

Balance Sheets	36
Statements of Operations	38
Statements of Comprehensive Income	38
Statements of Changes in Net Assets	39
Notes to Financial Statements	43
Capital Account Details	49

Trends in Principal Financial Indicators (Consolidated)

Fiscal period ended	Billions of yen				
	March 31, 2019	March 31, 2018	March 31, 2017	March 31, 2016	March 31, 2015
Operating Income	¥ 181.2	¥ 204.7	¥ 195.3	¥ 204.4	¥ 212.9
Income before Income Taxes and Other	32.1	58.4	50.8	34.9	38.1
Net Income Attributable to Owners of Parent	15.4	37.3	32.4	12.4	16.8
Comprehensive Income	11.2	41.5	35.9	6.1	23.6
Net Assets	964.0	972.3	935.3	903.8	902.2
Total Assets	11,818.5	11,957.3	12,845.0	12,570.4	12,633.8
Net Assets per Share (Yen)	195.04	191.95	174.92	160.48	159.73
Net Income per Share (Yen)	7.08	17.15	14.90	5.72	7.75
Net Income per Share (Diluted) (Yen)	—	—	—	—	—
Capital Ratio (%)	8.12	8.10	7.25	7.16	7.11
Consolidated Tier 1 (Common Stock etc.) Ratio (%)	12.30	12.69	11.97	12.00	12.18
Consolidated Tier 1 Ratio (%)	12.30	12.69	11.97	12.00	12.18
Consolidated Total Capital Ratio (%)	12.99	13.53	13.12	13.37	13.56
Return on Equity (%)	1.59	3.93	3.54	1.38	1.89
Price Earnings Ratio	—	—	—	—	—
Cash Flows from Operating Activities	223.9	(165.6)	535.3	(121.3)	222.9
Cash Flows from Investing Activities	113.5	16.6	149.5	218.6	31.0
Cash Flows from Financing Activities	(24.5)	(24.5)	(10.5)	(4.5)	(4.5)
Cash and Cash Equivalents at the End of the Year	1,821.5	1,508.5	1,682.0	1,007.6	914.8
Number of Employees (Persons)	4,113	4,083	4,080	4,102	4,140
[Average Number of Temporary Employees excluded from Above]	[1,036]	[1,058]	[1,047]	[1,018]	[977]

- 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, 2019 and 2018

	Millions of yen		Millions of U.S. dollars	
	2019	2018	2019	2018
ASSETS				
Cash and Due from Banks	¥ 1,856,792	¥ 1,526,934	\$ 16,729	\$ 14,372
Call Loans and Bills Purchased	45,347	41,412	408	389
Monetary Claims Purchased	26,573	27,621	239	259
Trading Assets	14,132	21,413	127	201
Investment Securities	1,380,634	1,511,359	12,439	14,225
Loans	8,280,606	8,636,946	74,606	81,296
Foreign Exchange	16,571	15,586	149	146
Other Assets	178,060	178,015	1,604	1,675
Tangible Fixed Assets	37,276	44,365	335	417
Buildings	16,276	17,515	146	164
Land	18,733	23,737	168	223
Leased Assets	—	0	—	0
Construction in Progress	740	949	6	8
Other Tangible Fixed Assets	1,526	2,163	13	20
Intangible Fixed Assets	11,880	10,960	107	103
Software	6,468	6,873	58	64
Other Intangible Fixed Assets	5,411	4,086	48	38
Net Defined Benefit Asset	14,563	7,574	131	71
Deferred Income Taxes	41,732	38,723	375	364
Customers' Liabilities for Acceptances and Guarantees	104,966	102,699	945	966
Reserve for Possible Loan Losses	(190,601)	(206,262)	(1,717)	(1,941)
Total Assets	¥ 11,818,536	¥ 11,957,351	\$ 106,482	\$ 112,550

