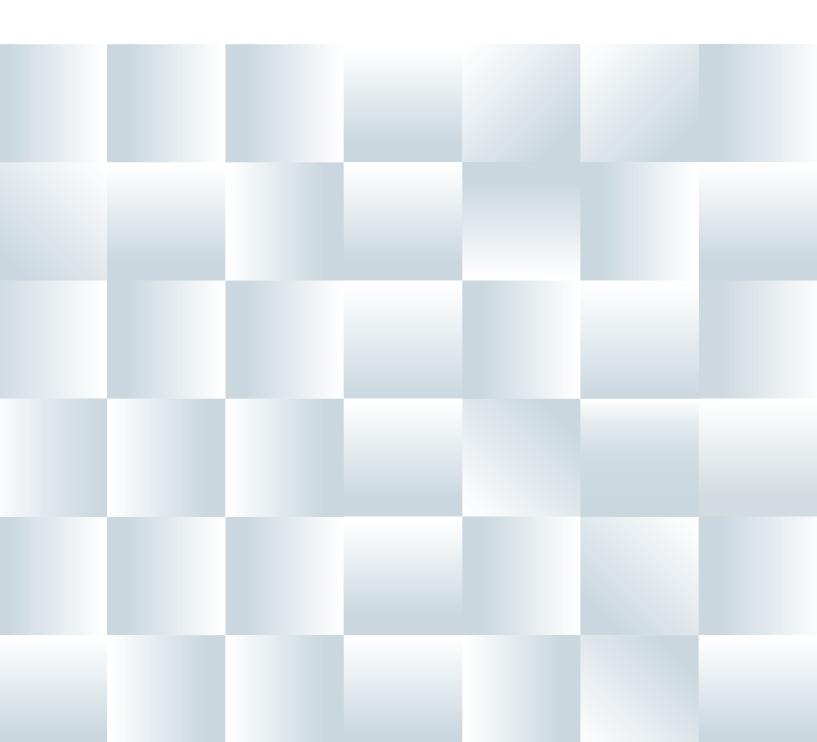


Annual Report Shinkin Central Bank 2016



Shinkin Central Bank, the Central Bank for Shinkin Banks

As the central financial institution in Japan for the cooperative regional financial institutions, known as shinkin banks, the Shinkin Central Bank (hereinafter the SCB) occupies a well-established position in Japan's financial industry. Shinkin banks currently hold funds totaling some ¥134 trillion (around US\$1,195 billion).



Management Philosophy and Operational Policies

Management Philosophy

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

Operational Policies

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

Corporate Data (as of March 31, 2016)

Name:	Shinkin Cent		
Established:	June I, 1950		
Number of employees:	1,199		
Domestic network:	14		
Overseas network:	5		
Total assets:	¥34,644 billic		
Total funds:	¥33,099 billic		
Paid-in capital:	¥690 billion (
Preferred shares:	¥90 billion (\$		
Capital adequacy ratio			
(consolidated):	41.10%		
Number of member Shinkin banks:	265		
Long-term credit ratings:	AI (Moody'		
(as of July 31, 2016)	A (S&P)		
	A+ (R&I)		

ral Bank (SCB) on (\$307 billion) on (\$293 billion) (\$6,131 million) 807 million)

41.10	0%
265	
AI	(Moody's
A	(S&P)
A+	(R&I)
AA	(JCR)

* The number of employees includes full-time Directors and Corporate Auditors. Our overseas network includes Shinkin International Ltd., a subsidiary in London. The total assets and total funds are the average balances for the year ended March 31, 2016.

Financial Highlights (Non-consolidated Financial Summary)

	1	Millions of Yen		Millior	ns of US Dollar	S*
or the years ended March 31,	2016	2015	2014	2016	2015	2014
or the Fiscal Year						
Total income	¥ 269,675	¥ 278,236	¥ 280,971	\$ 2,393	\$ 2,315	\$ 2,72
Total expenses	213,797	197,230	232,305	1,897	1,641	2,25
Net income (loss)	40,875	60,817	35,396	362	506	34
Net business profit (loss)	50,321	74,286	43,251	446	618	42
Total assets	¥34,887,645	¥33,269,249	¥30,939,429	\$309,589	\$276,897	\$300,55
Total assets	¥34,887,645	¥33,269,249	¥30,939,429	\$309,589	\$276,897	\$300,55
Loans and bills discounted	6,763,822	5,885,739	5,975,832	60,02 I	48,986	58,05
Securities	17,839,405	19,132,160	18,450,501	158,305	159,235	179,23
Total liabilities	33,274,483	31,861,297	29,684,307	295,274	265,179	288,36
Deposits	27,236,823	25,571,093	23,689,313	241,696	212,826	230,12
Debentures	3,055,520	3,007,780	3,168,110	27,114	25,033	30,77
		1,407,951	1,255,122	14,315	11,718	12,19

* US dollar amounts are given for convenience only, converted at the rate of ¥102.94, ¥120.15, and ¥112.69 per US\$1.00, the prevailing rate as of March 31, 2014, 2015, and 2016, respectively. Total assets and total funds amounted to ¥34,644 billion (\$307 billion) and ¥33,099 billion (\$293 billion) of the average balance at the year ended March 31, 2016.

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

US dollar amounts are converted for convenience only, at ¥112.69 per US\$1.00, the prevailing rate on March 31, 2016.

Message from the President and CEO Looking Ahead to the Next 10 years



The Shinkin Central Bank, or SCB, serves as the central bank for Japan's 265 shinkin banks—regional financial institutions, that specialize in operations with small and medium-sized enterprises (SMEs).

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

Fiscal 2015 Earnings Performance

In fiscal 2015 (ended March 31, 2016), we carried out measures to maintain a stable portfolio by selecting an appropriate asset allocation and responding to changes in the market environment. Owing to these efforts, ordinary income amounted to ¥55.9 billion, while net income totaled ¥40.8 billion, in line with our forecast of ¥40.0 billion announced at the start of the fiscal year.

Management Plan Progress, Support for Disaster-stricken Regions

Fiscal 2015 was the final year of our Mediumterm Action Program 2013, covering fiscal 2013 through to fiscal 2015. Having designated fiscal 2015 as a year during which the SCB would take a solid step with shinkin banks to achieve true regional revitalization, we implemented various related measures. In particular, we expanded and enhanced the functions and services to better enable shinkin banks to address issues in SME financing and regional banking. For example, we created seven programs to support SMEs at each stage of their development, and made capital and funds available through our "Shinkin no Tsubasa fund," which we had designed to support the creation, development, and growth of SMEs. We supported

regional revitalization efforts by shinkin banks, and arranged a nationwide legal consulting service in cooperation with the Japan Federation of Bar Associations and other organizations. This gave customers access to free legal advice about wills and inheritance.

The SCB also continued to implement initiatives to help communities rebuild in the aftermath of the earthquake and tsunami that struck Japan's Tohoku region in 2011. We set up the "Shinkin no Kizuna Reconstruction Support Fixed-term Deposit II" as a means to provide funds to the "Shinkin no Kizuna Reconstruction Support Project," which was established through the East Japan Earthquake Local NPO Support Fund, managed by the Japan NPO Center. We also supported volunteer activities in areas that had experienced disaster-related destruction, while assisting shinkin bank customers in restarting and opening businesses through the "Shinkin no Kizuna Reconstruction Support Fund."

New Medium-term Management Plan

After reviewing our previous action program and considering changes in both domestic and international markets, we formulated a new medium-term management plan, the "SCB Medium-term Action Program 2016," covering fiscal 2016 through to fiscal 2018. Under this new action program, we see the three years as a time in which to strengthen the foundations of the shinkin banking industry, so that it can leverage its collective capabilities over the next 10 years. The program comprises three core action plans, through which we will execute specific measures to increase the presence of shinkin banks in regional communities, enabling them to help those communities grow sustainably. Further, along with our ongoing support for the reconstruction of



disaster-stricken areas in the Tohoku region, we are also focusing on the Kumamoto region. We are promoting various measures to help it rebuild and recover in the wake of a series of earthquakes it experienced of similar force to the Great East Japan Earthquake.

Strengthening Internal Management

The SCB will continue its efforts to achieve thoroughgoing compliance with laws and regulations, strengthen corporate governance, and contribute to society, so as to bolster its position as a well-respected and distinguished financial institution.

Recognizing our crucial responsibilities as the central bank of the shinkin banking industry, we will make every effort to facilitate the industry's continued development, thereby contributing to national growth.

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.

Mitsuo Janabe

Mitsuo Tanabe President and CEO July 2016

Corporate Management and Auditors



Koji Sato Chairman of the Board of Directors



Mitsuo Tanabe President and Chief Executive Officer



Katsuo Akiyama Deputy President



Hiroyuki Shibata Deputy President



Hajime Hioki Senior Managing Director

Chairman of the Board of Directors (Part-time) Koji Sato

President and Chief Executive Officer Mitsuo Tanabe

Deputy Presidents Katsuo Akiyama Hiroyuki Shibata

Senior Managing Director Hajime Hioki

Managing Directors Norihiro Takano Atsushi Kudo Hiroshi Sudo

Directors

Keisuke Izutsu Toshio Muroi Yuzuru Nishino Naoki Hemmi Takehiko Murotani

Directors (Part-time)

Masatoshi Masuda Toshihisa Sato Daisuke Watanabe Hiroshi Hiramatsu Tetsuji Hara Kazuo Kobayashi Kazuhiko Jinbo Kiyoshi Yamachi Kenichiro Mimuro Masatoshi Takahashi Minoru Kondo Yutaka Nunogaki Hiroyuki Hashimoto Hiroshi Tsuboi Akihiro Hasui Hiromi Nomura Kenichi Toyozumi

Corporate Auditor Naoya Okajima

Corporate Auditors (Part-time)

Takashi Abe Seiji Hino Masamichi Narita Akio Okuyama

(As of July 31, 2016)

Powerful, TSE-listed Financial Institution

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

Founded in 1950, the SCB is one of Japan's leading financial institutions. It functions as both the central cooperative financial institution for all shinkin banks nationwide (see "What Are Shinkin Banks?" on page 20) and an independent financial institution.

During the fiscal year ended March 31, 2016, the SCB's funds, comprising deposits from shinkin banks and funds acquired through the issuance of debentures, had an average outstanding balance of ¥33,099 billion (\$293 billion), and average total assets of ¥34,644 billion (\$307 billion).

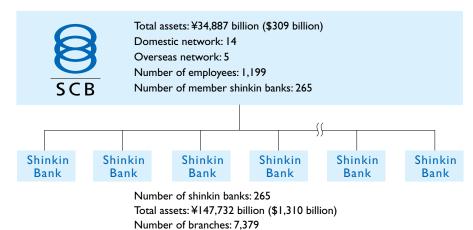
Overseas Networks and Correspondent Banks

As of March 31, 2016, the SCB had 236 overseas correspondent banks (those banks abroad with which the SCB has agreements for foreign exchange trading), with main branches in 49 countries.



The SCB's Functions

The SCB raises funds mostly through deposits—received mainly from shinkin banks—as well as by issuing debentures. It invests these funds in securities, the proceeds of which are used to extend loans, and draws on the resulting profits to support the activities of shinkin banks.



Number of employees: 110,428 Number of members: 9,273,887 As the Central Bank

(1) Supplementing Shinkin Banks' Operations Japan's 265 shinkin banks play a key role in supporting regional economies by lending to local organizations and small and mediumsized enterprises (SMEs). With total deposits of \pm 134 trillion (\pm 1,195 billion), shinkin banks occupy a very important position within Japan's overall financial sector.

As the central financial institution for the shinkin banking industry, the SCB responds to changes in the operating environment of shinkin banks. The changes include increasingly sophisticated and diverse customer needs, intensified competition with other sectors of financial institutions, and demands for ever more stringent management control systems.

The SCB provides support for shinkin banks' financial services through the shinkin banks' network, activities in support of regional development, and management of SMEs', businesses, as well as over-the-counter sales of investment trust fund products. Further, the SCB provides support in the areas of asset liability management (ALM) and marketable securities portfolio analysis to help shinkin banks raise profitability and strengthen their risk management systems.

Just as the Bank of Japan acts as a clearing house for domestic exchange transactions among banks, the SCB serves as a clearing house for shinkin banks. Thus, for the year ended March 31, 2016, the SCB settled domestic exchange transactions for a total value of \pm 246 trillion (\pm 2,186 billion). Moreover, the SCB acts as the intermediary in settling utility bills handled by shinkin banks.

The SCB also supports other shinkin banks' operations. In addition to supplementing international foreign exchange operations, the SCB has been supplementing shinkin banks' lending operations, by commissioning shinkin banks to lend to local SMEs and business owners who are their customers.

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

(As of March 31, 2016)

(2) Enhancing Industry Creditworthiness The SCB acts as a consultant for the shinkin banking industry, as it lends proactive support to the management of shinkin banks and provides function such safety nets 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 banking industry by operating the "Shinkin Bank Management Reinforcement System" consisting of "Management analysis system," "Management advisory system" and "Capital reinforcement system."

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. During such unsettling periods for the financial system, the SCB's financial functions have played a crucial role in maintaining confidence in the shinkin banking industry and contributed to the stability of regional economies.

As the Independent Financial Institution

(I) Institutional Investor

Looking at the average balance for the year ended March 31, 2016, the SCB had assets under management of ¥34,406 billion (\$305 billion). Of this, it invested ¥17,719 billion (\$157 billion) in securities—as government bonds, municipal bonds, corporate bonds, and foreign securities—and ¥9,895 billion (\$87 billion) in short-term money markets.

As one of Japan's leading institutional investors, the SCB manages a vast amount of money in domestic and international markets.

(2) Comprehensive Financial Services Provider

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

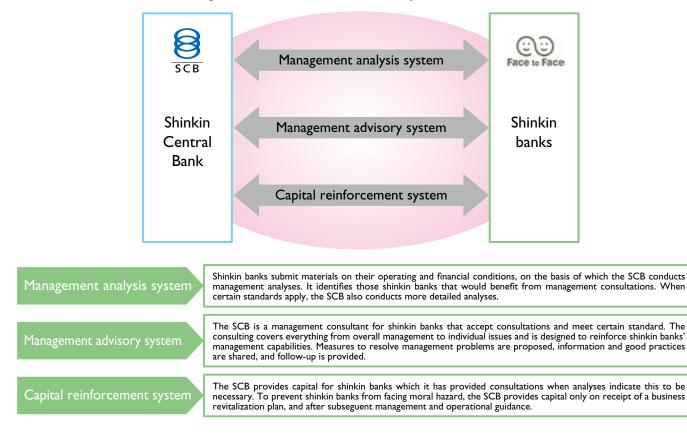
It also undertakes, either itself, or through its subsidiaries, auxiliary operations, such as underwriting public bonds, handling private placement bonds, and issuing personal loan guarantees, as well as peripheral operations, including the provision of trusts, securities, financial advice, investment trust funds, defined contribution pensions, venture capital, and M&A-related advice.

(3) Contributor to Regional Development

The SCB provides loans to community organizations, locally based companies, and public finance initiatives for the purpose of helping develop and revitalize communities all over Japan.It supports shinkin banks in their efforts to resolve issues confronting communities and SMEs by providing regional revitalizationrelated information. This includes how to add value to locally made products, expand sales channels for such products, and boost tourism, along with programs to support SMEs at each stage of development—establishment, growth, re-establishment, and restructuring.

The SCB thus contributes to regional communities together with sinkin banks.

The Shinkin Bank Management Reinforcement System

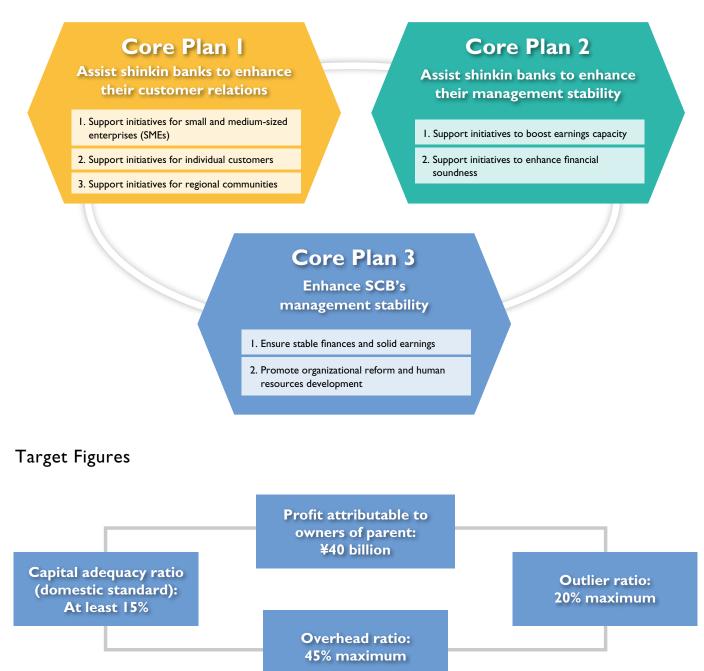


Management Issues and Strategies

Initiatives for the Next 10 Years

In the current fiscal year, we commenced the "SCB Medium-term Action Program 2016," a management plan spanning three years from fiscal 2016 through fiscal 2018. The program follows the "SCB Medium-term Action Program 2013" and the "SCB Medium-term Action Program 2010." Under the most recent program, the SCB is working to achieve the objectives of three core plans, explained below.

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



Assist Shinkin Banks to Enhance Their Customer Relations

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

Support SMEs during Development

The SCB will continue providing shinkin banks with programs to support SMEs over each stage of their development-establishment, reestablishment, and restructuring. The SCB will also step up support for shinkin banks that have potential for leveraging consulting services.

Business Matching Services

The SCB will assist shinkin banks to broaden and enhance their business matching services, enabling them to more effectively introduce key products, professionals, and technologies of one SME to other SMEs and large corporate clients. The SCB will also help shinkin banks broaden their professional networks, for example by organizing gatherings of executives experienced in restructuring shinkin banks.

• Overseas Expansion

Responding to the needs of Japanese SMEs operating overseas, the SCB has set up three Asia offices, in Hong Kong, Shanghai, and Bangkok. The SCB also has established alliances with seven banks, and seconds staff to some of those banks. Leveraging this international network, the SCB will more strongly help shinkin banks support SMEs hoping to enter overseas markets and increase their sales channels.



Trust Business Services to Individuals

To encourage individual customers to continue conducting transactions over an extended period, it is vital to establish relations with them that go beyond a single generation. As Japan's population ages and property taxes are strictly enforced, there is growing demand for trust business services that facilitate the transfer of assets between generations. In response to this situation, the SCB plans to commence operating a trust banking business in 2017. It will provide trust business services to individual customers through shinkin banks, which will serve as agents to handle trust agreements.

Investment Trust Sales, Defined **Contribution Pension plans**

To better enable shinkin banks to respond to individual customers' needs for asset accumulation, the SCB will help shinkin banks expand their lineups of Shinkin Investment Trust products for over-the-counter sale. This will include extending assistance for the handling of revisions to Japan's Nippon Individual Savings Account program. The SCB will also support shinkin banks in promoting defined contribution pension plan services, based on reviews of defined contribution pension plan systems and welfare pension fund systems.

