



Annual Report
Shinkin Central Bank
2018

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 ¥140 trillion (around US\$1,326 billion).



Management Philosophy and Operational Policies

Management Philosophy

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

Operational Policies

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

Corporate Data (as of March 31, 2018)

Name:	Shinkin Central Bank (SCB)
Established:	June 1, 1950
Number of employees:	1,202
Domestic network:	14
Overseas network:	5
Total assets:	¥39,953 billion (\$375 billion)
Total funds:	¥38,302 billion (\$360 billion)
Paid-in capital:	¥690 billion (\$6,501 million)
Preferred shares:	¥90 billion (\$856 million)
Capital adequacy ratio (consolidated):	30.57%
Number of member shinkin banks:	261
Long-term credit ratings: (as of July 31, 2018)	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, 2018.

Financial Highlights (Non-consolidated Financial Summary)

For the years ended March 31,	Millions of Yen			Millions of US Dollars*		
	2018	2017	2016	2018	2017	2016
For the Fiscal Year						
Total income	¥ 275,792	¥ 284,018	¥ 269,675	\$ 2,594	\$ 2,531	\$ 2,393
Total expenses	213,136	235,680	213,797	2,005	2,100	1,897
Net income (loss)	46,498	41,383	40,875	437	368	362
Net business profit (loss)	50,535	42,657	50,321	475	380	446
At the Year-end						
Total assets	¥38,552,702	¥37,257,840	¥34,887,645	\$362,746	\$332,095	\$309,589
Loans and bills discounted	6,952,659	7,995,390	6,763,822	65,418	71,266	60,021
Securities	17,137,785	17,204,776	17,839,405	161,251	153,353	158,305
Total liabilities	36,949,667	35,654,367	33,274,483	347,663	317,803	295,274
Deposits	30,260,341	29,176,129	27,236,823	284,722	260,059	241,696
Debentures	2,714,890	2,952,900	3,055,520	25,544	26,320	27,114
Net assets	1,603,035	1,603,472	1,613,161	15,083	14,292	14,315

* US dollar amounts are given for convenience only, converted at the rate of ¥112.69, ¥112.19, and ¥106.28 per US\$1.00, the prevailing rate as of March 31, 2016, 2017, and 2018, respectively. Total assets and total funds amounted to ¥39,953 billion (\$375 billion) and ¥38,302 billion (\$360 billion) of the average balance at the year ended March 31, 2018.

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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 ¥106.28 per US\$1.00, the prevailing rate on March 31, 2018.

Message from the President and CEO



The Shinkin Central Bank (the “SCB”) serves as the central bank for Japan’s 261 shinkin banks—regional financial institutions, that specialize in operations with small and medium-sized enterprises (SMEs).

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

Fiscal 2017 Earnings Performance

In fiscal 2017 (ended March 31, 2018), while the Bank of Japan continued its monetary easing policy, uncertainty over the future persisted due to such factors as moves to normalize monetary policy in Europe and the United States and increasing geopolitical risks, including the situation on the Korean peninsula.

Amid this difficult business environment, the SCB made great efforts to turn a consistent profit including global diversified investment and active promotion of loans to business corporations. As a result, ordinary income amounted to ¥60.6 billion and net income totaled ¥46.4 billion.

Medium-term Management Plan Progress

Under this plan, the SCB is working to provide products and services for individuals and

SMEs, who are the customers of shinkin banks, and taking steps to contribute to regional revitalization in order to consolidate the customer relations of shinkin banks.

In fiscal 2017, we focused on promoting trust products for individual customers to support the transfer of inheritances and other assets between generations in response to the growing demand in recent years. In just a little over a year after launching the business in January 2017, the number of shinkin banks serving as agents to handle trust agreements now exceeds 130, and there are around 1,600 offices offering these products.

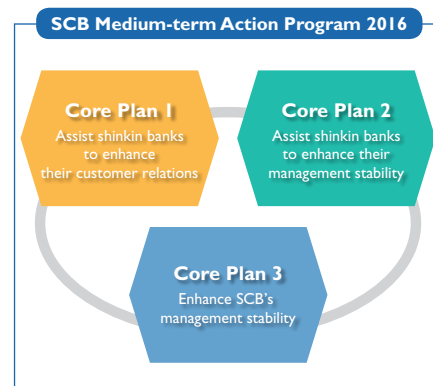
We also provided matching services and held business meetings for SMEs to expand their sales channels, and worked on projects to attract foreign tourists. Additionally, we have coordinated with government agencies and foundations to implement measures supporting the projects of shinkin banks and local companies working on the revitalization of their home towns with the aim of solving community issues.

Moreover, we established a new Digital Innovation Office to enhance support for fintech and digitalization, which are expected to bring significant change in the financial business. In doing so, we have strengthened our information gathering system and have begun providing new products and services and developing an efficient operation management system.

Future Business Strategy

Amid rapid change in the operating environment surrounding shinkin banks, we believe the required functions of shinkin banks to fulfill their roles in supporting their communities will grow ever more diverse and sophisticated.

Envisioning the next five to ten years of shinkin banks, the SCB has positioned fiscal 2018, the final year of the medium-term management plan, as a “year to establish a sustainable business model and clear a path for the



future in anticipation of the dawn of the era of shinkin banks”.

Together with shinkin banks, we will work on the measures set forth in the plan to further enhance the presence of shinkin banks in their communities so that we can continue to contribute to sustainable regional development.

Hiroyuki Shibata

Hiroyuki Shibata
President and CEO
July 2018

Corporate Management and Auditors



Koji Sato
Chairman of the Board of Directors



Hiroyuki Shibata
President and Chief Executive Officer



Hajime Hioki
Deputy President



Hiroshi Nakahara
Senior Managing Director



Hiroshi Sudo
Senior Managing Director

Chairman of the Board of Directors (Part-time)

Koji Sato

President and Chief Executive Officer

Hiroyuki Shibata

Deputy President

Hajime Hioki

Senior Managing Directors

Hiroshi Nakahara

Hiroshi Sudo

Managing Directors

Norihiro Takano

Keisuke Izutsu

Yuzuru Nishino

Directors

Naoki Hemmi

Takehiko Murotani

Hiromichi Chisaka

Hideki Sasaki

Takashi Hanaoka

Director and Executive Advisor (Part-time)

Mitsuo Tanabe

Directors (Part-time)

Masatoshi Masuda

Ikuo Higuchi

Hiroshi Hiramatsu

Takashi Abe

Tetsuji Hara

Kazuo Kobayashi

Norikazu Shibuya

Shigeharu Obayashi

Kenichiro Mimuro

Masatoshi Takahashi

Toshiyuki Masuda

Hiroyuki Hashimoto

Tatsuo Takeda

Akihide Yokogawa

Hiromi Nomura

Masanori Wada

Corporate Auditor

Naoya Okajima

Corporate Auditors (Part-time)

Rinichi Hoshi

Minoru Kondo

Masamichi Narita

Akio Okuyama

(As of July 31, 2018)

Powerful, TSE-listed Financial Institution

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

The SCB is the central financial institution in Japan for the nationwide network of shinkin banks, comprising 261 banks and 7,347 branches.

Japan's shinkin banks have an extremely important role in the financial industry, holding around ¥140 trillion (\$1,326 billion) in deposits (refer to page 20 "What Are Shinkin Banks?").

We provide various financial products and services, and use the abundant funds deposited from nationwide shinkin banks to invest in marketable securities in the financial markets and to provide loans to operating companies and so forth.

Here we explain the two main roles of the SCB.

The Roles of the SCB

The Role as a Central Bank

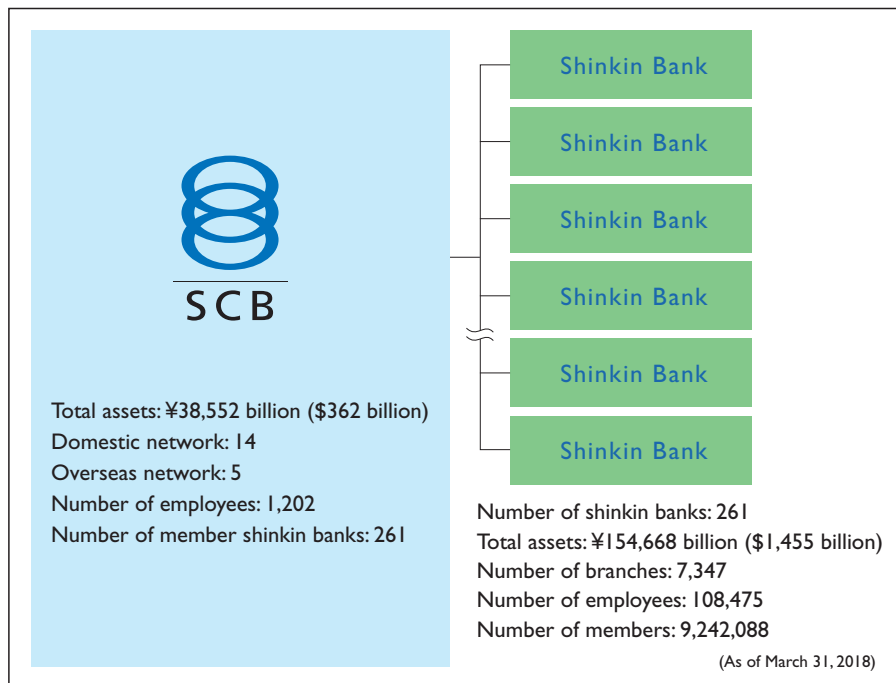
(1) Supplementing Shinkin Banks' Operations
Japan's 261 shinkin banks play a key role in supporting regional economies by lending to local organizations and SMEs.

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

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

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

The SCB also acts as a clearing house among shinkin banks in the same way that the Bank of Japan acts as a clearing house among



banks. In addition, the SCB's role includes acting as a clearing house among shinkin banks and other financial institutions and making lump sum payments of public utilities charges received by shinkin banks.

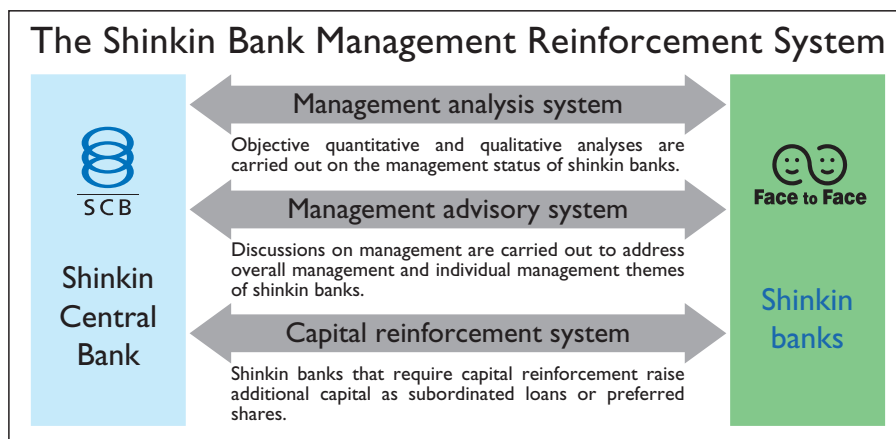
Furthermore, we provide support for shinkin banks' risk management, including consultations on fund management, and assists with their human resource development by providing training and so forth.

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

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

by providing management analysis for each shinkin bank and information to aid in resolution of their management issues. If a shinkin bank should come to require financial support despite these measures, we shall conduct capital injection in an effort to maintain and improve stability of the shinkin bank industry.

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



The Role as an Independent Financial Institution

(1) Comprehensive Financial Services Provider

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

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

(2) One of the Leading Institutional Investors in Japan

The SCB has assets under management of approximately ¥37 trillion (\$352 billion) as of March 31, 2018. Of this, it invests approximately ¥17 trillion (\$161 billion) in securities—mainly as government bonds, corporate bonds, and foreign securities—and approximately ¥13 trillion (\$122 billion) in short-term money markets.

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

(3) Contributor to Regional Development

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

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

Overseas Networks and Correspondent Banks

The SCB has offices in New York, Hong Kong, Shanghai, Bangkok, and London. In addition to proactively collecting information on each local area, we support the overseas expansion of shinkin banks’ customers. As of March 31, 2018, we had 227 overseas correspondent banks with main branches in 47 countries. The 70 shinkin banks conduct foreign exchange operations via the network of overseas correspondent banks of the SCB and other institutions.

To address the emerging urgency among the entire international community to implement measures against money laundering and the financing of terrorism, the SCB, as the central financial institution for shinkin banks, intends to support the whole shinkin bank industry in implementing and enhancing such measures, while establishing and maintaining its own risk management system.



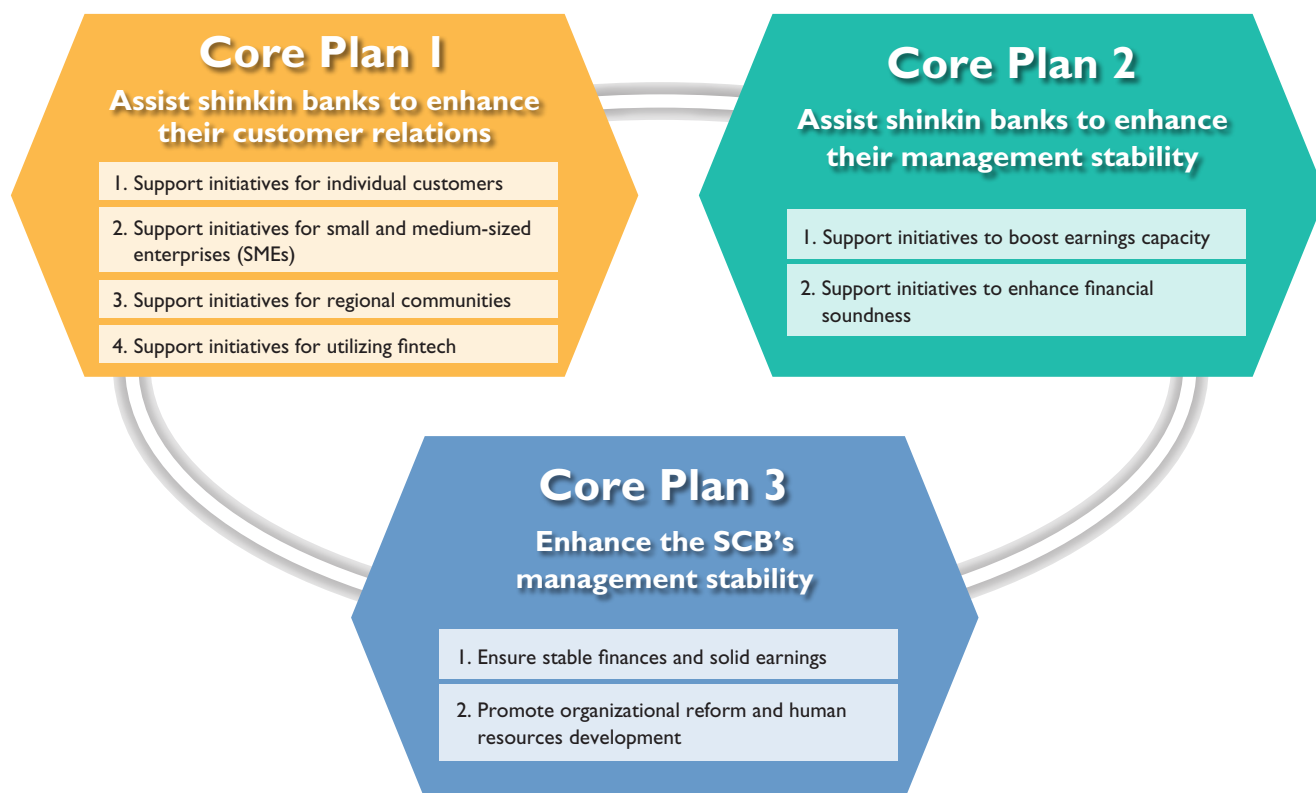
Management Issues and Strategies

Striving to Build a Sustainable Business Model

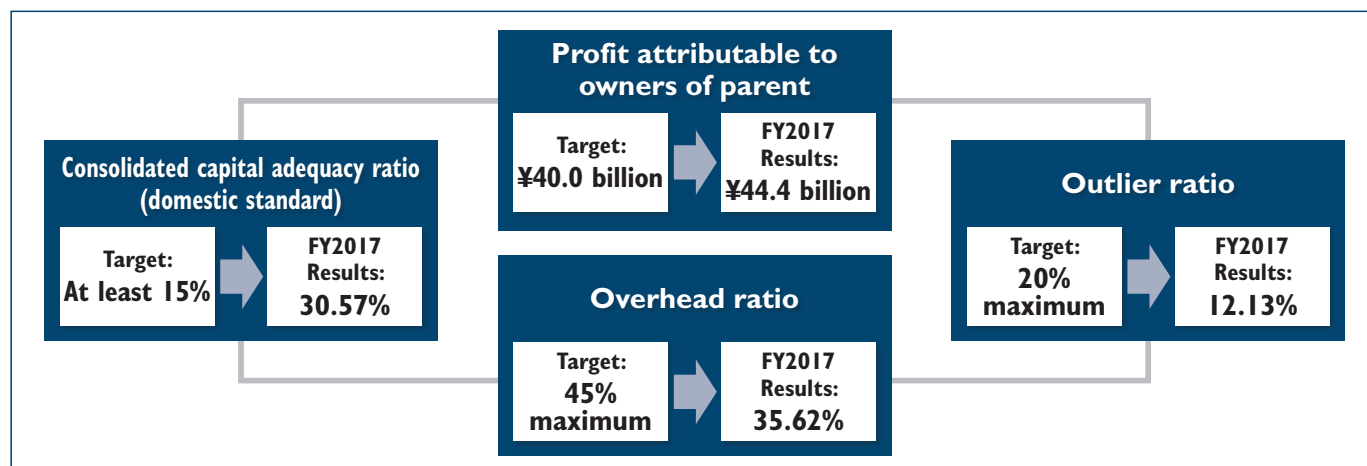
Fiscal 2017 was positioned as a year for striving to build a sustainable business model for the next 10 years. We implemented various support measures for shinkin banks' main customers—individuals and SMEs—to help them strengthen their business, supported shinkin banks' efforts to revitalize their local communities, and took steps to strengthen the management stability of the SCB, which is the cornerstone for steadily implementing all these support measures.

We will mainly explain the characteristic initiatives of fiscal 2017 below.

