

Financial Data (Consolidated)

Year Ended March 31, 2017

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Trends in Principal Financial Indicators (Consolidated)

Fiscal period ended	Billions of yen				
	March 31, 2017	March 31, 2016	March 31, 2015	March 31, 2014	March 31, 2013
Operating Income	¥ 195.3	¥ 204.4	¥ 212.9	¥ 219.6	¥ 227.7
Income before Income Taxes and Other	50.8	34.9	38.1	27.4	28.6
Net Income Attributable to Owners of Parent	32.4	12.4	16.8	12.8	15.0
Comprehensive Income	35.9	6.1	23.6	11.1	19.7
Net Assets	935.3	903.8	902.2	884.5	885.0
Total Assets	12,845.0	12,570.4	12,633.8	12,524.1	12,414.4
Net Assets per Share (Yen)	174.92	160.48	159.73	151.56	151.78
Net Income per Share (Yen)	14.90	5.72	7.75	5.91	6.92
Net Income per Share (Diluted) (Yen)	—	—	—	—	—
Capital Ratio (%)	7.25	7.16	7.11	7.03	7.09
Consolidated Tier 1 (Common Stock etc.) Ratio (%)	11.97	12.00	12.18	12.18	12.01
Consolidated Tier 1 Ratio (%)	11.97	12.00	12.18	12.18	12.01
Consolidated Total Capital Ratio (%)	13.12	13.37	13.56	13.70	13.51
Return on Equity (%)	3.54	1.38	1.89	1.46	1.72
Price Earnings Ratio	—	—	—	—	—
Cash Flows from Operating Activities	535.3	(121.3)	222.9	(32.1)	278.5
Cash Flows from Investing Activities	149.5	218.6	31.0	169.2	137.2
Cash Flows from Financing Activities	(10.5)	(4.5)	(4.5)	(4.5)	(4.5)
Cash and Cash Equivalents at the End of the Year	1,682.0	1,007.6	914.8	665.4	532.8
Number of Employees (Persons)	4,080	4,102	4,140	4,145	4,165
[Average Number of Temporary Employees excluded from Above]	[1,047]	[1,018]	[977]	[929]	[876]

- 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. The figure for Net Income per Share (Diluted) is not disclosed because there were no shares with a dilutive effect.
3. 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
4. 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. The Shoko Chukin Bank has adopted the BIS international capital adequacy guidelines.
5. Figures for Price Earnings Ratio are not disclosed because the Shoko Chukin Bank is not publicly listed or registered.
6. 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, 2017 and 2016

	Millions of yen		Millions of U.S. dollars	
	2017	2016	2017	2016
ASSETS				
Cash and Due from Banks	¥ 1,722,831	¥ 1,178,517	\$ 15,356	\$ 10,458
Call Loans and Bills Purchased	57,723	21,294	514	188
Monetary Claims Purchased	26,127	26,267	232	233
Trading Assets	20,485	26,576	182	235
Investment Securities	1,539,789	1,700,178	13,724	15,088
Loans	9,343,501	9,525,155	83,282	84,532
Foreign Exchange	15,708	16,877	140	149
Other Assets	146,301	122,614	1,304	1,088
Tangible Fixed Assets	43,854	43,059	390	382
Buildings	16,795	16,181	149	143
Land	23,791	23,803	212	211
Leased Assets	1	2	0	0
Construction in Progress	909	607	8	5
Other Tangible Fixed Assets	2,356	2,465	21	21
Intangible Fixed Assets	10,958	12,694	97	112
Software	9,388	11,610	83	103
Other Intangible Fixed Assets	1,569	1,083	13	9
Net Defined Benefit Asset	4,452	3,440	39	30
Deferred Income Taxes	47,414	52,502	422	465
Customers' Liabilities for Acceptances and Guarantees	103,466	102,623	922	910
Reserve for Possible Loan Losses	(237,584)	(261,333)	(2,117)	(2,319)
Total Assets	¥ 12,845,033	¥ 12,570,469	\$ 114,493	\$ 111,559