Initiatives for Regional Revitalization

As community-based financial institutions, shinkin banks are expected to proactively contribute to regional revitalization. To support such efforts, the SCB will provide shinkin banks with the support package categorized according to the issues the regions face, such as the need to add value to locally made products, expand sales channels for such products, boost tourism, and promote urban development. The SCB will also continue offering regional revitalization consulting services to shinkin banks and simulate to help them understand the composition of industries and population trends in their service areas.

Assist Shinkin Banks to Enhance **Their Management Stability**

The SCB will help shinkin banks enhance their financial management by supporting their efforts to deal with the challenges of attaining higher earnings capacity and greater financial soundness.

Initiatives to Boost Earnings Capacity

The SCB recognizes that for shinkin banks to more effectively invest the deposits they hold for customers, their investment tools must be diversified and made more advanced. Therefore, the SCB plans to leverage the trust banking business to develop investment products for shinkin banks. Further, to facilitate cooperation among shinkin banks at the district and prefectural levels, to improve operational efficiency and reduce costs, the SCB will continue compiling and sharing information on instructive cases of collaborative business initiatives and marketing campaigns.

• Initiatives to Enhance Financial Soundness

The shinkin banking industry's operating environment is expected to change. Therefore, the SCB will help shinkin banks enhance their financial management analysis capabilities based on projected trends. It will also steadily expand its support of human resources development by, for example, dispatching the professionals needed by shinkin banks.

Enhance SCB's Management Stability

In order to make steady progress in carrying out the first and second core plans of the "SCB Medium-term Action Program 2016," the SCB will work to enhance its own financial and earnings stability while promoting organizational reform and human resources development over the medium to long term.

• Stable Earnings

The SCB aims to secure stable earnings by continuing investments in, for example riskdiversified funds, while enhancing its corporate banking functions.

• Preparing for Stricter Financial Regulations

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

Reforming Organizations

The SCB will set up a new framework for its operations management so that it can carry out management strategies consistent with its obligations as the central financial institution for the shinkin banking industry. Further, the SCB will step up cyber-security countermeasures and enhance corporate governance in accordance with its special role as the central financial institution for shinkin banks.

• Developing Human Resources

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

The SCB Principle of Action

Whether the SCB will be able to realize the policies set out in the medium-term management plan depends on human resources. One of the action program's 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 executives and employees are expected to heed the principles, which are our unified fundamental guidelines for decision-making and behavior during the conduct of business operations.

The SCB Principle of Action

As executives and employees of the central financial institution for shinkin banks, we will always conduct our business with pride, a strong sense of responsibility, and based on the following guidelines.

Action Guidelines

I. Be customer oriented

- From the perspective of the customers, including shinkin banks, we should try to provide optimum products, services, and functions.
- 2. Be innovative
 - We should be aware of issues and costconscious;
- regardless of precedent, we should always seek to improve our operations.
- 3. Be professional
- We should work to improve our expertise and skills in our specialties through continuous self-development.

Action Characteristic

- I. Speed
- 2. Challenge 3. Basic

Helping Recovery Following the Great East Japan Earthquake

Since the earthquake and tsunami that struck the Tohoku region in 2011, the shinkin banking industry has been making coordinated efforts to support the reconstruction of areas that sustained major damage. Shinkin banks remain committed to leveraging their ties in the industry to provide a cross-section of support until the region has made a genuine recovery.

Donations through Bank Accounts

Since fiscal 2011, the SCB has been inviting bank account holders to donate a percentage of their deposits to help support the reconstruction of disaster areas. Over the past five years, about ± 1.3 billion has been donated from accounts holding deposits of some ± 550.0 billion.

Meanwhile, in fiscal 2014 and fiscal 2015, deposits in the "Shinkin no Kizuna Reconstruction Support Fixed-term Deposit"—handled by shinkin banks nationwide—reached some ¥194.7 billion, of which about ¥400 million was donated to the "Shinkin no Kizuna Reconstruction Support Project." This project was established for the purpose of providing mental health care to disaster victims and helping them rebuild their lives. About ¥200 million in subsidies was given to NGOs for 64 related projects, and the provision of more financial support is planned for fiscal 2016 and fiscal 2017.

Partnership in the Tohoku Region

The SCB is involved in the New Tohoku Partnership Promotion Committee, set up by Japan's Reconstruction Agency. As a member of the committee's Finance Network for Reconstruction as well as the Distribution Channel Development Support Team, the SCB shares information on reviving industries, exchanges ideas regarding general issues, and has been compiling instructive cases related to the financing of reconstruction.

Supporting Shinkin Banks Volunteer Activities

As part of its earthquake-related recovery aid, since fiscal 2011, the SCB has been helping shinkin banks and related organizations nationwide support volunteer activities. About 2,300 executives and employees have participated to date.

Shinkin Reconstruction Fund

The SCB established the "Shinkin no Kizuna reconstruction support fund" in December 2011, to support the revival of shinkin banks' customer businesses. At the end of March 2016, a total of ¥2,004 million had been committed for investment in 39 businesses in the disaster area.





Shinkin executives and employees carrying out volunteer activities in the Tohoku disaster area.

Overseas Networks

The SCB has offices in New York, Hong Kong, Shanghai, Bangkok, and London. By collecting and analyzing information on local economies, financial markets, investment environments, and consumer markets, these offices enable the SCB to support Japan's shinkin banks.

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

New York Representative Office

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

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

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

Hong Kong Representative Office

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

Shanghai Representative Office

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

Bangkok Representative Office

This office opened in October 2012, and provides shinkin bank customers expanding, or planning to expand, to Thailand and neighboring countries with information on the relevant economic and financial conditions, the investment and financing environment, as well as local laws, taxation, and employment. The office also offers advice and a variety of support.

Shinkin International Ltd. (London)

This wholly owned subsidiary of the SCB, was established in London in 1990 as an overseas office to conduct securities business in order to expand investment opportunities for the shinkin banking industry.

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

Supporting Overseas Expansion Alliances with Asian Banks

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

Thus, the SCB supports shinkin bank customers that are expanding overseas, specifically through SCB offices in Hong Kong, Shanghai, and Bangkok.

Since 2010, the SCB has been advancing business alliances with local Asian banks, in order to better support the business expansion in the region of shinkin bank customers. In October 2014, we concluded a business alliance with Bank of Shanghai (China).

Support for the Expansion of Overseas Channels

Providing Information

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

We have networks in Hong Kong, Shanghai, and Bangkok, where we hold information exchange meetings for shinkin bank customers that are expanding overseas.

Trade and Investment Consultations

Staff with particular expertise hold phoneor interview-format trade and investment consultations for shinkin bank customers expanding or conducting business transactions overseas, and for those customers considering the prospects of overseas business or conducting new transactions.

In the area of trade and investment, staff with expertise in overseas business operations offer support to meet individual customer needs. Information is provided on the local investment environment, local legal issues, and domestic and overseas market trends.



Expansion into Asia by Shinkin Bank Customers

Business Overview

Earnings Performance

In fiscal 2015 (ended March 31, 2016), the SCB posted operating income of \pm 269 billion (\$2,392 million), a decrease of \pm 8 billion (\$76 million), or 3.0%, compared with the previous fiscal year. This decrease was mainly the result of a decline in interest income, which reflected falling interest rates in the market caused by the Japanese government's ongoing qualitative and quantitative easing policy and introduction of negative interest rates. Operating expenses reached \pm 213 billion (\$1,896 million), up \pm 16 billion (\$147 million), or 8.4%, year on year. This was mainly due to higher financial derivative expenses following sell-offs of hedged securities.

As a result of these and other factors, ordinary income amounted to ± 55 billion (\$496 million), a year-on-year decrease of ± 25 billion (\$223 million), or 31.0%. Likewise, net income totaled ± 40 billion (\$362 million), down ± 19 billion (\$176 million), or 32.7%, year on year.

Funding

In fiscal 2015 (ended March 31, 2016), the total amount of funding increased 1,391 billion (12,346million) year on year, for a total of 32,643 billion (289,673 million). Of this figure, deposits received came to 27,236 billion (241,695 million), an increase of 1,671 billion (14,831 million), which mainly comprised fixed-term deposits from shinkin banks.

Debentures totaled $\pm3,055$ billion (\$27,114 million), up ±47 billion (\$423 million) year on year, and included ±629 billion (\$5,583 million) in debentures issued by the SCB in fiscal 2015. Finally, borrowed money amounted to $\pm2,350$ billion (\$20,862 million), a year-on-year decrease of ±322 billion (\$2,858 million), which mainly comprised call loans.

Asset Management

The amount of assets under management in fiscal 2015 increased \$1,612 billion (\$14,309 million), or 4.8%, to \$34,653 billion (\$307,512 million).

Mainly due to lower government bond and foreign securities holdings, outstanding invested securities decreased $\pm1,292$ billion ($\pm1,471$ million), or 6.7%, to $\pm17,839$ billion ($\pm158,305$ million) at fiscal year end. As a result chiefly of an increase in loans to national and government agencies and organizations, loans and bills discounted increased \$878 billion (\$7,792 million), or 14.9%, during the year under review to \$6,763 billion (\$60,021 million).

The outstanding amount of short-term money market assets rose ¥2,006 billion (\$17,804 million) year on year, or 25.9%, to ¥9,736 billion (\$86,401 million). This primarily reflects Bank of Japan current deposit increases.

Securities

As of March 31, 2016, the outstanding amount of securities was ¥17,839 billion (\$158,305 million).

Government bonds, corporate bonds, and other domestic securities accounted for $\pm14,010$ billion ($\pm124,327$ million), and foreign securities for $\pm3,828$ billion ($\pm33,977$ million).

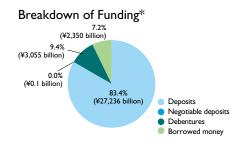
In terms of foreign securities, the SCB mainly invests in safe assets, which include government-secured financial institution bonds and government-agency bonds in major developed countries.

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

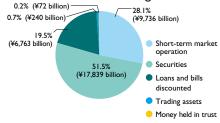
The SCB also carries out interest rate swaps and other derivative trading, to hedge risks linked to assets under management.

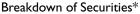
Loans and Bills Discounted

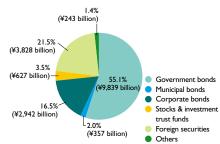
The SCB conducts a variety of loan-related business. As of March 31, 2016, the outstanding amount of loans and bills discounted was $\pm 6,763$ billion ($\pm 60,021$ million). Of the total amount, loans to shinkin bank customers through those banks accounted for ± 255 billion ($\pm 2,267$ million), while direct loans to such parties as national and government agencies and organizations, regional public corporations, and charitable organizations accounted for $\pm 3,981$ billion ($\pm 35,332$ million). Direct loans to business corporations accounted for $\pm 1,994$ billion ($\pm 17,698$ million).



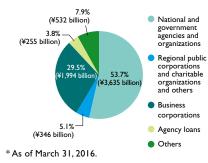
Breakdown of Asset Management*







Breakdown of Loans and Bills Discounted*



Ordinary Income and Net Income (Non-consolidated)

Orumary medine a	(Millions of yen)				
	FY2011	FY2012	FY2013	FY2014	FY2015
Ordinary income (loss)	35,575	41,163	48,65 I	81,198	55,971
Net income (loss)	29,007	32,024	35,396	60,817	40,875

Capital Adequacy

Outline

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

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

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

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

Enhancing Capital Adequacy

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

Raising Capital

In order to improve and enhance its financial position in preparation for possible changes in the regulatory framework, the SCB raised \pm 200 billion (\$1,774 million) in specific common shares from the shinkin banking industry, with September 30, 2015 as the payment date.

Therefore, there is no dilution in the distribution of residual assets for the preferred shareholders, and we have no plan to take anti-dilution measures.

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

Consolidated Capital Adequacy Ratio

The SCB's consolidated capital adequacy ratio at March 31, 2016, was 41.10%.

Equity capital, the numerator for calculating the capital adequacy ratio, amounted to \$1,824 billion (\$16,193 million).

Risk assets, the denominator for calculating the capital adequency ratio, amounted to $\pm4,439$ billion (\$39,395 million).

Risk Management and Capital Adequacy Assessment

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

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

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

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

Capital Adequacy Ratio (Domestic Standard^{*})

(%, billions of yen)						
		FY2011	FY2012	FY2013	FY2014	FY2015
	Capital adequacy ratio	32.43	33.57	37.86	36.40	41.10
Consolidated	Amount of capital	1,379	1,422	1,692	1,656	1,824
	Amount of risk-weighted assets	4,253	4,236	4,469	4,551	4,439
Non-consolidated	Capital adequacy ratio	32.54	33.42	37.84	36.46	42.38

* Figures for FY2011 and FY2012 are based on the previous standard; figures for FY2013 to FY2015 are based on the new standard.

Asset Quality

Risk-Monitored Loans

The amount of risk-monitored loans as of the end of March 2016 was \pm 135 million (\pm 135 million) for loans to bankrupt borrowers, \pm 5,517 million (\pm 48 million) for delinquent loans, \pm 24 million (\pm 0.2 million) for loans past due three months or more, and \pm 30,912 million (\$274 million) for restructured loans.

Total risk-monitored loans decreased ¥6,509 million (\$57 million) to ¥36,590 million (\$324 million) during the fiscal year.

The ratio of total risk-monitored loans to total loans remained as low at 0.54%, and the

Risk-monitored Loans (Non-consolidated)

		End of March 2015	End of March 2016	Increase or Decrease
	Loans to bankrupt borrowers	123	135	12
	Delinquent loans	11,494	5,517	(5,977)
	Loans past due three months or more	28	24	(4)
	Restructured loans	31,452	30,912	(540)
Tota	al risk-monitored loans (A)	43,099	36,590	(6,509)
Par	tial direct write-offs	584	310	(274)
Tot	al loans (B)	5,885,739	6,763,822	878,083
Ratio of total risk-monitored loans to total loans (%) (A/B)		0.73	0.54	(0.19)

