

Shinkin Central Bank
Annual Report 2014



Shinkin Central Bank, the Central Bank for Shinkin Banks

As the central financial institution of shinkin banks, Shinkin Central Bank (referred to as SCB hereafter) has occupied a well-established position in Japan's financial industry, with shinkin banks having a total of ¥128 trillion (equivalent to \$1,244 billion) in funds.



Management Philosophy and Operational Policies

Management Philosophy

As the central bank for all shinkin banks, the SCB supports the growth of the shinkin bank sector and thus contributes to economic development throughout Japan.

Operational Policies

1. Strengthening the corporate base, broadening the operational functions, and enhancing the credit standing of shinkin banks
2. Stable fund-raising from shinkin banks as well as diversification of funding sources
3. Upgrading market operation and developing financial services
4. Actively pursuing new business in conformity with changes in financial circumstances
5. Contributing to regional development and revitalization hand in hand with shinkin banks
6. Achieving sound management through efficiency, capital adequacy, and strengthened risk management
7. Nurturing professionals and creating an attractive workplace
8. Enhancing public trust in the SCB

Corporate Data (as of March 31, 2014)

Name:	Shinkin Central Bank (SCB)
Establishment:	June 1, 1950
Number of Employees:	1,183
Domestic Network:	14
Overseas Network:	5
Total Assets:	¥31,390 billion (\$304 billion)
Total Funds:	¥29,978 billion (\$291 billion)
Paid-in Capital:	¥490 billion (\$4,769 million)
(Preferred Shares):	¥90 billion (\$883 million)
Capital Adequacy Ratio (Consolidated):	37.86%
Number of Member Shinkin Banks:	267
Long-term Credit Ratings:	AI (Moody's) A+ (S&P) A+ (R&I) AA (JCR)

(As of July 31, 2014)

Note: The number of employees includes full-time Directors and Auditor. The number of Overseas Network includes Shinkin International, Ltd., a subsidiary in London. The amounts of total assets and total funds are the average balances for the year ended March 31, 2014.

Financial Highlights (Non-Consolidated Financial Summary)

Shinkin Central Bank For the years ended March 31,	Millions of Yen			Millions of U.S. Dollars		
	2014	2013	2012	2014	2013	2012
For the Fiscal Year						
Total Income	¥ 280,971	¥ 383,948	¥ 370,260	\$ 2,729	\$ 4,080	\$ 4,503
Total Expenses	232,305	344,559	334,957	2,256	3,661	4,073
Net Income (Loss)	35,396	32,024	29,007	343	340	352
Net Business Profit (Loss)	43,251	45,927	45,451	420	488	552
At the Year-end						
Total Assets	¥30,939,429	¥30,184,837	¥30,049,035	\$300,557	\$320,774	\$365,471
Loans and Bills Discounted	5,975,832	5,460,155	5,374,685	58,051	58,025	65,369
Securities	18,450,501	19,681,236	20,624,250	179,235	209,152	250,842
Total Liabilities	29,684,307	28,956,639	28,975,645	288,365	307,721	352,416
Deposits	23,689,313	22,012,166	21,609,051	230,127	223,923	262,819
Debentures	3,168,110	3,548,380	3,965,870	30,776	37,708	48,234
Net Assets	1,255,122	1,228,197	1,073,389	12,192	13,052	13,055

U.S. dollar amounts are converted for convenience only, at ¥82.22, ¥94.10 and ¥102.94 per dollar; the prevailing rate on March 31, 2012, 2013 and 2014 respectively.
Total assets and total funds amounted to ¥31,390 billion (\$304 billion) and ¥29,978 billion (\$291 billion) of the average balance at the year ended March 31, 2014.

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

U.S. dollar amounts are converted for convenience only, at ¥102.94 per dollar; the prevailing rate on March 31, 2014.

Message from the President and CEO



Shinkin Central Bank, or the SCB, serves as the central bank for Japan's 267 shinkin banks—regional financial institutions located throughout the country that specialize in operations with small and medium-sized enterprises.

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

Earnings Performance in Fiscal 2013

During fiscal 2013 (ended March 2014), we continued with our efforts to diversify revenue streams, and maintain a highly stable portfolio. We continually optimized our portfolio in response to changes in the market environment, and in accordance with the principle of diversified investment, worked to build and expand a portfolio with new sources of earnings. As a result, on a non-consolidated basis, we achieved earnings mostly in line with initial forecasts, with net income increasing ¥3.3 billion year on year to ¥35.3 billion.

Current Status of the Management Plan and Disaster Recovery Assistance

Fiscal 2013 was the initial year for the SCB's current medium-term management plan, "SCB Medium-Term Action Program 2013." We designated this first term as a "year to take a new step forward with shinkin banks for the sustained development of regional areas," and

implemented priority measures in three Core Plans and two Support Plans. Specifically, to better support shinkin banks with resolution of regional and SME financing issues, we focused on the three main measures of "Strengthen support for SMEs," "Strengthen support for retail financing," and "Strengthen support for community revitalization." Based on these measures, we took steps to expand the functionality and services provided to shinkin banks, including broadening the various types of support for the life stages of SMEs, expanding and strengthening structures to support overseas expansion of shinkin bank clients, and developing and offering products for the life events of individuals. We also provided consulting for community revitalization jointly with shinkin banks, and pursued measures to organize shinkin banks facing similar issues for specific business fields, such as tourism or hot spring resorts.

Additionally, to support recovery efforts from the Great East Japan Earthquake, SCB offered the "Shinkin Great East Japan Earthquake Children's Support Fixed-Term Deposit II" as a set including a donation to a fund supporting education for children orphaned by the disaster, and provided assistance for the business revitalization of shinkin bank customers in disaster areas through the "Shinkin no Kizuna" reconstruction support fund. We also continued with measures utilizing networks both within and outside the industry to expand sales channels, and support volunteer activities in disaster areas.

Future Business Strategies

SCB has designated fiscal 2014, the second year of the medium-term management plan, as a "year to advance further ahead with shinkin banks for the future of regional areas." Based on our relationship with shinkin banks, and the strongest network in the shinkin bank industry, we will steadily implement the various measures in the medium-term management plan, and continue with efforts to support recovery from the Great East Japan Earthquake.

Strengthening Internal Management Systems

The SCB will continue our efforts to carry out thorough compliance, strengthen corporate governance, and contribute to society, so as to become a distinguished financial institution well respected in the society.

Recognizing our crucial responsibilities as the central bank of the shinkin bank industry, we will strive with the utmost commitment to facilitate the continued development of the industry and thus contribute to development throughout Japan.

I would like to take this opportunity to express my sincere gratitude to all our shareholders and other stakeholders for their continued understanding and support.

July 2014

Mitsuo Tanabe
President and Chief Executive Officer

Mitsuo Tanabe

Corporate Management and Auditors

(As of July 31, 2014)

Chairman of the Board of Directors (Part-Time)

Koji Omae

President and Chief Executive Officer

Mitsuo Tanabe

Deputy President

Katsuo Akiyama

Senior Managing Director

Hiroyuki Shibata

Managing Directors

Mikio Ichianagi

Akira Ito

Hajime Hioki

Directors

Yasuhiko Hori

Norihiro Takano

Atsushi Kudo

Hiroshi Sudo

Naoya Okajima

Keisuke Izutsu

Director and Executive Adviser

Kimio Yamaguchi

Directors (Part-Time)

Shinji Sugiyama

Toshihisa Sato

Ichiro Nanakubo

Kei Itani

Tetsuji Hara

Kazuhiko Jinbo

Koji Sato

Shinichi Minowa

Kenichiro Mimuro

Yukio Kashima

Toshiyuki Masuda

Seiji Hino

Hiroyuki Hashimoto

Hiroshi Tsuboi

Akihiro Hasui

Hidetaka Nakamura

Tadatoshi Inaba

Auditor

Osamu Taniguchi

Auditors (Part-Time)

Shinji Tanamura

Masatoshi Takahashi

Masamichi Narita

Akio Okuyama



Koji Omae

Chairman of the Board of Directors



Mitsuo Tanabe

President and Chief Executive Officer



Katsuo Akiyama

Deputy President



Hiroyuki Shibata

Senior Managing Director

The SCB Is a Powerful Financial Institution in Japan, Which Is Listed on the Tokyo Stock Exchange

The SCB operates as a financial institution with the dual role of central bank for shinkin banks and an independent financial institution.

Founded in 1950, the SCB is the central bank for shinkin banks (See “What Are Shinkin Banks?” on page 20), operating as a cooperative financial institution whose membership consists of all shinkin banks nationwide.

The SCB plays the dual role of a central bank for shinkin banks and an independent financial institution. The SCB's total funds mainly comprising deposits from shinkin banks and funds acquired through the issuance of debentures had an average outstanding balance during the fiscal year ended March 31, 2014, of ¥29,978 billion (equivalent to \$291 billion), and total assets averaged ¥31,390 billion (equivalent to \$304 billion). The SCB is one of Japan's leading financial institutions.

Overseas Networks and Correspondent Banks of the SCB

(Number of banks with correspondent agreements by head branch; as of March 31, 2014)

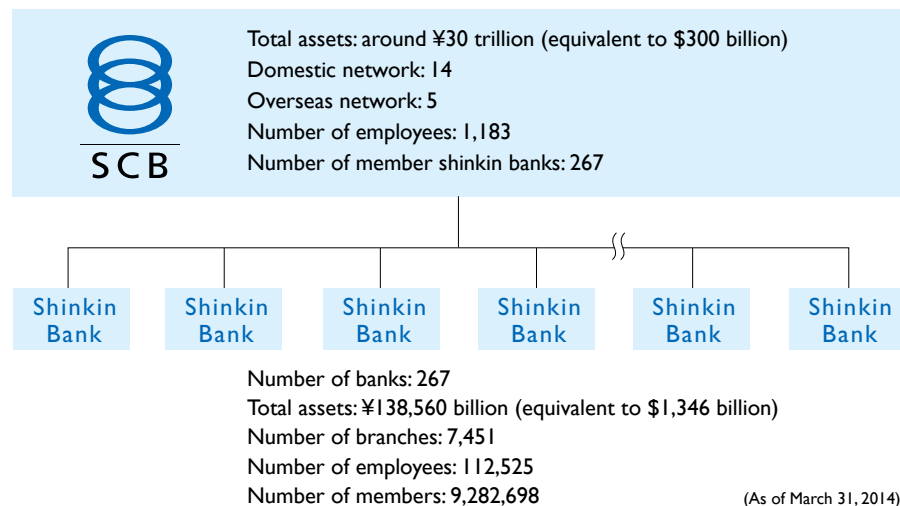
The number of our overseas correspondent banks amounts to 243, with main branches covering 50 countries worldwide, as of the end of March 2014.



Note: Correspondent banks refer to those banks with whom the SCB has an agreement for foreign exchange trading in respective countries.

The SCB Is the Central Bank of the Shinkin Bank Sector

The SCB's funds are raised mostly through deposits mainly from shinkin banks and the issuance of debentures. The SCB invests these funds in securities and lends them out as loans, and uses the resulting profits to support the activities of shinkin banks.



Roles

Central Bank for Shinkin Banks

(I) Supplementing the Operational

Capabilities of Shinkin Banks

Japan's 267 shinkin banks nationwide play a key role in supporting regional economies by lending to local organizations and SMEs. With total deposits held by shinkin banks reaching ¥128 trillion (equivalent to \$1,244 billion), shinkin banks occupy a very important position within Japan's overall financial sector.

As the central financial institution for the shinkin bank sector, the SCB is promptly responding to changes in the operating environment of shinkin banks. Such changes include increasingly sophisticated and diverse customer needs, intensified competition with other types of institutions, and demands for very stringent management control systems. Specifically, the SCB provides support for shinkin banks' financial services utilizing shinkin banks' network, activities in support of regional development and the management of small and medium-sized businesses, and over-the-counter sales of investment trust fund products. Furthermore, the SCB provides support in such areas as asset-liability management (ALM) and marketable securities portfolio analysis to assist shinkin banks in raising profitability and strengthening risk management systems.

Just as the Bank of Japan acts as a clearing house for domestic exchange transactions between banks, the SCB performs the role of a clearing house for shinkin banks, and for the year ended March 31, 2014, the SCB settled domestic exchange transactions with a substantial total value of ¥229 trillion (equivalent to \$2,229 billion). Moreover, the SCB acts as the intermediary in settlement of utility bills handled by shinkin banks.

The SCB also plays the role of supporting other operations of shinkin banks. In addition to supplementing international operations such as foreign exchange operations, the SCB has been supplementing the lending operations of shinkin banks, by commissioning shinkin banks to lend to local small and medium-sized businesses and business owners who are their customers.

In this way, the SCB is further reinforcing its capabilities to support shinkin banks in areas in which it is either difficult or inefficient for shinkin banks to provide services as individual institutions.

(2) Enhancing the Creditworthiness of the Shinkin Bank Sector

The SCB acts as a “consultant” or a “home doctor” for the shinkin bank sector as part of its measures to proactively support the management of shinkin banks. Shinkin banks play their part by operating such schemes as the “Shinkin Bank Management Reinforcement System” and the “Shinkin Bank Mutual Funding Support System.” The SCB works to maintain and enhance the creditworthiness of the shinkin bank sector through such activities as management analysis, management consulting and capital reinforcement for shinkin banks.

In recent decades, Japanese financial institutions have experienced several major crises, including the collapse of the country’s asset bubble in the 1990s, and more recently the global financial crisis triggered by the Lehman Brothers bankruptcy. However, amid such unsettling periods for the financial system, the SCB’s financial functions have played a crucial role in maintaining confidence in the shinkin bank sector and contributed to the stability of regional economies.

Independent Financial Institution

(1) Institutional Investor

Looking at the average balance for the year ended March 31, 2014, the SCB maintained assets under management of ¥31,114 billion (equivalent to \$302 billion). Of this total, the SCB invested ¥18,590 billion (equivalent to \$180 billion) in securities, in the form of government bonds, municipal bonds, corporate bonds and foreign securities and ¥6,304 billion (equivalent to \$61 billion) in short-term money markets.

The SCB manages a vast amount of money in both domestic and international markets, holding an important position in the financial industry as one of Japan’s leading institutional investors.

(2) Comprehensive Financial Services Supplier

The SCB conducts deposit-taking and lending operations—the core functions of a financial institution—issues debentures, and conducts foreign exchange operations.

It also undertakes such auxiliary operations as underwriting public bonds, handling private

placement bonds, and issuing personal loan guarantees, as well as peripheral operations of financial institutions, including trust, securities, financial advisory, investment trust funds, defined contribution pensions, venture capital, and M&A advisory.

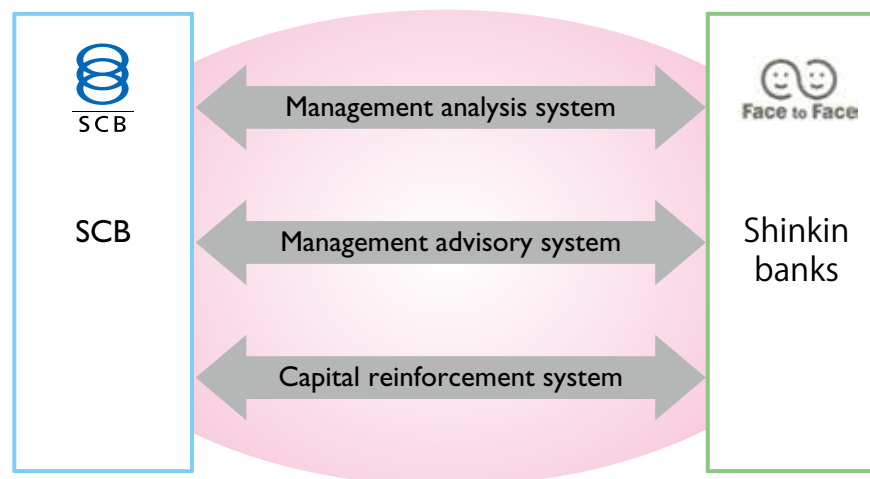
These operations are conducted either by the SCB itself or through its subsidiaries.

(3) Financial Institution Contributing to Regional Development

In order to contribute to the development of local economy, the SCB cooperates with shinkin banks, which work closely with local communities all around the country, and actively promotes direct lending to regional public bodies and local companies as well as investment in regional development projects and PFI entities through its nationwide network of branches.

In addition, the SCB has been actively supporting the revitalization of regional companies and invigoration of local communities in cooperation with shinkin banks from the perspective of relationship banking, and has been acting as a regional financial institution.

Shinkin bank management reinforcement system



Management analysis system

Shinkin banks submit materials on their operating and financial conditions. The SCB conducts management analyses based on those materials, and identifies shinkin banks for recommended management consultations. The SCB also conducts more detailed analyses on shinkin banks when certain standards apply.

Management advisory system

The SCB provides management consulting and follow-up to shinkin banks that accept consultations or meet certain standards. This consulting covers everything from overall management to individual issues toward. The consulting reinforces the shinkin banks’ management capabilities by proposing various measures to resolve management problems and by sharing information on good examples, etc.

Capital reinforcement system

The SCB provides capital to shinkin banks that have received management consulting when analyses indicate this is necessary. To prevent moral hazard on the part of the shinkin banks, capital is only provided with the submission of a business revitalization plan, and the SCB provides subsequent management and operations guidance.

Management Issues and Strategies

The Shinkin Central Bank has formulated “SCB Medium-Term Action Program 2013,” a three-year medium-term management plan covering the period from fiscal 2013 to fiscal 2015.

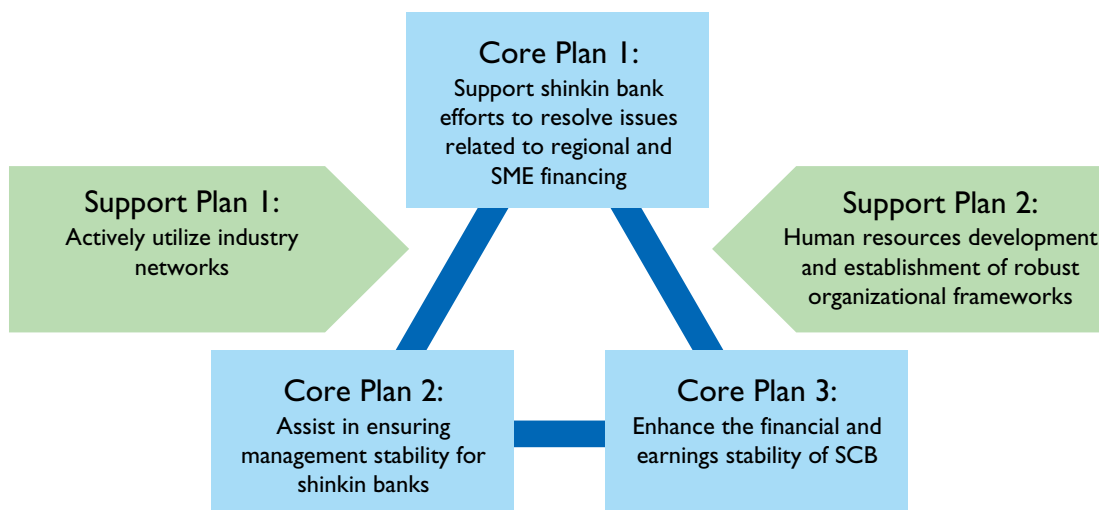
We designated fiscal 2013, the first year of the plan, as a “year to take a new step forward with shinkin banks for the sustained development of regional areas,” and implemented priority measures in three Core Plans and two Support Plans.

During fiscal 2013 we focused particularly on Core Plan 1: Support shinkin bank efforts to resolve issues related to regional and SME financing. We concentrated on the three main aspects of “Strengthen support for SMEs,” “Strengthen support for retail financing,” and “Strengthen support for community revitalization,” and mainly implemented the following initiatives to meet the diversifying needs of shinkin banks.

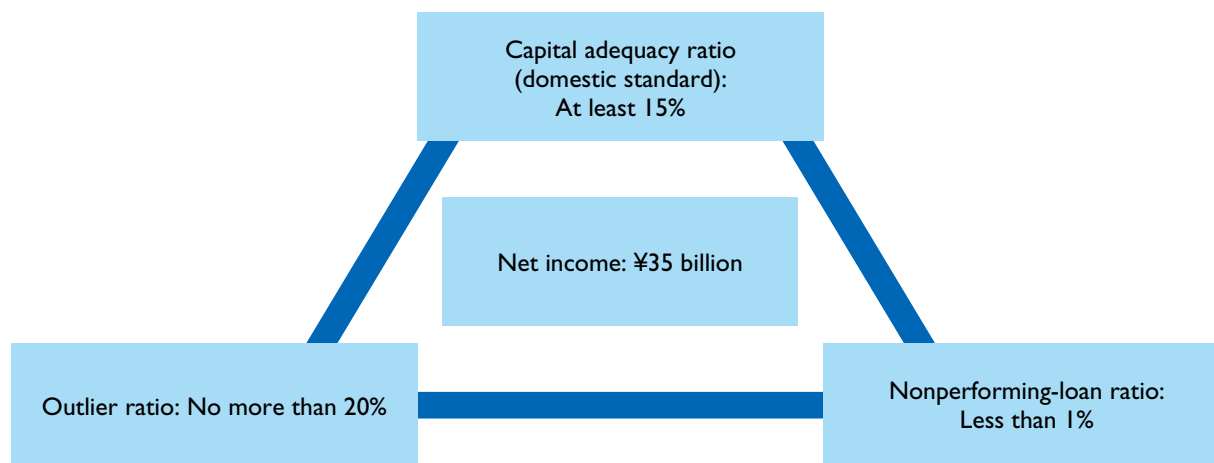
Overview of the New Medium-Term Management Plan

SCB Medium-Term Action Program 2013

Working with shinkin banks for the sustainable development of regional areas



Target figures



Strengthen Support for SMEs

• Support for entrepreneurship, management improvement, and business continuity

In April 2013, the SCB restructured the Shinkin Business Solution Division into the SME Business Solution Division, with the aim of enhancing its structures for supporting the efforts of shinkin banks for each life stage of SMEs, including entrepreneurship, management improvement, and business continuity.

In addition, to support the associated consulting for SMEs, in May 2014 we began offering the “Life Stage Support Program,” comprising the establishment of the new “Shinkin no Tsubasa” fund, and business alliances with external specialized agencies.

• Support for overseas expansion

The SCB has been pursuing business alliances with local Asian banks in order to enhance its structures to support the overseas business expansion of shinkin bank customers. During fiscal 2013, we concluded tie-ups with the Bank for Investment and Development of Vietnam (BIDV), and the Bank of East Asia (BEA).

To provide shinkin banks and shinkin bank customers with local information and opportunities for mutual exchange, in partnership with allied banks we held seminars for local companies, as well as “Shinkin Conferences” in Hong Kong, Shanghai, and Bangkok.

To support the overseas business operations of shinkin banks and shinkin bank customers, in April 2014 we concluded a memorandum on business alliance with Nippon Export and Investment Insurance (NEXI).

Strengthen Support for Retail Financing

In April 2013, SCB established the Retail Business Solution Division with the aim of strengthening its structure for supporting retail financing through shinkin banks, such as operations for individual loans and client assets, as well as developing and offering products for individual life events.

In April 2014, SCB began offering the “Shinkin Family Support Fixed-Term Deposit,” which combines a fixed-term deposit sold by shinkin banks with services offered by benefit program companies, and health-related services from medical firms.

Strengthen Support for Community Revitalization

The SCB, with the aim of strengthening its structure for supporting the community revitalization initiatives of shinkin banks, in April 2013 restructured the Regional Business Department of the Shinkin Business Solution Division into the Regional Innovation Support Office, and moved the offices to the Research Institute.