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



Achievement of “Target Figures”



Assist Shinkin Banks to Enhance Their Customer Relations

In order to support shinkin banks in their customer relations, the SCB has been offering various support measures targeting individual customers, SMEs, and regional communities. Recently, the SCB is also working to respond to rapidly advancing digitization of the banking industry as exemplified by “fintech”.

• Trust Business Services to Individuals

After entering the trust banking business in January 2017, the SCB launched full-scale initiatives and has been enhancing support for inheritance-related product demand, which has been growing year after year. We provide the original trust products for individual customers as the private brand of the shinkin bank industry, and the products are provided through shinkin banks nationwide, which serve as trust agreement agents for individual customers.

In just a little over a year after launching the business, the number of shinkin banks serving as agents now exceeds 130, and there are around 1,600 offices offering the products, which are now used by many individual customers.

We will continue to work on product promotion and expansion of our shinkin bank sales network to be of service to more customers when it comes to their inheritance-related and asset transfer needs through the nationwide network of shinkin banks.

• Support for Asset Buildup for Individual Customers

Shinkin banks offer various financial products in addition to deposit products, including in-

vestment trusts that lead to asset buildup. The SCB supports these assets under management at shinkin banks.

In fiscal 2017, as part of our efforts to promote and enhance sales of investment trusts at shinkin banks, we increased the number of products to 151 and expanded our product lineup.

We also partnered with Canon Marketing Japan Inc. to develop “Asset Management Navigation System for Shinkin Banks” as an operational support tool. This tool is designed to strengthen compliance, streamline office tasks such as processing customer applications, and deliver proposals and after-sales follow-up more suited to increasingly diverse needs.

• Initiatives for Expanding Sales Channels

In our matching services, the SCB rolled out nationwide a website-based sales scheme that had been introduced initially only in certain regions. We also provided matching services in technical fields, and held business matching events with buyers, including trading companies with overseas sales channels, and food manufacturers that are shinkin bank customers.

• Production of Experience Japan Catalog for Foreign Tourists

Focusing on the inward travel needs of foreign tourists, the SCB produced an “Amazing Cultural Local Experience Catalogue in JAPAN” listing the hands-on services provided by shinkin bank customers, and posted the catalog on a special website.

We worked to attract visitors all over the country where shinkin bank customers pro-

vide services by doing sales promotions with overseas travel agencies.

• Launch of Two-Step Loans in Collaboration with JBIC

In April 2018, the SCB signed a business cooperation agreement with Japan Bank for International Cooperation (JBIC) to support the overseas business expansion by shinkin bank customers and began offering dollar-denominated two-step loans.

By utilizing this scheme, shinkin banks will enhance their support for the fundraising needs of their customers based on capital in US dollars procured from JBIC.

• Support for Regional Revitalization Projects

The SCB provides a regional revitalization support scheme utilizing the Nippon Foundation’s Wagamachi fund to support initiatives aimed at creating new flows of money in regional areas to solve community issues and develop next-generation leaders.

In fiscal 2017, the fund provided ¥130 million in assistance to 14 projects of 13 shinkin banks nationwide, including urban development and community-based improvement projects.

• Promotion of Urban Development Projects

Based on the partner agreement signed with the Ministry of Land, Infrastructure, Transport and Tourism and the Organization for Promoting Urban Development, the SCB supports the establishment of managed urban development funds through collaboration between shinkin banks and the Organization for Promoting Urban Development.

In fiscal 2017, four funds were established nationwide, providing funding support for projects designed to solve community issues.

• Strengthening of Support for Digitalization

The development of fintech and other forms of digitalization are expected to bring about major changes in lifestyles and trade practices. Amid these circumstances, the SCB is working to enhance support for digitalization in the shinkin bank industry.

In December 2017, consolidated subsidiary The Shinkin Banks Information System Center Co., Ltd. (SSC) developed a platform supporting an open API ^(*) for the roll-out of services utilizing fintech by shinkin banks.

Additionally, we are working on developing a domestic and international information and collaboration platform led by the Digital Innovation Office established in April 2018. As a part of that initiative, via investments in



funds offered by Geodesic Capital ^{(*)2}, we are developing a network with venture companies that represent the next generation. At the same time, we are working to provide new products and services and streamline operations in the shinkin bank industry.

*1. Open API: Connection specifications, etc. for financial institution systems accessible by fintech companies and others

*2. A venture capital that engages in business primarily in Silicon Valley in the United States

Assist Shinkin Banks to Enhance Their Management Stability

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

• Provision of Investment Products for Shinkin Banks

To respond to demand for diversifying investment tools, the SCB has leveraged its trust banking business functions to develop and provide investment products for shinkin banks such as the one called “SCB Global Trust”,

which spreads investment across diverse asset classes overseas, and another called “SCB Callable Trust”, which utilizes derivatives.

• Establishment of Portfolio Management Support Office

The Portfolio Management Support Office, which was opened in April 2018, will provide support for more advanced portfolio management at shinkin banks through profit simulations and support for creating investment plans.

• Centralization of Deposit Assessment Operations at Shinkin Banks

To improve operational efficiency and reduce costs, the SCB is taking steps to centralize common operations conducted by each shinkin bank. After a limited trial run in fiscal 2017 where we handled administrative tasks for some shinkin banks related to deposit assessment operations ^(*) as the initial step, we plan to roll out the system to shinkin banks nationwide in fiscal 2018.

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

Enhance the SCB's Management Stability

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

• Enhancing Operation Management Systems

The SCB is working to reduce labor and increase efficiency in existing operations by utilizing RPA ^(*) and other methods. We expect to reduce human tasks by around 50% in the foreign remittance operations that will begin in earnest in fiscal 2019.

In the future, we will expand the scope of application to include streamlining of company-wide operations.

* RPA: Robotic Process Automation. A system for increasing the efficiency of operations by automating certain decisions by using software with robotic functions incorporated.

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

Networking Event for Reconstruction Support Project

The “Shinkin no Kizuna Reconstruction Support Project”, which the SCB established in collaboration with the Japan NPO Center, provided a total of ¥360 million in assistance to 95 private NPOs (for a total of 111 projects) and has been used to support activities such as providing mental health care to disaster victims and helping them rebuild their daily lives.

In April 2018, we planned and held a networking event including staff of the Reconstruction Agency and executives and employees of shinkin banks to promote partnerships among NPOs that have received assistance so far. Lively information sharing on reconstruction support activities took place at the networking event.



Networking event

tion support activities took place at the networking event.

Recovery Support Sales Event

A recovery support sales event was held at the SCB head office with specialty products from Tohoku and Kumamoto. The event featured 45 products made by 28 customers from 15 shinkin banks.



Recovery support sales event

Overseas Networks

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

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

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

In the second half of fiscal 2018, we plan to dispatch employees to Silicon Valley for the purpose of collecting information on the latest trends in fintech and other digital technology.

Alliances with Local Banks Overseas

The SCB is forming business alliances with nine local banks overseas to enhance and strengthen its capability to support shinkin bank customers that are expanding their businesses overseas. We provide a wide range of support to shinkin bank customers who conduct business overseas by helping them open local bank accounts, and providing local currency denominated financing based on standby L/C, for example.

Additionally, we seconded two employees to Bangkok Bank and one employee to Maybank Indonesia and Joint Stock Commercial Bank for Investment and Development of Vietnam respectively, and in April 2018 we seconded one employee to BDO Unibank, Inc. in the Philippines.

Expansion of Services for Shinkin Banks and their Customers

In April 2018, we signed a business cooperation agreement with Japan Bank for International Cooperation (JBIC) to support the overseas business expansion of shinkin bank customers and began offering dollar-denominated two-step loans to shinkin banks. This has allowed shinkin banks to respond promptly and properly to the US dollar fundraising needs of their customers.

As another part of our business support for customers of shinkin banks and our support activities for regional revitalization, we published an "Experience Japan Catalog" for foreign tourists to Japan that provides information on pay services for experiencing the culture and lifestyles of each area of Japan and posted it on the "Attractive JAPAN" website.

We also provide advice to shinkin bank customers for business talks aimed at cultivating overseas sales channels based on partnerships with foreign and domestic buyers and external expert organizations, and hold business matching events with buyer companies that have overseas sales channels.

Providing Information

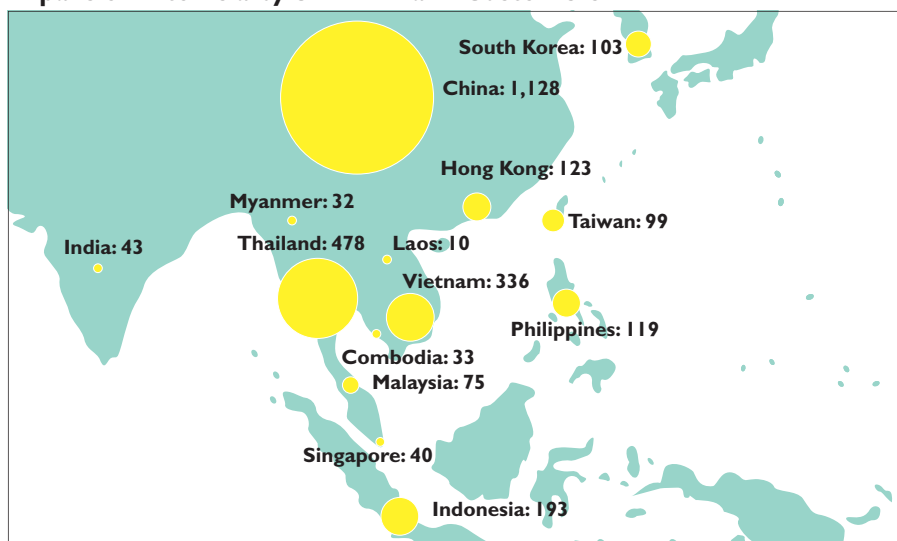
In addition to publishing "International Business Support News" and other reports for shinkin banks and their customers, we provide up-to-date information related to doing business overseas through various seminars pertaining to overseas business support. Moreover,

we provide up-to-date local information from our overseas representative offices and our employees seconded to allied banks.

Overseas Business Consultations

Experts engage in overseas business consultations with the customers of shinkin banks considering overseas expansion, foreign trade, and new businesses and transactions overseas covering such topics as local investment environments, systems, foreign and domestic market trends, problems related to overseas expansion, and ways to solve issues particular to overseas locations.

Expansion into Asia by Shinkin Bank Customers



Business Alliances with Asian Banks

- Bangkok Bank (Thailand)
- Bank of Communications (China)
- Bank of China (China)
- Maybank Indonesia (Indonesia)
- Joint Stock Commercial Bank for Investment and Development of Vietnam (Vietnam)
- The Bank of East Asia (Hong Kong)
- Bank of Shanghai (China)
- BDO Unibank (Philippines)

Source: Twelfth Survey on the Overseas Business of Shinkin Bank Customers (2017)

Business Overview

Earnings Performance

Looking at the financial results for fiscal 2017 overall, operating income amounted to ¥273 billion (\$2,574 million), down ¥10 billion (\$97 million), or 3.6%, year on year. In addition to dividends from Shinkin Trust Bank, Ltd., interest income increased due to distributions from investment trust funds and gain from their cancellations, but was offset by a decrease in gains on sales of bonds, which was associated with a reduction in trades to cancel hedge positions. Meanwhile, operating expenses came to ¥212 billion (\$2,003 million), down ¥22 billion (\$213 million), or 9.6%, year on year, mainly resulting from a decline in financial derivative expenses associated with a reduction in trades to cancel hedge positions.

As a result, ordinary income came to ¥60 billion (\$570 million), an increase of ¥12 billion (\$116 million), or 25.5%, year on year. However, reflecting an increase of ¥9 billion (\$86 million) in income taxes, net income totaled ¥46 billion (\$437 million), up ¥5 billion (\$48 million), or 12.3%, year on year.

Funding

In fiscal 2017 (ended March 31, 2018), the total amount of funding increased ¥1,369 billion (\$12,883 million) year on year, for a total of ¥36,518 billion (\$343,603 million). Of this figure, deposits received came to ¥30,260 billion (\$284,722 million), an increase of ¥1,084 billion (\$10,201 million), which mainly comprised fixed-term deposits from shinkin banks.

After deducting redemptions, debentures at the end of fiscal 2017 came to ¥2,714 billion (\$25,544 million), down ¥238 billion (\$2,239 million) during the fiscal year, including ¥341 billion (\$3,216 million) in debentures issued by the SCB.

Borrowed money amounted to ¥3,542 billion (\$33,336 million), a year-on-year increase of ¥523 billion (\$4,921 million), mainly comprising borrowings under a funding provision to support increased lending by the Bank of Japan and foreign currency denominated repurchase transactions.

Asset Management

The amount of assets under management in fiscal 2017 increased ¥830 billion (\$7,815 million),

or 2.2%, to ¥37,466 billion (\$352,529 million).

Mainly due to lower government bond holdings, outstanding invested securities decreased ¥66 billion (\$630 million), or 0.3%, to ¥17,137 billion (\$161,251 million) at fiscal year end.

Loans and bills discounted decreased ¥1,042 billion (\$9,811 million), or 13.0%, during the year under review to ¥6,952 billion (\$65,418 million), centering on loans to national and government agencies and organizations, despite an increase of loans to business corporations.

The outstanding amount of short-term money market assets rose ¥1,829 billion (\$17,209 million) year on year, or 16.2%, to ¥13,059 billion (\$122,877 million). This primarily reflects Bank of Japan current deposit increases.

Securities

As of March 31, 2018, the outstanding amount of securities was ¥17,137 billion (\$161,251 million).

Government bonds, corporate bonds, and other domestic securities accounted for ¥11,560 billion (\$108,769 million), and foreign securities for ¥4,622 billion (\$43,492 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.

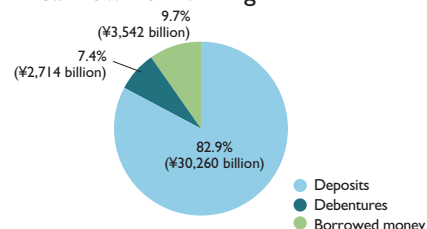
The SCB also carries out interest rate swaps and other derivative trading, to hedge risks linked to assets under management.

Loans and Bills Discounted

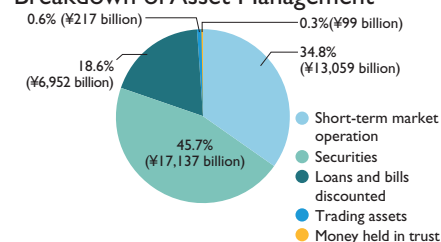
The SCB conducts a variety of loan-related business. As of March 31, 2018, the outstanding amount of loans and bills discounted was ¥6,952 billion (\$65,418 million). Of the total amount, loans to shinkin bank customers through those banks accounted for ¥283 billion (\$2,667 million), while direct loans to such parties as national and government agencies and organizations, regional public corporations and charitable organizations, regional public corporations, and charitable organizations accounted

for ¥3,339 billion (\$31,424 million). Direct loans to business corporations accounted for ¥2,675 billion (\$25,178 million).

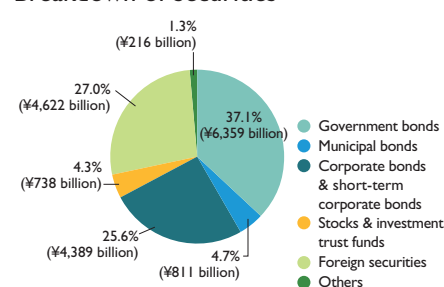
Breakdown of Funding*



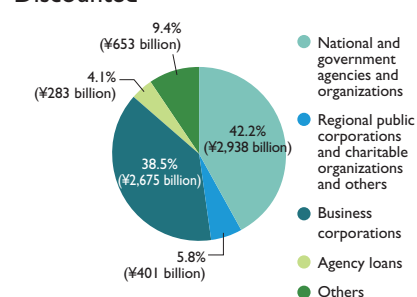
Breakdown of Asset Management*



Breakdown of Securities*



Breakdown of Loans and Bills Discounted*



* As of March 31, 2018.

Ordinary Income and Net Income (Non-consolidated)

(Millions of yen)

	FY2013	FY2014	FY2015	FY2016	FY2017
Ordinary income (loss)	48,651	81,198	55,971	48,342	60,678
Net income (loss)	35,396	60,817	40,875	41,383	46,498

Capital Adequacy

Outline

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

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

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

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

Enhancing Capital Adequacy

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

Raising Capital

In order to improve and enhance its financial position in preparation for possible changes in the regulatory framework, the SCB raised ¥200 billion (\$1,881 million) in specific common shares from the shinkin bank industry, with September 30, 2015 as the payment date.

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

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

Consolidated Capital Adequacy Ratio

The SCB's consolidated capital adequacy ratio at March 31, 2018, was 30.57%.

Equity capital, the numerator for calculating the capital adequacy ratio, amounted to ¥1,645 billion (\$15,480 million).

Risk assets, the denominator for calculating the capital adequacy ratio, amounted to ¥5,381 billion (\$50,632 million).

Risk Management and Capital Adequacy Assessment

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

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

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

Capital Adequacy Ratio (Domestic Standard*)

(%, billions of yen)

		FY2013	FY2014	FY2015	FY2016	FY2017
Consolidated	Capital adequacy ratio	37.86	36.40	41.10	37.03	30.57
	Amount of capital	1,692	1,656	1,824	1,764	1,645
	Amount of risk-weighted assets	4,469	4,551	4,439	4,765	5,381
Non-consolidated	Capital adequacy ratio	37.84	36.46	42.38	38.28	31.62

Asset Quality

Risk-Monitored Loans

The amount of risk-monitored loans as of the end of March 2018 was ¥93 million (\$0.8 million) for loans to bankrupt borrowers, ¥11,227 million (\$105 million) for delinquent loans, ¥77 million (\$0.7 million) for loans past due three months or more, and ¥30,490

million (\$286 million) for restructured loans.

Total risk-monitored loans increased ¥146 million (\$1 million) to ¥41,889 million (\$394 million) during the fiscal year. The ratio of total risk-monitored loans to total loans remained as low at 0.60%, and the

soundness of the SCB's loan assets remained high.