Risk-monitored Loans (Consolidated)

	```	, ,
End of March	End of March	Increase or
2015	2016	Decrease
123	135	12
11,494	5,517	(5,977)
28	24	(4)
31,452	30,912	(540)
43,099	36,590	(6,509)
584	310	(274)
5,885,741	6,763,824	878,083
0.73	0.54	(0.19)
	2015 123 11,494 28 31,452 43,099 584 5,885,741	2015         2016           123         135           11,494         5,517           28         24           31,452         30,912           43,099         36,590           584         310           5,885,741         6,763,824

#### Asset Assessment under the Financial Reconstruction Law

As of the end of March 2016, bankrupt and quasi-bankrupt assets amounted to ¥253 million (\$2 million), doubtful assets ¥5,399 million (\$47 million), and substandard assets ¥30,936 million (\$274 million).

Accordingly, the total amount of bad debts under the Financial Reconstruction Law fell  $\pm$ 6,509 million (\$57 million) to  $\pm$ 36,590 million (\$324 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 68.73%.

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.

soundness of the SCB's loan assets remained

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

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

		(%	, millions of yen)
	End of March	End of March	Increase or
	2015	2016	Decrease
Bankrupt and quasi-bankrupt assets	863	253	(610)
Doubtful assets	10,754	5,399	(5,355)
Substandard assets	31,481	30,936	(545)
Total claims under the Financial Reconstruction Low (FR	L) (A) 43,099	36,590	(6,509)
Normal claims	5,964,342	6,832,763	868,421
Partial direct write-offs	584	310	(274)
Total loans (B)	6,007,441	6,869,354	861,913
Ratio of total claims under the FRL to total loans (%) (A	/B) 0.71	0.53	(0.18)
Total coverage amounts on disclosed claims under the F	RL (C) 30,265	25,151	(5,114)
Coverage ratio (%) (C/A)	70.22	68.73	(1.49)

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(%, millions of yen)

(%, millions of yen)

high.

12

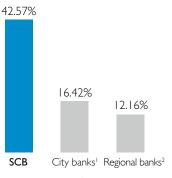
## Important Management Indices

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

Capital Adequacy Ratio (%) (As of September 30, 2015)

Nonperforming Loan Ratio (%) (As of September 30, 2015)

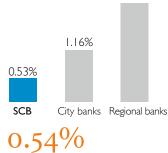
2.21%



## 41.10%

(As of March 31, 2016)

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



outstanding balance

Source: Japanese Bankers Association

(As of March 31, 2016)

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

Long-term Credit Rating (As of July 31, 2016)

A1	А	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 ongoing sweeping restructuring.

Funds per Employee (As of September 30, 2015) (Millions of US dollars)	Ratio of Expenses (%) (As of September 30, 2015)
205	0.90%
32 15	0.08%
SCB City banks Regional banks	SCB City banks Regional banks
\$223 million	<b>0.08%</b>
(As of March 31, 2016)	(As of March 31, 2016)
Notes: I.Total funds = deposits + CDs + debentures	Note: Ratio of expenses = total expenses/
2. US dollar amounts are converted for con-	(deposits + CDs + debentures) average

venience only, at ¥120.15 and ¥119.96 per

US\$1.00, the prevailing rate on September

30, 2015 and March 31, 2016, respectively.

Source: Japanese Bankers Association

#### 13

### **Corporate Governance**

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

#### Institutional Structure

#### General Assembly of Representatives

The SCB is a cooperative financial institution comprising 265 shinkin banks nationwide (as of March 3I, 2016) that are its members and investors. The General Assembly of Representatives, equivalent to the general meeting of shareholders in a joint-stock company, is held annually to elect directors and resolve important issues.

#### **Board of Directors**

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

The Board of Directors includes 12 fulltime 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 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 parttime directors ensures that supervision and safeguard functions are in place and have a high degree of objectivity and transparency in business operations.

#### **Corporate Auditors**

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

The SCB selects one full-time corporate auditor and two part-time corporate auditors from among the presidents and board chairs of shinkin banks, and two part-time corporate auditors who are not executives of the SCB or shinkin banks (non-member corporate auditors), equivalent to outside corporate auditors as defined by the Companies Act. Nonmember corporate 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 corporate auditors. The SCB is confident that non-member corporate auditors are able to utilize their professional knowledge and experience to conduct audits from an independent perspective.

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

There are no particularly notable conflicts of interest between the SCB and nonmember corporate 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.

#### Part-time Directors and Corporate Auditors

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

#### **Checks on Business Operations** Execution of Business Operations

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

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

The SCB has also established various committees of the Executive Committee to facilitate robust discussions on all aspects of its business operations. To ensure that deliberations and 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 of business by the directors. More than half of the Board of Directors are executive officers of shinkin banks, thereby ensuring that the Board of Directors fulfills its checking functions.

#### Audits

To facilitate audits of the directors' execution of duties, the corporate auditors at the SCB attend Board of Directors' and other important meetings. The corporate auditors also receive reports from directors regarding their execution of duties, and inspect the minutes of the Executive Committee and other important documents. In addition, the corporate auditors hold regular meetings with independent corporate auditors to exchange opinions and information.

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

#### Internal Audit System

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

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

#### Use of Outside Specialists

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

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

#### Appropriate Information Disclosure

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

#### **Improving Internal Control Systems**

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

### Strengthening the Compliance System

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

#### **Compliance System**

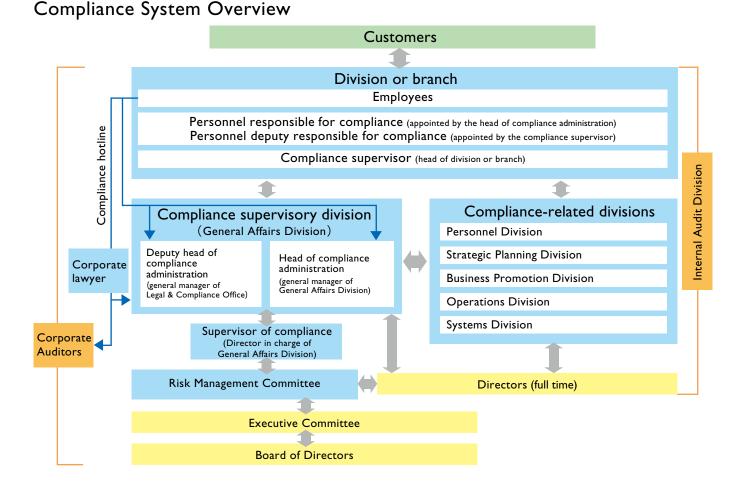
- The SCB has formulated the Shinkin Central Bank Code of Ethics, which stipulates the ethical rules and behavior standards that must be upheld by all SCB directors and employees.
- 2. In order to improve customer protection and satisfaction, the SCB formulates Customer Protection Control Policy.
- 3. The SCB formulates an annual Compliance Program, which lays out its specific compliance plan for each fiscal year.
- To clarify the rules to be followed by directors and employees, the SCB has compiled a Compliance Manual as a practical compliance handbook.
- A compliance supervisory division and compliance-related divisions have been set up, and their respective roles clarified. A compliance supervisor and deputy, both responsible for compliance, are appointed to each division and branch of the SCB.
- 6. In order to deliberate compliance issues, customer protection issues, and serious

accidents, the SCB has established the Risk Management Committee.

- 7. In addition to conducting regular lectures and training seminars for directors and employees, each division and branch also carries out its own training programs as part of the SCB's efforts to strengthen compliance education.
- The audit items used by the Internal Audit Division include compliance-related items, and internal audits include investigation of whether the compliance system is functioning adequately.
- In cases of compliance violation, reports from the heads of the divisions or branches concerned are promptly called for, and appropriat actions are taken to prevent a recurrence.
- 10. The SCB operates a hotline to facilitate reporting of compliance breaches by directors and employees. The SCB also has in place strict measures to protect whistle-blowers.
- II. Pursuant to the Law on Sales of Financial Products, the SCB has formulated and made public its Financial Products Solicitation Policy. To ensure that solicitation is carried out fairly, important points regarding a product must be explained to the customer at the time of sale.

- 12. Pursuant to the Law on Protection of Personal Information, the SCB has published its Personal Information Protection Policy on its Internet website. The SCB takes necessary and appropriate safety measures to protect personal information.
- 13. In addition to publishing its Outline for Managing Conflicts of Interest on its Internet website, pursuant to the Shinkin Bank Act and the Financial Instruments and Exchange Law, the SCB is taking appropriate management steps to ensure that customers' interests are not wrongfully violated.
- 14. Based on the financial Alternative Dispute Resolution (ADR) system, to respond expeditiously, fairly, and appropriately to customers' inquiries, complaints, disputes, and other issues, the SCB has overhauled its internal management system and is striving to enhance its reliability.

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



### **Risk Management**

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

#### **Basic Policy on Risk Management**

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

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

The SCB has also established five crossorganizational bodies—the Risk Management Committee ALM Committee, and Credit Committee, —to manage risk from a Bank-wide perspective. These committees deliberate and make decisions on specific issues relating to their respective risk management functions based on the policies determined by the Board of Directors and the Executive Committee.

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

#### **Integrated Risk Management**

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

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

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

The SCB defines capital under its integrated risk management system and allocates risk limit amounts for operational risk and other types of risk.^{*} Separately, the SCB estimates losses under various stress scenarios as part of its efforts to monitor potential impacts on capital.

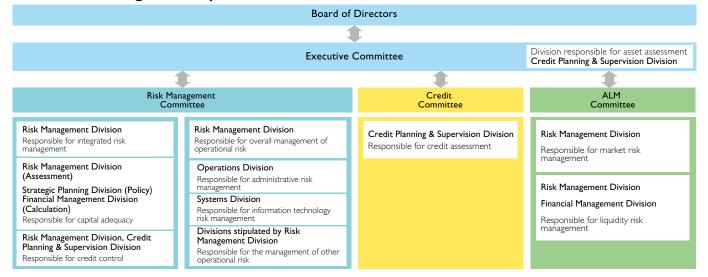
The quantitative risk limits and reserve amounts for each fiscal year are determined by the Executive Committee following deliberation by the Risk Management Committee. The Risk Management Division, which oversees integrated risk management, measures the amount of risk exposure both during and at the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

	Category	Description
	Market risk	Market risk is the risk of loss resulting from fluctuations in asset or liability values (including off- balance-sheet items), due to changes in such market risk factors as interest rates, stock prices, and exchange rates. This includes the risk of loss due to changes in earnings generated by assets and liabilities.
Must be controlled	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 transac- tions will become either impossible, or that transactions must be carried out at very unfavorable prices due to market disruptions (market liquidity risk).
	Credit risk	Credit risk is the risk of loss due to the partial or complete loss of asset value (including off- balance-sheet assets), owing to such factors as that a borrower or counterparty will fail to perform on an obligation.
	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.
Must be	Administrative risk	Administrative risk is the risk of loss resulting from administrative failures, accidents, or manage- ment or staff fraud.
minimized Information technology risk		Information technology risk is the risk of loss due to computer system failures, errors, or inadequacies, and the risk of loss due to the fraudulent use of computer systems.
	Other operational risk	Other operational risks are those, other than the ones mentioned above, that may be defined, as necessary, by the divisions responsible for the overall management of operational risk (excluding market, liquidity, and credit risks).

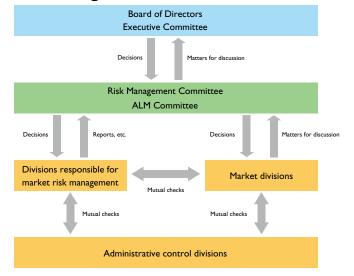
#### **Risk Categories**

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

#### SCB Risk Management System



#### Market Risk Management Framework



#### Market Risk^{*} Management

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

The SCB has established the ALM Committee as the body responsible for deliberating and making decisions on matters relating to market risk management. The ALM Committee comprises senior management and heads of divisions related to market risk. Based on risk status information—obtained via reports from divisions responsible for managing market risk and other sources the ALM Committee deliberates widely and expeditiously on policy relating to fundraising and management as well as proposed market transactions.

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

* Market risk includes interest rate risk and such equityrelated 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 is prepared to respond rapidly, and even secure funding sources.

#### **Credit Risk^{*} Management**

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

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

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

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

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

Divisions responsible for credit control analyze the SCB's overall credit portfolio according to credit rating, industry, country, and other criteria. These analyses are used to monitor the diversification of credit risk as well as changes in portfolio credit risk. Furthermore, credit risk is quantified and managed within the risk limit set by the Executive Committee.

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

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

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

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

#### **Operational Risk Management**

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

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

To calculate its operational risk capital

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

#### Administrative Risk Management

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

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

#### Information Technology Risk Management

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

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

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

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

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

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

#### **Regional Financial Institution**

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

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

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

#### **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, including environmental conservation, scholarships, academic research, and subsidies for social welfare.

#### Socially Responsible Investing (SRI) and

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

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

Amid growing expectations that companies shall improve their governance functions, Shinkin Asset Management began managing the Shinkin ESG Special Fund in March 2016. Limited to qualified institutional investors, the fund provides a source of information for making investment decisions based on non-financial factors, namely environmental performance, social contribution, and good governance.

#### **Community and Environmental**

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

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

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



Metrolink Nihonbashi

#### **Contributing 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 ( $\pm$ 20) is donated to a developing country.

#### **Assisting Local Society**

Shinkin banks are born of their communities, and develop together with them. The "Shinkin Bank Social Contribution Award" was created in 1997 to help publicize the shinkin banking 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 "19th Shinkin Bank Social Contribution Award" elicited submissions for 583 social contribution initiatives in a wide range of areas, from 164 shinkin banks and four related organizations, between October 2015 and December 2015. Activities were evaluated on the basis of continuity, social significance, integrity with the community, and impact on the local society. Awards were presented for activities at six shinkin banks, with individual prizes awarded to three people, as good examples for shinkin bank employees to emulate.



Shinkin Bank Social Contribution Award

### What Are Shinkin Banks?

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

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

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

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

#### **Outline of Shinkin Banks**

Japan's 265 shinkin banks form an extensive network, with approximately 7,400 locations across the country, from Hokkaido in the north to Kyushu and Okinawa in the south.

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

Total deposits outstanding at 265 shinkin banks as of March 31, 2016, reached approximately ¥134 trillion (\$1,195 billion), which ranks it in third place after Japan's city and regional banks, and gives shinkin banks an important position in Japanese financial markets.

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

#### Deposits¹ Outstanding by Bank Segment (As of March 31, 2016)

(Billions of US dollars)

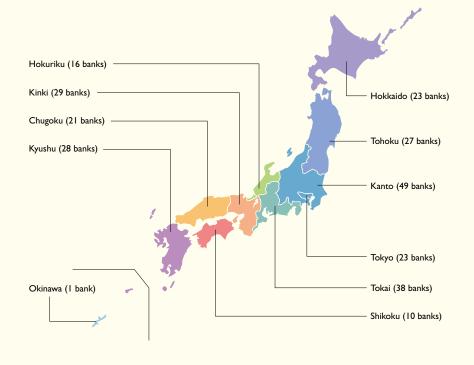
City Banks ²	\$2,843
Regional Banks ²	2,195
Shinkin Banks	1,195
Agricultural Cooperatives	851
Second-tier Regional Banks ²	569
Credit Cooperatives	173
Labor Credit Associations	166

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

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



#### Nationwide Network of Shinkin Banks (265 banks)

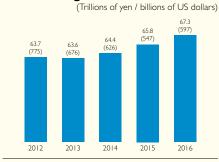


#### Deposits Outstanding at Shinkin Banks

(Trillions of yen / billions of US dollars) 134.7 (1,195) (1,098) (1,248) (1,225) (1,490) 2012 2013 2014 2015 2016

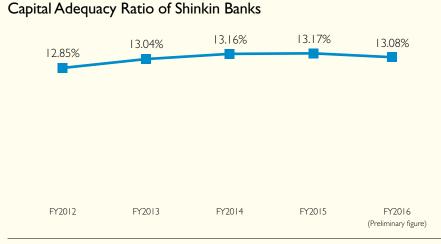
 Note: Items in parentheses are US dollar amounts. They are given for convenience only, with conversion at ¥82.22, ¥94.10, ¥102.94, ¥120.15 and ¥112.69 per US\$1.00, the prevailing rate on March 31, 2012, 2013, 2014, 2015, and 2016, respectively.
 Source: The SCB.

#### Loan and Bills Discounted Outstanding at Shinkin Banks



Note: Items in parentheses are US dollar amounts. They are given for convenience only, with conversion at ¥82.22, ¥94.10, ¥102.94, ¥120.15 and ¥112.69 per US\$1.00, the prevailing rate on March 31, 2012, 2013, 2014, 2015, and 2016, respectively.

Source: The SCB.



The capital adequacy ratio of shinkin banks as of March 31, 2016, decreased 0.09 percentage point over the previous fiscal period to 13.08% (preliminary figure).

The ratio maintains a level that is not inferior to that of other business categories, and is outperforming other domestic regional banks (10.27%) and second-tier regional banks (9.70%).

Source: The SCB.

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

#### 17.11% 6.80% 6.84% 13.08% 10.27% 9.70% City banks Regional Second-tier banks regional banks e) (Domestic) Shinkin FY2012 FY2013 FY2014 banks (Preliminary figure) Sources: Bank disclosure document, Regional Banks

Association of Japan, The Second Association of Regional Banks.