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	
	2017	2016	2017	2016
LIABILITIES				
Deposits	¥ 5,103,175	¥ 5,158,981	\$ 45,486	\$ 45,784
Negotiable Certificates of Deposit	272,855	126,924	2,432	1,126
Shoko Chukin Bank Debentures	4,743,721	4,816,468	42,282	42,744
Call Money and Bills Sold	359	383	3	3
Payables under Repurchase Agreements	—	13,525	—	120
Payables under Securities Lending Transactions	474,944	105,546	4,233	936
Trading Liabilities	10,918	17,834	97	158
Borrowed Money	1,015,805	1,120,189	9,054	9,941
Foreign Exchange	86	85	0	0
Other Liabilities	142,457	167,312	1,269	1,484
Reserve for Bonuses	4,637	4,629	41	41
Net Defined Benefit Liability	25,378	26,385	226	234
Reserve for Retirement Benefits for Directors	90	136	0	1
Reserve for Losses on Refund for Dormant Bonds	11,541	5,257	102	46
Reserve for Environmental Measures	152	158	1	1
Other Reserves	75	73	0	0
Deferred Tax Liabilities	49	54	0	0
Acceptances and Guarantees	103,466	102,623	922	910
Total Liabilities	11,909,714	11,666,570	106,156	103,537
NET ASSETS				
Capital	218,653	218,653	1,948	1,940
Crisis Response Reserve	150,000	150,000	1,337	1,331
Special Reserve under the Shoko Chukin Bank Law	400,811	400,811	3,572	3,557
Capital Surplus	0	0	0	0
Retained Earnings	154,131	126,186	1,373	1,119
Treasury Stock	(1,038)	(1,026)	(9)	(9)
Total Shareholders' Equity	922,557	894,624	8,223	7,939
Unrealized Gains on Other Securities	23,540	21,722	209	192
Deferred Hedge Gains	48	—	0	—
Remeasurements of Defined Benefit Plans	(14,625)	(16,245)	(130)	(144)
Total Accumulated Other Comprehensive Income	8,964	5,477	79	48
Non-controlling Interests	3,796	3,796	33	33
Total Net Assets	935,318	903,898	8,336	8,021
Total Liabilities and Net Assets	¥ 12,845,033	¥ 12,570,469	\$ 114,493	\$ 111,559

Consolidated Statements of Operations

The Shoko Chukin Bank, Ltd. and Subsidiaries For the years ended March 31, 2017 and 2016

	Millions of yen		Millions of U.S. dollars	
	2017	2016	2017	2016
Operating Income	¥ 195,376	¥ 204,406	\$ 1,741	\$ 1,814
Interest Income	130,197	143,668	1,160	1,275
Interest on Loans	119,142	132,252	1,061	1,173
Interest and Dividends on Securities	7,255	7,810	64	69
Interest on Call Loans and Interest on Bills Purchased	570	51	5	0
Interest on Repurchased Agreement	0	6	0	0
Interest on Deposits	1,330	1,397	11	12
Interest on Interest Swaps	31	—	0	—
Other Interest Income	1,868	2,148	16	19
Fees and Commissions	12,338	11,642	109	103
Trading Revenue	5,391	5,191	48	46
Other Operating Income	36,783	37,364	327	331
Other Income	10,665	6,540	95	58
Collection of Written-off Claims	70	52	0	0
Other Income	10,595	6,488	94	57
Operating Expenses	144,499	169,456	1,287	1,503
Interest Expenses	11,023	17,859	98	158
Interest on Deposits	3,595	4,338	32	38
Interest on Negotiable Certificates of Deposit	388	257	3	2
Interest on Debentures	4,364	8,605	38	76
Interest on Call Money and Interest on Bills Sold	(31)	9	(0)	0
Interest on Payables under Repurchase Agreements	54	30	0	0
Interest on Securities Lending Transactions	38	20	0	0
Interest on Borrowed Money	2,571	4,525	22	40
Other Interest Expenses	41	72	0	0
Fees and Commissions	3,414	3,878	30	34
Trading Expenses	24	17	0	0
Other Operating Expenses	32,816	31,861	292	282
General and Administrative Expenses	82,951	79,854	739	708
Other Expenses	14,269	35,984	127	319
Provision for Possible Loan Losses	5,909	32,780	52	290
Other Expenses	8,360	3,204	74	28
Profit before Income Taxes and Other	50,876	34,950	453	310
Other Gains	2	31	0	0
Gains on Disposal of Fixed Assets	2	31	0	0
Other Losses	241	311	2	2
Losses on Disposal of Fixed Assets	174	205	1	1
Impairment Loss	66	106	0	0
Profit before Income Taxes	50,638	34,670	451	307
Provision for Income Taxes	14,639	14,570	130	129
Adjustment for Income Taxes	3,552	7,634	31	67
Total Income Taxes	18,192	22,205	162	197
Profit	32,445	12,464	289	110
Profit Attributable to Non-controlling Interests	3	3	0	0
Profit Attributable to Owners of Parent	¥ 32,442	¥ 12,461	\$ 289	\$ 110

