptions (market liquidity risk).
	Credit risk	Credit risk is the risk of loss due to the partial or complete loss of asset value (including off-balance-sheet assets), owing to such factors as that a borrower or counterparty will fail to perform on an obligation.
Must be minimized	Operational risk	Operational risk is the risk of unexpected loss resulting from inadequacies in operational processes, breaches in internal controls, employee actions, or computer systems, as well as the risk of loss resulting from external events.
	Administrative risk	Administrative risk is the risk of loss resulting from administrative failures, accidents, or management or staff fraud.
	Information technology risk	Information technology risk is the risk of loss due to computer system failures, errors, or inadequacies, and the risk of loss due to the fraudulent use of computer systems.
	Other operational risk	Other operational risks are those, other than the ones mentioned above, that may be defined, as necessary, by the divisions responsible for the overall management of operational risk (excluding market, liquidity, and credit risks).

Risk Management System



Market Risk Management Framework



Market Risk Management

To maintain an accurate understanding of market risk and rigorously manage this risk, the SCB has issued a market risk management policy. Furthermore, divisions responsible for market risk management are clearly separated from divisions involved in market operations, providing a risk management structure in which internal checks are maintained through the independent functions.

The SCB has established the ALM Committee as the body responsible for deliberating and making decisions on matters relating to market risk management. The ALM Committee comprises senior management and heads of divisions related to market risk. Based on risk status information—obtained

via reports from divisions responsible for managing market risk and other sources—the ALM Committee deliberates widely and expeditiously on policy relating to fund-raising and management as well as proposed market transactions.

For banking operations and trading activities, the divisions responsible for managing market risk quantify and manage market risk by VaR within the limit set by the Executive Committee. In addition, market risk is further divided into several categories, with risk quantities monitored by category.

* Market risk includes interest rate risk and such equity-related risk as stock price fluctuation risk.

In addition, the SCB manages market risk by monitoring a wide range of measures

under various scenarios. These include the interest rate risk amount calculated using outlier standards; the possible stress loss during a period of very high market volatility; the basis-point-value (BPV) indicator, which measures the potential change in portfolio market value for fluctuation in interest rates.

The status of these risk management activities is reported to senior management at biweekly meetings of the ALM Committee.

Liquidity Risk Management

As the central financial institution for shinkin banks, the SCB maintains a rigorous system for managing liquidity risk to respond to the needs of shinkin banks for daily working capital and emergency funds.

To maintain an accurate understanding of liquidity risk and rigorously manage this risk, the SCB has formulated a liquidity risk management policy. Divisions responsible for liquidity risk management are clearly separated from divisions involved in cash management and market operations, allowing internal checks to be maintained through the independent functions. In addition, the ALM Committee deliberates and makes decisions on matters relating to liquidity risk management.

Methods used for managing liquidity risk include the daily setting and monitoring of risk limit amounts relating to the gap between cash receipts and payments. This is carried out for individual currencies and periods. In the event that a significant liquidity risk arises, the SCB is prepared to respond rapidly, and even secure funding sources.

Credit Risk* Management

To maintain an accurate understanding of credit risk and rigorously manage this risk, the SCB has formulated a credit risk management policy. Furthermore, the SCB has formulated a Credit Policy, which sets out the SCB's fundamental philosophy. The SCB requires strict adherence to the Credit Policy on the part of all directors and employees involved in credit operations. The SCB conducts ongoing internal communications emphasizing the importance of sound ethics in all behavior and decision making.

At the SCB, divisions responsible for credit control, credit assessment and asset assessment are clearly separated from divisions involved in client services. In this way, we are building a structure in which internal checks are maintained through the independent functions given to each part of the system.

The SCB has established the Credit Committee and the Risk Management Committee as the bodies responsible for deliberating and making decisions on matters relating to credit risk management. The Credit Committee and the Risk Management Committee comprise senior management and the general managers of related divisions. The Credit Committee deliberates on credit transactions that exceed a designated amount, and the Risk Management Committee deliberates broadly and thoroughly matters relating to credit risk management. The Executive Committee deliberates, and makes decisions regarding, the results of self-assessment of assets and matters relating to self-assessment of asset write-offs and asset reserve provisions.

Divisions responsible for credit control manage the credit risk for each borrower relating to loans and market trading activities. An overall credit limit is set for each borrower according to their credit rating.

Credit ratings are based on quantitative criteria, set by evaluating the borrower's financial statements, and qualitative criteria, set by evaluating the borrower's competitive strength in the particular industry within which it operates. Based on these assessments of credit strength, each borrower is given a credit rating on the SCB's 10-step scale. The credit ratings given to borrowers are reviewed regularly, and flexibly revised as necessary.

Divisions responsible for credit control analyze the SCB's overall credit portfolio according to credit rating, industry, country, and other criteria. These analyses are used to monitor the diversification of credit risk as well as changes in portfolio credit risk.

Furthermore, credit risk is quantified and managed within the risk limit set by the Executive Committee.

The credit risk amount is measured using VaR as well as the Monte Carlo simulation method.

The Credit Planning & Supervision Division—responsible for credit assessment—accurately monitors each borrower's financial condition, the purposes for which funds are used, and repayment resources. In addition to appropriate assessment and post-transaction management, the Credit Planning & Supervision Division continually inspects whether the client service division is conducting appropriate credit controls, and provides guidance as necessary. In the event that there should be any problem on the borrower's side, the Credit Planning & Supervision Division expeditiously assesses the borrower's management situation and provides supervision. Where necessary, action is taken to recover the loan.

The Credit Planning & Supervision Division is also responsible for asset assessment. The division undertakes and manages operations relating to asset self-assessments, and the calculation of asset write-offs and asset reserve provisions.

* Credit risk includes such risk as counterparty risk for derivative transactions and securitization transaction risk.

Operational Risk Management

To provide comprehensive management of operational risk, the SCB has issued a policy that governs operational risk management. In addition, the SCB has separate policies to manage two major types of operational risk: administrative and information technology risk. The Risk Management Division is responsible for overall operational risk management, the Operations Division oversees administrative risk management, and the Systems Division is responsible for information technology risk management. The SCB may also create new divisions to cope with other types of operational risk as the need arises. With this structure, the SCB comprehensively manages operational risk.

The SCB has established the Risk Management Committee to deliberate and make decisions on matters relating to operational risk management. The Risk Management Committee, comprising senior management and heads of related divisions, deliberates and makes decisions on comprehensive methods for managing operational risk, including administrative risk and systems risk.

To calculate its operational risk capital

requirements, the SCB uses the basic indicator approach proposed under regulations concerning capital adequacy ratios.

Administrative Risk Management

The Operations Division oversees administrative risk management and administrative instruction. In addition to developing and maintaining the administrative processing system and administrative rules, and undertaking reviews of administrative procedures, the Operations Division conducts administrative instruction programs for divisions involved in administrative processing. With this system, the SCB appropriately manages administrative risk.

Furthermore, the SCB is undertaking a range of measures to ensure accurate and efficient administrative processing. These include the systemization of administrative processing, the provision of various training programs, including programs, to encourage staff to submit proposals to improve operating processes at all branches. The SCB also controls the entire process of administrative risk management, from the identification of risk to the implementation of corrective measures.

Information Technology Risk Management

The Systems Division takes charge of information technology risk management. It provides control and guidance to divisions involved in system development, operation, and utilization.

Recognizing that cyber attacks are becoming increasingly sophisticated and ingenious, the division is stepping up measures to reinforce its cybersecurity, including the establishment of the Shinkin Central Bank Computer Security Incident Response Team.

In the event of a system failure that seriously affects the execution of business operations, an SCB-wide response is triggered based on crisis management procedures (contingency planning). In addition to periodically conducting crisis response drills, based on system failure crisis scenarios, the SCB also has in place a Disaster Recovery System and other precautions based on the Business Continuity Plan.

Corporate Social Responsibility Activities

The SCB aims to be a financial institution highly valued throughout society. To this end, it consistently strives to conduct its duties according to management philosophy. Thus, as the central bank for all shinkin banks, the SCB supports the growth of the shinkin bank industry thereby contributing to nationwide economic development.

The SCB's duties include assisting shinkin banks with regional and SME financing for the purpose of revitalizing regional economies, as well as maintaining and improving the credibility of the shinkin bank industry in order to ensure its continued growth.

The SCB believes that it should fulfill its corporate social responsibility, play a leading role as the central bank for shinkin banks, and put into practice its management philosophy.

Regional Financial Institution

Since the SCB's funds are principally deposits received from many local shinkin banks, we believe it appropriate that they be used for the social and economic development of local communities.

To this end, the SCB is working on making available direct loans for local public agencies and business entities.

Further, in collaboration with shinkin banks, the SCB contributes to the development and revitalization of local economies by providing support for syndicated loans, private finance initiatives, and SMEs according to their life stage, as well as conducting regional industry research and local contributions.

Provision of Financial Products

Socially Responsible Investing (SRI) and Environment, Social and Governance (ESG) Fund
Shinkin Asset Management Co., Ltd., a wholly owned SCB subsidiary, offers the Shinkin SRI Fund, which focuses on the social responsibility of companies and investments.

SRI is based on the philosophy that "companies with the best potential for steady growth are those that maintain sustainable economic growth by fulfilling their corporate social responsibilities." Consequently, SRI backs investment on the basis of research and analysis carried out from a broad range of perspectives, including financial, environmental, social, and ethical considerations.

Shinkin Asset Management began managing the Shinkin ESG Special Fund. Limited to qualified institutional investors, the fund provides a source of information for making investment decisions based on non-financial factors, namely environmental performance, social contribution, and good governance.

Community and Environmental

As part of its efforts to contribute to local communities, the SCB sponsors Metrolink Nihonbashi, to realize human- and environment-friendly transportation in the Tokyo metropolitan government's urban planning vision.

Metrolink Nihonbashi uses low-emission, low-noise electric buses that provide a high degree of accessibility through a low-floor design. The buses serve a circular route that runs through Nihonbashi and Yaesu, near the SCB's head office, providing shoppers and people working in the area with a transportation option that is convenient and free of charge. This service aims to revitalize the local area by helping to improve the environment and by attracting shoppers and sightseers.

In addition, to promote the spread of music and the arts, and contribute to the advancement of culture in society, the SCB is a sponsor of the Tokyo Philharmonic Orchestra.

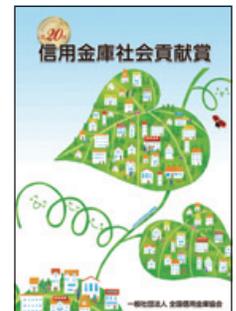


Metrolink Nihonbashi

Assisting Local Society

Shinkin banks are born of their communities, and develop together with them. The "Shinkin Bank Social Contribution Award" was created in 1997 to help publicize the shinkin bank industry's dedication to community and social contributions in a wide range of fields, and to further enhance the value of shinkin banks in the community.

The "20th Shinkin Bank Social Contribution Award" elicited submissions for 593 social contribution initiatives in a wide range of areas, from 166 shinkin banks and three related organizations, between October 2016 and December 2016. Activities were evaluated on the basis of continuity, social significance, integrity with the community, and impact on the local society. Awards were presented for activities at six shinkin banks, with individual prizes awarded to three people, as good examples for shinkin bank employees to emulate.



Shinkin Bank Social Contribution Award

What Are Shinkin Banks?

Shinkin banks are cooperative financial institutions. Their membership comprises local residents and small and medium-sized enterprises. Shinkin banks' distinctive characteristics are that they are conveniently located; offer fine-tuned, personalized services; and have a strong relationship of mutual trust with their customers and communities.

Cooperative financial institutions are organizations that operate under the fundamental principle of mutual support.

Shinkin banks limit their lending, in principle, to members. However, their functions are almost the same as those of commercial banks, and they also deal with many people who are not members, accepting deposits, providing exchange services, accepting payments, including those for public utilities, and engaging in over-the-counter sales of public bonds, investment trust funds, and insurance.

Shinkin banks not only provide deposit, lending and exchange services, but also offer a diverse range of services to customers and other members of the local community in such areas as support for management improvement and enterprise renewal, business succession support, business start-up support, and local-area revitalization.

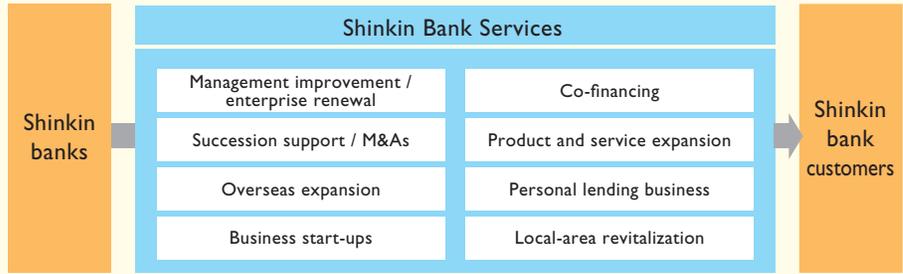
Outline of Shinkin Banks

Japan's 264 shinkin banks form an extensive network, with approximately 7,400 locations across the country, from Hokkaido in the north to Kyushu and Okinawa in the south.

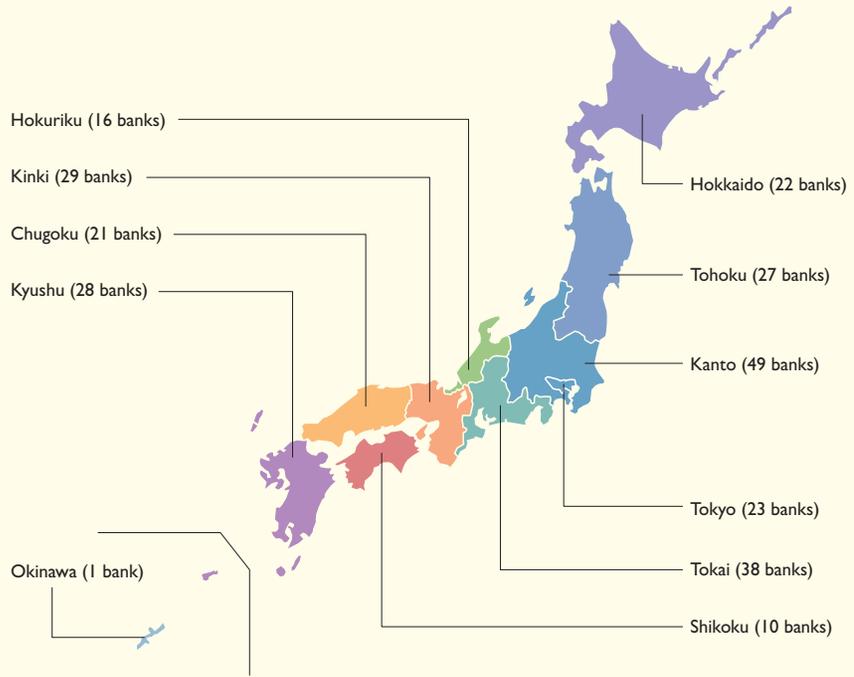
Shinkin banks dedicate themselves to providing high-quality services to local residents, as financial institutions that are deeply rooted in their respective regions, and contribute to regional development.

Total deposits outstanding at 264 shinkin banks as of March 31, 2017, reached approximately ¥137 trillion (\$1,229 billion), which ranks it in third place after Japan's city and regional banks, and gives shinkin banks an important position in Japanese financial markets.

Shinkin banks continue to further deepen their presence and roles as important infrastructure for regional economies and communities.



Nationwide Network of Shinkin Banks (264 banks)



Deposits¹ Outstanding by Bank Segment (As of March 31, 2017)

(Billions of US dollars)

City Banks ²	\$3,036
Regional Banks ²	2,257
Shinkin Banks	1,229
Agricultural Cooperatives	877
Second-tier Regional Banks ²	586
Credit Cooperatives	177
Labor Credit Associations	171

Notes: 1. Deposit includes domestic operations.
2. City banks, regional banks and second-tier regional banks do not include the special international financial transactions account.

Sources: Japanese Bankers Association, the Norinchukin Bank, National Central Society of Credit Cooperatives, National Association of Labour Banks and the SCB.

Deposits Outstanding at Shinkin Banks

(Trillions of yen / billions of US dollars)

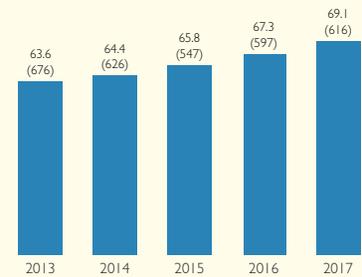


Note: Items in parentheses are US dollar amounts. They are given for convenience only, with conversion at ¥94.10, ¥102.94, ¥120.15, ¥112.69 and ¥112.19 per US\$1.00, the prevailing rate on March 31, 2013, 2014, 2015, 2016 and 2017, respectively.

Source: The SCB.

Loan and Bills Discounted Outstanding at Shinkin Banks

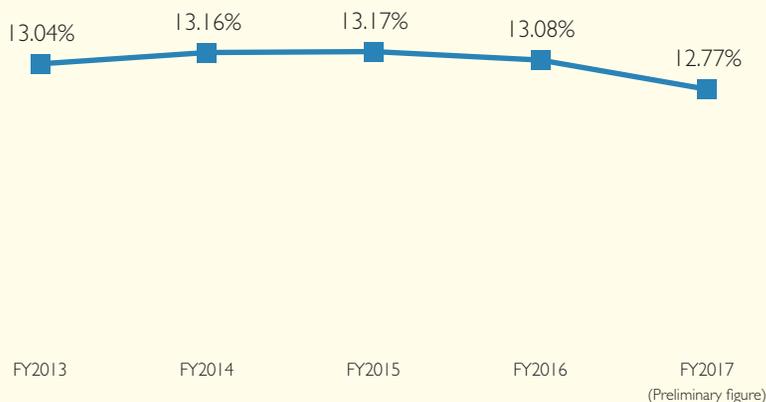
(Trillions of yen / billions of US dollars)



Note: Items in parentheses are US dollar amounts. They are given for convenience only, with conversion at ¥94.10, ¥102.94, ¥120.15, ¥112.69 and ¥112.19 per US\$1.00, the prevailing rate on March 31, 2013, 2014, 2015, 2016 and 2017, respectively.

Source: The SCB.

Capital Adequacy Ratio of Shinkin Banks

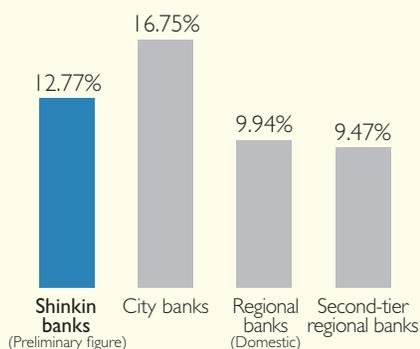


The capital adequacy ratio of shinkin banks as of March 31, 2017, decreased 0.31 percentage point over the previous fiscal period to 12.77% (preliminary figure).

The ratio maintains a level that is not inferior to that of other business categories, and is outperforming other domestic regional banks (9.94%) and second-tier regional banks (9.47%).

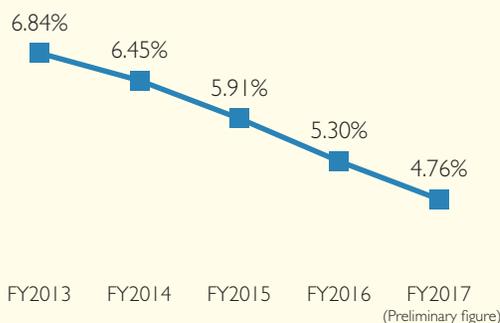
Source: The SCB.

Non-consolidated Capital Adequacy Ratio by Bank Segment (%) (as of March, 31, 2016)



Sources: Bank disclosure document, Regional Banks Association of Japan, The Second Association of Regional Banks.

Nonperforming-loan Ratio of Shinkin Banks (%)



Source: The SCB.

Difference between Shinkin Banks and Commercial Banks

Category	Shinkin Banks	Commercial Banks
Legal foundation	Shinkin Bank Act	Banking Act
Organization	Non-profit cooperative organization financed by its members	For-profit joint stock corporations
Membership qualifications	(1) Those who have an address or location in the region (2) Those who have a business office in the region (3) Those who work in the region (4) Executive officers of companies that have a business office in the region (In the case of businesses) Businesses with no more than 300 employees or with less than 900 million yen in capital	None

Preferred Shares

The SCB's Preferred Shares

The SCB issues preferred shares under the Law Concerning Preferred Shares of Cooperative Financial Institutions. The preferred shares, which are regulated by the Financial Instruments and Exchange Law, are issued to complement members' (shinkin banks') common shares and offered publicly to increase the net worth of cooperative financial institutions.

