



Annual Report
Shinkin Central Bank
2020

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 ¥145 trillion (around US\$1,336 billion).

Management Philosophy and Operational Policies

Management Philosophy

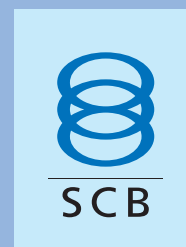
As the central bank for all shinkin banks, the SCB supports the growth of the shinkin bank industry, thereby contributing to economic development throughout Japan.

Operational Policies

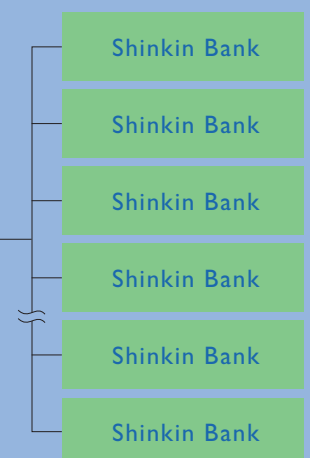
1. Strengthen the corporate base, broaden operational functions, and enhance the credit standing of shinkin banks.
2. Attract stable funds from shinkin banks and diversify funding sources.
3. Upgrade market operations and develop financial services.
4. Pursue new business to reflect changing financial 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, 2020)

Name:	Shinkin Central Bank (SCB)
Established:	June 1, 1950
Number of employees:	1,223
Domestic network:	14
Overseas network:	5
Total assets:	¥40,633 billion (\$373 billion)
Total funds:	¥38,656 billion (\$355 billion)
Paid-in capital:	¥690 billion (\$6,356 million)
Preferred shares:	¥90 billion (\$837 million)
Capital adequacy ratio (consolidated):	24.31%
Number of member shinkin banks:	255
Long-term credit ratings: (as of July 31, 2020)	AI (Moody's) A (S&P) A+ (R&I) AA (JCR)



Total assets: ¥40,633 billion (\$373 billion)
Domestic network: 14
Overseas network: 5
Number of employees: 1,223
Number of member shinkin banks: 255



Number of shinkin banks: 255
Total assets: ¥158,599 billion (\$1,458 billion)
Number of branches: 7,237
Number of employees: 104,073
Number of members: 9,137,735

(As of March 31, 2020)

* The number of employees includes full-time Directors and Corporate Auditors. Our overseas network includes Shinkin International Ltd., a subsidiary in London.

Financial Highlights (Non-consolidated Financial Summary)

For the years ended March 31,	Millions of Yen			Millions of US Dollars*		
	2020	2019	2018	2020	2019	2018
For the Fiscal Year						
Total income	¥ 266,519	¥ 258,767	¥ 275,792	\$ 2,451	\$ 2,332	\$ 2,594
Total expenses	214,229	201,720	213,136	1,970	1,817	2,005
Net income (loss)	37,924	42,286	46,498	348	381	437
Net business profit (loss)	58,025	42,791	50,535	533	385	475
At the Year-end						
Total assets	¥40,633,271	¥39,432,740	¥38,552,702	\$373,776	\$355,377	\$362,746
Loans and bills discounted	8,474,068	7,045,582	6,952,659	77,951	63,496	65,418
Securities	16,477,301	16,613,593	17,137,785	151,571	149,725	161,251
Total liabilities	39,112,432	37,799,235	36,949,667	359,786	340,656	347,663
Deposits	31,208,596	30,966,816	30,260,341	287,081	279,080	284,722
Debentures	2,141,480	2,486,710	2,714,890	19,699	22,410	25,544
Net assets	1,520,838	1,633,504	1,603,035	13,989	14,721	15,083
<small>* US dollar amounts are given for convenience only, converted at the rate of ¥106.28, ¥110.96, and ¥108.71 per US\$1.00, the prevailing rate as of March 31, 2018, 2019, and 2020 respectively.</small>						

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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 ¥108.71 per US\$1.00, the prevailing rate on March 31, 2020.

Message from the President and CEO

Strive to Realize a Sustainable Society With Shinkin Banks

The Shinkin Central Bank (the “SCB”) strives to realize “a sustainable society” with shinkin banks so as to realize a bright future for the shinkin bank industry and Japan’s economy.

In this message as President and CEO, I would like to present my thoughts on how to face changes in external environments, what kind of visions, strategies and recognition of issues to be held in steering the management, and how to continue challenging under the drastically changing environments.

First of all, I would like to extend my sincere condolences for those who lost the loved ones due to the novel coronavirus disease (COVID-19). Also, I pray for a quick recovery of those who contracted the disease, and further pray for an early containment of damages caused by the infection.

President and CEO

Kiroyuki Shibata



70th Anniversary Since Establishment

The SCB is celebrating its 70th anniversary this year since its establishment.

Since its establishment in 1950, and with the change of its trade name to “the Shinkin Central Bank” from “the Zenshinken Bank” in 2000, the SCB has now grown to be the central financial institution for shinkin banks both in name and reality, currently managing approximately ¥40 trillion of funds on a global scale.

Over the long period of its history,

the SCB has gone through many difficulties, such as the economic depression following the bankruptcy of Lehman Brothers and the Great East Japan Earthquake and its catastrophic damages, all of which the SCB and its group companies as one have overcome together with shinkin banks throughout Japan.

However, if you look at the current situation, you will see fundamental problems, such as a declining birthrate, aging population, overall population decrease, and a decrease in the number of small and

medium-sized enterprises (SMEs), all of which result in ailing regional economies. In addition, the impact of COVID-19 on economic activities is expanding. All of these factors have made the environment surrounding the shinkin bank industry even more challenging.

With ever stronger cooperation with shinkin banks, the SCB will aim for constructing operations as “one banking group,” to improve competitiveness of the shinkin bank industry, thereby overcoming these difficult times and striving

to build a brighter future for the next ten to twenty years.

SCB's Medium- to Long-Term Vision

Our medium-term management plan that commenced in fiscal 2019 sets forth its “vision” for the medium to long term as that “together with Shinkin Banks, SCB will aim for constructing combined operations as one banking group, improving competitiveness of Shinkin group, and achieving the future where Shinkin Bank is the most reliable bank in every local area, by allocating resources to each banks field of expertise.”

The SCB and the SCB Group as a whole will implement various measures to realize this “vision.”

To be more specific, the SCB aims to play its role as the hub or the connection point to take full advantage of the power of the network owned by the shinkin bank industry, and, in addition, to build organic partnerships with external organizations that transcend the confines of the sector.

This allows the SCB to build a “problem-solving system” that provides solutions to various regional issues and respond to the needs of the customers of shinkin banks, thereby increasing the competitiveness of the entire shinkin bank industry.

Also, shinkin banks are the financial institutions strongly connected to their respective regional economies. If they wish to increase their presence in the regions and become the most trusted regional financial institutions, they must prioritize the allocation of management resources to those initiatives that should resolve the problems faced by regions.

In order to achieve this, the SCB will promote increased commonality and joint usage for shinkin bank processing operations and administration business, and will also actively develop joint products and services.

Current Key Measures

The SCB will steadily implement the various measures described in the current medium-term management plan. In addition, besides placing its top priority on the measures against COVID-19, the SCB will accelerate its initiatives to the important issues such as realization of the regional innovation, promotion of shinkin banks' digitalization, and advancement of SDGs.

[Measures against COVID-19]

The SCB has introduced the Novel Coronavirus Disease (COVID-19) Special Financing System as a special loan method to shinkin banks' customer SMEs through shinkin banks. Moreover, the SCB together with Shinkin Guarantee Co., Ltd., one of its group companies, extended a support program to flexibly respond to relaxing the lending terms of the existing loans.

To provide assistance to shinkin banks' customers who were experiencing difficulties in procuring goods and materials due to supply-chain disruptions, the SCB has opened a matching site specifically designed to address issues associated with COVID-19.

Furthermore, in response to potential deterioration of business performance and damage to equity capital in SMEs, the SCB, in collaboration with Shinkin Capital Co., Ltd. established a COVID-19 support fund “Shinkin no Ishizue, the Cornerstone of Shinkin Banks,”

with the total investment of ¥10 billion for the purpose of strengthening financial bases of shinkin banks' customers.

In addition, to cope with the future after the COVID-19 pandemic, the SCB has started a program that supports on-line business fairs in collaboration with external business partners.

Despite the continuous impacts being made toward normalizing the economic activities amid the remaining impacts of COVID-19, the outlook for the future still remains uncertain. As such, assessment of changing management environments after the end of the COVID-19 pandemic will be the key in steering the future management.

We will continue to keep our responses to COVID-19 our top priority, and we will respond quickly and flexibly.

[Initiatives for Realization of Regional Innovation]

Amid the ailing regional economies being intensified, shinkin banks are expected not only to provide the traditional financial services such as deposits and loans, but also to play a new role.

In response to these expectations from the regional societies, we believe that promoting initiatives for realization of the regional innovation with extensive collaboration with government, industry and academia in both financial and non-financial perspectives, will lead to strengthen shinkin banks' own earnings and customer bases. Thus, we believe that these initiatives will become ever more important from the viewpoint of building a sustainable business model of shinkin banks.

Based on this recognition, we established in April 2020 Regional Innovation Division toward realization of the region-

al innovation.

We believe that by the SCB's playing a role as a hub or a connection point (with Regional Innovation Division playing a central role) in the shinkin bank industry, we will be able to transcend the boundary of regions or scales and to build an organic network including external organizations and covering many fields such as human resources, knowhow, and information.

We strongly believe that by mobilizing each shinkin bank and its uniqueness into this network, we will be able to increase the added value of the entire shinkin bank industry and further strengthen the ability of each shinkin bank to solve its issues.

[Promote Shinkin Bank's Digitalization]

While digitalization being accelerated and initiatives by other businesses such as IT companies being activated in finance-related operations, financial institutions are required to adapt their business models to the changing times.

For the purpose of promoting cashless payments, in September 2019, the SCB entered into a business collaboration with Nippon Telegraph and Telephone East Corporation, which provides services that can respond to multiple cashless payment systems. Further, in January 2020, the SCB entered into business collaboration with Mercari, Inc. and Mervpay, Inc. Through these collaborated transactions, we are endeavoring to further improve our services toward realization of a cashless society and reactivation of regional economies.

In addition, for the purpose of advancing even more operational reforms in the shinkin bank industry, we opened in April 2020 Shinkin Innovation Hub,

thereby carrying out studies in sophistication measures for marketing, making use of big data.

In the area of digital innovation, we are collaborating with the shinkin banks and external organizations to precisely acknowledge rapid advances in innovations, and to handle the situations in an agile manner.

[Initiatives for SDGs]

The social inclusion concept of "leave no one behind" in the area of SDGs is in line with "mutual support," a fundamental principle of cooperative financial institutions.

With this basic principle in mind, shinkin banks throughout Japan are working to resolve issues held by SMEs and regions.

The SCB is willing to share this principle, and to proceed toward realization of SDGs along with shinkin banks.

Based on this recognition, the SCB made in September 2019 the Declaration of Shinkin Central Bank Group on SDGs.

In this Declaration, the SCB has chosen three important themes: namely, "sustainable prosperity of a regional society," "well-being to all the people," and "conservation of global environment." Based on these themes, the SCB will strive to implement initiatives together with shinkin banks throughout Japan toward realization of "a sustainable society."

Also, we have established SDGs Promotion Office within Strategic Planning Division in April 2020.

Going forward, the SCB Group as a whole and as one, with the SDGs Promotion Office playing a central role, will strengthen its initiatives for SDGs.

The SCB is also aggressively advancing

investments and loans for ESG. In June 2020, the SCB invested in the sustainable development bond originally designed and issued for the SCB by the World Bank, focusing on such theme as conservation of the global environment.

Aiming to Make the Best out of a Function as the Central Financial Institution in the Shinkin Bank Industry

The SCB is continuously working to build a stable financial base in pursuit of an optimum balance among earnings, risks, and capital, so as to perpetually perform its duties as the central financial institution for the shinkin banks.

Also, we intend to flexibly respond to the changing times, to nurture human resources capable of providing solutions to the issues held by local economies and SMEs, and further to focus on preparing innovative working environments that encourage freewheeling thinking. By so doing, we intend to make the best out of our function as the central financial institution for shinkin banks well into the future, and to pursue and realize "a sustainable society" together with shinkin banks.

[Construction of a Financial Base]

The SCB has constructed a risk appetite framework (RAF). Within this framework, the SCB will make efficient risk-taking on the level of its capital, thereby building a medium- to long-term financial base.

In fiscal 2019, we formulated a risk appetite statement that documented the contents of RAF in writing so as to clarify the basic concept of risk-taking and to strengthen the risk governance.

This statement clarifies the purpose and risk culture, and based on them, sets

forth the target level of earnings to be achieved and the levels of management indices to be maintained over the medium term.

Also, we are currently executing operations in accordance with the “PDCA cycle.” Under this PDCA cycle, we draw up a fiscal earnings plan for realization of these medium-term targets, execute, report, and amend the plan.

Currently, due to the impacts of COVID-19, the outlook for the market conditions is expected to remain extremely uncertain for the time being. However, we shall flexibly adapt to the changing environments through operating the RAF.

[Nurturing of Human Resources and Improvement of Work Environment]

In order for the SCB to make the best out of its role as the central financial institution for shinkin banks, every one of its employees is required to recognize the SCB’s role and mission in society and needs to be equipped with advanced financial knowledge and business execution skills.

Also, in order to nurture an employee who can generate innovations, it is necessary more than ever to consciously develop a corporate culture that allows trial and error and encourages challenges.

In order to realize these objectives, the SCB has established the “SCB University,” an educational system designed to enhance special skills. Also, in order to further improve employees’ engagements their organization, the SCB has introduced a process that continuously assesses their engagements.

Also, in order to further develop a corporate culture that nurtures human

resources that can generate innovations, we have established a cross-organizational project team. With this project team, we are currently working to review our office environments for improving employees’ productivity by encouraging active communication among them, as well as working to promote digital-based business operations such as paperless conference and electronic approval system.

Challenge for a New Era

As the digitalization is rapidly progressing, financial institutions are also required to change their business models. We believe that this move is further accelerated by the spread of COVID-19.

We feel that we are being tested as to the ability of shinkin banks in providing added values to their respective areas even in the era after the end of the COVID-19 pandemic.

I cherish the word *fuekiryukou*, which literally means “the immutable and the transient.” This is interpreted as “the core (‘the immutable’) will never change, but the rest (‘the transient’) will.”

Shinkin banks’ fundamental principle of “mutual support” and their spirit “for the benefit of the regions”, together with the SCB’s belief and mission to contribute to the progress of the regional economies and societies with shinkin banks, will never change. On the other hand, we need to make changes in what needs to be changed without hesitation and with boldness.

I believe that even in the era after the COVID-19 pandemic, we should continue to maintain the essentials such as our philosophy and principles.

On the other hand, we shall cope with rapidly progressing digitalization,

and shall adapt to the changing societies amid the spread of COVID-19. By so doing, we believe that we shall be able to meet the needs of the new times and that shinkin banks will continue to provide high-value added services to their local customers.

In closing, I sincerely ask for your further support and understanding.

Corporate Management and Auditors



Kenichiro Mimuro
Chairman of the Board
of Directors (Part-time)

Career summary

April 1968
Joined Hamamatsu Shinkin
Bank (current Hamamatsu
Iwata Shinkin Bank)
June 2005
President and Chief Executive
Officer of Hamamatsu Shinkin
Bank (current position)
June 2008
Director of the SCB
June 2020
Chairman of the Board of
Directors (current position)
June 2020
Chairman of the Board of
Directors of The National
Association of Shinkin
Banks (current position)



Hiroyuki Shibata
President and Chief
Executive Officer

Career summary

April 1980
Joined the SCB
April 2005
General Manager of
Strategic Planning Division
June 2007
Director and General
Manager of Strategic
Planning Division
June 2009
Managing Director
June 2013
Senior Managing Director
June 2016
Deputy President
June 2018
President and Chief Executive
Officer (current position)



Hajime Hioki
Deputy President

Career summary

April 1981
Joined the SCB
June 2007
General Manager of
Personnel Division
June 2010
Director and General
Manager of Osaka Branch
June 2013
Managing Director
June 2016
Senior Managing Director
October 2017
Deputy President
(current position)



Hiroshi Nakahara
Senior Managing Director

Career summary

April 1981
Joined the Ministry of Finance
June 2013
General Manager of the
Accounting Center and General
Manager of the Policy Research
Institute, Ministry of Finance
July 2014
Director-General of the
Financial Bureau
July 2015
Commissioner of the
National Tax Agency
October 2016
Executive Consultant of the SCB
June 2017
Director and Executive
Consultant
October 2017
Senior Managing Director
(current position)



Hiroshi Sudo
Senior Managing Director

Career summary

April 1987
Joined the SCB
April 2005
Representative Director
and President of Shinkin
International Ltd
June 2009
General Manager of Strategic
Planning Division of the Bank
June 2013
Director and General
Manager of Osaka Branch
June 2016
Managing Director
June 2018
Senior Managing Director
(current position)



Norihiro Takano
Senior Managing Director

Career summary

April 1985
Joined the SCB
June 2010
General Manager of
Personnel Division
June 2012
Director and General Manager
of Personnel Division
April 2013
Director and General Manager
of Support & Advisory Division
for Shinkin Banks
June 2015
Managing Director
June 2019
Senior Managing Director
(current position)

Chairman of the Board of Directors (Part-time)

Kenichiro Mimuro

President and Chief Executive Officer

Hiroyuki Shibata

Deputy President

Hajime Hioki

Senior Managing Directors

Hiroshi Nakahara

Hiroshi Sudo

Norihiro Takano

Managing Directors

Keisuke Izutsu

Yuzuru Nishino

Takehiko Murotani

Directors

Hideki Sasaki

Takashi Hanaoka

Zon Suzuki

Kenji Tanaka

Masafumi Shinagawa

Directors (Part-time)

Masatoshi Masuda

Rinichi Hoshi

Ikuo Higuchi

Tetsu Komori

Hiroshi Hiramatsu

Norikazu Shibuya

Kotaro Omae

Kuniyuki Hashizume

Hirotsuna Sumida

Minoru Kondo

Koya Nakazawa

Makoto Shirahase

Norimasa Yoshino

Tatsuo Takeda

Shinya Yumiyama

Hiromi Nomura

Takayuki Goto

Corporate Auditor

Hiromichi Chisaka

Corporate Auditors (Part-time)

Takashi Abe

Seiji Sakuda

Akio Okuyama

Naoyuki Yoshino

(As of July 1, 2020)




About Shinkin Central Bank

The SCB was established as a cooperative financial institution funded by the shinkin banks, and serves as the central bank for shinkin banks throughout Japan, which are also its members. Here we will explain the three major functions performed by the SCB in the shinkin bank industry.

1. Functions to resolve issues held by regions

Shinkin banks play a key role in supporting regional economies by lending to local organizations and SMEs in Japan. However, individual shinkin banks are sometimes restricted in performing their banking functions because of their scale and limitations on their business area.




To address this issue, the SCB is involved in initiatives to assist in areas such as business matchmaking and overseas development services to SMEs, asset buildup and inheritance services for individual customers, and revitalization measures and the use of fintech in the regions. 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 promptly to changes in the management environment surrounding shinkin banks, such as the increasing sophistication and diversity of shinkin bank customer needs and to deal with intensifying competition from other business categories.

Issues	Solutions	Value provided
 <ul style="list-style-type: none"> ● Expansion of sales channels ● Overseas expansion ● Business succession and M&A 	<ul style="list-style-type: none"> ■ Provide business matching opportunities ■ Provide services corresponding to the needs of overseas expansion ■ Support business expansion and networking at overseas locations ■ Provide a platform for M&A ■ Provide fund and capital through our support fund ■ Provide services according to life stage 	Sound development of SMEs
 <ul style="list-style-type: none"> ● Asset buildup ● Succession of assets ● Strengthening of financial literacy 	<ul style="list-style-type: none"> ■ Provide products corresponding to life events ■ Supplement services for assets under management at shinkin banks ■ Provide trust products for individual customers ■ Provide digital skills training 	Realization of an enriched life for people
 <ul style="list-style-type: none"> ● Regional revitalization ● Promotion of regional industry ● Increased use of cashless payments 	<ul style="list-style-type: none"> ■ Provide Regional Revitalization Support Package ■ Implement initiatives to utilize dormant deposits ■ Link shinkin bank accounts with Merpay ■ Provide Shinkin SDGs Private Placement Bonds ■ Implement initiatives to promote tourism and industry 	Prosperity of regional society

2. Central bank functions for shinkin banks

The environment surrounding shinkin banks still remains difficult due to factors such as structural problems in regional economies, which are the shinkin banks' sales base, such as the progression of the aging population and overall population decrease, in addition to the continuation of negative interest rate policies by the Bank of Japan, and the complexity of these issues is increasing.

In this environment, the SCB makes every effort to maintain an orderly financial system within the shinkin bank industry through the further strengthening of consulting functions, and cyber security measures in the shinkin bank industry, as well as timely and appropriate operations of the Shinkin Bank Management Reinforcement System, etc.

Issues	Solutions	Value provided
 <ul style="list-style-type: none"> ● Strengthening of investment management ● Strengthening of operational efficiency 	<ul style="list-style-type: none"> ■ Provide deposit products ■ Provide investment products using trust banking business functions ■ Provide loan products ■ Handle administrative tasks for deposit assessment operations 	Development of regional economies through strengthening management of shinkin banks
 <ul style="list-style-type: none"> ● Strengthening of ability to manage risk ● Nurturing and obtaining of human resources 	<ul style="list-style-type: none"> ■ Assist sophistication in risk management ■ Implement profit simulations ■ Establish Cyber Security Center ■ Assist improvement of systems against money laundering or other illicit activities 	
 <ul style="list-style-type: none"> ● Early detection of management issues ● Management reinforcement 	<ul style="list-style-type: none"> ■ Operate the Shinkin Bank Management Reinforcement System ■ Operate the Shinkin Bank Mutual Funding Support System 	

3. Functions as an institutional investor

The SCB is constructing a stable funding base through deposit operations and bond operations. With the funds procured with this base, the SCB makes investments and loans for various products, etc. in money markets in Japan and overseas as one of the leading institutional investors in Japan.