To assist with the revitalization of the local areas that comprise the business base for shinkin banks, in cooperation with shinkin banks we provided consulting on how to revitalize shopping districts and hot spring areas. We also held information exchange meetings on community revitalization in order to promote the sharing of data and expertise among shinkin banks facing similar issues for specific business fields, such as tourism or hot spring resorts.

Formulation of the “SCB PRINCIPLE OF ACTION”

The key to whether or not the SCB will be able to realize the policies set out in the medium-term management plan is human resources. One of the action program’s support plans aims to “develop human resources—people who take pride in working for a central financial institution and have a high level of professional expertise.” To cultivate pride and ambition among the SCB’s directors and employees as members of the central financial institution for shinkin banks, we formulated the “SCB PRINCIPLE OF ACTION.” All SCB directors and employees are expected to strongly heed the principles as our unified fundamental guidelines for decision-making and behavior during the conduct of business operations.

SCB PRINCIPLE OF ACTION

As directors and employees of the central financial institution for shinkin banks, we will always deal with our business under following guideline and style of action, with awareness of the fact and pride in it, and high spirit and strong sense of responsibility.

GUIDELINE OF ACTION

1. Be customer-oriented
From the perspective of the customers, including shinkin banks, we try to provide optimum products, services, and functions.
2. Be innovative
With awareness of the issues and cost-consciousness, regardless of precedent, we will improve our operations.
3. Be professional
With tireless self-development, we will strive to improve our expertise and skills in our specialties.

STYLE OF ACTION

1. **S**peed
2. **C**hallenge
3. **B**asic

Efforts Aimed at Recovery from the Great East Japan Earthquake

Support for Recovery from the Great East Japan Earthquake

The shinkin bank industry has been providing ongoing and coordinated support for shinkin bank customers in disaster areas since immediately following the March 2011 earthquake and tsunami.

Three years have passed since the disaster, and positive news stories regarding recovery efforts are appearing regularly, such as the recent full resumption of train services on the severely damaged Sanriku Railway. However, many people still live as refugees, and in fact the region is only halfway along the road to recovery. In the midst of these efforts, the trust and expectation placed in shinkin banks, with their strong roots in the community, and which continue to provide essential financing to businesses and residents, is growing among the local population.

The measures introduced in this section are part of the concerted effort by the shinkin bank industry, including the National Association of Shinkin Banks (Zenshinkyo) and related organizations, to support recovery by fully utilizing the nationwide shinkin bank network.

Of note, in April 2013 the SCB strengthened its support structure for disaster areas by moving its Disaster Recovery & Reconstruction Support Office from Tokyo to Sendai, the core city in the Tohoku region. We will continue to work as an industry to achieve true recovery for the disaster areas.

Participation in the “New Tohoku Partnership Promotion Committee”

The SCB is providing ongoing reconstruction support utilizing its industry network, and in December 2013 joined the New Tohoku

Partnership Promotion Committee* established by the Reconstruction Agency.

* The New Tohoku Partnership Promotion Committee was established to allow companies and other organizations developing business in the disaster areas to share and exchange information on recovery support measures, further alliances among them, and achieve sustainable business vitality in the Tohoku region.

Financial Products to Support Disaster Areas

The SCB has been offering financial products to support disaster victims since fiscal 2011. In fiscal 2013, we offered the “Shinkin Great East Japan Earthquake Children’s Support Fixed-Term Deposit II” at all shinkin banks nationwide. We received subscriptions amounting to ¥98.6 billion, of which 0.25% (¥246.5 million) was donated to support the education of orphaned children in Iwate, Miyagi and Fukushima prefectures.

From June 2011 to July 2012, in collaboration with our subsidiary Shinkin Asset Management Co., Ltd., we offered the “Shinkin Reconstruction Assistance Scholarship Fund” (nicknamed “Children’s Future”), an over-the-counter investment trust in which a portion of the trust fee (0.225% of total net assets) is donated to disaster orphans for a five-year period. A total of about ¥27 million has been donated to date.

Volunteer Activities of Shinkin Bank Employees in Disaster Areas

As part of its aid for recovery from the Great East Japan Earthquake, SCB has since fiscal 2011 been providing support for volunteer activities to shinkin banks and related organizations nationwide. More than 1,500 execu-

tives and employees have participated to date.

Support for Shinkin Banks in Disaster Areas through the Financial Functions Strengthening Act

In November 2011, a new mutual support system for the industry was established based on the Act on Special Measures for Strengthening Financial Functions (the “Financial Functions Strengthening Act”). This system allows shinkin banks in the disaster areas to provide smooth financial intermediary functions over the long term, in order to support recovery and reconstruction.

In February 2012, four shinkin banks that had been heavily damaged in the disaster were provided with ¥63.0 billion in capital increases (of which, ¥54.7 billion was capital participation by the government), based on the special law.

The SCB is providing ongoing support to these four shinkin banks, including sending personnel, and assisting with advice and monitoring for shinkin bank policies, in order to allow these banks to maintain a strong financial intermediary function, and steadily implement strategies to benefits reconstruction of disaster areas.

Status of the “Shinkin no Kizuna” Reconstruction Support Fund

The “Shinkin no Kizuna” reconstruction support fund was established in December 2011 to support business revival for shinkin bank customers. At the end of the March 2014, a total of ¥1.9 billion had been committed for investment in 37 businesses in disaster areas.



Shinkin executives and employees conducting volunteer activities in disaster areas



Overseas Network

The SCB has overseas offices in New York, Hong Kong, Shanghai, Bangkok and London. These offices facilitate the SCB's support for shinkin banks by actively gathering and analyzing information on local economies, financial markets, investment environments, and consumer markets.

Furthermore, representative offices also accept trainees or visitors/missions from various shinkin banks to assist the human resource development program.

New York Representative Office

Ever since Overseas Economic Institute of Shinkin Central Bank opened its New York office in November 1983, the New York Representative Office conducts research on U.S. markets and assists its Head Office to explore new investment opportunities. Taking advantage of its location in the center of the global financial activities, the New York Representative Office identifies the latest trends in the financial markets and obtains vital information for the SCB's treasury operations.

As a common U.S. infrastructure for the shinkin bank industry, the New York office provides shinkin banks with information on the fast-changing U.S. economy and financial market, offering a wide range of support.

Hong Kong Representative Office

Ever since Shinkin Central Bank established a Hong Kong business office in November 1994, the Hong Kong Representative Office has been continuously supporting the activities of shinkin bank customers in Asian countries, particularly in the South China region, by providing information about the services of the local banks, legal systems, tax systems, employment, etc. The Hong Kong Representative Office is providing shinkin banks and their customers with the information relating to economic and financial situations, and the investment environment in Asian countries.

Shanghai Representative Office

Since its inception in September 2004, the Shanghai Representative Office has been providing a variety of information relating to economic and financial conditions, the investment and loan environment, and the laws, taxation and employment of each region. The Shanghai Representative Office also has been offering detailed advice and a variety of support to shinkin bank customers moving into China and those planning such a move in the future.

Bangkok Representative Office

The Bangkok Representative Office, opened in October 2012, provides shinkin bank customers expanding or planning to expand to Thailand, Vietnam, and Indonesia with information on the economic and financial conditions in those three countries, as well as the

investment and financing environment, and the current status of local laws, taxes, and employment. The office also offers advice and various types of support.

Shinkin International Ltd. (London)

Shinkin International Ltd., a wholly owned subsidiary of the SCB, was established in London in 1990 as an overseas office for securities business in order to expand investment opportunities for the shinkin bank sector.

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

Supporting the Overseas Expansion of Shinkin Bank Customers

Business Alliances with Asian Banks

As globalization of the international economy advances, the SCB anticipates that SMEs—customers of shinkin banks—will increasingly look to expand overseas and engage in trading activities, particularly centered on China and other countries in Asia.

For this reason, the SCB provides support to shinkin bank customers that are undertaking overseas expansion, specifically through SCB offices in such locations as Hong Kong, Shanghai and Bangkok. Furthermore, from 2010 to 2012, the SCB formed business alliance with four banks in Asia. In addition, the SCB entered into a business alliance in April 2013 with the Joint Stock Commercial Bank for Investment and Development of Vietnam (Hanoi, Vietnam), then in November 2013 with The Bank of East Asia (Hong Kong). These relationships are part of the SCB's policy of strengthening

its support infrastructure for shinkin bank customers undertaking overseas business expansion.

Support for the Expansion of Overseas Channels

Supply of Information

With regard to shinkin banks and their customers, in addition to such printed materials as International Business Support Office Monthly and China Business Guidebook, the SCB is supplying the up-to-date information in a variety of formats, for example by holding overseas investment seminars. From time to time we also provide investment climate survey reports that focus on Asia and the latest information from overseas network.

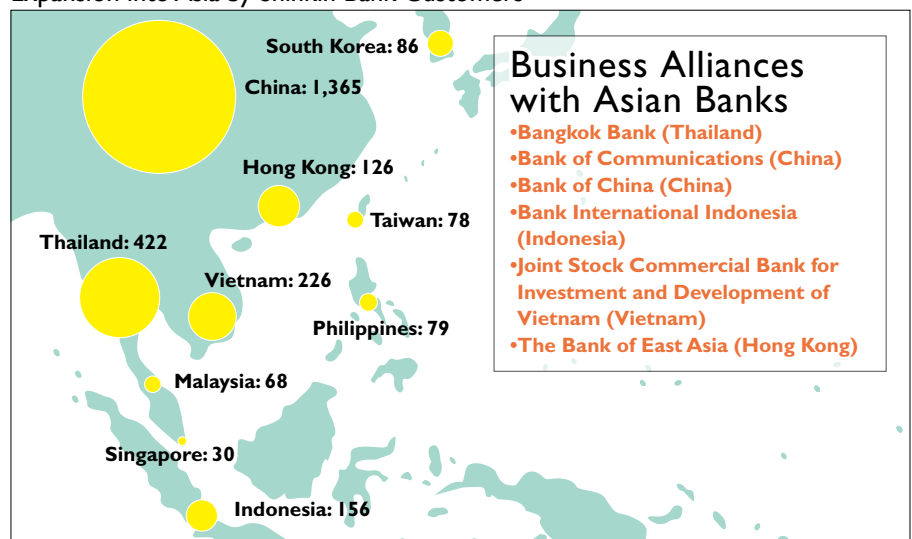
We use overseas network in Hong Kong, Shanghai and Bangkok as venues for holding information exchange meetings for shinkin bank customers that are expanding overseas.

Trade and Investment Consultation

Staff with expertise hold phone- or interview-format trade and investment consultations for the benefit of shinkin bank customers that are either expanding or conducting business transactions overseas or for shinkin bank customers examining the prospects for overseas business or new transactions.

In the case of the trade and investment consultations, staff with indispensable expertise in overseas business operations offer consultation support based on the individual needs of customers, such as by providing information on the local investment environment, local legal issues and domestic and overseas market trends.

Expansion into Asia by Shinkin Bank Customers



Source: Tenth Survey on the Overseas Business of Shinkin Bank Customers (2013).

Business Overview

Earnings Performance

Reviewing the SCB's operating results for fiscal 2013, operating income decreased by ¥103 billion (equivalent to \$1,003 million) or 26.8% to ¥280 billion (equivalent to \$2,726 million). This result was mainly attributable to a decline in gain on sales of government and other bonds. Meanwhile, operating expenses decreased by ¥110 billion (equivalent to \$1,075 million) or 32.3% to ¥231 billion (equivalent to \$2,253 million). This result was mainly attributable to a decrease in financing costs centered on interest on deposits and debentures, as well as a decline in financial derivative expenses.

As a result, ordinary income increased by ¥7 billion (equivalent to \$72 million) from the previous fiscal year to a profit of ¥48 billion (equivalent to \$472 million). Net income increased by ¥3 billion (equivalent to \$32 million) from the previous fiscal year to a net profit of ¥35 billion (equivalent to \$343 million).

Funding

During fiscal 2013, the total amount of funding ¥29,147 billion (equivalent to \$283,154 million) at the end of the fiscal year, which was almost the same amount in fiscal year 2012. Deposits received during the fiscal year amounted to ¥23,684 billion (equivalent to \$230,075 million). This result was mainly attributable to increases in fixed-term deposits from shinkin banks.

The SCB issued ¥628 billion (equivalent to \$6,101 million) worth of debentures during the fiscal year. The outstanding amount of debentures decreased by ¥380 billion (equivalent to \$3,694 million) or 10.7% to ¥3,168 billion (equivalent to \$29,776 million).

Asset Management

The amount of assets under management in fiscal 2013 increased by ¥699 billion (equivalent to \$6,799 million) or 2.3% to ¥30,688 billion (equivalent to \$298,117 million).

Owing to a decrease in government bonds, the outstanding amount of invested securities decreased by ¥1,230 billion (equivalent to \$11,955 million), or 6.2%, during the fiscal year, to ¥18,450 billion (equivalent to \$179,235 million) at the end of the fiscal year.

Owing to an increase by national or governmental agencies and organizations, loans and bills discounted increased by ¥515 billion (equivalent to \$5,009 million) or 9.4% during the fiscal year to ¥5,975 billion (equivalent to \$58,051 million) at the end of the fiscal year.

The outstanding amount of short-term money market assets increased by ¥1,699 billion (equivalent to \$16,505 million), or 39.8%, during the fiscal year, to ¥5,966 billion (equivalent to \$57,965 million). This primarily reflected increases in current deposits in the Bank of Japan.

Securities

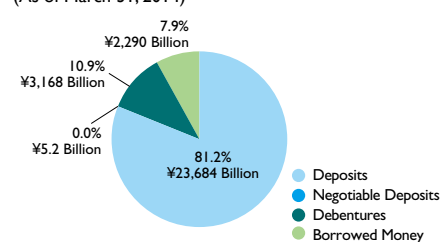
As of March 31, 2014, the outstanding amount of securities was ¥18,450 billion (equivalent to \$179,235 million). Government bonds, corporate bonds and other domestic securities accounted for ¥14,762 billion (equivalent to \$143,409 million) while foreign securities accounted for ¥3,687 billion (equivalent to \$35,826 million). In foreign securities, the SCB mainly invests in safe assets which include government-secured financial institution bonds and government-agency bonds in major developed countries.

In order to advance its diversified investment portfolio, the SCB also invests risk assets such as stocks & investment trust funds not subject to interest risk, and takes steps to optimize its portfolio in response to shifts in the financing and investment environment.

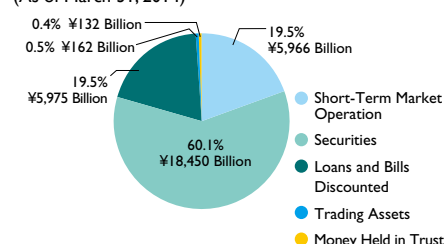
Loans and Bills Discounted

The SCB has conducted a variety of loan businesses. As of March 31, 2014, the outstanding amount of loans and bills discounted was ¥5,975 billion (equivalent to \$58,051 million). Out of the total loans and bills discounted, agency loans to shinkin bank customers (small and medium-sized businesses) through shinkin banks accounted for ¥266 billion (equivalent to \$2,587 million), while direct loans to parties such as national or governmental agencies and organizations, regional public corporations and charitable organizations accounted for ¥3,212 billion (equivalent to \$31,202 million). Direct loans to business corporations accounted for ¥2,006 billion (equivalent to \$19,494 million).

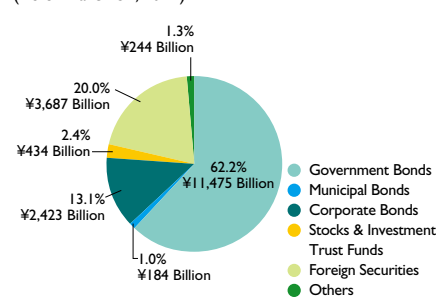
Breakdown of Funding (As of March 31, 2014)



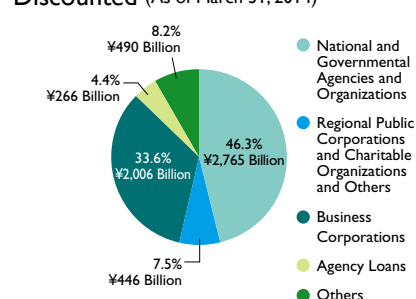
Breakdown of Asset Management (As of March 31, 2014)



Breakdown of Securities (As of March 31, 2014)



Breakdown of Loans and Bills Discounted (As of March 31, 2014)



Ordinary Income and Net Income (Non-Consolidated)

(Millions of Yen)

	FY2009	FY2010	FY2011	FY2012	FY2013
Ordinary Income (Loss)	17,186	36,662	35,575	41,163	48,651
Net Income (Loss)	28,365	27,387	29,007	32,024	35,396

Capital Adequacy

Outline

The SCB's equity capital, as defined under regulations concerning capital adequacy ratios, mainly comprises common shares from member shinkin banks, preferred shares issued in public that supplement common shares, and internal reserves accumulated by the SCB to date. As per the application of transitional measures based on new domestic Japanese standards, equity capital also includes fixed-period and perpetual subordinated loans.

Measures to Enhance Capital Adequacy

Based on the recognition that increasing equity capital is the most important way to secure the sound management of financial institutions, the SCB has raised capital in phases while working to accumulate internal reserves. In June 2009 the SCB raised ¥200 billion (equivalent to \$1,942 million) in common shares from the shinkin bank sector in order to improve equity capital quality by increasing core capital, and thus strengthen the SCB's financial constitution, and to stably carry out functions as the central financial institution of the shinkin bank sector.

Consolidated Capital Adequacy Ratio

The SCB's consolidated capital adequacy ratio at March 31, 2014, was 37.86%.

Equity capital, the numerator for calculating the capital adequacy ratio, amounted to ¥1,692 billion (equivalent to \$16,443 million).

Risk assets, the denominator for calculating the capital adequacy ratio, amounted to ¥4,469 billion (equivalent to \$43,420 million).

Risk Management and Capital Adequacy Assessment

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

By adopting integrated risk management as a method of assessing capital adequacy, the SCB sets limits on the amount of risks according to the amount of capital allocated to each category and thereby controls risks within these limits.

In order to monitor the potential impacts of shocks on its capital, the SCB further conducts stress testing to estimate losses under various scenarios, taking into account the gravity of each case and probability of its occurrence.

The situation regarding risk limits and the amount of risk exposure is reported to senior management at the Risk Management Committee and at other meetings. Furthermore, in principle, the Risk Management Committee deliberates on measures in response to the results of capital adequacy assessments and implements measures as deemed necessary.

Capital Adequacy Ratio (Domestic Standard)

(%, billions of yen)

		FY2009	FY2010	FY2011	FY2012	FY2013
Consolidated	Capital Adequacy Ratio	28.17	31.76	32.43	33.57	37.86
	Amount of Capital	1,312	1,344	1,379	1,422	1,692
	Amount of Risk-weighted Assets	4,659	4,233	4,253	4,236	4,469
Non-Consolidated	Capital Adequacy Ratio	28.06	31.78	32.54	33.42	37.84

Note: Figures for FY2009 through FY2012 are based on the previous standard, while figures for FY2013 are based on the new standard.

Asset Quality

Risk-Monitored Loans

The amount of risk-monitored loans as of the end of March 2014 was ¥125 million (equivalent to \$1 million) for loans to bankrupt borrowers, ¥8,734 million (equivalent to \$84 million) for delinquent loans, ¥86 million (equivalent to \$0.8 million)

for loans past due three months or more, and ¥28,926 million (equivalent to \$280 million) for restructured loans. Total risk-monitored loans decreased by ¥724 million (equivalent to \$7 million) to ¥37,873 million (equivalent to \$367 million) during the fiscal year.

The ratio of total risk-monitored loans to total loans remained as low as 0.63%, and the soundness of the SCB's loan assets remained high.

Risk-Monitored Loans (Non-Consolidated)

(Million yen, %)

	End of March 2013	End of March 2014	Increase or decrease
Loans to Bankrupt Borrowers	404	125	(279)
Delinquent Loans	9,418	8,734	(684)
Loans Past Due Three Months or More	165	86	(79)
Restructured Loans	28,609	28,926	317
Total Risk-Monitored Loans (A)	38,597	37,873	(724)
Partial direct write-offs	1,206	951	(255)
Total Loans (B)	5,460,155	5,975,832	515,677
Ratio of Total Risk-Monitored Loans to Total Loans (%) (A/B)	0.70	0.63	(0.07)

Risk-Monitored Loans (Consolidated)

(Million yen, %)

	End of March 2013	End of March 2014	Increase or decrease
Loans to Bankrupt Borrowers	404	125	(279)
Delinquent Loans	9,418	8,734	(684)
Loans Past Due Three Months or More	165	86	(79)
Restructured Loans	28,609	28,926	317
Total Risk-Monitored Loans (A)	38,597	37,873	(724)
Partial direct write-offs	1,206	951	(255)
Total Loans (B)	5,460,170	5,975,834	515,664
Ratio of Total Risk-Monitored Loans to Total Loans (%) (A/B)	0.70	0.63	(0.07)

Asset Assessment under the Financial Reconstruction Law

As of the end of March, 2014, bankrupt and quasi-bankrupt assets amounted to ¥758 million (equivalent to \$7 million), doubtful assets were ¥8,102 million (equivalent to \$78 million), and substandard assets were ¥29,012 million (equivalent to \$281 million).

Accordingly, the total amount of bad debts under the Financial Reconstruction Law decreased by ¥724 million (equivalent to \$7 million) to ¥37,873 million (equivalent to \$367 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 73.51%.

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.

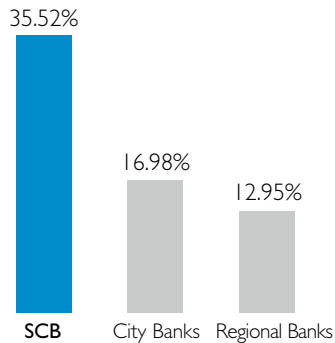
Asset Assessment under the Financial Reconstruction Law (FRL) (Non-Consolidated) (Million yen, %)

	End of March 2013	End of March 2014	Increase or decrease
Bankrupt and Quasi-Bankrupt Assets	1,102	758	(344)
Doubtful Assets	8,721	8,102	(619)
Substandard Assets	28,774	29,012	238
Total Claims under the FRL (A)	38,597	37,873	(724)
Normal Claims	5,476,377	6,030,135	553,758
Partial direct write-offs	1,206	951	(255)
Total Loans (B)	5,514,975	6,068,008	553,033
Ratio of Total Claims under the FRL to Total Loans (%) (A/B)	0.69	0.62	(0.07)
Total Coverage Amounts on Disclosed Claims under the FRL (C)	23,293	27,842	4,549
Coverage Ratio (%) (C/A)	60.35	73.51	13.16

Important Management Indices

As the central financial institution for shinkin banks, the SCB strives for sound management.

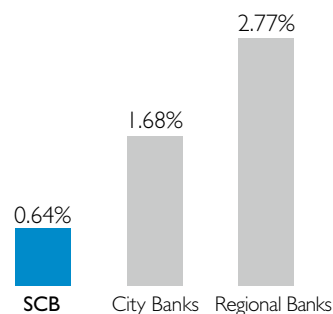
Capital Adequacy Ratio (%) (As of September 30, 2013)



37.86%
(As of March 31, 2014)

Notes 1. City Banks: Average of 5 Banks
2. Regional Banks: Average of 64 Banks
Source Bank disclosure documents

NPL Ratio (%) (As of September 30, 2013)



0.63%
(As of March 31, 2014)

Note NPL ratio = Total risk-monitored loans/Total loans
Source Financial Services Agency

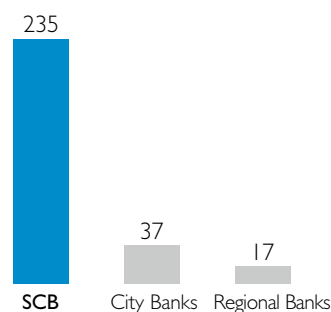
Long-Term Credit Rating (As of July 31, 2014)

A1	A ⁺	A ⁺	AA
Moody's	S&P	R&I	JCR

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

The SCB promotes streamlining of management through continuous drastic restructuring.