Although the preferred shares do not carry the voting rights that holders of common shares receive, the preferred shares have certain advantages over common shares, such as the guarantee of priority in the payment of dividends.

Listing of Preferred Shares

The SCB has issued preferred shares since fiscal 1995 and, for the first time in Japan, the preferred shares were listed on the Tokyo Stock Exchange on December 22, 2000 (Securities Identification Code 8421). The SCB's preferred shares are marketable securities that are very similar to preferred stocks, and, basically, the same listing criteria and disclosure rules apply to them.

Trading of Preferred Shares

Like listed stocks, the SCB's preferred shares can be traded anytime during Tokyo Stock Exchange trading hours through a securities company. Credit transactions are also possible for preferred shares, just as they are for stocks.

Dividends of Preferred Shares

The SCB's basic policy is to pay stable dividends while securing sound management, enhancing internal reserves, and boosting earnings power.

The SCB's preferred shares pay a dividend to the holders at the end of March of every fiscal year. As the rule of interim dividends is not provided in the Law Concerning Preferred Shares of Cooperative Financial Institutions, the SCB does not pay interim dividends.

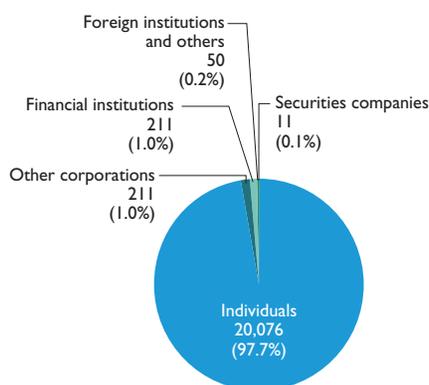
Dividends of preferred shares comprise preferred dividends and participating dividends. Preferred dividends are paid before any dividends are paid to common stock holders (shinkin banks). Participating dividends are paid from retained earnings after preferred dividends. They may vary depending on profits of the SCB.

The SCB's preferred shares are treated as stocks in the taxation system, and are given the same preferential treatment concerning tax as stocks.

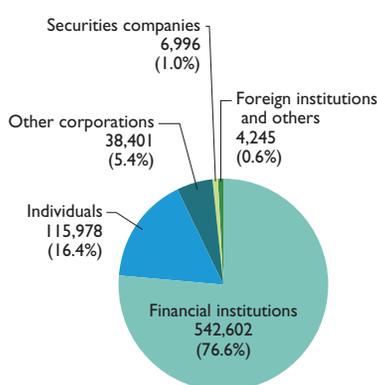
For fiscal 2016, the dividend for preferred shares was ¥6,500 (\$57) per share, which included a preferred dividend of ¥3,000 (\$26) and a participating dividend of ¥3,500 (\$31).

Composition of Preferred Shares (March 31, 2017)

• Number of Investors (20,559)



• Number of Subscription (708,222)



Price of Preferred Shares*

	(Closing price, yen)
First day of listing (December 22, 2000)	200,500
Highest price (March 15, 2006)	311,500
Lowest price (April 14, 2009)	102,400
Closing price (July 31, 2017)	233,000

* The price of preferred shares is split-adjusted, reflecting the stock split of preferred shares as at July 31, 2009.

Financial Section

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Five-Year Summary (Consolidated)

(Millions of yen)					
	FY2012	FY2013	FY2014	FY2015	FY2016
Total Income	408,917	308,171	307,894	302,154	319,307
Trust Fees	594	597	600	665	595
Total Expenses	367,469	255,548	223,028	242,097	266,503
Profit Attributable to Owners of Parent	32,862	37,612	62,696	42,781	43,871
Comprehensive Income	171,545	48,004	173,512	18,303	11,056
Net Assets	1,249,229	1,276,826	1,433,756	1,632,969	1,625,842
Total Assets	30,410,702	31,184,564	33,516,073	35,092,905	37,464,593
Net Assets per Share (yen)	263,016.93	268,795.17	301,997.98	301,512.71	299,542.84
Net Income per Share (yen)	6,528.60	7,537.36	12,865.13	7,115.71	6,223.20
Dividends	16,603	16,603	18,957	18,115	19,603
General Common Shares	12,000	12,000	14,000	12,000	12,000
Specific Common Shares	—	—	—	1,512	3,000
Preferred Shares	4,603	4,603	4,957	4,603	4,603
Total Trust Assets	2,305,491	2,180,138	2,096,294	2,181,287	1,859,161

Notes:

1. National and local consumption tax incurred by the Shinkin Central Bank and its domestic consolidated subsidiaries are excluded from transaction amounts.
2. In the fiscal year ended March 31, 2017 the Shinkin Central Bank started trust business; “Trust Fees” and “Total Trust Assets” have therefore been added to the above table.
3. “Total Trust Assets” is calculated by means of simple aggregation of the trust assets for each consolidated company conducting trust business pursuant to the “Act on Engagement in Trust Business Activities by Financial Institutions”. Consolidated companies conducting such trust business comprised only Shinkin Trust Bank, Ltd. until the fiscal year ended March 31, 2016, and in the fiscal year ended March 31, 2017 comprised the Shinkin Central Bank and Shinkin Trust Bank, Ltd.

Consolidated Balance Sheet

Shinkin Central Bank As of March 31,	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2017	2016	2017
Assets			
Cash and Due from Banks (Note 2 (2), 25)	10,611,955	9,113,465	94,589
Bills Bought and Call Loans (Note 25)	362,234	339,088	3,228
Receivables under Resale Agreements (Note 25)	19,999	14,999	178
Receivables under Securities Borrowing Transactions (Note 25)	86,206	120,541	768
Monetary Debts Purchased (Note 25)	180,477	177,689	1,608
Trading Assets (Note 3, 9, 25, 26)	232,088	274,153	2,068
Money Held in Trust (Note 25, 26)	-	72,826	-
Securities (Note 4, 7, 9, 25, 26)	17,164,425	17,808,601	152,994
Loans and Bills Discounted (Note 5, 6, 9, 25)	7,995,391	6,763,824	71,266
Foreign Exchanges Assets	20,514	13,800	182
Other Assets (Note 9)	488,622	106,115	4,355
Tangible Fixed Assets (Note 8, 14, 24)	73,899	74,342	658
Intangible Fixed Assets (Note 24)	14,843	16,596	132
Deferred Tax Assets (Note 22)	3,895	3,637	34
Customers' Liabilities for Acceptances and Guarantees	255,536	239,266	2,277
Reserve for Possible Loan Losses	(45,499)	(46,043)	(405)
Total Assets	37,464,593	35,092,905	333,938
Liabilities and Net Assets			
Liabilities			
Deposits (Note 25)	29,150,114	27,214,026	259,828
Debentures (Note 12, 25)	2,950,000	3,052,920	26,294
Trading Liabilities (Note 10, 25)	84,345	129,461	751
Borrowed Money (Note 9, 11, 25)	1,203,870	829,320	10,730
Bills Sold and Call Money (Note 25)	27,821	54,397	247
Payables under Repurchase Agreements (Note 9, 25)	188,402	63,804	1,679
Payables under Securities Lending Transactions (Note 9, 25)	1,606,958	1,414,550	14,323
Foreign Exchanges Liabilities	368	256	3
Borrowed Money from Trust Account	360	3,324	3
Other Liabilities (Note 13)	234,605	307,124	2,091
Reserve for Employee Bonuses	1,726	1,765	15
Reserve for Directors' Bonuses	83	80	0
Net Defined Benefit Liability (Note 23)	41,524	40,419	370
Reserve for Directors' Retirement Allowances	535	554	4
Reserve under Specific Law	1	1	0
Deferred Tax Liabilities (Note 22)	86,387	102,554	770
Deferred Tax Liabilities for Land Revaluation (Note 14)	6,109	6,109	54
Acceptances and Guarantees	255,536	239,266	2,277
Total Liabilities	35,838,750	33,459,936	319,446
Net Assets			
Common Shares and Preferred Shares (Note 21)	690,998	690,998	6,159
Capital Surplus	100,678	100,678	897
Retained Earnings	546,678	520,923	4,872
Total Shareholders' Equity	1,338,355	1,312,600	11,929
Net Unrealized Gains (Losses) on Other Securities (Note 22, 26)	348,931	477,944	3,110
Net Deferred Gains (Losses) on Hedging Instruments (Note 22, 27)	(72,705)	(168,850)	(648)
Land Revaluation Excess (Note 14)	13,455	13,455	119
Foreign Currency Translation Adjustments	(3,246)	(1,653)	(28)
Remeasurements of Defined Benefit Plans (Note 23)	(9,351)	(10,270)	(83)
Total Accumulated Other Comprehensive Income	277,083	310,625	2,469
Non-controlling interests	10,403	9,743	92
Total Net Assets	1,625,842	1,632,969	14,491
Total Liabilities and Net Assets	37,464,593	35,092,905	333,938

The accompanying notes are an integral part of these financial statements.

Consolidated Statement of Income

Shinkin Central Bank For the year ended March 31,	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2017	2016	2017
Income			
Interest Income:	201,637	204,873	1,797
Interest on Loans and Discounts	17,869	23,783	159
Interest on Due from Banks	8,448	9,532	75
Interest on Bills Bought and Call Loans	753	1,064	6
Interest on Receivables under Resale Agreements	0	20	0
Interest on Receivables under Securities Borrowing Transactions	148	75	1
Interest and Dividends on Securities	173,879	169,535	1,549
Others	538	860	4
Trust Fees	595	665	5
Fees and Commissions (Note 16)	42,685	39,897	380
Trading Income (Note 17)	5,260	12,555	46
Other Operating Income	59,028	37,559	526
Other Income (Note 18)	10,099	6,603	90
Total Income	319,307	302,154	2,846
Expenses			
Interest Expenses:	122,381	127,331	1,090
Interest on Deposits	39,689	44,591	353
Interest on Debentures	7,998	10,561	71
Interest on Borrowed Money	8,292	10,933	73
Interest on Bills Sold and Call Money	254	690	2
Interest on Payables under Repurchase Agreement	1,062	239	9
Interest on Payables under Securities Lending Transactions	9,267	4,478	82
Others	55,817	55,835	497
Fees and Commissions (Note 16)	14,784	14,249	131
Trading Losses	-	-	-
Other Operating Expenses	74,534	47,696	664
General and Administrative Expenses	52,043	48,611	463
Other Expenses (Note 19)	2,759	4,207	24
Total Expenses	266,503	242,097	2,375
Profit before Income Taxes	52,804	60,057	470
Income Taxes (Note 22):			
Current	12,199	16,909	108
Deferred	(3,948)	(278)	(35)
Total Income Taxes	8,250	16,631	73
Profit	44,554	43,425	397
Profit attributable to non-controlling interests	682	643	6
Profit attributable to owners of parent	43,871	42,781	391

	Yen		U.S. Dollars (Note 1)
	2017	2016	2017
Net Income per Share (Note 31)	6,223.20	7,115.71	55.47
Dividend Declared per Share (General Common Shares)	3,000.00	3,000.00	26.74
Dividend Declared per Share (Specific Common Shares)	1,500.00	1,500.00	13.37
Dividend Declared per Share (Preferred Shares)	6,500.00	6,500.00	57.93

The accompanying notes are an integral part of these financial statements.

Consolidated Statement of Comprehensive Income

Shinkin Central Bank For the year ended March 31,	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2017	2016	2017
Profit	44,554	43,425	397
Other Comprehensive Income (Note 20)	(33,497)	(25,121)	(298)
Net Unrealized Gains (Losses) on Other Securities	(129,013)	37,854	(1,149)
Net Deferred Gains (Losses) on Hedging Instruments	96,145	(54,372)	856
Land Revaluation Excess	-	(2)	-
Foreign Currency Translation Adjustments	(1,593)	(368)	(14)
Remeasurements of Defined Benefit Plans	963	(8,232)	8
Comprehensive Income	11,056	18,303	98
Comprehensive Income attributable to owners of the parent	10,328	18,185	92
Comprehensive Income attributable to non-controlling interests	727	118	6

The accompanying notes are an integral part of these financial statements.

Consolidated Statement of Changes in Net Assets

Shinkin Central Bank For the year ended March 31, 2017

Millions of Yen

	Shareholders' Equity			
	Common Shares and Preferred Shares	Capital Surplus	Retained Earnings	Total Shareholders' Equity
Balance at Beginning of Year	690,998	100,678	520,923	1,312,600
Fluctuation Amount during the Fiscal Year				
Surplus Dividends			(18,115)	(18,115)
Profit attributable to owners of parent			43,871	43,871
Net Changes in Items Other Than Shareholders' Equity during the Fiscal Year				
Total Fluctuation Amount during the Fiscal Year	-	-	25,755	25,755
Balance at End of Year	690,998	100,678	546,678	1,338,355

	Accumulated Other Comprehensive Income						Non-controlling Interests	Total Net Assets
	Net Unrealized Gains (Losses) on Other Securities	Net Deferred Gains (Losses) on Hedging Instruments	Land Revaluation Excess	Foreign Currency Translation Adjustments	Remeasurements of Defined Benefit Plans	Total Accumulated Other Comprehensive Income		
Balance at Beginning of Year	477,944	(168,850)	13,455	(1,653)	(10,270)	310,625	9,743	1,632,969
Fluctuation Amount during the Fiscal Year								
Surplus Dividends								(18,115)
Profit attributable to owners of parent								43,871
Net Changes in Items Other Than Shareholders' Equity during the Fiscal Year	(129,013)	96,145	-	(1,593)	919	(33,542)	660	(32,882)
Total Fluctuation Amount during the Fiscal Year	(129,013)	96,145	-	(1,593)	919	(33,542)	660	(7,126)
Balance at End of Year	348,931	(72,705)	13,455	(3,246)	(9,351)	277,083	10,403	1,625,842

Millions of U.S. Dollars (Note 1)

	Shareholders' Equity			
	Common Shares and Preferred Shares	Capital Surplus	Retained Earnings	Total Shareholders' Equity
Balance at Beginning of Year	6,159	897	4,643	11,699
Fluctuation Amount during the Fiscal Year				
Surplus Dividends			(161)	(161)
Profit attributable to owners of parent			391	391
Net Changes in Items Other Than Shareholders' Equity during the Fiscal Year				
Total Fluctuation Amount during the Fiscal Year	-	-	229	229
Balance at End of Year	6,159	897	4,872	11,929

	Accumulated Other Comprehensive Income						Non-controlling Interests	Total Net Assets
	Net Unrealized Gains (Losses) on Other Securities	Net Deferred Gains (Losses) on Hedging Instruments	Land Revaluation Excess	Foreign Currency Translation Adjustments	Remeasurements of Defined Benefit Plans	Total Accumulated Other Comprehensive Income		
Balance at Beginning of Year	4,260	(1,505)	119	(14)	(91)	2,768	86	14,555
Fluctuation Amount during the Fiscal Year								
Surplus Dividends								(161)
Profit attributable to owners of parent								391
Net Changes in Items Other Than Shareholders' Equity during the Fiscal Year	(1,149)	856	-	(14)	8	(298)	5	(293)
Total Fluctuation Amount during the Fiscal Year	(1,149)	856	-	(14)	8	(298)	5	(63)
Balance at End of Year	3,110	(648)	119	(28)	(83)	2,469	92	14,491

	Shareholders' Equity			
	Common Shares and Preferred Shares	Capital Surplus	Retained Earnings	Total Shareholders' Equity
Balance at Beginning of Year	490,998	100,678	497,099	1,088,776
Fluctuation Amount during the Fiscal Year				
Increase of Common shares	200,000			200,000
Surplus Dividends			(18,957)	(18,957)
Profit attributable to owners of parent			42,781	42,781
Net Changes in Items Other Than Shareholders' Equity during the Fiscal Year				
Total Fluctuation Amount during the Fiscal Year	200,000	-	23,824	223,824
Balance at End of Year	690,998	100,678	520,923	1,312,600

	Accumulated Other Comprehensive Income						Non-controlling Interests	Total Net Assets
	Net Unrealized Gains (Losses) on Other Securities	Net Deferred Gains (Losses) on Hedging Instruments	Land Revaluation Excess	Foreign Currency Translation Adjustments	Remeasurements of Defined Benefit Plans	Total Accumulated Other Comprehensive Income		
Balance at Beginning of Year	440,090	(114,477)	13,457	(1,285)	(2,563)	335,222	9,758	1,433,756
Fluctuation Amount during the Fiscal Year								
Increase of Common shares								200,000
Surplus Dividends								(18,957)
Profit attributable to owners of parent								42,781
Net Changes in Items Other Than Shareholders' Equity during the Fiscal Year	37,854	(54,372)	(2)	(368)	(7,707)	(24,596)	(14)	(24,611)
Total Fluctuation Amount during the Fiscal Year	37,854	(54,372)	(2)	(368)	(7,707)	(24,596)	(14)	199,212
Balance at End of Year	477,944	(168,850)	13,455	(1,653)	(10,270)	310,625	9,743	1,632,969

The accompanying notes are an integral part of these financial statements.

Consolidated Statement of Cash Flows

Shinkin Central Bank For the year ended March 31,	Millions of Yen		Millions of U.S. Dollars
	2017	2016	(Note 1) 2017
Cash Flows from Operating Activities:			
Profit before Income Taxes	52,804	60,057	470
Depreciation	10,647	8,984	94
Increase (Decrease) in Reserve for Possible Loan Losses	(544)	1,992	(4)
Increase (Decrease) in Reserve for Employee Bonuses	(38)	148	(0)
Increase (Decrease) in Reserve for Directors' Bonuses	3	-	0
Increase (Decrease) in Net Defined Benefit Liability	1,105	12,512	9
Increase (Decrease) in Reserve for Directors' Retirement Allowances	(18)	29	(0)
Interest Income	(201,637)	(204,873)	(1,797)
Interest Expenses	122,381	127,331	1,090
Net Losses (Gains) on Securities	(32,002)	(24,225)	(285)
Net Losses (Gains) on Money Held in Trust	(224)	721	(2)
Net Losses (Gains) on Foreign Exchange	43,797	127,630	390
Net Losses (Gains) on Disposal of Fixed Assets	11	118	0
Net Decrease (Increase) in Trading Assets	42,064	(56,286)	374
Net Increase (Decrease) in Trading Liabilities	(45,116)	(16,853)	(402)
Net Decrease (Increase) in Trading Receivable	2,579	(2,681)	22
Net Increase (Decrease) in Trading Payables	-	(7,054)	-
Net Decrease (Increase) in Loans and Bills Discounted	(1,231,567)	(878,083)	(10,977)
Net Increase (Decrease) in Deposits	1,936,087	1,658,676	17,257
Net Increase (Decrease) in Debentures	(102,920)	52,240	(917)
Net Increase (Decrease) in Borrowed Money (Excluding Subordinated Borrowings)	482,700	(6,000)	4,302
Net Decrease (Increase) in Due from Banks (Excluding Due from Central Bank)	35,045	252,517	312
Net Decrease (Increase) in Call Loans and Others	(28,146)	206,500	(250)
Net Decrease (Increase) in Receivables under Securities Borrowing Transactions	34,334	22,185	306
Net Increase (Decrease) in Call Money and Others	98,023	(370,851)	873
Net Increase (Decrease) in Payables under Securities Lending Transactions	192,408	114,721	1,715
Net Decrease (Increase) in Monetary Debts Purchased	(2,788)	54,169	(24)
Net Decrease (Increase) in Foreign Exchanges (Assets)	(6,714)	(4,622)	(59)
Net Increase (Decrease) in Foreign Exchanges (Liabilities)	112	(8)	1
Net Increase (Decrease) in Due to Trust Accounts	(2,964)	2,963	(26)
Interest Received	268,378	288,660	2,392
Interest Paid	(139,300)	(158,037)	(1,241)
Other, Net	(352,062)	(82,091)	(3,138)
Sub-total	1,176,436	1,180,492	10,486
Income Taxes Paid	(18,665)	(17,962)	(166)
Net Cash Provided by (Used in) Operating Activities	1,157,771	1,162,530	10,319
Cash Flows from Investing Activities:			
Acquisitions of Securities	(4,333,235)	(2,434,862)	(38,624)
Proceeds from Sale of Securities	2,195,709	1,150,848	19,571
Proceeds from Redemption of Securities	2,575,669	2,492,517	22,958
Increase in Money Held in Trust	(40,000)	(40,000)	(356)
Decrease in Money Held in Trust	112,955	98,717	1,006
Acquisitions of Tangible Fixed Assets	(4,542)	(3,532)	(40)
Acquisitions of Intangible Fixed Assets	(4,007)	(3,061)	(35)
Proceeds from Sales of Tangible Fixed Assets	-	117	-
Net Cash Provided by (Used in) Investing Activities	502,548	1,260,745	4,479
Cash Flows from Financing Activities:			
Repayment of Subordinated Borrowings	(108,150)	(100,000)	(963)
Proceeds from Increase of Shares	-	200,000	-
Dividends Paid	(18,115)	(18,957)	(161)
Dividends Paid to Non-controlling Interests	(66)	(133)	(0)
Net Cash Provided by (Used in) Financing Activities	(126,332)	80,908	(1,126)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(0)	(1)	(0)
Net Increase (Decrease) in Cash and Cash Equivalents	1,533,987	2,504,183	13,673
Cash and Cash Equivalents at Beginning of Period	8,134,353	5,630,169	72,505
Cash and Cash Equivalents at End of Period (Note 2 (2))	9,668,340	8,134,353	86,178

The accompanying notes are an integral part of these financial statements.