Risk-monitored Loans (Non-consolidated)

(%, millions of yen)

	End of March 2017	End of March 2018	Increase or Decrease
Loans to bankrupt borrowers	106	93	(13)
Delinquent loans	10,954	11,227	273
Loans past due three months or more	9	77	68
Restructured loans	30,672	30,490	(182)
Total risk-monitored loans (A)	41,743	41,889	146
Partial direct write-offs	204	199	(5)
Total loans (B)	7,995,390	6,952,659	(1,042,731)
Ratio of total risk-monitored loans to total loans (%) (A/B)	0.52	0.60	0.08

Risk-monitored Loans (Consolidated)

(%, millions of yen)

	End of March 2017	End of March 2018	Increase or Decrease
Loans to bankrupt borrowers	106	93	(13)
Delinquent loans	10,954	11,227	273
Loans past due three months or more	9	77	68
Restructured loans	30,672	30,490	(182)
Total risk-monitored loans (A)	41,743	41,889	146
Partial direct write-offs	204	199	(5)
Total loans (B)	7,995,391	6,952,660	(1,042,731)
Ratio of total risk-monitored loans to total loans (%) (A/B)	0.52	0.60	0.08

Asset Assessment under the Financial Reconstruction Law

As of the end of March 2018, bankrupt and quasi-bankrupt assets amounted to ¥326 million (\$3 million), doubtful assets ¥10,994 million (\$103 million), and substandard assets ¥30,568 million (\$287 million).

Accordingly, the total amount of bad debts under the Financial Reconstruction Law increased ¥146 million (\$1 million) to ¥41,889 million (\$394 million). The coverage ratio of

bad debts (the total of claims deemed collectible with collateral and guarantees and the allowance for possible loan losses divided by total bad debts) was 72.30%.

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

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

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

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

(%, millions of yen)

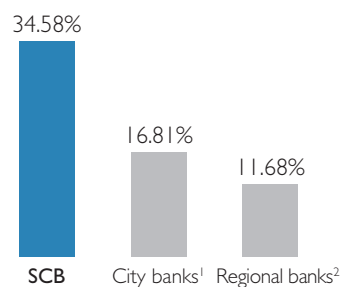
	End of March 2017	End of March 2018	Increase or Decrease
Bankrupt and quasi-bankrupt assets	204	326	122
Doubtful assets	10,857	10,994	137
Substandard assets	30,682	30,568	(114)
Total claims under the Financial Reconstruction Law (FRL) (A)	41,743	41,889	146
Normal claims	8,060,144	7,004,527	(1,055,617)
Partial direct write-offs	204	199	(5)
Total loans (B)	8,101,888	7,046,416	(1,055,472)
Ratio of total claims under the FRL to total loans (%) (A/B)	0.51	0.59	0.08
Total coverage amounts on disclosed claims under the FRL (C)	30,383	30,289	(94)
Coverage ratio (%) (C/A)	72.78	72.30	(0.48)

Important Management Indices

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

Consolidated capital Adequacy Ratio (%)

(As of September 30, 2017)



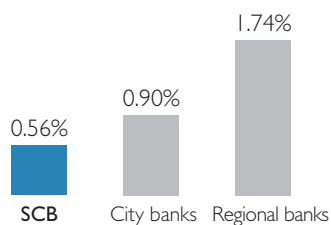
30.57%

(As of March 31, 2018)

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

Nonperforming Loan Ratio (%)

(As of September 30, 2017)



0.60%

(As of March 31, 2018)

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

Long-term Credit Rating

(As of July 31, 2018)

A1	A	A+	AA
Moody's	S&P	R&I	JCR

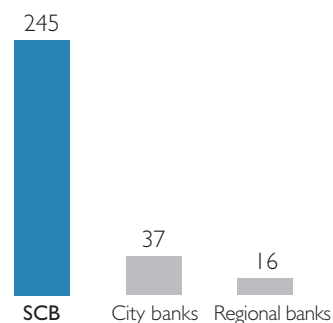
Note: Symbols indicating credit rating are assigned by each rating agency.

The SCB promotes streamlining of management through ongoing sweeping restructuring.

Funds per Employee

(As of September 30, 2017)

(Millions of US dollars)



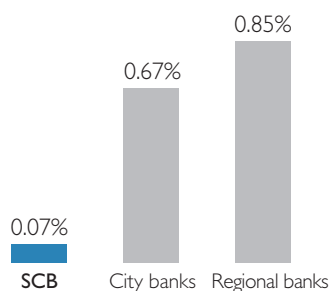
\$257 million

(As of March 31, 2018)

Notes: 1. Total funds = deposits + CDs + debentures
2. US dollar amounts are converted for convenience only, at ¥112.70 and ¥106.28 per US\$1.00, the prevailing rate on September 30, 2017 and March 31, 2018, respectively.
Source: Japanese Bankers Association

Ratio of Expenses (%)

(As of September 30, 2017)



0.07%

(As of March 31, 2018)

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

Corporate Governance

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

Institutional Structure

General Assembly of Representatives

The SCB is a cooperative financial institution comprising 261 shinkin banks nationwide (as of March 31, 2018) 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 full-time directors, and 17 part-time directors selected from among the presidents or board chairs of shinkin banks from each region in Japan. In accordance with Article 32, paragraph 4 of the Shinkin Bank Act, the SCB's Articles of Incorporation stipulate that more than half the total number of board members must be executive officers of shinkin banks. There are no board members corresponding to the outside directors as defined by the Companies Act.

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

Corporate Auditors

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

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

corporate auditors are able to utilize their professional knowledge and experience to conduct audits from an independent perspective.

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

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

General Meeting for Preferred Shares

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

Part-time Directors and Corporate Auditors

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

Checks on Business Operations

Execution of Business Operations

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

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

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

Supervision and Checks

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

Audits

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

corporate auditors hold regular meetings with independent corporate auditors to exchange opinions and information.

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

Internal Audit System

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

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

Use of Outside Specialists

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

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

Appropriate Information Disclosure

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

Improving Internal Control Systems

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

Strengthening the Compliance System

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

Compliance System

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

accidents, the SCB has established the Risk Management Committee.

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

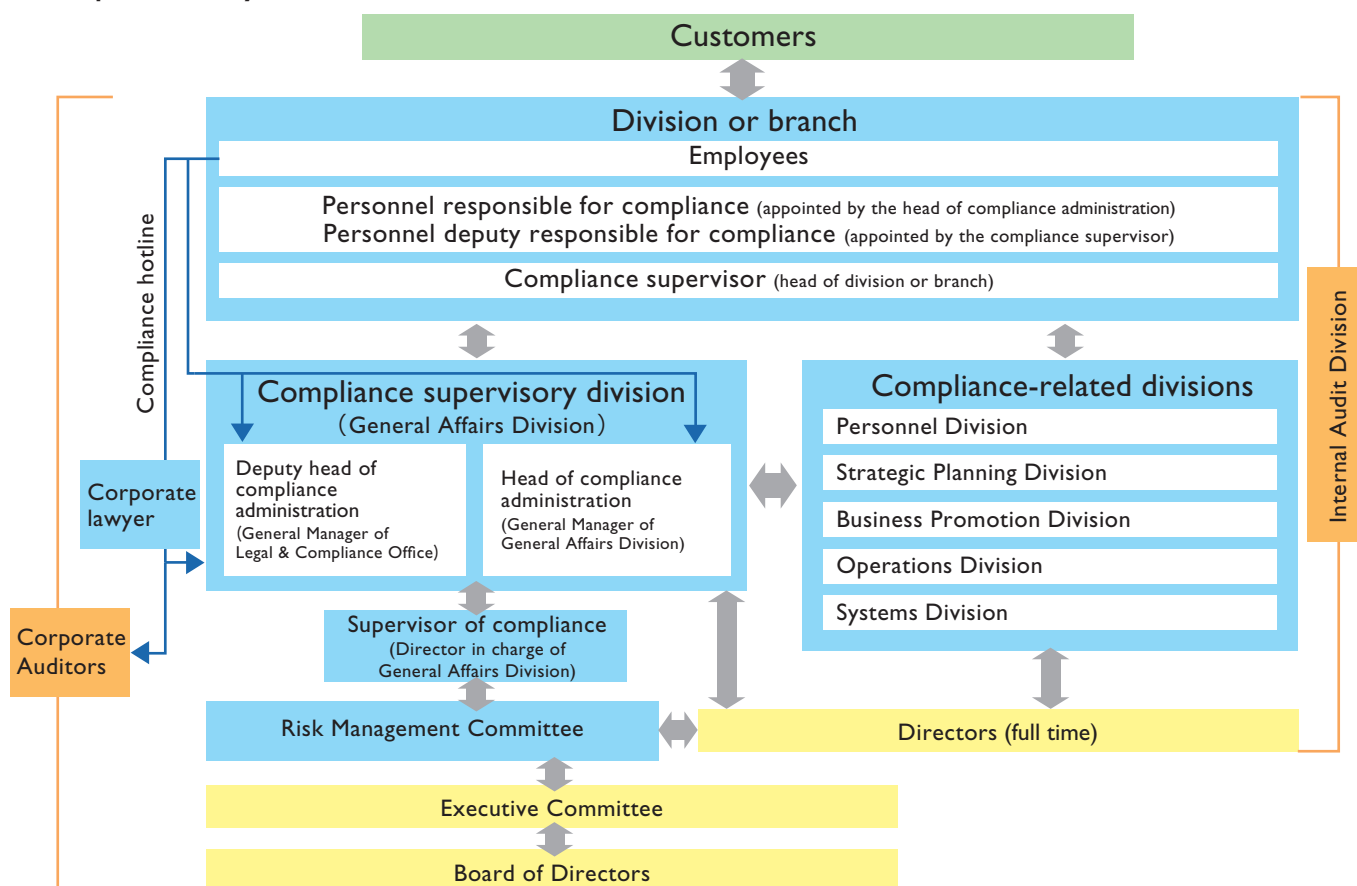
12. Pursuant to the Law on Protection of Personal Information, the SCB has published its Personal Information Protection Policy on its internet website. The SCB takes necessary and appropriate safety measures to protect personal information.

13. In addition to publishing its Outline for Managing Conflicts of Interest on its internet website, pursuant to the Shinkin Bank Act and the Financial Instruments and Exchange Law, the SCB is taking appropriate management steps to ensure that customers' interests are not wrongfully violated.

14. Based on the financial Alternative Dispute Resolution (ADR) system, to respond expeditiously, fairly, and appropriately to customers' inquiries, complaints, disputes, and other issues, the SCB has overhauled its internal management system and is striving to enhance its reliability.

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

Compliance System Overview



Risk Management

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

Basic Policy on Risk Management

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

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

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

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

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

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

Integrated Risk Management

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

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

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

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

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

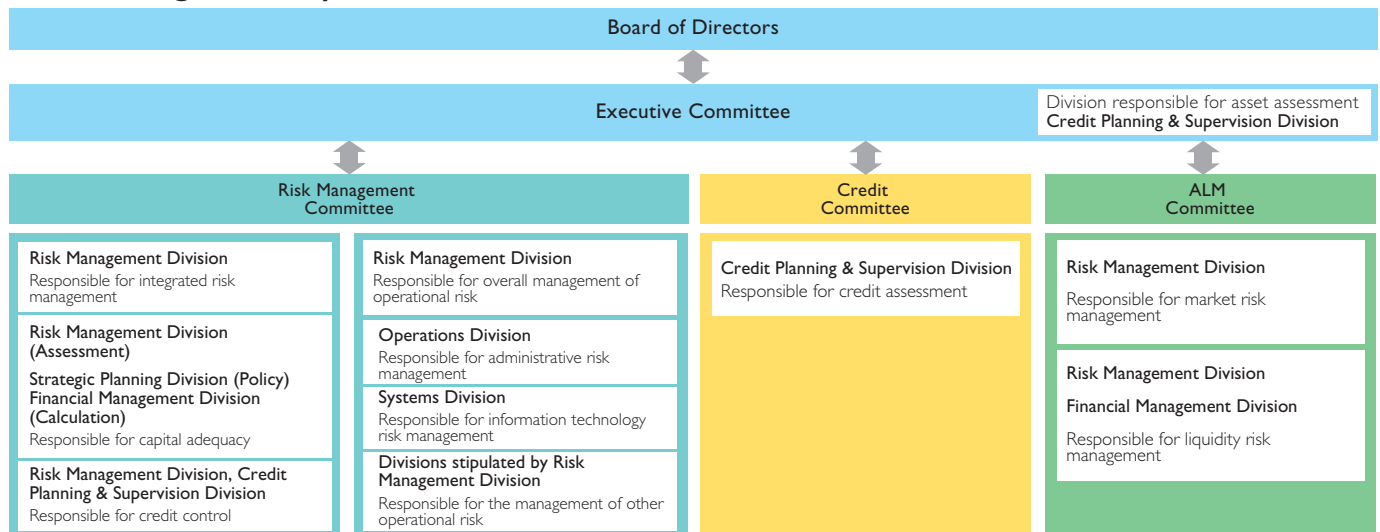
The quantitative risk limits and reserve amounts for each fiscal year are determined by the Executive Committee following deliberation by the Risk Management Committee. The Risk Management Division, which oversees integrated risk management, measures the amount of risk exposure both during and at the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

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

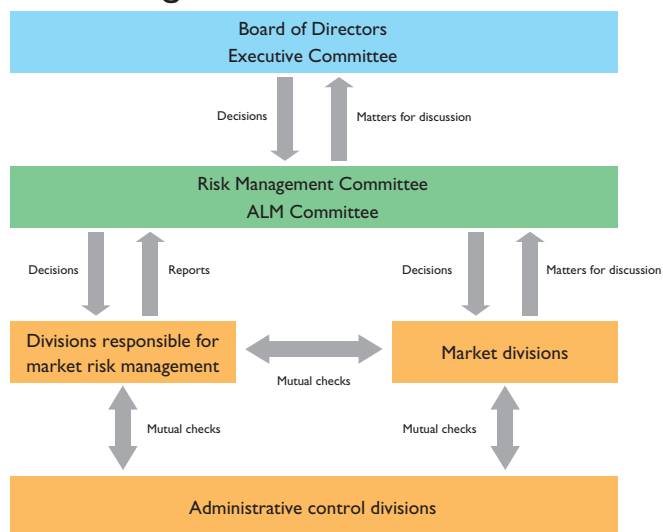
Risk Categories

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

Risk Management System



Market Risk Management Framework



Market Risk* Management

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

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

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

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

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

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

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

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

Liquidity Risk Management

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

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

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

Credit Risk* Management

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

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

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

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

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

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

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

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

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

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

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

Operational Risk Management

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

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

To calculate its operational risk capital

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

Administrative Risk Management

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

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

Information Technology Risk Management

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

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

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

Corporate Social Responsibility Activities

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

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

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

Regional Financial Institution

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

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

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

Provision of Financial Products

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

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

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

Community and Environment

As part of its efforts to contribute to local communities, the SCB sponsors Metrolink Nihonbashi, to realize human-friendly 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 through Nihonbashi and Yaesu, near the SCB's head office. This contribution works as a convenient and free transportation option for shoppers and workers in the area. This service aims to revitalize the local area by helping to improve the environment and by attracting more visitors.

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



Metrolink Nihonbashi

Assisting Local Society

The "21st Shinkin Bank Social Contribution Award" elicited submissions for 570 social contribution initiatives in a wide range of areas, from 167 shinkin banks and four related organizations.

Activities were evaluated on the basis of continuity, social significance, integration 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.

Participation in "Tokyo 2020 Medal Project: Towards an Innovative Future for All"

The Tokyo Organising Committee of the Olympic and Paralympic Games is conducting a citizen participation project to manufacture roughly 5,000 medals for use at Tokyo 2020 from recycled metal obtained from small electronic devices as an initiative to create the mechanisms for a sustainable society and calling for broad participation. The SCB is participating in this project as part of our social contribution activities to give a boost to the Olympics, a national event, and has provided used mobile phones and smartphones (about 100 devices) and other small electronic devices (about 150 devices).

PR Measure for Youth ("Oen Notes")

As a PR measure for youth, we distributed notes with simple descriptions of how money works and what shinkin banks do to elementary school students in areas where the main branches of shinkin banks are located nationwide.

"Oen Notes" is a project run by C-GRAT Co., Ltd. The aim of our participation is to promote the image of shinkin banks and foster a sense of familiarity by placing information about shinkin banks on notes that elementary school students use on a daily basis.



What Are Shinkin Banks?

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

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

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

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

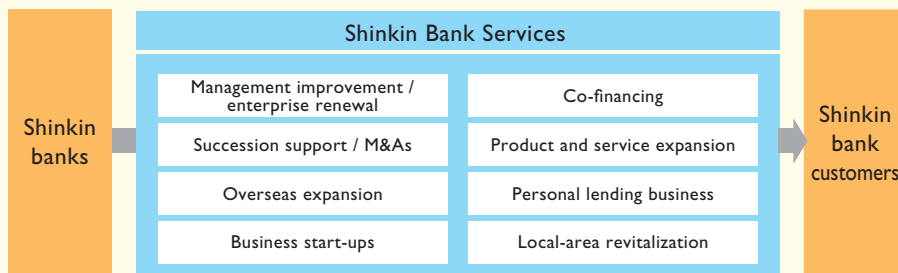
Outline of Shinkin Banks

Japan's 261 shinkin banks form an extensive network, with approximately 7,300 offices across the country, from Hokkaido in the north to Kyushu and Okinawa in the south.

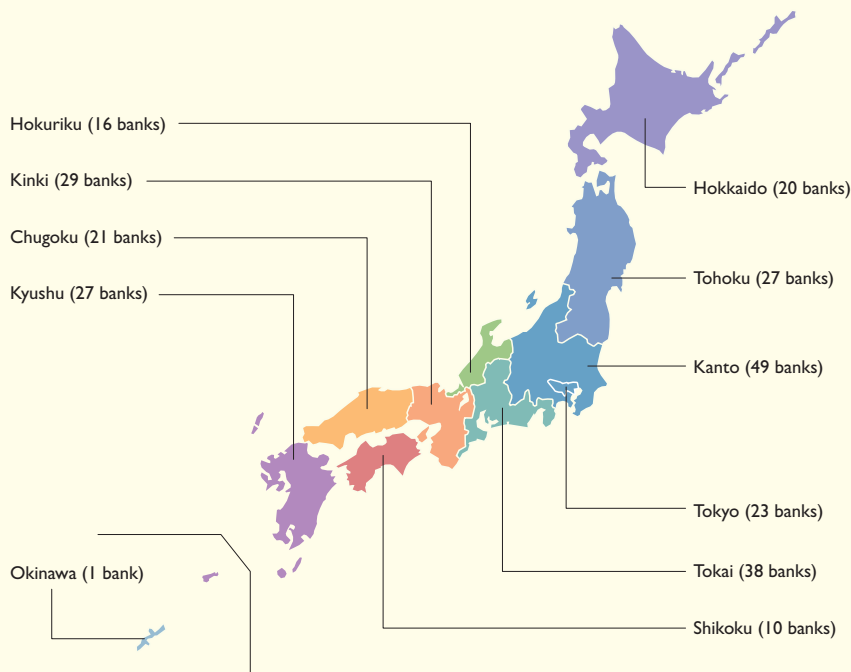
Shinkin banks dedicate themselves to providing high-quality services to local residents, as financial institutions that are deeply rooted in their respective regions, and contribute to regional development.