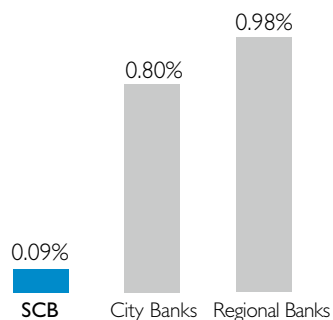
Funds per Employee (Millions of U.S. dollars) (As of September 30, 2013)



\$220 MILLION
(As of March 31, 2014)

Notes 1. Total funds = Deposits+CDs+Debentures
2. US dollar amounts are converted for convenience only, at ¥97.68 and ¥102.94 per dollar, the prevailing rate on September 30, 2013 and March 31, 2014, respectively.
Source Japanese Bankers Association

Ratio of Expenses (%) (As of September 30, 2013)



0.09%
(As of March 31, 2014)

Note Ratio of expenses = Total expenses/(Deposits+CDs+Debentures) Average outstanding balance
Source Japanese Bankers Association

Corporate Governance

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

Institutional Structure

General Assembly of Representatives (General Meeting)

The SCB is a cooperative financial institution consisting of 267 shinkin banks nationwide (as of March 31, 2014) as its members and investors. The General Assembly of Representatives is equivalent to the general meeting of shareholders in a joint-stock company, and is held annually to elect directors and resolve important issues.

Board of Directors

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

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

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

Auditors

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

The SCB selects one full-time auditor, two part-time auditors from among the presidents or board chairs of shinkin banks, and two part-time auditors who are not executives of SCB or shinkin banks (non-member auditors), equivalent to outside auditors as defined by the Companies Act. Non-member auditors are selected from among persons who meet the requirements stipulated in Article 32-5 of the Shinkin Bank Act. There are no stipulations of standards or guidelines regarding independence for the selection of non-member auditors. The SCB is confident that non-member auditors are able to utilize their professional knowledge and experience to conduct audits from an

independent perspective.

One of the non-member 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 auditors.

General Meeting for Preferred Shares

The SCB's preferred shares are listed on the Tokyo Stock Exchange (see page 22).

Preferred shareholders have no voting rights at the General Assembly of Representatives. However, a general meeting for preferred shareholders may be held to protect their property rights under the Law Concerning Preferred Shares of Cooperative Financial Institutions.

Support System for Part-Time Directors and Part-Time Auditors

The General Affairs Division provides information and other support for part-time directors, and staff exclusively assisting the auditors provide the same for part-time auditors to facilitate timely and precise decision making by part-time directors and auditors.

Checks on the Execution of Business Operations

Execution of Business Operations

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

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

The SCB has also established various committees of the Executive Committee to facilitate robust discussions on all aspects of its business operations. To ensure that deliberations and resolutions 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 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 check functions.

Audits by Auditors

At the SCB, to facilitate audits of the directors' execution of duties, the auditors attend meetings of the Board of Directors and other important meetings. The auditors also receive reports from directors regarding their execu-

tion of duties and inspect the minutes of the Executive Committee and other important documents. In addition, the auditors conduct regular meetings with the independent auditors to exchange opinions and information.

Exclusive staffs are assigned to assist the auditors in the execution of their duties so as to facilitate the timely and precise execution of duties by the auditors.

The Internal Audit System

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

In addition, each division and branch is required to undertake their own internal inspections for prevention and early detection of administrative errors.

The Use of Outside Specialists

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 Disclosure of Corporate Information

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

Improving Internal Control Systems

The SCB regards compliance as basic premise of all business activities. The SCB continues to strengthen and operate the internal control systems, based upon policy to maintain reliability of financial reporting, to manage risks flexibly and effectively in response to those characteristics, and to implement internal audit by utilizing the Internal Audit Division, which is independent from the operational divisions and branches.

Strengthening the Compliance System

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

Compliance System

1. The SCB has formulated the Shinkin Central Bank Code of Ethics, which stipulates the ethical rules and behavior standards that must be upheld by all the 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 are established and their respective roles are clarified. A compliance supervisor, personnel responsible for compliance and personnel deputy responsible for compliance are appointed at every 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 list of audit items used by the Internal Audit Division includes compliance-related items, and internal audits include investigation on whether or not the compliance system is functioning adequately.
9. In cases of compliance violation, reports from the heads of concerned divisions or branches are promptly called for and appropriate actions are taken to prevent recurrence.
10. The SCB operates a hotline system to facilitate reporting of compliance breaches by directors or 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.

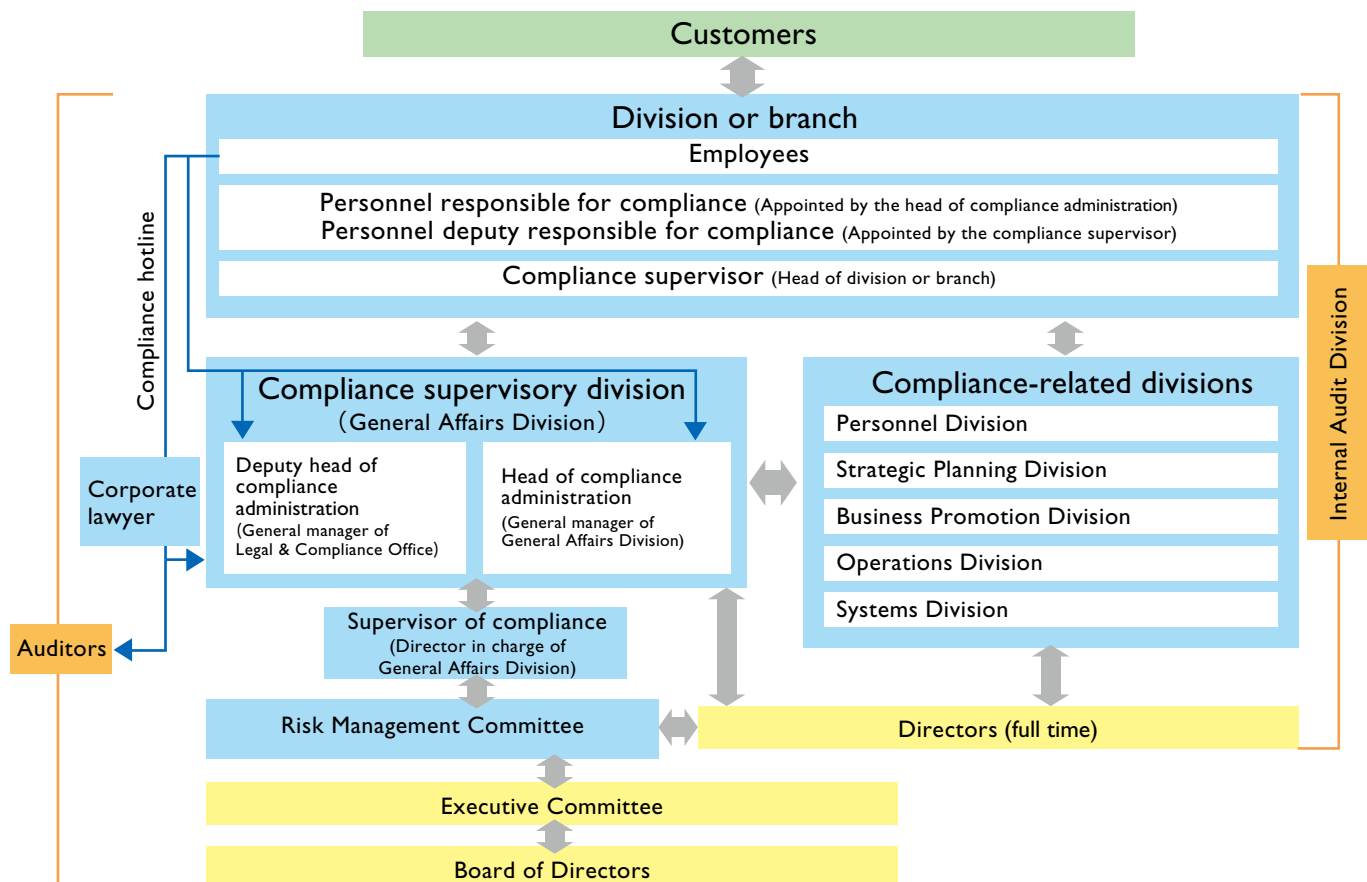
12. Pursuant to the Law on Protection of Personal Information, the SCB has published its Personal Information Protection Policy on its Internet web site. The SCB takes necessary and appropriate safety measures to protect personal information.

13. In addition to publishing its "Outline for Managing Conflicts of Interest" on its Internet web site pursuant to the Shinkin Bank Law and the Financial Instruments and Exchange Law, the SCB is implementing appropriate management 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' enquiries, 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 directors and employees of the SCB are working to maintain strict compliance through coordination among related divisions and by strengthening internal education programs.

Compliance System Overview



Risk Management

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

Basic Policy on Risk Management

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

The SCB believes that its future depends on risk management and that a strong risk management system is a prerequisite for maintaining sound management and securing adequate profits.

The SCB classifies “risk” into two broad categories—risk that must be controlled and risk that must be absolutely minimized—and manages these risks accordingly. The types of risk that must be controlled are market risk, liquidity risk and credit risk. The type of risk that must be minimized is operational risk. Risk is managed by divisions which are independent from divisions involved in business operations. The Risk Management Division coordinates management of differing risks to provide comprehensive risk management.

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

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

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

Integrated Risk Management

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

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

For market risk and credit risk, the SCB calculates Value-at-Risk. 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 risk limit amounts for operational risk and

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

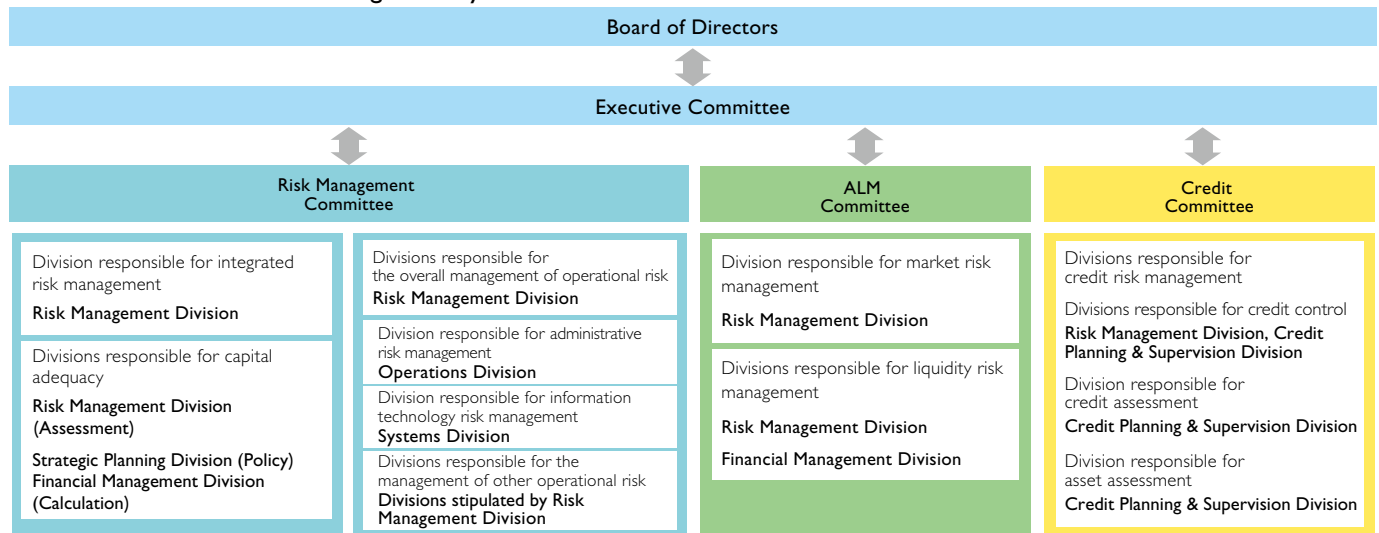
The quantitative risk limits and reserve amounts for each fiscal year are determined by the Executive Committee after deliberation by the Risk Management Committee. The Risk Management Division, which oversees integrated risk management, measures the amount of risk exposure both during and at the end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

Note: 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 provide for risk taking by subsidiaries.

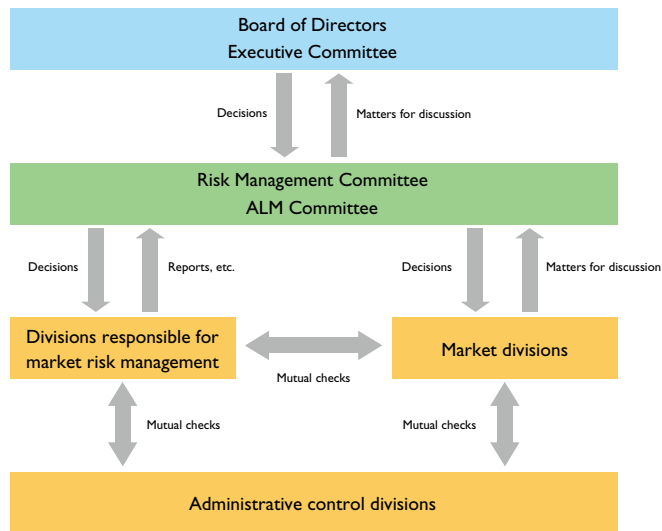
Risk Categories and Definitions

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

Overview of the SCB's Risk Management System



The SCB's 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.

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

In addition, the SCB manages market risk by monitoring a wide range of measures under various scenarios. These include the interest rate risk amount calculated using outlier standards; the possible stress loss during a period of very high market volatility; the basis-point-value (BPV) indicator, which measures the potential change in portfolio market value for every 0.01 percentage point fluctuation in interest rates.

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

Liquidity Risk Management

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

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

Methods used for managing liquidity risk include the daily setting and monitoring of risk limit amounts relating to the gap between cash receipts and payments. This is carried out for individual currencies and periods. In

the event that a significant liquidity risk arises, the SCB has preparations to respond rapidly, including the securing of 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 as the body responsible for deliberating and making decisions on matters relating to credit risk management. The Credit Committee is comprised of senior management and general managers of related divisions. The Credit Committee deliberates widely and thoroughly on credit transactions that exceed a designated amount.

The Executive Committee deliberates on, 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 the credit rating of the borrower.

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 within the particular industry it operates in. Based on these assessments of credit strength, each borrower is given a credit rating on the SCB's 10-step scale. The credit ratings given to borrowers are reviewed regularly and flexibly revised as necessary.

Divisions responsible for credit control analyze the SCB's overall credit portfolio

according to credit rating, industry, country and other criteria. These analyses are used to monitor the diversification of credit risk as well as changes in portfolio credit risk. Furthermore, credit risk is quantified and managed within the risk limit set by the Executive Committee.

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

The Credit Planning & Supervision Division—responsible for credit assessment—accurately monitors each borrower's financial condition, the purposes for which funds are used and repayment resources. In addition to appropriate assessment and post-transaction management, the Credit Planning & Supervision Division continually checks whether the client service division is conducting appropriate credit control, and provides guidance as necessary. In the case of any problem on the side of borrowers, the Credit Planning & Supervision Division rapidly makes assessments of the borrower's management situation and provides supervision. Where necessary, an 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.

Note: 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 risk 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 necessity 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 further automation of administrative processing, training programs tailored for each staff and management level, and programs to encourage staff to submit proposals to improve administrative processes. 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.

In the event of a system failure that seriously affects the execution of business operations, a Bank-wide response is triggered based on crisis management procedures (contingency plan). The SCB also conducts crisis response drills periodically based on system-failure crisis scenarios.

To prevent damage caused by system failure, the SCB has issued a security policy and undertakes internal communications programs to ensure that all directors and employees have a thorough understanding of the SCB's security policy.

Corporate Social Responsibility (CSR) Activities

The SCB aims to be a financial institution highly valued throughout society.

Activities as a Regional Financial Institution

Since the SCB's funds are principally deposits received from many local shinkin banks, we believe that it is ideal to contribute to the social and economic development of local communities with its funds.

For this reason, in cooperation with shinkin banks, the SCB actively provides financing to local governments, public interest corporations, and locally based business enterprises.

Furthermore, in collaboration with shinkin banks, the SCB contributes to the development and revitalization of local communities with a very extensive variety of activities, including syndicated loans, private finance initiatives (PFI), support for the improvement of SME managements, regional industry research, and the implementation of local contribution programs.

Activities Implemented through the Provision of Financial Products

Charitable Trusts

Shinkin Trust Bank Ltd., a wholly owned subsidiary of the SCB, sets up and manages charitable trusts on behalf of individuals and companies in order to contribute to activities for the public good, such as environmental conservation, scholarships, academic research and subsidies for social welfare.

Socially Responsible Investing (SRI) Funds

Shinkin Asset Management Co. Ltd., a wholly owned subsidiary of the SCB, offers the Shinkin SRI Fund, in which it focuses on the social responsibility of the companies and invests.

SRI is based on the philosophy according to which "companies with the best potential for steady growth are those that maintain sustainable economic growth by fulfilling their corporate social responsibilities." Consequently, SRI funds carry out investments based on research and analysis from a broad range of perspectives, including financial, environmental, social and ethical.

Community Revitalization and Environmental Measures

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

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

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



Metrolink Nihonbashi

Activities That Aim to Contribute to Society

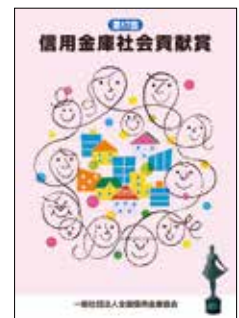
With branches and offices throughout Japan and overseas, the SCB aims to contribute not only to local communities but also to society in the broadest possible way.

The SCB has become a supporter of the "Table For Two" program, a social contribution project that began in Japan. Table For Two enables consumers to contribute to famine relief efforts in developing countries while enhancing their health. When a customer purchases an item on the "healthy menu" offered at the SCB head office cafeteria, part of the price of the meal (¥20) is donated to a developing country.

Shinkin Bank Contributions to Local Society

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

The 17th Shinkin Bank Social Contribution Award elicited submissions for 514 social contribution initiatives in a wide range of areas, from 152 shinkin banks and three related organizations, between November 2013 and January 2014. Activities were evaluated on the basis of continuity, social significance, integrity with the community, and impact on the local society. Awards were presented for activities at seven shinkin banks, with individual prizes conferred on two persons and one group as good examples for shinkin bank employees.



Shinkin Bank Social Contribution Award

What Are Shinkin Banks?

Shinkin banks are cooperative financial institutions. Their membership is composed of local residents and small and medium-sized companies. Shinkin banks' distinctive characteristics are (1) they are close and convenient, (2) they offer fine-tuned and personalized services and (3) they 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 various payments including those for public utilities, and engaging in over-the-counter sales of public bonds, investment trust funds, and insurance.

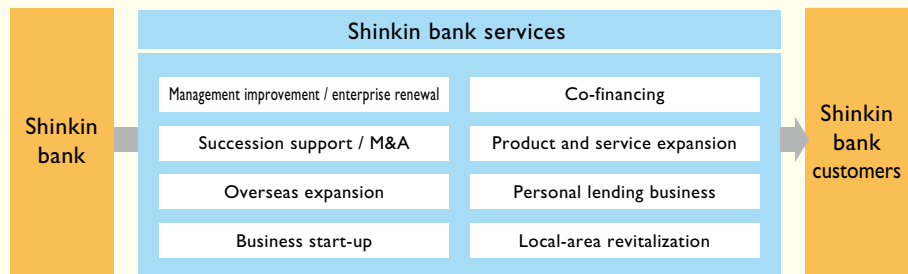
Shinkin banks not only provide deposit, lending and exchange services, but also offer a diverse range of services to customers and other members of the local community in such areas as support for management improvement and enterprise renewal, business succession support, business start-up support and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

Outline of Shinkin Banks

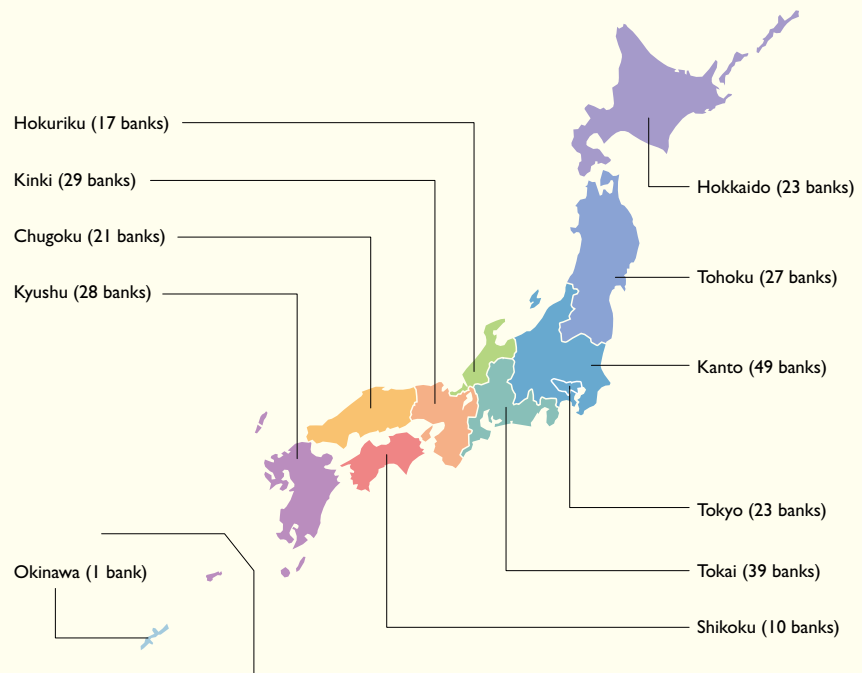
Japan's 267 shinkin banks form an extensive network with approximately 7,500 locations in every corner of the country, from Hokkaido in the north to Kyushu and Okinawa in the south. Shinkin banks dedicate themselves to providing high-quality services to local residents, as financial institutions that are deeply rooted in their respective regions and contribute to regional development.

Total deposits outstanding at 267 shinkin banks as of March 31, 2014, reached approximately ¥128 trillion (equivalent to \$1,244 billion), which ranks 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



Deposits Outstanding by

Bank Segment (As of March 31, 2014)

(Billions of U.S. Dollars)

City Banks	\$2,837
Regional Banks	2,287
Shinkin Banks	1,244
Agricultural Cooperatives	888
Second-tier Regional Banks	597
Credit Cooperatives	181
Labor Credit Associations	174

Notes

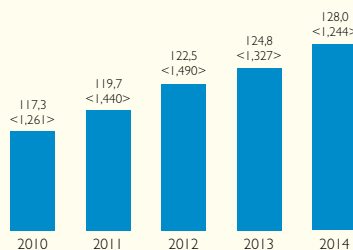
1. Deposit includes domestic operations.
2. City banks, regional banks and second-tier regional banks do not include the special international financial transactions account.