Notes to Consolidated Financial Statements

1. Basis of Presentation:

The accompanying consolidated financial statements have been prepared from the accounts maintained by Shinkin Central Bank (the "Bank") and its consolidated subsidiaries in accordance with accounting principles and practices generally accepted in Japan that are different in certain respects from the application and disclosure requirements of International Financial Reporting Standards.

Certain items presented in the consolidated financial statements have been reclassified for the convenience of readers outside Japan. The amounts in Japanese yen are presented in millions of yen by rounding down figures. As a result, the totals in yen shown in the consolidated financial statements do not necessarily agree with the sums of the individual account balances.

U.S. dollar amounts represent the arithmetical results of translating original Japanese yen amounts of the respective account balances to U.S. dollars on a basis of ¥112.19 to U.S.\$1, the exchange rate prevailing as of March 31, 2017. The amounts in U.S. dollars are presented in millions of U.S. dollars by rounding down figures. As a result, the totals in U.S. dollars shown in the consolidated financial statements do not necessarily agree with the sums of the individual account balances. The U.S. dollars amounts are included solely for the convenience of readers outside Japan and this translation should not be construed as representation that Japanese yen amounts have been or could be readily converted, realized or settled in U.S. dollars at that or at any other rates.

2. Significant Accounting Policies:

(1) Principles of Consolidation

The consolidated financial statements include the accounts of the Bank and its eight consolidated subsidiaries as of March 31, 2017 listed below:

Name	Location	Ownership Percentage
The Shinkin Banks Information		
System Center Co., Ltd.	Tokyo	50.7%
Shinkin International Ltd.	London	100%
Shinkin Chukin Business Co., Ltd.	Tokyo	100%
Shinkin Asset Management Co., Ltd.	Tokyo	100%
Shinkin Trust Bank, Ltd.	Tokyo	100%
Shinkin Securities Co., Ltd.	Tokyo	100%
Shinkin Capital Co., Ltd.	Tokyo	100%
Shinkin Guarantee Co., Ltd.	Tokyo	100%

Unconsolidated subsidiaries

Shinkin no Kizuna Limited Liability Investment Partnership
Shinkin no Tsubasa Limited Liability Investment Partnership
Unconsolidated subsidiaries are excluded from the scope of consolidation because their total assets, total income, net income (amount based on the equity method), retained earnings (amount based on the equity method) and accumulated other comprehensive income (amount based on the equity method) are immaterial and do not hinder a rational judgment of the Bank's financial condition and results of operation when excluded from the scope of consolidation.

The fiscal year and the closing date thereof for the financial statements of the consolidated subsidiaries are in agreement with those of the Bank, except for Shinkin International Ltd., which has a fiscal year ended on December 31. For the consolidation of the subsidiary, the Bank makes appropriate adjustments for any material transactions subsequent to December 31.

All significant intercompany accounts and transactions have been eliminated in consolidation. The Bank's share of net assets of subsidiaries is valued at fair value on acquisition. Minority interests in net assets of subsidiaries are valued at fair value on acquisition in the consolidated financial statements. The excess of the cost over the fair value of the underlying net equity in subsidiaries on acquisition is expensed when incurred.

The application of equity-method to unconsolidated subsidiaries and affiliates is as follows:

Non-consolidated equity-method subsidiaries:	N/A
Affiliated equity-method companies:	N/A

Unconsolidated subsidiaries that are not accounted for by the equity method:

Shinkin no Kizuna Limited Liability Investment Partnership
Shinkin no Tsubasa Limited Liability Investment Partnership

Unconsolidated subsidiaries that are not accounted for by the equity method are excluded from the scope of equity method because their effect on the accompanying consolidated financial statements, in terms of net income (amount based on the equity method) and retained earnings (amount based on the equity method), would not be material.

Affiliated companies to which the equity method is not applied due to immateriality:

Aozora Loan Services Co., Ltd.

(2) Cash and Cash Equivalents

In the consolidated statement of cash flows, "Cash and Cash Equivalents" consist of Cash and Due from Central Bank.

Reconciliation between Cash and Due from Banks in the consolidated balance sheet and Cash and Cash Equivalents at March 31, 2017 and 2016 is as follows:

	Millions of Yen		Millions of U.S. dollars
	2017	2016	2017
Cash and Due from Banks	10,611,955	9,113,465	94,589
Due from Banks (Excluding Due from Central Bank)	(943,615)	(979,112)	(8,410)
Cash and Cash Equivalents	9,668,340	8,134,353	86,178

(3) Trading Assets and Liabilities

Transactions for "Trading Purposes" (for purposes of seeking to capture gains arising from short-term changes in interest rates, currency exchange rates or market prices of financial instruments and other market related indices or from gaps among markets) are included in "Trading Assets" and "Trading Liabilities" on the consolidated balance sheet on a trade date basis. In addition, gains and losses from "Trading Assets" and "Trading Liabilities" are recorded as "Trading Income" and "Trading Losses" on the consolidated statement of income on a trade date basis.

Securities and monetary debts purchased for trading purposes are stated at fair value at the fiscal year end. Trading-related financial derivatives such as swaps, futures and options are stated at the deemed amounts that would be received or paid for settlement if such transactions were terminated at the fiscal year end.

(4) Financial Instruments

(i) Securities

The Bank and its consolidated subsidiaries classify securities into three categories: held-to-maturity debt securities, investments in affiliates that are not accounted for by the equity method, and other securities. Held-to-maturity debt securities are stated at cost and are amortized by the straight-line depreciation method using the weighted-average method. Investments in affiliates that are not accounted for by the equity method are stated at cost using the weighted-average method. Stocks and investment trusts in other securities are stated based on the average quoted market price over a month preceding the balance sheet date and others are stated at fair value based on quoted market prices and other applicable information at the balance sheet date (and the cost of securities sold is mainly determined using the weighted-average method). Other securities where there is significant difficulty in determining fair value are stated at cost using the weighted-average method.

The full amount of net unrealized gains or losses on other securities is recorded directly within Net Assets.

Securities included as trust property in "Money Held in Trust" are stated in the same manner as above.

(ii) Derivative Transactions

Derivative transactions are stated at fair value.

(iii) Hedge Accounting

(a) Hedge of Interest Rate Risk

The Bank applies the deferred method of hedge accounting described in the Japanese Institute of Certified Public Accountants (JICPA) Industry Audit Committee Report No. 24, February 13, 2002 "Accounting and Auditing Treatment of Accounting Standards for Financial Instruments in Banking Industry" to transactions to hedge against interest rate risk arising from the financial assets and liabilities.

Effectiveness of a fair value hedge is assessed for each of the identified group of hedged items such as loans and deposits, and corresponding group of hedging instruments such as interest rate swaps with the same maturity bucket. Effectiveness of a cash flow hedge is assessed based on the correlation between an interest rate risk factor of the hedged items and that of the hedging instruments.

For certain asset and liabilities, the exceptional treatment for interest rate swaps is applied.

(b) Hedge of Foreign Exchange Fluctuation Risk

The deferred method of hedge accounting is applied to transactions to hedge against foreign exchange fluctuation risks associated with monetary assets and liabilities denominated in foreign currencies in accordance with the regulations set forth in JICPA Industry Audit Committee Report No. 25, July 29, 2002 "Accounting and Auditing Treatment of Accounting Standards for Foreign Currency Transactions in the Banking Industry".

To minimize foreign exchange fluctuation risk on monetary assets and liabilities, the Bank has engaged in currency swaps, foreign exchange swaps, and similar transactions. Effectiveness of these transactions in the hedging of foreign exchange risks of monetary assets and liabilities denominated in foreign currencies is assessed through comparison of the foreign currency position of the hedged monetary assets and liabilities and that of the hedging instruments.

The Bank has also applied fair value hedge accounting to the foreign exchange risk of other securities in foreign currency (other than bonds) when the hedged foreign currency securities are specified

prior to the commencement of transactions, and there exists spot and forward liabilities exceeding the acquisition costs of the foreign currency securities designated as hedged items on a foreign currency basis.

(c) Internal Derivative Transactions

Internal derivative transactions between trading accounts and other accounts, which are designated as hedges, are not eliminated and related gains and losses are recognized in the consolidated statement of income or deferred under hedge accounting because the internal interest rate swaps and currency swaps transactions, etc. designated as hedging instruments are conducted in a manner without any subjection and are appropriately covered by third party transactions conducted in accordance with the standard articulated by JICPA Industry Audit Committee Reports No. 24 and No. 25.

(5) Tangible Fixed Assets (excluding Leased Assets)

Tangible fixed assets of the Bank are depreciated by the declining balance method. However, buildings acquired on or after April 1, 1998 (excluding facilities installed in buildings), and facilities installed in buildings and structures that are acquired on or after April 1, 2016, are depreciated by the straight-line method.

The estimated useful lives of major items are as follows:

Buildings	5 to 50 years
Others	3 to 20 years

Tangible fixed assets of consolidated subsidiaries are, in principle, depreciated using the declining balance method, based on their estimated useful lives.

(6) Intangible Fixed Assets (excluding Leased Assets)

Intangible fixed assets are amortized by the straight-line method. The costs of software for internal use are amortized by the straight-line method, mainly over a 5 year period (the estimated useful life of the software).

(7) Leased Assets

Leased assets of Tangible Fixed Assets and Intangible Fixed Assets related to finance leases that do not transfer ownership are depreciated using the straight-line method with estimated useful lives equal to lease terms, and zero residual values.

(8) Deferred Debenture Charges

Debenture charges are expensed in the fiscal year of issuance.

(9) Reserve for Possible Loan Losses

Reserve for possible loan losses of the Bank is provided in accordance with the Bank's predetermined internal rules for write-offs and provisions as follows:

The reserve for loans to borrowers who are classified as substantially bankrupt or who are bankrupt in the legal sense is provided at 100% of the amount remaining after write-offs and deduction of expected collection from the disposal of collateral and the execution of guarantees. In addition, a reserve is provided for loans to borrowers who, although not actually bankrupt in the legal sense, are experiencing serious financial difficulties and whose failure is imminent. In such cases, the reserve is provided at the amount deemed necessary based on the borrower's capability of repayment after deduction of expected collection from the disposal of collateral and the execution of guarantees.

The Bank calculates the reserve by the cash flow estimate method to those borrowers who owe the debts classified as Loans to Probably Bankrupt Borrowers and Restructured Loans by the Bank,

whose total credit exceeds a certain amount and also the cash flow related to collection of the principal and interests from whom can be estimated. The cash flow estimate method is to determine the amount of reserve for possible loan losses from the gap between the amounts calculated by discounting the cash flow by the contracted interest rate prior to relaxation of terms and conditions of loans and their book values.

For all other loans, a reserve is provided based on the ratio of actual defaults for a certain period in the past.

All claims are assessed by the Operating Related Division based on internal rules for self-assessment of asset quality. Subsequently, the Asset Auditing Division, that is independent from the Operating Related Division, audits these self-assessments. The reserve is provided based on the results of the assessments.

For loans to Bankrupt Borrowers and Substantially Bankrupt Borrowers, amounts deemed uncollectible, which are calculated after deduction of expected collection from the disposal of collateral and the execution of guarantees, are written off. The amount written off was ¥204 million (\$1 million) as of March 31, 2017 and ¥310 million as of March 31, 2016.

Reserve for possible loan losses of the consolidated subsidiaries for general claims is provided as the amounts deemed necessary based on the default rate calculated from actual default during a certain period in the past, and for doubtful claims as the amounts deemed uncollectible based on the assessment of each claim.

(10) Reserve for Employee Bonuses

Reserve for Employee Bonuses is set aside to pay employee bonuses with respect to the portion of estimated bonus payments to employees that correspond to this fiscal year.

(11) Reserve for Directors' Bonuses

Reserve for Directors' Bonuses is set aside to pay directors and corporate auditors bonuses with respect to the portion of estimated bonus payments to directors and corporate auditors that correspond to this fiscal year.

(12) Reserve for Directors' Retirement Allowances

Reserve for Directors' Retirement Allowances provided for by the Bank is calculated based on the estimated allowances to be paid up to the end of this fiscal year.

(13) Reserve under Specific Law

This reserve amount is calculated pursuant to Article 46-5, Paragraph 1 of the "Financial Instruments and Exchange Act" and Article 175 of the "Cabinet Office Ordinance on Financial Instruments Business" to indemnify any losses incurred from accidents in the conduct of market derivative transactions on behalf of clients.

(14) Employees' Retirement Benefits

The Bank accounted for retirement benefit obligation based on the projected benefit obligations. The projected benefit obligations are attributed to periods on a benefit formula basis. The methods for amortizing prior service costs and actuarial differences are as follows:

Prior service costs:

Prior service costs are amortized, using the straight-line method over a certain number of years (10 years) within the average remaining service period of current employees at the time the cost is incurred.

Actuarial differences:

Actuarial differences are amortized from the following year, using the straight-line method over a certain number of years (10 years) within

the average remaining service period of current employees at each time the cost is incurred.

Also, certain consolidated subsidiaries calculate the net defined benefit liability and retirement benefit cost using the simplified method which assumes the retirement benefit obligation to be equal to the necessary payments of the voluntary retirement for all employees at the fiscal year-end.

(15) Translation of Foreign Currency-denominated Assets and Liabilities

Foreign currency-denominated assets and liabilities are translated into Japanese yen at exchange rates prevailing at the end of the fiscal year. Foreign currency-denominated assets and liabilities of consolidated subsidiaries are translated into Japanese yen at exchange rates prevailing at the end of the fiscal year.

(16) Consumption Tax

National and local consumption tax incurred by the Bank and its domestic consolidated subsidiaries are excluded from transaction amounts. However, national and local consumption tax paid on purchases of tangible fixed assets and intangible fixed assets, which are not deductible as a tax credit, are expensed in this fiscal year.

(17) Amortization of Goodwill

Goodwill is fully amortized in the fiscal year incurred.

(18) Changes in Accounting Policies

In accordance with the revision to the Corporation Tax Act, the Bank has applied the "Practical Solution on a change in depreciation method due to Tax Reform 2016" (ASBJ PITF No. 32, June 17, 2016) from this fiscal year, and changed the depreciation method for facilities installed in buildings and structures acquired on or after April 1, 2016 from the declining balance method to the straight-line method.

There is no significant impact on the consolidated financial statements as a result of this change.

(19) Changes in Presentation

Consolidated balance sheet

As the Bank started trust business, "Borrowed Money from Trust Account," which was included in "Other Liabilities" in the previous fiscal year, has been stated separately from this fiscal year. In order to reflect the change in the presentation, the relevant reclassification has been made to the consolidated financial statements for the previous fiscal year.

Consequently, the ¥310,449 million presented under "Other Liabilities" in the previous fiscal year's consolidated balance sheet has been reclassified as "Borrowed Money from Trust Account" of ¥3,324 million and "Other Liabilities" of ¥307,124 million.

Consolidated statement of income

As the Bank started trust business, "Trust Fees," which was included in "Fees and Commissions" in the previous fiscal year, has been stated separately from this fiscal year. In order to reflect the change in the presentation, the relevant reclassification has been made to the consolidated financial statements for the previous fiscal year.

Consequently, the ¥40,562 million presented under "Fees and Commissions" in the previous fiscal year's consolidated statement of income has been reclassified as "Trust Fees" of ¥665 million and "Fees and Commissions" of ¥39,897 million.

(20) Additional Information

Effective from this fiscal year, the Bank has applied the “Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26, March 28, 2016).

3. Trading Assets:

The details of Trading Assets as of March 31, 2017 and 2016 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Trading Account Securities	26,385	33,228	235
Trading Bonds-Related Financial Derivatives	6	11	0
Derivatives of Securities related to Trading Transactions	6	1	0
Trading-Related Financial Derivatives	47,645	62,882	424
Other Trading Assets	158,044	178,028	1,408
Total	232,088	274,153	2,068

4. Securities:

The details of Securities as of March 31, 2017 and 2016 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Japanese Government Bonds	7,908,654	9,855,041	70,493
Municipal Government Bonds	586,126	358,089	5,224
Short-term Corporate Bonds	—	—	—
Corporate Bonds	3,570,547	2,942,390	31,825
Stocks	64,840	65,773	577
Others	5,034,256	4,587,305	44,872
Total	17,164,425	17,808,601	152,994

Notes:

1. Stocks include investments in affiliated companies totaling ¥189 million (\$1 million) as of March 31, 2017 and 2016.
2. Others include common shares and investment in unconsolidated subsidiaries totaling ¥7,859 million (\$70 million) as of March 31, 2017 and ¥8,418 million as of March 31, 2016. Others also include preferred shares issued by Shinkin Banks which were contributed in accordance with the Shinkin Bank Management Reinforcement System. The amount was ¥215,090 million (\$1,917 million) as of March 31, 2017 and ¥231,880 million as of March 31, 2016, respectively. Others also include foreign bonds and equities.

5. Loans and Bills Discounted:

Loans and Bills Discounted include the following non-performing loans:

	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Loans to Bankrupt Borrowers	106	135	0
Delinquent Loans	10,954	5,517	97
Loans Past Due Three Months or More	9	24	0
Restructured Loans	30,672	30,912	273
Total	41,743	36,590	372

The above amounts are the amounts before exclusion of reserves for possible loan losses.

Loans to Bankrupt Borrowers represent non-accrual loans to borrowers who are legally bankrupt as defined in Article 96, Paragraph 1, Item 3 (a)-(e) or Item 4 of the “Order for Enforcement of the Corporation Tax Act” (Cabinet Order No. 97 of 1965).

Delinquent Loans represent non-accrual loans other than Loans to Bankrupt Borrowers and Restructured Loans.

Loans Past Due Three Months or More represent loans for which the principal and interests are past due three months or more other than Loans to Bankrupt Borrowers and Delinquent Loans.

Restructured Loans represent loans on which contracts were amended in favor of the borrowers (e.g. the reduction of or exemption from stated interests, the deferral of interest payments, the extension of maturity dates, and the renunciation of claims in order to assist or facilitate the business restructuring of borrowers under financial difficulties) other than Loans to Bankrupt Borrowers, Delinquent Loans and Loans Past Due Three Months or More.

Loans include subordinated loans with a covenant stipulating that repayment of principal is preceded by that of general credits. The amount was ¥20,300 million (\$180 million) as of March 31, 2017 and ¥37,100 million as of March 31, 2016, respectively. Of these amounts, ¥5,800 million (\$51 million) as of March 31, 2017, and ¥17,800 million as of March 31, 2016, respectively, were provided to Shinkin Banks in accordance with the Shinkin Bank Management Reinforcement System.

Bills Discounted are accounted for as financial transactions in accordance with JICPA Industry Audit Committee Report No. 24, February 13, 2002 “Accounting and Auditing Treatment of Accounting Standards for Financial Instruments in Banking Industry”. The face value of bills of lading amounted to ¥265 million (\$2 million) as of March 31, 2017 and ¥258 million as of March 31, 2016, respectively. The Bank has the right to freely dispose of, sell or re-collateralize such bills.

With respect to loan participation, in accordance with “Accounting and Presentation of Loan Participation” (JICPA Accounting Committee Report No. 3, November 28, 2014), the amount of the participation principal is accounted for as a loan to the original debtor, and this amounted to ¥31,632 million (\$281 million) as of March 31, 2017 and ¥32,432 million as of March 31, 2016.

6. Commitments to Overdrafts and Loans:

Commitments related to overdrafts and loans represent agreements to extend overdrafts or loans up to a pre-agreed amount at the customer's request as long as there is no violation of the conditions stipulated in commitment agreements.

