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Trends in Principal Financial Indicators (Consolidated)

Fiscal period ended	Billions of yen				
	March 31, 2016	March 31, 2015	March 31, 2014	March 31, 2013	March 31, 2012
Operating Income	¥ 204.4	¥ 212.9	¥ 219.6	¥ 227.7	¥ 231.1
Income before Income Taxes and Other	34.9	38.1	27.4	28.6	27.6
Net Income Attributable to Owners of Parent	12.4	16.8	12.8	15.0	10.6
Comprehensive Income	6.1	23.6	11.1	19.7	13.7
Net Assets	903.8	902.2	884.5	885.0	869.7
Total Assets	12,570.4	12,633.8	12,524.1	12,414.4	12,323.5
Net Assets per Share (Yen)	160.48	159.73	151.56	151.78	144.78
Net Income per Share (Yen)	5.72	7.75	5.91	6.92	4.91
Net Income per Share (Diluted) (Yen)	—	—	—	—	—
Capital Ratio (%)	7.16	7.11	7.03	7.09	7.02
Consolidated Tier 1 (Common Stock etc.) Ratio (Basel III) (%)	12.00	12.18	12.18	12.01	—
Consolidated Tier 1 Ratio (Basel III) (%)	12.00	12.18	12.18	12.01	—
Consolidated Total Capital Ratio (Basel III) (%)	13.37	13.56	13.70	13.51	—
Consolidated Capital Ratio (Basel II) (%)	—	—	—	—	13.09
Return on Equity (%)	1.38	1.89	1.46	1.72	1.24
Price Earnings Ratio	—	—	—	—	—
Cash Flows from Operating Activities	(121.3)	222.9	(32.1)	278.5	22.7
Cash Flows from Investing Activities	218.6	31.0	169.2	137.2	22.4
Cash Flows from Financing Activities	(4.5)	(4.5)	(4.5)	(4.5)	(4.5)
Cash and Cash Equivalents at the End of the Year	1,007.6	914.8	665.4	532.8	121.5
Number of Employees (Persons)	4,102	4,140	4,145	4,165	4,236
[Average Number of Temporary Employees excluded from Above]	[1,018]	[977]	[929]	[876]	[827]

- 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, September 13, 2013) and the "Guidance on Accounting Standard for Earnings Per Share" (ASBJ Guidance No. 4, September 13, 2013).
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 or registered.
7. Number of Employees refers to the number of persons employed (excluding seconded workers).
8. Effective from the current fiscal year, "Net Income" has been stated as "Net Income Attributable to Owners of Parent," adopting the "Revised Accounting Standard for Business Combinations" (ASBJ Statement No. 21, September 13, 2013), etc.

Consolidated Balance Sheets

The Shoko Chukin Bank, Ltd. and Subsidiaries As of March 31, 2016 and 2015

	Millions of yen		Millions of U.S. dollars	
	2016	2015	2016	2015
ASSETS				
Cash and Due from Banks	¥ 1,178,517	¥ 1,045,300	\$ 10,458	\$ 8,698
Call Loans and Bills Purchased	21,294	11,353	188	94
Monetary Claims Purchased	26,267	23,334	233	194
Trading Assets	26,576	23,406	235	194
Investment Securities	1,700,178	1,928,105	15,088	16,044
Loans	9,525,155	9,489,550	84,532	78,967
Foreign Exchange	16,877	17,770	149	147
Other Assets	122,614	113,048	1,088	940
Tangible Fixed Assets	43,059	43,647	382	363
Buildings	16,181	15,904	143	132
Land	23,803	23,844	211	198
Leased Assets	2	4	0	0
Construction in Progress	607	766	5	6
Other Tangible Fixed Assets	2,465	3,127	21	26
Intangible Fixed Assets	12,694	14,152	112	117
Software	11,610	11,595	103	96
Other Intangible Fixed Assets	1,083	2,557	9	21
Net Defined Benefit Asset	3,440	14,588	30	121
Deferred Income Taxes	52,502	56,942	465	473
Customers' Liabilities for Acceptances and Guarantees	102,623	98,678	910	821
Reserve for Possible Loan Losses	(261,333)	(246,070)	(2,319)	(2,047)
Total Assets	¥ 12,570,469	¥ 12,633,810	\$ 111,559	\$ 105,132