Consolidated Statements of Comprehensive Income

The Shoko Chukin Bank, Ltd. and Subsidiaries For the years ended March 31, 2017 and 2016

	Millions of yen		Millions of U.S. dollars	
	2017	2016	2017	2016
Profit	¥ 32,445	¥ 12,464	\$ 289	\$ 110
Other Comprehensive Income	3,486	(6,333)	31	(56)
Unrealized Gains on Other Securities	1,818	3,771	16	33
Deferred Hedge Gains	48	—	0	—
Remeasurements of Defined Benefit Plans	1,619	(10,105)	14	(89)
Comprehensive Income	35,932	6,131	320	54
Total Comprehensive Income Attributable to Owners of Parent	35,928	6,127	320	54
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, 2017 and 2016

Millions of yen

	Shareholders' Equity						
	Capital	Crisis Response Reserve	Special Reserve	Capital Surplus	Retained Earnings	Treasury Stock	Total Shareholders' Equity
Balance, April 1, 2016	¥ 218,653	¥ 150,000	¥ 400,811	¥ 0	¥ 126,186	¥(1,026)	¥ 894,624
Changes during the Period							
Dividends from Surplus					(4,497)		(4,497)
Profit Attributable to Owners of Parent					32,442		32,442
Acquisition of Treasury Stock						(11)	(11)
Disposition of Treasury Stock							
Net Changes of Items Other Than Shareholders' Equity							
Total Changes during the Period	—	—	—	—	27,944	(11)	27,932
Balance, March 31, 2017	¥ 218,653	¥ 150,000	¥ 400,811	¥ 0	¥ 154,131	¥(1,038)	¥ 922,557

	Accumulated Other Comprehensive Income					Non-controlling Interests	Total Net Assets
	Unrealized Gains on Other Securities	Deferred Hedge Gains	Remeasurements of Defined Benefit Plans	Total Accumulated Other Comprehensive Income			
Balance, April 1, 2016	¥ 21,722	¥ —	¥(16,245)	¥ 5,477		¥ 3,796	¥ 903,898
Changes during the Period							
Dividends from Surplus							(4,497)
Profit Attributable to Owners of Parent							32,442
Acquisition of Treasury Stock							(11)
Disposition of Treasury Stock							
Net Changes of Items Other Than Shareholders' Equity	1,818	48	1,619	3,486		—	3,486
Total Changes during the Period	1,818	48	1,619	3,486		—	31,419
Balance, March 31, 2017	¥ 23,540	¥ 48	¥(14,625)	¥ 8,964		¥ 3,796	¥ 935,318

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, 2017 and 2016

Millions of yen

	Shareholders' Equity						Total Shareholders' Equity
	Capital	Crisis Response Reserve	Special Reserve	Capital Surplus	Retained Earnings	Treasury Stock	
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				Non-controlling Interests	Total Net Assets
	Unrealized Gains on Other Securities	Deferred Hedge Gains	Remeasurements of Defined Benefit Plans	Total Accumulated Other Comprehensive Income		
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