The amount of unused commitment lines does not necessarily have a significant effect on the future cash flows of the Bank because most of these commitment lines are terminated without being exercised. Most of these agreements have provisions which stipulate that the Bank may not extend the loan or may decrease the commitment when there are certain changes in the financial conditions, certain issues relating to collateral and other reasons. The Bank limits the commitment line to an amount below the amount of the related customer's time deposit. The Bank periodically checks the financial condition of its customers based on its internal rules and performs certain actions to secure loans or revises the contracts, as necessary.

The amounts of unused commitment lines under such agreements are ¥22,390,249 million (\$199,574 million) as of March 31, 2017 and ¥20,861,883 million as of March 31, 2016, respectively.

The amounts which the Bank could cancel at any time without penalty or of which the original contractual maturity is less than one year are ¥22,311,810 million (\$198,875 million) as of March 31, 2017 and ¥20,780,913 million as of March 31, 2016, respectively.

7. Special Contracts for Securities and Cash-Collateralized Securities Lending and Borrowings:

Securities lending based on non-collateralized special contracts (securities lending and borrowings) are stated as Japanese Government Bonds and Others in "Securities." The amount in total was ¥163,059 million (\$1,453 million) as of March 31, 2017 and ¥105,845 million as of March 31, 2016.

Of cash-collateralized securities borrowings, those freely disposable for sale or re-collateralized, and pledged as collateral amounted to ¥402 million (\$3 million) as of March 31, 2017. Those held by the Bank without being disposed of as of March 31, 2017 amounted to ¥102,572 million (\$914 million) and as of March 31, 2016 amounted to ¥141,541 million.

8. Tangible Fixed Assets:

	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Accumulated Depreciation on Tangible Fixed Assets	91,877	87,907	818
Accumulated Deferred Gains on Tangible Fixed Assets	1,764	1,764	15
(Deferred Gains recognized for the fiscal year)	(—)	(—)	(—)

9. Assets Pledged as Collateral and Associated Liabilities:

Assets pledged as collateral for the fiscal years ended March 31, 2017 and 2016 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Assets Pledged as Collateral			
Trading Assets	7,894	9,331	70
Securities	2,692,973	2,758,030	24,003
Loans and Bills Discounted	3,070,482	2,876,152	27,368
Total	5,771,350	5,643,514	51,442
Liabilities associated with Assets Pledged as Collateral			
Borrowed Money	598,200	115,500	5,332
Payables under Repurchase Agreements	188,402	63,804	1,679
Payables under Securities Lending Transactions	1,606,555	1,414,550	14,319

Trading Assets of ¥504 million (\$4 million) as of March 31, 2017 and ¥506 million as of March 31, 2016 and Securities in the amount of ¥616,693 million (\$5,496 million) as of March 31, 2017 and ¥1,140,646 million as of March 31, 2016, respectively, were secured as collateral for exchange settlement transactions, etc. or as substitute for margin money in futures transactions, etc.

Other assets include guarantee money, cash collateral paid for financial instruments and security deposits for exchange transaction. The amounts are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Guarantee money	397	399	3
Cash collateral paid for financial instruments	212,247	6,146	1,891
Security deposits for exchange transaction	167,918	—	1,496

10. Trading Liabilities:

The details of Trading Liabilities as of March 31, 2017 and 2016 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Trading Bonds Sold	7,930	18,438	70
Trading-Related Financial Derivatives	76,414	111,022	681
Total	84,345	129,461	751

11. Borrowed Money and Lease Obligations:

Category	Balance as of April 1, 2016 (Millions of Yen)	Balance as of March 31, 2017 (Millions of Yen)	Balance as of March 31, 2017 (Millions of U.S. Dollars)	Average Interest Rate (%)	Maturity
Borrowings	829,320	1,203,870	10,730	0.59	—
Borrowed Money	829,320	1,203,870	10,730	0.59	July 2017- No maturity
Lease Obligations Due for Repayment within One Year	1,458	1,171	10	1.82	—
Lease Obligations (Excluding Those Due for Repayment within One Year)	1,743	1,171	10	1.59	May 2018- Dec. 2022

Notes:

- Average interest rates were computed by the weighted average method using the interest rates and the balances at the fiscal year-end.
- The repayment schedule within 5 years after the balance sheet date is as follows:

	Millions of Yen				
	Within 1 year	Over 1 year, within 2 years	Over 2 years, within 3 years	Over 3 years, within 4 years	Over 4 years, within 5 years
Borrowed Money	130,200	—	—	468,000	—
Lease Obligations	1,171	611	296	123	120

	Millions of U.S. Dollars				
	Within 1 year	Over 1 year, within 2 years	Over 2 years, within 3 years	Over 3 years, within 4 years	Over 4 years, within 5 years
Borrowed Money	1,160	—	—	4,171	—
Lease Obligations	10	5	2	1	1

- Borrowed Money includes subordinated borrowings of ¥605,670 million (\$5,398 million) as of March 31, 2017 and ¥713,820 million as of March 31, 2016, respectively.

12. Debentures:

Issuer	Name of Issue	Issuance Date	Balance as of April 1, 2016 (Millions of Yen)	Balance as of March 31, 2017 (Millions of Yen)	Balance as of March 31, 2017 (Millions of U.S. Dollars)	Interest Rate (%)	Collateral	Redemption Date
The Bank	No.257-328 5-year Interest-bearing debentures	Apr. 2011- Mar. 2017	3,022,920	2,920,000	26,027	0.01- 0.70	—	Apr. 2016- Mar. 2022
The Bank	No.2 7-year Interest-bearing debentures	Sep. 25, 2015	10,000	10,000	89	0.29	—	Sep. 27, 2022
The Bank	No.2 10-year Interest-bearing debentures	Sep. 25, 2015	20,000	20,000	178	0.52	—	Sep. 26, 2025
Total	—	—	3,052,920	2,950,000	26,294	—	—	—

Note:

The redemption schedule within 5 years after the balance sheet date is as follows:

Millions of Yen				
Within 1 year	Over 1 year, within 2 years	Over 2 years, within 3 years	Over 3 years, within 4 years	Over 4 years, within 5 years
579,460	627,610	638,530	598,260	476,140

Millions of U.S. Dollars				
Within 1 year	Over 1 year, within 2 years	Over 2 years, within 3 years	Over 3 years, within 4 years	Over 4 years, within 5 years
5,164	5,594	5,691	5,332	4,244

13. Asset Retirement Obligations:

The details of Asset Retirement Obligations were omitted because the amount was one-hundredth or less of the total balance of Liabilities and Net Assets as of April 1, 2016 and as of March 31, 2017, respectively.

14. Land Revaluation:

Based on the "Act on the Revaluation of Land" (Act No. 34, promulgated on March 31, 1998), land used for business was revalued. Deferred tax on the revaluation of the land was recorded as "Deferred Tax Liabilities for Land Revaluation" under Liabilities, and unrealized gain on the revaluation of the land, net of deferred tax, was recorded as "Land Revaluation Excess" under Net Assets.

Date of Revaluation: March 31, 1999

Revaluation method in accordance with Article 3, Paragraph 3 of Act No. 34: Revaluations were made based on the method, determined by the Commissioner of the National Tax Administration, which formed the basis for calculating land value taxes (prescribed by the "Land Value Tax Law"), as set forth in Article 2, Item 4 of the "Order for Enforcement of the Act on Revaluation of Land" (Government Ordinance No. 119, dated March 31, 1998), with appropriate adjustments.

The difference between the total fair value at the end of this fiscal year and the total post-revaluation book value of land that is used for business and has been revalued pursuant to Article 10 of Act No. 34: ¥2,239 million as of March 31, 2016.

15. Trusts with contracts:

The details of principal amounts of trusts with contracts for compensation of principal for the fiscal years ended March 31, 2017 and 2016 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Money Trust	74	—	0

16. Fees and Commissions:

The details of Fees and Commissions for the fiscal years ended March 31, 2017 and 2016 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Deposit, Fixed Income Securities and Lending	400	376	3
Exchange Business	429	433	3
Securities Related Business	9,004	7,988	80
Agency Business	2,225	2,263	19
Guarantee Business	9,569	8,793	85
Trustee Business	20,546	19,448	183
Others	509	595	4
Income on Fees and Commissions Businesses	42,685	39,897	380
Exchange	243	245	2
Others	14,540	14,004	129
Expenses on Fees and Commissions Businesses	14,784	14,249	131

17. Trading Income:

The details of Trading Income for the fiscal years ended March 31, 2017 and 2016 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Income from Trading Account Securities	522	501	4
Income from Trading-Related Securities	53	129	0
Income from Trading-Related Financial Derivatives	4,638	11,785	41
Other Trading Income	46	138	0
Total	5,260	12,555	46

18. Other Income:

The details of Other Income for the fiscal years ended March 31, 2017 and 2016 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Gains on sale of stocks and other securities	9,312	6,554	83
Others	786	48	7
Total	10,099	6,603	90

19. Other Expenses:

The details of Other Expenses for the fiscal years ended March 31, 2017 and 2016 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Losses on sale of stocks and other securities	2,719	1,158	24
Others	39	3,048	0
Total	2,759	4,207	24

20. Consolidated Statement of Comprehensive Income:

For the fiscal year ended March 31, 2017 and 2016

Reclassification adjustment amount and tax effect amount related to Other Comprehensive Income

	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Net Unrealized Gains (Losses) on Other Securities:			
The Amount Arising during the Period	(157,528)	70,878	(1,404)
Reclassification Adjustment Amount	(21,603)	(17,880)	(192)
Prior to Tax Effect Adjustment	(179,132)	52,998	(1,596)
Tax Effect Amount	50,118	(15,143)	446
Net Unrealized Gains (Losses) on Other Securities	(129,013)	37,854	(1,149)
Net Deferred Gains (Losses) on Hedging Instruments :			
The Amount Arising during the Period	64,629	(150,746)	576
Reclassification Adjustment Amount	68,776	75,280	613
Prior to Tax Effect Adjustment	133,405	(75,465)	1,189
Tax Effect Amount	(37,260)	21,093	(332)
Net Deferred Gains (Losses) on Hedging Instruments	96,145	(54,372)	856
Land Revaluation Excess:			
The Amount Arising during the Period	—	—	—
Reclassification Adjustment Amount	—	—	—
Prior to Tax Effect Adjustment	—	—	—
Tax Effect Amount	—	(2)	—
Land Revaluation Excess	—	(2)	—
Foreign Currency Translation Adjustments:			
The Amount Arising during the Period	(1,593)	(368)	(14)
Reclassification Adjustment Amount	—	—	—
Prior to Tax Effect Adjustment	—	—	—
Tax Effect Amount	—	—	—
Foreign Currency Translation Adjustments	(1,593)	(368)	(14)
Remeasurements of Defined Benefit Plans:			
The Amount Arising during the Period	(601)	(12,200)	(5)
Reclassification Adjustment Amount	1,951	632	17
Prior to Tax Effect Adjustment	1,349	(11,568)	12
Tax Effect Amount	(385)	3,335	(3)
Remeasurements of Defined Benefit Plans	963	(8,232)	8
Other Comprehensive Income	(33,497)	(25,121)	(298)

21. Changes in Net Assets:**(1) Class and Number of Shares Outstanding, and Class and Number of Shares of Treasury Shares**

	Number of Share Units at April 1, 2016 (Thousand Units)	Increase During the Fiscal Year (Thousand Units)	Decrease During the Fiscal Year (Thousand Units)	Number of Share Units at March 31, 2017 (Thousand Units)
Shares Outstanding				
General Common Shares	4,000	—	—	4,000
Specific Common Shares	2,000	—	—	2,000
Preferred Shares (Type-A)	708	—	—	708
Total	6,708	—	—	6,708
Treasury Shares				
General Common Shares	—	—	—	—
Specific Common Shares	—	—	—	—
Preferred Shares (Type-A)	—	—	—	—
Total	—	—	—	—

(2) Dividends

Dividends paid during the fiscal year ended March 31, 2017

Resolution	Class of share	Total Dividend Amount (Million Yen)	Amount Per Share (Yen)	Record Date	Effective Date
Annual General Meeting of Shareholders, June 24, 2016	General Common shares	12,000	3,000	March 31, 2016	June 24, 2016
	Specific Common shares	1,512	1,500	March 31, 2016	June 24, 2016
	Preferred shares (Type-A)	4,603	6,500	March 31, 2016	June 24, 2016

Note:

The total dividend amount for the specific common shares is calculated on a per-diem basis from the date of payment (September 30, 2015) to the fiscal year-end (March 31, 2016).

Among the dividends whose record date falls within the fiscal year ended March 31, 2017, those whose effective date will fall within the following fiscal year:

Resolution	Class of share	Total Dividend Amount (Million Yen)	Resource of Dividends	Amount Per Share (Yen)	Record Date	Effective Date
Annual General Meeting of Shareholders, June 21, 2017	General Common shares	12,000	Retained Earnings	3,000	March 31, 2017	June 21, 2017
	Specific Common shares	3,000	Retained Earnings	1,500	March 31, 2017	June 21, 2017
	Preferred shares (Type-A)	4,603	Retained Earnings	6,500	March 31, 2017	June 21, 2017

22. Income Taxes:

(1) Breakdown of Deferred Tax Assets and Liabilities is as follows:

	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Deferred Tax Assets:			
Depreciation	3,006	3,142	26
Reserve for Possible Loan Losses	5,272	6,596	46
Net Defined Benefit Liability	11,997	11,673	106
Write-Downs for Securities	3,513	4,531	31
Net Deferred Losses on Hedging Instruments	28,176	65,436	251
Tax Loss Carryforwards	9	15	0
Others	2,785	3,022	24
Valuation Allowances	(2,510)	(8,484)	(22)
Total Deferred Tax Assets	52,250	85,933	465
Deferred Tax Liabilities:			
Net Unrealized Gains on Other Securities	(134,325)	(184,443)	(1,197)
Others	(416)	(406)	(3)
Total Deferred Tax Liabilities	(134,741)	(184,850)	(1,201)
Net Deferred Tax Liabilities	(82,491)	(98,916)	(735)

(2) Reconciliation between the effective statutory tax rate and the actual effective tax rate for the fiscal years ended March 31, 2017 and 2016:

	2017	2016
Statutory effective tax rate	27.92 %	— %
(Adjustments)		
Change in Valuation Allowances	(11.30%)	— %
Dividends received, not taxable	(1.46%)	— %
Others	<u>0.46 %</u>	<u>— %</u>
Actual effective income tax rate after the application of tax effect accounting	<u>15.62 %</u>	<u>— %</u>

Note:

In the previous fiscal year, since the difference between the statutory effective tax rate and the actual effective income tax rate after the application of tax effect accounting was less than 5% of the statutory effective tax rate, notes on this are omitted.

(3) Amendments to the amounts of deferred tax assets and deferred tax liabilities owing to the changes in corporate tax rates

The “Act for Partial Amendment of the Act for Partial Amendment of the Consumption Tax Act and Others to Make Fundamental Reform of the Taxation System for Securing Stable Financial Resources for Social Security, etc.” (Act No. 85 of 2016) and the “Act for Partial Amendment of the Act for Partial Amendment of the Local Tax Act and the Local Allocation Tax Act to Make Fundamental Reform of the Taxation System for Securing Stable Financial Resources for Social Security, etc.” (Act No. 86 of 2016) were enacted on November 18, 2016. As a result, the effective statutory tax rate used to measure the Bank’s deferred tax assets and liabilities, relating to the temporary differences expected to be realized or settled in the period from the fiscal year beginning April 1, 2017, to the fiscal year beginning April 1, 2019, was changed from 27.93% to 27.92%.

There is no significant impact on the consolidated financial statements as a result of this change of tax rate.

23. Retirement Benefit Plans:

(1) Retirement Benefit Scheme

The Bank and some of its consolidated domestic subsidiaries have a defined benefit plan that offers lump-sum payments upon retirement and contributes to the Employees’ Pension Fund for all shinkin banks nationwide.

With regard to notes related to employees’ retirement benefits based on a multiple-employer plan, they are included in notes related to employees’ retirement benefits based on a defined benefit plan.

(2) Defined Benefit Plan as of March 31, 2017 and 2016 is as follows:

(i) Reconciliation of beginning- and end-of-period balance of Retirement Benefit Obligation

	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Retirement Benefit Obligation at Beginning of Period	61,726	49,307	550
Service Cost	2,922	2,257	26
Interest Cost	238	690	2
Actuarial Difference Incurred	233	10,879	2
Retirement Benefits Paid	(1,667)	(1,408)	(14)
Prior Service Cost	—	—	—
Other	—	—	—
Retirement Benefit Obligation at End of Period	63,454	61,726	565

(ii) Reconciliation of beginning- and end-of-period balance of Pension Plan Assets

	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Balance of Pension Plan Assets at Beginning of Period	21,307	21,400	189
Expected Return on Pension Plan Assets	426	642	3
Actuarial Difference Incurred	(367)	(1,321)	(3)
Contributions by the Employer and Employees	1,478	1,452	13
Retirement Benefits Paid	(914)	(867)	(8)
Other	—	—	—
Balance of Pension Plan Assets at End of Period	21,929	21,307	195

(iii) Reconciliation of end-of-period balance of Retirement Benefit Obligation and Pension Plan Assets with Net Defined Benefit Liability and Net Defined Benefit Asset presented on the consolidated balance sheets

	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Funded Plan Retirement Benefit Obligation	52,235	50,687	465
Pension Plan Assets	(21,929)	(21,307)	(195)
	30,305	29,379	270
Unfunded Plan Retirement Benefit Obligation	11,218	11,039	99
Net Amount of Liabilities and Assets Presented on the Consolidated Balance Sheets	41,524	40,419	370
	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Net Defined Benefit Liability	41,524	40,419	370
Net Defined Benefit Asset	—	—	—
Net Amount of Liabilities and Assets Presented on the Consolidated Balance Sheets	41,524	40,419	370

(iv) Breakdown of Retirement Benefit Expense

	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Service Cost	2,922	2,257	26
Interest Cost	238	690	2
Expected Return on Pension Plan Assets	(426)	(642)	(3)
Amortization of Actuarial Differences	1,951	628	17
Amortization of Prior Service Cost	—	4	—
Other	(544)	(533)	(4)
Retirement Benefit Expenses Related to Defined Benefit Plan	4,141	2,405	36

Note:

Other includes the employee contribution amount to the Employees' Pension Fund.

(v) Remeasurements of Defined Benefit Plan

Remeasurements of Defined Benefit Plan (before tax effects) comprise the following.

	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Prior Service Cost	—	4	—
Actuarial Differences	1,349	(11,572)	12
Other	—	—	—
Total	1,349	(11,568)	12

(vi) Accumulated Remeasurements of Defined Benefit Plan

Accumulated Remeasurements of Defined Benefit Plan (before tax effects) comprise the following.

	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Unrecognized Prior Service Cost	—	—	—
Unrecognized Actuarial Differences	14,143	15,493	126
Other	—	—	—
Total	14,143	15,493	126

(vii) Pension Plan Assets

(a) The ratios by main asset categories in total pension plan assets are as follows:

	2017	2016
Bonds	66 %	67 %
Stocks	26 %	24 %
Cash and Deposits	6 %	7 %
Other	2 %	2 %
Total	100 %	100 %

(b) Method for setting the Expected Long-term Rate of Return

To set the Expected Long-term Rate of Return on Pension Plan Assets, the Bank takes into account past return performance and the current and future expected rate of return on the diverse range of assets that makes up the pension assets.

(viii) Underlying actuarial assumptions

Main underlying actuarial assumptions as of March 31, 2017 and 2016, are as follows:

	2017	2016
Discount Rate	0.0~0.6 %	0.0~0.6 %
Expected Long-term Rate of Return on Pension Plan Assets	2.0 %	3.0 %
Estimated Rate of Salary Increase	0.0~7.4 %	0.0~7.4 %

24. Leases:

1. Finance Leases

(1) Finance leases that do not transfer ownership

(i) Outline of lease assets

(a) Tangible fixed assets

Hardware related to computer equipment

(b) Intangible fixed assets

Software related to computer equipment

(ii) Lease asset depreciation method

Depreciation method is described in the "Significant Accounting Policies".

(2) Finance leases that do not transfer ownership accounted for in accordance with the ordinary lease transaction method

Data omitted due to immateriality.

2. Operating Leases

Future lease payments related to non-cancelable operating leases: Not applicable

25. Financial Instruments:

1. Matters concerning financial instruments

(1) Policies on financial instruments

Shinkin Central Bank Group (the “Group”) works to ensure the stable procurement of funds through the acceptance of deposits mainly from its Shinkin Bank members and through the issuance of debentures. Additionally, the Group takes steps to diversify its funding methods by procuring funds from short-term money markets depending on market conditions.

