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## Trends in Principal Financial Indicators (Consolidated)

Fiscal period ended	Billions of yen				
	March 31, 2014	March 31, 2013	March 31, 2012	March 31, 2011	March 31, 2010
Operating Income	¥ 219.6	¥ 227.7	¥ 231.1	¥ 231.4	¥ 239.9
Income before Income Taxes and Other	27.4	28.6	27.6	29.1	12.6
Net Income	12.8	15.0	10.6	15.8	6.7
Comprehensive Income	11.1	19.7	13.7	17.0	—
Net Assets	884.5	885.0	869.7	860.5	847.9
Total Assets	12,524.1	12,414.4	12,323.5	12,135.6	12,090.3
Net Assets per Share (Yen)	151.56	151.78	144.78	140.52	134.75
Net Income per Share (Yen)	5.91	6.92	4.91	7.28	3.07
Net Income per Share (Diluted) (Yen)	—	—	—	—	—
Capital Ratio (%)	7.03	7.09	7.02	7.05	6.98
Consolidated Tier 1 (Common Stock etc.) Ratio (Basel III) (%)	12.18	12.01	—	—	—
Consolidated Tier 1 Ratio (Basel III) (%)	12.18	12.01	—	—	—
Consolidated Total Capital Ratio (Basel III) (%)	13.70	13.51	—	—	—
Consolidated Capital Ratio (Basel II) (%)	—	—	13.09	12.37	11.39
Return on Equity (%)	1.46	1.72	1.24	1.86	0.87
Price Earnings Ratio	—	—	—	—	—
Cash Flows from Operating Activities	(32.1)	278.5	22.7	(73.7)	709.6
Cash Flows from Investing Activities	169.2	137.2	22.4	131.2	(913.0)
Cash Flows from Financing Activities	(4.5)	(4.5)	(4.5)	(4.5)	147.7
Cash and Cash Equivalents at the End of the Year	665.4	532.8	121.5	80.9	27.9
Number of Employees (Persons)	4,145	4,165	4,236	4,300	4,299
[Average Number of Temporary Employees excluded from Above]	[929]	[876]	[827]	[773]	[725]

- Notes: 1. The Shoko Chukin Bank and its domestic consolidated subsidiaries account for national and local consumption taxes by way of the tax-exclusion method.
2. "Net Assets per Share," "Net Income per Share," and "Net Income per Share (Diluted)" (hereafter collectively referred to as "Per Share Data") are calculated based on the "Accounting Standard for Earnings Per Share" (Accounting Standards Board of Japan Statement No. 2) and the "Guidance on Accounting Standard for Earnings Per Share" (ASBJ Guidance No. 4).
3. The figure for Net Income per Share (Diluted) is not disclosed because there were no shares with a dilutive effect.
4. The Capital Ratio is calculated as follows:  
(Total Net Assets as of the fiscal period-end - Stock acquisition rights as of the fiscal period-end - Minority Interests as of the fiscal period-end) / Total Assets as of the fiscal period-end × 100
5. The Consolidated Capital Ratio is calculated in accordance with Announcement No. 2 of 2008 from the Financial Services Agency, the Ministry of Finance and the Ministry of Economy, Trade and Industry pursuant to Article 23, Paragraph 1 of the Shoko Chukin Bank Law (Calculated based on the Basel III standard starting from the end of March, 2013). The Shoko Chukin Bank has adopted the BIS international capital adequacy guidelines.
6. Figures for Price Earnings Ratio are not disclosed because the Shoko Chukin Bank is not publicly listed.
7. Number of Employees refers to the number of persons employed (excluding seconded workers).

## Consolidated Balance Sheets

The Shoko Chukin Bank, Ltd. and Subsidiaries As of March 31, 2014 and 2013

	Millions of yen		Millions of U.S. dollars	
	2014	2013	2014	2013
<b>ASSETS</b>				
<b>Cash and Due from Banks</b>	¥ 843,039	¥ 572,329	\$ 8,191	\$ 6,085
<b>Call Loans and Bills Purchased</b>	94,120	9,244	914	98
<b>Monetary Claims Purchased</b>	19,384	24,640	188	261
<b>Trading Assets</b>	24,690	25,752	239	273
<b>Investment Securities</b>	1,967,853	2,156,425	19,120	22,928
<b>Loans</b>	9,472,757	9,532,657	92,040	101,357
<b>Foreign Exchange</b>	15,471	16,186	150	172
<b>Other Assets</b>	109,537	113,295	1,064	1,204
<b>Tangible Fixed Assets</b>	43,229	42,399	420	450
Buildings	16,406	15,087	159	160
Land	24,111	24,176	234	257
Leased Assets	6	0	0	0
Construction in Progress	126	227	1	2
Other Tangible Fixed Assets	2,577	2,906	25	30
<b>Intangible Fixed Assets</b>	13,421	11,982	130	127
Software	9,906	8,338	96	88
Other Intangible Fixed Assets	3,515	3,643	34	38
<b>Net Defined Benefit Asset</b>	5,496	—	53	—
<b>Deferred Income Taxes</b>	62,417	54,167	606	575
<b>Customers' Liabilities for Acceptances and Guarantees</b>	88,860	82,120	863	873
<b>Reserve for Possible Loan Losses</b>	(236,106)	(226,733)	(2,294)	(2,410)
<b>Total Assets</b>	¥ 12,524,175	¥ 12,414,468	\$ 121,688	\$ 131,998

Pursuant to Article 396-1 of the Companies Act, the material that the Shoko Chukin Bank makes public in accordance with Article 52-2 of the Shoko Chukin Bank Law has been audited by an audit and supervisory board member.

In addition, the Bank's consolidated financial statements — the balance sheets, statements of operations, and statements of changes in net assets — have been certified by an audit and supervisory board member pursuant to Article 193-2-1 of the Financial Instruments and Exchange Act.