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	
	2019	2018	2019	2018
LIABILITIES				
Deposits	¥ 5,051,357	¥ 4,885,242	\$ 45,511	\$ 45,983
Negotiable Certificates of Deposit	284,360	257,122	2,562	2,420
Shoko Chukin Bank Debentures	4,237,910	4,459,140	38,182	41,972
Payables under Securities Lending Transactions	593,243	580,278	5,345	5,461
Trading Liabilities	8,404	12,653	75	119
Borrowed Money	404,589	524,579	3,645	4,937
Foreign Exchange	30	8	0	0
Other Liabilities	90,346	105,991	814	997
Reserve for Bonuses	4,616	4,635	41	43
Net Defined Benefit Liability	24,062	24,830	216	233
Reserve for Retirement Benefits for Directors	41	114	0	1
Reserve for Losses on Refund for Dormant Bonds	50,243	27,395	452	257
Reserve for Environmental Measures	144	143	1	1
Other Reserves	84	80	0	0
Deferred Tax Liabilities	52	51	0	0
Acceptances and Guarantees	104,966	102,699	945	966
Total Liabilities	10,854,453	10,984,966	97,796	103,397
NET ASSETS				
Capital	218,653	218,653	1,970	2,058
Crisis Response Reserve	135,000	150,000	1,216	1,411
Special Reserve under the Shoko Chukin Bank Law	400,811	400,811	3,611	3,772
Capital Surplus	0	0	0	0
Retained Earnings	197,906	186,973	1,783	1,759
Treasury Stock	(1,061)	(1,049)	(9)	(9)
Total Shareholders' Equity	951,309	955,388	8,571	8,992
Unrealized Gains on Other Securities	21,333	25,543	192	240
Deferred Hedge Gains	5	24	0	0
Remeasurements of Defined Benefit Plans	(12,362)	(12,367)	(111)	(116)
Total Accumulated Other Comprehensive Income	8,976	13,199	80	124
Non-controlling Interests	3,796	3,796	34	35
Total Net Assets	964,082	972,384	8,686	9,152
Total Liabilities and Net Assets	¥ 11,818,536	¥ 11,957,351	\$ 106,482	\$ 112,550

Consolidated Statements of Operations

The Shoko Chukin Bank, Ltd. and Subsidiaries For the years ended March 31, 2019 and 2018

	Millions of yen		Millions of U.S. dollars	
	2019	2018	2019	2018
Operating Income	¥ 181,244	¥ 204,707	\$ 1,632	\$ 1,926
Interest Income	101,915	113,169	918	1,065
Interest on Loans	92,432	103,682	832	975
Interest and Dividends on Securities	5,606	5,726	50	53
Interest on Call Loans and Interest on Bills Purchased	1,264	857	11	8
Interest on Deposits	1,247	1,232	11	11
Interest on Interest Swaps	21	32	0	0
Other Interest Income	1,343	1,637	12	15
Fees and Commissions	10,173	9,892	91	93
Trading Revenue	2,948	2,579	26	24
Other Operating Income	35,844	35,833	322	337
Other Income	30,362	43,232	273	406
Reversal of Allowance for Possible Loan Losses	—	20,925	—	196
Collection of Written-off Claims	46	100	0	0
Other Income	30,315	22,206	273	209
Operating Expenses	149,045	146,207	1,342	1,376
Interest Expenses	7,435	7,640	66	71
Interest on Deposits	2,971	2,843	26	26
Interest on Negotiable Certificates of Deposit	1,080	612	9	5
Interest on Debentures	1,554	2,096	14	19
Interest on Call Money and Interest on Bills Sold	(1)	(16)	(0)	(0)
Interest on Payables under Repurchase Agreements	—	0	—	0
Interest on Securities Lending Transactions	57	45	0	0
Interest on Borrowed Money	1,732	2,017	15	18
Other Interest Expenses	38	40	0	0
Fees and Commissions	2,072	2,665	18	25
Trading Expenses	9	0	0	0
Other Operating Expenses	32,490	31,734	292	298
General and Administrative Expenses	78,897	78,570	710	739
Other Expenses	28,140	25,595	253	240
Provision for Possible Loan Losses	1,538	—	13	—
Other Expenses	26,601	25,595	239	240
Profit before Income Taxes and Other	32,199	58,499	290	550
Other Gains	686	105	6	0
Gains on Disposal of Fixed Assets	686	105	6	0
Other Losses	6,850	745	61	7
Losses on Disposal of Fixed Assets	89	187	0	1
Impairment Losses	6,760	558	60	5
Profit before Income Taxes	26,034	57,859	234	544
Provision for Income Taxes	11,757	13,681	105	128
Adjustment for Income Taxes	(1,156)	6,835	(10)	64
Total Income Taxes	10,601	20,516	95	193
Profit	15,433	37,342	139	351
Profit Attributable to Non-controlling Interests	3	3	0	0
Profit Attributable to Owners of Parent	¥ 15,430	¥ 37,339	\$ 139	\$ 351