Sources

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

Deposit Outstanding at Shinkin Banks

(Trillions of Yen / Billions of U.S. Dollars)



Note

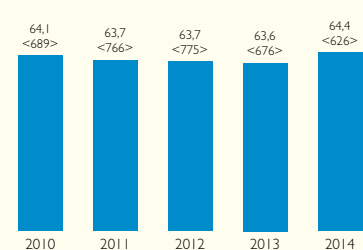
Items in angular brackets are U.S. dollar amounts. U.S. dollar amounts are converted for convenience only at ¥93.05, ¥83.15, ¥82.22, ¥94.10 and ¥102.94 per dollar; the prevailing rate on March 31, 2010, 2011, 2012, 2013 and 2014 respectively.

Source

SCB

Loan and Bills Discounted Outstanding at Shinkin Banks

(Trillions of Yen / Billions of U.S. Dollars)



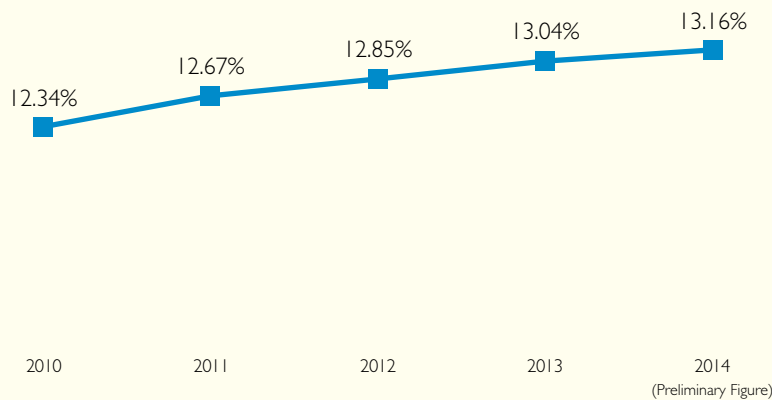
Note

Items in angular brackets are U.S. dollar amounts. U.S. dollar amounts are converted for convenience only at ¥93.05, ¥83.15, ¥82.22, ¥94.10 and ¥102.94 per dollar; the prevailing rate on March 31, 2010, 2011, 2012, 2013 and 2014 respectively.

Source

SCB

Capital Adequacy Ratio of Shinkin Banks

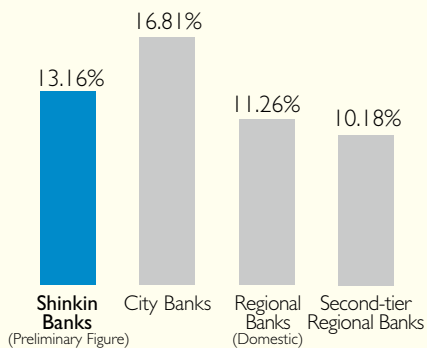


Source SCB

The capital adequacy ratio of shinkin banks as of the end of March 2014 increased by 0.12 percentage point over the previous fiscal period to 13.16% (preliminary figure).

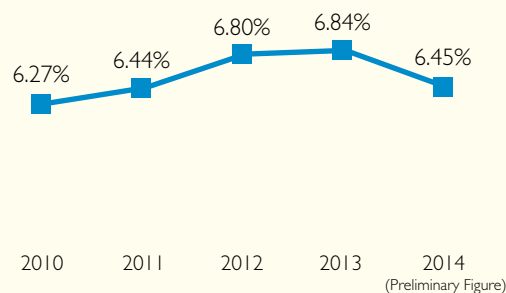
The capital adequacy ratio of shinkin banks maintains a standard which is by no means inferior even compared to other business categories, and is outperforming the standards of other domestic regional banks (11.26%) or second-tier regional banks (10.18%).

Non-Consolidated Capital Adequacy Ratio by Bank Segment (%) (as of March, 31, 2014)



Sources Bank disclosure document
Regional Banks Association of Japan
The Second Association of Regional Banks

Nonperforming-Loan Ratio of Shinkin Banks (%)



Source SCB

Reference:

The Difference between Shinkin Banks and Commercial Banks

Category	Shinkin Banks	Commercial Banks
Legal Foundation	Shinkin Bank Act	Banking Act
Organization	Cooperative organization	For-profit joint stock corporations
Membership Qualifications	<ul style="list-style-type: none"> Those who have an address or location in the region. Those who have a business office in the region. Those who work in the region. 	None

Preferred Shares

The SCB's Preferred Shares

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

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

Listing of Preferred Shares

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

Trading of Preferred Shares

Like listed stocks, the SCB's preferred shares can be traded anytime during trading hours of

the Tokyo Stock Exchange 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 at the Law Concerning Preferred Shares of Cooperative Financial Institutions, the SCB does not pay interim dividends.

Dividends of preferred shares are comprised of 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.

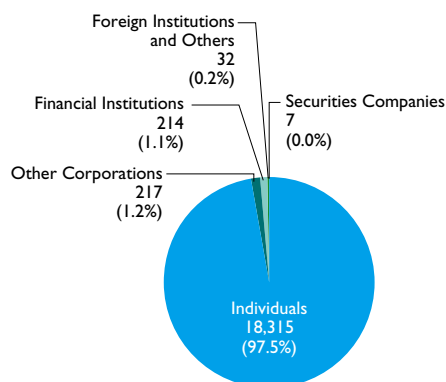
The SCB's preferred shares have the same treatment as stocks in the taxation system, and they are given the same preferential treatment concerning tax as stocks.

For fiscal 2013, a dividend for preferred share was ¥6,500 (equivalent to \$63) per

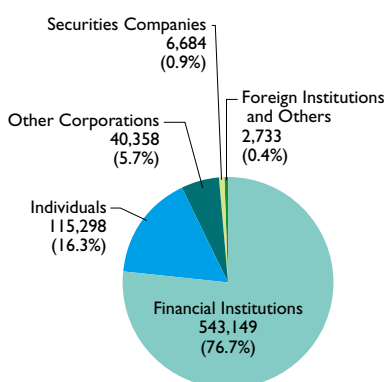
share, which comprised a preferred dividend of ¥3,000 (equivalent to \$29) and a participating dividend of ¥3,500 (equivalent to \$34). For fiscal 2014, a dividend for preferred share is expected to remain ¥6,500 (equivalent to \$63) per share.

Composition of Preferred Shares (March 31, 2014)

• Number of Investors (Total 18,785)



• Number of Subscription (Total 708,222)



Price of Preferred Shares

	Price (closing price, in 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, 2014)	201,900

Note: Prices of preferred share are split-adjusted, reflecting the stock split of preferred shares with a record date of July 31, 2009.

Financial Section

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Five-Year Summary (Consolidated)

	(Millions of yen)				
	FY2009	FY2010	FY2011	FY2012	FY2013
Total Income	392,849	361,820	395,277	408,917	308,171
Total Expenses	373,135	322,361	357,662	367,469	255,548
Net Income	29,206	27,887	29,805	32,862	37,612
Comprehensive Income	—	35,970	63,791	171,545	48,004
Net Assets	1,020,800	1,043,267	1,092,354	1,249,229	1,276,826
Total Assets	28,575,669	31,502,697	30,248,492	30,410,702	31,184,564
Net Assets per Share (yen)	214,698.35	219,425.69	229,768.12	263,016.93	268,795.17
Net Income per Share (yen)	6,425.11	5,471.96	5,879.26	6,528.60	7,537.36
Dividends	13,370	14,603	14,603	16,603	16,603
Common Shares	8,767	10,000	10,000	12,000	12,000
Preferred Shares	4,603	4,603	4,603	4,603	4,603

Notes:

1. Consumption tax and local consumption tax incurred by the Bank and its domestic consolidated subsidiaries are excluded from transaction amounts.
2. Net assets per share is obtained by deducting preferred dividends from net assets and is divided by the number of shares at term-end. This calculation complies with ASBJ (Accounting Standards Board of Japan) statement No. 2, September 25, 2002 “Accounting Standards for Earnings Per Share” and ASBJ Guidance No. 4, September 25, 2002 “Guidance on Accounting Standards for Earnings Per Share”.
3. Net income per share is obtained by dividing the value obtained by deducting preferred dividends from current profit. This calculation complies with ASBJ statement No. 2, September 25, 2002 “Accounting Standards for Earnings Per Share” and ASBJ Guidance No. 4, September 25, 2002 “Guidance on Accounting Standards for Earnings Per Share”.
4. From fiscal 2010, the Bank has adopted the Accounting Standard for Presentation of Comprehensive Income (ASBJ Statement No.25; June 30, 2010).

Consolidated Balance Sheet

Shinkin Central Bank As of March 31,	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2014	2013	2014
Assets			
Cash and Due from Banks (Note 2 (2), 9, 24)	4,938,807	3,117,393	47,977
Bills Bought and Call Loans (Note 24)	578,351	636,264	5,618
Receivables under Resale Agreements (Note 24)	86,980	80,985	844
Receivables under Securities Borrowing Transactions (Note 24)	173,390	187,023	1,684
Monetary Debts Purchased (Note 24)	269,583	330,758	2,618
Trading Assets (Note 3, 9, 24, 25)	237,261	475,025	2,304
Money Held in Trust (Note 24, 25)	132,854	182,901	1,290
Securities (Note 4, 7, 9, 24, 25)	18,418,791	19,647,850	178,927
Loans and Bills Discounted (Note 5, 6, 9, 24)	5,975,834	5,460,170	58,051
Foreign Exchanges Assets	5,212	4,413	50
Other Assets (Note 9)	137,413	105,724	1,334
Tangible Fixed Assets (Note 8, 14, 23)	73,929	74,669	718
Intangible Fixed Assets (Note 23)	15,537	18,003	150
Deferred Tax Assets (Note 21)	3,896	1,863	37
Customers' Liabilities for Acceptances and Guarantees	176,908	117,054	1,718
Reserve for Possible Loan Losses	(40,183)	(29,346)	(390)
Reserve for Investment Losses	(5)	(52)	(0)
Total Assets	31,184,564	30,410,702	302,939
Liabilities and Net Assets			
Liabilities			
Deposits (Note 24)	23,677,799	22,000,309	230,015
Debentures (Note 12, 24)	3,161,810	3,537,350	30,715
Trading Liabilities (Note 10, 24)	158,537	148,338	1,540
Borrowed Money (Note 9, 11, 24)	937,320	811,890	9,105
Bills Sold and Call Money (Note 9, 24)	408,067	559,088	3,964
Payables under Repurchase Agreements (Note 9, 24)	35,437	-	344
Payables under Securities Lending Transactions (Note 9, 24)	966,659	1,637,068	9,390
Foreign Exchanges Liabilities	558	187	5
Other Liabilities (Note 13)	282,706	269,541	2,746
Reserve for Employee Bonuses	1,593	1,508	15
Reserve for Directors' Bonuses	78	77	0
Reserve for Employee Retirement Benefits (Note 22)	-	22,452	-
Net Defined Benefit Liability (Note 22)	28,414	-	276
Reserve for Directors' Retirement Allowances	508	551	4
Reserve under Specific Law	1	1	0
Deferred Tax Liabilities (Note 21)	65,230	49,923	633
Deferred Tax Liabilities for Land Revaluation (Note 14)	6,106	6,129	59
Acceptances and Guarantees	176,908	117,054	1,718
Total Liabilities	29,907,738	29,161,473	290,535
Net Assets			
Common Shares and Preferred Shares (Note 20)	490,998	490,998	4,769
Capital Surplus	100,678	100,678	978
Retained Earnings	450,930	429,841	4,380
Total Shareholders' Equity	1,042,607	1,021,518	10,128
Net Unrealized Gains on Other Securities (Note 21, 25)	286,413	298,822	2,782
Net Deferred Gains(Losses) on Hedging Instruments (Note 21, 26)	(69,436)	(90,092)	(674)
Land Revaluation Excess (Note 14)	13,441	13,532	130
Foreign Currency Translation Adjustments	(1,865)	(3,313)	(18)
Remeasurements of Defined Benefit Plans (Note 22)	(3,489)	-	(33)
Total Accumulated Other Comprehensive Income	225,064	218,948	2,186
Minority Interests	9,154	8,763	88
Total Net Assets	1,276,826	1,249,229	12,403
Total Liabilities and Net Assets	31,184,564	30,410,702	302,939

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

Consolidated Statement of Income

		Millions of Yen		Millions of U.S. Dollars (Note 1)
Shinkin Central Bank	For the year ended March 31,	2014	2013	2014
Income				
Interest Income:		230,006	240,936	2,234
Interest on Loans and Discounts		33,258	39,605	323
Interest on Due from Banks		6,495	4,069	63
Interest on Bills Bought and Call Loans		891	1,280	8
Interest on Receivables under Resale Agreements		104	77	1
Interest on Receivables under Securities Borrowing Transactions		367	430	3
Interest and Dividends on Securities		186,990	192,930	1,816
Others		1,898	2,541	18
Fees and Commissions (Note 15)		34,287	31,443	333
Trading Income (Note 16)		15,462	11,969	150
Other Operating Income		21,355	121,520	207
Other Income		7,060	3,046	68
Total Income		308,171	408,917	2,993
Expenses				
Interest Expenses:		141,383	162,183	1,373
Interest on Deposits		53,320	65,007	517
Interest on Debentures		23,540	35,061	228
Interest on Borrowed Money		9,701	11,033	94
Interest on Bills Sold and Call Money		696	966	6
Interest on Payables under Repurchase Agreement		1	6	0
Interest on Payables under Securities Lending Transactions		2,621	4,337	25
Others		51,502	45,770	500
Fees and Commissions (Note 15)		11,301	10,622	109
Trading Losses (Note 17)		224	635	2
Other Operating Expenses		45,584	138,465	442
General and Administrative Expenses		44,890	45,256	436
Other Expenses (Note 18)		12,164	10,305	118
Total Expenses		255,548	367,469	2,482
Income before Income Taxes and Minority Interests		52,622	41,448	511
Income Taxes (Note 21):				
Current		3,282	1,006	31
Deferred		11,021	7,180	107
Total Income Taxes		14,304	8,186	138
Income before Minority Interests		38,318	33,261	372
Minority Interests in Net Income		706	399	6
Net Income		37,612	32,862	365

		Yen	U.S. Dollars
	2014	2013	2014
Net Income per Share (Note 29)	7,537.36	6,528.60	73.22
Dividend Declared per Share (Common Shares)	3,000.00	3,000.00	29.14
Dividend Declared per Share (Preferred Shares)	6,500.00	6,500.00	63.14

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

Consolidated Statement of Comprehensive Income

Millions of
U.S. Dollars

Shinkin Central Bank For the year ended March 31,	Millions of Yen		(Note 1)
	2014	2013	2014
Income before Minority Interests	38,318	33,261	372
Other Comprehensive Income (Note 19)	9,685	138,283	94
Net Unrealized Gains on Other Securities	(12,408)	141,971	(120)
Net Deferred Gains (Losses) on Hedging Instruments	20,656	(4,535)	200
Land Revaluation Excess	(10)	(2)	(0)
Foreign Currency Translation Adjustments	1,448	849	14
Comprehensive Income	48,004	171,545	466
Comprehensive Income attributable to owners of the parent	47,297	171,146	459
Comprehensive Income attributable to minority interests	706	399	6

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

Consolidated Statement of Changes in Net Assets

Shinkin Central Bank For the year ended March 31, 2014

Millions of Yen

	Shareholders' Equity			
	Common Shares and Preferred Shares	Capital Surplus	Retained Earnings	Total Shareholders' Equity
Balance at Beginning of Year	490,998	100,678	429,841	1,021,518
Fluctuation Amount during the Fiscal Year				
Surplus Dividends			(16,603)	(16,603)
Net Income			37,612	37,612
The reversal of Land Revaluation Excess			79	79
Net Changes in Items Other Than Shareholders' Equity during the Fiscal Year				
Total Fluctuation Amount during the Fiscal Year	-	-	21,088	21,088
Balance at End of Year	490,998	100,678	450,930	1,042,607

	Accumulated Other Comprehensive Income						Minority Interests	Total Net Assets
	Net Unrealized Gains (Losses) on Other Securities	Net Deferred Gains (Losses) on Hedging Instruments	Land Revaluation Excess	Foreign Currency Translation Adjustments	Remeasurements of Defined Benefit Plans	Total Accumulated Other Comprehensive Income		
Balance at Beginning of Year	298,822	(90,092)	13,532	(3,313)	-	218,948	8,763	1,249,229
Fluctuation Amount during the Fiscal Year								
Surplus Dividends								(16,603)
Net Income								37,612
The reversal of Land Revaluation Excess								79
Net Changes in Items Other Than Shareholders' Equity during the Fiscal Year	(12,408)	20,656	(90)	1,448	(3,489)	6,116	391	6,508
Total Fluctuation Amount during the Fiscal Year	(12,408)	20,656	(90)	1,448	(3,489)	6,116	391	27,596
Balance at End of Year	286,413	(69,436)	13,441	(1,865)	(3,489)	225,064	9,154	1,276,826

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	4,769	978	4,175	9,923
Fluctuation Amount during the Fiscal Year				
Surplus Dividends			(161)	(161)
Net Income			365	365
The reversal of Land Revaluation Excess			0	0
Net Changes in Items Other Than Shareholders' Equity during the Fiscal Year				
Total Fluctuation Amount during the Fiscal Year	-	-	204	204
Balance at End of Year	4,769	978	4,380	10,128

	Accumulated Other Comprehensive Income						Minority Interests	Total Net Assets
	Net Unrealized Gains (Losses) on Other Securities	Net Deferred Gains (Losses) on Hedging Instruments	Land Revaluation Excess	Foreign Currency Translation Adjustments	Remeasurements of Defined Benefit Plans	Total Accumulated Other Comprehensive Income		
Balance at Beginning of Year	2,902	(875)	131	(32)	-	2,126	85	12,135
Fluctuation Amount during the Fiscal Year								
Surplus Dividends								(161)
Net Income								365
The reversal of Land Revaluation Excess								0
Net Changes in Items Other Than Shareholders' Equity during the Fiscal Year	(120)	200	(0)	14	(33)	59	3	63
Total Fluctuation Amount during the Fiscal Year	(120)	200	(0)	14	(33)	59	3	268
Balance at End of Year	2,782	(674)	130	(18)	(33)	2,186	88	12,403

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

	Shareholders' Equity			
	Common Shares and Preferred Shares	Capital Surplus	Retained Earnings	Total Shareholders' Equity
Balance at Beginning of Year	490,998	100,678	410,621	1,002,298
Fluctuation Amount during the Fiscal Year				
Surplus Dividends			(14,603)	(14,603)
Net Income			32,862	32,862
The reversal of Land Revaluation Excess			960	960
Net Changes in Items Other Than Shareholders' Equity during the Fiscal Year				
Total Fluctuation Amount during the Fiscal Year	-	-	19,220	19,220
Balance at End of Year	490,998	100,678	429,841	1,021,518

	Accumulated Other Comprehensive Income						Minority Interests	Total Net Assets
	Net Unrealized Gains (Losses) on Other Securities	Net Deferred Gains (Losses) on Hedging Instruments	Land Revaluation Excess	Foreign Currency Translation Adjustments	Remeasurements of Defined Benefit Plans	Total Accumulated Other Comprehensive Income		
Balance at Beginning of Year	156,850	(85,557)	14,495	(4,163)	-	81,625	8,430	1,092,354
Fluctuation Amount during the Fiscal Year								
Surplus Dividends								(14,603)
Net Income								32,862
The reversal of Land Revaluation Excess								960
Net Changes in Items Other Than Shareholders' Equity during the Fiscal Year	141,971	(4,535)	(962)	849	-	137,322	332	137,655
Total Fluctuation Amount during the Fiscal Year	141,971	(4,535)	(962)	849	-	137,322	332	156,875
Balance at End of Year	298,822	(90,092)	13,532	(3,313)	-	218,948	8,763	1,249,229

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

Consolidated Statement of Cash Flows

Millions of
U.S. Dollars

Shinkin Central Bank For the year ended March 31,	Millions of Yen		(Note 1)
	2014	2013	2014
Cash Flows from Operating Activities:			
Income before Income Taxes and Minority Interests	52,622	41,448	511
Depreciation	9,033	9,129	87
Loss on Impairment of Fixed Assets	-	1,813	-
Increase (Decrease) in Reserve for Possible Loan Losses	10,836	1,277	105
Increase (Decrease) in Reserve for Investment Losses	(46)	(25)	(0)
Increase (Decrease) in Reserve for Employee Bonuses	84	32	0
Increase (Decrease) in Reserve for Directors' Bonuses	1	8	0
Increase (Decrease) in Reserve for Employee Retirement Benefits	-	842	-
Increase (Decrease) in Net Defined Benefit Liability	600	-	5
Increase (Decrease) in Reserve for Directors' Retirement Allowances	(42)	21	(0)
Interest Income	(230,006)	(240,936)	(2,234)
Interest Expenses	141,383	162,183	1,373
Net Losses (Gains) on Securities	14,890	(97,298)	144
Net Losses (Gains) on Money Held in Trust	716	(1,452)	6
Net Losses (Gains) on Foreign Exchange	(326,395)	(372,743)	(3,170)
Net Losses (Gains) on Disposal of Fixed Assets	(9)	(38)	(0)
Net Decrease (Increase) in Trading Assets	237,764	(11,562)	2,309
Net Increase (Decrease) in Trading Liabilities	10,198	12,315	99
Net Increase (Decrease) in Trading Payables	(19,038)	23,179	(184)
Net Decrease (Increase) in Loans and Bills Discounted	(515,664)	(85,469)	(5,009)
Net Increase (Decrease) in Deposits	1,677,489	404,431	16,295
Net Increase (Decrease) in Debentures	(375,540)	(416,610)	(3,648)
Net Increase (Decrease) in Borrowed Money (Excluding Subordinated Borrowings)	(37,050)	5,240	(359)
Net Decrease (Increase) in Due from Banks (Excluding Due from Central Bank)	(96,021)	(16,419)	(932)
Net Decrease (Increase) in Call Loans and Others	51,918	20,608	504
Net Decrease (Increase) in Receivables under Securities Borrowing Transactions	13,632	(115,493)	132
Net Increase (Decrease) in Call Money and Others	(115,583)	61,349	(1,122)
Net Increase (Decrease) in Payables under Securities Lending Transactions	(670,409)	31,451	(6,512)
Net Decrease (Increase) in Monetary Debts Purchased	61,174	62,158	594
Net Decrease (Increase) in Foreign Exchanges (Assets)	(799)	(1,286)	(7)
Net Increase (Decrease) in Foreign Exchanges (Liabilities)	371	24	3
Net Increase (Decrease) in Due to Trust Accounts	(107)	(113)	(1)
Interest Received	338,837	362,836	3,291
Interest Paid	(198,296)	(236,719)	(1,926)
Other, Net	17,827	133,363	173
Sub-total	54,376	(262,453)	528
Income Taxes Refund (Paid)	(1,046)	(1,646)	(10)
Net Cash Provided by (Used in) Operating Activities	53,330	(264,099)	518
Cash Flows from Investing Activities:			
Acquisitions of Securities	(5,062,421)	(8,190,402)	(49,178)
Proceeds from Sale of Securities	2,838,619	4,435,726	27,575
Proceeds from Redemption of Securities	3,706,085	5,167,006	36,002
Increase in Money Held in Trust	(51,000)	(41,707)	(495)
Decrease in Money Held in Trust	100,000	40,000	971
Acquisitions of Tangible Fixed Assets	(3,773)	(5,001)	(36)
Acquisitions of Intangible Fixed Assets	(2,648)	(3,690)	(25)
Proceeds from Sales of Tangible Fixed Assets	793	154	7
Net Cash Provided by (Used in) Investing Activities	1,525,654	1,402,083	14,820
Cash Flows from Financing Activities:			
Proceeds from Subordinated Borrowings	162,480	216,200	1,578
Repayment of Subordinated Borrowings	-	(201,960)	-
Dividends Paid	(16,603)	(14,603)	(161)
Dividends Paid to Minority Interests	(66)	(66)	(0)
Net Cash Provided by (Used in) Financing Activities	145,809	(430)	1,416
Effect of Exchange Rate Changes on Cash and Cash Equivalents	0	1	0
Net Increase (Decrease) in Cash and Cash Equivalents	1,724,794	1,137,554	16,755
Cash and Cash Equivalents at Beginning of Period	1,387,726	250,171	13,480
Cash and Cash Equivalents at End of Period (Note 2 (2))	3,112,521	1,387,726	30,236

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 ¥102.94 to U.S.\$1, the exchange rate prevailing as of March 31, 2014. The amounts in U.S. dollars are presented in millions of U.S. dollars by rounding down figures. As a result, the totals in U.S. dollars shown in the consolidated financial statements do not necessarily agree with the sums of the individual account balances. The U.S. dollars amounts are included solely for the convenience of readers outside Japan and this translation should not be construed as representation that Japanese yen amounts have been or could be readily converted, realized or settled in U.S. dollars at that or at any other rates.