Furthermore, with regard to investment and loan strategy, the SCB pursues efficient risk-return as well as promotes investments and loans that take ESG into consideration, such as forming project finance for private finance initiatives and investing in the World Bank Sustainable Development Bond.

About Shinkin Banks

Shinkin banks are cooperative financial institutions. Their membership comprises local residents and SMEs. 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.

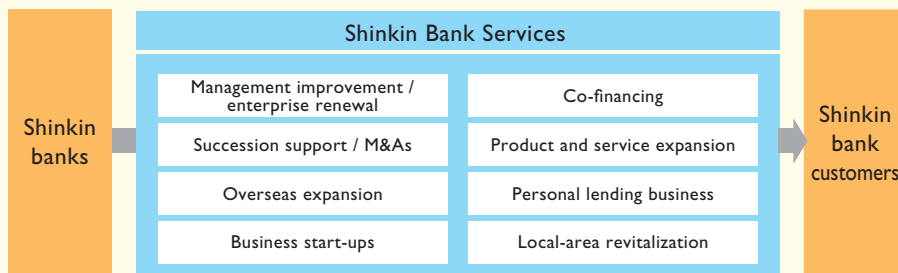
Outline of Shinkin Banks

255 shinkin banks form an extensive network, with approximately 7,200 offices across the country, from Hokkaido in the north to Kyushu and Okinawa in the south.

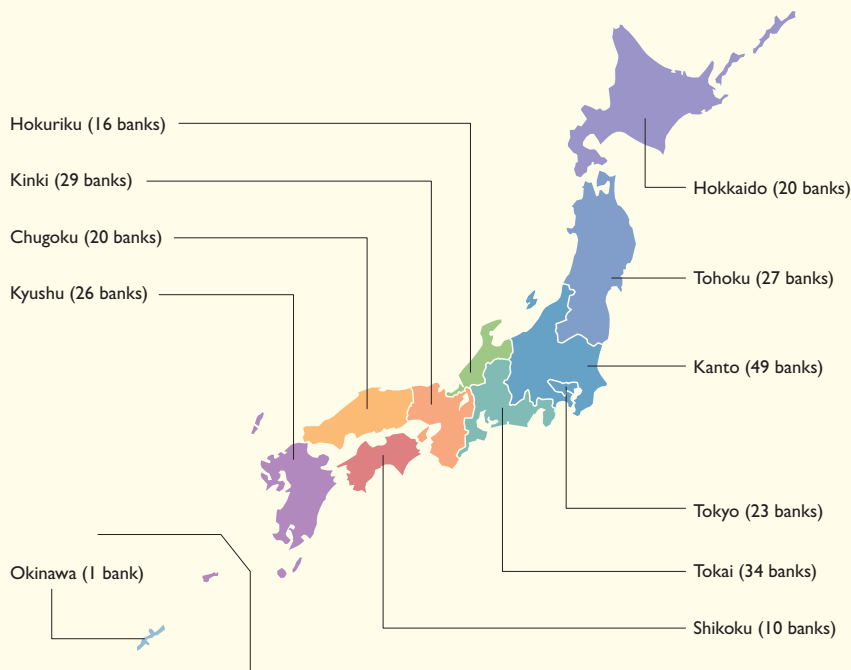
Shinkin banks dedicate themselves to providing high-quality services to local residents, as financial institutions that are deeply rooted in their respective regions, and contribute to regional development.

Total deposits outstanding at 255 shinkin banks as of March 31, 2020, reached approximately ¥145 trillion (\$1,336 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 (255 banks)



Deposits¹ Outstanding by

Bank Segment (As of March 31, 2020)

(Billions of US dollars)

City Banks ²	\$3,597
Regional Banks ²	2,548
Shinkin Banks	1,336
Agricultural Cooperatives	957
Second-tier Regional Banks ²	574
Credit Cooperatives	194
Labor Credit Associations	192

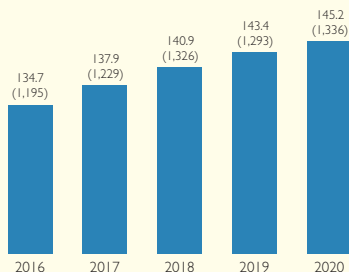
Notes: 1. Deposit includes domestic operations.
2. City banks, regional banks and second-tier regional banks do not include the special international financial transactions account.

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)



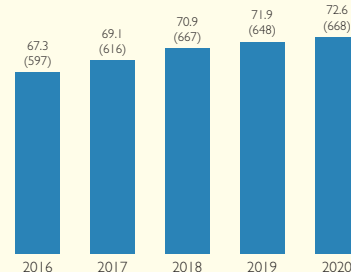
Note: Items in parentheses are US dollar amounts. They are given for convenience only, with conversion at ¥112.69, ¥112.19, ¥106.28, ¥110.96 and ¥108.71 per US\$1.00, the prevailing rate on March 31, 2016, 2017, 2018, 2019 and 2020, respectively.

Source: The SCB.

Loan and Bills Discounted

Outstanding at Shinkin Banks

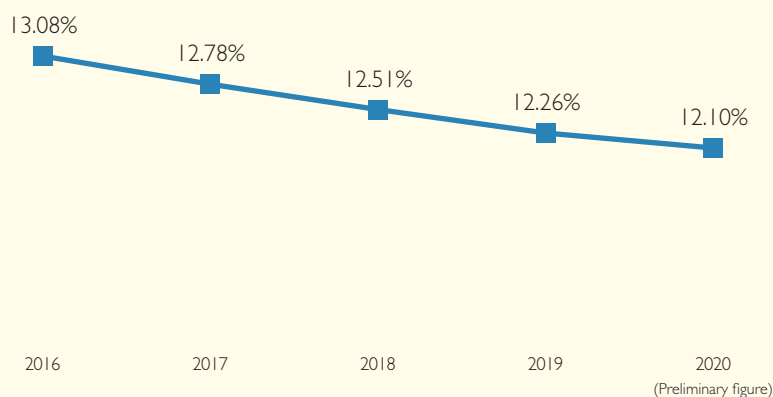
(Trillions of yen / billions of US dollars)



Note: Items in parentheses are US dollar amounts. They are given for convenience only, with conversion at ¥112.69, ¥112.19, ¥106.28, ¥110.96 and ¥108.71 per US\$1.00, the prevailing rate on March 31, 2016, 2017, 2018, 2019 and 2020, respectively.

Source: The SCB.

Capital Adequacy Ratio of Shinkin Banks

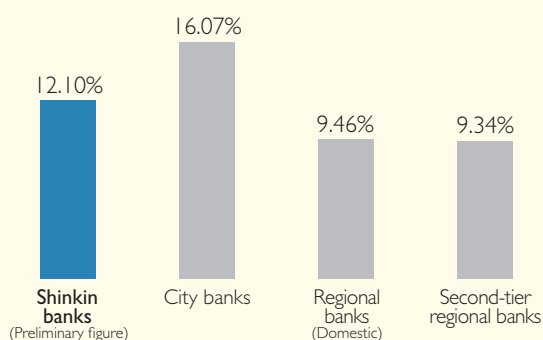


Source: The SCB.

The capital adequacy ratio of shinkin banks fell to 12.10% (preliminary figure) as of March 31 2020, from 12.26% at the end of the previous fiscal period. This decline was driven by the increase in risk-weighted assets relating mainly to loan growth.

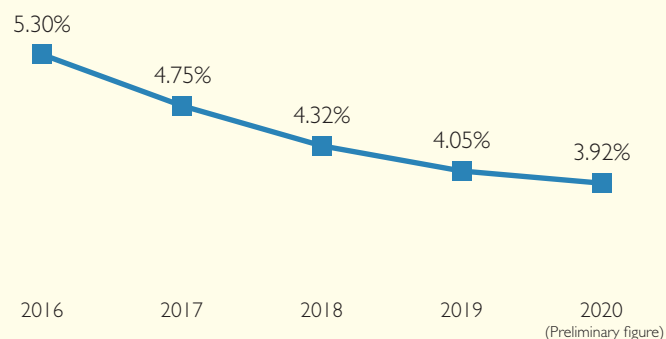
The ratio maintains a level that is not inferior to that of other business categories, and is outperforming other domestic regional banks (9.46%) and second-tier regional banks (9.34%).

Non-consolidated Capital Adequacy Ratio by Bank Segment (%) (as of March, 31, 2020)



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 office 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

Measures against the Novel Coronavirus Disease (COVID-19)

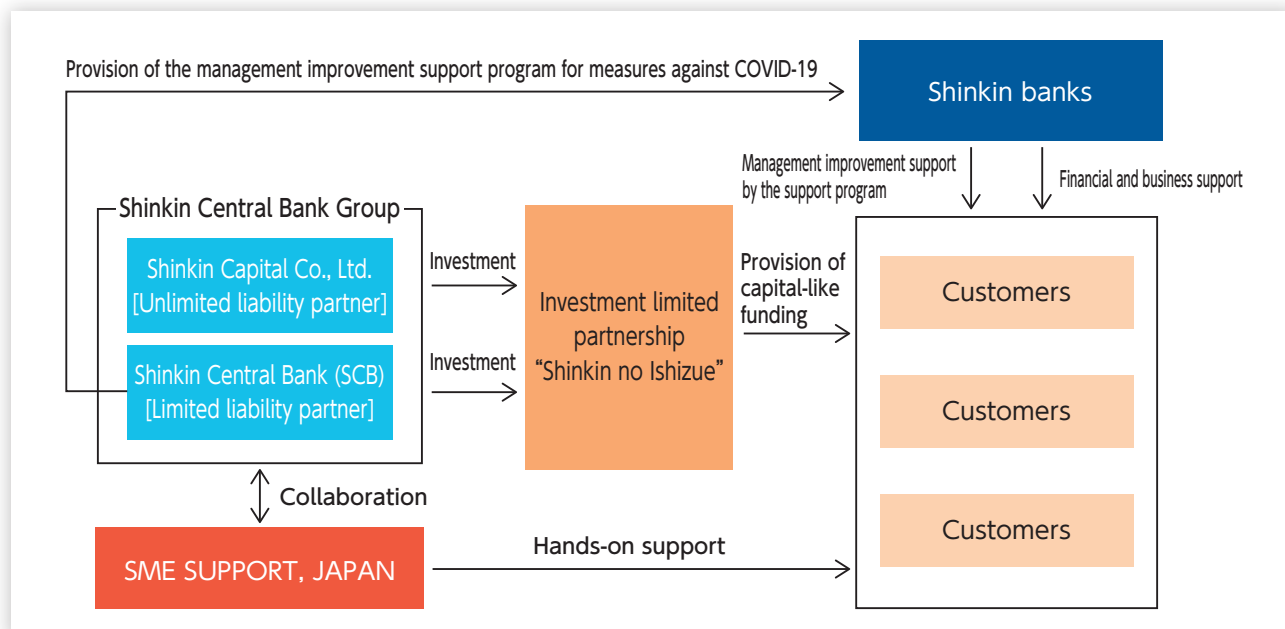
In light of the spread of COVID-19, we are securing safety of executives and employees and maintaining continuity of our business by actively implementing work from home or staggered commuting, as well as as executing various activities to assist shinkin banks and their customers.

◆ Establish “Shinkin no Ishizue, the Cornerstone of Shinkin Banks,” a measures support fund against COVID-19

The SCB established in June 2020 in collaboration with Shinkin Capital Co., Ltd., one of its group companies, “Shinkin no Ishizue,” a support fund against COVID-19, with the total investment of ¥10 billion.

This Fund is intended to provide capital-like funding to shinkin banks’ customers whose financial resilience has been weakened due to the impact of COVID-19 in spite of their solid business performance, and to strengthen their financial bases.

Also, we provide the shinkin banks’ customers who are using this Fund with the management improvement plan that we have formulated in collaboration with Organization for Small & Medium Enterprises and Regional Innovation, JAPAN (SME SUPPORT, JAPAN) and provide shinkin banks with the management improvement support program dedicated to measures against COVID-19.



◆Promote matching for shinkin banks’ customers

To provide assistance to shinkinbanks’ customers who were experiencing difficulties in procuring goods and materials due to supply-chain disruptions, we opened a matching site specifically designed to address issues associated with COVID-19.

This is an initiative to promote matching between those shinkin banks’ customers who are in need of goods and materials and those customers who can provide them, by making use of the shinkin bank industry network.

◆Support the measures against COVID-19 through investment in the bond issued by the World Bank

In June 2020, we invested in the World Bank Sustainable Development Bond that focuses on important investment themes of supporting sanitation and hygiene, and medical care including the measures against COVID-19.

Medium-Term Management Plan “SCB Strategy 2019”

The current business environment surrounding shinkin bank industry involves a number of new and important issues that must be dealt with, such as falling earnings capacity caused primarily by the Bank of Japan's unprecedented monetary easing, and the rapid advance of digitalization.

Based on this situation, the SCB has definitely decided the medium to long term “vision”, and in pursuit of this has drawn up the new medium-term management plan “SCB Strategy 2019” that began in April 2019, with seven high-priority strategies as its key components.

In 2020, in addition to continuing to move forward in pursuit of our plans, we will respond flexibly to “new normal” resulting from the social changes caused by the spread of COVID-19, and further enhance the competitiveness of the shinkin bank industry.

Management Philosophy

Operational Policies

Medium-Term Management Plan “SCB Strategy 2019” (fiscal 2019 to fiscal 2021)

Our vision for the SCB for the next five to ten years

Together with Shinkin Banks, SCB will aim for constructing combined operations as one banking group, improving competitiveness of Shinkin group, and achieving the future where Shinkin Bank is the most reliable bank in every local area, by allocating resources to each banks' field of expertise.

Seven high-priority strategies

Strategy1

Encourage Shinkin Banks' sustainable business model

Strategy2

Improve Shinkin Banks' risk management

Strategy3

Promote Shinkin Bank's digitalization

Strategy4

Promote to utilize network among Shinkin Banks, SCB and external organization

Strategy5

Pursue optimal balance among profit, risk and capital distribute managerial resources appropriately

Strategy6

Promote efficient operation

Strategy7

Nurture appropriate central financial institution's employee, create an attractive workplace

●Levels of management indices that should be maintained

Consolidated capital adequacy ratio
(domestic standard)
At least 15%

Maximum amount available
for dividend
At least ¥200 billion

●Target level of earnings

Profit attributable to owners
of parent
Around ¥40.0 billion

●Results of the fiscal year ended March 31, 2020

Consolidated capital adequacy ratio
(domestic standard)
24.31%

Maximum amount available
for dividend
¥312.5 billion

Profit attributable to owners
of parent
¥40.2 billion



Encourage Shinkin Banks' sustainable business model

In order to continue providing a range of services and initiatives for resolving regional issues, shinkin banks must ensure an appropriate level of earnings, and shinkin banks themselves must grow and develop along with their customers. For that reason, we are seeking to strengthen shinkin bank's investment management and operational efficiency.

• Strengthening Support for Investment Strategies

With the aim of strengthening shinkin bank's investment management, and in order to put into practice the support of shinkin banks based on the ideas jointly held by all of the SCB group, we have drawn up the "Fundamental philosophy on support for shinkin banks investment strategies". By spreading this philosophy among our group companies, we will bolster the support provided by the Group as a whole.

In order to enhance the collective ability of the SCB and its subsidiaries to provide products, the SCB will work to strengthen partnerships both within the Group and with external agencies.

• Promotion of Commonalization and Cooperation of Work

By collaborating with external agencies, subsidiaries and affiliated companies, the SCB promotes the commonalization and cooperation of internal procedures, such as transactions with customers and payroll, that individual shinkin banks are working on, and will fulfill a role as the central processing division of the industry.

Furthermore, with digitalization and the shift to cashless transactions expected to advance rapidly, we will investigate joint branches as well as strategic allocation in ATM networks in the shinkin bank industry.



2 Improve Shinkin Banks' risk management

To enable shinkin banks to assign management resources to initiatives aimed at resolving client issues, we will put in place arrangements to support the strengthening of shinkin banks' ability to manage risk, while reinforcing mechanisms for ensuring financial soundness.

• Strengthen the Ability of Shinkin Banks to Manage Risk

We will implement countermeasures for money laundering and the financing of terrorism, publish information in relation to reinforcing cyber security and provide consulting services to individual shinkin banks in order to raise the bar with regard to the shinkin bank industry's ability to manage risk.

• Ensuring the Soundness of Shinkin Banks

We will strive to ensure the soundness of shinkin banks by taking into account the management issues and the changes in financial administration, and strengthening our arrangements for follow-up, such as bolstering the management analysis and introducing measures when giving management advice.



3 Promote Shinkin Bank's digitalization

In addition to promoting the revitalization of regional economies through the utilization of cashless payments, we will develop and provide new products and services in response to digitalization.

• Promotion of Cashless Payments Aimed at Regional Revitalization

The SCB entered into a business collaboration with Nippon Telegraph and Telephone East Corporation, which provides services that can respond to multiple cashless payment systems. Further, the SCB entered

into business collaboration with Mercari, Inc. and Mervpay, Inc. Through these collaborated transactions, we will endeavor to further improve our services toward the realization of a cashless society and reactivation of regional economies.



4 Promote to utilize network among Shinkin Banks, SCB and external organization

As well as bolstering initiatives that make use of the shinkin bank industry network, we will utilize our role as the hub and coordinator of the industry to the full, and move forward to build new platforms to resolve issues.

- **Building a Problem-solving Scheme Using Partnerships Both Inside and Outside the Industry**

In order to support the accounting operations of the SMEs that are the customers of shinkin banks, and also

asset formation by individual customers, we will promote the building of schemes such as those for providing a range of services in partnership with industry organizations and external agencies.



5 Pursue optimal balance among profit, risk and capital distribute managerial resources appropriately

To enable the SCB to continue to play an enduring role as the central financial institution of the shinkin bank industry, we will strive to build a financial base for stability over the medium to long term through such measures as the construction of a risk appetite framework, and efficient risk-taking based on the level of capital.

- **Ensuring Financial Stability and Permanence**

As the central financial institution for the shinkin bank industry, the SCB intends to ensure enhanced financial stability and permanence by building and operating a risk appetite framework, with the aim of facilitating the provision of support for shinkin bank operations and management.

- **Optimal and Appropriate Allocation of Management Resources**

By actively increasing operational efficiency and promoting scrap-and-build programs, we will strive for the optimal and appropriate allocation of management resources for the SCB Group as a whole.



6 Promote efficient operation

As well as working to enhance the robustness of operations by promoting RPA and to reduce office works, we will pursue improvements in operational efficiency through digitalization, centralization and outsourcing.

- **Utilization of Digital Technology**

Having actively implemented BPR^{(*)1}, we will promote RPA^{(*)2}, introducing electronic approval and paperless workplaces in order to fundamentally improve efficiency.

Another goal is to improve the efficiency, speed and accuracy of the operations interface between shinkin banks and the SCB.

*1. BPR: Business Process Re-engineering. The comprehensive review and redesign of the content of existing operations and operational flows.

*2. RPA: Robotic Process Automation. The use of software robots to replace and automate standardized tasks performed by humans.

- **Outsourcing of Various Operations**

We will investigate the outsourcing to external agencies of defined contribution pension operations, market-related operations, trust-related operations and human resources related operations.



7 Nurture appropriate central financial institution's employee, create an attractive workplace

The SCB will also strive to strengthen skills required for central financial institution's human resources, work to improve engagement, develop a corporate culture that nurtures human resources who generate innovation, and arrange attractive workplace.

- **Transformation of Corporate Culture**

The SCB will newly establish "project operations system" with the aim of transcending departmental barriers to bring together diverse human resources to resolve problems and promote exchanges of personnel that go beyond the financial industry.

- **Improvement of Work Environments**

We will create highly productive work environments and promote diversity that would generate new ideas.

Realizing a Sustainable Society

Declaration of Shinkin Central Bank Group on SDGs

Shinkin Central Bank Group is a group in which the SCB plays its role as the central financial institution for shinkin banks. As such, the Group will strive to implement initiatives together with shinkin banks throughout Japan toward realization of a sustainable society based upon the Sustainable Development Goals (SDGs) and in accordance with the principle of a cooperative institution focusing on three important themes, namely the “region”, the “people” and the “environment”.

Sustainable prosperity of a regional society

Major initiatives

- Improving sustainability of shinkin banks
- Improving sustainability of SMEs
- Initiative for regional revitalization in collaboration with shinkin banks

We will contribute to sustainable prosperity of regional societies by strengthening sustainability of shinkin banks which support the regions and SMEs which constitute the business infrastructure for the regions, as well as by promoting support for regional revitalization.

Relevant SDGs



Well-being to all the people

Major initiatives

- Support for realization of children's dream
- Enhancement of support for life planning of all generations
- Promotion of creating a workplace that values uniqueness of employees

Together with shinkin banks, we will strive to implement initiatives to bring well-being to senior generations, children and all the people in the regions, and to contribute to realizing a diversified and inclusive society with the concept of “leave no one behind”.

Relevant SDGs



Conservation of global environment

Major initiatives

- Promotion of ESG investments and loans
- Measures for climate change
- Reducing environmental burden associated with business activities

We will strive to reduce environmental burden associated with business activities. Furthermore, as a banking group making investments and loans on a global scale, we will contribute to conservation of the global environment by promoting investments and loans that are mindful of the environmental problems.

Relevant SDGs



Support for initiatives



Task Force on Climate-related Financial Disclosures (TCFD)

The “Task Force on Climate-related Financial Disclosures (TCFD)” was established in December 2015 by the Financial Stability Board at the request of G20 finance ministers and central bankers. In July 2019, the SCB endorsed the recommendations of the TCFD.

Measures for climate change

In accordance with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), the SCB will disclose its information as follows:

Governance

We will hold an Executive Committee meeting to deliberate on our policies and initiatives as to the SDGs including climate change, and then will report the result to the Board of Directors.

Also, from a standpoint of integrated management as one banking group, we have established the “Group Promotion Committee on SDGs”, a new committee comprised of executives of the SCB and its group companies to discuss such matters as the SCB Group’s policies and initiatives as to the SDGs including climate change.

Specific initiatives pertaining to SDGs including climate change are being taken on a cross-organizational basis with SDGs Promotion Office (established in April 2020) of Strategic Planning Division playing a central role.

Strategy

The environmental problems including climate change are the most important issues common to all human beings. As such, in accordance with the “Declaration of Shinkin Central Bank Group on SDGs” formulated in September 2019, we recognize that this climate issue would bring opportunities, risks and influences on our business activities in the following context. Accordingly, we will actively strive to solve the issues.