	Millions of yen		Millions of U.S. dollars	
	2014	2013	2014	2013
<b>LIABILITIES</b>				
Deposits	¥ 4,852,915	¥ 4,309,925	\$ 47,152	\$ 45,825
Negotiable Certificates of Deposit	76,210	93,830	740	997
Shoko Chukin Bank Debentures	4,824,832	5,018,707	46,879	53,362
Call Money and Bills Sold	21,613	11,286	209	120
Trading Liabilities	15,153	16,939	147	180
Borrowed Money	1,539,581	1,773,418	14,959	18,856
Foreign Exchange	68	50	0	0
Other Liabilities	189,354	195,307	1,839	2,076
Reserve for Bonuses	4,477	4,341	43	46
Reserve for Retirement Benefits	—	18,873	—	200
Net Defined Benefit Liability	21,949	—	213	—
Reserve for Retirement Benefits for Directors	112	118	1	1
Reserve for Losses on Refund for Dormant Bonds	4,203	4,124	40	43
Reserve for Environmental Measures	213	235	2	2
Other Reserves	64	61	0	0
Deferred Tax Liabilities	58	57	0	0
Negative Goodwill	—	69	—	0
Acceptances and Guarantees	88,860	82,120	863	873
<b>Total Liabilities</b>	<b>11,639,668</b>	<b>11,529,466</b>	<b>113,094</b>	<b>122,588</b>
<b>NET ASSETS</b>				
Capital	218,653	218,653	2,124	2,324
Crisis Response Reserve	150,000	150,000	1,457	1,594
Special Reserve under the Shoko Chukin Bank Law	400,811	400,811	3,894	4,261
Capital Surplus	0	0	0	0
Retained Earnings	107,198	98,810	1,041	1,050
Treasury Stock	(1,005)	(995)	(9)	(10)
<b>Total Shareholders' Equity</b>	<b>875,656</b>	<b>867,279</b>	<b>8,508</b>	<b>9,221</b>
Unrealized Gains on Other Securities	12,208	13,925	118	148
Remeasurements of Defined Benefit Plans	(7,154)	—	(69)	—
<b>Total Accumulated Other Comprehensive Income</b>	<b>5,053</b>	<b>13,925</b>	<b>49</b>	<b>148</b>
Minority Interests	3,796	3,796	36	40
<b>Total Net Assets</b>	<b>884,507</b>	<b>885,002</b>	<b>8,594</b>	<b>9,409</b>
<b>Total Liabilities and Net Assets</b>	<b>¥ 12,524,175</b>	<b>¥ 12,414,468</b>	<b>\$ 121,688</b>	<b>\$ 131,998</b>

## Consolidated Statements of Operations

The Shoko Chukin Bank, Ltd. and Subsidiaries For the year ended March 31, 2014 and 2013

	Millions of yen		Millions of U.S. dollars	
	2014	2013	2014	2013
<b>Operating Income</b>	¥ 219,671	¥ 227,777	\$ 2,134	\$ 2,421
Interest Income	161,289	172,074	1,567	1,829
Interest on Loans	148,286	157,091	1,440	1,670
Interest and Dividends on Securities	9,896	11,617	96	123
Interest on Call Loans and Interest on Bills Purchased	95	150	0	1
Interest on Repurchased Agreement	49	135	0	1
Interest on Deposits	784	287	7	3
Other Interest Income	2,177	2,792	21	29
Fees and Commissions	12,261	11,628	119	123
Trading Revenue	6,602	6,186	64	65
Other Operating Income	35,433	32,652	344	347
Other Income	4,084	5,235	39	55
Collection of Written-off Claims	110	190	1	2
Other Income	3,974	5,044	38	53
<b>Operating Expenses</b>	192,244	199,118	1,867	2,117
Interest Expenses	27,402	35,591	266	378
Interest on Deposits	3,994	4,393	38	46
Interest on Negotiable Certificates of Deposit	153	122	1	1
Interest on Debentures	14,880	20,682	144	219
Interest on Call Money and Interest on Bills Sold	74	8	0	0
Interest on Securities Lending Transactions	0	0	0	0
Interest on Borrowed Money	8,230	10,290	79	109
Other Interest Expenses	69	93	0	0
Fees and Commissions	4,167	3,981	40	42
Trading Expenses	404	—	3	—
Other Operating Expenses	29,138	25,914	283	275
General and Administrative Expenses	80,032	77,957	777	828
Other Expenses	51,098	55,674	496	591
Provision for Possible Loan Losses	44,779	48,528	435	515
Other Expenses	6,319	7,145	61	75
<b>Income before Income Taxes and Other</b>	27,426	28,659	266	304
<b>Other Gains</b>	49	279	0	2
Gains on Disposal of Fixed Assets	49	279	0	2
<b>Other Losses</b>	355	563	3	5
Losses on Disposal of Fixed Assets	307	247	2	2
Impairment Loss	47	316	0	3
<b>Income before Income Taxes</b>	27,121	28,374	263	301
<b>Provision for Income Taxes</b>	17,736	16,197	172	172
<b>Adjustment for Income Taxes</b>	(3,505)	(2,908)	(34)	(30)
<b>Total Income Taxes</b>	14,231	13,289	138	141
<b>Income before Minority Interests</b>	12,889	15,085	125	160
<b>Income on Minority Interests</b>	3	3	0	0
<b>Net Income</b>	¥ 12,885	¥ 15,081	\$ 125	\$ 160

## Consolidated Statements of Comprehensive Income

The Shoko Chukin Bank, Ltd. and Subsidiaries For the year ended March 31, 2014 and 2013

	Millions of yen		Millions of U.S. dollars	
	2014	2013	2014	2013
<b>Income before Minority Interests</b>	¥ 12,889	¥ 15,085	\$ 125	\$ 160
<b>Other Comprehensive Income</b>	(1,717)	4,652	(16)	49
Unrealized Gains on Other Securities	(1,717)	4,664	(16)	49
Deferred Hedge Losses	—	(11)	—	(0)
<b>Comprehensive Income</b>	11,172	19,737	108	209
Total Comprehensive Income Attributable to Owners of the Company	11,168	19,734	108	209
Minority Interests	¥ 3	¥ 3	\$ 0	\$ 0

# Consolidated Statements of Changes in Net Assets

The Shoko Chukin Bank, Ltd. and Subsidiaries For the year ended March 31, 2014 and 2013