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	
	2016	2015	2016	2015
LIABILITIES				
Deposits	¥ 5,158,981	¥ 5,012,815	\$ 45,784	\$ 41,714
Negotiable Certificates of Deposit	126,924	111,689	1,126	929
Shoko Chukin Bank Debentures	4,816,468	4,833,180	42,744	40,219
Call Money and Bills Sold	383	7,210	3	59
Payables under Repurchase Agreements	13,525	6,000	120	49
Payables under Securities Lending Transactions	105,546	—	936	—
Trading Liabilities	17,834	14,235	158	118
Borrowed Money	1,120,189	1,433,640	9,941	11,930
Foreign Exchange	85	166	0	1
Other Liabilities	167,312	178,444	1,484	1,484
Reserve for Bonuses	4,629	4,525	41	37
Net Defined Benefit Liability	26,385	25,499	234	212
Reserve for Retirement Benefits for Directors	136	121	1	1
Reserve for Losses on Refund for Dormant Bonds	5,257	5,010	46	41
Reserve for Environmental Measures	158	185	1	1
Other Reserves	73	73	0	0
Deferred Tax Liabilities	54	51	0	0
Acceptances and Guarantees	102,623	98,678	910	821
Total Liabilities	11,666,570	11,731,530	103,537	97,624
NET ASSETS				
Capital	218,653	218,653	1,940	1,819
Crisis Response Reserve	150,000	150,000	1,331	1,248
Special Reserve under the Shoko Chukin Bank Law	400,811	400,811	3,557	3,335
Capital Surplus	0	0	0	0
Retained Earnings	126,186	118,223	1,119	983
Treasury Stock	(1,026)	(1,015)	(9)	(8)
Total Shareholders' Equity	894,624	886,672	7,939	7,378
Unrealized Gains on Other Securities	21,722	17,950	192	149
Remeasurements of Defined Benefit Plans	(16,245)	(6,139)	(144)	(51)
Total Accumulated Other Comprehensive Income	5,477	11,810	48	98
Non-controlling Interests	3,796	3,796	33	31
Total Net Assets	903,898	902,280	8,021	7,508
Total Liabilities and Net Assets	¥ 12,570,469	¥ 12,633,810	\$ 111,559	\$ 105,132

Consolidated Statements of Operations

The Shoko Chukin Bank, Ltd. and Subsidiaries For the years ended March 31, 2016 and 2015

	Millions of yen		Millions of U.S. dollars	
	2016	2015	2016	2015
Operating Income	¥ 204,406	¥ 212,975	\$ 1,814	\$ 1,772
Interest Income	143,668	153,025	1,275	1,273
Interest on Loans	132,252	140,276	1,173	1,167
Interest and Dividends on Securities	7,810	9,243	69	76
Interest on Call Loans and Interest on Bills Purchased	51	61	0	0
Interest on Repurchased Agreement	6	16	0	0
Interest on Deposits	1,397	1,164	12	9
Other Interest Income	2,148	2,262	19	18
Fees and Commissions	11,642	12,603	103	104
Trading Revenue	5,191	6,470	46	53
Other Operating Income	37,364	35,815	331	298
Other Income	6,540	5,060	58	42
Collection of Written-off Claims	52	123	0	1
Other Income	6,488	4,937	57	41
Operating Expenses	169,456	174,835	1,503	1,454
Interest Expenses	17,859	21,562	158	179
Interest on Deposits	4,338	4,340	38	36
Interest on Negotiable Certificates of Deposit	257	185	2	1
Interest on Debentures	8,605	10,508	76	87
Interest on Call Money and Interest on Bills Sold	9	24	0	0
Interest on Payables under Repurchase Agreements	30	3	0	0
Interest on Securities Lending Transactions	20	4	0	0
Interest on Borrowed Money	4,525	6,437	40	53
Other Interest Expenses	72	57	0	0
Fees and Commissions	3,878	4,063	34	33
Trading Expenses	17	202	0	1
Other Operating Expenses	31,861	29,530	282	245
General and Administrative Expenses	79,854	79,338	708	660
Other Expenses	35,984	40,137	319	334
Provision for Possible Loan Losses	32,780	36,526	290	303
Other Expenses	3,204	3,610	28	30
Profit before Income Taxes and Other	34,950	38,140	310	317
Other Gains	31	283	0	2
Gains on Disposal of Fixed Assets	31	283	0	2
Other Losses	311	332	2	2
Losses on Disposal of Fixed Assets	205	75	1	0
Impairment Loss	106	256	0	2
Profit before Income Taxes	34,670	38,090	307	316
Provision for Income Taxes	14,570	17,828	129	148
Adjustment for Income Taxes	7,634	3,388	67	28
Total Income Taxes	22,205	21,216	197	176
Profit	12,464	16,874	110	140
Profit Attributable to Non-controlling Interests	3	3	0	0
Profit Attributable to Owners of Parent	¥ 12,461	¥ 16,870	\$ 110	\$ 140