Nonperforming-loan Ratio

6.45%

5.91%

FY2015

5.30%

FY2016

(Preliminary figure)

of Shinkin Banks (%)

## 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> <li>Those who have an address or location in the region</li> <li>Those who have a business office in the region</li> <li>Those who work in the region</li> </ul>	None

### **Preferred Shares**

#### **The SCB's Preferred Shares**

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

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

#### Listing of Preferred Shares

The SCB has issued preferred shares since fiscal 1995 and, for the first time in Japan, the preferred shares were listed on the Tokyo Stock Exchange on December 22, 2000 (Securities Identification Code 8421). The SCB's preferred shares are marketable securities that are very similar to preferred stocks, and basically 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 Tokyo Stock Exchange trading hours through a securities company. Credit transactions are also possible for preferred shares, just as they are for stocks.

#### **Dividends of Preferred Shares**

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

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

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

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

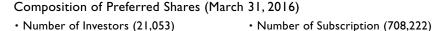
For fiscal 2015, the dividend for preferred

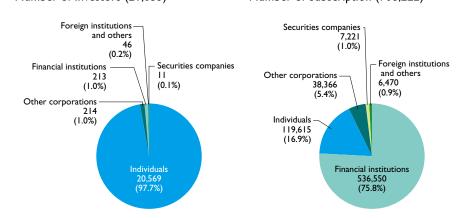
shares was  $\pm6,500$  (\$57) per share, which included a preferred dividend of  $\pm3,000$  (\$26) and a participating dividend of  $\pm3,500$  (\$31).

#### Price of Preferred Shares*

(	Closing price yen)
First day of listing (December 22, 2000)	200,500
Highest price (March 15, 2006)	311,500
Lowest price (April 14, 2009)	102,400
Closing price (July 29, 2016)	226,400

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





## **Financial Section**

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## Five-Year Summary (Consolidated)

(Millions of y					
	FY2011	FY2012	FY2013	FY2014	FY2015
Total Income	395,277	408,917	308,171	307,894	302,154
Total Expenses	357,662	367,469	255,548	223,028	242,097
Profit Attributable to Owners of Parent	29,805	32,862	37,612	62,696	42,781
Comprehensive Income	63,791	171,545	48,004	173,512	18,303
Net Assets	1,092,354	1,249,229	1,276,826	1,433,756	1,632,969
Total Assets	30,248,492	30,410,702	31,184,564	33,516,073	35,092,905
Net Assets per Share (yen)	229,768.12	263,016.93	268,795.17	301,997.98	301,512.71
Net Income per Share (yen)	5,879.26	6,528.60	7,537.36	12,865.13	7,115.71
Dividends	14,603	16,603	16,603	18,957	18,115
General Common Shares	10,000	12,000	12,000	14,000	12,000
Specific Common Shares	-	_	_	_	1,512
Preferred Shares	4,603	4,603	4,603	4,957	4,603

Notes:

- 1. Consumption tax and local consumption tax incurred by the Bank and its domestic consolidated subsidiaries are excluded from transaction amounts.
- 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 13, 2013 "Accounting Standards for Earnings Per Share" and ASBJ Guidance No. 4, September 13, 2013 "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 13, 2013 "Accounting Standards for Earnings Per Share" and ASBJ Guidance No. 4, September 13, 2013 "Guidance on Accounting Standards for Earnings Per Share".
- 4. The Bank has applied the Revised Accounting Standard for Business Combinations (ASBJ Statement No. 21, September 13, 2013). As a result, the presentation method was amended and consolidated net income was changed to profit attributable to owners of parent.

## **Consolidated Balance Sheet**

	Millions of	Yen	Millions of U.S. Dollars (Note 1)
Shinkin Central Bank As of March 31,	2016	2015	2016
Assets			
Cash and Due from Banks (Note 2 $(2)$ , 9, 25)	9,113,465	6,861,925	80,872
Bills Bought and Call Loans (Note 25)	339,088	510,601	3,009
Receivables under Resale Agreements (Note 25)	14,999	49,987	133
Receivables under Securities Borrowing Transactions (Note 25)	120,541	142,726	1,069
Monetary Debts Purchased (Note 25)	177,689	231,858	1,576
Trading Assets (Note 3, 9, 25, 26)	274,153	217,866	2,432
Money Held in Trust (Note 25, 26)	72,826	132,774	646
Securities (Note 4, 7, 9, 25, 26)	17,808,601	19,101,480	158,031
Loans and Bills Discounted (Note 5, 6, 9, 25)	6,763,824	5,885,741	60,021
Foreign Exchanges Assets	13,800	9,178 87.204	122
Other Assets (Note 9)	106,115	87,294	941
Tangible Fixed Assets (Note 8, 14, 24)	74,342	75,679	659 147
Intangible Fixed Assets (Note 24)	16,596 3,637	14,687	147 32
Deferred Tax Assets (Note 22)	239,266	3,370 234,952	
Customers' Liabilities for Acceptances and Guarantees	· · · · · · · · · · · · · · · · · · ·	,	2,123
Reserve for Possible Loan Losses Total Assets	<u>(46,043)</u> 35,092,905	(44,051) 33,516,073	(408) 311,410
i utai Assus	33,072,703	55,510,075	511,410
Liabilities and Net Assets			
Liabilities			
Deposits (Note 25)	27,214,026	25,555,350	241,494
Debentures (Note 12, 25)	3,052,920	3,000,680	27,091
Trading Liabilities (Note 10, 25)	129,461	146,314	1,148
Borrowed Money (Note 9, 11, 25)	829,320	935,320	7,359
Bills Sold and Call Money (Note 9, 25)	54,397	415,108	482
Payables under Repurchase Agreements (Note 9, 25)	63,804	73,944	566
Payables under Securities Lending Transactions (Note 9, 25)	1,414,550	1,299,828	12,552
Foreign Exchanges Liabilities	256	264	2
Other Liabilities (Note 13)	310,449	272,465	2,754
Reserve for Employee Bonuses	1,765	1,616	15
Reserve for Directors' Bonuses	80	80	0
Net Defined Benefit Liability(Note 23)	40,419	27,906	358
Reserve for Directors' Retirement Allowances	554	524	4
Reserve under Specific Law	1	1	0
Deferred Tax Liabilities (Note 22)	102,554	111,851	910
Deferred Tax Liabilities for Land Revaluation (Note 14)	6,109	6,106	54
Acceptances and Guarantees	239,266	234,952	2,123
Total Liabilities	33,459,936	32,082,317	296,920
Net Assets			
Common Shares and Preferred Shares (Note 21)	690,998	490,998	6,131
Capital Surplus	100,678	100,678	893
Retained Earnings	520,923	497,099	4,622
Total Shareholders' Equity	1,312,600	1,088,776	11,647
Net Unrealized Gains (Losses) on Other Securities (Note 22, 26)	477,944	440,090	4,241
Net Deferred Gains (Losses) on Hedging Instruments (Note 22, 27)	(168,850)	(114,477)	(1,498)
Land Revaluation Excess (Note 14)	13,455	13,457	119
Foreign Currency Translation Adjustments	(1,653)	(1,285)	(14)
Remeasurements of Defined Benefit Plans (Note 23)	(10,270)	(2,563)	(91)
Total Accumulated Other Comprehensive Income	310,625	335,222	2,756
Non-controlling interests	9,743	9,758	86
Total Net Assets	1,632,969	1,433,756	14,490
Total Liabilities and Net Assets	35,092,905	33,516,073	311,410

## **Consolidated Statement of Income**

			Millions of U.S. Dollars
	Millions of	Von	(Note 1)
Shinkin Central Bank For the year ended March 31,	2016	2015	<u>2016</u>
Income	2010	2015	2010
Interest Income:	204,873	219,763	1,81
Interest on Loans and Discounts	23,783	27,652	21
Interest on Due from Banks	9,532	7,481	84
Interest on Bills Bought and Call Loans	1.064	1.107	Ū
Interest on Receivables under Resale Agreements	20	58	
Interest on Receivables under Securities Borrowing Transactions	75	279	
Interest and Dividends on Securities	169,535	181,761	1,504
Others	860	1,422	1,00
Fees and Commissions (Note 15)	40,562	37,122	35
Trading Income (Note 16)	12,555	18,836	11
Other Operating Income	37,559	22,542	33.
Other Income (Note 18)	6,603	9,630	5
Total Income	302,154	307,894	2,68
	302,154	307,894	2,68
Expenses	302,154	307,894	2,68
Expenses Interest Expenses:	127,331	130,841 48,542	1,12
Expenses Interest Expenses: Interest on Deposits	127,331 44,591	130,841	1,12
Expenses Interest Expenses: Interest on Deposits Interest on Debentures	127,331 44,591 10,561	130,841 48,542 13,921	1,12 39 9
Expenses Interest Expenses: Interest on Deposits Interest on Debentures Interest on Borrowed Money	127,331 44,591 10,561 10,933	130,841 48,542 13,921 11,224	1,12' 39: 9. 9
Expenses Interest Expenses: Interest on Deposits Interest on Debentures Interest on Borrowed Money Interest on Bills Sold and Call Money	127,331 44,591 10,561 10,933 690	130,841 48,542 13,921 11,224 731	1,12 39 9, 9
Expenses Interest Expenses: Interest on Deposits Interest on Debentures Interest on Borrowed Money Interest on Bills Sold and Call Money Interest on Payables under Repurchase Agreement	127,331 44,591 10,561 10,933 690 239	130,841 48,542 13,921 11,224 731 97	1,12 39 9 9
Expenses Interest Expenses: Interest on Deposits Interest on Debentures Interest on Borrowed Money Interest on Bills Sold and Call Money Interest on Payables under Repurchase Agreement Interest on Payables under Securities Lending Transactions	127,331 44,591 10,561 10,933 690 239 4,478	130,841 48,542 13,921 11,224 731 97 2,237	1,12 39 9 9
Expenses Interest Expenses: Interest on Deposits Interest on Debentures Interest on Borrowed Money Interest on Borrowed Money Interest on Bills Sold and Call Money Interest on Payables under Repurchase Agreement Interest on Payables under Securities Lending Transactions Others Fees and Commissions (Note 15) Trading Losses (Note 17)	127,331 44,591 10,561 10,933 690 239 4,478 55,835	130,841 48,542 13,921 11,224 731 97 2,237 54,086 12,363 231	1,12 39 9 9 3 9 3 49
Expenses Interest Expenses: Interest on Deposits Interest on Debentures Interest on Borrowed Money Interest on Bills Sold and Call Money Interest on Payables under Repurchase Agreement Interest on Payables under Securities Lending Transactions Others Fees and Commissions (Note 15)	127,331 44,591 10,561 10,933 690 239 4,478 55,835	130,841 48,542 13,921 11,224 731 97 2,237 54,086 12,363	1,12 39 9 9 3 9 3 49
Expenses Interest Expenses: Interest on Deposits Interest on Debentures Interest on Borrowed Money Interest on Borrowed Money Interest on Bills Sold and Call Money Interest on Payables under Repurchase Agreement Interest on Payables under Securities Lending Transactions Others Fees and Commissions (Note 15) Trading Losses (Note 17) Other Operating Expenses General and Administrative Expenses	127,331 44,591 10,561 10,933 690 239 4,478 55,835 14,249	130,841 48,542 13,921 11,224 731 97 2,237 54,086 12,363 231	1,12 39 9 9 9 9 9 9 9 9 9 9 9 9 9 9 9 9 9 9
Expenses Interest Expenses: Interest on Deposits Interest on Debentures Interest on Borrowed Money Interest on Borrowed Money Interest on Bills Sold and Call Money Interest on Payables under Repurchase Agreement Interest on Payables under Securities Lending Transactions Others Fees and Commissions (Note 15) Trading Losses (Note 17) Other Operating Expenses	127,331 44,591 10,561 10,933 690 239 4,478 55,835 14,249 47,696	130,841 48,542 13,921 11,224 731 97 2,237 54,086 12,363 231 29,092	1,12 39 9 9 9 9 9 9 9 9 9 9 9 9 9 9 9 9 9 9

Profit before Income Taxes	60,057	84,866	532
Income Taxes (Note 22):			
Current	16,909	18,988	150
Deferred	(278)	2,594	(2)
Total Income Taxes	16,631	21,583	147
Profit	43,425	63,282	385
Profit attributable to non-controlling interests	643	586	5
Profit attributable to owners of parent	42,781	62,696	379

			U.S. Dollars
	Yen		(Note 1)
	2016	2015	2016
Net Income per Share (Note 30)	7,115.71	12,865.13	63.14
Dividend Declared per Share (General Common Shares)	3,000.00	3,500.00	26.62
Dividend Declared per Share (Specific Common Shares)	1,500.00	-	13.31
Dividend Declared per Share (Preferred Shares)	6,500.00	7,000.00	57.68

## Consolidated Statement of Comprehensive Income

	Millions of	Ven	Millions of U.S. Dollars (Note 1)
Shinkin Central Bank For the year ended March 31,	2016	2015	2016
Profit	43,425	63,282	385
Other Comprehensive Income (Note 20)	(25,121)	110,229	(222)
Net Unrealized Gains (Losses) on Other Securities	37,854	153,676	335
Net Deferred Gains (Losses) on Hedging Instruments	(54,372)	(45,041)	(482)
Land Revaluation Excess	(2)	4	(0)
Foreign Currency Translation Adjustments	(368)	580	(3)
Remeasurements of Defined Benefit Plans	(8,232)	1,009	(73)
Comprehensive Income	18,303	173,512	162
Comprehensive Income attributable to owners of the parent	18,185	172,842	161
Comprehensive Income attributable to non-controlling interests	118	670	1

## Consolidated Statement of Changes in Net Assets

Shinkin Central Bank For the year ended March 31,20	016			Millions of Yen		
	Shareholders' Equity					
	Common Shares and Preferred Shares	Capital Surplus Retained Earnings Lotal Shareholders' Ed				
Balance at Beginning of Year	490,998	100,678	497,099	1,088,776		
Fluctuation Amount during the Fiscal Year						
Increase of Common shares	200,000			200,000		
Surplus Dividends			(18,957)	(18,957		
Profit attributable to owners of parent			42,781	42,781		
Net Changes in Items Other Than Shareholders' Equity during the Fiscal Year						
Total Fluctuation Amount during the Fiscal Year	200,000	-	23,824	223,824		
Balance at End of Year	690,998	100,678	520,923	1,312,600		

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

				Millions of U.S. Dollars (Note 1)				
		Shareholders' Equity						
	Common Shares and Preferred Shares	Capital Surplus Retained Earnings Lotal Share						
Balance at Beginning of Year	4,357	893	4,411	9,661				
Fluctuation Amount during the Fiscal Year								
Increase of Common shares	1,774			1,774				
Surplus Dividends			(168)	(168)				
Profit attributable to owners of parent			379	379				
Net Changes in Items Other Than Shareholders' Equity during the Fiscal Year								
Total Fluctuation Amount during the Fiscal Year	1,774	-	211	1,986				
Balance at End of Year	6,131	893	4,622	11,647				

		Accumulated Other Comprehensive Income				Non-	Total Net	
	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	controlling interests	Assets
Balance at Beginning of Year	3,905	(1,015)	119	(11)	(22)	2,974	86	12,723
Fluctuation Amount during the Fiscal Year								
Increase of Common shares								1,774
Surplus Dividends								(168)
Profit attributable to owners of parent								379
Net Changes in Items Other Than Shareholders' Equity during the Fiscal Year	335	(482)	(0)	(3)	(68)	(218)	(0)	(218)
Total Fluctuation Amount during the Fiscal Year	335	(482)	(0)	(3)	(68)	(218)	(0)	1,767
Balance at End of Year	4,241	(1,498)	119	(14)	(91)	2,756	86	14,490

Shinkin Central Bank For the year ended March 31,20	015			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	450,930	1,042,607			
Cumulative Effects of Changes in Accounting Policies			87	87			
Restated balance	490,998	100,678	451,017	1,042,694			
Fluctuation Amount during the Fiscal Year							
Surplus Dividends			(16,603)	(16,603			
Profit attributable to owners of parent			62,696	62,690			
The revarsal of Land Revaluation Excess			(11)	(11			
Net Changes in Items Other Than Shareholders' Equity during the Fiscal Year							
Total Fluctuation Amount during the Fiscal Year	-	-	46,081	46,081			
Balance at End of Year	490,998	100,678	497,099	1,088,776			

	Accumulated Other Comprehensive Income				Non-	Total Net		
	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	controlling interests	Assets
Balance at Beginning of Year	286,413	(69,436)	13,441	(1,865)	(3,489)	225,064	9,154	1,276,826
Cumulative Effects of Changes in Accounting Policies								87
Restated balance	286,413	(69,436)	13,441	(1,865)	(3,489)	225,064	9,154	1,276,914
Fluctuation Amount during the Fiscal Year								
Surplus Dividends								(16,603)
Profit attributable to owners of parent								62,696
The revarsal of Land Revaluation Excess								(11)
Net Changes in Items Other Than Shareholders' Equity during the Fiscal Year	153,676	(45,041)	16	580	925	110,157	603	110,761
Total Fluctuation Amount during the Fiscal Year	153,676	(45,041)	16	580	925	110,157	603	156,842
Balance at End of Year	440,090	(114,477)	13,457	(1,285)	(2,563)	335,222	9,758	1,433,756

## Consolidated Statement of Cash Flows

			Millions of U.S. Dollars
Shinkin Central Bank For the year ended March 31,	Millions of 2016	Yen 2015	(Note 1) 2016
Cash Flows from Operating Activities:	2010	2015	2010
Profit before Income Taxes	60,057	84,866	532
Depreciation	8,984	8,442	79
Loss on Impairment of Fixed Assets	-	64	-
Increase (Decrease) in Reserve for Possible Loan Losses	1,992	3,867	17
Increase (Decrease) in Reserve for Investment Losses	-	(5)	-
Increase (Decrease) in Reserve for Employee Bonuses	148	22	1
Increase (Decrease) in Reserve for Directors' Bonuses	-	2	-
Increase (Decrease) in Net Defined Benefit Liability	12,512	(507)	111
Increase (Decrease) in Reserve for Directors' Retirement Allowances	29	15	0
Interest Income	(204,873)	(219,763)	(1,818)
Interest Expenses	127,331	130,841	1,129
Net Losses (Gains) on Securities	(24,225)	(11,585)	(214)
Net Losses (Gains) on Money Held in Trust	721	(1,465)	6
Net Losses (Gains) on Foreign Exchange	127,630	(183,218)	1,132
Net Losses (Gains) on Disposal of Fixed Assets	118	128	1
Net Decrease (Increase) in Trading Assets	(56,286)	19,394	(499)
Net Increase (Decrease) in Trading Liabilities	(16,853)	(12,222)	(149)
Net Decrease (Increase) in Trading Receivable	(2,681)	-	(23)
Net Increase (Decrease) in Trading Payables	(7,054)	(2,607)	(62)
Net Decrease (Increase) in Loans and Bills Discounted	(878,083)	90,093	(7,792)
Net Increase (Decrease) in Deposits	1,658,676	1,877,551	14,718
Net Increase (Decrease) in Debentures	52,240	(161,130)	463
Net Increase (Decrease) in Borrowed Money (Excluding Subordinated Borrowings)	(6,000)	(2,000)	(53)
Net Decrease (Increase) in Due from Banks (Excluding Due from Central Bank)	252,517	594,734	2,240
Net Decrease (Increase) in Call Loans and Others	206,500	104,743	1,832
Net Decrease (Increase) in Receivables under Securities Borrowing Transactions	22,185	30,663	196
Net Increase (Decrease) in Call Money and Others	(370,851)	45,547	(3,290)
Net Increase (Decrease) in Payables under Securities Lending Transactions	114,721	333,169	1,018
Net Decrease (Increase) in Monetary Debts Purchased	54,169	37,724	480
Net Decrease (Increase) in Foreign Exchanges (Assets)	(4,622)	(3,965)	(41)
Net Increase (Decrease) in Foreign Exchanges (Liabilities)	(8)	(293)	(0)
Net Increase (Decrease) in Due to Trust Accounts	2,963	(61)	26
Interest Received	288,660	312,999	2,561
Interest Paid	(158,037)	(176,962)	(1,402)
Other, Net	(82,091)	(19,646)	(728)
Sub-total	1,180,492	2,879,440	10,475
Income Taxes Paid	(17,962)	(3,857)	(159)
Net Cash Provided by (Used in) Operating Activities	1,162,530	2,875,582	10,316
Cash Flows from Investing Activities:			
Acquisitions of Securities	(2,434,862)	(4,093,109)	(21,606)
Proceeds from Sale of Securities	1,150,848	1,832,394	10,212
Proceeds from Redemption of Securities	2,492,517	1,929,034	22,118
Increase in Money Held in Trust	(40,000)	(21,048)	(354)
Decrease in Money Held in Trust	98,717	21,000	876
Acquisitions of Tangible Fixed Assets	(3,532)	(5,876)	(31)
Acquisitions of Intangible Fixed Assets	(3,061)	(3,660)	(27)
Proceeds from Sales of Tangible Fixed Assets	117	-	1
Net Cash Provided by (Used in) Investing Activities	1,260,745	(341,264)	11,187
Cash Flows from Financing Activities:			
Repayment of Subordinated Borrowings	(100,000)	_	(887)
Proceeds from Increase of Shares	200,000	-	1,774
Dividends Paid	(18,957)	(16,603)	(168)
Dividends Paid to Non-controlling Interests	(133)	(66)	(100)
Net Cash Provided by (Used in) Financing Activities	80,908	(16,670)	717
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(1)	0	(0)
Net Increase (Decrease) in Cash and Cash Equivalents	2,504,183	2,517,648	22,221
Cash and Cash Equivalents at Beginning of Period	5,630,169	3,112,521	49,961
Cash and Cash Equivalents at End of Period (Note 2 (2))	8,134,353	5,630,169	72,183

### Notes to Consolidated Financial Statements

#### 1. Basis of Presentation:

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

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

U.S. dollar amounts represent the arithmetical results of translating original Japanese yen amounts of the respective account balances to U.S. dollars on a basis of ¥112.69 to U.S.\$1, the exchange rate prevailing as of March 31, 2016. 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, 2016 listed below:

Location	Ownership
Location	Percentage
Tokyo	50.7%
London	100%
Tokyo	100%
	London Tokyo Tokyo Tokyo Tokyo Tokyo

Unconsolidated subsidiaries

Shinkin no Kizuna Limited Liability Investment Partnership

Shinkin no Tsubasa Limited Liability Investment Partnership

Unconsolidated subsidiaries are excluded from the scope of consolidation because their total assets, total income, net income (amount based on the equity method), retained earnings (amount based on the equity method) and accumulated other comprehensive income (amount based on the equity method) are immaterial and do not hinder a rational judgment of the Bank's financial condition and results of operation when excluded from the scope of consolidation.