<Opportunities>

◇ Together with shinkin banks nationwide, we are actively implementing initiatives to realize a sustainable society. We recognize that these initiatives will contribute to regional revitalization as well as to an increased presence of the shinkin bank industry including the SCB.

◇ Based upon our understanding the increased use of renewable energies worldwide and advancement of technological innovations as investment opportunities, we are promoting ESG investments and loans.

(ESG investments and loans: ¥68.7 billion [actual]/fiscal 2019, ¥70.0 to ¥80.0 billion [estimate]/fiscal 2020)

<Risks>

◇ We recognize the risk associated with a transition to a low carbon society such as regulatory tightening and technological innovations relating to the climate (transitional risk), and the risk of facing difficulties in business continuity due to an increased number of natural disasters or abnormal weather associated with climate change (physical risk). All these are the risks that affect the businesses and financial conditions of the customers to which shinkin banks make investments or provide loans, which then indirectly affects the portfolio of the SCB.

◇ In consideration of the SCB’s special role of being a central financial institution for shinkin banks, we recognize that the risk of the SCB facing difficulties in its business continuity due to the climate change (physical risk) is a major risk.

<Influences>

◇ Carbon-related assets (energy and public sectors) constitute 4.27% of total loans.

Risk management

We have distinguished those sectors whose financial conditions are susceptible to the climate change and formulated the “Guideline for Making Responsible Investments and Loans by Type of Businesses” in March 2020. By making investments and loans in accordance with this Guideline, we are making a contribution to realization of a sustainable society as well as managing financial impact on the SCB.

Index and target

In order to reduce CO₂ emissions, we are endeavoring to achieve a reduction target of electric power consumption in accordance with the “Voluntary Environmental Action Plan of the Shinkin Bank Industry”. As for fiscal 2019, we have achieved reduction exceeding its reduction target.

(Electric power consumption: medium- to long-term reduction target/actual)

Reduction target	Medium term	Fiscal 2020 in comparison with fiscal 2009: -10.5%	Long term	Fiscal 2030 in comparison with fiscal 2009: -19.0%
Actual	Fiscal 2009	373 kwh/m ² *	Fiscal 2019	230 kwh/m ² (-38.4%)

* Electric power consumption rate = electric power consumption/total floor space

Overseas Networks

The SCB has offices in New York, London, Hong Kong, Shanghai, and Bangkok. These offices collect and disseminate information relating to economic and financial conditions, the investment and loan environment, and the laws, taxation regimes, and employment situation of each region.

These offices also work with allied banks to support the overseas expansion of shinkin banks' customers.

Moreover, as part of our support for the overseas business of SMEs, we dispatch employees to allied banks. The overseas offices also provide shinkin bank employees with opportunities to improve their skills related to supporting the overseas businesses of their customers and contribute to human resources development in the shinkin bank industry.

Support for overseas business expansion and funding

The SCB has formed business alliances with nine local banks overseas to increase its capability to support shinkin bank's customers who are expanding their businesses overseas.

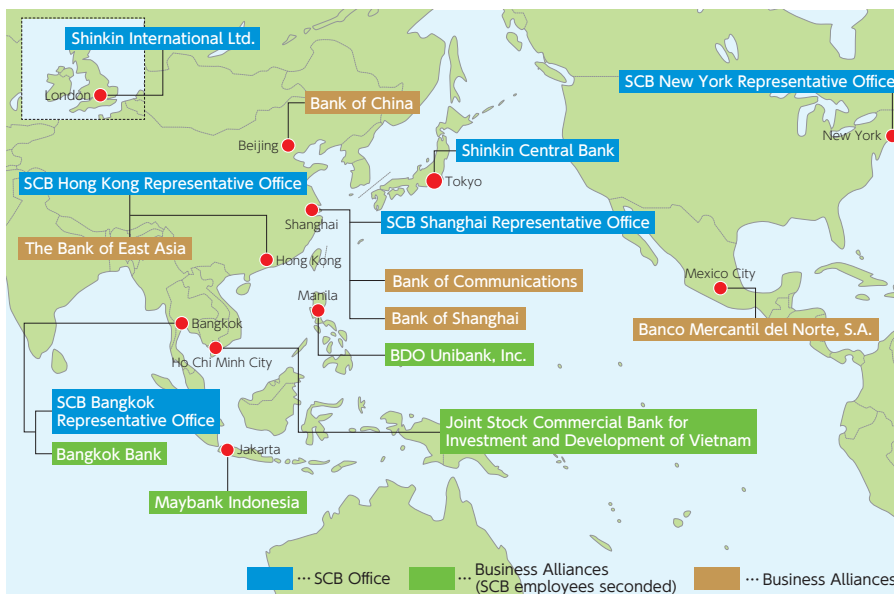
Working with shinkin banks, the SCB and local banks, we provide a wide range of support to shinkin bank's customers who conduct business overseas by helping them open local bank accounts, and providing local currency denominated financing using standby L/C, for example.

Provision of services corresponding to the needs of overseas expansion

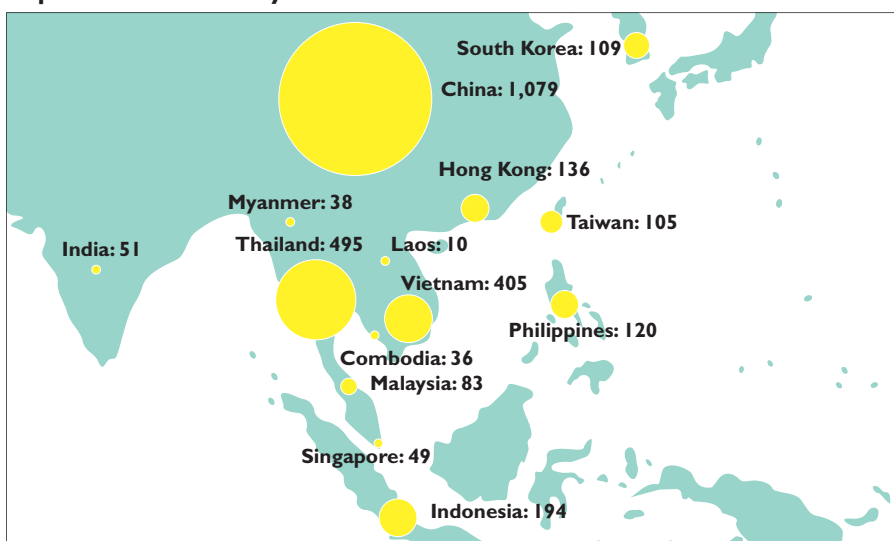
We are collaborating with shinkin banks in the business areas such as overseas expansion, cultivation of overseas sales channels, overseas financing, effective use of overseas human resources, inbound tourism, and foreign exchange, thus providing various services to those shinkin banks' customers who are considering overseas expansion.

"Shinkinkai" (local networking)

In a typical year we hold regular meetings of the "Shinkinkai" local information exchange events in order to build networks among shinkin bank's customers who are active in the region, involving not only the three Asian offices of Hong Kong, Shanghai and Bangkok, but also Ho Chi Minh, Jakarta and Manila, where staff have been seconded to local banks with which business alliances have been concluded.



Expansion into Asia by Shinkin Bank Customers



Source: Thirteenth Survey on the Overseas Business of Shinkin Bank Customers (2019)

Business Overview

Earnings Performance

Looking at the financial results for fiscal 2019 (ended March 31, 2020) overall, operating income amounted to ¥266 billion (\$2,451 million), up ¥7 billion (\$71 million), or 3.0%, year on year because of an increase in interest and dividends on securities from an increase in dividends from investment trusts, etc. and the realization of unrealized gain. Meanwhile, operating expenses came to ¥213 billion (\$1,967 million), up ¥13 billion (\$126 million), or 6.8%, year on year due to an increase in expenses on derivative transactions as part of the portfolio rebalancing. As a result, ordinary income came to ¥52 billion (\$484 million), a decrease of ¥5 billion (\$54 million), or 10.1%, year on year.

Net income totaled ¥37 billion (\$348 million), down ¥4 billion (\$40 million), or 10.3%, year on year.

Funding

In fiscal 2019, the total amount of funding increased ¥1,269 billion (\$11,677 million) year on year, for a total of ¥38,656 billion (\$355,589 million). Of this figure, deposits received came to ¥31,208 billion (\$287,081 million), an increase of ¥241 billion (\$2,224 million), which mainly comprised fixed-term deposits from shinkin banks.

After deducting redemptions, debentures at the end of fiscal 2019 came to ¥2,141 billion (\$19,699 million), down ¥345 billion (\$3,175 million) during the fiscal year, including ¥293 billion (\$2,703 million) in debentures issued by the SCB.

Borrowed money amounted to ¥5,306 billion (\$48,808 million), a year-on-year increase of ¥1,372 billion (\$12,628 million), mainly comprising borrowings under a funding provision to support increased lending by the Bank of Japan.

Asset Management

The amount of assets under management in fiscal 2019 increased ¥926 billion (\$8,521 million), or 2.4%, to ¥39,307 billion (\$361,582 million).

Mainly due to lower government bond holdings, outstanding invested securities decreased ¥136 billion (\$1,253 million), or 0.8%, to ¥16,477 billion (\$151,571 million) at fiscal year end.

Loans and bills discounted increased ¥1,428 billion (\$13,139 million), or 20.2%, during the year under review to ¥8,474 billion (\$77,950 million) as loans to national and government agencies and organizations and business corporations increased.

The outstanding amount of short-term money market assets fell ¥498 billion (\$4,586 million), or 3.4%, to ¥13,867 billion (\$127,562 million), primarily reflecting a decrease in call loans.

Securities

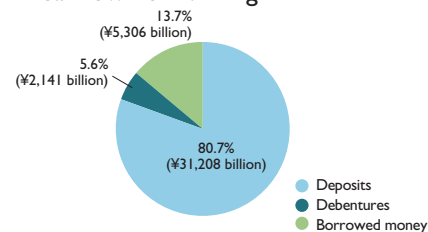
To advance its diversified investment portfolio, the SCB also invests in such risk assets as stocks and investment trust funds not subject to interest risk, while optimizing its portfolio in response to shifts in the financing and investment environment.

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

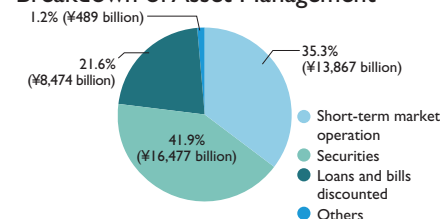
Loans and Bills Discounted

As of March 31, 2020, the outstanding amount of loans and bills discounted was ¥8,474 billion (\$77,950 million).

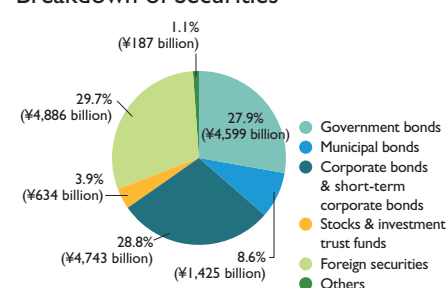
Breakdown of Funding*



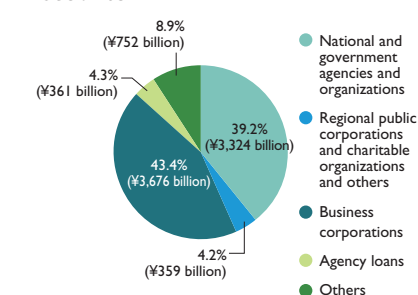
Breakdown of Asset Management*



Breakdown of Securities*



Breakdown of Loans and Bills Discounted*



* As of March 31, 2020.

Ordinary Income and Net Income (Non-consolidated)

(Millions of yen)

	FY2015	FY2016	FY2017	FY2018	FY2019
Ordinary income (loss)	55,971	48,342	60,678	58,562	52,636
Net income (loss)	40,875	41,383	46,498	42,286	37,924

Capital Adequacy

Outline

The SCB's equity capital, as defined under regulations concerning capital adequacy ratio, mainly comprises common shares from member 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.

Consolidated Capital Adequacy Ratio

The SCB's consolidated capital adequacy ratio at March 31, 2020, was 24.31%.

Equity capital, the numerator for calculating the capital adequacy ratio, amounted to ¥1,476 billion (\$13,579 million).

Risk assets, the denominator for calculating the capital adequacy ratio, amounted to ¥6,071 billion (\$55,852 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)

		FY2015	FY2016	FY2017	FY2018	FY2019
Consolidated	Capital adequacy ratio	41.10	37.03	30.57	23.65	24.31
	Amount of capital	1,824	1,764	1,645	1,425	1,476
	Amount of risk-weighted assets	4,439	4,765	5,381	6,026	6,071
Non-consolidated	Capital adequacy ratio	42.38	38.28	31.62	24.48	25.18



Asset Quality

Risk-Monitored Loans

The amount of risk-monitored loans as of the end of March 2020 was ¥75 million (\$0.6 million) for loans to bankrupt borrowers, ¥3,977 million (\$36 million) for delinquent loans, ¥1 million (\$0.0 million) for loans past due three months or more, and ¥19,024 mil-

lion (\$174 million) for restructured loans.

Total risk-monitored loans decreased ¥1,262 million (\$11 million) to ¥23,079 million (\$212 million) during the fiscal year. The ratio of total risk-monitored loans to total loans remained as low at 0.27%, and the

soundness of the SCB's loan assets remained high.

Risk-monitored Loans (Non-consolidated)

(%, millions of yen)

	End of March 2019	End of March 2020	Increase or Decrease
Loans to bankrupt borrowers	82	75	(7)
Delinquent loans	4,351	3,977	(374)
Loans past due three months or more	36	1	(35)
Restructured loans	19,871	19,024	(847)
Total risk-monitored loans (A)	24,341	23,079	(1,262)
Partial direct write-offs	355	320	(35)
Total loans (B)	7,045,582	8,474,068	1,428,486
Ratio of total risk-monitored loans to total loans (%) (A/B)	0.34	0.27	(0.07)

Risk-monitored Loans (Consolidated)

(%, millions of yen)

	End of March 2019	End of March 2020	Increase or Decrease
Loans to bankrupt borrowers	82	75	(7)
Delinquent loans	4,351	3,977	(374)
Loans past due three months or more	36	1	(35)
Restructured loans	19,871	19,024	(847)
Total risk-monitored loans (A)	24,341	23,079	(1,262)
Partial direct write-offs	355	320	(35)
Total loans (B)	7,038,785	8,468,123	1,429,338
Ratio of total risk-monitored loans to total loans (%) (A/B)	0.34	0.27	(0.07)

Asset Assessment under the Financial Reconstruction Law

As of the end of March 2020, bankrupt and quasi-bankrupt assets amounted to ¥323 million (\$2 million), doubtful assets ¥3,729 million (\$34 million), and substandard assets ¥19,025 million (\$175 million).

Accordingly, the total amount of bad debts under the Financial Reconstruction Law decreased ¥1,262 million (\$11 million) to ¥23,079 million (\$212 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 66.54%.

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 2019	End of March 2020	Increase or Decrease
Bankrupt and quasi-bankrupt assets	287	323	36
Doubtful assets	4,147	3,729	(418)
Substandard assets	19,907	19,025	(882)
Total claims under the Financial Reconstruction Law (FRL) (A)	24,341	23,079	(1,262)
Normal claims	7,100,198	8,556,323	1,456,125
Partial direct write-offs	355	320	(35)
Total loans (B)	7,124,539	8,579,402	1,454,863
Ratio of total claims under the FRL to total loans (%) (A/B)	0.34	0.26	(0.08)
Total coverage amounts on disclosed claims under the FRL (C)	16,826	15,359	(1,467)
Coverage ratio (%) (C/A)	69.12	66.54	(2.58)

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 255 shinkin banks nationwide (as of March 31, 2020) 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.

There are no board members corresponding to the outside directors as defined by the Companies Act, however, the Board of Directors includes 18 part-time directors selected from among the executive officers of shinkin banks from each region in Japan. This is 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. 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 Board of Auditors, which consists of all the corporate auditors, regularly holds discussions on matters concerning audit policies and plans.

The SCB appoints one full-time corporate auditor and two part-time corporate auditors from among the executive officers 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.

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.

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.

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 or 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 Internal Audit Division builds an audit system that aims to realize efficient and effective business operations by examining and assessing compliance management systems, risk management systems and operations management systems of each division, branch, and affiliated company of the SCB, to make sure that they are functioning appropriately and effectively.

At the internal audit, 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.

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.

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.

Strengthen 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.

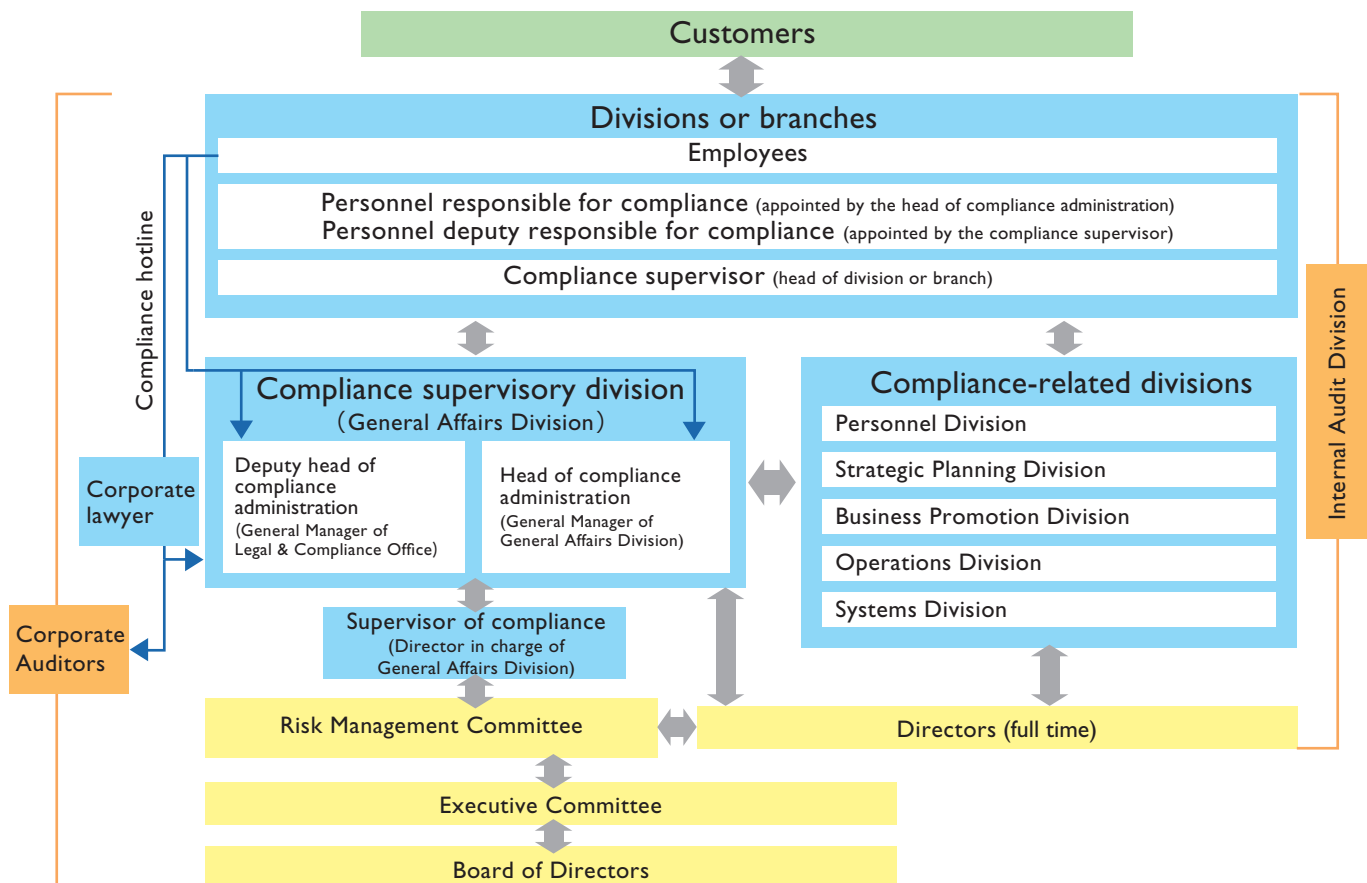
12. Pursuant to the Law on Protection of Personal Information, the SCB has published its Personal Information Protection Policy on its internet website. The SCB takes necessary and appropriate safety measures to protect personal information.

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



Countermeasures against Money Laundering and the Financing of Terrorism

Based on societal demands related to the need for countermeasures against money laundering and financing of terrorism (the “money laundering and financing of terrorism countermeasures”), the SCB has designated the prevention of money laundering and of terrorist financing as one of the most important managerial issues, and is working to sophisticate its countermeasures by means of a risk-based approach.