Procured funds are invested in short-term money market instruments, marketable securities, and loans.

Moreover, the Group uses derivative transactions for the purpose of risk-hedging in ALM (asset liability management) activities and engages in short-term trading of securities and derivatives.

To appropriately manage the various risks that result from these financial instruments, the Group engages in ALM activities including the above-mentioned derivative transactions. For its trading activities, the Group establishes risk limit and loss limit amounts and engages in transactions within the scopes of these risk limits, as a way to preserve a sound management and to ensure stable earnings.

(2) Types and related risks of financial instruments

Financial assets held by the Group consist mainly of short-term funds, securities, and loans assets.

Short-term funds are invested in the call loan and euro-yen deposits.

These investments are exposed to market risks such as the counterparty credit risk, interest rate risk, and foreign currency risk.

Securities portfolios of the Group consist of domestic securities including Japanese government bonds (JGBs), corporate bonds and other bonds as well as foreign securities such as government bonds, government-guaranteed bonds, and agency bonds issued in the major industrialized countries. The Group also invests in equity securities and investment funds to diversify its portfolio.

These investments are exposed to market risks such as the individual issuers’ credit risk, interest rate risk, price fluctuation risk, and foreign currency risk, and market liquidity risk.

Loans assets consist of direct loans to low-risk borrowers including Shinkin Banks, central and local governments, public service corporations, good standing domestic and overseas companies, and agency loans provided through Shinkin Banks.

These loans are exposed to market risks such as counterparty credit risk, interest rate risk, and foreign currency risk.

Meanwhile, financial liabilities of the Group consist mainly of deposits and debentures.

Deposits include current deposits, ordinary deposits, deposits at notice, term deposits, and foreign currency-denominated deposits, most of which are deposits from Shinkin Bank members.

These deposits are exposed to market risks such as interest rate risk and foreign currency risk, and liquidity risk.

As a debenture issuer, the Group issues interest-bearing debentures.

These debentures are exposed to interest rate risk and liquidity risk.

Furthermore, the Group engages in derivative transactions.

Specifically, the Group trades interest rate derivatives (interest swaps, interest futures, and interest options), currency derivatives

(foreign currency forwards and currency swaps) and bond derivatives (bond futures and bond futures options).

These transactions are exposed to market risks such as counterparty credit risk, interest rate risk, and foreign currency risk.

The Bank hedges market risks of its financial assets and liabilities through ALM activities.

The Group partially avoids exposure to market risks by mitigating (i) interest rate risk through interest rate swaps and (ii) foreign currency risk of foreign currency-denominated assets through foreign currency-denominated fund procurement, currency swaps, and forex swaps.

Hedge accounting is applied to risk hedges through ALM activities including the use of derivatives. With regard to hedge accounting, hedged items, hedging methods, policies, and methods of hedge effectiveness assessment, etc. are described in the “Significant Accounting Policies.”

(3) Risk management frameworks of financial instruments

The basic policies for risk management of the Bank are broadly divided into “risks to be minimized” and “risks to be controlled”. Credit risk, market risks, and liquidity risks fall into the latter category. Both categorized risks are managed by risk management divisions that are independent of the client service divisions. The Risk Management Division comprehensively manages these risks.

<Integrated risk management>

For the integrated management of risks, the Bank has introduced integrated risk management for quantifiable risks. Integrated risk management is a risk management method of measuring various risks using a uniform risk measure such as Value at Risk (VaR), aggregating the measurements, and comparing the aggregated amounts with the Bank’s capital. The Bank measures credit risks and market risks using VaR methodology, and monitors this on a daily basis to prevent risk limits from being breached.

These risk limit amounts are reviewed each fiscal year by the Risk Management Committee and determined at the Executive Committee. The values of risk are measured weekly by the Risk Management Division, which takes steps to prevent any of the various risk limits from being breached, and through the Risk Management Committee, reports regularly to the management and relevant divisions.

The values of risk at consolidated subsidiaries are aggregated and managed through the integrated risk management framework.

(i) Credit risk management

For the accurate identification and strict management of credit risk, the Bank has established credit risk management policies. Moreover, the Bank has created a structure in which divisions responsible for credit control, credit management and credit assessment are clearly segregated from divisions involved in client services, with mutually independent tasks to ensure effective internal checking functions.

The Bank established the Credit Committee and the Risk Management Committee, comprised of senior management and heads of divisions related to credit risk, as bodies to deliberate and make decisions on matters relating to credit risk management. The Credit Committee deliberates on credit transactions that exceed the credit limit, while the Risk Management Committee deliberates on the establishment and the review of policies regarding credit management. The Executive Committee deliberates and makes

decisions on matters related to asset self-assessments including the results of asset self-assessments, asset write-offs and asset reserve provisions.

Divisions responsible for credit control manage the credit risk for each borrower relating to loans and market trading activities. An overall credit limit is set for each borrower according to the credit rating of the borrower. These divisions analyze the Bank's overall credit portfolio according to credit rating, industry, country and other criteria. These analyses are used to monitor the diversification of credit risk as well as changes in portfolio credit risk. Additionally, divisions responsible for credit control quantify credit risk in VaR methodology using Monte Carlo simulation methods and manage credit risks based on the limits set at the Executive Committee.

Divisions responsible for credit management accurately monitor each borrower's financial condition, the purposes for which funds are used and repayment resources. In addition to appropriate assessment and post-transaction management, these divisions continually check whether the client service divisions are conducting appropriate credit control, and provide guidance as necessary.

Divisions responsible for credit assessment undertake and manage operations relating to asset self-assessments, and the calculation of asset write-offs and asset reserve provisions.

Credit risks of consolidated subsidiaries are added to the credit risk of the Bank by each borrower and monitored.

(ii) Market risk management

To maintain an accurate understanding of market risk and rigorously manage this risk, the Bank has issued a market risk management policy. Furthermore, divisions responsible for market risk management are clearly separated from divisions involved in market operations, providing a risk management structure in which internal checks are maintained through independent functions.

The Bank has established the ALM Committee as the body responsible for deliberating and making decisions on matters relating to market risk management. The ALM Committee is comprised of senior management and heads of divisions related to market risk. Based on risk status information—obtained via reports from divisions responsible for market risk management and other sources—the ALM Committee deliberates broadly and in a timely manner ALM related policies and market transactions including the Bank's fund-raising and management as well as the usage of hedging transactions involving derivatives such as interest rate swaps.

Divisions responsible for market risk management quantify and manage market risk mainly by VaR within the limit set by the Executive Committee. In addition, market risk is classified into several categories, and the amount of risk for each category is monitored. Market risk management at the Bank not only uses VaR methodology but takes multi-faceted approaches, that is, monitoring sensitivity to change in individual risk factors such as the interest rate risk based on outlier standard and the basis point value (BPV: the amount of the change in a portfolio's market value from a specific change in the interest rate), stress loss amounts from unexpected market changes, and appraisal losses from financial instruments. For stress loss amounts, in particular, a supplementary framework has been incorporated into the integrated risk management, in addition to the above monitoring system. In this way, market risks including those that cannot be captured through VaR methods alone are managed.

Moreover, for trading operations, clear regulations are in place concerning the trading instruments and trading management methods, enabling appropriate trading operations by setting a specific loss limit amount.

Market risks of consolidated subsidiaries are not directly added to the values of market risk of the Bank but are managed separately under integrated risk management.

<Quantitative information on market risk>

(a) Financial instruments held for trading purposes

The Bank uses VaR analysis for quantifying market risk of trading securities held within securities and interest-rate and foreign-exchange instruments held for trading purposes within derivative transactions. The VaR model is based on the delta method and uses a 99.0% confidence interval, a holding period of five business days and an observation period of one year. In addition, with regard to market risk related to trading operations at consolidated subsidiaries, which is managed separately within the integrated risk management framework, the Bank uses a market risk-equivalent amount under the regulations on banks' capital ratio.

The market risk amount (estimated loss amount) of the Bank's trading operations was ¥100 million (\$0 million) as of March 31, 2017 and ¥193 million as of March 31, 2016 and the market risk amount (estimated loss amount) of the trading operations of the Bank's consolidated subsidiaries was ¥548 million (\$4 million) as of March 31, 2017 and ¥516 million as of March 31, 2016.

The Bank conducts back testing to compare VaR calculated using the model with actual loss amounts. Based on the results of back testing covering the fiscal year ended March 31, 2017, the actual loss amount exceeded the VaR model on one occasion, and the Bank believes that the measurement model it uses has an adequate level of accuracy to capture market risk. However, it should be noted that VaR measures the amount of market risk at certain probability levels statistically calculated based on historical market fluctuation. Hence, there may be cases where market risk cannot be captured in situations where market conditions change unprecedentedly.

(b) Financial instruments other than those held for trading purposes

The Bank uses VaR analysis for quantifying market risk of due from banks, securities not held for trading purposes, loans and bills discounted, deposits, debentures, payables under securities lending transactions and, within derivative transactions, interest-rate and foreign-exchange instruments not held for trading purposes. The VaR model is based on the delta method and uses a 99.0% confidence interval, a holding period of one year and an observation period of five years. In addition, with regard to market risk at consolidated subsidiaries related to operations other than trading operations, which is managed separately within the integrated risk management framework, such risk is calculated in accordance with methods used by the Bank.

The Group's market risk amount (estimated loss amount) other than for trading purposes was ¥284,122 million (\$2,532 million) as of March 31, 2017 and ¥266,515 million as of March 31, 2016. The Bank conducts back testing to compare VaR calculated using the model with actual loss amounts, and believes that the measurement model it uses has an adequate level of accuracy to capture market risk. However, it should be noted that VaR measures the amount of market risk at certain probability levels statistically calculated based on historical market fluctuation. Hence, there may be cases where

market risk cannot be captured in situations where market conditions change unprecedentedly.

(iii) Liquidity risk management related to fund-raising

For the accurate identification and strict management of liquidity risk, the Bank has established liquidity risk management policies. Divisions responsible for liquidity risk management are clearly separated from divisions involved in cash management and market operations, allowing internal checks to be maintained through the independent functions. In addition, the ALM Committee deliberates and makes decisions on matters relating to liquidity risk management.

Methods used for managing liquidity risk include the setting and daily monitoring of risk limit amounts relating to the gap between cash receipts and payments. This is carried out for individual currencies and periods. In the event that a significant liquidity risk arises, the Bank has preparations to respond rapidly, including the securing of funding sources.

The liquidity risk management frameworks created by the Bank include subsidiaries as well, by providing overdraft facilities for consolidated subsidiaries with operations involving fund movements in relatively large amounts.

(4) Supplementary explanation concerning the fair values of financial instruments

Fair values of financial instruments, in addition to values based on market prices, also include values based on reasonable estimates if market prices are unavailable. Since value estimates are predicated on certain assumptions, values may vary if the underlying assumptions change.

2. Matters concerning fair value and others of financial instruments

Carrying values stated on the consolidated balance sheet, fair value and differences between them are as follows. Unlisted stocks and similar items with significant difficulty in determining fair value are not included in the table below. (See Note 2.)

Immaterial items have been omitted.

As of March 31, 2017

	Millions of Yen		
	Carrying Value	Fair Value	Difference
(1) Cash and Due from Banks	10,611,955	10,611,958	2
(2) Bills Bought and Call Loans	362,234	362,234	—
(3) Receivables under Resale Agreements	19,999	19,999	—
(4) Receivables under Securities Borrowing Transactions	86,206	86,206	—
(5) Monetary Debts Purchased (*1)	180,476	180,477	1
(6) Trading Assets			
Trading Securities	184,425	184,425	—
(7) Money Held in Trust	—	—	—
(8) Securities			
Held-to-Maturity Debt Securities	1,282,771	1,390,011	107,240
Other Securities	15,647,543	15,647,543	—
(9) Loans and Bills Discounted	7,995,391		
Reserve for Possible Loan Losses (*1)	(41,669)		
	7,953,722	8,003,992	50,270
Total Assets	36,329,335	36,486,850	157,514
(1) Deposits	29,150,114	29,157,033	6,919
(2) Debentures	2,950,000	2,961,148	11,148
(3) Trading Liabilities			
Trading Bonds Sold	7,930	7,930	—
(4) Borrowed Money	1,203,870	1,218,813	14,943
(5) Bills Sold and Call Money	27,821	27,821	—
(6) Payables under Repurchase Agreements	188,402	188,402	—
(7) Payables under Securities Lending Transactions	1,606,958	1,606,958	—
Total Liabilities	35,135,098	35,168,110	33,011
Derivatives (*2)			
To which Hedge Accounting is not applied	(9,903)	(9,903)	—
To which Hedge Accounting is applied	(105,183)	(182,129)	(76,944)
Total Derivatives	(115,089)	(192,033)	(76,944)

Millions of U.S. Dollars

	Carrying Value	Fair Value	Difference
(1) Cash and Due from Banks	94,589	94,589	0
(2) Bills Bought and Call Loans	3,228	3,228	—
(3) Receivables under Resale Agreements	178	178	—
(4) Receivables under Securities Borrowing Transactions	768	768	—
(5) Monetary Debts Purchased (*1)	1,608	1,608	0
(6) Trading Assets			
Trading Securities	1,643	1,643	—
(7) Money Held in Trust	—	—	—
(8) Securities			
Held-to-Maturity Debt Securities	11,433	12,389	955
Other Securities	139,473	139,473	—
(9) Loans and Bills Discounted	71,266		
Reserve for Possible Loan Losses (*1)	(371)		
	70,895	71,343	448
Total Assets	323,819	325,223	1,404
(1) Deposits	259,828	259,889	61
(2) Debentures	26,294	26,394	99
(3) Trading Liabilities			
Trading Bonds Sold	70	70	—
(4) Borrowed Money	10,730	10,863	133
(5) Bills Sold and Call Money	247	247	—
(6) Payables under Repurchase Agreements	1,679	1,679	—
(7) Payables under Securities Lending Transactions	14,323	14,323	—
Total Liabilities	313,174	313,469	294
Derivatives (*2)			
To which Hedge Accounting is not applied	(88)	(88)	—
To which Hedge Accounting is applied	(937)	(1,623)	(685)
Total Derivatives	(1,025)	(1,711)	(685)

*1. General and specific reserves for possible loan losses of Loans and Bills Discounted have been deducted. Loss reserves for Monetary Debts Purchased are immaterial and have therefore been deducted directly from the carrying value.

*2. Derivative transactions stated in trading assets and liabilities, and other assets and liabilities are shown as a single amount. For net claims and obligations derived from derivative transactions, net amounts are stated. Sums that represent net obligations are shown in parenthesis.

	Millions of Yen		
	Carrying Value	Fair Value	Difference
(1) Cash and Due from Banks	9,113,465	9,113,466	0
(2) Bills Bought and Call Loans	339,088	339,088	—
(3) Receivables under Resale Agreements	14,999	14,999	—
(4) Receivables under Securities Borrowing Transactions	120,541	120,541	—
(5) Monetary Debts Purchased (*1)	177,688	177,689	1
(6) Trading Assets			
Trading Securities	211,257	211,257	—
(7) Money Held in Trust	72,826	72,826	—
(8) Securities			
Held-to-Maturity Debt Securities	1,693,329	1,832,724	139,394
Other Securities	15,865,459	15,865,459	—
(9) Loans and Bills Discounted	6,763,824		
Reserve for Possible Loan Losses (*1)	(40,163)		
	6,723,661	6,792,741	69,080
Total Assets	34,332,319	34,540,794	208,475
(1) Deposits	27,214,026	27,228,590	14,563
(2) Debentures	3,052,920	3,068,397	15,477
(3) Trading Liabilities			
Trading Bonds Sold	18,438	18,438	—
(4) Borrowed Money	829,320	854,428	25,108
(5) Bills Sold and Call Money	54,397	54,397	—
(6) Payables under Repurchase Agreements	63,804	63,804	—
(7) Payables under Securities Lending Transactions	1,414,550	1,414,550	—
Total Liabilities	32,647,457	32,702,607	55,150
Derivatives (*2)			
To which Hedge Accounting is not applied	(12,743)	(12,743)	—
To which Hedge Accounting is applied	(217,685)	(310,840)	(93,154)
Total Derivatives	(230,429)	(323,584)	(93,154)

*1. General and specific reserves for possible loan losses of Loans and Bills Discounted have been deducted. Loss reserves for Monetary Debts Purchased are immaterial and have therefore been deducted directly from the carrying value.

*2. Derivative transactions stated in trading assets and liabilities, and other assets and liabilities are shown as a single amount. For net claims and obligations derived from derivative transactions, net amounts are stated. Sums that represent net obligations are shown in parenthesis.

Note 1: Calculation method of fair value for financial instruments

Assets

(1) Cash and Due from Banks

For deposits that do not mature and have maturities with variable-interest-rates, since fair value approximates carrying value, carrying value is used as fair value. For deposits that have maturities with fixed-interest-rate, present value is calculated by discounting future cash flows using the expected interest rate that would be applied to new deposits. For term deposits with short maturities, since fair value approximates carrying value, carrying value is used as fair value.

(2) Bills Bought and Call Loans, (3) Receivables under Resale Agreements and (4) Receivables under Securities Borrowing Transactions

Since contract durations are short-term and fair value approximates carrying value, carrying value is used as fair value.

(5) Monetary Debts Purchased

Monetary debt purchased is stated at amounts obtained from brokers.

(6) Trading Assets

Securities including bonds held for trading are stated at market prices, etc.

(7) Money Held in Trust

Securities managed as trust assets of money held in trust whose main purpose is securities investment are valued at the prices quoted by the exchanges in the case of listed equity shares and at market prices in the case of bonds.

Note concerning securities categorized by holding purpose is stated in “Fair Value of Securities and Money Held in Trust”.

(8) Securities

Stocks are valued at the price quoted by the exchanges. Investment trusts are valued at the announced standard price. Bonds are valued at the quoted market prices or price calculated on the basis of rational estimation, etc.

For overseas Collateralized Loan Obligations (CLOs), fair value has been determined using a valuation technique that management believes provides a reasonable estimate of the securities’ fair value at the end of the fiscal year. Fair value based on management’s reasonable estimates is calculated using the discounted cash flow approach, with the primary price variables including default rates for similar assets, recovery rates, early redemption rates, and discount rates.

Note concerning securities categorized by holding purpose is stated in “Fair Value of Securities and Money Held in Trust”.

(9) Loans and Bills Discounted

For floating rate loans, since market interest is reflected in fair value in short term and fair value approximates carrying value unless the borrower’s credit standing after the lending undergoes significant change, carrying value is used as fair value. For fixed rate loans, categorized by type of loan and internal credit rating, fair value is determined by discounting loans to present value using the interest rate that would conceivably be applied in case of a newly made loan of the same principal and interest total. For loans with short contractual maturities, since fair value approximates carrying value, carrying value is used as fair value.

With regard to loans to Bankrupt Borrowers, Substantially Bankrupt Borrowers or Probably Bankrupt Borrowers, the Bank estimates loan loss based on the present value of estimated future cash flows or the estimated recoverable value from collateral and guarantees. Since fair value therefore approximates the total loan value on the consolidated balance sheet at the consolidated closing date less the total recorded value of the reserve for possible loan losses, this value is used for fair value.

Liabilities

(1) Deposits

For demand deposits, the amount payable upon demand on the balance sheet date (carrying value) is used as fair value. For term deposits, fair value is calculated by discounting future cash flows to present value. The discount rate is the interest rate that would be applicable to newly made deposits. For term deposits with short contractual maturities and term deposits with variable interest rates, since fair value approximates carrying value, carrying value is used as fair value.

(2) Debentures

For debentures issued by the Bank, market prices are used as fair value.

(3) Trading Liabilities

For trading bonds sold, market prices, etc. are used as fair value.

(4) Borrowed Money

For borrowed money, categorized by types of loans, fair value is calculated by discounting borrowed money to present value using the interest rate that would conceivably be applied in case of a newly made loan of the same principal and interest total.

In instances with short contractual maturities, since fair value approximates carrying value, the carrying value is used as fair value.

(5) Bills Sold and Call Money, (6) Payables under Repurchase Agreements, and (7) Payables under Securities Lending Transactions

Since contract durations are short term and fair value approximates carrying value, carrying value is used as fair value.

Derivative Transactions

With regard to derivative transactions, these are noted in “Derivatives”.

Note 2: The following financial instruments have significant difficulty in determining fair value and are not included in fair value information of financial instruments.

Category	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Unlisted stocks, etc. (*1) (*2)	221,263	237,355	1,972
Investment in investment partnerships (*3)	12,847	12,456	114
Total	234,110	249,812	2,086

*1. Unlisted stocks, etc. means unlisted common shares and preferred shares held by the Bank. Since unlisted stocks, etc. have no market prices and therefore are with significant difficulty in determining fair value, unlisted stocks, etc. are not included in fair value disclosure information.