Total deposits outstanding at 261 shinkin banks as of March 31, 2018, reached approximately ¥140 trillion (\$1,326 billion), which ranks it in third place after Japan's city and regional banks, and gives shinkin banks an important position in Japanese financial markets.

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



Nationwide Network of Shinkin Banks (261 banks)



Deposits¹ Outstanding by Bank Segment (As of March 31, 2018)

(Billions of US dollars)

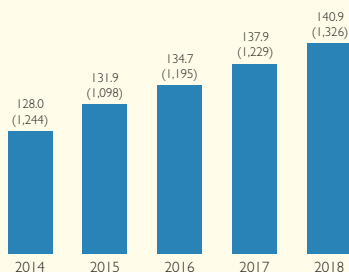
City Banks ²	\$3,358
Regional Banks ²	2,457
Shinkin Banks	1,326
Agricultural Cooperatives	953
Second-tier Regional Banks ²	628
Credit Cooperatives	191
Labor Credit Associations	185

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

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

Deposits Outstanding at Shinkin Banks

(Trillions of yen / billions of US dollars)

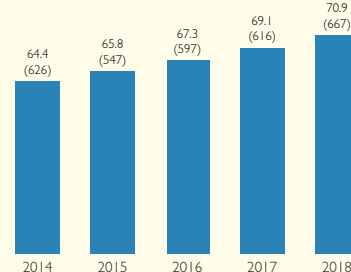


Note: Items in parentheses are US dollar amounts. They are given for convenience only, with conversion at ¥102.94, ¥120.15, ¥112.69, ¥112.19 and ¥106.28 per US\$1.00, the prevailing rate on March 31, 2014, 2015, 2016, 2017 and 2018, respectively.

Source: The SCB.

Loan and Bills Discounted Outstanding at Shinkin Banks

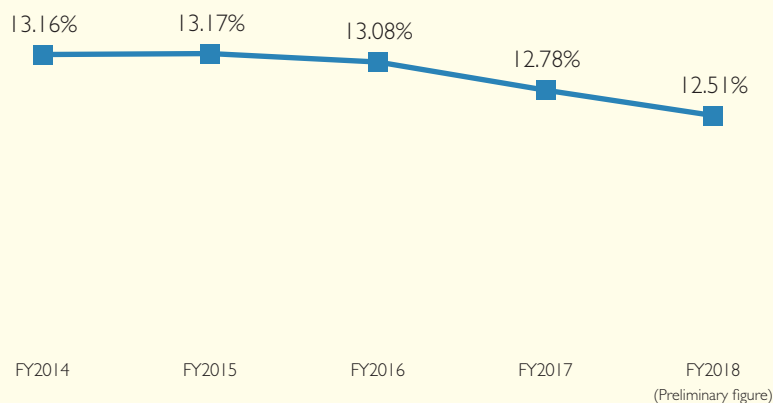
(Trillions of yen / billions of US dollars)



Note: Items in parentheses are US dollar amounts. They are given for convenience only, with conversion at ¥102.94, ¥120.15, ¥112.69, ¥112.19 and ¥106.28 per US\$1.00, the prevailing rate on March 31, 2014, 2015, 2016, 2017 and 2018, respectively.

Source: The SCB.

Capital Adequacy Ratio of Shinkin Banks

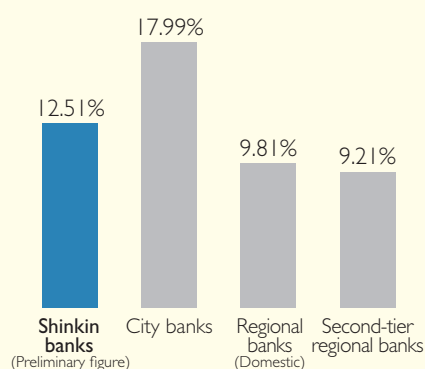


The capital adequacy ratio of shinkin banks fell to 12.51% (preliminary figure) as of March 31 2018, from 12.78% at the end of the previous fiscal period. This decline was driven by the increase in risk-weighted assets relating mainly to loan growth.

The ratio maintains a level that is not inferior to that of other business categories, and is outperforming other domestic regional banks (9.81%) and second-tier regional banks (9.21%).

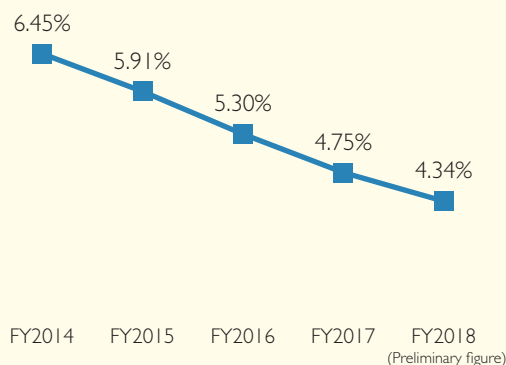
Source: The SCB.

Non-consolidated Capital Adequacy Ratio by Bank Segment (%) (as of March, 31, 2018)



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

Nonperforming-loan Ratio of Shinkin Banks (%)



Source: The SCB.

Difference between Shinkin Banks and Commercial Banks

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

Preferred Shares

The SCB's Preferred Shares

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

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

Listing of Preferred Shares

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

Trading of Preferred Shares

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

Dividends of Preferred Shares

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

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

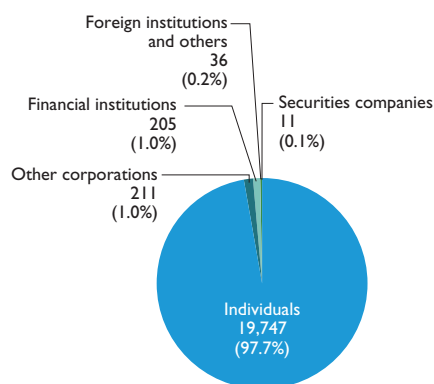
Dividends of preferred shares comprise preferred dividends and participating dividends. Preferred dividends are paid before any dividends are paid to common stock holders (shinkin banks). Participating dividends are paid from retained earnings after preferred dividends. They may vary depending on profits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

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

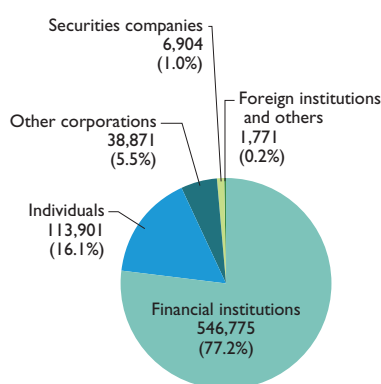
For fiscal 2017, the dividend for preferred shares was ¥6,500 (\$61) per share, which included a preferred dividend of ¥3,000 (\$28) and a participating dividend of ¥3,500 (\$32).

Composition of Preferred Shares (March 31, 2018)

• Number of Investors (20,210)



• Number of Subscription (708,222)



Price of Preferred Shares*

	(Closing price, yen)
First day of listing (December 22, 2000)	200,500
Highest price (March 15, 2006)	311,500
Lowest price (April 14, 2009)	102,400
Closing price (July 31, 2018)	240,300

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

Financial Section

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Five-Year Summary (Consolidated)

	(Millions of yen)				
	FY2013	FY2014	FY2015	FY2016	FY2017
Total Income	308,171	307,894	302,154	319,307	306,892
Trust Fees	597	600	665	595	351
Total Expenses	255,548	223,028	242,097	266,503	244,018
Profit Attributable to Owners of Parent	37,612	62,696	42,781	43,871	44,466
Comprehensive Income	48,004	173,512	18,303	11,056	20,433
Net Assets	1,276,826	1,433,756	1,632,969	1,625,842	1,626,605
Total Assets	31,184,564	33,516,073	35,092,905	37,464,593	38,790,449
Net Assets per Share (yen)	268,795.17	301,997.98	301,512.71	299,542.84	299,587.63
Net Income per Share (yen)	7,537.36	12,865.13	7,115.71	6,223.20	6,311.86
Dividends	16,603	18,957	18,115	19,603	19,603
General Common Shares	12,000	14,000	12,000	12,000	12,000
Specific Common Shares	—	—	1,512	3,000	3,000
Preferred Shares	4,603	4,957	4,603	4,603	4,603
Total Trust Assets	2,180,138	2,096,294	2,181,287	1,859,161	525,445

Notes:

1. National and local consumption tax incurred by the Shinkin Central Bank and its domestic consolidated subsidiaries are excluded from transaction amounts.
2. In the fiscal year ended March 31, 2017 the Shinkin Central Bank started trust business; “Trust Fees” and “Total Trust Assets” have therefore been added to the above table.
3. “Total Trust Assets” is calculated by means of simple aggregation of the trust assets for each consolidated company conducting trust business pursuant to the “Act on Engagement in Trust Business Activities by Financial Institutions”. Consolidated companies conducting such trust business comprised only Shinkin Trust Bank, Ltd. until the fiscal year ended March 31, 2016, in the fiscal year ended March 31, 2017 comprised the Shinkin Central Bank and Shinkin Trust Bank, Ltd., and in the fiscal year ended March 31, 2018 comprised the Shinkin Central Bank.

Consolidated Balance Sheet

Shinkin Central Bank As of March 31,	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2018	2017	2018
Assets			
Cash and Due from Banks (Note 2 (2), 26)	12,393,632	10,611,955	116,613
Bills Bought and Call Loans (Note 26)	413,259	362,234	3,888
Receivables under Resale Agreements (Note 26)	89,999	19,999	846
Receivables under Securities Borrowing Transactions (Note 26)	15,340	86,206	144
Monetary Debts Purchased (Note 26)	177,359	180,477	1,668
Trading Assets (Note 3, 9, 26, 27)	250,424	232,088	2,356
Money Held in Trust (Note 26, 27)	99,789	-	938
Securities (Note 4, 7, 9, 26, 27)	17,108,434	17,164,425	160,975
Loans and Bills Discounted (Note 5, 6, 9, 26)	6,952,660	7,995,391	65,418
Foreign Exchanges Assets	20,460	20,514	192
Other Assets (Note 9)	967,208	488,622	9,100
Tangible Fixed Assets (Note 8, 14, 25)	71,353	73,899	671
Intangible Fixed Assets (Note 25)	12,999	14,843	122
Deferred Tax Assets (Note 23)	3,996	3,895	37
Customers' Liabilities for Acceptances and Guarantees	256,687	255,536	2,415
Reserve for Possible Loan Losses	(43,157)	(45,499)	(406)
Total Assets	38,790,449	37,464,593	364,983
Liabilities and Net Assets			
Liabilities			
Deposits (Note 26)	30,230,956	29,150,114	284,446
Debentures (Note 12, 26)	2,705,490	2,950,000	25,456
Trading Liabilities (Note 10, 26)	66,636	84,345	626
Borrowed Money (Note 9, 11, 26)	1,637,770	1,203,870	15,409
Bills Sold and Call Money (Note 26)	40,313	27,821	379
Payables under Repurchase Agreements (Note 9, 26)	98,373	188,402	925
Payables under Securities Lending Transactions (Note 9, 26)	1,789,012	1,606,958	16,833
Foreign Exchanges Liabilities	447	368	4
Borrowed Money from Trust Account	5,375	360	50
Other Liabilities (Note 11, 13)	204,426	234,605	1,923
Reserve for Employee Bonuses	1,721	1,726	16
Reserve for Directors' Bonuses	89	83	0
Net Defined Benefit Liability (Note 24)	41,525	41,524	390
Reserve for Directors' Retirement Allowances	595	535	5
Reserve under Specific Law	1	1	0
Deferred Tax Liabilities (Note 23)	78,321	86,387	736
Deferred Tax Liabilities for Land Revaluation (Note 14)	6,100	6,109	57
Acceptances and Guarantees	256,687	255,536	2,415
Total Liabilities	37,163,843	35,838,750	349,678
Net Assets			
Common Shares and Preferred Shares (Note 22)	690,998	690,998	6,501
Capital Surplus	100,678	100,678	947
Retained Earnings	571,563	546,678	5,377
Total Shareholders' Equity	1,363,240	1,338,355	12,826
Net Unrealized Gains (Losses) on Other Securities (Note 23, 27)	299,808	348,931	2,820
Net Deferred Gains (Losses) on Hedging Instruments (Note 23, 28)	(50,303)	(72,705)	(473)
Land Revaluation Excess (Note 14)	13,433	13,455	126
Foreign Currency Translation Adjustments	(2,848)	(3,246)	(26)
Remeasurements of Defined Benefit Plans (Note 24)	(7,681)	(9,351)	(72)
Total Accumulated Other Comprehensive Income	252,409	277,083	2,374
Non-controlling interests	10,956	10,403	103
Total Net Assets	1,626,605	1,625,842	15,304
Total Liabilities and Net Assets	38,790,449	37,464,593	364,983

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

Consolidated Statement of Income

Shinkin Central Bank For the year ended March 31,	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2018	2017	2018
Income			
Interest Income:	220,528	201,637	2,074
Interest on Loans and Discounts	17,597	17,869	165
Interest on Due from Banks	8,417	8,448	79
Interest on Bills Bought and Call Loans	706	753	6
Interest on Receivables under Resale Agreements	0	0	0
Interest on Receivables under Securities Borrowing Transactions	131	148	1
Interest and Dividends on Securities	193,032	173,879	1,816
Others	642	538	6
Trust Fees	351	595	3
Fees and Commissions (Note 16)	42,779	42,685	402
Trading Income (Note 17)	3,904	5,260	36
Other Operating Income	24,406	59,028	229
Other Income (Note 19)	14,922	10,099	140
Total Income	306,892	319,307	2,887
Expenses			
Interest Expenses:	121,559	122,381	1,143
Interest on Deposits	37,839	39,689	356
Interest on Debentures	5,920	7,998	55
Interest on Borrowed Money	7,066	8,292	66
Interest on Bills Sold and Call Money	461	254	4
Interest on Payables under Repurchase Agreement	1,920	1,062	18
Interest on Payables under Securities Lending Transactions	15,883	9,267	149
Others	52,467	55,817	493
Fees and Commissions (Note 16)	15,386	14,784	144
Trading Losses (Note 18)	133	-	1
Other Operating Expenses	54,228	74,534	510
General and Administrative Expenses	51,647	52,043	485
Other Expenses (Note 20)	1,063	2,759	10
Total Expenses	244,018	266,503	2,295
Profit before Income Taxes	62,873	52,804	591
Income Taxes (Note 23):			
Current	16,389	12,199	154
Deferred	1,490	(3,948)	14
Total Income Taxes	17,880	8,250	168
Profit	44,992	44,554	423
Profit attributable to non-controlling interests	526	682	4
Profit attributable to owners of parent	44,466	43,871	418

	Yen		U.S. Dollars (Note 1)
	2018	2017	2018
Net Income per Share (Note 32)	6,311.86	6,223.20	59.38
Dividend Declared per Share (General Common Shares)	3,000.00	3,000.00	28.22
Dividend Declared per Share (Specific Common Shares)	1,500.00	1,500.00	14.11
Dividend Declared per Share (Preferred Shares)	6,500.00	6,500.00	61.15

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

Consolidated Statement of Comprehensive Income

Shinkin Central Bank For the year ended March 31,	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2018	2017	2018
Profit	44,992	44,554	423
Other Comprehensive Income (Note 21)	(24,559)	(33,497)	(231)
Net Unrealized Gains (Losses) on Other Securities	(49,122)	(129,013)	(462)
Net Deferred Gains (Losses) on Hedging Instruments	22,401	96,145	210
Land Revaluation Excess	0	-	0
Foreign Currency Translation Adjustments	398	(1,593)	3
Remeasurements of Defined Benefit Plans	1,762	963	16
Comprehensive Income	20,433	11,056	192
Comprehensive Income attributable to owners of the parent	19,814	10,328	186
Comprehensive Income attributable to non-controlling interests	618	727	5

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

Consolidated Statement of Changes in Net Assets

Shinkin Central Bank For the year ended March 31, 2018

Millions of Yen

	Shareholders' Equity			
	Common Shares and Preferred Shares	Capital Surplus	Retained Earnings	Total Shareholders' Equity
Balance at Beginning of Year	690,998	100,678	546,678	1,338,355
Fluctuation Amount during the Fiscal Year				
Surplus Dividends			(19,603)	(19,603)
Profit attributable to owners of parent			44,466	44,466
Reversal of Land Revaluation Excess			22	22
Net Changes in Items Other Than Shareholders' Equity during the Fiscal Year				
Total Fluctuation Amount during the Fiscal Year	-	-	24,884	24,884
Balance at End of Year	690,998	100,678	571,563	1,363,240

	Accumulated Other Comprehensive Income						Non-controlling Interests	Total Net Assets
	Net Unrealized Gains (Losses) on Other Securities	Net Deferred Gains (Losses) on Hedging Instruments	Land Revaluation Excess	Foreign Currency Translation Adjustments	Remeasurements of Defined Benefit Plans	Total Accumulated Other Comprehensive Income		
Balance at Beginning of Year	348,931	(72,705)	13,455	(3,246)	(9,351)	277,083	10,403	1,625,842
Fluctuation Amount during the Fiscal Year								
Surplus Dividends								(19,603)
Profit attributable to owners of parent								44,466
Reversal of Land Revaluation Excess								22
Net Changes in Items Other Than Shareholders' Equity during the Fiscal Year	(49,122)	22,401	(22)	398	1,670	(24,674)	552	(24,121)
Total Fluctuation Amount during the Fiscal Year	(49,122)	22,401	(22)	398	1,670	(24,674)	552	763
Balance at End of Year	299,808	(50,303)	13,433	(2,848)	(7,681)	252,409	10,956	1,626,605

Millions of U.S. Dollars (Note 1)