The director in charge of General Affairs

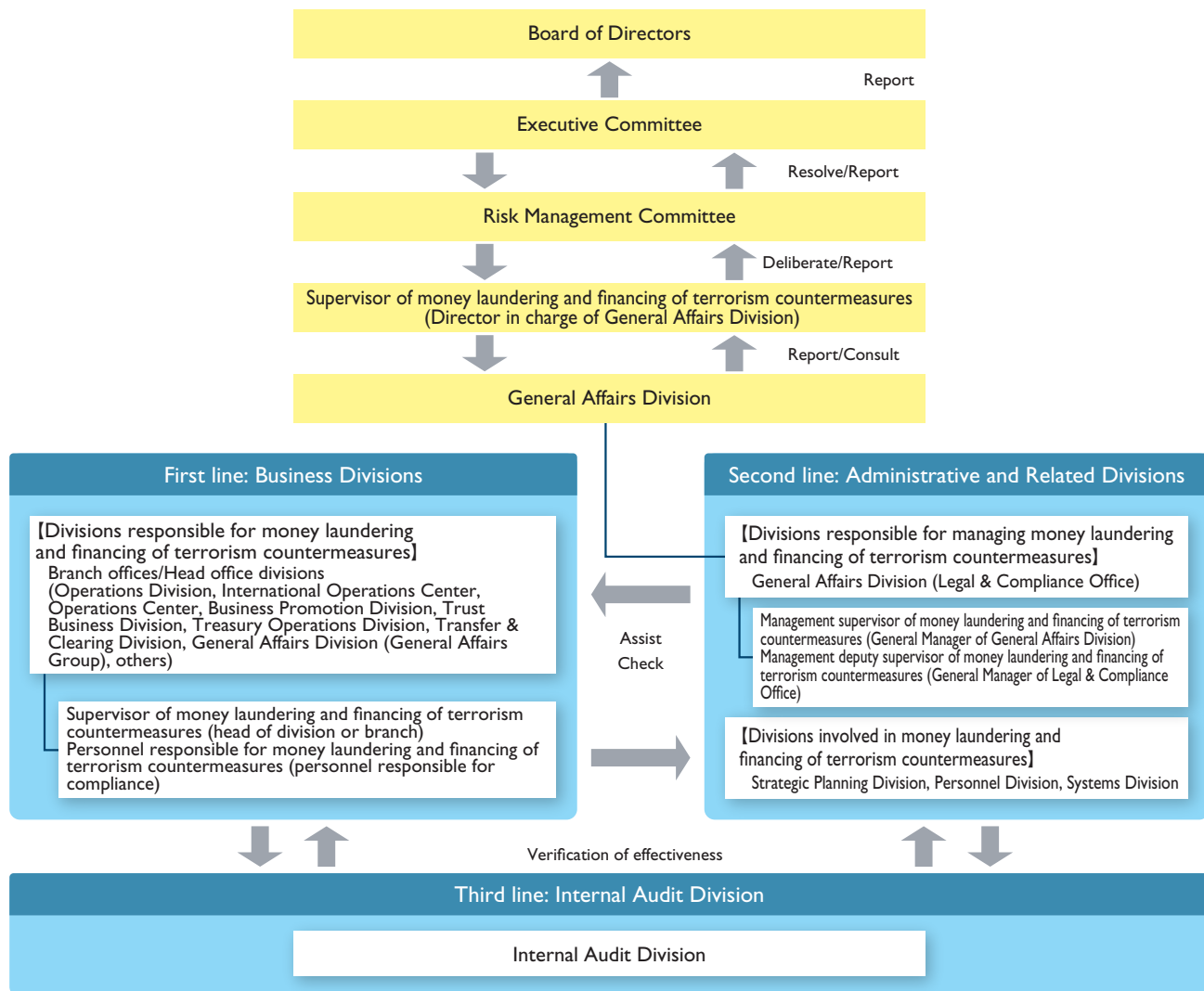
Division is appointed supervisor of money laundering and financing of terrorism countermeasures, and under the active involvement of the management team will put in place risk management arrangements in which the General Affairs Division is the second line of defense (administrative divisions), while also organizing a regulatory system. The General Affairs Division is also providing with support, checks and controls in relation to the first line of defense (business divisions), and training for employees.

Supervisors of and personnel responsible

for money laundering and financing of terrorism countermeasures are assigned to the first line of defense (business divisions), and checks are carried out at the time of the transaction in accordance with the Act on Prevention of Transfer of Criminal Proceeds and so on, with notifications being made for suspicious transactions.

The Audit Division, which is the third line of defense (internal audit division), performs verification of the effectiveness of money laundering and financing of terrorism countermeasures.

Risk Management System against Money Laundering and the Financing of Terrorism



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.

Risk Appetite Framework

In order for the SCB to fulfill its role as the central financial institution of the shinkin banks, it is necessary for it to take appropriate risks, which are matched to its level of capital and congruent with its own business model and risk culture, to enable it to continue to secure profits.

A “risk appetite framework” (*1, *2) has been constructed and is being operated with the aim of clarifying this basic concept of risk-taking and strengthening risk governance.

*1. Risk appetite: the type and size of risks that a financial institution actively attempts to take in order to fulfill its role

*2. Risk appetite framework: a framework for discussing and executing risk-taking policies and risk tolerances as prescribed by the required level of profits and capital

Setting the SCB's risk culture and risk appetite

We believe that what is required of SCB is that it fulfill its function as the central financial institution of the shinkin banks with a focus on stability and continuity.

We recognize that, in order to achieve this, the SCB must secure a sound financial position and stable profits, and that it has a risk culture that does not permit excessive risk-taking.

In addition to setting risk appetite with reference to this risk culture, the SCB has designated the consolidated capital adequacy ratio (domestic standard) and maximum amount available for dividend as management indicators (risk appetite indicators).

Management of Risk Appetite Framework

Based on the objectives for which the risk appetite framework was introduced, and our risk culture and appetite, we have taken a comprehensive view of the balance between earnings, risk and capital in order to set a medium-term target level of earnings (profit attributable to owners of parent).

Also, based on these medium-term targets, we are executing operations in accordance with a PDCA cycle, under which we formulate earning plans for a single fiscal year, take on risk, provide status reports, verify progress, and amend as required.

In addition, we have formulated a risk appetite statement to clarify the content of the risk appetite framework.

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 crossorganizational bodies—the Risk Management Committee, Credit Committee and ALM 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 indepen-

dent 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).

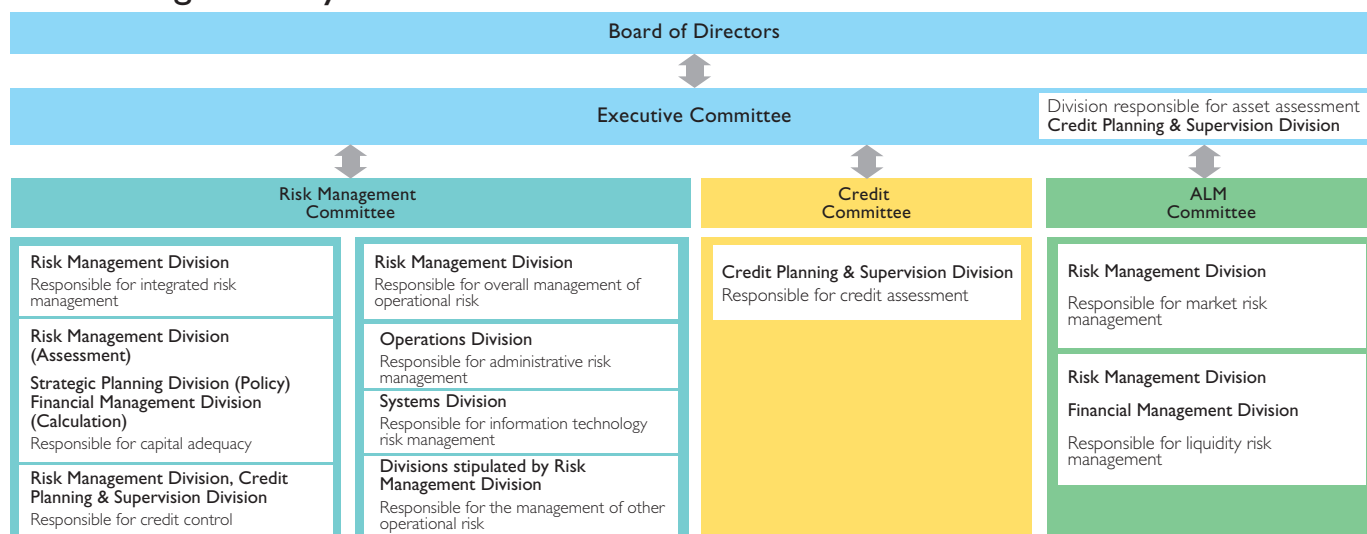
For market risk and credit risk, the SCB calculates the VaR. For the calculation of operational risk capital requirements, the SCB employs the basic indicator approach, proposed under regulations concerning capital adequacy ratios.

The SCB defines capital under its integrated risk management system and allocates quantitative risk limits, operational 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.

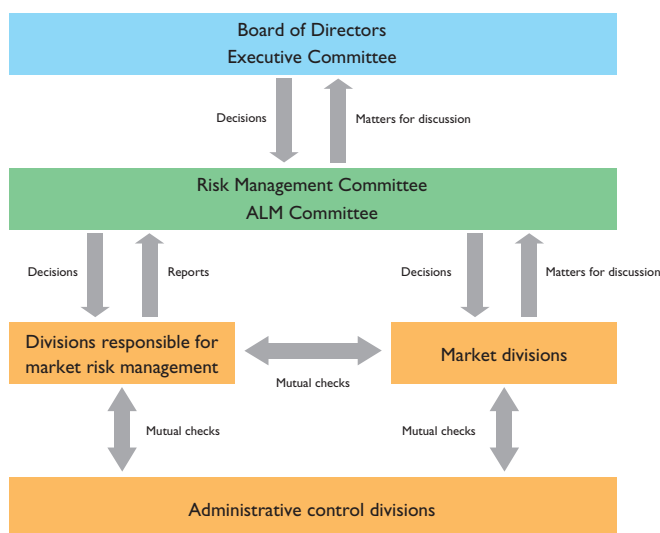
The quantitative risk limits and reserve amounts for each fiscal year are determined by the Executive Committee following deliberation by the Risk Management Committee. The Risk Management Division, which oversees integrated risk management, measures the amount of risk exposure both during and at the 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 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.

In addition, the SCB manages our exposure on a variety of fronts, such as monitoring stress losses at times of unexpected market fluctuations, the basis-point-value (BPV) (changes in the valuation of the market value of the portfolio in response to changes in interest rates), and IRRBB (interest rate risk in scenarios specified by the FSA).

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

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

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 simula-

tion 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.

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.

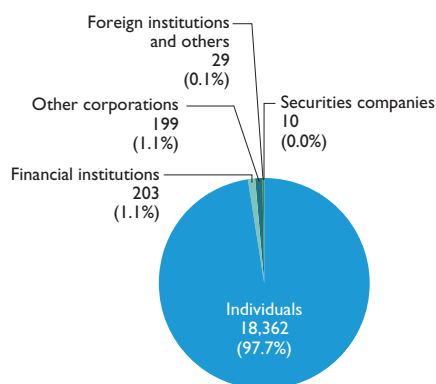
Dividends of preferred shares comprise preferred dividends and participating dividends. Preferred dividends are paid before any dividends are paid to common stock holders (shinkin banks). Participating dividends are paid from retained earnings after preferred dividends. They may vary depending on profits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

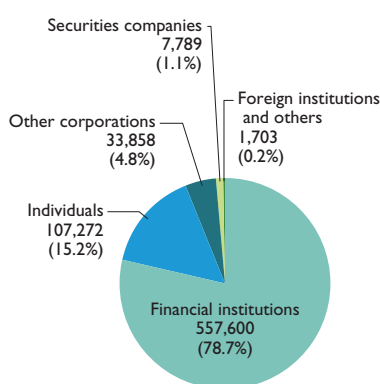
For fiscal 2019, the dividend for preferred shares was ¥6,500 (\$59) per share, which included a preferred dividend of ¥3,000 (\$27) and a participating dividend of ¥3,500 (\$32).

Composition of Preferred Shares (March 31, 2020)

• Number of Investors (18,803)



• 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, 2020)	230,000

* 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)				
	FY2015	FY2016	FY2017	FY2018	FY2019
Total Income	302,154	319,307	306,892	293,808	301,954
Trust Fees	665	595	351	399	759
Total Expenses	242,097	266,503	244,018	231,873	245,596
Profit Attributable to Owners of Parent	42,781	43,871	44,466	44,781	40,227
Comprehensive Income	18,303	11,056	20,433	53,530	(90,508)
Net Assets	1,632,969	1,625,842	1,626,605	1,660,465	1,550,287
Total Assets	35,092,905	37,464,593	38,790,449	39,693,375	40,868,096
Net Assets per Share (yen)	301,512.71	299,542.84	299,587.63	306,594.84	283,111.71
Net Income per Share (yen)	7,115.71	6,223.20	6,311.86	6,358.89	5,679.98
Dividends	18,115	19,603	19,603	19,603	19,603
General Common Shares	12,000	12,000	12,000	12,000	12,000
Specific Common Shares	1,512	3,000	3,000	3,000	3,000
Preferred Shares	4,603	4,603	4,603	4,603	4,603
Total Trust Assets	2,181,287	1,859,161	525,445	807,201	1,320,957

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. in the fiscal year ended March 31, 2016, in the fiscal year ended March 31, 2017 comprised the Shinkin Central Bank and Shinkin Trust Bank, Ltd., and from the fiscal year ended March 31, 2018 comprised the Shinkin Central Bank.

Consolidated Balance Sheet

Shinkin Central Bank As of March 31,	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2020	2019	2020
Assets			
Cash and Due from Banks (Note 2 (2), 26)	13,532,061	13,346,876	124,478
Bills Bought and Call Loans (Note 26)	107,166	765,887	985
Receivables under Resale Agreements (Note 26)	20,725	39,999	190
Receivables under Securities Borrowing Transactions (Note 26)	1,430	23,229	13
Monetary Claims Bought (Note 26)	222,175	221,732	2,043
Trading Assets (Note 3, 9, 26, 27)	411,275	248,586	3,783
Money Held in Trust (Note 26, 27)	103,727	150,317	954
Securities (Note 4, 7, 9, 26, 27)	16,456,230	16,583,668	151,377
Loans and Bills Discounted (Note 5, 6, 9, 26)	8,468,123	7,038,785	77,896
Foreign Exchanges Assets	79,114	21,130	727
Other Assets (Note 9)	1,187,809	936,752	10,926
Tangible Fixed Assets (Note 8, 14, 25)	74,613	76,866	686
Intangible Fixed Assets (Note 25)	22,312	21,570	205
Deferred Tax Assets (Note 23)	4,394	4,160	40
Customers' Liabilities for Acceptances and Guarantees	208,005	244,051	1,913
Reserve for Possible Loan Losses	(31,070)	(30,238)	(285)
Total Assets	40,868,096	39,693,375	375,936
Liabilities and Net Assets			
Liabilities			
Deposits (Note 26)	31,173,847	30,941,297	286,761
Debentures (Note 12, 26)	2,134,520	2,484,300	19,634
Trading Liabilities (Note 10, 26)	37,558	72,165	345
Borrowed Money (Note 9, 11, 26)	3,250,980	1,967,180	29,905
Bills Sold and Call Money (Note 26)	46,191	37,878	424
Payables under Repurchase Agreements (Note 9, 26)	232,066	152,777	2,134
Payables under Securities Lending Transactions (Note 9, 26)	1,788,395	1,784,546	16,451
Foreign Exchanges Liabilities	1,413	1,397	13
Borrowed Money from Trust Account	22,021	14,025	202
Other Liabilities (Note 11, 13)	335,863	198,002	3,089
Reserve for Employee Bonuses	1,812	1,779	16
Reserve for Directors' Bonuses	90	86	0
Net Defined Benefit Liability (Note 24)	44,539	42,406	409
Reserve for Directors' Retirement Allowances	650	587	5
Reserve under Specific Law	1	1	0
Deferred Tax Liabilities (Note 23)	33,770	84,345	310
Deferred Tax Liabilities for Land Revaluation (Note 14)	6,081	6,081	55
Acceptances and Guarantees	208,005	244,051	1,913
Total Liabilities	39,317,809	38,032,909	361,676
Net Assets			
Common Shares and Preferred Shares (Note 22)	690,998	690,998	6,356
Capital Surplus	100,678	100,678	926
Retained Earnings	615,918	595,294	5,665
Total Shareholders' Equity	1,407,595	1,386,971	12,948
Net Unrealized Gains (Losses) on Other Securities (Note 23, 27)	279,543	323,683	2,571
Deferred Gains or Losses on Hedges (Note 23, 28)	(153,703)	(66,632)	(1,413)
Land Revaluation Excess (Note 14)	14,894	14,894	137
Foreign Currency Translation Adjustments	(3,237)	(3,383)	(29)
Remeasurements of Defined Benefit Plans (Note 24)	(7,014)	(6,892)	(64)
Total Accumulated Other Comprehensive Income	130,482	261,669	1,200
Non-Controlling Interests	12,209	11,824	112
Total Net Assets	1,550,287	1,660,465	14,260
Total Liabilities and Net Assets	40,868,096	39,693,375	375,936

Consolidated Statement of Income

Shinkin Central Bank For the year ended March 31,	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2020	2019	2020
Income			
Interest Income:	207,202	193,754	1,906
Interest on Loans and Discounts	20,371	19,518	187
Interest on Due from Banks	9,026	8,466	83
Interest on Bills Bought and Call Loans	670	946	6
Interest on Receivables under Resale Agreements	(780)	(336)	(7)
Interest on Receivables under Securities Borrowing Transactions	0	6	0
Interest and Dividends on Securities	176,804	164,344	1,626
Others	1,109	810	10
Trust Fees	759	399	6
Fees and Commissions (Note 16)	44,151	43,670	406
Trading Income (Note 17)	2,001	4,078	18
Other Operating Income	45,067	33,801	414
Other Income (Note 19)	2,772	18,104	25
Total Income	301,954	293,808	2,777
Expenses			
Interest Expenses:	113,700	119,534	1,045
Interest on Deposits	41,878	40,218	385
Interest on Debentures	3,077	4,489	28
Interest on Borrowed Money	1,795	3,595	16
Interest on Bills Sold and Call Money	590	537	5
Interest on Payables under Repurchase Agreement	1,748	1,258	16
Interest on Payables under Securities Lending Transactions	19,784	23,687	181
Others	44,824	45,746	412
Fees and Commissions (Note 16)	16,243	15,758	149
Trading Losses (Note 18)	-	316	-
Other Operating Expenses	54,119	41,883	497
General and Administrative Expenses	53,645	52,183	493
Other Expenses (Note 20)	7,888	2,195	72
Total Expenses	245,596	231,873	2,259
Profit before Income Taxes	56,358	61,935	518
Income Taxes (Note 23):			
Current	16,066	13,997	147
Deferred	(409)	2,280	(3)
Total Income Taxes	15,656	16,278	144
Profit	40,701	45,657	374
Profit Attributable to Non-Controlling Interests	474	875	4
Profit Attributable to Owners of Parent	40,227	44,781	370

	Yen		U.S. Dollars (Note 1)
	2020	2019	2020
Net Income per Share (Note 31)	5,679.98	6,358.89	52.24
Dividend Declared per Share (General Common Shares)	3,000.00	3,000.00	27.59
Dividend Declared per Share (Specific Common Shares)	1,500.00	1,500.00	13.79
Dividend Declared per Share (Preferred Shares)	6,500.00	6,500.00	59.79

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)
	2020	2019	2020
Profit	40,701	45,657	374
Other Comprehensive Income (Note 21)	(131,209)	7,873	(1,206)
Net Unrealized Gains (Losses) on Other Securities	(44,139)	23,874	(406)
Deferred Gains or Losses on Hedges	(87,070)	(16,328)	(800)
Land Revaluation Excess	-	13	-
Foreign Currency Translation Adjustments	145	(534)	1
Remeasurements of Defined Benefit Plans	(144)	848	(1)
Comprehensive Income	(90,508)	53,530	(832)
Comprehensive Income Attributable to Owners of Parent	(90,960)	52,594	(836)
Comprehensive Income Attributable to Non-Controlling Interests	451	935	4

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, 2020

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	595,294	1,386,971
Fluctuation Amount during the Fiscal Year				
Surplus Dividends			(19,603)	(19,603)
Profit Attributable to Owners of Parent			40,227	40,227
Net Changes in Items Other Than Shareholders' Equity during the Fiscal Year				
Total Fluctuation Amount during the Fiscal Year	-	-	20,623	20,623
Balance at End of Year	690,998	100,678	615,918	1,407,595

	Accumulated Other Comprehensive Income						Non-Controlling Interests	Total Net Assets
	Net Unrealized Gains (Losses) on Other Securities	Deferred Gains or Losses on Hedges	Land Revaluation Excess	Foreign Currency Translation Adjustments	Remeasurements of Defined Benefit Plans	Total Accumulated Other Comprehensive Income		
Balance at Beginning of Year	323,683	(66,632)	14,894	(3,383)	(6,892)	261,669	11,824	1,660,465
Fluctuation Amount during the Fiscal Year								
Surplus Dividends								(19,603)
Profit Attributable to Owners of Parent								40,227
Net Changes in Items Other Than Shareholders' Equity during the Fiscal Year	(44,139)	(87,070)	-	145	(122)	(131,187)	384	(130,802)
Total Fluctuation Amount during the Fiscal Year	(44,139)	(87,070)	-	145	(122)	(131,187)	384	(110,178)
Balance at End of Year	279,543	(153,703)	14,894	(3,237)	(7,014)	130,482	12,209	1,550,287

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	6,356	926	5,475	12,758
Fluctuation Amount during the Fiscal Year				
Surplus Dividends			(180)	(180)
Profit Attributable to Owners of Parent			370	370
Net Changes in Items Other Than Shareholders' Equity during the Fiscal Year				
Total Fluctuation Amount during the Fiscal Year	-	-	189	189
Balance at End of Year	6,356	926	5,665	12,948

	Accumulated Other Comprehensive Income						Non-Controlling Interests	Total Net Assets
	Net Unrealized Gains (Losses) on Other Securities	Deferred Gains or Losses on Hedges	Land Revaluation Excess	Foreign Currency Translation Adjustments	Remeasurements of Defined Benefit Plans	Total Accumulated Other Comprehensive Income		
Balance at Beginning of Year	2,977	(612)	137	(31)	(63)	2,407	108	15,274
Fluctuation Amount during the Fiscal Year								
Surplus Dividends								(180)
Profit Attributable to Owners of Parent								370
Net Changes in Items Other Than Shareholders' Equity during the Fiscal Year	(406)	(800)	-	1	(1)	(1,206)	3	(1,203)
Total Fluctuation Amount during the Fiscal Year	(406)	(800)	-	1	(1)	(1,206)	3	(1,013)
Balance at End of Year	2,571	(1,413)	137	(29)	(64)	1,200	112	14,260

	Shareholders' Equity			
	Common Shares and Preferred Shares	Capital Surplus	Retained Earnings	Total Shareholders' Equity
Balance at Beginning of Year	690,998	100,678	571,563	1,363,240
Fluctuation Amount during the Fiscal Year				
Surplus Dividends			(19,603)	(19,603)
Profit Attributable to Owners of Parent			44,781	44,781
Reversal of Land Revaluation Excess			(1,447)	(1,447)
Net Changes in Items Other Than Shareholders' Equity during the Fiscal Year				
Total Fluctuation Amount during the Fiscal Year	-	-	23,731	23,731
Balance at End of Year	690,998	100,678	595,294	1,386,971