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

All significant intercompany accounts and transactions have been eliminated in consolidation. The Bank's share of net assets of

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

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

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

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

Shinkin no Kizuna Limited Liability Investment Partnership

Shinkin no Tsubasa Limited Liability Investment Partnership

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

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

Aozora Loan Services Co., Ltd.

#### (2) Cash and Cash Equivalents

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

Reconciliation between Cash and Due from Banks in the consolidated balance sheet and Cash and Cash Equivalents at March 31, 2016 and 2015 is as follows:

	Millions	Millions of U.S. dollars	
	2016	2015	2016
Cash and Due from Banks	9,113,465	6,861,925	80,872
Due from Banks (Excluding Due from Central Bank)	(979,112)	(1,231,755)	(8,688)
Cash and Cash Equivalents	8,134,353	5,630,169	72,183

#### (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 a month preceding the balance sheet date and others are stated at fair value based on quoted market prices and other applicable information at the balance sheet date (and the cost of securities sold is mainly determined using the weighted-average method). Other securities where there is significant difficulty in determining fair value are stated at cost using the weighted-average method.

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

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

#### (ii) Derivative Transactions

Derivative transactions are stated at fair value.

#### (iii) Hedge Accounting

(a) Hedge of Interest Rate Risk

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

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

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

#### (b) Hedge of Foreign Exchange Fluctuation Risk

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

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

The Bank has also applied fair value hedge accounting to the foreign exchange risk of other securities in foreign currency (other than bonds) when the hedged foreign currency securities are specified prior to the commencement of transactions, and there exists spot and forward liabilities exceeding the acquisition costs of the foreign currency securities designated as hedged items on a foreign currency basis.

#### (c) Internal Derivative Transactions

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

#### (5) Tangible Fixed Assets (excluding Leased Assets)

Tangible fixed assets of the Bank are depreciated by the declining balance method, 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 amount of reserve for possible loan losses from the gap between the amounts calculated by discounting the cash flow by the contracted interest rate prior to relaxation of terms and conditions of loans and their book values.

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

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

For loans to Bankrupt Borrowers and Substantially Bankrupt Borrowers, amounts deemed uncollectible, which are calculated after deduction of expected collection from the disposal of collateral and the execution of guarantees, are written off. The amount written off was ¥310 million (\$2 million) as of March 31, 2016 and ¥584 million as of March 31, 2015.

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

#### (10) Reserve for Employee Bonuses

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

#### (11) Reserve for Directors' Bonuses

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

#### (12) Reserve for Directors' Retirement Allowances

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

#### (13) Reserve under Specific Law

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

#### (14) Employees' Retirement Benefits

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

#### Prior service costs:

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

#### Actuarial differences:

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

#### each time the cost is incurred.

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

#### (15) Translation of Foreign 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.

#### (16) 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 expensed at the end of the fiscal year.

#### (17) Amortization of Goodwill

Goodwill is fully amortized in the fiscal year incurred.

#### (18) Changes in Accounting Policies

From this fiscal year, the Bank has applied the Revised Accounting Standard for Business Combinations (ASBJ Statement No. 21, September 13, 2013), Revised Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22, September 13, 2013), and Revised Accounting Standard for Business Divestitures (ASBJ Statement No. 7, September 13, 2013). Consequently, the accounting method was changed so that any differences arising from changes in the equity stake in subsidiaries under ongoing control of the Bank are recorded as capital surplus, and acquisition-related costs are recorded as expenses for the fiscal year in which they are incurred. In addition, with respect to any business combination entered into at the commencement date of the fiscal year ended March 31, 2016, or later, the accounting method was changed to reflect adjustments to the allocation amount of acquisition cost on the consolidated financial statements of the fiscal year in which the relevant business combinations become effective. This is done through the confirmation of previously applied provisional accounting treatment. Furthermore, the presentation of net income was changed and minority interests is now presented as non-controlling interests. In order to reflect the changes in the presentation, certain reclassifications have been made to the consolidated financial statements for the previous fiscal year.

In the Consolidated Statements of Cash Flows for this fiscal year, cash flows relating to the acquisition or sale of shares in consolidated subsidiaries—in cases where there is no change in the scope of consolidation—are recorded under cash flows from financing activities. Cash flows relating to the acquisition expenses of shares of consolidated subsidiaries—in cases that involve a change in the scope of consolidation—and expenses arising from the acquisition or sale of shares of consolidated subsidiaries—in cases where there is no change in the scope of consolidation—are recorded under cash flows from operating activities.

The Bank has applied these revised accounting standards in accordance with transitional provisions in paragraph 58-2(4) of the Accounting Standard for Business Combinations, paragraph 44-5(4) of the Accounting Standard for Consolidated Financial Statements and paragraph 57-4(4) of the Accounting Standard for Business Divestitures, as of April 1, 2015.

There is no impact on the consolidated financial statements as a result of the application of these revised accounting standards.

(19) Accounting standards issued but not yet effective

Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No. 26, March 28, 2016)

(i) Overview

Basically, this guidance carries over the framework of the Japanese Institute of Certified Public Accountants (JICPA) Audit Committee Report No. 66, "Audit Treatment on Determining the Recoverability of Deferred Tax Assets," with regard to guidance stipulated therein relating to the recoverability of deferred tax assets. A portion of the contents were revised.

(ii) Application schedule

The Bank expects to adopt the revised guidance from the beginning of the fiscal year commencing April 1, 2016.

(iii) Impact of the application of this accounting standard

There is no impact on the consolidated financial statements as a result of the application of this revised guidance.

#### 3. Trading Assets:

The details of Trading Assets as of March 31, 2016 and 2015 are as follows:

	Millions	Millions of U.S. Dollars	
	2016	2015	2016
Trading Account Securities	33,228	57,717	294
Trading Bonds-Related Financial Derivatives	11	6	0
Derivatives of Securities related to Trading Transactions	1	_	0
Trading-Related Financial Derivatives	62,882	55,153	558
Other Trading Assets	178,028	104,989	1,579
Total	274,153	217,866	2,432

#### 4. Securities:

The details of Securities as of March 31, 2016 and 2015 are as follows:

	Million	Millions of U.S. Dollars	
	2016	2015	2016
Japanese Government Bonds	9,855,041	11,238,729	87,452
Municipal Government Bonds	358,089	175,837	3,177
Short-term Corporate Bonds	_	14,997	_
Corporate Bonds	2,942,390	2,814,263	26,110
Stocks	65,773	74,133	583
Others	4,587,305	4,783,519	40,707
Total	17,808,601	19,101,480	158,031

#### Notes:

1. Stocks include investments in affiliated companies totaling ¥189 million (\$1 million) as of March 31, 2016 and 2015.

2. Others include common shares and investment in unconsolidated subsidiaries totaling ¥8,418 million (\$74 million) as of March 31, 2016 and ¥9,440 million as of March 31, 2015. Others also include preferred shares issued by Shinkin Banks which were contributed in accordance with the Shinkin Bank Management Reinforcement System. The amount was ¥231,880 million (\$2,057 million) as of March 31, 2016 and ¥239,190 million as of March 31, 2015, respectively. Others also include foreign bonds and equities.

#### 5. Loans and Bills Discounted:

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

	Millions	Millions of U.S. Dollars	
	2016	2015	2016
Loans to Bankrupt Borrowers	135	123	1
Delinquent Loans	5,517	11,494	48
Loans Past Due Three Months or More	24	28	0
Restructured Loans	30,912	31,452	274
Total	36,590	43,099	324

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  $\frac{37,100}{100}$  million ( $\frac{329}{100}$  million) as of March 31, 2016 and  $\frac{447,000}{100}$  million as of March 31, 2015, respectively. Of these amounts,  $\frac{17,800}{100}$  million ( $\frac{5157}{100}$  million) as of March 31, 2016, and  $\frac{420,200}{100}$  million as of March 31, 2015, respectively, were provided to Shinkin Banks in accordance with the Shinkin Bank Management Reinforcement System.

Bills Discounted are accounted for as financial transactions in accordance with JICPA Industry Audit Committee Report No.24, February 13, 2002 "Accounting and Auditing Treatment of Accounting Standards for Financial Instruments in Banking Industry". The face value of bills of lading amounted to \$258 million (\$2 million) as of March 31, 2016 and \$217 million as of March 31, 2015, respectively. The Bank has the right to freely dispose of, sell or re-collateralize such bills.

With respect to loan participation, in accordance with "Accounting and Presentation of Loan Participation" (JICPA Accounting Committee Report No. 3, November 28, 2014), the amount of the participation principal is accounted for as a loan to the original debtor, and this amounted to ¥32,432 million (\$287 million) as of March 31, 2016 and ¥46,890 million as of March 31, 2015.

#### 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 \$20,861,883 million (\$185,126 million) as of March 31, 2016 and \$19,673,398 million as of March 31, 2015, 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  $\frac{220,780,913}{100}$  million (\$184,407 million) as of March 31, 2016 and  $\frac{19,587,477}{100}$  million as of March 31, 2015, 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  $\pm 105,845$  million (\$939 million) as of March 31, 2016 and  $\pm 135,291$  million as of March 31, 2015.

Of cash-collateralized securities borrowings, those freely disposable for sale or re-collateralized, and pledged as collateral amounted to \$9,567 million as of March 31, 2015. Those held by the Bank without being disposed of as of March 31, 2016 amounted to \$141,541 million (\$1,256 million) and as of March 31, 2015 amounted to \$164,501 million.

#### 8. Tangible Fixed Assets:

			Millions of
	Millions	of Yen	U.S. Dollars
	2016	2015	2016
Accumulated Depreciation on Tangible Fixed Assets	87,907	85,793	780
Accumulated Deferred Gains on Tangible Fixed Assets	1,764	1,764	15
(Deferred Gains recognized for the fiscal year)	(-)	(-)	(-)

#### 9. Assets Pledged as Collateral and Associated Liabilities:

Assets pledged as collateral for the fiscal years ended March 31, 2016 and 2015 are as follows:

	Millior	ns of Yen	Millions of U.S. Dollars
	2016	2015	2016
Assets Pledged as Collateral			
Cash and Due from Banks	_	0	-
Trading Assets	9,331	12,834	82
Securities	2,758,030	3,136,284	24,474
Loans and Bills Discounted	2,876,152	2,285,468	25,522
Total	5,643,514	5,434,586	50,079
Liabilities associated with Assets Pledged as Collatera	1		
Borrowed Money	115,500	121,500	1,024
Bills Sold and Call Money	_	210,000	-
Payables under Repurchase Agreements	63,804	73,944	566
Payables under Securities Lending Transactions	1,414,550	1,290,211	12,552

Trading Assets of  $\pm$ 506 million (\$4 million) as of March 31, 2016 and  $\pm$ 528 million as of March 31, 2015 and Securities in the amount of  $\pm$ 1,140,646 million (\$10,121 million) as of March 31, 2016 and  $\pm$ 1,082,445 million as of March 31, 2015, respectively, were secured as collateral for exchange settlement transactions, etc. or futures or as substitute for margin money in futures transactions, etc.

Other assets include initial margins of futures markets, guarantee money, and cash collateral paid for financial instruments. The amounts are as follows:

_	Millions of Yen		Millions of U.S. Dollars
	2016	2015	2016
Initial margins of futures markets	_	338	_
Guarantee money	399	555	3
Cash collateral paid for financial instruments	6,146	1,601	54

# 10. Trading Liabilities:

The details of Trading Liabilities as of March 31, 2016 and 2015 are as follows:

			Millions of
	Millions	of Yen	U.S. Dollars
	2016	2015	2016
Trading Bonds Sold	18,438	47,054	163
Trading-Related Financial Derivatives	111,022	99,260	985
Total	129,461	146,314	1,148

# 11. Borrowed Money and Lease Obligations:

Balance as of April 1, 2015 (Millions of Yen)	Balance as of March 31, 2016 (Millions of Yen)	Balance as of March 31, 2016 (Millions of U.S. Dollars)	Average Interest Rate (%)	Maturity
935,320	829,320	7,359	1.01	_
935,320	829,320	7,359	1.01	July. 2016~ No maturity
1,566	1,458	12	2.28	_
2,986	1,743	15	1.89	May. 2017~ May. 2022
	April 1, 2015 (Millions of Yen) 935,320 935,320 1,566	April 1, 2015 (Millions of Yen)         March 31, 2016 (Millions of Yen)           935,320         829,320           935,320         829,320           1,566         1,458	Balance as of April 1, 2015 (Millions of Yen)         Balance as of March 31, 2016 (Millions of Yen)         March 31, 2016 (Millions of U.S. Dollars)           935,320         829,320         7,359           935,320         829,320         7,359           1,566         1,458         12	Balance as of April 1, 2015 (Millions of Yen)Balance as of March 31, 2016 (Millions of Yen)March 31, 2016 (Millions of U.S. Dollars)Average Interest Rate (%)935,320829,3207,3591.01935,320829,3207,3591.011,5661,458122.28

#### Notes:

1. Average interest rates were computed by the weighted average method using the interest rates and the balances at the fiscal year-end.

2. The repayment schedule within 5 years after the balance sheet date is as follows:

		Millions of Yen					
	Within 1 year	Over 1 year, within 2 years	Over 2 years, within 3 years	Over 3 years, within 4 years	Over 4 years, within 5 years		
Borrowed Money	115,500	_	—	_	_		
Lease Obligations	1,458	1,057	497	180	5		
		Millions of U.S. Dollars					
	Within 1 year	Over 1 year, within 2 years	Over 2 years, within 3 years	Over 3 years, within 4 years	Over 4 years, within 5 years		
Borrowed Money	1,024	_	_	_	_		
Lease Obligations	12	9	4	1	0		

3. Borrowed Money includes subordinated borrowings of ¥713,820 million (\$6,334 million) as of March 31, 2016 and ¥813,820 million as of March 31, 2015, respectively.

## 12. Debentures:

12. Deben	tures:							
Issuer	Name of Issue	Issuance Date	Balance as of April 1, 2015 (Millions of Yen)	Balance as of March 31, 2016 (Millions of Yen)	Balance as of March 31, 2016 (Millions of U.S. Dollars)	Interest Rate (%)	Collateral	Redemption Date
The Bank	No.245-316 5-year Interest-bearing debentures	Apr. 2010~ Mar. 2016	3,000,680	3,022,920	26,825	0.07 <b>~</b> 0.75	_	Apr. 2015~ Mar. 2021
The Bank	No.2 7-year Interest-bearing debentures	Sep. 25, 2015	_	10,000	88	0.29	_	Sep. 27, 2022
The Bank	No.2 10-year Interest-bearing debentures	Sep. 25, 2015	_	20,000	177	0.52	_	Sep. 26, 2025
Total	_	_	3,000,680	3,052,920	27,091	_	_	_

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

		Millions of Yen		
Within 1 year	Over 1 year, within 2 years	Over 2 years, within 3 years	Over 3 years, within 4 years	Over 4 years, within 5 years
578,860	579,460	627,110	638,730	598,760
		Millions of U.S. Dolla	ars	
Within 1 year	Over 1 year, within 2 years	Over 2 years, within 3 years	Over 3 years, within 4 years	Over 4 years, within 5 years
5,136	5,142	5,564	5,668	5,313

#### 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, 2015 and as of March 31, 2016, 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.:  $\pm$  2,239 million (\$19 million) as of March 31, 2016, and  $\pm$  3,948 million as of March 31, 2015.

#### 15. Fees and Commissions:

The details of Fees and Commissions for the fiscal years ended March 31, 2016 and 2015 are as follows:

	Millions	Millions of Yen	
	2016	2015	2016
Deposit, Fixed Income Securities and Lending	376	431	3
Exchange Business	433	573	3
Securities Related Business	8,653	7,803	76
Agency Business	2,263	2,259	20
Guarantee Business	8,793	7,339	78
Trustee Business	19,448	18,016	172
Others	595	697	5
Income on Fees and Commissions Businesses	40,562	37,122	359
Exchange	245	236	2
Others	14,004	12,127	124
Expenses on Fees and Commissions Businesses	14,249	12,363	126

## 16. Trading Income:

The details of Trading Income for the fiscal years ended March 31, 2016 and 2015 are as follows:

	Millions	Millions of U.S. Dollars	
	2016	2015	2016
Income from Trading Account Securities	501	651	4
Income from Trading-Related Securities	129	_	1
Income from Trading-Related Financial Derivatives	11,785	17,996	104
Other Trading Income	138	188	1
Total	12,555	18,836	111

## 17. Trading Losses:

The details of Trading Losses for the fiscal years ended March 31, 2016 and 2015 are as follows:

Millions of U.S. Dollars
2016
_
_

## 18. Other Income:

The details of Other Income for the fiscal years ended March 31, 2016 and 2015 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2016	2015	2016
Gains on sale of stocks and other securities	6,554	8,114	58
Others	48	1,515	0
Total	6,603	9,630	58

#### 19. Other Expenses:

The details of Other Expenses for the fiscal years ended March 31, 2016 and 2015 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2016	2015	2016
Losses on sale of stocks and other securities	1,158	68	10
Others	3,048	4,269	27
Total	4,207	4,337	37

# 20. Consolidated Statement of Comprehensive Income:

For the fiscal year ended March 31, 2016 and 2015

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

	Millions of Yen		Millions of U.S. Dollars
	2016	2015	2016
Net Unrealized Gains (Losses) on Other Securities:			
The Amount Arising during the Period	70,878	175,794	628
Reclassification Adjustment Amount	(17,880)	39,425	(158)
Prior to Tax Effect Adjustment	52,998	215,220	470
Tax Effect Amount	(15,143)	(61,543)	(134)
Net Unrealized Gains (Losses) on Other Securities	37,854	153,676	335
Net Deferred Gains (Losses) on Hedging Instruments :			
The Amount Arising during the Period	(150,746)	(119,268)	(1,337)
Reclassification Adjustment Amount	75,280	56,778	668
Prior to Tax Effect Adjustment	(75,465)	(62,489)	(669)
Tax Effect Amount	21,093	17,448	187
Net Deferred Gains (Losses) on Hedging Instruments	(54,372)	(45,041)	(482)
Land Revaluation Excess:			
The Amount Arising during the Period	_	_	_
Reclassification Adjustment Amount	—	—	—
Prior to Tax Effect Adjustment	—	—	_
Tax Effect Amount	(2)	4	(0)
Land Revaluation Excess	(2)	4	(0)
Foreign Currency Translation Adjustments:			
The Amount Arising during the Period	(368)	580	(3)
Reclassification Adjustment Amount	_	_	_