	Shareholders' Equity			
	Common Shares and Preferred Shares	Capital Surplus	Retained Earnings	Total Shareholders' Equity
Balance at Beginning of Year	6,501	947	5,143	12,592
Fluctuation Amount during the Fiscal Year				
Surplus Dividends			(184)	(184)
Profit attributable to owners of parent			418	418
Reversal of Land Revaluation Excess			0	0
Net Changes in Items Other Than Shareholders' Equity during the Fiscal Year				
Total Fluctuation Amount during the Fiscal Year	-	-	234	234
Balance at End of Year	6,501	947	5,377	12,826

	Accumulated Other Comprehensive Income						Non-controlling Interests	Total Net Assets
	Net Unrealized Gains (Losses) on Other Securities	Net Deferred Gains (Losses) on Hedging Instruments	Land Revaluation Excess	Foreign Currency Translation Adjustments	Remeasurements of Defined Benefit Plans	Total Accumulated Other Comprehensive Income		
Balance at Beginning of Year	3,283	(684)	126	(30)	(87)	2,607	97	15,297
Fluctuation Amount during the Fiscal Year								
Surplus Dividends								(184)
Profit attributable to owners of parent								418
Reversal of Land Revaluation Excess								0
Net Changes in Items Other Than Shareholders' Equity during the Fiscal Year	(462)	210	(0)	3	15	(232)	5	(226)
Total Fluctuation Amount during the Fiscal Year	(462)	210	(0)	3	15	(232)	5	7
Balance at End of Year	2,820	(473)	126	(26)	(72)	2,374	103	15,304

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

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

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

Consolidated Statement of Cash Flows

Shinkin Central Bank For the year ended March 31,	Millions of Yen		Millions of U.S. Dollars
	2018	2017	(Note 1) 2018
Cash Flows from Operating Activities:			
Profit before Income Taxes	62,873	52,804	591
Depreciation	9,691	10,647	91
Impairment Loss	60	-	0
Increase (Decrease) in Reserve for Possible Loan Losses	(2,341)	(544)	(22)
Increase (Decrease) in Reserve for Employee Bonuses	(4)	(38)	(0)
Increase (Decrease) in Reserve for Directors' Bonuses	6	3	0
Increase (Decrease) in Net Defined Benefit Liability	0	1,105	0
Increase (Decrease) in Reserve for Directors' Retirement Allowances	59	(18)	0
Interest Income	(220,528)	(201,637)	(2,074)
Interest Expenses	121,559	122,381	1,143
Net Losses (Gains) on Securities	23,339	(32,002)	219
Net Losses (Gains) on Money Held in Trust	128	(224)	1
Net Losses (Gains) on Foreign Exchange	39,214	43,797	368
Net Losses (Gains) on Disposal of Fixed Assets	117	11	1
Net Decrease (Increase) in Trading Assets	(18,336)	42,064	(172)
Net Increase (Decrease) in Trading Liabilities	(17,709)	(45,116)	(166)
Net Decrease (Increase) in Trading Receivable	101	2,579	0
Net Increase (Decrease) in Trading Payables	19,738	-	185
Net Decrease (Increase) in Loans and Bills Discounted	1,042,731	(1,231,567)	9,811
Net Increase (Decrease) in Deposits	1,080,842	1,936,087	10,169
Net Increase (Decrease) in Debentures	(244,510)	(102,920)	(2,300)
Net Increase (Decrease) in Borrowed Money (Excluding Subordinated Borrowings)	650,100	482,700	6,116
Net Decrease (Increase) in Due from Banks (Excluding Due from Central Bank)	333,793	35,045	3,140
Net Decrease (Increase) in Call Loans and Others	(121,024)	(28,146)	(1,138)
Net Decrease (Increase) in Receivables under Securities Borrowing Transactions	70,866	34,334	666
Net Increase (Decrease) in Call Money and Others	(77,538)	98,023	(729)
Net Increase (Decrease) in Payables under Securities Lending Transactions	182,054	192,408	1,712
Net Decrease (Increase) in Monetary Debts Purchased	3,117	(2,788)	29
Net Decrease (Increase) in Foreign Exchanges (Assets)	54	(6,714)	0
Net Increase (Decrease) in Foreign Exchanges (Liabilities)	78	112	0
Net Increase (Decrease) in Due to Trust Accounts	5,015	(2,964)	47
Interest Received	275,967	268,378	2,596
Interest Paid	(142,068)	(139,300)	(1,336)
Other, Net	(516,450)	(352,062)	(4,859)
Sub-total	2,561,001	1,176,436	24,096
Income Taxes Paid	(17,362)	(18,665)	(163)
Net Cash Provided by (Used in) Operating Activities	2,543,638	1,157,771	23,933
Cash Flows from Investing Activities:			
Acquisitions of Securities	(4,221,520)	(4,333,235)	(39,720)
Proceeds from Sale of Securities	2,326,190	2,195,709	21,887
Proceeds from Redemption of Securities	1,805,703	2,575,669	16,990
Increase in Money Held in Trust	(100,000)	(40,000)	(940)
Decrease in Money Held in Trust	-	112,955	-
Acquisitions of Tangible Fixed Assets	(1,775)	(4,542)	(16)
Acquisitions of Intangible Fixed Assets	(3,416)	(4,007)	(32)
Proceeds from Sales of Shares of Subsidiaries Resulting in Change in Scope of Consolidation	2,417	-	22
Net Cash Provided by (Used in) Investing Activities	(192,401)	502,548	(1,810)
Cash Flows from Financing Activities:			
Repayment of Subordinated Borrowings	(216,200)	(108,150)	(2,034)
Dividends Paid	(19,603)	(18,115)	(184)
Dividends Paid to Non-controlling Interests	(66)	(66)	(0)
Net Cash Provided by (Used in) Financing Activities	(235,870)	(126,332)	(2,219)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(0)	(0)	(0)
Net Increase (Decrease) in Cash and Cash Equivalents	2,115,366	1,533,987	19,903
Cash and Cash Equivalents at Beginning of Period	9,668,340	8,134,353	90,970
Cash and Cash Equivalents at End of Period (Note 2 (2))	11,783,706	9,668,340	110,874

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

Notes to Consolidated Financial Statements

1. Basis of Presentation:

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

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

U.S. dollar amounts represent the arithmetical results of translating original Japanese yen amounts of the respective account balances to U.S. dollars on a basis of ¥106.28 to U.S.\$1, the exchange rate prevailing as of March 31, 2018. The amounts in U.S. dollars are presented in millions of U.S. dollars by rounding down figures. As a result, the totals in U.S. dollars shown in the consolidated financial statements do not necessarily agree with the sums of the individual account balances. The U.S. dollars amounts are included solely for the convenience of readers outside Japan and this translation should not be construed as representation that Japanese yen amounts have been or could be readily converted, realized or settled in U.S. dollars at that or at any other rates.

2. Significant Accounting Policies:

(1) Principles of Consolidation

The consolidated financial statements include the accounts of the Bank and its seven consolidated subsidiaries as of March 31, 2018 listed below:

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

(*) Shinkin Trust Bank, Ltd. merged with Mitsubishi UFJ Trust and Banking Corporation on September 19, 2017, and, therefore, has been excluded from the scope of consolidation from the second quarter of the current fiscal year.

Unconsolidated subsidiaries

Shinkin no Kizuna Investment Limited Partnership

Shinkin no Tsubasa Investment Limited Partnership

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

The fiscal year and the closing date thereof for the financial statements of the consolidated subsidiaries are 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 Investment Limited Partnership

Shinkin no Tsubasa Investment Limited Partnership

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

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

Aozora Loan Services Co., Ltd.

(2) Cash and Cash Equivalents

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

Reconciliation between Cash and Due from Banks in the consolidated balance sheet and Cash and Cash Equivalents at March 31, 2018 and 2017 is as follows:

	Millions of Yen		Millions of U.S. dollars
	2018	2017	2018
Cash and Due from Banks	12,393,632	10,611,955	116,613
Due from Banks (Excluding Due from Central Bank)	(609,925)	(943,615)	(5,738)
Cash and Cash Equivalents	11,783,706	9,668,340	110,874

(3) Trading Assets and Liabilities

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

Securities and monetary debts purchased for trading purposes are stated at fair value at the fiscal year end. Trading-related financial derivatives such as swaps, futures and options are stated at the

deemed amounts that would be received or paid for settlement if such transactions were terminated at the fiscal year end.

(4) Financial Instruments

(i) Securities

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

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

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

(ii) Derivative Transactions

Derivative transactions are stated at fair value.

(iii) Hedge Accounting

(a) Hedge of Interest Rate Risk

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

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

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

(b) Hedge of Foreign Exchange Fluctuation Risk

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

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

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

(c) Internal Derivative Transactions

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

(5) Tangible Fixed Assets (excluding Leased Assets)

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

The estimated useful lives of major items are as follows:

Buildings	5 to 50 years
Others	3 to 20 years

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

(6) Intangible Fixed Assets (excluding Leased Assets)

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

(7) Leased Assets

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

(8) Deferred Debenture Charges

Debenture charges are expensed in the fiscal year of issuance.

(9) Reserve for Possible Loan Losses

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

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

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

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

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

For loans to Bankrupt Borrowers and Substantially Bankrupt Borrowers, amounts deemed uncollectible, which are calculated after deduction of expected collection from the disposal of collateral and the execution of guarantees, are written off. The amount written off was ¥199 million (\$1 million) as of March 31, 2018 and ¥204 million as of March 31, 2017.

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

(10) Reserve for Employee Bonuses

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

(11) Reserve for Directors' Bonuses

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

(12) Reserve for Directors' Retirement Allowances

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

(13) Reserve under Specific Law

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

(14) Employees' Retirement Benefits

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

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

Actuarial differences:

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

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

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

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

(16) Consumption Tax

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

(17) Amortization of Goodwill

Goodwill is fully amortized in the fiscal year incurred.

(18) Accounting standards issued but not yet adopted

- "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No.28, issued on February 16, 2018)
- "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No.28, issued on February 16, 2018)
- "Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26, issued on February 16, 2018)

(i) Overview

They comprise a change of the treatment of the taxable temporary differences related to its subsidiaries' shares, etc. in non-consolidated financial statements and clarification of the treatment of recoverability of Deferred Tax on the company falling under (Classification 1)

(ii) Date of adoption

The Bank expects to adopt the guidance from the beginning of the fiscal year beginning on April 1, 2018.

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

The Bank is evaluating the effect of the adoption of this implication guidance on its consolidated financial statements.

- “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, issued on March 30, 2018)
- “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, issued on March 30, 2018)

(i) Overview

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

Step 1: Identify the contracts with a customer

Step 2: Identify the separate performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the separate performance obligations

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation by transferring good or service

(ii) Date of adoption

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

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

The Bank is evaluating the effect of the adoption of this implication guidance on its consolidated financial statements.

3. Trading Assets:

The details of Trading Assets as of March 31, 2018 and 2017 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
Trading Account Securities	33,191	26,385	312
Trading Bonds-Related Financial Derivatives	5	6	0
Derivatives of Securities related to Trading Transactions	—	6	—
Trading-Related Financial Derivatives	36,198	47,645	340
Other Trading Assets	181,029	158,044	1,703
Total	250,424	232,088	2,356

4. Securities:

The details of Securities as of March 31, 2018 and 2017 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
Japanese Government Bonds	6,366,353	7,908,654	59,901
Municipal Government Bonds	811,316	586,126	7,633
Short-term Corporate Bonds	40,008	—	376
Corporate Bonds	4,349,349	3,570,547	40,923
Stocks	73,410	64,840	690
Others	5,467,997	5,034,256	51,448
Total	17,108,434	17,164,425	160,975

Notes:

1. Stocks include investments in affiliated companies totaling ¥189 million (\$1 million) as of March 31, 2018 and 2017.
2. Others include common shares and investment in unconsolidated subsidiaries totaling ¥10,161 million (\$95 million) as of March 31, 2018 and ¥7,859 million as of March 31, 2017. Others also include preferred shares issued by Shinkin Banks which were contributed in accordance with the Shinkin Bank Management Reinforcement System. The amount was ¥202,525 million (\$1,905 million) as of March 31, 2018 and ¥215,090 million as of March 31, 2017, respectively. Others also include foreign bonds and equities.

5. Loans and Bills Discounted:

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

	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
Loans to Bankrupt Borrowers	93	106	0
Delinquent Loans	11,227	10,954	105
Loans Past Due Three Months or More	77	9	0
Restructured Loans	30,490	30,672	286
Total	41,889	41,743	394

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

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

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

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

Restructured Loans represent loans on which contracts were amended in favor of the borrowers (e.g. the reduction of or exemption from stated interests, the deferral of interest payments, the extension

of maturity dates, and the renunciation of claims in order to assist or facilitate the business restructuring of borrowers under financial difficulties) other than Loans to Bankrupt Borrowers, Delinquent Loans and Loans Past Due Three Months or More.

Loans include subordinated loans with a covenant stipulating that repayment of principal is preceded by that of general credits. The amount was ¥19,200 million (\$180 million) as of March 31, 2018 and ¥20,300 million as of March 31, 2017, respectively. Of these amounts, ¥4,700 million (\$44 million) as of March 31, 2018, and ¥5,800 million as of March 31, 2017, 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 ¥186 million (\$1 million) as of March 31, 2018 and ¥265 million as of March 31, 2017, 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 ¥22,335 million (\$210 million) as of March 31, 2018 and ¥31,632 million as of March 31, 2017.

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 ¥24,111,394 million (\$226,866 million) as of March 31, 2018 and ¥22,390,249 million as of March 31, 2017, 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 ¥24,028,554 million (\$226,087 million) as of March 31, 2018 and ¥22,311,810 million as of March 31, 2017, 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 ¥397,919 million (\$3,744 million) as of March 31, 2018 and ¥163,059 million as of March 31, 2017.

Of cash-collateralized securities borrowings, those freely disposable for sale or re-collateralized, and pledged as collateral amounted to ¥219 million (\$2 million) as of March 31, 2018 and ¥402 million as of March 31, 2017. Those held by the Bank without being disposed of as of March 31, 2018 amounted to ¥131,192 million (\$1,234 million) and as of March 31, 2017 amounted to ¥102,572 million.

8. Tangible Fixed Assets:

	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
Accumulated Depreciation on Tangible Fixed Assets	95,680	91,877	900
Accumulated Deferred Gains on Tangible Fixed Assets	1,764	1,764	16
(Deferred Gains recognized for the fiscal year)	(—)	(—)	(—)

9. Assets Pledged as Collateral and Associated Liabilities:

Assets pledged as collateral for the fiscal years ended March 31, 2018 and 2017 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
Assets Pledged as Collateral			
Trading Assets	16,722	7,894	157
Securities	3,395,029	2,692,973	31,944
Loans and Bills Discounted	1,717,394	3,070,482	16,159
Total	5,129,146	5,771,350	48,260
Liabilities associated with Assets Pledged as Collateral			
Borrowed Money	1,248,300	598,200	11,745
Payables under Repurchase Agreements	98,373	188,402	925
Payables under Securities Lending Transactions	1,788,791	1,606,555	16,830

Trading Assets of ¥1,203 million (\$11 million) as of March 31, 2018 and ¥504 million as of March 31, 2017 and Securities in the amount of ¥125,123 million (\$1,177 million) as of March 31, 2018 and ¥616,693 million as of March 31, 2017, respectively, were secured as collateral for exchange settlement transactions, etc. or as substitute for margin money in futures transactions, etc.

Other assets include guarantee money, cash collateral paid for financial instruments and clearing margin deposits for central counterparty. The amounts are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
Guarantee money	335	397	3
Cash collateral paid for financial instruments	170,786	212,247	1,606
Clearing margin deposits for central counterparty	684,438	167,918	6,439

10. Trading Liabilities:

The details of Trading Liabilities as of March 31, 2018 and 2017 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
Trading Bonds Sold	12,753	7,930	119
Trading-Related Financial Derivatives	53,882	76,414	506
Total	66,636	84,345	626

11. Borrowed Money and Lease Obligations:

Category	Balance as of April 1, 2017 (Millions of Yen)	Balance as of March 31, 2018 (Millions of Yen)	Balance as of March 31, 2018 (Millions of U.S. Dollars)	Average Interest Rate (%)	Maturity
Borrowings	1,203,870	1,637,770	15,409	0.33	—
Borrowed Money	1,203,870	1,637,770	15,409	0.33	July 2018- No maturity
Lease Obligations Due for Repayment within One Year	1,171	813	7	1.41	—
Lease Obligations (Excluding Those Due for Repayment within One Year)	1,171	559	5	1.50	May 2019- Dec. 2022

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	134,300	—	468,000	646,000	—
Lease Obligations	813	296	123	120	20

	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	1,263	—	4,403	6,078	—
Lease Obligations	7	2	1	1	0

3. Borrowed Money includes subordinated borrowings of ¥389,470 million (\$3,664 million) as of March 31, 2018 and ¥605,670 million as of March 31, 2017, respectively.

12. Debentures:

Issuer	Name of Issue	Issuance Date	Balance as of April 1, 2017 (Millions of Yen)	Balance as of March 31, 2018 (Millions of Yen)	Balance as of March 31, 2018 (Millions of U.S. Dollars)	Interest Rate (%)	Collateral	Redemption Date
The Bank	No.269-340 5-year Interest-bearing debentures	Apr. 2012- Mar. 2018	2,920,000	2,675,490	25,173	0.01- 0.40	—	Apr. 2017- Mar. 2023
The Bank	No.2 7-year Interest-bearing debentures	Sep. 25, 2015	10,000	10,000	94	0.29	—	Sep. 27, 2022
The Bank	No.2 10-year Interest-bearing debentures	Sep. 25, 2015	20,000	20,000	188	0.52	—	Sep. 26, 2025
Total	—	—	2,950,000	2,705,490	25,456	—	—	—

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
627,710	634,330	596,060	476,340	351,050

Millions of U.S. Dollars				
Within 1 year	Over 1 year, within 2 years	Over 2 years, within 3 years	Over 3 years, within 4 years	Over 4 years, within 5 years
5,906	5,968	5,608	4,481	3,303

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, 2017 and as of March 31, 2018 respectively.