Millions of yen

	Shareholders' Equity						Total Shareholders' Equity
	Capital	Crisis Response Reserve	Special Reserve	Capital Surplus	Retained Earnings	Treasury Stock	
<b>Balance, April 1, 2013</b>	¥ 218,653	¥ 150,000	¥ 400,811	¥ 0	¥ 98,810	¥ (995)	¥ 867,279
Changes during the Period							
Dividends from Surplus					(4,498)		(4,498)
Net Income					12,885		12,885
Acquisition of Treasury Stock						(11)	(11)
Disposition of Treasury Stock				0		0	0
Net Changes of Items Other Than Shareholders' Equity							
Total Changes during the Period	—	—	—	0	8,387	(10)	8,377
<b>Balance, March 31, 2014</b>	¥ 218,653	¥ 150,000	¥ 400,811	¥ 0	¥ 107,198	¥ (1,005)	¥ 875,656

	Accumulated Other Comprehensive Income				Minority Interests	Total Net Assets
	Unrealized Gains on Other Securities	Deferred Hedge Gains	Remeasurements of Defined Benefit Plans	Total Accumulated Other Comprehensive Income		
<b>Balance, April 1, 2013</b>	¥ 13,925	¥ —	¥ —	¥ 13,925	¥ 3,796	¥ 885,002
Changes during the Period						
Dividends from Surplus						(4,498)
Net Income						12,885
Acquisition of Treasury Stock						(11)
Disposition of Treasury Stock						0
Net Changes of Items Other Than Shareholders' Equity	(1,717)	—	(7,154)	(8,872)	—	(8,872)
Total Changes during the Period	(1,717)	—	(7,154)	(8,872)	—	(495)
<b>Balance, March 31, 2014</b>	¥ 12,208	¥ —	¥ (7,154)	¥ 5,053	¥ 3,796	¥ 884,507

(Continued on following page)

# Consolidated Statements of Changes in Net Assets

The Shoko Chukin Bank, Ltd. and Subsidiaries For the year ended March 31, 2014 and 2013

Millions of yen

	Shareholders' Equity						Total Shareholders' Equity
	Capital	Crisis Response Reserve	Special Reserve	Capital Surplus	Retained Earnings	Treasury Stock	
<b>Balance, April 1, 2012</b>	¥ 218,653	¥ 150,000	¥ 400,811	¥ 0	¥ 88,227	¥ (983)	¥ 856,708
Changes during the Period							
Dividends from Surplus					(4,498)		(4,498)
Net Income					15,081		15,081
Acquisition of Treasury Stock						(11)	(11)
Disposition of Treasury Stock				0		0	0
Net Changes of Items Other Than Shareholders' Equity							
Total Changes during the Period	—	—	—	0	10,582	(11)	10,571
<b>Balance, March 31, 2013</b>	¥ 218,653	¥ 150,000	¥ 400,811	¥ 0	¥ 98,810	¥ (995)	¥ 867,279

	Accumulated Other Comprehensive Income				Minority Interests	Total Net Assets
	Unrealized Gains on Other Securities	Deferred Hedge Gains	Remeasurements of Defined Benefit Plans	Total Accumulated Other Comprehensive Income		
<b>Balance, April 1, 2012</b>	¥ 9,261	¥ 11	¥ —	¥ 9,273	¥ 3,796	¥ 869,778
Changes during the Period						
Dividends from Surplus						(4,498)
Net Income						15,081
Acquisition of Treasury Stock						(11)
Disposition of Treasury Stock						0
Net Changes of Items Other Than Shareholders' Equity	4,664	(11)	—	4,652	—	4,652
Total Changes during the Period	4,664	(11)	—	4,652	—	15,224
<b>Balance, March 31, 2013</b>	¥ 13,925	¥ —	¥ —	¥ 13,925	¥ 3,796	¥ 885,002

## Consolidated Statements of Changes in Net Assets

The Shoko Chukin Bank, Ltd. and Subsidiaries For the year ended March 31, 2014 and 2013

Millions of U.S. dollars

	Shareholders' Equity						Total Shareholders' Equity
	Capital	Crisis Response Reserve	Special Reserve	Capital Surplus	Retained Earnings	Treasury Stock	
<b>Balance, April 1, 2013</b>	\$2,124	\$1,457	\$3,894	\$0	\$960	\$ (9)	\$8,426
Changes during the Period							
Dividends from Surplus					(43)		(43)
Net Income					125		125
Acquisition of Treasury Stock						(0)	(0)
Disposition of Treasury Stock				0		0	0
Net Changes of Items Other Than Shareholders' Equity							
Total Changes during the Period	—	—	—	0	81	(0)	81
<b>Balance, March 31, 2014</b>	\$2,124	\$1,457	\$3,894	\$0	\$1,041	\$ (9)	\$8,508

	Accumulated Other Comprehensive Income				Minority Interests	Total Net Assets
	Unrealized Gains on Other Securities	Deferred Hedge Gains	Remeasurements of Defined Benefit Plans	Total Accumulated Other Comprehensive Income		
<b>Balance, April 1, 2013</b>	\$ 135	\$ —	\$ —	\$ 135	\$ 36	\$ 8,598
Changes during the Period						
Dividends from Surplus						(43)
Net Income						125
Acquisition of Treasury Stock						(0)
Disposition of Treasury Stock						0
Net Changes of Items Other Than Shareholders' Equity	(16)	—	(69)	(86)	—	(86)
Total Changes during the Period	(16)	—	(69)	(86)	—	(4)
<b>Balance, March 31, 2014</b>	\$ 118	\$ —	\$ (69)	\$ 49	\$ 36	\$ 8,594

Consolidated Statements of Changes in Net Assets

## Consolidated Statements of Changes in Net Assets

The Shoko Chukin Bank, Ltd. and Subsidiaries For the year ended March 31, 2014 and 2013

Millions of U.S. dollars

	Shareholders' Equity						Total Shareholders' Equity
	Capital	Crisis Response Reserve	Special Reserve	Capital Surplus	Retained Earnings	Treasury Stock	
<b>Balance, April 1, 2012</b>	\$ 2,324	\$ 1,594	\$ 4,261	\$ 0	\$ 938	\$ (10)	\$ 9,109
Changes during the Period							
Dividends from Surplus					(47)		(47)
Net Income					160		160
Acquisition of Treasury Stock						(0)	(0)
Disposition of Treasury Stock				0		0	0
Net Changes of Items Other Than Shareholders' Equity							
Total Changes during the Period	—	—	—	0	112	(0)	112
<b>Balance, March 31, 2013</b>	\$ 2,324	\$ 1,594	\$ 4,261	\$ 0	\$ 1,050	\$ (10)	\$ 9,221