2. Significant Accounting Policies:

(1) Principles of Consolidation

The consolidated financial statements include the accounts of the Bank and its eight consolidated subsidiaries as of March 31, 2014 listed below:

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

Unconsolidated subsidiaries

Shinkin Capital No. 2 Limited Liability Investment Partnership

Shinkin no Kizuna Limited Liability Investment Partnership

Unconsolidated subsidiaries are excluded from the scope of consolidation because their total assets, ordinary 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 position and results of operation when excluded from the scope of consolidation.

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

All significant intercompany accounts and transactions have been eliminated in consolidation. The Bank's share of net assets of subsidiaries is valued at fair value on acquisition. Minority interests

in net assets of subsidiaries are valued at fair value on acquisition in the consolidated financial statements. The excess of the cost over the fair value of the underlying net equity in subsidiaries on acquisition is expensed when incurred.

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

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

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

Shinkin Capital No. 2 Limited Liability Investment Partnership

Shinkin no Kizuna Limited Liability Investment Partnership

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

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

Aozora Loan Services Co., Ltd.

(2) Cash and Cash Equivalents

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

Reconciliation between Cash and Due from Banks in the consolidated balance sheet and Cash and Cash Equivalents at March 31, 2014 and 2013 is as follows:

	Millions of Yen		Millions of U.S. dollars
	2014	2013	2014
Cash and Due from Banks	4,938,807	3,117,393	47,977
Due from Banks (Excluding Due from Central Bank)	(1,826,286)	(1,729,667)	(17,741)
Cash and Cash Equivalents	3,112,521	1,387,726	30,236

(3) Trading Assets & Liabilities

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

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

(4) Financial Instruments

(i) Securities

The Bank and its consolidated subsidiaries classify securities into three categories: held-to-maturity debt securities, investments in

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

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

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

(ii) Derivative Transactions

Derivative transactions are stated at fair value.

(iii) Hedge Accounting

(a) Hedge of Interest Rate Risk

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

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

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

(b) Hedge of Foreign Exchange Fluctuation Risk

The deferred method of hedge accounting is applied to transactions to hedge against foreign exchange fluctuation risks associated with monetary assets and liabilities denominated in foreign currencies in accordance with the regulations set forth in JICPA Industry Audit Committee Report No. 25 "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, except for buildings acquired on or after April 1, 1998 (excluding facilities installed in buildings), which are depreciated by the straight-line method.

The estimated useful lives of major items are as follows:

Buildings	5 to 50 years
Others	3 to 20 years

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

(6) Intangible Fixed Assets (excluding Leased Assets)

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

(7) Leased Assets

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

(8) Deferred Debenture Charges

Debenture charges are expensed in the fiscal year of issuance.

(9) Reserve for Possible Loan Losses

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

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

The Bank calculates the reserve by the cash flow estimate method to those borrowers who owe the debts classified as Loans to Probably Bankrupt Borrowers and Restructured Loans by the Bank, whose total credit exceeds a certain amount and also the cash flow related to collection of the principal and interests from whom can be estimated. The cash flow estimate method is to determine the gap between the amounts calculated by discounting the cash flow by the contracted interest rate prior to relaxation of terms and conditions of loans and their book values.

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

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

For loans to Bankrupt Borrowers and Substantially Bankrupt Borrowers, amounts deemed uncollectible, which are calculated after deduction of expected collection from the disposal of collateral and the execution of guarantees, are written off. The amount written off was ¥951 million (\$9 million) as of March 31, 2014 and ¥1,206 million as of March 31, 2013.

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 Investment Losses

Reserve for Investment Losses is allocated in an amount considered necessary to provide against possible future losses from investments, taking into consideration the financial position of the company issuing the securities and other factors.

(11) 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.

(12) 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.

(13) 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.

(14) 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.

(15) Employees' Retirement Benefits

The retirement benefit obligation for employees is attributed to each period by the straight-line method. Also, the methods for amortizing prior service costs and actuarial differences are as follows:

Prior service costs:

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

Actuarial differences:

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

employees at each time the cost is incurred.

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

(16) Translation of Foreign Currencies

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.

(17) Leases

Finance leases for the Bank and its domestic consolidated subsidiaries that do not transfer ownership and contracted for before the fiscal year beginning April 1, 2008 are accounted for as operating leases.

(18) Consumption Tax

Consumption tax and local consumption tax incurred by the Bank and its domestic consolidated subsidiaries are excluded from transaction amounts. However, consumption tax and local consumption tax paid on purchases of tangible fixed assets and intangible fixed assets, which are not deductible as a tax credit, are charged to income at the end of the fiscal year.

(19) Amortization of Goodwill

Goodwill is fully amortized in the fiscal year incurred.

(20) Changes in Accounting Policies

The Bank adopted "Accounting Standard for Retirement Benefits" (Accounting Standards Board of Japan (ASBJ) Statement No. 26, May 17, 2012) and "Guidance on Accounting Standard for Retirement Benefit" (ASBJ Guidance No. 25, May 17, 2012) (except for certain provisions described in the main clause of Section 35 of the standard and in the main clause of Section 67 of the guidance) as of the end of the fiscal year ended March 31, 2014. These accounting standards require entities to apply a revised method for recording the retirement benefit obligation, after deducting pension plan assets, as a liability for retirement benefits. In addition, unrecognized actuarial differences and unrecognized prior service costs are recorded as a liability for retirement benefits. Concerning the application of the Accounting Standard for Retirement Benefits, based on the provisional treatment set out in Clause 37 of the standard, the effects of such changes in the current fiscal year have been recorded in retirement benefits liability adjustments through accumulated other comprehensive income.

As a result, at the end of the fiscal year, the Bank recognized ¥28,414 million (\$276 million) of Net Defined Benefit Liability, and ¥3,489 million (\$33 million) decrease in Accumulated Other Comprehensive Income.

The effect on per share information is stated in the relevant part of these notes.

(21) Issued but not yet Adopted Accounting Standards

Accounting Standard for Retirement Benefits (May 17, 2012)

(i) Summary

From the perspective of making improvements to financial reporting and based on international trends, this accounting standard provides guidance for the accounting for the amortization of

unrecognized actuarial differences and unrecognized prior service costs, and the calculation and presentation of retirement benefit obligations and service costs.

(ii) Scheduled date of adoption

Revisions to the calculation methods for the retirement benefit obligation and service costs are scheduled to be adopted from the beginning of the fiscal year ending March 31, 2015.

(iii) Impact of adopting this standard

The impact of adopting this standard is immaterial.

3. Trading Assets:

The details of Trading Assets as of March 31, 2014 and 2013 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2014	2013	2014
Trading Account Securities	75,166	78,878	730
Trading Bonds-Related Financial Derivatives	—	2	—
Derivatives of Securities related to Trading Transactions	—	13	—
Trading-Related Financial Derivatives	48,107	52,377	467
Other Trading Assets	113,987	343,754	1,107
Total	237,261	475,025	2,304

4. Securities:

The details of Securities as of March 31, 2014 and 2013 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2014	2013	2014
Japanese Government Bonds	11,489,925	12,264,427	111,617
Municipal Government Bonds	185,304	221,085	1,800
Short-term Corporate Bonds	14,996	14,998	145
Corporate Bonds	2,408,050	1,975,692	23,392
Stocks	46,441	43,498	451
Others	4,274,073	5,128,148	41,520
Total	18,418,791	19,647,850	178,927

Notes:

1. Stocks include investments in affiliated companies totaling ¥189 million (\$1 million) as of March 31, 2014 and 2013.
2. Others include common shares and investment in unconsolidated subsidiaries totaling ¥5,147 million (\$50 million) as of March 31, 2014 and ¥5,973 million as of March 31, 2013. Others also include preferred shares issued by Shinkin Banks which were contributed in accordance with the Shinkin Bank Management Reinforcement System. The amount was ¥237,190 million (\$2,304 million) as of March 31, 2014 and ¥246,245 million as of March 31, 2013, respectively. Others also include foreign bonds and equities.

5. Loans and Bills Discounted:

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

	Millions of Yen		Millions of U.S. Dollars
	2014	2013	2014
Loans to Bankrupt Borrowers	125	404	1
Delinquent Loans	8,734	9,418	84
Loans Past Due Three Months or More	86	165	0
Restructured Loans	28,926	28,609	281
Total	37,873	38,597	367

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 96-1-3 or 4 of the Order for Enforcement of the Corporation Tax Act (Article 97 of 1965 Cabinet Order).

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

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

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

Loans include subordinated loans with a covenant stipulating that repayment of principal is preceded by that of general credits. The amount was ¥49,400 million (\$479 million) as of March 31, 2014 and ¥101,800 million as of March 31, 2013, respectively. Of these amounts, ¥22,600 million (\$219 million) as of March 31, 2014, and ¥25,000 million as of March 31, 2013, respectively, were provided to Shinkin Banks in accordance with the Shinkin Bank Management Reinforcement System.

Bills Discounted are accounted for as financial transactions in accordance with JICPA Industry Audit Committee Report No.24 "Accounting and Auditing Treatment of Accounting Standards for Financial Instruments in Banking Industry". The face value of bills of lading amounted to ¥215 million (\$2 million) as of March 31, 2014 and ¥250 million as of March 31, 2013, respectively. The Bank has the right to freely dispose of, sell or re-collateralize such bills.

With respect to loan participation, in accordance with "Accounting and Presentation of Loan Participation" (JICPA Accounting Committee Report No. 3), the amount of the participation principal is accounted for as a loan to the original debtor, and this amounted to ¥66,044 million (\$641 million) as of March 31, 2014 and ¥88,299 million as of March 31, 2013.

6. Commitments to Overdrafts and Loans:

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

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

The amounts of unused commitment lines under such agreements are ¥17,848,727 million (\$173,389 million) as of March 31, 2014 and ¥17,572,383 million as of March 31, 2013, respectively.

The amounts which the Bank could cancel at any time without penalty or of which the original contractual maturity is less than one year are ¥17,764,762 million (\$172,573 million) as of March 31, 2014 and ¥17,503,679 million as of March 31, 2013, respectively.

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

Securities lending based on non-collateralized special contracts (securities lending and borrowings) are stated as Japanese Government Bonds and Others in "Securities." The amount in total was ¥123,308 million (\$1,197 million) as of March 31, 2014 and ¥117,536 million as of March 31, 2013.

Of cash-collateralized securities borrowings, those freely disposable for sale or re-collateralized, and pledged as collateral amounted to ¥729 million (\$7 million) as of March 31, 2014 and ¥5,398 million as of March 31, 2013. Those held by the Bank without being disposed of as of March 31, 2014 amounted to ¥248,905 million (\$2,417 million) and as of March 31, 2013 amounted to ¥392,858 million.

8. Tangible Fixed Assets:

	Millions of Yen		Millions of U.S. Dollars
	2014	2013	2014
Accumulated Depreciation on Tangible Fixed Assets	82,381	84,992	800
Accumulated Deferred Gains on Tangible Fixed Assets	1,764	1,764	17
(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, 2014 and 2013 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2014	2013	2014
Assets Pledged as Collateral			
Cash and Due from Banks	0	0	0
Trading Assets	23,593	43,424	229
Securities	2,887,707	4,048,354	28,052
Loans and Bills Discounted	2,439,166	1,682,828	23,695
Total	5,350,466	5,774,607	51,976
Liabilities associated with Assets Pledged as Collateral			
Borrowed Money	123,500	113,500	1,199
Bills Sold and Call Money	213,300	260,000	2,072
Payables under Repurchase Agreements	35,437	—	344
Payables under Securities Lending Transactions	965,928	1,631,653	9,383

Cash and Due from Banks of ¥11 million as of March 31, 2013, Trading Assets of ¥705 million (\$6 million) as of March 31, 2014 and ¥720 million as of March 31, 2013 and Securities in the amount of ¥989,487 million (\$9,612 million) as of March 31, 2014 and ¥1,296,146 million as of March 31, 2013, respectively, were secured as collateral for exchange settlement transactions, etc. or futures or as substitute for margin money in futures transactions, etc.

Other Assets included margin money. The amount was ¥291 million (\$2 million) as of March 31, 2014, and ¥264 million as of March 31, 2013. Other Assets also included guarantee money amounting to ¥379 million (\$3 million) as of March 31, 2014, and ¥356 million as of March 31, 2013, respectively.

10. Trading Liabilities:

The details of Trading Liabilities as of March 31, 2014 and 2013 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2014	2013	2014
Trading Bonds Sold	68,836	60,324	668
Derivatives of Securities related to Trading Transaction	22	—	0
Trading-Related Financial Derivatives	89,677	88,013	871
Total	158,537	148,338	1,540

11. Borrowed Money and Lease Obligations:

Category	Balance as of April 1, 2013 (Millions of Yen)	Balance as of March 31, 2014 (Millions of Yen)	Balance as of March 31, 2014 (Millions of U.S. Dollars)	Average Interest Rate (%)	Maturity
Borrowings	811,890	937,320	9,105	1.18	—
Borrowed Money	811,890	937,320	9,105	1.18	Jun. 2014~ No maturity
Lease Obligations Due for Repayment within One Year	2,149	1,367	13	2.28	—
Lease Obligations (Excluding Those Due for Repayment within One Year)	4,859	4,085	39	2.12	Apr. 2015~ May. 2020

Notes:

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

Millions of Yen					
	One year or less	Over 1 year, up to 2 years	Over 2 years, up to 3 years	Over 3 years, up to 4 years	Over 4 years, up to 5 years
Borrowed Money	113,500	—	10,000	—	—
Lease Obligations	1,367	1,186	1,209	1,028	482

Millions of U.S. Dollars					
	One year or less	Over 1 year, up to 2 years	Over 2 years, up to 3 years	Over 3 years, up to 4 years	Over 4 years, up to 5 years
Borrowed Money	1,102	—	97	—	—
Lease Obligations	13	11	11	9	4

- Borrowed Money includes subordinated borrowings of ¥813,820 million (\$7,905 million) as of March 31, 2014 and ¥651,340 million as of March 31, 2013.

12. Debentures:

Issuer	Name of Issue	Issuance Date	Balance as of April 1, 2013 (Millions of Yen)	Balance as of March 31, 2014 (Millions of Yen)	Balance as of March 31, 2014 (Millions of U.S. Dollars)	Interest Rate (%)	Collateral	Redemption Date
The Bank	No.221-292 5-year Interest-bearing debentures	Apr. 2008~ Mar. 2014	3,537,350	3,161,810	30,715	0.20~ 1.50	—	Apr. 2013~ Mar. 2019
Total		—	3,537,350	3,161,810	30,715	—	—	—

Note:

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

Millions of Yen					
One year or less	Over 1 year, up to 2 years	Over 2 years, up to 3 years	Over 3 years, up to 4 years	Over 4 years, up to 5 years	
798,960	580,720	578,660	577,760	625,710	

Millions of U.S. Dollars					
One year or less	Over 1 year, up to 2 years	Over 2 years, up to 3 years	Over 3 years, up to 4 years	Over 4 years, up to 5 years	
7,761	5,641	5,621	5,612	6,078	

13. Asset Retirement Obligations:

The details of Asset Retirement Obligations were omitted because the amount was one-hundredth or less of the total balance of Liabilities and Net Assets as of April 1, 2013 and as of March 31, 2014, respectively.

14. Land Revaluation:

Based on the Act on the Revaluation of Land (Law 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 3-3 of Law 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 2-4 of the Order for Enforcement of the Act on Revaluation of Land (Government Ordinance No. 119, dated March 31, 1998), with appropriate adjustments.

The difference between the total fair value at the end of this fiscal year and the total post-revaluation book value of land that is used for business and has been revalued pursuant to Article 10 of Law 34.: ¥ 5,257 million (\$51 million) as of March 31, 2014, and ¥ 6,495 million as of March 31, 2013.

15. Fees and Commissions:

The details of Fees and Commissions for the fiscal years ended March 31, 2014 and 2013 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2014	2013	2014
Deposit, Fixed Income Securities and Lending	661	500	6
Exchange Business	405	421	3
Securities Related Business	7,075	6,024	68
Agency Business	2,278	2,170	22
Guarantee Business	5,691	4,659	55
Trustee Business	17,645	17,132	171
Others	528	534	5
Income on Fees and Commissions Businesses	34,287	31,443	333
Exchange	226	132	2
Others	11,074	10,490	107
Expenses on Fees and Commissions Businesses	11,301	10,622	109

16. Trading Income:

The details of Trading Income for the fiscal years ended March 31, 2014 and 2013 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2014	2013	2014
Income from Trading Account Securities	737	566	7
Income from Trading-Related Financial Derivatives	14,480	10,981	140
Other Trading Income	244	421	2
Total	15,462	11,969	150

17. Trading Losses:

The details of Trading Losses for the fiscal years ended March 31, 2014 and 2013 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2014	2013	2014
Expenses from Trading-Related Securities	224	635	2
Total	224	635	2

18. Other Expenses:

Other Expenses include Losses on sale of stocks and other securities, Losses on devaluation of stocks and other securities, Investment loss on money trusts, and Impairment Losses on Fixed Assets.

(1) Securities

The amount of Losses on sale of stocks and other securities was ¥168 million (\$1 million) and ¥5,919 million for the fiscal years ended March 31, 2014 and 2013, respectively. The amount of Losses on devaluation of stocks and other securities was ¥407 million for the fiscal years ended March 31, 2013, respectively. Investment loss on money trusts was ¥716 million (\$6 million) for the fiscal years ended March 31, 2014, respectively.

(2) Impairment Losses on Fixed Assets:

Each business location such as branch office or company housing is the smallest unit of asset group. Also, the assets used in the head office and facilities for employee welfare and recreation are treated as the corporate assets since they do not produce any cash flows by themselves. Each consolidated subsidiary is treated as a single unit for the asset grouping.

Branch offices and other assets that are designated to be transferred or disposed due to deterioration or other factors are individually treated as idle assets. 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 the purchase price and others obtained from real estate agents.

For the fiscal year ended March 31, 2014
Not applicable.

For the fiscal year ended March 31, 2013

Location	Principal Use	Category	Millions of Yen
Ichigaya Annex(Tokyo Prefecture)	Idle assets	Buildings	205
Fukuoka Branch(Fukuoka Prefecture)	Idle assets	Land and buildings	516
Minami-Kyushu Branch(Kumamoto Prefecture)	Idle assets	Land and buildings	621
Employee housing	Idle assets	Land and buildings	470
Total			1,813

19. Consolidated Statement of Comprehensive Income:

For the fiscal year ended March 31, 2014 and 2013

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

	Millions of Yen		Millions of U.S. Dollars
	2014	2013	2014
Net Unrealized Gains on Other Securities:			
The Amount Arising during the Period	(34,386)	288,363	(334)
Reclassification Adjustment Amount	17,908	(93,303)	173
Prior to Tax Effect Adjustment	(16,477)	195,059	(160)
Tax Effect Amount	4,069	(53,088)	39
Net Unrealized Gains on Other Securities	(12,408)	141,971	(120)
Net Deferred Gains (Losses) on Hedging Instruments :			
The Amount Arising during the Period	(20,708)	(170,024)	(201)
Reclassification Adjustment Amount	49,280	163,736	478
Prior to Tax Effect Adjustment	28,571	(6,287)	277
Tax Effect Amount	(7,915)	1,752	(76)
Net Deferred Gains (Losses) on Hedging Instruments	20,656	(4,535)	200
Land Revaluation Excess:			
The Amount Arising during the Period	—	—	—
Reclassification Adjustment Amount	—	—	—
Prior to Tax Effect Adjustment	—	—	—
Tax Effect Amount	(10)	(2)	(0)
Land Revaluation Excess	(10)	(2)	(0)
Foreign Currency Translation Adjustments:			
The Amount Arising during the Period	1,448	849	14
Reclassification Adjustment Amount	—	—	—
Prior to Tax Effect Adjustment	—	—	—
Tax Effect Amount	—	—	—
Foreign Currency Translation Adjustments	1,448	849	14
Other Comprehensive Income	9,685	138,283	94

20. 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, 2013 (Thousand Units)	Increase During the Fiscal Year (Thousand Units)	Decrease During the Fiscal Year (Thousand Units)	Number of Share Units at March 31, 2014 (Thousand Units)
Shares Outstanding				
General Common Shares	4,000	—	—	4,000
Preferred Shares (Type-A)	708	—	—	708
Total	4,708	—	—	4,708
Treasury Shares				
General Common Shares	—	—	—	—
Preferred Shares (Type-A)	—	—	—	—
Total	—	—	—	—

(2) Dividends

Dividends paid during the fiscal year ended March 31, 2014

Resolution	Class of share	Total Dividend Amount (Million Yen)	Amount Per Share (Yen)	Record Date	Effective Date
Annual General Meeting of Shareholders, June 21, 2013	Common shares	12,000	3,000	Mar 31, 2013	Jun 21, 2013
	Preferred shares	4,603	6,500	Mar 31, 2013	Jun 21, 2013

In the case of dividends for which the record date falls in the fiscal year ended March 31, 2014, the effective date of the dividend falls in 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 20, 2014	Common shares	12,000	Retained Earnings	3,000	Mar 31, 2014	Jun 20, 2014
	Preferred shares	4,603	Retained Earnings	6,500	Mar 31, 2014	Jun 20, 2014

21. Income Taxes:

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

	Millions of Yen		Millions of U.S. Dollars
	2014	2013	2014
Deferred Tax Assets:			
Depreciation	2,857	3,169	27
Reserve for Possible Loan Losses	5,518	2,886	53
Reserve for Employee Retirement Benefits	—	6,342	—
Net Defined Benefit Liability	8,480	—	82
Write-Downs for Securities	4,675	6,995	45
Net Deferred Losses on Hedging Instruments	26,895	34,810	261
Tax Loss Carryforwards	5,006	16,864	48
Others	1,817	1,934	17
Valuation Allowances	(8,438)	(8,797)	(81)
Total Deferred Tax Assets	46,812	64,205	454
Deferred Tax Liabilities:			
Net Unrealized Gains on Other Securities	(107,755)	(111,830)	(1,046)
Others	(390)	(434)	(3)
Total Deferred Tax Liabilities	(108,146)	(112,265)	(1,050)
Net Deferred Tax Liabilities	(61,334)	(48,059)	(595)

(2) Reconciliation between the effective statutory tax rate and the actual effective tax rate for the fiscal years ended March 31, 2014 and 2013:

	2014	2013
Statutory effective tax rate	29.65 %	29.65 %
(Adjustments)		
Change in valuation allowances	(0.58%)	(9.97%)
Dividends received, not taxable	(3.02%)	(3.89%)
Reduction and Adjustment of Deferred Tax Assets Due to Changes in Tax Rate	0.34 %	—
Others	<u>0.79 %</u>	<u>3.96 %</u>
Actual effective income tax rate after the application of tax effect accounting	<u>27.18 %</u>	<u>19.75 %</u>

(3) Revision of amounts of deferred tax assets and deferred tax liabilities due to changes in the corporate tax rate
Accompanying the promulgation on March 31, 2014, of the Act

for Partial Amendment of the Income Tax Act, etc. (Act No. 10, 2014) and the Local Corporation Tax Act (Act No. 11, 2014), the Special Reconstruction Corporation Tax was abolished for fiscal years commencing on or after April 1, 2014. In addition, for fiscal years commencing on or after October 1, 2014, Local Corporation Tax has been newly established.