Consolidated Statements of Comprehensive Income

The Shoko Chukin Bank, Ltd. and Subsidiaries For the years ended March 31, 2016 and 2015

	Millions of yen		Millions of U.S. dollars	
	2016	2015	2016	2015
Profit	¥ 12,464	¥ 16,874	\$ 110	\$ 140
Other Comprehensive Income	(6,333)	6,757	(56)	56
Unrealized Gains on Other Securities	3,771	5,742	33	47
Remeasurements of Defined Benefit Plans	(10,105)	1,015	(89)	8
Comprehensive Income	6,131	23,631	54	196
Total Comprehensive Income Attributable to Owners of Parent	6,127	23,627	54	196
Non-controlling Interests	¥ 3	¥ 3	\$ 0	\$ 0

Consolidated Statements of Changes in Net Assets

The Shoko Chukin Bank, Ltd. and Subsidiaries For the years ended March 31, 2016 and 2015

Millions of yen

	Shareholders' Equity						
	Capital	Crisis Response Reserve	Special Reserve	Capital Surplus	Retained Earnings	Treasury Stock	Total Shareholders' Equity
Balance, April 1, 2015	¥ 218,653	¥ 150,000	¥ 400,811	¥ 0	¥ 118,223	¥(1,015)	¥ 886,672
Changes during the Period							
Dividends from Surplus					(4,497)		(4,497)
Profit Attributable to Owners of Parent					12,461		12,461
Acquisition of Treasury Stock						(10)	(10)
Disposition of Treasury Stock				0		0	0
Net Changes of Items Other Than Shareholders' Equity							
Total Changes during the Period	—	—	—	0	7,963	(10)	7,952
Balance, March 31, 2016	¥ 218,653	¥ 150,000	¥ 400,811	¥ 0	¥ 126,186	¥(1,026)	¥ 894,624

	Accumulated Other Comprehensive Income				
	Unrealized Gains on Other Securities	Remeasurements of Defined Benefit Plans	Total Accumulated Other Comprehensive Income	Non-controlling Interests	Total Net Assets
Balance, April 1, 2015	¥ 17,950	¥ (6,139)	¥ 11,810	¥ 3,796	¥ 902,280
Changes during the Period					
Dividends from Surplus					(4,497)
Profit Attributable to Owners of Parent					12,461
Acquisition of Treasury Stock					(10)
Disposition of Treasury Stock					0
Net Changes of Items Other Than Shareholders' Equity	3,771	(10,105)	(6,333)	—	(6,333)
Total Changes during the Period	3,771	(10,105)	(6,333)	—	1,618
Balance, March 31, 2016	¥ 21,722	¥(16,245)	¥ 5,477	¥ 3,796	¥ 903,898

Consolidated Statements of Changes in Net Assets

Consolidated Statements of Changes in Net Assets

The Shoko Chukin Bank, Ltd. and Subsidiaries For the years ended March 31, 2016 and 2015

Millions of yen

	Shareholders' Equity						Total Shareholders' Equity
	Capital	Crisis Response Reserve	Special Reserve	Capital Surplus	Retained Earnings	Treasury Stock	
Balance, April 1, 2014	¥ 218,653	¥ 150,000	¥ 400,811	¥ 0	¥ 107,198	¥ (1,005)	¥ 875,656
Cumulative Effects of Changes in Accounting Policies					(1,347)		(1,347)
Restated Balance	218,653	150,000	400,811	0	105,850	(1,005)	874,309
Changes during the Period							
Dividends from Surplus					(4,497)		(4,497)
Profit Attributable to Owners of Parent					16,870		16,870
Acquisition of Treasury Stock						(10)	(10)
Disposition of Treasury Stock							
Net Changes of Items Other Than Shareholders' Equity							
Total Changes during the Period	—	—	—	—	12,372	(10)	12,362
Balance, March 31, 2015	¥ 218,653	¥ 150,000	¥ 400,811	¥ 0	¥ 118,223	¥ (1,015)	¥ 886,672