*2. In the fiscal year ended March 31, 2016, the Bank recognized impairment losses totaling ¥72 million on unlisted stocks.

*3. Investment in investment partnerships is not included in fair value disclosure information given that investment partnership assets include items such as unlisted stocks, etc., which are with significant difficulty in determining fair value.

Note 3: Amounts of monetary claims and securities with maturities scheduled for redemption after the consolidated balance sheet date

As of March 31, 2017

	Millions of Yen					
	Within 1 year	Over 1 year, within 3 years	Over 3 years, within 5 years	Over 5 years, within 7 years	Over 7 years, within 10 years	Over 10 years
Due from Banks (*1)	10,276,129	189,828	128,365	3,000	—	—
Bills Bought and Call Loan	362,234	—	—	—	—	—
Receivables under Resale Agreements	19,999	—	—	—	—	—
Receivables under Securities Borrowing Transactions	86,206	—	—	—	—	—
Monetary Debts Purchased	4,372	3,484	29,127	8,612	13,536	121,337
Securities						
Held-to-Maturity Debt Securities	335,802	456,146	28,033	23,810	176,294	265,000
Japanese Government Bonds	335,000	455,000	—	7,000	170,000	265,000
Municipal Government Bonds	—	—	—	—	—	—
Short-term Corporate Bonds	—	—	—	—	—	—
Corporate Bonds	—	—	—	—	—	—
Other Securities with maturities	1,201,366	3,310,618	3,301,651	2,326,634	1,844,333	982,777
Japanese Government Bonds	758,100	1,667,500	1,788,800	1,096,500	622,000	444,000
Municipal Government Bonds	33,941	105,878	181,497	47,954	205,846	—
Short-term Corporate Bonds	—	—	—	—	—	—
Corporate Bonds	292,010	1,216,067	868,809	562,433	479,104	80,404
Loans and Bills Discounted (*2)	5,052,955	1,224,590	808,273	346,239	392,124	162,417
Total	17,339,067	5,184,668	4,295,452	2,708,297	2,426,289	1,531,532

	Millions of U.S. Dollars					
	Within 1 year	Over 1 year, within 3 years	Over 3 years, within 5 years	Over 5 years, within 7 years	Over 7 years, within 10 years	Over 10 years
Due from Banks (*1)	91,595	1,692	1,144	26	—	—
Bills Bought and Call Loan	3,228	—	—	—	—	—
Receivables under Resale Agreements	178	—	—	—	—	—
Receivables under Securities Borrowing Transactions	768	—	—	—	—	—
Monetary Debts Purchased	38	31	259	76	120	1,081
Securities						
Held-to-Maturity Debt Securities	2,993	4,065	249	212	1,571	2,362
Japanese Government Bonds	2,986	4,055	—	62	1,515	2,362
Municipal Government Bonds	—	—	—	—	—	—
Short-term Corporate Bonds	—	—	—	—	—	—
Corporate Bonds	—	—	—	—	—	—
Other Securities with maturities	10,708	29,509	29,429	20,738	16,439	8,759
Japanese Government Bonds	6,757	14,863	15,944	9,773	5,544	3,957
Municipal Government Bonds	302	943	1,617	427	1,834	—
Short-term Corporate Bonds	—	—	—	—	—	—
Corporate Bonds	2,602	10,839	7,744	5,013	4,270	716
Loans and Bills Discounted (*2)	45,039	10,915	7,204	3,086	3,495	1,447
Total	154,550	46,213	38,287	24,140	21,626	13,651

*1. Current deposits, ordinary deposits, deposits at notice, and transfer deposits, included in “Due from banks,” are stated under amounts redeemable “Within 1 year.”

*2. The loans of ¥8,558 million (\$76 million) which obligor categories are Bankrupt Borrowers, Substantially Bankrupt Borrowers or Probably Bankrupt Borrowers and which periods of redemption cannot be foreseen are not included in Loans and Bills Discounted.

As of March 31, 2016

	Millions of Yen					
	Within 1 year	Over 1 year, within 3 years	Over 3 years, within 5 years	Over 5 years, within 7 years	Over 7 years, within 10 years	Over 10 years
Due from Banks (*1)	8,833,829	79,538	171,380	13,000	—	—
Bills Bought and Call Loan	339,088	—	—	—	—	—
Receivables under Resale Agreements	14,999	—	—	—	—	—
Receivables under Securities Borrowing Transactions	120,541	—	—	—	—	—
Monetary Debts Purchased	11,492	5,445	14,868	6,993	13,439	124,699
Securities						
Held-to-Maturity Debt Securities	284,057	705,268	148,334	113,983	87,495	366,000
Japanese Government Bonds	283,700	701,400	91,600	8,800	71,900	366,000
Municipal Government Bonds	—	200	200	—	—	—
Short-term Corporate Bonds	—	—	—	—	—	—
Corporate Bonds	—	—	—	—	—	—
Other Securities with maturities	2,363,312	2,781,891	2,651,100	2,968,127	1,662,685	1,055,472
Japanese Government Bonds	1,485,700	1,711,700	1,556,700	1,851,000	533,500	739,000
Municipal Government Bonds	35,404	63,529	53,180	40,714	154,664	—
Short-term Corporate Bonds	—	—	—	—	—	—
Corporate Bonds	530,805	671,916	612,347	499,756	509,100	38,906
Loans and Bills Discounted (*2)	4,200,125	1,091,234	746,658	306,420	262,264	153,604
Total	16,167,448	4,663,378	3,732,342	3,408,525	2,025,885	1,699,776

*1. Current deposits, ordinary deposits, deposits at notice, and transfer deposits, included in “Due from banks,” are stated under amounts redeemable “Within 1 year.”

*2. The loans of ¥5,481 million which obligor categories are Bankrupt Borrowers, Substantially Bankrupt Borrowers or Probably Bankrupt Borrowers and which periods of redemption cannot be foreseen are not included in Loans and Bills Discounted.

Note 4: Amounts of deposits, debentures and other interest bearing debt scheduled for repayment after the consolidated balance sheet date
As of March 31, 2017

	Millions of Yen					
	Within 1 year	Over 1 year, within 3 years	Over 3 years, within 5 years	Over 5 years, within 7 years	Over 7 years, within 10 years	Over 10 years
Deposits (*1)	16,660,118	11,356,601	319,669	11,298	802,427	—
Debentures	579,460	1,266,140	1,074,400	10,000	20,000	—
Borrowed Money (*2)	130,200	—	468,000	216,200	—	162,480
Bills Sold and Call Money	27,821	—	—	—	—	—
Payables under Repurchase Agreements	188,402	—	—	—	—	—
Payables under Securities Lending Transactions	1,606,958	—	—	—	—	—
Total	19,192,961	12,622,741	1,862,069	237,498	822,427	162,480

	Millions of U.S. Dollars					
	Within 1 year	Over 1 year, within 3 years	Over 3 years, within 5 years	Over 5 years, within 7 years	Over 7 years, within 10 years	Over 10 years
Deposits (*1)	148,499	101,226	2,849	100	7,152	—
Debentures	5,164	11,285	9,576	89	178	—
Borrowed Money (*2)	1,160	—	4,171	1,927	—	1,448
Bills Sold and Call Money	247	—	—	—	—	—
Payables under Repurchase Agreements	1,679	—	—	—	—	—
Payables under Securities Lending Transactions	14,323	—	—	—	—	—
Total	171,075	112,512	16,597	2,116	7,330	1,448

*1. Demand deposits, included in “Deposits,” are stated under amounts payable “Within 1 year.”

*2. Borrowed Money without maturity is not included.

As of March 31, 2016

	Millions of Yen					
	Within 1 year	Over 1 year, within 3 years	Over 3 years, within 5 years	Over 5 years, within 7 years	Over 7 years, within 10 years	Over 10 years
Deposits (*1)	13,959,911	11,167,257	761,462	81,801	1,243,594	—
Debentures	578,860	1,206,570	1,237,490	10,000	20,000	—
Borrowed Money (*2)	115,500	—	—	324,350	—	162,480
Bills Sold and Call Money	54,397	—	—	—	—	—
Payables under Repurchase Agreements	63,804	—	—	—	—	—
Payables under Securities Lending Transactions	1,414,550	—	—	—	—	—
Total	16,187,023	12,373,827	1,998,952	416,151	1,263,594	162,480

*1. Demand deposits, included in “Deposits,” are stated under amounts payable “Within 1 year.”

*2. Borrowed Money without maturity is not included.

26. Fair Value of Securities and Money Held in Trust:

1. Securities

The following tables contain information relating to Securities, Trading Assets (trading account securities and short-term corporate bonds), Cash and Due from Banks (negotiable certificates of deposit) and Monetary Debts Purchased (beneficiary rights) in the consolidated balance sheet.

(1) Trading Securities

	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Net Unrealized Gains (Losses)			
Recognized as Income	43	478	0

(2) Held-to-Maturity Debt Securities

As of March 31, 2017

		Millions of Yen		
		Carrying Value	Fair Value	Unrealized Gains (Losses)
Items with Fair Value Exceeding Carrying Value	Japanese Government Bonds	1,129,127	1,226,049	96,922
	Municipal Government Bonds	—	—	—
	Short-Term Corporate Bonds	—	—	—
	Corporate Bonds	—	—	—
	Others	43,269	53,616	10,347
	Total	1,172,397	1,279,666	107,269
Items with Fair Value not Exceeding Carrying Value	Japanese Government Bonds	110,373	110,345	(28)
	Municipal Government Bonds	—	—	—
	Short-Term Corporate Bonds	—	—	—
	Corporate Bonds	—	—	—
	Others	1,500	1,500	—
	Total	111,873	111,845	(28)
Total		1,284,271	1,391,511	107,240

		Millions of U.S. Dollars		
		Carrying Value	Fair Value	Unrealized Gains (Losses)
Items with Fair Value Exceeding Carrying Value	Japanese Government Bonds	10,064	10,928	863
	Municipal Government Bonds	—	—	—
	Short-Term Corporate Bonds	—	—	—
	Corporate Bonds	—	—	—
	Others	385	477	92
	Total	10,450	11,406	956
Items with Fair Value not Exceeding Carrying Value	Japanese Government Bonds	983	983	(0)
	Municipal Government Bonds	—	—	—
	Short-Term Corporate Bonds	—	—	—
	Corporate Bonds	—	—	—
	Others	13	13	—
	Total	997	996	(0)
Total		11,447	12,403	955

As of March 31, 2016

		Millions of Yen		
		Carrying Value	Fair Value	Unrealized Gains (Losses)
Items with Fair Value Exceeding Carrying Value	Japanese Government Bonds	1,386,262	1,504,841	118,579
	Municipal Government Bonds	400	418	18
	Short-Term Corporate Bonds	—	—	—
	Corporate Bonds	—	—	—
	Others	159,186	180,329	21,142
	Total	1,545,849	1,685,589	139,740
Items with Fair Value not Exceeding Carrying Value	Japanese Government Bonds	145,798	145,467	(331)
	Municipal Government Bonds	—	—	—
	Short-Term Corporate Bonds	—	—	—
	Corporate Bonds	—	—	—
	Others	4,681	4,667	(14)
	Total	150,480	150,134	(345)
	Total	1,696,329	1,835,724	139,394

(3) Other Securities

As of March 31, 2017

		Millions of Yen		
		Carrying Value	Acquisition Cost	Unrealized Gains (Losses)
Items with Carrying Value Exceeding Acquisition Cost	Stocks	58,669	27,720	30,949
	Bonds	9,449,379	9,169,106	280,273
	Japanese Government Bonds	6,393,480	6,155,320	238,159
	Municipal Government Bonds	401,087	396,547	4,540
	Short-Term Corporate Bonds	—	—	—
	Corporate Bonds	2,654,811	2,617,238	37,573
	Others	3,504,514	3,269,059	235,455
	Total	13,012,563	12,465,885	546,677
Items with Carrying Value not Exceeding Acquisition Cost	Stocks	—	—	—
	Bonds	1,376,447	1,380,632	(4,184)
	Japanese Government Bonds	275,673	277,977	(2,304)
	Municipal Government Bonds	185,038	185,346	(307)
	Short-Term Corporate Bonds	—	—	—
	Corporate Bonds	915,735	917,307	(1,571)
	Others	1,530,796	1,588,349	(57,553)
	Total	2,907,244	2,968,982	(61,737)
	Total	15,919,807	15,434,867	484,940

Millions of U.S. Dollars

		Carrying Value	Acquisition Cost	Unrealized Gains (Losses)
Items with Carrying Value Exceeding Acquisition Cost	Stocks	522	247	275
	Bonds	84,226	81,728	2,498
	Japanese Government Bonds	56,987	54,865	2,122
	Municipal Government Bonds	3,575	3,534	40
	Short-Term Corporate Bonds	—	—	—
	Corporate Bonds	23,663	23,328	334
	Others	31,237	29,138	2,098
Total		115,986	111,114	4,872
Items with Carrying Value not Exceeding Acquisition Cost	Stocks	—	—	—
	Bonds	12,268	12,306	(37)
	Japanese Government Bonds	2,457	2,477	(20)
	Municipal Government Bonds	1,649	1,652	(2)
	Short-Term Corporate Bonds	—	—	—
	Corporate Bonds	8,162	8,176	(14)
	Others	13,644	14,157	(512)
Total		25,913	26,463	(550)
Total		141,900	137,577	4,322

As of March 31, 2016

Millions of Yen

		Carrying Value	Acquisition Cost	Unrealized Gains (Losses)
Items with Carrying Value Exceeding Acquisition Cost	Stocks	60,294	26,901	33,393
	Bonds	11,376,195	10,961,519	414,676
	Japanese Government Bonds	8,207,782	7,844,506	363,275
	Municipal Government Bonds	326,830	321,073	5,757
	Short-Term Corporate Bonds	—	—	—
	Corporate Bonds	2,841,582	2,795,939	45,642
	Others	3,536,183	3,290,370	245,812
Total		14,972,673	14,278,790	693,882
Items with Carrying Value not Exceeding Acquisition Cost	Stocks	5	5	—
	Bonds	246,864	249,232	(2,367)
	Japanese Government Bonds	115,197	117,399	(2,201)
	Municipal Government Bonds	30,858	30,878	(20)
	Short-Term Corporate Bonds	—	—	—
	Corporate Bonds	100,808	100,954	(145)
	Others	847,218	866,763	(19,545)
Total		1,094,088	1,116,001	(21,913)
Total		16,066,761	15,394,792	671,969

(4) Held-to-Maturity Debt Securities Sold during the Fiscal Year

For the Fiscal Year Ended March 31, 2017

Millions of Yen			
	Costs of Securities Sold	Amounts of Securities Sold	Gains (Losses) on Sales
Japanese Government Bonds	8,107	8,474	366
Municipal Government Bonds	400	412	12
Total	8,507	8,886	379

Millions of U.S. Dollars			
	Costs of Securities Sold	Amounts of Securities Sold	Gains (Losses) on Sales
Japanese Government Bonds	72	75	3
Municipal Government Bonds	3	3	0
Total	75	79	3

Reason for sale

Consolidated subsidiary Shinkin Trust Bank, Ltd. sold its bond holdings during the fiscal year ended March 31, 2017, as part of the business takeover procedures in preparation for the merger of Shinkin Trust Bank, Ltd. and Mitsubishi UFJ Trust and Banking Corporation in September 2017.

For the Fiscal Year Ended March 31, 2016

Not applicable.

(5) Other Securities Sold during the Fiscal Year

For the Fiscal Year Ended March 31, 2017

Millions of Yen			
	Amounts of Securities Sold	Aggregate Gains on Sales	Aggregate Losses on Sales
Stocks	89,002	9,177	2,719
Bonds	1,208,239	47,062	8,918
Japanese Government Bonds	1,208,239	47,062	8,918
Municipal Government Bonds	—	—	—
Short-Term Corporate Bonds	—	—	—
Corporate Bonds	—	—	—
Others	541,901	7,261	14,676
Total	1,839,142	63,501	26,314

Millions of U.S. Dollars			
	Amounts of Securities Sold	Aggregate Gains on Sales	Aggregate Losses on Sales
Stocks	793	81	24
Bonds	10,769	419	79
Japanese Government Bonds	10,769	419	79
Municipal Government Bonds	—	—	—
Short-Term Corporate Bonds	—	—	—
Corporate Bonds	—	—	—
Others	4,830	64	130
Total	16,393	566	234

For the Fiscal Year Ended March 31, 2016

	Millions of Yen		
	Amounts of Securities Sold	Aggregate Gains on Sales	Aggregate Losses on Sales
Stocks	64,905	6,499	1,158
Bonds	618,322	32,993	870
Japanese Government Bonds	617,322	32,981	870
Municipal Government Bonds	—	—	—
Short-Term Corporate Bonds	—	—	—
Corporate Bonds	1,000	11	—
Others	306,302	1,641	1,965
Total	989,529	41,134	3,994

(6) Impaired Securities

Of Securities other than Trading Securities (excluding those where there is significant difficulty in determining fair value), if the fair value falls by 30% or more compared with the acquisition price and it is not expected to recover up to the acquisition price in view of the rate of decline over past periods, the securities are devalued and the fair value is recorded as the carrying amount on the consolidated balance sheet. In addition the difference between the fair value and the acquisition price is treated as impairment losses in the fiscal year.

In the case where the issuer is in bankruptcy, de facto bankruptcy, or has a likelihood of falling into bankruptcy, impairment loss is recognized for securities when the market price is below the purchase price.

In the fiscal year ended March 31, 2017, the amount of impairment losses on securities was ¥366 million (\$3 million) (all impairment losses were incurred on other securities).

In the fiscal year ended March 31, 2016, the amount of impairment losses on securities was ¥1 million (all were classified under stocks).

2. Money Held in Trust

(1) Money Held in Trust for Trading Purposes

As of March 31, 2017

Not applicable.

As of March 31, 2016

	Millions of Yen	
	Carrying Value	Unrealized Gains (Losses) Recognized as Income
Money Held in Trust for Trading Purposes	72,826	—

(2) Held-to-Maturity Money Held in Trust

Not applicable.

(3) Other Money Held in Trusts (Money Held in Trust other than Held for Trading Purposes or Held-to-Maturity)

Not applicable.

3. Net Unrealized Gains on Other Securities and Other Money Held in Trust

Components of Net Unrealized Gains on Other Securities in the consolidated balance sheets are as follows:

As of March 31, 2017

	Millions of Yen	Millions of U.S. Dollars
Other Securities	483,259	4,307
Other Money Held in Trust	—	—
Net Unrealized Gains	483,259	4,307
Deferred Tax Liabilities	134,328	1,197
Net Unrealized Gains (Prior to Equity Method Adjustment)	348,931	3,110
Non-controlling interests' Portion	—	—
Parent Company's Portion of Valuation Differential for Other Securities Held by Equity-Method-Applicable Companies	—	—
Net Unrealized Gains	348,931	3,110

Note:

Unrealized Gains on foreign currency translations of foreign currency-denominated other securities where there is significant difficulty in determining fair value are included in "Other Securities" under "Net Unrealized Gains".

As of March 31, 2016

	Millions of Yen
Other Securities	662,391
Other Money Held in Trust	—
Net Unrealized Gains	662,391
Deferred Tax Liabilities	184,447
Net Unrealized Gains (Prior to Equity Method Adjustment)	477,944
Non-controlling interests' Portion	—
Parent Company's Portion of Valuation Differential for Other Securities Held by Equity-Method-Applicable Companies	—
Net Unrealized Gains	477,944

Note:

Unrealized Gains on foreign currency translations of foreign currency-denominated other securities where there is significant difficulty in determining fair value are included in "Other Securities" under "Net Unrealized Gains".

27. Derivatives:

1. Derivative transactions to which hedge accounting is not applied

The following summarizes the contract values or the contracted principal equivalents, fair values, net unrealized gains (losses) and the valuation methods of the fair values of the Bank's derivative transactions that do not qualify for hedge accounting as of the consolidated balance sheet date, which are classified by types of financial instruments. Please note that the contract values in themselves do not reflect the market risk associated with the Bank's derivative transactions.