14. Land Revaluation:

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

Date of Revaluation: March 31, 1999

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

15. Trusts with contracts:

The details of principal amounts of trusts with contracts for compensation of principal for the fiscal years ended March 31, 2018 and 2017 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
Money Trust	5,054	74	47

16. Fees and Commissions:

The details of Fees and Commissions for the fiscal years ended March 31, 2018 and 2017 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
Deposit, Fixed Income Securities and Lending	533	400	5
Exchange Business	412	429	3
Securities Related Business	9,371	9,004	88
Agency Business	2,156	2,225	20
Guarantee Business	10,376	9,569	97
Trustee Business	19,395	20,546	182
Others	534	509	5
Income on Fees and Commissions Businesses	42,779	42,685	402
Exchange	223	243	2
Others	15,163	14,540	142
Expenses on Fees and Commissions Businesses	15,386	14,784	144

17. Trading Income:

The details of Trading Income for the fiscal years ended March 31, 2018 and 2017 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
Income from Trading Account Securities	303	522	2
Income from Trading-Related Securities	—	53	—
Income from Trading-Related Financial Derivatives	3,579	4,638	33
Other Trading Income	21	46	0
Total	3,904	5,260	36

18. Trading Losses:

The details of Trading Losses for the fiscal years ended March 31, 2018 and 2017 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
Expenses from Trading-Related Securities	133	—	1
Total	133	—	1

19. Other Income:

The details of Other Income for the fiscal years ended March 31, 2018 and 2017 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
Gains on sale of stocks and other securities	10,375	9,312	97
Gain on sales of shares of subsidiaries	2,200	—	20
Others	2,346	786	22
Total	14,922	10,099	140

20. Other Expenses:

The details of Other Expenses for the fiscal years ended March 31, 2018 and 2017 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
Losses on sale of stocks and other securities	752	2,719	7
Others	310	39	2
Total	1,063	2,759	10

21. Consolidated Statement of Comprehensive Income:

For the fiscal year ended March 31, 2018 and 2017

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

	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
Net Unrealized Gains (Losses) on Other Securities:			
The Amount Arising during the Period	(99,316)	(157,528)	(934)
Reclassification Adjustment Amount	31,137	(21,603)	292
Prior to Tax Effect Adjustment	(68,179)	(179,132)	(641)
Tax Effect Amount	19,057	50,118	179
Net Unrealized Gains (Losses) on Other Securities	(49,122)	(129,013)	(462)
Net Deferred Gains (Losses) on Hedging Instruments :			
The Amount Arising during the Period	(6,565)	64,629	(61)
Reclassification Adjustment Amount	37,648	68,776	354
Prior to Tax Effect Adjustment	31,082	133,405	292
Tax Effect Amount	(8,681)	(37,260)	(81)
Net Deferred Gains (Losses) on Hedging Instruments	22,401	96,145	210
Land Revaluation Excess:			
The Amount Arising during the Period	—	—	—
Reclassification Adjustment Amount	—	—	—
Prior to Tax Effect Adjustment	—	—	—
Tax Effect Amount	0	—	0
Land Revaluation Excess	0	—	0
Foreign Currency Translation Adjustments:			
The Amount Arising during the Period	398	(1,593)	3
Reclassification Adjustment Amount	—	—	—
Prior to Tax Effect Adjustment	—	—	—
Tax Effect Amount	—	—	—
Foreign Currency Translation Adjustments	398	(1,593)	3
Remeasurements of Defined Benefit Plans:			
The Amount Arising during the Period	494	(601)	4
Reclassification Adjustment Amount	1,976	1,951	18
Prior to Tax Effect Adjustment	2,470	1,349	23
Tax Effect Amount	(708)	(385)	(6)
Remeasurements of Defined Benefit Plans	1,762	963	16
Other Comprehensive Income	(24,559)	(33,497)	(231)

22. Changes in Net Assets:

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

	Number of Share Units at April 1, 2017 (Thousand Units)	Increase During the Fiscal Year (Thousand Units)	Decrease During the Fiscal Year (Thousand Units)	Number of Share Units at March 31, 2018 (Thousand Units)
Shares Outstanding				
General Common Shares	4,000	—	—	4,000
Specific Common Shares	2,000	—	—	2,000
Preferred Shares (Type-A)	708	—	—	708
Total	6,708	—	—	6,708
Treasury Shares				
General Common Shares	—	—	—	—
Specific Common Shares	—	—	—	—
Preferred Shares (Type-A)	—	—	—	—
Total	—	—	—	—

(2) Dividends

Dividends paid during the fiscal year ended March 31, 2018

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

Among the dividends whose record date falls within the fiscal year ended March 31, 2018, those whose effective date will fall within the following fiscal year:

Resolution	Class of share	Total Dividend Amount (Million Yen)	Resource of Dividends	Amount Per Share (Yen)	Record Date	Effective Date
Annual General Meeting of Shareholders, June 20, 2018	General Common shares	12,000	Retained Earnings	3,000	March 31, 2018	June 20, 2018
	Specific Common shares	3,000	Retained Earnings	1,500	March 31, 2018	June 20, 2018
	Preferred shares (Type-A)	4,603	Retained Earnings	6,500	March 31, 2018	June 20, 2018

23. Income Taxes:

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

	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
Deferred Tax Assets:			
Depreciation	2,907	3,006	27
Reserve for Possible Loan Losses	5,558	5,272	52
Net Defined Benefit Liability	12,004	11,997	112
Write-Downs for Securities	1,482	3,513	13
Net Deferred Losses on Hedging Instruments	19,494	28,176	183
Tax Loss Carryforwards	2	9	0
Others	3,137	2,785	29
Valuation Allowances	(3,210)	(2,510)	(30)
Total Deferred Tax Assets	41,377	52,250	389
Deferred Tax Liabilities:			
Net Unrealized Gains on Other Securities	(115,268)	(134,325)	(1,084)
Others	(435)	(416)	(4)
Total Deferred Tax Liabilities	(115,703)	(134,741)	(1,088)
Net Deferred Tax Liabilities	(74,326)	(82,491)	(699)

(2) Reconciliation between the effective statutory tax rate and the actual effective tax rate for the fiscal years ended March 31, 2018 and 2017:

	2018	2017
Statutory effective tax rate	— %	27.92 %
(Adjustments)		
Change in Valuation Allowances	— %	(11.30%)
Dividends received, not taxable	— %	(1.46%)
Others	— %	0.46 %
Actual effective income tax rate after the application of tax effect accounting	— %	15.62 %

Note:

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

24. Retirement Benefit Plans:

(1) Retirement Benefit Scheme

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

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

(2) Defined Benefit Plan as of March 31, 2018 and 2017 is as follows:

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

	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
Retirement Benefit Obligation at Beginning of Period	63,454	61,726	597
Service Cost	3,013	2,922	28
Interest Cost	244	238	2
Actuarial Difference Incurred	(568)	233	(5)
Retirement Benefits Paid	(1,777)	(1,667)	(16)
Prior Service Cost	—	—	—
Other	—	—	—
Retirement Benefit Obligation at End of Period	64,366	63,454	605

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

	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
Balance of Pension Plan Assets at Beginning of Period	21,929	21,307	206
Expected Return on Pension Plan Assets	438	426	4
Actuarial Difference Incurred	(74)	(367)	(0)
Contributions by the Employer and Employees	1,491	1,478	14
Retirement Benefits Paid	(944)	(914)	(8)
Other	—	—	—
Balance of Pension Plan Assets at End of Period	22,841	21,929	214

(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
	2018	2017	2018
Funded Plan Retirement Benefit Obligation	53,018	52,235	498
Pension Plan Assets	(22,841)	(21,929)	(214)
	30,177	30,305	283
Unfunded Plan Retirement Benefit Obligation	11,347	11,218	106
Net Amount of Liabilities and Assets Presented on the Consolidated Balance Sheets	41,525	41,524	390
	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
Net Defined Benefit Liability	41,525	41,524	390
Net Defined Benefit Asset	—	—	—
Net Amount of Liabilities and Assets Presented on the Consolidated Balance Sheets	41,525	41,524	390

(iv) Breakdown of Retirement Benefit Expense

	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
Service Cost	3,013	2,922	28
Interest Cost	244	238	2
Expected Return on Pension Plan Assets	(438)	(426)	(4)
Amortization of Actuarial Differences	1,976	1,951	18
Amortization of Prior Service Cost	—	—	—
Other	(548)	(544)	(5)
Retirement Benefit Expenses Related to Defined Benefit Plan	4,247	4,141	39

Note:

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

(v) Remeasurements of Defined Benefit Plan

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

	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
Prior Service Cost	—	—	—
Actuarial Differences	2,470	1,349	23
Other	—	—	—
Total	2,470	1,349	23

(vi) Accumulated Remeasurements of Defined Benefit Plan

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

	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
Unrecognized Prior Service Cost	—	—	—
Unrecognized Actuarial Differences	11,673	14,143	109
Other	—	—	—
Total	11,673	14,143	109

(vii) Pension Plan Assets

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

	2018	2017
Bonds	62 %	66 %
Stocks	27 %	26 %
Cash and Deposits	8 %	6 %
Other	3 %	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, 2018 and 2017 are as follows:

	2018	2017
Discount Rate	0.0~0.6 %	0.0~0.6 %
Expected Long-term Rate of Return on Pension Plan Assets	2.0 %	2.0 %
Estimated Rate of Salary Increase	0.0~7.4 %	0.0~7.4 %

25. Leases:

1. Finance Leases

(1) Finance leases that do not transfer ownership

(i) Outline of lease assets

(a) Tangible fixed assets

Hardware related to computer equipment

(b) Intangible fixed assets

Software related to computer equipment

(ii) Lease asset depreciation method

Depreciation method is described in the “Significant Accounting Policies”.

(2) Finance leases that do not transfer ownership 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

26. Financial Instruments:

1. Matters concerning financial instruments

(1) Policies on financial instruments

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

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

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

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

(2) Types and related risks of financial instruments

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

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

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

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

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

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

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

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

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

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

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

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

Furthermore, the Group engages in derivative transactions.

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

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

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

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

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

(3) Risk management frameworks of financial instruments

The basic policies for risk management of the Bank are broadly divided into “risks to be minimized” and “risks to be controlled”.

Credit risk, market risks, and liquidity risks fall into the latter category. Both categorized risks are managed by risk management divisions that are independent of the client service divisions. The Risk Management Division comprehensively manages these risks.

<Integrated risk management>

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

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

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

(i) Credit risk management

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

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

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

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

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

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

(ii) Market risk management

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

The Bank has established the ALM Committee as the body responsible for deliberating and making decisions on matters relating to market risk management. The ALM Committee is comprised of

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

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

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

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

<Quantitative information on market risk>

(a) Financial instruments held for trading purposes

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

The market risk amount (estimated loss amount) of the Bank's trading operations was ¥167 million (\$1 million) as of March 31, 2018 and ¥100 million as of March 31, 2017, and the market risk amount (estimated loss amount) of the trading operations of the Bank's consolidated subsidiaries was ¥871 million (\$8 million) as of March 31, 2018 and ¥548 million as of March 31, 2017.

The Bank conducts back testing to compare VaR calculated using the model with actual loss amounts. Since the actual loss amount exceeded the VaR estimate five times as the results of back testing covering the fiscal year ended March 31, 2018, the Bank conservatively modified the VaR measures. 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 ¥316,153 million (\$2,974 million) as of March 31, 2018 and ¥284,122 million as of March 31, 2017. 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, 2018

	Millions of Yen		
	Carrying Value	Fair Value	Difference
(1) Cash and Due from Banks	12,393,632	12,393,641	8
(2) Bills Bought and Call Loans	413,259	413,259	—
(3) Receivables under Resale Agreements	89,999	89,999	—
(4) Receivables under Securities Borrowing Transactions	15,340	15,340	—
(5) Monetary Debts Purchased (*1)	177,356	177,359	3
(6) Trading Assets			
Trading Securities	214,220	214,220	—
(7) Money Held in Trust	99,789	99,789	—
(8) Securities			
Held-to-Maturity Debt Securities	918,259	1,005,204	86,944
Other Securities	15,964,904	15,964,904	—
(9) Loans and Bills Discounted	6,952,660		
Reserve for Possible Loan Losses (*1)	(39,572)		
	6,913,088	6,950,953	37,865
Total Assets	37,199,851	37,324,673	124,822
(1) Deposits	30,230,956	30,233,884	2,927
(2) Debentures	2,705,490	2,710,093	4,603
(3) Trading Liabilities			
Trading Bonds Sold	12,753	12,753	—
(4) Borrowed Money	1,637,770	1,646,986	9,216
(5) Bills Sold and Call Money	40,313	40,313	—
(6) Payables under Repurchase Agreements	98,373	98,373	—
(7) Payables under Securities Lending Transactions	1,789,012	1,789,012	—
Total Liabilities	36,514,669	36,531,417	16,748
Derivatives (*2)			
To which Hedge Accounting is not applied	(5,234)	(5,234)	—
To which Hedge Accounting is applied	(63,543)	(132,023)	(68,479)
Total Derivatives	(68,777)	(137,257)	(68,479)

Millions of U.S. Dollars			
	Carrying Value	Fair Value	Difference
(1) Cash and Due from Banks	116,613	116,613	0
(2) Bills Bought and Call Loans	3,888	3,888	—
(3) Receivables under Resale Agreements	846	846	—
(4) Receivables under Securities Borrowing Transactions	144	144	—
(5) Monetary Debts Purchased (*1)	1,668	1,668	0
(6) Trading Assets			
Trading Securities	2,015	2,015	—
(7) Money Held in Trust	938	938	—
(8) Securities			
Held-to-Maturity Debt Securities	8,640	9,458	818
Other Securities	150,215	150,215	—
(9) Loans and Bills Discounted	65,418		
Reserve for Possible Loan Losses (*1)	(372)		
	65,045	65,402	356
Total Assets	350,017	351,191	1,174
(1) Deposits	284,446	284,473	27
(2) Debentures	25,456	25,499	43
(3) Trading Liabilities			
Trading Bonds Sold	119	119	—
(4) Borrowed Money	15,409	15,496	86
(5) Bills Sold and Call Money	379	379	—
(6) Payables under Repurchase Agreements	925	925	—
(7) Payables under Securities Lending Transactions	16,833	16,833	—
Total Liabilities	343,570	343,728	157
Derivatives (*2)			
To which Hedge Accounting is not applied	(49)	(49)	—
To which Hedge Accounting is applied	(597)	(1,242)	(644)
Total Derivatives	(647)	(1,291)	(644)

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

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

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

Note 1: Calculation method of fair value for financial instruments

Assets

(1) Cash and Due from Banks

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

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

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

(5) Monetary Debts Purchased

Monetary debt purchased is stated at amounts obtained from brokers.

(6) Trading Assets

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

(7) Money Held in Trust

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

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

(8) Securities

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

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

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

(9) Loans and Bills Discounted

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

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

Liabilities

(1) Deposits

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

(2) Debentures

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

(3) Trading Liabilities

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

(4) Borrowed Money

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

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

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

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

Derivative Transactions

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

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

Category	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
Unlisted stocks, etc. (*1)	208,698	221,263	1,963
Investment in investment partnerships (*2)	16,571	12,847	155
Total	225,270	234,110	2,119

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

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

Note 3: Amounts of monetary claims and securities with maturities scheduled for redemption after the consolidated balance sheet date
As of March 31, 2018

	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)	12,125,995	191,188	48,628	—	—	—
Bills Bought and Call Loan	413,259	—	—	—	—	—
Receivables under Resale Agreements	89,999	—	—	—	—	—
Receivables under Securities Borrowing Transactions	15,340	—	—	—	—	—
Monetary Debts Purchased	10,831	21,130	25,808	8,244	9,522	101,842
Securities						
Held-to-Maturity Debt Securities	365,760	91,368	20,932	40,304	240,000	155,000
Japanese Government Bonds	365,000	90,000	7,000	40,000	240,000	155,000
Municipal Government Bonds	—	—	—	—	—	—
Short-term Corporate Bonds	—	—	—	—	—	—
Corporate Bonds	—	—	—	—	—	—
Other Securities with maturities	2,208,556	3,276,691	3,643,894	1,454,644	1,426,933	978,866
Japanese Government Bonds	953,600	1,526,700	1,661,000	373,500	325,000	394,000
Municipal Government Bonds	51,537	151,195	291,264	138,386	166,373	—
Short-term Corporate Bonds	40,000	—	—	—	—	—
Corporate Bonds	865,561	1,181,296	1,261,932	666,756	204,274	105,893
Loans and Bills Discounted (*2)	3,561,058	1,270,969	977,503	405,473	546,251	182,673
Total	18,790,801	4,851,348	4,716,766	1,908,667	2,222,707	1,418,382

	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)	114,094	1,798	457	—	—	—
Bills Bought and Call Loan	3,888	—	—	—	—	—
Receivables under Resale Agreements	846	—	—	—	—	—
Receivables under Securities Borrowing Transactions	144	—	—	—	—	—
Monetary Debts Purchased	101	198	242	77	89	958
Securities						
Held-to-Maturity Debt Securities	3,441	859	196	379	2,258	1,458
Japanese Government Bonds	3,434	846	65	376	2,258	1,458
Municipal Government Bonds	—	—	—	—	—	—
Short-term Corporate Bonds	—	—	—	—	—	—
Corporate Bonds	—	—	—	—	—	—
Other Securities with maturities	20,780	30,830	34,285	13,686	13,426	9,210
Japanese Government Bonds	8,972	14,364	15,628	3,514	3,057	3,707
Municipal Government Bonds	484	1,422	2,740	1,302	1,565	—
Short-term Corporate Bonds	376	—	—	—	—	—
Corporate Bonds	8,144	11,114	11,873	6,273	1,922	996
Loans and Bills Discounted (*2)	33,506	11,958	9,197	3,815	5,139	1,718
Total	176,804	45,646	44,380	17,958	20,913	13,345

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

*2. The loans of ¥8,655 million (\$81 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, 2017

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

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

*2. The loans of ¥8,558 million 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, 2018

	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)	20,716,136	8,021,640	131,182	4,597	1,357,400	—
Debentures	627,710	1,230,390	827,390	—	20,000	—
Borrowed Money (*2)	134,300	468,000	646,000	—	—	162,480
Bills Sold and Call Money	40,313	—	—	—	—	—
Payables under Repurchase Agreements	98,373	—	—	—	—	—
Payables under Securities Lending Transactions	1,789,012	—	—	—	—	—
Total	23,405,845	9,720,030	1,604,572	4,597	1,377,400	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)	194,920	75,476	1,234	43	12,771	—
Debentures	5,906	11,576	7,785	—	188	—
Borrowed Money (*2)	1,263	4,403	6,078	—	—	1,528
Bills Sold and Call Money	379	—	—	—	—	—
Payables under Repurchase Agreements	925	—	—	—	—	—
Payables under Securities Lending Transactions	16,833	—	—	—	—	—
Total	220,228	91,456	15,097	43	12,960	1,528

*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, 2017

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

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

*2. Borrowed Money without maturity is not included.