	Accumulated Other Comprehensive Income			Non-controlling Interests	Total Net Assets
	Unrealized Gains on Other Securities	Remeasurements of Defined Benefit Plans	Total Accumulated Other Comprehensive Income		
Balance, April 1, 2014	¥ 12,208	¥ (7,154)	¥ 5,053	¥ 3,796	¥ 884,507
Cumulative Effects of Changes in Accounting Policies					(1,347)
Restated Balance	12,208	(7,154)	5,053	3,796	883,160
Changes during the Period					
Dividends from Surplus					(4,497)
Profit Attributable to Owners of Parent					16,870
Acquisition of Treasury Stock					(10)
Disposition of Treasury Stock					
Net Changes of Items Other Than Shareholders' Equity	5,742	1,015	6,757	—	6,757
Total Changes during the Period	5,742	1,015	6,757	—	19,119
Balance, March 31, 2015	¥ 17,950	¥ (6,139)	¥ 11,810	¥ 3,796	¥ 902,280

Millions of U.S. dollars

	Shareholders' Equity						Total Shareholders' Equity
	Capital	Crisis Response Reserve	Special Reserve	Capital Surplus	Retained Earnings	Treasury Stock	
Balance, April 1, 2015	\$ 1,940	\$ 1,331	\$ 3,557	\$ 0	\$ 1,049	\$(9)	\$ 7,868
Changes during the Period							
Dividends from Surplus					(39)		(39)
Profit Attributable to Owners of Parent					110		110
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	70	(0)	70
Balance, March 31, 2016	\$ 1,940	\$ 1,331	\$ 3,557	\$ 0	\$ 1,119	\$(9)	\$ 7,939

	Accumulated Other Comprehensive Income			Non-controlling Interests	Total Net Assets
	Unrealized Gains on Other Securities	Remeasurements of Defined Benefit Plans	Total Accumulated Other Comprehensive Income		
Balance, April 1, 2015	\$ 159	\$ (54)	\$ 104	\$ 33	\$ 8,007
Changes during the Period					
Dividends from Surplus					(39)
Profit Attributable to Owners of Parent					110
Acquisition of Treasury Stock					(0)
Disposition of Treasury Stock					0
Net Changes of Items Other Than Shareholders' Equity	33	(89)	(56)	—	(56)
Total Changes during the Period	33	(89)	(56)	—	14
Balance, March 31, 2016	\$ 192	\$ (144)	\$ 48	\$ 33	\$ 8,021

Consolidated Statements of Changes in Net Assets

Consolidated Statements of Changes in Net Assets

The Shoko Chukin Bank, Ltd. and Subsidiaries For the years ended March 31, 2016 and 2015

Millions of U.S. dollars

	Shareholders' Equity						Total Shareholders' Equity
	Capital	Crisis Response Reserve	Special Reserve	Capital Surplus	Retained Earnings	Treasury Stock	
Balance, April 1, 2014	\$ 1,819	\$ 1,248	\$ 3,335	\$ 0	\$ 892	\$(8)	\$ 7,286
Cumulative Effects of Changes in Accounting Policies					(11)		(11)
Restated Balance	1,819	1,248	3,335	0	880	(8)	7,275
Changes during the Period							
Dividends from Surplus					(37)		(37)
Profit Attributable to Owners of Parent					140		140
Acquisition of Treasury Stock						(0)	(0)
Disposition of Treasury Stock							
Net Changes of Items Other Than Shareholders' Equity							
Total Changes during the Period	—	—	—	—	102	(0)	102
Balance, March 31, 2015	\$ 1,819	\$ 1,248	\$ 3,335	\$ 0	\$ 983	\$(8)	\$ 7,378

	Accumulated Other Comprehensive Income			Non-controlling Interests	Total Net Assets
	Unrealized Gains on Other Securities	Remeasurements of Defined Benefit Plans	Total Accumulated Other Comprehensive Income		
Balance, April 1, 2014	\$ 101	\$(59)	\$ 42	\$ 31	\$ 7,360
Cumulative Effects of Changes in Accounting Policies					(11)
Restated Balance	101	(59)	42	31	7,349
Changes during the Period					
Dividends from Surplus					(37)
Profit Attributable to Owners of Parent					140
Acquisition of Treasury Stock					(0)
Disposition of Treasury Stock					
Net Changes of Items Other Than Shareholders' Equity	47	8	56	—	56
Total Changes during the Period	47	8	56	—	159
Balance, March 31, 2015	\$ 149	\$(51)	\$ 98	\$ 31	\$ 7,508

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 ¥112.68=U.S.\$1.00, the approximate rate of exchange prevailing as of March 31, 2016, has been used for translation purposes for the year ended March 31, 2016, and ¥120.17=U.S.\$1.00, the approximate rate of exchange prevailing as of March 31, 2015, has been used for translation purposes for the year ended March 31, 2015. 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.