Based on these changes, the effective statutory tax rate used to calculate deferred tax assets and deferred tax liabilities in relation to temporary differences that are expected to be settled for fiscal years commencing on or after April 1, 2014 is changed.

The impact of these changes in statutory tax rates is immaterial.

22. Retirement Benefit Plans:

For the fiscal year ended March 31, 2014

(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, 2014 is as follows:

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

	Millions of Yen	Millions of U.S. Dollars
	2014	2014
Retirement Benefit Obligation at Beginning of Period	46,428	451
Service Cost	2,158	20
Interest Cost	650	6
Actuarial Difference Incurred	264	2
Retirement Benefits Paid	(1,381)	(13)
Prior Service Cost	—	—
Other	—	—
Retirement Benefit Obligation at End of Period	48,120	467

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

	Millions of Yen	Millions of U.S. Dollars
	2014	2014
Balance of Pension Plan Assets at Beginning of Period	18,369	178
Expected Return on Pension Plan Assets	642	6
Actuarial Difference Incurred	30	0
Contributions by the Employer and Employees	1,476	14
Retirement Benefits Paid	(813)	(7)
Other	—	—
Balance of Pension Plan Assets at End of Period	19,706	191

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

	Millions of Yen	Millions of U.S. Dollars
	2014	2014
Funded Plan Retirement Benefit Obligation	38,812	377
Pension Plan Assets	(19,706)	(191)
	19,106	185
Unfunded Plan Retirement Benefit Obligation	9,307	90
Net Amount of Liabilities and Assets Presented on the Consolidated Balance Sheets	28,414	276

	Millions of Yen	Millions of U.S. Dollars
	2014	2014
Net Defined Benefit Liability	28,414	276
Net Defined Benefit Asset	—	—
Net Amount of Liabilities and Assets Presented on the Consolidated Balance Sheets	28,414	276

(iv) Breakdown of Retirement Benefit Expense

	Millions of Yen	Millions of U.S. Dollars
	2014	2014
Service Cost	2,158	20
Interest Cost	650	6
Expected Return on Pension Plan Assets	(642)	(6)
Amortization of Actuarial Differences	736	7
Amortization of Prior Service Cost	(257)	(2)
Other	(548)	(5)
Retirement Benefit Expenses Related to Defined Benefit Plan	2,096	20

Notes: 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) comprised the following.

	Millions of Yen	Millions of U.S. Dollars
	2014	2014
Unrecognized Actuarial Differences	9	0
Unrecognized Prior Service Cost	5,352	51
Other	—	—
Total	5,361	52

(vi) Pension Plan Assets

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

	2014
Bonds	75 %
Stocks	19 %
Cash and Deposits	4 %
Other	2 %
Total	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.

(vii) Underlying actuarial assumptions

Main underlying actuarial assumptions as of March 31, 2014, were as follows:

	2014
Discount Rate	1.1~1.5 %
Expected Long-term Rate of Return on Pension Plan Assets	3.5%

For the fiscal year ended March 31, 2013

(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.

(2) Reserve for Employee Retirement Benefits as of March 31, 2013 is analyzed as follows:

	Millions of Yen
	2013
Projected Benefit Obligations (A)	(46,428)
Plan Assets (B)	18,369
Unfunded Retirement Benefits Obligations (C) = (A) + (B)	(28,059)
Unrecognized Actuarial Differences (D)	5,855
Unrecognized Prior Service Costs (E)	(248)
Net Amounts Reported in the Consolidated Balance Sheet (F) = (C) + (D) + (E)	(22,452)
Prepaid Pension Costs (G)	—
Reserve for Employee Retirement Benefits (F) – (G)	(22,452)

Notes:

1. The above projected benefit obligations included the governmental welfare program.
2. The above projected benefit obligations on the lump-sum payment of retirement benefits included amounts measured by consolidated subsidiaries under the non-actuarial method.

(3) The breakdown of Pension Expenses for the fiscal years ended March 31, 2013 is as follows:

	Millions of Yen
	2013
Service Costs	1,350
Interest Costs	806
Expected Return on Plan Assets	(252)
Amortization of Prior Service Costs	(519)
Amortization of Actuarial Differences	917
Others (e.g., Extraordinary Retirement Benefits Paid Out of the Scope of the Retirement Benefit Scheme)	—
Net Pension Expenses	2,302

Notes:

1. The amounts paid by employees to the Employees' Pension Fund are excluded from Service Cost.
2. The retirement benefit costs on the lump-sum payment of retirement benefit for consolidated subsidiaries are included in Service Cost.

(4) Assumptions used in the calculation of the above information were as follows:

	2013
Discount Rate	1.1~1.5 %
Expected Rate of Return on Plan Assets	1.5 %

Method of Attributing the Projected Benefits to Periods of Services:
Straight-line basis

Amortization of Unrecognized Prior Service Costs:

10 years (Unrecognized prior service costs are amortized, using the straight-line method within the average remaining service years of the current employees)

Amortization of Unrecognized Actuarial Differences

10 years (Unrecognized actuarial differences are amortized from the following fiscal year, using the straight-line method within the average remaining service years of the current employees)

Note:

The rate of retirement, the mortality rate and the rate of increase in future compensation levels used in calculating the retirement benefit obligations on the Employees' Pension Fund are identical to the figures used in the formula for the calculation of the Employees' Pension Fund itself.

23. Leases:

1. Finance Leases

(1) Finance leases that do not transfer ownership

(i) Outline of lease assets

(a) Tangible fixed assets

Hardware related to computer equipment

(b) Intangible fixed assets

Software related to computer equipment

(ii) Lease asset depreciation method

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

(2) Finance leases that do not transfer ownership accounted for in accordance with the ordinary lease transaction method
Data omitted due to immateriality.

2. Operating Leases

Future lease payments related to noncancelable operating leases: Not applicable

24. Financial Instruments:

1. Matters concerning financial instruments

(1) Policies on financial instruments

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

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

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

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

(2) Types and related risks of financial instruments

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

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

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

Securities portfolios of the Group consist of domestic securities including Japanese government, corporate bonds and others as well as foreign securities such as government, government-guaranteed, and government related institutional bonds issued in the major industrialized countries. In addition, for investment diversification the Group also invests in equity securities and investment funds.

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

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

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

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

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

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

As a debenture issuer, the Group issues 5-year interest-bearing debentures each month.

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

Furthermore, the Group engages in derivative transactions.

Specifically, the Group trades interest rate derivatives (interest swaps, interest futures, and interest options), currency derivatives (foreign currency forwards and currency swaps) and bond derivatives (bond futures and bond futures options).

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

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

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

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

(3) Risk management frameworks for financial instruments

The basic policies for risk management of the Bank are broadly distinguished between “risks to be minimized” and “risks to be controlled”. Credit risk, market risks, and liquidity risks fall into the latter category. Both categorized risks are managed by risk management divisions that are independent of the market divisions. For the comprehensive management of these risks, Risk Management Division has been established.

<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 by measuring various risks using a uniform risk measure such as Value at Risk (VaR), aggregating the measurements, and comparing the aggregated amounts with the strength of the Bank’s capital. The Bank measures credit risks and market risks using VaR methodology, and monitors on a daily basis to prevent risk limits from being breached.

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

The values of risk managed 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 Credit Committee has been established as an organ for

reviewing and determining matters related to credit risk management. The Credit Committee is comprised of senior management and general managers of related divisions and deliberates on credit transactions that exceed a designated amount. The Executive Committee deliberates on 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. They 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, they continually check whether the client service division is conducting appropriate credit control, and provides 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 by individual borrower added to the credit risk of the Bank 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 reviews broadly and in a timely manner ALM related policies and market transactions for 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 by VaR within the limit set by the Executive Committee. In addition, market risk is classified into several categories, and the amount of risk for each category is monitored. Market risk management at the Bank not only uses VaR methodology but takes multi-faceted approaches, that is, monitoring sensitivity to change in individual risk factors such as the interest rate risk based on outlier standard and the basis point value (BPV: the amount of the change in a portfolio's market value from a specific change in the interest rate), stress loss amounts from unexpected market changes, and appraisal losses from financial instruments. For stress loss amounts, in particular, a supplementary framework has been incorporated into the integrated risk

management, in addition to the above monitoring system. In this way, market risks including those that cannot be captured through VaR methods alone are managed.

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

Market risks of consolidated subsidiaries are not directly added to the values of market risk of the parent operations 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 ¥558 million (\$5 million) as of March 31, 2014 and ¥247 million as March 31, 2013 and the market risk amount (estimated loss amount) of the trading operations of the Bank's consolidated subsidiaries was ¥1,027 million (\$9 million) as of March 31, 2014 and ¥1,382 million as March 31, 2013.

The Bank conducts back testing to compare VaR calculated using the model with actual loss amounts. Based on the results of back testing covering the fiscal year ended March 31, 2014, the actual loss amount exceeded the VaR model on two occasions, and the Bank believes that the measurement model it uses has an adequate level of accuracy to capture market risk. However, it should be noted that VaR measures the amount of market risk at certain probability levels statistically calculated based on historical market fluctuation. Hence, there may be cases where market risk cannot be captured in situations where market conditions change unprecedentedly.

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

The Bank uses VaR analysis for quantifying market risk of due from banks, securities not held for trading purposes, loans and bills discounted, deposits, debentures, receivables under securities borrowing 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 ¥235,098 million (\$2,283 million) as of March 31, 2014 and ¥357,370 million as March 31, 2013. The Bank conducts back testing to compare VaR calculated

using the model with actual loss amounts. However, it should be noted that VaR measures the amount of market risk at certain probability levels statistically calculated based on historical market fluctuation. Hence, there may be cases where market risk cannot be captured in situations where market conditions change unprecedentedly.

(iii) Liquidity risk management related to fund-raising

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

Methods used for managing liquidity risk include the 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 Bank has preparations to respond rapidly, including the securing of funding sources.

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

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

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

2. Matters concerning fair value and others of financial instruments

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

Immaterial items have been omitted.

As of March 31, 2014

	Millions of Yen		
	Carrying Value	Fair Value	Difference
(1) Cash and Due from Banks	4,938,807	4,938,807	—
(2) Bills Bought and Call Loans	578,351	578,351	—
(3) Receivables under Resale Agreements	86,980	86,980	—
(4) Receivables under Securities Borrowing Transactions	173,390	173,390	—
(5) Monetary Debts Purchased (※1)	269,564	269,561	(3)
(6) Trading Assets			
Trading Securities	189,153	189,153	—
(7) Money Held in Trust	132,854	132,854	—
(8) Securities			
Held-to-Maturity Debt Securities	2,117,999	2,232,967	114,968
Other Securities	16,050,519	16,050,519	—
(9) Loans and Bills Discounted	5,975,834		
Reserve for Possible Loan Losses (※1)	(35,509)		
	5,940,325	5,994,535	54,210
Total Assets	30,477,947	30,647,123	169,175
(1) Deposits	23,677,799	23,688,362	10,563
(2) Debentures	3,161,810	3,176,809	14,999
(3) Trading Liabilities			
Trading Bonds Sold	68,836	68,836	—
(4) Borrowed Money	937,320	960,779	23,459
(5) Bills Sold and Call Money	408,067	408,067	—
(6) Payables under Repurchase Agreements	35,437	35,437	—
(7) Payables under Securities Lending Transactions	966,659	966,659	—
Total Liabilities	29,255,929	29,304,952	49,022
Derivatives (※2)			
To which Hedge Accounting was not applied	(11,063)	(11,063)	—
To which Hedge Accounting was applied	(160,852)	(210,150)	(49,297)
Total Derivatives	(171,916)	(221,214)	(49,297)

Millions of U.S. Dollars			
	Carrying Value	Fair Value	Difference
(1) Cash and Due from Banks	47,977	47,977	—
(2) Bills Bought and Call Loans	5,618	5,618	—
(3) Receivables under Resale Agreements	844	844	—
(4) Receivables under Securities Borrowing Transactions	1,684	1,684	—
(5) Monetary Debts Purchased (※1)	2,618	2,618	(0)
(6) Trading Assets			
Trading Securities	1,837	1,837	—
(7) Money Held in Trust	1,290	1,290	—
(8) Securities			
Held-to-Maturity Debt Securities	20,575	21,691	1,116
Other Securities	155,921	155,921	—
(9) Loans and Bills Discounted	58,051		
Reserve for Possible Loan Losses (※1)	(344)		
	57,706	58,233	526
Total Assets	296,074	297,718	1,643
(1) Deposits	230,015	230,118	102
(2) Debentures	30,715	30,860	145
(3) Trading Liabilities			
Trading Bonds Sold	668	668	—
(4) Borrowed Money	9,105	9,333	227
(5) Bills Sold and Call Money	3,964	3,964	—
(6) Payables under Repurchase Agreements	344	344	—
(7) Payables under Securities Lending Transactions	9,390	9,390	—
Total Liabilities	284,203	284,679	476
Derivatives (※2)			
To which Hedge Accounting was not applied	(107)	(107)	—
To which Hedge Accounting was applied	(1,562)	(2,041)	(478)
Total Derivatives	(1,670)	(2,148)	(478)

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

※2. Derivative transactions stated in trading assets and liabilities, and other assets and liabilities are shown as a single amount.

For net claims and obligations derived from derivative transactions, net amounts are stated. Sums that represent net obligations are shown in parenthesis.

As of March 31, 2013

	Millions of Yen		
	Carrying Value	Fair Value	Difference
(1) Cash and Due from Banks	3,117,393	3,117,393	—
(2) Bills Bought and Call Loans	636,264	636,264	—
(3) Receivables under Resale Agreements	80,985	80,985	—
(4) Receivables under Securities Borrowing Transactions	187,023	187,023	—
(5) Monetary Debts Purchased (※1)	330,737	330,700	(37)
(6) Trading Assets			
Trading Securities	422,633	422,633	—
(7) Money Held in Trust	182,901	182,901	—
(8) Securities			
Held-to-Maturity Debt Securities	3,263,221	3,391,635	128,413
Other Securities	16,125,875	16,125,875	—
(9) Loans and Bills Discounted	5,460,170		
Reserve for Possible Loan Losses (※1)	(24,516)		
	5,435,654	5,489,280	53,625
Total Assets	29,782,690	29,964,692	182,002
(1) Deposits	22,000,309	22,013,154	12,845
(2) Debentures	3,537,350	3,567,065	29,715
(3) Trading Liabilities			
Trading Bonds Sold	60,324	60,324	—
(4) Borrowed Money	811,890	836,586	24,696
(5) Bills Sold and Call Money	559,088	559,088	—
(6) Payables under Repurchase Agreements	—	—	—
(7) Payables under Securities Lending Transactions	1,637,068	1,637,068	—
Total Liabilities	28,606,031	28,673,288	67,256
Derivatives (※2)			
To which Hedge Accounting was not applied	(8,227)	(8,227)	—
To which Hedge Accounting was applied	(148,178)	(202,779)	(54,601)
Total Derivatives	(156,405)	(211,007)	(54,601)

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

※2. Derivative transactions stated in trading assets and liabilities, and other assets and liabilities are shown as a single amount.

For net claims and obligations derived from derivative transactions, net amounts are stated. Sums that represent net obligations are shown in parenthesis.

Note1: Calculation method of fair value for financial instruments

Assets

(1) Cash and Due from Banks

For deposits without maturities, since fair value approximates carrying value, carrying value is used as fair value. For deposits with maturities, present value is calculated by discounting based on the interest rate that would conceivably be applied to newly made deposits. For term deposits with short contractual maturities, since fair value approximates carrying value, carrying value is used as fair value.

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

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

(5) Monetary Debts Purchased

Monetary debt purchased is stated at amounts obtained from brokers.

(6) Trading Assets

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

(7) Money Held in Trust

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

(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 and price calculated on the basis of rational estimation, etc.

For Floating-Rate Japanese Government Bonds, since the Bank believes that current market prices may not accurately reflect the bonds' fair value, the Bank used a valuation technique at the end of the fiscal year that management believes provides a reasonable estimate of the bonds' fair value. Fair value based on management's reasonable estimates was calculated using the discounted cash flow approach and others, with the primary price variables including government bond yields and swaption volatility and others.

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

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

(9) Loans and Bills Discounted

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

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

Liabilities

(1) Deposits

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

(2) Debentures

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

(3) Trading Liabilities

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

(4) Borrowed Money

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

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

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

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

Derivative Transactions

Derivative transactions consist of interest-rate-related transactions (interest rate futures, interest rate options, interest rate swaps, etc.), currency-related transactions (currency futures, currency swaps, etc.), and bond-related transactions (bond futures, bond future options, etc.), and are stated at exchange-traded transaction prices, discounted present value, and amounts calculated using option pricing models, etc.

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 Yen	Millions of U.S. Dollars
	2014	2013	2014
Unlisted stocks, etc.(※1)	242,784	251,664	2,358
Investment in investment partnerships(※2)	7,487	7,089	72
Total	250,272	258,753	2,431

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

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

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

As of March 31, 2014

	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)	4,899,763	5,573	23,588	2,000	—	—
Bills Bought and Call Loan	578,351	—	—	—	—	—
Receivables under Resale Agreements	86,980	—	—	—	—	—
Receivables under Securities Borrowing Transactions	173,390	—	—	—	—	—
Monetary Debts Purchased	3,714	49,778	9,701	16,276	8,899	181,096
Securities						
Held-to-Maturity Debt Securities	235,272	377,611	723,788	194,431	129,971	475,425
Japanese Government Bonds	205,700	360,300	701,400	91,600	9,700	435,000
Municipal Government Bonds	—	—	200	200	—	—
Short-term Corporate Bonds	—	—	—	—	—	—
Corporate Bonds	28,443	15,400	—	—	—	—
Other Securities with maturities	1,651,629	4,423,027	2,370,871	1,891,401	3,028,927	957,080
Japanese Government Bonds	625,000	2,886,500	1,597,000	1,355,000	2,126,000	759,000
Municipal Government Bonds	49,204	67,286	39,068	6,753	19,896	—
Short-term Corporate Bonds	15,000	—	—	—	—	—
Corporate Bonds	451,422	695,742	484,912	306,004	357,688	19,324
Loans and Bills Discounted (※2)	3,715,739	881,687	648,617	335,018	231,299	157,552
Total	11,344,842	5,737,679	3,776,566	2,439,127	3,399,097	1,771,154

	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)	47,598	54	229	19	—	—
Bills Bought and Call Loan	5,618	—	—	—	—	—
Receivables under Resale Agreements	844	—	—	—	—	—
Receivables under Securities Borrowing Transactions	1,684	—	—	—	—	—
Monetary Debts Purchased	36	483	94	158	86	1,759
Securities						
Held-to-Maturity Debt Securities	2,285	3,668	7,031	1,888	1,262	4,618
Japanese Government Bonds	1,998	3,500	6,813	889	94	4,225
Municipal Government Bonds	—	—	1	1	—	—
Short-term Corporate Bonds	—	—	—	—	—	—
Corporate Bonds	276	149	—	—	—	—
Other Securities with maturities	16,044	42,967	23,031	18,373	29,424	9,297
Japanese Government Bonds	6,071	28,040	15,513	13,163	20,652	7,373
Municipal Government Bonds	477	653	379	65	193	—
Short-term Corporate Bonds	145	—	—	—	—	—
Corporate Bonds	4,385	6,758	4,710	2,972	3,474	187
Loans and Bills Discounted (※2)	36,096	8,565	6,300	3,254	2,246	1,530
Total	110,208	55,738	36,687	23,694	33,020	17,205

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

※2. The loans of ¥6,484 million (\$62 million) which obligor categories are Bankrupt Borrowers, Substantially Bankrupt Borrowers or Probably Bankrupt Borrowers and which periods of redemption cannot be foreseen are not included in Loans and Bills Discounted.

As of March 31, 2013

	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)	3,060,164	28,643	7,705	2,000	1,000	—
Bills Bought and Call Loans	636,264	—	—	—	—	—
Receivables under Resale Agreements	80,985	—	—	—	—	—
Receivables under Securities Borrowing Transactions	187,023	—	—	—	—	—
Monetary Debts Purchased	17,161	41,157	13,385	12,428	20,261	226,293
Securities						
Held-to-Maturity Debt Securities	1,124,495	328,235	636,122	518,870	202,642	469,690
Japanese Government Bonds	912,200	282,300	619,400	456,400	9,700	435,000
Municipal Government Bonds	29,355	—	400	—	—	—
Short-term Corporate Bonds	—	—	—	—	—	—
Corporate Bonds	142,940	43,843	—	—	—	—
Other Securities with maturities	2,497,612	2,940,737	2,296,820	1,826,090	3,697,031	1,220,221
Japanese Government Bonds	1,284,000	1,275,400	1,661,500	1,454,800	2,682,000	824,000
Municipal Government Bonds	46,021	93,453	25,784	7,445	14,736	—
Short-term Corporate Bonds	15,000	—	—	—	—	—
Corporate Bonds	212,250	668,969	331,198	278,624	237,004	10,496
Loans and Bills Discounted (※2)	2,999,299	1,070,037	626,783	292,541	285,919	178,315
Total	10,603,005	4,408,811	3,580,817	2,651,931	4,206,854	2,094,520

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

※2. The loans of ¥7,879 million which obligor categories are Bankrupt Borrowers, Substantially Bankrupt Borrowers or Probably Bankrupt Borrowers and which periods of redemption cannot be foreseen are not included in Loans and Bills Discounted.

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

As of March 31, 2014

	Millions of Yen					
	Within 1 year	Over 1 year, within 3 years	Over 3 years, within 5 years	Over 5 years, within 7 years	Over 7 years, within 10 years	Over 10 years
Deposits (※1)	12,161,005	9,336,656	847,704	157,303	1,160,629	14,500
Debentures	798,960	1,159,380	1,203,470	—	—	—
Borrowed Money (※2)	113,500	10,000	—	—	324,350	162,480
Bills Sold and Call Money	408,067	—	—	—	—	—
Payables under Repurchase Agreements	35,437	—	—	—	—	—
Payables under Securities Lending Transactions	966,659	—	—	—	—	—
Total	14,483,629	10,506,036	2,051,174	157,303	1,484,979	176,980

	Millions of U.S. Dollars					
	Within 1 year	Over 1 year, within 3 years	Over 3 years, within 5 years	Over 5 years, within 7 years	Over 7 years, within 10 years	Over 10 years
Deposits (※1)	118,136	90,699	8,234	1,528	11,274	140
Debentures	7,761	11,262	11,690	—	—	—
Borrowed Money (※2)	1,102	97	—	—	3,150	1,578
Bills Sold and Call Money	3,964	—	—	—	—	—
Payables under Repurchase Agreements	344	—	—	—	—	—
Payables under Securities Lending Transactions	9,390	—	—	—	—	—
Total	140,699	102,059	19,925	1,528	14,425	1,719

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

※2. Borrowed Money without maturity is not included.