	Accumulated Other Comprehensive Income						Non-Controlling Interests	Total Net Assets
	Net Unrealized Gains (Losses) on Other Securities	Deferred Gains or Losses on Hedges	Land Revaluation Excess	Foreign Currency Translation Adjustments	Remeasurements of Defined Benefit Plans	Total Accumulated Other Comprehensive Income		
Balance at Beginning of Year	299,808	(50,303)	13,433	(2,848)	(7,681)	252,409	10,956	1,626,605
Fluctuation Amount during the Fiscal Year								
Surplus Dividends								(19,603)
Profit Attributable to Owners of Parent								44,781
Reversal of Land Revaluation Excess								(1,447)
Net Changes in Items Other Than Shareholders' Equity during the Fiscal Year	23,874	(16,328)	1,460	(534)	788	9,260	868	10,129
Total Fluctuation Amount during the Fiscal Year	23,874	(16,328)	1,460	(534)	788	9,260	868	33,860
Balance at End of Year	323,683	(66,632)	14,894	(3,383)	(6,892)	261,669	11,824	1,660,465

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
	2020	2019	(Note 1) 2020
Cash Flows from Operating Activities:			
Profit before Income Taxes	56,358	61,935	518
Depreciation	11,266	10,260	103
Impairment Loss	86	1,567	0
Increase (Decrease) in Reserve for Possible Loan Losses	832	(12,919)	7
Increase (Decrease) in Reserve for Employee Bonuses	33	57	0
Increase (Decrease) in Reserve for Directors' Bonuses	4	(3)	0
Increase (Decrease) in Net Defined Benefit Liability	2,133	881	19
Increase (Decrease) in Reserve for Directors' Retirement Allowances	63	(8)	0
Interest Income	(207,202)	(193,754)	(1,906)
Interest Expenses	113,700	119,534	1,045
Net Losses (Gains) on Securities	(7,908)	(767)	(72)
Net Losses (Gains) on Money Held in Trust	(529)	112	(4)
Net Losses (Gains) on Foreign Exchange	67,494	(13,474)	620
Net Losses (Gains) on Disposal of Fixed Assets	266	(50)	2
Net Decrease (Increase) in Trading Assets	(162,689)	1,838	(1,496)
Net Increase (Decrease) in Trading Liabilities	(34,607)	5,529	(318)
Net Increase (Decrease) in Trading Payables	30,515	2,877	280
Net Decrease (Increase) in Loans and Bills Discounted	(1,429,337)	(86,124)	(13,148)
Net Increase (Decrease) in Deposits	232,549	710,341	2,139
Net Increase (Decrease) in Debentures	(349,780)	(221,190)	(3,217)
Net Increase (Decrease) in Borrowed Money (Excluding Subordinated Borrowings)	1,283,800	556,400	11,809
Net Decrease (Increase) in Due from Banks (Excluding Due from Central Bank)	88,688	116,589	815
Net Decrease (Increase) in Call Loans and Others	677,995	(302,627)	6,236
Net Decrease (Increase) in Receivables under Securities Borrowing Transactions	21,798	(7,889)	200
Net Increase (Decrease) in Call Money and Others	87,601	51,969	805
Net Increase (Decrease) in Payables under Securities Lending Transactions	3,849	(4,466)	35
Net Decrease (Increase) in Monetary Claims Bought	(443)	(44,372)	(4)
Net Decrease (Increase) in Foreign Exchanges (Assets)	(57,984)	(669)	(533)
Net Increase (Decrease) in Foreign Exchanges (Liabilities)	16	949	0
Net Increase (Decrease) in Due to Trust Accounts	7,996	8,650	73
Interest Received	261,547	250,883	2,405
Interest Paid	(136,007)	(145,715)	(1,251)
Other, Net	(215,922)	(62,350)	(1,986)
Sub-total	346,184	803,994	3,184
Income Taxes Paid	(13,440)	(11,141)	(123)
Net Cash Provided by (Used in) Operating Activities	332,744	792,853	3,060
Cash Flows from Investing Activities:			
Acquisitions of Securities	(3,688,121)	(4,304,819)	(33,926)
Proceeds from Sale of Securities	1,437,278	2,297,629	13,221
Proceeds from Redemption of Securities	2,182,320	2,607,537	20,074
Increase in Money Held in Trust	(60)	(50,210)	(0)
Decrease in Money Held in Trust	39,839	-	366
Acquisitions of Tangible Fixed Assets	(2,724)	(11,835)	(25)
Acquisitions of Intangible Fixed Assets	(7,771)	(14,660)	(71)
Proceeds from Sales of Tangible Fixed Assets	-	153	-
Net Cash Provided by (Used in) Investing Activities	(39,240)	523,793	(360)
Cash Flows from Financing Activities:			
Repayment of Subordinated Borrowings	-	(226,990)	-
Dividends Paid	(19,603)	(19,603)	(180)
Dividends Paid to Non-Controlling Interests	(66)	(66)	(0)
Net Cash Provided by (Used in) Financing Activities	(19,670)	(246,660)	(180)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(0)	0	(0)
Net Increase (Decrease) in Cash and Cash Equivalents	273,834	1,069,986	2,518
Cash and Cash Equivalents at Beginning of Period	12,853,693	11,783,706	118,238
Cash and Cash Equivalents at End of Period (Note 2 (2))	13,127,527	12,853,693	120,757

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 ¥108.71 to U.S.\$1, the exchange rate prevailing as of March 31, 2020. 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 seven consolidated subsidiaries as of March 31, 2020 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 Securities Co., Ltd.	Tokyo	100%
Shinkin Capital Co., Ltd.	Tokyo	100%
Shinkin Guarantee Co., Ltd.	Tokyo	100%

Unconsolidated subsidiaries

Shinkin no Kizuna Investment Limited Partnership
Shinkin no Tsubasa Investment Limited 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 consistent 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. Non-controlling 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 Investment Limited Partnership

Shinkin no Tsubasa Investment Limited 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, 2020 and 2019 is as follows:

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Cash and Due from Banks	13,532,061	13,346,876	124,478
Due from Banks (Excluding Due from Central Bank)	(404,534)	(493,182)	(3,721)
Cash and Cash Equivalents	13,127,527	12,853,693	120,757

(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 Claims Bought 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 amounts that would have been delivered for settlement as of the fiscal year end date.

(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 moving-average method. Investments in affiliates that are not accounted for by the equity method are stated at cost using the moving-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 at the balance sheet date and other applicable information (and the cost of securities sold is mainly determined using the moving-average method). Other securities where there is significant difficulty in determining fair value are stated at cost using the moving-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 assets 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 by 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 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 by 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 realization of collateral and the execution of guarantees. In addition, a reserve is provided for loans to borrowers who are not currently bankrupt but are highly likely to go bankrupt ("Probably Bankrupt Borrowers"). In such cases, the reserve is provided at the amount deemed necessary based on the borrower's debt servicing capacity after deducting the estimated collectible amount from the realization of collateral and the execution of guarantees.

The Bank calculates the amount of reserve by the cash flow estimate method if the borrowers are classified as Probably Bankrupt Borrowers or the loan receivables are renegotiated of larger exposures

but the cash flows from repayment of principals and payment of accrued interest can be reliably estimated. The cash flow estimate method is an approach to determine the amount of reserve for possible loan losses from the difference between the amounts calculated by discounting the cash flows by the agreed interest rate before renegotiation and their book values.

For all other loans, a reserve is provided based on the ratio of historical experiences for similar type of loans for a certain period in the past.

All claims are assessed by the Operating Related Division based on internal rules for self-assessments 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 realization of collateral and the execution of guarantees, are written off. The amount written off was ¥320 million (\$2 million) as of March 31, 2020 and ¥355 million as of March 31, 2019.

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 amount necessary to pay for the voluntary resignation 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) Accounting Standards Issued but not yet Adopted

- "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, revised on March 31, 2020)
- "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, revised on March 31, 2020)
- "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, revised on March 31, 2020)

(i) Overview

This is a comprehensive accounting standard for revenue recognition. Specifically, the accounting standard establishes the following five-step model that will apply to revenue from customers:

- Step 1: Identify the contracts with a customer
- Step 2: Identify the separate performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the separate performance obligations
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation by transferring good or service

(ii) Date of adoption

The Bank expects to adopt the accounting standard and implementation guidance to the consolidated financial statements from the beginning of the fiscal year beginning on April 1, 2021.

(iii) Effects of the adoption of the accounting standard and guidance

The Bank is evaluating the effect of the adoption of the accounting standard and implementation guidance on its consolidated financial statements.

- “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, issued on July 4, 2019)
- “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, issued on July 4, 2019)
- “Accounting Standard for Measurement of Inventories” (ASBJ Statement No. 9, issued on July 4, 2019)
- “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, issued on July 4, 2019)
- “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, revised on March 31, 2020)

(i) Overview

In order to improve the comparability with international accounting standards, “Accounting Standard for Fair Value Measurement” and “Implementation Guidance on Accounting Standard for Fair Value Measurement” (“Fair Value Measurement accounting standards, etc.”) were developed and the guidance on how to measure fair value was established. Fair Value Measurement accounting standards, etc. apply to the fair value of the following items:

- Financial instruments in the Accounting Standard for Financial Instruments
- Inventories held for trading purposes under the Accounting Standard for Measurement of Inventories

In addition, “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” was revised to specify notes such as breakdown of the fair value of financial instruments by level.

(ii) Date of adoption

The Bank expects to adopt the accounting standards and guidance to the consolidated financial statements from the beginning of the fiscal year beginning on April 1, 2021.

(iii) Effects of the adoption of the accounting standards and guidance
The Bank is evaluating the effect of the adoption of the accounting standards and guidance on its consolidated financial statements.

- “Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections” (ASBJ Statement No. 24, revised on March 31, 2020)

(i) Overview

The purpose of this standard is to provide an overview of the principles and procedures for accounting measures adopted when the relevant accounting standards, etc. are not clear.

(ii) Date of adoption

The Bank expects to adopt this accounting standard to the consolidated financial statements from the end of the fiscal year ending on March 31, 2021.

- “Accounting Standard for Disclosure of Accounting Estimates” (ASBJ Statement No. 31, issued on March 31, 2020)

(i) Overview

The purpose of this standard is to disclose information that contributes to the understanding of financial statement users regarding the content of accounting estimates in items where the amount recorded in the financial statements for the current fiscal year is based on accounting estimates and there is a risk of significant impact on the financial statements for the following fiscal year.

(ii) Date of adoption

The Bank expects to adopt this accounting standard to the consolidated financial statements from the end of the fiscal year ending on March 31, 2021.

3. Trading Assets:

The details of Trading Assets as of March 31, 2020 and 2019 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Trading Account Securities	26,051	42,721	239
Trading Bonds-Related Financial Derivatives	—	10	—
Derivatives of Securities related to Trading Transactions	—	6	—
Trading-Related Financial Derivatives	31,034	31,824	285
Other Trading Assets	354,189	174,023	3,258
Total	411,275	248,586	3,783

4. Securities:

The details of Securities as of March 31, 2020 and 2019 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Japanese Government Bonds	4,606,207	4,797,166	42,371
Municipal Government Bonds	1,425,190	1,087,576	13,110
Short-Term Corporate Bonds	38,016	45,015	349
Corporate Bonds	4,705,432	4,704,289	43,284
Stocks	63,277	84,946	582
Others	5,618,106	5,864,673	51,679
Total	16,456,230	16,583,668	151,377

Notes:

1. Stocks include investments in affiliated companies totaling ¥189 million (\$1 million) as of March 31, 2020 and 2019.
2. Others include common shares and investment in unconsolidated subsidiaries totaling ¥8,589 million (\$79 million) as of March 31, 2020 and ¥9,181 million as of March 31, 2019. Others also include preferred shares issued by Shinkin Banks which were contributed in accordance with the Shinkin Bank Management Reinforcement System. The amount was ¥171,524 million (\$1,577 million) as of March 31, 2020 and ¥183,324 million as of March 31, 2019. 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
	2020	2019	2020
Loans to Bankrupt Borrowers	75	82	0
Delinquent Loans	3,977	4,351	36
Loans Past Due Three Months or More	1	36	0
Restructured Loans	19,024	19,871	175
Total	23,079	24,341	212

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 certain Restructured Loans with moratorium on interest payments.

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 modified 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 lower priority for repayment of principal and interests than that of other debt claims. The amount was ¥13,500 million (\$124 million) as of March 31, 2020 and ¥16,500 million as of March 31, 2019. Of these amounts, ¥2,000 million (\$18 million) as of March 31, 2020 and 2019, 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 ¥148 million (\$1 million) as of March 31, 2020 and ¥206 million as of March 31, 2019. The Bank has the right to freely dispose of, sell or re-hypothecate 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 ¥16,584 million (\$152 million) as of March 31, 2020 and ¥18,067 million as of March 31, 2019.

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 loan commitments may not necessarily have a significant effect on the future cash flows of the Bank because most of these loan commitments expire without being drawn down. Most of these agreements have provisions which stipulate that the Bank may not extend the loan or may decrease the amount of commitment when there are certain changes in the financial conditions, certain issues relating to credit protection and other reasons. The Bank limits the commitment to an amount not exceeding 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 loan commitments are ¥25,176,506 million (\$231,593 million) as of March 31, 2020 and ¥25,277,846 million as of March 31, 2019.

The amounts which the Bank could unconditionally cancel at any time or of which the original contractual maturity is less than one year are ¥25,046,442 million (\$230,396 million) as of March 31, 2020 and ¥25,163,792 million as of March 31, 2019.

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 in "Securities". The amount in total was ¥309,494 million (\$2,846 million) as of March 31, 2020 and ¥349,299 million as of March 31, 2019.

Of repurchase agreement and cash-collateralized securities borrowings, those freely disposable for sale or re-hypothecated, and pledged as collateral amounted to none as of March 31, 2020 and ¥538 million as of March 31, 2019. Those held by the Bank without being disposed of as of March 31, 2020 amounted to ¥22,637 million (\$208 million) and as of March 31, 2019 amounted to ¥55,630 million.

8. Tangible Fixed Assets:

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Accumulated Depreciation on Tangible Fixed Assets	93,779	93,113	862
Accumulated Deferred Gains on Tangible Fixed Assets	1,764	1,764	16
(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, 2020 and 2019 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Assets Pledged as Collateral			
Trading Assets	11,956	13,036	109
Securities	4,813,193	3,991,073	44,275
Loans and Bills Discounted	591,121	1,421,820	5,437
Total	5,416,271	5,425,930	49,823
Liabilities associated with Assets Pledged as Collateral			
Borrowed Money	3,088,500	1,804,700	28,410
Payables under Repurchase Agreements	232,066	152,777	2,134
Payables under Securities Lending Transactions	1,788,395	1,784,010	16,451

Trading Assets of ¥501 million (\$4 million) as of March 31, 2020 and 2019 and Securities in the amount of ¥257,071 million (\$2,364 million) as of March 31, 2020 and ¥154,011 million as of March 31, 2019, were pledged as collateral for exchange settlement transactions, etc. or as substitute for margin in futures transactions, etc.

Other assets include Guarantee Money, Cash Collateral Pledged for Financial Instruments, Clearing Margin Deposits for Central Counterparty, and Cash Collateral Pledged for Repurchase Agreement. The amounts are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Guarantee Money	353	328	3
Cash Collateral Pledged for Financial Instruments	348,459	182,652	3,205
Clearing Margin Deposits for Central Counterparty	700,000	700,000	6,439
Cash Collateral Pledged for Repurchase Agreement	500	500	4

10. Trading Liabilities:

The details of Trading Liabilities as of March 31, 2020 and 2019 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Trading Bonds Sold	620	23,597	5
Trading-Related Financial Derivatives	36,938	48,568	339
Total	37,558	72,165	345

11. Borrowed Money and Lease Obligations:

Category	Balance as of April 1, 2019 (Millions of Yen)	Balance as of March 31, 2020 (Millions of Yen)	Balance as of March 31, 2020 (Millions of U.S. Dollars)	Average Interest Rate (%)	Maturity
Borrowings	1,967,180	3,250,980	29,905	0.05	—
Borrowed Money	1,967,180	3,250,980	29,905	0.05	July 2020- Mar. 2029
Lease Obligations Due within One Year	812	285	2	1.82	—
Lease Obligations (Excluding Those Due within One Year)	756	567	5	2.46	Jan. 2022- May 2026

Notes:

1. Average interest rates were computed by the weighted average method using the interest rates and the balances at the fiscal year-end.
2. 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	602,300	646,000	556,400	1,283,800	—
Lease Obligations	285	242	144	126	46

	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	5,540	5,942	5,118	11,809	—
Lease Obligations	2	2	1	1	0

3. Borrowed Money includes subordinated borrowings of ¥162,480 million (\$1,494 million) as of March 31, 2020 and 2019, respectively.

12. Debentures:

Issuer	Name of Issue	Issuance Date	Balance as of April 1, 2019 (Millions of Yen)	Balance as of March 31, 2020 (Millions of Yen)	Balance as of March 31, 2020 (Millions of U.S. Dollars)	Coupon Rate (%)	Collateral	Redemption Date
The Bank	No. 293-364 5-year Interest-bearing debentures	Apr. 2014- Mar. 2020	2,454,300	2,104,520	19,359	0.01- 0.25	—	Apr. 2019- Mar. 2025
The Bank	No. 2 7-year Interest-bearing debentures	Sep. 25, 2015	10,000	10,000	91	0.29	—	Sep. 27, 2022
The Bank	No. 2 10-year Interest-bearing debentures	Sep. 25, 2015	20,000	20,000	183	0.52	—	Sep. 26, 2025
Total	—	—	2,484,300	2,134,520	19,634	—	—	—

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
596,160	475,940	351,690	398,230	292,500
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
5,483	4,378	3,235	3,663	2,690

13. Asset Retirement Obligations:

The disclosure of Asset Retirement Obligations was omitted because the amount was one-hundredth or less of the total balance of Liabilities and Net Assets as of April 1, 2019 and as of March 31, 2020.

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.

15. Trusts with Contracts:

The details of principal amounts of trusts with contracts for compensation of loss of principal for the fiscal years ended March 31, 2020 and 2019 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Money Trust	21,831	13,724	200

16. Fees and Commissions:

The details of Fees and Commissions for the fiscal years ended March 31, 2020 and 2019 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Deposit, Fixed Income Securities and Lending	787	517	7
Exchange Business	422	400	3
Securities Related Business	9,761	9,505	89
Agency Business	2,094	2,128	19
Guarantee Business	10,540	10,705	96
Trustee Business	19,812	19,691	182
Others	733	721	6
Income on Fees and Commissions Businesses	44,151	43,670	406
Exchange	225	221	2
Agency Loans Business	1,149	592	10
Others	14,868	14,945	136
Expenses on Fees and Commissions Businesses	16,243	15,758	149

17. Trading Income:

The details of Trading Income for the fiscal years ended March 31, 2020 and 2019 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Income from Trading Account Securities	499	351	4
Income from Trading-Related Securities	199	—	1
Income from Trading-Related Financial Derivatives	1,084	3,690	9
Other Trading Income	218	36	2
Total	2,001	4,078	18

18. Trading Losses:

The details of Trading Losses for the fiscal years ended March 31, 2020 and 2019 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Expenses from Trading-Related Securities	—	316	—
Total	—	316	—

19. Other Income:

The details of Other Income for the fiscal years ended March 31, 2020 and 2019 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Gains on Sale of Stocks and Other Securities	2,203	5,259	20
Reversal of Allowance for Loan Losses	—	12,727	—
Others	568	117	5
Total	2,772	18,104	25

20. Other Expenses:

The details of Other Expenses for the fiscal years ended March 31, 2020 and 2019 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Losses on Sale of Stocks and Other Securities	6,701	471	61
Impairment Losses on Fixed Assets (*)	86	1,567	0
Others	1,099	156	10
Total	7,888	2,195	72

(*) Impairment losses on fixed assets:

Each business location such as head office, the assets used in the head office, facilities for employee welfare and branch office are the smallest unit of asset group. Each consolidated subsidiary is treated as a single unit for the asset grouping.

Certain facilities and other assets are designated to be disposed due to obsolescence or other factors. The carrying amount is reduced to the recoverable amount and the reduction amount is recorded as impairment losses as below. The recoverable amount used for measurement of impairment losses is the net selling value and this is derived from real estate appraisal value and others.

For the fiscal year ended March 31, 2020

Disclosure of data omitted due to immateriality.