(2) Non-consolidated subsidiaries: 1 company

Names of non-consolidated subsidiaries:

- YAESU MIDORI KANREN JIGYOU KYOUDOUKUMIAI

Non-consolidated subsidiaries are excluded from the scope of consolidation because their total amounts in terms of total assets, operating income and profit (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: 1 company
Names of non-consolidated subsidiaries that are not accounted for by the equity method: YAESU MIDORI KANREN JIGYOU KYOUDOUKUMIAI
 - (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 profit (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
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 policies
 - (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 one 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 the 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, July 4, 2012). 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 benefit formula basis. 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 were 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.
- (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, July 29, 2002). 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, February 13, 2002). 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) 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 Group has adopted "Revised Accounting Standard for Business Combinations" (ASBJ Statement No.21, September 13, 2013, hereinafter referred to as "Accounting Standard for Business Combinations"), "Revised Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No.22, September 13, 2013, hereinafter referred to as "Consolidated Accounting Standard"), and "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No.7, September 13,

2013, hereinafter referred to as “Accounting Standard for Business Divestitures”) and other related standards from the current fiscal period. Accordingly, difference arising from the changes in the Bank’s ownership interests in subsidiaries in cases where control is retained is recognized as capital surplus, and acquisition-related costs are recognized as expenses in the fiscal period in which they incur. Regarding business combinations taking place on or after the beginning of the current fiscal period, an adjustment of acquisition cost allocation arising from the finalization of the provisional accounting treatments is retrospectively recognized in the consolidated financial statements for the accounting period in which the business combination occurs. In addition, presentation of “net income” and other items has been changed, and “minority interests” has been renamed “non-controlling interests.” To reflect these changes in presentation, the consolidated financial statements for the year ended March 31, 2015 have been reclassified.

The Group has adopted the Accounting Standard for Business Combinations and other standards above from the beginning of the current fiscal period in accordance with the transitional accounting treatments set forth in Paragraph 58-2 (4) of the Accounting Standard for Business Combinations, Paragraph 44-5 (4) of the Consolidated Accounting Standard and Paragraph 57-4 (4) of the Accounting Standard for Business Divestitures.

There is no effect on the consolidated financial statements for the current fiscal period.

UNAPPLIED ACCOUNTING STANDARD

“Revised Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26, March 28, 2016, hereinafter referred to as “Implementation Guidance”)

(1) Overview

The Implementation Guidance has been partially amended, which basically continues to follow the contents of guidance on recoverability of deferred tax assets specified in “Auditing Treatment for Determining the Recoverability of Deferred Tax Assets” (JICPA Auditing Committee Report No.66)

(2) Date of adoption

This Implementation Guidance is scheduled to be adopted from the beginning of the fiscal period starting on April 1, 2016.

(3) Effect of adopting the accounting standard

The adoption of this Implementation Guidance has no effect.

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 (hereinafter referred to as “Supplementary Provisions”).

The special reserve has the following characteristics.

- (1) Pursuant to the provisions of Article 43 of the Shoko Chukin Bank Law (hereinafter referred to as “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 1 of the 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 3 of the Law.
- (3) Pursuant to the provisions of Article 45 of the 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 Law.

2. Crisis Response Reserve

Pursuant to the Article 2-6 of the Supplementary Provisions, in order for smooth implementation of crisis response measures, the Bank accounts 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 Law, which is applied with a replacement of the terms pursuant to the Article 2-9, Paragraph 1 of the Supplementary Provisions, 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 Article 2-7 of the Supplementary Provisions, 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 3 of the Law, which is applied with a replacement of the terms pursuant to the Article 2-9, Paragraph 1 of the Supplementary Provisions. The increase in the amount of the crisis response reserves shall, pursuant to the Article 2-9, Paragraph 2 of the

Supplementary Provisions, be undertaken prior to the increase in the amount of the special reserve.

- (3) Pursuant to the provisions of Article 45 of the Law, which is applied with a replacement of the terms pursuant to the Article 2-8 and 2-9, Paragraph 1 of the Supplementary Provisions, 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 Law, which are applied with a replacement of the terms pursuant to the Article 2-9, Paragraph 1 of the Supplementary Provisions, and the Article 2-9, Paragraph 3 of the Supplementary Provisions.