Prior to Tax Effect Adjustment	_	_	_
Tax Effect Amount	_	_	_
Foreign Currency Translation Adjustments	(368)	580	(3)
Remeasurements of Defined Benefit Plans:			
The Amount Arising during the Period	(12,200)	709	(108)
Reclassification Adjustment Amount	632	727	5
Prior to Tax Effect Adjustment	(11,568)	1,436	(102)
Tax Effect Amount	3,335	(426)	29
Remeasurements of Defined Benefit Plans	(8,232)	1,009	(73)
Other Comprehensive Income	(25,121)	110,229	(222)

### 21. Changes in Net Assets:

(1) Class and Number of Shares Outstanding, and Class and Number of Shares of Treasury Share
----------------------------------------------------------------------------------------------

(;)	Number of Share Units at April 1, 2015 (Thousand Units)	Increase During the Fiscal Year (Thousand Units)	Decrease During the Fiscal Year (Thousand Units)	Number of Share Units at March 31, 2016 (Thousand Units)
Shares Outstanding				
General Common Shares	4,000	_	_	4,000
Specific Common Shares	_	2,000	_	2,000
Preferred Shares (Type-A)	708	_	_	708
Total	4,708	2,000	_	6,708
Treasury Shares				
General Common Shares	_	_	_	_
Specific Common Shares	_	_	_	_
Preferred Shares (Type-A)	_	_	_	_
Total		_	_	_

Note: On September 30, 2015, the Bank implemented a capital increase through the issuance of specific common shares totaling ¥200.0 billion (issuance price per share: ¥100,000; number of shares issued: 2,000,000 shares). The details are as follows. Private offering of common shares; issuance price per share: ¥100,000; Capital incorporation per share : ¥100,000.

# (2) Dividends

Dividends paid during the fiscal year ended March 31, 2016

Resolution	Class of share	Total Dividend Amount (Million Yen)	Amount Per Share (Yen)	Record Date	Effective Date
Shareholderr, June 10, 2015	General Common shares	14,000	3,500	Mar 31, 2015	Jun 19, 2015
	Fieldied shales	4,957	7,000	Mar 31, 2015	Jun 19, 2015

Among the dividends whose record date falls within the fiscal year ended March 31, 2016, those whose effective date will fall within the following fiscal year:

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

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

22. Income Taxes:

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

	Millions of Yen		Millions of U.S. Dollars
	2016	2015	2016
Deferred Tax Assets:			
Depreciation	3,142	2,906	27
Reserve for Possible Loan Losses	6,596	6,656	58
Net Defined Benefit Liability	11,673	6,533	103
Write-Downs for Securities	4,531	4,417	40
Net Deferred Losses on Hedging Instruments	65,436	44,342	580
Tax Loss Carryforwards	15	7	0
Others	3,022	4,058	26
Valuation Allowances	(8,484)	(7,653)	(75)
Total Deferred Tax Assets	85,933	61,268	762
Deferred Tax Liabilities:			
Net Unrealized Gains on Other Securities	(184,443)	(169,298)	(1,636)
Others	(406)	(449)	(3)
Total Deferred Tax Liabilities	(184,850)	(169,748)	(1,640)
Net Deferred Tax Liabilities	(98,916)	(108,480)	(877)

(2) Reconciliation between the effective statutory tax rate and the actual effective tax rate for the fiscal years ended March 31, 2016 and 2015:

	2016	2015
Statutory effective tax rate	- %	27.87 %
(Adjustments)		
Change in Valuation Allowances	- %	(2.50%)
Dividends received, not taxable	- %	(1.49%)
Reduction and adjustment of Deferred Tax Assets due to changes in tax rate	- %	0.06 %
Others	<u>     %</u>	<u>1.49 %</u>
Actual effective income tax rate after the application of tax effect accounting	<u>      %</u>	<u>25.43 %</u>

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

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

The "Act to partially revise the Income Tax Act and Others" (Act No. 15, 2016) and the "Act to partially revise the Local Tax Act and Others" (Act No. 13, 2016) were enacted on March 31, 2016. As a result, the effective statutory tax rate used to measure the Company's deferred tax assets and liabilities was changed from 27.92% to 27.93% for the temporary differences expected to be realized or settled in the year beginning April 1, 2017, or later. At certain consolidated subsidiaries, the statutory effective tax rate used for calculating temporary differences expected to be reversed in the fiscal years beginning April 1, 2016, or later, has been changed.

There is no significant impact on the consolidated financial statements as a result of these changes.

# 23. Retirement Benefit Plans:

(1) Retirement Benefit Scheme

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

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

(2) Defined Benefit Plan as of March 31, 2016 and 2015 is as follows: (i) Reconciliation of beginning- and end-of-period balance of

Retirement Benefit Obligation

Millions	Millions of U.S. Dollars	
2016	2015	2016
49,307	48,120	437
_	(120)	_
49,307	47,999	437
2,257	2,251	20
690	672	6
10,879	(170)	96
(1,408)	(1,445)	(12)
_	_	_
_	—	_
61,726	49,307	547
	Millions 2016 49,307 - 49,307 2,257 690 10,879 (1,408) - - -	Millions of Yen         2016       2015         49,307       48,120         -       (120)         49,307       47,999         2,257       2,251         690       672         10,879       (170)         (1,408)       (1,445)         -       -         -       -

(ii) Reconciliation of beginning- and end-of-period balance of  $% \mathcal{A}^{(i)}$ 

Pension Plan Assets

	Millions of Yen		Millions of U.S. Dollars
_	2016	2015	2016
Balance of Pension Plan			
Assets at Beginning of	21,400	19,706	189
Period			
Expected Return on Pension Plan Assets	642	492	5
Actuarial Difference Incurred	(1,321)	538	(11)
Contributions by the Employer and Employees	1,452	1,490	12
Retirement Benefits Paid	(867)	(827)	(7)
Other	_	_	_
Balance of Pension Plan Assets at End of Period	21,307	21,400	189

(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
_	2016	2015	2016
Funded Plan Retirement Benefit Obligation	50,687	39,833	449
Pension Plan Assets	(21,307)	(21,400)	(189)
	29,379	18,433	260
Unfunded Plan Retirement Benefit Obligation	11,039	9,473	97
Net Amount of Liabilities and Assets Presented on the Consolidated Balance Sheets	40,419	27,906	358
_	Millions	of Yen	Millions of U.S. Dollars
	2016	2015	2016
Net Defined Benefit Liability	40,419	27,906	358
Net Defined Benefit Asset	_	_	—
Net Amount of Liabilities and Assets Presented on the Consolidated Balance	40,419	27,906	358

Sheets

(iv) Breakdown of Retirement Benefit Expense

	Millions o	Millions of U.S. Dollars	
	2016	2015	2016
Service Cost	2,257	2,251	20
Interest Cost	690	672	6
Expected Return on Pension Plan Assets	(642)	(492)	(5)
Amortization of Actuarial Differences	628	722	5
Amortization of Prior Service Cost	4	4	0
Other	(533)	(554)	(4)
Retirement Benefit Expenses Related to Defined Benefit Plan	2,405	2,604	21

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) comprise the following

	Millions of	Millions of U.S. Dollars	
	2016	2015	2016
Prior Service Costs Amortization of Actuarial Differences	4 (11,572)	4	0 (102)
Other	_	—	-
Total	(11,568)	1,436	(102)

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

	Millions	Millions of U.S. Dollars	
	2016	2015	2016
Unrecognized Actuarial Differences	_	4	_
Unrecognized Prior Service Cost	15,493	3,920	137
Other	_	_	_
Total	15,493	3,925	137

(vii) Pension Plan Assets

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

	2016	2015
Bonds	67 %	67 %
Stocks	24 %	24 %
Cash and Deposits	7 %	7 %
Other	2 %	2 %
Total	100 %	100 %

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

(viii) Underlying actuarial assumptions

Main underlying actuarial assumptions as of March 31, 2016 and 2015, are as follows:

	2016	2015
Discount Rate	0.0~0.6 %	1.1~1.5 %
Expected Long-term Rate of Return on Pension Plan Assets	3.0 %	2.5 %
Estimated Rate of Salary Increase	0.0~7.4 %	0.0~7.0 %

Notes: The bank used the discount rate of 1.1%-1.5% for calculating at the beginning of this fiscal year. However, the bank revisited the discount rate at the end of this fiscal year considering the impact on the retirement benefit liabilities based on the recent benchmark rate level and changed the discount rate to 0.0%-0.6%.

### 24. Leases:

## 1. Finance Leases

- (1) Finance leases that do not transfer ownership
- (i) Outline of lease assets
- (a) Tangible fixed assets
- Hardware related to computer equipment (b) Intangible fixed assets
- Software related to computer equipment
- (ii) Lease asset depreciation method Depreciation method is described in the "Significant Accounting Policies".
- (2) Finance leases that do not transfer ownership accounted for in accordance with the ordinary lease transaction method Data omitted due to immateriality.

### 2. Operating Leases

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

#### 25. Financial Instruments:

#### 1. Matters concerning financial instruments

(1) Policies on financial instruments

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

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

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

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

## (2) Types and related risks of financial instruments

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

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

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

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

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

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

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

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

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

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

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

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

Furthermore, the Group engages in derivative transactions.

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

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

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

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

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

(3) Risk management frameworks of financial instruments

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

<Integrated risk management>

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

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

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

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

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

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

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

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

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

(ii) Market risk management

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

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

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

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

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

<Quantitative information on market risk>

(a) Financial instruments held for trading purposes

The Bank uses VaR analysis for quantifying market risk of trading securities held within securities and interest-rate and foreign-exchange instruments held for trading purposes within derivative transactions. The VaR model is based on the historical 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 ¥193 million (\$1 million) as of March 31, 2016 and ¥646 million as of March 31, 2015 and the market risk amount (estimated loss amount) of the trading operations of the Bank's consolidated subsidiaries was ¥516 million (\$4 million) as of March 31, 2016 and ¥1,099 million as of March 31, 2015.

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, 2016, the actual loss amount exceeded the VaR model on two occasion, and the Bank believes that the measurement model it uses has an adequate level of accuracy to capture market risk. However, it should be noted that VaR measures the amount of market risk at certain probability levels statistically calculated based on historical market fluctuation. Hence, there may be cases where market risk cannot be captured in situations where market conditions change unprecedentedly.

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

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

The Group's market risk amount (estimated loss amount)

other than for trading purposes was ¥266,515 million (\$2,365 million) as of March 31, 2016 and ¥260,684 million as of March 31, 2015. The Bank conducts back testing to compare VaR calculated using the model with actual loss amounts, and believes that the measurement model it uses has an adequate level of accuracy to capture market risk. However, it should be noted that VaR measures the amount of market risk at certain probability levels statistically calculated based on historical market fluctuation. Hence, there may be cases where market risk cannot be captured in situations where market conditions change unprecedentedly.

(iii) Liquidity risk management related to fund-raising

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

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

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

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

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

# 2. Matters concerning fair value and others of financial instruments

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

Immaterial items have been omitted.

As of March 31, 2016

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

-	Millions of U.S.Dollars			
	Carrying Value	Fair Value	Difference	
(1) Cash and Due from Banks	80,872	80,872	0	
(2) Bills Bought and Call Loans	3,009	3,009	_	
(3) Receivables under Resale Agreements	133	133	_	
(4) Receivables under Securities Borrowing Transactions	1,069	1,069	—	
(5) Monetary Debts Purchased (*1)	1,576	1,576	0	
(6) Trading Assets				
Trading Securities	1,874	1,874	_	
(7) Money Held in Trust	646	646	—	
(8) Securities				
Held-to-Maturity Debt Securities	15,026	16,263	1,236	
Other Securities	140,788	140,788	_	
(9) Loans and Bills Discounted	60,021			
Reserve for Possible Loan Losses (*1)	(356)			
	59,665	60,278	613	
Total Assets	304,661	306,511	1,849	
(1) Deposits	241,494	241,623	129	
(2) Debentures	27,091	27,228	137	
(3) Trading Liabilities				
Trading Bonds Sold	163	163	_	
(4) Borrowed Money	7,359	7,582	222	
(5) Bills Sold and Call Money	482	482	_	
(6) Payables under Repurchase Agreements	566	566	_	
(7) Payables under Securities Lending Transactions	12,552	12,552	—	
Total Liabilities	289,710	290,199	489	
Derivatives (*2)				
To which Hedge Accounting is not applied	(113)	(113)	_	
To which Hedge Accounting is applied	(1,931)	(2,758)	(826)	
Total Derivatives	(2,044)	(2,871)	(826)	

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

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

-	Millions of Yen			
	Carrying Value	Fair Value	Difference	
(1) Cash and Due from Banks	6,861,925	6,861,925	_	
(2) Bills Bought and Call Loans	510,601	510,601	—	
(3) Receivables under Resale Agreements	49,987	49,987	—	
(4) Receivables under Securities Borrowing Transactions	142,726	142,726	—	
(5) Monetary Debts Purchased (*1)	231,839	231,858	19	
(6) Trading Assets				
Trading Securities	162,707	162,707	—	
(7) Money Held in Trust	132,774	132,774	_	
(8) Securities				
Held-to-Maturity Debt Securities	1,860,770	1,984,444	123,674	
Other Securities	16,983,171	16,983,171	—	
(9) Loans and Bills Discounted	5,885,741			
Reserve for Possible Loan Losses (*1)	(39,653)			
	5,846,087	5,902,295	56,208	
Total Assets	32,782,591	32,962,492	179,901	
(1) Deposits	25,555,350	25,562,742	7,391	
(2) Debentures	3,000,680	3,008,919	8,239	
(3) Trading Liabilities				
Trading Bonds Sold	47,054	47,054	—	
(4) Borrowed Money	935,320	959,514	24,194	
(5) Bills Sold and Call Money	415,108	415,108	—	
(6) Payables under Repurchase Agreements	73,944	73,944	_	
(7) Payables under Securities Lending Transactions	1,299,828	1,299,828	_	
Total Liabilities	31,327,286	31,367,112	39,825	
Derivatives (*2)				
To which Hedge Accounting is not applied	(14,497)	(14,497)	-	
To which Hedge Accounting is applied	(213,144)	(283,042)	(69,898)	
Total Derivatives	(227,641)	(297,539)	(69,898)	

*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 <u>Assets</u>

(1) Cash and Due from Banks

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

(2) Bills Bought and Call Loans, (3) Receivables under Resale Agreements and (4) Receivables under Securities Borrowing Transactions Since contract durations are short-term and fair value approximates carrying value, carrying value is used as fair value.

(5) Monetary Debts Purchased

Monetary debt purchased is stated at amounts obtained from brokers.

#### (6) Trading Assets

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

#### (7) Money Held in Trust

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

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

#### (8) Securities

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

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

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

#### (9) Loans and Bills Discounted

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

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

## Liabilities

(1) Deposits

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

(2) Debentures

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

(3) Trading Liabilities

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

(4) Borrowed Money

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

In instances with short contractual maturities, since fair value approximates carrying value, the carrying value is used as fair value. (5) Bills Sold and Call Money, (6) Payables under Repurchase Agreements, and (7) Payables under Securities Lending Transactions

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

## **Derivative Transactions**

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

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

	Millions	Millions of U.S.Dollars	
Category	2016	2015	2016
Unlisted stocks, etc.(*1) (*2)	237,355	244,745	2,106
Investment in investment partnerships(*3)	12,456	12,792	110
Total	249,812	257,538	2,216

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

*2. In the fiscal year ended March 31, 2016, the Bank recognized impairment losses totaling ¥72 million (\$0 million) on unlisted stocks. In the fiscal year ended March 31, 2015, the Bank recognized impairment losses totaling ¥23 million on unlisted stocks.

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

#### Note 3: Amounts of monetary claims and securities with maturities scheduled for redemption after the consolidated balance sheet date As of March 31, 2016

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

	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)	78,390	705	1,520	115	_	_
Bills Bought and Call Loan	3,009	—	—	—	—	—
Receivables under Resale Agreements	133	—	—	—	_	—
Receivables under Securities Borrowing Transactions	1,069	_	_	_	_	_
Monetary Debts Purchased	101	48	131	62	119	1,106
Securities						
Held-to-Maturity Debt Securities	2,520	6,258	1,316	1,011	776	3,247
Japanese Government Bonds	2,517	6,224	812	78	638	3,247
Municipal Government Bonds	—	1	1	—	—	—
Short-term Corporate Bonds	_	—	—	—	_	_
Corporate Bonds	_	_	_	_	_	_
Other Securities with maturities	20,971	24,686	23,525	26,338	14,754	9,366
Japanese Government Bonds	13,183	15,189	13,814	16,425	4,734	6,557
Municipal Government Bonds	314	563	471	361	1,372	_
Short-term Corporate Bonds	—	—	—	—	_	—
Corporate Bonds	4,710	5,962	5,433	4,434	4,517	345
Loans and Bills Discounted (*2)	37,271	9,683	6,625	2,719	2,327	1,363
Total	143,468	41,382	33,120	30,246	17,977	15,083

*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 ¥5,481 million (\$48 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,	2015
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AS 01 March 51, 2015	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)	6,771,462	9,007	63,022	1,000	_	_
Bills Bought and Call Loan	510,601	—	—	—	—	—
Receivables under Resale Agreements	49,987	—	—	—	_	_
Receivables under Securities Borrowing Transactions	142,726	_	_	_	_	_
Monetary Debts Purchased	47,023	6,471	7,659	18,854	9,868	141,858
Securities						
Held-to-Maturity Debt Securities	93,684	623,846	498,811	143,729	114,596	404,488
Japanese Government Bonds	76,600	619,400	456,400	1,800	49,300	395,500