For the fiscal year ended March 31, 2019

Location	Principal Use	Category	Millions of Yen
Kanagawa Prefecture, and others	Employee housing	Land and buildings	1,567

21. Consolidated Statement of Comprehensive Income:

For the fiscal years ended March 31, 2020 and 2019

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

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Net Unrealized Gains (Losses) on Other Securities:			
The Amount Arising during the Period	(52,654)	33,048	(484)
Reclassification Adjustment Amount	(8,095)	368	(74)
Prior to Tax Effect Adjustment	(60,749)	33,416	(558)
Tax Effect Amount	16,610	(9,542)	152
Net Unrealized Gains (Losses) on Other Securities	(44,139)	23,874	(406)
Deferred Gains or Losses on Hedges:			
The Amount Arising during the Period	(184,035)	(65,666)	(1,692)
Reclassification Adjustment Amount	63,238	43,022	581
Prior to Tax Effect Adjustment	(120,797)	(22,643)	(1,111)
Tax Effect Amount	33,727	6,315	310
Deferred Gains or Losses on Hedges	(87,070)	(16,328)	(800)
Land Revaluation Excess:			
The Amount Arising during the Period	—	—	—
Reclassification Adjustment Amount	—	—	—
Prior to Tax Effect Adjustment	—	—	—
Tax Effect Amount	—	13	—
Land Revaluation Excess	—	13	—
Foreign Currency Translation Adjustments:			
The Amount Arising during the Period	145	(534)	1
Reclassification Adjustment Amount	—	—	—
Prior to Tax Effect Adjustment	—	—	—
Tax Effect Amount	—	—	—
Foreign Currency Translation Adjustments	145	(534)	1
Remeasurements of Defined Benefit Plans:			
The Amount Arising during the Period	(1,907)	(609)	(17)
Reclassification Adjustment Amount	1,700	1,802	15
Prior to Tax Effect Adjustment	(206)	1,193	(1)
Tax Effect Amount	62	(344)	0
Remeasurements of Defined Benefit Plans	(144)	848	(1)
Other Comprehensive Income	(131,209)	7,873	(1,206)

22. 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, 2019 (Thousand Units)	Increase During the Fiscal Year (Thousand Units)	Decrease During the Fiscal Year (Thousand Units)	Number of Share Units at March 31, 2020 (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, 2020

Resolution	Class of Share	Total Dividend Amount (Million Yen)	Amount Per Share (Yen)	Record Date	Effective Date
Annual General Meeting of Shareholders, June 19, 2019	General Common Shares	12,000	3,000	March 31, 2019	June 19, 2019
	Specific Common Shares	3,000	1,500	March 31, 2019	June 19, 2019
	Preferred Shares (Type-A)	4,603	6,500	March 31, 2019	June 19, 2019

Among the dividends whose record date falls within the fiscal year ended March 31, 2020, 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 24, 2020	General Common Shares	12,000	Retained Earnings	3,000	March 31, 2020	June 24, 2020
	Specific Common Shares	3,000	Retained Earnings	1,500	March 31, 2020	June 24, 2020
	Preferred Shares (Type-A)	4,603	Retained Earnings	6,500	March 31, 2020	June 24, 2020

23. Income Taxes:

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

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Deferred Tax Assets:			
Depreciation	2,891	2,949	26
Reserve for Possible Loan Losses	1,479	1,701	13
Net Defined Benefit Liability	12,874	12,257	118
Write-Downs for Securities	1,819	1,458	16
Deferred Gains or Losses on Hedges	59,536	25,809	547
Net Unrealized Gains on Other Securities	112	—	1
Others	4,476	4,105	41
Valuation Allowances	(3,839)	(3,212)	(35)
Total Deferred Tax Assets	79,351	45,070	729
Deferred Tax Liabilities:			
Net Unrealized Gains on Other Securities	(108,312)	(124,809)	(996)
Others	(415)	(445)	(3)
Total Deferred Tax Liabilities	(108,728)	(125,254)	(1,000)
Net Deferred Tax Liabilities	(29,376)	(80,184)	(270)

(2) Reconciliation between the effective statutory tax rate and the actual effective tax rate for the fiscal years ended March 31, 2020 and 2019:

	2020	2019
Statutory effective tax rate	— %	27.92 %
(Adjustments)		
Change in Valuation Allowances	— %	0.00 %
Dividends received, not taxable	— %	(1.01 %)
Others	— %	(0.63 %)
Actual effective income tax rate after the application of tax effect accounting	— %	26.28 %

Note:

In the fiscal year ended March 31, 2020, 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.

24. 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, 2020 and 2019 is as follows:

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

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Retirement Benefit Obligation at Beginning of Period	65,325	64,366	600
Service Cost	2,990	2,972	27
Interest Cost	251	247	2
Actuarial Difference Incurred	(73)	(478)	(0)
Retirement Benefits Paid	(1,530)	(1,781)	(14)
Prior Service Cost	—	—	—
Other	—	—	—
Retirement Benefit Obligation at End of Period	66,963	65,325	615

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

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Balance of Pension Plan Assets at Beginning of Period	22,919	22,841	210
Expected Return on Pension Plan Assets	916	685	8
Actuarial Difference Incurred	(1,980)	(1,088)	(18)
Contributions by the Employer and Employees	1,532	1,499	14
Retirement Benefits Paid	(964)	(1,018)	(8)
Other	—	—	—
Balance of Pension Plan Assets at End of Period	22,423	22,919	206

(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 sheet

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Funded Plan Retirement Benefit Obligation	55,198	53,866	507
Pension Plan Assets	(22,423)	(22,919)	(206)
	32,775	30,946	301
Unfunded Plan Retirement Benefit Obligation	11,764	11,459	108
Net Amount of Liabilities and Assets Presented on the Consolidated Balance Sheet	44,539	42,406	409
	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Net Defined Benefit Liability	44,539	42,406	409
Net Defined Benefit Asset	—	—	—
Net Amount of Liabilities and Assets Presented on the Consolidated Balance Sheet	44,539	42,406	409

(iv) Breakdown of Retirement Benefit Expense

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Service Cost	2,990	2,972	27
Interest Cost	251	247	2
Expected Return on Pension Plan Assets	(916)	(685)	(8)
Amortization of Actuarial Differences	1,700	1,802	15
Amortization of Prior Service Cost	—	—	—
Other	(563)	(556)	(5)
Retirement Benefit Expenses Related to Defined Benefit Plan	3,461	3,780	31

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
	2020	2019	2020
Prior Service Cost	—	—	—
Actuarial Differences	(206)	1,193	(1)
Other	—	—	—
Total	(206)	1,193	(1)

(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
	2020	2019	2020
Unrecognized Prior Service Cost	—	—	—
Unrecognized Actuarial Differences	10,686	10,479	98
Other	—	—	—
Total	10,686	10,479	98

(vii) Pension Plan Assets

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

	2020	2019
Bonds	66 %	63 %
Stocks	22 %	27 %
Cash and Deposits	9 %	7 %
Other	3 %	3 %
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, 2020 and 2019 are as follows:

	2020	2019
Discount Rate	0.0~0.6 %	0.0~0.6 %
Expected Long-Term Rate of Return on Pension Plan Assets	4.0 %	3.0 %
Estimated Rate of Salary Increase	0.0~7.4 %	0.0~7.4 %

25. 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 and are accounted for in accordance with the ordinary lease transaction method
Disclosure of data omitted due to immateriality.

2. Operating Leases

Future lease payments related to non-cancelable operating leases:

Disclosure of data omitted due to immateriality.

26. Financial Instruments:

1. Matters concerning financial instruments

(1) Policies on financial instruments

Shinkin Central Bank Group (the “Group”) works to ensure the stable funding 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 cut limits amounts and engages in transactions within the scopes of these risk limits, as a way to maintain a financial soundness 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.

These investments are exposed to the counterparty credit risk, and market risks such as interest rate risk and foreign currency exchange 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 the individual issuers’ credit risk as well as market risks such as interest rate risk, price fluctuation risk, and foreign currency exchange 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 counterparty credit risk, and market risks such as interest rate risk and foreign currency exchange 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 exchange 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 counterparty credit risk, and market risks such as interest rate risk and foreign currency exchange 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 exchange risk of foreign currency-denominated assets through foreign currency-denominated funding, currency swaps, and forex swaps.

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

(3) Risk management frameworks of financial instruments

In the basic risk management policy, the Bank divides risks into “risks to be minimized” and “risks to be controlled”. Credit risks, market risks and liquidity risks are classified into latter category. Risks of both categories 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 them on a daily basis to prevent risk limits from being breached.

These risk limits are reviewed each fiscal year by the Risk Management Committee and determined at the Executive Committee. The risk exposures 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 risk exposures 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 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 specific loss cut limits.

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 ¥122 million (\$1 million) as of March 31, 2020 and ¥67 million as of March 31, 2019, and the market risk amount (estimated loss amount) of the trading operations of the Bank's consolidated subsidiaries was ¥964 million (\$8 million) as of March 31, 2020 and ¥922 million as of March 31, 2019.

The Bank conducts back testing to compare VaR calculated using the model with actual losses. Since the actual losses exceeded the VaR five times as the results of back testing covering the fiscal year ended March 31, 2020, the Bank made adjustments to the VaR measures as appropriate. It should be noted that VaR measures the market risks 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 ¥485,863 million (\$4,469 million) as of March 31, 2020 and ¥327,326 million as of March 31, 2019. The Bank conducts back testing to compare VaR calculated using the model with actual losses, 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 market risks 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. Fair value of financial instruments (and other information)

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, 2020

	Millions of Yen		
	Carrying Value	Fair Value	Difference
(1) Cash and Due from Banks	13,532,061	13,532,061	—
(2) Bills Bought and Call Loans	107,166	107,166	—
(3) Receivables under Resale Agreements	20,725	20,725	—
(4) Receivables under Securities Borrowing Transactions	1,430	1,430	—
(5) Monetary Claims Bought (*1)	222,169	222,175	6
(6) Trading Assets			
Trading Securities	380,241	380,241	—
(7) Money Held in Trust	103,727	103,727	—
(8) Securities			
Held-to-Maturity Debt Securities	451,414	520,433	69,019
Other Securities	15,807,598	15,807,598	—
(9) Loans and Bills Discounted	8,468,123		
Reserve for Possible Loan Losses (*1)	(26,932)		
	8,441,191	8,504,756	63,565
Total Assets	39,067,727	39,200,317	132,590
(1) Deposits	31,173,847	31,174,578	731
(2) Debentures	2,134,520	2,134,462	(57)
(3) Trading Liabilities			
Trading Bonds Sold	620	620	—
(4) Borrowed Money	3,250,980	3,257,310	6,330
(5) Bills Sold and Call Money	46,191	46,191	—
(6) Payables under Repurchase Agreements	232,066	232,066	—
(7) Payables under Securities Lending Transactions	1,788,395	1,788,395	—
Total Liabilities	38,626,620	38,633,625	7,004
Derivatives (*2)			
To which Hedge Accounting is not applied	(3,817)	(3,817)	—
To which Hedge Accounting is applied	(205,586)	(274,810)	(69,224)
Total Derivatives	(209,404)	(278,628)	(69,224)

Millions of U.S. Dollars			
	Carrying Value	Fair Value	Difference
(1) Cash and Due from Banks	124,478	124,478	—
(2) Bills Bought and Call Loans	985	985	—
(3) Receivables under Resale Agreements	190	190	—
(4) Receivables under Securities Borrowing Transactions	13	13	—
(5) Monetary Claims Bought (*1)	2,043	2,043	0
(6) Trading Assets			
Trading Securities	3,497	3,497	—
(7) Money Held in Trust	954	954	—
(8) Securities			
Held-to-Maturity Debt Securities	4,152	4,787	634
Other Securities	145,410	145,410	—
(9) Loans and Bills Discounted	77,896		
Reserve for Possible Loan Losses (*1)	(247)		
	77,648	78,233	584
Total Assets	359,375	360,595	1,219
(1) Deposits	286,761	286,768	6
(2) Debentures	19,634	19,634	(0)
(3) Trading Liabilities			
Trading Bonds Sold	5	5	—
(4) Borrowed Money	29,905	29,963	58
(5) Bills Sold and Call Money	424	424	—
(6) Payables under Repurchase Agreements	2,134	2,134	—
(7) Payables under Securities Lending Transactions	16,451	16,451	—
Total Liabilities	355,318	355,382	64
Derivatives (*2)			
To which Hedge Accounting is not applied	(35)	(35)	—
To which Hedge Accounting is applied	(1,891)	(2,527)	(636)
Total Derivatives	(1,926)	(2,563)	(636)

*1. General and specific reserves for possible loan losses of Loans and Bills Discounted have been deducted. Loss reserves for Monetary Claims Bought 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	13,346,876	13,346,889	12
(2) Bills Bought and Call Loans	765,887	765,887	—
(3) Receivables under Resale Agreements	39,999	39,999	—
(4) Receivables under Securities Borrowing Transactions	23,229	23,229	—
(5) Monetary Claims Bought (*1)	221,725	221,732	7
(6) Trading Assets			
Trading Securities	216,744	216,744	—
(7) Money Held in Trust	150,317	150,317	—
(8) Securities			
Held-to-Maturity Debt Securities	546,171	627,223	81,051
Other Securities	15,829,599	15,829,599	—
(9) Loans and Bills Discounted	7,038,785		
Reserve for Possible Loan Losses (*1)	(27,064)		
	7,011,721	7,059,621	47,899
Total Assets	38,152,272	38,281,243	128,971
(1) Deposits	30,941,297	30,942,413	1,116
(2) Debentures	2,484,300	2,489,550	5,250
(3) Trading Liabilities			
Trading Bonds Sold	23,597	23,597	—
(4) Borrowed Money	1,967,180	1,975,337	8,157
(5) Bills Sold and Call Money	37,878	37,878	—
(6) Payables under Repurchase Agreements	152,777	152,777	—
(7) Payables under Securities Lending Transactions	1,784,546	1,784,546	—
Total Liabilities	37,391,577	37,406,102	14,524
Derivatives (*2)			
To which Hedge Accounting is not applied	(2,811)	(2,811)	—
To which Hedge Accounting is applied	(94,109)	(168,543)	(74,433)
Total Derivatives	(96,920)	(171,354)	(74,433)

*1. General and specific reserves for possible loan losses of Loans and Bills Discounted have been deducted. Loss reserves for Monetary Claims Bought 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 Claims Bought

Monetary Claims Bought is stated at amounts obtained from brokers, etc.

(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.

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 rates are 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 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 taken 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
	2020	2019	2020
Unlisted stocks, etc. (*1)	177,796	190,498	1,635
Investment in investment partnerships (*2)	19,420	17,398	178
Total	197,217	207,897	1,814

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

*2 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 have 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, 2020

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)	13,431,526	68,871	20,871	—	—	—
Bills Bought and Call Loan	107,166	—	—	—	—	—
Receivables under Resale Agreements	20,725	—	—	—	—	—
Receivables under Securities Borrowing Transactions	1,430	—	—	—	—	—
Monetary Claims Bought	43,845	3,026	38,827	18,188	16,404	101,745
Securities						
Held-to-Maturity Debt Securities	717	9,103	41,808	130,071	265,000	—
Japanese Government Bonds	—	7,000	40,000	130,000	265,000	—
Municipal Government Bonds	—	—	—	—	—	—
Short-Term Corporate Bonds	—	—	—	—	—	—
Corporate Bonds	—	—	—	—	—	—
Other Securities with Maturities	2,306,666	4,188,256	2,091,337	1,069,332	1,249,617	1,719,261
Japanese Government Bonds	812,800	1,531,000	333,500	160,000	330,000	879,000
Municipal Government Bonds	89,314	442,188	421,858	259,517	198,220	—
Short-Term Corporate Bonds	38,000	—	—	—	—	—
Corporate Bonds	1,031,921	1,845,795	1,081,048	360,019	140,960	201,404
Loans and Bills Discounted (*2)	4,162,113	1,611,877	1,157,384	605,173	724,631	205,137
Total	20,074,192	5,881,134	3,350,228	1,822,766	2,255,653	2,026,144

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)	123,553	633	191	—	—	—
Bills Bought and Call Loan	985	—	—	—	—	—
Receivables under Resale Agreements	190	—	—	—	—	—
Receivables under Securities Borrowing Transactions	13	—	—	—	—	—
Monetary Claims Bought	403	27	357	167	150	935
Securities						
Held-to-Maturity Debt Securities	6	83	384	1,196	2,437	—
Japanese Government Bonds	—	64	367	1,195	2,437	—
Municipal Government Bonds	—	—	—	—	—	—
Short-Term Corporate Bonds	—	—	—	—	—	—
Corporate Bonds	—	—	—	—	—	—
Other Securities with Maturities	21,218	38,526	19,237	9,836	11,494	15,815
Japanese Government Bonds	7,476	14,083	3,067	1,471	3,035	8,085
Municipal Government Bonds	821	4,067	3,880	2,387	1,823	—
Short-Term Corporate Bonds	349	—	—	—	—	—
Corporate Bonds	9,492	16,979	9,944	3,311	1,296	1,852
Loans and Bills Discounted (*2)	38,286	14,827	10,646	5,566	6,665	1,887
Total	184,658	54,099	30,818	16,767	20,749	18,638

*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 ¥1,883 million (\$17 million) which obligor categories are Bankrupt Borrowers, Substantially Bankrupt Borrowers or Probably Bankrupt Borrowers and which amounts of redemption cannot be foreseen are not included in Loans and Bills Discounted.

As of March 31, 2019

	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)	13,156,294	128,328	35,192	—	—	—
Bills Bought and Call Loan	765,887	—	—	—	—	—
Receivables under Resale Agreements	39,999	—	—	—	—	—
Receivables under Securities Borrowing Transactions	23,229	—	—	—	—	—
Monetary Claims Bought	28,488	17,525	38,008	15,980	16,161	104,934
Securities						
Held-to-Maturity Debt Securities	90,569	5,993	8,996	70,542	230,000	135,000
Japanese Government Bonds	90,000	—	7,000	70,000	230,000	135,000
Municipal Government Bonds	—	—	—	—	—	—
Short-Term Corporate Bonds	—	—	—	—	—	—
Corporate Bonds	—	—	—	—	—	—
Other Securities with Maturities	1,731,264	4,232,172	2,856,155	1,256,941	1,217,951	1,131,576
Japanese Government Bonds	713,900	1,658,800	856,500	272,000	160,000	419,000
Municipal Government Bonds	77,191	280,379	324,865	276,783	112,464	—
Short-Term Corporate Bonds	45,000	—	—	—	—	—
Corporate Bonds	675,202	1,782,122	1,269,512	569,349	188,656	151,246
Loans and Bills Discounted (*2)	3,040,462	1,449,739	1,110,219	536,787	686,409	213,302
Total	18,876,197	5,833,758	4,048,572	1,880,251	2,150,522	1,584,813

*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 ¥2,085 million which obligor categories are Bankrupt Borrowers, Substantially Bankrupt Borrowers or Probably Bankrupt Borrowers and which amounts 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 balance sheet date

As of March 31, 2020

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 (*)	22,842,675	8,027,211	76,638	37,307	189,015	1,000
Debentures	596,160	827,630	690,730	20,000	—	—
Borrowed Money	602,300	1,202,400	1,283,800	—	162,480	—
Bills Sold and Call Money	46,191	—	—	—	—	—
Payables under Repurchase Agreements	232,066	—	—	—	—	—
Payables under Securities Lending Transactions	1,788,395	—	—	—	—	—
Total	26,107,788	10,057,241	2,051,168	57,307	351,495	1,000

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 (*)	210,124	73,840	704	343	1,738	9
Debentures	5,483	7,613	6,353	183	—	—
Borrowed Money	5,540	11,060	11,809	—	1,494	—
Bills Sold and Call Money	424	—	—	—	—	—
Payables under Repurchase Agreements	2,134	—	—	—	—	—
Payables under Securities Lending Transactions	16,451	—	—	—	—	—
Total	240,159	92,514	18,868	527	3,233	9

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

As of March 31, 2019

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 (*)	24,216,923	5,405,506	135,447	25,165	1,158,255	—
Debentures	637,930	1,074,790	751,580	20,000	—	—
Borrowed Money	134,300	1,114,000	556,400	—	162,480	—
Bills Sold and Call Money	37,878	—	—	—	—	—
Payables under Repurchase Agreements	152,777	—	—	—	—	—
Payables under Securities Lending Transactions	1,784,546	—	—	—	—	—
Total	26,964,355	7,594,296	1,443,427	45,165	1,320,735	—

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

27. 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 Claims Bought (beneficiary rights) in the consolidated balance sheet.

(1) Trading Securities

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Net Unrealized Gains (Losses)			
Recognized as Income	188	412	1

(2) Held-to-Maturity Debt Securities

As of March 31, 2020

		Millions of Yen		
		Carrying Value	Fair Value	Unrealized Gains (Losses)
Securities with Fair Value Exceeding Carrying Value	Japanese Government Bonds	446,559	515,464	68,904
	Municipal Government Bonds	—	—	—
	Short-Term Corporate Bonds	—	—	—
	Corporate Bonds	—	—	—
	Others	4,491	4,607	115
	Total	451,051	520,071	69,020
Securities with Fair Value not Exceeding Carrying Value	Japanese Government Bonds	—	—	—
	Municipal Government Bonds	—	—	—
	Short-Term Corporate Bonds	—	—	—
	Corporate Bonds	—	—	—
	Others	363	361	(1)
	Total	363	361	(1)
Total		451,414	520,433	69,019

		Millions of U.S. Dollars		
		Carrying Value	Fair Value	Unrealized Gains (Losses)
Securities with Fair Value Exceeding Carrying Value	Japanese Government Bonds	4,107	4,741	633
	Municipal Government Bonds	—	—	—
	Short-Term Corporate Bonds	—	—	—
	Corporate Bonds	—	—	—
	Others	41	42	1
	Total	4,149	4,784	634
Securities with Fair Value not Exceeding Carrying Value	Japanese Government Bonds	—	—	—
	Municipal Government Bonds	—	—	—
	Short-Term Corporate Bonds	—	—	—
	Corporate Bonds	—	—	—
	Others	3	3	(0)
	Total	3	3	(0)
Total		4,152	4,787	634

As of March 31, 2019

		Millions of Yen		
		Carrying Value	Fair Value	Unrealized Gains (Losses)
Securities with Fair Value Exceeding Carrying Value	Japanese Government Bonds	537,259	618,076	80,816
	Municipal Government Bonds	—	—	—
	Short-Term Corporate Bonds	—	—	—
	Corporate Bonds	—	—	—
	Others	7,527	7,786	258
	Total	544,787	625,862	81,074
Securities with Fair Value not Exceeding Carrying Value	Japanese Government Bonds	—	—	—
	Municipal Government Bonds	—	—	—
	Short-Term Corporate Bonds	—	—	—
	Corporate Bonds	—	—	—
	Others	1,384	1,361	(22)
	Total	1,384	1,361	(22)
Total		546,171	627,223	81,051

(3) Other Securities

As of March 31, 2020

		Millions of Yen		
		Carrying Value	Acquisition Cost	Unrealized Gains (Losses)
Securities with Carrying Value Exceeding Acquisition Cost	Stocks	45,693	19,472	26,220
	Bonds	7,197,865	7,077,397	120,468
	Japanese Government Bonds	3,478,205	3,382,735	95,469
	Municipal Government Bonds	795,405	791,002	4,402
	Short-Term Corporate Bonds	38,016	37,998	18
	Corporate Bonds	2,886,238	2,865,660	20,577
	Others	3,749,648	3,422,636	327,012
	Total	10,993,207	10,519,506	473,701
Securities with Carrying Value not Exceeding Acquisition Cost	Stocks	11,314	14,192	(2,878)
	Bonds	3,130,421	3,146,777	(16,356)
	Japanese Government Bonds	681,442	694,647	(13,205)
	Municipal Government Bonds	629,785	630,409	(623)
	Short-Term Corporate Bonds	—	—	—
	Corporate Bonds	1,819,193	1,821,721	(2,527)
	Others	1,906,298	1,966,749	(60,451)
	Total	5,048,033	5,127,719	(79,686)
Total		16,041,241	15,647,225	394,015

		Millions of U.S. Dollars		
		Carrying Value	Acquisition Cost	Unrealized Gains (Losses)
Securities with Carrying Value Exceeding Acquisition Cost	Stocks	420	179	241
	Bonds	66,211	65,103	1,108
	Japanese Government Bonds	31,995	31,117	878
	Municipal Government Bonds	7,316	7,276	40
	Short-Term Corporate Bonds	349	349	0
	Corporate Bonds	26,549	26,360	189
	Others	34,492	31,484	3,008
	Total	101,124	96,766	4,357
Securities with Carrying Value not Exceeding Acquisition Cost	Stocks	104	130	(26)
	Bonds	28,796	28,946	(150)
	Japanese Government Bonds	6,268	6,389	(121)
	Municipal Government Bonds	5,793	5,798	(5)
	Short-Term Corporate Bonds	—	—	—
	Corporate Bonds	16,734	16,757	(23)
	Others	17,535	18,091	(556)
	Total	46,435	47,168	(733)
Total		147,559	143,935	3,624

As of March 31, 2019

		Millions of Yen		
		Carrying Value	Acquisition Cost	Unrealized Gains (Losses)
Securities with Carrying Value Exceeding Acquisition Cost	Stocks	72,434	27,629	44,804
	Bonds	8,919,357	8,723,559	195,798
	Japanese Government Bonds	4,144,366	3,989,590	154,776
	Municipal Government Bonds	988,868	982,604	6,263
	Short-Term Corporate Bonds	45,015	44,996	19
	Corporate Bonds	3,741,106	3,706,368	34,738
	Others	4,341,116	4,096,590	244,526
	Total	13,332,908	12,847,778	485,129
Securities with Carrying Value not Exceeding Acquisition Cost	Stocks	5,341	5,439	(98)
	Bonds	1,177,430	1,178,563	(1,133)
	Japanese Government Bonds	115,540	116,279	(739)
	Municipal Government Bonds	98,707	98,745	(38)
	Short-Term Corporate Bonds	—	—	—
	Corporate Bonds	963,182	963,538	(355)
	Others	1,548,126	1,583,875	(35,749)
	Total	2,730,898	2,767,879	(36,980)
Total		16,063,807	15,615,658	448,149

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

Not applicable.