	Accumulated Other Comprehensive Income				Minority Interests	Total Net Assets
	Unrealized Gains on Other Securities	Deferred Hedge Gains	Remeasurements of Defined Benefit Plans	Total Accumulated Other Comprehensive Income		
<b>Balance, April 1, 2012</b>	\$ 98	\$ 0	\$ —	\$ 98	\$ 40	\$ 9,248
Changes during the Period						
Dividends from Surplus						(47)
Net Income						160
Acquisition of Treasury Stock						(0)
Disposition of Treasury Stock						0
Net Changes of Items Other Than Shareholders' Equity	49	(0)	—	49	—	49
Total Changes during the Period	49	(0)	—	49	—	161
<b>Balance, March 31, 2013</b>	\$ 148	—	\$ —	\$ 148	\$ 40	\$ 9,409



**BASIS OF PRESENTATION**

The accompanying financial statements of the Shoko Chukin Bank, Ltd. (the “Bank”) and its consolidated subsidiaries (the “Group”) have been prepared in accordance with the provisions set forth in the Shoko Chukin Bank Law and in conformity with generally accepted accounting principles and practices in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

The financial statements are not intended to present the financial position and the result of operations in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

Amounts in U.S. dollars are presented solely for the convenience of readers. The exchange rate of ¥102.92=U.S.\$1.00, the approximate rate of exchange prevailing as of March 31, 2014, has been used for translation purposes for the year ended March 31, 2014, and ¥94.05=U.S.\$1.00, the approximate rate of exchange prevailing as of March 31, 2013, has been used for translation purposes for the year ended March 31, 2013. The presentation of such amounts is not intended to imply that Japanese yen amounts have been or could have been readily translated, realized or settled in U.S. dollars at that rate or any other rate.

The yen figures disclosed in the financial statements are expressed in millions of yen and have been rounded down.

**SIGNIFICANT BASIC ITEMS FOR CONSOLIDATED FINANCIAL STATEMENTS**

1. Scope of consolidation

(1) Consolidated subsidiaries: 7 companies

Names of consolidated subsidiaries:

- YAESU SHOKO, LTD.
- SHOKOCHUKIN COMPUTER SYSTEMS CO., LTD.
- SHOKO SERVICE, LTD.
- YAESU KOSAN CO., LTD.
- THE SHOKO CHUKIN BANK INSTITUTE of COMMERCE, INDUSTRY & ECONOMICS, LTD.
- SHOKO CHUKIN LEASE CO., LTD.
- SHOKO CHUKIN CARD CO., LTD.

SHOKO CHUKIN CARD CO., LTD. changed its name from SHOCHU CARD CO., LTD. on April 1, 2013.

(2) Non-consolidated subsidiaries: 2 companies

Names of non-consolidated subsidiaries:

- YAESU MIDORI KANREN JIGYOU KYOUDOUKUMIAI
- Second Shochu Investment Syndicate

Non-consolidated subsidiaries are excluded from the scope of consolidation because their total amounts in terms of total assets, operating income and net income (the amounts equivalent to equity shareholdings), retained earnings (the amounts equivalent to equity shareholdings) and accumulated other comprehensive income (the amounts equivalent to equity shareholdings) are immaterial and do not hinder a rational judgment of the Shoko Chukin Bank, Ltd.

- Group’s financial position and results of operations when excluded from the scope of consolidation.
- 2. Application of the equity method
  - (1) Non-consolidated subsidiaries accounted for by the equity method:
    - None
  - (2) Affiliated companies accounted for by the equity method:
    - None
  - (3) Non-consolidated subsidiaries that are not accounted for by the equity method: 2 companies
    - Names of non-consolidated subsidiaries that are not accounted for by the equity method:
      - YAESU MIDORI KANREN JIGYOU KYOUDOUKUMIAI
      - Second Shochu Investment Syndicate
  - (4) Affiliated companies that are not accounted for by the equity method:
    - None
    - Non-consolidated subsidiaries that are not accounted for by the equity method are excluded from the scope of the equity method because their total amounts in terms of net income (the amounts equivalent to equity shareholdings), retained earnings (the amounts equivalent to equity shareholdings) and accumulated other comprehensive income (the amounts equivalent to equity shareholdings) do not have a material impact on consolidated financial statements when excluded from the scope of the equity method.
- 3. Fiscal period-end of consolidated subsidiaries
  - The fiscal period-end of consolidated subsidiaries is as follows:
 

March 31	7 companies
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- 4. Special purpose entities subject to disclosure
  - (1) Overview of special purpose entities subject to disclosure and transactions with these special purpose entities:
    - None
  - (2) Transaction amounts with special purpose entities subject to disclosure:
    - None
- 5. Accounting methods, practices and standards
  - (1) Basis for valuation of Trading Assets/Liabilities and calculation of Revenue/Expenses
    - Transactions undertaken with a view to gains on short-term fluctuations in interest rates, currency values, market prices of securities and other indicators or differentials, etc., between markets (hereinafter referred to as “Trading Transactions”) are shown in the consolidated balance sheet as “Trading Assets” or “Trading Liabilities” based on values at the time of contract, while gains and losses from the said transactions are shown in the Consolidated Statements of Operations as Trading Revenue or Trading Expenses.
    - Trading Assets and Trading Liabilities are valued at market prices on the consolidated balance sheet date for securities and monetary claims, etc., and at deemed

settlement prices on the consolidated balance sheet date for derivative products such as swaps, futures and options.

In the Consolidated Statements of Operations, Trading Revenue and Trading Expenses are arrived at by adding interest received and paid and other items during the fiscal period, amounts equivalent to the changes in valuation between the ends of the previous and fiscal periods for securities and monetary claims, etc., and amounts equivalent to changes in deemed settlements between the ends of the previous and current fiscal periods for derivatives.