As of March 31, 2013

	Millions of Yen					
	Within 1 year	Over 1 year, within 3 years	Over 3 years, within 5 years	Over 5 years, within 7 years	Over 7 years, within 10 years	Over 10 years
Deposits (※1)	11,584,537	8,736,352	1,644,635	21,040	13,744	—
Debentures	1,007,980	1,379,550	1,149,820	—	—	—
Borrowed Money (※2)	160,550	—	—	—	324,350	—
Bills Sold and Call Money	559,088	—	—	—	—	—
Payables under Repurchase Agreements	—	—	—	—	—	—
Payables under Securities Lending Transactions	1,637,068	—	—	—	—	—
Total	14,949,224	10,115,902	2,794,455	21,040	338,094	—

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

※2. Borrowed Money without maturity is not included.

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

1. Securities

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

(1) Trading Securities

	Millions of Yen	Millions of Yen	Millions of U.S. Dollars
	2014	2013	2014
Net Unrealized Gains (Losses)			
Recognized as Income	99	553	0

(2) Held-to-Maturity Debt Securities

As of March 31, 2014

		Millions of Yen		
		Carrying Value	Fair Value	Unrealized Gains (Losses)
Items with Fair Value Exceeding Carrying Value	Japanese Government Bonds	1,314,524	1,400,438	85,913
	Municipal Government Bonds	400	426	26
	Short-Term Corporate Bonds	—	—	—
	Corporate Bonds	40,141	40,255	114
	Others	258,875	288,708	29,833
	Total	1,613,941	1,729,829	115,887
Items with Fair Value not Exceeding Carrying Value	Japanese Government Bonds	499,857	498,947	(910)
	Municipal Government Bonds	—	—	—
	Short-Term Corporate Bonds	—	—	—
	Corporate Bonds	3,802	3,801	(1)
	Others	397	389	(7)
	Total	504,058	503,138	(919)
Total		2,117,999	2,232,967	114,968

		Millions of U.S. Dollars		
		Carrying Value	Fair Value	Unrealized Gains (Losses)
Items with Fair Value Exceeding Carrying Value	Japanese Government Bonds	12,769	13,604	834
	Municipal Government Bonds	3	4	0
	Short-Term Corporate Bonds	—	—	—
	Corporate Bonds	389	391	1
	Others	2,514	2,804	289
	Total	15,678	16,804	1,125
Items with Fair Value not Exceeding Carrying Value	Japanese Government Bonds	4,855	4,846	(8)
	Municipal Government Bonds	—	—	—
	Short-Term Corporate Bonds	—	—	—
	Corporate Bonds	36	36	(0)
	Others	3	3	(0)
	Total	4,896	4,887	(8)
Total		20,575	21,691	1,116

As of March 31, 2013

		Millions of Yen		
		Carrying Value	Fair Value	Unrealized Gains (Losses)
Items with Fair Value Exceeding Carrying Value	Japanese Government Bonds	2,409,219	2,506,244	97,024
	Municipal Government Bonds	29,776	29,894	117
	Short-Term Corporate Bonds	—	—	—
	Corporate Bonds	172,758	173,249	491
	Others	316,908	348,036	31,128
	Total	2,928,663	3,057,424	128,761
Items with Fair Value not Exceeding Carrying Value	Japanese Government Bonds	320,026	319,684	(342)
	Municipal Government Bonds	—	—	—
	Short-Term Corporate Bonds	—	—	—
	Corporate Bonds	14,531	14,525	(6)
	Others	900	900	—
	Total	335,458	335,110	(348)
Total		3,264,121	3,392,535	128,413

(3) Other Securities

As of March 31, 2014

		Millions of Yen		
		Carrying Value	Acquisition Cost	Unrealized Gains (Losses)
Items with Carrying Value Exceeding Acquisition Cost	Stocks	40,848	27,022	13,825
	Bonds	11,718,637	11,497,500	221,137
	Japanese Government Bonds	9,495,242	9,291,061	204,181
	Municipal Government Bonds	174,440	172,508	1,931
	Short-Term Corporate Bonds	14,996	14,995	0
	Corporate Bonds	2,033,958	2,018,934	15,024
	Others	3,522,239	3,339,934	182,304
	Total	15,281,725	14,864,457	417,268
Items with Carrying Value not Exceeding Acquisition Cost	Stocks	—	—	—
	Bonds	520,911	521,336	(425)
	Japanese Government Bonds	180,300	180,339	(39)
	Municipal Government Bonds	10,463	10,489	(25)
	Short-Term Corporate Bonds	—	—	—
	Corporate Bonds	330,147	330,507	(359)
	Others	522,118	527,033	(4,915)
	Total	1,043,029	1,048,370	(5,340)
Total		16,324,755	15,912,828	411,927

		Millions of U.S. Dollars		
		Carrying Value	Acquisition Cost	Unrealized Gains (Losses)
Items with Carrying Value Exceeding Acquisition Cost	Stocks	396	262	134
	Bonds	113,839	111,691	2,148
	Japanese Government Bonds	92,240	90,257	1,983
	Municipal Government Bonds	1,694	1,675	18
	Short-Term Corporate Bonds	145	145	0
	Corporate Bonds	19,758	19,612	145
	Others	34,216	32,445	1,770
	Total	148,452	144,399	4,053
Items with Carrying Value not Exceeding Acquisition Cost	Stocks	—	—	—
	Bonds	5,060	5,064	(4)
	Japanese Government Bonds	1,751	1,751	(0)
	Municipal Government Bonds	101	101	(0)
	Short-Term Corporate Bonds	—	—	—
	Corporate Bonds	3,207	3,210	(3)
	Others	5,072	5,119	(47)
	Total	10,132	10,184	(51)
Total		158,585	154,583	4,001

As of March 31, 2013

		Millions of Yen		
		Carrying Value	Acquisition Cost	Unrealized Gains (Losses)
Items with Carrying Value Exceeding Acquisition Cost	Stocks	35,092	24,592	10,499
	Bonds	11,478,758	11,228,658	250,100
	Japanese Government Bonds	9,521,182	9,290,389	230,793
	Municipal Government Bonds	189,228	186,392	2,835
	Short-Term Corporate Bonds	14,998	14,995	2
	Corporate Bonds	1,753,350	1,736,881	16,469
	Others	4,231,134	4,052,347	178,787
	Total	15,744,986	15,305,598	439,387
Items with Carrying Value not Exceeding Acquisition Cost	Stocks	2,988	3,121	(133)
	Bonds	51,131	51,312	(180)
	Japanese Government Bonds	13,998	13,998	(0)
	Municipal Government Bonds	2,080	2,083	(2)
	Short-Term Corporate Bonds	—	—	—
	Corporate Bonds	35,052	35,229	(177)
	Others	856,068	864,177	(8,108)
	Total	910,188	918,611	(8,422)
Total		16,655,175	16,224,209	430,965

(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, 2014

	Millions of Yen		
	Amounts of Securities Sold	Aggregate Gains on Sales	Aggregate Losses on Sales
Stocks	20,023	6,155	168
Bonds	1,104,718	11,128	1,222
Japanese Government Bonds	1,097,469	11,119	1,218
Municipal Government Bonds	—	—	—
Short-Term Corporate Bonds	—	—	—
Corporate Bonds	7,249	8	4
Others	1,529,994	5,799	27,390
Total	2,654,736	23,083	28,781

	Millions of U.S. Dollars		
	Amounts of Securities Sold	Aggregate Gains on Sales	Aggregate Losses on Sales
Stocks	194	59	1
Bonds	10,731	108	11
Japanese Government Bonds	10,661	108	11
Municipal Government Bonds	—	—	—
Short-Term Corporate Bonds	—	—	—
Corporate Bonds	70	0	0
Others	14,862	56	266
Total	25,789	224	279

For the Fiscal Year Ended March 31, 2013

	Millions of Yen		
	Amounts of Securities Sold	Aggregate Gains on Sales	Aggregate Losses on Sales
Stocks	46,086	1,305	5,919
Bonds	2,718,676	113,137	156
Japanese Government Bonds	2,718,275	113,137	156
Municipal Government Bonds	—	—	—
Short-Term Corporate Bonds	—	—	—
Corporate Bonds	400	0	—
Others	1,328,099	5,659	10,495
Total	4,092,861	120,103	16,572

(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 financial balance sheet. In addition the difference between the fair value and the acquisition price is treated as impairment losses in the fiscal year.

In the fiscal year ended March 31, 2013, the amount of impairment losses on securities was ¥407 million (all impairment losses were incurred on stocks).

In the fiscal year ended March 31, 2014, there were no impairment losses.

2. Money Held in Trust

(1) Money Held in Trust for Trading Purposes

As of March 31, 2014

	Millions of Yen	
	Carrying Value	Unrealized Gains (Losses) Recognized as Income
Money Held in Trust for Trading Purposes	131,852	(157)

	Millions of U.S. Dollars	
	Carrying Value	Unrealized Gains (Losses) Recognized as Income
Money Held in Trust for Trading Purposes	1,280	(1)

As of March 31, 2013

	Millions of Yen	
	Carrying Value	Unrealized Gains (Losses) Recognized as Income
Money Held in Trust for Trading Purposes	182,901	9

(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, 2014

	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	1,002	1,000	2	2	—

	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	9	9	0	0	—

As of March 31, 2013

Not applicable.

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

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

As of March 31, 2014

	Millions of Yen	Millions of U.S. Dollars
Other Securities	394,171	3,829
Other Money Held in Trust	2	0
Net Unrealized Gains	394,173	3,829
Deferred Tax Liabilities	107,760	1,046
Net Unrealized Gains (Prior to Equity Method Adjustment)	286,413	2,782
Minority Interests' Portion	—	—
Parent Company's Portion of Valuation Differential for Other Securities Held by Equity-Method-Applicable Companies	—	—
Net Unrealized Gains	286,413	2,782

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, 2013

	Millions of Yen
Other Securities	410,651
Other Money Held in Trust	—
Net Unrealized Gains	410,651
Deferred Tax Liabilities	111,829
Net Unrealized Gains (Prior to Equity Method Adjustment)	298,822
Minority Interests' Portion	—
Parent Company's Portion of Valuation Differential for Other Securities Held by Equity-Method-Applicable Companies	—
Net Unrealized Gains	298,822

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".

26. Derivatives:

1. Derivative transactions to which hedge accounting was not applied

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

(1) Interest-Rate-Related Transactions

As of March 31, 2014

	Millions of Yen			
	Total Contract Value	Contract Value (Over 1 Year until Settlement or Expiry)	Fair Value	Net Unrealized Gains (Losses)
Exchange-Traded Transactions				
Interest Rate Futures:				
Sold	9,981	—	(0)	(0)
Bought	9,981	—	—	—
Interest Rate Options:				
Sold	—	—	—	—
Bought	—	—	—	—
Over the Counter Transactions				
Interest Rate Forwards:				
Sold	—	—	—	—
Bought	—	—	—	—
Interest Rate Swaps:				
Fixed Rate Receivable/Variable Rate Payable	12,614,058	10,047,075	198,444	198,444
Variable Rate Receivable/Fixed Rate Payable	12,266,614	9,132,797	(159,467)	(159,467)
Variable Rate Receivable/Variable Rate Payable	54,200	44,200	22	22
Fixed Rate Receivable/Fixed Rate Payable	30,000	30,000	—	—
Interest Rate Options:				
Sold	—	—	—	—
Bought	—	—	—	—
Others:				
Sold	4,684,400	2,844,400	(48,808)	(1,921)
Bought	4,320,666	2,905,250	(1,522)	(20,917)
Total	—	—	(11,332)	16,159

	Millions of U.S. Dollars			
	Total Contract Value	Contract Value (Over 1 Year until Settlement or Expiry)	Fair Value	Net Unrealized Gains (Losses)
Exchange-Traded Transactions				
Interest Rate Futures:				
Sold	96	—	(0)	(0)
Bought	96	—	—	—
Interest Rate Options:				
Sold	—	—	—	—
Bought	—	—	—	—
Over the Counter Transactions				
Interest Rate Forwards:				
Sold	—	—	—	—
Bought	—	—	—	—
Interest Rate Swaps:				
Fixed Rate Receivable/Variable Rate Payable	122,537	97,601	1,927	1,927
Variable Rate Receivable/Fixed Rate Payable	119,162	88,719	(1,549)	(1,549)
Variable Rate Receivable/Variable Rate Payable	526	429	0	0
Fixed Rate Receivable/Fixed Rate Payable	291	291	—	—
Interest Rate Options:				
Sold	—	—	—	—
Bought	—	—	—	—
Others:				
Sold	45,506	27,631	(474)	(18)
Bought	41,972	28,222	(14)	(203)
Total	—	—	(110)	156

Notes:

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

As of March 31, 2013

	Millions of Yen			
	Total Contract Value	Contract Value (Over 1 Year until Settlement or Expiry)	Fair Value	Net Unrealized Gains (Losses)
Exchange-Traded Transactions				
Interest Rate Futures:				
Sold	—	—	—	—
Bought	—	—	—	—
Interest Rate Options:				
Sold	—	—	—	—
Bought	—	—	—	—
Over the Counter Transactions				
Interest Rate Forwards:				
Sold	—	—	—	—
Bought	—	—	—	—
Interest Rate Swaps:				
Fixed Rate Receivable/Variable Rate Payable	13,156,877	10,836,129	270,979	270,979
Variable Rate Receivable/Fixed Rate Payable	13,430,970	10,207,085	(226,548)	(226,548)
Variable Rate Receivable/Variable Rate Payable	47,000	37,000	29	29
Fixed Rate Receivable/Fixed Rate Payable	110,000	30,000	546	546
Interest Rate Options:				
Sold	—	—	—	—
Bought	—	—	—	—
Others:				
Sold	4,281,400	3,414,400	(47,118)	(9,009)
Bought	4,465,530	3,001,450	(5,688)	(20,244)
Total	—	—	(7,800)	15,753

Notes:

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

(2) Currency-Related Transactions
As of March 31, 2014

	Millions of Yen			
	Total Contract Value	Contract Value (Over 1 Year until Settlement or Expiry)	Fair Value	Net Unrealized Gains (Losses)
Exchange-Traded Transactions				
Currency Futures:				
Sold	—	—	—	—
Bought	—	—	—	—
Currency Options:				
Sold	—	—	—	—
Bought	—	—	—	—
Over the Counter Transactions				
Currency Swaps:	38,924	25,076	(87)	(87)
Forward Foreign Exchange Contracts:				
Sold	87,058	142	(485)	(485)
Bought	64,397	—	719	719
Currency Options:				
Sold	—	—	—	—
Bought	—	—	—	—
Others:				
Sold	—	—	—	—
Bought	—	—	—	—
Total	—	—	146	146

Millions of U.S. Dollars				
	Total Contract Value	Contract Value (Over 1 Year until Settlement or Expiry)	Fair Value	Net Unrealized Gains (Losses)
Exchange-Traded Transactions				
Currency Futures:				
Sold	—	—	—	—
Bought	—	—	—	—
Currency Options:				
Sold	—	—	—	—
Bought	—	—	—	—
Over the Counter Transactions				
Currency Swaps:	378	243	(0)	(0)
Forward Foreign Exchange Contracts:				
Sold	845	1	(4)	(4)
Bought	625	—	6	6
Currency Options:				
Sold	—	—	—	—
Bought	—	—	—	—
Others:				
Sold	—	—	—	—
Bought	—	—	—	—
Total	—	—	1	1

Notes:

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

As of March 31, 2013

	Millions of Yen			
	Total Contract Value	Contract Value (Over 1 Year until Settlement or Expiry)	Fair Value	Net Unrealized Gains (Losses)
Exchange-Traded Transactions				
Currency Futures:				
Sold	—	—	—	—
Bought	—	—	—	—
Currency Options:				
Sold	—	—	—	—
Bought	—	—	—	—
Over the Counter Transactions				
Currency Swaps:	55,599	35,585	245	245
Forward Foreign Exchange Contracts:				
Sold	49,548	—	(523)	(523)
Bought	55,511	—	381	381
Currency Options:				
Sold	—	—	—	—
Bought	—	—	—	—
Others:				
Sold	—	—	—	—
Bought	—	—	—	—
Total	—	—	102	102

Notes:

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

(3) Stock-Related Transactions

Not applicable.

(4) Bond-Related Transactions

As of March 31, 2014

Millions of Yen				
	Total Contract Value	Contract Value (Over 1 Year until Settlement or Expiry)	Fair Value	Net Unrealized Gains (Losses)
Exchange-Traded Transactions				
Bond Futures:				
Sold	4,633	—	5	5
Bought	10,869	—	(23)	(23)
Bond Futures Options:				
Sold	—	—	—	—
Bought	—	—	—	—
Over the Counter Transactions				
Bond Options:				
Sold	—	—	—	—
Bought	—	—	—	—
Others:				
Sold	—	—	—	—
Bought	—	—	—	—
Total	—	—	(17)	(17)

Millions of U.S. Dollars				
	Total Contract Value	Contract Value (Over 1 Year until Settlement or Expiry)	Fair Value	Net Unrealized Gains (Losses)
Exchange-Traded Transactions				
Bond Futures:				
Sold	45	—	0	0
Bought	105	—	(0)	(0)
Bond Futures Options:				
Sold	—	—	—	—
Bought	—	—	—	—
Over the Counter Transactions				
Bond Options:				
Sold	—	—	—	—
Bought	—	—	—	—
Others:				
Sold	—	—	—	—
Bought	—	—	—	—
Total	—	—	(0)	(0)

Notes:

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

As of March 31, 2013

Millions of Yen				
	Total Contract Value	Contract Value (Over 1 Year until Settlement or Expiry)	Fair Value	Net Unrealized Gains (Losses)
Exchange-Traded Transactions				
Bond Futures:				
Sold	23,457	—	38	38
Bought	—	—	—	—
Bond Futures Options:				
Sold	—	—	—	—
Bought	1,000	—	2	(1)
Over the Counter Transactions				
Bond Options:				
Sold	—	—	—	—
Bought	—	—	—	—
Others:				
Sold	—	—	—	—
Bought	—	—	—	—
Total	—	—	40	37

Notes:

1. Transactions mentioned above were valued at fair value, and Net Unrealized Gains (Losses) were accounted for in the consolidated statements of income.
2. Fair value calculation: Transactions on exchanges were valued on the basis of closing prices, mainly on the Tokyo Stock Exchange, Inc. Over the counter transactions were valued using discounted 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 was applied

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

(1) Interest-Rate-Related Transactions

As of March 31, 2014

		Millions of Yen		
Method for Hedge Accounting	Items	Total Contract Value	Contract Value (Over 1 Year until Settlement or Expiry)	Fair Value
Basic Treatment	Interest Rate Swaps			
	Fixed Rate Receivable/Variable Rate Payable	635,000	120,000	6,834
	Variable Rate Receivable/Fixed Rate Payable	5,387,830	5,067,331	(111,509)
	Variable Rate Receivable/Variable Rate Payable	118,340	118,340	(4,975)
Exceptional Treatments for Interest Rate Swaps	Interest Rate Swaps			
	Fixed Rate Receivable/Variable Rate Payable	980,000	820,000	6,927
	Variable Rate Receivable/Fixed Rate Payable	920,020	920,020	(56,225)
Total		—	—	(158,948)

		Millions of U.S.Dollars		
Method for Hedge Accounting	Items	Total Contract Value	Contract Value (Over 1 Year until Settlement or Expiry)	Fair Value
Basic Treatment	Interest Rate Swaps			
	Fixed Rate Receivable/Variable Rate Payable	6,168	1,165	66
	Variable Rate Receivable/Fixed Rate Payable	52,339	49,226	(1,083)
	Variable Rate Receivable/Variable Rate Payable	1,149	1,149	(48)
Exceptional Treatments for Interest Rate Swaps	Interest Rate Swaps			
	Fixed Rate Receivable/Variable Rate Payable	9,520	7,965	67
	Variable Rate Receivable/Fixed Rate Payable	8,937	8,937	(546)
Total		—	—	(1,544)

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, 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, "Accounting and Auditing Treatment of Accounting Standards for Financial Instruments in Banking Industry".
- Fair value calculation: Transactions on exchanges were valued on the basis of closing prices, mainly on the Tokyo Financial Exchange Inc. Over the counter transactions were valued using discounted present value or calculation models for option prices, etc.

As of March 31, 2013

Method for Hedge Accounting	Items	Total Contract Value	Millions of Yen	
			Contract Value (Over 1 Year until Settlement or Expiry)	Fair Value
Basic Treatment	Interest Rate Swaps			
	Fixed Rate Receivable/Variable Rate Payable	1,300,000	635,000	9,534
	Variable Rate Receivable/Fixed Rate Payable	4,646,832	4,444,593	(141,932)
	Variable Rate Receivable/Variable Rate Payable	102,172	102,172	(6,106)
Exceptional Treatments for Interest Rate Swaps	Interest Rate Swaps			
	Fixed Rate Receivable/Variable Rate Payable	1,450,000	980,000	11,907
	Variable Rate Receivable/Fixed Rate Payable	885,000	885,000	(66,509)
Total		—	—	(193,106)

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 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, "Accounting and Auditing Treatment of Accounting Standards for Financial Instruments in Banking Industry".
4. Fair value calculation: Transactions on exchanges were valued on the basis of closing prices, mainly on the Tokyo Financial Exchange Inc. Over the counter transactions were valued using discounted present value or calculation models for option prices, etc.

(2) Currency-Related Transactions

As of March 31, 2014

Method for Hedge Accounting	Items	Total Contract Value	Millions of Yen	
			Contract Value (Over 1 Year until Settlement or Expiry)	Fair Value
Basic Treatment	Currency Swaps	606,086	273,255	(1,819)
	Forward Foreign Exchange Contracts:			
	Sold	1,115,258	—	(9,168)
	Bought	—	—	—
	Total	—	—	(10,988)

Method for Hedge Accounting	Items	Total Contract Value	Millions of U.S. Dollars	
			Contract Value (Over 1 Year until Settlement or Expiry)	Fair Value
Basic Treatment	Currency Swaps	5,887	2,654	(17)
	Forward Foreign Exchange Contracts:			
	Sold	10,834	—	(89)
	Bought	—	—	—
	Total	—	—	(106)

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, "Accounting and Auditing Treatment of Accounting Standards for Foreign Currency Transactions in the Banking Industry".
3. Fair value calculation: Transactions were valued using discounted present value, etc. (for currency swaps, fair value was calculated after deduction of principal)

As of March 31, 2013

Millions of Yen				
Method for Hedge Accounting	Items	Total Contract Value	Contract Value (Over 1 Year until Settlement or Expiry)	Fair Value
Basic Treatment	Currency Swaps	1,008,663	398,647	(153)
	Forward Foreign Exchange Contracts:			
	Sold	539,025	—	(12,776)
	Bought	—	—	—
	Total	—	—	(12,929)

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, "Accounting and Auditing Treatment of Accounting Standards for Foreign Currency Transactions in the Banking Industry".
3. Fair value calculation: Transactions were valued using discounted present value, etc. (for currency swaps, fair value was calculated after deduction of principal)

(3) Stock-Related Transactions
Not applicable.

(4) Bond-Related Transactions
Not applicable.

27. Related Party Transactions:

For the Fiscal Year Ended March 31, 2014

There were no significant related-party transactions.

For the Fiscal Year Ended March 31, 2013

There were no significant related-party transactions.

28. Segment Information:

(1) Description of Reportable Segments

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

The Bank, as an individual financial institution, provides such financial services as deposits, debentures, lending, market fund management, trading operations and clearing. 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 the same as those described in the "Significant Accounting Policies".