(5) Other Securities Sold during the Fiscal Year

For the Fiscal Year Ended March 31, 2020

	Millions of Yen		
	Amounts of Securities Sold	Aggregate Gains on Sale	Aggregate Losses on Sale
Stocks	117,489	2,162	(6,701)
Bonds	190,377	17,395	(1,458)
Japanese Government Bonds	186,874	17,392	(1,458)
Municipal Government Bonds	—	—	—
Short-Term Corporate Bonds	—	—	—
Corporate Bonds	3,503	3	—
Others	387,209	21,009	(146)
Total	695,076	40,567	(8,306)

	Millions of U.S. Dollars		
	Amounts of Securities Sold	Aggregate Gains on Sale	Aggregate Losses on Sale
Stocks	1,080	19	(61)
Bonds	1,751	160	(13)
Japanese Government Bonds	1,719	159	(13)
Municipal Government Bonds	—	—	—
Short-Term Corporate Bonds	—	—	—
Corporate Bonds	32	0	—
Others	3,561	193	(1)
Total	6,393	373	(76)

For the Fiscal Year Ended March 31, 2019

	Millions of Yen		
	Amounts of Securities Sold	Aggregate Gains on Sale	Aggregate Losses on Sale
Stocks	41,114	5,145	(471)
Bonds	740,804	20,795	(670)
Japanese Government Bonds	734,955	20,795	(633)
Municipal Government Bonds	5,849	—	(36)
Short-Term Corporate Bonds	—	—	—
Corporate Bonds	—	—	—
Others	1,094,477	5,864	(10,786)
Total	1,876,395	31,806	(11,927)

(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 recognized as impairment losses in the fiscal year.

In the case where the issuer is classified as in bankrupted, de facto bankrupted, or doubtful borrower, impairment loss is recognized for securities when the market price is below the acquisition price.

In the fiscal year ended March 31, 2020, the amount of impairment losses on securities was ¥0 million (\$0 million) (all impairment losses were incurred on stocks).

In the fiscal year ended March 31, 2019, the amount of impairment losses on securities was ¥1 million (all impairment losses were incurred on stocks).

2. Money Held in Trust

(1) Money Held in Trust for Trading Purposes

As of March 31, 2020

	Millions of Yen	
	Carrying Value	Unrealized Gains (Losses) Recognized as Income
Money Held in Trust for Trading Purposes	59,995	—

	Millions of U.S. Dollars	
	Carrying Value	Unrealized Gains (Losses) Recognized as Income
Money Held in Trust for Trading Purposes	551	—

As of March 31, 2019

	Millions of Yen	
	Carrying Value	Unrealized Gains (Losses) Recognized as Income
Money Held in Trust for Trading Purposes	99,778	—

(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)

As of March 31, 2020

	Millions of Yen				
	Carrying Value	Acquisition Cost	Unrealized Gains (Losses)	Items with Carrying Value Exceeding Acquisition Cost	Items with Carrying Value not Exceeding Acquisition Cost
Other Money Held in Trusts	43,732	50,000	(6,267)	—	(6,267)

	Millions of U.S. Dollars				
	Carrying Value	Acquisition Cost	Unrealized Gains (Losses)	Items with Carrying Value Exceeding Acquisition Cost	Items with Carrying Value not Exceeding Acquisition Cost
Other Money Held in Trusts	402	459	(57)	—	(57)

Note:

Components of “Unrealized Gains (Losses)” are shown in “Items with Carrying Value Exceeding Acquisition Cost” and “Items with Carrying Value not Exceeding Acquisition Cost”.

As of March 31, 2019

	Millions of Yen				
	Carrying Value	Acquisition Cost	Unrealized Gains (Losses)	Items with Carrying Value Exceeding Acquisition Cost	Items with Carrying Value not Exceeding Acquisition Cost
Other Money Held in Trusts	50,538	50,000	538	538	—

Note:

Components of “Unrealized Gains (Losses)” are shown in “Items with Carrying Value Exceeding Acquisition Cost” and “Items with Carrying Value not Exceeding Acquisition Cost”.

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 sheet are as follows:

As of March 31, 2020

	Millions of Yen	Millions of U.S. Dollars
Other Securities	394,015	3,624
Other Money Held in Trust	(6,267)	(57)
Net Unrealized Gains	387,747	3,566
Deferred Tax Liabilities	108,203	995
Net Unrealized Gains (Prior to Equity Method Adjustment)	279,543	2,571
Non-Controlling Interests' Portion	—	—
Parent Company's Portion of Valuation Differential for Other Securities Held by Equity-Method-Applicable Companies	—	—
Net Unrealized Gains	279,543	2,571

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, 2019

	Millions of Yen
Other Securities	447,958
Other Money Held in Trust	538
Net Unrealized Gains	448,497
Deferred Tax Liabilities	124,814
Net Unrealized Gains (Prior to Equity Method Adjustment)	323,683
Non-Controlling Interests' Portion	—
Parent Company's Portion of Valuation Differential for Other Securities Held by Equity-Method-Applicable Companies	—
Net Unrealized Gains	323,683

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".

28. Derivatives:

1. Derivative transactions to which hedge accounting is not applied

The following tables summarize the notional amount 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 notional amount in themselves do not reflect the market risk associated with the Bank's derivative transactions.

(1) Interest-Rate-Related Transactions

As of March 31, 2020

	Millions of Yen			
	Total Notional Amount	Notional Amount (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/Floating Rate Payable	5,466,663	4,247,094	115,004	115,004
Floating Rate Receivable/Fixed Rate Payable	5,598,564	3,977,614	(111,535)	(111,535)
Floating Rate Receivable/Floating Rate Payable	140,080	93,080	9	9
Fixed Rate Receivable/Fixed Rate Payable	—	—	—	—
Interest Rate Options:				
Sold	—	—	—	—
Bought	—	—	—	—
Others:				
Sold	647,140	273,140	(4,308)	(1,192)
Bought	793,500	416,700	(1,505)	(5,430)
Total			(2,335)	(3,144)

	Millions of U.S. Dollars			
	Total Notional Amount	Notional Amount (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/Floating Rate Payable	50,286	39,068	1,057	1,057
Floating Rate Receivable/Fixed Rate Payable	51,499	36,589	(1,025)	(1,025)
Floating Rate Receivable/Floating Rate Payable	1,288	856	0	0
Fixed Rate Receivable/Fixed Rate Payable	—	—	—	—
Interest Rate Options:				
Sold	—	—	—	—
Bought	—	—	—	—
Others:				
Sold	5,952	2,512	(39)	(10)
Bought	7,299	3,833	(13)	(49)
Total			(21)	(28)

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: Exchange-Traded Transactions 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, 2019

	Millions of Yen			
	Total Notional Amount	Notional Amount (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/Floating Rate Payable	7,133,635	5,713,507	136,122	136,122
Floating Rate Receivable/Fixed Rate Payable	7,116,808	5,269,272	(118,498)	(118,498)
Floating Rate Receivable/Floating Rate Payable	204,130	130,130	(122)	(122)
Fixed Rate Receivable/Fixed Rate Payable	—	—	—	—
Interest Rate Options:				
Sold	—	—	—	—
Bought	—	—	—	—
Others:				
Sold	1,149,740	541,140	(17,036)	(6,433)
Bought	1,335,100	655,000	(3,151)	(12,576)
Total			(2,686)	(1,508)

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: Exchange-Traded Transactions 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, 2020

	Millions of Yen			
	Total Notional Amount	Notional Amount (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:	5,932	2,644	46	46
Forward Foreign Exchange Contracts:				
Sold	151,881	—	(1,572)	(1,572)
Bought	75,550	—	171	171
Currency Options:				
Sold	—	—	—	—
Bought	—	—	—	—
Others:				
Sold	—	—	—	—
Bought	—	—	—	—
Total			(1,355)	(1,355)

Millions of U.S. Dollars				
	Total Notional Amount	Notional Amount (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:	54	24	0	0
Forward Foreign Exchange Contracts:				
Sold	1,397	—	(14)	(14)
Bought	694	—	1	1
Currency Options:				
Sold	—	—	—	—
Bought	—	—	—	—
Others:				
Sold	—	—	—	—
Bought	—	—	—	—
Total			(12)	(12)

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 are valued using discounted present value, etc. (for currency swaps, fair value is calculated after deduction of principal.)

As of March 31, 2019

	Millions of Yen			
	Total Notional Amount	Notional Amount (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:	6,652	6,120	67	67
Forward Foreign Exchange Contracts:				
Sold	278,790	1,804	501	501
Bought	292,020	1,851	(494)	(494)
Currency Options:				
Sold	—	—	—	—
Bought	—	—	—	—
Others:				
Sold	—	—	—	—
Bought	—	—	—	—
Total			73	73

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 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, 2020

Millions of Yen				
	Total Notional Amount	Notional Amount (Over 1 Year until Settlement or Expiry)	Fair Value	Net Unrealized Gains (Losses)
Exchange-Traded Transactions				
Bond Futures:				
Sold	2,135	—	(0)	(0)
Bought	762	—	—	—
Bond Futures Options:				
Sold	—	—	—	—
Bought	—	—	—	—
Over the Counter Transactions				
Bond Options:				
Sold	—	—	—	—
Bought	—	—	—	—
Others:				
Sold	—	—	—	—
Bought	—	—	—	—
Total			(0)	(0)

Millions of U.S. Dollars				
	Total Notional Amount	Notional Amount (Over 1 Year until Settlement or Expiry)	Fair Value	Net Unrealized Gains (Losses)
Exchange-Traded Transactions				
Bond Futures:				
Sold	19	—	(0)	(0)
Bought	7	—	—	—
Bond Futures Options:				
Sold	—	—	—	—
Bought	—	—	—	—
Over the Counter Transactions				
Bond Options:				
Sold	—	—	—	—
Bought	—	—	—	—
Others:				
Sold	—	—	—	—
Bought	—	—	—	—
Total			(0)	(0)

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: Exchange-Traded Transactions 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, 2019

	Millions of Yen			
	Total Notional Amount	Notional Amount (Over 1 Year until Settlement or Expiry)	Fair Value	Net Unrealized Gains (Losses)
Exchange-Traded Transactions				
Bond Futures:				
Sold	8,876	—	(13)	(13)
Bought	3,059	—	6	6
Bond Futures Options:				
Sold	—	—	—	—
Bought	7,000	—	10	1
Over the Counter Transactions				
Bond Options:				
Sold	—	—	—	—
Bought	—	—	—	—
Others:				
Sold	—	—	—	—
Bought	—	—	—	—
Total			2	(6)

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: Exchange-Traded Transactions 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 notional amount 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 notional amount in themselves do not reflect the market risk associated with the Bank's derivative transactions.

(1) Interest-Rate-Related Transactions

As of March 31, 2020

		Millions of Yen		
Method for Hedge Accounting	Items	Total Notional Amount	Notional Amount (Over 1 Year until Settlement or Expiry)	Fair Value
Basic Treatment	Interest Rate Swaps			
	Fixed Rate Receivable/Floating Rate Payable	—	—	—
	Floating Rate Receivable/Fixed Rate Payable	4,366,665	3,866,556	(221,003)
Exceptional Treatments for Interest Rate Swaps	Interest Rate Swaps			
	Fixed Rate Receivable/Floating Rate Payable	—	—	—
	Floating Rate Receivable/Fixed Rate Payable	1,050,939	1,049,781	(69,224)
Total				(290,227)

		Millions of U.S. Dollars		
Method for Hedge Accounting	Items	Total Notional Amount	Notional Amount (Over 1 Year until Settlement or Expiry)	Fair Value
Basic Treatment	Interest Rate Swaps			
	Fixed Rate Receivable/Floating Rate Payable	—	—	—
	Floating Rate Receivable/Fixed Rate Payable	40,168	35,567	(2,032)
Exceptional Treatments for Interest Rate Swaps	Interest Rate Swaps			
	Fixed Rate Receivable/Floating Rate Payable	—	—	—
	Floating Rate Receivable/Fixed Rate Payable	9,667	9,656	(636)
Total				(2,669)

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: Exchange-Traded Transactions 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, 2019

Method for Hedge Accounting	Items	Total Notional Amount	Millions of Yen	
			Notional Amount (Over 1 Year until Settlement or Expiry)	Fair Value
Basic Treatment	Interest Rate Swaps			
	Fixed Rate Receivable/Floating Rate Payable	—	—	—
	Floating Rate Receivable/Fixed Rate Payable	4,004,924	3,606,831	(96,756)
Exceptional Treatments for Interest Rate Swaps	Interest Rate Swaps			
	Fixed Rate Receivable/Floating Rate Payable	—	—	—
	Floating Rate Receivable/Fixed Rate Payable	1,144,962	1,020,889	(74,433)
Total				(171,189)

Notes:

1. 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.
2. Hedged items with respect to Exceptional Treatments for Interest Rate Swaps are Loans and Bills Discounted, Held-to-Maturity Debt Securities and Debentures.
3. 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”.
4. Fair value calculation: Exchange-Traded Transactions 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, 2020

Method for Hedge Accounting	Items	Total Notional Amount	Millions of Yen	
			Notional Amount (Over 1 Year until Settlement or Expiry)	Fair Value
Basic Treatment	Currency Swaps	554,330	445,714	(565)
	Forward Foreign Exchange Contracts:			
	Sold	48,767	—	596
	Bought	—	—	—
	Total			31

Method for Hedge Accounting	Items	Total Notional Amount	Millions of U.S. Dollars	
			Notional Amount (Over 1 Year until Settlement or Expiry)	Fair Value
Basic Treatment	Currency Swaps	5,099	4,100	(5)
	Forward Foreign Exchange Contracts:			
	Sold	448	—	5
	Bought	—	—	—
	Total			0

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.)

As of March 31, 2019

Millions of Yen				
Method for Hedge Accounting	Items	Total Notional Amount	Notional Amount (Over 1 Year until Settlement or Expiry)	Fair Value
Basic Treatment	Currency Swaps	463,786	399,287	(4,504)
	Forward Foreign Exchange Contracts:			
	Sold	57,408	—	(74)
	Bought	—	—	—
	Total			(4,579)

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.

29. Related Party Transactions:

For the Fiscal Year Ended March 31, 2020

There were no significant related-party transactions.

For the Fiscal Year Ended March 31, 2019

There were no significant related-party transactions.

30. Segment Information:

(1) Description of Reportable Segments

The Group classifies the businesses of the Bank and its consolidated subsidiaries as single business segment, respectively. Among those business segments, the business of the Bank is determined 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.

(2) Method of Calculating Amounts by Reportable Segment

The accounting methods of the reportable segment are consistent with 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, 2020

(Millions of Yen)

	Reportable segment	Other	Total	Adjustment	Amount presented in the consolidated financial statements
	Shinkin Central Bank business				
Income					
External customers	263,337	38,649	301,986	(31)	301,954
Inter-segment	3,182	1,729	4,912	(4,912)	—
Total	266,519	40,379	306,899	(4,944)	301,954
Segment profit	37,924	3,164	41,089	(862)	40,227
Segment assets	40,633,271	322,334	40,955,605	(87,508)	40,868,096
Segment liabilities	39,112,432	237,069	39,349,501	(31,691)	39,317,809
Other items					
Depreciation	5,111	6,155	11,267	(0)	11,266
Interest Income	207,066	245	207,312	(109)	207,202
Interest Expenses	113,685	56	113,742	(41)	113,700
Income Taxes	14,365	1,437	15,802	(145)	15,656
Increase in Tangible and Intangible Fixed Assets	3,402	7,093	10,495	—	10,495

(Millions of U.S. Dollars)

	Reportable segment	Other	Total	Adjustment	Amount presented in the consolidated financial statements
	Shinkin Central Bank business				
Income					
External customers	2,422	355	2,777	(0)	2,777
Inter-segment	29	15	45	(45)	—
Total	2,451	371	2,823	(45)	2,777
Segment profit	348	29	377	(7)	370
Segment assets	373,776	2,965	376,741	(804)	375,936
Segment liabilities	359,786	2,180	361,967	(291)	361,676
Other items					
Depreciation	47	56	103	(0)	103
Interest Income	1,904	2	1,907	(1)	1,906
Interest Expenses	1,045	0	1,046	(0)	1,045
Income Taxes	132	13	145	(1)	144
Increase in Tangible and Intangible Fixed Assets	31	65	96	—	96

Notes:

- The “Other” is a business segment not included in our reportable segment and relates to businesses performed by consolidated subsidiaries.
The Bank’s consolidated subsidiaries provide such financial services as brokerage & dealing, asset management, consumer credit guarantees, investment, M&A advisory operations, and data processing services.
- Adjustment comprises the following.
 - Within adjustment of segment profit, reduction of ¥862 million (\$7 million) comprises reduction of ¥474 million (\$4 million) on profit attributable to non-controlling interests and ¥388 million (\$3 million) on inter-segment eliminations, etc.
 - Within adjustment of segment assets, reduction of ¥87,508 million (\$804 million) comprises reduction of ¥43,114 million (\$396 million) on eliminations relating to capital consolidation and ¥44,394 million (\$408 million) on inter-segment eliminations, etc.
 - The adjustment for other items including reduction of ¥31,691 million (\$291 million) on the adjustment of segment liabilities comprises inter-segment eliminations, etc.
- Segment profit has been adjusted from profit attributable to owners of parent presented in the consolidated statement of income.

(Millions of Yen)

	Reportable segment	Other	Total	Adjustment	Amount presented in the consolidated financial statements
	Shinkin Central Bank business				
Income					
External customers	255,816	38,027	293,843	(35)	293,808
Inter-segment	2,951	1,679	4,630	(4,630)	—
Total	258,767	39,707	298,474	(4,665)	293,808
Segment profit	42,286	3,849	46,135	(1,354)	44,781
Segment assets	39,432,740	336,552	39,769,293	(75,917)	39,693,375
Segment liabilities	37,799,235	254,239	38,053,474	(20,565)	38,032,909
Other items					
Depreciation	5,178	5,082	10,261	(0)	10,260
Interest Income	193,711	143	193,855	(100)	193,754
Interest Expenses	119,523	49	119,573	(38)	119,534
Income Taxes	14,760	1,702	16,463	(185)	16,278
Increase in Tangible and Intangible Fixed Assets	6,075	20,420	26,496	—	26,496

Notes:

- The “Other” is a business segment not included in our reportable segment and relates to businesses performed by consolidated subsidiaries.
The Bank’s consolidated subsidiaries provide such financial services as brokerage & dealing, asset management, consumer credit guarantees, investment, M&A advisory operations, and data processing services.
- Adjustment comprises the following.
 - Within adjustment of segment profit, reduction of ¥1,354 million comprises reduction of ¥875 million on profit attributable to non-controlling interests and ¥478 million on inter-segment eliminations, etc.
 - Within adjustment of segment assets, reduction of ¥75,917 million comprises reduction of ¥43,114 million on eliminations relating to capital consolidation and ¥32,802 million on inter-segment eliminations, etc.
 - The adjustment for other items including reduction of ¥20,565 million on the adjustment of segment liabilities 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, 2020

1. Information by service

(Millions of Yen)

	Securities investment operations	Lending operations	Other	Total
Income from external customers	217,714	20,371	63,868	301,954

(Millions of U.S. Dollars)

	Securities investment operations	Lending operations	Other	Total
Income from external customers	2,002	187	587	2,777

2. Information by geographic region

(1) Income

(Millions of Yen)

Japan	United States	Europe	Other	Total
132,751	31,848	26,964	110,390	301,954

(Millions of U.S. Dollars)

Japan	United States	Europe	Other	Total
1,221	292	248	1,015	2,777

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	39,356	Shinkin Central Bank business

(Millions of U.S. Dollars)

Name of customer	Income	Related segment
The Government of Japan	362	Shinkin Central Bank business

For the Fiscal Year Ended March 31, 2019

1. Information by service

(Millions of Yen)

	Securities investment operations	Lending operations	Other	Total
Income from external customers	197,358	19,546	76,904	293,808

2. Information by geographic region

(1) Income

(Millions of Yen)

Japan	United States	Europe	Other	Total
161,201	32,833	15,926	83,846	293,808

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	47,090	Shinkin Central Bank business

(Information related to Impairment losses of Fixed Assets by Reportable Segment)
For the Fiscal Year Ended March 31, 2020

(Millions of Yen)

	Reportable segment	Other	Total
	Shinkin Central Bank business		
Impairment losses	86	—	86

(Millions of U.S. Dollars)

	Reportable segment	Other	Total
	Shinkin Central Bank business		
Impairment losses	0	—	0

Note: The “Other” is a business segment not included in our reportable segment and relates to businesses performed by consolidated subsidiaries.