(2) Basis and methods for valuation of securities

The following valuation methods are applied, depending on the type of security. Bonds intended to be held until maturity are amortized using the moving average cost method (straight-line method). Stocks for which market values are available are valued at the average market price during the month before this fiscal period end. Marketable securities with market values other than stocks are valued using the mark-to-market method based on market prices at the fiscal period end (cost of sales are primarily calculated with the moving average method). Marketable securities for which market values are extremely difficult to be obtained are valued using either the cost method or the amortized cost method on the basis of a moving average.

Unrealized Gains on Other Securities are all directly incorporated into Net Assets.

(3) Basis and methods for valuation of derivative transactions  
Derivative transactions other than Trading Transactions are stated using the mark-to-market method.

(4) Amortization of Fixed Assets

(a) Tangible Fixed Assets (excluding Leased Assets)

Tangible Fixed Assets are subject to declining balance depreciation.

Expected useful lives for major items are as follows:

Buildings: 2 to 60 years

Other Tangible Fixed Assets: 2 to 20 years

Tangible fixed assets owned by consolidated subsidiaries are depreciated using primarily the straight-line method over the estimated useful lives of the respective tangible fixed assets.

(b) Intangible Fixed Assets (excluding Leased Assets)

Intangible Fixed Assets are amortized using the straight-line method. Software for internal use is amortized using the straight-line method over its estimated useful life determined by the Bank and its consolidated subsidiaries (principally 5 years).

(c) Leased Assets

Leased Assets, presented within Tangible Fixed Assets, relating to finance lease transactions that do not involve transfer of ownership are depreciated under the straight-line method, with zero residual value, over the lease term.

(5) Accounting standard for Reserve for Possible Loan Losses:

The Reserve for Possible Loan Losses is calculated in accordance with the predetermined standards for write-offs and reserve provisions as follows.

Normal loans and the loans that require special attention are defined in "Operational Guidelines for Self-Assessment of Assets and Audits on Write-Offs and Reserves for Possible Loan Losses in Banks and Other Financial Institutions" (JICPA Bank Auditing Special Committee Report No. 4). They are classified into certain categories, and reserve provisions are made on the basis of default rates over a specific period for each category. Amounts reserved for loans to debtors at risk of bankruptcy are determined as the amounts deemed necessary on the basis of the balance remaining after deducting the estimated amounts recoverable from disposal of collateral and execution of guarantees. Amounts reserved for loans to debtors that are legally or virtually bankrupt are determined to be the balance remaining after deducting the estimated amounts to be collected through disposal of collateral and execution of guarantees.

Reserve for Loans to Debtors at Risk of Bankruptcy/with Restructured Loans is provided based on the discounted cash flow (DCF) method if the loan balance exceeds a specific amount and the future cash flows of the principal and interest of the loan can be reasonably estimated. Under the DCF method, the reserve is calculated as the difference between the book value of the loan and the present value of its expected future cash flows, discounted by the contractual interest rate before the terms of the loan were restructured.

All loan assets have been assessed by the business departments and audited by the division in charge of asset examination, which is independent from the business departments, to comply with the standard for self-assessment of assets.

The reserve for possible loan losses of consolidated subsidiaries for general claims is provided in the amount deemed necessary based on historical loan loss ratios, and for doubtful claims in the amount deemed uncollectible based on an assessment of each individual claim.

(6) Accounting standard for Reserve for Bonuses

The Reserve for Bonuses is set up for the payment of employees' bonuses and appropriates an amount for this fiscal period out of the amount of bonuses estimated to be paid to employees.

(7) Accounting standard for Reserve for Retirement Benefits for Directors

The Reserve for Retirement Benefits for Directors is set up for the payment of directors' retirement benefits. It represents amounts that have accrued through the end of this fiscal period out of the retirement benefits amount estimated to be paid to directors.

(8) Accounting standard for Reserve for Losses on Refund for Dormant Bonds

Reserves for Losses on Refunds for Dormant Bonds are recorded for bonds that are no longer recognized as liabilities in an amount equivalent to the estimated losses arising from future demands for refunds.

(9) Accounting standard for Reserve for Environmental Measures

The reserve for environmental measures is set up for the estimated payment for disposal of PCB (polychlorinated biphenyl) waste.

(10) Accounting standard for Other Reserves

The reserve for losses on refund for interest is set up as other reserves to provide for the exchange of items. This other reserve includes an estimated reserve amount for sales promotion and an estimated lump sum amount for future losses on refund for cashing interest.

(11) Accounting method for Retirement Benefits

Upon the calculation of retirement benefit obligations, the estimated retirement benefit obligation attributable up to the end of this fiscal period are accounted for by the straight-line method over the period of services. Unrecognized past service costs and unrecognized actuarial difference are amortized as follows:

Unrecognized past service costs:

By the straight-line method over a fixed number of years that does not exceed the remaining service years (14 years) of employees of the fiscal period when the past service costs was incurred.

Unrecognized actuarial difference:

By the straight-line method over a fixed number of years that does not exceed the average remaining service years (14 years) of employees at each fiscal period when the actuarial difference was incurred.

This amortization starts from the subsequent fiscal period.

Moreover, consolidated subsidiaries have adopted the simplified method, where retirement benefit obligations are the amount to be paid when all the employees voluntarily retired at the end of the fiscal periods, to calculate Net Defined Benefit Liability and retirement benefit expenses.

(Additional Information)

The Bank has made revisions to its defined benefit pension plan in March 2014. The Bank has terminated a portion of the defined benefit pension plan and introduced a defined contribution pension plan in April 2014.

Such changes were accounted for in accordance with "Guidance on Accounting for Transfers between Retirement Benefit Plans (ASBJ Guidance No. 1, January 31, 2002)" and "Practical Solution on Accounting for Transfer between Retirement Benefit Plans (PITF (Practical Issue Task Force) No. 2 revised on February 7, 2007).

As a result of this revision to plan, retirement benefit obligations decreased by ¥8,926 million and an equivalent amount of past service costs was incurred, which is amortized using the straight-line method over a fixed number of years that does not exceed the remaining service years (14 years) of employees from this fiscal period.

In addition, loss associated with partial termination has been recognized in this fiscal period but the effect is immaterial.

(12) Translation standard for assets and liabilities denominated in foreign currencies

Assets and liabilities of the Bank denominated in foreign currencies and accounts of the Bank's overseas branches are translated into Japanese yen mainly at exchange rates prevailing as of the consolidated balance sheet date.