Consolidated Statements of Comprehensive Income

The Shoko Chukin Bank, Ltd. and Subsidiaries For the years ended March 31, 2019 and 2018

	Millions of yen		Millions of U.S. dollars	
	2019	2018	2019	2018
Profit	¥ 15,433	¥ 37,342	\$ 139	\$ 351
Other Comprehensive Income	(4,223)	4,235	(38)	39
Unrealized Gains on Other Securities	(4,209)	2,002	(37)	18
Deferred Hedge Gains	(18)	(23)	(0)	(0)
Remeasurements of Defined Benefit Plans	5	2,257	0	21
Comprehensive Income	11,210	41,578	101	391
Total Comprehensive Income Attributable to Owners of Parent	11,206	41,575	100	391
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, 2019 and 2018

Millions of yen

	Shareholders' Equity						Total Shareholders' Equity
	Capital	Crisis Response Reserve	Special Reserve	Capital Surplus	Retained Earnings	Treasury Stock	
Balance, April 1, 2018	¥ 218,653	¥ 150,000	¥ 400,811	¥ 0	¥ 186,973	¥ (1,049)	¥ 955,388
Changes during the Period							
Payment to National Treasury of Crisis Response Reserve		(15,000)					(15,000)
Dividends from Surplus					(4,497)		(4,497)
Profit Attributable to Owners of Parent					15,430		15,430
Acquisition of Treasury Stock						(11)	(11)
Disposition of Treasury Stock				0		0	0
Net Changes of Items Other Than Shareholders' Equity							
Total Changes during the Period	—	(15,000)	—	0	10,932	(11)	(4,078)
Balance, March 31, 2019	¥ 218,653	¥ 135,000	¥ 400,811	¥ 0	¥ 197,906	¥ (1,061)	¥ 951,309

	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, 2018	¥ 25,543	¥ 24	¥ (12,367)	¥ 13,199	¥ 3,796	¥ 972,384
Changes during the Period						
Payment to National Treasury of Crisis Response Reserve						(15,000)
Dividends from Surplus						(4,497)
Profit Attributable to Owners of Parent						15,430
Acquisition of Treasury Stock						(11)
Disposition of Treasury Stock						0
Net Changes of Items Other Than Shareholders' Equity	(4,209)	(18)	5	(4,223)	—	(4,223)
Total Changes during the Period	(4,209)	(18)	5	(4,223)	—	(8,302)
Balance, March 31, 2019	¥ 21,333	¥ 5	¥ (12,362)	¥ 8,976	¥ 3,796	¥ 964,082

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, 2019 and 2018

Millions of yen

	Shareholders' Equity						
	Capital	Crisis Response Reserve	Special Reserve	Capital Surplus	Retained Earnings	Treasury Stock	Total Shareholders' Equity
Balance, April 1, 2017	¥ 218,653	¥ 150,000	¥ 400,811	¥ 0	¥ 154,131	¥ (1,038)	¥ 922,557
Changes during the Period							
Payment to National Treasury of Crisis Response Reserve							
Dividends from Surplus					(4,497)		(4,497)
Profit Attributable to Owners of Parent					37,339		37,339
Acquisition of Treasury Stock						(11)	(11)
Disposition of Treasury Stock							
Net Changes of Items Other Than Shareholders' Equity							
Total Changes during the Period	—	—	—	—	32,841	(11)	32,830
Balance, March 31, 2018	¥ 218,653	¥ 150,000	¥ 400,811	¥ 0	¥ 186,973	¥ (1,049)	¥ 955,388