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

1. Securities

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

(1) Trading Securities

	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
Net Unrealized Gains (Losses)			
Recognized as Income	47	43	0

(2) Held-to-Maturity Debt Securities

As of March 31, 2018

		Millions of Yen		
		Carrying Value	Fair Value	Unrealized Gains (Losses)
Items with Fair Value Exceeding Carrying Value	Japanese Government Bonds	903,265	988,427	85,161
	Municipal Government Bonds	—	—	—
	Short-Term Corporate Bonds	—	—	—
	Corporate Bonds	—	—	—
	Others	14,271	16,057	1,786
	Total	917,536	1,004,484	86,947
Items with Fair Value not Exceeding Carrying Value	Japanese Government Bonds	—	—	—
	Municipal Government Bonds	—	—	—
	Short-Term Corporate Bonds	—	—	—
	Corporate Bonds	—	—	—
	Others	722	720	(2)
	Total	722	720	(2)
Total		918,259	1,005,204	86,944

		Millions of U.S. Dollars		
		Carrying Value	Fair Value	Unrealized Gains (Losses)
Items with Fair Value Exceeding Carrying Value	Japanese Government Bonds	8,498	9,300	801
	Municipal Government Bonds	—	—	—
	Short-Term Corporate Bonds	—	—	—
	Corporate Bonds	—	—	—
	Others	134	151	16
	Total	8,633	9,451	818
Items with Fair Value not Exceeding Carrying Value	Japanese Government Bonds	—	—	—
	Municipal Government Bonds	—	—	—
	Short-Term Corporate Bonds	—	—	—
	Corporate Bonds	—	—	—
	Others	6	6	(0)
	Total	6	6	(0)
Total		8,640	9,458	818

As of March 31, 2017

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

(3) Other Securities

As of March 31, 2018

		Millions of Yen		
		Carrying Value	Acquisition Cost	Unrealized Gains (Losses)
Items with Carrying Value Exceeding Acquisition Cost	Stocks	62,342	27,720	34,622
	Bonds	8,583,200	8,357,512	225,688
	Japanese Government Bonds	5,445,124	5,254,363	190,760
	Municipal Government Bonds	482,605	478,400	4,205
	Short-Term Corporate Bonds	40,008	39,996	11
	Corporate Bonds	2,615,462	2,584,751	30,710
	Others	3,264,610	3,051,400	213,209
	Total	11,910,154	11,436,633	473,520
Items with Carrying Value not Exceeding Acquisition Cost	Stocks	4,895	5,435	(539)
	Bonds	2,080,560	2,082,285	(1,724)
	Japanese Government Bonds	17,963	18,072	(109)
	Municipal Government Bonds	328,710	328,979	(268)
	Short-Term Corporate Bonds	—	—	—
	Corporate Bonds	1,733,887	1,735,233	(1,346)
	Others	2,174,563	2,230,263	(55,699)
	Total	4,260,020	4,317,985	(57,964)
Total		16,170,174	15,754,618	415,556

		Millions of U.S. Dollars		
		Carrying Value	Acquisition Cost	Unrealized Gains (Losses)
Items with Carrying Value Exceeding Acquisition Cost	Stocks	586	260	325
	Bonds	80,760	78,636	2,123
	Japanese Government Bonds	51,233	49,438	1,794
	Municipal Government Bonds	4,540	4,501	39
	Short-Term Corporate Bonds	376	376	0
	Corporate Bonds	24,609	24,320	288
	Others	30,717	28,710	2,006
	Total	112,063	107,608	4,455
Items with Carrying Value not Exceeding Acquisition Cost	Stocks	46	51	(5)
	Bonds	19,576	19,592	(16)
	Japanese Government Bonds	169	170	(1)
	Municipal Government Bonds	3,092	3,095	(2)
	Short-Term Corporate Bonds	—	—	—
	Corporate Bonds	16,314	16,327	(12)
	Others	20,460	20,984	(524)
	Total	40,082	40,628	(545)
Total		152,146	148,236	3,910

As of March 31, 2017

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

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

For the Fiscal Year Ended March 31, 2018

Not applicable.

For the Fiscal Year Ended March 31, 2017

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

Reason for sale

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

(5) Other Securities Sold during the Fiscal Year

For the Fiscal Year Ended March 31, 2018

	Millions of Yen		
	Amounts of Securities Sold	Aggregate Gains on Sales	Aggregate Losses on Sales
Stocks	64,941	10,321	(752)
Bonds	748,860	7,620	(379)
Japanese Government Bonds	744,686	7,620	(284)
Municipal Government Bonds	—	—	—
Short-Term Corporate Bonds	—	—	—
Corporate Bonds	4,173	0	(94)
Others	965,759	6,522	(12,930)
Total	1,779,561	24,465	(14,062)

	Millions of U.S. Dollars		
	Amounts of Securities Sold	Aggregate Gains on Sales	Aggregate Losses on Sales
Stocks	611	97	(7)
Bonds	7,046	71	(3)
Japanese Government Bonds	7,006	71	(2)
Municipal Government Bonds	—	—	—
Short-Term Corporate Bonds	—	—	—
Corporate Bonds	39	0	(0)
Others	9,086	61	(121)
Total	16,744	230	(132)

For the Fiscal Year Ended March 31, 2017

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

(6) Impaired Securities

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

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

In the fiscal year ended March 31, 2018, there were no impairment losses.

In the fiscal year ended March 31, 2017, the amount of impairment losses on securities was ¥366 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, 2018

	Millions of Yen	
	Carrying Value	Unrealized Gains (Losses) Recognized as Income
Money Held in Trust for Trading Purposes	99,789	—

	Millions of U.S. Dollars	
	Carrying Value	Unrealized Gains (Losses) Recognized as Income
Money Held in Trust for Trading Purposes	938	—

As of March 31, 2017

Not applicable.

(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, 2018

	Millions of Yen	Millions of U.S. Dollars
Other Securities	415,080	3,905
Other Money Held in Trust	—	—
Net Unrealized Gains	415,080	3,905
Deferred Tax Liabilities	115,271	1,084
Net Unrealized Gains (Prior to Equity Method Adjustment)	299,808	2,820
Non-controlling interests' Portion	—	—
Parent Company's Portion of Valuation Differential for Other Securities Held by Equity-Method-Applicable Companies	—	—
Net Unrealized Gains	299,808	2,820

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, 2017

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

Note:

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

28. Derivatives:**1. Derivative transactions to which hedge accounting is not applied**

The following 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, 2018

	Millions of Yen			
	Total Contract Value	Contract Value (Over 1 Year until Settlement or Expiry)	Fair Value	Net Unrealized Gains (Losses)
Exchange-Traded Transactions				
Interest Rate Futures:				
Sold	—	—	—	—
Bought	—	—	—	—
Interest Rate Options:				
Sold	—	—	—	—
Bought	—	—	—	—
Over the Counter Transactions				
Interest Rate Forwards:				
Sold	—	—	—	—
Bought	—	—	—	—
Interest Rate Swaps:				
Fixed Rate Receivable/Variable Rate Payable	7,343,328	6,496,389	117,569	117,569
Variable Rate Receivable/Fixed Rate Payable	7,266,359	5,850,172	(92,013)	(92,013)
Variable Rate Receivable/Variable Rate Payable	190,630	190,630	(17)	(17)
Fixed Rate Receivable/Fixed Rate Payable	—	—	—	—
Interest Rate Options:				
Sold	—	—	—	—
Bought	—	—	—	—
Others:				
Sold	1,808,600	1,020,600	(24,532)	(4,185)
Bought	1,919,200	1,092,300	(6,361)	(21,418)
Total			(5,354)	(65)

	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	69,094	61,125	1,106	1,106
Variable Rate Receivable/Fixed Rate Payable	68,369	55,044	(865)	(865)
Variable Rate Receivable/Variable Rate Payable	1,793	1,793	(0)	(0)
Fixed Rate Receivable/ Fixed Rate Payable	—	—	—	—
Interest Rate Options:				
Sold	—	—	—	—
Bought	—	—	—	—
Others:				
Sold	17,017	9,602	(230)	(39)
Bought	18,057	10,277	(59)	(201)
Total			(50)	(0)

Notes:

1. Transactions mentioned above are valued at fair value, and Net Unrealized Gains (Losses) are accounted for in the consolidated statement of income.
2. Fair value calculation: 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, 2017

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

Notes:

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

(2) Currency-Related Transactions
As of March 31, 2018

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:	7,195	6,770	94	94
Forward Foreign Exchange Contracts:				
Sold	199,188	215	1,090	1,090
Bought	236,733	—	(828)	(828)
Currency Options:				
Sold	—	—	—	—
Bought	—	—	—	—
Others:				
Sold	—	—	—	—
Bought	—	—	—	—
Total			355	355

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:	67	63	0	0
Forward Foreign Exchange Contracts:				
Sold	1,874	2	10	10
Bought	2,227	—	(7)	(7)
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, 2017

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

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, 2018

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	30,764	—	7	7
Bought	—	—	—	—
Bond Futures Options:				
Sold	—	—	—	—
Bought	6,500	—	5	(0)
Over the Counter Transactions				
Bond Options:				
Sold	—	—	—	—
Bought	—	—	—	—
Others:				
Sold	—	—	—	—
Bought	—	—	—	—
Total			13	6

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	289	—	0	0
Bought	—	—	—	—
Bond Futures Options:				
Sold	—	—	—	—
Bought	61	—	0	(0)
Over the Counter Transactions				
Bond Options:				
Sold	—	—	—	—
Bought	—	—	—	—
Others:				
Sold	—	—	—	—
Bought	—	—	—	—
Total			0	0

Notes:

1. Transactions mentioned above are valued at fair value, and Net Unrealized Gains (Losses) are accounted for in the consolidated 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, 2017

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

Notes:

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

(5) Commodity-Related Derivative Transactions

Not applicable.

(6) Credit Derivative Transactions

Not applicable.

2. Derivative transactions to which hedge accounting is applied

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

(1) Interest-Rate-Related Transactions

As of March 31, 2018

		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	—	676
	Variable Rate Receivable/Fixed Rate Payable	4,460,428	3,714,664	(76,433)
Exceptional Treatments for Interest Rate Swaps	Interest Rate Swaps			
	Fixed Rate Receivable/Variable Rate Payable	—	—	—
	Variable Rate Receivable/Fixed Rate Payable	1,201,286	963,556	(68,479)
Total				(144,236)

		Millions of U.S. Dollars		
Method for Hedge Accounting	Items	Total Contract Value	Contract Value (Over 1 Year until Settlement or Expiry)	Fair Value
Basic Treatment	Interest Rate Swaps			
	Fixed Rate Receivable/Variable Rate Payable	752	—	6
	Variable Rate Receivable/Fixed Rate Payable	41,968	34,951	(719)
Exceptional Treatments for Interest Rate Swaps	Interest Rate Swaps			
	Fixed Rate Receivable/Variable Rate Payable	—	—	—
	Variable Rate Receivable/Fixed Rate Payable	11,303	9,066	(644)
Total				(1,357)

Notes:

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

As of March 31, 2017

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

Notes:

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

(2) Currency-Related Transactions

As of March 31, 2018

		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	412,096	260,654	(3,266)
	Forward Foreign Exchange Contracts:			
	Sold	150,018	—	2,394
	Bought	—	—	—
Total				(871)

		Millions of U.S. Dollars		
Method for Hedge Accounting	Items	Total Contract Value	Contract Value (Over 1 Year until Settlement or Expiry)	Fair Value
Basic Treatment	Currency Swaps	3,877	2,452	(30)
	Forward Foreign Exchange Contracts:			
	Sold	1,411	—	22
	Bought	—	—	—
Total				(8)

Notes:

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

As of March 31, 2017

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

Notes:

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

(3) Stock-Related Transactions

Not applicable.

(4) Bond-Related Transactions

Not applicable.

29. Related Party Transactions:

For the Fiscal Year Ended March 31, 2018

There were no significant related-party transactions.

For the Fiscal Year Ended March 31, 2017

There were no significant related-party transactions.

30. Segment Information:

(1) Description of Reportable Segments

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

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

(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, 2018

(Millions of Yen)

	Reportable segment	Other	Total	Adjustment	Amount presented in the consolidated financial statements
	Shinkin Central Bank business				
Income					
External customers	269,734	37,176	306,911	(19)	306,892
Inter-segment	6,058	1,705	7,764	(7,764)	—
Total	275,792	38,882	314,675	(7,783)	306,892
Segment profit	46,498	2,278	48,777	(4,311)	44,466
Segment assets	38,552,702	316,665	38,869,368	(78,919)	38,790,449
Segment liabilities	36,949,667	237,304	37,186,971	(23,128)	37,163,843
Other items					
Depreciation	4,515	5,176	9,691	(0)	9,691
Interest Income	223,718	171	223,889	(3,361)	220,528
Interest Expenses	121,536	34	121,571	(11)	121,559
Income Taxes	16,157	1,941	18,098	(218)	17,880
Increase in Tangible and Intangible Fixed Assets	2,465	2,726	5,191	—	5,191

(Millions of U.S. Dollars)

	Reportable segment	Other	Total	Adjustment	Amount presented in the consolidated financial statements
	Shinkin Central Bank business				
Income					
External customers	2,537	349	2,887	(0)	2,887
Inter-segment	57	16	73	(73)	—
Total	2,594	365	2,960	(73)	2,887
Segment profit	437	21	458	(40)	418
Segment assets	362,746	2,979	365,726	(742)	364,983
Segment liabilities	347,663	2,232	349,896	(217)	349,678
Other items					
Depreciation	42	48	91	(0)	91
Interest Income	2,104	1	2,106	(31)	2,074
Interest Expenses	1,143	0	1,143	(0)	1,143
Income Taxes	152	18	170	(2)	168
Increase in Tangible and Intangible Fixed Assets	23	25	48	—	48

Notes:

- The “Other” is outside of business segments in our segment information and includes businesses performed by consolidated subsidiaries. The Bank’s consolidated subsidiaries provide such financial services as securities, asset management, consumer credit guarantees, investment and M&A advisory operations, and data processing outsourcing. Shinkin Trust Bank, Ltd., which had performed trust and banking businesses, has been excluded from the scope of consolidation from the second quarter of the current fiscal year since it was taken over by Mitsubishi UFJ Trust and Banking Corporation on September 19, 2017.
- Adjustment comprises the following.
 - Within adjustment of segment profit, reduction of ¥4,311 million (\$40 million) comprises reduction of ¥526 million (\$4 million) on profit attributable to non-controlling interests and ¥3,784 million (\$35 million) on inter-segment eliminations, etc.
 - Within adjustment of segment assets, reduction of ¥78,919 million (\$742 million) comprises reduction of ¥43,114 million (\$405 million) on eliminations relating to capital consolidation and ¥35,804 million (\$336 million) on inter-segment eliminations, etc.
 - The adjustment for other items including reduction of ¥23,128 million (\$217 million) on the adjustment of segment liabilities comprises inter-segment eliminations, etc.
- Segment profit has been adjusted from profit attributable to owners of parent presented in the Consolidated Statement of Income.

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

Notes:

- The “Other” is outside of business segments in our segment information and includes businesses performed by consolidated subsidiaries. The Bank’s consolidated subsidiaries provide such financial services as trust and banking, securities, asset management, consumer credit guarantees, investment and M&A advisory operations, and data processing outsourcing.
- Adjustment comprises the following.
 - Within adjustment of segment profit, reduction of ¥1,223 million comprises reduction of ¥682 million on profit attributable to non-controlling interests and ¥540 million on inter-segment eliminations, etc.
 - Within adjustment of segment assets, reduction of ¥79,099 million comprises reduction of ¥53,114 million on eliminations relating to capital consolidation and ¥25,984 million on inter-segment eliminations, etc.
 - The adjustment for other items including reduction of ¥12,029 million on the adjustment of segment liabilities comprises inter-segment eliminations, etc.
- Segment profit has been adjusted from profit attributable to owners of parent presented in the Consolidated Statement of Income.

(Related Information)
For the Fiscal Year Ended March 31, 2018

1. Information by service

(Millions of Yen)

	Securities investment operations	Lending operations	Other	Total
Income from external customers	227,630	17,597	61,663	306,892

(Millions of U.S. Dollars)

	Securities investment operations	Lending operations	Other	Total
Income from external customers	2,141	165	580	2,887

2. Information by geographic region

(1) Income

(Millions of Yen)

Japan	United States	Europe	Other	Total
168,458	33,387	15,195	89,850	306,892

(Millions of U.S. Dollars)

Japan	United States	Europe	Other	Total
1,585	314	142	845	2,887

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

(2) Tangible fixed assets

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

3. Information by principal customer

(Millions of Yen)

Name of customer	Income	Related segment
The Government of Japan	56,603	Shinkin Central Bank business

(Millions of U.S. Dollars)

Name of customer	Income	Related segment
The Government of Japan	532	Shinkin Central Bank business

For the Fiscal Year Ended March 31, 2017

1. Information by service

(Millions of Yen)

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

2. Information by geographic region

(1) Income

(Millions of Yen)

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

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

(2) Tangible fixed assets

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

3. Information by principal customer

(Millions of Yen)

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

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

For the Fiscal Year Ended March 31, 2018

(Millions of Yen)

	Reportable segment	Other	Total
	Shinkin Central Bank business		
Impairment losses	60	—	60

(Millions of U.S. Dollars)

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

Note: The “Other” is outside of business segments in our segment information and includes businesses performed by consolidated subsidiaries.

The Bank's consolidated subsidiaries provide such financial services as securities, asset management, consumer credit guarantees, investment and M&A intermediary, and data processing outsourcing.

For the Fiscal Year Ended March 31, 2017

Not applicable.

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

Not applicable.

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

Not applicable.

31. Business Combinations:

(1) Outline of the business combination

(a) Name and business description of the companies concerned

(i) Surviving company

Company name: Mitsubishi UFJ Trust and Banking Corporation

Business description: Trust and Banking operations

(ii) Merged company

Company name: Shinkin Trust Bank, Ltd. (the Bank's consolidated subsidiary)

Business description: Business relating to securities investment trust services

(b) Major reasons for the business combination

With the launch of trust operations simultaneously in order to strengthen trust operations, the Bank was transferred all the businesses excluding business relating to securities investment trust services by Shinkin Trust Bank, Ltd. which is 100 percent owned subsidiary in the form of business transfer.

In addition, through merger, the business relating to securities investment trust services on the Shinkin Trust Bank, Ltd. is transferred by Mitsubishi UFJ Trust and Banking Corporation in order to strengthen trust operations.