Municipal Government Bonds	_	—	400	—	_	_
Short-term Corporate Bonds	_	—	—	—	_	_
Corporate Bonds	15,400	—	—	—	_	_
Other Securities with maturities	2,418,746	3,466,535	2,656,604	2,732,802	2,475,509	1,039,290
Japanese Government Bonds	1,425,600	2,243,800	1,667,500	1,878,800	1,243,500	799,000
Municipal Government Bonds	50,395	50,366	40,182	7,746	23,814	_
Short-term Corporate Bonds	15,000	—	—	—	_	_
Corporate Bonds	342,476	748,992	655,156	445,297	515,480	29,014
Loans and Bills Discounted (*2)	3,497,311	963,413	717,701	317,338	234,693	146,601
Total	13,531,543	5,069,274	3,943,799	3,213,724	2,834,668	1,732,238

*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 ¥8,785 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, 2016

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

	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)	123,878	99,097	6,757	725	11,035	_
Debentures	5,136	10,706	10,981	88	177	_
Borrowed Money (*2)	1,024	_	_	2,878	_	1,441
Bills Sold and Call Money	482	_	_	_	_	_
Payables under Repurchase Agreements	566	—	—	—	—	—
Payables under Securities Lending Transactions	12,552	_	_	_	_	_
Total	143,642	109,804	17,738	3,692	11,213	1,441

*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, 2015

	Millions of Yen					
	Within 1 year	Over 1 year, within 3 years	Over 3 years, within 5 years	Over 5 years, within 7 years	Over 7 years, within 10 years	Over 10 years
Deposits (*1)	13,428,175	9,626,162	957,648	189,464	1,353,900	_
Debentures	581,020	1,158,320	1,261,340	_	_	_
Borrowed Money (*2)	111,500	10,000	_	108,150	216,200	162,480
Bills Sold and Call Money	415,108	_	_	_	_	_
Payables under Repurchase Agreements	73,944	_	_	_	_	_
Payables under Securities Lending Transactions	1,299,828	_	_	_	_	_
Total	15,909,577	10,794,482	2,218,988	297,614	1,570,100	162,480

*1. Demand deposits, included in "Deposits," are stated under amounts payable "Within 1 year." *2. Borrowed Money without maturity is not included.

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

# 1. Securities

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

# (1) Trading Securities

	Millions of Yen		Millions of U.S. Dollars
	2016	2015	2016
Net Unrealized Gains (Losses) Recognized as Income	478	89	4

# (2) Held-to-Maturity Debt Securities

As of March 31, 2016

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

		Millions of U.S. Dollars			
		Carrying Value	Fair Value	Unrealized Gains (Losses)	
	Japanese Government Bonds	12,301	13,353	1,052	
Items with Fair	Municipal Government Bonds	3	3	0	
	Short-Term Corporate Bonds	_	—	_	
Value Exceeding	Corporate Bonds	_	—	_	
Carrying Value	Others	1,412	1,600	187	
	Total	13,717	14,957	1,240	
	Japanese Government Bonds	1,293	1,290	(2)	
Items with Fair	Municipal Government Bonds	—	—	—	
Value not	Short-Term Corporate Bonds	—	—	_	
Exceeding	Corporate Bonds	—	—	—	
Carrying Value	Others	41	41	(0)	
	Total	1,335	1,332	(3)	
	Total	15,053	16,290	1,236	

# As of March 31, 2015

		Millions of Yen			
		Carrying Value	Fair Value	Unrealized Gains (Losses)	
	Japanese Government Bonds	1,223,479	1,319,456	95,977	
ь :4 р :	Municipal Government Bonds	400	422	22	
Items with Fair Value Exceeding	Short-Term Corporate Bonds	_	_	_	
Carrying Value	Corporate Bonds	15,400	15,414	14	
Carrying value	Others	236,356	265,439	29,083	
	Total	1,475,636	1,600,733	125,097	
	Japanese Government Bonds	385,134	383,710	(1,423)	
Items with Fair	Municipal Government Bonds	_	_	_	
Value not	Short-Term Corporate Bonds	_	_	_	
Exceeding	Corporate Bonds	_	_	_	
Carrying Value	Others	2,000	2,000	_	
	Total	387,134	385,710	(1,423)	
	Total	1,862,770	1,986,444	123,674	

# (3) Other Securities

As of March 31, 2016

As 01 Water 51, 20		Millions of Yen			
		Carrying Value	Acquisition Cost	Unrealized Gains (Losses)	
	Stocks	60,294	26,901	33,393	
	Bonds	11,376,195	10,961,519	414,676	
	Japanese Government Bonds	8,207,782	7,844,506	363,275	
Items with Carrying	Municipal Government Bonds	326,830	321,073	5,757	
Value Exceeding Acquisition Cost	Short-Term Corporate Bonds	_	_	—	
Acquisition Cost	Corporate Bonds	2,841,582	2,795,939	45,642	
	Others	3,536,183	3,290,370	245,812	
	Total	14,972,673	14,278,790	693,882	
	Stocks	5	5	—	
	Bonds	246,864	249,232	(2,367)	
Items with Carrying	Japanese Government Bonds	115,197	117,399	(2,201)	
Value not	Municipal Government Bonds	30,858	30,878	(20)	
Exceeding	Short-Term Corporate Bonds	_	—	—	
Acquisition Cost	Corporate Bonds	100,808	100,954	(145)	
	Others	847,218	866,763	(19,545)	
	Total	1,094,088	1,116,001	(21,913)	
	Total	16,066,761	15,394,792	671,969	

		Millions of U.S. Dollars			
		Carrying Value	Acquisition Cost	Unrealized Gains (Losses)	
	Stocks	535	238	296	
	Bonds	100,951	97,271	3,679	
	Japanese Government Bonds	72,835	69,611	3,223	
Items with Carrying	Municipal Government Bonds	2,900	2,849	51	
Value Exceeding	Short-Term Corporate Bonds	_	_	_	
Acquisition Cost	Corporate Bonds	25,215	24,810	405	
	Others	31,379	29,198	2,181	
	Total	132,866	126,708	6,157	
	Stocks	0	0	_	
	Bonds	2,190	2,211	(21)	
Items with Carrying	Japanese Government Bonds	1,022	1,041	(19)	
Value not	Municipal Government Bonds	273	274	(0)	
Exceeding	Short-Term Corporate Bonds	—	_	—	
Acquisition Cost	Corporate Bonds	894	895	(1)	
	Others	7,518	7,691	(173)	
	Total	9,708	9,903	(194)	
	Total	142,574	136,611	5,962	

As of March 31, 2015

	Carrying Value	Acquisition Cost	Unrealized Gains (Losses)
	68,579	26,908	41,671
	12,289,438	12,002,801	286,636
vernment Bonds	9,611,891	9,352,998	258,893
overnment Bonds	161,700	159,760	1,940
Corporate Bonds	14,997	14,995	1
onds	2,500,848	2,475,046	25,801
	4,101,037	3,793,147	307,889
	16,459,055	15,822,857	636,198
	_	—	_
	329,975	330,351	(376)
vernment Bonds	18,224	18,298	(73)
overnment Bonds	13,736	13,754	(17)
Corporate Bonds	_	—	—
onds	298,014	298,299	(285)
	411,639	422,133	(10,493)
	741,615	752,484	(10,869)
	17,200,670	16,575,342	625,328
	vernment Bonds overnment Bonds Corporate Bonds onds vernment Bonds corporate Bonds Corporate Bonds	68,579           12,289,438           overnment Bonds           000000000000000000000000000000000000	68,579 $26,908$ 12,289,438         12,002,801           povernment Bonds         9,611,891         9,352,998           povernment Bonds         161,700         159,760           Corporate Bonds         14,997         14,995           ponds         2,500,848         2,475,046           4,101,037         3,793,147           16,459,055         15,822,857           -         -           329,975         330,351           wernment Bonds         18,224         18,298           povernment Bonds         13,736         13,754           Corporate Bonds         -         -           mds         298,014         298,299           411,639         422,133         741,615

(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, 2016

Millions of Yen					
Amounts of Securities Sold	Aggregate Gains on Sales	Aggregate Losses on Sales			
64,905	6,499	1,158			
618,322	32,993	870			
617,322	32,981	870			
—	_	_			
—	_	_			
1,000	11	_			
306,302	1,641	1,965			
989,529	41,134	3,994			
	Securities Sold 64,905 618,322 617,322 — — 1,000 306,302	Amounts of Securities Sold         Aggregate Gains on Sales           64,905         6,499           618,322         32,993           617,322         32,981           –         –           1,000         11           306,302         1,641			

		Millions of U.S. Dollars	
	Amounts of Securities Sold	Aggregate Gains on Sales	Aggregate Losses on Sales
Stocks	575	57	10
Bonds	5,486	292	7
Japanese Government Bonds	5,478	292	7
Municipal Government Bonds	—	_	—
Short-Term Corporate Bonds	—	_	—
Corporate Bonds	8	0	—
Others	2,718	14	17
Total	8,780	365	35

# For the Fiscal Year Ended March 31, 2015

		Millions of Yen	
	Amounts of Securities Sold	Aggregate Gains on Sales	Aggregate Losses on Sales
Stocks	37,372	8,106	62
Bonds	1,263,314	18,319	2,463
Japanese Government Bonds	1,250,457	18,319	2,283
Municipal Government Bonds	_	_	_
Short-Term Corporate Bonds	_	_	_
Corporate Bonds	12,857	_	179
Others	200,778	1,535	862
Total	1,501,464	27,962	3,387

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

In the fiscal year ended March 31, 2016, the amount of impairment losses on securities was ¥1 million (\$0 million) (all were classified under stocks).

In the fiscal year ended March 31, 2015, the amount of impairment losses on securities was ¥249 million (all impairment losses were incurred on other securities).

#### 2. Money Held in Trust

### (1) Money Held in Trust for Trading Purposes

As of March 31, 2016

	Ν	Aillions of Yen
	Carrying Value	Unrealized Gains (Losses) Recognized as Income
Money Held in Trust for Trading Purposes	72,826	_
	Milli	ons of U.S. Dollars
	Carrying Value	Unrealized Gains (Losses) Recognized as Income
Money Held in Trust for Trading Purposes	646	_
s of March 31, 2015		
	N	Aillions of Yen
	Carrying Value	Unrealized Gains (Losses) Recognized as Income
Money Held in Trust for Trading Purposes	132,774	36

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

Not applicable.

# (3) Other Money Held in Trusts (Money Held in Trust other than Held for Trading Purposes or Held-to-Maturity) Not applicable.

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

Components of Net Unrealized Gains on Other Securities in the consolidated balance sheets are as follows: As of March 31, 2016

	Millions of Yen	Millions of U.S. Dollars
Other Securities	662,391	5,877
Other Money Held in Trust	_	_
Net Unrealized Gains	662,391	5,877
Deferred Tax Liabilities	184,447	1,636
Net Unrealized Gains (Prior to Equity Method Adjustment)	477,944	4,241
Non-controlling interests' Portion	_	_
Parent Company's Portion of Valuation Differential for Other Securities Held by Equity-Method-Applicable Companies	_	_
Net Unrealized Gains	477,944	4,241

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, 2015

	Millions of Yen
Other Securities	609,393
Other Money Held in Trust	_
Net Unrealized Gains	609,393
Deferred Tax Liabilities	169,303
Net Unrealized Gains (Prior to Equity Method Adjustment)	440,090
Non-controlling interests' Portion	_
Parent Company's Portion of Valuation Differential for Other Securities Held by Equity-Method-Applicable Companies	
Net Unrealized Gains	440,090

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

# 27. Derivatives:

#### 1. Derivative transactions to which hedge accounting is not applied

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

# (1) Interest-Rate-Related Transactions As of March 31, 2016

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

	Millions of U.S. Dollars			
	Total Contract Value	Contract Value (Over 1 Year until Settlement or Expiry)	Fair Value	Net Unrealized Gains (Losses)
Exchange-Traded Transactions				
Interest Rate Futures:				
Sold	-	_	_	—
Bought	-	_	_	—
Interest Rate Options:				
Sold	-	_	_	—
Bought	-	_	_	—
Over the Counter Transactions				
Interest Rate Forwards:				
Sold	-	_	_	_
Bought	-	_	_	—
Interest Rate Swaps:				
Fixed Rate Receivable/Variable Rate Payable	77,088	66,946	2,162	2,162
Variable Rate Receivable/Fixed Rate Payable	76,948	58,660	(1,582)	(1,582)
Variable Rate Receivable/Variable Rate Payable	1,733	1,733	0	0
Fixed Rate Receivable/ Fixed Rate Payable	177	_	_	_
Interest Rate Options:				
Sold	_	_	_	_
Bought	_	_	_	_
Others:				
Sold	30,274	19,625	(603)	(232)
Bought	29,408	19,619	(88)	(286)
Total			(110)	61

Notes:

1. Transactions mentioned above are valued at fair value, and Net Unrealized Gains (Losses) are accounted for in the consolidated statement of income.

2. Fair value calculation: Transactions on exchanges are valued on the basis of closing prices, mainly on the Tokyo Financial Exchange Inc. Over the counter transactions are valued using discounted present value or calculation models for option prices, etc.

# As of March 31, 2015

	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	9,648,211	8,339,757	154,881	154,881	
Variable Rate Receivable/Fixed Rate Payable	9,586,236	7,355,887	(103,717)	(103,717)	
Variable Rate Receivable/Variable Rate Payable	44,200	24,200	8	8	
Fixed Rate Receivable / Fixed Rate Payable	30,000	20,000	_	_	
Interest Rate Options:					
Sold	_	_	_	-	
Bought	-	_	_	_	
Others:					
Sold	3,948,400	2,580,000	(58,453)	(7,766)	
Bought	3,956,750	2,737,300	(6,045)	(30,306)	
Total			(13,325)	13,099	

Notes:

1. Transactions mentioned above are valued at fair value, and Net Unrealized Gains (Losses) are accounted for in the consolidated statements of income.

2. Fair value calculation: Transactions on exchanges are valued on the basis of closing prices, mainly on the Tokyo Financial Exchange Inc. Over the counter transactions are valued using discounted present value or calculation models for option prices, etc.

# (2) Currency-Related Transactions As of March 31, 2016

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

	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:	148	122	(0)	(0)
Forward Foreign Exchange Contracts:				
Sold	927	21	6	6
Bought	765	21	(3)	(3)
Currency Options:				
Sold	_	_	_	_
Bought	_	_	_	_
Others:				
Sold	_	_	_	_
Bought	—	_	_	_
Total			3	3

Notes:

1. Transactions mentioned above are valued at fair value, and Net Unrealized Gains (Losses) are accounted for in the consolidated statements of income.

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

## As of March 31, 2015

	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:	29,268	9,756	(367)	(367)	
Forward Foreign Exchange Contracts:					
Sold	63,339	342	(1,268)	(1,268)	
Bought	74,315	324	1,027	1,027	
Currency Options:					
Sold	—	_	_	_	
Bought	_	_	_	_	
Others:					
Sold	_	_	_	_	
Bought	_	_	_	_	
Total			(607)	(607)	

Notes:

1. Transactions mentioned above are valued at fair value, and Net Unrealized Gains (Losses) are accounted for in the consolidated statements of income.

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

(3) Stock-Related Transactions Not applicable.

# (4) Bond-Related Transactions

As of March 31, 2016

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

		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	526	_	(0)	(0)	
Bought	13	_	(0)	(0)	
Bond Futures Options:					
Sold	-	_	—	_	
Bought	26	_	0	0	
Over the Counter Transactions					
Bond Options:					
Sold	_	_	_	_	
Bought	8	_	0	(0)	
Others:					
Sold	_	_	_	_	
Bought	_	_	—	—	
Total			(0)	(0)	

Notes:

1. Transactions mentioned above are valued at fair value, and Net Unrealized Gains (Losses) are accounted for in the consolidated statements of income.

2. Fair value calculation: Transactions on exchanges are valued on the basis of closing prices, mainly on the Osaka Exchange, Inc. Over the counter transactions are valued using calculation models for option prices, etc.

# As of March 31, 2015

		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	7,080	_	13	13	
Bought	736	_	(0)	(0)	
Bond Futures Options:					
Sold	-	—	—	—	
Bought		_	—	_	
Over the Counter Transactions					
Bond Options:					
Sold	_	_	-	_	
Bought	2,000	_	6	(0)	
Others:					
Sold	-	_	_	_	
Bought	_	_	_		
Total			19	12	

Notes:

1. Transactions mentioned above are valued at fair value, and Net Unrealized Gains (Losses) are accounted for in the consolidated statements of income.

2. Fair value calculation: Transactions on exchanges are valued on the basis of closing prices, mainly on the Osaka Exchange, Inc. Over the counter transactions are valued using calculation models for option prices, etc.

(5) Commodity-Related Derivative Transactions Not applicable.

(6) Credit Derivative Transactions Not applicable.

# 2. Derivative transactions to which hedge accounting is applied

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

(1) Interest-Rate-Related Transactions

As of March 31, 2016

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

		Ν	Aillions 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	709	709	32
	Variable Rate Receivable/Fixed Rate Payable	45,620	36,163	(2,067)
	Variable Rate Receivable/Variable Rate Payable	—	_	—
Exceptional	Interest Rate Swaps			
Treatments for Interest Rate Swaps	Fixed Rate Receivable/Variable Rate Payable	4,791	1,597	21
	Variable Rate Receivable/Fixed Rate Payable	9,020	9,020	(847)
	Total			(2,861)

Notes:

1. Most of hedged items with respect to Basic Treatment are Interest-bearing assets and liabilities such as Loans and Bills Discounted, Other Securities (Bonds) and Deposits.

2. Hedged items with respect to Exceptional Treatments for Interest Rate Swaps are Loans and Bills Discounted, Held-to-Maturity Debt Securities and Debentures.

3. The deferred method of hedge accounting is primarily applied to the transactions mentioned above based on the JICPA Industry Audit Committee Report No. 24, February 13, 2002 "Accounting and Auditing Treatment of Accounting Standards for Financial Instruments in Banking Industry".

4. Fair value calculation: Transactions on exchanges are valued on the basis of closing prices, mainly on the Tokyo Financial Exchange Inc. Over the counter transactions are valued using discounted present value or calculation models for option prices, etc. As of March 31, 2015

			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	120,000	80,000	4,796
	Variable Rate Receivable/Fixed Rate Payable	5,795,775	5,071,745	(174,149)
	Variable Rate Receivable/Variable Rate Payable	113,930	_	(1,425)
Exceptional	Interest Rate Swaps			
Treatments for Interest Rate	Fixed Rate Receivable/Variable Rate Payable	820,000	540,000	4,244
Swaps	Variable Rate Receivable/Fixed Rate Payable	979,306	979,306	(74,142)
	Total			(240,676)

Notes:

1. Most of hedged items with respect to Basic Treatment are Interest-bearing assets and liabilities such as Loans and Bills Discounted, Other Securities (Bonds) and Deposits.

2. Hedged items with respect to Exceptional Treatments for Interest Rate Swaps are Loans and Bills Discounted, Held-to-Maturity Debt Securities and Debentures.

3. The deferred method of hedge accounting is primarily applied to the transactions mentioned above based on the JICPA Industry Audit Committee Report No. 24, February 13, 2002 "Accounting and Auditing Treatment of Accounting Standards for Financial Instruments in Banking Industry".

4. Fair value calculation: Transactions on exchanges are valued on the basis of closing prices, mainly on the Tokyo Financial Exchange Inc. Over the counter transactions are valued using discounted present value or calculation models for option prices, etc.

(2) Currency-Related Transactions

As of March 31, 2016

		Millions of Yen	
Items	Total Contract Value	Contract Value (Over 1 Year until Settlement or Expiry)	Fair Value
rrency Swaps	508,788	309,470	973
rward Foreign Exchange Contracts:			
old	454,625	_	10,403
Bought	—	_	—
tal		_	11,377
3	rrency Swaps rward Foreign Exchange Contracts: old Bought	rrency Swaps 508,788 rward Foreign Exchange Contracts: old 454,625 Bought —	ItemsTotal Contract Value(Over 1 Year until Settlement or Expiry)rrency Swaps508,788309,470rward Foreign Exchange Contracts:454,625-sought

	Millions of U.S.Dollars			
Items	Total Contract Value	Contract Value (Over 1 Year until Settlement or Expiry)	Fair Value	
Currency Swaps	4,514	2,746	8	
Forward Foreign Exchange Contracts:				
Sold	4,034	_	92	
Bought	_	_	_	
Total			100	
	Currency Swaps Forward Foreign Exchange Contracts: Sold Bought	ItemsTotal Contract ValueCurrency Swaps4,514Forward Foreign Exchange Contracts:4,034Sold4,034Bought-	ItemsTotal Contract ValueContract Value (Over 1 Year until Settlement or Expiry)Currency Swaps4,5142,746Forward Foreign Exchange Contracts: Sold4,034Bought	

Notes:

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

As of March 31, 2015

			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	419,012	263,397	(901)
	Forward Foreign Exchange Contracts:			
	Sold	806,775	_	1,903
	Bought	—	_	—
	Total		_	1,002

Notes:

- 1. Most of hedged items are foreign currency-denominated securities, Due from Banks etc.
- 2. The deferred method of hedge accounting is primarily applied to the transactions mentioned above based on the JICPA Industry Audit Committee Report No. 25, July 29, 2002 "Accounting and Auditing Treatment of Accounting Standards for Foreign Currency Transactions in the Banking Industry".
- 3. Fair value calculation: Transactions are valued using discounted present value, etc. (for currency swaps, fair value is calculated after deduction of principal)
- (3) Stock-Related Transactions Not applicable.
- (4) Bond-Related Transactions Not applicable.

## 28. Related Party Transactions:

For the Fiscal Year Ended March 31, 2016

There were no significant related-party transactions.