	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, 2017	¥ 23,540	¥ 48	¥ (14,625)	¥ 8,964	¥ 3,796	¥ 935,318	
Changes during the Period							
Payment to National Treasury of Crisis Response Reserve							
Dividends from Surplus						(4,497)	
Profit Attributable to Owners of Parent						37,339	
Acquisition of Treasury Stock						(11)	
Disposition of Treasury Stock							
Net Changes of Items Other Than Shareholders' Equity	2,002	(23)	2,257	4,235	—	4,235	
Total Changes during the Period	2,002	(23)	2,257	4,235	—	37,066	
Balance, March 31, 2018	¥ 25,543	¥ 24	¥ (12,367)	¥ 13,199	¥ 3,796	¥ 972,384	

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, 2018	\$ 1,970	\$ 1,351	\$ 3,611	\$ 0	\$ 1,684	\$(9)	\$ 8,607
Changes during the Period							
Payment to National Treasury of Crisis Response Reserve		(135)					(135)
Dividends from Surplus					(40)		(40)
Profit Attributable to Owners of Parent					139		139
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	—	(135)	—	0	98	(0)	(36)
Balance, March 31, 2019	\$ 1,970	\$ 1,216	\$ 3,611	\$ 0	\$ 1,783	\$(9)	\$ 8,571

	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, 2018	\$ 230	\$ 0	\$(111)	\$ 118	\$ 34	\$ 8,761
Changes during the Period						
Payment to National Treasury of Crisis Response Reserve						(135)
Dividends from Surplus						(40)
Profit Attributable to Owners of Parent						139
Acquisition of Treasury Stock						(0)
Disposition of Treasury Stock						0
Net Changes of Items Other Than Shareholders' Equity	(37)	(0)	0	(38)	—	(38)
Total Changes during the Period	(37)	(0)	0	(38)	—	(74)
Balance, March 31, 2019	\$ 192	\$ 0	\$(111)	\$ 80	\$ 34	\$ 8,686

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, 2019 and 2018

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, 2017	\$ 2,058	\$ 1,411	\$ 3,772	\$ 0	\$ 1,450	\$(9)	\$ 8,683
Changes during the Period							
Payment to National Treasury of Crisis Response Reserve							
Dividends from Surplus					(42)		(42)
Profit Attributable to Owners of Parent					351		351
Acquisition of Treasury Stock						(0)	(0)
Disposition of Treasury Stock							
Net Changes of Items Other Than Shareholders' Equity							
Total Changes during the Period	—	—	—	—	309	(0)	309
Balance, March 31, 2018	\$ 2,058	\$ 1,411	\$ 3,772	\$ 0	\$ 1,759	\$(9)	\$ 8,992

	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, 2017	\$ 221	\$ 0	\$(137)	\$ 84	\$ 35	\$ 8,803
Changes during the Period						
Payment to National Treasury of Crisis Response Reserve						
Dividends from Surplus						(42)
Profit Attributable to Owners of Parent						351
Acquisition of Treasury Stock						(0)
Disposition of Treasury Stock						
Net Changes of Items Other Than Shareholders' Equity	18	(0)	21	39	—	39
Total Changes during the Period	18	(0)	21	39	—	348
Balance, March 31, 2018	\$ 240	\$ 0	\$(116)	\$ 124	\$ 35	\$ 9,152

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 ¥110.99=U.S.\$1.00, the approximate rate of exchange prevailing as of March 31, 2019, has been used for translation purposes for the year ended March 31, 2019, and ¥106.24=U.S.\$1.00, the approximate rate of exchange prevailing as of March 31, 2018, has been used for translation purposes for the year ended March 31, 2018. 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 subsidiary: 1 company

Names of non-consolidated subsidiary:

YAESU MIDORI KANREN JIGYOU KYOUDOUKUMIAI

Non-consolidated subsidiary is excluded from the scope of consolidation because its 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 subsidiary that is not accounted for by the equity method: 1 company
Names of non-consolidated subsidiary that is 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 subsidiary that is not accounted for by the equity method is excluded from the scope of the equity method because its 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 Reserve is the estimated amount of Reserve for Sales Promotion to provide for the exchange of items.
- (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.