Assets and liabilities of consolidated subsidiaries denominated in foreign currencies are translated into Japanese yen at exchange rates prevailing as of their respective balance sheet dates.

(13) Accounting method for significant hedge transactions

(a) Currency risk hedging

Deferred hedge accounting is adopted for hedges carried out to control the risk of currency fluctuations arising from foreign currency-denominated assets and liabilities, as stipulated in the "Treatment of Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in Banking Industry" (JICPA Industry Audit Committee Report No. 25). Currency swap transactions are carried out for the purpose of offsetting the risk of currency fluctuations arising from foreign currency-denominated monetary claims. The effectiveness of the hedge is evaluated by confirming the availability of an amount equivalent to the foreign currency position used to hedge the foreign currency-denominated monetary claims.

(b) Transactions between consolidated subsidiaries  
Interest rate swap transactions designated as hedges for those derivatives transactions that are internal transactions between consolidated subsidiaries, special transaction accounts and other accounts (or between internal departments) were executed in conformity with external cover transaction standards for which strict hedge operations that eliminate arbitrary decision-making were recognized as possible under the "Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Banking Industry" (JICPA Industry Audit Committee Report No. 24). For this reason, revenue and expenses arising from said interest rate swap transactions have been recognized as gains/losses without being eliminated.

The special treatment for deferred hedge or interest rate swaps is applied to certain assets and liabilities.

The special treatment for interest rate swaps is applied to certain assets and liabilities of consolidated subsidiaries.

- (14) Amortization of goodwill and negative goodwill  
Goodwill and negative goodwill which occurred on or before March 31, 2010 is amortized using the straight-line method over five years.
- (15) Accounting for consumption taxes  
With respect to the Bank and its domestic consolidated subsidiaries, National and local consumption taxes are accounted for with the tax exclusion method.

### CHANGES IN ACCOUNTING POLICIES

The Bank has adopted "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26, May 17, 2012, hereinafter "Retirement Benefits Standard") and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, May 17, 2012, hereinafter "Retirement Benefits Guidance"), excluding those set forth in Paragraph 35 of Retirement Benefits Standard and Paragraph 67 of Retirement Benefits Guidance from the end of this fiscal period. The difference between retirement benefit obligations and pension assets are recognized either as Net Defined Benefit Asset or Net Defined Benefit Liability from the end of this fiscal period.

The Retirement Benefits Standard and others are applied in accordance with the transitional provisions set forth in Paragraph 37 of the Retirement Benefits Standard, where unrecognized actuarial difference and unrecognized past service costs, net of tax, are reflected as Remeasurements of Defined Benefit Plans under Accumulated Other Comprehensive Income at the end of this fiscal period.

As a result, the Net Defined Benefit Asset of ¥5,496 million and Net Defined Benefit Liability of ¥21,949 million are recognized at the end of this fiscal period. Also, Deferred Income Taxes increased by ¥3,929 million and Accumulated Other Comprehensive Income decreased by ¥7,154 million.

### UNAPPLIED ACCOUNTING STANDARDS

1. Accounting Standards for Retirement Benefits (May 17, 2012)
- (1) Overview  
Accounting standard for retirement benefits has been revised from the viewpoint of improvements to financial reporting and international convergence, mainly focusing on how actual unrecognized actuarial difference and past service costs should be accounted for, how retirement benefit obligations and service costs should be determined and enhancement of disclosures.
- (2) Date of adoption  
The Bank will adopt the amendments to the method

for calculating projected benefit obligations and service costs from the beginning of the fiscal year ending March 31, 2015.

- (3) The effect of adopting the accounting standards  
As a result, Retained Earnings at the beginning of the fiscal year ending March 31, 2015 will decrease by ¥1,347 million.

### ADDITIONAL INFORMATION

1. Special Reserve  
Accompanying privatization on October 1, 2008, a transfer was made from capital and retained earnings to special reserve pursuant to the Article 5 of the Supplementary Provisions of the Shoko Chukin Bank Law.  
The special reserve has the following characteristics.
- (1) Pursuant to the provisions of Article 43 of the Shoko Chukin Bank Law, in the calculation of the amount of surplus, the amount of special reserve shall be included in the total amount of capital and reserves.
- (2) Pursuant to the provisions of Article 44, Paragraph 2 of the Shoko Chukin Bank Law, the amount of special reserve may be reduced in the event a deficit is compensated, if the total amount of capital reserve and earnings reserve becomes zero. When the amount of the surplus comes to exceed zero following the reduction of the special reserve, the amount of special reserve must be increased pursuant to the provisions of Article 44, Paragraph 4 of the Shoko Chukin Bank Law.
- (3) Pursuant to the provisions of Article 45 of the Shoko Chukin Bank Law, when the state of the capital adequacy and the soundness of other finances have improved and when it is deemed that the financial soundness have been secured, all or a portion of the amount of special reserve may, pursuant to a resolution of the general meeting of shareholders, paid to the national treasury.
- (4) When, supposing the Bank is liquidated, obligations have been repaid and there are residual assets, the amount of special reserve shall be paid to the national treasury pursuant to the provisions of Article 46 of the Shoko Chukin Bank Law.
2. Crisis Response Reserve  
Pursuant to the supplementary provisions of Article 1-2 of the Shoko Chukin Bank Law, in order for smooth implementation of crisis response measures, the Bank account for capital contributed by the government as crisis response reserve.  
The crisis response reserve has the following characteristics.
- (1) Pursuant to the provisions of Article 43 of the Shoko Chukin Bank Law, in the calculation of the amount of surplus, the amount of crisis response reserves shall be included in the total amount of capital and reserves.
- (2) Pursuant to the provisions of Article 44, Paragraph 1 of the Shoko Chukin Bank Law, the amount of crisis response reserves may be reduced in the event a deficit

is compensated, if the total amount of special reserve becomes zero. When the amount of the surplus comes to exceed zero following the reduction of the crisis response reserves, the amount of crisis response reserves must be increased pursuant to the provisions of Article 44, Paragraph 4 of the Shoko Chukin Bank Law. The increase in the amount of the crisis response reserves shall, pursuant to the provisions of Article 44, Paragraph 5 of the Shoko Chukin Bank Law, be undertaken prior to the increase in the amount of the special reserve.