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, 2016	\$ 1,948	\$ 1,337	\$ 3,572	\$ 0	\$ 1,124	\$(9)	\$ 7,974
Changes during the Period							
Dividends from Surplus					(40)		(40)
Profit Attributable to Owners of Parent					289		289
Acquisition of Treasury Stock						(0)	(0)
Disposition of Treasury Stock							
Net Changes of Items Other Than Shareholders' Equity							
Total Changes during the Period	—	—	—	—	249	(0)	248
Balance, March 31, 2017	\$ 1,948	\$ 1,337	\$ 3,572	\$ 0	\$ 1,373	\$(9)	\$ 8,223

	Accumulated Other Comprehensive Income				Non-controlling Interests	Total Net Assets
	Unrealized Gains on Other Securities	Deferred Hedge Gains	Remeasurements of Defined Benefit Plans	Total Accumulated Other Comprehensive Income		
Balance, April 1, 2016	\$ 193	\$ —	\$(144)	\$ 48	\$ 33	\$ 8,056
Changes during the Period						
Dividends from Surplus						(40)
Profit Attributable to Owners of Parent						289
Acquisition of Treasury Stock						(0)
Disposition of Treasury Stock						
Net Changes of Items Other Than Shareholders' Equity	16	0	14	31	—	31
Total Changes during the Period	16	0	14	31	—	280
Balance, March 31, 2017	\$ 209	\$ 0	\$(130)	\$ 79	\$ 33	\$ 8,336

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, 2017 and 2016

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	Deferred Hedge Gains	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

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 ¥112.19=U.S.\$1.00, the approximate rate of exchange prevailing as of March 31, 2017, has been used for translation purposes for the year ended March 31, 2017, and ¥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. 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 Sheets 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.

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

Reserves for Bonuses are set up for the payment of employees' bonuses and appropriate 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

Reserves for Retirement Benefits for Directors are 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
Reserves for Environmental Measures are set up for the estimated payment for disposal of PCB (polychlorinated biphenyl) waste.
- (10) Accounting standard for Other Reserves
Other Reserves include an estimated amount of Reserve for Sales Promotion to provide for the exchange of items and an estimated amount of future losses on repayment of cashing interest recorded at a lump sum as Reverse for Losses on Interest Repayment.
- (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) Interest rate risk hedging
Deferred hedge accounting is adopted for hedges carried out to control the risk of interest fluctuations arising from financial assets and liabilities of the Bank, as stipulated in "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). Interest swap transactions are carried out for the purpose of offsetting the risk of market fluctuations arising from financial assets and liabilities. The effectiveness of the hedge is identified and evaluated by grouping the loans as hedged items and interest rate swap transactions as hedged instruments by a certain remaining period.
- (b) Currency risk hedging
Deferred hedge accounting is adopted for hedges carried out to control the risk of currency fluctuations arising from foreign currency-denominated financial 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.
- (c) 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 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) 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.

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 has been secured, all or a portion of the amount of special reserve may, pursuant to a resolution of the general meeting of shareholders, be 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 operations, 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 Bank deems it has sufficiently secured the necessary financial foundation for the smooth implementation of crisis response operations, 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.

3. Adoption of Revised Implementation Guidance on Recoverability of Deferred Tax Assets

The Bank adopted "Revised Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No. 26, March 28, 2016) from the current fiscal period.

4. Misconduct in confirming the requirements for crisis response operations

As a result of the investigations by the third-party committees on the matter of "Misconduct in confirming the requirements for crisis response operations," there was a total of 901 cases of "accounts in which misconduct was identified" and "accounts that are unable to dispel doubts of misconduct," with outstanding loan of ¥17,621 million (as of February 28, 2017). Of these, the Bank identified 423 cases of "accounts that do not meet the requirements for crisis-response operations," with outstanding loan of ¥8,616 million. The Bank is required to promptly refund interest subsidies and compensation to Japan Finance Corporation. The expected losses are ¥230 million, including the increase in reserve for possible loan losses due to the cancellation of guaranty insurance agreements.

In addition, the above expected losses are not recorded in the consolidated financial statements for the current fiscal period. For those accounts that have yet to be investigated, the Bank intends to continue investigations

with helps from external experts and to record the expected losses appropriately in the consolidated financial statements by taking into account the impact on “accounts that do not meet the requirements for crisis-response operations” that will be identified additionally through such investigation.