Reportable segment profit is based on net income.

(3) Amounts by Reportable Segment

For the Fiscal Year Ended March 31, 2014

(Millions of Yen)

	Reportable segment	Other	Total	Adjustment	Amount presented in the consolidated financial statements
	Shinkin Central Bank business				
Income					
External customers	278,879	29,390	308,270	(98)	308,171
Inter-segment	2,092	2,192	4,285	(4,285)	—
Total	280,971	31,583	312,555	(4,383)	308,171
Segment profit	35,396	2,821	38,218	(606)	37,612
Segment assets	30,939,429	312,993	31,252,423	(67,858)	31,184,564
Segment liabilities	29,684,307	231,589	29,915,896	(8,158)	29,907,738
Other items					
Depreciation	4,839	4,195	9,034	(0)	9,033
Interest Income	229,617	473	230,091	(84)	230,006
Interest Expenses	141,222	189	141,411	(27)	141,383
Income Taxes	13,269	1,463	14,732	(428)	14,304
Increase in Tangible and Intangible Fixed Assets	4,269	2,153	6,422	—	6,422

(Millions of U.S. Dollars)

	Reportable segment	Other	Total	Adjustment	Amount presented in the consolidated financial statements
	Shinkin Central Bank business				
Income					
External customers	2,709	285	2,994	(0)	2,993
Inter-segment	20	21	41	(41)	—
Total	2,729	306	3,036	(42)	2,993
Segment profit	343	27	371	(5)	365
Segment assets	300,557	3,040	303,598	(659)	302,939
Segment liabilities	288,365	2,249	290,614	(79)	290,535
Other items					
Depreciation	47	40	87	(0)	87
Interest Income	2,230	4	2,235	(0)	2,234
Interest Expenses	1,371	1	1,373	(0)	1,373
Income Taxes	128	14	143	(4)	138
Increase in Tangible and Intangible Fixed Assets	41	20	62	—	62

Notes:

- The “Other” classification comprises the Bank’s eight consolidated subsidiaries which are not included within the reportable segment. The Bank’s consolidated subsidiaries provide such financial services as trust and banking, securities, investment advisory and investment trust, consumer credit guarantees, venture capital and M&A intermediary, and data processing outsourcing.
- Adjustment comprises the following.
 - Within adjustment of segment profit, reduction of ¥606 million (\$5 million) comprises reduction of ¥706 million (\$6 million) on minority interests and addition of ¥100 million (\$0 million) on inter-segment eliminations, etc.
 - Within adjustment of segment assets, reduction of ¥67,858 million (\$659 million) comprises reduction of ¥53,114 million (\$515 millions) on eliminations relating to capital consolidation and ¥14,743 million (\$143 million) on inter-segment elimination, etc.
 - Reduction of ¥8,158 million (\$79 millions) on the adjustment of segment liabilities comprises inter-segment eliminations, etc.
 - The adjustment for other items comprises inter-segment eliminations, etc.
- Segment profit has been adjusted from Net Income presented in the Consolidated Statement of Income.

For the Fiscal Year Ended March 31, 2013

(Millions of Yen)

	Reportable segment	Other	Total	Adjustment	Amount presented in the consolidated financial statements
	Shinkin Central Bank business				
Income					
External customers	382,120	27,035	409,156	(238)	408,917
Inter-segment	1,827	2,144	3,972	(3,972)	—
Total	383,948	29,180	413,128	(4,211)	408,917
Segment profit	32,024	1,737	33,761	(899)	32,862
Segment assets	30,184,837	300,847	30,485,685	(74,982)	30,410,702
Segment liabilities	28,956,639	223,520	29,180,160	(18,687)	29,161,473
Other items					
Depreciation	5,116	4,014	9,130	(0)	9,129
Interest Income	240,538	486	241,024	(88)	240,936
Interest Expenses	161,980	245	162,225	(42)	162,183
Income Taxes	7,364	914	8,279	(92)	8,186
Increase in Tangible and Intangible Fixed Assets	3,293	5,398	8,691	—	8,691

Notes:

- The “Other” classification comprises the Bank’s eight consolidated subsidiaries which are not included within the reportable segment. The Bank’s consolidated subsidiaries provide such financial services as trust and banking, securities, investment advisory and investment trust, consumer credit guarantees, venture capital and M&A intermediary, and data processing outsourcing.
- Adjustment comprises the following.
 - Within adjustment of segment profit, reduction of ¥899 million comprises reduction of ¥399 million on minority interests and ¥499 million on inter-segment eliminations, etc.
 - Within adjustment of segment assets, reduction of ¥74,982 million comprises reduction of ¥53,114 million on eliminations relating to capital consolidation and ¥21,867 million on inter-segment elimination, etc.
 - Reduction of ¥18,687 million on the adjustment of segment liabilities comprises inter-segment eliminations, etc.
 - The adjustment for other items comprises inter-segment eliminations, etc.
- Segment profit has been adjusted from Net Income presented in the Consolidated Statement of Income.

(Related Information)

For the Fiscal Year Ended March 31, 2014

1. Information by service

(Millions of Yen)

	Securities investment operations	Lending operations	Other	Total
Ordinary Income from external customers	212,876	33,257	61,702	307,837

(Millions of U.S. Dollars)

	Securities investment operations	Lending operations	Other	Total
Ordinary Income from external customers	2,067	323	599	2,990

2. Information by geographic region

(1) Ordinary Income

(Millions of Yen)

Japan	Europe	United States	Other	Total
170,031	28,112	23,145	86,548	307,837

(Millions of U.S. Dollars)

Japan	Europe	United States	Other	Total
1,651	273	224	840	2,990

Note:

Ordinary income from derivative transactions and trading operations is 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	Ordinary Income	Related segment
The Government of Japan	78,912	Shinkin Central Bank business

(Millions of U.S. Dollars)

Name of customer	Ordinary Income	Related segment
The Government of Japan	766	Shinkin Central Bank business

For the Fiscal Year Ended March 31, 2013

1. Information by service

(Millions of Yen)

	Securities investment operations	Lending operations	Other	Total
Ordinary Income from external customers	315,329	39,605	53,925	408,860

2. Information by geographic region

(1) Ordinary Income

(Millions of Yen)

Japan	Europe	United States	Other	Total
286,233	25,915	26,699	70,011	408,860

Note:

Ordinary income from derivative transactions and trading operations is 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	Ordinary Income	Related segment
The Government of Japan	94,376	Shinkin Central Bank business

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

For the Fiscal Year Ended March 31, 2014

Not applicable.

For the Fiscal Year Ended March 31, 2013

(Millions of Yen)

	Reportable segment	Other	Total
	Shinkin Central Bank business		
Impairment losses	1,813	—	1,813

Note:

The “Other” classification comprises the Bank’s eight consolidated subsidiaries which are not included within the reportable segment.

The Bank’s consolidated subsidiaries provide such financial services as trust and banking, securities, investment advisory and investment trust, consumer credit guarantees, venture capital and M&A intermediary, and data processing outsourcing.

(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.

29. Amounts per Share:

	Yen		U.S. Dollars
	2014	2013	2014
Net Assets per Share	268,795.17	263,016.93	2,611.18
Net Income per Share	7,537.36	6,528.60	73.22
Net Income per Share after Adjustment for Common Share equivalents	—	—	—

Notes:

1. In the calculation of net assets per share and net income per share, preferred dividends were deducted from current net income. However, participating dividends were not deducted from current net income.

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

		2014	2013	2014	
Total Net Assets	Millions of Yen	1,276,826	1,249,229	Millions of U.S. dollars	12,403
Amount Deducted from Total Net Assets	Millions of Yen	11,279	10,887	Millions of U.S. dollars	109
Minority Interests	Millions of Yen	9,154	8,763	Millions of U.S. dollars	88
Preferred Dividends	Millions of Yen	2,124	2,124	Millions of U.S. dollars	20
Net Assets at Fiscal Year-end Used to Calculate Net Assets per Share	Millions of Yen	1,265,547	1,238,342	Millions of U.S. dollars	12,294
Number of Share Units at Fiscal Year-end	Unit	4,708,222	4,708,222	—	—
Number of Common Share Units	Unit	4,000,000	4,000,000	—	—
Number of Preferred Share Units	Unit	708,222	708,222	—	—

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

		2014	2013	2014	
Net Income	Millions of Yen	37,612	32,862	Millions of U.S. dollars	365
Amount Deducted from Net Income	Millions of Yen	2,124	2,124	Millions of U.S. dollars	20
Preferred Dividend	Millions of Yen	2,124	2,124	Millions of U.S. dollars	20
Net Income Used to Calculate Net Income per share	Millions of Yen	35,487	30,738	Millions of U.S. dollars	344
Average Number of Share Units for the fiscal year	Unit	4,708,222	4,708,222	—	—
Average Number of Common Share Units	Unit	4,000,000	4,000,000	—	—
Average Number of Preferred Share Units	Unit	708,222	708,222	—	—

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

Changes in Accounting Policies

Effective from the fiscal year ended March 31, 2014, the Bank has applied the Accounting Standard for Retirement Benefits (Accounting Standards Board of Japan (ASBJ) Statement No. 26, May 17, 2012, excluding the provision of article 35) and Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, May 17, 2012, excluding the provision of article 67). Changes have been applied in accordance with transitional accounting as stipulated in article 37 of the Accounting Standard for Retirement Benefits.

As a result, net assets per share at the end of the fiscal year decreased by ¥741.06 (\$7.19).

30. Subsequent Events:

Not applicable.



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Independent Auditor's Report

The Board of Directors
Shinkin Central Bank

We have audited the accompanying consolidated financial statements of Shinkin Central Bank and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2014, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Shinkin Central Bank and its consolidated subsidiaries as at March 31, 2014, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

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

Ernst & Young ShinNihon LLC

June 23, 2014
Tokyo, Japan

Non-Consolidated Balance Sheet

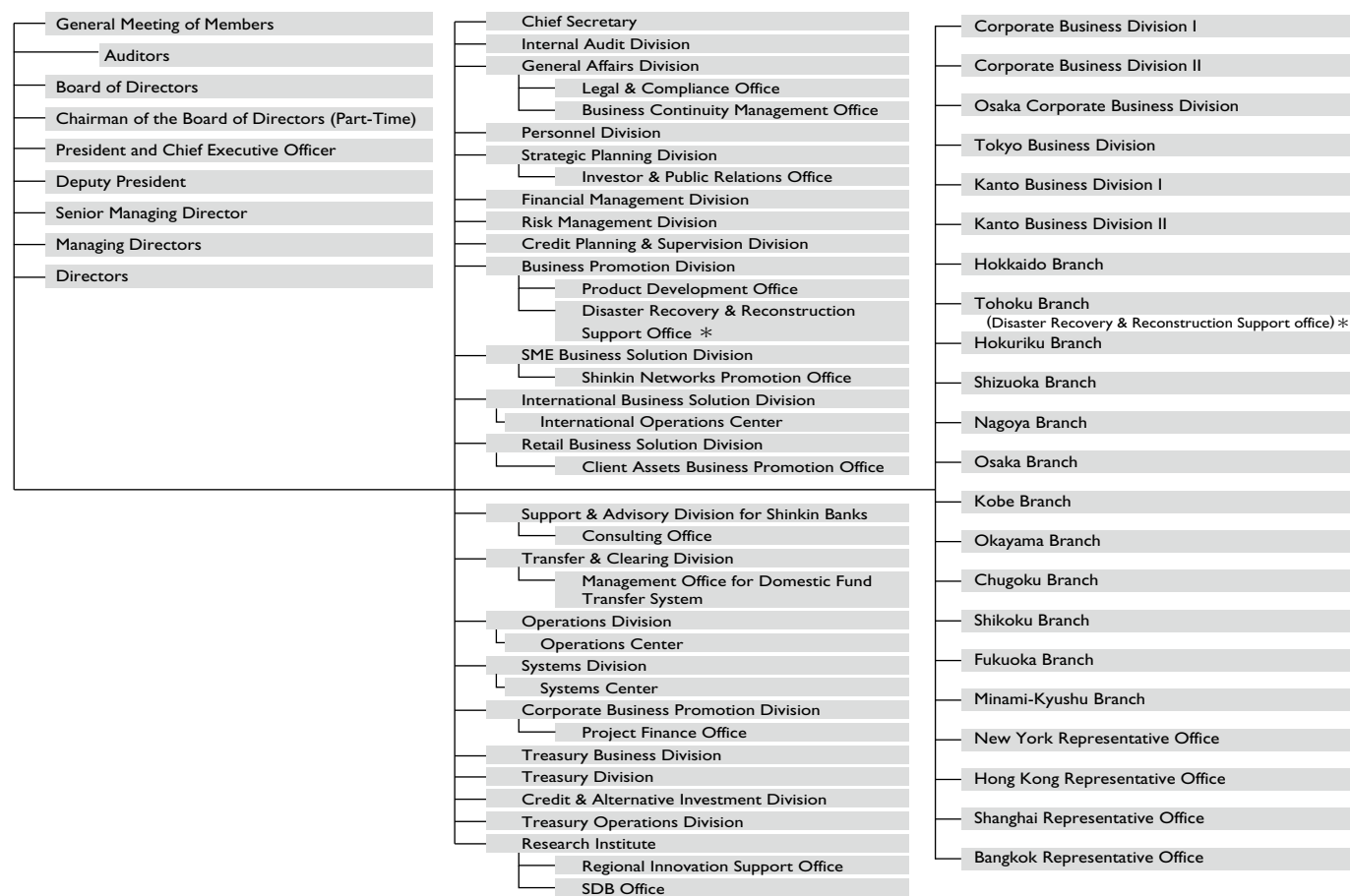
Shinkin Central Bank As of March 31,	Millions of Yen		Millions of U.S. Dollars
	2014	2013	2014
Assets			
Cash and Due from Banks	4,927,322	3,107,570	47,865
Call Loans	578,351	636,264	5,618
Receivables under Resale Agreements	86,980	80,985	844
Receivables under Securities Borrowing Transactions	104,692	113,130	1,017
Monetary Debts Purchased	269,583	329,858	2,618
Trading Assets	162,090	396,119	1,574
Money Held in Trust	132,854	182,901	1,290
Securities	18,450,501	19,681,236	179,235
Loans and Bills Discounted	5,975,832	5,460,155	58,051
Foreign Exchanges Assets	5,212	4,413	50
Other Assets	130,148	102,089	1,264
Tangible Fixed Assets	68,797	68,744	668
Intangible Fixed Assets	4,602	5,813	44
Customers' Liabilities for Acceptances and Guarantees	82,383	44,765	800
Reserve for Possible Loan Losses	(39,919)	(29,159)	(387)
Allowance for Investment Losses	(5)	(52)	(0)
Total Assets	30,939,429	30,184,837	300,557
Liabilities and Net Assets			
Liabilities			
Deposits	23,689,313	22,012,166	230,127
Debentures	3,168,110	3,548,380	30,776
Trading Liabilities	89,700	88,013	871
Borrowed Money	937,320	811,890	9,105
Call Money	366,767	519,088	3,562
Payables under Repurchase Agreements	35,437	-	344
Payables under Securities Lending Transactions	950,945	1,599,947	9,237
Foreign Exchanges Liabilities	558	187	5
Other Liabilities	273,344	257,272	2,655
Reserve for Employee Bonuses	1,214	1,143	11
Reserve for Directors' Bonuses	78	77	0
Reserve for Employee Retirement Benefits	17,537	17,302	170
Reserve for Directors' Retirement Allowances	327	357	3
Deferred Tax Liabilities	65,164	49,920	633
Deferred Tax Liabilities for Land Revaluation	6,106	6,129	59
Acceptances and Guarantees	82,383	44,765	800
Total Liabilities	29,684,307	28,956,639	288,365
Total Net Assets	1,255,122	1,228,197	12,192
Total Liabilities and Net Assets	30,939,429	30,184,837	300,557

Non-Consolidated Statement of Income

Shinkin Central Bank For the year ended March 31,	Millions of Yen		Millions of U.S. Dollars
	2014	2013	2014
Income			
Interest Income:	229,617	240,538	2,230
Interest on Loans and Discounts	33,257	39,605	323
Interest on Due from Banks	6,471	4,045	62
Interest on Call Loans	891	1,280	8
Interest on Receivables under Resale Agreements	104	77	1
Interest on Receivables under Securities Borrowing Transactions	255	285	2
Interest and Dividends on Securities	186,739	192,706	1,814
Others	1,897	2,538	18
Fees and Commissions	7,485	6,720	72
Trading Income	14,724	11,403	143
Other Operating Income	22,087	122,312	214
Other Income	7,055	2,972	68
Total Income	280,971	383,948	2,729
Expenses			
Interest Expenses:	141,222	161,980	1,371
Interest on Deposits	53,323	65,010	518
Interest on Debentures	23,564	35,101	228
Interest on Borrowed Money	9,584	10,905	93
Interest on Call Money	652	906	6
Interest on Payables under Repurchase Agreement	1	6	0
Interest on Payables under Securities Lending Transactions	2,593	4,280	25
Interest Payable on Interest Rate Swaps	50,268	44,876	488
Others	1,233	894	11
Fees and Commissions	6,518	6,687	63
Trading Losses	243	751	2
Other Operating Expenses	45,851	138,737	445
General and Administrative Expenses	26,390	26,241	256
Other Expenses	12,079	10,159	117
Total Expenses	232,305	344,559	2,256
Income before Income Taxes	48,665	39,389	472
Income Taxes			
Current	1,845	55	17
Deferred	11,423	7,308	110
Total Income Taxes	13,269	7,364	128
Net Income	35,396	32,024	343

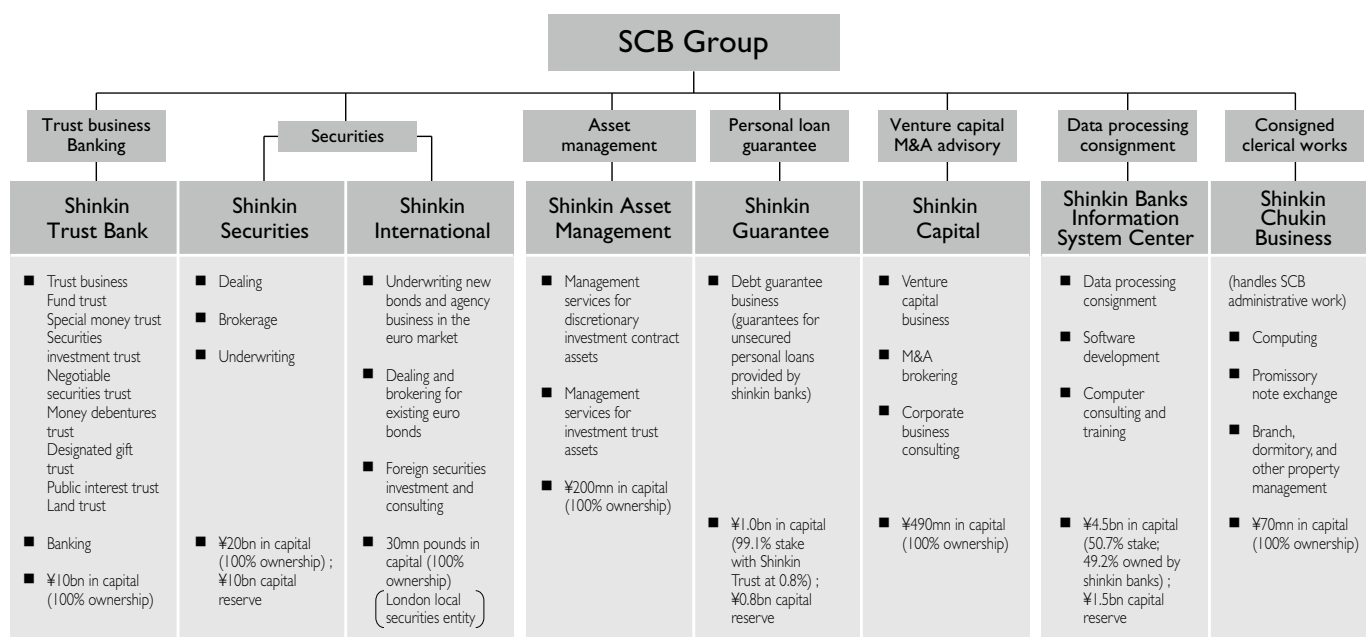
	Yen		U.S. Dollars
	2014	2013	2014
Net Income Per Share	7,066.76	6,350.60	68.64
Dividend Declared per Share (Common Shares)	3,000.00	3,000.00	29.14
Dividend Declared per Share (Preferred Shares)	6,500.00	6,500.00	63.14

Organization (As of July 31, 2014)



* Located in Tohoku Branch

SCB Group



International Directory (As of July 31, 2014)

Deputy President
(in charge of Treasury Operations)
Katsuo Akiyama

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(in charge of International Operations/
Overseas Offices)
Akira Ito

Managing Director
(in charge of International Planning)
Hajime Hioki

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Chief Representative: Tomohiro Kishi

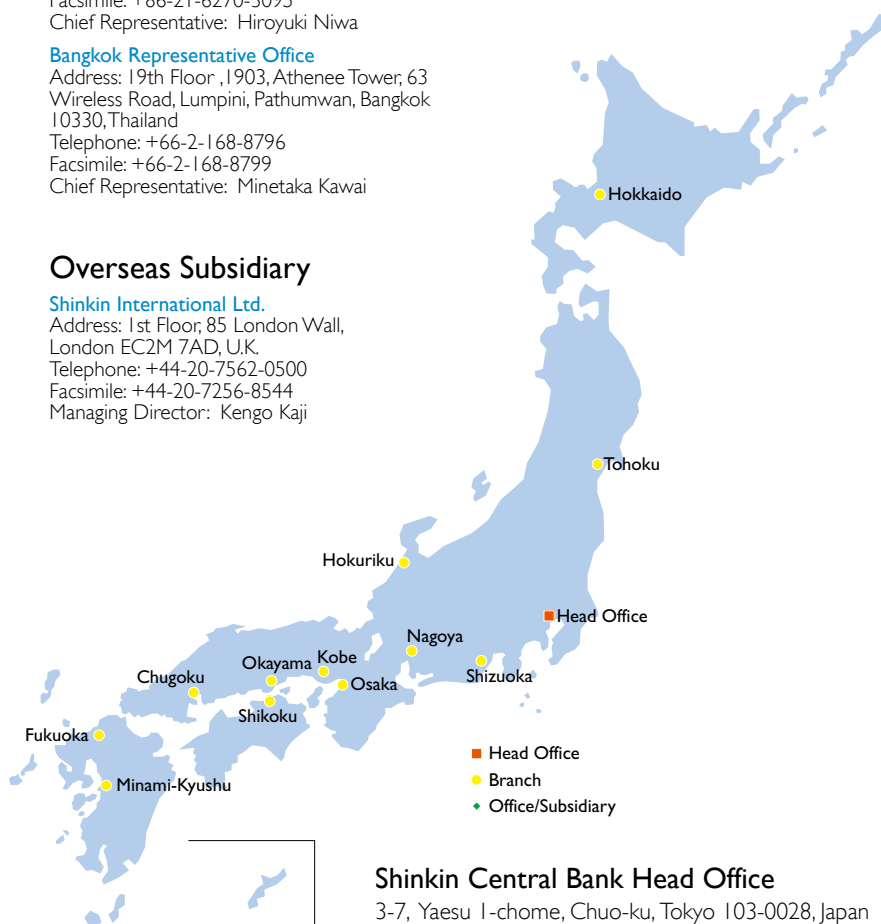
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Managing Director: Kengo Kajii



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