- (3) Pursuant to the provisions of Article 45 of the Shoko Chukin Bank Law, when the Shoko Chukin Bank deems it has sufficiently secured the necessary financial foundation for the smooth implementation of crisis response measures, an amount of money equivalent to all or a portion of the amount of crisis response reserves may, pursuant to a resolution of the general meeting of shareholders, be repaid to the national treasury.
- (4) When, supposing the Bank is liquidated, obligations have been repaid and there are residual assets, the amount of crisis response reserves shall be paid to the national treasury pursuant to the provisions of Article 46 of the Shoko Chukin Bank Law.

#### CONSOLIDATED BALANCE SHEETS

1. Investment securities include equity investment shares of 56 million in non-consolidated subsidiaries.
2. In Loans, loans to bankrupt companies total ¥71,841 million and overdue loans total ¥381,096 million.  
Loans to bankrupt companies are loans for which accrued interest is not shown in the accounts based on the assumption that principal or interest is likely to be unrecoverable because the interest or principal payments have been long overdue or for other reasons (excluding loans that have been written off, and hereinafter referred to as “loans for which accrued interest is not shown in the accounts”), where the loans in question are affected by the circumstances defined in Article 96, Paragraph 1, Numbers 3a–e or Number 4 of the Corporation Tax Law Enforcement Ordinance (Cabinet Ordinance No. 97 of 1965).  
Overdue loans are loans for which accrued interest is not shown in the accounts, excluding loans to bankrupt companies, and loans for which the interest payments have been rescheduled to support financial restructuring of the borrowers.
3. Loans overdue by three months or longer total ¥393 million.  
Loans overdue by three months or longer are defined as loans on which principal or interest payments are overdue by three months or longer reckoning from the payment date stipulated in the contract. Loans that are classified as loans to bankrupt companies or overdue loans are excluded from this category.

4. Rescheduled loans total ¥7,563 million.  
Rescheduled loans are loans for which the terms have been eased to support financial restructuring of the borrower through measures agreed in favor of the borrower, such as reduction of interest payments, postponement of interest or principal repayments and abandonment of claims, excluding loans to bankrupt companies or overdue loans and loans overdue by three months or longer.
5. The total amount of loans to bankrupt companies, overdue loans, loans overdue by three months or longer and rescheduled loans is ¥460,894 million.  
The amounts of loans stated in Notes 2 through 5 are the numbers before the deduction of possible loan loss allowance.
6. Bills discounted are handled as financial transactions in accordance with “Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Banking Industry” (JICPA Industry Audit Committee Report No. 24). With regards to bills accepted through the transactions, the Bank has the right to freely sell or use as collateral any bank acceptance bills, trade bills, documentary bills, or foreign bills bought, the aggregate face value of which is ¥241,475 million.
7. Assets provided as collateral are as follows.

Assets provided as collateral:

Securities	¥489,771 million
Other Assets	¥40 million

Liabilities corresponding to collateral assets:

Deposits	¥5,304 million
Borrowings	¥217,000 million
Other Liabilities	¥43 million

In addition to the above amounts, securities worth ¥57,009 million have been provided as collateral for foreign currency settlements or substituted for futures margin money, etc.

Other Assets include ¥111 million of Cash Collateral Received for Financial Instruments and ¥2,263 million of guarantees and deposits.

8. Overdraft contracts and commitment line contracts on loans are the agreements under which the Bank grants a loan up to a designated credit limit when the customer requests, unless there is a breach of the conditions stipulated in the relevant contract. The outstanding credit facility ready for claims under such agreements is ¥951,727 million. Of this amount, ¥924,094 million has original contract duration of one year or less (or can be dissolved without condition at any point in time).  
Most of these contracts are terminated before the amount of the credit facility determined in the agreement is fully utilized. Accordingly, the outstanding credit facility itself does not always affect the future cash flows of the Bank and its consolidated subsidiaries. Most of these agreements have provisions that allow the Bank and its consolidated subsidiaries to cancel customers' claims and / or to reduce the credit limit for appropriate reasons such as

## Notes to Consolidated Financial Statements

The Shoko Chukin Bank, Ltd. and Subsidiaries For the year ended March 31, 2013

changes in financial situation and protection of credit standing. Moreover, when necessary, the Bank and its consolidated subsidiaries require customers to provide property, securities and other collateral when signing the contract. After the Bank and its consolidated subsidiaries enter into the agreement, periodical checks of customers' business condition are undertaken in accordance with internally established procedures as well as reviews of the conditions of the agreement where necessary. In this context, measures are taken to protect the assets of the Bank and its consolidated subsidiaries.

9. Accumulated depreciation of tangible fixed assets is ¥72,670 million.
10. Advanced depreciation of tangible fixed assets is ¥17,712 million.  
(There is no advanced depreciation for this fiscal period.)
11. Borrowings include loans payable under subordination covenant totaling ¥46,000 million.
12. Within Corporate Bonds, presented as a sub-item of Investment Securities, the Bank's guarantee liabilities relating to privately-offered corporate bonds (Financial Instruments and Exchange Act, Article 2, Paragraph 3) amounted to ¥189,760 million.

### CONSOLIDATED STATEMENTS OF OPERATIONS

Other operating expenses include ¥1,679 million of amortization expense of loans and ¥152 million of amortization expense of investments in stocks etc.

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Reclassification Adjustments and Tax Effects allocated to each component of Other Comprehensive Income

	Millions of yen	
	2014	2013
Unrealized Gains on Other Securities		
Amount arising during the current fiscal year	¥ (972)	¥ 8,965
Reclassification Adjustments	(1,558)	(1,808)
Before adjustment of Deferred Income Tax	(2,531)	7,156
Deferred Income Tax	813	(2,492)
Unrealized Gains on Other Securities	(1,717)	4,664
Deferred Hedge Losses		
Amount arising during the current fiscal year	—	—
Reclassification Adjustments	—	(18)
Before adjustment of Deferred Income Tax	—	(18)
Deferred Income Tax	—	7
Deferred Hedge Losses	—	(11)
Total Other Comprehensive Income	¥ (1,717)	¥ 4,652

### CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

1. Fiscal Year Ended March 31, 2014 (April 1, 2013 to March 31, 2014)

- (1) Matters relating to the type and number of shares issued  
(Thousand shares)

	Number of Shares as of April 1, 2013	Increase	Decrease	Number of Shares as of March 31, 2014	Remarks
Number of shares issued and outstanding					
Common stock	2,186,531	—	—	2,186,531	
Total	2,186,531	—	—	2,186,531	
Treasury stock					
Common stock	9,801	73	2	9,871	(Note)
Total	9,801	73	2	9,871	

Note: The increase in the common stocks is due to claims by shareholders for repurchase of shares less than one unit. The decrease is due to claims by shareholders for additional sale of shares less than one unit.