CONSOLIDATED BALANCE SHEETS

1. In Loans, loans to bankrupt companies total ¥58,415 million and overdue loans total ¥354,017 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 ¥72 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 ¥17,222 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 ¥429,728 million.

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

5. Bills discounted are handled as financial transactions in accordance with 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 ¥189,462 million.

6. Assets provided as collateral are as follows.

Assets provided as collateral:

Securities ¥1,166,254 million

Liabilities corresponding to collateral assets:

Deposits ¥6,866 million

Payables under Securities Lending Transactions ¥474,944 million

Borrowings ¥630,471 million

In addition to the above amounts, securities worth ¥45,688 million have been provided as collateral for foreign currency settlements or substituted for futures margin money, etc.

Other Assets include ¥31,931 million of Cash Collateral Received for Financial Instruments and ¥2,259 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 ¥1,066,129 million. Of this amount, ¥1,016,958 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 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 ¥68,137 million.
9. Advanced depreciation of Tangible Fixed Assets is ¥17,477 million.
(There is no advanced depreciation for the current fiscal period.)
10. Borrowings include loans payable under subordination covenant totaling ¥40,000 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 ¥178,216 million.

CONSOLIDATED STATEMENTS OF OPERATIONS

- Other Income includes ¥7,807 million of revenue from dormant bonds.
- Other Expenses include ¥212 million of write-off of loans, ¥82 million of Write-off of Stocks and ¥7,178 million of provision for reserves for losses on refund for dormant bonds.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

	Millions of yen	
	2017	2016
Unrealized Gains on Other Securities		
Amount arising during the current fiscal year	¥ 2,556	¥ 6,155
Reclassification Adjustments	59	(1,357)
Before adjustment of Deferred Income Tax	2,616	4,798
Deferred Income Tax	(797)	(1,026)
Unrealized Gains on Other Securities	1,818	3,771
Deferred Hedge Gains		
Amount arising during the current fiscal year	101	—
Reclassification Adjustments	(31)	—
Before adjustment of Deferred Income Tax	69	—
Deferred Income Tax	(21)	—
Deferred Hedge Gains	48	—
Remeasurements of Defined Benefit Plans		
Amount arising during the current fiscal year	(1,111)	(16,815)
Reclassification Adjustments	3,442	2,492
Before adjustment of Deferred Income Tax	2,330	(14,323)
Deferred Income Tax	(710)	4,217
Remeasurements of Defined Benefit Plans	1,619	(10,105)
Total Other Comprehensive Income (Loss)	¥ 3,486	¥ (6,333)

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

- Fiscal Year Ended March 31, 2017 (April 1, 2016 to March 31, 2017)
 - Matters relating to the type and number of shares issued

	Number of Shares as of April 1, 2016	Increase	Decrease	(Thousand shares)	
				Number of Shares as of March 31, 2017	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	10,005	71	—	10,076	(Note)
Total	10,005	71	—	10,076	

Note: The increase in the common stocks is due to claims by shareholders for repurchase 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, 2016	Common stock (government portion)	1,016	1.0 (Note)	March 31, 2016	June 27, 2016
	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, 2017 included in cash dividends for which the base date falls within the fiscal year ended March 31, 2017

	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 22, 2017	Common stock (government portion)	1,016	Retained earnings	1.0 (Note 1)	March 31, 2017	Ordinary General Meeting of Shareholders held on June 22, 2017 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, 2016 (April 1, 2015 to March 31, 2016)

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

	Number of Shares as of April 1, 2015	Increase	Decrease	(Thousand shares)	
				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.

Capital Account Details (Consolidated)

The Shoko Chukin Bank, Ltd. and Subsidiaries For the year ended March 31, 2017

CAPITAL RATIO (Uniform International Standards)	(¥100 million, %)
	(As of March 31, 2017)
1. Total Risk-weighted Capital Ratio (4/7)	13.12
2. Tier 1 Risk-weighted Capital Ratio (5/7)	11.97
3. Common Equity Tier 1 Risk-weighted Capital Ratio (6/7)	11.97
4. Total Capital	10,044
5. Tier 1 Capital	9,166
6. Common Equity Tier 1 Capital	9,166
7. Risk-weighted Assets	76,524
8. Total Required Capital	6,121