The Bank’s consolidated subsidiaries provide such financial services as brokerage & dealing, asset management, consumer credit guarantees, investment, M&A advisory operations, and data processing services.

For the Fiscal Year Ended March 31, 2019

(Millions of Yen)

	Reportable segment	Other	Total
	Shinkin Central Bank business		
Impairment losses	1,567	—	1,567

Note: The “Other” is a business segment not included in our reportable segment and relates to businesses performed by consolidated subsidiaries.

The Bank’s consolidated subsidiaries provide such financial services as brokerage & dealing, asset management, consumer credit guarantees, investment, M&A advisory operations, and data processing services.

(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.

31. Amounts per Share:

	Yen		U.S. Dollars
	2020	2019	2020
Net Assets per Share	283,111.71	306,594.84	2,604.28
Net Income per Share	5,679.98	6,358.89	52.24
Net Income per Share after Adjustment for Common Share equivalents	—	—	—

Notes:

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

		2020	2019	2020	
Total Net Assets	Millions of Yen	1,550,287	1,660,465	Millions of U.S. Dollars	14,260
Amount Deducted from Total Net Assets	Millions of Yen	217,334	216,949	Millions of U.S. Dollars	1,999
Non-Controlling Interests	Millions of Yen	12,209	11,824	Millions of U.S. Dollars	112
Preferred Dividends	Millions of Yen	2,124	2,124	Millions of U.S. Dollars	19
Dividend Attributable to Specific Common Shares	Millions of Yen	3,000	3,000	Millions of U.S. Dollars	27
Distribution of Residual Assets Attributable to Specific Common Shares	Millions of Yen	200,000	200,000	Millions of U.S. Dollars	1,839
Net Assets at Fiscal Year-end Used to Calculate Net Assets per Share	Millions of Yen	1,332,952	1,443,516	Millions of U.S. Dollars	12,261
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:

		2020	2019	2020	
Profit Attributable to Owners of Parent	Millions of Yen	40,227	44,781	Millions of U.S. Dollars	370
Amount Deducted from Profit Attributable to Owners of Parent	Millions of Yen	2,124	2,124	Millions of U.S. Dollars	19
Preferred Dividend	Millions of Yen	2,124	2,124	Millions of U.S. Dollars	19
Profit Attributable to Owners of Parent Used to Calculate Net Income per Share	Millions of Yen	38,102	42,656	Millions of U.S. Dollars	350
Average Number of Share Units for the Fiscal Year	Unit	6,708,222	6,708,222	—	—
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	2,000,000	—	—
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

Opinion

We have audited the accompanying consolidated financial statements of Shinkin Central Bank and its consolidated subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2020, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and the Corporate Auditors 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 such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Corporate Auditors are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Corporate Auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Corporate Auditors with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2020 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

Ernst & Young ShinNihon LLC
Tokyo, Japan

June 25, 2020

/s/ Mutsuo Emi
Designated Engagement Partner
Certified Public Accountant

/s/ Ryuji Takagi
Designated Engagement Partner
Certified Public Accountant

/s/ Ken Komatsuzaki
Designated Engagement Partner
Certified Public Accountant

Non-Consolidated Balance Sheet

Shinkin Central Bank As of March 31,	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Assets			
Cash and Due from Banks	13,517,962	13,338,309	124,348
Call Loans	107,166	765,887	985
Receivables under Resale Agreements	19,999	39,999	183
Monetary Claims Bought	222,175	221,732	2,043
Trading Assets	385,224	205,854	3,543
Money Held in Trust	103,727	150,317	954
Securities	16,477,301	16,613,593	151,571
Loans and Bills Discounted	8,474,068	7,045,582	77,951
Foreign Exchanges Assets	79,114	21,130	727
Other Assets	1,181,019	930,347	10,863
Tangible Fixed Assets	66,710	67,233	613
Intangible Fixed Assets	5,774	7,695	53
Customers' Liabilities for Acceptances and Guarantees	23,689	54,879	217
Reserve for Possible Loan Losses	(30,665)	(29,822)	(282)
Total Assets	40,633,271	39,432,740	373,776
Liabilities and Net Assets			
Liabilities			
Deposits	31,208,596	30,966,816	287,081
Debentures	2,141,480	2,486,710	19,699
Trading Liabilities	36,937	48,554	339
Borrowed Money	3,250,980	1,967,180	29,905
Call Money	16,191	22,878	148
Payables under Repurchase Agreements	228,458	152,777	2,101
Payables under Securities Lending Transactions	1,788,395	1,776,263	16,451
Foreign Exchanges Liabilities	1,413	1,397	13
Borrowed Money from Trust Account	22,021	14,025	202
Other Liabilities	325,971	190,350	2,998
Reserve for Employee Bonuses	1,371	1,329	12
Reserve for Directors' Bonuses	90	86	0
Reserve for Employee Retirement Benefits	24,826	23,461	228
Reserve for Directors' Retirement Allowances	489	435	4
Deferred Tax Liabilities	35,438	86,009	325
Deferred Tax Liabilities for Land Revaluation	6,081	6,081	55
Acceptances and Guarantees	23,689	54,879	217
Total Liabilities	39,112,432	37,799,235	359,786
Total Net Assets	1,520,838	1,633,504	13,989
Total Liabilities and Net Assets	40,633,271	39,432,740	373,776

Non-Consolidated Statement of Income

Shinkin Central Bank For the year ended March 31,	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Income			
Interest Income:	207,066	193,711	1,904
Interest on Loans and Discounts	20,409	19,546	187
Interest on Due from Banks	9,010	8,454	82
Interest on Call Loans	670	946	6
Interest on Receivables under Resale Agreements	(778)	(336)	(7)
Interest on Receivables under Securities Borrowing Transactions	-	4	-
Interest and Dividends on Securities	176,645	164,286	1,624
Others	1,109	809	10
Trust Fees	759	399	6
Fees and Commissions	8,630	8,289	79
Trading Income	1,502	3,727	13
Other Operating Income	45,794	34,547	421
Other Income	2,767	18,092	25
Total Income	266,519	258,767	2,451
Expenses			
Interest Expenses:	113,685	119,523	1,045
Interest on Deposits	41,879	40,219	385
Interest on Debentures	3,080	4,499	28
Interest on Borrowed Money	1,775	3,571	16
Interest on Call Money	591	541	5
Interest on Payables under Repurchase Agreement	1,750	1,258	16
Interest on Payables under Securities Lending Transactions	19,782	23,686	181
Interest Payable on Interest Rate Swaps	44,583	44,790	410
Others	241	956	2
Fees and Commissions	7,353	6,743	67
Trading Losses	-	317	-
Other Operating Expenses	54,135	42,075	497
General and Administrative Expenses	31,163	30,867	286
Other Expenses	7,891	2,192	72
Total Expenses	214,229	201,720	1,970
Income before Income Taxes	52,290	57,047	481
Income Taxes			
Current	14,697	12,189	135
Deferred	(332)	2,570	(3)
Total Income Taxes	14,365	14,760	132
Net Income	37,924	42,286	348

	Yen		U.S. Dollars
	2020	2019	2020
Net Income Per Share	5,336.77	5,987.00	49.09
Dividend Declared per Share (General Common Shares)	3,000.00	3,000.00	27.59
Dividend Declared per Share (Specific Common Shares)	1,500.00	1,500.00	13.79
Dividend Declared per Share (Preferred Shares)	6,500.00	6,500.00	59.79

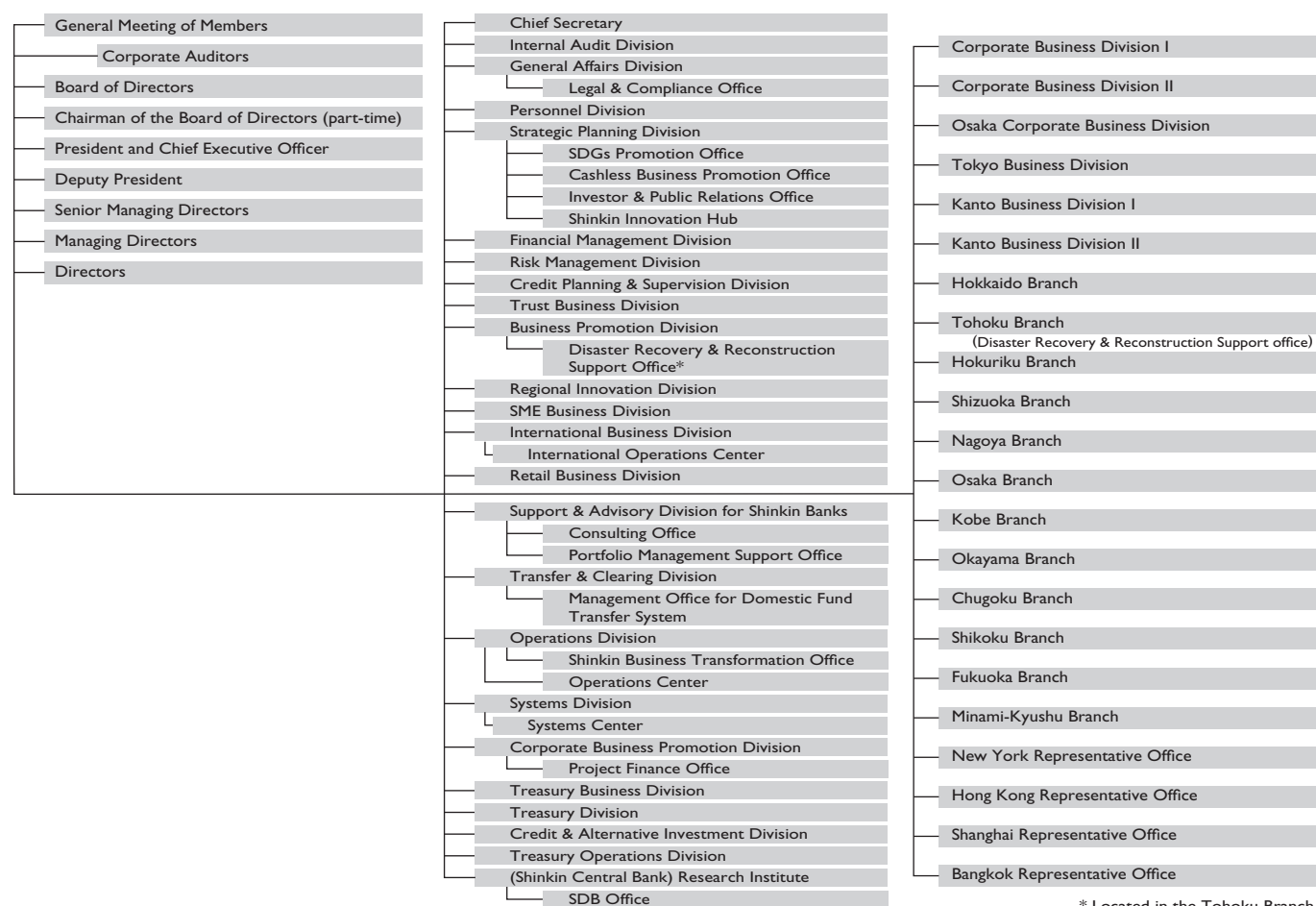
Statement of Trust Account (Consolidated)

Shinkin Central Bank	As of March 31,	Millions of Yen		Millions of U.S. Dollars
		2020	2019	2020
Assets				
Securities		6,000	6,000	55
Beneficiary Rights		1,089,378	617,068	10,020
Securities Held in Custody Accounts		63,000	63,000	579
Monetary Claims		140,328	106,191	1,290
Other Claims		8	2	0
Due from Banking Account		22,021	14,025	202
Cash and Due from Banks		219	913	2
Total Assets		1,320,957	807,201	12,151
Liabilities				
Money Trust		32,555	24,866	299
Investment Trusts		23,463	15,532	215
Money Held in Trust Other than Money Trust		14,805	16,077	136
Securities Trusts		87,200	102,700	802
Monetary Claims Trusts		140,523	107,190	1,292
Composite Trusts		1,022,409	540,835	9,404
Total Liabilities		1,320,957	807,201	12,151

(Note 1) Consolidated companies conducting trust business pursuant to the “Act on Engagement in Trust Business Activities by Financial Institutions” comprised only the Bank in the fiscal years ended March 31, 2020 and 2019.

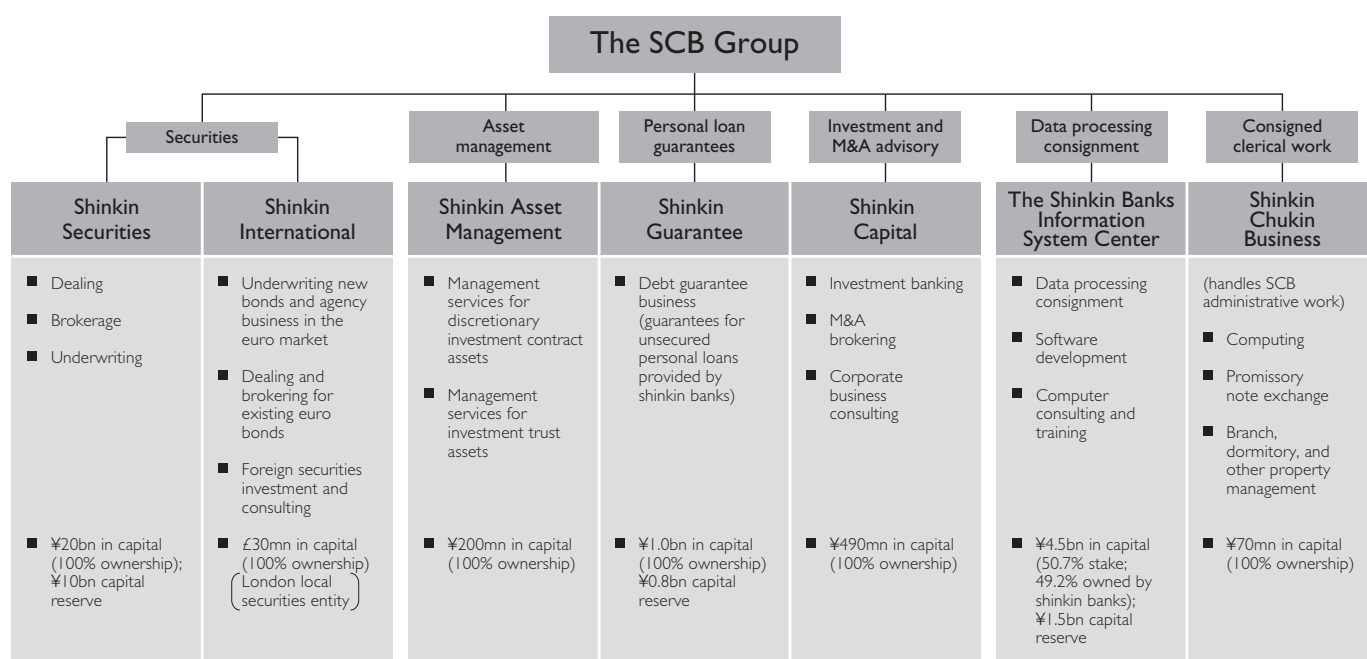
(Note 2) No trust assets were entrusted to other trust banks for asset administration as of March 31, 2020 and 2019.

Organization (As of July 31, 2020)



* Located in the Tohoku Branch.

The SCB Group (As of July 31, 2020)



International Directory (As of July 31, 2020)

Senior Managing Director
(in charge of Corporate Business Promotion/
Treasury Operations/Research Institute)
Hiroshi Nakahara

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

Senior Managing Director
(in charge of Treasury Business)
Norihiro Takano

Managing Director
(in charge of Treasury)
Keisuke Izutsu

Strategic Planning Division
(including International Planning)
Address: 3-7, Yaesu 1-chome,
Chuo-ku, Tokyo 103-0028
Telephone: +81-3-5202-7624
Facsimile: +81-3-3278-7033

International Business Division
Address: 3-7, Yaesu 1-chome,
Chuo-ku, Tokyo 103-0028
Telephone: +81-3-5202-7703
Facsimile: +81-3-3278-7035

International Operations Center
(including Correspondent Banking)
Address: 8-1, Kyoubashi 3-chome,
Chuo-ku, Tokyo 104-0031
Telephone: +81-3-5250-1700
Facsimile: +81-3-5250-1780
SWIFT: ZENB JPJT

Corporate Business Promotion Division
Address: 3-7, Yaesu 1-chome,
Chuo-ku, Tokyo 103-0028
Telephone: +81-3-5202-7679
Facsimile: +81-3-3278-7045

Treasury Business Division
Address: 3-7, Yaesu 1-chome,
Chuo-ku, Tokyo 103-0028
Telephone: +81-3-5202-7642
Facsimile: +81-3-3278-7040
SWIFT: ZENB JPJT

Treasury Division
Address: 3-7, Yaesu 1-chome,
Chuo-ku, Tokyo 103-0028
Telephone: +81-3-5202-7660
Facsimile: +81-3-3278-7043
SWIFT: ZENB JPJT

Credit & Alternative Investment Division
Address: 3-7, Yaesu 1-chome,
Chuo-ku, Tokyo 103-0028
Telephone: +81-3-5202-7664
Facsimile: +81-3-3278-7044

Treasury Operations Division
Address: 3-7, Yaesu 1-chome,
Chuo-ku, Tokyo 103-0028
Telephone: +81-3-5202-7666
Facsimile: +81-3-3278-7046
SWIFT: ZENB JPJT

Research Institute
Address: 3-7, Yaesu 1-chome,
Chuo-ku, Tokyo 103-0028
Telephone: +81-3-5202-7671
Facsimile: +81-3-3278-7048

Overseas Offices

New York
New York Representative Office
Address: 655 Third Avenue, Suite 2620,
New York, NY 10017, U.S.A.
Telephone: +1-212-642-4700
Facsimile: +1-212-730-6000
Chief Representative: Kentaro Sone

Hong Kong
Hong Kong Representative Office
Address: Suite 4008, 40/F, Central Plaza, 18
Harbour Road, Wan Chai, Hong Kong, P.R. of China
Telephone: +852-2537-3777
Facsimile: +852-2537-4002
Chief Representative: Masao Yamaguchi

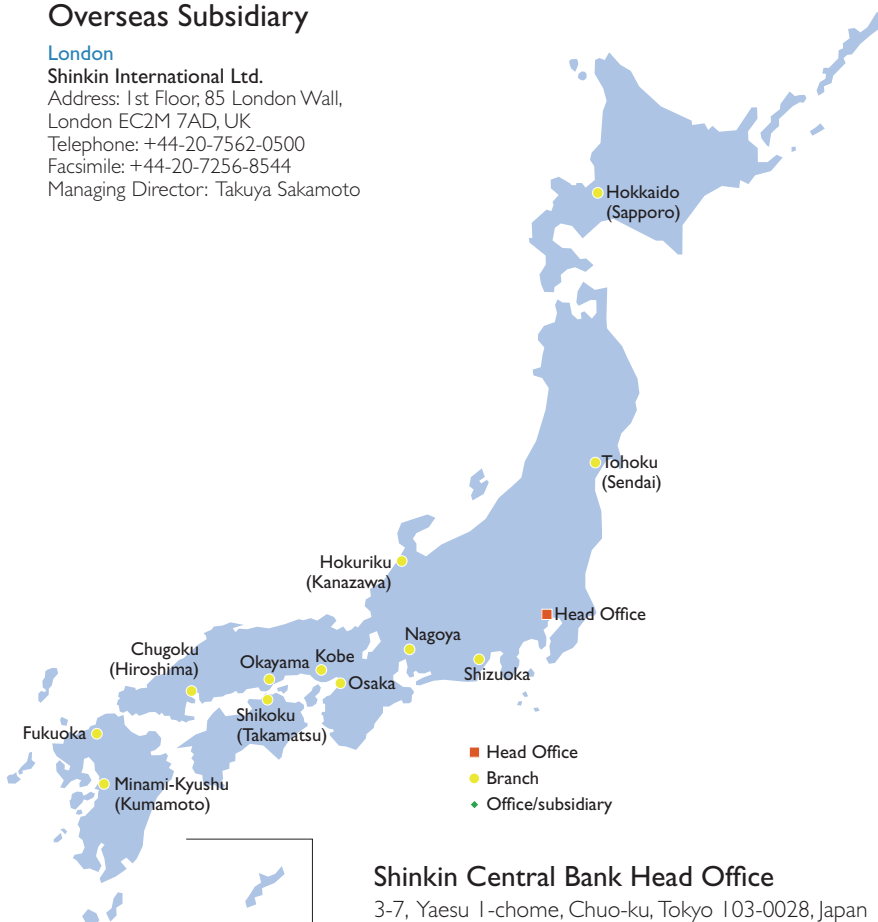
Shanghai
Shanghai Representative Office
Address: Room 508, Shanghai International Trade
Center, 2201 Yan-An Xi Road
Shanghai, P.R. of China
Telephone: +86-21-6270-3091
Facsimile: +86-21-6270-3095
Chief Representative: Yosuke Abe

Bangkok
Bangkok Representative Office
Address: 19th Floor, 1903, Athenee Tower, 63
Wireless Road, Lumpini, Pathumwan, Bangkok
10330, Thailand
Telephone: +66-2-168-8796
Facsimile: +66-2-168-8799
Chief Representative: Naoto Seita



Overseas Subsidiary

London
Shinkin International Ltd.
Address: 1st Floor, 85 London Wall,
London EC2M 7AD, UK
Telephone: +44-20-7562-0500
Facsimile: +44-20-7256-8544
Managing Director: Takuya Sakamoto



Shinkin Central Bank Head Office

3-7, Yaesu 1-chome, Chuo-ku, Tokyo 103-0028, Japan
Telephone: +81-3-5202-7711
<https://www.shinkin-central-bank.jp/>



Shinkin Central Bank

3-7, Yaesu 1-chome, Chuo-ku, Tokyo 103-0028, Japan

Telephone: +81-3-5202-7711

<https://www.shinkin-central-bank.jp/>