- (2) Matters Relating to Dividends

- (a) Amount of cash dividends paid during the fiscal year

Resolution	Type of Capital Subscription Unit	Total Amount of Cash Dividends Paid (Millions of Yen)	Cash Dividend per Capital Subscription Unit (Yen)	Record Date	Effective Date
Ordinary General Meeting of Shareholders held on June 21, 2013	Common stock (government portion)	1,016	1.0 (Note)	March 31, 2013	June 25, 2013
	Common stock (nongovernment portion)	3,482	3.0		

Note: With respect to the payment of cash dividends applicable to shares held by the government, the amount that must be paid per share is stipulated under Article 50 of the Shoko Chukin Bank Law. This cash dividend amount is obtained by multiplying the amount that does not exceed a ratio of one the cash dividend paid for each share held by subscribers other than the government by the ratio stipulated under the Regulation Enforcing the Shoko Chukin Bank Law. This ratio stipulated under Article 15 of the Regulation Enforcing the Shoko Chukin Bank Law is 1:3 (one-third).

- (b) Cash dividends for which the effective date falls after the fiscal year ended March 31, 2014 included in cash dividends for which the base date falls within the fiscal year ended March 31, 2014

	Type of Shares	Total Amount of Cash Dividends Paid (Millions of Yen)	Source of Cash Dividend Payment	Cash Dividend per Common Stock (Yen)	Record Date	Effective Date
Ordinary General Meeting of Shareholders held on June 20, 2014	Common stock (government portion)	1,016	Retained earnings	1.0 (Note 1)	March 31, 2014	Ordinary General Meeting of Shareholders held on June 20, 2014 and after competent minister authorization (Note 2)
	Common stock (nongovernment portion)	3,481		3.0		

Notes:

1. With respect to the payment of cash dividends applicable to shares held by the government, the amount that must be paid per share is stipulated under Article 50 of the Shoko Chukin Bank Law. This cash dividend amount is obtained by multiplying the amount that does not exceed a ratio of one the cash dividend paid for each share held by subscribers other than the government by the ratio stipulated under the Regulation Enforcing the Shoko Chukin Bank Law. This ratio stipulated under Article 15 of the Regulation Enforcing the Shoko Chukin Bank Law is 1:3 (one-third).
2. Pursuant to Article 49 of the Shoko Chukin Bank Law, resolutions with regard to the dividends from surplus and the appropriation of other retained earnings come into effect following authorization by the competent minister.

2. Fiscal Year Ended March 31, 2013 (April 1, 2012 to March 31, 2013)

(1) Matters relating to the type and number of shares issued

(Thousand shares)

	Number of Shares as of April 1, 2012	Increase	Decrease	Number of Shares as of March 31, 2013	Remarks
Number of shares issued and outstanding					
Common stock	2,186,531	—	—	2,186,531	
Total	2,186,531	—	—	2,186,531	
Treasury stock					
Common stock	9,721	81	1	9,801	(Note)
Total	9,721	81	1	9,801	

Note: The increase in the common stocks is due to claims by shareholders for repurchase of shares less than one unit. The decrease is due to claims by shareholders for additional sale of shares less than one unit.

(2) Matters Relating to Dividends

(a) Amount of cash dividends paid during the fiscal year

Resolution	Type of Capital Subscription Unit	Total Amount of Cash Dividends Paid (Millions of Yen)	Cash Dividend per Capital Subscription Unit (Yen)	Record Date	Effective Date
Ordinary General Meeting of Shareholders held on June 22, 2012	Common stock (government portion)	1,016	1.0 (Note)	March 31, 2012	June 26, 2012
	Common stock (nongovernment portion)	3,482	3.0		

Note: With respect to the payment of cash dividends applicable to shares held by the government, the amount that must be paid per share is stipulated under Article 50 of the Shoko Chukin Bank Law. This cash dividend amount is obtained by multiplying the amount that does not exceed a ratio of one the cash dividend paid for each share held by subscribers other than the government by the ratio stipulated under the Regulation Enforcing the Shoko Chukin Bank Law. This ratio stipulated under Article 15 of the Regulation Enforcing the Shoko Chukin Bank Law is 1:3 (one-third).

(b) Cash dividends for which the effective date falls after the fiscal year ended March 31, 2013 included in cash dividends for which the base date falls within the fiscal year ended March 31, 2013

	Type of Shares	Total Amount of Cash Dividends Paid (Millions of Yen)	Source of Cash Dividend Payment	Cash Dividend per Common Stock (Yen)	Record Date	Effective Date
Ordinary General Meeting of Shareholders held on June 21, 2013	Common stock (government portion)	1,016	Retained earnings	1.0 (Note 1)	March 31, 2013	Ordinary General Meeting of Shareholders held on June 21, 2013 and after competent minister authorization (Note 2)
	Common stock (nongovernment portion)	3,482		3.0		

Notes:

- With respect to the payment of cash dividends applicable to shares held by the government, the amount that must be paid per share is stipulated under Article 50 of the Shoko Chukin Bank Law. This cash dividend amount is obtained by multiplying the amount that does not exceed a ratio of one the cash dividend paid for each share held by subscribers other than the government by the ratio stipulated under the Regulation Enforcing the Shoko Chukin Bank Law. This ratio stipulated under Article 15 of the Regulation Enforcing the Shoko Chukin Bank Law is 1:3 (one-third).
- Pursuant to Article 49 of the Shoko Chukin Bank Law, resolutions with regard to the dividends from surplus and the appropriation of other retained earnings come into effect following authorization by the competent minister.