CHANGE IN ACCOUNTING POLICIES

The Bank has adopted "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28, February 16, 2018) from the beginning of the consolidated fiscal year ended March 31, 2019. The method to treat taxable temporary difference pertaining to stock of subsidiaries is changed to a method where deferred tax liabilities are not recognized because the Bank has not made decision on or has no plan for selling stock of subsidiaries within the foreseeable future. The effect of this change is immaterial, therefore, the amount due to the effect is recognized under Adjustment for Income Taxes in the consolidated fiscal year ended March 31, 2019. In addition, the effect this change gives to per share information is immaterial.

UNAPPLIED ACCOUNTING STANDARDS

"Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 30, 2018")

"Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30, March 30, 2018")

(1) Overview

This is a comprehensive accounting standard for revenue recognition where revenue is recognized by applying the following five steps.

Step 1: Identify contracts with customers.

Step 2: Identify performance obligations in the contracts.

Step 3: Calculate the transaction price.

Step 4: Allocate the transaction price to the performance obligations in the contracts.

Step 5: Recognize revenue when (or as) the entity satisfies the performance obligations.

(2) Date of adoption

The Implementation Guidance is scheduled to be adopted from the beginning of the year ended March 31, 2022.

(3) Effect of adopting the accounting standards, etc.

The effect is under evaluation when consolidated financial statements are prepared.

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.

CONSOLIDATED BALANCE SHEETS

1. In Loans, loans to bankrupt companies total ¥56,097 million and overdue loans total ¥283,905 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 ¥402 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 ¥23,172 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 ¥363,577 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 ¥193,568 million.

6. Assets provided as collateral are as follows.

Assets provided as collateral:	
Securities	¥1,024,919 million
Liabilities corresponding to collateral assets:	
Deposits	¥2,360 million
Payables under Securities Lending Transactions	¥593,243 million
Borrowings	¥202,631 million

In addition to the above amounts, securities worth ¥3,900 million have been provided as collateral for foreign currency settlements or substituted for futures margin money, etc.

Other Assets include ¥77,944 million of Cash Collateral Received for Financial Instruments and ¥2,122 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 ¥1,252,330 million. Of this amount, ¥1,181,741 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 ¥68,794 million.
9. Advanced depreciation of Tangible Fixed Assets is ¥17,367 million.
(There is no advanced depreciation for the current fiscal period.)
10. Borrowings include loans payable under subordination covenant totaling ¥15,000 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 ¥85,738 million.

CONSOLIDATED STATEMENTS OF OPERATIONS

- Other Income includes ¥28,443 million of revenue from dormant bonds.
- General and Administrative Expenses include ¥40,813 million of salaries and allowances.
- Other Expenses include ¥351 million of Write-off of Loans, ¥152 million of Write-off of Stocks, ¥24,855 million of provision for reserves for losses on refund for dormant bonds.
- Regarding the following assets held by the Bank in Tokyo Metropolitan and other areas, the Bank recognized impairment losses because the amount invested in the assets are no longer expected to be recovered due to a decrease in cash flows from operating activities, continuous decline in land prices, changes to their intended use, and planned disposal of the assets. The impairment losses on Land and Buildings, etc. consists of ¥1,176 million for 21 branch offices and ¥5,584 million for assets planned for disposal and idle assets in 2 locations. Upon the calculation of impairment losses, the Bank groups the assets based on individual branch unit, which is the smallest unit used in managerial accounting. Each asset planned for disposal and idle asset is treated as individual unit, and head office, administration centers, and residences are treated as jointly used assets since they do not generate cash flow independently. The recoverable amount is principally calculated based on net realizable value. The net realizable value is calculated by deducting the estimated disposal cost from appraisal value determined in accordance with the real estate appraisal standards.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