# For the Fiscal Year Ended March 31, 2015

There were no significant related-party transactions.

#### 29. Segment Information:

(1) Description of Reportable Segments

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

The Bank, as an individual financial institution, provides such 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 profit attributable to owners of parent.

#### (3) Amounts by Reportable Segment

For the Fiscal Year Ended March 31, 2016

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

					(Millions of U.S. Dollars)
	Reportable segment Shinkin Central Bank business	Other	Total	Adjustment	Amount presented in the consolidated financial statements
Income					
External customers	2,369	312	2,682	(0)	2,681
Inter-segment	23	20	43	(43)	—
Total	2,393	332	2,725	(44)	2,681
Segment profit	362	26	388	(9)	379
Segment assets	309,589	2,493	312,082	(671)	311,410
Segment liabilities	295,274	1,717	296,992	(72)	296,920
Other items					
Depreciation	34	45	79	(0)	79
Interest Income	1,816	3	1,819	(1)	1,818
Interest Expenses	1,129	0	1,130	(0)	1,129
Income Taxes	133	14	147	(0)	147
Increase in Tangible and Intangible Fixed Assets	43	15	58	_	58

Notes:

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

2. Adjustment comprises the following.

(i) Within adjustment of segment profit, reduction of ¥1,037 million (\$9 million) comprises reduction of ¥643 million (\$5 million) on profit attributable to non-controlling interests and ¥393 million (\$3 million) on inter-segment eliminations, etc.

(ii) Within adjustment of segment assets, reduction of ¥75,699 million (\$671 million) comprises reduction of ¥53,114 million (\$471 millions) on eliminations relating to capital consolidation and ¥22,584 million (\$200 million) on inter-segment elimination, etc.

(iii) Reduction of ¥8,138 million (\$72 millions) on the adjustment of segment liabilities comprises inter-segment eliminations, etc.(iv) The adjustment for other items comprises inter-segment eliminations, etc.

3. Segment profit has been adjusted from profit attributable to owners of parent presented in the Consolidated Statement of Income.

For the Fiscal Year Ended March 31, 2015

For the Fiscal Year Ended Marc	11 51, 2015				(Millions of Yen
	Reportable segment Shinkin Central Bank business	Other	Total	Adjustment	Amount presented in the consolidated financial statements
Income					
External customers	275,921	32,076	307,997	(103)	307,894
Inter-segment	2,314	2,147	4,462	(4,462)	_
Total	278,236	34,224	312,460	(4,565)	307,894
Segment profit	60,817	2,916	63,734	(1,037)	62,696
Segment assets	33,269,249	320,182	33,589,431	(73,357)	33,516,073
Segment liabilities	31,861,297	235,304	32,096,601	(14,284)	32,082,317
Other items					
Depreciation	4,025	4,417	8,443	(0)	8,442
Interest Income	219,379	464	219,844	(80)	219,763
Interest Expenses	130,710	151	130,862	(20)	130,841
Income Taxes	20,187	1,375	21,562	20	21,583
Increase in Tangible and Intangible Fixed Assets	5,181	4,354	9,536	_	9,536

Notes:

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

2. Adjustment comprises the following.

(i) Within adjustment of segment profit, reduction of ¥1,037 million comprises reduction of ¥586 million on profit attributable to non-controlling interests and addition of ¥451 million on inter-segment eliminations, etc.

(ii) Within adjustment of segment assets, reduction of ¥73,357 million comprises reduction of ¥53,114 million on eliminations relating to capital consolidation and ¥20,242 million on inter-segment elimination, etc.

(iii) Reduction of ¥14,284 million on the adjustment of segment liabilities comprises inter-segment eliminations, etc.

(iv) The adjustment for other items comprises inter-segment eliminations, etc.

3. Segment profit has been adjusted from profit attributable to owners of parent presented in the Consolidated Statement of Income.

#### (Related Information)

For the Fiscal Year Ended March 31, 2016

1. Information by service

				(Millions of Yen)
	Securities investment operations	Lending operations	Other	Total
Income from external customers	210,601	23,783	67,731	302,116

#### (Millions of U.S. Dollars)

	Securities investment operations	Lending operations	Other	Total
Income from external customers	1,868	211	601	2,680

#### 2. Information by geographic region

(1) Income

				(Millions of Yen)
Japan	United States	Europe	Other	Total
179,169	28,410	12,505	82,031	302,116
			(	Millions of U.S. Dollars)

Japan	United States	Europe	Other	Total
1,589	252	110	727	2,680

Note:

Income from derivative transactions and Trading income 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	Income	Related segment
The Government of Japan	71,912	Shinkin Central Bank business

		(Millions of U.S. Dollars)
Name of customer	Income	Related segment
The Government of Japan	638	Shinkin Central Bank business

#### For the Fiscal Year Ended March 31, 2015

1. Information by service

·				(Millions of	Yen)
	Securities investment operations	Lending operations	Other	Total	
Income from external customers	211,483	27,652	68,758	307,894	

#### 2. Information by geographic region

(1) Income

				(Millions of Yen)
Japan	United States	Europe	Other	Total
179,728	24,159	18,483	85,523	307,894

Note: Income from derivative transactions and Trading income 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	Income	Related segment
The Government of Japan	77,758	Shinkin Central Bank business

#### (Information related to Impairment losses of Fixed Assets by Reportable Segment) For the Fiscal Year Ended March 31, 2016

Not applicable.

For the Fiscal Year Ended March 31, 2015

	Reportable segment Shinkin Central Bank business	Other	Total
Impairment losses	64		64

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, asset management, 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.

#### 30. Amounts per Share:

	Yen		U.S. Dollars
	2016	2015	2016
Net Assets per Share	301,512.71	301,997.98	2,675.59
Net Income per Share	7,115.71	12,865.13	63.14
Net Income per Share after Adjustment for Common Share equivalents	_	_	_

#### Notes:

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

-		2016	2015	2016	
Total Net Assets	Millions of Yen	1,632,969	1,433,756	Millions of U.S. dollars	14,490
Amount Deducted from Total Net Assets	Millions of Yen	213,380	11,883	Millions of U.S. dollars	1,893
Non-controlling interests	Millions of Yen	9,743	9,758	Millions of U.S. dollars	86
Preferred Dividends	Millions of Yen	2,124	2,124	Millions of U.S. dollars	18
Dividend attributable to specific common shares	Millions of Yen	1,512	_	Millions of U.S. dollars	13
Distribution of residual assets attributable to specific common shares	Millions of Yen	200,000	_	Millions of U.S. dollars	1,774
Net Assets at Fiscal Year-end Used to Calculate Net Assets per Share	Millions of Yen	1,419,588	1,421,873	Millions of U.S. dollars	12,597
Number of Share Units at Fiscal Year-end Used to Calculate Net Assets per Share	Unit	4,708,222	4,708,222	_	_
Number of General Common Share Units	Unit	4,000,000	4,000,000	_	_
Number of Preferred Share Units	Unit	708,222	708,222	_	_

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

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

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

		2016	2015	2016	
Profit attributable to owners of parent	Millions of Yen	42,781	62,696	Millions of U.S. dollars	379
Amount Deducted from Profit attributable to owners of parent	Millions of Yen	2,124	2,124	Millions of U.S. dollars	18
Preferred Dividend	Millions of Yen	2,124	2,124	Millions of U.S. dollars	18
Net Income Used to Calculate Net Income per share	Millions of Yen	40,656	60,571	Millions of U.S. dollars	360
Average Number of Share Units for the fiscal year	Unit	5,713,686	4,708,222	_	_
Average Number of General Common Share Units	Unit	4,000,000	4,000,000	_	_
Average Number of Specific Common Share Units	Unit	1,005,464	_	_	_
Average Number of Preferred Share Units	Unit	708,222	708,222	_	_

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

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

#### 31. Subsequent Events:

Not applicable.



Ernst & Young ShinNihon LLC Hibiya Kokusai Bldg. 2-2-3 Uchisaiwai-cho, Chiyoda-ku Tokyo, Japan 100-0011 Tel: +81 3 3503 1100 Fax: +81 3 3503 1197 www.shinnihon.or.jp

#### 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, 2016, 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 control statements in control statements and the reasonableness. 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, 2016, 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.

Ernet & Young Shin Rikon LLC

June 27, 2016 Tokyo, Japan

# Non-Consolidated Balance Sheet

	Millions of `	Yen	Millions of U.S. Dollars
Shinkin Central Bank As of March 31,	2016	2015	2016
Assets			
Cash and Due from Banks	9,106,821	6,854,374	80,813
Call Loans	339,088	510,601	3,009
Receivables under Resale Agreements	14,999	49,987	133
Receivables under Securities Borrowing Transactions	101,033	85,418	896
Monetary Debts Purchased	174,689	229,858	1,550
Trading Assets	240,911	160,130	2,137
Money Held in Trust	72,826	132,774	646
Securities	17,839,405	19,132,160	158,305
Loans and Bills Discounted	6,763,822	5,885,739	60,021
Foreign Exchanges Assets	13,800	9,178	122
Other Assets	99,100	79,741	879
Tangible Fixed Assets	69,969	69,773	620
Intangible Fixed Assets	8,292	4,543	73
Customers' Liabilities for Acceptances and Guarantees	88,564	108,691	785
Reserve for Possible Loan Losses	(45,682)	(43,723)	(405)
Total Assets	34,887,645	33,269,249	309,589
Liabilities and Net Assets Liabilities Deposits	27,236,823	25,571,093	241,696
Debentures	3,055,520	3,007,780	27,114
Trading Liabilities	111,022	99,260	27,114 985
Borrowed Money	829,320	935,320	7,359
Call Money	48,397	382,108	429
Payables under Repurchase Agreements	63,804	73,944	429 566
Payables under Securities Lending Transactions	1,409,435	1,281,700	12,507
Foreign Exchanges Liabilities	1,409,455	264	12,507
Other Liabilities	299,242	263,554	2,655
Reserve for Employee Bonuses	1,356	1,235	2,055
Reserve for Directors' Bonuses	1,550	80	0
Reserve for Employee Retirement Benefits	18,696	18,049	165
Reserve for Directors' Retirement Allowances	381	358	3
Deferred Tax Liabilities	105,473	111,750	935
Deferred Tax Liabilities for Land Revaluation	6,109	6,106	54
Acceptances and Guarantees	88,564	108,691	785
Total Liabilities	33,274,483	31,861,297	295,274
	55,2/4,405	51,001,277	273,274
Total Net Assets	1,613,161	1,407,951	14,315
Total Liabilities and Net Assets	34,887,645	33,269,249	309,589
—	, ,	, ,	, -

# Non-Consolidated Statement of Income

	Millions of	Van	Millions of U.S. Dollars
Shinkin Central Bank For the year ended March 31,	2016	2015	2016
Income			
Interest Income:	204,650	219,379	1,810
Interest on Loans and Discounts	23,783	27,652	21
Interest on Due from Banks	9,506	7,454	84
Interest on Call Loans	1,064	1,107	9
Interest on Receivables under Resale Agreements	20	58	(
Interest on Receivables under Securities Borrowing Transactions	8	180	(
Interest and Dividends on Securities	169,408	181,504	1,503
Others	859	1,422	
Fees and Commissions	8,055	7,774	71
Trading Income	12,054	18,185	100
Other Operating Income	38,314	23,266	339
Other Income	6,600	9,630	58
	269,675	278,236	2,393
Total Income	20,015	, , , , , , , , , , , , , , , , , , ,	
Expenses	, , , , , , , , , , , , , , , , , , , ,		, ,,
Expenses Interest Expenses:	127,242	130,710	,
Expenses Interest Expenses: Interest on Deposits	127,242 44,595	130,710 48,545	395
Expenses Interest Expenses: Interest on Deposits Interest on Debentures	127,242 44,595 10,579	130,710 48,545 13,938	395 93
Expenses Interest Expenses: Interest on Deposits Interest on Debentures Interest on Borrowed Money	127,242 44,595 10,579 10,864	130,710 48,545 13,938 11,129	395 93 90
Expenses Interest Expenses: Interest on Deposits Interest on Debentures Interest on Borrowed Money Interest on Call Money	127,242 44,595 10,579 10,864 657	130,710 48,545 13,938 11,129 695	1,129 399 93 90
Expenses Interest Expenses: Interest on Deposits Interest on Debentures Interest on Borrowed Money Interest on Call Money Interest on Payables under Repurchase Agreement	127,242 44,595 10,579 10,864 657 239	130,710 48,545 13,938 11,129 695 97	395 93 90 5
Expenses Interest Expenses: Interest on Deposits Interest on Debentures Interest on Borrowed Money Interest on Call Money Interest on Payables under Repurchase Agreement Interest on Payables under Securities Lending Transactions	127,242 44,595 10,579 10,864 657 239 4,470	130,710 48,545 13,938 11,129 695 97 2,216	395 93 90 5 2 35
Expenses Interest Expenses: Interest on Deposits Interest on Debentures Interest on Borrowed Money Interest on Call Money Interest on Call Money Interest on Payables under Repurchase Agreement Interest on Payables under Securities Lending Transactions Interest Payable on Interest Rate Swaps	127,242 44,595 10,579 10,864 657 239 4,470 53,663	130,710 48,545 13,938 11,129 695 97 2,216 52,240	395 93 90 5 2 39 470
Expenses Interest Expenses: Interest on Deposits Interest on Debentures Interest on Borrowed Money Interest on Call Money Interest on Call Money Interest on Payables under Repurchase Agreement Interest on Payables under Securities Lending Transactions Interest Payable on Interest Rate Swaps Others	127,242 44,595 10,579 10,864 657 239 4,470 53,663 2,171	130,710 48,545 13,938 11,129 695 97 2,216 52,240 1,845	395 92 90 5 2 39 47( 19
Expenses Interest Expenses: Interest on Deposits Interest on Debentures Interest on Borrowed Money Interest on Call Money Interest on Call Money Interest on Payables under Repurchase Agreement Interest on Payables under Securities Lending Transactions Interest Payable on Interest Rate Swaps Others Fees and Commissions	127,242 44,595 10,579 10,864 657 239 4,470 53,663 2,171 7,021	130,710 48,545 13,938 11,129 695 97 2,216 52,240 1,845 6,223	395 92 90
Expenses Interest Expenses: Interest on Deposits Interest on Debentures Interest on Borrowed Money Interest on Borrowed Money Interest on Call Money Interest on Call Money Interest on Payables under Repurchase Agreement Interest on Payables under Securities Lending Transactions Interest Payable on Interest Rate Swaps Others Fees and Commissions Trading Losses	127,242 44,595 10,579 10,864 657 239 4,470 53,663 2,171 7,021	130,710 48,545 13,938 11,129 695 97 2,216 52,240 1,845 6,223 238	395 92 90 5 2 39 47( 19 62
Expenses Interest Expenses: Interest on Deposits Interest on Debentures Interest on Borrowed Money Interest on Borrowed Money Interest on Call Money Interest on Call Money Interest on Payables under Repurchase Agreement Interest on Payables under Securities Lending Transactions Interest Payable on Interest Rate Swaps Others Fees and Commissions Trading Losses Other Operating Expenses	127,242 44,595 10,579 10,864 657 239 4,470 53,663 2,171 7,021 - 48,001	130,710 48,545 13,938 11,129 695 97 2,216 52,240 1,845 6,223 238 29,366	395 92 90 5 39 47( 19 62 - 425
Expenses Interest Expenses: Interest on Deposits Interest on Debentures Interest on Borrowed Money Interest on Call Money Interest on Call Money Interest on Payables under Repurchase Agreement Interest on Payables under Securities Lending Transactions Interest Payable on Interest Rate Swaps Others Fees and Commissions Trading Losses	127,242 44,595 10,579 10,864 657 239 4,470 53,663 2,171 7,021	130,710 48,545 13,938 11,129 695 97 2,216 52,240 1,845 6,223 238	395 92 90 5 2 39 47( 19

Income before Income Taxes Income Taxes	55,878	81,005	495
		1	
Current	15,259	17,686	135
Deferred	(257)	2,501	(2)
Total Income Taxes	15,002	20,187	133
Net Income	40,875	60,817	362

	Yen		U.S. Dollars
	2016	2015	2016
Net Income Per Share	6,782.15	12,466.12	60.18
Dividend Declared per Share (General Common Shares)	3,000.00	3,500.00	26.62
Dividend Declared per Share (Specific Common Shares)	1,500.00	-	13.31
Dividend Declared per Share (Preferred Shares)	6,500.00	7,000.00	57.68

## Organization (As of July 31, 2016)

General Meeting of Members	Chief Secretary	Corporate Bus
Corporate Auditors	Internal Audit Division	
,	General Affairs Division	Corporate Bus
Board of Directors	Legal & Compliance Office	Osaka Corpor
Chairman of the Board of Directors (part-time)	Personnel Division	Usaka Corpor
President and Chief Executive Officer	Strategic Planning Division	Tokyo Busines
Fresident and Chiel Executive Officer	Investor & Public Relations Office	
Deputy Presidents	Trust Business Project Division	Kanto Busines
Senior Managing Director		
	Risk Management Division	<ul> <li>Kanto Busines</li> </ul>
Managing Directors	Credit Planning & Supervision Division	Hokkaido Brai
Directors	Business Promotion Division	TIOKKaluo Brai
	Disaster Recovery & Reconstruction Support Office*	— Tohoku Branc
	SME Business Solution Division	(Disaster Re
	Shinkin Networks Promotion Office	— Hokuriku Brai
	International Business Solution Division	Shizuoka Bran
	International Operations Center	
	Retail Business Solution Division	Nagoya Branc
	Support & Advisory Division for Shinkin Banks	Osaka Branch
	Consulting Office	
	Transfer & Clearing Division	— Kobe Branch
	Management Office for Domestic Fund Transfer System	— Okayama Brar
	Operations Division	— Chugoku Brar
	Operations Center	
	Systems Division	
	Systems Center	
	Corporate Business Promotion Division	
	Project Finance Office	Minami-Kyush
		— Minami-Kyush
	Project Finance Office	— Minami-Kyush — New York Re

Treasury Operations Division Research Institute

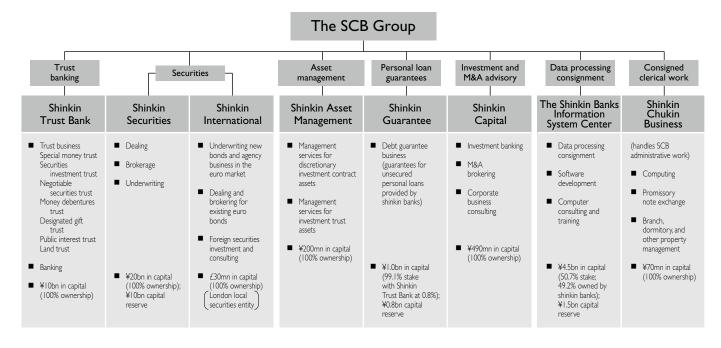
Shinkin Vitalizing Local Economy Support Center

SDB Office

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* Located in the Tohoku Branch.

## The SCB Group



## International Directory (As of July 31, 2016)

#### **Deputy President**

(in charge of Treasury Operations) Katsuo Akiyama

Senior Managing Director (in charge of Treasury/ Credit & Alternative Investment) Hajime Hioki

#### Managing Director

(in charge of Treasury Business) Norihiro Takano

#### Managing Director

(in charge of Strategic Planning/ International Business Solution/Overseas Offices) Hiroshi Sudo

#### Strategic Planning Division

(including International Planning) Address: 3-7, Yaesu I-chome, Chuo-ku, Tokyo 103-0028 Telephone: +81-3-5202-7624

Facsimile: +81-3-3278-7033 Director: Yuuji Takahashi

#### International Business Solution Division

(including International Operations Center/ Correspondent Banking) Address: 3-7, Yaesu I-chome,

Chuo-ku, Tokyo 103-0028 Telephone: +81-3-5202-7703 Facsimile: +81-3-3278-7035 General Manager: Makoto Asahi

#### International Operations Center

Address: 8-1, Kyoubashi 3-chome, Chuo-ku, Tokyo 104-0031 Telephone: +81-3-5250-1700 Facsimile: +81-3-5250-1780 SWIFT: ZENB JPJT General Manager: Hideo Okada

#### **Corporate Business Promotion Division**

Address: 3-7, Yaesu I-chome, Chuo-ku, Tokyo 103-0028 Telephone: +81-3-5202-7665 Facsimile: +81-3-3278-7045 General Manager: Naoki Hemmi

#### Treasury Business Division

Address: 3-7, Yaesu I-chome, Chuo-ku, Tokyo 103-0028 Telephone: +81-3-5202-7642 Facsimile: +81-3-3278-7040 SWIFT: ZENB |P|T General Manager: Kengo Kaji

#### **Treasury Division**

Address: 3-7, Yaesu I-chome, Chuo-ku, Tokyo 103-0028 Telephone: +81-3-5202-7660 Facsimile: +81-3-3278-7043 SWIFT: ZENB JPJT General Manager: Kenji Tanaka

#### Credit & Alternative Investment Division

Address: 3-7, Yaesu I-chome, Chuo-ku, Tokyo 103-0028 Telephone: +81-3-5202-7664 Facsimile: +81-3-3278-7044 General Manager: Daigo Morishita

Treasury Operations Division Address: 3-7, Yaesu I-chome, Chuo-ku, Tokyo 103-0028 Telephone: +81-3-5202-7666 Facsimile: +81-3-3278-7046 SWIFT: ZENB IPIT General Manager: Tomoaki Nishimura

#### **Research** Institute

Address: 3-7, Yaesu I-chome, Chuo-ku, Tokyo 103-0028 Telephone: +81-3-5202-7671 Facsimile: +81-3-3278-7048 General Manager: Eiichi Matsuzaki

#### **Overseas Offices**

#### New York

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

#### Hong Kong

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

#### Shanghai

#### Shanghai Representative Office

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

#### Bangkok

#### Bangkok Representative Office

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

### **Overseas Subsidiary**

#### London

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



### Shinkin Central Bank Head Office

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







Hokkaido

(Sapporo)

Tohoku

(Sendai)

Head Office

- 1

Shinkin Central Bank 3-7, Yaesu 1-chome, Chuo-ku, Tokyo 103-0028, Japan Telephone: +81-3-5202-7711 http://www.shinkin-central-bank.jp/