(c) Date of the business combination

September 19, 2017

(d) Legal form of the business combination

The merger was an absorption-type merger where Mitsubishi UFJ Trust and Banking Corporation was a surviving company and Shinkin Trust Bank, Ltd. was a dissolving company.

(2) Outline of accounting

The Bank accounted for the business combination based on the accounting procedures stipulated by the “Accounting Standard for Business Divestitures” and “Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” and recognized ¥2,200 million under “Other Income” in Income.

(3) Name of the reportable segment which the subsidiary was included in the segment information

“Others”

(4) Estimated amount of gain on this subsidiary which has been recognized in the consolidated statements of income for the year ended March 31, 2018

Income ¥234 million

Expenses ¥135 million

32. Amounts per Share:

	Yen		U.S. Dollars
	2018	2017	2018
Net Assets per Share	299,587.63	299,542.84	2,818.85
Net Income per Share	6,311.86	6,223.20	59.38
Net Income per Share after Adjustment for Common Share equivalents	—	—	—

Notes:

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

		2018	2017	2018	
Total Net Assets	Millions of Yen	1,626,605	1,625,842	Millions of U.S. dollars	15,304
Amount Deducted from Total Net Assets	Millions of Yen	216,080	215,528	Millions of U.S. dollars	2,033
Non-controlling interests	Millions of Yen	10,956	10,403	Millions of U.S. dollars	103
Preferred Dividends	Millions of Yen	2,124	2,124	Millions of U.S. dollars	19
Dividend attributable to specific common shares	Millions of Yen	3,000	3,000	Millions of U.S. dollars	28
Distribution of residual assets attributable to specific common shares	Millions of Yen	200,000	200,000	Millions of U.S. dollars	1,881
Net Assets at Fiscal Year-end Used to Calculate Net Assets per Share	Millions of Yen	1,410,525	1,410,314	Millions of U.S. dollars	13,271
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:

		2018	2017	2018	
Profit attributable to owners of parent	Millions of Yen	44,466	43,871	Millions of U.S. dollars	418
Amount Deducted from Profit attributable to owners of parent	Millions of Yen	2,124	2,124	Millions of U.S. dollars	19
Preferred Dividend	Millions of Yen	2,124	2,124	Millions of U.S. dollars	19
Profit attributable to owners of parent Used to Calculate Net Income per share	Millions of Yen	42,341	41,746	Millions of U.S. dollars	398
Average Number of Share Units for the fiscal year	Unit	6,708,222	6,708,222	—	—
Average Number of General Common Share Units	Unit	4,000,000	4,000,000	—	—
Average Number of Specific Common Share Units	Unit	2,000,000	2,000,000	—	—
Average Number of Preferred Share Units	Unit	708,222	708,222	—	—

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

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

33. Subsequent Events:

Not applicable.

Independent Auditor's Report

The Board of Directors
Shinkin Central Bank

We have audited the accompanying consolidated financial statements of Shinkin Central Bank and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2018, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Shinkin Central Bank and its consolidated subsidiaries as at March 31, 2018, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

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



June 25, 2018
Tokyo, Japan

Non-Consolidated Balance Sheet

Shinkin Central Bank As of March 31,	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
Assets			
Cash and Due from Banks	12,378,801	10,591,676	116,473
Call Loans	413,259	362,234	3,888
Receivables under Resale Agreements	89,999	19,999	846
Receivables under Securities Borrowing Transactions	-	77,522	-
Monetary Debts Purchased	177,359	178,977	1,668
Trading Assets	217,220	205,696	2,043
Money Held in Trust	99,789	-	938
Securities	17,137,785	17,204,776	161,251
Loans and Bills Discounted	6,952,659	7,995,390	65,418
Foreign Exchanges Assets	20,460	20,514	192
Other Assets	961,269	484,467	9,044
Tangible Fixed Assets	68,994	70,054	649
Intangible Fixed Assets	7,179	8,000	67
Customers' Liabilities for Acceptances and Guarantees	70,653	83,632	664
Reserve for Possible Loan Losses	(42,730)	(45,103)	(402)
Total Assets	38,552,702	37,257,840	362,746
Liabilities and Net Assets			
Liabilities			
Deposits	30,260,341	29,176,129	284,722
Debentures	2,714,890	2,952,900	25,544
Trading Liabilities	53,882	76,413	506
Borrowed Money	1,637,770	1,203,870	15,409
Call Money	25,313	24,821	238
Payables under Repurchase Agreements	98,373	188,402	925
Payables under Securities Lending Transactions	1,776,158	1,602,791	16,712
Foreign Exchanges Liabilities	447	368	4
Borrowed Money from Trust Account	5,375	74	50
Other Liabilities	196,352	227,760	1,847
Reserve for Employee Bonuses	1,334	1,311	12
Reserve for Directors' Bonuses	89	83	0
Reserve for Employee Retirement Benefits	22,023	20,337	207
Reserve for Directors' Retirement Allowances	456	389	4
Deferred Tax Liabilities	80,105	88,974	753
Deferred Tax Liabilities for Land Revaluation	6,100	6,109	57
Acceptances and Guarantees	70,653	83,632	664
Total Liabilities	36,949,667	35,654,367	347,663
Total Net Assets	1,603,035	1,603,472	15,083
Total Liabilities and Net Assets	38,552,702	37,257,840	362,746

Non-Consolidated Statement of Income

Shinkin Central Bank For the year ended March 31,	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
Income			
Interest Income:	223,718	201,454	2,104
Interest on Loans and Discounts	17,597	17,868	165
Interest on Due from Banks	8,407	8,431	79
Interest on Call Loans	706	753	6
Interest on Receivables under Resale Agreements	0	0	0
Interest on Receivables under Securities Borrowing Transactions	115	133	1
Interest and Dividends on Securities	196,249	173,730	1,846
Others	642	536	6
Trust Fees	117	0	1
Fees and Commissions	8,295	8,263	78
Trading Income	3,600	4,738	33
Other Operating Income	25,162	59,434	236
Other Income	14,897	10,127	140
Total Income	275,792	284,018	2,594

Expenses			
Interest Expenses:	121,536	122,340	1,143
Interest on Deposits	37,841	39,690	356
Interest on Debentures	5,930	8,005	55
Interest on Borrowed Money	7,040	8,244	66
Interest on Call Money	463	254	4
Interest on Payables under Repurchase Agreement	1,920	1,062	18
Interest on Payables under Securities Lending Transactions	15,872	9,265	149
Interest Payable on Interest Rate Swaps	50,964	52,831	479
Others	1,502	2,985	14
Fees and Commissions	6,520	6,605	61
Trading Losses	136	4	1
Other Operating Expenses	54,389	74,768	511
General and Administrative Expenses	29,500	29,234	277
Other Expenses	1,052	2,728	9
Total Expenses	213,136	235,680	2,005

Income before Income Taxes	62,656	48,338	589
Income Taxes			
Current	14,389	10,555	135
Deferred	1,768	(3,601)	16
Total Income Taxes	16,157	6,954	152
Net Income	46,498	41,383	437

	Yen		U.S. Dollars
	2018	2017	2018
Net Income Per Share	6,614.86	5,852.33	62.23
Dividend Declared per Share (General Common Shares)	3,000.00	3,000.00	28.22
Dividend Declared per Share (Specific Common Shares)	1,500.00	1,500.00	14.11
Dividend Declared per Share (Preferred Shares)	6,500.00	6,500.00	61.15

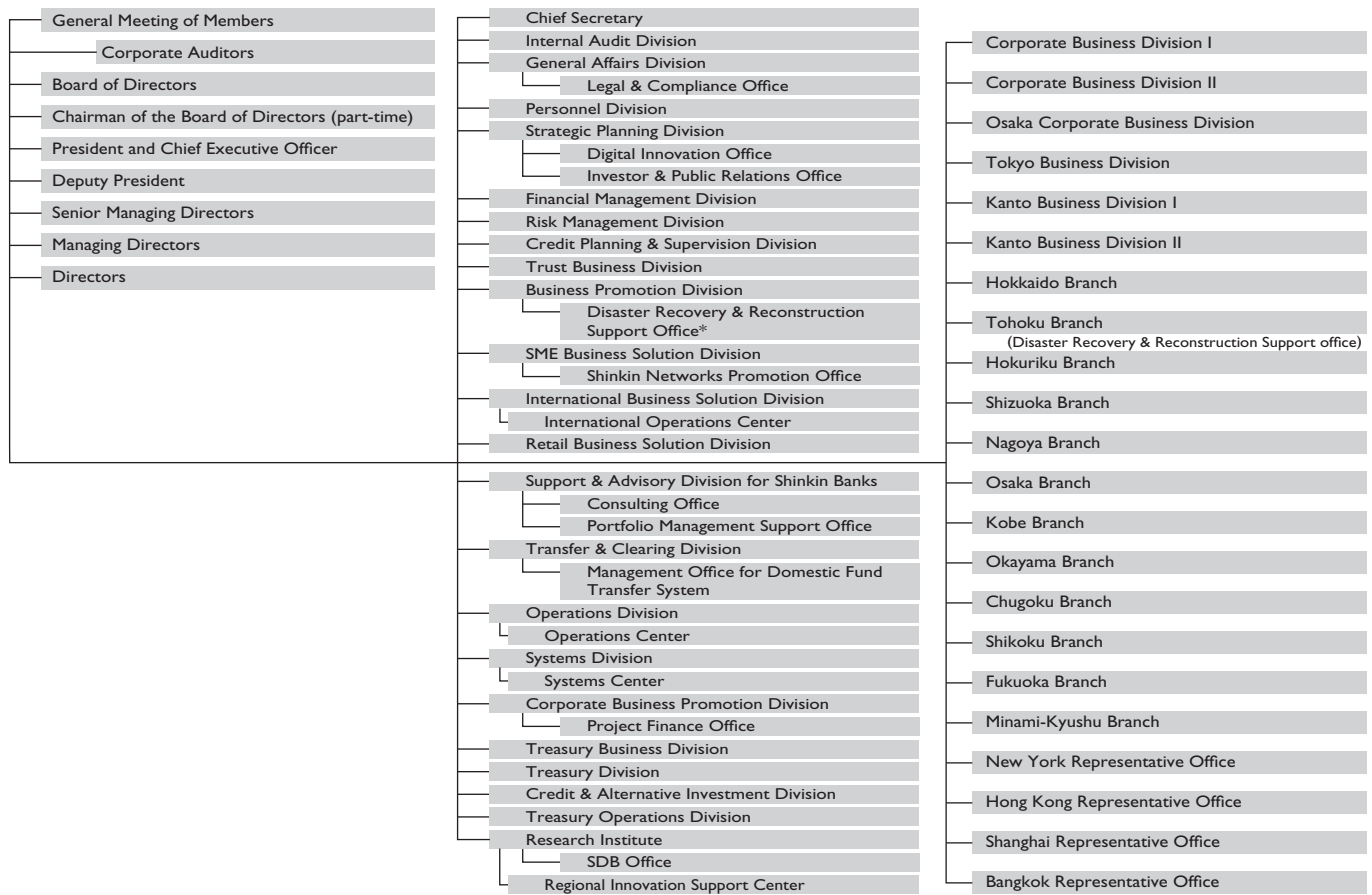
Statement of Trust Account (Consolidated)

		Million of Yen		Millions of U.S. Dollars
Shinkin Central Bank	As of March 31	2018	2017	2018
Assets				
Securities		6,000	8,507	56
Beneficiary Rights		381,740	1,694,135	3,591
Securities Held in Custody Accounts		63,000	63,000	592
Monetary Claims		60,392	64,163	568
Other Claims		4	8	0
Due from Banking Account		5,375	360	50
Cash and Due from Banks		8,932	28,986	84
Total assets		525,445	1,859,161	4,943
Liabilities				
Money Trust		35,879	81,360	337
Investment Trusts		-	1,450,501	-
Money Held in Trust Other than Money Trust		23,814	-	224
Securities Trusts		111,000	116,300	1,044
Monetary Claims Trusts		61,415	65,149	577
Composite Trusts		293,335	145,849	2,760
Total liabilities		525,445	1,859,161	4,943

(Note1) The figures in this statement are calculated by means of simple aggregation of trust accounts for each consolidated company conducting trust business pursuant to the “Act on Engagement in Trust Business Activities by Financial Institutions.” Consolidated companies conducting such trust business comprised only the Bank in the fiscal year ended March 31, 2018, and comprised the Bank and Shinkin Trust Bank, Ltd. in the fiscal year ended March 31, 2017.

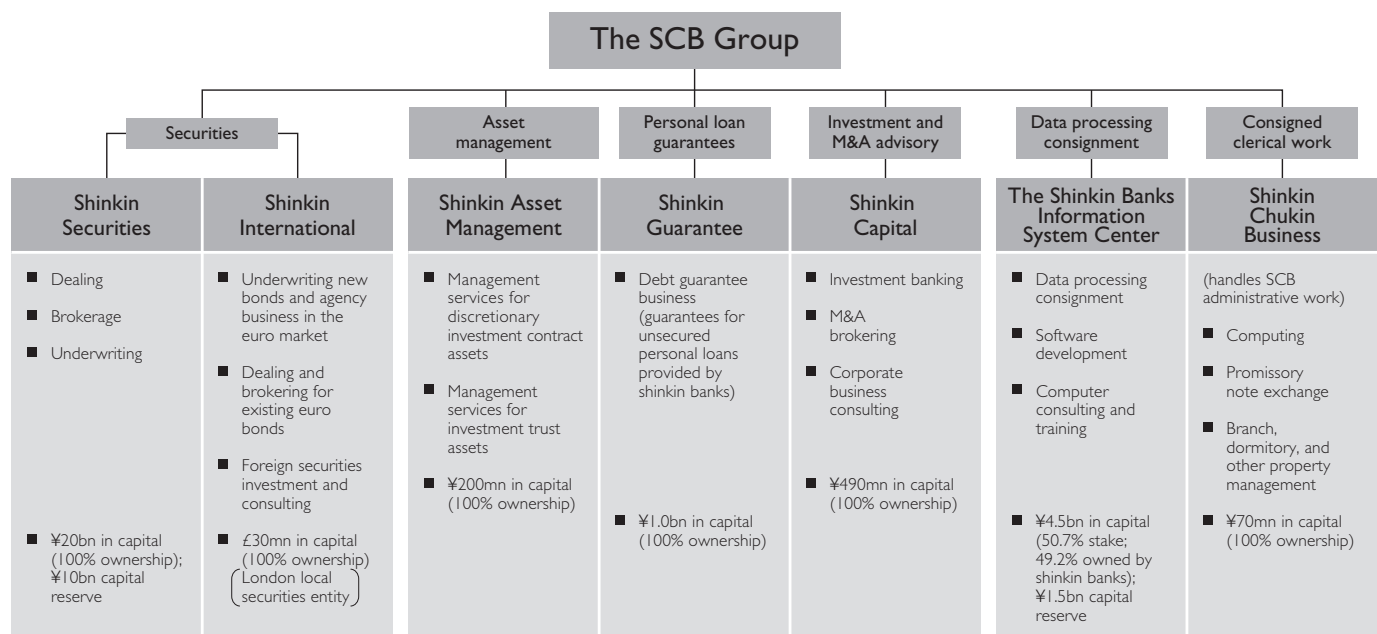
(Note2) No trust assets were entrusted to other trust banks for asset administration as of March 31, 2018 and 2017.

Organization (As of July 31, 2018)



* Located in the Tohoku Branch.

The SCB Group (As of July 31, 2018)



* Shinkin Trust Bank, Ltd. was dissolved upon the merger with Mitsubishi UFJ Trust and Banking Corporation on September 19, 2017.

International Directory (As of July 31, 2018)

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

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

Managing Director
(in charge of Treasury Business)
Norihiro Takano

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Chief Representative: Kentaro Sone

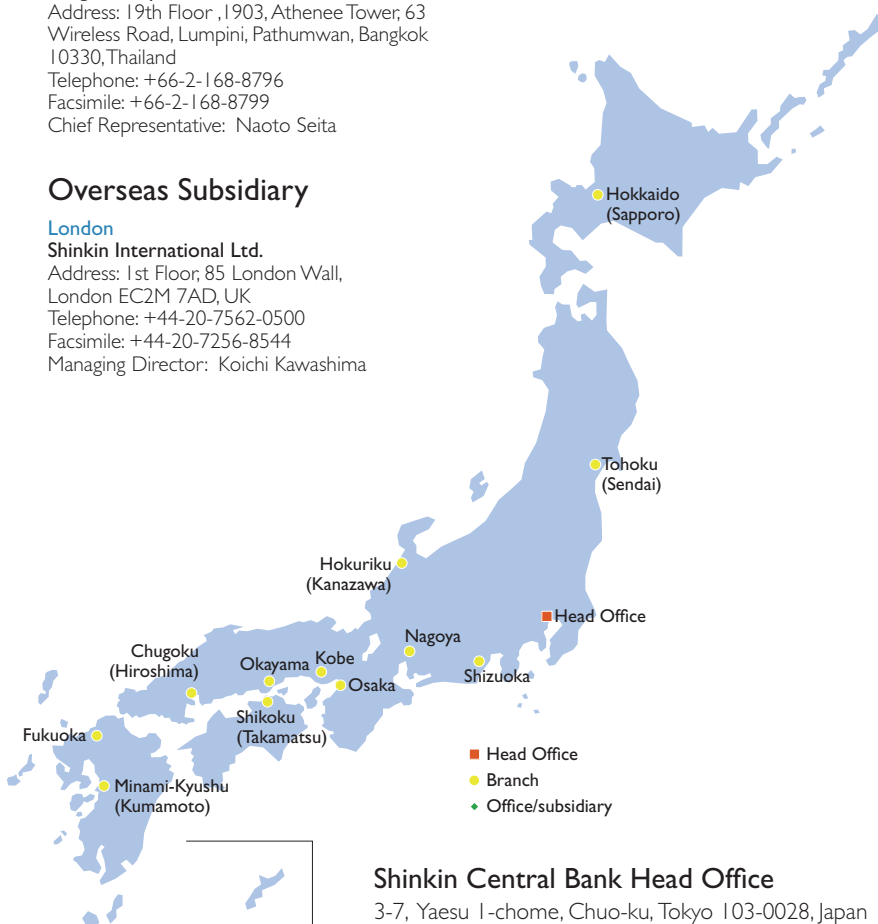
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Chief Representative: Naoto Seita

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Facsimile: +44-20-7256-8544
Managing Director: Koichi Kawashima



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