CONSOLIDATED BALANCE SHEETS

1. In Loans, loans to bankrupt companies total ¥68,203 million and overdue loans total ¥381,301 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.
2. Loans overdue by three months or longer total ¥571 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.
3. Rescheduled loans total ¥14,370 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.

4. The total amount of loans to bankrupt companies, overdue loans, loans overdue by three months or longer and rescheduled loans is ¥464,446 million.

The amounts of loans stated in Notes 1 through 4 are the numbers before the deduction of Reserve for Possible Loan Losses.

5. 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, February 13, 2002). 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 ¥207,506 million.
6. Assets provided as collateral are as follows.

Assets provided as collateral:

Securities ¥850,352 million

Liabilities corresponding to collateral assets:

Deposits ¥6,343 million

Payables under Repurchase Agreements

¥13,525 million

Payables under Securities Lending Transactions

¥105,546 million

Borrowings

¥540,000 million

In addition to the above amounts, securities worth ¥62,171 million have been provided as collateral for foreign currency settlements or substituted for futures margin money, etc.

Other Assets include ¥12,063 million of Cash Collateral Received for Financial Instruments and ¥2,237 million of guarantees and deposits.

7. 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 ¥1,011,058 million. Of this amount, ¥968,544 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 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

Notes to Consolidated Financial Statements

The Shoko Chukin Bank, Ltd. and Subsidiaries For the year ended March 31, 2016

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.

8. Accumulated depreciation of Tangible Fixed Assets is ¥71,772 million.
9. Advanced depreciation of Tangible Fixed Assets is ¥17,523 million.
(There is no advanced depreciation for this fiscal period.)
10. Borrowings include loans payable under subordination covenant totaling ¥46,000 million.
11. 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 ¥182,989 million.

CONSOLIDATED STATEMENTS OF OPERATIONS

Other Operating Expenses include ¥364 million of amortization expense of loans and ¥30 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	
	2016	2015
Unrealized Gains on Other Securities		
Amount arising during the current fiscal year	¥ 6,155	¥ 9,300
Reclassification Adjustments	(1,357)	(1,761)
Before adjustment of Deferred Income Tax	4,798	7,539
Deferred Income Tax	(1,026)	(1,797)
Unrealized Gains on Other Securities	3,771	5,742
Remeasurements of Defined Benefit Plans		
Amount arising during the current fiscal year	(16,815)	(575)
Reclassification Adjustments	2,492	2,611
Before adjustment of Deferred Income Tax	(14,323)	2,036
Deferred Income Tax	4,217	(1,021)
Remeasurements of Defined Benefit Plans	(10,105)	1,015
Total Other Comprehensive Income	¥ (6,333)	¥ 6,757

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

1. Fiscal Year Ended March 31, 2016 (April 1, 2015 to March 31, 2016)

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

(Thousand shares)

	Number of Shares as of April 1, 2015	Increase	Decrease	Number of Shares as of March 31, 2016	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	9,937	67	0	10,005	(Note)
Total	9,937	67	0	10,005	

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 23, 2015	Common stock (government portion)	1,016	1.0 (Note)	March 31, 2015	June 25, 2015
	Common stock (nongovernment portion)	3,481	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, 2016 included in cash dividends for which the base date falls within the fiscal year ended March 31, 2016

	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 23, 2016	Common stock (government portion)	1,016	Retained earnings	1.0 (Note 1)	March 31, 2016	Ordinary General Meeting of Shareholders held on June 23, 2016 and after competent minister authorization (Note 2)
	Common stock (nongovernment portion)	3,481		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.

2. Fiscal Year Ended March 31, 2015 (April 1, 2014 to March 31, 2015)

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

(Thousand shares)

	Number of Shares as of April 1, 2014	Increase	Decrease	Number of Shares as of March 31, 2015	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	9,871	66	—	9,937	(Note)
Total	9,871	66	—	9,937	

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 20, 2014	Common stock (government portion)	1,016	1.0 (Note)	March 31, 2014	June 24, 2014
	Common stock (nongovernment portion)	3,481	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, 2015 included in cash dividends for which the base date falls within the fiscal year ended March 31, 2015

	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 23, 2015	Common stock (government portion)	1,016	Retained earnings	1.0 (Note 1)	March 31, 2015	Ordinary General Meeting of Shareholders held on June 23, 2015 and after competent minister authorization (Note 2)
	Common stock (nongovernment portion)	3,481		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.