	Millions of yen	
	2019	2018
Unrealized Gains on Other Securities		
Amount arising during the current fiscal year	¥ (5,824)	¥ 3,305
Reclassification Adjustments	(231)	(424)
Before adjustment of Deferred Income Tax	(6,056)	2,880
Deferred Income Tax	1,846	(878)
Unrealized Gains on Other Securities	(4,209)	2,002
Deferred Hedge Gains		
Amount arising during the current fiscal year	(5)	(2)
Reclassification Adjustments	(21)	(32)
Before adjustment of Deferred Income Tax	(27)	(34)
Deferred Income Tax	8	10
Deferred Hedge Gains	(18)	(23)
Remeasurements of Defined Benefit Plans		
Amount arising during the current fiscal year	(2,202)	1,148
Reclassification Adjustments	2,210	2,098
Before adjustment of Deferred Income Tax	8	3,247
Deferred Income Tax	(2)	(990)
Remeasurements of Defined Benefit Plans	5	2,257
Total Other Comprehensive Income (Loss)	¥ (4,223)	¥ 4,235

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

- Fiscal Year Ended March 31, 2019 (April 1, 2018 to March 31, 2019)

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

(Thousand shares)					
	Number of Shares as of April 1, 2018	Increase	Decrease	Number of Shares as of March 31, 2019	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	10,142	62	0	10,204	(Note)
Total	10,142	62	0	10,204	

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

- (2) Matters Relating to Dividends

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

Resolution	Type of Capital Subscription Unit	Total Amount of Cash Dividends Paid (Millions of Yen)	Cash Dividend per Capital Subscription Unit (Yen)	Record Date	Effective Date
Ordinary General Meeting of Shareholders held on June 21, 2018	Common stock (government portion)	1,016	1.0 (Note)	March 31, 2018	June 25, 2018
	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, 2019 included in cash dividends for which the base date falls within the fiscal year ended March 31, 2019

	Type of Shares	Total Amount of Cash Dividends Paid (Millions of Yen)	Source of Cash Dividend Payment	Cash Dividend per Common Stock (Yen)	Record Date	Effective Date
Ordinary General Meeting of Shareholders held on June 20, 2019	Common stock (government portion)	1,016	Retained earnings	1.0 (Note 1)	March 31, 2019	Ordinary General Meeting of Shareholders held on June 20, 2019 and after competent minister authorization (Note 2)
	Common stock (nongovernment portion)	3,480		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, 2018 (April 1, 2017 to March 31, 2018)

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

(Thousand shares)

	Number of Shares as of April 1, 2017	Increase	Decrease	Number of Shares as of March 31, 2018	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	10,076	65	—	10,142	(Note)
Total	10,076	65	—	10,142	

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 22, 2017	Common stock (government portion)	1,016	1.0 (Note)	March 31, 2017	June 26, 2017
	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, 2018 included in cash dividends for which the base date falls within the fiscal year ended March 31, 2018

	Type of Shares	Total Amount of Cash Dividends Paid (Millions of Yen)	Source of Cash Dividend Payment	Cash Dividend per Common Stock (Yen)	Record Date	Effective Date
Ordinary General Meeting of Shareholders held on June 21, 2018	Common stock (government portion)	1,016	Retained earnings	1.0 (Note 1)	March 31, 2018	Ordinary General Meeting of Shareholders held on June 21, 2018 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, 2019

CAPITAL RATIO (Uniform International Standards)		(¥100 million, %)
		(As of March 31, 2019)
1. Total Risk-weighted Capital Ratio (4/7)		12.99
2. Tier 1 Risk-weighted Capital Ratio (5/7)		12.30
3. Common Equity Tier 1 Risk-weighted Capital Ratio (6/7)		12.30
4. Total Capital		9,898
5. Tier 1 Capital		9,373
6. Common Equity Tier 1 Capital		9,373
7. Risk-weighted Assets		76,171
8. Total Required Capital		6,093
LEVERAGE RATIO (Uniform International Standards)		(%)
		(As of March 31, 2019)
Leverage Ratio		7.73