(1) Interest-Rate-Related Transactions

As of March 31, 2017

	Millions of Yen			
	Total Contract Value	Contract Value (Over 1 Year until Settlement or Expiry)	Fair Value	Net Unrealized Gains (Losses)
Exchange-Traded Transactions				
Interest Rate Futures:				
Sold	—	—	—	—
Bought	—	—	—	—
Interest Rate Options:				
Sold	—	—	—	—
Bought	—	—	—	—
Over the Counter Transactions				
Interest Rate Forwards:				
Sold	—	—	—	—
Bought	—	—	—	—
Interest Rate Swaps:				
Fixed Rate Receivable/Variable Rate Payable	7,445,308	6,676,307	148,427	148,427
Variable Rate Receivable/Fixed Rate Payable	7,400,635	5,984,527	(114,550)	(114,550)
Variable Rate Receivable/Variable Rate Payable	212,330	179,630	(87)	(87)
Fixed Rate Receivable/Fixed Rate Payable	—	—	—	—
Interest Rate Options:				
Sold	—	—	—	—
Bought	—	—	—	—
Others:				
Sold	2,362,600	1,688,600	(34,381)	(6,611)
Bought	2,393,200	1,731,700	(9,171)	(25,444)
Total			(9,762)	1,734

Millions of U.S. Dollars

	Total Contract Value	Contract Value (Over 1 Year until Settlement or Expiry)	Fair Value	Net Unrealized Gains (Losses)
Exchange-Traded Transactions				
Interest Rate Futures:				
Sold	—	—	—	—
Bought	—	—	—	—
Interest Rate Options:				
Sold	—	—	—	—
Bought	—	—	—	—
Over the Counter Transactions				
Interest Rate Forwards:				
Sold	—	—	—	—
Bought	—	—	—	—
Interest Rate Swaps:				
Fixed Rate Receivable/Variable Rate Payable	66,363	59,508	1,323	1,323
Variable Rate Receivable/Fixed Rate Payable	65,965	53,342	(1,021)	(1,021)
Variable Rate Receivable/Variable Rate Payable	1,892	1,601	(0)	(0)
Fixed Rate Receivable/ Fixed Rate Payable	—	—	—	—
Interest Rate Options:				
Sold	—	—	—	—
Bought	—	—	—	—
Others:				
Sold	21,058	15,051	(306)	(58)
Bought	21,331	15,435	(81)	(226)
Total			(87)	15

Notes:

- Transactions mentioned above are valued at fair value, and Net Unrealized Gains (Losses) are accounted for in the consolidated statement of income.
- Fair value calculation: Transactions on exchanges are valued on the basis of closing prices, mainly on the Tokyo Financial Exchange Inc. Over the counter transactions are valued using discounted present value or calculation models for option prices, etc.

As of March 31, 2016

Millions of Yen

	Total Contract Value	Contract Value (Over 1 Year until Settlement or Expiry)	Fair Value	Net Unrealized Gains (Losses)
Exchange-Traded Transactions				
Interest Rate Futures:				
Sold	—	—	—	—
Bought	—	—	—	—
Interest Rate Options:				
Sold	—	—	—	—
Bought	—	—	—	—
Over the Counter Transactions				
Interest Rate Forwards:				
Sold	—	—	—	—
Bought	—	—	—	—
Interest Rate Swaps:				
Fixed Rate Receivable/Variable Rate Payable	8,687,142	7,544,229	243,719	243,719
Variable Rate Receivable/Fixed Rate Payable	8,671,290	6,610,474	(178,283)	(178,283)
Variable Rate Receivable/Variable Rate Payable	195,330	195,330	55	55
Fixed Rate Receivable/Fixed Rate Payable	20,000	—	—	—
Interest Rate Options:				
Sold	—	—	—	—
Bought	—	—	—	—
Others:				
Sold	3,411,600	2,211,600	(67,968)	(26,217)
Bought	3,314,000	2,210,900	(10,027)	(32,326)
Total			(12,504)	6,947

Notes:

1. Transactions mentioned above are valued at fair value, and Net Unrealized Gains (Losses) are accounted for in the consolidated statement of income.
2. Fair value calculation: Transactions on exchanges are valued on the basis of closing prices, mainly on the Tokyo Financial Exchange Inc. Over the counter transactions are valued using discounted present value or calculation models for option prices, etc.

(2) Currency-Related Transactions
As of March 31, 2017

	Millions of Yen			
	Total Contract Value	Contract Value (Over 1 Year until Settlement or Expiry)	Fair Value	Net Unrealized Gains (Losses)
Exchange-Traded Transactions				
Currency Futures:				
Sold	—	—	—	—
Bought	—	—	—	—
Currency Options:				
Sold	—	—	—	—
Bought	—	—	—	—
Over the Counter Transactions				
Currency Swaps:	14,635	7,122	32	32
Forward Foreign Exchange Contracts:				
Sold	118,406	—	555	555
Bought	74,955	—	(333)	(333)
Currency Options:				
Sold	—	—	—	—
Bought	—	—	—	—
Others:				
Sold	—	—	—	—
Bought	—	—	—	—
Total			254	254

Millions of U.S. Dollars

	Total Contract Value	Contract Value (Over 1 Year until Settlement or Expiry)	Fair Value	Net Unrealized Gains (Losses)
Exchange-Traded Transactions				
Currency Futures:				
Sold	—	—	—	—
Bought	—	—	—	—
Currency Options:				
Sold	—	—	—	—
Bought	—	—	—	—
Over the Counter Transactions				
Currency Swaps:	130	63	0	0
Forward Foreign Exchange Contracts:				
Sold	1,055	—	4	4
Bought	668	—	(2)	(2)
Currency Options:				
Sold	—	—	—	—
Bought	—	—	—	—
Others:				
Sold	—	—	—	—
Bought	—	—	—	—
Total			2	2

Notes:

1. Transactions mentioned above are valued at fair value, and Net Unrealized Gains (Losses) are accounted for in the consolidated statements of income.
2. Fair value calculation: Transactions are valued using discounted present value, etc. (for currency swaps, fair value is calculated after deduction of principal)

As of March 31, 2016

	Millions of Yen			
	Total Contract Value	Contract Value (Over 1 Year until Settlement or Expiry)	Fair Value	Net Unrealized Gains (Losses)
Exchange-Traded Transactions				
Currency Futures:				
Sold	—	—	—	—
Bought	—	—	—	—
Currency Options:				
Sold	—	—	—	—
Bought	—	—	—	—
Over the Counter Transactions				
Currency Swaps:	16,754	13,848	(22)	(22)
Forward Foreign Exchange Contracts:				
Sold	104,510	2,423	750	750
Bought	86,306	2,377	(357)	(357)
Currency Options:				
Sold	—	—	—	—
Bought	—	—	—	—
Others:				
Sold	—	—	—	—
Bought	—	—	—	—
Total			369	369

Notes:

1. Transactions mentioned above are valued at fair value, and Net Unrealized Gains (Losses) are accounted for in the consolidated statements of income.
2. Fair value calculation: Transactions are valued using discounted present value, etc. (for currency swaps, fair value is calculated after deduction of principal)

(3) Stock-Related Transactions

Not applicable.

(4) Bond-Related Transactions
As of March 31, 2017

	Millions of Yen			
	Total Contract Value	Contract Value (Over 1 Year until Settlement or Expiry)	Fair Value	Net Unrealized Gains (Losses)
Exchange-Traded Transactions				
Bond Futures:				
Sold	12,779	—	5	5
Bought	3,907	—	(0)	(0)
Bond Futures Options:				
Sold	—	—	—	—
Bought	5,300	—	6	(0)
Over the Counter Transactions				
Bond Options:				
Sold	—	—	—	—
Bought	—	—	—	—
Others:				
Sold	—	—	—	—
Bought	—	—	—	—
Total			12	5

	Millions of U.S. Dollars			
	Total Contract Value	Contract Value (Over 1 Year until Settlement or Expiry)	Fair Value	Net Unrealized Gains (Losses)
Exchange-Traded Transactions				
Bond Futures:				
Sold	113	—	0	0
Bought	34	—	(0)	(0)
Bond Futures Options:				
Sold	—	—	—	—
Bought	47	—	0	(0)
Over the Counter Transactions				
Bond Options:				
Sold	—	—	—	—
Bought	—	—	—	—
Others:				
Sold	—	—	—	—
Bought	—	—	—	—
Total			0	0

Notes:

- Transactions mentioned above are valued at fair value, and Net Unrealized Gains (Losses) are accounted for in the consolidated statements of income.
- Fair value calculation: Transactions on exchanges are valued on the basis of closing prices, mainly on the Osaka Exchange, Inc. Over the counter transactions are valued using calculation models for option prices, etc.

As of March 31, 2016

	Millions of Yen			
	Total Contract Value	Contract Value (Over 1 Year until Settlement or Expiry)	Fair Value	Net Unrealized Gains (Losses)
Exchange-Traded Transactions				
Bond Futures:				
Sold	59,382	—	(78)	(78)
Bought	1,516	—	(3)	(3)
Bond Futures Options:				
Sold	—	—	—	—
Bought	3,000	—	11	3
Over the Counter Transactions				
Bond Options:				
Sold	—	—	—	—
Bought	1,000	—	0	(1)
Others:				
Sold	—	—	—	—
Bought	—	—	—	—
Total			(70)	(80)

Notes:

1. Transactions mentioned above are valued at fair value, and Net Unrealized Gains (Losses) are accounted for in the consolidated statements of income.
2. Fair value calculation: Transactions on exchanges are valued on the basis of closing prices, mainly on the Osaka Exchange, Inc.
Over the counter transactions are valued using calculation models for option prices, etc.

(5) Commodity-Related Derivative Transactions

Not applicable.

(6) Credit Derivative Transactions

Not applicable.

2. Derivative transactions to which hedge accounting is applied

The following summarizes the contract values or the contracted principal equivalents, fair values and the valuation methods of the fair values of the Bank's derivative transactions that qualify for hedge accounting as of the consolidated balance sheet date, which are classified by types of financial instruments and methods for hedge accounting. Please note that the contract values in themselves do not reflect the market risk associated with the Bank's derivative transactions.

(1) Interest-Rate-Related Transactions

As of March 31, 2017

		Millions of Yen		
Method for Hedge Accounting	Items	Total Contract Value	Contract Value (Over 1 Year until Settlement or Expiry)	Fair Value
Basic Treatment	Interest Rate Swaps			
	Fixed Rate Receivable/Variable Rate Payable	80,000	80,000	1,968
	Variable Rate Receivable/Fixed Rate Payable	4,661,221	4,240,018	(110,281)
Exceptional Treatments for Interest Rate Swaps	Interest Rate Swaps			
	Fixed Rate Receivable/Variable Rate Payable	180,000	—	338
	Variable Rate Receivable/Fixed Rate Payable	1,142,207	988,227	(77,283)
	Total			(185,256)

		Millions of U.S. Dollars		
Method for Hedge Accounting	Items	Total Contract Value	Contract Value (Over 1 Year until Settlement or Expiry)	Fair Value
Basic Treatment	Interest Rate Swaps			
	Fixed Rate Receivable/Variable Rate Payable	713	713	17
	Variable Rate Receivable/Fixed Rate Payable	41,547	37,793	(982)
Exceptional Treatments for Interest Rate Swaps	Interest Rate Swaps			
	Fixed Rate Receivable/Variable Rate Payable	1,604	—	3
	Variable Rate Receivable/Fixed Rate Payable	10,181	8,808	(688)
	Total			(1,651)

Notes:

- Most of hedged items with respect to Basic Treatment are Interest-bearing assets and liabilities such as Loans and Bills Discounted, Other Securities (Bonds) and Deposits.
- Hedged items with respect to Exceptional Treatments for Interest Rate Swaps are Loans and Bills Discounted, Held-to-Maturity Debt Securities and Debentures.
- The deferred method of hedge accounting is primarily applied to the transactions mentioned above based on the JICPA Industry Audit Committee Report No. 24, February 13, 2002 "Accounting and Auditing Treatment of Accounting Standards for Financial Instruments in Banking Industry".
- Fair value calculation: Transactions on exchanges are valued on the basis of closing prices, mainly on the Tokyo Financial Exchange Inc. Over the counter transactions are valued using discounted present value or calculation models for option prices, etc.

As of March 31, 2016

		Millions of Yen		
Method for Hedge Accounting	Items	Total Contract Value	Contract Value (Over 1 Year until Settlement or Expiry)	Fair Value
Basic Treatment	Interest Rate Swaps			
	Fixed Rate Receivable/Variable Rate Payable	80,000	80,000	3,615
	Variable Rate Receivable/Fixed Rate Payable	5,140,953	4,075,245	(232,972)
Exceptional Treatments for Interest Rate Swaps	Interest Rate Swaps			
	Fixed Rate Receivable/Variable Rate Payable	540,000	180,000	2,400
	Variable Rate Receivable/Fixed Rate Payable	1,016,539	1,016,539	(95,555)
Total				<u>(322,512)</u>

Notes:

- Most of hedged items with respect to Basic Treatment are Interest-bearing assets and liabilities such as Loans and Bills Discounted, Other Securities (Bonds) and Deposits.
- Hedged items with respect to Exceptional Treatments for Interest Rate Swaps are Loans and Bills Discounted, Held-to-Maturity Debt Securities and Debentures.
- The deferred method of hedge accounting is primarily applied to the transactions mentioned above based on the JICPA Industry Audit Committee Report No. 24, February 13, 2002 "Accounting and Auditing Treatment of Accounting Standards for Financial Instruments in Banking Industry".
- Fair value calculation: Transactions on exchanges are valued on the basis of closing prices, mainly on the Tokyo Financial Exchange Inc. Over the counter transactions are valued using discounted present value or calculation models for option prices, etc.

(2) Currency-Related Transactions

As of March 31, 2017

		Millions of Yen		
Method for Hedge Accounting	Items	Total Contract Value	Contract Value (Over 1 Year until Settlement or Expiry)	Fair Value
Basic Treatment	Currency Swaps	455,769	347,209	(1,842)
	Forward Foreign Exchange Contracts:			
	Sold	340,749	—	662
	Bought	—	—	—
Total				<u>(1,180)</u>

		Millions of U.S. Dollars		
Method for Hedge Accounting	Items	Total Contract Value	Contract Value (Over 1 Year until Settlement or Expiry)	Fair Value
Basic Treatment	Currency Swaps	4,062	3,094	(16)
	Forward Foreign Exchange Contracts:			
	Sold	3,037	—	5
	Bought	—	—	—
Total				<u>(10)</u>

Notes:

- Most of hedged items are foreign currency-denominated securities, Due from Banks etc.
- The deferred method of hedge accounting is primarily applied to the transactions mentioned above based on the JICPA Industry Audit Committee Report No. 25, July 29, 2002 "Accounting and Auditing Treatment of Accounting Standards for Foreign Currency Transactions in the Banking Industry".
- Fair value calculation: Transactions are valued using discounted present value, etc. (for currency swaps, fair value is calculated after deduction of principal)

As of March 31, 2016

		Millions of Yen		
Method for Hedge Accounting	Items	Total Contract Value	Contract Value (Over 1 Year until Settlement or Expiry)	Fair Value
Basic Treatment	Currency Swaps	508,788	309,470	973
	Forward Foreign Exchange Contracts:			
	Sold	454,625	—	10,403
	Bought	—	—	—
Total				11,377

Notes:

1. Most of hedged items are foreign currency-denominated securities, Due from Banks etc.
2. The deferred method of hedge accounting is primarily applied to the transactions mentioned above based on the JICPA Industry Audit Committee Report No. 25, July 29, 2002 “Accounting and Auditing Treatment of Accounting Standards for Foreign Currency Transactions in the Banking Industry”.
3. Fair value calculation: Transactions are valued using discounted present value, etc. (for currency swaps, fair value is calculated after deduction of principal)

(3) Stock-Related Transactions

Not applicable.

(4) Bond-Related Transactions

Not applicable.

28. Related Party Transactions:

For the Fiscal Year Ended March 31, 2017

There were no significant related-party transactions.

For the Fiscal Year Ended March 31, 2016

There were no significant related-party transactions.

29. Segment Information:

(1) Description of Reportable Segments

The Group classifies the businesses of the Bank and its consolidated subsidiaries as individual business segments. Among those business segments, the business of the Bank is deemed as the reportable segment.

The Bank, as an individual financial institution, provides such services as deposits, debentures, lending, market fund management, trading operations, clearing and trust business. As the central financial institution for Shinkin Banks, the Bank complements the functions of the Shinkin Banks and operates the shinkin bank industry’s own safety net, including the Shinkin Bank Management Reinforcement System. By doing so, the Bank strives to maintain an orderly financial system within the shinkin bank industry.

The Bank started trust business in January 2017.

(2) Method of Calculating Amounts by Reportable Segment

The accounting methods of the reportable segment are the same as those described in the “Significant Accounting Policies”. Reportable segment profit is based on profit attributable to owners of parent.

(3) Amounts by Reportable Segment
For the Fiscal Year Ended March 31, 2017

(Millions of Yen)

	Reportable segment	Other	Total	Adjustment	Amount presented in the consolidated financial statements
	Shinkin Central Bank business				
Income					
External customers	281,257	38,124	319,381	(73)	319,307
Inter-segment	2,761	2,140	4,901	(4,901)	—
Total	284,018	40,264	324,283	(4,975)	319,307
Segment profit	41,383	3,711	45,095	(1,223)	43,871
Segment assets	37,257,840	285,852	37,543,692	(79,099)	37,464,593
Segment liabilities	35,654,367	196,412	35,850,780	(12,029)	35,838,750
Other items					
Depreciation	5,193	5,455	10,648	(0)	10,647
Interest Income	201,454	258	201,713	(75)	201,637
Interest Expenses	122,340	49	122,390	(8)	122,381
Income Taxes	6,954	1,509	8,464	(213)	8,250
Increase in Tangible and Intangible Fixed Assets	5,076	3,474	8,550	—	8,550

(Millions of U.S. Dollars)

	Reportable segment	Other	Total	Adjustment	Amount presented in the consolidated financial statements
	Shinkin Central Bank business				
Income					
External customers	2,506	339	2,846	(0)	2,846
Inter-segment	24	19	43	(43)	—
Total	2,531	358	2,890	(44)	2,846
Segment profit	368	33	401	(10)	391
Segment assets	332,095	2,547	334,643	(705)	333,938
Segment liabilities	317,803	1,750	319,554	(107)	319,446
Other items					
Depreciation	46	48	94	(0)	94
Interest Income	1,795	2	1,797	(0)	1,797
Interest Expenses	1,090	0	1,090	(0)	1,090
Income Taxes	61	13	75	(1)	73
Increase in Tangible and Intangible Fixed Assets	45	30	76	—	76

Notes:

- The "Other" classification comprises the Bank's eight consolidated subsidiaries which are not included within the reportable segment. The Bank's consolidated subsidiaries provide such financial services as trust and banking, securities, asset management, consumer credit guarantees, investment and M&A advisory operations, and data processing outsourcing.
- Adjustment comprises the following.

- (i) Within adjustment of segment profit, reduction of ¥1,223 million (\$10 million) comprises reduction of ¥682 million (\$6 million) on profit attributable to non-controlling interests and ¥540 million (\$4 million) on inter-segment eliminations, etc.
- (ii) Within adjustment of segment assets, reduction of ¥79,099 million (\$705 million) comprises reduction of ¥53,114 million (\$473 million) on eliminations relating to capital consolidation and ¥25,984 million (\$231 million) on inter-segment eliminations, etc.
- (iii) Reduction of ¥12,029 million (\$107 million) on the adjustment of segment liabilities comprises inter-segment eliminations, etc.
- (iv) The adjustment for other items comprises inter-segment eliminations, etc.
3. Segment profit has been adjusted from profit attributable to owners of parent presented in the Consolidated Statement of Income.

For the Fiscal Year Ended March 31, 2016

(Millions of Yen)

	Reportable segment	Other	Total	Adjustment	Amount presented in the consolidated financial statements
	Shinkin Central Bank business				
Income					
External customers	267,048	35,186	302,234	(80)	302,154
Inter-segment	2,627	2,268	4,895	(4,895)	—
Total	269,675	37,454	307,130	(4,975)	302,154
Segment profit	40,875	2,942	43,818	(1,037)	42,781
Segment assets	34,887,645	280,959	35,168,605	(75,699)	35,092,905
Segment liabilities	33,274,483	193,591	33,468,074	(8,138)	33,459,936
Other items					
Depreciation	3,910	5,074	8,984	(0)	8,984
Interest Income	204,650	370	205,021	(148)	204,873
Interest Expenses	127,242	110	127,353	(21)	127,331
Income Taxes	15,002	1,633	16,635	(4)	16,631
Increase in Tangible and Intangible Fixed Assets	4,865	1,728	6,594	—	6,594

Notes:

- The "Other" classification comprises the Bank's eight consolidated subsidiaries which are not included within the reportable segment. The Bank's consolidated subsidiaries provide such financial services as trust and banking, securities, asset management, consumer credit guarantees, investment and M&A advisory operations, and data processing outsourcing.
- Adjustment comprises the following.
 - Within adjustment of segment profit, reduction of ¥1,037 million comprises reduction of ¥643 million on profit attributable to non-controlling interests and ¥393 million on inter-segment eliminations, etc.
 - Within adjustment of segment assets, reduction of ¥75,699 million comprises reduction of ¥53,114 million on eliminations relating to capital consolidation and ¥22,584 million on inter-segment eliminations, etc.
 - Reduction of ¥8,138 million on the adjustment of segment liabilities comprises inter-segment eliminations, etc.
 - The adjustment for other items comprises inter-segment eliminations, etc.
- Segment profit has been adjusted from profit attributable to owners of parent presented in the Consolidated Statement of Income.

(Related Information)
For the Fiscal Year Ended March 31, 2017

1. Information by service

(Millions of Yen)

	Securities investment operations	Lending operations	Other	Total
Income from external customers	239,956	17,868	61,482	319,307

(Millions of U.S. Dollars)

	Securities investment operations	Lending operations	Other	Total
Income from external customers	2,138	159	548	2,846

2. Information by geographic region

(1) Income

(Millions of Yen)

Japan	United States	Europe	Other	Total
184,019	33,242	14,016	88,029	319,307

(Millions of U.S. Dollars)

Japan	United States	Europe	Other	Total
1,640	296	124	784	2,846

Note:

Income from derivative transactions and Trading income are included in Other.

(2) Tangible fixed assets

The Group's tangible fixed assets located in Japan account for over 90% of the tangible fixed assets presented in the Consolidated Balance Sheet. Consequently, this information is omitted.

3. Information by principal customer

(Millions of Yen)

Name of customer	Income	Related segment
The Government of Japan	63,524	Shinkin Central Bank business

(Millions of U.S. Dollars)

Name of customer	Income	Related segment
The Government of Japan	566	Shinkin Central Bank business

For the Fiscal Year Ended March 31, 2016

1. Information by service

(Millions of Yen)

	Securities investment operations	Lending operations	Other	Total
Income from external customers	210,601	23,783	67,731	302,116

2. Information by geographic region

(1) Income

(Millions of Yen)

Japan	United States	Europe	Other	Total
179,169	28,410	12,505	82,031	302,116

Note:

Income from derivative transactions and Trading income are included in Other.

(2) Tangible fixed assets

The Group's tangible fixed assets located in Japan account for over 90% of the tangible fixed assets presented in the Consolidated Balance Sheet. Consequently, this information is omitted.

3. Information by principal customer

(Millions of Yen)

Name of customer	Income	Related segment
The Government of Japan	71,912	Shinkin Central Bank business

(Information related to Impairment losses of Fixed Assets by Reportable Segment)

Not applicable.

(Information related to Amortization of Goodwill and Balance of Unamortized Goodwill by Reportable Segment)

Not applicable.

(Information related to Accrual of Income from Negative Goodwill by Reportable Segment)

Not applicable.

30. Business Combinations:

Transactions under common control, etc.

(1) Outline of transaction

(i) Name and details of business to be transferred

Name: Trust business, banking business, and operation as a registered financial institution at Shinkin Trust Bank, Ltd., the Bank's consolidated subsidiary

Details: All businesses excluding business relating to securities investment trust services

(ii) Date of business combination

March 22, 2017

The Bank plans to take over the trust business as follows: business relating to asset securitization on April 3, 2017; business relating to banking on September 19, 2017; and business relating to operation as a registered financial institution in the period between completion of the takeover of business relating to asset securitization and the merger date.

(iii) Legal form of business combination

A business transfer wherein Shinkin Trust Bank, Ltd. is the transferring company and the Bank is the transferee company.

(iv) Name of bank after combination

Shinkin Central Bank

(v) Other matters relating to the outline of transaction

In line with the commencement of the concurrent operation of trust business with the aim of strengthening its trust business capabilities, the Bank decided to take over all businesses excluding that relating to securities investment trust services from its wholly owned consolidated subsidiary Shinkin Trust Bank, Ltd. by means of a business transfer.

(2) Outline of accounting treatment applied

The transaction was accounted for as a transaction under common control in accordance with the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, September 13, 2013) and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, September 13, 2013).

31. Amounts per Share:

	Yen		U.S. Dollars
	2017	2016	2017
Net Assets per Share	299,542.84	301,512.71	2,669.96
Net Income per Share	6,223.20	7,115.71	55.47
Net Income per Share after Adjustment for Common Share equivalents	—	—	—

Notes:

1. The basis for calculation of net assets per share is as follows:

		2017	2016	2017	
Total Net Assets	Millions of Yen	1,625,842	1,632,969	Millions of U.S. dollars	14,491
Amount Deducted from Total Net Assets	Millions of Yen	215,528	213,380	Millions of U.S. dollars	1,921
Non-controlling interests	Millions of Yen	10,403	9,743	Millions of U.S. dollars	92
Preferred Dividends	Millions of Yen	2,124	2,124	Millions of U.S. dollars	18
Dividend attributable to specific common shares	Millions of Yen	3,000	1,512	Millions of U.S. dollars	26
Distribution of residual assets attributable to specific common shares	Millions of Yen	200,000	200,000	Millions of U.S. dollars	1,782
Net Assets at Fiscal Year-end Used to Calculate Net Assets per Share	Millions of Yen	1,410,314	1,419,588	Millions of U.S. dollars	12,570
Number of Share Units at Fiscal Year-end Used to Calculate Net Assets per Share	Unit	4,708,222	4,708,222	—	—
Number of General Common Share Units	Unit	4,000,000	4,000,000	—	—
Number of Preferred Share Units	Unit	708,222	708,222	—	—

* When calculating net assets per share, of dividend attributable to preferred shares, preferred dividends are deducted from total net assets whereas participating dividends are not deducted from total net assets.

Dividend attributable to specific common shares and distribution of residual assets attributable to specific common shares are deducted from total net assets, and the number of specific common shares is not included within the number of shares.

2. The basis for calculation of net income per share is as follows:

		2017	2016	2017	
Profit attributable to owners of parent	Millions of Yen	43,871	42,781	Millions of U.S. dollars	391
Amount Deducted from Profit attributable to owners of parent	Millions of Yen	2,124	2,124	Millions of U.S. dollars	18
Preferred Dividend	Millions of Yen	2,124	2,124	Millions of U.S. dollars	18
Profit attributable to owners of parent Used to Calculate Net Income per share	Millions of Yen	41,746	40,656	Millions of U.S. dollars	372
Average Number of Share Units for the fiscal year	Unit	6,708,222	5,713,686	—	—
Average Number of General Common Share Units	Unit	4,000,000	4,000,000	—	—
Average Number of Specific Common Share Units	Unit	2,000,000	1,005,464	—	—
Average Number of Preferred Share Units	Unit	708,222	708,222	—	—

* When calculating net income per share, of dividends attributable to preferred securities, dividends attributable to preferred shares are deducted from profit attributable to owners of parent whereas participating dividends are not deducted from profit attributable to owners of parent.

3. Net income per Share after adjustment for Common share equivalents is not listed as there are no dilutive securities.

32. Subsequent Events:

Not applicable.

Independent Auditor's Report

The Board of Directors
Shinkin Central Bank

We have audited the accompanying consolidated financial statements of Shinkin Central Bank and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2017, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Shinkin Central Bank and its consolidated subsidiaries as at March 31, 2017, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 1.



June 22, 2017
Tokyo, Japan

Non-Consolidated Balance Sheet

Shinkin Central Bank As of March 31,	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Assets			
Cash and Due from Banks	10,591,676	9,106,821	94,408
Call Loans	362,234	339,088	3,228
Receivables under Resale Agreements	19,999	14,999	178
Receivables under Securities Borrowing Transactions	77,522	101,033	690
Monetary Debts Purchased	178,977	174,689	1,595
Trading Assets	205,696	240,911	1,833
Money Held in Trust	-	72,826	-
Securities	17,204,776	17,839,405	153,353
Loans and Bills Discounted	7,995,390	6,763,822	71,266
Foreign Exchanges Assets	20,514	13,800	182
Other Assets	484,467	99,100	4,318
Tangible Fixed Assets	70,054	69,969	624
Intangible Fixed Assets	8,000	8,292	71
Customers' Liabilities for Acceptances and Guarantees	83,632	88,564	745
Reserve for Possible Loan Losses	(45,103)	(45,682)	(402)
Total Assets	37,257,840	34,887,645	332,095
Liabilities and Net Assets			
Liabilities			
Deposits	29,176,129	27,236,823	260,059
Debentures	2,952,900	3,055,520	26,320
Trading Liabilities	76,413	111,022	681
Borrowed Money	1,203,870	829,320	10,730
Call Money	24,821	48,397	221
Payables under Repurchase Agreements	188,402	63,804	1,679
Payables under Securities Lending Transactions	1,602,791	1,409,435	14,286
Foreign Exchanges Liabilities	368	256	3
Borrowed Money from Trust Account	74	-	0
Other Liabilities	227,760	299,242	2,030
Reserve for Employee Bonuses	1,311	1,356	11
Reserve for Directors' Bonuses	83	80	0
Reserve for Employee Retirement Benefits	20,337	18,696	181
Reserve for Directors' Retirement Allowances	389	381	3
Deferred Tax Liabilities	88,974	105,473	793
Deferred Tax Liabilities for Land Revaluation	6,109	6,109	54
Acceptances and Guarantees	83,632	88,564	745
Total Liabilities	35,654,367	33,274,483	317,803
Total Net Assets	1,603,472	1,613,161	14,292
Total Liabilities and Net Assets	37,257,840	34,887,645	332,095

Non-Consolidated Statement of Income

Shinkin Central Bank For the year ended March 31,	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Income			
Interest Income:	201,454	204,650	1,795
Interest on Loans and Discounts	17,868	23,783	159
Interest on Due from Banks	8,431	9,506	75
Interest on Call Loans	753	1,064	6
Interest on Receivables under Resale Agreements	0	20	0
Interest on Receivables under Securities Borrowing Transactions	133	8	1
Interest and Dividends on Securities	173,730	169,408	1,548
Others	536	859	4
Trust Fees	0	-	0
Fees and Commissions	8,263	8,055	73
Trading Income	4,738	12,054	42
Other Operating Income	59,434	38,314	529
Other Income	10,127	6,600	90
Total Income	284,018	269,675	2,531
Expenses			
Interest Expenses:	122,340	127,242	1,090
Interest on Deposits	39,690	44,595	353
Interest on Debentures	8,005	10,579	71
Interest on Borrowed Money	8,244	10,864	73
Interest on Call Money	254	657	2
Interest on Payables under Repurchase Agreement	1,062	239	9
Interest on Payables under Securities Lending Transactions	9,265	4,470	82
Interest Payable on Interest Rate Swaps	52,831	53,663	470
Others	2,985	2,171	26
Fees and Commissions	6,605	7,021	58
Trading Losses	4	-	0
Other Operating Expenses	74,768	48,001	666
General and Administrative Expenses	29,234	27,382	260
Other Expenses	2,728	4,148	24
Total Expenses	235,680	213,797	2,100
Income before Income Taxes	48,338	55,878	430
Income Taxes			
Current	10,555	15,259	94
Deferred	(3,601)	(257)	(32)
Total Income Taxes	6,954	15,002	61
Net Income	41,383	40,875	368

	Yen		U.S. Dollars
	2017	2016	2017
Net Income Per Share	5,852.33	6,782.15	52.16
Dividend Declared per Share (General Common Shares)	3,000.00	3,000.00	26.74
Dividend Declared per Share (Specific Common Shares)	1,500.00	1,500.00	13.37
Dividend Declared per Share (Preferred Shares)	6,500.00	6,500.00	57.93

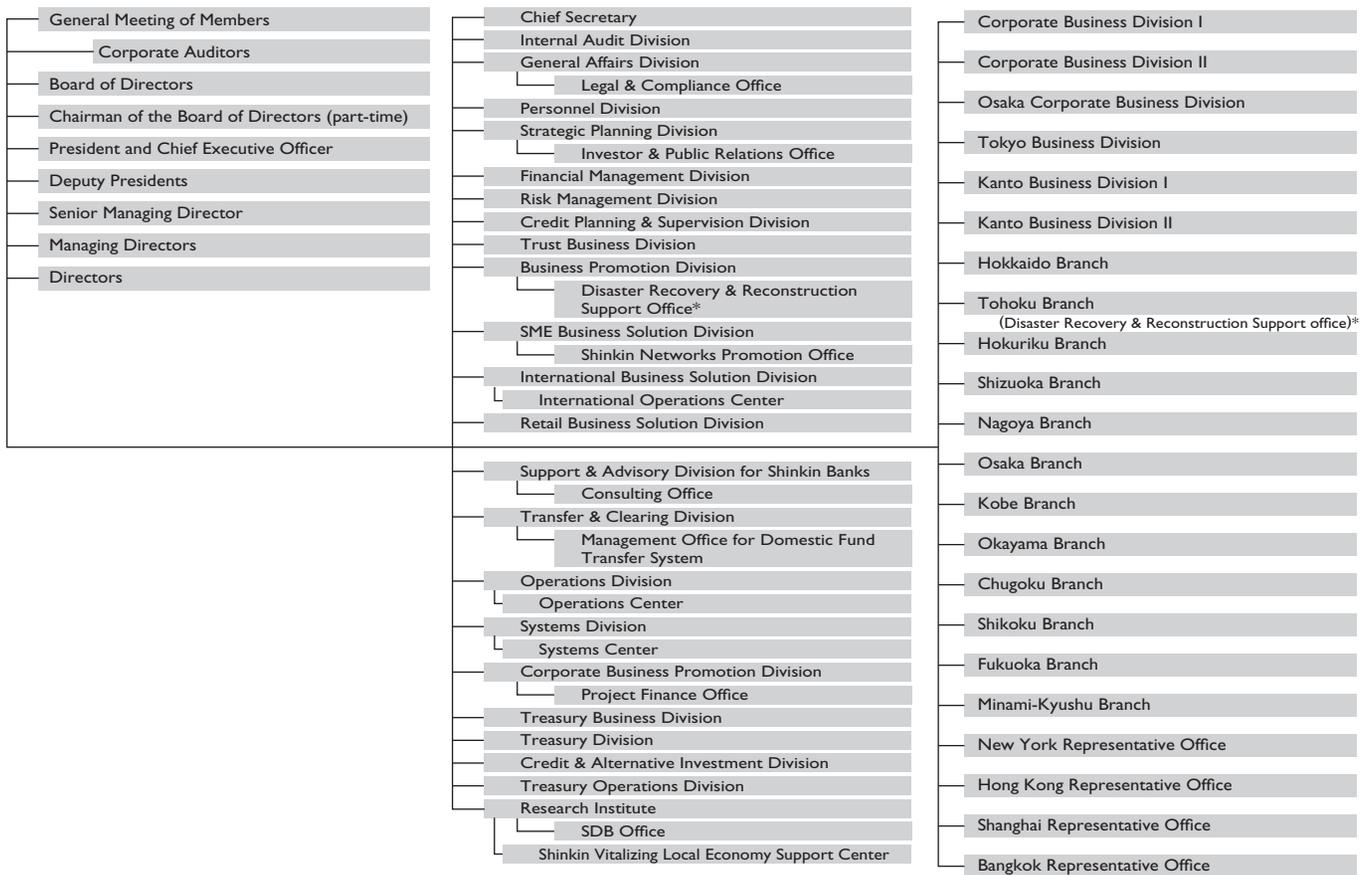
Statement of Trust Account (Consolidated)

Shinkin Central Bank	As of March 31	Millions of Yen		Millions of
		2017	2016	U.S. Dollars
				2017
Assets				
Securities		8,507	19,923	75
Beneficiary Rights		1,694,135	1,751,012	15,100
Securities Held in Custody Accounts		63,000	263,000	561
Monetary Claims		64,163	101,930	571
Other Claims		8	18	0
Due from Banking Account		360	3,324	3
Cash and Due from Banks		28,986	42,077	258
Total assets		1,859,161	2,181,287	16,571
Liabilities				
Money Trusts		81,360	196,320	725
Investment Trusts		1,450,501	1,293,242	12,928
Securities Trusts		116,300	427,100	1,036
Monetary Claims Trusts		65,149	102,990	580
Composite Trusts		145,849	161,634	1,300
Total liabilities		1,859,161	2,181,287	16,571

(Note1) The figures in this statement are calculated by means of simple aggregation of trust accounts for each consolidated company conducting trust business pursuant to the "Act on Engagement in Trust Business Activities by Financial Institutions." Consolidated companies conducting such trust business comprised the Bank and Shinkin Trust Bank, Ltd. in the fiscal year ended March 31, 2017, and comprised Shinkin Trust Bank, Ltd. in the fiscal year ended March 31, 2016.

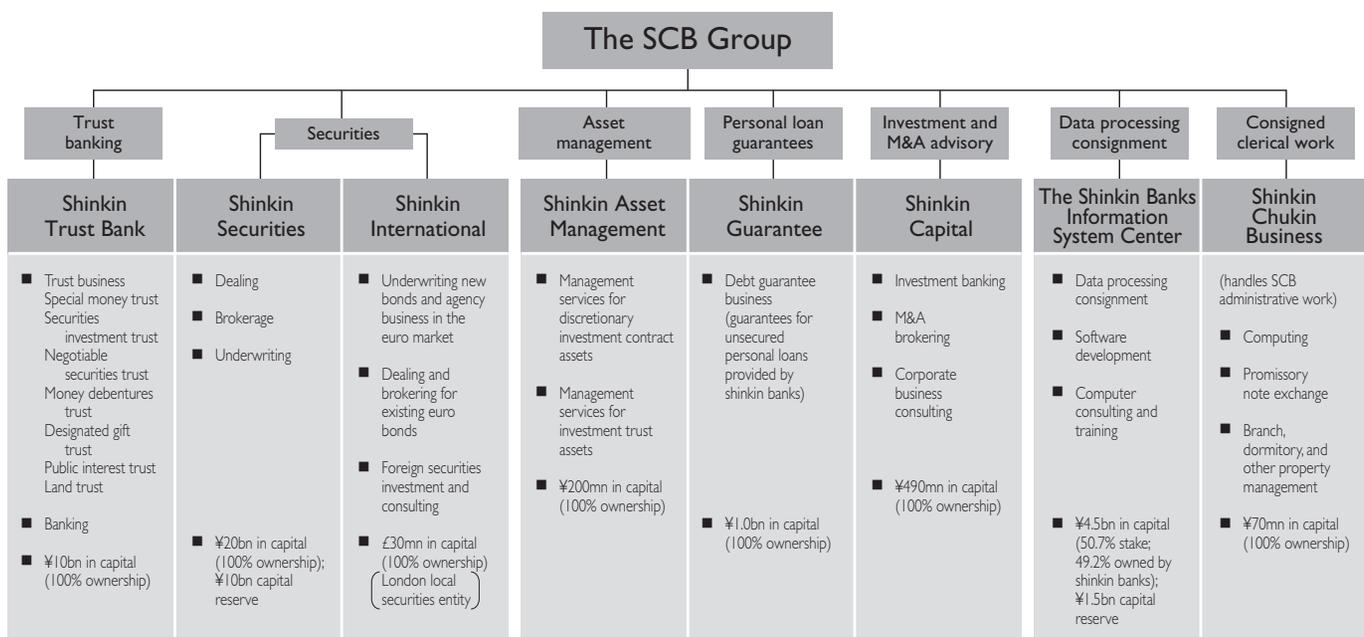
(Note2) No trust assets were entrusted to other trust banks for asset administration as of March 31, 2017 and 2016.

Organization (As of July 31, 2017)



* Located in the Tohoku Branch.

The SCB Group (As of July 31, 2017)



International Directory (As of July 31, 2017)

Deputy President
(in charge of Treasury Operations)
Katsuo Akiyama

Managing Director
(in charge of Treasury Business)
Norihiro Takano

Managing Director
(in charge of Strategic Planning/
International Business Solution/Treasury/
Credit & Alternative Investment/
Overseas Offices)
Hiroshi Sudo

Strategic Planning Division (including International Planning)

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General Manager: Yuuji Takahashi

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General Manager: Takehiro Suzuki

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SWIFT: ZENB JPJT
General Manager: Hideo Okada

Corporate Business Promotion Division

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Director: Naoki Hemmi

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General Manager: Kengo Kaji

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General Manager: Kenji Tanaka

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General Manager: Daigo Morishita

Treasury Operations Division

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Chief Representative: Kentaro Sone

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Chief Representative: Kozo Harada

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Managing Director: Koichi Kawashima



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